

## Subsea 7 S.A. Announces Second Quarter & Half Year 2012 Results

**Luxembourg – 9 August 2012** – Subsea 7 S.A. (the “Group”) (Oslo Børs: SUBC) announced today results for the second quarter and first half 2012 which ended on 30 June 2012. Unless otherwise stated, the comparative period is the three and seven months ended 30 June 2011 for Subsea 7 S.A. and the results of Subsea 7 Inc. following the date of combination.

<i>In \$ millions, except Adjusted EBITDA margin %</i>	<i>Three Months Ended</i>		<i>Half Year</i>		<i>For Information</i>
	<b>30 Jun 12 Unaudited</b>	30 Jun 11 Unaudited	<b>Six Months Ended 30 Jun 12 Unaudited</b>	Seven Months Ended 30 Jun 11 Unaudited	Six Months Ended 30 Jun 11 Unaudited
	<b>Revenue</b>	<b>1,484</b>	1,335	<b>2,942</b>	2,627
<b>Adjusted EBITDA<sup>1</sup></b>	<b>326</b>	307	<b>551</b>	497	472
<b>Adjusted EBITDA margin %<sup>1</sup></b>	<b>22.0%</b>	23.0%	<b>18.7%</b>	18.9%	19.6%
<b>Net operating income</b>	<b>246</b>	210	<b>400</b>	304	291
<b>Gain on sale of NKT Flexibles</b>	<b>220</b>	-	<b>220</b>	-	-
<b>Net income</b>	<b>411</b>	126	<b>504</b>	171	163
<b>Backlog</b>	<b>8,285</b>	7,883	<b>8,285</b>	7,883	7,883
<b>Cash and cash equivalents</b>	<b>752</b>	598	<b>752</b>	598	598
<b>Net assets</b>	<b>5,791</b>	5,639	<b>5,791</b>	5,639	5,639
<b>Earnings per share – in \$ per share</b>					
<b>Diluted earnings per share</b>	<b>\$1.11</b>	\$0.32	<b>\$1.35</b>	\$0.48	\$0.45
<b>Adjusted diluted earnings per share<sup>1</sup></b>	<b>\$0.52</b>	\$0.32	<b>\$0.77</b>	\$0.48	\$0.45
<b>Weighted average number of common shares</b>	<b>374.4m</b>	386.2m	<b>376.8m</b>	355.4m	380.5m

**Jean Cahuzac, Chief Executive Officer, said:**

“I am pleased with our results. We have delivered a good second quarter and expect full year Adjusted EBITDA to be in line with consensus expectations.

Our positive views on the market have not changed as we have not seen an impact from oil price volatility or macro-economic uncertainties on our clients’ plans, albeit we remain vigilant. We still expect the present high level of bidding activity to translate into market awards later this year, in particular in the North Sea, Africa and Brazil.

We have completed the divestiture of NKT Flexibles in accordance with plan during the quarter. Since the quarter-end, in addition to completing the \$200m share buyback and distributing a special dividend of \$0.60 per share, we have also completed the spin-off of Veripos. We are on track with our fleet investment program and continue to strengthen our global engineering and project management capabilities to meet our clients’ needs.”

**Territory outlook:**

In West Africa, market award of some large SURF contracts has been delayed by a few months. As a consequence, the offshore execution of the majority of these new projects is now expected to start in 2014.

<sup>1</sup> For explanations and a reconciliation of Adjusted EBITDA, Adjusted EBITDA margin and Adjusted earnings per share please refer to notes 6 and 7 to the Condensed Consolidated Financial Statements included herein. Adjusted diluted earnings per shares excludes the gain on sale of NKT Flexibles

In the North and Norwegian Seas, levels of tendering remain strong with improved pricing. While our operations in Q2 have been somewhat impacted by weather, we expect results to continue to improve year-on-year as low margin contracts awarded in prior years are phased out.

In the Gulf of Mexico, we see an increased number of prospects in the medium term as our clients' activity slowly picks up.

In Brazil, we expect Petrobras's demand for PLSV vessels to remain strong in the years to come. Four Subsea 7 vessel contracts are due to complete in the second half of 2013, and we are currently reviewing our options for their renewal. Our Guara Lula project execution remains on track to achieve its revised targets as previously announced.

In Asia Pacific, pricing conditions remain more challenging than in other parts of the world. However, we expect projects to come to market award later this year, with associated offshore activity in late 2013 and beyond. As previously announced, the contribution of the SapuraAcergy joint venture will be affected by the revised schedule of the offshore operations of the Gumusut project which are now planned for 2013.

In this growing worldwide market, the key challenges for the industry continue to be the availability of qualified and experienced personnel, and the need to manage an increasingly tight supply chain and assure reliability in complex project delivery. We are today well positioned to manage these challenges. Our engineering and project management capabilities, the size of our fleet and our financial strength position Subsea 7 well for long-term profitable growth.

**CONFERENCE CALL DETAILS**

Conference Call Information	Replay Facility Details
Lines will open 15 minutes prior to conference call.	A replay facility will be available for the following period:
Date: Thursday Aug 9, 2012 Time: 12.00 UK Time	Date: Thursday Aug 9, 2012 Time: 14:00 UK Time
Conference Dial In Numbers: UK 0800 694 0257 USA 1 631 510 7498 France 0176 742 428 Norway 8001 9414 Germany 0692 222 4918	Date: Wednesday Aug 22, 2012 Time: 14:00 UK Time
International Dial In: +44 (0) 1452 555 566	Conference Replay Dial In Number: International Dial In: +44 (0) 1452 550 000
Conference ID: 10183294	Conference ID: 10183294#

Alternatively, a live webcast and a playback facility will be available on our website [www.subsea7.com](http://www.subsea7.com)

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 Subsea 7 S.A. is a seabed-to-surface engineering, construction and services contractor to the offshore energy industry worldwide.  
 We provide integrated services, and we plan, design and deliver complex projects in harsh and challenging environments.  
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If you no longer wish to receive our press releases please contact: [ir@subsea7.com](mailto:ir@subsea7.com)

**Forward-Looking Statements:** Certain statements made in this announcement may include "forward-looking statements". These statements may be identified by the use of words like "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "forecast", "project," "will," "should," "seek," and similar expressions. The forward-looking statements reflect our current views and assumptions and are subject to risks and uncertainties. The principal risks and uncertainties which could impact the Company and the factors affecting the business results are outlined in the "Risk factors" section in the Company's Annual Report and Financial Statements. These factors, and others which are discussed in our public filings, are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: actions by regulatory authorities or other third parties; unanticipated costs and difficulties related to the integration of Subsea 7 S.A. and Subsea 7 Inc. and our ability to achieve benefits therefrom; our ability to recover costs on significant projects; the general economic conditions and competition in the markets and businesses in which we operate; our relationship with significant clients; the outcome of legal and administrative proceedings or governmental enquiries; uncertainties inherent in operating internationally; the timely delivery of ships on order and the timely completion of ship conversion programmes; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Given these factors, you should not place undue reliance on the forward-looking statements.

## Interim Management Report: Financial Review

The results for the second quarter 2012 reflect the three months ended 30 June 2012. The comparative period, unless otherwise stated, is the three months ended 30 June 2011.

The results for the first half 2012 are for the six months ended 30 June 2012. The comparative period, unless otherwise stated, is for the seven month period from 1 December 2010 to 30 June 2011.

### Second Quarter 2012

Revenue for the quarter was \$1,484 million (Q2 2011: \$1,335 million), driven by high activity levels in the North and Norwegian Seas and good performance in APME, partially offset by lower activity levels in West Africa. Vessel utilisation improved to 87% in Q2 2012 from 80% in Q2 2011.

Gross profit was \$291 million (Q2 2011: \$273 million) at a gross profit margin of 19.6% (Q2 2011: 20.4%). The increase in gross profit was driven predominately by an increased contribution from NSMC, which more than offset lower contributions from AFGoM and Brazil. There were increased activity levels in the North and Norwegian Seas, and NSMC significantly improved gross profit despite the impact of poor weather at the start of the quarter and continued margin pressure from projects awarded in 2010 which are currently operational. In Brazil, the deterioration in gross profit reflected planned dry-dockings in the period. AFGoM's gross profit margin for the quarter was lower than the prior year period due to a change in project mix and timing, and a dry-docking in the period. APME saw an improvement in gross profit in Q2 2012 compared to Q2 2011 due to higher activity.

Administrative expenses were \$77 million (Q2 2011: \$97 million). The year-on-year reduction was mainly due to lower integration and restructuring costs compared to Q2 2011.

The Group's share of results of associates and joint ventures was \$33 million (Q2 2011: \$34 million) mainly consisting of contributions from Seaway Heavy Lifting and SapuraAcergy. The year-on-year reduction was due to the reclassification of NKT Flexibles to an asset held for sale, partly offset by a higher contribution from SapuraAcergy.

The Adjusted EBITDA margin for the quarter was 22.0% (Q2 2011: 23.0%).

During the quarter, other gains and losses amounted to a net gain of \$263 million (Q2 2011: net loss of \$14 million). This was mainly attributable to a \$220 million gain recognised on the sale of the Group's share of NKT Flexibles and net foreign exchange gains of \$44 million in Q2 2012 compared to net foreign exchange losses of \$13 million in Q2 2011.

Finance costs were \$10 million and in line with Q2 2011.

Net income before taxes for the quarter was \$504 million (Q2 2011: \$190 million), and included the \$220 million gain recognised on the sale of the Group's share of NKT Flexibles.

Excluding the impact of the non-recurring gain on sale of NKT Flexibles, the effective tax rate for the quarter was 32.8% (Q2 2011: 33.5%) and the tax charge was \$93m (Q2 2011: \$64 million). The underlying effective tax rate reflects the current geographical mix. The gain on sale of NKT Flexibles was exempt from tax.

Net income for the quarter was \$411 million (Q2 2011: \$126 million).

### Half Year 2012

Revenue for the half year was \$2,942 million (1H 2011: \$2,627 million) primarily due to high activity levels in NSMC, Brazil and APME, partially offset by lower activity levels in AFGoM.

Gross profit was \$538 million (1H 2011: \$461 million) at a gross profit margin of 18.3% (1H 2011: 17.6%). NSMC's gross profit improved significantly compared to the equivalent period in 2011, albeit with some continued margin pressure from projects awarded in 2010 which are currently operational. AFGoM saw a reduced gross profit margin on lower revenues despite continued high levels of offshore activity, while APME experienced improved gross profit on higher revenue. Brazil experienced a high level of vessel activity but profitability was affected by the execution of projects at low margins and dry-dockings in the period.

Administrative expenses were \$169 million (1H 2011: \$208 million), the decrease was primarily due to lower integration and restructuring costs in 1H 2012 compared to 1H 2011.

The Group's share of results of associates and joint ventures was \$31 million (1H 2011: \$51 million). The year-on-year reduction was due to the reclassification of NKT Flexibles as an asset held for sale from 4 Feb 2012, and a lower contribution from Seaway Heavy Lifting which incurred a loss in Q1 due to planned low utilisation as expected.

The Adjusted EBITDA margin for the half year was 18.7% (1H 2011: 18.9%).

During the first half of 2012, other gains and losses resulted in a net gain of \$261 million (1H 2011: net loss of \$31 million) primarily due to a \$220 million gain recognised on the sale of the Group's interest in NKT Flexibles and net foreign exchange gains of \$41m in 1H 2012 (mainly attributable to the strengthening of the US dollar) compared to net foreign exchange losses of \$30m in 1H 2011.

Finance costs were \$17 million (1H 2011: \$22 million). The decrease was due mainly to increased capitalisation of interest expense during the construction phase of the Borealis.

Net income before taxes for the half year was \$651 million (1H 2011: \$260 million).

Excluding the impact of the non-recurring gain on sale of NKT Flexibles, the effective tax rate for the half year period was 34.0% (1H 2011: 34.0%) and the tax charge was \$147 million (1H 2011: \$88 million). The underlying effective tax rate reflects the current geographical mix. The gain on sale of NKT Flexibles was exempt from tax.

Net income for the half year was \$504 million (1H 2011: \$171 million).

Net assets were \$5.8 billion as at 30 June 2012 (31 December 2011: \$5.8 billion).

The cash and cash equivalents position as at 30 June 2012 was \$752 million (31 December 2011: \$803 million). Cash generated from operations was \$124 million during the period. Capital expenditure and the share buy-back programme contributed significantly to cash outflows during the period.

## Interim Management Report: Operating Review

### Second Quarter 2012

**North Sea, Mediterranean and Canada (NSMC)** – Revenue for the second quarter was \$713 million (Q2 2011: \$523 million) due to increased activity compared to the same period in 2011. There was significant operational progress on a number of projects including Visund Sør, Jasmine, Skuld, Alta and Draugen. Life-of-Field operations under various frame agreements including Shell, DSVi, Statoil, ConocoPhillips, Total and BP contributed positively during the quarter. Net operating income was \$93 million (Q2 2011: \$45 million) primarily due to increased activity and high vessel utilisation.

**Africa and Gulf of Mexico (AFGoM)** – Revenue for the second quarter was \$538 million (Q2 2011: \$614 million). Although revenue in Q2 2012 was lower than in Q1 2012 due to project mix, there was significant progress on a number of projects, including Oso Re, EGP3B, Block 31 PSVM and CLOV. Net operating income was \$113 million down from \$151 million in Q2 2011 mainly as a result of reduced revenue and the scheduled dry-docking of the *Polaris*.

**Asia Pacific and Middle East (APME)** – Revenue for the second quarter was \$85 million (Q2 2011: \$41 million) with activity on the Lihua and Montara projects. Net operating income was \$27 million (Q2 2011: \$11 million) due to higher levels of activity and an improved contribution from the SapuraAcergy joint venture.

**Brazil (BRAZIL)** – Revenue for the second quarter was \$147 million (Q2 2011: \$155 million). Five of the seven vessels on long-term service agreements to Petrobras achieved high utilisation during the period. The *Seven Phoenix* and *Normand Seven* were in scheduled dry-docking for part of the quarter. The Guara Lula project continued to progress during the quarter. Brazil's loss was \$4 million (Q2 2011: net operating income \$17 million), due to the execution of projects at low margins and the impact of the dry-dockings.

**Corporate (CORP)** - Revenue for the second quarter was \$1 million (Q2 2011: \$3 million). Net operating profit was \$17 million (Q2 2011: net operating loss of \$14 million) mainly as a result of improved contributions from Seaway Heavy Lifting and significantly lower levels of integration costs compared to the same period in 2011.

## Half Year 2012

**North Sea, Mediterranean and Canada (NSMC)** – Revenue for the half year was \$1,291 million (1H 2011: \$831 million) reflecting operational progress on a number of projects including Dong Caisson, Orman Lange, Visund Sør, Jasmine, Skuld, Alta and Draugen. Life-of-Field operations under various frame agreements including Shell, DSVi, Statoil, ConocoPhillips, Total and BP also progressed during the half year. Net operating income was \$171 million (1H 2011: \$38 million) primarily due to increased activity and high vessel utilisation.

**Africa and Gulf of Mexico (AFGoM)** – Revenue for the half year was \$1,066 million (1H 2011: \$1,339 million). While revenue in 1H 2012 was lower than the equivalent period in 2011 due to the phasing of offshore execution of major projects, there was significant progress on a number of projects, including Oso Re, EGP3B, Block 31 PSVM and CLOV. Net operating income was \$206 million (1H 2011: \$269 million) reflecting high performance levels across the project portfolio, partially offset by a scheduled dry-docking of the *Polaris*.

**Asia Pacific and Middle East (APME)** – Revenue for the half year was \$171 million (1H 2011: \$105 million) reflecting activity on the Liuhua, Montara, and ONGC-G1 projects. As a result net operating income was \$30 million compared to \$12m in the equivalent period in 2011.

**Brazil (BRAZIL)** – Revenue for the half year was \$408 million (1H 2011: \$346 million) reflecting the seven vessels on long-term service agreements to Petrobras, which, excluding the two planned dry-dockings, achieved high utilisation during the period. The period also saw completion of the Roncador Manifold and P-56 Projects. Net operating income was \$3 million (1H 2011: \$21 million) reflecting low levels of project profitability and dry-dockings during the period.

**Corporate (CORP)** - Revenue for the half year was \$6 million (1H 2011: \$7 million). Net operating loss was \$10 million (1H 2011: net operating loss of \$36 million), and included administrative expenses partially offset by a significant contribution from Seaway Heavy Lifting. Integration costs were included within administrative expenses, and were significantly lower in 1H 2012 compared to 1H 2011 as the onshore integration process was substantially completed in 2011. The additional depreciation and amortisation arising from the fair valuation of the assets and liabilities acquired in the combination with Subsea 7 Inc., is also shown in this segment.

## Asset Development and Activities

### Second Quarter 2012

The Sonamet investment remained fully consolidated in the period ended 30 June 2012 although it continues to be classified as 'Assets held for sale'. After the completion of the sale and transfer of shares the business will be deconsolidated from the Group's financial statements and its future results will be reported as 'Share of results of associates and joint ventures'.

During the quarter, the final fit out of *Seven Borealis* continued. Work remains on track for final completion and operational delivery and she is expected to commence operations on the CLOV Project, offshore Angola, in Q4 2012.

*Seven Inagha*, a jack-up accommodation and crane barge, joined the fleet during the quarter and commenced operations on fixed platform conventional activities, offshore Nigeria.

Vessel utilisation during the second quarter was 87% (Q2 2011: 80%). There was high utilisation of vessels across all territories, despite planned dry-dockings in the quarter of two vessels in Brazil and the *Polaris*.

### Backlog

Backlog was \$8.3 billion as at 30 June 2012, of which approximately \$2.6 billion is expected to be executed in the remainder of 2012 and approximately \$3.7 billion is expected to be executed in 2013.

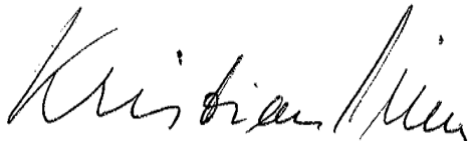
Reported backlog refers to expected future revenue under signed contracts, which are determined likely to be performed, but does not include backlog related to non-consolidated associates and joint ventures.

**Risks and uncertainties**

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year, and the factors affecting the business results are on pages 43 to 45 respectively, in the Group's 2011 Annual Report and Financial Statements. The Directors have considered the principal risks and uncertainties and believe that these have not changed significantly in the half-year which ended on 30 June 2012. These include, amongst others: business environment, seasonality, ship utilisation and scheduling, maintenance and reliability of assets, revision of estimates on major projects, currency exchange fluctuations and impairment charges. In particular, the significant risks faced by the Group over the remainder of the financial year relate to project execution, especially for those which will be in offshore phases.

**Responsibility statement**

We confirm that to the best of our knowledge, the consolidated financial information for the period 1 January 2012 to 30 June 2012 has been prepared in accordance with IAS 34 "Interim Financial Reporting" and gives a true and fair view of the Group's assets, liabilities, financial position and profit as a whole. We also confirm, to the best of our knowledge, that this report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the consolidated financial information and a description of the principal risks and uncertainties for the remaining six months of the financial year.



**Kristian Siem**  
Chairman



**Jean Cahuzac**  
Chief Executive Officer

**SUBSEA 7 S.A.**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
(In \$ millions, except per share data)

	Three Months Ended		Half Year	
	30 Jun 12	30 Jun 11	Six Months Ended 30 Jun 12	Seven Months Ended 30 Jun 11
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	1,484.3	1,335.4	2,942.3	2,627.1
Operating expenses	(1,193.7)	(1,062.4)	(2,404.3)	(2,165.8)
<b>Gross profit</b>	<b>290.6</b>	273.0	<b>538.0</b>	461.3
Administrative expenses	(77.3)	(97.3)	(169.0)	(208.2)
Share of results of associates and joint ventures	33.1	34.2	30.6	51.1
<b>Net operating income from operations</b>	<b>246.4</b>	209.9	<b>399.6</b>	304.2
Investment income	4.0	3.5	7.3	9.0
Other gains/(losses)	263.3	(13.8)	261.1	(31.1)
Finance costs	(9.8)	(9.9)	(17.3)	(22.4)
<b>Net income before taxes</b>	<b>503.9</b>	189.7	<b>650.7</b>	259.7
Taxation	(93.0)	(63.6)	(146.5)	(88.4)
<b>Net income</b>	<b>410.9</b>	126.1	<b>504.2</b>	171.3
<b>Net income attributable to:</b>				
Equity holders of the parent	413.3	118.3	505.1	158.3
Non-controlling interests	(2.4)	7.8	(0.9)	13.0
<b>Net income</b>	<b>410.9</b>	126.1	<b>504.2</b>	171.3
<b>Earnings per share</b>				
Basic	\$1.24	\$0.35	\$1.50	\$0.51
Diluted	\$1.11	\$0.32	\$1.35	\$0.48
Adjusted <sup>1</sup>	\$0.52	\$0.32	\$0.77	\$0.48

<sup>1</sup> For explanations and a reconciliation of Adjusted earnings per share, refer to note 6 to the Condensed Consolidated Financial Statements included herein. Adjusted earnings per shares excludes the gain on sale of NKT Flexibles.



**SUBSEA 7 S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(In \$ millions)

	Three Months Ended		Half Year	
	30 Jun 12	30 Jun 11	Six Months Ended 30 Jun 12	Seven Months Ended 30 Jun 11
	Unaudited	Unaudited	Unaudited	Unaudited
<b>Net income</b>	<b>410.9</b>	126.1	<b>504.2</b>	171.3
Foreign currency translation	<b>(118.4)</b>	12.4	<b>(44.5)</b>	84.6
Cash flow hedges:				
(Losses)/gains on cash flow hedges	<b>(39.6)</b>	4.3	<b>(23.5)</b>	49.8
Transferred to income statement on cash flow hedges	<b>2.5</b>	1.9	<b>1.8</b>	-
Transferred to the initial carrying amount of hedged items on cash flow hedges	<b>1.1</b>	-	<b>0.5</b>	0.2
Share of other comprehensive income/(loss) of associates and joint ventures	<b>1.4</b>	(5.6)	<b>1.1</b>	3.2
Actuarial losses on defined benefit pension schemes	-	-	-	(0.7)
Tax relating to components of other comprehensive income	<b>7.9</b>	(16.8)	<b>4.6</b>	(16.2)
<b>Other comprehensive (loss)/income – net of tax</b>	<b>(145.1)</b>	(3.8)	<b>(60.0)</b>	120.9
<b>Total comprehensive income</b>	<b>265.8</b>	122.3	<b>444.2</b>	292.2
<b>Total comprehensive income/(loss) attributable to:</b>				
Equity holders of the parent	<b>269.0</b>	113.8	<b>445.7</b>	277.3
Non-controlling interests	<b>(3.2)</b>	8.5	<b>(1.5)</b>	14.9
<b>Total comprehensive income</b>	<b>265.8</b>	122.3	<b>444.2</b>	292.2

**SUBSEA 7 S.A.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(In \$ millions)

<b>ASSETS</b>	<b>As at 30 Jun 12 Unaudited</b>	<b>As at 31 Dec 11 Audited</b>
<b>Non-current assets</b>		
Goodwill	2,516.2	2,566.6
Intangible assets	23.3	34.9
Property, plant and equipment	3,546.7	3,352.2
Interest in associates and joint ventures	170.4	264.1
Advances, receivables and other non-current assets	67.5	74.8
Deferred tax assets	34.6	40.9
<b>Total non-current assets</b>	<b>6,358.7</b>	<b>6,333.5</b>
<b>Current assets</b>		
Inventories	61.0	57.4
Trade and other receivables	1,133.5	773.0
Other current assets	39.3	62.7
Assets classified as held for sale	352.7	319.4
Construction contracts - assets	484.2	515.1
Other accrued income and prepaid expenses	409.2	383.1
Cash and cash equivalents	752.2	803.4
<b>Total current assets</b>	<b>3,232.1</b>	<b>2,914.1</b>
<b><u>Total assets</u></b>	<b><u>9,590.8</u></b>	<b><u>9,247.6</u></b>
<b><u>EQUITY</u></b>		
<b>Capital and reserves attributable to equity holders</b>		
Issued share capital	703.6	703.6
Own shares	(470.8)	(278.5)
Paid in surplus	3,913.0	4,185.5
Equity reserves	278.6	278.6
Translation reserves	(80.2)	(36.3)
Other reserves	(111.1)	(95.6)
Retained earnings	1,527.6	1,023.7
<b>Equity attributable to equity holders of the parent</b>	<b>5,760.7</b>	<b>5,781.0</b>
Non-controlling interests	30.5	51.5
<b><u>Total equity</u></b>	<b><u>5,791.2</u></b>	<b><u>5,832.5</u></b>
<b><u>LIABILITIES</u></b>		
<b>Non-current liabilities</b>		
Non-current portion of borrowings	884.5	880.5
Retirement benefit obligation	29.1	29.4
Deferred tax liabilities	113.6	133.3
Other non-current liabilities	91.1	99.9
<b>Total non-current liabilities</b>	<b>1,118.3</b>	<b>1,143.1</b>
<b>Current liabilities</b>		
Trade and other liabilities	1,758.0	1,218.9
Current tax liabilities	231.0	190.3
Current portion of borrowings	12.8	12.9
Liabilities directly associated with assets classified as held for sale	117.9	188.4
Other current liabilities	71.2	67.2
Construction contracts - liabilities	344.5	383.6
Deferred revenue	145.9	210.7
<b>Total current liabilities</b>	<b>2,681.3</b>	<b>2,272.0</b>
<b><u>Total liabilities</u></b>	<b><u>3,799.6</u></b>	<b><u>3,415.1</u></b>
<b><u>Total equity and liabilities</u></b>	<b><u>9,590.8</u></b>	<b><u>9,247.6</u></b>

**SUBSEA 7 S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(In \$ millions)

Unaudited	Issued share capital	Own Shares	Paid in surplus	Equity reserves	Translation reserves	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
<b>Balance at 31 December 2011</b>	<b>703.6</b>	<b>(278.5)</b>	<b>4,185.5</b>	<b>278.6</b>	<b>(36.3)</b>	<b>(95.6)</b>	<b>1,023.7</b>	<b>5,781.0</b>	<b>51.5</b>	<b>5,832.5</b>
<b>Comprehensive income</b>										
Net income	-	-	-	-	-	-	505.1	<b>505.1</b>	(0.9)	<b>504.2</b>
Exchange differences	-	-	-	-	(43.9)	-	-	<b>(43.9)</b>	(0.6)	<b>(44.5)</b>
Loss on cash flow hedges	-	-	-	-	-	(21.2)	-	<b>(21.2)</b>	-	<b>(21.2)</b>
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	1.1	-	<b>1.1</b>	-	<b>1.1</b>
Tax relating to components of other comprehensive income	-	-	-	-	-	4.6	-	<b>4.6</b>	-	<b>4.6</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43.9)</b>	<b>(15.5)</b>	<b>505.1</b>	<b>445.7</b>	<b>(1.5)</b>	<b>444.2</b>
<b>Transactions with owners</b>										
Share based compensation	-	-	7.2	-	-	-	-	<b>7.2</b>	-	<b>7.2</b>
Shares reissued	-	5.1	-	-	-	-	-	<b>5.1</b>	-	<b>5.1</b>
Shares repurchased	-	(197.4)	-	-	-	-	-	<b>(197.4)</b>	-	<b>(197.4)</b>
Dividends declared	-	-	(279.7)	-	-	-	-	<b>(279.7)</b>	(19.5)	<b>(299.2)</b>
Loss on reissuance of own shares	-	-	-	-	-	-	(1.2)	<b>(1.2)</b>	-	<b>(1.2)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>(192.3)</b>	<b>(272.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.2)</b>	<b>(466.0)</b>	<b>(19.5)</b>	<b>(485.5)</b>
<b>Balance at 30 June 2012</b>	<b>703.6</b>	<b>(470.8)</b>	<b>3,913.0</b>	<b>278.6</b>	<b>(80.2)</b>	<b>(111.1)</b>	<b>1,527.6</b>	<b>5,760.7</b>	<b>30.5</b>	<b>5,791.2</b>

**SUBSEA 7 S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**  
(In \$ millions)

Unaudited	Issued share capital	Own Shares	Paid in surplus	Equity reserves	Translation reserves	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
<b>Balance at 30 November 2010</b>	<b>389.9</b>	<b>(209.2)</b>	<b>508.8</b>	<b>110.7</b>	<b>(80.2)</b>	<b>(90.3)</b>	<b>572.8</b>	<b>1,202.5</b>	<b>56.8</b>	<b>1,259.3</b>
<b>Comprehensive income</b>										
Net income	-	-	-	-	-	-	158.3	<b>158.3</b>	13.0	<b>171.3</b>
Exchange differences	-	-	-	-	82.7	-	-	<b>82.7</b>	1.9	<b>84.6</b>
Gains on cash flow hedges	-	-	-	-	-	50.0	-	<b>50.0</b>	-	<b>50.0</b>
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	3.2	-	<b>3.2</b>	-	<b>3.2</b>
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(0.7)	-	<b>(0.7)</b>	-	<b>(0.7)</b>
Tax relating to components of other comprehensive income	-	-	-	-	0.7	(16.9)	-	<b>(16.2)</b>	-	<b>(16.2)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83.4</b>	<b>35.6</b>	<b>158.3</b>	<b>277.3</b>	<b>14.9</b>	<b>292.2</b>
<b>Transactions with owners</b>										
Issue of shares	313.7	-	3,637.1	-	-	-	-	<b>3,950.8</b>	-	<b>3,950.8</b>
Share based compensation	-	-	32.5	-	-	-	-	<b>32.5</b>	-	<b>32.5</b>
Convertible loan notes acquired	-	-	-	189.6	-	-	-	<b>189.6</b>	-	<b>189.6</b>
Conversion and redemption of convertible loan notes	-	-	-	(21.7)	-	-	21.7	-	-	-
Shares reissued	-	64.1	-	-	-	-	-	<b>64.1</b>	-	<b>64.1</b>
Shares repurchased	-	(128.8)	-	-	-	-	-	<b>(128.8)</b>	-	<b>(128.8)</b>
Dividends declared	-	-	-	-	-	-	-	-	(26.8)	<b>(26.8)</b>
Gain on reissuance of own shares	-	-	-	-	-	-	6.3	<b>6.3</b>	-	<b>6.3</b>
<b>Total transactions with owners</b>	<b>313.7</b>	<b>(64.7)</b>	<b>3,669.6</b>	<b>167.9</b>	<b>-</b>	<b>-</b>	<b>28.0</b>	<b>4,114.5</b>	<b>(26.8)</b>	<b>4,087.7</b>
<b>Balance at 30 June 2011</b>	<b>703.6</b>	<b>(273.9)</b>	<b>4,178.4</b>	<b>278.6</b>	<b>3.2</b>	<b>(54.7)</b>	<b>759.1</b>	<b>5,594.3</b>	<b>44.9</b>	<b>5,639.2</b>

**SUBSEA 7 S.A.**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
(In \$ millions)

	Half Year	
	Six Months Ended 30 Jun 12 Unaudited	Seven Months Ended 30 Jun 11 Unaudited
<b>Net cash generated from operating activities</b>	<b>123.9</b>	<b>95.3</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property, plant and equipment	0.4	9.5
Purchase of property, plant and equipment	(338.4)	(455.7)
Proceeds from sale of subsidiary	343.4	-
Proceeds from sale of assets classified as held for sale	-	0.1
Purchases of intangible assets	-	(0.9)
Interest received	7.3	9.0
Cash from acquisition	-	458.9
Dividends received from associates and joint ventures	2.0	10.9
<b>Net cash generated from investing activities</b>	<b>14.7</b>	<b>31.8</b>
<b>Cash flows from financing activities:</b>		
Interest paid	(14.3)	(10.7)
Proceeds from borrowings, net of issuance costs	-	188.9
Repayment of borrowings	(5.8)	(172.9)
Proceeds from reissuance of ordinary shares	3.8	7.3
Own share buyback	(190.6)	(45.5)
Dividends paid to non-controlling interests	-	(9.3)
<b>Net cash used in financing activities</b>	<b>(206.9)</b>	<b>(42.2)</b>
Net (decrease)/increase in cash and cash equivalents	(68.3)	84.9
Cash and cash equivalents at beginning of the period	803.4	484.3
Effect of exchange rates on cash and cash equivalents	(13.7)	34.9
Decrease in restricted cash balances	44.1	-
Closing cash balances classified as assets held for sale	(65.3)	(69.6)
Opening cash balances classified as assets held for sale	52.0	63.7
<b>Cash and cash equivalents at end of the period</b>	<b>752.2</b>	<b>598.2</b>

**SUBSEA 7 S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of preparation**

The Condensed Consolidated Financial Statements for the period 1 January 2012 to 30 June 2012 for Subsea 7 S.A. have been prepared on a going concern basis and in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"). The Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the thirteen month period ended 31 December 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and as adopted by the EU.

**2. Accounting policies**

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the period ended 31 December 2011.

*Interim Financial Reporting and Impairment*

In accordance with International Financial Reporting Interpretation Committee ('IFRIC') interpretation 10, the Group shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The following new amendment to standards has been adopted from 1 January 2012:

- Amendments to IFRS 7 'Financial Instruments: Disclosures - Disclosures on transfers of financial assets'.

The adoption of the above amendment to standards had no material impact on the reported net income or net assets of the Group in the period.

**3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies which are described in the Consolidated Financial Statements for the period ended 31 December 2011, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Management makes accounting judgements on the following aspects of the business as described in full in the Consolidated Financial Statements for the period ended 31 December 2011:

- Revenue recognition on long-term contracts
- Revenue recognition on variation orders and claims
- Property, plant and equipment
- Impairment of investments in and advances to associates and joint ventures
- Goodwill carrying value
- Recognition of provisions and disclosure of contingent liabilities
- Taxation
- Fair value of derivatives and other financial instruments
- Share based payments
- Defined benefit pension scheme valuations

**SUBSEA 7 S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**4. Seasonality**

A significant portion of the Group's revenue in 2012 and 2011 was generated from work performed offshore West Africa where optimal weather conditions usually exist between October and April. The Group also generated a significant portion of its revenue in 2012 and 2011 in the North and Norwegian Seas. Adverse weather conditions during the winter months in this region usually result in low levels of activity.

The Group is expected to generate a significant portion of its full-year revenue from West Africa, the North Sea, the Norwegian Sea and Brazil. A full-year result is not likely to be a direct multiple of any particular quarter or combination of quarters. During certain periods of the year, the Group may be affected by delays caused by adverse weather conditions such as hurricanes or tropical storms. The Group continues to incur operating expenses during periods of adverse weather, but revenue from operations may only be recognised later in line with the percentage-of-completion method.

**5. Segmental Information**

For management and reporting purposes, the Group is organised into four territories, which are representative of its principal activities. In addition, the corporate segment (Corporate) includes all activities that serve more than one territory. These include the activities of the SHL and NKT joint ventures. Also included are: management of offshore personnel; captive insurance activities; and management and corporate services provided for the benefit of the whole Group. All assets are allocated to a specific territory; including vessels.

Below is a summary of the reporting segments for the period:

- North Sea, Mediterranean & Canada (NSMC)
- Africa & Gulf of Mexico (AFGoM)
- Brazil (BRAZIL)
- Asia Pacific & Middle East (APME) including SapuraAcergy
- Corporate (CORP) including NKT Flexibles for the period 1 January 2012 to 3 February 2012 when it was classified as an 'Asset held for sale' and Seaway Heavy Lifting (SHL)

Total assets by segment are not regularly provided to the Chief Operating Decision Maker and consequently no such disclosure is included.

(Unaudited, In \$ millions)	NSMC	AFGoM	APME	BRAZIL	CORP	Total operations
<b>Three Months Ended 30 Jun 12</b>						
Revenue	713.1	537.9	85.2	146.8	1.3	1,484.3
Net operating income/(loss)	93.1	112.6	27.4	(3.9)	17.2	246.4
Investment income						4.0
Other gains/(losses)						263.3
Finance costs						(9.8)
Net income before taxation						503.9
<b>Three Months Ended 30 Jun 11</b>						
Revenue	523.4	613.6	40.9	154.9	2.6	1,335.4
Net operating income/(loss)	45.1	150.9	10.5	17.3	(13.9)	209.9
Investment income						3.5
Other gains/(losses)						(13.8)
Finance costs						(9.9)
Net income before taxation						189.7

**SUBSEA 7 S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**5. Segmental Information (Continued)**

(Unaudited, In \$ millions)	NSMC	AFGoM	APME	BRAZIL	CORP	Total operations
<b>Six Months Ended 30 Jun 12</b>						
Revenue	1,291.3	1,066.0	170.8	408.0	6.2	2,942.3
Net operating income/(loss)	170.7	206.4	30.2	2.7	(10.4)	399.6
Investment income						7.3
Other gains/(losses)						261.1
Finance costs						(17.3)
Net income before taxation						650.7
<b>Seven Months Ended 30 Jun 11</b>						
Revenue	831.2	1,338.7	104.8	345.5	6.9	2,627.1
Net operating income/(loss)	37.6	268.9	12.3	21.1	(35.7)	304.2
Investment income						9.0
Other gains/(losses)						(31.1)
Finance costs						(22.4)
Net income before taxation						259.7

**6. Earnings per share**

(In \$ millions, except share and per share data)	Three Months Ended		Half Year	
	30 Jun 12	30 Jun 11	Six Months Ended 30 Jun 12	Seven Months Ended 30 Jun 11
	Unaudited	Unaudited	Unaudited	Unaudited
Net income attributable to equity holders	413.3	118.3	505.1	158.3
Interest expense on dilutive convertible notes	2.3	5.4	4.8	12.3
Adjusted net income	415.6	123.7	509.9	170.6
Weighted-average number of common shares:				
Basic number of shares	334,027,497	339,008,583	336,387,212	310,859,563
Dilutive effect of:				
Share options and restricted stock units	1,735,853	1,745,996	1,763,232	1,934,806
Convertible notes <sup>1</sup>	38,642,832	45,454,463	38,642,832	42,579,135
Total diluted number of shares	374,406,182	386,209,042	376,793,276	355,373,504
<b>Earnings per share</b>				
Basic	\$1.24	\$0.35	\$1.50	\$0.51
Diluted	\$1.11	\$0.32	\$1.35	\$0.48
Adjusted <sup>2</sup>	\$0.52	\$0.32	\$0.77	\$0.48

<sup>1</sup> For the three months and half year ended 30 June, all convertible loan notes were included in the calculations because they were dilutive.

<sup>2</sup> Adjusted EPS represents Diluted EPS adjusted to exclude the \$220.3 million gain recognised on the disposal of the Group's share of NKT Flexibles.



**SUBSEA 7 S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6. Earnings per share (continued)**

Adjusted EPS is calculated as follows:

(In \$ millions, except share and per share data)	Three Months Ended		Half Year	
	<b>30 Jun 12</b>	30 Jun 11	<b>Six Months Ended</b>	Seven Months Ended
	<b>Unaudited</b>	Unaudited	<b>30 Jun 12</b>	30 Jun 11
Net income attributable to equity holders	413.3	118.3	505.1	158.3
Less: Gain on sale of NKT Flexibles	(220.3)	-	(220.3)	-
Interest expense on dilutive convertible notes	2.3	5.4	4.8	12.3
Adjusted net income	195.3	123.7	289.6	170.6
Total diluted number of shares (as above)	374,406,182	386,209,042	376,793,276	355,373,504
<b>Earnings per share</b>				
Adjusted	\$0.52	\$0.32	\$0.77	\$0.48

**7. Adjusted EBITDA and Adjusted EBITDA margin**

The Group calculates adjusted earnings before interest, income taxation, depreciation and amortisation ('Adjusted EBITDA') as net income from operations plus finance costs, other gains and losses, taxation, depreciation and amortisation and adjusted to exclude investment income and impairment charges. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue.

Adjusted EBITDA is a non-IFRS measure that represents EBITDA before additional specific items that are considered to impact the comparison of the Group's performance either year-on-year or with other businesses. The additional specific items excluded from Adjusted EBITDA are other gains and losses and impairment of property, plant and equipment and intangibles. These items are excluded from Adjusted EBITDA because they are individually or collectively material items that are not considered representative of the performance of the business during the periods presented. Other gains and losses principally relate to disposals of investments, property, plant and equipment and net foreign exchange gains or losses. Impairments of property, plant and equipment represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future.

The Adjusted EBITDA measures and Adjusted EBITDA margins have not been prepared in accordance with IFRS as issued by the IASB as adopted for use in the EU. These measures exclude items that can have a significant effect on the Group's profit or loss and therefore should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with IFRS) as a measure of the Group's operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group's liquidity.

Management believes that Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the business. These non-IFRS measures provide management with a meaningful comparison amongst its various territories, as they eliminate the effects of financing and depreciation. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea 7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea 7's industry. Adjusted EBITDA margin may also be a useful ratio to compare performance to its competitors and is widely used by shareholders and analysts following the Group's performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

**SUBSEA 7 S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**7. Adjusted EBITDA and Adjusted EBITDA margin (Continued)**

**Reconciliation to net operating income:**

(In \$ millions, except percentages)	Three Months Ended		Half Year	
	30 Jun 12	30 Jun 11	Six Months Ended 30 Jun 12	Seven Months Ended 30 Jun 11
	<b>Net operating income</b>	<b>246.4</b>	209.9	<b>399.6</b>
Depreciation and amortisation	<b>85.0</b>	84.9	<b>162.6</b>	176.1
Impairments	<b>(5.4)</b>	12.3	<b>(11.3)</b>	16.3
<b>Adjusted EBITDA</b>	<b>326.0</b>	307.1	<b>550.9</b>	496.6
<b>Revenue</b>	<b>1,484.3</b>	1,335.4	<b>2,942.3</b>	2,627.1
<b>Adjusted EBITDA %</b>	<b>22.0%</b>	23.0%	<b>18.7%</b>	18.9%

**Reconciliation to net income:**

(In \$ millions, except percentages)	Three Months Ended		Half Year	
	30 Jun 12	30 Jun 11	Six Months Ended 30 Jun 12	Seven Months Ended 30 Jun 11
	<b>Net income</b>	<b>410.9</b>	126.1	<b>504.2</b>
Depreciation and amortisation	<b>85.0</b>	84.9	<b>162.6</b>	176.1
Impairments	<b>(5.4)</b>	12.3	<b>(11.3)</b>	16.3
Investment income	<b>(4.0)</b>	(3.5)	<b>(7.3)</b>	(9.0)
Other (gains)/losses	<b>(263.3)</b>	13.8	<b>(261.1)</b>	31.1
Finance costs	<b>9.8</b>	9.9	<b>17.3</b>	22.4
Taxation	<b>93.0</b>	63.6	<b>146.5</b>	88.4
<b>Adjusted EBITDA</b>	<b>326.0</b>	307.1	<b>550.9</b>	496.6
<b>Revenue</b>	<b>1,484.3</b>	1,335.4	<b>2,942.3</b>	2,627.1
<b>Adjusted EBITDA %</b>	<b>22.0%</b>	23.0%	<b>18.7%</b>	18.9%

**8. Dividends**

A final dividend of \$0.60 per common share that related to the thirteen month period ended 31 December 2011 was approved by the shareholders on 22 June 2012 and recognised in shareholders' equity in June 2012. It was paid on 5 July 2012 to shareholders of record as of 28 June 2012 and on 10 July 2012 to holders of ADSs.

In addition, an extraordinary dividend-in-kind was approved by the shareholders and recognised in shareholders' equity in June 2012. This dividend-in-kind of the common shares of Veripos Inc., a company incorporated under the laws of the Cayman Islands, entitled shareholders with a holding of ten common shares in Subsea 7 S.A. to one share in Veripos Inc., with fractional entitlements being rounded downwards without compensation to the nearest full number of Veripos Inc. shares. This dividend was paid on 24 July 2012 to shareholders of record as of 28 June 2012.

In accordance with IFRIC 17 '*Distributions of Non-cash Assets to Owners*' the dividend was recognised at the estimated fair value of the asset to be distributed. This was calculated as \$80.3 million using a discounted cash flow model. The carrying value of the assets to be distributed at 30 June 2012 was \$70.0 million including allocated goodwill of \$44.8 million.

**SUBSEA 7 S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**9. Cash flow from operating activities**

(In \$ millions)	Half Year	
	Six Months Ended 30 Jun 12 Unaudited	Seven Months Ended 30 Jun 11 Unaudited Restated <sup>1</sup>
<b>Cash flows from operating activities:</b>		
Net income	504.2	171.3
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	155.1	164.3
Net impairment (reversals)/ charges	(11.3)	16.3
Amortisation of intangible assets	6.2	9.9
Share in net income of associates and joint ventures	(30.6)	(51.1)
Amortisation of mobilisation costs	1.3	1.9
Share based payments and retirement obligations	7.2	12.4
Interest expense	17.3	22.4
Interest income	(7.3)	(9.0)
Inventories written-off	-	0.2
Taxation	146.5	88.4
Losses/(gains) on disposal of property, plant and equipment	0.2	(0.2)
Gain on sale of subsidiary	(220.3)	-
	568.5	426.8
<b>Changes in operating assets and liabilities, net of acquisitions:</b>		
Increase in inventories	(7.2)	(3.4)
Increase in trade and other receivables	(440.7)	(298.8)
Increase in trade and other liabilities	138.6	94.4
	(309.3)	(207.8)
Taxation paid	(135.3)	(123.7)
<b>Net cash generated from operating activities</b>	<b>123.9</b>	<b>95.3</b>

<sup>1</sup> Half year 30 June 2011 comparatives have been restated to be consistent with the presentation above, which is the presentation shown in the audited Consolidated Financial Statements for the year ended 31 December 2011. This is a change in presentation and has no impact on net cash generated from operations.

**SUBSEA 7 S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**10. Contingent liabilities**

Between 2009 and 2011, the Group's Brazilian businesses were audited and formally assessed for ICMS tax (import duty) by the Brazilian tax authorities (Secretaria Fazenda Estado Rio de Janeiro). The amount assessed including penalties and interest, for the Group, amounted to BRL 506 million (\$255 million) as at 30 June 2012. The Group has challenged this assessment and will revert to the courts if necessary. With the exception of a \$9.3 million provision required as part of the calculation of the contingent liabilities for the purchase price allocation mentioned below, no provision has been made for any payment as the Group does not believe that likelihood of payment is probable.

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 – 'Business Combinations' requires the Group to recognise, as of the acquisition date, the fair value of contingent liabilities assumed if there is a present obligation that arises from past events, even where payment is not probable. The value recognised at 30 June 2012 is \$30.5 million (31 December 2011: \$31.3 million). Despite the requirements of IFRS 3, the Group continues to believe that payment is not probable.

In the course of business, the Group becomes involved in contract disputes from time-to-time due to the nature of activities as a contracting business involved in several long-term projects at any given time. The Group makes provisions to cover the expected risk of loss to the extent that negative outcomes are probable and reliable estimates can be made. However, the final outcomes of these contract disputes are subject to uncertainties as to whether or not they develop into a formal legal action and therefore the resulting liabilities may exceed the liability anticipated.

Furthermore, the Group is involved in legal proceedings from time-to-time incidental to the ordinary conduct of its business. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is reasonably possible that the final resolution of any litigation could require the Group to make additional expenditures in excess of provisions that it may establish. In the ordinary course of business, various claims, suits and complaints have been filed against the Group in addition to that specifically referred to above. Although the final resolution of any such other matters could have a material effect on operating results for a particular reporting period, the Group believes that they should not materially affect its consolidated financial position.

**11. Goodwill**

Goodwill recognised in the Combination with Subsea 7 Inc. was allocated to cash generating units in the currencies of the underlying assets. As a result, exchange differences of \$37.1 million have been recognised in the quarter (\$5.6 million year-to-date). In addition \$44.8 million of goodwill allocated to the Veripos business has been transferred to assets held for sale, giving a closing goodwill balance of \$2,516.2 million (31 December 2011: \$2,566.6 million).

(In \$ millions)	<b>Six Months Ended 30 Jun 12</b>
At 1 January 2012	2,566.6
Transfer to assets held for sale	(44.8)
Exchange differences	(5.6)
At 30 June 2012	2,516.2

**SUBSEA 7 S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**12. Property Plant and Equipment**

Significant changes to property, plant and equipment for the half year were as follows:

*Additions*

The significant fixed asset additions for the half year were:

- Continued construction of *Seven Borealis*;
- Continued construction of the new-build PLSV for Brazil;
- Dry-docking of *Polaris*; and
- Completion of the construction of *Seven Inagha*.

**13. Assets classified as held for sale**

**Sonamet/Sonacergy**

Investments in Sonamet and Sonacergy: On July 23, 2009, the Group entered into a sale agreement to dispose of 19% of its ownership interest in each of Sonamet Industrial, S.A. ('Sonamet') and Sonacergy – Servicos E Construcoes Petroliferas Lda (Zona Franca Da Madeira) ('Sonacergy'), in AFGoM. Sonamet operates a fabrication yard for clients, including Subsea 7, operating in the offshore oil and gas industry in Angola. Sonacergy provides overseas logistics services and support to Sonamet. The disposal of a 19% interest in each of Sonamet and Sonacergy will result in a reduction of the 55% ownership interest the Group held in each at 30 June 2012, to 36% at which point the investment will be equity accounted. The finalisation of this sale is conditional upon the completion of certain conditions precedent, none of which are in the control of Subsea 7, which were still outstanding at 30 June 2012. There is no indication that the sale will not proceed as anticipated and the Group expects completion during 2012. The Group believes continued disclosure as an asset held for sale is appropriate.

At 30 June 2012, a decrease in the net asset value of assets held for sale, following dividends declared, resulted in a year-to-date reversal of \$9.0 million (Q2 2011: \$5.2 million impairment charge) of the cumulative impairment charge that was recognised as at 31 December 2011. The reversal has been recognised in the income statement in net operating income.

As at 30 June 2012, the Group's cash balances of \$752.2 million excluded \$64.9 million relating to Sonamet and Sonacergy which was classified as an asset held for sale.

**Veripos**

On 12 April 2012, Subsea 7 S.A. announced the spin off and listing of Veripos, a wholly-owned indirect subsidiary on the Oslo Børs to enable it to operate as an independent, public company. Veripos is a world leader in the supply of high-precision GNSS positioning solutions for the offshore oil and gas industry.

On 13 June 2012, the Board of Oslo Børs agreed to admit shares in Veripos Inc. ("Veripos") to listing on Oslo Børs. The distribution of the Veripos Inc. shares was approved by the Shareholders on 22 June 2012 and recognised in shareholders' equity in June 2012.

In line with IFRS 5 – '*Non Current Assets Held for Sale and Discontinued Operations*', the assets and liabilities of the Veripos business have been classified as held for sale from 22 June 2012. This contributed to a net increase in assets/liabilities held for sale of \$57.6 million (excluding intercompany balances).

**SUBSEA 7 S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

#### **14. Treasury Shares**

During the half year, the Group issued 392,878 treasury shares to employees to satisfy its commitments under share option and restricted share schemes, in accordance with the terms of those schemes.

##### **Share buyback**

On 16 March 2012, the Group announced a share buyback programme of up to \$200 million. The programme was approved pursuant to the standing authorisation granted to the Board at the Annual General Meeting held on 27 May 2011, which allows for the purchase of up to a maximum of 10% of the Group's issued share capital, net of purchases already made.

All repurchases of own shares were made through open market repurchases on the Oslo Børs, pursuant to certain conditions and are in conformity with Article 49-2 of the Luxembourg Company Law and the EU Commission Regulation 2273/2003 on exemptions for buyback programmes and stabilisation of financial instruments. The repurchased shares will either be cancelled or held as treasury shares to meet obligations arising under notes convertible into shares of the Group or any employee share option schemes.

During the half year to June 2012, the Group repurchased 8,433,488 shares for a total consideration of \$197.4 million.

As at 30 June 2012, Subsea 7 S.A. held 18,534,197 treasury shares indirectly representing 5.27% of the total number of issued shares. In addition, 914,000 shares were held in an employee benefit trust to support the 2009 Long-Term Incentive Plan and a further 1,647,815 shares were held in a separate employee benefit trust to support the restricted stock award plan. Total shares in issue, including treasury shares, were 351,793,731.

#### **15. Significant Events for the quarter**

##### **NKT Flexibles**

On 3 February 2012, the Boards of NKT Holding A/S and Subsea 7 S.A. announced the sale of their joint venture NKT Flexibles to National Oilwell Varco (NOV) for a total consideration of DKK 3.8 billion. The transaction was subject to customary closing conditions, including approval from the relevant competition authorities. On 4 April 2012, the Boards announced that the sale had closed. The Group sold both its investment in NKT Flexibles and the subsidiary which held that investment.

The transaction resulted in a gain on disposal of \$220.3 million which was recognised in Q2 2012.

#### **16. Post balance sheet events**

##### **Share buyback**

On 6 July 2012, the Group completed its announced share buyback programme. The Group repurchased in aggregate 8,567,073 shares representing 2.4% of the total number of issued shares for a total consideration of \$200 million.

##### **Veripos spin-off completion**

In April 2012, Subsea 7 S.A. announced the proposed spin-off and listing of Veripos Inc. on the Oslo Børs to enable it to operate as an independent public company. The shares of Veripos Inc. were listed on the Oslo Børs on 26 July 2012.

##### **Dividends**

As detailed in Note 8, the final dividend of \$0.60 per common share was paid on 5 July 2012 to shareholders of record as of 28 June 2012 and on 10 July 2012 to holders of ADSs.

***Normand Oceanic***

In July 2012 Subsea 7 purchased 50% of the share capital of the joint venture, Normand Oceanic AS. This joint venture owns the *Normand Oceanic*, which is currently chartered to Subsea 7. In July Normand Oceanic AS executed a loan agreement with Nordea Bank Finland Plc, this facility was used to partly finance the cost of the vessel.

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