

## Subsea 7 S.A. Announces Second Quarter & Half Year 2013 Results

Luxembourg – 14 August 2013 – Subsea 7 S.A. (the 'Group') (Oslo Børs: SUBC) announced today results for the second quarter and first half 2013 which ended on 30 June 2013. Unless otherwise stated, the comparative period is the six months ended 30 June 2012. The Group's reporting segments are set out in Note 6 'Segment information'.

For the period (in \$ millions, except Adjusted EBITDA margin, share and per share data)	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
Revenue	<b>1,681</b>	1,484	<b>3,148</b>	2,942
Adjusted EBITDA <sup>1</sup>	<b>139</b>	326	<b>380</b>	551
Adjusted EBITDA margin <sup>1</sup>	<b>8.3%</b>	22.0%	<b>12.1%</b>	18.7%
Net operating income	<b>41</b>	246	<b>195</b>	400
Gain on sale of NKT Flexibles	<b>–</b>	220	<b>–</b>	220
Net (loss)/income	<b>(13)</b>	411	<b>119</b>	504
Backlog	<b>10,421</b>	8,285	<b>10,421</b>	8,285
Cash and cash equivalents	<b>1,084</b>	752	<b>1,084</b>	752
Borrowings	<b>1,397</b>	897	<b>1,397</b>	897
Earnings per share – in \$ per share				
Diluted	<b>(0.05)</b>	1.11	<b>0.34</b>	1.35
Adjusted diluted earnings per share <sup>1</sup>	<b>(0.05)</b>	0.52	<b>0.34</b>	0.77
Weighted average number of common shares	<b>332.0m</b>	374.4m	<b>350.0m</b>	376.8m

<sup>1</sup> For explanations and a reconciliation of Adjusted diluted earnings per share and Adjusted EBITDA and Adjusted EBITDA margin please refer to Note 9 and 10 to the Condensed Consolidated Interim Financial Statements included herein. Adjusted diluted earnings per share excludes the gain on sale of NKT Flexibles.

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

'While I am disappointed with the \$300 million loss provision on the Guar-Lula NE project which we recognised during the quarter, I am pleased with project execution and our financial results throughout the rest of the business. Excluding this \$300 million loss provision, we expect to deliver progress in Adjusted EBITDA compared to the previous year.

We have achieved a record backlog of \$10.4 billion, and with a further \$2 billion of contract awards announced so far in the third quarter and tendering activity remaining high, we expect that this backlog will continue to grow.

In June, we announced a plan to improve our margins in Brazil and we remain disciplined in our bidding approach for new projects with a focus on risk management and profitability. In this context, I am pleased with the PLSV renewal and new-build awards we have recently announced in this Territory.'

### Operational highlights and outlook

In the North Sea, Knarr moved into the offshore phase and good progress was made on engineering and procurement for Martin Linge, which will move into the offshore phase in 2014. The quarter benefited from strong project execution, and tendering levels remain strong in the North and Norwegian Seas. The versatility of our fleet and breadth of our technology offering continue to act as differentiators. The recently launched West Franklin bundle represents the 71<sup>st</sup> unit constructed at our facility in Wick, Scotland, using our proprietary towed bundle technology.

In Africa, the quarter benefited from high vessel utilisation and variation orders agreed with clients. Offshore Angola, *Seven Borealis* continues to operate successfully on the CLOV project, and good progress was made on the engineering and procurement for the Lianzi project which will move into the offshore phase in 2014. Offshore Nigeria, there was strong project execution on the MPN Trunk project, while good progress was made on the engineering and procurement for the Erha North project which will move into the offshore phase in 2015. The timing of additional market awards in West Africa remains uncertain. Tendering activity is improving in the US Gulf of Mexico and offshore Mexico, with Heidelberg and Line 67 awarded during the quarter.

Offshore work was completed on the Gorgon Umbilical project, offshore Australia, and the ONGC G1 project, offshore India. Within the SapuraAcergy joint venture, *Sapura 3000* was active on the offshore phase of the Gumusut project, offshore Malaysia.

In Brazil, the Guar-Lula NE project entered the offshore phase during the quarter, and the estimated full-life project losses were increased by \$300 million. The process of installing the first buoy has begun and, as expected, progress is hampered by challenging weather conditions in the Santos basin offshore Brazil. Following the renewal of the *Kommandor 3000* and *Seven Phoenix* contracts with Petrobras during the quarter, the contract for *Normand Seven* was renewed and Petrobras awarded the Group contracts for three new-build pipelay support vessels. Both *Seven Condor* and *Kommandor 3000* will be in planned dry-dock during the third quarter.

In a business environment where supply chain bottlenecks and cost pressures remain a challenge, we continue to focus our resources on risk management and cost effectiveness and remain positive about the medium and long-term market prospects.

**Conference Call Details****Conference Call Information**

Lines will open 15 minutes prior to conference call.

Date: 14 August 2013

Time: 12:00 UK Time

Conference ID: 19600059

## Conference Dial In Numbers

United Kingdom	0800 694 0257
United States	1 631 510 7498
Norway	2156 3013
International Dial In	+44 (0) 1452 555 566

**Replay Facility Details**

A replay facility (same Conference ID as above) will be available for the following period:

Date: 14 August 2013

Time: 14:00 UK Time

Date: 27 August 2013

Time: 14:00 UK Time

## Conference Replay Dial In Numbers

International Dial In	+44 (0) 1452 550 000
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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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If you no longer wish to receive our press releases please contact: [ir@subsea7.com](mailto:ir@subsea7.com)

**Special Note Regarding 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 Consolidated Financial Statements for the year ended 31 December 2012. 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; 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

### Second Quarter 2013

#### Revenue

Revenue for the quarter was \$1.7 billion compared to \$1.5 billion in Q2 2012.

#### Adjusted EBITDA

Adjusted EBITDA for the quarter was \$139 million, a decrease of \$187 million or 57% compared to Q2 2012. Adjusted EBITDA margin was 8.3% compared to 22.0% in Q2 2012.

#### Net operating income

Net operating income was \$41 million, compared with \$246 million income in Q2 2012. Net operating income was significantly impacted by the recognition of a \$300 million increase in the estimated full-life project loss on the Guar-Lula NE project. This loss provision was partially offset by:

- an increase of \$29 million in the Group's share of net income of associates and joint ventures compared to Q2 2012, with higher contributions from Seaway Heavy Lifting, SapuraAcergy and Subsea 7 Malaysia during the quarter; and
- strong project activity and improved gross profit in the AFGOM and NSC territories compared to Q2 2012.

#### Net loss

Net loss was \$13 million, compared to a net profit of \$411 million in Q2 2012. No tax benefit is currently assumed in respect of the Guar-Lula NE loss provision due to the tax profile of the affected entities. The decrease in earnings was primarily due to:

- the decrease in net operating income;
- the recognition in Q2 2012 of a \$220 million gain on the sale of NKT Flexibles; and
- a foreign currency exchange loss of \$11 million in Q2 2013 compared with a gain of \$44 million in Q2 2012;

partially offset by:

- a \$60 million decrease in taxation charge compared to Q2 2012 driven by lower net income before taxes.

#### Earnings per share

Adjusted diluted loss per share was \$0.05 compared to earnings per share of \$0.52 in Q2 2012, based on a share count of 332 million and 374 million shares respectively, with all the convertible loan notes being anti-dilutive in Q2 2013.

### Half Year 2013

#### Revenue

Revenue for the half year ended 30 June 2013 was \$3.1 billion (1H 2012: \$2.9 billion).

#### Adjusted EBITDA

Adjusted EBITDA for the half year ended 30 June 2013 was \$380 million, a decrease of \$171 million or 31% compared to 1H 2012. Adjusted EBITDA margin was 12.1% compared to 18.7% in 1H 2012.

#### Net operating income

Net operating income was \$195 million (1H 2012: \$400 million). Significant movements impacting net operating income included the \$300 million increase in the estimated full-life project loss recognised on the Guar-Lula NE project partially offset by:

- a decrease of \$28 million in administrative expenses compared to 1H 2012, related to the release of a provision recognised at the date of the business combination in 2011 and an absence of integration costs; and
- an increase of \$47 million in the Group's share of net income of associates and joint ventures mainly attributable to a higher contribution from Seaway Heavy Lifting.

#### Net income

Net income was \$119 million, a decrease of \$386 million or 76% compared to 1H 2012. No tax benefit is currently assumed in respect of the Guar-Lula NE loss provision due to the tax profile of the affected entities. The decrease was primarily due to:

- the decrease in net operating income;
- the recognition in Q2 2012 of a \$220 million gain on the sale of NKT Flexibles; and
- an increase in finance costs of \$24 million mainly as a result of the accretion on the 2017 convertible loan notes issued in October 2012 and reduced capitalised interest on assets under construction reflecting the relative stage of completion of major capital projects;

partially offset by:

- an \$87 million decrease in the taxation charge compared to 1H 2012 driven by lower net income before taxes.

#### Earnings per share

Adjusted diluted earnings per share was \$0.34 compared to \$0.77 in 1H 2012, based on a share count of 350 million and 377 million shares respectively, with only the 2014 convertible loan notes being dilutive in 1H 2013.

### Cash and cash equivalents

Cash and cash equivalents were \$1.1 billion at 30 June 2013 compared with \$1.3 billion at 31 December 2012. The dividend of \$0.60 per share related to the year ended 31 December 2012 was accrued at 30 June 2013 and paid in July 2013.

Net cash generated from operations of \$465 million was offset by:

- purchases of property, plant and equipment of \$335 million, including the purchase of *Simar Esperança* and the ongoing construction of *Seven Waves*, a pipelay support vessel (PLSV), and *Seven Kestrel*, a dive support vessel (DSV);
- the repayment of the \$158 million Seven Havila loan; and
- a loan of \$115 million to the Group's joint venture, Eidesvik Seven, to fund the construction of *Seven Viking*, a Life-of-Field vessel.

### Borrowings

Total borrowings amounted to \$1.4 billion at 30 June 2013. The reduction in the half year ended 30 June 2013 of approximately \$140 million was largely due to the \$158 million early repayment of the Seven Havila loan in Q1 2013 partially offset by accretion on the convertible loan notes.

### Territory highlights

#### Second Quarter 2013

##### Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue of \$669 million was up 24% from Q2 2012. During the quarter there was progress on the CLOV project, offshore Angola and the MPN Trunk and Erha North projects, offshore Nigeria. Net operating income was \$133 million compared to \$113 million in Q2 2012.

##### Asia Pacific & Middle East (APME)

Revenue was \$142 million, an increase of \$57 million or 67% compared to Q2 2012. There was significant progress in the quarter on the Santos Fletcher project, offshore Australia. The Gorgon Umbilical project, offshore Australia, and the ONGC G1 project, offshore India were completed in the quarter. Net operating income was \$33 million, compared to \$27 million in Q2 2012 reflecting progress on the Gumusut project by the SapuraAcergy joint venture.

##### Brazil (BRAZIL)

Revenue for the quarter was \$159 million, an increase of \$12 million compared to Q2 2012. Procurement, engineering and project management continued on the Guar-Lula NE project, with offshore operations commencing in the quarter. Net operating loss was \$294 million (Q2 2012: net operating loss \$4 million). Results were impacted by a \$300 million increase in expected full-life loss on the Guar-Lula NE project.

##### North Sea & Canada (NSC)

Revenue was \$705 million compared to \$713 million in Q2 2012. Work progressed during the quarter on the Terra Nova project, offshore Canada; the Martin Linge, Knarr and Svalin projects, offshore Norway; Laggan Tormore, offshore UK; and B11, offshore Germany. Net operating income was \$136 million (Q2 2012: \$93 million).

##### Corporate (CORP)

Revenue was \$6 million (Q2 2012: \$1 million). Net operating income was \$32 million (Q2 2012: \$17 million), with the improved results driven by the absence of integration costs and an increased contribution from Seaway Heavy Lifting.

#### Half Year 2013

##### Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue of \$1.2 billion was up \$132 million compared with 1H 2012. There was progress on the Block 31 PSVM and CLOV projects, offshore Angola and MPN Trunk and Erha North, offshore Nigeria. Net operating income was \$219 million compared to \$206 million in 1H 2012.

##### Asia Pacific & Middle East (APME)

Revenue was \$265 million, an increase of \$95 million or 55% compared to 1H 2012. There was significant progress on the Santos Fletcher and Gorgon Umbilical projects, offshore Australia, and the ONGC G1 project, offshore India. Net operating income was \$47 million, compared to \$30 million in 1H 2012 reflecting progress on the Gumusut project within the SapuraAcergy joint venture.

##### Brazil (BRAZIL)

Revenue for the half year ended 30 June 2013 was \$376 million, a decrease of \$32 million compared to 1H 2012. Procurement, engineering and project management continued on the Guar-Lula NE project, with offshore operations commencing in the second quarter. Vessels on long-term service agreements to Petrobras achieved high levels of utilisation. Net operating loss was \$315 million (1H 2012: net operating income \$3 million). Results were impacted by the \$300 million increase in expected full-life loss on the Guar-Lula NE project and by Petrobras notifying the Group of their intention to remove the offshore scope of the UOTE project due to delays they have experienced in obtaining environmental licences.

##### North Sea & Canada (NSC)

Revenue of \$1.3 billion was comparable with 1H 2012. Work progressed during the quarter on Terra Nova, Martin Linge, Svalin, Eldfisk Subsea Installation and Knarr projects, offshore Norway, and Laggan Tormore, offshore UK. Net operating income was \$221 million (1H 2012: \$171 million). During the period Shell announced that the Fram project was being cancelled and a commercial settlement with the client was agreed and recognised.

##### Corporate (CORP)

Revenue was \$8 million (1H 2012: \$6 million). Net operating income was \$23 million (1H 2012: net operating loss \$10 million), with the improved results driven by the absence of integration costs and an increased contribution from Seaway Heavy Lifting.

## Asset Development and Activities

### Second Quarter 2013

The Group's investments in Sonamet and Sonacergy continued to be classified as assets held for sale. The partial disposal of the Group's interests in Sonamet and Sonacergy is expected to be completed within 12 months, at which time the businesses will be deconsolidated from the Group's Consolidated Financial Statements and their future results will be reported as associates in 'Share of net income of associates and joint ventures'.

Construction of the pipelay support vessel, *Seven Waves*, and the dive support vessel, *Seven Kestrel*, continued during the quarter, on schedule and in line with projected cost. During the quarter, the Group entered into commitments for contracts relating to the new-build of a heavy construction vessel, with construction expected to commence in 2H 2013.

Vessel utilisation during the second quarter was 86%, down from 87% in Q2 2012.

At 30 June 2013, *Lochnagar* was classified as an asset held for sale. The vessel is expected to be disposed of during Q3 2013.

### Backlog

The Group had a backlog of \$10.4 billion at 30 June 2013, an increase of \$0.2 billion compared to 31 March 2013. Significant new awards in the quarter included the renewal of *Seven Phoenix* and *K3000* contracts with Petrobras in Brazil and the Statoil Mariner contract in NSC.

\$7.9 billion of the backlog at 30 June 2013 related to SURF activity, \$1.2 billion to Life-of-Field, \$0.8 billion to Conventional and Hook-up and \$0.5 billion to i-Tech. \$3.1 billion of this backlog is expected to be executed in 2013, \$4.1 billion in 2014 and \$3.2 billion in 2015 and thereafter. Order intake from associates and joint ventures is excluded from backlog.

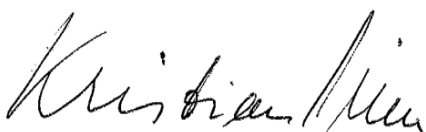
Since 30 June 2013, awards totalling \$2.0 billion have been secured, this includes contracts with Petrobras for the construction and operation of three new-build pipelay support vessels (PLSVs) and the renewal of the *Normand Seven* contract.

### Risks and uncertainties

The principal risks and uncertainties which could materially adversely impact the Group's reputation, operations and/or financial performance and position for the remainder of the current financial year are noted on pages 28 to 29 of Subsea 7 S.A.'s Annual Report and Consolidated Financial Statements 2012. The Executive Management Team has considered the principal risks and uncertainties and concluded that these have not changed significantly in the six month period ended 30 June 2013.

### Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2013 to 30 June 2013 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group taken as a whole. We also confirm that, to the best of our knowledge, this report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.



Kristian Siem  
Chairman



Jean Cahuzac  
Chief Executive Officer

**Subsea 7 S.A.**

## Condensed Consolidated Income Statement

(in \$ millions, except per share data)	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
Revenue	<b>1,680.5</b>	1,484.3	<b>3,147.6</b>	2,942.3
Operating expenses	<b>(1,636.3)</b>	(1,193.7)	<b>(2,889.1)</b>	(2,404.3)
<b>Gross profit</b>	<b>44.2</b>	290.6	<b>258.5</b>	538.0
Administrative expenses	<b>(65.7)</b>	(77.3)	<b>(141.3)</b>	(169.0)
Share of net income of associates and joint ventures	<b>62.1</b>	33.1	<b>77.6</b>	30.6
<b>Net operating income</b>	<b>40.6</b>	246.4	<b>194.8</b>	399.6
Finance income	<b>6.9</b>	4.0	<b>14.0</b>	7.3
Other gains and losses	<b>(10.8)</b>	263.3	<b>10.5</b>	261.1
Finance costs	<b>(16.7)</b>	(9.8)	<b>(41.4)</b>	(17.3)
<b>Income before taxes</b>	<b>20.0</b>	503.9	<b>177.9</b>	650.7
Taxation	<b>(33.4)</b>	(93.0)	<b>(59.4)</b>	(146.5)
<b>Net (loss)/income</b>	<b>(13.4)</b>	410.9	<b>118.5</b>	504.2
<b>Net (loss)/income attributable to:</b>				
Shareholders of the parent company	<b>(17.3)</b>	413.3	<b>116.3</b>	505.1
Non-controlling interests	<b>3.9</b>	(2.4)	<b>2.2</b>	(0.9)
	<b>(13.4)</b>	410.9	<b>118.5</b>	504.2
Earnings per share	\$ per share	\$ per share	\$ per share	\$ per share
Basic	<b>(0.05)</b>	1.24	<b>0.35</b>	1.50
Diluted	<b>(0.05)</b>	1.11	<b>0.34</b>	1.35
Adjusted diluted <sup>1</sup>	<b>(0.05)</b>	0.52	<b>0.34</b>	0.77

1 For explanations and a reconciliation of Adjusted diluted earnings per share please refer to Note 9 to the Condensed Consolidated Interim Financial Statements included herein. Adjusted diluted earnings per share excludes the gain on sale of NKT Flexibles.

## Subsea 7 S.A.

## Condensed Consolidated Statement of Comprehensive Income

(in \$ millions)	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
<b>Net (loss)/income</b>	<b>(13.4)</b>	410.9	<b>118.5</b>	504.2
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to the income statement in subsequent periods:</i>				
Foreign currency translation	<b>21.0</b>	(118.4)	<b>(214.1)</b>	(44.5)
Cash flow hedges:				
Net fair value gains/(losses)	<b>10.2</b>	(39.6)	<b>(9.6)</b>	(23.5)
Reclassification adjustments for amounts recognised in the income statement	<b>(0.2)</b>	2.5	<b>(0.5)</b>	1.8
Adjustments for amounts transferred to the initial carrying amounts of hedged items	<b>2.0</b>	1.1	<b>2.2</b>	0.5
Share of other comprehensive income of associates and joint ventures	<b>4.6</b>	1.4	<b>7.1</b>	1.1
Taxation relating to components of other comprehensive income	<b>(1.0)</b>	7.9	<b>11.1</b>	4.6
<b>Other comprehensive income/(expense)</b>	<b>36.6</b>	(145.1)	<b>(203.8)</b>	(60.0)
<b>Total comprehensive income/(expense)</b>	<b>23.2</b>	265.8	<b>(85.3)</b>	444.2
<b>Total comprehensive income/(expense) attributable to:</b>				
Shareholders of the parent company	<b>19.1</b>	269.0	<b>(87.7)</b>	445.7
Non-controlling interests	<b>4.1</b>	(3.2)	<b>2.4</b>	(1.5)
	<b>23.2</b>	265.8	<b>(85.3)</b>	444.2

## Subsea 7 S.A.

## Condensed Consolidated Balance Sheet

As at (in \$ millions)	2013 30 Jun Unaudited	2012 31 Dec Audited
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	2,492.3	2,574.8
Intangible assets	21.4	24.4
Property, plant and equipment	3,818.6	3,748.3
Interest in associates and joint ventures	300.7	223.1
Advances and receivables	164.7	47.4
Derivative financial instruments	13.1	20.5
Retirement benefit assets	0.3	0.3
Deferred tax assets	31.5	35.4
	<b>6,842.6</b>	<b>6,674.2</b>
<b>Current assets</b>		
Inventories	59.7	59.3
Trade and other receivables	1,232.0	1,090.3
Derivative financial instruments	18.7	53.5
Assets classified as held for sale	316.3	317.6
Construction contracts – assets	408.7	541.3
Other accrued income and prepaid expenses	461.6	471.0
Restricted cash	20.0	–
Cash and cash equivalents	1,084.1	1,287.9
	<b>3,601.1</b>	<b>3,820.9</b>
<b>Total assets</b>	<b>10,443.7</b>	<b>10,495.1</b>
<b>Equity</b>		
Issued share capital	703.6	703.6
Treasury shares	(440.9)	(443.9)
Paid in surplus	3,877.1	3,881.8
Equity reserves	359.2	359.2
Translation reserves	(162.4)	44.0
Other reserves	(78.9)	(81.3)
Retained earnings	1,785.3	1,861.1
<b>Equity attributable to shareholders of the parent company</b>	<b>6,043.0</b>	<b>6,324.5</b>
Non-controlling interests	46.2	43.8
<b>Total equity</b>	<b>6,089.2</b>	<b>6,368.3</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Non-current portion of borrowings	904.1	1,040.9
Retirement benefit obligations	23.1	23.4
Deferred tax liabilities	86.7	111.6
Provisions	33.5	38.2
Contingent liability recognised	11.2	27.8
Derivative financial instruments	6.4	6.7
Other non-current liabilities	9.1	9.0
	<b>1,074.1</b>	<b>1,257.6</b>
<b>Current liabilities</b>		
Trade and other liabilities	1,875.2	1,452.0
Derivative financial instruments	15.7	31.6
Current tax liabilities	199.1	201.1
Current portion of borrowings	492.9	494.5
Liabilities directly associated with assets classified as held for sale	179.2	167.3
Provisions	21.3	11.8
Construction contracts – liabilities	493.8	434.1
Deferred revenue	3.2	76.8
	<b>3,280.4</b>	<b>2,869.2</b>
<b>Total liabilities</b>	<b>4,354.5</b>	<b>4,126.8</b>
<b>Total equity and liabilities</b>	<b>10,443.7</b>	<b>10,495.1</b>



## Subsea 7 S.A.

Condensed Consolidated Statement of Changes in Equity  
For the 6 months ended 30 June 2013

(in \$ millions, Unaudited)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserves	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
<b>Balance at 1 January 2013</b>	<b>703.6</b>	<b>(443.9)</b>	<b>3,881.8</b>	<b>359.2</b>	<b>44.0</b>	<b>(81.3)</b>	<b>1,861.1</b>	<b>6,324.5</b>	<b>43.8</b>	<b>6,368.3</b>
<b>Comprehensive income</b>										
Net income	–	–	–	–	–	–	116.3	116.3	2.2	118.5
Exchange differences	–	–	–	–	(214.3)	–	–	(214.3)	0.2	(214.1)
Cash flow hedges	–	–	–	–	–	(7.9)	–	(7.9)	–	(7.9)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	7.1	–	7.1	–	7.1
Tax relating to components of other comprehensive income	–	–	–	–	7.9	3.2	–	11.1	–	11.1
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(206.4)</b>	<b>2.4</b>	<b>116.3</b>	<b>(87.7)</b>	<b>2.4</b>	<b>(85.3)</b>
<b>Transactions with owners</b>										
Dividends declared	–	–	–	–	–	–	(199.3)	(199.3)	–	(199.3)
Share-based compensation	–	–	4.1	–	–	–	–	4.1	–	4.1
Shares reissued	–	3.0	–	–	–	–	–	3.0	–	3.0
Vesting of share-based payments	–	–	(8.8)	–	–	–	8.8	–	–	–
Loss on reissuance of treasury shares	–	–	–	–	–	–	(1.6)	(1.6)	–	(1.6)
<b>Total transactions with owners</b>	<b>–</b>	<b>3.0</b>	<b>(4.7)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(192.1)</b>	<b>(193.8)</b>	<b>–</b>	<b>(193.8)</b>
<b>Balance at 30 June 2013</b>	<b>703.6</b>	<b>(440.9)</b>	<b>3,877.1</b>	<b>359.2</b>	<b>(162.4)</b>	<b>(78.9)</b>	<b>1,785.3</b>	<b>6,043.0</b>	<b>46.2</b>	<b>6,089.2</b>

For the 6 months ended 30 June 2012

(in \$ millions, Unaudited)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserves	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
<b>Balance at 1 January 2012</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	505.1	(0.9)	504.2
Exchange differences	–	–	–	–	(43.9)	–	–	(43.9)	(0.6)	(44.5)
Cash flow hedges	–	–	–	–	–	(21.2)	–	(21.2)	–	(21.2)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	1.1	–	1.1	–	1.1
Tax relating to components of other comprehensive income	–	–	–	–	–	4.6	–	4.6	–	4.6
<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>										
Dividends declared	–	–	(279.7)	–	–	–	–	(279.7)	(19.5)	(299.2)
Shares acquired	–	(197.4)	–	–	–	–	–	(197.4)	–	(197.4)
Share-based compensation	–	–	7.2	–	–	–	–	7.2	–	7.2
Shares reissued	–	5.1	–	–	–	–	–	5.1	–	5.1
Loss on reissuance of treasury shares	–	–	–	–	–	–	(1.2)	(1.2)	–	(1.2)
<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 Cash Flow Statement

(in \$ millions)	Half Year	
	1H 2013 Unaudited	1H 2012 Unaudited
<b>Net cash generated from operating activities</b>	<b>464.6</b>	123.9
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property, plant and equipment	8.8	0.4
Purchases of property, plant and equipment	(334.7)	(338.4)
Proceeds from sale of subsidiary	–	343.4
Purchases of intangible assets	(2.4)	–
Interest received	14.0	7.3
Dividends received from associates and joint ventures	3.6	2.0
On distribution of joint venture	0.5	–
Investments in associates and joint ventures	(1.4)	–
<b>Net cash (used in)/generated from investing activities</b>	<b>(311.6)</b>	14.7
<b>Cash flows from financing activities:</b>		
Interest paid	(26.4)	(14.3)
Repayment of borrowings	(158.1)	(5.8)
Loan to joint venture	(115.3)	–
Treasury share buyback	–	(190.6)
Proceeds from reissuance of treasury shares	1.4	3.8
<b>Net cash used in financing activities</b>	<b>(298.4)</b>	(206.9)
Net decrease in cash and cash equivalents	(145.4)	(68.3)
Cash and cash equivalents at beginning of period	1,287.9	803.4
Effect of foreign exchange rate movements on cash and cash equivalents	(8.3)	(13.7)
(Increase)/decrease in restricted cash balances	(20.0)	44.1
Increase in cash balances classified as assets held for sale	(30.1)	(13.3)
<b>Cash and cash equivalents at end of period</b>	<b>1,084.1</b>	752.2

### 1. General information

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on Oslo Børs and over-the-counter as American Depositary Receipts ('ADRs') in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 13 August 2013.

### 2. Basis of Preparation

The Condensed Consolidated Interim Financial Statements for the period 1 January 2013 to 30 June 2013 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 Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2012 which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB and as adopted by the EU.

The Condensed Consolidated Interim Financial Statements are unaudited.

### 3. Accounting policies

#### Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2012.

#### 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 standards have been adopted from 1 January 2013:

#### IFRS 13 'Fair Value Measurement'

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 did not materially impact the fair value measurements carried out by the Group.

IFRS 13 also requires detailed disclosures on fair values. Some of these disclosures are specifically required by IAS 34 and are detailed in Note 18.

#### Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to the income statement at a future point in time (for example, exchange differences on translation of foreign operations and net movement on cash flow hedges) will be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendment affects presentation only and had no impact on the Group's financial position or performance.

#### Revisions to IAS 19 'Employee Benefits'

The amendments to IAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The impact of these amendments were not significant for the Group as actuarial gains and losses are currently recognised in full in other comprehensive income. The impact on the net benefit expense due to the expected return on plan assets being calculated using the same interest rate as applied for the purpose of discounting the benefit obligation was not significant.

#### Improvements to IFRSs 2009-2011

In May 2012, the IASB issued the Improvements to IFRSs 2009 – 2011, which contains amendments to its standards and the related Basis for Conclusions. The amendments which could impact the Group are:

- IAS 1 'Presentation of Financial Statements': The difference between voluntary additional comparative information and the minimum required comparative information is clarified. In addition, the opening balance sheet must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the balance sheet.
- IAS 16 'Property, Plant and Equipment': This amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 'Financial Instruments: Presentation': This amendment removes existing income tax requirements from IAS 32 and requires the Group to apply the requirements in IAS 12 to any income tax arising from distributions to shareholders of the parent company.
- IAS 34 'Interim Financial Reporting': Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the Chief Operating Decision Maker and there has been a material change in the total amount disclosed in the Group's previous annual financial statements for that reportable segment.

The impact for the Group was not significant.

#### 4. 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 year ended 31 December 2012, 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 year ended 31 December 2012:

- Revenue recognition on long-term contracts;
- Revenue recognition on variation orders and claims;
- Goodwill carrying value;
- Property, plant and equipment;
- Recognition of provisions and disclosure of contingent liabilities;
- Taxation;
- Fair value of derivatives and other financial instruments;
- Share-based payments; and
- Defined benefit pension plan valuations.

#### 5. Seasonality

A significant portion of the Group's revenue is generated from work performed offshore. During certain periods of the year, the Group may be affected by delays caused by adverse weather conditions such as hurricanes or tropical storms. Periods of adverse weather conditions usually result in low levels of activity.

#### 6. Segment information

For management and reporting purposes, the Group is organised into four Territories, which are representative of its principal activities. The Corporate segment includes all activities that serve more than one Territory. All assets are allocated between Territories. The Group's reporting segments are:

##### Africa, Gulf of Mexico & Mediterranean (AFGOM)

This segment includes activities in Africa, the US, Mexico, and Central America including fabrication yards in Nigeria, Angola, Gabon and the US.

##### Asia Pacific & Middle East (APME)

This segment includes activities in Asia Pacific, Australia, India and the Middle East and includes the joint ventures SapuraAcergy and Subsea 7 Malaysia.

##### Brazil (BRAZIL)

This segment includes activities in Brazil including a pipeline fabrication spoolbase at Ubu. It also includes the GSNC Shallow joint venture.

##### North Sea & Canada (NSC) formerly North Sea, Mediterranean & Canada (NSMC)

This segment includes activities in Northern Europe and Eastern Canada and includes a pipeline fabrication spoolbase in Vigra, Norway and a pipeline bundle fabrication yard at Wick, Scotland. It also includes the Normand Oceanic and Eidesvik Seven joint ventures.

##### Corporate (CORP)

This segment includes all activities that serve more than one Territory and includes: management of offshore resources; captive insurance activities; management and corporate services. It also includes the results of the joint venture Seaway Heavy Lifting.

Neither total assets nor total liabilities by segment are regularly provided to the Chief Operating Decision Maker and consequently no such disclosure is included.

**6. Segment information (continued)**

Summarised financial information concerning each reportable geographical reporting segment is as follows:

**For the three months ended 30 June 2013**

(in \$ millions, Unaudited)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	669.2	141.9	159.0	704.7	5.7	1,680.5
Net operating income/(loss) from operations	133.4	32.9	(293.6)	135.7	32.2	40.6
Finance income						6.9
Other gains and losses						(10.8)
Finance costs						(16.7)
Income before taxes						20.0

**For the three months ended 30 June 2012**

(in \$ millions, Unaudited)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	537.9	85.2	146.8	713.1	1.3	1,484.3
Net operating income/(loss) from operations	112.6	27.4	(3.9)	93.1	17.2	246.4
Finance income						4.0
Other gains and losses						263.3
Finance costs						(9.8)
Income before taxes						503.9

**For the six months ended 30 June 2013**

(in \$ millions, Unaudited)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	1,198.1	265.3	375.8	1,300.4	8.0	3,147.6
Net operating income/(loss) from operations	219.4	47.4	(315.2)	220.5	22.7	194.8
Finance income						14.0
Other gains and losses						10.5
Finance costs						(41.4)
Income before taxes						177.9

**For the six months ended 30 June 2012**

(in \$ millions, Unaudited)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	1,066.0	170.8	408.0	1,291.3	6.2	2,942.3
Net operating income/(loss) from operations	206.4	30.2	2.7	170.7	(10.4)	399.6
Finance income						7.3
Other gains and losses						261.1
Finance costs						(17.3)
Income before taxes						650.7

**7. Guar-Lula NE project loss**

On 26 June 2013, the Group announced an increase in the estimated full-life project loss on the Guar-Lula NE project, offshore Brazil. The Guar-Lula NE project entered the offshore phase in Q2 2013. Delays were experienced during the quarter as a result of ongoing problems with the supply chain, the delayed commencement of pipeline fabrication due largely to customs clearance issues and adverse weather conditions in the Brazilian winter season. Based on the experience to date, the full-life project costs are estimated to increase by \$300 million compared to previous expectations. The net operating income for Brazil reflected the impact of these costs in Q2 2013.

**8. Taxation**

The underlying effective tax rate for the full year, excluding the impact of discrete and non-recurring items, is forecast to be 54%. The increase from Q1 2013 primarily reflects the impact of the Guar-Lula NE project loss. No tax benefit from the loss associated with Guar-Lula NE project is anticipated due to the tax profile of the entities impacted.

The impact of the increase in the forecast rate from the 31% reported in Q1 2013, together with the disproportionately lower profit before tax in Q2 2013 compared to Q1 2013, resulted in an underlying effective tax rate for Q2 2013 of 150% and an effective tax rate of 167%.

The net effective tax rate for 1H 2013 of 33% reflects the benefit of certain discrete and non-recurring items recorded in the period.

**9. Earnings per share**

## Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income/(loss) attributable to shareholders of the parent company by the weighted average number of common shares in issue during the period, excluding common shares purchased by the Group and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

The income and share data used in the calculation of basic and diluted earnings per share were as follows:

	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
(in \$ millions, except share and per share data)				
Net (loss)/income attributable to shareholders of the parent company	(17.3)	413.3	116.3	505.1
Interest on convertible loan notes (less amounts capitalised)	–	2.3	3.7	4.8
<b>Earnings used in the calculation of diluted earnings per share</b>	<b>(17.3)</b>	<b>415.6</b>	<b>120.0</b>	<b>509.9</b>

	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
(Number of shares)				
Weighted average number of common shares used in the calculation of basic earnings per share	332,001,439	334,027,497	331,842,919	336,387,212
Convertible loan notes	–	38,642,832	16,923,077	38,642,832
Share options, performance shares and restricted shares	–	1,735,853	1,203,779	1,763,232
<b>Total diluted number of shares</b>	<b>332,001,439</b>	<b>374,406,182</b>	<b>349,969,775</b>	<b>376,793,276</b>

	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
(in \$ per share)				
Basic earnings per share	(0.05)	1.24	0.35	1.50
Diluted earnings per share	(0.05)	1.11	0.34	1.35

The following shares relating to convertible loan notes, restricted share and share option plans that could potentially dilute the earnings per share, were excluded from the calculation of diluted earnings per share due to being anti-dilutive for the period:

	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
Convertible loan notes	63,391,519	–	46,468,442	–
Share options, performance shares and restricted shares	2,996,215	2,008,356	1,950,385	2,114,556

## Adjusted diluted earnings per share

Adjusted diluted earnings per share represents diluted earnings per share adjusted to exclude the gain recognised on the disposal of the Group's share of NKT Flexibles.

The income and share data used in the calculation of adjusted diluted earnings per share were as follows:

	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
(in \$ millions, except share and per share data)				
Net (loss)/income attributable to shareholders of the parent company	(17.3)	413.3	116.3	505.1
Less: Gain on sale of NKT Flexibles	–	(220.3)	–	(220.3)
Interest on convertible loan notes (less amounts capitalised)	–	2.3	3.7	4.8
Earnings used in the calculation of adjusted diluted earnings per share	(17.3)	195.3	120.0	289.6
Total diluted number of shares (as above)	332,001,439	374,406,182	349,969,775	376,793,276
Adjusted diluted earnings per share	(0.05)	0.52	0.34	0.77

**10. Adjusted EBITDA and Adjusted EBITDA margin**

Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is a non-IFRS measure that represents net income 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 Group calculates Adjusted EBITDA as net income plus finance costs, taxation, depreciation, amortisation and mobilisation and adjusted to exclude finance income, other gains and losses and impairment charges or reversals. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue.

The items excluded from Adjusted EBITDA represent items which are individually or collectively material but which 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 assets represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future or their sale.

Adjusted EBITDA and Adjusted EBITDA margin 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 income 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 comparative for its various Territories, as they eliminate the effects of financing, depreciation and taxation. 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.

**Reconciliation to net operating income:**

For the period (in \$ millions)	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
Net operating income	40.6	246.4	194.8	399.6
Depreciation, amortisation and mobilisation	87.5	85.0	175.0	162.6
Impairment/(impairment reversal)	10.6	(5.4)	9.8	(11.3)
Adjusted EBITDA	138.7	326.0	379.6	550.9
Revenue	1,680.5	1,484.3	3,147.6	2,942.3
Adjusted EBITDA %	8.3%	22.0%	12.1%	18.7%

**Reconciliation to net income:**

For the period (in \$ millions)	Second Quarter		Half Year	
	Q2 2013 Unaudited	Q2 2012 Unaudited	1H 2013 Unaudited	1H 2012 Unaudited
Net (loss)/income	(13.4)	410.9	118.5	504.2
Depreciation, amortisation and mobilisation	87.5	85.0	175.0	162.6
Impairment/(impairment reversal)	10.6	(5.4)	9.8	(11.3)
Finance income	(6.9)	(4.0)	(14.0)	(7.3)
Other gains and losses	10.8	(263.3)	(10.5)	(261.1)
Finance costs	16.7	9.8	41.4	17.3
Taxation	33.4	93.0	59.4	146.5
Adjusted EBITDA	138.7	326.0	379.6	550.9
Revenue	1,680.5	1,484.3	3,147.6	2,942.3
Adjusted EBITDA %	8.3%	22.0%	12.1%	18.7%

**11. Dividends**

A final dividend of \$0.60 per common share that related to the year ended 31 December 2012 was approved by the shareholders on 28 June 2013 and recognised in shareholders' equity in June 2013. It was paid on 12 July 2013 to shareholders of record as of 5 July 2013 and on 18 July 2013 to holders of American Depositary Shares.

**12. Goodwill**

The movement in goodwill during the period was as follows:

(in \$ millions)	Half Year	
	1H 2013 Unaudited	1H 2012 Unaudited
At 1 January	2,574.8	2,566.6
Transfer to assets held for sale	–	(44.8)
Exchange differences	(82.5)	(5.6)
<b>At 30 June</b>	<b>2,492.3</b>	<b>2,516.2</b>

### 13. Property, plant and equipment

Significant additions to property, plant and equipment for the six months ended 30 June 2013 were as follows:

- purchase of *Simar Esperança*,
- construction of *Seven Waves*, and
- construction of the Heavy Construction Vessel.

### 14. Assets classified as held for sale

#### Investments in Sonamet and Sonacergy

On 23 July 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'). 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 2013, to 36% at which point the investments 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 the Group, which were still outstanding as at 30 June 2013. There is no indication that the sale will not proceed as anticipated and the Group expects completion within 12 months. The Group believes continued disclosure as assets held for sale is appropriate.

During the quarter an increase in the carrying value of the net assets of Sonamet and Sonacergy, resulted in an impairment of \$3.1 million. The cumulative impairment for the half year ended 30 June 2013 was \$2.3 million (1H 2012: \$9 million impairment reversal). The impairment was recognised in the Condensed Consolidated Income Statement in operating expenses.

#### Vessels

The pipelay support vessel, *Lochnagar*, was classified as held for sale in the quarter, with an associated impairment of \$7.5 million. The vessel is expected to be disposed of during Q3 2013.

### 15. Treasury shares

During the half year ended 30 June 2013, the Group issued 520,881 treasury shares (1H 2012: 392,878), to employees to satisfy its commitments under share option and restricted share schemes, in accordance with the terms of those schemes.

At 30 June 2013, the Group owned 17,368,103 common shares as treasury shares, representing 4.9% of the total number of issued shares. These shares were owned as treasury shares through Subsea 7 S.A.'s indirect subsidiary, Subsea 7 Investing (Bermuda) Limited. A further 1,526,200 common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 716,154 shares were held in a separate employee benefit trust to support the restricted stock award plan and other specified stock option awards.

### 16. Commitments and contingent liabilities

#### Commitments

During Q2 2013, the Group entered into commitments for contracts totalling approximately \$200 million relating to the new-build heavy construction vessel. The vessel is scheduled to be delivered in 2016.

#### Contingent liabilities

Between 2009 and 2011, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (import duty) by the Brazilian State and Federal tax authorities. The amount assessed including penalties and interest as at 30 June 2013 amounted to BRL 577.4 million (\$260.8 million). The Group has challenged these assessments. During the half year ended 30 June 2013, 17 of the ICMS cases with a total value of BRL 80.4 million (\$36.3 million) were heard at the administrative level of the Brazilian legal framework. The judgements were unfavorable to the Group. The respective cases will now be defended by the Group at the higher judicial level of the Brazilian legal system. The Group continues to believe that the likelihood of any payment is not probable and, other than as required by IFRS 3 'Business Combinations', no provision has been recognised.

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 - 'Business Combinations' required 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 2013 was \$11.2 million (31 December 2013: \$27.8 million). The decrease in the half year ended 30 June 2013 mainly related to \$16.7 million of provisions for contingent liabilities which were released relating to a number of cases where legal decisions found in favour of the Group and the cases were closed. Despite the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.



**17. Cash flow from operating activities**

For the period (in \$ millions)	Half Year	
	1H 2013 Unaudited	1H 2012 Unaudited
<b>Cash flow from operating activities:</b>		
Net income	118.5	504.2
Adjustments for:		
Foreign currency exchange losses on long-term intercompany loans	(77.7)	–
Depreciation of property, plant and equipment	166.6	155.1
Impairment/(impairment reversal)	9.8	(11.3)
Amortisation of intangible assets	4.7	6.2
Share of net income of associates and joint ventures	(77.6)	(30.6)
Mobilisation costs	3.7	1.3
Share-based payments	4.1	7.2
Finance income	(14.0)	(7.3)
Finance costs	41.4	17.3
Taxation	59.4	146.5
(Gain)/loss on disposal of property, plant and equipment	(12.6)	0.2
Gain on sale of subsidiary	–	(220.3)
	<b>226.3</b>	<b>568.5</b>
<b>Changes in operating assets and liabilities, net of acquisitions:</b>		
Increase in inventories	(1.7)	(7.2)
Decrease/(increase) in operating receivables	8.0	(440.7)
Increase in operating liabilities	306.6	138.6
	<b>312.9</b>	<b>(309.3)</b>
Income taxes paid	(74.6)	(135.3)
<b>Net cash generated from operating activities</b>	<b>464.6</b>	<b>123.9</b>

**18. Fair value and financial instruments**

Except as detailed in the following table, the carrying value of the Group's financial instruments is equal to fair value (for derivative financial instruments) or approximates the fair value of the financial instruments due to their short maturities:

As at (in \$ millions)	2013 30 Jun Carrying amount	2013 30 Jun Fair value	2012 31 Dec Carrying amount	2012 31 Dec Fair value
<b>Financial liabilities</b>				
Borrowings – convertible loan notes	1,397.0	1,402.5	1,377.7	1,398.8

**Borrowings – convertible loan notes**

The fair value of the liability components of convertible loan notes is determined by matching the maturity profile of the note to market interest rates available to the Group. At the balance sheet date the interest rates available ranged from 0.8% to 4.0%.

**Fair value measurements****Fair value hierarchy**

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Recurring and non-recurring fair value measurements**

Recurring fair value measurements are those that IFRSs require at the end of each reporting period and non-recurring fair value measurements are those that IFRSs require or permit in particular circumstances.

**18. Fair value and financial instruments (continued)**

Assets and liabilities which are measured at fair value in the Condensed Consolidated Balance Sheet and their level of the fair value hierarchy were as follows:

As at (in \$ millions)	2013 30 Jun Level 2	2013 30 Jun Level 3	2012 31 Dec Level 2	2012 31 Dec Level 3
<b>Recurring fair value measurements</b>				
Financial assets at fair value through profit or loss:				
Derivative instruments	17.8	–	53.9	–
Derivative instruments in designated hedge accounting relationships	14.0	–	20.1	–
Financial liabilities at fair value through profit or loss:				
Derivative instruments	12.5	–	30.2	–
Derivative instruments in designated hedge accounting relationships	9.6	–	8.1	–
<b>Non-recurring fair value measurements</b>				
Assets classified as held for sale	–	137.1	–	150.3

During the half year ended 30 June 2013 there have been no transfers between levels of the fair value hierarchy. The Group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

**Fair value techniques and inputs****Financial assets and liabilities at fair value through profit or loss**

The Group's financial assets and liabilities fair value through profit or loss comprised:

- Forward foreign exchange contracts  
The fair value of outstanding forward foreign exchange contracts was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Interest rate swap  
The fair value of the Group's interest rate swap was calculated using quoted 3 month US Dollar LIBOR rates. At the balance sheet date the three month US Dollar LIBOR rate was 0.3%.

**Non-recurring fair value measurements**

The Group's investments in Sonamet and Sonacergy, as described in Note 14 'Assets classified as held for sale' were valued at fair value less costs to sell in accordance with IFRS 5. The agreed consideration is discounted based on the estimated timing of the receipt of such proceeds using the Group's weighted average cost of capital. There was no change to the valuation policies and procedures in the quarter. Further information on the income statement impact for the quarter is included within Note 14. Changes in fair value are recorded in the Condensed Consolidated Income Statement as impairment charges within operating expenses.

**19. Related party transactions**

At 30 June 2013, the Group was an associate of Siem Industries Inc. Siem Offshore Inc. is an associate of Siem Industries Inc. and has Subsea 7 S.A. directors Mr Eriksrud and Mr Siem as its chairman and a board member respectively. During the half year ended 30 June 2013, in addition to normal trading transactions, the Group purchased the construction vessel, *Seven Sisters* from a subsidiary of Siem Offshore Inc. The vessel was renamed *Simar Esperança* and is expected to be sold to the Group's joint venture SIMAR.

During the half year ended 30 June 2013 the Group provided a loan of NOK 672 million (\$115.3 million) to its joint venture Eidesvik Seven to fund the construction of *Seven Viking*. The loan was made on arms-length commercial terms.

**20. Post balance sheet events**

On 31 July 2013 the Group committed to shipyard and primary equipment contracts totalling approximately \$800 million for three new-build PLSVs. The vessels are scheduled to be delivered between 2016 and 2017.