Subsea 7 S.A. Announces Fourth Quarter and Full Year 2013 Results

Luxembourg – 5 March 2014 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC) announced today results for the fourth quarter and the full year which ended on 31 December 2013. 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)	Fourth Quarter		Full Year	
	Q4 2013 Unaudited	Q4 2012 Unaudited	**2013 Audited**	2012 Audited
Revenue	**1,586**	1,611	**6,297**	6,297
Adjusted EBITDA[1]	**242**	270	**981**	1,139
Adjusted EBITDA margin[1]	**15%**	17%	**16%**	18%
Net operating income	**109**	180	**573**	808
Gain on disposal of NKT Flexibles	**–**	–	**–**	244
Net income	**72**	149	**350**	847
Backlog	**11,770**	9,086	**11,770**	9,086
Cash and cash equivalents	**650**	1,288	**650**	1,288
Borrowings	**912**	1,535	**912**	1,535
Earnings per share – in $ per share				
Basic	**0.24**	0.43	**1.04**	2.49
Diluted	**0.22**	0.38	**0.99**	2.23
Adjusted diluted[1]	**0.22**	0.38	**0.99**	1.59
Weighted average number of common shares	**377.8m**	394.5m	**374.7m**	380.2m

1 For explanations and a reconciliation of Adjusted diluted earnings per share and, Adjusted EBITDA and Adjusted EBITDA margin please refer to Notes 8 and 9 respectively of the Condensed Consolidated Financial Statements included herein. Adjusted diluted earnings per share excludes the gain on disposal of NKT Flexibles in 2012.

Jean Cahuzac, Chief Executive Officer, said:

Full year 2013

'In 2013, Subsea 7 delivered strong operational performance through successful execution across its business portfolio, with the exception of the Guará-Lula NE project in Brazil.

Revenue for the full year 2013 was $6.3 billion, which matched that achieved in 2012. The Group's profitability for the year, as reflected in Adjusted EBITDA of $981 million, was impacted by an additional full-life project loss provision of $355 million taken in the year on the Guará-Lula NE project, of which $49 million was recognised in the fourth quarter.

We were successful in winning business in 2013, which was reflected in the quality of our order intake and focus on contracts with an acceptable risk profile.

Reflecting the robust financial position and good long-term prospects of the Group, and in addition to the continuing $200 million share repurchase programme that commenced in the final quarter of 2013, the Board of Directors has recommended that shareholders approve a special dividend of NOK 3.60 per share at the next Annual General Meeting on 27 June 2014.

Fourth quarter 2013

The Group's revenue in the fourth quarter of 2013 was moderated by lower vessel capacity and utilisation in the North Sea compared with the same prior year period.

The additional full-life project loss provision of $49 million on the Guará-Lula NE project was due largely to the decision to mobilise an extra vessel on the project to accelerate project execution during the Brazilian summer season. It also included a provision for costs related to the revised risers installation schedule.

The record backlog we had achieved at the end of Q3 2013 was maintained in the quarter. Major project awards in the fourth quarter included the TEN project, offshore Ghana, and the renewal of two long-term PLSV contracts with Petrobras.

Operational highlights for the fourth quarter 2013

In the North Sea and Canada, good progress was made on a number of projects. In the UK sector, the Otter project was completed. In the Norwegian sector, the Knarr and Oseberg Delta S2 projects progressed significantly. The Terra Nova contract in Canada was completed successfully. Life-of-Field work continued with a high level of activity for Shell, BP, Total and the operator consortium DSVi.

In Angola, the CLOV project progressed well with the successful installation of two hybrid riser towers during the offshore campaign led by the *Seven Borealis*. The Block 31 PSVM project neared completion in the quarter, while Block 31 GES entered the early part of its offshore phase.

The Guará-Lula NE project in Brazil reached a number of operational milestones in the quarter, with the installation of the first buoy and some associated risers as well as the mobilisation offshore of the second buoy. Separately, the offshore phase of the Sapinhoá project was completed in the quarter using the *Seven Seas*.

Activity in Australia was dominated by the Gorgon Heavy Lift and Tie-ins project, with efforts in the fourth quarter concentrated on preparing to mobilise for the offshore phase.

Outlook

Conflicting pressures on the use of capital by major oil and gas companies, combined with a flat oil price and cost inflation, resulted in a lower level of tendering and market award activity for large EPIC contracts in the latter part of 2013. Life-of-Field and smaller project work in the North Sea remains relatively stable and is increasing in the Gulf of Mexico, albeit from a low level.

Tendering activity in early 2014 has increased for SURF projects in Africa. While this is encouraging, it must be remembered that there is typically a two-year period between tendering and the start of the offshore phase of such projects. The trend for market awards for large SURF projects to be postponed, for a variety of reasons, is continuing. We therefore expect our order backlog to decline during the first half of 2014.

In light of this environment, the Group's revenue for 2014 is nevertheless expected to increase from that realised in 2013. Adjusted EBITDA for 2014 is anticipated to increase moderately from that achieved in 2013 after adding back the full-life project loss provision recognised on the Guará-Lula NE project in 2013.

We remain positive about the medium and long-term prospects for our business, which is supported by a strong fundamental outlook for deepwater subsea field developments. To support this view, our vessel construction programme with six new-build vessels (four of which are committed on long-term contracts in Brazil), is proceeding on schedule and within our cost estimates. Owing to the phasing of vessel construction payments, the Group's capital expenditure for 2014 will be higher than in 2013'.

Conference Call Details

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 5 March 2014

Time: 12:00 UK Time

Conference ID: 75028234

	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: 5 March 2014
Time: 17:00 UK Time
Date: 2 April 2014
Time: 17:00 UK Time

	Conference Replay Dial In Numbers
International Dial In	+44 (0) 1452 550 000

Alternatively, a live webcast and a playback facility will be available on our website www.subsea7.com

For further information, please contact:

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If you no longer wish to receive our press releases please contact: 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', 'could', 'estimate', 'expect', 'forecast', 'intend', 'may', 'might', 'plan', 'predict', 'project', 'scheduled', 'seek', 'should', 'will', and similar expressions. The forward-looking statements reflect our current views and are subject to risks, uncertainties and assumptions. The principal risks and uncertainties which could impact the Group and the factors which could affect the actual results are described but not limited to those in the 'Risk factors' section in the Group's Annual Report and Consolidated Financial Statements for the year ended 31 December 2012. These factors, and others which are discussed in our public announcements, 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 vessels on order and the timely completion of vessel 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. Other unknown or unpredictable factors could also have material adverse effects on our future results. Given these factors, you should not place undue reliance on the forward-looking statements.

Management Report: Financial Review

Fourth Quarter 2013

Revenue

Revenue for the quarter was $1.6 billion which was in line with Q4 2012 primarily reflecting increased activity levels in the AFGOM and APME Territories offset by decreased activity levels in the NSC and Brazil Territories.

Adjusted EBITDA

Adjusted EBITDA for the quarter was $242 million, a decrease of $28 million or 10% compared to Q4 2012. This included a further full-life project loss provision of $49 million recognised on the Guará Lula-NE project. Adjusted EBITDA margin was 15% compared to 17% in Q4 2012.

Net operating income

Net operating income was $109 million, compared with $180 million in Q4 2012. This decrease was primarily due to:

- a decrease of $43 million in the Group's share of net income of associates and joint ventures mainly due to a reduced contribution from Seaway Heavy Lifting as its vessel the *Stanislav Yudin* was in dry-dock
- a partial impairment of $29 million on the *Seven Polaris'* carrying value

Net income

Net income was $72 million, compared to net income of $149 million in Q4 2012. The decrease in net income was primarily due to:

- the decrease in net operating income

partially offset by:

- foreign currency gains within other gains and losses of $14 million compared with $2 million in Q4 2012.

The effective tax rate for the quarter was 37%, which reflected the benefit of certain discrete items. Discrete items included changes in tax provision estimates and contingencies.

Earnings per share

Adjusted diluted earnings per share was $0.22 compared to adjusted diluted earnings per share of $0.38 in Q4 2012, based on a weighted average number of shares of 378 million and 394 million shares respectively, with the 2013 convertible notes being anti-dilutive in Q4 2013.

Year ended 31 December 2013

Revenue

Revenue of $6.3 billion was comparable with 2012, primarily reflecting increased activity levels in the AFGOM and APME Territories offset by a decrease in activity in the Brazil and NSC Territories.

Adjusted EBITDA

Adjusted EBITDA was $981 million, a decrease of $158 million or 14% compared to 2012. The Adjusted EBITDA margin fell by 2 percentage points to 16% in 2013 with the reduction in margin largely attributable to the additional full-life project loss provision of $355 million recognised on the Guará-Lula NE project. Margins improved across the remaining project portfolio driven by good project performance and a reduction in work executed at lower margins on projects awarded in prior years.

Net operating income

Net operating income decreased by $235 million to $573 million largely due to:

- the $355 million additional full-life project loss provision recognised on the Guará-Lula NE project
- impairments of property, plant and equipment of $37 million mainly in relation to the *Seven Polaris*

partially offset by:

- a decrease in administrative expenses of $77 million to $296 million (2012: $373 million), driven by an absence of integration costs and the release of $21 million of provisions, recognised at the date of the business combination in 2011, due to certain legal cases being settled in the Group's favour
- an increase of $41 million in the Group's share of net income of associates and joint ventures to $127 million (2012: $86 million). The increase was primarily attributable to strong contributions from Seaway Heavy Lifting, due to high levels of activity in renewables in the North Sea, and SapuraAcergy, due to the successful execution of the offshore phase of the Gumusut-Kakap project, offshore Malaysia.

Net income

Net income was $350 million, a decrease of $497 million or 59% compared to 2012, primarily due to:

- the decrease in net operating income
- an increase in finance costs of $26 million mainly as a result of the accretion of the 2017 convertible bonds issued in October 2012 and reduced capitalised interest on assets under construction reflecting the relative stage of completion of the new vessel construction programme
- net losses within other gains and losses of $14 million compared with a net gain of $40 million in 2012. This was as a result of foreign currency exchange losses of $27 million in 2013 (2012: $40 million gain), partially offset by a gain on disposal of property, plant and equipment of $12 million mainly related to the disposal of the *Acergy Harrier*
- the recognition in 2012 of a $244 million gain on disposal of the Group's interest in NKT Flexibles

partially offset by:

- a $61 million decrease in the tax charge compared to 2012, which was primarily the result of certain discrete items recognised in the year, rather than the reduction in the Group's income before tax. Discrete items include changes in tax provision estimates and contingencies. No tax benefit was recognised in respect of the additional full-life project loss provision on the Guará-Lula NE project.

Earnings per share

Earnings per share for the year was $1.04 (diluted: $0.99) compared to earnings per share of $2.49 (diluted: $2.23) in 2012. Adjusted diluted earnings per share, which excludes the 2012 gain on disposal of the Group's interest in NKT Flexibles, was $0.99 (2012: $1.59).

Cash and cash equivalents

Cash and cash equivalents decreased from $1.3 billion to $650 million. The movement in cash and cash equivalents was mainly attributable to:

- expenditure on property, plant and equipment of $739 million
- the $337 million partial redemption for cash of the $500 million 2.25% convertible notes at maturity
- the payment of dividends amounting to $199 million and the repurchase of shares totalling $83 million
- the early repayment of the $158 million Seven Havila loan
- the provision of funding totalling $115 million to the Group's Eidesvik Seven joint venture

partially offset by:

- cash generated from operating activities of $981 million.

Borrowings

Borrowings decreased by $623 million to $912 million during 2013. The reduction during the year was largely due to the maturity of the $500 million 2.25% convertible notes and the $158 million early repayment of the Seven Havila loan.

Territory highlights

Fourth Quarter 2013

Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue was $673 million, an increase of $62 million or 10% compared to Q4 2012. During the quarter there was progress on the CLOV, Lianzi SURF, Block 31 GES and Block 31 PSVM projects, offshore Angola, the Erha North project, offshore Nigeria and the Line 60 and Line 67 projects, in the Mexican sector of the Gulf of Mexico. Net operating income was $89 million compared to $97 million in Q4 2012.

Asia Pacific & Middle East (APME)

Revenue was $160 million, an increase of $105 million compared to Q4 2012. There was significant progress on the Gorgon Heavy Lift and Tie-ins and Gorgon Umbilicals projects, offshore Australia. Net operating income was $9 million, compared to $18 million net income in Q4 2012. The decrease was mainly due to a strong contribution from the SapuraAcergy and Subsea 7 Malaysia joint ventures during Q4 2012.

Brazil (BRAZIL)

Revenue for the quarter was $206 million, a decrease of $35 million compared to Q4 2012. The offshore phase of the Guará-Lula NE and Sapinhoá and Lula NE projects continued during the quarter. Net operating loss was $13 million (Q4 2012: $29 million loss) due to improved project margins across the project portfolio excluding the Guará-Lula NE project. Losses of $49 million were recognised on the Guará-Lula NE project in Q4 2013, compared to $53 million in Q4 2012.

North Sea & Canada (NSC)

Revenue was $544 million compared to $699 million in Q4 2012, the decrease was partly due to the cancellation of the Fram project. The Terra Nova project, offshore Canada, the Otter project, offshore UK, and the Svalin project, offshore Norway, were completed in the quarter. Work progressed during the quarter on the Martin Linge and Knarr projects, offshore Norway, and the Laggan Tormore project, offshore UK. Net operating income was $63 million, a decrease of $25 million compared to Q4 2012 due to higher than normal levels of vessel utilisation in Q4 2012.

Corporate (CORP)

Revenue was $4 million (Q4 2012: $5 million). Net operating loss of $39 million (Q4 2012: $8 million net income), reflecting the $29 million partial impairment of the *Seven Polaris* and lower contribution from Seaway Heavy Lifting in the quarter due to planned vessel dry-docking.

Year ended 31 December 2013

Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue was $2.5 billion, an increase of $272 million or 12% compared with 2012, due mainly to the timing of the offshore execution of major projects. Work commenced on the Lianzi project, offshore Angola, the Erha North project, offshore Nigeria, and the Line 60 and Line 67 projects, in the Mexican sector of the Gulf of Mexico. There was significant progress on the Block 31 PSVM, Block 31 GES, and CLOV projects, offshore Angola, and the MPN Trunk and OFON projects, offshore Nigeria. Net operating income at $402 million was $26 million or 6% lower than 2012. The associated margin of 16% decreased compared to 20% in 2012 mainly due to certain projects being executed at low margins.

Asia Pacific & Middle East (APME)

Revenue was $498 million, an increase of $220 million or 79% compared to 2012. The Fletcher Finucane and Gorgon Umbilical projects, offshore Australia, were completed during the year. There was significant progress on the Gorgon Heavy Lift and Tie-ins project, offshore Australia. Net operating income was $86 million (2012: $46 million), largely due to the successful execution and completion of the offshore phase of the Gumusut-Kakap project, offshore Malaysia by the SapuraAcergy joint venture.

Brazil (BRAZIL)

Revenue was $814 million, a decrease of $173 million or 18%, reflecting the phasing of the Guará-Lula NE project. Net operating loss was $318 million (2012: net operating loss $26 million). Results were impacted by the $355 million additional full-life project loss provision recognised on the Guará-Lula NE project. The Guará-Lula NE project entered the offshore phase in the second quarter of 2013. Delays were experienced as a result of supply chain challenges, delayed commencement of pipeline fabrication, due largely to customs clearance issues, and adverse weather conditions which prolonged the offshore installation phase. Progress was achieved towards the end of 2013 with the commencement of the installation of the second submerged buoy. The offshore phase is expected to be completed during 2014.

Vessels on long-term service agreements with Petrobras operated throughout the year at high levels of utilisation.

North Sea & Canada (NSC)

Revenue was $2.5 billion, a decrease of $324 million or 11% compared to 2012, reflecting lower utilisation due to the cancellation of the Fram project and lower vessel capacity due to the transfer of the *Seven Oceans* to Brazil. In 2013, the Terra Nova project, offshore Canada, the Otter and B11 projects, offshore UK, and the Svalin project, offshore Norway, were completed. Work commenced on the Martin Linge project, offshore Norway, and there was significant progress on the Knarr project, offshore Norway, and the Laggan Tormore project, offshore UK. Life-of-Field services continued under the BP and Shell frame agreements, offshore UK, and the Statoil frame agreement, offshore Norway. Net operating income was $395 million compared to $364 million in 2012 reflecting improved margins in the North Sea as contracts awarded at lower margins in prior years were completed.

Corporate (CORP)

Revenue for the year was $17 million (2012: $12 million), mainly related to the provision of services to joint ventures. Net operating income was $8 million compared with a $4 million operating loss in 2012. The improved results were driven largely by the absence of integration costs, the release of $21 million of provisions, recognised at the date of the business combination in 2011, due to certain legal cases being settled in the Group's favour, and an increased contribution from Seaway Heavy Lifting, partially offset by the $29 million partial impairment of the *Seven Polaris*.

Asset Development and Activities - Fourth 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 conditional upon the completion of certain conditions precedent, none of which are under the control of the Group. There is no indication that the sale will not proceed as anticipated and the Group expects completion during 2014, 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 results of associates and joint ventures'. The Group believes continued disclosure as assets held for sale is appropriate.

The *Seven Waves,* a flexible pipelay support vessel (PLSV) for Brazil, successfully completed its sea trials during the quarter. The vessel is on schedule for delivery in the second quarter of 2014. Construction continued on:

- the *Seven Arctic,* a heavy construction vessel, due for delivery in 2016
- three new-build PLSVs, linked to contracts awarded by Petrobras, with delivery expected in 2015 and 2016
- the *Seven Kestrel,* a diving support vessel for operation in NSC, with delivery expected in 2015.

New-build vessel programme capital expenditure

Actual and forecast expenditure on the Group's new vessel programme as at 31 December 2013 was:

	Actual expenditure by year		Forecast expenditure by year			
(in $ millions)	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Total	185	372	570	600	190	1,917

This includes the four PLSVs being constructed to operate under long-term contracts with Petrobras in Brazil (including the *Seven Waves*), construction of the *Seven Arctic* and the *Seven Kestrel*. Amounts include an estimate for interest which will be capitalised during construction as part of the initial cost of the vessels.

Vessel utilisation during the fourth quarter was 80% compared with 82% in Q4 2012.

Backlog

The Group had a record backlog of $11.8 billion at 31 December 2013, an increase of $2.7 billion or 30% compared to 31 December 2012. The increase was mainly attributable to the renewal of PLSV contracts and awards for the operation of three new-build PLSVs in Brazil. Other significant contracts awarded in 2013 included Aasta Hansteen, offshore Norway, TEN, offshore Ghana and Erha North, offshore Nigeria.

$9.6 billion of the backlog at 31 December 2013 related to SURF activity, $1.0 billion to Life-of-Field, $0.6 billion to Conventional and Hook-up and $0.6 billion to i-Tech. $5.8 billion of this backlog is expected to be executed in 2014, $2.5 billion in 2015 and $3.5 billion in 2016 and thereafter. Backlog related to associates and joint ventures is excluded from these amounts.

Since 31 December 2013, contract awards in excess of $165 million have been secured. These included contracts with Petrobras for remote intervention services by the i-Tech division and a three-year subsea construction services contract with ExxonMobil in Canada.

Risks and uncertainties

The principal risks and uncertainties which could materially adversely impact the Group's reputation, operations and/or financial performance and position 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 twelve month period ended 31 December 2013.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the year ended 31 December 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)	Three Months Ended 2013 31 Dec Unaudited	Three Months Ended 2012 31 Dec Unaudited	Year Ended 2013 31 Dec Audited	Year Ended 2012 31 Dec Audited
Revenue	**1,585.7**	1,610.7	**6,297.1**	6,296.6
Operating expenses	**(1,396.2)**	(1,368.0)	**(5,554.7)**	(5,201.6)
Gross profit	**189.5**	242.7	**742.4**	1,095.0
Administrative expenses	**(80.7)**	(105.8)	**(296.1)**	(373.1)
Share of net income of associates and joint ventures	**0.6**	43.5	**127.1**	86.3
Net operating income	**109.4**	180.4	**573.4**	808.2
Finance income	**3.5**	6.1	**22.1**	15.8
Gain on disposal of subsidiary	**–**	–	**–**	243.6
Gain on distribution	**–**	–	**–**	5.6
Other gains and losses	**13.6**	2.7	**(13.8)**	40.4
Finance costs	**(12.7)**	(18.6)	**(70.9)**	(44.8)
Income before taxes	**113.8**	170.6	**510.8**	1,068.8
Taxation	**(42.0)**	(21.8)	**(160.9)**	(221.6)
Net income	**71.8**	148.8	**349.9**	847.2
Net income attributable to:				
Shareholders of the parent company	**79.2**	140.9	**347.6**	830.4
Non-controlling interests	**(7.4)**	7.9	**2.3**	16.8
	71.8	148.8	**349.9**	847.2

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.24**	0.43	**1.04**	2.49
Diluted	**0.22**	0.38	**0.99**	2.23
Adjusted diluted[1]	**0.22**	0.38	**0.99**	1.59

1 For explanations and a reconciliation of Adjusted diluted earnings per share please refer to Note 8 to the Condensed Consolidated Financial Statements included herein. Adjusted diluted earnings per share excludes the gain on disposal of NKT Flexibles in 2012.

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Condensed Consolidated Statement of Comprehensive Income

	Three Months Ended		Year Ended	
(in $ millions)	**2013 31 Dec Unaudited**	2012 31 Dec Unaudited	**2013 31 Dec Audited**	2012 31 Dec Audited
Net income	**71.8**	148.8	**349.9**	847.2
Other comprehensive income				
Items that may be reclassified to the income statement in subsequent periods:				
Foreign currency translation	**28.9**	9.1	**(32.1)**	99.3
Reclassification adjustments relating to disposal of foreign subsidiaries	**–**	(18.9)	**–**	(18.9)
Cash flow hedges:				
Net fair value gains arising	**5.3**	17.0	**14.2**	19.5
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	**(1.5)**	(2.9)	**(5.8)**	1.0
Adjustments for amounts transferred to the initial carrying amounts of hedged items	**0.8**	3.3	**3.0**	8.1
Share of other comprehensive income/(loss) of associates and joint ventures	**1.0**	(3.8)	**9.5**	(3.5)
Tax relating to components of other comprehensive income which may be reclassified	**4.2**	(1.7)	**16.9**	(5.4)
Items that will not be reclassified to the income statement in subsequent periods:				
Remeasurement gains/(losses) on defined benefit pension schemes	**5.5**	(7.2)	**5.5**	(7.2)
Tax relating to remeasurement (gains)/losses on defined benefit pension schemes	**(1.3)**	1.8	**(1.3)**	1.8
Other comprehensive income/(loss)	**42.9**	(3.3)	**9.9**	94.7
Total comprehensive income	**114.7**	145.5	**359.8**	941.9
Total comprehensive income attributable to:				
Shareholders of the parent company	**122.2**	137.3	**357.3**	925.0
Non-controlling interests	**(7.5)**	8.2	**2.5**	16.9
	114.7	145.5	**359.8**	941.9

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Condensed Consolidated Balance Sheet

As at (in $ millions)	2013 31 Dec Audited	2012 31 Dec Audited
Assets		
Non-current assets		
Goodwill	**2,584.6**	2,574.8
Intangible assets	**24.6**	24.4
Property, plant and equipment	**4,098.0**	3,748.3
Interest in associates and joint ventures	**310.7**	223.1
Advances and receivables	**136.3**	47.4
Derivative financial instruments	**18.1**	20.5
Retirement benefit assets	**–**	0.3
Deferred tax assets	**48.4**	35.4
	7,220.7	6,674.2
Current assets		
Inventories	**43.5**	59.3
Trade and other receivables	**1,008.0**	1,090.3
Derivative financial instruments	**41.8**	53.5
Assets classified as held for sale	**394.8**	317.6
Construction contracts – assets	**575.0**	541.3
Other accrued income and prepaid expenses	**404.0**	471.0
Restricted cash	**20.0**	–
Cash and cash equivalents	**649.5**	1,287.9
	3,136.6	3,820.9
Total assets	**10,357.3**	10,495.1
Equity		
Issued share capital	**703.6**	703.6
Treasury shares	**(356.9)**	(443.9)
Paid in surplus	**3,841.6**	3,881.8
Equity reserve	**248.5**	359.2
Translation reserve	**31.9**	44.0
Other reserves	**(59.5)**	(81.3)
Retained earnings	**2,156.5**	1,861.1
Equity attributable to shareholders of the parent company	**6,565.7**	6,324.5
Non-controlling interests	**46.5**	43.8
Total equity	**6,612.2**	6,368.3
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**636.3**	1,040.9
Retirement benefit obligations	**19.1**	23.4
Deferred tax liabilities	**169.7**	111.6
Provisions	**35.5**	38.2
Contingent liability recognised	**6.8**	27.8
Derivative financial instruments	**12.6**	6.7
Other non-current liabilities	**14.6**	9.0
	894.6	1,257.6
Current liabilities		
Trade and other liabilities	**1,637.4**	1,452.0
Derivative financial instruments	**9.1**	31.6
Current tax liabilities	**111.2**	201.1
Current portion of borrowings	**275.4**	494.5
Liabilities directly associated with assets classified as held for sale	**194.5**	167.3
Provisions	**19.0**	11.8
Construction contracts – liabilities	**600.7**	434.1
Deferred revenue	**3.2**	76.8
	2,850.5	2,869.2
Total liabilities	**3,745.1**	4,126.8
Total equity and liabilities	**10,357.3**	10,495.1

Subsea 7 S.A.

Condensed Consolidated Statement of Changes in Equity
For the year ended 31 December 2013

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserve	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	**703.6**	**(443.9)**	**3,881.8**	**359.2**	**44.0**	**(81.3)**	**1,861.1**	**6,324.5**	**43.8**	**6,368.3**
Comprehensive income										
Net income	–	–	–	–	–	–	347.6	347.6	2.3	349.9
Exchange differences	–	–	–	–	(32.3)	–	–	(32.3)	0.2	(32.1)
Cash flow hedges	–	–	–	–	–	11.4	–	11.4	–	11.4
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	9.5	–	9.5	–	9.5
Remeasurement gains on defined benefit pension schemes	–	–	–	–	–	5.5	–	5.5	–	5.5
Tax relating to components of other comprehensive income	–	–	–	–	20.2	(4.6)	–	15.6	–	15.6
Total comprehensive income	**–**	**–**	**–**	**–**	**(12.1)**	**21.8**	**347.6**	**357.3**	**2.5**	**359.8**
Transactions with owners										
Shares repurchased	–	(91.2)	–	–	–	–	–	(91.2)	–	(91.2)
Redemption of convertible notes	–	175.1	–	–	–	–	–	175.1	–	175.1
Dividends declared and paid	–	–	–	–	–	–	(199.3)	(199.3)	–	(199.3)
Equity component of convertible notes	–	–	–	(110.7)	–	–	110.7	–	–	–
Addition of non-controlling interest	–	–	–	–	–	–	–	–	0.2	0.2
Share-based compensation	–	–	8.1	–	–	–	–	8.1	–	8.1
Vesting of share-based payments	–	–	(48.1)	–	–	–	48.1	–	–	–
Shares reissued	–	3.1	–	–	–	–	–	3.1	–	3.1
Loss on reissuance of treasury shares	–	–	–	–	–	–	(11.7)	(11.7)	–	(11.7)
Tax effects	–	–	(0.2)	–	–	–	–	(0.2)	–	(0.2)
Total transactions with owners	**–**	**87.0**	**(40.2)**	**(110.7)**	**–**	**–**	**(52.2)**	**(116.1)**	**0.2**	**(115.9)**
Balance at 31 December 2013	**703.6**	**(356.9)**	**3,841.6**	**248.5**	**31.9**	**(59.5)**	**2,156.5**	**6,565.7**	**46.5**	**6,612.2**

Condensed Consolidated Statement of Changes in Equity *continued*

For the year ended 31 December 2012

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserve	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2012	**703.6**	**(278.5)**	**4,185.5**	**278.6**	**(36.3)**	**(95.6)**	**1,023.7**	**5,781.0**	**51.5**	**5,832.5**
Comprehensive income										
Net income	–	–	–	–	–	–	830.4	830.4	16.8	847.2
Exchange differences	–	–	–	–	99.2	–	–	99.2	0.1	99.3
Cash flow hedges	–	–	–	–	–	28.6	–	28.6	–	28.6
Recycling of exchange differences on disposal of subsidiaries	–	–	–	–	(18.9)	–	–	(18.9)	–	(18.9)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	(3.5)	–	(3.5)	–	(3.5)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(7.2)	–	(7.2)	–	(7.2)
Tax relating to components of other comprehensive income	–	–	–	–	–	(3.6)	–	(3.6)	–	(3.6)
Total comprehensive income	**–**	**–**	**–**	**–**	**80.3**	**14.3**	**830.4**	**925.0**	**16.9**	**941.9**
Transactions with owners										
Shares repurchased	–	(200.0)	–	–	–	–	–	(200.0)	–	(200.0)
Dividends declared and paid	–	–	(279.7)	–	–	–	–	(279.7)	(19.5)	(299.2)
Equity component of convertible bonds	–	–	–	80.6	–	–	–	80.6	–	80.6
Purchase of non-controlling interest	–	–	–	–	–	–	(6.0)	(6.0)	–	(6.0)
Reclassification of non-controlling interest	–	–	–	–	–	–	5.1	5.1	(5.1)	–
Share-based compensation	–	–	12.5	–	–	–	–	12.5	–	12.5
Vesting of share-based payments	–	–	(35.0)	–	–	–	35.0	–	–	–
Shares reissued	–	34.6	–	–	–	–	–	34.6	–	34.6
Loss on reissuance of treasury shares	–	–	–	–	–	–	(27.1)	(27.1)	–	(27.1)
Tax effects	–	–	(1.5)	–	–	–	–	(1.5)	–	(1.5)
Total transactions with owners	**–**	**(165.4)**	**(303.7)**	**80.6**	**–**	**–**	**7.0**	**(381.5)**	**(24.6)**	**(406.1)**
Balance at 31 December 2012	**703.6**	**(443.9)**	**3,881.8**	**359.2**	**44.0**	**(81.3)**	**1,861.1**	**6,324.5**	**43.8**	**6,368.3**

Subsea 7 S.A.

Condensed Consolidated Cash Flow Statement

For the year ended (in $ millions)	**2013 31 Dec Audited**	2012 31 Dec Audited
Net cash generated from operating activities	**980.5**	515.1
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**18.6**	0.9
Purchases of property, plant and equipment	**(739.3)**	(708.7)
Purchases of intangible assets	**(2.4)**	(3.9)
Net cash flows from disposal of subsidiary	**–**	344.2
Interest received	**22.1**	14.2
Dividends received from associates and joint ventures	**23.7**	51.0
Purchase of non-controlling interest	**–**	(6.0)
Investment in associates and joint ventures	**(1.4)**	(45.3)
Net cash used in investing activities	**(678.7)**	(353.6)
Cash flows from financing activities		
Interest paid	**(42.8)**	(28.7)
Proceeds from borrowings	**–**	698.9
Repayments of borrowings	**(158.1)**	(12.2)
Cost of share repurchases	**(82.6)**	(200.0)
Dividends paid to equity shareholders of the parent company	**(199.3)**	(199.4)
Cash distributed within dividend-in-kind	**–**	(11.8)
Shareholder loan to joint ventures	**(115.3)**	(1.2)
Loan repayments from joint ventures	**21.6**	5.0
Redemption of convertible notes	**(337.2)**	–
Proceeds from reissuance of treasury shares	**1.8**	7.2
Dividends paid to non-controlling interests	**(2.9)**	–
Net cash (used)/generated in financing activities	**(914.8)**	257.8
Net (decrease)/increase in cash and cash equivalents	**(613.0)**	419.3
Cash and cash equivalents at beginning of period	**1,287.9**	803.4
Effect of foreign exchange rate movements on cash and cash equivalents	**(9.7)**	(12.8)
(Increase)/decrease in restricted cash balances	**(20.0)**	52.7
Decrease in cash balances classified as assets held for sale	**4.3**	25.3
Cash and cash equivalents at end of period	**649.5**	1,287.9

1. General information

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the 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 Financial Statements were authorised for issue by the Board of Directors on 4 March 2014.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period 1 January 2013 to 31 December 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 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 Financial Statements are unaudited.

3. Accounting policies

Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2012, except as noted below.

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 and amended International Financial Reporting Standards and interpretations have been adopted from 1 January 2013:

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

The amendments to IAS 1 changed 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) must be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendments affect 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 was not significant for the Group as actuarial gains and losses were already 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.

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 rather 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 19.

Improvements to IFRSs 2009-2011

Improvements to IFRSs 2009 – 2011 contains amendments to some standards and the related Basis for Conclusions. The amendments which impacted the Group were:

- 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 of these amendments was not significant for the Group.

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.

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 adverse weather conditions such as hurricanes or tropical storms which may cause delays. 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. Reporting segments are defined below:

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. It also includes the SIMAR joint venture.

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.

North Sea & Canada (NSC)

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.

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

For the three months ended 31 December 2013

(in $ millions)	**AFGOM**	**APME**	**BRAZIL**	**NSC**	**CORP**	**Total**
Revenue	**672.9**	**159.7**	**205.7**	**543.8**	**3.6**	**1,585.7**
Net operating income/(loss) from operations	**89.3**	**8.5**	**(12.7)**	**63.3**	**(39.0)**	**109.4**
Finance income						**3.5**
Other gains and losses						**13.6**
Finance costs						**(12.7)**
Income before taxes						**113.8**

For the three months ended 31 December 2012

(in $ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	610.7	54.8	240.8	699.1	5.3	1,610.7
Net operating income/(loss) from operations	96.5	17.6	(29.4)	88.1	7.6	180.4
Finance income						6.1
Other gains and losses						2.7
Finance costs						(18.6)
Income before taxes						170.6

For the year ended 31 December 2013 (in $ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	**2,453.6**	**498.1**	**814.1**	**2,514.0**	**17.3**	**6,297.1**
Net operating income/(loss) from operations	**402.2**	**86.1**	**(317.5)**	**394.9**	**7.7**	**573.4**
Finance income						**22.1**
Other gains and losses						**(13.8)**
Finance costs						**(70.9)**
Income before taxes						**510.8**

For the year ended 31 December 2012 (in $ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	2,182.4	277.5	986.5	2,837.8	12.4	6,296.6
Net operating income/(loss) from operations	428.0	46.0	(25.4)	363.8	(4.2)	808.2
Finance income						15.8
Other gains and losses						289.6
Finance costs						(44.8)
Income before taxes						1,068.8

7. Guará-Lula NE project loss

During 2013, the Group recognised an additional full-life project loss on the Guará-Lula NE project, offshore Brazil. The full-life project loss increased by $355 million. The net operating income for the year ended 31 December 2013 reflected the impact of this additional full-life project loss.

8. Earnings per share

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income 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:

	Three Months Ended		Year Ended	
(in $ millions, except share and per share data)	**31 Dec 2013 Unaudited**	31 Dec 2012 Unaudited	**31 Dec 2013 Audited**	31 Dec 2012 Audited
Net income attributable to shareholders of the parent company	**79.2**	140.9	**347.6**	830.4
Interest on convertible bonds and convertible notes (net of amounts capitalised)	**4.7**	9.5	**24.8**	17.8
Earnings used in the calculation of diluted earnings per share	**83.9**	150.4	**372.4**	848.2

	Three Months Ended		Year Ended	
(Number of shares)	**31 Dec 2013 Unaudited**	31 Dec 2012 Unaudited	**31 Dec 2013 Audited**	31 Dec 2012 Audited
Weighted average number of common shares used in the calculation of basic earnings per share	**335,815,389**	331,510,586	**332,942,490**	333,837,742
Convertible bonds and convertible notes	**41,265,693**	62,127,616	**40,717,826**	44,877,456
Share options, performance shares and restricted shares	**758,191**	846,314	**1,036,804**	1,463,286
Weighted average number of common shares used in the calculation of diluted earnings per share	**377,839,273**	394,484,516	**374,697,120**	380,178,484

	Three Months Ended		Year Ended	
(in $ per share)	**31 Dec 2013 Unaudited**	31 Dec 2012 Unaudited	**31 Dec 2013 Audited**	31 Dec 2012 Audited
Basic earnings per share	**0.24**	0.43	**1.04**	2.49
Diluted earnings per share	**0.22**	0.38	**0.99**	2.23

The following shares 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:

	Three Months Ended		Year Ended	
	31 Dec 2013 Unaudited	31 Dec 2012 Unaudited	**31 Dec 2013 Audited**	31 Dec 2012 Audited
Convertible notes	**1,814,186**	–	**17,972,898**	–
Share options, performance shares and restricted shares	**2,400,327**	2,008,356	**2,338,737**	2,266,216

8. Earnings per share *continued*

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 in 2012.

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

	Three Months Ended		Year Ended	
(in $ millions, except share and per share data)	**31 Dec 2013 Unaudited**	31 Dec 2012 Unaudited	**31 Dec 2013 Audited**	31 Dec 2012 Audited
Net income attributable to shareholders of the parent company	**79.2**	140.9	**347.6**	830.4
Less: Gain on disposal of NKT Flexibles	**–**	–	**–**	(243.6)
Interest on convertible bonds and convertible notes (less amounts capitalised)	**4.7**	9.5	**24.8**	17.8
Earnings used in the calculation of adjusted diluted earnings per share	**83.9**	150.4	**372.4**	604.6
Weighted average number of common shares used in the calculation of diluted earnings per share (as above)	**377,839,273**	394,484,516	**374,697,120**	380,178,484
Adjusted diluted earnings per share	**0.22**	0.38	**0.99**	1.59

9. 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:

	Three Months Ended		Year Ended	
For the period (in $ millions)	**2013 31 Dec Unaudited**	2012 31 Dec Unaudited	**2013 31 Dec Audited**	2012 31 Dec Audited
Net operating income	**109.4**	180.4	**573.4**	808.2
Depreciation, amortisation and mobilisation	**96.5**	86.7	**359.0**	333.4
Impairment/(impairment reversal)	**36.0**	2.8	**48.3**	(2.7)
Adjusted EBITDA	**241.9**	269.9	**980.7**	1,138.9
Revenue	**1,585.7**	1,610.7	**6,297.1**	6,296.6
Adjusted EBITDA %	**15.3%**	16.8%	**15.6%**	18.1%

Reconciliation to net income:

	Three Months Ended		Twelve Months Ended	
For the period (in $ millions)	**2013 31 Dec Unaudited**	2012 31 Dec Unaudited	**2013 31 Dec Audited**	2012 31 Dec Audited
Net income	**71.8**	148.8	**349.9**	847.2
Depreciation, amortisation and mobilisation	**96.5**	86.7	**359.0**	333.4
Impairment/(impairment reversal)	**36.0**	2.8	**48.3**	(2.7)
Finance income	**(3.5)**	(6.1)	**(22.1)**	(15.8)
Other gains and losses	**(13.6)**	(2.7)	**13.8**	(289.6)
Finance costs	**12.7**	18.6	**70.9**	44.8
Taxation	**42.0**	21.8	**160.9**	221.6
Adjusted EBITDA	**241.9**	269.9	**980.7**	1,138.9
Revenue	**1,585.7**	1,610.7	**6,297.1**	6,296.6
Adjusted EBITDA %	**15.3%**	16.8%	**15.6%**	18.1%

10. Dividends

A final dividend of $0.60 per common share 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.The total dividend of $199.3 million was paid in July 2013 to shareholders of record as of 5 July 2013.

11. Goodwill

The movement in goodwill during the period was as follows:

	Year Ended	
(in $ millions)	**2013 31 Dec Audited**	2012 31 Dec Audited
At 1 January	**2,574.8**	2,566.6
Derecognised on distribution of business	**–**	(43.4)
Exchange differences	**9.8**	51.6
At 31 December	**2,584.6**	2,574.8

12. Property, plant and equipment

Significant additions to property, plant and equipment for the year ended 31 December 2013 were as follows:

- $84 million purchase of the *Simar Esperança*
- $145 million of construction costs on the *Seven Waves*
- $167 million expenditure to date on the construction of the three new-build PLSVs
- $54 million of expenditure incurred on the construction of the heavy construction vessel, the *Seven Arctic*.

Following completion of its contract with Petrobras, the *Lochnagar* PLSV was disposed during the third quarter.

13. 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, supporting 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 31 December 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. There is no indication that the sale will not proceed as anticipated at the agreed price and the Group expects completion during 2014. The Group believes that continued disclosure as assets held for sale is appropriate.

During the quarter, net income of the subsidiaries resulted in an increase in the carrying value of the net assets of Sonamet and Sonacergy. There was no associated increase in the expected disposal proceeds and as a result an impairment of $6.9 million was recognised. The cumulative impairment for the year ended 31 December 2013 was $11.6 million (2012: $3.7 million impairment reversal). The impairment was recognised in the Condensed Consolidated Income Statement in operating expenses. The cumulative impairment charge at 31 December 2013 was $19.0 million (2012: $7.4 million).

14. Borrowings

Borrowings decreased by $624 million to $912 million during 2013. The reduction during the year was largely due to the maturity of the $500 million 2.25% convertible notes maturing in Q4 2013 and the $158 million early repayment of the Seven Havila loan.

15. Treasury shares

At 31 December 2013, the Group owned 14,193,786 common shares as treasury shares, representing 4.0% 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 684,097 shares were held in a separate employee benefit trust to support the Subsea 7 Inc. restricted stock award plan and other specified share option awards.

A total of 218,371 share options were exercised (2012: 509,986), generating proceeds of $1.8 million (2012: $7.2 million). All share options exercised during 2013 were satisfied by delivering treasury shares. A further 419,001 treasury shares were used to satisfy share-based awards which vested during the period (2012: 957,957). No new common shares were issued.

7,763,453 shares were used to satisfy the part redemption of the 2013 Notes.

16. Share repurchase plan

During the fourth quarter 2013, the Group commenced a $200 million share repurchase programme. As at 31 December 2013, the Group had repurchased 4,650,376 shares for a total consideration of $91.2 million.

17. Commitments and contingent liabilities

Commitments

As at 31 December 2013, significant capital commitments that the Group had entered into related to:

- contracts totalling approximately $620 million relating to three new-build PLSV's. The vessels are scheduled to be delivered between 2015 and 2016
- contracts totalling approximately $200 million relating to the new-build heavy construction vessel, the *Seven Arctic*. The vessel is scheduled to be delivered in 2016
- contracts totalling approximately $120 million relating to the diving support vessel, the *Seven Kestrel*. The vessel is scheduled to be delivered in 2015
- contracts totalling approximately $40 million relating to the PLSV, the *Seven Waves*. The vessel is scheduled to be delivered in 2014.

Contingent liabilities

Between 2009 and 2013, the Group's Brazilian businesses were audited and formally assessed for a state tax (ICMS) and federal taxes by the Brazilian State and Federal tax authorities. The amount assessed including penalties and interest as at 31 December 2013 amounted to BRL 660.1 million ($280.3 million). At 31 December 2012 the amount assessed including penalties and interest amounted to BRL 545.8 million ($261.9 million). The Group has challenged these assessments. During the year ended 31 December 2013, 17 of the ICMS cases with a total value of BRL 80.0 million ($33.9 million) were heard at the administrative level of the Brazilian legal framework. The judgements were unfavourable 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 31 December 2013 was $6.8 million (31 December 2012: $27.8 million). The decrease in the year mainly related to $20.3 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.

18. Cash flow from operating activities

For the year ended (in $ millions)	Year Ended **2013** **31 Dec** **Audited**	 2012 31 Dec Audited
Cash flow from operating activities:		
Net income before taxes	**510.8**	1,068.8
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**339.8**	314.5
Net impairment/(impairment reversal)	**48.3**	(2.7)
Amortisation of intangible assets	**9.4**	13.2
Mobilisation costs	**9.8**	5.7
Adjustments for investing and financing items:		
Share in net income of associates and joint ventures	**(127.1)**	(86.3)
Finance income	**(22.1)**	(15.8)
Finance costs	**70.9**	44.8
(Gain)/loss on disposal of property, plant and equipment	**(12.1)**	0.2
Gain on disposal of subsidiary	**–**	(243.6)
Gain on distribution	**–**	(5.6)
Adjustments for equity items:		
Share-based payments	**8.1**	12.5
Reclassification of exchange differences relating to the disposal of foreign subsidiaries	**–**	(18.9)
	835.8	1,086.8
Changes in operating assets and liabilities:		
Decrease/(increase) in inventories	**13.9**	(12.0)
Increase in operating receivables	**(11.5)**	(451.3)
Increase in operating liabilities	**327.2**	107.7
	329.6	(355.6)
Income taxes paid	**(184.9)**	(216.1)
Net cash generated from operating activities	**980.5**	515.1

19. Fair value and financial instruments

Except as detailed in the following table, the carrying value of the Group's financial assets and financial liabilities recorded at amortised cost in the Condensed Consolidated Financial Statements approximate their fair values:

As at (in $ millions)	**31 Dec 2013 Carrying amount**	**31 Dec 2013 Fair value**	31 Dec 2012 Carrying amount	31 Dec 2012 Fair value
Financial liabilities				
Borrowings – convertible bonds and convertible notes– Level 2	**(911.7)**	**(923.7)**	(1,377.7)	(1,398.8)

Borrowings – convertible bonds and convertible notes

The fair value of the liability components of convertible bonds and convertible notes is determined by matching the maturity profile of the bonds to market interest rates available to the Group. At the balance sheet date the interest rates available ranged from 0.8% to 3.3%. (2012: 2.1% to 3.7%).

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 date (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.

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)	**31 Dec 2013 Level 2**	**31 Dec 2013 Level 3**	31 Dec 2012 Level 2	31 Dec 2012 Level 3
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through profit or loss - derivative instruments	**33.5**	**–**	53.9	–
Derivative instruments in designated hedge accounting relationships	**26.4**	**–**	20.1	–
Financial liabilities:				
Financial liabilities at fair value through profit or loss -derivative instruments	**(17.2)**	**–**	(30.2)	–
Derivative instruments in designated hedge accounting relationships	**(4.5)**	**–**	(8.1)	–
Non-recurring fair value measurements				
Assets classified as held for sale	**–**	**200.3**	–	150.3

During the year ended 31 December 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 0.25%.

Non-recurring fair value measurements

The Group's investments in Sonamet and Sonacergy, as described in Note 13 '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 13. Changes in fair value are recorded in the Condensed Consolidated Income Statement as impairment charges within operating expenses.

20. Related party transactions

The Group is an associate of Siem Industries Inc. and is equity accounted for within Siem Industries Inc.'s consolidated financial statements. 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 year ended 31 December 2013, in addition to normal trading transactions, the Group purchased the construction vessel, the *Seven Sisters* from a subsidiary of Siem Offshore Inc. The vessel was renamed the *Simar Esperança*.

During the year ended 31 December 2013 the Group provided a loan of NOK 672 million ($115.3 million) to its joint venture Eidesvik Seven to fund the construction of the *Seven Viking*. The loan was made on arms-length commercial terms.

21. Facilities

Multi-currency revolving credit facilities

During Q4 2013 the Group signed three $100 million multi-currency revolving credit facility agreements, each with a separate bank. These facilities are exclusively available for cash drawings.

22. Post balance sheet events

Share repurchase plan

At 28 February 2014, the Group had repurchased a further 1,276,413 shares for a total consideration of $23.1 million.

Dividend

The Board of Directors has recommended that shareholders approve a special dividend of NOK 3.60 per share at the next Annual General Meeting on 27 June 2014.