

Subsea 7 S.A. Announces First Quarter 2012 Results

Luxembourg – 11 May 2012 – Subsea 7 S.A. (the “Group”) (Oslo Børs: SUBC) announced today results for the first quarter 2012 which ended on 31 March 2012. Unless otherwise stated, the comparative period is the four-month period from 1 December 2010 to 31 March 2011 for Subsea 7 S.A. and the results of Subsea 7 Inc. following the date of combination.

<i>In \$ millions, except Adjusted EBITDA margin %</i>	Three Months Ended 31.Mar.12 Unaudited	Period Ended 31.Mar.11 Unaudited	<i>For Information</i> Three Months Ended 31.Mar.11 Unaudited
Revenue	1,458	1,292	1,076
Adjusted EBITDA¹	225	190	165
Adjusted EBITDA margin %¹	15.4%	14.7%	15.3%
Net operating income	153	94	81
Net income	93	45	37
Backlog	8,686	6,668	6,668
Cash and cash equivalents	819	890	890
Net assets	6,002	5,504	5,504
<i>Earnings per share – in \$ per share (Diluted)</i>			
Total operations	\$0.25	\$0.14	\$0.10
Weighted average number of common shares and common share equivalents outstanding	379.1m	300.9m	328.1m

Jean Cahuzac, Chief Executive Officer, said:

“I am pleased with our results. We have delivered a good first quarter in line with our expectations. We have also continued to improve the quality of our backlog. These results confirm the momentum that we see in most of our markets as our clients remain very positive with ambitious investment plans. Our priorities for 2012 have not changed. We remain focused on project execution and disciplined in targeting opportunities that play to our strengths with appropriate margins and returns.

As we commented in March, 2012 will be a year of progress for Subsea 7, and we expect to deliver both revenue and Adjusted EBITDA ahead of the 2011 results.”

Outlook:

As expected, while 2012 will be a year of progress for Subsea 7, it will also be a transition year in Africa due to project timings; we also foresee a high number of planned dry-docks across the year.

In West Africa, we will move through a period of lower offshore activity in H2 2012 on those projects awarded over the past 18 months. We also expect a number of major SURF contracts to come to market award in the months to come. Given the longer duration nature of these EPIC projects, offshore execution is expected to be late 2013 and predominantly 2014.

In the North and Norwegian Seas, levels of tendering remain very strong with improved pricing for those new projects which will be offshore in 2012 and beyond. We expect to see an improving level of activity in 2012 and improved margins year-on-year reflecting the execution of projects awarded in improving market conditions, together with the completion of most of the remaining lower margin projects awarded in 2010.

In the Gulf of Mexico, we see some increase of activity with contract awards to the market in 2012 with execution late 2013 and 2014 in a market where pricing conditions remains challenging.

¹ For explanations and a reconciliation of Adjusted EBITDA and Adjusted EBITDA margin, please refer to Note 7 to the Condensed Consolidated Financial Statements included herein.

In Brazil, we continue to see opportunities ahead, both in traditional deepwater, as well as the pre-salt developments. Guara Lula remains on track to achieve its revised plans as reported in March 2012.

In Asia Pacific, we expect further gas-driven SURF contracts offshore Australia to come to market award in 2012, albeit with pricing conditions which remain challenging, with associated offshore activity in late 2013 and beyond.

In 2012, we expected a lower total contribution from our joint ventures, following the sale of NKT Flexibles and the rescheduling of significant offshore activity in the SapuraAcergy joint venture into 2013. This is somewhat offset by another strong performance from SHL.

In this growing market, the key challenges for the industry will be the availability of qualified and experienced personnel, managing an increasingly tight supply chain and reliability in complex projects delivery. We are today well positioned to manage these challenges; our engineering and project management capabilities, the size of our fleet and our financial strength position Subsea7 very well for long term profitable growth.

CONFERENCE CALL DETAILS

Conference Call Information	Replay Facility Details
Lines will open 15 minutes prior to conference call.	A replay facility will be available for the following period:
Date: Friday, 11 May 2012 Time: 12.00 UK Time	Date: Friday, 11 May 2012 Time: 14:00 UK Time
Conference Dial In Numbers: UK 0800 694 0257 USA 1 631 510 7498 France 0176 742 428 Norway 8001 9414 Germany 0692 222 4918	Date: Thursday, 24 May 2012 Time: 14:00 UK Time
International Dial In: +44 (0) 1452 555 566	Conference Replay Dial In Number: International Dial In: +44 (0) 1452 550 000
Passcode: 75802110	Passcode: 75802110#

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

 Subsea 7 S.A. is a seabed-to-surface engineering, construction and services contractor to the offshore energy industry worldwide.
 We provide integrated services, and we plan, design and deliver complex projects in harsh and challenging environments.

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Interim Management Report: Financial Review

The results for the first quarter 2012 reflect the three months ended 31 March 2012 for Subsea 7 S.A. The comparative period, unless otherwise stated is the four-month period from 1 December 2010 to 31 March 2011 for Subsea 7 S.A. and the results of Subsea 7 Inc. following the date of combination.

First Quarter 2012

Revenue for the quarter was \$1,458 million (Q1 2011: \$1,292 million) primarily reflecting strong activity levels in the North and Norwegian Seas, higher activity in Brazil and Asia Pacific, offset by lower activity levels in West Africa.

Gross profit was \$247 million (Q1 2011: \$188 million) reflecting a gross profit margin of 17.0% (Q1 2011: 14.6%). The increase in gross profit reflects significantly higher levels of project and offshore activity and improved vessel utilisation in NSMC, albeit with continued margin pressure from projects awarded in 2010.

Administrative expenses were \$91 million (Q1 2011: \$110 million) including expenses of \$12 million (Q1 2011: \$11 million) relating to integration and restructuring.

The Group's share of results of associates and joint ventures was a loss of \$3 million (Q1 2011: contribution of \$17 million) reflecting a loss from Seaway Heavy Lifting due to planned lower operational activity and a loss from NKT Flexibles for the period until it was classified as an asset held for sale. This adverse contribution was partially offset by a positive, albeit lower contribution from SapuraAcergy due to lower operational activity in the quarter.

During the quarter, other gains and losses resulted in a net loss of \$2 million (Q1 2011: net loss of \$17 million), mainly due to exchange rate movements, including the weakened US dollar compared to most other currencies during the quarter.

Finance costs were \$8 million (Q1 2011: \$13 million), primarily reflecting fees associated with the \$1 billion facility and interest expense on the convertible loan notes held by the Group.

Net income before taxes for the quarter was \$147 million (Q1 2011: \$70 million).

Taxation for the quarter was \$54 million (Q1 2011: \$25 million) resulting in an effective tax rate of 36% (Q1 2011: 35%) reflecting the current geographical portfolio mix and depreciation charges arising from the fair value adjustments on tangible and intangible assets.

Net income for the quarter was \$93 million (Q1 2011: \$45 million).

Adjusted EBITDA was \$225 million (Q1 2011: \$190 million) resulting in an Adjusted EBITDA margin of 15.4% (Q1 2011: 14.7%).

Net assets were \$6.0 billion as at 31 March 2012 (31 December 2011: \$5.8 billion).

Cash and cash equivalents position as at 31 March 2012 was \$819 million (31 December 2011: \$803 million).

Interim Management Report: Operating Review

First Quarter 2012

North Sea, Mediterranean and Canada (NSMC) – Revenue for the first quarter was \$578 million (Q1 2011: \$308 million) reflecting significantly higher activity levels and good progress on a number of projects including Siri Caisson, Skuld, Ormen Lange, Skarv & Idun, Tordis Flowline, Andrew and West of Shetland. Life-of-Field operations under the Shell, DSVi, Statoil, ConocoPhillips, Total and BP Frame Agreements performed well during the quarter. Net operating income was \$78 million (Q1 2011: net operating loss of \$8 million) reflecting significantly higher activity levels, including good progress across a number of projects including those delayed due to poor weather conditions in H2 2011, which resulted in higher activity levels, an improving market environment and higher utilisation than is typical for the first quarter.

Africa and Gulf of Mexico (AFGoM) – Revenue for the first quarter was \$528 million (Q1 2011: \$725 million) reflecting anticipated lower activity levels and good progress on a number of projects, including Block 31, CLOV, EGP3B and Oso Re. Sonamet delivered another good contribution. Net operating income was \$94 million (Q1 2011: \$118 million) reflecting good operational performance across the project portfolio, including Block 31, EGP3B and Oso Re, as well as Sonamet.

Asia Pacific and Middle East (APME) – Revenue for the first quarter was \$86 million (Q1 2011: \$64 million) reflecting good activity on a number of projects including G1, Montara and Lui Hua. Net operating income was \$3 million (Q1 2011: \$2 million) reflecting contributions across the project portfolio and a positive, albeit lower contribution from the SapuraAcergy joint venture reflecting lower planned activity.

Brazil (BRAZIL) – Revenue for the first quarter was \$261 million (Q1 2011: \$191 million) reflecting high utilisation of the seven vessels on long-term service agreements to Petrobras, outside of planned dry-docks. During the quarter progress was made on the P-55, GSNC and Guara Lula Projects and the i-Tech Superbid III Project. Net operating income was \$7 million (Q1 2011: \$4 million), primarily reflecting good performance from the vessels on long-term service agreement and the i-Tech Superbid III Project. Guara Lula remains on track to achieve its revised plans as reported in March 2012.

Corporate (CORP) – Revenue for the first quarter was \$5 million (Q1 2011: \$4 million). Net operating loss was \$28 million (net operating loss of Q1 2011: \$22 million) reflecting negative contributions from Seaway Heavy Lifting, due to seasonal low utilisation and NKT Flexibles. Integration costs for the period are reflected in administrative expenses, mainly within this segment. Depreciation and amortisation, arising following the fair valuation of the assets and liabilities acquired in the combination with Subsea 7 Inc., are also shown in this segment.

Asset Development and Activities

The Sonamet investment remained fully consolidated in the quarter ended 31 March 2012 although it continues to be classified as 'Assets held for sale'. After the completion of the sale and transfer of shares the business will be deconsolidated from the Group's financial statements and its future results will be reported as 'Share of results of associates and joint ventures'.

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

During the quarter, the Group purchased a 50% interest in Eidesvik Seven AS and Eidesvik Seven Chartering Limited and, through this shareholding, will have a 50% interest in the vessel, *Seven Viking*, which is currently under construction and which is expected to commence operations on the five-year Life-of-Field frame agreement with Statoil in Q4 2012.

During the quarter, the Group was granted and exercised an option to purchase 50% of Normand Oceanic AS, the Company which owns *Normand Oceanic*, a construction and flexible pipelay vessel, which is expected to join the fleet in Q2 2012.

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

Vessel utilisation during the first quarter was 86% (Q1 2011: 65%) reflecting a significant increase in total vessel days worked in NSMC, partially offset by over 200 days of planned dry-dock activity in the period.

Backlog

Backlog was \$8.7 billion as at 31 March 2012 (31 December 2011: \$8.5 billion) of which approximately \$3.8 billion is expected to be executed in the remainder of 2012 and approximately \$3.2 billion is expected to be executed in 2013.

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

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

	Three Months Ended 31.Mar.12 Unaudited	Period Ended 31.Mar.11 Unaudited
Revenue	1,458.0	1,291.7
Operating expenses	(1,210.6)	(1,103.4)
Gross profit	247.4	188.3
Administrative expenses	(90.9)	(110.2)
Net other operating loss	(0.8)	(0.7)-
Share of results of associates and joint ventures	(2.5)	16.9
Net operating income	153.2	94.3
Investment income from bank deposits	3.3	5.5
Other losses	(2.2)	(17.3)
Finance costs	(7.5)	(12.5)
Net income before taxes	146.8	70.0
Taxation	(53.5)	(24.8)
Net income	93.3	45.2
Net income attributable to:		
Equity holders of the parent	91.8	40.0
Non-controlling interests	1.5	5.2
Net income	93.3	45.2
Per share data:		
Earnings per share (\$)		
Basic	\$0.27	\$0.14
Diluted	\$0.25	\$0.14

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

	Three-Months Ended 31.Mar.12 Unaudited	Period Ended 31.Mar.11 Unaudited
Net income	93.3	45.2
Foreign currency translation	73.9	72.2
Cash flow hedges:		
Gains on cash flow hedges	16.1	45.5
Transferred to income statement on cash flow hedges	(0.7)	(1.9)
Transferred to the initial carrying amount of hedged items on cash flow hedges	(0.6)	0.2
Share of other comprehensive (loss)/income of associates and joint ventures	(0.3)	8.8
Actuarial losses on defined benefit pension schemes	-	(0.7)
Tax relating to components of other comprehensive income	(3.3)	0.6
Other comprehensive income – net of tax	85.1	124.7
Total comprehensive income	178.4	169.9
Total comprehensive income attributable to:		
Equity holders of the parent	176.7	163.5
Non-controlling interests	1.7	6.4
Total comprehensive income	178.4	169.9

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

	As at 31.Mar.12 Unaudited	As at 31.Dec.11 Audited
<u>ASSETS</u>		
Non-current assets		
Goodwill	2,598.1	2,566.6
Intangible assets	28.6	34.9
Property, plant and equipment	3,462.0	3,352.2
Interest in associates and joint ventures	137.6	264.1
Advances, receivables and other non-current assets	63.0	74.8
Deferred tax assets	35.7	40.9
Total non-current assets	6,325.0	6,333.5
Current assets		
Inventories	62.1	57.4
Trade and other receivables	880.8	773.0
Other current assets	94.1	62.7
Assets classified as held for sale	458.3	319.4
Construction contracts - assets	422.3	515.1
Other accrued income and prepaid expenses	438.6	383.1
Cash and cash equivalents	819.1	803.4
Total current assets	3,175.3	2,914.1
<u>Total assets</u>	9,500.3	9,247.6
<u>EQUITY</u>		
Capital and reserves attributable to equity holders		
Issued share capital	703.6	703.6
Own shares	(291.3)	(278.5)
Paid in surplus	4,189.3	4,185.5
Equity reserves	278.6	278.6
Translation reserves	37.6	(36.3)
Other reserves	(84.6)	(95.6)
Retained earnings	1,116.0	1,023.7
Equity attributable to equity holders of the parent	5,949.2	5,781.0
Non-controlling interests	53.2	51.5
<u>Total equity</u>	6,002.4	5,832.5
<u>LIABILITIES</u>		
Non-current liabilities		
Non-current portion of borrowings	886.5	880.5
Retirement benefit obligation	30.3	29.4
Deferred tax liabilities	131.9	133.3
Other non-current liabilities	96.4	99.9
Total non-current liabilities	1,145.1	1,143.1
Current liabilities		
Trade and other liabilities	1,432.9	1,218.9
Current tax liabilities	223.9	190.3
Current portion of borrowings	13.4	12.9
Liabilities directly associated with assets classified as held for sale	128.6	188.4
Other current liabilities	65.7	67.2
Construction contracts - liabilities	204.0	383.6
Deferred revenue	284.3	210.7
Total current liabilities	2,352.8	2,272.0
<u>Total liabilities</u>	3,497.9	3,415.1
<u>Total equity and liabilities</u>	9,500.3	9,247.6

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

Unaudited	Issued share capital	Own shares	Paid in surplus	Equity reserves	Translation reserves	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
Balance at 31 December 2011	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	-	-	-	-	-	-	91.8	91.8	1.5	93.3
Exchange differences	-	-	-	-	73.9	-	-	73.9	-	73.9
Gains on cash flow hedges	-	-	-	-	-	14.6	-	14.6	0.2	14.8
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Tax relating to components of other comprehensive income	-	-	-	-	-	(3.3)	-	(3.3)	-	(3.3)
Total comprehensive income	-	-	-	-	73.9	11.0	91.8	176.7	1.7	178.4
Transactions with owners										
Share based compensation	-	-	3.8	-	-	-	-	3.8	-	3.8
Shares reissued	-	1.4	-	-	-	-	-	1.4	-	1.4
Shares repurchased	-	(14.2)	-	-	-	-	-	(14.2)	-	(14.2)
Other movements	-	-	-	-	-	-	1.4	1.4	-	1.4
Loss on reissuance of own shares	-	-	-	-	-	-	(0.9)	(0.9)	-	(0.9)
Total transactions with owners	-	(12.8)	3.8	-	-	-	0.5	(8.5)	-	(8.5)
Balance at 31 March 2012	703.6	(291.3)	4,189.3	278.6	37.6	(84.6)	1,116.0	5,949.2	53.2	6,002.4

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

Unaudited	Issued share capital	Own shares	Paid in surplus	Equity reserves	Translation reserves	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
Balance at 30 November 2010	389.9	(209.2)	508.8	110.7	(80.2)	(90.3)	572.8	1,202.5	56.8	1,259.3
Comprehensive income										
Net income	-	-	-	-	-	-	40.0	40.0	5.2	45.2
Exchange differences	-	-	-	-	71.0	-	-	71.0	1.2	72.2
Loss on cash flow hedges	-	-	-	-	-	43.8	-	43.8	-	43.8
Share of other comprehensive loss of associates and joint ventures	-	-	-	-	-	8.8	-	8.8	-	8.8
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(0.7)	-	(0.7)	-	(0.7)
Tax relating to components of other comprehensive income	-	-	-	-	0.6	-	-	0.6	-	0.6
Total comprehensive income	-	-	-	-	71.6	51.9	40.0	163.5	6.4	169.9
Transactions with owners										
Shares issued	313.7	-	3,637.1	-	-	-	-	3,950.8	-	3,950.8
Share based compensation	-	-	30.4	-	-	-	-	30.4	-	30.4
Equity component of acquired convertible loan notes	-	-	-	189.5	-	-	-	189.5	-	189.5
Shares reissued	-	12.3	-	-	-	-	-	12.3	-	12.3
Shares repurchased	-	(73.4)	-	-	-	-	-	(73.4)	-	(73.4)
Dividends declared	-	-	-	-	-	-	-	-	(26.8)	(26.8)
Loss on reissuance of own shares	-	-	-	-	-	-	(8.2)	(8.2)	-	(8.2)
Total transactions with owners	313.7	(61.1)	3,667.5	189.5	-	-	(8.2)	4,101.4	(26.8)	4,074.6
Balance at 31 March 2011	703.6	(270.3)	4,176.3	300.2	(8.6)	(38.4)	604.6	5,467.4	36.4	5,503.8

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

	Three Months Ended 31.Mar.12 Unaudited	Period Ended 31.Mar.11 Unaudited
Net cash generated from operating activities	172.7	106.6
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	0.4	-
Purchase of property, plant and equipment	(136.9)	(339.6)
Proceeds from sale of assets classified as held for sale	-	0.1
Purchases of intangible assets	4.0	(0.9)
Interest received	3.3	5.5
Cash from acquisition	-	459.0
Dividends received from associates and joint ventures	2.0	0.9
Net cash generated used in investing activities	(127.2)	125.0
Cash flows from financing activities:		
Interest paid	(3.9)	(0.3)
Proceeds from borrowings, net of issuance costs	-	187.7
Repayment of borrowings	(5.8)	(0.8)
Proceeds from issuance of ordinary shares	0.6	4.2
Own share buyback	(2.7)	-
Net cash generated used in financing activities	(11.8)	190.8
Net increase/(decrease) in cash and cash equivalents	33.7	422.4
Cash and cash equivalents at beginning of the period	803.4	484.3
Effect of exchange rates on cash and cash equivalents	21.9	25.4
Increase in restrictive cash balances	(23.4)	-
Closing cash balances classified as assets held for sale	(68.5)	(105.7)
Opening cash balances classified as assets held for sale	52.0	63.7
Cash and cash equivalents at end of the period	819.1	890.1

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

1. Basis of preparation

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

2. Accounting policies

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

Interim Financial Reporting and Impairment

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

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

4. Seasonality

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

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

5. Segmental Information

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

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

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

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

Three Months Ended 31.Mar.12 Unaudited (In \$ millions)	NSMC	AFGoM	APME	BRAZIL	CORP	Total operations
Revenue	578.2	528.1	85.6	261.2	4.9	1,458.0
Net operating income/(loss)	77.6	93.8	2.8	6.6	(27.6)	153.2
Investment income						3.3
Other losses						(2.2)
Finance costs						(7.5)
Net income before taxation						146.8

Period Ended 31.Mar.11 Unaudited (In \$ millions)	NSMC	AFGoM	APME	BRAZIL	CORP	Total operations
Revenue	307.8	725.1	63.9	190.6	4.3	1,291.7
Net operating income/(loss)	(7.5)	118.0	1.8	3.8	(21.8)	94.3
Investment income						5.5
Other losses						(17.3)
Finance costs						(12.5)
Net income before taxation						70.0

SUBSEA 7 S.A.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Earnings per share

	Three Months Ended	Period Ended
(In \$ millions, except share and per share data)	31.Mar.12	31.Mar.11
	Unaudited	Unaudited
Net income attributable to equity holders	91.8	40.0
Interest expense on dilutive convertible notes	3.2	1.0
Adjusted net income including convertible note	<u>95.0</u>	<u>41.0</u>
Weighted-average number of common shares:		
Basic number of shares	<u>338,746,926</u>	<u>289,689,996</u>
Dilutive effect of:		
Share options and restricted stock units	1,730,148	1,947,207
Convertible notes	38,642,832	9,263,574
Total diluted number of shares	<u>379,119,906</u>	<u>300,900,777</u>
BASIC		
Net Earnings	<u>\$0.27</u>	<u>\$0.14</u>
DILUTED		
Net Earnings	<u>\$0.25</u>	<u>\$0.14</u>

For the three months ended 31 March 2012, both convertible loan notes were included in the calculations because they were dilutive.

For the period ended 31 March 2011, the \$500 million (2.25%) convertible loan notes due October 2013 and \$275 million (3.5%) convertible loan notes due October 2014 (both of which could potentially dilute basic earnings in the future) were not included in the calculations above because they were anti-dilutive.

SUBSEA 7 S.A.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Adjusted EBITDA and Adjusted EBITDA margin

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

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

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

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

SUBSEA 7 S.A.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Adjusted EBITDA and Adjusted EBITDA margin (Continued)

Reconciliation to net operating income:

(In \$ millions, except percentages)	Three Months Ended	Period Ended
	31.Mar.12	31.Mar.11
Net operating income	153.2	94.3
Depreciation and amortisation	77.6	91.2
Impairment/(reversal)charge	(5.9)	4.0
Adjusted EBITDA	224.9	189.5
Revenue	1,458.0	1,291.7
Adjusted EBITDA %	15.4%	14.7%

Reconciliation to net income:

(In \$ millions, except percentages)	Three Months Ended	Period Ended
	31.Mar.12	31.Mar.11
Net income	93.3	45.2
Depreciation and amortisation	77.6	91.2
Impairment/(reversal)charge	(5.9)	4.0
Investment income	(3.3)	(5.5)
Other losses	2.2	17.3
Finance costs	7.5	12.5
Taxation	53.5	24.8
Adjusted EBITDA	224.9	189.5
Revenue	1,458.0	1,291.7
Adjusted EBITDA %	15.4%	14.7%

SUBSEA 7 S.A.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Dividends

On 16 March 2012, the Group announced that based on the Group's continued strong performance, robust balance sheet at the end of 2011 and confidence in the future, the Board proposes that an extraordinary final dividend of \$0.60 per share will be paid to shareholders in July 2012. This dividend is subject to approval by shareholders at the 2012 AGM in June 2012.

9. Cash flow from operating activities

(In \$ millions)	Three Months Ended 31.Mar.12 Unaudited	Period Ended 31.Mar.11 Unaudited Restated ¹
Cash flows from operating activities:		
Net income	93.3	45.2
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	74.4	85.4
Net (reversals)/Impairment charges	(5.9)	4.0
Amortisation of intangible assets	2.4	4.7
Share of results of associates and joint ventures	2.5	(16.9)
Amortisation of mobilisation costs	0.8	1.1
Share based payments and retirement obligations	3.8	11.4
Interest expense	7.5	12.5
Interest income	(3.3)	(5.5)
Inventories written-off	-	0.2
Taxation	53.5	24.8
Gains on disposal of property, plant and equipment	(0.2)	0.2
	228.8	167.1
Changes in operating assets and liabilities, net of acquisitions:		
Increase in inventories	(4.2)	(1.0)
Decrease/(increase) in trade and other receivables	1.3	(5.4)
Decrease in trade and other liabilities	(4.7)	(15.2)
	(7.6)	8.8
Taxation paid	(48.5)	(69.3)
Net cash generated from operating activities	172.7	106.6

¹ Q1 2011 comparatives have been restated to be consistent with the presentation above, which is the presentation shown in the audited Consolidated Financial Statements for the year ended 31 December 2011. This is a change in presentation only and has no impact on net cash generated from operations.

SUBSEA 7 S.A.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Contingent liabilities

Between 2009 and 2011, the Group's Brazilian businesses were audited and formally assessed for ICMS tax (import duty) by the Brazilian tax authorities (Secretaria Fazenda Estado Rio de Janeiro). The amount assessed including penalties and interest, for the Group, amounted to BRL 497 million (\$273 million) as at 31 March 2012. The Group has challenged this assessment and will revert to the courts if necessary. With the exception of \$9.3 million provision required as part of the calculation of the contingent liabilities for the purchase price allocation mentioned below, no provision has been made for any payment as the Group does not believe that likelihood of payment is probable.

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

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

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

11. Goodwill

Goodwill recognised in the Combination with Subsea 7 Inc. was allocated to cash generating units in the currencies of the underlying assets. As a result, exchange differences of \$31.5 million have been recognised in the quarter, giving a closing goodwill balance of \$2,598.1 million (31 December 2011: \$2,566.6 million).

12. Property Plant and Equipment

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

Additions

The significant fixed asset additions for the quarter were:

- Construction of *Seven Borealis*
- Construction of the new-build PLSV

Impairment

In adherence to proposed undertakings given to the UK Office of Fair Trading the transfer of ownership of *Aceryg Falcon* occurred in September 2011. IAS 36 'Impairment of assets' requires that a fixed asset be recognised at the lower of its net book value and its recoverable amount. The fair value of the sale proceeds is considered the recoverable amount for *Aceryg Falcon* and in accordance with IAS 36 an impairment reversal of \$2.3 million was recorded in the quarter.

SUBSEA 7 S.A.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Assets classified as held for sale

Sonamet/Sonacergy

Investments in Sonamet and Sonacergy: On July 23, 2009, the Group entered into a sale agreement to dispose of 19% of its ownership interest in each of Sonamet Industrial, S.A ('Sonamet') and Sonacergy – Servicos E Construcoes Petroliferas Lda (Zona Franca Da Madeira) ('Sonacergy'), in AFGoM. Sonamet operates a fabrication yard for clients, including Subsea 7, operating in the offshore oil and gas industry in Angola. Sonacergy provides overseas logistics services and support to Sonamet. The disposal of a 19% interest in each of Sonamet and Sonacergy will result in a reduction of the 55% ownership interest the Group held in each at 31 March 2012, to 36% at which point the investment will be equity accounted. The finalisation of this sale is conditional upon the completion of certain conditions precedent, none of which are in the control of Subsea 7, which were still outstanding at 31 March 2012. There is no indication that the sale will not proceed as anticipated and the Group expects completion during 2012. The Group believes continued disclosure as an asset held for sale is appropriate.

As at 31 March 2012, the carrying value of the net assets of Sonamet and Sonacergy was assessed for impairment and determined to be lower than the fair value less costs to sell. Therefore, an impairment reversal of \$3.6 million was recognised in the income statement in net operating income for the quarter.

As at 31 March 2012, the Group's cash balances of \$819.1 million excluded \$68.5 million relating to Sonamet and Sonacergy which was classified as an asset held for sale.

NKT Flexibles

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

The transaction has led to a gain on disposal which is expected to be recognised in Q2 2012.

In line with IFRS 5 – 'Non Current Assets Held for Sale and Discontinued Operations', NKT Flexibles has been classified as held for sale from 3 February 2012. This contributed to an increase in assets held for sale by \$125.4 million.

The joint venture is presented within the Corporate segment.

14. Treasury Shares

During the quarter, the Group issued 152,106 treasury shares to employees to satisfy its commitments under share option and restricted share schemes, in accordance with the terms of those schemes.

Share buyback

On 16 March 2012, the Group announced a share buyback programme of up to \$200 million. The programme has been approved pursuant to the standing authorisation granted to the Board at the Annual General Meeting held on 27 May 2011, which allows for the purchase of up to a maximum of 10% of the Group's issued share capital, net of purchases already made. It is expected that this buyback programme will be carried out over the next twelve months.

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

SUBSEA 7 S.A.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Treasury Shares (Continued)

During March 2012, the Group repurchased 562,078 shares at a total consideration of \$14.2 million.

As at 31 March 2011, Subsea 7 S.A. held indirectly 10,843,389 treasury shares representing 3.08% of the total number of issued shares. In addition, 914,000 shares were held in an employee benefit trust to support the 2009 Long-Term Incentive Plan and a further 1,707,985 shares were held in a separate employee benefit trust to support the restricted stock award plan. Total shares in issue, including treasury shares, were 351,793,731.

15. Significant Events for the quarter

SEC Deregistration

On 1 March 2012, the Group announced its intention to make the necessary filings with the Securities and Exchange Commission (SEC) on 8 March 2012 to voluntarily deregister and terminate its reporting obligations under the Securities Exchange Act of 1934.

On 8 March 2012, said filings were made and the Group's SEC reporting obligations were suspended, therefore, the Group will not be required to file an Annual Report on Form 20-F for the 2011 fiscal year which ended on 31 December 2011. Deregistration is expected to be final and effective on 7 June 2012.

Board Changes

On 5 March 2012, the Group announced that Mel Fitzgerald had resigned from the Board of Directors for personal reasons, with immediate effect.

On 19 March 2012, the Group announced that Eystein Eriksrud had been appointed as a Non-Executive Director to the Board of Directors.

16. Post balance sheet events

Listing of Veripos

On 12 April 2012, the Group announced that it is considering a potential future spin off and listing of common shares in Veripos, a wholly-owned indirect subsidiary. Veripos is a world leader in the supply of high-precision GNSS positioning solutions for the offshore oil and gas industry. The potential future spin off and listing of the common shares is subject to market and other conditions, including the approval by, and registration of the common shares with, the Oslo Børs.

The shares in Veripos Inc. will be distributed as a dividend in kind to the shareholders of Subsea 7 S.A. provided that the Board of Subsea 7 S.A. resolves to propose such distribution and the distribution is approved by the shareholders at the Annual General Meeting to be held on 22 June 2012.

The listing process is expected to be completed during Q3 2012.

Share buyback

As at 10 May 2012, the Group has repurchased 5,433,778 shares representing 1.54% of the total number of issued shares at a total consideration of \$135.8 million.

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. These statements include, but are not limited to, statements about expectations as to the Group’s performance in 2012, including expected revenue and Adjusted EBITDA for 2012 and relevant expectations, statements as to the outlook for the Group’s industry, statements contained in the “Outlook” section. 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 Management” section in the Company’s Annual Report and Financial Statements. These risks, and others which are discussed in our public filings, are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: actions by regulatory authorities or other third parties; unanticipated costs and difficulties related to the integration of Subsea 7 S.A. and Subsea 7 Inc. and our ability to achieve benefits therefrom; our ability to recover costs on significant projects; the general economic conditions and competition in the markets and businesses in which we operate; our relationship with significant clients; the outcome of legal and administrative proceedings or governmental enquiries; uncertainties inherent in operating internationally; the timely delivery of ships on order and the timely completion of ship conversion programmes; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Given these factors, you should not place undue reliance on the forward-looking statements.