Subsea 7 S.A. Announces Second Quarter and Half Year 2021 Results

Luxembourg – 28 July 2021 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the second quarter and first half of 2021 which ended 30 June 2021.

Second quarter highlights

- Second quarter 2021 revenue up 59% year-on-year to $1.2 billion
- Adjusted EBITDA of $90 million equating to a margin of 7.5%
- Order intake of $1.9 billion, equating to a book-to-bill of 1.6 times
- Backlog of $6.8 billion of which 22% in Renewables, with $2.7 billion to be executed in 2021 and $2.4 billion in 2022
- Cash and cash equivalents of $390 million, after payment of the previously announced dividend of $72 million
- Net debt including lease liabilities of $39 million at quarter end

	Second Quarter		Half Year	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q2 2021 Unaudited**	Q2 2020 Unaudited	**1H 2021 Unaudited**	1H 2020 Unaudited
Revenue	**1,198**	754	**2,194**	1,505
Adjusted EBITDA[(a)]	**90**	(9)	**193**	59
Adjusted EBITDA margin[(a)]	**8%**	(1%)	**9%**	4%
Net operating loss excluding goodwill impairment charges	**(28)**	(352)	**(37)**	(401)
Goodwill impairment charges	**–**	(578)	**–**	(578)
Net operating loss	**(28)**	(930)	**(37)**	(979)
Net loss	**(13)**	(922)	**(12)**	(959)
Earnings per share – in $ per share				
Basic	**(0.04)**	(3.06)	**(0.03)**	(3.19)
Diluted[(b)]	**(0.04)**	(3.06)	**(0.03)**	(3.19)

At (in $ millions)	**30 Jun 2021 Unaudited**	31 Mar 2021 Unaudited
Backlog - unaudited[(c)]	**6,766**	6,002
Cash and cash equivalents	**390**	527
Borrowings	**(197)**	(203)
Net cash excluding lease liabilities[(d)]	**193**	324
Net (debt)/cash including lease liabilities[(d)]	**(39)**	74

(a) For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to Note 8 'Adjusted EBITDA and Adjusted EBITDA margin' to the Condensed Consolidated Financial Statements.

(b) For the explanation and a reconciliation of diluted earnings per share refer to Note 7 'Earnings per share' to the Condensed Consolidated Financial Statements.

(c) Backlog at 30 June 2021 and 31 March 2021 is unaudited and is a non-IFRS measure.

(d) Net cash is a non-IFRS measure and is defined as cash and cash equivalents less borrowings.

John Evans, Chief Executive Officer, said:

Subsea 7's onshore and offshore teams continued to work hard in the second quarter to deliver clients' projects in spite of the challenges associated with the Covid-19 pandemic. Revenue increased 59% year-on-year due to increased activity in both the Subsea and Conventional and Renewables business units. Adjusted EBITDA margin of 7.5% was adversely impacted by continued delays and Covid-19 affecting renewables projects in Taiwan, as well as low margins in Subsea and Conventional. The latter reflects the level of activity in the Middle East and the execution of SURF contracts won during a competitive pricing environment in 2019 and 2020.

We expect an increase in profitability in the second half of the year with improved margins in both business units. The long-term outlook continues to strengthen with higher tendering activity in both Subsea and Conventional and Renewables. Increased worldwide demand for certain pipelay vessels from late 2023 is supporting positive momentum in the pricing environment for new subsea awards. We also have increased confidence in the forecast step-up in offshore wind farm activity as bidding for several projects is underway.

Unlocking value in offshore wind

This month Subsea 7 announced the proposed combination[1] of its Renewables business unit with OHT ASA to form Seaway 7 ASA, a pure-play renewables company focused on the offshore fixed wind industry. With its combined fleet of ten vessels, and two high specification installation vessels under construction, Seaway 7 ASA will be equipped with the enabling assets, engineering expertise and project management track record required to forge an enhanced growth trajectory as a global leader in the offshore fixed wind market. The combination should help accelerate and enhance value creation for Subsea 7 shareholders through a majority ownership of this pure-play entity, listed on the Euronext Growth market in Oslo.

1 Subject to the customary approvals, conditions and relevant employee consultations

The transaction reflects Subsea 7's proactive commitment to Energy Transition that is focused on delivering the energy the world needs, with sustainability at its heart. We look forward to supporting the successful growth of Seaway 7 ASA while continuing to nurture, in-house, our businesses in floating wind, carbon capture and other emerging energies.

Second quarter operational review

In the second quarter the Subsea and Conventional business unit made good operational progress in the engineering and procurement phases of the SLGC, Sangomar and Barossa projects. Despite the challenges posed by China's strict Covid-19 restrictions, the Lingshui project was successfully completed utilising *Seven Borealis and Seven Eagle*. Elsewhere, offshore activity was centred on the Gulf of Mexico, Norway, Saudi Arabia and Australia. In Norway, *Seven Arctic* installed umbilicals on Ærfugl Phase 2 and *Seven Navica* made progress installing gas pipelines on Johan Sverdrup Phase 2. Activity remained high in the Gulf of Mexico on the installation phases of Manuel, King's Quay and Mad Dog Phase 2, for which *Seven Navica* was deployed to accommodate the rescheduling of some work from *Seven Vega*. In Saudi Arabia, *Seven Champion* continued to execute the 28 Jackets installation project (CRPO 47, 48 and 49) throughout the second quarter, and in Australia, *Seven Oceans* spent the quarter installing equipment for the Julimar Phase 2 project. After finishing work in the UK, *Seven Oceanic* began its transit to Australia to assist on the Julimar project.

In the Renewables business unit, in Taiwan, the progress of *Seaway Yudin* was adversely impacted by restrictions imposed by the government to control the spread of Covid-19. In addition, environmental conditions at the worksite and a number of changes in scope have hampered progress. We are in discussions to recover the incremental costs from our client in accordance with contractual terms. Elsewhere in Renewables, we continued work on the Seagreen project. The first five jackets began their transit from China to Europe, and progress on the remaining 109 jackets by our three suppliers is running to schedule. Good progress was also made in the UK on the Hornsea II project, on which *Seaway Aimery*, *Seaway Moxie* and *Simar Esperança* were fully utilised during the quarter. In June *Seaway Strashnov* completed an oil and gas heavy lift project and began mobilising for the Hollandse Kust Zuid wind project, offshore Netherlands.

Overall, utilisation of Subsea 7's active fleet was 82% in the second quarter, compared to 71% in the prior year period. At the quarter end, the active fleet comprised 29 vessels.

Second quarter financial review

Second quarter revenue of $1.2 billion increased by 59% compared to the prior year period, reflecting significantly higher activity in both Subsea and Conventional and Renewables. Adjusted EBITDA of $90 million was up from an Adjusted EBITDA loss of $9 million in the prior year quarter. The improvement largely reflects the absence of restructuring charges in 2021 ($104 million in 2020). The underlying margin has declined year-on-year as a consequence of continued delays and Covid-19 affecting renewables projects in Taiwan, and reduced margins in Subsea and Conventional. After depreciation, amortisation and impairment charges of $118 million, the Group recorded a net operating loss of $28 million. The net loss for the quarter was $13 million, after a tax credit of $15 million.

During the quarter, net cash generated from operations was $15 million including a $48 million adverse movement in net working capital largely due to increased activity in the Middle East and movement in non-project related balances. Capital expenditure was $34 million including the payments for the conversion of *Seaway Phoenix*. The second quarter was also impacted by the distribution of dividends amounting to $72 million. Overall, cash and cash equivalents decreased by $137 million since 31 March 2021 to $390 million and the Group ended the quarter with net debt of $39 million, including lease liabilities of $232 million.

During the second quarter, Subsea 7 booked new orders of approximately $1.5 billion and escalations of approximately $400 million, resulting in a book-to-bill ratio of 1.6. The backlog at the end of June 2021 was $6.8 billion, of which $2.7 billion is expected to be executed during the remainder of 2021 and $2.4 billion in 2022.

Outlook for full year 2021

The outlook for oil and gas contract awards has remained robust during the second quarter and continues to be centred on the three key regions with the most attractive project economics. Tendering activity in Brazil remains strong following the award of Bacalhau and Mero 3 to Subsea 7 in the second quarter, with several projects scheduled to be awarded to the industry over the next two years. Early engagement in Norway is beginning to yield awards such as Kobra East Gekko and Hasselmus, and front-end engineering activity is high in preparation for further EPCI prospects. Offshore activity in the Gulf of Mexico should increase in the second half of the year and we are actively tendering for further tie-back opportunities.

To accommodate a higher level of tendering and engineering activity, Subsea 7's onshore workforce is expected to increase in number, though plans to reduce the size of the active fleet remain in place given the current offshore workload projected for 2022. Demand for certain vessels from late 2023 onwards is driving positive momentum in the pricing environment compared to 2019 and 2020, giving us confidence in the outlook for Subsea and Conventional.

Tendering in Renewables is active for projects expected to be awarded to the industry in 2022, including in Asia, Europe and the US. This has contributed to improved visibility on the forecast step-up in installation activity from 2025 onwards, for which the new Seaway 7 ASA will be well-positioned.

Despite the successful roll-out of Covid-19 vaccinations in some countries, we continue to manage the challenges of operating within the constraints imposed by many governments around the world. Subsea 7 is likely to continue to incur both direct costs relating to travel and quarantine of offshore personnel, as well as indirect adverse impacts on operational efficiency of offshore operations and the supply chain in general.

Nevertheless, absent a deterioration in the impact of the Covid-19 pandemic, we continue to expect that revenue and Adjusted EBITDA in 2021 will exceed the prior year levels, and that net operating income will be positive.

Conference Call Information

Date: 28 July 2021

Time: 12:00 UK Time

Access the webcast at subsea7.com or register for the conference call at http://emea.directeventreg.com/registration/1977909.

Advance registration is required.

For further information, please contact:

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Special Note Regarding Forward-Looking Statements

Certain statements made in this announcement may contain 'forward-looking statements' (within the meaning of the safe harbour provisions of the U.S. Private Securities Litigation Reform Act of 1995). These statements relate to our current expectations, beliefs, intentions, assumptions or strategies regarding the future and are subject to known and unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements may be identified by the use of words such as 'anticipate', 'believe', 'estimate', 'expect', 'future', 'goal', 'intend', 'likely' 'may', 'plan', 'project', 'seek', 'should', 'strategy' 'will', and similar expressions. The principal risks which could affect future operations of the Group are described in the 'Risk Management' section of the Group's Annual Report and Consolidated Financial Statements for the year ended 31 December 2020. Factors that may cause actual and future results and trends to differ materially from our forward-looking statements include (but are not limited to): (i) our ability to deliver fixed price projects in accordance with client expectations and within the parameters of our bids, and to avoid cost overruns; (ii) our ability to collect receivables, negotiate variation orders and collect the related revenue; (iii) our ability to recover costs on significant projects; (iv) capital expenditure by oil and gas companies, which is affected by fluctuations in the price of, and demand for, crude oil and natural gas; (v) unanticipated delays or cancellation of projects included in our backlog; (vi) competition and price fluctuations in the markets and businesses in which we operate; (vii) the loss of, or deterioration in our relationship with, any significant clients; (viii) the outcome of legal proceedings or governmental inquiries; (ix) uncertainties inherent in operating internationally, including economic, political and social instability, boycotts or embargoes, labour unrest, changes in foreign governmental regulations, corruption and currency fluctuations; (x) the effects of a pandemic or epidemic or a natural disaster; (xi) liability to third parties for the failure of our joint venture partners to fulfil their obligations; (xii) changes in, or our failure to comply with, applicable laws and regulations (including regulatory measures addressing climate change); (xiii) operating hazards, including spills, environmental damage, personal or property damage and business interruptions caused by adverse weather; (xiv) equipment or mechanical failures, which could increase costs, impair revenue and result in penalties for failure to meet project completion requirements; (xv) the timely delivery of vessels on order and the timely completion of ship conversion programmes; (xvi) our ability to keep pace with technological changes and the impact of potential information technology, cyber security or data security breaches; and (xvii) the effectiveness of our disclosure controls and procedures and internal control over financial reporting;. Many of these factors are beyond our ability to control or predict. Given these uncertainties, you should not place undue reliance on the forward-looking statements. Each forward-looking statement speaks only as of the date of this announcement. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Second Quarter 2021

Revenue
Revenue for the second quarter was $1.2 billion, an increase of $444 million or 59% compared to Q2 2020. This was driven by increased revenue in both the Renewables business unit, with work progressing on the Seagreen offshore wind farm project, and in the Subsea and Conventional business unit, with increased activity in West Africa, the Gulf of Mexico, Brazil and Australia.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $90 million and 8% respectively, compared to negative EBITDA of $9 million in Q2 2020.

Net operating loss
Net operating loss for the quarter was $28 million, compared to net operating loss of $352 million, excluding goodwill impairment charges of $578 million in Q2 2020. Net operating loss in Q2 2020 was adversely impacted by impairment charges related to property, plant and equipment and right-of-use assets of $229 million and restructuring costs of $104 million.

The net operating loss in Q2 2021 was driven by:

- net operating loss of $10 million in the Subsea and Conventional business unit, which reflects the execution of low-margin projects awarded during the downturn in 2019 and 2020 and rescheduling of pipelay work in the Gulf of Mexico;
- net operating loss of $32 million in the Renewables business unit, which reflected continued delays to projects offshore Taiwan, driven by restrictions imposed by the government to control the spread of Covid-19, environmental conditions at the worksite and a number of changes in scope;
- net costs of approximately $4 million related to the Covid-19 pandemic compared to $30 million in Q2 2020

partly offset by:

- a credit of $11 million related to the Group's resizing programme as a result of downward revisions to restructuring cost estimates.

Net loss
Net loss was $13 million in the quarter, compared to net loss of $922 million in Q2 2020.

The year-on-year improvement was primarily due to:

- decrease in net operating loss; and
- net gains, within other gains and losses of $1 million, which included net foreign currency losses of $7 million in Q2 2021, compared to a net loss within other gains and losses of $4 million in Q2 2020, which included foreign currency losses of $8 million.

The tax credit in Q2 2021 was $15 million on loss before tax of $28 million compared to a tax credit of $17 million in Q2 2020.

Earnings per share
Diluted loss per share was $0.04 in Q2 2021 compared to a diluted loss per share of $3.06 in Q2 2020, which included goodwill impairment charges of $578 million, calculated using a weighted average number of shares of 298 million and 297 million respectively.

Cash and cash equivalents
Cash and cash equivalents were $390 million at 30 June 2021, a decrease of $137 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- net cash generated from operating activities of $15 million, which included adverse net movements of $48 million in operating assets and liabilities

more than offset by:

- dividends paid to shareholders of the parent company of $72 million;
- purchases of property, plant and equipment and intangible assets of $34 million;
- loans to joint ventures of $33 million; and
- payments related to lease liabilities of $23 million.

Borrowings and lease liabilities
Borrowings decreased to $197 million at 30 June 2021 from $203 million at 31 March 2021 due to scheduled repayments. At 30 June 2021, lease liabilities were $232 million, a net decrease of $18 million compared with 31 March 2021.

Half Year 2021

Revenue
Revenue for the half year ended 20 June 2021 was $2.2 billion, an increase of $690 million or 46% compared to 1H 2020. The increase was driven by higher revenue in both the Renewables business unit, with work progressing on the Seagreen offshore wind farm project, and in the Subsea and Conventional business unit, particularly in West Africa, the Gulf of Mexico, Brazil and Australia.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the half year ended 30 June 2021 were $193 million and 9% respectively, compared to $59 million and 4% in 1H 2020. 1H 2021 included the impact of the Covid-19 pandemic which had an incremental net cost of approximately $13 million compared to $45 million in 1H 2020. 1H 2021 also benefitted from a credit of $29 million related to the Group's resizing programme compared to the recognition of $104 million of restructuring costs in 1H 2020.

Net operating loss
Net operating loss for the half year ended 30 June 2021 was $37 million, compared to net operating loss of $401 million, excluding goodwill impairment charges of $578 million, in 1H 2020. Net operating loss in 1H 2020 was adversely impacted by impairment charges related to property, plant and equipment and right-of-use assets of $229 million and restructuring charges of $104 million.

The main items contributing to the net operating loss in 1H 2021 were:

- net operating loss of $17 million in the Subsea and Conventional business unit, which reflects the execution of low-margin projects awarded during the downturn in 2019 and 2020 and rescheduling of pipelay work in the Gulf of Mexico;
- net operating loss of $52 million in the Renewables business unit, which reflected continued delays to projects offshore Taiwan, driven by restrictions imposed by the government to control the spread of Covid-19, environmental conditions at the worksite and a number of changes in scope;
- net Covid-19 costs of approximately $13 million in 1H 2021 compared to $45 million in 1H 2020

partly offset by:

- a credit of $29 million related to the Group's resizing programme as a result of downward revisions to restructuring cost estimates and the collection of aged receivables which had been credit impaired in the prior year.

Net Loss
Net loss was $12 million for 1H 2021 compared to net loss of $959 million in 1H 2020, which included goodwill impairment charges of $578 million and impairment charges related to property, plant and equipment and right-of-use assets of $229 million.

The year-on-year improvement was primarily due to:

- the net operating loss recognised in the period; and
- net foreign currency gains in 1H 2021 of $2 million compared to net foreign currency losses of $5 million in 1H 2020.

A tax credit of $13 million was recognised in 1H 2021 on loss before taxes of $25 million.

Earnings per share
Diluted loss per share was $0.03 in 1H 2021 compared to diluted loss per share of $3.19 in 1H 2020, which reflected goodwill impairment charges of $578 million and impairment charges related to property, plant and equipment and right-of-use assets of $229 million, calculated using a weighted average number of shares of 298 million for both periods.

Cash and cash equivalents
Cash and cash equivalents were $390 million at 30 June 2021, compared to $512 million at 31 December 2020. The decrease of $122 million during the period was mainly attributable to:

- net cash generated from operating activities of $86 million

more than offset by:

- dividends paid to shareholders of the parent company of $72 million;
- purchases of property, plant and equipment and intangible assets of $58 million;
- payments related to lease liabilities of $47 million; and
- loans to joint ventures of $33 million.

Borrowings and lease liabilities
Borrowings decreased to $197 million at 30 June 2021 from $209 million at 31 December 2020 due to scheduled repayments. At 30 June 2021, lease liabilities were $232 million, a net decrease of $22 million compared with 31 December 2020.

Business Unit Highlights
With effect from 1 January 2021, for management and reporting purposes, the Group implemented a new organisational structure comprising three business units. The Group combined its 'SURF and Conventional' and 'Life of Field' business units into one business unit, named 'Subsea and Conventional', which encompasses the full portfolio of services and products dedicated to the oil and gas industry. The 'Renewables and Heavy Lifting' business unit has been renamed 'Renewables' and excludes all activities relating to the oil and gas industry. The 'Corporate' business unit now includes the results of the Group's autonomous subsidiaries, Xodus and 4Subsea. Where significant, comparative results for the prior year period have been re-presented to reflect the changes to the operating segments.

Second Quarter 2021

Subsea and Conventional
Revenue for the second quarter was $863 million, an increase of $190 million or 28% compared to Q2 2020.

During the quarter the West Barracouta project, offshore Australia and the Ichalkil project, in the Gulf of Mexico were completed. Work progressed on the Lingshui project, offshore China, the Sangomar project, offshore Senegal, the Berri-Zuluf and 28 Jackets projects, offshore Saudi Arabia, the SLGC project offshore Angola, the Julimar Phase 2 and Barossa projects, offshore Australia, the Mad Dog 2, King's Quay and Manuel projects in the Gulf of Mexico, and the Ærfugl Phase 2 and Johan Sverdrup Phase 2 projects, both offshore Norway. In Brazil, there were high levels of utilisation of the four PLSVs under long-term contracts with Petrobras and work progressed on the Bacalhau project.

Net operating loss was $10 million in the quarter compared to net operating loss of $195 million in Q2 2020, which included impairment charges related to property, plant and equipment and right-of-use assets of $209 million. The net operating loss in Q2 2021 reflects the execution of low-margin projects awarded during the downturn in 2019 and 2020, rescheduling of pipelay work in the Gulf of Mexico and net Covid-19 costs of $4 million.

Renewables
Revenue was $315 million in Q2 2021 compared to $66 million in Q2 2020. The increase in revenue was due to increased activity, particularly in relation to jacket fabrication and inner-array cable manufacturing on the Seagreen offshore wind farm project, offshore UK. Net operating loss was $32 million in Q2 2021 compared to net operating loss of $26 million in Q2 2020. The net operating loss in Q2 2021 reflected continued delays to projects offshore Taiwan, driven by restrictions imposed by the government to control the spread of Covid-19, environmental conditions at the worksite and a number of changes in scope.

Corporate
Revenue, which was driven by the Group's autonomous wholly-owned subsidiaries Xodus and 4Subsea, was $20 million in Q2 2021 compared to $15 million in Q2 2020. Net operating income was $14 million in Q2 2021 compared to net operating loss of $130 million in Q2 2020. The prior year period included restructuring charges of $104 million and impairment charges of $20 million related to property, plant and equipment. The net operating income in Q2 2021 benefitted from a credit of $11 million related to the Group's resizing programme following downward revisions of restructuring cost estimates.

Half Year 2021

Subsea and Conventional
Revenue was $1.6 billion, an increase of $256 million or 19% compared to H1 2020.

During the half year ended 30 June 2021 the Zinia project, offshore Angola, the West Barracouta project, offshore Australia and the Ichalkil project, in the Gulf of Mexico were completed. Work progressed on the Sangomar project, offshore Senegal, the Berri-Zuluf and 28 Jackets projects, offshore Saudi Arabia, the SLGC project, offshore Angola, the Julimar Phase 2 and Barossa projects, offshore Australia , the Mad Dog 2, King's Quay and Manuel projects in the Gulf of Mexico, the Pierce project, offshore UK, the Ærfugl Phase 2 and Johan Sverdrup Phase 2 projects, both offshore Norway and the Lingshui project, offshore China. In Brazil, there were high levels of utilisation of the four PLSVs under long-term contracts with Petrobras as well as the commencement of work on the Bacalhau project.

Net operating loss was $17 million in the first half of 2021 compared to net operating loss of $224 million in H1 2020, which included impairment charges related to property, plant and equipment of $209 million. The net operating loss in Q2 2021 reflects the execution of low-margin projects awarded during the downturn in 2019 and 2020, rescheduling of pipelay work in the Gulf of Mexico and net Covid-19 costs of $13 million.

Renewables
Revenue was $556 million in H1 2021 compared to $128 million in H1 2020. The increase in revenue was due to increased activity, particularly in relation to jacket fabrication and inner-array cable manufacturing on the Seagreen offshore wind farm project, offshore UK. Net operating loss was $52 million in H1 2021 compared to net operating loss of $38 million in H1 2020. The net operating loss in H1 2021 reflected continued delays to projects offshore Taiwan, driven by restrictions imposed by the government to control the spread of Covid-19, environmental conditions at the worksite and a number of changes in scope.

Corporate
Revenue, which was driven by the Group's autonomous wholly-owned subsidiaries Xodus and 4Subsea, was $40 million in 1H 2021 compared to $35 million in 1H 2020. Net operating income was $31 million in 1H 2021 compared to a net operating loss of $139 million in 1H 2020. The prior year period included restructuring charges of $104 million and impairment charges of $20 million related to property, plant and equipment. The net operating income in 1H 2021 benefitted from a credit of $29 million related to the Group's resizing programme following downward revisions to restructuring cost estimates and the collection of aged receivables which had been credit impaired in the prior year.

Asset Development and Activities

Vessel Utilisation
Active Vessel Utilisation for the second quarter was 82% compared with 71% for Q2 2020. Total Vessel Utilisation was 77% compared to 64% in Q2 2020.

At 30 June 2021 there were 31 vessels in the Group's fleet, comprising 29 active vessels and 2 stacked vessels.

Asset Development
During the quarter, work to convert *Seaway Phoenix* (formerly *Seven Phoenix*) into a cable lay vessel was completed and it began operations in June 2021.

Backlog

At 30 June 2021 backlog was $6.8 billion, an increase of $0.8 billion compared with 31 March 2021. Order intake totalling $1.9 billion was recorded in the quarter, with new awards of $1.5 billion and escalations of approximately $0.4 billion. Favourable foreign exchange movements of approximately $70 million were recognised during the quarter.

$5.3 billion of the backlog at 30 June 2021 related to the Subsea and Conventional business unit (which included $0.3 billion related to long-term day-rate contracts for PLSVs in Brazil) and $1.5 billion related to the Renewables business unit. $2.7 billion of the backlog is expected to be executed in 2021, $2.4 billion in 2022 and $1.7 billion in 2023 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

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 26 to 36 of Subsea 7 S.A.'s 2020 Annual Report. Management has considered these principal risks and uncertainties and concluded that these have not changed significantly in the six-month period to 30 June 2021.

The principal risks within health, safety, security, environmental and quality include the risk of a pandemic virus. During the first half of the year, management have continued to mitigate the impacts of the Covid-19 pandemic by monitoring health procedures and adhering to the guidance of world health organisations and local authorities. The Group has implemented revised working procedures to reduce the risks associated with Covid-19, including remote working, social distancing wherever possible and the use of additional personal protective equipment. The Group's onshore and offshore operations have been affected by the pandemic and significant additional costs have been incurred. However, management consider that the mitigating measures that have been implemented reduced the operational and financial risks for the Group.

During the second half of 2021 the global economy is expected to remain adversely impacted by the continuing Covid-19 pandemic. Management continues to monitor the potential operational and financial impacts to the Group including the mitigating impacts of the vaccination roll-out.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January 2021 to 30 June 2021 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 together with the Subsea 7 S.A. 2020 Annual Report include a fair review of the development and performance of the business and the position of the Group, including a description of the principal risks and uncertainties facing the Group.

Kristian Siem

Chairman

John Evans

Chief Executive Officer

Subsea 7 S.A.

Condensed Consolidated Income Statement

(in $ millions)	Second Quarter **Q2 2021 Unaudited**	 Q2 2020 Unaudited	Half Year **1H 2021 Unaudited**	 1H 2020 Unaudited
Revenue	**1,198.0**	754.0	**2,194.3**	1,504.6
Operating expenses	**(1,173.3)**	(1,031.2)	**(2,122.3)**	(1,768.0)
Gross profit/(loss)	**24.7**	(277.2)	**72.0**	(263.4)
Administrative expenses	**(58.2)**	(69.6)	**(114.6)**	(132.9)
Impairment of goodwill	**–**	(578.0)	**–**	(578.0)
Share of net income/(loss) of associates and joint ventures	**5.4**	(4.9)	**5.6**	(4.5)
Net operating loss	**(28.1)**	(929.7)	**(37.0)**	(978.8)
Finance income	**1.1**	1.1	**1.9**	2.6
Other gains and losses	**1.0**	(4.1)	**17.1**	15.7
Finance costs	**(1.8)**	(5.7)	**(7.3)**	(11.2)
Loss before taxes	**(27.8)**	(938.4)	**(25.3)**	(971.7)
Taxation	**14.7**	16.9	**12.9**	12.6
Net loss	**(13.1)**	(921.5)	**(12.4)**	(959.1)
Net loss attributable to:				
Shareholders of the parent company	**(11.8)**	(910.9)	**(9.8)**	(948.8)
Non-controlling interests	**(1.3)**	(10.6)	**(2.6)**	(10.3)
	(13.1)	(921.5)	**(12.4)**	(959.1)

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**(0.04)**	(3.06)	**(0.03)**	(3.19)
Diluted[(a)]	**(0.04)**	(3.06)	**(0.03)**	(3.19)

(a) For the explanation and a reconciliation of diluted earnings per share refer to Note 7 'Earnings per share' to the Condensed Consolidated Financial Statements.

Subsea 7 S.A.
Condensed Consolidated Statement of Comprehensive Income

(in $ millions)	Second Quarter Q2 2021 Unaudited	Q2 2020 Unaudited	Half Year 1H 2021 Unaudited	1H 2020 Unaudited
Net loss	**(13.1)**	(921.5)	**(12.4)**	(959.1)
Items that may be reclassified to the income statement in subsequent periods:				
Net foreign currency translation gains/(losses)	**6.5**	13.1	**17.6**	(54.0)
Tax relating to components of other comprehensive income	**0.6**	(1.4)	**0.1**	1.5
Items that will not be reclassified to the income statement in subsequent periods:				
Fair value adjustment on other financial assets	**–**	–	**1.2**	–
Other comprehensive income/(loss)	**7.1**	11.7	**18.9**	(52.5)
Total comprehensive (loss)/income	**(6.0)**	(909.8)	**6.5**	(1,011.6)
Total comprehensive (loss)/income attributable to:				
Shareholders of the parent company	**(4.9)**	(899.4)	**9.4**	(1,001.2)
Non-controlling interests	**(1.1)**	(10.4)	**(2.9)**	(10.4)
	(6.0)	(909.8)	**6.5**	(1,011.6)

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

	30 Jun 2021 Unaudited	31 Dec 2020 Audited
Assets		
Non-current assets		
Goodwill	**86.4**	84.5
Intangible assets	**43.4**	46.0
Property, plant and equipment	**3,879.9**	3,982.6
Right-of-use assets	**196.9**	213.3
Interest in associates and joint ventures	**30.9**	29.5
Advances and receivables	**57.0**	23.0
Derivative financial instruments	**22.7**	22.9
Construction contracts - assets	**2.9**	6.7
Other financial assets	**1.3**	2.9
Retirement benefit assets	**–**	0.8
Deferred tax assets	**49.6**	49.5
	4,371.0	4,461.7
Current assets		
Inventories	**33.7**	26.4
Trade and other receivables	**583.4**	590.7
Derivative financial instruments	**31.7**	31.4
Construction contracts – assets	**678.9**	470.6
Other accrued income and prepaid expenses	**206.8**	197.6
Restricted cash	**4.7**	7.1
Cash and cash equivalents	**389.8**	511.6
	1,929.0	1,835.4
Total assets	**6,300.0**	6,297.1
Equity		
Issued share capital	**600.0**	600.0
Treasury shares	**(17.6)**	(17.8)
Paid in surplus	**2,507.0**	2,505.2
Translation reserve	**(564.0)**	(582.0)
Other reserves	**(25.0)**	(25.0)
Retained earnings	**1,669.1**	1,747.4
Equity attributable to shareholders of the parent company	**4,169.5**	4,227.8
Non-controlling interests	**24.4**	27.3
Total equity	**4,193.9**	4,255.1
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**152.5**	184.4
Non-current lease liabilities	**154.2**	168.6
Retirement benefit obligations	**14.6**	14.3
Deferred tax liabilities	**32.0**	32.2
Provisions	**48.5**	49.5
Contingent liabilities recognised	**6.2**	6.0
Derivative financial instruments	**10.5**	21.1
Other non-current liabilities	**12.8**	14.7
	431.3	490.8
Current liabilities		
Trade and other liabilities	**1,194.6**	981.8
Derivative financial instruments	**26.5**	26.4
Current tax liabilities	**13.9**	32.6
Current portion of borrowings	**44.2**	24.6
Current lease liabilities	**78.2**	85.4
Provisions	**81.8**	118.5
Construction contracts – liabilities	**233.2**	279.5
Deferred revenue	**2.4**	2.4
	1,674.8	1,551.2
Total liabilities	**2,106.1**	2,042.0
Total equity and liabilities	**6,300.0**	6,297.1

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2021

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	**600.0**	**(17.8)**	**2,505.2**	**(582.0)**	**(25.0)**	**1,747.4**	**4,227.8**	**27.3**	**4,255.1**
Comprehensive income/(loss)									
Net loss	–	–	–	–	–	(9.8)	(9.8)	(2.6)	(12.4)
Net foreign currency translation gains/(losses)	–	–	–	17.9	–	–	17.9	(0.3)	17.6
Fair value adjustment on other financial assets	–	–	–	–	1.2	–	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	0.1	–	–	0.1	–	0.1
Total comprehensive income/(loss)	**–**	**–**	**–**	**18.0**	**1.2**	**(9.8)**	**9.4**	**(2.9)**	**6.5**
Transactions with owners									
Share-based payments	–	–	1.8	–	–	–	1.8	–	1.8
Shares reallocated relating to share-based payments	–	0.2	–	–	–	–	0.2	–	0.2
Dividends paid	–	–	–	–	–	(69.5)	(69.5)	–	(69.5)
Transfer on disposal of other financial assets	–	–	–	–	(1.2)	1.2	–	–	–
Loss on reallocation of treasury shares	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total transactions with owners	**–**	**0.2**	**1.8**	**–**	**(1.2)**	**(68.5)**	**(67.7)**	**–**	**(67.7)**
Balance at 30 June 2021	**600.0**	**(17.6)**	**2,507.0**	**(564.0)**	**(25.0)**	**1,669.1**	**4,169.5**	**24.4**	**4,193.9**

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2020

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	**600.0**	**(14.0)**	**2,507.5**	**(590.0)**	**(20.2)**	**2,845.4**	**5,328.7**	**34.3**	**5,363.0**
Comprehensive loss									
Net loss	–	–	–	–	–	(948.8)	(948.8)	(10.3)	(959.1)
Net foreign currency translation losses	–	–	–	(53.9)	–	–	(53.9)	(0.1)	(54.0)
Tax relating to components of other comprehensive income	–	–	–	1.5	–	–	1.5	–	1.5
Total comprehensive loss	**–**	**–**	**–**	**(52.4)**	**–**	**(948.8)**	**(1,001.2)**	**(10.4)**	**(1,011.6)**
Transactions with owners									
Shares repurchased	–	(9.8)	–	–	–	–	(9.8)	–	(9.8)
Share-based payments	–	–	2.0	–	–	–	2.0	–	2.0
Shares reallocated relating to share-based payments	–	0.6	–	–	–	–	0.6	–	0.6
Loss on reallocation of treasury shares	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Reclassification of deferred tax on defined benefit pension schemes	–	–	–	–	0.4	(0.4)	–	–	–
Reclassification adjustment relating to non-controlling interest	–	–	–	–	–	(5.3)	(5.3)	5.3	–
Total transactions with owners	**–**	**(9.2)**	**2.0**	**–**	**0.4**	**(6.3)**	**(13.1)**	**5.3**	**(7.8)**
Balance at 30 June 2020	**600.0**	**(23.2)**	**2,509.5**	**(642.4)**	**(19.8)**	**1,890.3**	**4,314.4**	**29.2**	**4,343.6**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Half Year 1H 2021 Unaudited	Half Year 1H 2020 Unaudited
Net cash generated from operating activities	**85.8**	301.2
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**4.9**	1.4
Purchases of property, plant and equipment	**(52.4)**	(113.1)
Purchases of intangible assets	**(5.6)**	(13.1)
Net proceeds from recognition of assets related to business combinations – post measurement period	**–**	16.6
Interest received	**1.9**	2.6
Loan to joint venture	**(33.0)**	–
Dividends received from joint venture	**0.1**	–
Proceeds from sale of other financial assets	**2.8**	–
Investment in other financial assets	**(0.2)**	(2.9)
Net cash used in investing activities	**(81.5)**	(108.5)
Cash flows from financing activities		
Interest paid	**(5.6)**	(6.8)
Repayment of borrowings	**(12.3)**	(12.3)
Cost of share repurchases	**–**	(9.8)
Payments related to lease liabilities	**(46.6)**	(53.3)
Dividends paid to shareholders of the parent company	**(72.0)**	–
Dividends paid to non-controlling interests	**–**	(9.7)
Net cash used in financing activities	**(136.5)**	(91.9)
Net (decrease)/ increase in cash and cash equivalents	**(132.2)**	100.8
Cash and cash equivalents at beginning of year	**511.6**	397.7
Decrease/(increase) in restricted cash	**2.4**	(2.9)
Effect of foreign exchange rate movements on cash and cash equivalents	**8.0**	(12.2)
Cash and cash equivalents at end of period	**389.8**	483.4

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 27 July 2021.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2021 to 30 June 2021 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 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Condensed Consolidated Financial Statements are unaudited.

Covid-19 pandemic

As the global economy remains impacted by the unprecedented global health and economic crisis following the outbreak of the Covid-19 pandemic, management continued during the second quarter of 2021 to monitor the operational and financial impacts to the Group. Despite the uncertainty regarding the potential impacts of the Covid-19 pandemic and the associated imbalance in the energy market, management consider that there are no significant doubts over the application of the going concern assumption and no disclosable material uncertainties which cast doubt upon the Group's ability to continue as a going concern.

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 2020.

No new International Financial Reporting Standards (IFRSs) were adopted by the Group for the financial year beginning 1 January 2021. Amendments to existing IFRSs, issued with an effective date of 1 January 2021 but not yet endorsed by the EU, will be adopted by the Group following their adoption by the EU.

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 2020, 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 believes 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 2020:

- Revenue recognition on long-term construction contracts
- Revenue recognition on variation orders and claims
- Goodwill carrying amount
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Taxation
- Measurement of other intangibles acquired on business combinations
- Measurement of contingent consideration on business combinations

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, tropical storms and rough seas, which may cause delays. In the Northern Hemisphere seasonally adverse weather occurs typically during the period from October to March, whereas in the Southern Hemisphere it typically occurs during the period from May to September. Depending on project execution, each can affect the Group's offshore operations. Periods of adverse weather conditions usually result in low levels of activity.

6. Segment information

With effect from 1 January 2021, for management and reporting purposes, the Group implemented a new organisational structure comprising three business units; Subsea and Conventional, Renewables and Corporate. These business units represent the Group's operating segments and are defined as follows:

Subsea and Conventional

The Subsea and Conventional business unit includes:

- Subsea Umbilicals, Risers and Flowlines (SURF) activities related to the engineering, procurement, installation and commissioning of highly complex subsea oil and gas systems in deep waters, including the long-term contracts for PLSVs in Brazil;
- Conventional services including the fabrication, installation, extension and refurbishment of fixed and floating platforms and associated pipelines in shallow water environments;
- Activities associated with the provision of inspection, repair and maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support; and
- Activities associated with heavy lifting operations and decommissioning of redundant offshore structures.

This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Subsea and Conventional activities.

Renewables

The Renewables business unit comprises activities related to the delivery of fixed and floating offshore wind farm projects. This includes the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations for renewables structures. This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Renewables activities.

With effect from 1 January 2021, the Renewables business unit excludes all activities relating to the oil and gas industry. Comparative disclosures have not been re-presented to reflect this amendment, as oil and gas related activities were not significant.

Corporate

The Corporate business unit includes group-wide activities, and associated costs, including captive insurance activities, operational support, corporate services and costs associated with discrete events such as restructuring. The Corporate business unit also includes the results of the Group's autonomous subsidiaries, Xodus and 4Subsea. A significant portion of the Corporate business unit's costs are allocated to the other business units based on a percentage of their external revenue.

Summarised financial information relating to each operating segment is as follows:

For the three months ended 30 June 2021

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Lump-sum projects	**682.7**	**314.9**	**2.4**	**1,000.0**
Day-rate projects	**180.3**	**0.1**	**17.6**	**198.0**
	863.0	**315.0**	**20.0**	**1,198.0**
Net operating (loss)/income	**(9.8)**	**(31.9)**	**13.6**	**(28.1)**
Finance income				**1.1**
Other gains and losses				**1.0**
Finance costs				**(1.8)**
Loss before taxes				**(27.8)**

For the three months ended 30 June 2020

(in $ millions) Unaudited	Subsea and Conventional Re-presented[(a)]	Renewables Re-presented[(a)]	Corporate Re-presented[(a)]	Total Re-presented[(a)]
Revenue				
Lump-sum projects	513.2	65.4	1.4	580.0
Day-rate projects	159.7	0.9	13.4	174.0
	672.9	66.3	14.8	754.0
Net operating loss excluding goodwill impairment charges	(195.3)	(26.0)	(130.4)	(351.7)
Impairment of goodwill	(578.0)	–	–	(578.0)
Net operating loss	(773.3)	(26.0)	(130.4)	(929.7)
Finance income				1.1
Other gains and losses				(4.1)
Finance costs				(5.7)
Loss before taxes				(938.4)

(a) Re-presented due to new organisational structure implemented from 1 January 2021.

For the six months ended 30 June 2021

(in $ millions) Unaudited	**Subsea and Conventional**	**Renewables**	**Corporate**	**Total**
Revenue				
Lump-sum projects	**1,272.0**	**556.2**	**5.0**	**1,833.2**
Day-rate projects	**325.9**	**0.2**	**35.0**	**361.1**
	1,597.9	**556.4**	**40.0**	**2,194.3**
Net operating (loss)/income	**(16.6)**	**(51.8)**	**31.4**	**(37.0)**
Finance income				**1.9**
Other gains and losses				**17.1**
Finance costs				**(7.3)**
Loss before taxes				**(25.3)**

For the six months ended 30 June 2020

(in $ millions) Unaudited	**Subsea and Conventional** Re-presented[a]	**Renewables** Re-presented[a]	**Corporate** Re-presented[a]	**Total** Re-presented[a]
Revenue				
Lump-sum projects	1,007.4	127.3	3.6	1,138.3
Day-rate projects	334.4	1.0	30.9	366.3
	1,341.8	128.3	34.5	1,504.6
Net operating loss excluding goodwill impairment charges	(223.7)	(38.4)	(138.7)	(400.8)
Impairment of goodwill	(578.0)	–	–	(578.0)
Net operating loss	(801.7)	(38.4)	(138.7)	(978.8)
Finance income				2.6
Other gains and losses				15.7
Finance costs				(11.2)
Loss before taxes				(971.7)

(a) Re-presented due to new organisational structure implemented from 1 January 2021.

7. Earnings per share

Basic and diluted earnings per share

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

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares. The net income/(loss) and share data used in the calculation of basic and diluted earnings/(loss) per share were as follows:

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2021 Unaudited**	Q2 2020 Unaudited	**1H 2021 Unaudited**	1H 2020 Unaudited
Net loss attributable to shareholders of the parent company	**(11.8)**	(910.9)	**(9.8)**	(948.8)
Earnings used in the calculation of diluted loss per share	**(11.8)**	(910.9)	**(9.8)**	(948.8)

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2021 Unaudited**	Q2 2020 Unaudited	**1H 2021 Unaudited**	1H 2020 Unaudited
Weighted average number of common shares used in the calculation of basic loss per share	**297,683,774**	297,210,554	**297,679,301**	297,867,931
Performance shares	**–**	–	**–**	–
Weighted average number of common shares used in the calculation of diluted loss per share	**297,683,774**	297,210,554	**297,679,301**	297,867,931

	Second Quarter		Half Year	
For the period (in $ per share)	**Q2 2021 Unaudited**	Q2 2020 Unaudited	**1H 2021 Unaudited**	1H 2020 Unaudited
Basic loss per share	**(0.04)**	(3.06)	**(0.03)**	(3.19)
Diluted loss per share	**(0.04)**	(3.06)	**(0.03)**	(3.19)

The following shares that could potentially dilute earnings/(loss) per share were excluded from the calculation of diluted earnings/(loss) per share due to being anti-dilutive:

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2021 Unaudited**	Q2 2020 Unaudited	**1H 2021 Unaudited**	1H 2020 Unaudited
Performance shares	**1,571,270**	1,793,061	**1,575,743**	1,795,272

8. 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 period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation and amortisation costs, including amortisation of prepaid mobilisation expenses and amortisation of intangible assets, impairment charges or impairment reversals, finance income, remeasurement gains and losses on business combinations, other gains and losses (including foreign exchange gains and losses, gains on disposal of subsidiaries, gains and losses resulting from remeasurement of contingent consideration, gains on distributions and bargain purchase gains on business combinations), finance costs and taxation. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.

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 are not recognised as a measurement of performance under IFRS as adopted by 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 Group. These non-IFRS measures provide management with a meaningful comparative for its business units, as they eliminate the effects of financing, depreciation amortisation, impairments, taxation and other one-off adjustments to the Consolidated Income Statement. 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 of net operating loss to Adjusted EBITDA and Adjusted EBITDA margin:

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2021 Unaudited**	Q2 2020 Unaudited	**1H 2021 Unaudited**	1H 2020 Unaudited
Net operating loss	**(28.1)**	(929.7)	**(37.0)**	(978.8)
Depreciation, amortisation and mobilisation	**114.3**	113.2	**224.4**	230.3
Impairment of goodwill	**–**	578.0	**–**	578.0
Impairment of property, plant and equipment	**4.1**	212.5	**4.1**	212.5
Impairment of intangible assets	**–**	16.7	**1.3**	16.7
Adjusted EBITDA	**90.3**	(9.3)	**192.8**	58.7
Revenue	**1,198.0**	754.0	**2,194.3**	1,504.6
Adjusted EBITDA margin	**7.5%**	(1.2%)	**8.8%**	3.9%

Reconciliation of net loss to Adjusted EBITDA and Adjusted EBITDA margin:

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2021 Unaudited**	Q2 2020 Unaudited	**1H 2021 Unaudited**	1H 2020 Unaudited
Net loss	**(13.1)**	(921.5)	**(12.4)**	(959.1)
Depreciation, amortisation and mobilisation	**114.3**	113.2	**224.4**	230.3
Impairment of goodwill	**–**	578.0	**–**	578.0
Impairment of property, plant and equipment	**4.1**	212.5	**4.1**	212.5
Impairment of intangible assets	**–**	16.7	**1.3**	16.7
Finance income	**(1.1)**	(1.1)	**(1.9)**	(2.6)
Other gains and losses	**(1.0)**	4.1	**(17.1)**	(15.7)
Finance costs	**1.8**	5.7	**7.3**	11.2
Taxation	**(14.7)**	(16.9)	**(12.9)**	(12.6)
Adjusted EBITDA	**90.3**	(9.3)	**192.8**	58.7
Revenue	**1,198.0**	754.0	**2,194.3**	1,504.6
Adjusted EBITDA margin	**7.5%**	(1.2%)	**8.8%**	3.9%

9. Goodwill

The movement in goodwill during the period was as follows:

	Half Year	
(in $ millions)	**1H 2021 Unaudited**	1H 2020 Unaudited
At year beginning	**84.5**	704.6
Adjustments to identifiable net assets at fair value subsequent to initial recognition	**–**	(0.1)
Impairment charges	**–**	(578.0)
Exchange differences	**1.9**	(20.5)
At quarter end	**86.4**	106.0

10. Treasury shares

During the second quarter, no shares were used to satisfy share-based awards. At 30 June 2021, the Group directly held 2,316,226 shares (Q1 2021: 2,316,226) as treasury shares, representing 0.77% (Q1 2021: 0.77%) of the total number of issued shares.

The movement in treasury shares during the period was as follows:

	30 Jun 2021 Number of shares Unaudited	**30 Jun 2021 in $ millions Unaudited**	30 Jun 2020 Number of shares Unaudited	30 Jun 2020 in $ millions Unaudited
At year beginning	**2,326,683**	**17.8**	1,212,860	14.0
Shares repurchased	**–**	**–**	1,627,968	9.8
Shares reallocated relating to share-based payments	**(10,457)**	**(0.2)**	(51,382)	(0.6)
At period end	**2,316,226**	**17.6**	2,789,446	23.2

11. Share repurchase programme

During the second quarter, no shares were repurchased under the Group's share repurchase programme authorised on 24 July 2019. At 30 June 2021, the Group had cumulatively repurchased 1,627,968 shares for a total consideration of $9.8 million under this programme.

12. Commitments and contingent liabilities

Commitments

At 30 June 2021, the Group had contractual commitments totalling $11.1 million.

Contingent liabilities not recognised in the Consolidated Balance Sheet

The Group is subject to tax audits and receives tax assessments in a number of jurisdictions where it has, or has had, operations. The estimation of the ultimate outcome of these audits and disputed tax assessments is complex and subjective. The likely outcome of the audits and associated cash outflow, if any, may be impacted by technical uncertainty and the availability of supporting documentation.

Between 2009 and 2020, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 30 June 2021 amounted to BRL 814.6 million, equivalent to $165.5 million (31 December 2020: BRL 834.5 million, equivalent to $161.7 million). The Group has challenged these assessments. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met however management believes that the likelihood of payment is not probable.

During 2018, 2019 and 2020, the Group's Brazilian business received several labour claims. The amount assessed at 30 June 2021 amounted to BRL 232.1 million, equivalent to $47.1 million (31 December 2020: BRL 238.8 million, equivalent to $46.2 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL180.5 million, equivalent to $36.6 million as the disclosure criteria have been met (31 December 2020: BRL187.3 million, equivalent to $36.3 million), however, management believes that the likelihood of payment is not probable. At 30 June 2021, a provision of BRL 51.6 million, equivalent to $10.5 million was recognised within the Consolidated Balance Sheet (31 December 2020: BRL 51.5 million, equivalent to $9.9 million), as the IAS 37 'Provisions, contingent liabilities and contingent assets' recognition criteria were met.

Contingent liabilities recognised in the Consolidated Balance Sheet

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 'Business combinations' (IFRS 3) required the Group to recognise as a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. The value of the provision recognised within the Consolidated Balance Sheet at 30 June 2021 was $5.7 million (31 December 2020: $5.5 million). While complying with the requirements of IFRS 3, management continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, IFRS 3 required the Group to recognise a provision in respect of contingent consideration payable to a third party following the acquisition of intangible assets in 2009. The value of the provision recognised within the Consolidated Balance Sheet at 30 June 2021 was $0.5 million (31 December 2020: $0.5 million). While complying with the requirements of IFRS 3, management continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

13. Cash flow from operating activities

For the period ended (in $ millions)	Half Year 1H 2021 Unaudited	1H 2020 Unaudited
Cash flow from operating activities:		
Loss before taxes	**(25.3)**	(971.7)
Adjustments for non-cash items:		
Impairment of goodwill	**–**	578.0
Amortisation of intangible assets	**8.6**	6.2
Impairment of intangible assets	**1.3**	–
Depreciation of property, plant and equipment	**169.0**	170.9
Impairment of property, plant and equipment	**4.1**	212.5
Amortisation of right-of-use assets	**42.5**	46.9
Impairment of right-of-use assets	**–**	16.7
Amortisation of mobilisation costs	**4.3**	6.3
Adjustments for investing and financing items:		
Gain on recognition of assets related to business combinations – post measurement period	**–**	(15.5)
Share of net income of associates and joint ventures	**(5.6)**	4.5
Net gain on disposal of property, plant and equipment	**(3.2)**	(0.5)
Gain on maturity of lease liabilities	**(0.1)**	(0.9)
Finance income	**(1.9)**	(2.6)
Finance costs	**7.3**	11.2
Adjustments for equity items:		
Share-based payments	**1.8**	2.0
	202.8	64.0
Changes in operating assets and liabilities:		
(Increase)/decrease in inventories	**(7.0)**	1.8
(Increase)/decrease in operating receivables	**(146.9)**	54.4
Increase in operating liabilities	**81.0**	197.3
	(72.9)	253.5
Income taxes paid	**(44.1)**	(16.3)
Net cash generated from operating activities	**85.8**	301.2

14. Fair value and financial instruments

The carrying values of the Group's financial assets and financial liabilities recorded at amortised cost in the Condensed Consolidated Financial Statements approximate their fair values.

Borrowings – senior secured facility

The fair value of the senior secured facility is determined by matching the maturity profile of the amounts utilised under the facility to market interest rates available to the Group for borrowings with similar security, maturity and repayment profiles. At 30 June 2021 interest charged under the facility is representative of market rates currently available to the Group and therefore the carrying amount approximates fair value.

Fair value measurements

Fair value hierarchy

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recurring and non-recurring fair value measurements

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

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

At (in $ millions)	**2021 30 Jun Level 1**	**2021 30 Jun Level 2**	**2021 30 Jun Level 3**	2020 31 Dec Level 1	2020 31 Dec Level 2	2020 31 Dec Level 3
Recurring fair value measurements						
Financial assets measured at fair value through profit or loss:						
Derivative instruments	**–**	**54.4**	**–**	–	54.3	–
Financial liabilities measured at fair value through profit or loss:						
Derivative instruments	**–**	**(37.0)**	**–**	–	(47.5)	–
Contingent consideration	**–**	**–**	**(7.7)**	–	–	(7.7)

During the period ended 30 June 2021 there were 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 mandatorily measured at fair value through profit or loss

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

- Forward foreign exchange contracts and embedded derivatives
  The fair value of outstanding forward foreign exchange contracts and embedded derivatives were calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Contingent consideration
  The fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones and calculated using the discounted cash flow method and unobservable inputs.

Financial assets measured at fair value through other comprehensive income and designated as such at initial recognition

The Group's financial assets measured at fair value through other comprehensive income and designated as such at initial recognition comprised:

- Other financial assets
  Strategic financial investments in unlisted companies are disclosed as other financial assets within non-current assets on the Consolidated Balance Sheet. Management concluded that due to the nature of these investments, there are a wide range of possible fair value measurements and in some cases, there may be insufficient recent information available to enable the Group to accurately measure fair value. Management review investments annually to ensure the carrying amount can be supported by expected future cash flows and have concluded cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes.

15. Post balance sheet events

Business combination with OHT ASA

On 8 July 2021 the Group announced an agreement to combine its Renewables business unit with OHT ASA. The business combination, which remains subject to the customary approvals, conditions and relevant employee consultations, is due to be effective from 1 October 2021. The combined company will be renamed Seaway 7 ASA and will initially retain OHT's listing on Oslo's Euronext Growth market, with a view to a future listing on Oslo Børs. At the date of the combination, the Group will own 72% of Seaway 7 ASA and will fully consolidate the results of the company.