Subsea 7 S.A. Announces Third Quarter 2021 Results

Luxembourg – 17 November 2021 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the third quarter which ended 30 September 2021.

Third quarter highlights

- Third quarter 2021 revenue up 53% year-on-year to $1.45 billion
- Adjusted EBITDA of $185 million equating to a margin of 12.8%
- Cash and cash equivalents of $300 million, and net debt including lease liabilities of $99 million at quarter end
- Order intake of $1.4 billion, equating to a book-to-bill ratio of 1.0, resulting in a backlog of $6.7 billion
- Completion on 1 October of the combination with OHT ASA to create Seaway 7 ASA (Oslo Børs: SEAWY7)
- At 1 October, following the combination, the backlog was $6.9 billion of which 19% in Renewables

	Third Quarter		Nine Months Ended	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q3 2021 Unaudited**	Q3 2020 Unaudited	**30 Sep 2021 Unaudited**	30 Sep 2020 Unaudited
Revenue	**1,451**	947	**3,645**	2,452
Adjusted EBITDA[(a)]	**185**	114	**378**	172
Adjusted EBITDA margin[(a)]	**13%**	12%	**10%**	7%
Net operating income/(loss) excluding goodwill impairment charges	**78**	7	**41**	(394)
Goodwill impairment charges	**–**	–	**–**	(578)
Net operating income/(loss)	**78**	7	**41**	(972)
Net income/(loss)	**45**	(43)	**33**	(1,002)
Earnings per share – in $ per share				
Basic	**0.15**	(0.14)	**0.12**	(3.33)
Diluted[(b)]	**0.15**	(0.14)	**0.12**	(3.33)

At (in $ millions)	**30 Sep 2021 Unaudited**	30 Jun 2021 Unaudited
Backlog[(c)]	**6,733**	6,766
Cash and cash equivalents	**300**	390
Borrowings	**(191)**	(197)
Net cash excluding lease liabilities[(d)]	**109**	193
Net debt including lease liabilities[(d)]	**(99)**	(39)

(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 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 delivered a strong operational and financial performance in the third quarter driven by very high utilisation of the active fleet in both Subsea and Conventional and Renewables, as well as an increased level of engineering and procurement activity relating to recent major awards.

Revenue increased 53% year-on-year due to a significant increase in activity in the Subsea and Conventional and Renewables business units in the UK, Norway, Gulf of Mexico, Brazil and Turkey. After deducting net direct costs related to the Covid-19 pandemic of $9 million, with the benefit of an increased contribution from client settlements, the Adjusted EBITDA margin of 12.8% was up from 12.0% in the prior year quarter. Conversion to cash flow was impacted by an adverse movement in working capital which drove a modest increase in net debt to $99 million from $39 million in the second quarter. We expect working capital requirements to reduce in the fourth quarter.

During the third quarter Subsea 7 made progress in the delivery of its two-fold strategy encompassing "subsea field of the future" and "energy transition".

Subsea field of the future – integrated SPS and SURF

During the third quarter Subsea Integration Alliance was awarded contracts for the development of the Sakarya gas field, offshore Turkey. As a result of a strong, collaborative early engagement process with the client and reaping the benefits of a truly integrated solution we expect to deliver the development within an industry-leading timeline from discovery to first gas in 2023. As well as drawing on the breadth and depth of expertise within our Global Project Centre, the project will utilise several Subsea 7 vessels and represents a significant contribution to our operational and financial visibility for 2022. The Sakarya project, along with Bacalhau, Brazil's first integrated project, and several smaller awards, confirms the industry-leading position of Subsea Integration Alliance and reaffirms integrated solutions as a cornerstone component of our strategy for the subsea field of the future.

Subsea field of the future – systems innovation and enabling products

In October we announced three new contracts for our pipelay support vessels (PLSVs) in Brazil – *Seven Rio, Seven Sun and Seven Waves* - as well as the transfer of some of our existing contractual commitments to a fourth PLSV - *Seven Seas*. Along with the continuation of the contract for *Seven Cruzeiro*, Subsea 7 will have five PLSVs working for Petrobras next year. This is testament to the strong operational performance that our team and vessels have delivered in Brazil, and includes the successful launch of our 4insight® technology. This proprietary innovation, developed by our autonomous subsidiary, 4Subsea, utilises big data harvested from the vessels and their pipelay operations to optimise vessel uptime and maximise overall performance.

Energy transition – offshore wind

In the third quarter Subsea 7 continued to expand its proactive participation in the energy transition. The Group furthered its interest in floating wind through the acquisition of a majority holding in Nautilus Floating Solutions, a developer of technology for this emerging market. Together with our agreement with Simply Blue Energy to develop the Salamander floating wind project, and the creation of Seaway 7 ASA, this acquisition reinforces our industry-leading position across the high growth offshore wind market.

Energy transition – sustainable and efficient operations

Subsea 7 announced new targets to cut its Scope 1 and 2 emissions by half by 2035 and achieve Net Zero by 2050. These targets will utilise solutions available today as well as future cleaner technologies as they become commercially available, and they mark another step in our journey to decarbonise our business.

Third quarter operational review

In the third quarter the Subsea and Conventional business unit made good operational progress in the engineering and procurement phases of the SLGC, Sangomar, Barossa and Bacalhau projects, while engineering commenced for the Sakarya project offshore Turkey. Utilisation of the active fleet was very high resulting in good progress in the installation phase of several projects. Offshore Norway, three reeling vessels, *Seven Vega*, *Seven Oceans* and *Seven Navica*, laid pipelines at the Johan Sverdrup Phase 2 project, while umbilicals were installed by *Seven Pacific*. *Seven Vega* was also active on Ærfugl Phase 2 where it successfully completed the installation of the Electrically Heat-Traced Flowline (EHTF). In the Gulf of Mexico, the floating production unit for the Mad Dog 2 project was towed from the yard at Ingleside, Texas to the field, while *Seven Seas* installed gas export infrastructure and *Seven Arctic* installed rigid and flexible jumpers. Meanwhile the offshore phase of the Julimar Phase 2 project in Australia was completed by *Seven Oceans* and *Seven Oceanic* before these vessels began transiting back to Norway. In Saudi Arabia, *Seven Champion* was utilised throughout the quarter on the 28 Jackets project (CRPO 47) and on the Berri field (CRPO 36/37).

In the Renewables business unit, *Seaway Yudin* restarted work on the Formosa 2 project in Taiwan with a reduced crew due to the limited availability of visas. The season's offshore campaign was completed and the vessel demobilised to Indonesia. It is expected to return in the first quarter of 2022 to complete our scope of the Formosa 2 project. Also in Taiwan, *Seaway Phoenix* continued laying inner-array cables for the Yunlin project. In Europe, *Seaway Aimery*, *Seaway Moxie* and *Simar Esperança* were fully utilised throughout the quarter installing inner-array cables for the Hornsea II project while *Seaway Strashnov* installed monopiles at Hollandse Kust Zuid, offshore Netherlands. The Seagreen project reached an important milestone with the installation of the first suction caisson jackets.

Overall, utilisation of Subsea 7's active fleet of 28 vessels was 94% in the third quarter, compared to 84% in the prior year period, including 92% utilisation of the Subsea and Conventional fleet and 99% utilisation of the Renewables vessels.

Third quarter financial review

Third quarter revenue of $1.45 billion increased by 53% compared to the prior year period, reflecting significantly higher activity in both Subsea and Conventional and Renewables. Adjusted EBITDA of $185 million was up from $114 million in the prior year quarter. The improvement reflects an increased level of engineering and procurement on major projects, combined with high vessel utilisation and some client settlements. After deducting net direct costs related to the Covid-19 pandemic of $9 million (compared with $20 million in the third quarter of 2020) the underlying Adjusted EBITDA margin increased slightly to 12.8% from 12.0%. After depreciation and amortisation of $107 million, the Group recorded net operating income of $78 million. Net income for the quarter was $45 million, after a tax charge of $61 million equating to an effective tax rate of 58%.

During the quarter, the net cash outflow from operating activities was $20 million after a $230 million adverse movement in net working capital that largely related to timing of milestone payments in the Gulf of Mexico, the protracted invoice approval process in the Middle East and delays to the progress of Renewables projects in Taiwan. Capital expenditure was relatively low at $24 million excluding business acquisition costs that amounted to a net $7 million. Overall, cash and cash equivalents decreased by $90 million since 30 June 2021 to $300 million and the Group ended the quarter with net debt of $99 million, including lease liabilities of $208 million.

In the third quarter, Subsea 7 booked new orders of approximately $1.3 billion and escalations of approximately $100 million, resulting in a book-to-bill ratio of 1.0. The backlog at the end of September 2021 was $6.7 billion. Following the completion of the combination with OHT ASA to create Seaway 7 ASA at 1 October, the backlog was $6.9 billion of which $1.4 billion is expected to be executed during the remainder of 2021, $3.5 billion in 2022 and $1.8 billion in 2023 and thereafter.

Outlook for full year 2021 and 2022

The industry recovery in Subsea and Conventional continues to gain momentum. At the end of the third quarter, the value of tenders in-house had increased by approximately 70% compared with the low point in May 2020 and was almost 20% above the pre-Covid levels recorded in December 2019. Our tendering and early engagement teams are active and we have seen an increase in headcount over the past year to meet demand from clients in key areas of the world. We continue to be well-placed in the advantaged markets of Brazil, the Gulf of Mexico and Norway.

While our activity on early-stage projects has increased significantly, we continue to plan a temporary reduction in the active Subsea and Conventional fleet for 2022 before a recovery in offshore activity in 2023. With a healthy backlog and high levels of tendering activity, we remain confident in the outlook for this business unit.

In Renewables, tendering is active for projects expected to be awarded to the industry in 2022, including in Asia, Europe and the US. With an enhanced fleet of cable, foundation and turbine installation vessels, Seaway 7 ASA is well-positioned to capture a fair share of this long-term, high-growth market.

We expect that revenue and Adjusted EBITDA in 2021 will exceed the prior year levels, and that net operating income will be positive. In 2022, we expect that Adjusted EBITDA will be broadly in line with 2021 before returning to growth in 2023.

Conference Call Information

Date: 17 November 2021

Time: 12:00 UK Time

Access the webcast at subsea7.com or https://edge.media-server.com/mmc/p/6kjx5zsv

Register for the conference call at http://emea.directeventreg.com/registration/1477014

Advance registration is required.

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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.

Third Quarter 2021

Revenue
Revenue for the third quarter was $1.45 billion, an increase of $503 million or 53% compared to Q3 2020. This was driven by increased revenue in both the Subsea and Conventional business unit, with increased activity in West Africa, the Gulf of Mexico, the Middle East, Brazil and Australia and the Renewables business unit, with work progressing on the Seagreen offshore wind farm project.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $185 million and 13% respectively, compared to Adjusted EBITDA of $114 million and Adjusted EBITDA margin of 12% in Q3 2020.

Net operating income
Net operating income for the quarter was $78 million, compared to net operating income of $7 million in Q3 2020.

The net operating income in Q3 2021 was driven by:

- net operating income of $70 million in the Subsea and Conventional business unit, which benefitted from client settlements in the quarter;
- net operating income of $5 million in the Renewables business unit, with work progressing on the Seagreen offshore wind farm project;
- a credit of $8 million related to the Group's resizing programme as a result of downward revisions to restructuring cost estimates; and
- net costs of $9 million related to the Covid-19 pandemic compared to net costs of $20 million in Q3 2020.

Net income
Net income was $45 million in the quarter, compared to a net loss of $43 million in Q3 2020.

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

- increase in net operating income of $72 million;
- net gain of $33 million in Q3 2021 within other gains and losses, which included net foreign currency gains of $27 million, compared to a net loss of $15 million in Q3 2020, which included net foreign currency losses of $10 million

partly offset by:

- an increase of $29 million in the tax charge compared to Q3 2020, mainly driven by the increase in income before tax combined with irrecoverable withholding taxes in certain jurisdictions.

Earnings per share
Diluted earnings per share was $0.15 in Q3 2021 compared to a diluted loss per share of $0.14 in Q3 2020, calculated using a weighted average number of shares of 299 million and 297 million respectively.

Cash and cash equivalents
Cash and cash equivalents were $300 million at 30 September 2021, a decrease of $90 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- net cash outflow from operating activities of $20 million, which included adverse movements of $230 million in net operating assets and liabilities;
- purchases of property, plant and equipment and intangible assets of $24 million;
- payments related to lease liabilities of $22 million; and
- acquisition of businesses of $7 million.

Borrowings and lease liabilities
Borrowings decreased to $191 million at 30 September 2021 from $197 million at 30 June 2021 due to scheduled repayments. At 30 September 2021, lease liabilities were $208 million, a decrease of $24 million compared with 30 June 2021.

Nine months ended 30 September 2021

Revenue
Revenue for the nine months ended 30 September 2021 was $3.6 billion, an increase of $1.2 billion or 49% compared to the nine months ended 30 September 2020. The increase was driven by higher revenue in both the Subsea and Conventional business unit, particularly in West Africa, the Gulf of Mexico, Middle East, Brazil and Australia and the Renewables business unit, with work progressing on the Seagreen offshore wind farm project.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the nine months ended 30 September 2021 were $378 million and 10% respectively, compared to $172 million and 7% in the nine months ended 30 September 2020.

In the nine months ended 30 September 2021, incremental net costs of $22 million were recognised related to the Covid-19 pandemic compared to $65 million net cost in the prior year period. 2021 benefitted from a credit of $37 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, this compares with a $99 million restructuring charge recognised in the prior year period.

Net operating income
Net operating income for the nine months ended 30 September 2021 was $41 million, compared to net operating loss of $394 million, excluding goodwill impairment charges of $578 million, in the prior year period. Net operating loss in the nine months

ended 30 September 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 $99 million.

The main items contributing to net operating income for the nine months ended 30 September 2021 were:

- net operating income of $53 million in the Subsea and Conventional business unit, which benefitted from settlements with clients;
- net operating loss of $47 million in the Renewables business unit, which was adversely impacted by 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 $22 million

partly offset by:

- a credit of $37 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 Income
Net income was $33 million for the nine months ended 30 September 2021 compared to net loss of $1.0 billion for the nine months ended 30 September 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 increase in net operating income;
- a net gain of $50 million in 2021 within other gains and losses, which included net foreign currency gains of $33 million, compared to a net gain of $1 million in Q3 2020, which included net foreign currency losses of $12 million for the nine months ended 30 September 2020

partly offset by:

- a tax charge of $48 million recognised for the nine months ended 30 September 2021, compared to a charge of $20 million in the prior year period. The year-on-year increase reflects the improved profitability, the impact of which was mitigated by the Group's ability to access certain losses not previously recognised as deferred tax assets.

Earnings per share
Diluted earnings per share was $0.12 for the nine months ended 30 September 2021 compared to diluted loss per share of $3.33 for the nine months ended 30 September 2020, which reflected goodwill impairment charges of $578 million and impairment charges related to property, plant and equipment and right-of-use assets of $230 million, calculated using a weighted average number of shares of 299 million and 298 million respectively.

Cash and cash equivalents
Cash and cash equivalents were $300 million at 30 September 2021, compared to $512 million at 31 December 2020. The decrease of $212 million during the period was mainly attributable to:

- net cash generated from operating activities of $66 million

more than offset by:

- purchases of property, plant and equipment and intangible assets of $82 million;
- dividends paid to shareholders of $72 million;
- payments related to lease liabilities of $69 million; and
- loans to joint ventures of $33 million.

Borrowings and lease liabilities
Borrowings decreased to $191 million at 30 September 2021 from $209 million at 31 December 2020 due to scheduled repayments. At 30 September 2021, lease liabilities were $208 million, a decrease of $46 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.

Third Quarter 2021

Subsea and Conventional
Revenue for the third quarter was $1.1 billion, an increase of $393 million or 59% compared to Q3 2020.

During the quarter the Julimar project, offshore Australia and the Lingshui project, offshore China were substantially completed. Work progressed on the Sangomar project, offshore Senegal, the Berri-Zuluf and 28 Jackets projects, offshore Saudi Arabia, the Barossa project, offshore Australia, the Sakarya project, offshore Turkey, the Mad Dog 2, King's Quay and Colibri 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 income was $70 million in the quarter compared to net operating income of $15 million in Q3 2020. The net operating income in Q3 2021 benefitted from client settlements.

Renewables

Revenue was $377 million in Q3 2021 compared to $269 million in Q3 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 income was $5 million in Q3 2021 compared to net operating income of $nil in Q3 2020.

Corporate

Revenue, which was driven by the Group's autonomous wholly-owned subsidiaries Xodus and 4Subsea, was $19 million in Q3 2021 compared to $17 million in Q3 2020. Net operating income was $4 million in Q3 2021 compared to net operating loss of $8 million in Q3 2020. The net operating income in Q3 2021 benefitted from a credit of $8 million related to the Group's resizing programme following downward revisions of restructuring cost estimates.

Nine months ended 30 September 2021

Subsea and Conventional

Revenue was $2.7 billion, an increase of $649 million or 32% compared to the nine months ended 30 September 2020.

During the nine months ended 30 September 2021 the Zinia project, offshore Angola, the West Barracouta project, offshore Australia, the Ichalkil project, in the Gulf of Mexico, the Julimar project, offshore Australia and the Lingshui project, offshore China 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 Barossa project, offshore Australia , the Sakarya project, offshore Turkey, the Mad Dog 2, King's Quay, Colibri and Manuel projects in the Gulf of Mexico, the Pierce project, offshore UK, 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 income was $53 million for the nine months ended 30 September 2021 compared to net operating loss of $787 million for the prior year period, which included goodwill impairment charges of $578 million and impairment charges related to property, plant and equipment of $210 million.

Renewables

Revenue was $934 million for the nine months ended 30 September 2021 compared to $398 million for the prior year period. The increase in revenue reflected 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 $47 million for the nine months ended 30 September 2021 compared to net operating loss of $38 million for the nine months ended 30 September 2020. The net operating loss in 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 $59 million for the nine months ended 30 September 2021 compared to $51 million for the nine months ended 30 September 2020. Net operating income was $35 million for the nine months ended 30 September 2021 compared to a net operating loss of $147 million for the nine months ended 30 September 2020. The net operating income for the nine months ended 30 September 2021 benefitted from a credit of $37 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. The prior year period included restructuring charges of $99 million and impairment charges of $20 million related to property, plant and equipment.

Vessel Utilisation

Active Vessel Utilisation for the third quarter was 94% compared with 84% for Q3 2020. Total Vessel Utilisation was 88% compared to 76% in Q3 2020.

At 30 September 2021 there were 30 vessels in the Group's fleet, comprising 28 active vessels and 2 stacked vessels.

Backlog

At 30 September 2021 backlog was $6.7 billion, compared to $6.8 billion at 30 June 2021. Order intake totalling $1.4 billion was recorded in the quarter, with new awards of $1.3 billion, which included the Sakarya project, offshore Turkey, and escalations of approximately $0.1 billion. Unfavourable foreign exchange movements of approximately $20 million were recognised during the quarter.

$5.5 billion of the backlog at 30 September 2021 related to the Subsea and Conventional business unit (which included $0.2 billion related to long-term day-rate contracts for PLSVs in Brazil) and $1.2 billion related to the Renewables business unit. $1.4 billion of the backlog is expected to be executed in 2021, $3.5 billion in 2022 and $1.8 billion in 2023 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

Following the completion of the business combination with OHT ASA on 1 October 2021, backlog related to the Renewables business unit was $1.3 billion.

Subsea 7 S.A.
Condensed Consolidated Income Statement

(in $ millions)	Third Quarter Q3 2021 Unaudited	Third Quarter Q3 2020 Unaudited	Nine Months Ended 30 Sep 2021 Unaudited	Nine Months Ended 30 Sep 2020 Unaudited
Revenue	**1,450.5**	947.4	**3,644.8**	2,452.0
Operating expenses	**(1,309.1)**	(892.9)	**(3,431.4)**	(2,660.9)
Gross profit/(loss)	**141.4**	54.5	**213.4**	(208.9)
Administrative expenses	**(62.0)**	(46.8)	**(176.6)**	(179.6)
Impairment of goodwill	**–**	–	**–**	(578.0)
Share of net (loss)/income of associates and joint ventures	**(1.2)**	(1.0)	**4.4**	(5.5)
Net operating income/(loss)	**78.2**	6.7	**41.2**	(972.0)
Finance income	**1.4**	1.0	**3.3**	3.7
Other gains and losses	**33.2**	(14.5)	**50.3**	1.1
Finance costs	**(6.4)**	(4.1)	**(13.7)**	(15.4)
Income/(loss) before taxes	**106.4**	(10.9)	**81.1**	(982.6)
Taxation	**(61.3)**	(32.1)	**(48.4)**	(19.5)
Net income/(loss)	**45.1**	(43.0)	**32.7**	(1,002.1)
Net income/(loss) attributable to:				
Shareholders of the parent company	**44.7**	(41.2)	**34.9**	(990.0)
Non-controlling interests	**0.4**	(1.8)	**(2.2)**	(12.1)
	45.1	(43.0)	**32.7**	(1,002.1)

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.15**	(0.14)	**0.12**	(3.33)
Diluted[a]	**0.15**	(0.14)	**0.12**	(3.33)

(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)	Third Quarter Q3 2021 Unaudited	Third Quarter Q3 2020 Unaudited	Nine Months Year 30 Sep 2021 Unaudited	Nine Months Year 30 Sep 2020 Unaudited
Net income/(loss)	**45.1**	(43.0)	**32.7**	(1,002.1)
Items that may be reclassified to the income statement in subsequent periods:				
Net foreign currency translation (losses)/gains	**(9.2)**	21.0	**8.4**	(33.0)
Tax relating to components of other comprehensive income	**(0.5)**	(0.3)	**(0.4)**	1.2
Items that will not be reclassified to the income statement in subsequent periods:				
Fair value adjustment on other financial assets	**–**	–	**1.2**	–
Other comprehensive (loss)/income	**(9.7)**	20.7	**9.2**	(31.8)
Total comprehensive income/(loss)	**35.4**	(22.3)	**41.9**	(1,033.9)
Total comprehensive income/(loss) attributable to:				
Shareholders of the parent company	**35.3**	(21.1)	**44.7**	(1,022.3)
Non-controlling interests	**0.1**	(1.2)	**(2.8)**	(11.6)
	35.4	(22.3)	**41.9**	(1,033.9)

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

	30 Sep 2021 Unaudited	31 Dec 2020 Audited
Assets		
Non-current assets		
Goodwill	**86.9**	84.5
Intangible assets	**49.5**	46.0
Property, plant and equipment	**3,806.8**	3,982.6
Right-of-use assets	**175.7**	213.3
Interest in associates and joint ventures	**29.6**	29.5
Advances and receivables	**61.2**	23.0
Derivative financial instruments	**32.2**	22.9
Construction contracts - assets	**4.4**	6.7
Other financial assets	**1.6**	2.9
Retirement benefit assets	**–**	0.8
Deferred tax assets	**48.1**	49.5
	4,296.0	4,461.7
Current assets		
Inventories	**35.1**	26.4
Trade and other receivables	**712.0**	590.7
Derivative financial instruments	**35.9**	31.4
Construction contracts – assets	**987.6**	470.6
Other accrued income and prepaid expenses	**208.6**	197.6
Restricted cash	**4.6**	7.1
Cash and cash equivalents	**299.9**	511.6
	2,283.7	1,835.4
Total assets	**6,579.7**	6,297.1
Equity		
Issued share capital	**600.0**	600.0
Treasury shares	**(17.6)**	(17.8)
Paid in surplus	**2,507.8**	2,505.2
Translation reserve	**(573.4)**	(582.0)
Other reserves	**(25.0)**	(25.0)
Retained earnings	**1,713.8**	1,747.4
Equity attributable to shareholders of the parent company	**4,205.6**	4,227.8
Non-controlling interests	**24.5**	27.3
Total equity	**4,230.1**	4,255.1
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**146.9**	184.4
Non-current lease liabilities	**135.5**	168.6
Retirement benefit obligations	**14.4**	14.3
Deferred tax liabilities	**31.6**	32.2
Provisions	**41.4**	49.5
Contingent liabilities recognised	**5.7**	6.0
Derivative financial instruments	**6.4**	21.1
Other non-current liabilities	**11.2**	14.7
	393.1	490.8
Current liabilities		
Trade and other liabilities	**1,454.4**	981.8
Derivative financial instruments	**18.2**	26.4
Current tax liabilities	**55.6**	32.6
Current portion of borrowings	**43.7**	24.6
Current lease liabilities	**72.5**	85.4
Provisions	**77.0**	118.5
Construction contracts – liabilities	**232.3**	279.5
Deferred revenue	**2.8**	2.4
	1,956.5	1,551.2
Total liabilities	**2,349.6**	2,042.0
Total equity and liabilities	**6,579.7**	6,297.1

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 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 income/(loss)	–	–	–	–	–	34.9	34.9	(2.2)	32.7
Net foreign currency translation gains/(losses)	–	–	–	9.0	–	–	9.0	(0.6)	8.4
Fair value adjustment of other financial assets	–	–	–	–	1.2	–	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	(0.4)	–	–	(0.4)	–	(0.4)
Total comprehensive income/(loss)	**–**	**–**	**–**	**8.6**	**1.2**	**34.9**	**44.7**	**(2.8)**	**41.9**
Transactions with owners									
Share-based payments	–	–	2.6	–	–	–	2.6	–	2.6
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**	**2.6**	**–**	**(1.2)**	**(68.5)**	**(66.9)**	**–**	**(66.9)**
Balance at 30 September 2021	**600.0**	**(17.6)**	**2,507.8**	**(573.4)**	**(25.0)**	**1,713.8**	**4,205.6**	**24.5**	**4,230.1**

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 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	–	–	–	–	–	(990.0)	(990.0)	(12.1)	(1,002.1)
Net foreign currency translation (losses)/gains	–	–	–	(33.5)	–	–	(33.5)	0.5	(33.0)
Tax relating to components of other comprehensive income	–	–	–	1.2	–	–	1.2	–	1.2
Total comprehensive loss	**–**	**–**	**–**	**(32.3)**	**–**	**(990.0)**	**(1,022.3)**	**(11.6)**	**(1,033.9)**
Transactions with owners									
Shares repurchased	–	(9.8)	–	–	–	–	(9.8)	–	(9.8)
Share-based payments	–	–	3.2	–	–	–	3.2	–	3.2
Dividends declared	–	–	–	–	–	–	–	(1.1)	(1.1)
Shares reallocated relating to share-based payments	–	0.7	–	–	–	–	0.7	–	0.7
Loss on reallocation of treasury shares	–	–	–	–	–	(0.7)	(0.7)	–	(0.7)
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	**–**	**(9.1)**	**3.2**	**–**	**0.4**	**(6.4)**	**(11.9)**	**4.2**	**(7.7)**
Balance at 30 September 2020	**600.0**	**(23.1)**	**2,510.7**	**(622.3)**	**(19.8)**	**1,849.0**	**4,294.5**	**26.9**	**4,321.4**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Nine Months Ended 30 Sep 2021 Unaudited	 30 Sep 2020 Unaudited
Net cash generated from operating activities	**66.0**	423.0
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**6.4**	1.6
Purchases of property, plant and equipment	**(74.2)**	(125.9)
Purchases of intangible assets	**(7.8)**	(20.4)
Net proceeds from recognition of assets related to business combinations – post measurement period	**–**	16.6
Interest received	**3.3**	3.7
Loan to joint venture	**(33.0)**	–
Dividends received from joint venture	**0.1**	–
Proceeds from sale of other financial assets	**2.8**	–
Acquisition of businesses (net of cash acquired)	**(7.4)**	–
Repayment of advances from joint ventures	**(3.0)**	–
Investment in other financial assets	**(0.6)**	(2.9)
Net cash used in investing activities	**(113.4)**	(127.3)
Cash flows from financing activities		
Interest paid	**(9.5)**	(9.1)
Repayment of borrowings	**(18.5)**	(18.5)
Cost of share repurchases	**–**	(9.8)
Payments related to lease liabilities	**(68.6)**	(82.1)
Dividends paid to shareholders of the parent company	**(72.0)**	–
Dividends paid to non-controlling interests	**–**	(10.2)
Net cash used in financing activities	**(168.6)**	(129.7)
Net (decrease)/ increase in cash and cash equivalents	**(216.0)**	166.0
Cash and cash equivalents at beginning of year	**511.6**	397.7
Decrease/(increase) in restricted cash	**2.5**	(8.8)
Effect of foreign exchange rate movements on cash and cash equivalents	**1.8**	(13.4)
Cash and cash equivalents at end of period	**299.9**	541.5

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 16 November 2021.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2021 to 30 September 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 third 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 September 2021

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Lump-sum projects	**874.4**	**377.2**	**2.0**	**1,253.6**
Day-rate projects	**179.9**	**–**	**17.0**	**196.9**
	1,054.3	**377.2**	**19.0**	**1,450.5**
Net operating income	**69.6**	**4.8**	**3.8**	**78.2**
Finance income				**1.4**
Other gains and losses				**33.2**
Finance costs				**(6.4)**
Income before taxes				**106.4**

For the three months ended 30 September 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	504.8	269.2	2.1	776.1
Day-rate projects	156.8	–	14.5	171.3
	661.6	269.2	16.6	947.4
Net operating income/(loss)	14.7	0.1	(8.1)	6.7
Finance income				1.0
Other gains and losses				(14.5)
Finance costs				(4.1)
Loss before taxes				(10.9)

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

For the nine months ended 30 September 2021

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Lump-sum projects	**2,146.4**	**933.4**	**6.9**	**3,086.7**
Day-rate projects	**505.7**	**0.2**	**52.2**	**558.1**
	2,652.1	**933.6**	**59.1**	**3,644.8**
Net operating income/(loss)	**53.1**	**(47.0)**	**35.1**	**41.2**
Finance income				**3.3**
Other gains and losses				**50.3**
Finance costs				**(13.7)**
Income before taxes				**81.1**

For the nine months ended 30 September 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	1,512.2	396.5	5.7	1,914.4
Day-rate projects	491.2	1.0	45.4	537.6
	2,003.4	397.5	51.1	2,452.0
Net operating loss excluding goodwill impairment charges	(208.9)	(38.3)	(146.8)	(394.0)
Impairment of goodwill	(578.0)	–	–	(578.0)
Net operating loss	(786.9)	(38.3)	(146.8)	(972.0)
Finance income				3.7
Other gains and losses				1.1
Finance costs				(15.4)
Loss before taxes				(982.6)

(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:

	Third Quarter		Nine Months Ended	
For the period (in $ millions)	**Q3 2021 Unaudited**	Q3 2020 Unaudited	**30 Sep 2021 Unaudited**	30 Sep 2020 Unaudited
Net income/(loss) attributable to shareholders of the parent company	**44.7**	(41.2)	**34.9**	(990.0)
Earnings used in the calculation of diluted earnings/(loss) per share	**44.7**	(41.2)	**34.9**	(990.0)

	Third Quarter		Nine Months Ended	
For the period (number of shares)	**Q3 2021 Unaudited**	Q3 2020 Unaudited	**30 Sep 2021 Unaudited**	30 Sep 2020 Unaudited
Weighted average number of common shares used in the calculation of basic loss per share	**297,688,585**	297,215,661	**297,682,423**	297,648,099
Performance shares	**840,227**	–	**947,460**	–
Weighted average number of common shares used in the calculation of diluted loss per share	**298,528,812**	297,215,661	**298,629,883**	297,648,099

	Third Quarter		Nine Months Ended	
For the period (in $ per share)	**Q3 2021 Unaudited**	Q3 2020 Unaudited	**30 Sep 2021 Unaudited**	30 Sep 2020 Unaudited
Basic earnings/(loss) per share	**0.15**	(0.14)	**0.12**	(3.33)
Diluted earnings/(loss) per share	**0.15**	(0.14)	**0.12**	(3.33)

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:

	Third Quarter		Nine Months Ended	
For the period (number of shares)	**Q3 2021 Unaudited**	Q3 2020 Unaudited	**30 Sep 2021 Unaudited**	30 Sep 2020 Unaudited
Performance shares	**724,535**	1,787,954	**623,463**	1,792,824

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 gains and losses in 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 income/(loss) to Adjusted EBITDA and Adjusted EBITDA margin:

	Third Quarter		Nine Months Ended	
For the period (in $ millions)	**Q3 2021 Unaudited**	Q3 2020 Unaudited	**30 Sep 2021 Unaudited**	30 Sep 2020 Unaudited
Net operating income/(loss)	**78.2**	6.7	**41.2**	(972.0)
Depreciation, amortisation and mobilisation	**106.9**	106.9	**331.3**	337.2
Impairment of goodwill	**–**	–	**–**	578.0
Impairment of property, plant and equipment	**–**	–	**4.1**	212.5
Impairment of intangible assets	**–**	–	**1.3**	16.7
Adjusted EBITDA	**185.1**	113.6	**377.9**	172.4
Revenue	**1,450.5**	947.4	**3,644.8**	2,452.0
Adjusted EBITDA margin	**12.8%**	12.0%	**10.4%**	7.0%

Reconciliation of net income/(loss) to Adjusted EBITDA and Adjusted EBITDA margin:

	Third Quarter		Nine Months Ended	
For the period (in $ millions)	**Q3 2021 Unaudited**	Q3 2020 Unaudited	**30 Sep 2021 Unaudited**	30 Sep 2020 Unaudited
Net income/(loss)	**45.1**	(43.0)	**32.7**	(1,002.1)
Depreciation, amortisation and mobilisation	**106.9**	106.9	**331.3**	337.2
Impairment of goodwill	**–**	–	**–**	578.0
Impairment of property, plant and equipment	**–**	–	**4.1**	212.5
Impairment of intangible assets	**–**	–	**1.3**	16.7
Finance income	**(1.4)**	(1.0)	**(3.3)**	(3.7)
Other gains and losses	**(33.2)**	14.5	**(50.3)**	(1.1)
Finance costs	**6.4**	4.1	**13.7**	15.4
Taxation	**61.3**	32.1	**48.4**	19.5
Adjusted EBITDA	**185.1**	113.6	**377.9**	172.4
Revenue	**1,450.5**	947.4	**3,644.8**	2,452.0
Adjusted EBITDA margin	**12.8%**	12.0%	**10.4%**	7.0%

9. Goodwill

The movement in goodwill during the period was as follows:

	Nine Months Ended	
(in $ millions)	**30 Sep 2021 Unaudited**	30 Sep 2020 Unaudited
At year beginning	**84.5**	704.6
Acquired in business combination	**1.2**	–
Adjustments to identifiable net assets at fair value subsequent to initial recognition	**–**	0.1
Impairment charges	**–**	(578.0)
Exchange differences	**1.2**	(19.2)
At period end	**86.9**	107.5

On 29 July 2021, an indirect subsidiary of Subsea 7 S.A. acquired the entire share capital of Ocean Geo Solutions Inc. Initial cash consideration was $0.7 million with associated deferred and contingent consideration, subject to completion adjustments, of $1.0 million. The transaction resulted in the recognition of a provisional amount of goodwill of $1.2 million.

On 22 September 2021, an indirect subsidiary of Subsea 7 S.A. acquired a 59.12% shareholding of Nautilus Floating Solutions, S.L. Initial cash consideration was $6.9 million with expected completion adjustments of approximately $0.8 million. At 30 September 2021 the fair value exercise of measuring and recognising the identifiable assets acquired and liabilities assumed remained outstanding, this is expected to be completed during the fourth quarter.

10. Treasury shares

During the third quarter, 13,128 shares were used to satisfy share-based awards. At 30 September 2021, the Group directly held 2,303,098 shares (Q2 2021: 2,316,226) as treasury shares, representing 0.77% (Q2 2021: 0.77%) of the total number of issued shares.

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

	30 Sep 2021 Number of shares Unaudited	**30 Sep 2021 in $ millions Unaudited**	30 Sep 2020 Number of shares Unaudited	30 Sep 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	**(23,585)**	**(0.2)**	(56,489)	(0.7)
At period end	**2,303,098**	**17.6**	2,784,339	23.1

11. Share repurchase programme

During the third quarter, no shares were repurchased under the Group's share repurchase programme authorised on 24 July 2019. At 30 September 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 September 2021, the Group had contractual commitments totalling $11.0 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 September 2021 amounted to BRL 820.7 million, equivalent to $152.2 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 September 2021 amounted to BRL 239.0 million, equivalent to $44.3 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 BRL187.1 million, equivalent to $34.7 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 September 2021, a provision of BRL 51.9 million, equivalent to $9.6 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 September 2021 was $5.2 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 September 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)	Nine Months Ended 30 Sep 2021 Unaudited	 30 Sep 2020 Unaudited
Cash flow from operating activities:		
Income/(loss) before taxes	**81.1**	(982.6)
Adjustments for non-cash items:		
Impairment of goodwill	**–**	578.0
Amortisation of intangible assets	**11.6**	9.6
Impairment of intangible assets	**1.3**	–
Depreciation of property, plant and equipment	**253.0**	251.9
Impairment of property, plant and equipment	**4.1**	212.5
Amortisation of right-of-use assets	**59.9**	67.2
Impairment of right-of-use assets	**–**	16.7
Amortisation of mobilisation costs	**6.8**	8.5
Adjustments for investing and financing items:		
Gain on recognition of assets related to business combinations – post measurement period	**–**	(15.5)
Share of net (income)/loss of associates and joint ventures	**(4.4)**	5.5
Net gain on disposal of property, plant and equipment	**(2.9)**	(0.3)
Gain on maturity of lease liabilities	**(0.1)**	(0.9)
Finance income	**(3.3)**	(3.7)
Finance costs	**13.7**	15.4
Adjustments for equity items:		
Share-based payments	**2.6**	3.2
	423.4	165.5
Changes in operating assets and liabilities:		
Increase in inventories	**(8.6)**	(0.2)
(Increase)/decrease in operating receivables	**(652.6)**	19.8
Increase in operating liabilities	**358.8**	269.8
	(302.4)	289.4
Income taxes paid	**(55.0)**	(31.9)
Net cash generated from operating activities	**66.0**	423.0

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 September 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 Sep Level 1**	**2021 30 Sep Level 2**	**2021 30 Sep 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 financial instruments	**–**	**68.1**	**–**	–	54.3	–
Financial liabilities measured at fair value through profit or loss:						
Derivative financial instruments	**–**	**(24.6)**	**–**	–	(47.5)	–
Contingent consideration	**–**	**–**	**(6.7)**	–	–	(7.7)

During the period ended 30 September 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 1 October 2021 the Group completed the business combination of its offshore fixed wind business with OHT ASA. Subsequent to the combination OHT ASA was renamed Seaway 7 ASA. Subsea 7 S.A. holds, through an indirect subsidiary, 72% of the total share capital of Seaway 7 ASA and the Group will fully consolidate Seaway 7 ASA in its financial statements from 1 October 2021.