Subsea 7 S.A. Announces Third Quarter 2016 Results

Luxembourg – 10 November 2016 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY) announced today results for the third quarter 2016 which ended 30 September 2016.

Third quarter highlights

- Strong operational performance: consistently good execution and 91% Active Vessel Utilisation
- Adjusted EBITDA margin of 31% due to cost discipline, operational performance, and project completions
- Industry conditions remained challenging with subdued market activity and low order intake
- 2016 guidance raised to reflect strong year-to-date performance
- Assuming oil price increases are sustained and industry cost reductions are achieved SURF project award activity could increase within 18 months
- The new-build PLSV, *Seven Sun*, commenced its five year day-rate contract in November 2016

	Three Months Ended		Nine Months Ended	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited
Revenue	**928**	1,200	**2,635**	3,733
Adjusted EBITDA[(a)]	**289**	351	**854**	907
Adjusted EBITDA margin[(a)]	**31.2%**	29.2%	**32.4%**	24.3%
Net operating income	**195**	214	**566**	559
Net income	**149**	145	**432**	384
Earnings per share – in $ per share				
Basic	**0.46**	0.49	**1.33**	1.24
Diluted[(b)]	**0.44**	0.46	**1.26**	1.17

As at (in $ millions)	**30 Sep 2016 Unaudited**	30 June 2016 Unaudited
Backlog	**6,184**	7,051
Cash and cash equivalents	**1,397**	1,180
Borrowings	**454**	451

(a) For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin please refer to Note 9 to the Condensed Consolidated Financial Statements.

(b) For explanation and a reconciliation of diluted earnings per share please refer to Note 8 to the Condensed Consolidated Financial Statements.

Jean Cahuzac, Chief Executive Officer, said:

'We have delivered another quarter of strong performance despite the continued industry-wide downturn in activity, with good execution across all our market segments and high utilisation of our active vessels. Our Adjusted EBITDA margin remained high at 31% as we executed well on projects nearing completion and realised the savings from our early actions to reduce costs and resize our capacity.

We are driving innovative and collaborative solutions that help our clients to sanction projects and develop their oil and gas reserves in the current price environment. Many of our clients are interested in pursuing an integrated approach. We have engaged with clients on 30 potential integrated projects and undertaken eight early engineering studies.

Industry conditions remained challenging in the third quarter and there were few awards made to the market. However, assuming the oil price increase over the last nine months is sustained and the cost reductions identified by the industry are consistently achieved, there is cause to believe that the number of SURF project awards to the market could increase within the next 18 months.

Operational highlights

Significant progress was made on several large projects during the third quarter. The Aasta Hansteen project concluded its third seasonal offshore campaign with all flowlines and control cables connected, and the subsea infrastructure is now ready to hook up to the SPAR platform when it arrives in 2018. This technology-rich project has been executed in a harsh offshore environment and is the deepest development on the Norwegian continental shelf at a water depth of approximately 1,300 metres. Also offshore Norway, the Maria and Martin Linge projects progressed well.

Offshore UK, the Catcher project neared completion with the installation of a technically complex riser system comprising ten flexible risers and three umbilicals supported by three large tethered mid-water arches. The Callater and Culzean projects, offshore UK, made good progress with engineering, procurement and fabrication.

Offshore Egypt, the first phase of the West Nile Delta project progressed well with pipelay by *Seven Borealis* and offshore operations on the fast-track East Nile Delta project were successfully concluded on time. Offshore Ghana, the TEN project was completed and closed out.

Offshore Brazil, Subsea 7's PLSVs long-term contracts delivered another quarter of high utilisation.

Active Vessel Utilisation was 91% in the third quarter and Total Vessel Utilisation was 75%. This reflected the usual peak in seasonal activity in the North Sea and efficient vessel scheduling to maximise deployment of the active fleet. During September two vessels left Subsea 7's fleet. *Seven Petrel* was sold outside the oil and gas sector and *Normand Seven* was returned to its owner at the end of its

charter contract. The new-build PLSV, *Seven Sun*, completed its final commissioning offshore Brazil and has commenced its five year day-rate contract in November 2016.

Financial highlights

Third quarter revenue of $928 million and Adjusted EBITDA of $289 million were respectively 23% and 18% lower than the prior year comparative period. Adjusted EBITDA included a restructuring charge of $52 million, taking the total restructuring charge recognised year-to-date to $105 million. No significant additional charges are expected in relation to the cost reduction and resizing measures announced in June 2016.

Diluted earnings per share was $0.44, a decrease of 4% on the prior year period.

Cash and cash equivalents was $1.4 billion as at 30 September and net cash was $943 million. Subsea 7's strong financial and liquidity position is a competitive advantage and provides the Group with the capacity to consider strategic investment opportunities. In the third quarter Subsea 7 enhanced its technology capability with the acquisition of Swagelining, a leading specialist in subsea polymer lining.

Order intake and contract awards

At 30 September order backlog was $6.2 billion, with no material foreign exchange impact in the quarter. Subsea 7's order intake was $0.1 billion, with work awarded in the North Sea, the US Gulf of Mexico and Brazil.

In October, Subsea 7 was awarded an EPIC contract for the Atoll project, consolidating its presence offshore Egypt with almost $1.8 billion awarded to Subsea 7 in this country over the last 18 months. This project will be included in the reported order intake for the fourth quarter.

During the third quarter Subsea 7 was awarded a four-year frame agreement by Det norske to develop their projects offshore Norway using an integrated model. This innovative agreement has the potential to save costs and reduce risk on projects, to the benefit of all involved parties.

Outlook

Subsea 7 guidance for the full year 2016 has been updated. Revenue is still expected to be significantly lower in 2016 compared to 2015, but due to cost discipline, operational performance and successful project completions Adjusted EBITDA percentage margin is now expected to be above 2015 levels. For 2017, revenue is expected to be broadly in line with the Group's forecast for 2016 and Adjusted EBITDA percentage margin is expected to be significantly lower.

Only a few projects have been sanctioned in 2016. Assuming the oil price increase over the last nine months is sustained and the cost reductions identified by the industry are consistently achieved, there is cause to believe that the number of SURF project awards to the market could increase within the next 18 months.

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 10 November 2016

Time: 12:00 UK Time

Conference ID: 88893928#

	Conference Dial In Numbers
United Kingdom	020 3139 4830
United States	718 873 9077
Norway	23 50 05 59
International Dial In	+44 20 3139 4830

Replay Facility Details

A replay facility (with conference ID 677835#) will be available from:

Date: 10 November 2016
Time: 17:00 UK Time

	Conference Replay Dial In Numbers
International Dial In	+44 20 3426 2807

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Special Note Regarding Forward-Looking Statements

Certain statements made in this announcement may include ‘forward-looking statements’. These statements may be identified by the use of words like ‘anticipate’, ‘believe’, ‘could’, ‘estimate’, ‘expect’, ‘forecast’, ‘intend’, ‘may’, ‘might’, ‘plan’, ‘predict’, ‘project’, ‘scheduled’, ‘seek’, ‘should’, ‘will’, and similar expressions. The forward-looking statements reflect our current views and are subject to risks, uncertainties and assumptions. The principal risks and uncertainties which could impact the Group and the factors which could affect the actual results are described but not limited to those in the ‘Risk Management’ section in the Group’s Annual Report and Consolidated Financial Statements 2015. These factors, and others which are discussed in our public announcements, are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: actions by regulatory authorities or other third parties; our ability to recover costs on significant projects; the general economic conditions and competition in the markets and businesses in which we operate; our relationship with significant clients; the outcome of legal and administrative proceedings or governmental enquiries; uncertainties inherent in operating internationally; the timely delivery of vessels on order; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Other unknown or unpredictable factors could also have material adverse effects on our future results. Given these factors, you should not place undue reliance on the forward-looking statements.

Third Quarter 2016

Revenue
Revenue was $928 million, a decrease of $272 million or 23% compared to Q3 2015 which reflected significantly lower activity levels across the Group.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $289 million and 31% respectively compared to $351 million and 29% in Q3 2015. The Adjusted EBITDA margin increased mainly due to cost discipline, operational performance and the successful completion of certain large projects. During the quarter, a restructuring charge of $52 million was recognised in relation to the Group's resizing and cost reduction programme announced in June 2016, of which $36 million and $16 million were attributable to operating expenses and administrative expenses respectively. In Q3 2015, a $36 million restructuring charge was recognised in relation to the Group's global resizing and cost reduction measures.

Net operating income
Net operating income was $195 million, a decrease of $19 million compared to Q3 2015. This was primarily due to:

- a reduction in gross profit of $22 million mainly due to lower activity levels in the SURF and Conventional Business Unit; and
- a decreased contribution from the Seaway Heavy Lifting joint venture compared to Q3 2015

partially offset by:

- a reduction of $26 million in administrative expenses mainly due to lower personnel costs as a result of the Group's cost reduction measures.

Net income
Net income was $149 million in the quarter, compared to $145 million for Q3 2015. This increase was primarily due to:

- a taxation charge of $37 million in the quarter, compared to a charge of $96 million in Q3 2015. The effective rate of tax for Q3 2016 was 20% compared to 40% for Q3 2015. The effective tax rate in Q3 2015 was adversely impacted by the treatment of restructuring costs and the impairment of *Seven Polaris*

partially offset by:

- the decrease in net operating income; and
- net foreign currency losses of $8 million in Q3 2016, recognised within other gains and losses, compared to net foreign currency gains of $23 million in Q3 2015.

Earnings per share
Diluted earnings per share was $0.44 for the quarter compared to $0.46 for Q3 2015, calculated using a weighted average number of shares of 343 million and 347 million respectively.

Cash and cash equivalents
Cash and cash equivalents was $1.4 billion at 30 September 2016, an increase of $218 million compared to 30 June 2016. The increase in cash and cash equivalents was mainly attributable to:

- cash generated from operating activities of $234 million; and
- $67 million repayment of loans provided by the Group to a joint venture

partially offset by:

- expenditure on property, plant and equipment of $71 million, mainly related to the Group's new-build vessel programme.

Borrowings
During Q3 2016 borrowings increased by $3 million to $454 million, the increase was due to the unwinding of the discounted portion of the liability component of the $700 million 1.00% convertible bonds maturing in 2017.

Nine months ended 30 September 2016

The comparative period ('2015') is the nine month period from 1 January 2015 to 30 September 2015.

Revenue
Revenue for the nine months ended 30 September 2016 was $2.6 billion, a decrease of $1.1 billion compared to 2015. The decrease was due to significantly lower activity levels in all Business Units driven by the challenging market conditions within the industry.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin were $854 million and 32% respectively compared to $907 million and 24% for 2015. The increase in Adjusted EBITDA margin was mainly due to cost discipline, operational performance and the successful completion of certain large projects. In the nine months ended 30 September 2016 there was a restructuring charge of $105 million related to the Group's resizing and cost reduction measures compared to a similar restructuring charge of $136 million recognised in 2015.

Net operating income
Net operating income for the nine months ended 30 September 2016 was $566 million, an increase of $7 million compared to 2015. This was primarily due to:

- a restructuring charge of $105 million for resizing and cost reduction measures recognised in the nine months ended 30 September 2016 compared to a restructuring charge of $136 million recognised in 2015; and
- reduced administrative expenses mainly due to lower personnel costs

partially offset by:

- lower activity in all Business Units and lower Total Vessel Utilisation at 66% for the nine months ended 30 September 2016 compared to 75% in 2015; and
- a reduced contribution from the Seaway Heavy Lifting joint venture compared to 2015.

Net income

Net income for the nine months ended 30 September 2016 was $432 million, compared to $384 million for 2015. This increase was primarily due to:

- the increase in net operating income; and
- net foreign currency gains of $29 million in 2016, recognised within other gains and losses, compared with $19 million net gains in 2015.

The effective rate of tax for 2016 was 28% compared to 35% for 2015.

Earnings per share

Diluted earnings per share was $1.26 for the nine months ended 30 September 2016 compared to $1.17 for 2015, calculated using a weighted average number of shares of 343 million and 347 million respectively.

Cash and cash equivalents

Cash and cash equivalents at 30 September 2016 was $1.4 billion compared with $947 million at 31 December 2015. The increase in cash and cash equivalents was mainly attributable to:

- cash generated from operating activities of $713 million; and
- $70 million repayment of loans provided by the Group to a joint venture

partially offset by:

- expenditure on property, plant and equipment of $276 million, mainly related to the Group's new-build vessel programme; and
- the repurchase of $82 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017, for $76 million in cash.

Borrowings

Total borrowings at 30 September 2016 were $454 million compared with $524 million at 31 December 2015. The reduction was largely due to the repurchase of $82 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017.

Business Unit Highlights

Third Quarter 2016

SURF and Conventional

Revenue was $801 million, a decrease of $267 million or 25% compared to Q3 2015 which reflected significantly lower activity levels.

During the quarter the 2016 work-scope of the Martin Linge project, offshore Norway, was substantially completed. Work progressed during the quarter on the West Nile Delta Phase 1 project, offshore Egypt, the Aasta Hansteen, and Maria projects, offshore Norway, the Catcher project, offshore UK, the Hebron project, offshore Canada and on the Stampede project in the US Gulf of Mexico. In Brazil, there were high levels of vessel utilisation under the long-term contracts with Petrobras for PLSVs throughout the quarter. Net operating income was $204 million, a decrease of $49 million or 19% compared to Q3 2015, the reduction was largely due to lower activity levels.

i-Tech Services

Revenue was $97 million, a decrease of $15 million or 13% compared to Q3 2015. Inspection, Repair and Maintenance (IRM) activity in the quarter was in line with Q3 2015 with increased activity in Australia and Gulf of Mexico largely offset by decreased activity in Norway and the UK. ROV support activity decreased compared to Q3 2015 particularly in Australia and Brazil due to a decrease in active drill rigs.

Net operating income was $19 million, an increase of $7 million or 58% compared to Q3 2015. The increase was mainly due to higher vessel utilisation at 95% compared to 83% in Q3 2015 and the impact of cost reduction measures, partially offset by lower margins due to the challenging market conditions.

Corporate

Revenue was $30 million, an increase of $10 million compared to Q3 2015. Revenue in Q3 2016 mainly related to the commencement of the Beatrice Wind Farm renewables project.

Net operating loss was $28 million (Q3 2015: $51 million loss). The reduced loss was partly driven by a $36 million impairment charge related to *Seven Polaris* which was recognised in Q3 2015. In addition the results for the quarter included a reduced contribution from the Seaway Heavy Lifting joint venture compared to Q3 2015 due to lower activity levels and a restructuring charge of $52 million related to the Group's resizing and cost reduction measures compared to a restructuring charge of $36 million recognised in Q3 2015.

Nine months ended 30 September 2016

SURF and Conventional

Revenue was $2.3 billion, a decrease of $1.1 billion or 31% compared to 2015 which reflected significantly lower activity levels.

During the period the TEN project, offshore Ghana, the 2016 work-scope of the Martin Linge project, offshore Norway, the Montrose project, offshore UK, the Lianzi Topside project, offshore Angola, the BC-10 Phase 3 project, offshore Brazil, the Holstein Deep, Stones and Dalmatian projects in the US Gulf of Mexico, the Baobab project, offshore Ivory Coast and the Donghae-2 project, offshore Korea were substantially completed.

There was significant progress on the West Nile Delta Phase 1 and East Nile Delta projects, offshore Egypt, Aasta Hansteen and Maria projects, offshore Norway, on the Catcher project, offshore UK, and on the Stampede project in the US Gulf of Mexico, and the Persephone Phase 2 project, offshore Australia. In Brazil, there were high levels of vessel utilisation under the long-term contracts for PLSVs with Petrobras throughout the period. *Seven Waves* undertook construction activities offshore Canada having returned to Europe earlier in the period to undergo extensive repairs to the lay-tower following an incident in December 2015. There was a decrease in diving activities, offshore UK, compared to 2015, due to the challenging market conditions.

Net operating income was $564 million, a decrease of $72 million or 11% compared to 2015. The decrease was mainly due to significantly reduced activity levels, partially offset by an increase in margin due to good execution across the project portfolio, and the impact of the successful completion and ongoing commercial close-out on a number of projects.

i-Tech Services

Revenue was $292 million, a decrease of $55 million or 16% compared 2015. Inspection, Repair and Maintenance (IRM) activity in the period reduced slightly compared to 2015 with increased activity in Australia and Gulf of Mexico largely offset by decreased activity in Norway and the UK. ROV support activity decreased compared to 2015, particularly in Australia and Brazil, due to a decrease in active drill rigs.

Net operating income was $47 million, an increase of $16 million or 52% compared to 2015. The increase was mainly due to higher vessel utilisation at 91% compared to 82% in 2015 and the impact of cost reduction measures.

Corporate

Revenue was $36 million, an increase of $10m compared to 2015. 2016 revenues mainly related to the commencement of the Beatrice Wind Farm project.

Net operating loss was $45 million (2015: $108 million loss). The decrease in net operating loss was mainly due to the inclusion in 2016 of a restructuring charge of $105 million related to the Group’s resizing and cost reduction measures compared to a restructuring charge of $136 million recognised in 2015. In addition the 2015 net operating loss included a $36 million impairment related to *Seven Polaris*, this was partially offset by a reduction in the contribution from the Seaway Heavy Lifting joint venture compared to 2015 due to lower activity levels.

Asset Development and Activities

Vessel Utilisation

Total Vessel Utilisation for the third quarter was 75% compared with 74% for Q3 2015. Active Vessel Utilisation, which excludes stacked vessel days, was 91%.

As at 30 September 2016 there were 36 vessels in the total fleet, which comprised 29 active vessels, four stacked vessels and three vessels under construction. The active fleet includes three vessels owned and operated by the Seaway Heavy Lifting and SapuraAcergy joint ventures which are excluded from the utilisation calculations.

New-build vessel programme

During the quarter construction continued on the new-build vessel programme, the delivery dates are as follows:

- the PLSV, *Seven Cruzeiro*, linked to a long-term contract awarded by Petrobras, is due to commence operations in the first half of 2017;
- *Seven Arctic,* a heavy construction vessel, is due to commence operations in the first half of 2017; and
- *Seven Kestrel,* a diving support vessel mainly for activities in the North Sea, is due to commence operations in the first half of 2017.

Actual and forecast expenditure on the Group’s new-build vessel programme as at 30 September 2016 was:

	Actual expenditure					Forecast expenditure	
(in $ millions)	2012	2013	2014	2015	Q1-Q3 2016	Q4 2016	2017
Total	185	372	544	499	219	31	75

Actual and forecast expenditures include an estimate of capitalised interest during construction as part of the initial cost of the vessels.

Backlog

Backlog was $6.2 billion at 30 September 2016, a decrease of $0.9 billion compared with 30 June 2016. Order intake, comprising new awards and project escalations, totalling $0.1 billion was recorded in the quarter.

$4.3 billion of the backlog at 30 September 2016 related to SURF and Conventional activity (which included $1.9 billion for the long-term PLSV contracts in Brazil), $0.6 billion related to i-Tech Services and $1.3 billion related to Corporate (including Renewables and Heavy Lift). $0.9 billion of this backlog is expected to be executed in 2016, $3.0 billion in 2017 and $2.3 billion in 2018 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

Subsea 7 S.A.
Condensed Consolidated Income Statement

(in $ millions)	Three Months Ended 30 Sep 2016 Unaudited	Three Months Ended 30 Sep 2015 Unaudited	Nine Months Ended 30 Sep 2016 Unaudited	Nine Months Ended 30 Sep 2015 Unaudited
Revenue	**927.8**	1,199.8	**2,634.5**	3,733.3
Operating expenses	**(680.7)**	(930.4)	**(1,937.6)**	(2,998.5)
Gross profit	**247.1**	269.4	**696.9**	734.8
Administrative expenses	**(62.9)**	(88.9)	**(184.4)**	(237.7)
Share of net income of associates and joint ventures	**10.5**	33.3	**53.3**	61.9
Net operating income	**194.7**	213.8	**565.8**	559.0
Finance income	**1.2**	3.4	**11.0**	12.1
Other gains and losses	**(7.9)**	24.8	**29.3**	21.0
Finance costs	**(1.8)**	(1.3)	**(3.5)**	(3.0)
Income before taxes	**186.2**	240.7	**602.6**	589.1
Taxation	**(37.3)**	(95.9)	**(171.0)**	(205.1)
Net income	**148.9**	144.8	**431.6**	384.0
Net income attributable to:				
Shareholders of the parent company	**150.7**	158.2	**433.5**	405.0
Non-controlling interests	**(1.8)**	(13.4)	**(1.9)**	(21.0)
	148.9	144.8	**431.6**	384.0

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.46**	0.49	**1.33**	1.24
Diluted[a]	**0.44**	0.46	**1.26**	1.17

(a) For explanation and a reconciliation of diluted earnings per share please refer to Note 8 to the Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
(in $ millions)	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited
Net income	**148.9**	144.8	**431.6**	384.0
Other comprehensive income				
Items that may be reclassified to the income statement in subsequent periods:				
Foreign currency translation	**0.7**	(138.6)	**(143.9)**	(172.2)
Cash flow hedges:				
Net fair value gains/(losses) arising	**–**	1.2	**7.3**	(5.1)
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	**–**	4.1	**(10.0)**	16.5
Share of other comprehensive income of associates and joint ventures	**0.8**	0.8	**1.5**	4.3
Tax related to components of other comprehensive income which may be reclassified	**(15.7)**	9.2	**(1.2)**	12.8
Other comprehensive loss	**(14.2)**	(123.3)	**(146.3)**	(143.7)
Total comprehensive income	**134.7**	21.5	**285.3**	240.3
Total comprehensive income attributable to:				
Shareholders of the parent company	**135.9**	28.5	**283.5**	250.7
Non-controlling interests	**(1.2)**	(7.0)	**1.8**	(10.4)
	134.7	21.5	**285.3**	240.3

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Condensed Consolidated Balance Sheet

As at (in $ millions)	30 Sep 2016 Unaudited	31 Dec 2015 Audited
Assets		
Non-current assets		
Goodwill	**731.2**	766.8
Intangible assets	**35.7**	18.6
Property, plant and equipment	**4,431.6**	4,559.0
Interest in associates and joint ventures	**409.0**	368.5
Advances and receivables	**30.1**	100.7
Derivative financial instruments	**34.4**	4.4
Retirement benefit assets	**0.8**	0.8
Deferred tax assets	**9.5**	9.1
	5,682.3	5,827.9
Current assets		
Inventories	**45.5**	46.1
Trade and other receivables	**583.4**	584.1
Derivative financial instruments	**45.1**	18.2
Assets classified as held for sale	**0.7**	0.6
Construction contracts – assets	**145.8**	278.1
Other accrued income and prepaid expenses	**171.4**	152.4
Cash and cash equivalents	**1,397.4**	946.8
	2,389.3	2,026.3
Total assets	**8,071.6**	7,854.2
Equity		
Issued share capital	**654.7**	654.7
Treasury shares	**(31.7)**	(31.7)
Paid in surplus	**3,228.1**	3,223.0
Equity reserve	**53.7**	63.2
Translation reserve	**(602.3)**	(452.8)
Other reserves	**(56.3)**	(55.8)
Retained earnings	**2,419.5**	1,976.5
Equity attributable to shareholders of the parent company	**5,665.7**	5,377.1
Non-controlling interests	**(31.6)**	(30.9)
Total equity	**5,634.1**	5,346.2
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**454.2**	523.9
Retirement benefit obligations	**14.5**	13.3
Deferred tax liabilities	**61.2**	63.4
Provisions	**59.4**	47.0
Contingent liability recognised	**5.0**	4.0
Derivative financial instruments	**15.7**	9.4
Other non-current liabilities	**54.4**	73.1
	664.4	734.1
Current liabilities		
Trade and other liabilities	**987.8**	1,123.5
Derivative financial instruments	**41.8**	12.2
Current tax liabilities	**174.7**	76.7
Provisions	**138.6**	92.6
Construction contracts – liabilities	**422.9**	458.9
Deferred revenue	**7.3**	10.0
	1,773.1	1,773.9
Total liabilities	**2,437.5**	2,508.0
Total equity and liabilities	**8,071.6**	7,854.2

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Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2016

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	**654.7**	**(31.7)**	**3,223.0**	**63.2**	**(452.8)**	**(55.8)**	**1,976.5**	**5,377.1**	**(30.9)**	**5,346.2**
Comprehensive income/(loss)										
Net income/(loss)	–	–	–	–	–	–	433.5	433.5	(1.9)	431.6
Foreign currency translation	–	–	–	–	(147.6)	–	–	(147.6)	3.7	(143.9)
Cash flow hedges	–	–	–	–	–	(2.7)	–	(2.7)	–	(2.7)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	1.5	–	1.5	–	1.5
Tax relating to components of other comprehensive income	–	–	–	–	(1.9)	0.7	–	(1.2)	–	(1.2)
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(149.5)**	**(0.5)**	**433.5**	**283.5**	**1.8**	**285.3**
Transactions with owners										
Dividends declared	–	–	–	–	–	–	–	–	(2.5)	(2.5)
Equity component of convertible bonds	–	–	–	(9.5)	–	–	9.5	–	–	–
Share-based payments	–	–	5.1	–	–	–	–	5.1	–	5.1
Total transactions with owners	**–**	**–**	**5.1**	**(9.5)**	**–**	**–**	**9.5**	**5.1**	**(2.5)**	**2.6**
Balance at 30 September 2016	**654.7**	**(31.7)**	**3,228.1**	**53.7**	**(602.3)**	**(56.3)**	**2,419.5**	**5,665.7**	**(31.6)**	**5,634.1**

For the nine months ended 30 September 2015

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	**664.3**	**(75.2)**	**3,255.5**	**71.2**	**(242.6)**	**(73.8)**	**1,987.5**	**5,586.9**	**(25.2)**	**5,561.7**
Comprehensive income/(loss)										
Net income/(loss)	–	–	–	–	–	–	405.0	405.0	(21.0)	384.0
Foreign currency translation	–	–	–	–	(182.8)	–	–	(182.8)	10.6	(172.2)
Cash flow hedges	–	–	–	–	–	11.4	–	11.4	–	11.4
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	4.3	–	4.3	–	4.3
Tax relating to components of other comprehensive income	–	–	–	–	17.8	(5.0)	–	12.8	–	12.8
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(165.0)**	**10.7**	**405.0**	**250.7**	**(10.4)**	**240.3**
Transactions with owners										
Shares repurchased	–	(7.6)	–	–	–	–	–	(7.6)	–	(7.6)
Dividends declared	–	–	–	–	–	–	–	–	(2.9)	(2.9)
Equity component of convertible bonds	–	–	–	(4.1)	–	–	3.9	(0.2)	–	(0.2)
Share-based payments	–	–	4.6	–	–	–	–	4.6	–	4.6
Shares reissued relating to share-based payments	–	0.4	–	–	–	–	–	0.4	–	0.4
Loss on reissuance of treasury shares	–	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Shares cancelled	(9.5)	50.5	(41.0)	–	–	–	–	–	–	–
Total transactions with owners	**(9.5)**	**43.3**	**(36.4)**	**(4.1)**	**–**	**–**	**3.6**	**(3.1)**	**(2.9)**	**(6.0)**
Balance at 30 September 2015	**654.8**	**(31.9)**	**3,219.1**	**67.1**	**(407.6)**	**(63.1)**	**2,396.1**	**5,834.5**	**(38.5)**	**5,796.0**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Nine Months Ended 30 Sep 2016 Unaudited	 30 Sep 2015 Unaudited
Net cash generated from operating activities	**712.8**	628.0
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**16.7**	0.6
Purchases of property, plant and equipment	**(275.9)**	(547.7)
Purchases of intangible assets	**(0.9)**	(0.4)
Interest received	**11.0**	12.1
Dividends received from associates and joint ventures	**20.2**	41.4
Acquisition of business (net of cash acquired)	**(18.0)**	–
Loans to associates and joint ventures	**(8.6)**	–
Repayment of loans to associates and joint ventures	**69.6**	6.6
Net cash used in investing activities	**(185.9)**	(487.4)
Cash flows from financing activities		
Interest paid	**(7.0)**	(6.5)
Proceeds from borrowing	**–**	80.0
Repayment of borrowing	**–**	(80.5)
Proceeds from reissuance of treasury shares	**–**	0.1
Cost of shares repurchased	**–**	(7.6)
Repurchase of convertible bonds	**(75.9)**	(18.4)
Dividends paid to non-controlling interests	**(2.1)**	–
Net cash used in financing activities	**(85.0)**	(32.9)
Net increase in cash and cash equivalents	**441.9**	107.7
Cash and cash equivalents at beginning of period	**946.8**	572.6
Effect of foreign exchange rate movements on cash and cash equivalents	**8.7**	(23.3)
Cash and cash equivalents at end of period	**1,397.4**	657.0

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 9 November 2016.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period 1 January 2016 to 30 September 2016 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 2015 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Condensed Consolidated Financial Statements are unaudited.

3. Accounting policies

Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2015.

No new International Financial Reporting Standards (IFRS) were adopted by the Group for the financial year beginning 1 January 2016. Amendments endorsed by the EU and effective for the financial year beginning 1 January 2016 have been adopted however none of these amendments have significantly impacted the financial results for the third quarter and nine month period which ended 30 September 2016.

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 2015, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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

Management makes accounting judgements on the following aspects of the business as described in full in the audited Consolidated Financial Statements for the year ended 31 December 2015:

- Revenue recognition on long-term contracts
- Revenue recognition on variation orders and claims
- Allocation of goodwill to cash-generating units (CGUs)
- Goodwill carrying value
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Taxation

5. Seasonality

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

6. Segment information

With effect from 1 July 2016, the Group implemented a new organisational structure comprising three Business Units; SURF and Conventional, i-Tech Services and Corporate. These reporting segments are defined below:

SURF and Conventional

The SURF and Conventional Business Unit includes:

- Subsea Umbilicals, Risers and Flowlines (SURF) activities related to the engineering, procurement, installation and commissioning of highly complex systems offshore, including the long-term PLSV contracts in Brazil; and
- Conventional services including the fabrication, installation, extension and refurbishment of fixed and floating platforms and associated pipelines in shallow water environments.

This segment also includes the SapuraAcergy, Subsea 7 Malaysia and Normand Oceanic joint ventures.

i-Tech Services

The i-Tech Services Business Unit includes activities associated with the provision of Inspection, Repair and Maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support. This segment also includes the Eidesvik Seven joint venture.

Corporate

The Corporate Business Unit includes activities associated with the provision of Renewables and Heavy Lift services, including the Seaway Heavy Lifting joint venture, and group-wide activities, including offshore resources, captive insurance activities, operational support and corporate services.

Summarised financial information relating to each reportable geographical reporting segment was as follows:

For the three months ended 30 September 2016

(in $ millions) Unaudited	**SURF and Conventional**	**i-Tech Services**	**Corporate**	**Total**
Revenue	**801.2**	**96.7**	**29.9**	**927.8**
Net operating income/(loss)	**204.3**	**18.7**	**(28.3)**	**194.7**
Finance income				**1.2**
Other gains and losses				**(7.9)**
Finance costs				**(1.8)**
Income before taxes				**186.2**

For the three months ended 30 September 2015

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Corporate	Total
Revenue	1,068.2	111.3	20.3	1,199.8
Net operating income/(loss)	253.3	11.8	(51.3)	213.8
Finance income				3.4
Other gains and losses				24.8
Finance costs				(1.3)
Income before taxes				240.7

For the nine months ended 30 September 2016

(in $ millions) Unaudited	**SURF and Conventional**	**i-Tech Services**	**Corporate**	**Total**
Revenue	**2,306.6**	**292.3**	**35.6**	**2,634.5**
Net operating income/(loss)	**563.7**	**46.8**	**(44.7)**	**565.8**
Finance income				**11.0**
Other gains and losses				**29.3**
Finance costs				**(3.5)**
Income before taxes				**602.6**

For the nine months ended 30 September 2015

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Corporate	Total
Revenue	3,359.8	347.5	26.0	3,733.3
Net operating income/(loss)	636.0	30.7	(107.7)	559.0
Finance income				12.1
Other gains and losses				21.0
Finance costs				(3.0)
Income before taxes				589.1

7. Cost reduction programme

In June 2016, the Group announced that in view of the difficult business and economic conditions prevailing in the oil and gas market and the consequent decline in workload, further cost reduction measures would be implemented including a resizing of the fleet and workforce, and the restructuring of its corporate organisation.

During Q3, a restructuring charge of $51.7 million was recognised in relation to the Group's resizing and cost reduction programme, of which $36.3 million and $15.4 million were attributable to operating expenses and administrative expenses respectively. For the nine month period ended 30 September 2016, a restructuring charge of $105.1 million was recognised in relation to the Group's resizing and cost reduction programme, of which $70.8 million and $34.3 million were attributable to operating expenses and administrative expenses respectively. The full amounts of the charges were recognised in the Corporate reporting segment.

8. Earnings per share

Basic and diluted earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares.

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

	Three Months Ended		Nine Months Ended	
For the period (in $ millions)	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited
Net income used in the calculation of diluted earnings per share	**150.7**	158.2	**433.5**	405.0
Interest on convertible bonds (net of amounts capitalised)	**–**	–	**–**	–
Earnings used in the calculation of diluted earnings per share	**150.7**	158.2	**433.5**	405.0

	Three Months Ended		Nine Months Ended	
For the period (number of shares)	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**325,643,852**	325,587,429	**325,643,852**	325,820,872
Convertible bonds	**16,414,230**	21,336,738	**16,712,526**	21,627,488
Share options, performance shares and restricted shares	**715,038**	1,014	**563,767**	13,604
Weighted average number of common shares used in the calculation of diluted earnings per share	**342,773,120**	346,925,181	**342,920,145**	347,461,964

	Three Months Ended		Nine Months Ended	
For the period (in $ per share)	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited
Basic earnings per share	**0.46**	0.49	**1.33**	1.24
Diluted earnings per share	**0.44**	0.46	**1.26**	1.17

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

	Three Months Ended		Nine Months Ended	
For the period (number of shares)	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited
Share options and performance shares	**1,613,360**	2,049,279	**1,764,631**	2,044,613

9. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation, amortisation and mobilisation costs, impairment charges or impairment reversals, finance income, other gains and losses (including gain on disposal of subsidiary and gain on distribution), 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 have not been prepared in accordance with 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 business. These non-IFRS measures provide management with a meaningful comparative for its Business Units, as they eliminate the effects of financing, depreciation and taxation. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea 7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea 7's industry. Adjusted EBITDA margin may also be a useful ratio to compare performance to its competitors and is widely used by shareholders and analysts following the Group's performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

Reconciliation of net operating income to Adjusted EBITDA and Adjusted EBITDA margin:

	Three Months Ended		Nine Months Ended	
For the period (in $ millions)	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited
Net operating income	**194.7**	213.8	**565.8**	559.0
Depreciation, amortisation and mobilisation	**94.1**	99.7	**276.8**	307.3
Impairment of property, plant and equipment	**–**	37.4	**10.4**	40.5
Impairment of intangible assets	**0.6**	–	**0.6**	–
Adjusted EBITDA	**289.4**	350.9	**853.6**	906.8
Revenue	**927.8**	1,199.8	**2,634.5**	3,733.3
Adjusted EBITDA margin	**31.2%**	29.2%	**32.4%**	24.3%

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

	Three Months Ended		Nine Months Ended	
For the period (in $ millions)	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited
Net income	**148.9**	144.8	**431.6**	384.0
Depreciation, amortisation and mobilisation	**94.1**	99.7	**276.8**	307.3
Impairment of property, plant and equipment	**–**	37.4	**10.4**	40.5
Impairment of intangible assets	**0.6**	–	**0.6**	–
Finance income	**(1.2)**	(3.4)	**(11.0)**	(12.1)
Other gains and losses	**7.9**	(24.8)	**(29.3)**	(21.0)
Finance costs	**1.8**	1.3	**3.5**	3.0
Taxation	**37.3**	95.9	**171.0**	205.1
Adjusted EBITDA	**289.4**	350.9	**853.6**	906.8
Revenue	**927.8**	1,199.8	**2,634.5**	3,733.3
Adjusted EBITDA margin	**31.2%**	29.2%	**32.4%**	24.3%

10. Goodwill

The movement in goodwill during the nine month period was as follows:

(in $ millions)	Nine Months Ended 30 Sep 2016 Unaudited	30 Sep 2015 Unaudited
At period beginning	**766.8**	1,322.3
Acquisition (Note 11)	**9.1**	–
Exchange differences	**(44.7)**	(21.1)
At period end	**731.2**	1,301.2

11. Business acquisition

On 27 July 2016 an indirect subsidiary of Subsea 7 S.A., acquired 100% of the voting shares of Swagelining Limited and Pioneer Lining Technology Limited. Both acquired subsidiaries are limited companies incorporated and domiciled in the United Kingdom and are involved in the development and delivery of technology in the field of polymer lining technology for pipelines and riser systems. The primary reason for the business combination was to expand the Group's capabilities in this specialist field. The net assets acquired, goodwill arising on acquisition and the analysis of the purchase consideration were as follows:

As at (in $ millions)	27 July 2016 Unaudited
Total identifiable net assets at fair value	28.5
Goodwill arising on acquisition (Note 10)	9.1
	37.6
Consideration comprises:	
Cash	25.3
Contingent consideration	12.3
	37.6

Goodwill

Goodwill of $9.1 million comprises the value of unpatented technology and on-going early stage research and development which do not meet the criteria for separate recognition.

Contingent consideration

As part of the sale and purchase agreement a contingent consideration was agreed. Additional cash payments may be payable should specific targets and technical milestones be achieved.

12. Property, plant and equipment

Significant additions to property, plant and equipment for the quarter ended 30 September 2016 included $57.4 million of expenditure related to the new-build vessel programme as follows:

- $50.9 million expenditure on two PLSVs *Seven Sun* and *Seven Cruzeiro*
- $4.1 million expenditure on the heavy construction vessel, *Seven Arctic*
- $2.4 million expenditure on the diving support vessel, *Seven Kestrel*

13. Treasury shares

During the third quarter no share options were exercised and no shares were used to satisfy share-based awards. At 30 September 2016, the Group held 1,723,259 common shares as treasury shares, of which; 231,683 common shares were directly held (Q2 2016: 31,683), representing 0.07% (Q2 2016: 0.01%) of the total number of issued shares; 1,241,200 (Q2 2016: 1,441,200) common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 250,376 (Q2 2016: 250,376) common shares were held in a separate employee benefit trust to support specified share option awards.

14. Share repurchase programme

During the third quarter no shares were repurchased under the Group's $200 million share repurchase programme initiated in July 2014. As at 30 September 2016, the Group had repurchased a cumulative 5,272,656 shares for a total consideration of $57.1 million under the July 2014 programme.

15. Commitments and contingent liabilities

Commitments

As at 30 September 2016, the significant capital commitments that the Group had entered into were:

- contracts totalling $17.3 million relating to two new-build PLSV's, *Seven Sun* and *Seven Cruzeiro*. The vessels are due to commence operations in the final quarter of 2016 and first half of 2017 respectively; and
- contracts totalling $31.7 million relating to the new-build heavy construction vessel, *Seven Arctic*, and the diving support vessel, *Seven Kestrel*. The vessels are due to commence operations in the first half of 2017.

Contingent liabilities

Between 2009 and 2015, 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. No provision has been made in relation to these cases. A contingent liability has been disclosed for those cases where the recognition criteria has been met but where the Group does not believe the likelihood of payments is probable.

As at 30 September 2016 the contingent liability (including assessed amounts, penalties and interest) amounted to BRL 638.4 million, equivalent to $197.4 million. At 31 December 2015 the contingent liability (including assessed amounts, penalties and interest) amounted to BRL 706.7 million, equivalent to $177.1 million. The Group has challenged these assessments with some cases being dismissed by tax authorities.

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 'Business Combinations' 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 2016 was $5.0 million (31 December 2015: $4.0 million). Despite the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

16. Cash flow from operating activities

	Nine Months Ended	
For the period ended (in $ millions)	**30 Sep 2016 Unaudited**	30 Sep 2015 Unaudited
Cash flow from operating activities:		
Income before taxes	**602.6**	589.1
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**265.7**	289.6
Impairment of property, plant and equipment	**10.4**	40.5
Amortisation of intangible assets	**4.9**	5.1
Impairment of intangible assets	**0.6**	–
Mobilisation costs	**6.2**	12.6
Adjustments for investing and financing items:		
Share of net income of associates and joint ventures	**(53.3)**	(61.9)
Finance income	**(11.0)**	(12.1)
Loss on disposal of property, plant and equipment	**1.8**	0.3
Gain on repurchase of bonds	**(3.1)**	(1.3)
Finance costs	**3.5**	3.0
Adjustments for equity items:		
Share-based payments	**5.1**	4.6
	833.4	869.5
Changes in operating assets and liabilities:		
Decrease/(increase) in inventories	**0.4**	(3.7)
Decrease in operating receivables	**45.4**	88.4
Decrease in operating liabilities	**(57.5)**	(183.2)
	(11.7)	(98.5)
Income taxes paid	**(108.9)**	(143.0)
Net cash generated from operating activities	**712.8**	628.0

17. Fair value and financial instruments

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

As at (in $ millions)	**30 Sep 2016 Carrying amount Unaudited**	**30 Sep 2016 Fair value Unaudited**	31 Dec 2015 Carrying amount Audited	31 Dec 2015 Fair value Audited
Financial liabilities				
Borrowings – convertible bonds – Level 2	**(454.2)**	**(460.8)**	(523.9)	(515.7)

Borrowings – convertible bonds

The fair value of the liability components of convertible bonds is determined by matching the maturity profile of the bonds to market interest rates available to the Group. At the balance sheet date the interest rate available was 2.6% (31 December 2015: 4.7%).

Fair value measurements

Fair value hierarchy

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

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

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

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

Recurring and non-recurring fair value measurements

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

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

As at (in $ millions)	**30 Sep 2016 Level 2 Unaudited**	**30 Sep 2016 Level 3 Unaudited**	31 Dec 2015 Level 2 Audited	31 Dec 2015 Level 3 Audited
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through profit or loss - derivative instruments	**79.5**	**–**	20.9	–
Derivative instruments in designated hedge accounting relationships	**–**	**–**	1.7	–
Financial liabilities:				
Financial liabilities at fair value through profit or loss - derivative instruments	**(57.5)**	**–**	(21.6)	–

During the nine month period ended 30 September 2016 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 at fair value through profit or loss

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

- Forward foreign exchange contracts and embedded derivatives
  The fair value of outstanding forward foreign exchange contracts and embedded derivatives was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Interest rate swap
  The fair value of the Group's interest rate swap was calculated using quoted 3 month US Dollar LIBOR rates. At the balance sheet date the three month US Dollar LIBOR rate was 0.85%.