Subsea 7 S.A. Announces Fourth Quarter and Full Year 2015 Results

Luxembourg – 2 March 2016 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY) announced today results for the fourth quarter and the full year which ended 31 December 2015. Unless otherwise stated, the comparative period is the full year which ended 31 December 2014. The Group's reporting segments are set out in Note 6 'Segment information'.

	Fourth Quarter		Full Year	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q4 2015 Unaudited**	Q4 2014 Unaudited	**2015 (c)**	**2014** (c)
Revenue	**1,025**	1,395	**4,758**	6,870
Adjusted EBITDA[a] (unaudited)	**310**	297	**1,217**	1,439
Adjusted EBITDA margin[a] (unaudited)	**30%**	21%	**26%**	21%
Net operating income excluding goodwill impairment charge	**106**	101	**665**	930
Goodwill impairment charge	**(521)**	(1,183)	**(521)**	(1,183)
Net operating (loss)/income	**(415)**	(1,082)	**144**	(254)
Net income excluding goodwill impairment charge	**100**	206	**484**	802
Net loss	**(421)**	(977)	**(37)**	(381)
Earnings per share – in $ per share[b]				
Basic	**(1.30)**	(2.95)	**(0.05)**	(1.02)
Diluted	**(1.30)**	(2.95)	**(0.05)**	(1.02)
Adjusted diluted	**0.29**	0.61	**1.45**	2.32

As at (in $ millions)	**2015 31 Dec**	2014 31 Dec
Backlog	**6,110**	8,239
Cash and cash equivalents	**947**	573
Borrowings	**524**	578

(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 and Adjusted diluted earnings per share, which excludes the impact of the goodwill impairment charge, please refer to Note 8 'Earnings per share' to the Condensed Consolidated Financial Statements.

(c) Audited unless otherwise stated.

Jean Cahuzac, Chief Executive Officer, said:

Full year 2015

'Subsea 7 delivered good operational and financial performance in 2015 in a very challenging market. Revenue for the full year 2015 of $4.8 billion (2014: $6.9 billion) reflected lower levels of activity resulting from the industry downturn. Adjusted EBITDA was $1,217 million driven by consistently good project execution and strong cost discipline. Adjusted EBITDA percentage was 26%, five percentage points higher than the prior year in part due to significant progress on several large projects that reached the final stages of execution.

A downward revision of forecast activity levels resulted in an impairment charge of $521 million relating to goodwill and $136 million relating to vessels and equipment. This contributed to a reported net loss for the year of $37 million. Excluding the $521 million goodwill impairment charge, net income was $484 million with both Business Units profitable in the year.

The Group's liquidity position remains strong with cash and cash equivalents of $947 million and net cash of $423 million as at 31 December. In addition, the Group had unutilised credit facilities totalling $857 million. Working capital discipline contributed towards $1.0 billion of cash generated from operating activities in the year.

The low price of oil and uncertain market outlook resulted in fewer new awards to market in 2015 as clients delayed projects and reduced their expenditure. In this context, Subsea 7 achieved $3.4 billion order intake during 2015, reflecting its strong competitive position and collaborative approach to drive lower cost solutions. In February 2016 Subsea 7 was awarded the West Nile Delta Phase Two project, offshore Egypt, this large award is in addition to the $6.1 billion order backlog reported at 31 December 2015 (2014: $8.2 billion).

Subsea 7 implemented a number of initiatives in 2015 to position itself for an extended period of low activity and strengthen itself for when the business environment improves. These initiatives included simplification of the Group's reporting structure, formation of new alliances with industry leading partners, investment in innovation to drive lower cost solutions through new technology and better ways of working, and reduction of costs by resizing the business.

The cost reduction and resizing programme announced in May 2015 set out plans to deliver approximately $550 million of annualised cost savings through a workforce reduction of 2,500 and the removal of 12 vessels from the active fleet by early 2016. Resizing actions exceeded this guidance and Subsea 7 ended 2015 with a workforce of approximately 9,800 people, down from approximately 13,400 a year earlier, and as at the end of February 13 vessels have been removed from the active fleet, with an additional chartered vessel due to be returned to its owner before the end of the first quarter 2016. The restructuring charge of $136m relating to the resizing programme, included in Adjusted EBITDA, was broadly offset by cost savings delivered by the programme in the same period.

In order to preserve the Group's financial flexibility during the sustained industry downturn, the Board of Directors will recommend to the shareholders at the Annual General Meeting that no dividend be paid in respect of 2015.

Fourth quarter 2015

Group revenue was $1.0 billion (2014: $1.4 billion) in the fourth quarter of 2015 and Adjusted EBITDA was $310 million, equating to a margin of 30%. The decrease in revenue was mainly due to lower activity levels in the Northern Hemisphere and Life of Field Business Unit and the Adjusted EBITDA reflected successful project execution and a strong cost discipline.

Net operating loss of $415 million included a goodwill impairment charge of $521 million and a $96 million impairment charge relating to vessels and equipment. Excluding the goodwill impairment charge, net operating income of $106 million increased by $5 million compared to the fourth quarter 2014, despite the lower activity levels. There was a strong contribution from projects nearing completion in the Southern Hemisphere and Global Projects Business Unit partly offset by net operating losses in the Northern Hemisphere and Life of Field, and Corporate Business Units.

Order intake of $0.5 billion in the quarter was partly offset by the adverse impact from foreign exchange movements in the quarter of approximately $50 million. New awards announced in the quarter comprised a platform extension and tie-in project for Burullus Gas Company on the West Nile Delta project and an award for the development of the East Nile Delta Phase 3 project, both located offshore Egypt, as the Group built on its strong and growing presence in this important offshore region.

Operational highlights for the fourth quarter 2015

Total vessel utilisation was 62% in the fourth quarter 2015 (2014: 68%). Utilisation was lower in the Northern Hemisphere and Life of Field Business Unit where there was a significant reduction of work for diving support vessels, whereas the Southern Hemisphere and Global Projects Business Unit benefitted from PLSV activity under the long-term day-rate contracts in Brazil. Full year total vessel utilisation was 72% (2014: 82%). Active vessel utilisation, which excludes stacked vessels, was 78% for the full year 2015 and 74% for the fourth quarter.

In the Northern Hemisphere and Life of Field Business Unit the Gullfaks project, offshore Norway, was substantially completed and significant progress was made on the Stones and Dalmatian projects in the US Gulf of Mexico. The Maria project, offshore Norway, and Culzean project, offshore UK, both made progress with engineering and procurement. Life of Field activity remained low with reduced offshore activity levels compared to the fourth quarter 2014.

In the Southern Hemisphere and Global Projects Business Unit the Lianzi SURF project, offshore Angola, was substantially completed and significant progress was made on the TEN project, offshore Ghana, the Lianzi Topside project, offshore Angola and the BC-10 Phase 3 project, offshore Brazil. Also offshore Brazil the PLSVs under long-term contracts continued to operate with high levels of activity, however towards the end of the quarter an incident on *Seven Waves* resulted in damage to the lay-tower. This vessel has returned to Europe for extensive repairs and once these have been completed the vessel is expected to return to Brazil in 2017.

Outlook

The low oil and gas price continues to depress industry activity as clients delay and cancel new projects; the timing of market recovery remains highly uncertain. As guided previously, revenue and Adjusted EBITDA percentage margin are expected to be significantly lower in 2016 compared to 2015.

Backlog as at 31 December of $6.1 billion, included $2.2 billion related to 10 long-term contracts for PLSVs, offshore Brazil. There are two third party Brazilian flagged single-lay PLSVs with a top tension capacity of less than 350 tonnes that may be prioritised under Brazilian law over international vessels of a similar specification. As a result, a proportion of the Group's backlog relating to these contracts could be affected and discussions are in progress with the client regarding this risk.

Despite the difficult near to medium-term outlook, the fundamental long-term outlook for deepwater subsea field developments remains intact and industry activity is expected to recover when the oil and gas market rebalances. Subsea 7 has already implemented a number of initiatives to strengthen its position and will continue to actively adapt to industry conditions without losing its focus on long-term strategic priorities.

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 2 March 2016

Time: 12:00 UK Time

Conference ID: 27439507#

	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 667843#) will be available from:

Date: 2 March 2016
Time: 17:00 UK Time

	Conference Replay Dial In Numbers
International Dial In	+44 203 426 2807

For further information, please contact:

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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 2014. 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.

Fourth Quarter 2015

Revenue

Revenue for the quarter was $1.0 billion, a decrease of $370 million or 27% compared with Q4 2014. The decrease was mainly due to lower activity levels in the Northern Hemisphere and Life of Field Business Unit.

Adjusted EBITDA

Adjusted EBITDA for the quarter was $310 million, a $13 million increase compared to Q4 2014. Adjusted EBITDA margin was 30%, compared with 21% in Q4 2014. The increase in Adjusted EBITDA margin was largely due to the successful completion of large projects in Africa.

Net operating loss

Net operating loss was $415 million, compared to a net operating loss of $1,082 million in Q4 2014. The net operating loss included goodwill impairment charges of $521 million in Q4 2015 and $1,183 million in Q4 2014. Excluding the impact of the goodwill impairment charge, net operating income was $106 million for the quarter, a $5 million increase compared to Q4 2014. The main items contributing to net income, excluding the goodwill impairment charge, were:

- lower activity in both Business Units and lower total vessel utilisation of 62% in Q4 2015 compared to 68% in Q4 2014. This was offset by the benefit of the successful completion of certain large projects in Africa; and
- an impairment charge of $96 million, related to property, plant and equipment, recognised in Q4 2015 compared to $89 million recognised in Q4 2014

partially offset by:

- reduced administrative expenses mainly due to lower personnel costs.

Net loss

Net loss was $421 million for the quarter, compared to a net loss of $977 million in Q4 2014. The decrease was primarily due to:

- the decrease in net operating loss, which reflected the reduction of $662 million in the goodwill impairment charge in 2015 compared to 2014

partially offset by:

- net foreign currency gains of $12 million in Q4 2015, recognised within other gains and losses, compared with $41 million in Q4 2014; and
- a tax charge of $17 million compared to a tax credit of $65 million in Q4 2014. Excluding the impact of the goodwill impairment charge the effective tax rate for Q4 2015 was 14% which benefited from the release of provisions in respect of certain current tax assets.

Earnings per share

Loss per share was $1.30 in Q4 2015 compared to a loss per share of $2.95 in Q4 2014, calculated using a weighted average number of shares of 326 million and 328 million respectively. Adjusted diluted earnings per share, which excludes the impact of the goodwill impairment charge, was $0.29 compared to $0.61 for Q4 2014.

Year ended 31 December 2015

Revenue

Revenue for 2015 was $4.8 billion compared with $6.9 billion in 2014. The decrease reflected lower activity levels in both Business Units and the strengthening of the US dollar against the currencies in which the Group primarily transacted during the year.

Adjusted EBITDA

Adjusted EBITDA and Adjusted EBITDA margin were $1.2 billion and 26% respectively compared to $1.4 billion and 21% in 2014. The reduction in Adjusted EBITDA reflected the decrease in activity and included a restructuring charge of $136 million related to the Group's programme of cost reduction measures, primarily focused on a resizing of the fleet and workforce. Excluding this charge, Adjusted EBITDA margin was 28% driven by the successful completion of the offshore phases of several projects and the implementation of cost reductions across the Group.

Net operating income/(loss)

Net operating income was $144 million, compared to a net operating loss of $254 million in 2014. Net operating income/(loss) included a goodwill impairment charge of $521 million in 2015 and $1,183 million in 2014. Excluding the impact of the goodwill impairment charge, net operating income was $665 million in 2015, a decrease of $265 million or 28% compared to 2014, this was mainly due to:

- lower activity levels in both Business Units, partially offset by the impact of the successful completion of certain large projects in Africa;
- a restructuring charge of $136 million associated with the Group's cost reduction and resizing programme, of which $93 million related to operating expenses and $43 million related to administrative expenses; and
- an impairment charge of $136 million related to property, plant and equipment compared to $89 million recognised in 2014

partially offset by:

- reduced administrative expenses, excluding the restructuring charge related to the resizing programme, resulting mainly from lower personnel costs combined with the strengthening of the US Dollar.

Net loss

Net loss was $37 million in 2015, compared to a net loss of $381 million in 2014. The decrease in net loss was primarily due to:

- a net operating income of $144 million in 2015 compared to a net operating loss of $254 million in 2014 which reflected the reduction of $662 million in the goodwill impairment charge in 2015 compared to 2014;
- net foreign currency gains of $31 million in 2015, recognised within other gains and losses, compared with $24 million in 2014; and
- lower finance costs of $8 million compared to $19 million in 2014 mainly due to the absence of interest charges related to the $275 million 3.5% convertible bonds which matured in October 2014, and the favourable impact of capitalisation of interest costs in relation to the new-build vessel programme

partially offset by:

- an increase of $70 million in the tax charge compared to 2014. Excluding the impact of the goodwill impairment charge the effective tax rate for 2015 was 31% compared to 16% in 2014. The 2014 effective tax rate reflected the benefit of certain discrete items.

Earnings per share

Diluted loss per share was $0.05 for 2015 compared to a diluted loss per share of $1.02 for 2014, calculated using a weighted average number of shares of 326 million and 331 million respectively. Adjusted diluted earnings per share, which excludes the impact of the goodwill impairment charge, was $1.45 (2014: $2.32).

Cash and cash equivalents

Cash and cash equivalents increased from $573 million to $947 million during 2015. The movement in cash and cash equivalents was mainly attributable to:

- cash generated from operating activities of $1,049 million

partially offset by:

- expenditure on property, plant and equipment of $639 million, mainly related to the Group's new-build vessel programme; and
- the repurchase of $70 million (par value) of the $700 million 1.00% convertible bonds due 2017, for $65 million in cash.

Borrowings

Borrowings decreased by $54 million to $524 million during 2015. The reduction was largely due to the repurchase of $70 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017 for $65 million in cash.

Business Unit Highlights

Fourth Quarter 2015

Northern Hemisphere and Life of Field

Revenue was $305 million, a decrease of $310 million or 50% compared to Q4 2014 which reflected significantly lower activity levels in the North Sea and Gulf of Mexico.

During the quarter the Gullfax Subsea Compression project, offshore Norway, was substantially completed. Work progressed during the quarter on the Aasta Hansteen and Maria projects, offshore Norway, on the Catcher and Culzean projects, offshore UK, and on the Dalmatian and Stones projects in the US Gulf of Mexico. Life of Field revenue reduced in the quarter compared with Q4 2014 due to lower offshore activity levels, particularly in the North Sea and US Gulf of Mexico.

Net operating loss was $401 million, a decrease of $103 million compared to Q4 2014. Net operating loss included goodwill impairment charges of $351 million in Q4 2015 and $594 million in Q4 2014. Excluding the impact of the goodwill impairment charge, net operating loss was $49 million compared to net operating income of $91 million in Q4 2014. The adverse movement was largely due to significantly reduced activity levels, lower vessel utilisation and reduced margins on projects across the Business Unit. In addition, Q4 2014 benefitted from the successful completion and commercial close-out of a number of projects.

Southern Hemisphere and Global Projects

Revenue was $717 million, a decrease of $64 million or 8% compared to Q4 2014. Revenue decreased due to the relative stage of completion of projects, with significant progress in Q4 2014 on the Gorgon Heavy Lift and Tie-ins, and Erha North projects in particular.

During Q4 2015 the Lianzi SURF project, offshore Angola, and the Al-Khalij project, offshore Qatar, were substantially completed. There was significant progress on the TEN project, offshore Ghana; the Lianzi Topside project, offshore Angola; the BC-10 Phase 3 project, offshore Brazil and the Persephone Phase 2 project, offshore Australia. In Brazil, there were high levels of vessel activity under the long-term contracts for PLSVs with Petrobras throughout the quarter, however towards the end of the quarter an incident on *Seven Waves* resulted in damage to the lay-tower. *Seven Waves* has returned to Europe for extensive repairs and the vessel is expected to return to Brazil in 2017 following the completion of these repairs.

Net operating income was $75 million compared to a net operating loss of $473 million in Q4 2014. Net operating income/(loss) included goodwill impairment charge of $170 million in Q4 2015 and $589 million in Q4 2014. Excluding the impact of the goodwill impairment charge, net operating income was $245 million compared to $116 million in Q4 2014. The increase was mainly due to the successful completion and commercial close-out on a number of projects including the Erha North project, offshore Nigeria, and the Lianzi SURF project, offshore Angola.

Corporate

Net operating loss was $90 million (Q4 2014: $106 million). An impairment charge of $96 million related to property, plant and equipment was recognised in the quarter, compared with an impairment charge of $79 million in Q4 2014. The results for the quarter benefitted from lower personnel costs and associated cost savings and an increased contribution from the Seaway Heavy Lifting joint venture due to a higher level of activity during Q4 2015 compared to Q4 2014.

Year ended 31 December 2015

Northern Hemisphere and Life of Field
Revenue was $2.0 billion, a decrease of $1.1 billion or 35% compared to 2014. The year-on-year reduction was largely due to decreased activity on the Martin Linge, Knarr and Delta S2 projects, offshore Norway; the Laggan Tormore and Dana Western Isles projects, offshore UK and the Line 60 and 67 projects, offshore Mexico, which all had significant offshore phases in 2014. In addition there was a significant decrease in Life of Field activity in the North Sea.

Net operating loss was $168 million compared to a net operating loss of $253 million in 2014. The net operating losses included a goodwill impairment charge of $351 million in 2015 and $594 million in 2014. Excluding the impact of the goodwill impairment charge, net operating income was $183 million, a decrease of $158 million or 46% compared to 2014. This was mainly due to decreased activity levels.

Southern Hemisphere and Global Projects
Revenue was $2.7 billion, a decrease of $1.1 billion or 28% compared to 2014. Revenue decreased due to the relative stage of completion of the Block 31 GES and CLOV, both offshore Angola, OFON 2, offshore Nigeria, Gorgon Heavy Lift and Tie-ins, offshore Australia and Guará Lula NE, offshore Brazil, projects which were all in their offshore phases in 2014.

Net operating income was $509 million, compared to $86 million in 2014. Net operating income included a goodwill impairment charge of $170 million in 2015 and $589 million in 2014. Excluding the impact of the goodwill impairment charge, net operating income was $679 million, an increase of $4 million compared to 2014. The net operating income in 2015 reflected an increase in margin following the successful completion of the offshore phases of several large projects. This was partially offset by decreased activity levels and lower contribution from the SapuraAcergy joint venture due to a significant drop in activity after completion of the Gorgon Heavy Lift and Tie-ins project.

Corporate
Net operating loss was $197 million (2014: $86 million). The increased net operating loss was primarily due to a $136 million restructuring charge associated with the Group's cost reduction and resizing programme recognised in the year and an impairment charge of $136 million related to property, plant and equipment recognised in 2015 compared to a charge of $79 million in 2014. This was partially offset by lower personnel costs and associated cost savings, excluding the impact of the resizing programme, and an increased contribution from the Seaway Heavy Lifting joint venture due to higher activity levels during 2015 compared to 2014, which was adversely impacted by the dry-docking of *Stanislav Yudin*.

Asset Development and Activities

Vessel Utilisation
Total vessel utilisation during the fourth quarter was 62% compared with 68% in Q4 2014. This reduction mainly reflected reduced offshore activity in the North Sea. During the quarter, in line with the Group's resizing programme, *Seven Polaris* was disposed of, five owned vessels continued to be stacked and three chartered vessels were returned.

In the fourth quarter, active vessel utilisation, which excludes stacked vessel days, was 74%. For the full year total vessel utilisation was 72% and active vessel utilisation was 78%.

New-build vessel programme
Construction continued on:

- the PLSVs, *Seven Sun* and *Seven Cruzeiro*, linked to long-term contracts awarded by Petrobras. These vessels are expected to commence operations in the second and fourth quarters of 2016 respectively;
- *Seven Arctic,* a heavy construction vessel, due to commence operations in the second quarter of 2016; and
- *Seven Kestrel,* a diving support vessel mainly for activities in the North Sea, due to commence operations in the second quarter of 2016.

Actual and forecast expenditure on the Group's new-build vessel programme as at 31 December 2015 was:

	Actual expenditure				Forecast expenditure
(in $ millions)	**2012**	**2013**	**2014**	**2015**	2016
Total	185	372	544	499	340

Actual and forecast expenditures include an estimate of capitalised interest during construction as part of the initial cost of the vessels. The new-build vessel programme is expected to be completed during 2016.

Backlog
Backlog was $6.1 billion at 31 December 2015, a decrease of $0.6 billion compared with 30 September 2015. New awards and project escalations totalling $448 million were recorded in the quarter. Major awards included an award by Burullus Gas Company S.A.E. for the platform extension and tie-in on the first phase of the West Nile Delta development of the Taurus and Libra fields and an award by Pharaonic Petroleum Company S.A.E. for the development of the East Nile Delta Phase 3 Project, both offshore Egypt.

$4.8 billion of the backlog at 31 December 2015 related to SURF activity, which included $2.2 billion for the long-term PLSV contracts in Brazil, $1.0 billion related to Life of Field and i-Tech and $0.3 billion related to Conventional and Hook-up. $3.2 billion of this backlog is expected to be executed in 2016; $1.6 billion in 2017 and $1.3 billion in 2018 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

Risks and uncertainties
The principal risks and uncertainties which could materially adversely impact the Group's reputation, operations and/or financial performance and position are noted on pages 37 to 41 of Subsea 7 S.A.'s Annual Report and Consolidated Financial Statements 2014. The Executive Management Team considered these principal risks and uncertainties and concluded that prevailing challenging market conditions have not resulted in a material adverse change to the principal risks and uncertainties in the year ended 31 December 2015.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the year ended 31 December 2015 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group taken as a whole. We also confirm that, to the best of our knowledge, this report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.

Kristian Siem	Jean Cahuzac
Chairman	Chief Executive Officer

Subsea 7 S.A.
Condensed Consolidated Income Statement

	Three Months Ended		Year Ended	
(in $ millions)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 Audited**	31 Dec 2014 Audited
Revenue	**1,024.8**	1,394.9	**4,758.1**	6,869.9
Operating expenses	**(853.2)**	(1,215.4)	**(3,851.7)**	(5,694.9)
Gross profit	**171.6**	179.5	**906.4**	1,175.0
Administrative expenses	**(67.6)**	(80.7)	**(305.1)**	(314.7)
Impairment of goodwill	**(520.9)**	(1,183.3)	**(520.9)**	(1,183.3)
Share of net income of associates and joint ventures	**1.5**	2.2	**63.4**	69.2
Net operating (loss)/income	**(415.4)**	(1,082.3)	**143.8**	(253.8)
Finance income	**4.6**	2.6	**16.7**	19.3
Other gains and losses	**11.8**	39.0	**32.6**	23.7
Finance costs	**(5.2)**	(1.1)	**(8.2)**	(18.7)
(Loss)/income before taxes	**(404.2)**	(1,041.8)	**184.9**	(229.5)
Taxation	**(16.8)**	65.0	**(221.9)**	(151.7)
Net loss	**(421.0)**	(976.8)	**(37.0)**	(381.2)
Net income/(loss) attributable to:				
Shareholders of the parent company	**(422.0)**	(967.9)	**(17.0)**	(337.8)
Non-controlling interests	**1.0**	(8.9)	**(20.0)**	(43.4)
	(421.0)	(976.8)	**(37.0)**	(381.2)

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**(1.30)**	(2.95)	**(0.05)**	(1.02)
Diluted[(a)]	**(1.30)**	(2.95)	**(0.05)**	(1.02)
Adjusted diluted[(a)]	**0.29**	0.61	**1.45**	2.32

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

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

(in $ millions)	Three Months Ended 31 Dec 2015 Unaudited	Three Months Ended 31 Dec 2014 Unaudited	Year Ended 31 Dec 2015 Audited	Year Ended 31 Dec 2014 Audited
Net loss	**(421.0)**	(976.8)	**(37.0)**	(381.2)
Other comprehensive income				
Items that may be reclassified to the income statement in subsequent periods:				
Foreign currency translation	**(43.5)**	(243.2)	**(215.7)**	(303.3)
Cash flow hedges:				
Net fair value gains/(losses) arising	**1.0**	(2.7)	**(4.1)**	(16.2)
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	**(1.0)**	(0.1)	**15.5**	(9.6)
Adjustments for amounts transferred to the initial carrying amounts of hedged items	**(0.1)**	–	**(0.1)**	0.1
Share of other comprehensive income/(losses) of associates and joint ventures	**3.0**	(0.2)	**7.3**	3.9
Tax related to components of other comprehensive income which may be reclassified	**8.5**	27.8	**21.3**	42.3
Items that will not be reclassified to the income statement in Subsequent periods:				
Remeasurement gains/(losses) on defined benefit schemes	**1.2**	(3.5)	**1.2**	(3.5)
Tax relating to remeasurement (gains)/losses on defined benefit schemes	**(0.3)**	1.0	**(0.3)**	1.1
Other comprehensive loss	**(31.2)**	(220.9)	**(174.9)**	(285.2)
Total comprehensive loss	**(452.2)**	(1,197.7)	**(211.9)**	(666.4)
Total comprehensive income/(loss) attributable to:				
Shareholders of the parent company	**(459.9)**	(1,192.2)	**(209.2)**	(626.6)
Non-controlling interests	**7.7**	(5.5)	**(2.7)**	(39.8)
	(452.2)	(1,197.7)	**(211.9)**	(666.4)

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

As at (in $ millions)	31 Dec 2015 Audited	31 Dec 2014 Audited
Assets		
Non-current assets		
Goodwill	**766.8**	1,322.3
Intangible assets	**18.6**	21.2
Property, plant and equipment	**4,559.0**	4,565.0
Interest in associates and joint ventures	**368.5**	373.8
Advances and receivables	**100.7**	128.3
Derivative financial instruments	**4.4**	3.8
Retirement benefit assets	**0.8**	–
Deferred tax assets	**9.1**	48.2
	5,827.9	6,462.6
Current assets		
Inventories	**46.1**	59.1
Trade and other receivables	**584.1**	840.4
Derivative financial instruments	**18.2**	28.0
Assets classified as held for sale	**0.6**	–
Construction contracts – assets	**278.1**	378.4
Other accrued income and prepaid expenses	**152.4**	283.3
Cash and cash equivalents	**946.8**	572.6
	2,026.3	2,161.8
Total assets	**7,854.2**	8,624.4
Equity		
Issued share capital	**654.7**	664.3
Treasury shares	**(31.7)**	(75.2)
Paid in surplus	**3,223.0**	3,255.5
Equity reserve	**63.2**	71.2
Translation reserve	**(452.8)**	(242.6)
Other reserves	**(55.8)**	(73.8)
Retained earnings	**1,976.5**	1,987.5
Equity attributable to shareholders of the parent company	**5,377.1**	5,586.9
Non-controlling interests	**(30.9)**	(25.2)
Total equity	**5,346.2**	5,561.7
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**523.9**	576.2
Retirement benefit obligations	**13.3**	21.3
Deferred tax liabilities	**63.4**	117.1
Provisions	**47.0**	30.3
Contingent liability recognised	**4.0**	6.0
Derivative financial instruments	**9.4**	15.3
Other non-current liabilities	**73.1**	93.3
	734.1	859.5
Current liabilities		
Trade and other liabilities	**1,123.5**	1,674.1
Derivative financial instruments	**12.2**	25.1
Current tax liabilities	**76.7**	45.8
Current portion of borrowings	**–**	1.9
Provisions	**92.6**	28.9
Construction contracts – liabilities	**458.9**	425.7
Deferred revenue	**10.0**	1.7
	1,773.9	2,203.2
Total liabilities	**2,508.0**	3,062.7
Total equity and liabilities	**7,854.2**	8,624.4

Subsea 7 S.A.

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

(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 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 loss	–	–	–	–	–	–	(17.0)	(17.0)	(20.0)	(37.0)
Foreign currency translation	–	–	–	–	(233.0)	–	–	(233.0)	17.3	(215.7)
Cash flow hedges	–	–	–	–	–	11.3	–	11.3	–	11.3
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	7.3	–	7.3	–	7.3
Remeasurement losses on defined benefit pension schemes	–	–	–	–	–	1.2	–	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	–	22.8	(1.8)	–	21.0	–	21.0
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(210.2)**	**18.0**	**(17.0)**	**(209.2)**	**(2.7)**	**(211.9)**
Transactions with owners										
Shares repurchased	–	(7.6)	–	–	–	–	–	(7.6)	–	(7.6)
Dividends declared	–	–	–	–	–	–	–	–	(3.0)	(3.0)
Equity component of convertible bonds	–	–	–	(8.0)	–	–	7.5	(0.5)	–	(0.5)
Share-based payments	–	–	6.8	–	–	–	–	6.8	–	6.8
Vesting of share-based payments	–	–	1.6	–	–	–	(1.6)	–	–	–
Shares reissued relating to share based payments	–	0.6	–	–	–	–	–	0.6	–	0.6
Gain on reissuance of treasury shares	–	–	–	–	–	–	0.1	0.1	–	0.1
Shares cancelled	(9.6)	50.5	(40.9)	–	–	–	–	–	–	–
Total transactions with owners	**(9.6)**	**43.5**	**(32.5)**	**(8.0)**	**–**	**–**	**6.0**	**(0.6)**	**(3.0)**	**(3.6)**
Balance at 31 December 2015	**654.7**	**(31.7)**	**3,223.0**	**63.2**	**(452.8)**	**(55.8)**	**1,976.5**	**5,377.1**	**(30.9)**	**5,346.2**

For the year ended 31 December 2014

(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 2014	**703.6**	**(356.9)**	**3,841.6**	**248.5**	**31.9**	**(59.5)**	**2,142.4**	**6,551.6**	**19.5**	**6,571.1**
Comprehensive income/(loss)										
Net loss	–	–	–	–	–	–	(337.8)	(337.8)	(43.4)	(381.2)
Foreign currency translation	–	–	–	–	(306.9)	–	–	(306.9)	3.6	(303.3)
Cash flow hedges	–	–	–	–	–	(25.7)	–	(25.7)	–	(25.7)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	3.9	–	3.9	–	3.9
Remeasurement gains on defined benefit pension schemes	–	–	–	–	–	(3.5)	–	(3.5)	–	(3.5)
Tax relating to components of other comprehensive income	–	–	–	–	32.4	11.0	–	43.4	–	43.4
Total comprehensive loss	**–**	**–**	**–**	**–**	**(274.5)**	**(14.3)**	**(337.8)**	**(626.6)**	**(39.8)**	**(666.4)**
Transactions with owners										
Shares repurchased	–	(157.0)	–	–	–	–	–	(157.0)	–	(157.0)
Shares reissued to convertible bondholders	–	21.8	–	–	–	–	–	21.8	–	21.8
Dividends declared	–	–	(200.0)	–	–	–	–	(200.0)	(4.9)	(204.9)
Equity component of convertible bonds	–	–	–	(177.3)	–	–	177.3	–	–	–
Share-based payments	–	–	7.7	–	–	–	–	7.7	–	7.7
Vesting of share-based payments	–	–	(26.5)	–	–	–	26.5	–	–	–
Shares reissued relating to share based payments	–	14.1	–	–	–	–	–	14.1	–	14.1
Loss on reissuance of treasury shares	–	–	–	–	–	–	(20.9)	(20.9)	–	(20.9)
Tax effects	–	–	(3.8)	–	–	–	–	(3.8)	–	(3.8)
Shares cancelled	(39.3)	402.8	(363.5)	–	–	–	–	–	–	–
Total transactions with owners	**(39.3)**	**281.7**	**(586.1)**	**(177.3)**	**–**	**–**	**182.9**	**(338.1)**	**(4.9)**	**(343.0)**
Balance at 31 December 2014	**664.3**	**(75.2)**	**3,255.5**	**71.2**	**(242.6)**	**(73.8)**	**1,987.5**	**5,586.9**	**(25.2)**	**5,561.7**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Year Ended 31 Dec 2015 Audited	31 Dec 2014 Audited
Net cash generated from operating activities	**1,048.6**	1,449.7
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**4.0**	1.3
Purchases of property, plant and equipment	**(639.2)**	(861.2)
Purchases of intangible assets	**(5.5)**	(6.4)
Loan repayments from joint ventures	**6.6**	–
Interest received	**16.7**	19.3
Dividends received from associates and joint ventures	**63.6**	19.3
Investment in associates and joint ventures	**(0.2)**	(0.1)
Net cash used in investing activities	**(554.0)**	(827.8)
Cash flows from financing activities		
Interest paid	**(15.1)**	(24.3)
Proceeds from borrowings	**80.0**	–
Repayments of borrowings	**(80.5)**	–
Cost of shares repurchased	**(7.6)**	(165.7)
Dividends paid to equity shareholders of the parent company	**–**	(194.6)
Redemption of convertible bonds	**–**	(182.0)
Repurchase of convertible bonds	**(64.7)**	(154.9)
Proceeds from reissuance of treasury shares	**0.7**	1.3
Dividends paid to non-controlling interests	**(8.4)**	–
Net cash used in financing activities	**(95.6)**	(720.2)
Net increase/(decrease) in cash and cash equivalents	**399.0**	(98.3)
Cash and cash equivalents at beginning of year	**572.6**	691.5
Effect of foreign exchange rate movements on cash and cash equivalents	**(24.8)**	(20.6)
Cash and cash equivalents at end of year	**946.8**	572.6

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 2 March 2016.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period 1 January 2015 to 31 December 2015 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 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 2014.

The Group adopted the following EU-endorsed amended International Financial Reporting Standards (IFRS) and interpretations which were effective for the financial year beginning on 1 January 2015. These amended standards and interpretations did not have a significant impact on the Group's financial position or performance:

- Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'
- Annual Improvements 2010 – 2012 Cycle
- Annual Improvements 2011 – 2013 Cycle

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 2014, 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 2014:

- Revenue recognition on long-term contracts
- Revenue recognition on variation orders and claims
- Goodwill carrying value
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Taxation

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 January 2015 the Group implemented a new organisational structure. The new organisational and segmental structure comprises two Business Units, which replaced four geographical Territories, and a Corporate segment.

The Corporate segment includes all activities that serve both Business Units. All onshore and offshore assets are allocated between the two Business Units. Reporting segments are defined below:

Northern Hemisphere and Life of Field

The Northern Hemisphere and Life of Field Business Unit includes activities in UK, Canada, Norway and the Gulf of Mexico together with the i-Tech division and Life of Field business line. It also includes spoolbases in Vigra, Norway; Leith, Scotland and Port Isabel, US and a fabrication yard in Wick, Scotland. This segment also includes the Normand Oceanic and Eidesvik Seven joint ventures.

Southern Hemisphere and Global Projects

The Southern Hemisphere and Global Projects Business Unit includes activities in Africa, Asia Pacific and Middle East, Brazil and activities related to the performance of global projects managed within the Global Project Centres located in London and Paris. It also includes fabrication yards in Takoradi, Ghana; Warri, Nigeria; Port Gentil, Gabon and Lobito, Angola. This segment also includes the SapuraAcergy and Subsea 7 Malaysia joint ventures.

Corporate

This segment includes all activities that serve both Business Units and includes: management of offshore resources; captive insurance activities and management and corporate services. It also includes the results of the Seaway Heavy Lifting joint venture.

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

For the three months ended 31 December 2015

(in $ millions) Unaudited	**Northern Hemisphere and Life of Field**	**Southern Hemisphere and Global Projects**	**Corporate**	**Total**
Revenue	**304.8**	**716.8**	**3.2**	**1,024.8**
Net operating (loss)/income excluding goodwill impairment charge	**(49.2)**	**244.6**	**(89.9)**	**105.5**
Impairment of goodwill	**(351.3)**	**(169.6)**	**–**	**(520.9)**
Net operating (loss)/income	**(400.5)**	**75.0**	**(89.9)**	**(415.4)**
Finance income				**4.6**
Other gains and losses				**11.8**
Finance costs				**(5.2)**
Loss before taxes				**(404.2)**

For the three months ended 31 December 2014

(in $ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total
Revenue	614.4	780.8	(0.3)	1,394.9
Net operating income/(loss) excluding goodwill impairment charge	90.6	116.5	(106.1)	101.0
Impairment of goodwill	(594.1)	(589.2)	–	(1,183.3)
Net operating loss	(503.5)	(472.7)	(106.1)	(1,082.3)
Finance income				2.6
Other gains and losses				39.0
Finance costs				(1.1)
Loss before taxes				(1,041.8)

For the year ended 31 December 2015

(in $ millions) Audited	**Northern Hemisphere and Life of Field**	**Southern Hemisphere and Global Projects**	**Corporate**	**Total**
Revenue	**2,019.0**	**2,709.9**	**29.2**	**4,758.1**
Net operating income/(loss) excluding goodwill impairment charge	**183.4**	**678.7**	**(197.4)**	**664.7**
Impairment of goodwill	**(351.3)**	**(169.6)**	**–**	**(520.9)**
Net operating (loss)/income	**(167.9)**	**509.1**	**(197.4)**	**143.8**
Finance income				**16.7**
Other gains and losses				**32.6**
Finance costs				**(8.2)**
Income before taxes				**184.9**

For the year ended 31 December 2014

(in $ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total
Revenue	3,087.3	3,774.6	8.0	6,869.9
Net operating income/(loss) excluding goodwill impairment charge	340.9	674.7	(86.1)	929.5
Impairment of goodwill	(594.1)	(589.2)	–	(1,183.3)
Net operating (loss)/income	(253.2)	85.5	(86.1)	(253.8)
Finance income				19.3
Other gains and losses				23.7
Finance costs				(18.7)
Loss before taxes				(229.5)

7. Cost reduction programme

In May 2015, 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, a programme of cost reduction measures would be implemented including a resizing of the fleet and workforce, and the restructuring of its corporate organisation.

For the year ended 31 December 2015 a restructuring charge of $136.1 million was recognised relating to the resizing programme of which $92.7 million and $43.4 million were attributable to operating expenses and administrative expenses respectively. The full amount of the charge was 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 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 per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

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

	Three Months Ended		Year Ended	
For the period (in $ millions)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 Audited**	31 Dec 2014 Audited
Net loss used in the calculation of diluted earnings per share	**(422.0)**	(967.9)	**(17.0)**	(337.8)

	Three Months Ended		Year Ended	
For the period (number of shares)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 Audited**	31 Dec 2014 Audited
Weighted average number of common shares used in the calculation of basic and diluted earnings per share	**325,611,787**	328,397,206	**325,768,171**	330,784,021

	Three Months Ended		Year Ended	
For the period (in $ per share)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 Audited**	31 Dec 2014 Audited
Basic earnings per share	**(1.30)**	(2.95)	**(0.05)**	(1.02)
Diluted earnings per share	**(1.30)**	(2.95)	**(0.05)**	(1.02)

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		Year Ended	
For the period (number of shares)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 Audited**	31 Dec 2014 Audited
Convertible bonds	**19,998,622**	24,726,024	**21,216,925**	37,333,844
Share options and performance shares	**2,407,692**	2,157,356	**2,417,260**	2,844,471

Adjusted diluted earnings per share

Adjusted diluted earnings per share represents diluted earnings per share excluding the goodwill impairment charge of $520.9 million. The income and share data used in the calculation of basic and diluted earnings per share were as follows:

	Three Months Ended		Year Ended	
For the period (in $ millions)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 Audited**	31 Dec 2014 Audited
Net income attributable to shareholders of the parent company	**98.9**	215.4	**503.9**	845.6
Interest on convertible bonds (net of amounts capitalised)	**–**	0.2	**–**	10.9
Earnings used in the calculation of Adjusted diluted earnings per share	**98.9**	215.6	**503.9**	856.5

	Three Months Ended		Year Ended	
For the period (number of shares)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 Audited**	31 Dec 2014 Audited
Weighted average number of common shares used in the calculation of basic earnings per share	**325,611,787**	328,397,206	**325,768,171**	330,784,021
Convertible bonds	**19,998,622**	24,726,024	**21,216,925**	37,333,844
Share options and performance shares	**48,244**	427,233	**80,820**	892,643
Weighted average number of common shares used in the calculation of Adjusted diluted earnings per share	**345,658,653**	353,550,463	**347,065,916**	369,010,508

	Three Months Ended		Year Ended	
For the period (in $ per share)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 Audited**	31 Dec 2014 Audited
Adjusted diluted earnings per share	**0.29**	0.61	**1.45**	2.32

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		Year Ended	
For the period (in $ millions)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 (a)**	31 Dec 2014 (a)
Net operating (loss)/income	**(415.4)**	(1,082.3)	**143.8**	(253.8)
Depreciation, amortisation and mobilisation	**108.3**	106.8	**415.7**	420.5
Impairment of goodwill	**520.9**	1,183.3	**520.9**	1,183.3
Impairment of property, plant and equipment	**96.0**	88.8	**136.5**	88.8
Adjusted EBITDA (unaudited)	**309.8**	296.6	**1,216.9**	1,438.8
Revenue	**1,024.8**	1,394.9	**4,758.1**	6,869.9
Adjusted EBITDA margin (unaudited)	**30.2%**	21.3%	**25.6%**	20.9%

(a) Audited unless otherwise stated.

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

	Three Months Ended		Year Ended	
For the period (in $ millions)	**31 Dec 2015 Unaudited**	31 Dec 2014 Unaudited	**31 Dec 2015 (a)**	31 Dec 2014 (a)
Net loss	**(421.0)**	(976.8)	**(37.0)**	(381.2)
Depreciation, amortisation and mobilisation	**108.3**	106.8	**415.7**	420.5
Impairment of property, plant and equipment	**96.0**	88.8	**136.5**	88.8
Impairment of goodwill	**520.9**	1,183.3	**520.9**	1,183.3
Finance income	**(4.6)**	(2.6)	**(16.7)**	(19.3)
Other gains and losses	**(11.8)**	(39.0)	**(32.6)**	(23.7)
Finance costs	**5.2**	1.1	**8.2**	18.7
Taxation	**16.8**	(65.0)	**221.9**	151.7
Adjusted EBITDA (unaudited)	**309.8**	296.6	**1,216.9**	1,438.8
Revenue	**1,024.8**	1,394.9	**4,758.1**	6,869.9
Adjusted EBITDA margin (unaudited)	**30.2%**	21.3%	**25.6%**	20.9%

(a) Audited unless otherwise stated.

10. Goodwill

The movement in goodwill during the year was as follows:

(in $ millions)	**31 Dec 2015 Audited**	31 Dec 2014 Audited
At year beginning	**1,322.3**	2,584.6
Impairment charge	**(520.9)**	(1,183.3)
Exchange differences	**(34.6)**	(79.0)
At year end	**766.8**	1,322.3

With effect from 1 January 2015, following the implementation of a new organisation structure, management concluded that a change in the composition of cash-generating units (CGUs) had occurred and a reallocation of goodwill was required. For financial management and reporting purposes the Group is organised into management regions. Management regions are aligned with the two Business units and the Corporate segment used by the CODM to allocate resources and appraise performance. Following the reorganisation there are eight CGUs.

CGUs for APME, Brazil, GOM, Norway and UK and Canada include activities connected with the performance of projects in those geographical regions.

The Africa and Global Project Centres CGU includes activities in Africa and activities related to the performance of global projects managed within the Global Project Centres located in London and Paris.

The i-Tech CGU includes activities connected with the provision of remotely operated vehicles and tooling services.

The Life of Field CGU includes activities connected with the provision of non-UK Life of Field services.

Goodwill was reallocated as at 1 January 2015 based on the relative value of each CGU. Relative value was calculated as value-in-use less net assets of each CGU. The assumptions used in estimating value-in-use were consistent with those applied as at 31 December 2014. Comparative financial information for 2014 has been re-presented to reflect the revised CGUs

The Group performed its annual impairment test as at 31 December 2015.

The recoverable amounts of the CGUs were determined based on a value-in-use calculation using pre-tax cash flow projections approved by the Executive Management Team covering a five-year period. Cash flows beyond this five-year period were extrapolated in perpetuity, using a 2.0% (2014: 2.0%) growth rate to determine the terminal value. The pre-tax discount rate applied to cash flow projections was 11.1% (2014: 11.8%).

Following the annual impairment review, the impairment charge recognised in the Consolidated Income Statement in respect of goodwill was as follows:

(in $ millions)	**31 Dec 2015 Audited**	31 Dec 2014 Audited
Africa and Global Projects	**–**	306.1
APME	**169.6**	–
Brazil	**–**	283.1
GOM	**55.2**	58.3
Norway	**46.9**	171.4
UK and Canada	**249.2**	364.4
	520.9	1,183.3

Impairments relating to UK and Canada and GOM CGUs are reported within the Northern Hemisphere and Life of Field operating segment. The impairment for the APME CGU is reported within the Southern Hemisphere and Global Projects operating segment.

As at 31 December and, following the recognition of the impairment charges, the recoverable amounts relating to UK & Canada, Norway and GOM were $687 million, $326 million and $177 million respectively.

Decreases in the recoverable amounts related to the CGUs arose as a result of the challenging business environment and updated estimates of the anticipated impact of low oil prices in the short-to-medium term. Low oil prices, combined with declining levels of project awards and project profitability are expected to impact negatively on the projected levels of investment and activity in the oil and gas sector in the short-to-medium term.

11. Property, plant and equipment

Significant additions to property, plant and equipment for the year ended 31 December 2015 included $497.6 million of expenditure related to the new-build vessel programme as follows:

- $280.8 million expenditure on three PLSVs, *Seven Rio*, *Seven Sun* and *Seven Cruzeiro*
- $164.6 million expenditure on the heavy construction vessel, *Seven Arctic*
- $52.2 million expenditure on the diving support vessel, *Seven Kestrel*

12. Treasury shares

During the fourth quarter 56,317 share options were exercised. No shares were used to satisfy share-based awards which vested. At 31 December 2015, the Group directly held 31,683 (Q4 2014: 4,019,378) common shares as treasury shares, representing 0.01% (Q4 2014: 1.2%) of the total number of issued shares. A further 1,441,200 (Q4 2014: 1,526,000) 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 (Q4 2014: 253,482) shares were held in a separate employee benefit trust to support specified share option awards.

13. Share repurchase programme

During the fourth quarter no shares were repurchased under the Group's $200 million share repurchase programme initiated in July 2014. As at 31 December 2015, the Group had repurchased a cumulative 5,272,656 shares for a total consideration of $57.1 million under the July 2014 programme.

On 28 July 2015, the Board of Directors authorised a 24 month extension to the Group's share repurchase programme of up to $200 million. The programme was approved pursuant to the standing authorisation granted to the Board of Directors at the Extraordinary General Meeting held on 27 November 2014, which allows for the purchase of up to a maximum of 10% of the Group's issued common shares, net of common shares previously repurchased and held as treasury shares.

14. Borrowings

Convertible bonds

Between 1 October 2015 and 31 December 2015, the Group repurchased $34.6 million (par value) of the $700 million 1.0% convertible bonds due 2017 for $32.2 million. At 31 December 2015, $548.2 million (par value) of the 2017 Bonds, excluding those bonds repurchased and held by the Group, remained outstanding.

15. Commitments and contingent liabilities

Commitments

As at 31 December 2015, the significant capital commitments that the Group had entered into were:

- contracts totalling $220.8 million relating to two new-build PLSV's, *Seven Sun* and *Seven Cruzeiro*. The vessels are due to commence operations during 2016;
- contracts totalling $38.7 million relating to the new-build heavy construction vessel, *Seven Arctic*. The vessel is due to commence operations during 2016; and
- contracts totalling $18.0 million relating to the diving support vessel, *Seven Kestrel*. The vessel is due to commence operations during 2016.

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. The amount assessed including penalties and interest as at 31 December 2015 amounted to BRL 706.7 million, equivalent to $177.1 million (2014: BRL 667.9 million, equivalent to $267.8 million). Of this amount BRL 339.1 million, equivalent to $84.9 million (2014: BRL 654.7 million, equivalent to $163.7m) related to ICMS. The remainder of the balance related to assessments for federal taxes and associated interest. The Group has challenged these assessments with some cases being dismissed by tax authorities during 2015. 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 however the Group does not believe the likelihood of payments is probable.

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 31 December 2015 was $4.0 million (31 December 2014: $5.9 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

For the period ended (in $ millions)	Year Ended 31 Dec 2015 Audited	31 Dec 2014 Audited
Cash flow from operating activities:		
Income/(loss) before taxes	**184.9**	(229.5)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**386.4**	392.5
Net impairment of property, plant and equipment	**136.5**	88.8
Amortisation of intangible assets	**7.2**	11.2
Impairment of goodwill	**520.9**	1,183.3
Mobilisation costs	**22.1**	16.8
Adjustments for investing and financing items:		
Share of net income of associates and joint ventures	**(63.4)**	(69.2)
Finance income	**(16.7)**	(19.3)
Loss on disposal of property, plant and equipment	**33.0**	1.4
Insurance income	**(30.6)**	–
Gain on repurchase of bonds	**(2.6)**	(0.2)
Finance costs	**8.2**	18.7
Adjustments for equity items:		
Share-based payments	**6.8**	7.7
	1,192.7	1,402.2
Changes in operating assets and liabilities:		
Decrease in inventories	**10.1**	5.0
Decrease in operating receivables	**303.1**	228.7
(Decrease)/increase in operating liabilities	**(249.2)**	34.9
	64.0	268.6
Income taxes paid	**(208.1)**	(221.1)
Net cash generated from operating activities	**1,048.6**	1,449.7

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)	**31 Dec 2015 Carrying amount Audited**	**31 Dec 2015 Fair value Audited**	31 Dec 2014 Carrying amount Audited	31 Dec 2014 Fair value Audited
Financial liabilities				
Borrowings – convertible bonds – Level 2	**(523.9)**	**(515.7)**	(576.2)	(565.5)

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 4.7% (31 December 2014: 4.5%).

Fair value measurements

Fair value hierarchy

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

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

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

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

Recurring and non-recurring fair value measurements

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

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

As at (in $ millions)	**31 Dec 2015 Level 2 Audited**	**31 Dec 2015 Level 3 Audited**	31 Dec 2014 Level 2 Audited	31 Dec 2014 Level 3 Audited
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through profit or loss - derivative instruments	**20.9**	**–**	28.1	–
Derivative instruments in designated hedge accounting relationships	**1.7**	**–**	3.7	–
Financial liabilities:				
Financial liabilities at fair value through profit or loss - derivative instruments	**(21.6)**	**–**	(35.5)	–
Derivative instruments in designated hedge accounting relationships	**–**	**–**	(4.9)	–

During the year ended 31 December 2015 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
  The fair value of outstanding forward foreign exchange contracts was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Interest rate swap
  The fair value of the Group's interest rate swap was calculated using quoted 3 month US Dollar LIBOR rates. At the balance sheet date the three month US Dollar LIBOR rate was 0.6%.

18. Post balance sheet events

Convertible bonds

Between 6 January 2016 and 3 February 2016, the Group repurchased bonds totalling $78 million (par value) of the 2017 1.00% convertible bonds due 2017 for $71.5 million.