Subsea 7 S.A. Announces First Quarter 2016 Results

Luxembourg – 28 April 2016 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY) announced today results for the first quarter which ended 31 March 2016. The Group's reporting segments are set out in Note 6 'Segment information'.

For the period (in $ millions, except Adjusted EBITDA margin and per share data)	Three months ended **31 Mar 2016 Unaudited**	31 Mar 2015 Unaudited
Revenue	**746**	1,181
Adjusted EBITDA[(a)]	**284**	281
Adjusted EBITDA margin[(a)]	**38%**	24%
Net operating income	**194**	176
Net income	**147**	151
Earnings per share – in $ per share[(b)]		
Basic	**0.45**	0.47
Diluted	**0.42**	0.44

As at (in $ millions)	**31 Mar 2016 Unaudited**	31 Dec 2015 Audited
Backlog[(c)]	**6,454**	6,110
Cash and cash equivalents	**1,085**	947
Borrowings	**453**	524

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

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

(c) Backlog at 31 March 2016 and 31 December 2015 is unaudited.

Jean Cahuzac, Chief Executive Officer, said:

First quarter 2016

'Reported revenue was $746 million in the first quarter 2016, 37% lower than the prior year period, due to the reduction of SURF project activity worldwide. Adjusted EBITDA was $284 million with an Adjusted EBITDA margin of 38%, which was significantly higher than 2015 despite the lower revenues. This performance benefitted from good project execution overall and successful risk mitigation measures on projects which were nearing completion. It also reflected the impact of the Group's cost reduction and resizing plan that was implemented in 2015.

Active vessel utilisation was 71% with one chartered vessel released in the quarter and seven owned vessels stacked at quarter end. Total vessel utilisation in the first quarter was 55% due to low levels of activity.

Order intake of $1.1 billion resulted in backlog increasing to $6.5 billion as at 31 March. Announced awards in the quarter comprised the West Nile Delta Phase 2 project, offshore Egypt, the largest project awarded to Subsea 7 since 2011, and two Life of Field awards, offshore UK.

Cash and cash equivalents increased to $1.1 billion as at 31 March. Net cash increased to $633 million, driven by $281 million of cash generated from operating activities and a continued focus on working capital management. The Group extended its revolving credit facility from $500 million to $750 million during the first quarter, taking total undrawn credit facilities to $1.1 billion at the quarter end.

Operational highlights for the first quarter 2016

In the Northern Hemisphere and Life of Field Business Unit, activity remained low in the North Sea and for the Life of Field and i-Tech business, reflecting seasonal weather conditions and a more challenging market. The Aasta Hansteen, Martin Linge, Maria and Culzean projects progressed with preparations for the offshore campaigns scheduled for the summer. In the US Gulf of Mexico offshore activity continued successfully on the Dalmatian project, which was substantially completed in the first quarter, and on the Holstein Deep and Coulomb Phase 2 projects.

In the Southern Hemisphere and Global Projects Business Unit, several large projects reached the final stages of execution with reduced risk profiles and costs. The BC-10 Phase 3 project, offshore Brazil, and OFON 2 project, offshore Nigeria were substantially completed and significant progress was made on the TEN project, offshore Ghana, and the Persephone Phase 2 project, offshore Australia. Offshore Egypt, *Seven Borealis* completed pipelay operations on the East Nile Delta project and the West Nile Delta Phase 1 project progressed with engineering and fabrication. The active PLSVs under long-term contracts with Petrobras recorded high levels of utilisation, including *Seven Rio*, which commenced its five-year contract in February as planned.

Outlook

The outlook remains challenging and the timing of new contract awards is still uncertain as clients continue to postpone capital investment decisions in the current market environment. Subsea 7 is successfully working with clients and alliance partners to drive down the costs of development with innovative and cost effective solutions that will enable more projects to progress despite the low oil price.

Full year 2016 revenue is expected to be significantly lower than in 2015 and Adjusted EBITDA percentage margin is expected to be lower compared to 2015. In this context, additional cost reduction measures will be implemented during the year.

The fundamental long-term outlook for subsea field developments remains positive and industry activity is expected to improve when the oil and gas markets rebalance.'

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 28 April 2016

Time: 12:00 UK Time

Conference ID: 14251567#

	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 670434#) will be available from:

Date: 28 April 2016
Time: 17:00 UK Time

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

For further information, please contact:

Isabel Green

Investor Relations Director

email: isabel.green@subsea7.com

Telephone: +44 (0) 20 8210 5568

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.

First Quarter 2016

Revenue
Revenue for the quarter was $746 million, a decrease of $435 million or 37% compared with Q1 2015. The decrease was due to significantly lower activity levels in both Business Units driven by the challenging market conditions within the industry.

Adjusted EBITDA
Adjusted EBITDA for the quarter was $284 million, a $3 million increase compared to Q1 2015. Adjusted EBITDA margin was 38%, compared with 24% in Q1 2015. The increase in Adjusted EBITDA margin was largely due to good execution on ongoing projects and the successful completion of large projects combined with reduced costs as a result of the Group's restructuring plan announced during 2015.

Net operating income
Net operating income was $194 million, an increase of $18 million compared to Q1 2015. This was primarily due to reduced administrative expenses mainly due to lower personnel costs as a result of the Group's cost reduction measures.

Net income
Net income was $147 million for the quarter, compared to $151 million in Q1 2015. The effective rate of tax for Q1 2016 was 31% compared to 29% for Q1 2015.

Earnings per share
Diluted earnings per share was $0.42 in Q1 2016 compared to $0.44 in Q1 2015, calculated using a weighted average number of shares of 343 million and 348 million respectively.

Cash and cash equivalents
Cash and cash equivalents increased from $947 million to $1,085 million during Q1 2016. The increase in cash and cash equivalents was mainly attributable to:

- cash generated from operating activities of $281 million

partially offset by:

- expenditure on property, plant and equipment of $82 million, mainly related to the Group's new-build vessel programme; and
- the repurchase of $78 million (par value) of the $700 million 1.00% convertible bonds due 2017, for $72 million in cash.

Borrowings
Borrowings decreased by $71 million to $453 million during Q1 2016. The reduction was largely due to the repurchase of $78 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017.

Business Unit Highlights

First Quarter 2016

Northern Hemisphere and Life of Field
Revenue was $331 million, a decrease of $231 million or 41% compared to Q1 2015 which reflected significantly lower activity levels in the North Sea.

During the quarter the Dalmatian project in the US Gulf of Mexico was substantially completed. Work progressed during the quarter on the Aasta Hansteen, Martin Linge and Maria projects, offshore Norway, on the Catcher project, offshore UK, and on the Holstein Deep and Coulomb Phase 2 projects in the US Gulf of Mexico. There was a significant decrease in Life of Field revenue compared to Q1 2015, particularly offshore UK, due to the challenging market conditions prevailing.

Net operating income was $37 million, a decrease of $11 million compared to Q1 2015, the reduction was largely due to significantly reduced activity levels.

Southern Hemisphere and Global Projects
Revenue was $413 million, a decrease of $204 million or 33% compared to Q1 2015. Revenue decreased due to the relative stage of completion of projects, with significant progress in Q1 2015 on the Lianzi Surf, Erha North and Gorgon Heavy Lift and Tie-ins projects in particular.

During Q1 2016 the BC-10 Phase 3 project, offshore Brazil, was substantially completed. There was significant progress on the TEN project, offshore Ghana, the West Nile Delta Phase 1 and East Nile Delta projects, offshore Egypt, 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 quarter. *Seven Waves* returned to Europe during the quarter to undergo extensive repairs to the lay-tower following an incident in December 2015, it is expected to return to Brazil in 2017 once the repairs have been completed.

Net operating income was $149 million compared to $118 million in Q1 2015. The increase was mainly 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 including the BC-10 Phase 3 project, offshore Brazil, and the OFON 2 project, offshore Nigeria.

Corporate
Net operating income was $8 million (Q1 2015: $10 million). The results for the quarter benefitted from lower personnel costs and associated cost savings following the implementation of the Group's restructuring programme announced during 2015.

Asset Development and Activities

Vessel Utilisation

Total vessel utilisation during the first quarter was 55% compared with 68% in Q1 2015. This reduction mainly reflected reduced offshore activity in the North Sea and Africa. Active vessel utilisation, which excludes stacked vessel days, was 71%.

During the quarter, in line with the Group's restructuring programme, one chartered vessel was released and two owned vessels were stacked, including *Seven Waves* which returned to Europe for extensive repairs following damage to the lay-tower. As at 31 March 2016 there were 38 vessels in the total fleet, which comprised 27 active vessels, seven stacked vessels and four vessels under construction. The active fleet includes three vessels owned and operated by joint ventures which are excluded from the utilisation calculations.

New-build vessel programme

Construction continued on:

- the PLSVs, *Seven Sun* and *Seven Cruzeiro*, linked to long-term contracts awarded by Petrobras, due 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 March 2016 was:

	Actual expenditure					Forecast expenditure
(in $ millions)	**2012**	**2013**	**2014**	**2015**	**Q1 2016**	**Q2-Q4 2016**
Total	185	372	544	499	65	275

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

Backlog

Backlog was $6.5 billion at 31 March 2016, an increase of $0.4 billion compared with 31 December 2015. New awards and project escalations totalling $1.1 billion were recorded in the quarter. Significant awards included two awards by BP for the West Nile Delta Phase 2 project, offshore Egypt, and an extension of the Subsea Construction, Inspection, Repair and Maintenance (IRM) contract in the North Sea. In addition a frame agreement for Diving Support Vessel services in the North Sea was awarded in the quarter by a consortium of six North Sea clients: Chevron, Dana, Hess, Nexen, Talisman and TAQA.

$5.2 billion of the backlog at 31 March 2016 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. $2.7 billion of this backlog is expected to be executed in 2016; $1.9 billion in 2017 and $1.9 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 31 Mar 2016 Unaudited	31 Mar 2015 Unaudited
Revenue	**746.2**	1,181.3
Operating expenses	**(514.9)**	(949.5)
Gross profit	**231.3**	231.8
Administrative expenses	**(53.1)**	(70.4)
Share of net income of associates and joint ventures	**15.7**	14.9
Net operating income	**193.9**	176.3
Finance income	**4.1**	3.4
Other gains and losses	**14.3**	32.6
Finance costs	**(1.5)**	(1.2)
Income before taxes	**210.8**	211.1
Taxation	**(64.3)**	(60.4)
Net income	**146.5**	150.7
Net income attributable to:		
Shareholders of the parent company	**145.6**	153.1
Non-controlling interests	**0.9**	(2.4)
	146.5	150.7

Earnings per share	**$ per share**	$ per share
Basic	**0.45**	0.47
Diluted[(a)]	**0.42**	0.44

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

Subsea 7 S.A.

Condensed Consolidated Statement of Comprehensive Income

	Three Months Ended	
(in $ millions)	**31 Mar 2016 Unaudited**	31 Mar 2015 Unaudited
Net income	**146.5**	150.7
Other comprehensive income		
Items that may be reclassified to the income statement in subsequent periods:		
Foreign currency translation	**(52.1)**	(159.5)
Cash flow hedges:		
Net fair value losses arising	**(0.1)**	(15.0)
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	**(0.6)**	1.0
Share of other comprehensive income of associates and joint ventures	**0.1**	2.5
Tax related to components of other comprehensive income which may be reclassified	**(1.0)**	13.9
Other comprehensive loss	**(53.7)**	(157.1)
Total comprehensive income/(loss)	**92.8**	(6.4)
Total comprehensive income/(loss) attributable to:		
Shareholders of the parent company	**89.7**	(6.0)
Non-controlling interests	**3.1**	(0.4)
	92.8	(6.4)

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

As at (in $ millions)	31 Mar 2016 Unaudited	31 Dec 2015 Audited
Assets		
Non-current assets		
Goodwill	**752.8**	766.8
Intangible assets	**17.4**	18.6
Property, plant and equipment	**4,504.8**	4,559.0
Interest in associates and joint ventures	**387.4**	368.5
Advances and receivables	**105.7**	100.7
Derivative financial instruments	**2.9**	4.4
Retirement benefit assets	**0.8**	0.8
Deferred tax assets	**9.2**	9.1
	5,781.0	5,827.9
Current assets		
Inventories	**44.9**	46.1
Trade and other receivables	**505.6**	584.1
Derivative financial instruments	**13.1**	18.2
Assets classified as held for sale	**0.7**	0.6
Construction contracts – assets	**138.0**	278.1
Other accrued income and prepaid expenses	**159.2**	152.4
Cash and cash equivalents	**1,085.3**	946.8
	1,946.8	2,026.3
Total assets	**7,727.8**	7,854.2
Equity		
Issued share capital	**654.7**	654.7
Treasury shares	**(31.7)**	(31.7)
Paid in surplus	**3,224.9**	3,223.0
Equity reserve	**54.2**	63.2
Translation reserve	**(508.3)**	(452.8)
Other reserves	**(56.2)**	(55.8)
Retained earnings	**2,131.1**	1,976.5
Equity attributable to shareholders of the parent company	**5,468.7**	5,377.1
Non-controlling interests	**(27.8)**	(30.9)
Total equity	**5,440.9**	5,346.2
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**452.5**	523.9
Retirement benefit obligations	**13.8**	13.3
Deferred tax liabilities	**61.4**	63.4
Provisions	**44.8**	47.0
Contingent liability recognised	**4.4**	4.0
Derivative financial instruments	**1.2**	9.4
Other non-current liabilities	**59.1**	73.1
	637.2	734.1
Current liabilities		
Trade and other liabilities	**993.6**	1,123.5
Derivative financial instruments	**4.2**	12.2
Current tax liabilities	**126.9**	76.7
Provisions	**73.4**	92.6
Construction contracts – liabilities	**439.4**	458.9
Deferred revenue	**12.2**	10.0
	1,649.7	1,773.9
Total liabilities	**2,286.9**	2,508.0
Total equity and liabilities	**7,727.8**	7,854.2

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 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	–	–	–	–	–	–	145.6	145.6	0.9	146.5
Foreign currency translation	–	–	–	–	(54.3)	–	–	(54.3)	2.2	(52.1)
Cash flow hedges	–	–	–	–	–	(0.7)	–	(0.7)	–	(0.7)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	0.1	–	0.1	–	0.1
Tax relating to components of other comprehensive income	–	–	–	–	(1.2)	0.2	–	(1.0)	–	(1.0)
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(55.5)**	**(0.4)**	**145.6**	**89.7**	**3.1**	**92.8**
Transactions with owners										
Equity component of convertible bonds	–	–	–	(9.0)	–	–	9.0	–	–	–
Share-based payments	–	–	1.9	–	–	–	–	1.9	–	1.9
Total transactions with owners	**–**	**–**	**1.9**	**(9.0)**	**–**	**–**	**9.0**	**1.9**	**–**	**1.9**
Balance at 31 March 2016	**654.7**	**(31.7)**	**3,224.9**	**54.2**	**(508.3)**	**(56.2)**	**2,131.1**	**5,468.7**	**(27.8)**	**5,440.9**

For the three months ended 31 March 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)	–	–	–	–	–	–	153.1	153.1	(2.4)	150.7
Foreign currency translation	–	–	–	–	(161.5)	–	–	(161.5)	2.0	(159.5)
Cash flow hedges	–	–	–	–	–	(14.0)	–	(14.0)	–	(14.0)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	2.5	–	2.5	–	2.5
Tax relating to components of other comprehensive income	–	–	–	–	8.6	5.3	–	13.9	–	13.9
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(152.9)**	**(6.2)**	**153.1**	**(6.0)**	**(0.4)**	**(6.4)**
Transactions with owners										
Shares repurchased	–	(6.4)	–	–	–	–	–	(6.4)	–	(6.4)
Share-based payments	–	–	1.6	–	–	–	–	1.6	–	1.6
Total transactions with owners	**–**	**(6.4)**	**1.6**	**–**	**–**	**–**	**–**	**(4.8)**	**–**	**(4.8)**
Balance at 31 March 2015	**664.3**	**(81.6)**	**3,257.1**	**71.2**	**(395.5)**	**(80.0)**	**2,140.6**	**5,576.1**	**(25.6)**	**5,550.5**

Subsea 7 S.A.

Condensed Consolidated Cash Flow Statement

(in $ millions)	Three Months Ended 31 Mar 2016 Unaudited	31 Mar 2015 Unaudited
Net cash generated from/(used in) operating activities	**281.4**	(77.5)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**8.6**	0.2
Purchases of property, plant and equipment	**(81.9)**	(197.6)
Purchases of intangible assets	**(0.5)**	(0.1)
Interest received	**4.1**	3.4
Dividends received from associates and joint ventures	**1.5**	12.5
Loans to associates and joint ventures	**(8.6)**	3.4
Loan repayments from joint ventures	**2.9**	–
Net cash used in investing activities	**(73.9)**	(178.2)
Cash flows from financing activities		
Interest paid	**(1.5)**	(4.7)
Proceeds from borrowings	**–**	80.0
Cost of shares repurchased	**–**	(4.9)
Repurchase of convertible bonds	**(71.8)**	–
Net cash (used in)/ generated from financing activities	**(73.3)**	70.4
Net increase/(decrease) in cash and cash equivalents	**134.2**	(185.3)
Cash and cash equivalents at beginning of period	**946.8**	572.6
Effect of foreign exchange rate movements on cash and cash equivalents	**4.3**	(14.2)
Cash and cash equivalents at end of period	**1,085.3**	373.1

1. General information

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and over-the-counter as American Depositary Receipts (ADRs) in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. The Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors on 27 April 2016.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period 1 January 2016 to 31 March 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 three months ended 31 March 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

For management and reporting purposes, the Group is organised into two Business Units, which are representative of its principal activities. 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.

6. Segment information *continued*

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

For the three months ended 31 March 2016

(in $ millions) Unaudited	**Northern Hemisphere and Life of Field**	**Southern Hemisphere and Global Projects**	**Corporate**	**Total**
Revenue	**330.5**	**412.8**	**2.9**	**746.2**
Net operating income	**37.1**	**149.3**	**7.5**	**193.9**
Finance income				**4.1**
Other gains and losses				**14.3**
Finance costs				**(1.5)**
Income before taxes				**210.8**

For the three months ended 31 March 2015

(in $ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total
Revenue	562.0	617.1	2.2	1,181.3
Net operating income	47.9	118.2	10.2	176.3
Finance income				3.4
Other gains and losses				32.6
Finance costs				(1.2)
Income before taxes				211.1

7. 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	
For the period (in $ millions)	**31 Mar 2016 Unaudited**	31 Mar 2015 Unaudited
Net income used in the calculation of diluted earnings per share	**145.6**	153.1
Interest on convertible bonds (net of amounts capitalised)	**–**	–
Earnings used in the calculation of diluted earnings per share	**145.6**	153.1

	Three Months Ended	
For the period (number of shares)	**31 Mar 2016 Unaudited**	31 Mar 2015 Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**325,643,852**	326,291,148
Convertible bonds	**17,164,456**	21,775,273
Share options, performance shares and restricted shares	**–**	301,270
Weighted average number of common shares used in the calculation of diluted earnings per share	**342,808,308**	348,367,691

	Three Months Ended	
For the period (in $ per share)	**31 Mar 2016 Unaudited**	31 Mar 2015 Unaudited
Basic earnings per share	**0.45**	0.47
Diluted earnings per share	**0.42**	0.44

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	
For the period (number of shares)	**31 Mar 2016 Unaudited**	31 Mar 2015 Unaudited
Convertible bonds	**–**	–
Share options and performance shares	**2,419,621**	1,819,755

8. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation, 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	
For the period (in $ millions)	**31 Mar 2016 Unaudited**	31 Mar 2015 Unaudited
Net operating income	**193.9**	176.3
Depreciation, amortisation and mobilisation	**90.0**	102.0
Impairment of property, plant and equipment	**–**	3.1
Adjusted EBITDA	**283.9**	281.4
Revenue	**746.2**	1,181.3
Adjusted EBITDA margin	**38.0%**	23.8%

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

	Three Months Ended	
For the period (in $ millions)	**31 Mar 2016 Unaudited**	31 Mar 2015 Unaudited
Net income	**146.5**	150.7
Depreciation, amortisation and mobilisation	**90.0**	102.0
Impairment of property, plant and equipment	**–**	3.1
Finance income	**(4.1)**	(3.4)
Other gains and losses	**(14.3)**	(32.6)
Finance costs	**1.5**	1.2
Taxation	**64.3**	60.4
Adjusted EBITDA	**283.9**	281.4
Revenue	**746.2**	1,181.3
Adjusted EBITDA margin	**38.0%**	23.8%

9. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	Three Months Ended **31 Mar 2016 Unaudited**	 31 Mar 2015 Unaudited
At period beginning	**766.8**	1,322.3
Exchange differences	**(14.0)**	(33.8)
At period end	**752.8**	1,288.5

10. Property, plant and equipment

Significant additions to property, plant and equipment for the quarter ended 31 March 2016 included $64.3 million of expenditure related to the new-build vessel programme as follows:

- $53.7 million expenditure on two PLSVs *Seven Sun* and *Seven Cruzeiro*
- $7.4 million expenditure on the heavy construction vessel, *Seven Arctic*
- $3.2 million expenditure on the diving support vessel, *Seven Kestrel*

11. Treasury shares

During the first quarter no share options were exercised and no shares were used to satisfy share-based awards. At 31 March 2016, the Group held 1,723,259 common shares as treasury shares, of which; 31,683 common shares were directly held (Q4 2015: 31,683), representing 0.01% (Q4 2015: 0.01%) of the total number of issued shares; 1,441,200 (Q4 2015: 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 (Q4 2015: 250,376) common shares were held in a separate employee benefit trust to support specified share option awards.

12. Share repurchase programme

During the quarter no shares were repurchased under the Group's $200 million share repurchase programme initiated in July 2014. As at 31 March 2016, the Group had repurchased a cumulative 5,272,656 shares for a total consideration of $57.1 million under the July 2014 programme.

13. Borrowings

Convertible bonds

Between 1 January 2016 and 31 March 2016, the Group repurchased $78.0 million (par value) of the $700 million 1.00% convertible bonds due 2017 for $71.8 million. At 31 March 2016, $470.2 million (par value) of the 2017 Bonds, excluding those bonds repurchased and held by the Group, remained outstanding.

14. Commitments and contingent liabilities

Commitments

As at 31 March 2016, the significant capital commitments that the Group had entered into were:

- contracts totalling $136.7 million relating to two new-build PLSV's, *Seven Sun* and *Seven Cruzeiro*. The vessels are due to commence operations during 2016;
- contracts totalling $34.2 million relating to the new-build heavy construction vessel, *Seven Arctic*. The vessel is due to commence operations during 2016; and
- contracts totalling $17.7 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. 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 31 March 2016 the contingent liability (including assessed amounts, penalties and interest) amounted to BRL 613.1 million, equivalent to $168.9 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 31 March 2016 was $4.4 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.

15. Cash flow from operating activities

For the period ended (in $ millions)	Three months ended 31 Mar 2016 Unaudited	31 Mar 2015 Unaudited
Cash flow from operating activities:		
Income before taxes	**210.8**	211.1
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**87.4**	95.2
Net impairment of property, plant and equipment	**–**	3.1
Amortisation of intangible assets	**1.2**	1.7
Mobilisation costs	**1.4**	5.1
Adjustments for investing and financing items:		
Share of net income of associates and joint ventures	**(15.7)**	(14.9)
Finance income	**(4.1)**	(3.4)
Loss/(gain) on disposal of property, plant and equipment	**0.7**	(0.1)
Gain on repurchase of bonds	**(3.1)**	–
Finance costs	**1.5**	1.2
Adjustments for equity items:		
Share-based payments	**1.9**	1.6
	282.0	300.6
Changes in operating assets and liabilities:		
Decrease/(increase) in inventories	**1.2**	(1.7)
Decrease/(increase) in operating receivables	**226.6**	(192.3)
Decrease in operating liabilities	**(198.9)**	(153.5)
	28.9	(347.5)
Income taxes paid	**(29.5)**	(30.6)
Net cash generated from/(used in) operating activities	**281.4**	(77.5)

16. 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 Mar 2016 Carrying amount Unaudited	31 Mar 2016 Fair value Unaudited	31 Dec 2015 Carrying amount Audited	31 Dec 2015 Fair value Audited
Financial liabilities				
Borrowings – convertible bonds – Level 2	**(452.5)**	**(446.4)**	(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 4.9% (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)	31 Mar 2016 Level 2 Unaudited	31 Mar 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	**15.0**	**–**	20.9	–
Derivative instruments in designated hedge accounting relationships	**1.0**	**–**	1.7	–
Financial liabilities:				
Financial liabilities at fair value through profit or loss - derivative instruments	**(5.4)**	**–**	(21.6)	–
Derivative instruments in designated hedge accounting relationships	**-**	**–**	–	–

During the period ended 31 March 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
  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 0.63%.

17. Multi-currency revolving credit facility

During the quarter the Group increased the limit of its multi-currency revolving credit and guarantee facility from $500 million to $750 million. As at 31 March 2016 the facility remained undrawn.

18. Post balance sheet events

Annual General Meeting

The Annual General Meeting of shareholders of Subsea 7 S.A. took place on 14 April 2016. All resolutions were approved by shareholders.