subsea 7

Subsea 7 S.A. Announces Second Quarter and Half Year 2016 Results

Luxembourg – 28 July 2016 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY) announced today results for the second quarter and first half of 2016 which ended 30 June 2016. The Group's reporting segments are set out in Note 6 'Segment information'.

	Second Quarter		Half Year	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q2 2016 Unaudited**	Q2 2015 Unaudited	**1H 2016 Unaudited**	1H 2015 Unaudited
Revenue	**961**	1,352	**1,707**	2,534
Adjusted EBITDA[(a)]	**280**	275	**564**	556
Adjusted EBITDA margin[(a)]	**29.2%**	20.3%	**33.1%**	21.9%
Net operating income	**177**	169	**371**	345
Net income	**136**	88	**283**	239
Earnings per share – in $ per share				
Basic	**0.42**	0.29	**0.87**	0.76
Diluted[(b)]	**0.40**	0.27	**0.82**	0.71

As at (in $ millions)	**30 Jun 2016 Unaudited**	31 Mar 2016 Unaudited
Backlog	**7,051**	6,454
Cash and cash equivalents	**1,180**	1,085
Borrowings	**451**	453

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

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

Jean Cahuzac, Chief Executive Officer, said:

Second quarter 2016

'Subsea 7 delivered a good operational performance in the second quarter, maintaining its track record of safe and reliable project execution. Financial performance continued to be impacted by the industry downturn with diminishing activity levels as planned work was completed and client investment in oil and gas production remained low.

Second quarter revenue of $961 million was down 29% on the prior year's quarter. Adjusted EBITDA of $280 million and margin of 29% reflected good execution and reduced risk profiles and costs on certain projects as offshore phases progressed. Adjusted EBITDA included a $53 million restructuring charge related to the Group's global resizing and cost reduction measures. The restructuring charge for the full year is expected to be less than $100 million.

Active vessel utilisation increased to 82% in the second quarter from 71% in the prior quarter as offshore phases of several projects progressed and seasonal work in the North Sea increased as anticipated. Two vessels, *Seven Waves* and *Seven Antares*, which were stacked previously, resumed activities on a temporary basis contributing to an increase in total vessel utilisation to 67%.

In June, Subsea 7 announced a further global resizing and cost reduction programme commensurate with the lower levels of activity and more efficient ways of working. The workforce of 9,200 people as at the end of May will be reduced to approximately 8,000 by early 2017 and up to five vessels will leave the active fleet. The resizing is expected to deliver annualised savings of approximately $350 million.

Subsea 7's order intake was $1.6 billion, including approximately $1.3 billion related to the Beatrice wind farm project and a Pipeline Bundle solution for the Callater project, both offshore UK. Order backlog at the end of June was $7.1 billion, $0.6 billion higher than at the start of the quarter, this included adverse foreign exchange impacts of approximately $50 million.

The delivery dates for the new-build vessels were rescheduled in line with revised operational requirements; *Seven Sun* and *Seven Cruzeiro* will be delivered at the back end of the contracted delivery windows agreed with the client. *Seven Arctic* and *Seven Kestrel* will be delivered in the first half 2017. The overall cost of the new-build programme is expected to be within original estimates.

The Group's financial and liquidity position remains strong. Cash and cash equivalents was $1.2 billion as at 30 June and net cash was $728 million.

Operational highlights for the second quarter 2016

In the Northern Hemisphere and Life of Field Business Unit significant progress was made on the Catcher project, offshore UK, with the tow-out and installation of all three Pipeline Bundles. The Aasta Hansteen project progressed with the first Steel Catenary Riser installed in Norwegian waters, completed by *Seven Oceans.* Offshore Norway, the Martin Linge and Maria projects progressed well. The Holstein Deep and Stones projects in the Gulf of Mexico were substantially completed, as was the Montrose project, offshore UK. Subsea 7 reorganised its operations to combine Life of Field with the i-Tech division to create i-Tech Services, which provides a comprehensive service offering across the whole lifecycle of oil and gas fields to clients worldwide.

In the Southern Hemisphere and Global Projects Business Unit the TEN project, offshore Ghana, was substantially completed with all Subsea 7 offshore activities concluded in the quarter. Offshore Angola the Lianzi Topside project was substantially completed as was the Baobab project, offshore Ivory Coast. Operations offshore Egypt progressed well with first gas achieved in May on the Ha'py field on the East Nile Delta project with fabrication and testing underway on the West Nile Delta phase one project. Offshore Brazil the contract for Pipelay Support Vessel (PLSV) *Seven Mar* was cancelled due to Brazilian maritime law that prioritises Brazilian-flagged vessels over international vessels of a similar specification. The owned PLSV *Seven Mar* was subsequently substituted for the chartered

PLSV *Normand Seven* in the contract for *Normand Seven* with no other significant changes to the contractual terms and conditions. Subsea 7's PLSVs on long-term contracts offshore Brazil delivered another quarter of high utilisation.

Subsea 7 reorganised its operational and reporting segments effective 1 July 2016. The three new segments comprise: SURF and Conventional, i-Tech Services and Corporate (including Renewables and Heavy-lift). These will replace the 'Southern Hemisphere and Global Projects' and 'Northern Hemisphere and Life of Field' Business Units and Corporate segments previously reported.

Outlook

The sustained downturn in oil company expenditure continues to result in low industry activity and the timing of new awards to market is still uncertain. The reduction in Subsea 7's workforce and active vessel capacity will enable the business to adapt to the lower levels of activity expected in the foreseeable future. Early discussions with clients are taking place more frequently on solutions to offset decline rates in production of existing fields through extended tieback and marginal field developments in various locations worldwide.

Subsea 7 remains focused on commercial and long-term strategic priorities, enhanced by its new organisation structure and new ways of working. The fundamental long-term outlook for subsea field developments remains positive and the Group is committed to maintaining its core capabilities and remaining a leading global subsea engineering and construction service provider.'

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 28 July 2016

Time: 12:00 UK Time

Conference ID: 59158977#

	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 674354#) will be available from:

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

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

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Special Note Regarding Forward-Looking Statements

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

Second Quarter 2016

Revenue
Revenue was $961 million, a decrease of $392 million or 29% compared to Q2 2015 which reflected significantly lower activity levels across the business.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $280 million and 29% respectively compared to $275 million and 20% in Q2 2015. The increase in Adjusted EBITDA margin was largely due to good execution on ongoing projects and the successful completion of certain large projects. During the quarter, a restructuring charge of $53 million was recognised in relation to the Group's resizing and cost reduction programme announced in June, of which $34 million and $19 million were attributable to operating expenses and administrative expenses respectively. In Q2 2015, a $100 million restructuring charge related to the Group's global resizing and cost reduction measures was recognised.

Net operating income
Net operating income was $177 million, an increase of $8 million compared to Q2 2015. This was primarily due to:

- a restructuring charge of $53 million for resizing and cost reduction measures compared to a restructuring charge of $100 million recognised in Q2 2015;
- reduced administrative expenses mainly due to lower personnel costs as a result of the Group's previously implemented cost reduction measures;
- increased contribution from the Seaway Heavy Lifting joint venture compared to Q2 2015 due to good execution of ongoing projects

partially offset by:

- lower activity in both Business Units and significantly lower total vessel utilisation in Q2 2016 of 67% compared to 82% in Q2 2015.

Net income
Net income was $136 million in the quarter, compared to $88 million for Q2 2015. This increase was primarily due to:

- the increase in net operating income; and
- net foreign currency gains of $23 million in Q2 2016, recognised within other gains and losses, mainly as a result of the depreciation of the British Pound against the US Dollar. Net foreign currency losses of $36 million were recognised in Q2 2015.

The effective rate of tax for Q2 2016 was 34% compared to 36% for Q2 2015.

Earnings per share
Diluted earnings per share was $0.40 for the quarter compared to $0.27 for Q2 2015, calculated using a weighted average number of shares of 343 million and 347 million respectively.

Cash and cash equivalents
Cash and cash equivalents was $1.2 billion at 30 June 2016, an increase of $94 million compared to 31 March 2016. The increase in cash and cash equivalents was mainly attributable to:

- cash generated from operating activities of $198 million

partially offset by:

- expenditure on property, plant and equipment of $123 million, mainly related to the Group's new-build vessel programme.

Borrowings
During Q2 2016 borrowings decreased by $2 million to $451 million. During the quarter the Group repurchased $4.2 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017.

Half Year 2016

Revenue
Revenue for the half year ended 30 June 2016 was $1.7 billion, a decrease of $827 million compared to 1H 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 and Adjusted EBITDA margin for 1H 2016 were $564 million and 33% respectively compared to $556 million and 22% for 1H 2015. The increase in Adjusted EBITDA margin was largely due to good execution on ongoing projects and the successful completion of certain large projects combined with a lower restructuring charge of $53 million in 1H 2016 related to the Group's resizing and cost reduction compared to a restructuring charge of $100 million recognised in 1H 2015.

Net operating income
Net operating income for 1H 2016 was $371 million, an increase of $26 million compared to 1H 2015. This was primarily due to:

- a restructuring charge of $53 million for resizing and cost reduction measures recognised in Q2 2016 compared to a restructuring charge of $100 million recognised in Q2 2015;
- reduced administrative expenses mainly due to lower personnel costs as a result of the Group's previously implemented cost reduction measures;
- increased contribution from the Seaway Heavy Lifting joint venture compared to 1H 2015 due to good execution on ongoing projects

partially offset by:

- lower activity in both Business Units and significantly lower total vessel utilisation at 61% in 1H 2016 compared to 75% in 1H 2015.

Net income

Net income for 1H 2016 was $283 million, compared to $239 million for 1H 2015. This increase was primarily due to:

- the increase in net operating income; and
- net foreign currency gains of $37 million in 1H 2016, recognised within other gains and losses, mainly as a result of the depreciation of the British Pound against the US Dollar, compared with net foreign currency losses of $4 million in 1H 2015.

The effective rate of tax for 1H 2016 was 32% compared to 31% for 1H 2015.

Earnings per share

Diluted earnings per share was $0.82 for 1H 2016 compared to $0.71 for 1H 2015, calculated using a weighted average number of shares of 343 million and 348 million respectively.

Cash and cash equivalents

Cash and cash equivalents at 30 June 2016 was $1.2 billion compared with $947 million at 31 December 2015. The increase in cash and cash equivalents was mainly attributable to:

- cash generated from operating activities of $479 million

partially offset by:

- expenditure on property, plant and equipment of $205 million, mainly related to the Group's new-build vessel programme; and
- the repurchase of $82.2 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017, for $75.9 million in cash, of which $71.8 million was settled in the period.

Borrowings

Total borrowings at 30 June 2016 were $451 million compared with $524 million at 31 December 2015. The reduction was largely due to the repurchase of $82.2 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017.

Business Unit Highlights

Second Quarter 2016

Northern Hemisphere and Life of Field

Revenue was $523 million, a decrease of $119 million or 19% compared to Q2 2015 which reflected significantly lower activity levels.

During the quarter the Montrose project, offshore UK, and the Holstein Deep and Stones projects in the US Gulf of Mexico were 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 Stampede project in the US Gulf of Mexico.

Net operating income was $87 million, a decrease of $18 million or 17% compared to Q2 2015, the reduction was largely due to reduced activity levels.

Southern Hemisphere and Global Projects

Revenue was $435 million, a decrease of $272 million or 38% compared to Q2 2015. Revenue decreased due to the relative stage of completion of projects, with significant progress in Q2 2015 on the Erha North, Lianzi Surf, TEN, OFON 2 and Gorgon Heavy Lift and Tie-ins projects in particular.

During Q2 2016 the TEN project, offshore Ghana, the Lianzi Topside project, offshore Angola, and the Baobab project, offshore Ivory Coast were substantially completed. There was significant progress on 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, with *Seven Mar* transitioning to replace *Normand Seven* in late June.

Net operating income was $114 million, a decrease of $17 million or 13% compared to Q2 2015. The decrease reflected the reduced activity levels offset by strong project execution and operational performance during the quarter.

Corporate

Net operating loss was $24 million (Q2 2015: $67 million loss). The results for the quarter included a restructuring charge of $53 million related to the Group's resizing and cost reduction measures compared to a restructuring charge of $100 million recognised in Q2 2015.

Half Year 2016

Northern Hemisphere and Life of Field

Revenue was $854 million, a decrease of $351 million or 29% compared to 1H 2015 which reflected significantly lower activity levels in the North Sea.

During the half year the Montrose project, offshore UK, and the Holstein Deep, Stones and Dalmatian projects in the US Gulf of Mexico were substantially completed. Work progressed during the period on the Aasta Hansteen, Martin Linge and Maria projects, offshore Norway, on the Catcher project, offshore UK, and on the Stampede and Coulomb Phase 2 projects in the US Gulf of Mexico. There was a decrease in Life of Field revenue compared to 1H 2015, particularly offshore UK, due to the challenging market conditions.

Net operating income was $124 million, a decrease of $29 million or 19% compared to 1H 2015, the reduction was largely due to significantly reduced activity levels.

Southern Hemisphere and Global Projects

Revenue was $847 million, a decrease of $476 million or 36% compared to 1H 2015. Revenue decreased due to the relative stage of completion of projects, with significant progress in 1H 2015 on the Erha North, Lianzi Surf, TEN and Gorgon Heavy Lift and Tie-ins projects in particular.

During 1H 2016 the TEN project, offshore Ghana, the Lianzi Topside project, offshore Angola, the BC-10 Phase 3 project, offshore Brazil, and the Baobab project, offshore Ivory Coast, were substantially completed. There was significant progress on 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 period. *Seven Waves* returned to Europe during the period to undergo extensive repairs to the lay-tower following an incident in December 2015.

Net operating income was $263 million, an increase of $15 million or 6% compared to 1H 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.

Corporate

Net operating loss was $16 million (1H 2015: $56 million loss). The results for the half year included a restructuring charge of $53 million related to the Group's resizing and cost reduction measures compared to a restructuring charge of $100 million recognised in 1H 2015.

Asset Development and Activities

Vessel Utilisation

Total vessel utilisation for the second quarter was 67% compared with 82% for Q2 2015. This reduction mainly reflected reduced offshore activity in the North Sea, Africa and Brazil. Active vessel utilisation, which excludes stacked vessel days, was 82%.

As at 30 June 2016 there were 38 vessels in the total fleet, which comprised 29 active vessels, five 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

During the quarter construction continued on the new-build vessel programme. In line with revised operational requirements the delivery dates were rescheduled as follows:

- the PLSVs, *Seven Sun* and *Seven Cruzeiro*, linked to long-term contracts awarded by Petrobras, are due to commence operations in the second half of 2016 and the first half of 2017 respectively;
- *Seven Arctic,* a heavy construction vessel, is due to commence operations in the first half of 2017; and
- *Seven Kestrel,* a diving support vessel mainly for activities in the North Sea, is due to commence operations in the first half of 2017.

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

	Actual expenditure					Forecast expenditure	
(in $ millions)	**2012**	**2013**	**2014**	**2015**	**Q1-Q2 2016**	**Q3-Q4 2016**	**2017**
Total	185	372	544	499	162	108	55

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

Backlog

Backlog was $7.1 billion at 30 June 2016, an increase of $0.6 billion compared with 31 March 2016. Order intake, comprising new awards and project escalations, totalling $1.6 billion was recorded in the quarter. Significant awards included the Beatrice wind farm project for Beatrice Offshore Windfarm Limited and the Callater project for Apache, both in the North Sea.

$5.0 billion of the backlog at 30 June 2016 related to SURF and Conventional activity (which included $2.1 billion for the long-term PLSV contracts in Brazil), $0.8 billion related to i-Tech Services and $1.3 billion related to Corporate (including Renewables and Heavy-lift). $1.9 billion of this backlog is expected to be executed in 2016, $2.5 billion in 2017 and $2.7 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 25 to 29 of the Group's Annual Report and Consolidated Financial Statements 2015. 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 six month period to 30 June 2016.

The outlook for the global oil and gas market remains challenging. The Group has announced further global resizing and cost reduction measures and the Board of Directors continues to monitor and respond to risks and uncertainties as they arise.

On 23 June 2016 the United Kingdom held a referendum which resulted in a vote to leave the European Union. The Board of Directors continues to monitor developments associated with this decision and the impact this may have on the Group.

Responsibility statement

We confirm that, to the best of our knowledge, the condensed consolidated financial statements for the period 1 January 2016 to 30 June 2016 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 **Chairman**	**Jean Cahuzac** **Chief Executive Officer**

Subsea 7 S.A.
Condensed Consolidated Income Statement

(in $ millions)	Second Quarter Q2 2016 Unaudited	Q2 2015 Unaudited	Half Year 1H 2016 Unaudited	1H 2015 Unaudited
Revenue	**960.5**	1,352.2	**1,706.7**	2,533.5
Operating expenses	**(742.1)**	(1,118.6)	**(1,256.9)**	(2,068.1)
Gross profit	**218.4**	233.6	**449.8**	465.4
Administrative expenses	**(68.4)**	(78.5)	**(121.5)**	(148.7)
Share of net income of associates and joint ventures	**27.1**	13.7	**42.8**	28.6
Net operating income	**177.1**	168.8	**371.1**	345.3
Finance income	**5.6**	5.4	**9.7**	8.8
Other gains and losses	**23.0**	(36.4)	**37.3**	(3.8)
Finance costs	**(0.2)**	(0.6)	**(1.7)**	(1.8)
Income before taxes	**205.5**	137.2	**416.4**	348.5
Taxation	**(69.4)**	(48.8)	**(133.7)**	(109.3)
Net income	**136.1**	88.4	**282.7**	239.2
Net income attributable to:				
Shareholders of the parent company	**137.1**	93.6	**282.8**	246.8
Non-controlling interests	**(1.0)**	(5.2)	**(0.1)**	(7.6)
	136.1	88.4	**282.7**	239.2

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.42**	0.29	**0.87**	0.76
Diluted[(a)]	**0.40**	0.27	**0.82**	0.71

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

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

(in $ millions)	Second Quarter Q2 2016 Unaudited	Second Quarter Q2 2015 Unaudited	Half Year 1H 2016 Unaudited	Half Year 1H 2015 Unaudited
Net income	**136.1**	88.4	**282.7**	239.2
Other comprehensive income				
Items that may be reclassified to the income statement in subsequent periods:				
Foreign currency translation	**(92.5)**	126.0	**(144.6)**	(33.6)
Cash flow hedges:				
Net fair value gains/(losses) arising	**7.4**	8.7	**7.3**	(6.3)
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	**(9.4)**	11.4	**(10.0)**	12.4
Share of other comprehensive income of associates and joint ventures	**0.6**	1.0	**0.7**	3.5
Tax related to components of other comprehensive income which may be reclassified	**15.5**	(10.4)	**14.5**	3.6
Other comprehensive (loss)/income	**(78.4)**	136.7	**(132.1)**	(20.4)
Total comprehensive income	**57.7**	225.1	**150.6**	218.8
Total comprehensive income attributable to:				
Shareholders of the parent company	**57.6**	228.0	**147.6**	222.2
Non-controlling interests	**0.1**	(2.9)	**3.0**	(3.4)
	57.7	225.1	**150.6**	218.8

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

As at (in $ millions)	30 June 2016 Unaudited	31 Dec 2015 Audited
Assets		
Non-current assets		
Goodwill	**726.4**	766.8
Intangible assets	**15.3**	18.6
Property, plant and equipment	**4,459.4**	4,559.0
Interest in associates and joint ventures	**395.0**	368.5
Advances and receivables	**101.0**	100.7
Derivative financial instruments	**33.9**	4.4
Retirement benefit assets	**0.8**	0.8
Deferred tax assets	**9.0**	9.1
	5,740.8	5,827.9
Current assets		
Inventories	**44.4**	46.1
Trade and other receivables	**594.3**	584.1
Derivative financial instruments	**42.1**	18.2
Assets classified as held for sale	**0.7**	0.6
Construction contracts – assets	**119.3**	278.1
Other accrued income and prepaid expenses	**157.4**	152.4
Cash and cash equivalents	**1,179.7**	946.8
	2,137.9	2,026.3
Total assets	**7,878.7**	7,854.2
Equity		
Issued share capital	**654.7**	654.7
Treasury shares	**(31.7)**	(31.7)
Paid in surplus	**3,226.1**	3,223.0
Equity reserve	**53.7**	63.2
Translation reserve	**(591.8)**	(452.8)
Other reserves	**(52.0)**	(55.8)
Retained earnings	**2,268.8**	1,976.5
Equity attributable to shareholders of the parent company	**5,527.8**	5,377.1
Non-controlling interests	**(30.4)**	(30.9)
Total equity	**5,497.4**	5,346.2
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**451.3**	523.9
Retirement benefit obligations	**13.9**	13.3
Deferred tax liabilities	**58.4**	63.4
Provisions	**33.0**	47.0
Contingent liability recognised	**4.7**	4.0
Derivative financial instruments	**16.7**	9.4
Other non-current liabilities	**55.2**	73.1
	633.2	734.1
Current liabilities		
Trade and other liabilities	**1,065.6**	1,123.5
Derivative financial instruments	**34.0**	12.2
Current tax liabilities	**141.0**	76.7
Provisions	**123.1**	92.6
Construction contracts – liabilities	**378.1**	458.9
Deferred revenue	**6.3**	10.0
	1,748.1	1,773.9
Total liabilities	**2,381.3**	2,508.0
Total equity and liabilities	**7,878.7**	7,854.2

Subsea 7 S.A.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	**654.7**	**(31.7)**	**3,223.0**	**63.2**	**(452.8)**	**(55.8)**	**1,976.5**	**5,377.1**	**(30.9)**	**5,346.2**
Comprehensive income/(loss)										
Net income/(loss)	–	–	–	–	–	–	282.8	282.8	(0.1)	282.7
Foreign currency translation	–	–	–	–	(147.7)	–	–	(147.7)	3.1	(144.6)
Cash flow hedges	–	–	–	–	–	(2.7)	–	(2.7)	–	(2.7)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	0.7	–	0.7	–	0.7
Tax relating to components of other comprehensive income	–	–	–	–	8.7	5.8	–	14.5	–	14.5
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(139.0)**	**3.8**	**282.8**	**147.6**	**3.0**	**150.6**
Transactions with owners										
Dividends declared	–	–	–	–	–	–	–	–	(2.5)	(2.5)
Equity component of convertible bonds	–	–	–	(9.5)	–	–	9.5	–	–	–
Share-based payments	–	–	3.1	–	–	–	–	3.1	–	3.1
Total transactions with owners	**–**	**–**	**3.1**	**(9.5)**	**–**	**–**	**9.5**	**3.1**	**(2.5)**	**0.6**
Balance at 30 June 2016	**654.7**	**(31.7)**	**3,226.1**	**53.7**	**(591.8)**	**(52.0)**	**2,268.8**	**5,527.8**	**(30.4)**	**5,497.4**

For the six months ended 30 June 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)	–	–	–	–	–	–	246.8	246.8	(7.6)	239.2
Foreign currency translation	–	–	–	–	(37.8)	–	–	(37.8)	4.2	(33.6)
Cash flow hedges	–	–	–	–	–	6.1	–	6.1	–	6.1
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	3.5	–	3.5	–	3.5
Tax relating to components of other comprehensive income	–	–	–	–	6.9	(3.3)	–	3.6	–	3.6
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(30.9)**	**6.3**	**246.8**	**222.2**	**(3.4)**	**218.8**
Transactions with owners										
Shares repurchased	–	(7.6)	–	–	–	–	–	(7.6)	–	(7.6)
Dividends declared	–	–	–	–	–	–	–	–	(2.9)	(2.9)
Share-based payments	–	–	4.7	–	–	–	–	4.7	–	4.7
Shares reissued	–	0.4	–	–	–	–	(0.3)	0.1	–	0.1
Total transactions with owners	**–**	**(7.2)**	**4.7**	**–**	**–**	**–**	**(0.3)**	**(2.8)**	**(2.9)**	**(5.7)**
Balance at 30 June 2015	**664.3**	**(82.4)**	**3,260.2**	**71.2**	**(273.5)**	**(67.5)**	**2,234.0**	**5,806.3**	**(31.5)**	**5,774.8**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Half Year 1H 2016 Unaudited	1H 2015 Unaudited
Net cash generated from operating activities	**478.9**	219.5
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**8.7**	0.4
Purchases of property, plant and equipment	**(204.7)**	(361.9)
Purchases of intangible assets	**(0.7)**	(0.5)
Interest received	**9.7**	8.8
Dividends received from associates and joint ventures	**20.2**	16.4
Loans to associates and joint ventures	**(8.6)**	–
Loan repayments from joint ventures	**2.9**	3.4
Net cash used in investing activities	**(172.5)**	(333.4)
Cash flows from financing activities		
Interest paid	**(5.2)**	(5.2)
Proceeds from reissuance of treasury shares	**–**	0.1
Cost of shares repurchased	**–**	(7.6)
Repurchase of convertible bonds	**(71.8)**	–
Dividends paid to non-controlling interests	**(2.1)**	–
Net cash used in financing activities	**(79.1)**	(12.7)
Net increase/(decrease) in cash and cash equivalents	**227.3**	(126.6)
Cash and cash equivalents at beginning of period	**946.8**	572.6
Effect of foreign exchange rate movements on cash and cash equivalents	**5.6**	(12.7)
Cash and cash equivalents at end of period	**1,179.7**	433.3

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

2. Basis of preparation
The Condensed Consolidated Financial Statements for the period 1 January 2016 to 30 June 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 second quarter and first half of 2016 which ended 30 June 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
During the six months to 30 June 2016, for management and reporting purposes, the Group was organised into two Business Units, which were representative of its principal activities. The Corporate segment included all activities that served both Business Units. All onshore and offshore assets were allocated between the two Business Units. Reporting segments were:

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

Southern Hemisphere and Global Projects
The Southern Hemisphere and Global Projects Business Unit included 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 included fabrication yards in Takoradi, Ghana; Warri, Nigeria; Port Gentil, Gabon and Lobito, Angola. This segment also included the SapuraAcergy and Subsea 7 Malaysia joint ventures.

Corporate
This segment included all activities that served both Business Units and included: management of offshore resources; captive insurance activities and management and corporate services. It also included 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 30 June 2016

(in $ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total
Revenue	**523.0**	**434.6**	**2.9**	**960.5**
Net operating income/(loss)	**87.1**	**114.0**	**(24.0)**	**177.1**
Finance income				**5.6**
Other gains and losses				**23.0**
Finance costs				**(0.2)**
Income before taxes				**205.5**

For the three months ended 30 June 2015

(in $ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total
Revenue	642.2	706.5	3.5	1,352.2
Net operating income/(loss)	104.9	130.7	(66.8)	168.8
Finance income				5.4
Other gains and losses				(36.4)
Finance costs				(0.6)
Income before taxes				137.2

For the six months ended 30 June 2016

(in $ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total
Revenue	**853.5**	**847.4**	**5.8**	**1,706.7**
Net operating income/(loss)	**124.2**	**263.3**	**(16.4)**	**371.1**
Finance income				**9.7**
Other gains and losses				**37.3**
Finance costs				**(1.7)**
Income before taxes				**416.4**

For the six months ended 30 June 2015

(in $ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total
Revenue	1,204.2	1,323.6	5.7	2,533.5
Net operating income/(loss)	152.7	248.8	(56.2)	345.3
Finance income				8.8
Other gains and losses				(3.8)
Finance costs				(1.8)
Income before taxes				348.5

7. Cost reduction programme

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

During the quarter, a restructuring charge of $53.4 million was recognised in relation to the Group's resizing and cost reduction programme, of which $34.5 million and $18.9 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 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:

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2016 Unaudited**	Q2 2015 Unaudited	**1H 2016 Unaudited**	1H 2015 Unaudited
Net income used in the calculation of diluted earnings per share	**137.1**	93.6	**282.8**	246.8
Interest on convertible bonds (net of amounts capitalised)	**–**	0.5	**–**	–
Earnings used in the calculation of diluted earnings per share	**137.1**	94.1	**282.8**	246.8

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2016 Unaudited**	Q2 2015 Unaudited	**1H 2016 Unaudited**	1H 2015 Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**325,643,852**	325,591,771	**325,643,852**	325,942,237
Convertible bonds	**16,562,170**	21,775,273	**16,863,313**	21,775,273
Share options, performance shares and restricted shares	**448,396**	31,371	**264,869**	33,446
Weighted average number of common shares used in the calculation of diluted earnings per share	**342,654,418**	347,398,415	**342,772,034**	347,750,956

	Second Quarter		Half Year	
For the period (in $ per share)	**Q2 2016 Unaudited**	Q2 2015 Unaudited	**1H 2016 Unaudited**	1H 2015 Unaudited
Basic earnings per share	**0.42**	0.29	**0.87**	0.76
Diluted earnings per share	**0.40**	0.27	**0.82**	0.71

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:

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2016 Unaudited**	Q2 2015 Unaudited	**1H 2016 Unaudited**	1H 2015 Unaudited
Share options and performance shares	**1,962,968**	2,067,325	**2,146,495**	2,073,047

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:

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2016 Unaudited**	Q2 2015 Unaudited	**1H 2016 Unaudited**	1H 2015 Unaudited
Net operating income	**177.1**	168.8	**371.1**	345.3
Depreciation, amortisation and mobilisation	**92.8**	105.7	**182.8**	207.7
Impairment of property, plant and equipment	**10.4**	–	**10.4**	3.1
Adjusted EBITDA	**280.3**	274.5	**564.3**	556.1
Revenue	**960.5**	1,352.2	**1,706.7**	2,533.5
Adjusted EBITDA margin	**29.2%**	20.3%	**33.1%**	21.9%

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

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2016 Unaudited**	Q2 2015 Unaudited	**1H 2016 Unaudited**	1H 2015 Unaudited
Net income	**136.1**	88.4	**282.7**	239.2
Depreciation, amortisation and mobilisation	**92.8**	105.7	**182.8**	207.7
Impairment of property, plant and equipment	**10.4**	–	**10.4**	3.1
Finance income	**(5.6)**	(5.4)	**(9.7)**	(8.8)
Other gains and losses	**(23.0)**	36.4	**(37.3)**	3.8
Finance costs	**0.2**	0.6	**1.7**	1.8
Taxation	**69.4**	48.8	**133.7**	109.3
Adjusted EBITDA	**280.3**	274.5	**564.3**	556.1
Revenue	**960.5**	1,352.2	**1,706.7**	2,533.5
Adjusted EBITDA margin	**29.2%**	20.3%	**33.1%**	21.9%

10. Goodwill

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

(in $ millions)	Half Year 1H 2016 Unaudited	1H 2015 Unaudited
At period beginning	**766.8**	1,322.3
Exchange differences	**(40.4)**	5.6
At period end	**726.4**	1,327.9

11. Property, plant and equipment

Significant additions to property, plant and equipment for the quarter ended 30 June 2016 included $92.0 million of expenditure related to the new-build vessel programme as follows:

- $82.8 million expenditure on two PLSVs *Seven Sun* and *Seven Cruzeiro*
- $6.7 million expenditure on the heavy construction vessel, *Seven Arctic*
- $2.5 million expenditure on the diving support vessel, *Seven Kestrel*

12. Treasury shares

During the second quarter no share options were exercised and no shares were used to satisfy share-based awards. At 30 June 2016, the Group held 1,723,259 common shares as treasury shares, of which; 31,683 common shares were directly held (Q1 2016: 31,683), representing 0.01% (Q1 2016: 0.01%) of the total number of issued shares; 1,441,200 (Q1 2016: 1,441,200) common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 250,376 (Q1 2016: 250,376) common shares were held in a separate employee benefit trust to support specified share option awards.

13. Share repurchase programme

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

14. Borrowings

Convertible bonds

Between 1 April 2016 and 30 June 2016, the Group repurchased $4.2 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017 for $4.1 million. At 30 June 2016, $466.0 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 30 June 2016, the significant capital commitments that the Group had entered into were:

- contracts totalling $62.7 million relating to two new-build PLSV's, *Seven Sun* and *Seven Cruzeiro*. The vessels are due to commence operations in the second half of 2016 and first half of 2017 respectively; and
- contracts totalling $32.2 million relating to the new-build heavy construction vessel, *Seven Arctic*, and the diving support vessel, *Seven Kestrel*. The vessels are due to commence operations in the first half of 2017.

Contingent liabilities

Between 2009 and 2015, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (including import duty) by the Brazilian State and Federal tax authorities. No provision has been made in relation to these cases. A contingent liability has been disclosed for those cases where the recognition criteria has been met but where the Group does not believe the likelihood of payments is probable.

As at 30 June 2016 the contingent liability (including assessed amounts, penalties and interest) amounted to BRL 626.2 million, equivalent to $184.6 million. At 31 December 2015 the contingent liability (including assessed amounts, penalties and interest) amounted to BRL 706.7 million, equivalent to $177.1 million. The Group has challenged these assessments with some cases being dismissed by tax authorities.

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 'Business Combinations' required the Group to recognise as a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. The value of the provision recognised within the Consolidated Balance Sheet at 30 June 2016 was $4.7 million (31 December 2015: $4.0 million). Despite the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

16. Cash flow from operating activities

For the period ended (in $ millions)	Half Year 1H 2016 Unaudited	Half Year 1H 2015 Unaudited
Cash flow from operating activities:		
Income before taxes	**416.4**	348.5
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**176.2**	194.5
Impairment of property, plant and equipment	**10.4**	3.1
Amortisation of intangible assets	**2.5**	3.4
Mobilisation costs	**4.1**	9.8
Adjustments for investing and financing items:		
Share of net income of associates and joint ventures	**(42.8)**	(28.6)
Finance income	**(9.7)**	(8.8)
Loss on disposal of property, plant and equipment	**0.6**	0.4
Gain on repurchase of bonds	**(3.1)**	–
Finance costs	**1.7**	1.8
Adjustments for equity items:		
Share-based payments	**3.1**	4.7
	559.4	528.8
Changes in operating assets and liabilities:		
Decrease/(increase) in inventories	**1.4**	(2.4)
Decrease/(increase) in operating receivables	**39.0**	(48.5)
Decrease in operating liabilities	**(48.1)**	(143.9)
	(7.7)	(194.8)
Income taxes paid	**(72.8)**	(114.5)
Net cash generated from operating activities	**478.9**	219.5

17. Fair value and financial instruments

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

As at (in $ millions)	**30 Jun 2016 Carrying amount Unaudited**	**30 Jun 2016 Fair value Unaudited**	31 Dec 2015 Carrying amount Audited	31 Dec 2015 Fair value Audited
Financial liabilities				
Borrowings – convertible bonds – Level 2	**(451.3)**	**(452.1)**	(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 3.7% (31 December 2015: 4.7%).

Fair value measurements

Fair value hierarchy

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

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

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

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

Recurring and non-recurring fair value measurements

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

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

As at (in $ millions)	**30 Jun 2016 Level 2 Unaudited**	**30 Jun 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	**76.0**	**–**	20.9	–
Derivative instruments in designated hedge accounting relationships	**–**	**–**	1.7	–
Financial liabilities:				
Financial liabilities at fair value through profit or loss - derivative instruments	**(50.7)**	**–**	(21.6)	–

During the six month period ended 30 June 2016 there were no transfers between levels of the fair value hierarchy. The Group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

Fair value techniques and inputs

Financial assets and liabilities at fair value through profit or loss

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

- Forward foreign exchange contracts and embedded derivatives
  The fair value of outstanding forward foreign exchange contracts and embedded derivatives was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Interest rate swap
  The fair value of the Group's interest rate swap was calculated using quoted 3 month US Dollar LIBOR rates. At the balance sheet date the three month US Dollar LIBOR rate was 0.65%.

18. Post balance sheet events

New organisational structure

With effect from 1 July 2016 the Group has implemented a new organisational structure. The new reporting segments comprise; SURF and Conventional, i-Tech Services and Corporate. i-Tech Services combines the Group's global i-Tech division and dedicated Life of Field business line. The Corporate reporting segment includes Renewables and Heavy-lift plus all central activities which serve all reporting segments.

Guarantee arrangement with joint venture

On 27 July 2016 Eidesvik Seven AS, a 50% owned joint venture between Eidesvik Offshore ASA and the Group, drew down NOK 572 million from a NOK 600 million bank loan facility to repay a shareholder loan from the Group. The facility, secured on *Seven Viking*, is fully guaranteed by Subsea 7 S.A. with a 50% counter-guarantee from Eidesvik Shipping AS and has a termination date of 31 January 2021.