Subsea 7 S.A. Announces Second Quarter and Half Year 2017 Results

Luxembourg – 26 July 2017 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the second quarter and first half of 2017 which ended 30 June 2017. The Group's reporting segments are set out in Note 6 'Segment information'.

Second Quarter highlights:

- Acquired certain businesses of EMAS Chiyoda Subsea (ECS) from Chapter 11, accelerating growth plans in the Middle East
- Market conditions continued to gradually improve with awards to market expected to increase by first half 2018
- New awards and escalations totalled $141 million; acquired ECS contracts added $856 million, order backlog totalled $5.7 billion at end June 2017
- Adjusted EBITDA of $340 million, at a margin of 33%, reflected excellent execution and continued cost discipline
- Net cash totalled $825 million; $200 million share repurchase programme extended to July 2019

	Second Quarter		Half Year	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q2 2017 Unaudited**	Q2 2016 Unaudited	**1H 2017 Unaudited**	1H 2016 Unaudited
Revenue	**1,022**	961	**1,920**	1,707
Adjusted EBITDA[a]	**340**	280	**608**	564
Adjusted EBITDA margin[a]	**33%**	29%	**32%**	33%
Net operating income	**235**	177	**403**	371
Net income	**146**	136	**292**	283
Earnings per share – in $ per share				
Basic	**0.44**	0.42	**0.87**	0.87
Diluted[b]	**0.43**	0.40	**0.84**	0.82

As at (in $ millions)	**30 Jun 2017 Unaudited**	31 Mar 2017 Unaudited
Backlog	**5,704**	5,715
Cash and cash equivalents	**1,474**	1,872
Borrowings	**650**	858

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

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

Jean Cahuzac, Chief Executive Officer, said:

'We have made significant progress on our strategy to grow and strengthen our business. Two key acquisitions were completed in the first half of 2017: Seaway Heavy Lifting and EMAS Chiyoda Subsea (ECS). Our acquisition of certain businesses from ECS in June reinforced our position in the Middle East. As a result, we look forward to working in consortium with L&T Hydrocarbon Engineering to provide services to Saudi Aramco under a long-term agreement.

In July, after the quarter end, we were awarded extensions on three of our long-term contracts for PLSVs offshore Brazil. These extensions were awarded at the same day rates and on the same commercial terms as the original contracts.

Our good execution and continued focus on cost efficiency have driven another quarter of excellent results. Our Adjusted EBITDA margin exceeded expectations, as our projects progressed well and we controlled costs. As our mix of projects evolves we do not expect to sustain this exceptional margin performance. Our full-year guidance for a lower percentage margin remains unchanged.'

Second quarter 2017 operational highlights

Operational performance remained strong with safe and reliable execution across all three Business Units. Active vessel utilisation was 77%, up 12 percentage points from the first quarter reflecting an increase in North Sea activity as well as continued high utilisation for the PLSVs operating offshore Brazil. Total vessel utilisation was 68%, including four vessels that remained stacked in the quarter.

Several SURF and Conventional projects made good progress in the quarter. Offshore UK, the Dana Western Isles and Catcher projects neared completion. The Culzean project made substantial progress with flowline installation by *Seven Borealis.* Offshore Norway, *Seven Oceans* carried out reeled pipe-lay installation on the Maria project. Offshore Egypt, the West Nile Delta Phase One project was substantially completed and Phase Two progressed well. In the US Gulf of Mexico the Coulomb project was substantially completed and the Stampede project neared completion. The PLSV *Seven Waves* mobilised to Brazil and resumed work under its long-term day-rate contract on schedule at the start of July.

Renewables and Heavy Lifting saw increased activity offshore compared to the first quarter, with pile installation commencing on the Beatrice wind farm project in April.

i-Tech Services' operational performance was good in the quarter. The life of field vessel *Harvey Intervention* was chartered and deployed on a newly awarded Inspection, Maintenance and Repair (IMR) contract for Shell in the Gulf of Mexico. Encouraging progress was made on the Emergency Pipeline Repair System (EPRS) project, offshore Australia.

Financial highlights for the second quarter 2017

Second quarter revenue was $1.0 billion, up 6% on the prior year's quarter due to the additional renewable project activity and significant progress on SURF projects. Adjusted EBITDA of $340 million and margin of 33% reflected good execution and reduced risk profiles and costs on certain projects.

Subsea 7's new awards and escalations totalled $141 million in the second quarter. Order backlog at the end of June was $5.7 billion, which was unchanged from the first quarter and included $856 million of order backlog from the acquisition of ECS. Order Backlog at 30 June 2017 did not include the PLSV contract extensions, as these were signed after the quarter end.

The Group's financial and liquidity position remains strong. Cash and cash equivalents was $1.5 billion as at 30 June 2017 and net cash was $825 million. The Group's $656 million Revolving Credit Facility was unutilised at 30 June 2017.

On 29 June 2017 Subsea 7 acquired certain businesses of ECS for a consideration of $55 million. In an associated transaction ECS's Ingleside spoolbase was acquired for $16 million.

Outlook

Subsea 7's guidance for the full year has been updated to include the consolidation of certain businesses of ECS which were acquired in June. Revenue for 2017 is now expected to be higher than 2016. Adjusted EBITDA percentage margin is still expected to be lower than the record level reported in 2016.

Assuming the global energy prices sustain current levels and that cost reductions identified by the industry are consistently achieved, there is reason to believe that the number of awards to the market could increase by the first half of 2018.

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 26 July 2017

Time: 12:00 UK Time

Conference ID: 91496521#

	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 682641#) will be available from:

Date: 26 July 2017
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 2016. 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; 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 2017

Revenue

Revenue for the quarter was $1.0 billion, an increase of $62 million or 6% compared to Q2 2016. The year-on-year increase in revenue was driven by an expected significant increase within the Renewables and Heavy Lifting Business Unit, mainly related to the Beatrice wind farm project. This was partially offset by lower activity levels within the SURF and Conventional and i-Tech Services Business Units.

Adjusted EBITDA

Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $340 million and 33% respectively, compared to $280 million and 29% in Q2 2016. The Adjusted EBITDA margin in Q2 2017 benefitted from cost discipline and good operational performance. Share of net income of associates and joint ventures was reduced in Q2 2017 compared with the prior year period, the lower contribution reflected the acquisition of Seaway Heavy Lifting in March 2017 which is now a wholly-owned subsidiary of the Group, having previously been recognised as an equity-accounted joint venture. In addition the share of net income of associates and joint ventures in Q2 2017 was adversely impacted by $13 million as a result of an impairment recognised within the Normand Oceanic AS joint venture in relation to the *Normand Oceanic* vessel.

Net operating income

Net operating income for the quarter was $235 million, compared to net operating income of $177 million in Q2 2016. The increase in net operating income was due to:

- increased contribution within the Renewables and Heavy Lifting Business Unit, mainly related to the Beatrice wind farm project and the inclusion of the consolidated results of Seaway Heavy Lifting, which was acquired in March 2017;
- the absence of a $53 million restructuring charge related to resizing and cost reduction measures recognised in Q2 2016

partially offset by:

- lower activity in SURF and Conventional and i-Tech Services Business Units compared to Q2 2016.

Net income

Net income was $146 million in the quarter, up $10 million or 7% compared to Q2 2016. Net income in Q2 2017 benefitted from:

- an increase of $58 million in net operating income compared with Q2 2016

partially offset by:

- a net foreign currency loss of $23 million in Q2 2017, recognised within other gains and losses, compared to a $23 million net foreign currency gain recognised in Q2 2016.

The effective tax rate for Q2 2017 was 29% compared to 34% for Q2 2016.

Earnings per share

Diluted earnings per share was $0.43 for the quarter compared to $0.40 in Q2 2016, calculated using a weighted average number of shares of 341 million and 343 million respectively.

Cash and cash equivalents

Cash and cash equivalents was $1.5 billion at 30 June 2017, a decrease of $397 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- $33 million of net cash generated from operating activities

More than offset by:

- $30 million net cash disbursed in acquiring certain businesses and assets of ECS;
- purchases of property, plant and equipment of $30 million, including the Ingleside spoolbase for $16 million;
- net cash used in financing activities of $399 million, which included dividends paid to equity shareholders of the parent company of $191 million and repayment of borrowings of $140 million; and
- the repurchase of $55 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017, for $55 million in cash.

Borrowings

Borrowings decreased to $650 million at 30 June 2017 from $858 million at 31 March 2017. During the quarter the Group repaid Seaway Heavy Lifting's debt of $133 million, and repurchased $78 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017 for $77 million, $55 million of which was cash settled within the quarter with the remainder being cash settled in July 2017.

Half Year 2017

Revenue

Revenue for the half year ended 30 June 2017 was $1.9 billion, an increase of $213 million or 12% compared to 1H 2016. The year-on-year increase in revenue was driven by a significant increase within the Renewables and Heavy Lifting Business Unit, mainly related to the Beatrice wind farm project. This was partially offset by lower activity levels within the SURF and Conventional and i-Tech Services Business Units.

Adjusted EBITDA

Adjusted EBITDA and Adjusted EBITDA margin for the half year were $608 million and 32% respectively compared to $564 million and 33% in 1H 2016. The Adjusted EBITDA margin in 1H 2017 was driven by cost discipline and good operational performance. Share of net income of associates and joint ventures was reduced in 1H 2017 compared with the prior year period. The lower contribution reflected the acquisition of Seaway Heavy Lifting in March 2017 which is now a wholly-owned subsidiary of the Group, having previously been recognised as an equity-accounted joint venture. In addition the share of net income of associates and joint ventures in 1H 2017 was adversely impacted by an impairment recognised by the Normand Oceanic AS joint venture in relation to *Normand Oceanic* vessel.

Net operating income for 1H 2017 was $403 million, an increase of $32 million compared to 1H 2016. This was primarily due to:

- increased contribution within the Renewables and Heavy Lifting Business Unit, mainly related to the Beatrice wind farm project and included the full results of Seaway Heavy Lifting, which was acquired in March 2017;
- the absence of a $53 million restructuring recharge related to resizing and cost reduction measures recognised in 1H 2016

partially offset by:

- lower activity in SURF and Conventional and i-Tech Services Business Units in 1H 2017 compared to 1H 2016.

Net income

Net income for 1H 2017 was $292 million, compared to $283 million in 1H 2016. Net income in 1H 2017 benefitted from:

- an increase of $32 million in net operating income compared with 1H 2016

partially offset by:

- a net foreign currency loss of $30 million in 1H 2017, recognised within other gains and losses, compared to a $37 million gain in 1H 2016.

The effective tax rate for 1H 2017 was 29% compared to 32% in 1H 2016.

Earnings per share

Diluted earnings per share was $0.84 for 1H 2017 compared to $0.82 in 1H 2016, calculated using a weighted average number of shares of 341 million and 343 million respectively.

Cash and cash equivalents

Cash and cash equivalents at 30 June 2017 was $1.5 billion compared to $1.7 billion at 31 December 2016. The movement in cash and cash equivalents during the first half was mainly attributable to:

- $97 million of net cash generated from operating activities

more than offset by:

- net cash used in investing activities of $195 million, which included:
  - $142 million net cash disbursed in acquiring the remaining 50% ownership interest in Seaway Heavy Lifting and certain businesses of ECS; and
  - $61 million related to the purchase of property, plant and equipment, including the Ingleside spoolbase.
- net cash used in financing activities of $99 million, which included:
  - dividends paid to equity shareholders of the parent company of $191 million;
  - repayment of borrowings of $140 million; and
  - repurchase of convertible bonds of $55 million

  partially offset by:
  - $301 million drawn down against the export credit agency (ECA) senior secured facility.

Borrowings

Borrowings increased to $650 million at 30 June 2017 from $427 million at 31 December 2016. During 1H 2017 the Group drew down $301 million of funds against its export credit agency (ECA) senior secured facility. In March 2017, the Group recognised $125 million of borrowings assumed on the acquisition of Seaway Heavy Lifting, which were repaid in full in June 2017. During 1H 2017 the Group repurchased $78 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017 for $77 million, $55 million of which was cash settled within the quarter with the remainder being cash settled in July 2017.

Business Unit Highlights

Second Quarter 2017

SURF and Conventional

Revenue for the quarter was $614 million, a decrease of $251 million or 29% compared to Q2 2016.

During the quarter West Nile Delta Phase One, offshore Egypt, and Coulomb, in the US Gulf of Mexico were substantially completed. Work progressed during the quarter on the Dana Western Isles, Catcher and Culzean projects, all offshore UK, the Maria project, offshore Norway, West Nile Delta Phase Two, Atoll Field Development and West Nile Delta platform extension and tie in projects, all offshore Egypt, and Stampede, in the US Gulf of Mexico. In Brazil, PLSV activity benefitted from the addition of *Seven Sun* and *Seven Cruzeiro* joining the fleet compared with the prior year's period. PLSV activity remained high.

Net operating income was $163 million in the quarter, a decrease of $27 million or 14% compared to Q2 2016. The decrease in net operating income reflected lower activity levels.

i-Tech Services

Revenue for Q2 2017 was $83 million, a decrease of $10 million or 10% compared to Q2 2016. ROV support activity decreased across the fleet due to a reduction in active drill rigs, this was offset by an increase in Inspection, Maintenance and Repair (IMR) activity in the quarter compared to Q2 2016 with increased activity in both UK and Australia.

Net operating income was $11 million in Q2 2017 compared to $13 million in Q2 2016.

Renewables and Heavy Lifting

Revenue was $325 million for Q2 2017 compared to $2 million in Q2 2016, and related mainly to the Beatrice wind farm project. Net operating income was $53 million in Q2 2017 compared to $20 million in Q2 2016.

The Renewables and Heavy Lifting results for Q2 2017 benefitted from the consolidation of the results of Seaway Heavy Lifting following its acquisition by the Group in March 2017.

Half Year 2017

SURF and Conventional

Revenue was $1.2 billion, a decrease of $291 million or 19% compared to 1H 2016, the decrease reflected significantly lower levels of activity.

During the half year West Nile Delta Phase One, offshore Egypt, and Coulomb, in the US Gulf of Mexico were substantially completed. Work progressed during the quarter on the Dana Western Isles, Catcher and Culzean projects, all offshore UK, the Maria project, offshore Norway, West Nile Delta Phase Two, Atoll Field Development and West Nile Delta platform extension and tie in projects, all offshore Egypt, and the Stampede project, in the US Gulf of Mexico. In Brazil, PLSV activity benefitted from the addition of *Seven Sun* and *Seven Cruzeiro* joining the fleet compared with the prior year period.

Net operating income was $314 million, a decrease of $42 million or 12% compared to 1H 2016. The reduction in net operating income reflected the lower activity levels compared with the prior year period.

i-Tech Services

Revenue was $159 million, a decrease of $37 million or 19% compared to 1H 2016. ROV support activity decreased across the fleet due to a reduction in active drill rigs. Inspection, Maintenance and Repair (IMR) activity also decreased with reduced activity in both UK and Norway.

Net operating income was $22 million in 1H 2017 compared to $28 million in 1H 2016.

Renewables and Heavy Lifting

Revenue was $545 million for 1H 2017 compared to $5 million in 1H 2016, revenue mainly related to the Beatrice wind farm project.

Net operating income was $49 million in 1H 2017 compared to net operating income of $30 million in 1H 2016. The results benefitted from high levels of activity on the Beatrice wind farm project and the consolidation of the results of Seaway Heavy Lifting.

Asset Development and Activities

Vessel Utilisation

Total vessel utilisation for the quarter was 68% compared with 67% in Q2 2016. Active vessel utilisation, which excludes stacked vessel days, was 77% compared to 82% in Q2 2016.

As at 30 June 2017 there were 37 vessels in the total fleet, which comprised 33 active vessels and four stacked vessels. The active fleet included *Sapura 3000* which is owned and operated by the SapuraAcergy joint venture and is excluded from the utilisation calculations.

Asset Development

During the quarter the Group acquired the Ingleside spoolbase, in the US, at a cost of $16 million. As a result of acquiring ECS businesses, the pipelay vessel *Lewek Champion* joined the fleet under a multi-year bareboat charter and a short-term charter was agreed for the pipelay vessel *Lewek Constellation*.

Backlog

At 30 June 2017 backlog was $5.7 billion, which was in line with 31 March 2017. Order intake, comprising new awards and project escalations totalling $141 million was recorded in the quarter. In addition $856 million of backlog was recognised in relation to the acquisition of ECS. The foreign exchange impact in the quarter was minimal.

$4.4 billion of the backlog at 30 June 2017 related to the SURF and Conventional Business Unit, (which included $1.4 billion related to long-term day-rate contracts for PLSV's in Brazil), $0.3 billion related to the i-Tech Services Business Unit and $1.0 billion related to the Renewables and Heavy Lifting Business Unit. $2.0 billion of this backlog is expected to be executed in 2017; $2.4 billion in 2018 and $1.3 billion in 2019 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 30 to 35 of Subsea 7 S.A.'s Annual Report and Consolidated Financial Statements 2016. The Executive Management Team has considered these principal risks and uncertainties and concluded that these have not changed significantly in the six month period to 30 June 2017.

During the six month period to 30 June 2017, the Group completed two business combinations with the aim of strengthening its participation in the areas of renewables, heavy lifting and decommissioning services and enhancing its presence in the SURF and conventional market in the Middle East. Diversification of service offerings and expansion into new geographical markets could increase the Group's exposure to risk. The Executive Management Team has considered the impact that these acquisitions has had on the Group's exposure to risks and uncertainties and, with the approval of the Board of Directors, has taken actions to measure, monitor or mitigate these risks and the potential impact that may have on the financial performance of the Group.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January 2017 to 30 June 2017 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 2017 Unaudited	Second Quarter Q2 2016 Unaudited	Half Year 1H 2017 Unaudited	Half Year 1H 2016 Unaudited
Revenue	**1,022.3**	960.5	**1,919.7**	1,706.7
Operating expenses	**(718.8)**	(742.1)	**(1,392.6)**	(1,256.9)
Gross profit	**303.5**	218.4	**527.1**	449.8
Administrative expenses	**(57.8)**	(68.4)	**(105.5)**	(121.5)
Share of net (loss)/income of associates and joint ventures	**(11.0)**	27.1	**(18.3)**	42.8
Net operating income	**234.7**	177.1	**403.3**	371.1
Finance income	**5.7**	5.6	**10.9**	9.7
Remeasurement gain on business combination	**–**	–	**42.2**	–
Other gains and losses	**(27.2)**	23.0	**(34.9)**	37.3
Finance costs	**(7.0)**	(0.2)	**(9.0)**	(1.7)
Income before taxes	**206.2**	205.5	**412.5**	416.4
Taxation	**(60.4)**	(69.4)	**(120.5)**	(133.7)
Net income	**145.8**	136.1	**292.0**	282.7
Net income attributable to:				
Shareholders of the parent company	**143.9**	137.1	**284.8**	282.8
Non-controlling interests	**1.9**	(1.0)	**7.2**	(0.1)
	145.8	136.1	**292.0**	282.7

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.44**	0.42	**0.87**	0.87
Diluted[a]	**0.43**	0.40	**0.84**	0.82

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

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

(in $ millions)	Second Quarter		Half Year	
	Q2 2017 Unaudited	Q2 2016 Unaudited	**1H 2017 Unaudited**	1H 2016 Unaudited
Net income	**145.8**	136.1	**292.0**	282.7
Other comprehensive income				
Items that may be reclassified to the income statement in subsequent periods:				
Foreign currency translation gains/(losses)	**39.4**	(92.5)	**60.9**	(144.6)
Cash flow hedges:				
Net fair value losses arising	**–**	7.4	**–**	7.3
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	**–**	(9.4)	**–**	(10.0)
Share of other comprehensive income of associates and joint ventures	**–**	0.6	**0.5**	0.7
Reclassification adjustment relating to business combination	**–**	–	**9.0**	–
Tax relating to components of other comprehensive income which may be reclassified	**–**	15.5	**0.4**	14.5
Other comprehensive income/(loss)	**39.4**	(78.4)	**70.8**	(132.1)
Total comprehensive income	**185.2**	57.7	**362.8**	150.6
Total comprehensive income attributable to:				
Shareholders of the parent company	**182.5**	57.6	**356.8**	147.6
Non-controlling interests	**2.7**	0.1	**6.0**	3.0
	185.2	57.7	**362.8**	150.6

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

As at (in $ millions)	**30 June 2017 Unaudited**	31 Dec 2016 Audited
Assets		
Non-current assets		
Goodwill	**682.4**	627.7
Intangible assets	**55.4**	34.9
Property, plant and equipment	**4,677.5**	4,123.5
Interest in associates and joint ventures	**171.8**	378.5
Advances and receivables	**24.2**	34.4
Derivative financial instruments	**10.0**	25.2
Retirement benefit assets	**0.3**	0.3
Deferred tax assets	**16.6**	13.2
	5,638.2	5,237.7
Current assets		
Inventories	**42.2**	39.0
Trade and other receivables	**609.2**	499.6
Derivative financial instruments	**54.5**	53.2
Assets classified as held for sale	**0.7**	0.7
Construction contracts – assets	**155.6**	79.7
Other accrued income and prepaid expenses	**170.8**	216.7
Restricted cash	**6.5**	–
Cash and cash equivalents	**1,474.4**	1,676.4
	2,513.9	2,565.3
Total assets	**8,152.1**	7,803.0
Equity		
Issued share capital	**654.7**	654.7
Treasury shares	**(31.5)**	(31.5)
Paid in surplus	**3,040.5**	3,227.5
Equity reserve	**41.3**	50.2
Translation reserve	**(585.9)**	(689.1)
Other reserves	**(29.7)**	(40.2)
Retained earnings	**2,568.4**	2,411.9
Equity attributable to shareholders of the parent company	**5,657.8**	5,583.5
Non-controlling interests	**55.0**	(46.9)
Total equity	**5,712.8**	5,536.6
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**269.3**	–
Retirement benefit obligations	**27.1**	9.9
Deferred tax liabilities	**56.5**	60.7
Provisions	**74.5**	61.9
Contingent liability recognised	**7.6**	7.5
Derivative financial instruments	**7.9**	12.2
Other non-current liabilities	**44.3**	51.6
	487.2	203.8
Current liabilities		
Trade and other liabilities	**1,000.9**	823.7
Derivative financial instruments	**36.8**	40.7
Current tax liabilities	**228.9**	120.0
Current portion of borrowings	**380.5**	427.3
Provisions	**57.7**	108.6
Construction contracts – liabilities	**238.9**	536.2
Deferred revenue	**8.4**	6.1
	1,952.1	2,062.6
Total liabilities	**2,439.3**	2,266.4
Total equity and liabilities	**8,152.1**	7,803.0

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserve	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	**654.7**	**(31.5)**	**3,227.5**	**50.2**	**(689.1)**	**(40.2)**	**2,411.9**	**5,583.5**	**(46.9)**	**5,536.6**
Comprehensive income										
Net income	–	–	–	–	–	–	284.8	284.8	7.2	292.0
Foreign currency translation gains/(losses)	–	–	–	–	62.1	–	–	62.1	(1.2)	60.9
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	0.5	–	0.5	–	0.5
Reclassification adjustments relating to business combination	–	–	–	–	4.5	4.5	–	9.0	–	9.0
Tax relating to components of other comprehensive income	–	–	–	–	0.4	–	–	0.4	–	0.4
Total comprehensive income	**–**	**–**	**–**	**–**	**67.0**	**5.0**	**284.8**	**356.8**	**6.0**	**362.8**
Transactions with owners										
Dividends declared and paid	–	–	(191.1)	–	–	–	–	(191.1)	–	(191.1)
Equity component of convertible bonds	–	–	–	(8.9)	–	–	8.9	–	–	–
Share-based payments	–	–	4.1	–	–	–	–	4.1	–	4.1
Addition of non-controlling interest	–	–	–	–	–	–	–	–	0.2	0.2
Gain on reissuance of treasury shares	–	–	–	–	–	–	0.2	0.2	–	0.2
Reclassification adjustment relating to business combination	–	–	–	–	–	5.5	(5.5)	–	–	–
Reclassification of non-controlling interest	–	–	–	–	36.2	–	(131.9)	(95.7)	95.7	–
Total transactions with owners	**–**	**–**	**(187.0)**	**(8.9)**	**36.2**	**5.5**	**(128.3)**	**(282.5)**	**95.9**	**(186.6)**
Balance at 30 June 2017	**654.7**	**(31.5)**	**3,040.5**	**41.3**	**(585.9)**	**(29.7)**	**2,568.4**	**5,657.8**	**55.0**	**5,712.8**

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										
Net income	–	–	–	–	–	–	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**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Half Year 1H 2017 Unaudited	1H 2016 Unaudited
Net cash generated from operating activities	**97.3**	478.9
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**0.1**	8.7
Purchases of property, plant and equipment	**(61.4)**	(204.7)
Purchases of intangible assets	**(2.6)**	(0.7)
Loans to third parties	**(25.0)**	–
Loan repayments from third parties	**25.0**	–
Completion payments to acquire subsidiary	**(1.6)**	–
Loans to associates and joint ventures	**(0.4)**	(8.6)
Loans to non-controlling interests	**(0.2)**	–
Loan repayments from joint ventures	**0.9**	2.9
Interest received	**10.9**	9.7
Dividends received from associates and joint ventures	**0.6**	20.2
Acquisition of businesses (net of cash acquired)	**(141.5)**	–
Net cash used in investing activities	**(195.2)**	(172.5)
Cash flows from financing activities		
Interest paid	**(5.6)**	(5.2)
Proceeds from borrowings	**301.3**	–
Repayment of borrowings	**(140.1)**	–
Repayment of derivative financial instrument	**(8.0)**	–
Proceeds from reissuance of ordinary shares	**(0.2)**	–
Dividends paid to non-controlling interests	**(0.5)**	(2.1)
Dividends paid to equity shareholders of the parent company	**(191.1)**	–
Repurchase of convertible bonds	**(54.7)**	(71.8)
Net cash used in financing activities	**(98.9)**	(79.1)
Net (decrease)/increase in cash and cash equivalents	**(196.8)**	227.3
Cash and cash equivalents at beginning of period	**1,676.4**	946.8
Movement in restricted cash balances	**(6.5)**	–
Effect of foreign exchange rate movements on cash and cash equivalents	**1.3**	5.6
Cash and cash equivalents at end of period	**1,474.4**	1,179.7

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 25 July 2017.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period 1 January 2017 to 30 June 2017 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 2016 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 2016.

No new International Financial Reporting Standards (IFRS) were adopted by the Group for the financial period beginning 1 January 2017. Amendments to existing IFRS, issued with an effective date of 1 January 2017 but not yet endorsed by the EU, will be adopted by the Group following their adoption by the EU.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in the Consolidated Financial Statements for the year ended 31 December 2016, 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 2016:

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

In addition, following the business combinations completed during the six months ended 30 June 2017, management were required to make accounting judgements on the following:

- Purchase price allocation.

Following the acquisitions of the 50% of the shares, not already owned by the Group, of Seaway Heavy Lifting Holding Limited and certain business of EMAS Chiyoda Subsea, the consideration paid and the acquired assets and assumed liabilities are subject to an ongoing fair value exercise in accordance with IFRS 3 'Business combinations'. This process resulted in valuation adjustments being made to a number of acquired assets and assumed liabilities and in some cases, the measurement and recognition of previously unrecognised intangible assets and liabilities for contingent consideration. Estimates of fair value included valuations from expert third parties and in some cases the use of significant management estimates and assumptions where market valuations were not available. Fair value adjustments are provisional in nature and are subject to change throughout the measurement period, which shall not exceed one year from the acquisition date, for each acquisition.

5. Seasonality

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

6. Segment information

With effect from 1 January 2017 the Group implemented a new organisational structure comprising four Business Units: SURF and Conventional, i-Tech Services, Renewables and Heavy Lifting and Corporate. These operating segments are defined as follows:

SURF and Conventional

The SURF and Conventional Business Unit includes:

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

This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed on SURF and Conventional activities. The SapuraAcergy and Normand Oceanic joint ventures are reported within this segment.

i-Tech Services

The i-Tech Services Business Unit includes activities associated with the provision of Inspection, Maintenance and Repair (IMR) services, integrity management of subsea infrastructure and remote intervention support. This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed on i-Tech Services activities. The Eidesvik Seven joint venture is reported within this segment.

Renewables and Heavy Lifting

The Renewables and Heavy Lifting Business Unit includes activities related to three specialist segments of the offshore energy market: the installation of offshore wind farm foundations, heavy lifting operations for oil and gas structures, and the decommissioning of redundant offshore structures. The results of Seaway Heavy Lifting, which became a wholly-owned subsidiary of the Group on 10 March 2017 having previously been a 50% owned joint venture, are included within this Business Unit on an equity accounting basis up to the date of acquisition and as a wholly-owned subsidiary on a fully consolidated basis thereafter.

Corporate

The Corporate Business Unit includes group-wide activities including captive insurance activities, operational support, corporate services and costs associated with discrete items such as restructuring costs. A portion of the Corporate Business Unit's costs are allocated to the other operating segments based on a percentage of their external revenue.

Summarised financial information relating to each operating segment is as follows:

For the three months ended 30 June 2017

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Renewables and Heavy Lifting	Corporate	Total
Revenue	**614.2**	**83.1**	**325.0**	**–**	**1,022.3**
Net operating income	**162.6**	**11.1**	**52.9**	**8.1**	**234.7**
Finance income					**5.7**
Other gains and losses					**(27.2)**
Finance costs					**(7.0)**
Income before taxes					**206.2**

For the three months ended 30 June 2016

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Renewables and Heavy Lifting	Corporate	Total
Revenue	865.6	92.6	2.3	–	960.5
Net operating income/(loss)	189.1	13.1	20.3	(45.4)	177.1
Finance income					5.6
Other gains and losses					23.0
Finance costs					(0.2)
Income before taxes					205.5

For the six months ended 30 June 2017

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Renewables and Heavy Lifting	Corporate	Total
Revenue	**1,216.1**	**158.7**	**544.9**	**–**	**1,919.7**
Net operating income	**313.5**	**21.9**	**48.9**	**19.0**	**403.3**
Finance income					**10.9**
Remeasurement gain on business combination					**42.2**
Other gains and losses					**(34.9)**
Finance costs					**(9.0)**
Income before taxes					**412.5**

For the six months ended 30 June 2016

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Renewables and Heavy Lifting	Corporate	Total
Revenue	1,506.6	195.6	4.5	–	1,706.7
Net operating income/(loss)	355.9	28.1	30.0	(42.9)	371.1
Finance income					9.7
Other gains and losses					37.3
Finance costs					(1.7)
Income before taxes					416.4

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:

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2017 Unaudited**	Q2 2016 Unaudited	**1H 2017 Unaudited**	1H 2016 Unaudited
Net income attributable to shareholders of the parent company	**143.9**	137.1	**284.8**	282.8
Interest on convertible bonds (net of amounts capitalised)	**2.5**	–	**2.5**	–
Earnings used in the calculation of diluted earnings per share	**146.4**	137.1	**287.3**	282.8

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2017 Unaudited**	Q2 2016 Unaudited	**1H 2017 Unaudited**	1H 2016 Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**325,854,793**	325,643,852	**325,845,740**	325,643,852
Convertible bonds	**13,926,986**	16,562,170	**14,635,208**	16,863,313
Share options and performance shares	**1,012,835**	448,396	**989,989**	264,869
Weighted average number of common shares used in the calculation of diluted earnings per share	**340,794,614**	342,654,418	**341,470,937**	342,772,034

	Second Quarter		Half Year	
For the period (in $ per share)	**Q2 2017 Unaudited**	Q2 2016 Unaudited	**1H 2017 Unaudited**	1H 2016 Unaudited
Basic earnings per share	**0.44**	0.42	**0.87**	0.87
Diluted earnings per share	**0.43**	0.40	**0.84**	0.82

The following shares that could potentially dilute 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 2017 Unaudited**	Q2 2016 Unaudited	**1H 2017 Unaudited**	1H 2016 Unaudited
Share options and performance shares	**960,617**	1,962,968	**986,566**	2,146,495

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, gain on distribution and remeasurement gains on business combinations), finance costs and taxation. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.

The items excluded from Adjusted EBITDA represent items which are individually or collectively material but which are not considered representative of the performance of the business during the periods presented. Other gains and losses principally relate to disposals of investments, property, plant and equipment and net foreign exchange gains or losses. Impairments of assets represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future or their sale.

Adjusted EBITDA and Adjusted EBITDA margin 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 2017 Unaudited**	Q2 2016 Unaudited	**1H 2017 Unaudited**	1H 2016 Unaudited
Net operating income	**234.7**	177.1	**403.3**	371.1
Depreciation, amortisation and mobilisation	**105.2**	92.8	**204.6**	182.8
Impairment of property, plant and equipment	**–**	10.4	**–**	10.4
Adjusted EBITDA	**339.9**	280.3	**607.9**	564.3
Revenue	**1,022.3**	960.5	**1,919.7**	1,706.7
Adjusted EBITDA margin	**33.2%**	29.2%	**31.7%**	33.1%

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

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2017 Unaudited**	Q2 2016 Unaudited	**1H 2017 Unaudited**	1H 2016 Unaudited
Net income	**145.8**	136.1	**292.0**	282.7
Depreciation, amortisation and mobilisation	**105.2**	92.8	**204.6**	182.8
Impairment of property, plant and equipment	**–**	10.4	–	10.4
Remeasurement gain on business combination	**–**	–	**(42.2)**	–
Finance income	**(5.7)**	(5.6)	**(10.9)**	(9.7)
Other gains and losses	**27.2**	(23.0)	**34.9**	(37.3)
Finance costs	**7.0**	0.2	**9.0**	1.7
Taxation	**60.4**	69.4	**120.5**	133.7
Adjusted EBITDA	**339.9**	280.3	**607.9**	564.3
Revenue	**1,022.3**	960.5	**1,919.7**	1,706.7
Adjusted EBITDA margin	**33.2%**	29.2%	**31.7%**	33.1%

9. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	Half Year 1H 2017 Unaudited	1H 2016 Unaudited
At period beginning	**627.7**	766.8
Acquired in business combination	**42.0**	–
Exchange differences	**12.7**	(40.4)
At period end	**682.4**	726.4

10. Business combination

Seaway Heavy Lifting Holding Limited

On 10 March 2017 an indirect wholly-owned subsidiary of Subsea 7 S.A. acquired 50% of the shares of Seaway Heavy Lifting Holding Limited. During Q2 2017 there were no significant acquisition accounting adjustments relating to this business combination. For a further explanation and the related financial disclosures refer to Note 10 'Business combination' within the Group's Condensed Consolidated Financial Statements for the quarter ended 31 March 2017 at www.subsea7.com.

Acquisition of certain businesses and assets of EMAS Chiyoda Subsea (ECS)

On 29 June 2017 the Group acquired certain businesses and assets of EMAS Chiyoda Subsea (ECS), a subsea engineering, construction and services contractor providing integrated services to the oil and gas industry. The transaction was completed under a US bankruptcy code Chapter 11 Plan of Reorganisation, which was confirmed by the US Bankruptcy Court of the Southern District of Texas and became effective on 29 June 2017.

The business combination included the acquisition of 100% of the share capital of three entities: EMAS AMC Pte Ltd, EMAS Chiyoda Subsea Services Pte Ltd, both registered in Singapore, and EMAS Saudi Arabia Limited, registered in Saudi Arabia. In addition specific assets and liabilities were acquired from EMAS Chiyoda Subsea Inc.

This acquisition enables the Group to enhance its global presence and to accelerate its strategy to provide market leading services in the Middle East region.

As a result of the acquisition the Group recognised $856 million of order backlog and 850 people, based in Houston, Singapore and Saudi Arabia, joined the Group. In relation to the backlog acquired, the Group secured a multi-year bareboat charter for the pipelay vessel *Lewek Champion* and a short-term charter for the pipelay vessel *Lewek Constellation*.

As at 25 July 2017 accounting for the business combination was incomplete and as a result the Condensed Consolidated Financial Statements for the second quarter of 2017 include provisional amounts. Provisional consideration for the acquisition, subject to the finalisation of certain outstanding completion adjustments, was $55 million. As a result of the acquisition the Group recognised identifiable net assets with an aggregated provisional fair value of $48 million. The $8 million excess of consideration over the fair value of the identifiable net assets acquired has provisionally been recognised within other intangibles, pending completion of the accounting for the business combination, this amount is provisional and is subject to remeasurement.

Procedures necessary to accurately determine the fair values of individual assets and liabilities acquired are expected to be completed during the second half of 2017. The provisional fair values of the identifiable assets and liabilities as at 29 June 2017 are shown below. Where required, provisional amounts will be adjusted retrospectively during the measurement period ending 28 July 2018.

(in $ millions)	29 June 2017 Unaudited provisional amounts
Assets	
Property, plant and equipment	**1.6**
Inventories	**0.3**
Trade and other receivables	**49.5**
Construction contracts – assets	**59.7**
Other accrued income and prepaid expenses	**10.8**
Restricted cash	**2.4**
Cash and cash equivalents	**5.4**
	129.7
Liabilities	
Trade and other liabilities	**52.5**
Construction contracts - liabilities	**29.6**
	82.1
Identifiable net assets at fair value	**47.6**
Add: provisional allocation to other intangibles	**7.9**
	55.5
Consideration comprised	
Cash	**55.5**

Receivables
Receivables recognised are shown at fair value and represent the best estimate of the cashflows expected to be collected as at the acquisition date.

11. Treasury shares
During the second quarter, 13,744 shares were used to satisfy share-based awards. At 30 June 2017, the Group held 1,504,683 common shares as treasury shares, of which; 13,107 common shares were directly held (Q1 2017: 26,851), representing 0.01% (Q1 2017: 0.01%) of the total number of issued shares; 1,241,200 (Q1 2017: 1,241,200) 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 2017: 250,376) common shares were held in a separate employee benefit trust to support specified share option awards.

12. 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 2017, the Group had repurchased a cumulative 5,272,656 shares for a total consideration of $57.1 million under the July 2014 programme. On 25 July 2017, the Board of Directors authorised a 24 month extension to the Group's share repurchase programme of up to $200 million, the programme will now be extended to 25 July 2019.

13. Borrowings
Convertible bonds
On 6 April 2017 the Group repurchased $55.0 million (par value) of the $700 million 1.00% convertible bonds due 2017 (2017 bonds), for $54.7 million. On 30 June 2017, the Group repurchased a further $22.6 million (par value) of the 2017 bonds for $22.5 million, this was cash settled on 3 July 2017. As at 30 June 2017, $358 million (par value) of the 2017 bonds, excluding those bonds repurchased and held by the Group, remained outstanding.

Multi-currency revolving credit and guarantee facility
In June 2017 the Group amended its multi-currency revolving credit and guarantee facility. The facility was reduced to $656 million maturing in September 2021. Previously the facility totalled $750 million with $94 million due to mature in September 2019 and $656 million due to mature in September 2021. As at 30 June 2017 the facility remained unutilised.

Multi-currency term loan
On 30 June 2017 the Group repaid, in full, the Seaway Heavy Lifting multi-currency term loan of $132.8 million and associated interest rate swaps of $8.0 million. All related unamortised fees and business combination adjustments were derecognised.

Revolving credit and guarantee facility
On 30 June 2017 the Group cancelled the Seaway Heavy Lifting EUR 100 million revolving credit and guarantee facility and the Seaway Heavy Lifting EUR 40 million guarantee facility. On this date guarantees issued under these facilities were transferred to the Group's uncommitted, unsecured bi-lateral guarantee facilities.

14. Contingent liabilities
Contingent liabilities not recognised in the Consolidated Balance Sheet
Between 2009 and 2016, 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 2017 the contingent liability (including assessed amounts, penalties and interest) amounted to BRL 708.3 million, equivalent to $213.7 million. At 31 December 2016 the contingent liability (including assessed amounts, penalties and interest) amounted to BRL 670.1 million, equivalent to $201.4 million. The Group has challenged these assessments with some cases being dismissed by tax authorities.

As contained in Note 4 'Critical Accounting Judgements and Key Sources of Estimation Uncertainty' of the 2016 Annual Report and Consolidated Financial Statements, the Group is currently subject to tax audits in several jurisdictions where it has, or has had, operations, including Nigeria. Among these ongoing audits, the Group's Nigerian businesses are currently subject to audit by Rivers State, Nigeria, in respect of payroll taxes for the years 2010 to 2014. No provision has been recognised in the Condensed Consolidated Balance Sheet in respect of assessments resulting from the Rivers State audits.

As at 30 June 2017 there is a contingent liability relating to the assessments received from Rivers State, which total NGN 34,190 million, equivalent to $108.4 million (31 December 2016: $nil). The Group has objected to the assessments and is currently involved in court proceedings in Nigeria to protect its assets from sequestration by Rivers State authorities in respect of one of the assessments totalling NGN 3,352 million, or $10.4 million.

The estimation of the ultimate outcome of these audits is complex and subjective. The likely outcome of the audits and associated cash outflow, if any, may be impacted by technical uncertainty and the availability of supporting documentation.

This contingent liability has been disclosed but the Group does not believe the likelihood of payments is probable.

Contingent liabilities recognised in the Consolidated Balance Sheet
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 2017 was $4.8 million (31 December 2016: $4.8 million). Despite the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, IFRS 3 'Business Combinations' required the Group to recognise a provision in respect of contingent consideration payable to a third party following the acquisition of intangible assets in 2009. The value of the provision recognised within the Consolidated Balance Sheet at 30 June 2017 was $2.8 million (31 December 2016: $2.7 million).

15. Cash flow from operating activities

For the period ended (in $ millions)	Half Year 1H 2017 Unaudited	1H 2016 Unaudited
Cash flow from operating activities:		
Income before taxes	**412.5**	416.4
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**192.1**	176.2
Impairment of property, plant and equipment	**–**	10.4
Amortisation of intangible assets	**8.5**	2.5
Mobilisation costs	**4.0**	4.1
Adjustments for investing and financing items:		
Remeasurement gain on business combination	**(42.2)**	–
Share of net loss/(income) of associates and joint ventures	**18.3**	(42.8)
Finance income	**(10.9)**	(9.7)
Loss on disposal of property, plant and equipment	**0.4**	0.6
Loss/(gain) on repurchase of convertible bonds	**4.7**	(3.1)
Finance costs	**9.0**	1.7
Adjustments for equity items:		
Share-based payments	**4.1**	3.1
	600.5	559.4
Changes in operating assets and liabilities:		
Decrease in inventories	**1.5**	1.4
(Increase)/decrease in operating receivables	**(42.7)**	39.0
Decrease in operating liabilities	**(423.3)**	(48.1)
	(464.5)	(7.7)
Income taxes paid	**(38.7)**	(72.8)
Net cash generated from operating activities	**97.3**	478.9

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)	30 Jun 2017 Carrying amount Unaudited	30 Jun 2017 Fair value Unaudited	31 Dec 2016 Carrying amount Audited	31 Dec 2016 Fair value Audited
Financial liabilities				
Borrowings – convertible bonds – Level 2	**(355.8)**	**(359.8)**	(427.3)	(435.3)
Borrowings – senior secured facility – Level 2	**(294.0)**	**(294.0)**	–	–

Borrowings – convertible bonds

The fair value of the liability component of convertible bonds is determined by matching the maturity profile of the convertible bonds to market interest rates available to the Group. At the balance sheet date the interest rate available was 1.9% (31 December 2016: 2.2%).

Borrowings – senior secured facility

The fair value of the senior secured facility is determined by matching the maturity profile of the amounts utilised under the facility to market interest rates available to the Group for borrowings with similar security, maturity and repayment profiles. At the reporting date interest charged under the facility is representative of market rates currently available to the Group and therefore the carrying amount approximates fair value.

Fair value measurements

Fair value hierarchy

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

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

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

Level 3 Inputs for the asset or liability that are not based on observable market 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)	2017 30 Jun Level 2	2017 30 Jun Level 3	2016 31 Dec Level 2	2016 31 Dec Level 3
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through profit or loss – derivative instruments	**64.5**	**–**	78.4	–
Financial liabilities:				
Financial liabilities at fair value through profit or loss – derivative instruments	**44.7**	**–**	(52.9)	–
Contingent consideration	**–**	**(28.4)**	–	(11.5)

During the period ended 30 June 2017 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.
- Contingent consideration
  The fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones calculated using the discounted cash flow method and unobservable inputs.

17. Post balance sheet events

On 25 July 2017, the Board of Directors authorised a 24 month extension to the Group's share repurchase programme of up to $200 million, the programme will now be extended to 25 July 2019. The programme was approved pursuant to the standing authorisation granted to the Board of Directors at the Extraordinary General Meeting held on 27 November 2014, which allows for the purchase of up to a maximum of 10% of the Group's issued common shares, net of common shares previously repurchased and still held as treasury shares.