Subsea 7 S.A. Announces Fourth Quarter and Full Year 2016 Results

Luxembourg – 2 March 2017 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY) announced today results for the fourth quarter and full year which ended 31 December 2016. Unless otherwise stated the comparative period is the full year which ended 31 December 2015.

Full Year 2016 highlights

- Adjusted EBITDA percentage margin increased to 32% for the full year 2016, driven by cost discipline, operational performance and successful project completions
- Delivered new-build vessels and invested in technological innovation to strengthen Subsea 7's market-leading position
- Subsea Integration Alliance, Subsea 7's alliance with OneSubsea, awarded the Dalmatian field project in the US Gulf of Mexico, its first EPIC project
- Net cash of $1,249 million at 31 December 2016, with $1,046 million cash generated from operations in 2016
- Special dividend of NOK 5.00 per share to be recommended to shareholders, reflecting excellent operating performance and resulting strong financial and liquidity position

	Fourth Quarter		Full Year	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q4 2016 Unaudited**	Q4 2015 Unaudited	**2016 [c]**	2015 [c]
Revenue	**932**	1,025	**3,567**	4,758
Adjusted EBITDA[a] (unaudited)	**288**	310	**1,142**	1,217
Adjusted EBITDA margin[a] (unaudited)	**31%**	30%	**32%**	26%
Net operating income excluding goodwill impairment charge	**46**	106	**611**	665
Goodwill impairment charge	**(90)**	(521)	**(90)**	(521)
Net operating (loss)/income	**(45)**	(415)	**521**	144
Net income excluding goodwill impairment charge	**77**	100	**509**	484
Net (loss)/income	**(13)**	(421)	**418**	(37)
Earnings per share – in $ per share				
Basic	**0.01**	(1.30)	**1.34**	(0.05)
Diluted[b]	**0.01**	(1.30)	**1.27**	(0.05)
Adjusted diluted[b]	**0.27**	0.29	**1.54**	1.45

As at (in $ millions)	**2016 31 Dec[c]**	2015 31 Dec[c]
Backlog (unaudited)	**5,693**	6,110
Cash and cash equivalents	**1,676**	947
Borrowings	**427**	524

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

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

(c) Audited unless otherwise stated.

Jean Cahuzac, Chief Executive Officer, said:

'We delivered good operational and financial performance in 2016, despite the continued industry-wide downturn in activity. This performance reflected successful implementation of our cost reduction measures, while maintaining high standards of execution and preserving the Group's expertise and capability. We experienced keen interest in our innovative technology and collaborative solutions, including our industry alliances and client partnership agreements.

Our differentiated offering has been effective in strengthening our market position throughout the downturn and our robust financial position has enabled us to continue to invest in our technology and assets. In 2016 we drew close to completing our multi-year new-build vessel programme and the last three vessels were delivered in January 2017. We acquired a specialist polymer lining company, Swagelining, and continued to invest in our five strategic technology programmes to develop cost-effective solutions for our clients.

Looking ahead to 2017 we are well positioned to build on our strengths. We are seeking to expand our presence in renewable energy, and in January 2017 made an offer to acquire Seaway Heavy Lifting, a company in which we already hold a 50% interest. We remain focused on finding better, more efficient solutions to enable our clients to sanction their projects in a lower oil and gas price environment.'

Full year 2016

For the full year 2016 revenue was $3.6 billion (2015: $4.8 billion) and Adjusted EBITDA was $1,142 million. Adjusted EBITDA percentage margin of 32% was six percentage points higher than in 2015, driven by continued cost discipline, good execution and strong contributions from large projects that were successfully completed in the year. A restructuring charge of $97 million relating to the cost reduction programme announced in June 2016 was included in Adjusted EBITDA.

Impairment charges of $90 million relating to goodwill and $158 million relating to vessels and operating equipment were recognised, resulting in net operating income of $521 million. Excluding the goodwill impairment charge, net operating income was $611 million and net income was $509 million.

Subsea 7 acted early to deliver through the downturn and position the Group for the long-term recovery. Capacity and scale has been reduced, while the capability and expertise that differentiates the Group as a leading strategic partner for offshore energy engineering and construction projects has been protected. Investment in technology and vessels has remained a priority. Alliances with leading industry partners have evolved and long-term partnership agreements have been developed with certain clients. Since the start of 2014, Subsea 7's workforce has been reduced by over 40 percent, six chartered vessels have been returned to their owners, four owned vessels have been stacked and two owned vessels have permanently left the fleet. By early 2017 resizing measures will have been completed resulting in a workforce of approximately 8,000 people and a fleet of 33 vessels.

Subsea 7 achieved $3.4 billion order intake during 2016 and ended the year with a backlog of $5.7 billion. Major awards in 2016 included the West Nile Delta Phase Two project, offshore Egypt and the $1.3 billion Beatrice wind farm installation project, which is being executed in collaboration with Seaway Heavy Lifting, a joint venture company in which Subsea 7 currently has a 50% interest. In January 2017 Subsea 7 made an offer to acquire the remaining 50% of this joint venture to strategically strengthen and grow its position in the heavy lifting, decommissioning and renewable sectors of the offshore energy market.

The Group's liquidity position improved during the year. At 31 December 2016, cash and cash equivalents were $1.7 billion and net cash was $1.2 billion. In addition, the Group had unutilised credit facilities totalling $1.1 billion. This robust financial position enabled the Group to invest in assets and technology through the downturn, asserting its market-leading position in offshore services. Expenditure in 2016 included investment in new-build vessels as part of a multi-year programme to modernise and extend the capability of Subsea 7's fleet as well as the acquisition of a leading polymer lining technologist, Swagelining.

Reflecting the Group's excellent operating performance and resulting strong financial and liquidity position, the Board of Directors will recommend to the shareholders at the Annual General Meeting on 12 April 2017 that a special dividend of NOK 5.00 per share be paid, equivalent to a total dividend of approximately $200 million.

Fourth quarter 2016

Group revenue was $932 million in the fourth quarter of 2016 (2015: $1,025 million) and Adjusted EBITDA was $288 million, equating to a margin of 31%. Net operating loss of $45 million included a goodwill impairment charge of $90 million and a $147 million impairment charge relating to vessels and operating equipment. Net operating income excluding the goodwill impairment charge was $46 million.

Operational performance in the fourth quarter was good with significant progress made on several projects. Bundle Pipelines were prepared for the Culzean, Callater and Western Isles projects, offshore UK. On the Stampede project in the US Gulf of Mexico, flowline fabrication was completed ready for reeled pipelay by *Seven Oceans*. Offshore Egypt, the last stage of the offshore campaign was underway for phase one of the West Nile Delta project on the Taurus and Libra fields, and fabrication began for phase two on the Giza, Fayoum and Raven fields. Also offshore Egypt the East Nile Delta project was substantially completed and engineering teams were mobilised for the Atoll project. Offshore Brazil, the new-build PLSV, *Seven Sun*, commenced its long-term contract. The last of the new-build PLSVs, *Seven Cruzeiro*, commenced its long-term contract in January, just after the quarter end.

Total vessel utilisation was 65% in the fourth quarter 2016 (2015: 62%) and 66% for the full year (2015: 72%). Active vessel utilisation, which excludes stacked vessels, was 78% for the fourth quarter and 80% for the full year. Utilisation of i-Tech Services' vessels was supported by frame agreements for life of field services. Utilisation of construction and diving vessels reflected lower levels of activity as certain projects were completed. The PLSVs on long-term contracts offshore Brazil maintained high levels of activity throughout the quarter.

Order intake of $0.6 billion was partially offset by the adverse impact from foreign exchange movements in the quarter of approximately $0.2 billion. New awards announced in the quarter comprised the Atoll project, offshore Egypt, the Greater Western Flank project, offshore Australia, and the Oda project, offshore Norway, which was awarded under the Group's long-term partnership agreement with Centrica. In addition, the Group's alliance with OneSubsea, the Subsea Integration Alliance, was awarded the Dalmatian field EPIC project in the US Gulf of Mexico on an integrated basis, highlighting the value that this collaboration can bring to the market by combining expertise in SURF and Subsea Production Systems (SPS).

Outlook

Subsea 7 guidance for the full year 2017 is unchanged. Revenue is expected to be broadly in line with 2016, supported by current backlog. Adjusted EBITDA percentage margin is expected to be significantly lower than that achieved in 2016. This reflects lower margins from projects tendered during the market downturn, fewer large projects in the final stages of execution and a higher proportion of procurement costs.

Subsea 7 has responded to the oil and gas market downturn with cost reductions, technological innovation, industry alliances and client partnerships to deliver more efficient solutions for its clients and position itself for long-term success. We expect a gradual recovery of oil and gas field development activity. The oil and gas market has achieved a degree of stability in recent months and there are indications that project sanctions will increase. Assuming the oil price improvement is sustained and the cost reductions identified by the industry are consistently achieved, there is cause to believe that the number of SURF project awards to the market could increase within the next 12 months.

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 2 March 2017

Time: 12:00 UK Time

Conference ID: 28229700#

	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 682405#) will be available from:

Date: 2 March 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 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; general economic conditions and competition in the markets and businesses in which we operate; our relationship with significant clients; the outcome of legal and administrative proceedings or governmental enquiries; uncertainties inherent in operating internationally; the timely delivery of vessels on order; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Other unknown or unpredictable factors could also have material adverse effects on our future results. Given these factors, you should not place undue reliance on the forward-looking statements.

Fourth Quarter 2016

Revenue
Revenue for the quarter was $932 million, a decrease of $93 million or 9% compared to Q4 2015. The reduction in revenue reflected lower activity levels within the SURF and Conventional and i-Tech Services Business Units, partially offset by increased activity within Renewables and Heavy Lifting reported within the Corporate reporting segment.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $288 million and 31% respectively compared to $310 million and 30% in Q4 2015. The Adjusted EBITDA margin was driven by cost discipline, operational performance, and successful project completions.

Net operating loss
Net operating loss for Q4 2016 was $45 million, compared to a net operating loss of $415 million in Q4 2015. The net operating loss included a goodwill impairment charge of $90 million compared to $521 million in Q4 2015. Net operating income excluding the goodwill impairment charge was $46 million, a $60 million decrease compared to Q4 2015. The main items contributing to the reduction in net operating income, excluding the goodwill impairment charge, were:

- an impairment charge of $147 million, related to property, plant and equipment, compared to $96 million in Q4 2015

partially offset by:

- a reduction of $10 million in administrative expenses mainly due to lower personnel costs as a result of the Group's cost reduction measures.

Net loss
Net loss was $13 million in the quarter, compared to a net loss of $421 million in Q4 2015. The decrease in net loss was primarily due to:

- a decrease of $371 million in net operating loss, driven by the reduction in the goodwill impairment charge; and
- a taxation benefit of $13 million in the quarter compared to a charge of $17 million in Q4 2015

partially offset by:

- net foreign currency gains of $16 million in Q4 2016, recognised within other gains and losses, compared to $12 million gains in Q4 2015.

The taxation credit of $13 million represented an effective tax rate for the quarter of 49%. Although the impairment charges recognised in respect of goodwill and property, plant and equipment attracted limited tax relief, the effective tax rate benefitted from the recognition of certain deferred tax assets not previously considered recoverable, and an improvement in the underlying profitability for 2016, following a revision of prior estimates.

Earnings per share
Diluted earnings per share was $0.01 for the quarter compared to a loss per share of $1.30 in Q4 2015, calculated using a weighted average number of shares of 342 million and 326 million respectively. Adjusted diluted earnings per share, which excludes the impact of the goodwill impairment charge, was $0.27 compared to $0.29 in Q4 2015.

Cash and cash equivalents
Cash and cash equivalents was $1.7 billion at 31 December 2016, an increase of $279 million compared to 30 September 2016. The increase in cash and cash equivalents during the quarter was mainly attributable to:

- $333 million of net cash generated from operating activities

partially offset by:

- purchases of property, plant and equipment of $24 million, mainly related to the Group's new-build vessel programme; and
- repurchase of $30 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017, for $30 million in cash.

Borrowings
Borrowings decreased by $27 million to $427 million, the decrease was largely due to the repurchase of $30 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017.

Year ended 31 December 2016

Revenue
Revenue for 2016 was $3.6 billion compared with $4.8 billion in 2015. The decrease reflected lower activity levels in the SURF and Conventional and i-Tech Services Business Units partially offset by an increase in the Corporate Business Unit which includes Renewables and Heavy Lifting.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin were $1.1 billion and 32% respectively compared to $1.2 billion and 26% in 2015. Adjusted EBITDA included a restructuring charge of $97 million in 2016 compared to $136 million in 2015 related to the Group's programme of cost reduction measures, primarily focused on a resizing of the fleet and workforce. Adjusted EBITDA margin in 2016 of 32% was mainly driven by cost discipline, operational performance, and successful project completions.

Net operating income
Net operating income was $521 million for the year ended 31 December 2016, compared to net operating income of $144 million in 2015. Net operating income included a goodwill impairment charge of $90 million compared to $521 million in 2015. Net operating income, excluding the goodwill impairment charge, was $611 million, a decrease of $53 million or 8% compared to 2015 and was mainly due to:

- significantly lower activity levels in the SURF and Conventional and i-Tech Services Business Units;
- impairment charges of $158 million related to property, plant and equipment compared to $137 million of similar charges recognised in 2015; and
- a decreased contribution from the Seaway Heavy Lifting joint venture compared to 2015 due to the phasing of projects

partially offset by:

- a reduced restructuring charge of $97 million compared to $136 million in 2015, associated with the Group's cost reduction and resizing programme, of which $58 million related to operating expenses and $39 million related to administrative expenses; and
- reduced administrative expenses resulting mainly from lower personnel costs.

Net income

Net income was $418 million for the year ended 31 December 2016, compared to a net loss of $37 million for 2015. The improvement in net income was primarily due to:

- an increase in net operating income to $521 million compared with $144 million in 2015, which reflected a reduction of $431 million in the goodwill impairment charge in 2016 compared to 2015; and
- a decrease of $64 million in the tax charge compared to 2015.

Excluding the impact of the goodwill impairment charge the effective tax rate for 2016 was 24% compared to 31% in 2015, the reduction being primarily due to the geographic mix of operations in the year and the statutory tax rates applicable to the profits arising thereon.

Earnings per share

Diluted earnings per share was $1.27 for 2016 compared to a loss per share of $0.05 in 2015, calculated using a weighted average number of shares of 343 million and 326 million respectively. Adjusted diluted earnings per share, which excludes the impact of the goodwill impairment charge, was $1.54 compared to $1.45 for 2015.

Cash and cash equivalents

Cash and cash equivalents at 31 December 2016 was $1.7 billion compared with $947 million at 31 December 2015. The increase in cash and cash equivalents was mainly attributable to:

- $1.0 billion of net cash generated from operating activities;
- $70 million repayment of a loan made by the Group to a joint venture; and
- $28 million dividends received from associates and joint ventures

partially offset by:

- purchases of property, plant and equipment of $300 million, mainly related to the Group's new-build vessel programme; and
- $106 million related to the repurchase of $113 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017.

Borrowings

Total borrowings at 31 December 2016 were $427 million compared with $524 million at 31 December 2015. The reduction reflected the repurchase of $113 million (par value) of the $700 million 1.00% convertible bonds due to mature in October 2017.

Business Unit Highlights

Fourth Quarter 2016

SURF and Conventional

Revenue for the quarter was $705 million, a decrease of $218 million or 24% compared to Q4 2015 which reflected significantly lower activity levels.

During the quarter work progressed on the West Nile Delta Phase One project, offshore Egypt, the Aasta Hansteen and Maria projects, offshore Norway, the Catcher project, offshore UK, and the Stampede project in the US Gulf of Mexico. In Brazil, there were high levels of PLSV utilisation under long-term contracts with Petrobras.

Net operating income was $63 million compared to a net operating loss of $317 million in Q4 2015. The net operating income included a goodwill impairment charge of $90 million (Q4 2015: $521 million). Net operating income excluding the goodwill impairment charge was $153 million for the quarter, a decrease of $51 million or 25% compared to Q4 2015, this was mainly due to reduced activity levels and an impairment charge of $38 million related to property, plant and equipment recognised in Q4 2016.

i-Tech Services

Revenue was $85 million, a decrease of $14 million or 14% compared to Q4 2015. Inspection, Maintenance and Repair (IMR) activity in the quarter was in line with Q4 2015 with increased activity in Australia, Norway and Gulf of Mexico largely offset by decreased activity in the UK. ROV support activity decreased compared to Q4 2015 particularly in Brazil due to a decrease in active drill rigs.

Net operating loss was $9 million in Q4 2016 which was in line with Q4 2015. Net operating loss in Q4 2016 included an impairment charge of $9 million related to property, plant and equipment.

Corporate

Revenue was $142 million for Q4 2016 and mainly related to progress on the Beatrice wind farm installation project.

Net operating loss was $99 million (Q4 2015: $90 million net operating loss). The increased loss was partly driven by impairment charges of $100 million related to property, plant and equipment in Q4 2016, compared to similar charges of $89 million in Q4 2015. In addition the results for the quarter included a reduced contribution from the Seaway Heavy Lifting joint venture compared to Q4 2015 due to lower offshore activity levels.

Year Ended 31 December 2016

SURF and Conventional

Revenue was $3.0 billion, a decrease of $1.3 billion or 30% compared to 2015.

During the year, work progressed on the West Nile Delta Phase One project, offshore Egypt, the Aasta Hansteen and Maria projects, offshore Norway, the Catcher project, offshore UK, and the Stampede project in the US Gulf of Mexico. In Brazil, there were high levels of PLSV utilisation under long-term contracts with Petrobras. The TEN project, offshore Ghana, the 2016 workscope of the Martin Linge project, offshore Norway, the Montrose project, offshore UK, the Lianzi Topside project, offshore Angola and the Persephone Work Pack 2, offshore Australia were substantially completed during the year.

For the year ended 31 December 2016, net operating income was $627 million compared to $320 million in the prior year. The net operating income included a goodwill impairment charge of $90 million in 2016 and $521 million in 2015. Net operating income excluding the goodwill impairment charge was $717 million in 2016, a decrease of $123 million or 15% compared to 2015. This was partially due to impairment charges of $49 million related to property, plant and equipment recognised in 2016, compared to similar charges of $8 million in 2015.

i-Tech Services

Revenue was $377 million, a decrease of $69 million or 15% compared to 2015. Inspection, Maintenance and Repair (IMR) activity in the year reduced slightly compared to 2015 with increased activity in Australia and Gulf of Mexico largely offset by decreased activity in Norway and the UK. ROV support activity decreased compared to 2015, particularly in Brazil, due to a decrease in active drill rigs.

Net operating income was $38 million, compared to $22 million in 2015. Net operating income in 2016 included impairment charges of $9 million related to property, plant and equipment.

Corporate

Revenue was $178 million, an increase of $149 million compared to 2015. Revenue mainly related to the Beatrice wind farm installation project.

Net operating loss was $144 million compared with a net operating loss of $198 million in 2015. The decrease in net operating loss was mainly due to a lower restructuring charge, which totalled $97 million in 2016 compared with $136 million in 2015, and lower impairment charges totalling $100 million related to property, plant and equipment compared to $129 million recognised in 2015. This was partially offset by a reduced contribution from the Seaway Heavy Lifting joint venture.

Asset Development and Activities

Vessel Utilisation

Total vessel utilisation for the fourth quarter was 65% compared with 62% for Q4 2015. Active vessel utilisation, which excludes stacked vessel days, was 78%.

As at 31 December 2016 there were 36 vessels in the total fleet, which comprised 29 active vessels, four stacked vessels and three vessels under construction. The active fleet includes three vessels owned and operated by the Seaway Heavy Lifting and SapuraAcergy joint ventures which are excluded from the utilisation calculations.

New-build vessel programme

During the quarter construction continued on the new-build vessel programme. This was completed in early 2017 with the delivery of the last three vessels. *Seven Cruzeiro* commenced its long-term contract with Petrobras in January 2017 and *Seven Arctic* and *Seven Kestrel* are due to commence operations in the first half of 2017.

Backlog

At 31 December 2016 backlog was $5.7 billion, a decrease of $0.5 billion compared with 30 September 2016. Order intake, comprising new awards and project escalations, totalling $0.6 billion was recorded in the quarter. This was partially offset by adverse foreign exchange movements of approximately $0.2 billion. New awards included the Atoll Field Development project for the Pharonic Petroleum Company, offshore Egypt and the Oda field development project for Centrica, offshore Norway.

$4.1 billion of the backlog at 31 December 2016 related to the SURF and Conventional Business Unit, (which included $1.8 billion related to long-term day-rate contracts for PLSV's in Brazil), $0.5 billion related to the i-Tech Services Business Unit and $1.1 billion related to the Corporate Business Unit (which includes Renewables and Heavy Lifting). $3.3 billion of this backlog is expected to be executed in 2017; $1.5 billion in 2018 and $0.9 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 37 to 41 of Subsea 7 S.A.'s Annual Report and Consolidated Financial Statements 2015. The Executive Management Team considered these principal risks and uncertainties and concluded that the current challenging market conditions have not resulted in a material adverse change to the principal risks and uncertainties in the year ended 31 December 2016.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the year ended 31 December 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)	Three Months Ended 31 Dec 2016 Unaudited	Three Months Ended 31 Dec 2015 Unaudited	Year Ended 31 Dec 2016 Audited	Year Ended 31 Dec 2015 Audited
Revenue	**932.2**	1,024.8	**3,566.7**	4,758.1
Operating expenses	**(821.9)**	(853.2)	**(2,759.6)**	(3,851.7)
Gross profit	**110.3**	171.6	**807.1**	906.4
Administrative expenses	**(57.9)**	(67.6)	**(242.1)**	(305.1)
Impairment of goodwill	**(90.4)**	(520.9)	**(90.4)**	(520.9)
Share of net (loss)/income of associates and joint ventures	**(6.9)**	1.5	**46.4**	63.4
Net operating (loss)/income	**(44.9)**	(415.4)	**521.0**	143.8
Finance income	**7.0**	4.6	**17.9**	16.7
Other gains and losses	**15.5**	11.8	**44.9**	32.6
Finance costs	**(3.6)**	(5.2)	**(7.1)**	(8.2)
(Loss)/income before taxes	**(26.0)**	(404.2)	**576.7**	184.9
Taxation	**12.7**	(16.8)	**(158.4)**	(221.9)
Net (loss)/income	**(13.3)**	(421.0)	**418.3**	(37.0)
Net (loss)/income attributable to:				
Shareholders of the parent company	**2.6**	(422.0)	**436.0**	(17.0)
Non-controlling interests	**(15.9)**	1.0	**(17.7)**	(20.0)
	(13.3)	(421.0)	**418.3**	(37.0)

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.01**	(1.30)	**1.34**	(0.05)
Diluted[a]	**0.01**	(1.30)	**1.27**	(0.05)

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

Subsea 7 S.A.

Condensed Consolidated Statement of Comprehensive Income

(in $ millions)	Three Months Ended 31 Dec 2016 Unaudited	Three Months Ended 31 Dec 2015 Unaudited	Year Ended 31 Dec 2016 Audited	Year Ended 31 Dec 2015 Audited
Net (loss)/income	**(13.3)**	(421.0)	**418.3**	(37.0)
Other comprehensive income				
Items that may be reclassified to the income statement in subsequent periods:				
Foreign currency translation losses	**(88.5)**	(43.5)	**(232.4)**	(215.7)
Cash flow hedges:				
Net fair value gains/(losses) arising	**–**	1.0	**7.3**	(4.1)
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	**–**	(1.0)	**(10.0)**	15.5
Adjustments for amounts transferred to the initial carrying amounts of hedged items	**–**	(0.1)	**–**	(0.1)
Share of other comprehensive income of associates and joint ventures	**0.7**	3.0	**2.2**	7.3
Tax relating to components of other comprehensive income which may be reclassified	**2.0**	8.5	**0.8**	21.3
Items that will not be reclassified to the income statement in subsequent periods:				
Remeasurement gains on defined benefit pension schemes	**1.0**	1.2	**1.0**	1.2
Tax relating to remeasurement gains on defined benefit pension schemes	**(0.5)**	(0.3)	**(0.5)**	(0.3)
Other comprehensive loss	**(85.3)**	(31.2)	**(231.6)**	(174.9)
Total comprehensive (loss)/income	**(98.6)**	(452.2)	**186.7**	(211.9)
Total comprehensive (loss)/income attributable to:				
Shareholders of the parent company	**(83.3)**	(459.9)	**200.2**	(209.2)
Non-controlling interests	**(15.3)**	7.7	**(13.5)**	(2.7)
	(98.6)	(452.2)	**186.7**	(211.9)

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

As at (in $ millions)	31 Dec 2016 Audited	31 Dec 2015 Audited
Assets		
Non-current assets		
Goodwill	**627.7**	766.8
Intangible assets	**34.9**	18.6
Property, plant and equipment	**4,123.5**	4,559.0
Interest in associates and joint ventures	**378.5**	368.5
Advances and receivables	**34.4**	100.7
Derivative financial instruments	**25.2**	4.4
Retirement benefit assets	**0.3**	0.8
Deferred tax assets	**13.2**	9.1
	5,237.7	5,827.9
Current assets		
Inventories	**39.0**	46.1
Trade and other receivables	**499.6**	584.1
Derivative financial instruments	**53.2**	18.2
Assets classified as held for sale	**0.7**	0.6
Construction contracts – assets	**79.7**	278.1
Other accrued income and prepaid expenses	**216.7**	152.4
Cash and cash equivalents	**1,676.4**	946.8
	2,565.3	2,026.3
Total assets	**7,803.0**	7,854.2
Equity		
Issued share capital	**654.7**	654.7
Treasury shares	**(31.5)**	(31.7)
Paid in surplus	**3,227.5**	3,223.0
Equity reserve	**50.2**	63.2
Translation reserve	**(689.1)**	(452.8)
Other reserves	**(40.2)**	(55.8)
Retained earnings	**2,411.9**	1,976.5
Equity attributable to shareholders of the parent company	**5,583.5**	5,377.1
Non-controlling interests	**(46.9)**	(30.9)
Total equity	**5,536.6**	5,346.2
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**–**	523.9
Retirement benefit obligations	**9.9**	13.3
Deferred tax liabilities	**60.7**	63.4
Provisions	**61.9**	47.0
Contingent liability recognised	**7.5**	4.0
Derivative financial instruments	**12.2**	9.4
Other non-current liabilities	**51.6**	73.1
	203.8	734.1
Current liabilities		
Trade and other liabilities	**823.7**	1,123.5
Derivative financial instruments	**40.7**	12.2
Current tax liabilities	**120.0**	76.7
Current portion of borrowings	**427.3**	-
Provisions	**108.6**	92.6
Construction contracts – liabilities	**536.2**	458.9
Deferred revenue	**6.1**	10.0
	2,062.6	1,773.9
Total liabilities	**2,266.4**	2,508.0
Total equity and liabilities	**7,803.0**	7,854.2

Subsea 7 S.A.

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

(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 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)	–	–	–	–	–	–	436.0	436.0	(17.7)	418.3
Foreign currency translation (losses)/gains	–	–	–	–	(236.6)	–	–	(236.6)	4.2	(232.4)
Cash flow hedges	–	–	–	–	–	(2.7)	–	(2.7)	–	(2.7)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	2.2	–	2.2	–	2.2
Remeasurement gains on defined benefit pension schemes	–	–	–	–	–	1.0	–	1.0	–	1.0
Tax relating to components of other comprehensive income	–	–	–	–	0.3	–	–	0.3	–	0.3
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(236.3)**	**0.5**	**436.0**	**200.2**	**(13.5)**	**186.7**
Transactions with owners										
Dividends declared	–	–	–	–	–	–	–	–	(2.5)	(2.5)
Equity component of convertible bonds	–	–	–	(13.0)	–	–	12.6	(0.4)	–	(0.4)
Share-based payments	–	–	6.6	–	–	–	–	6.6	–	6.6
Vesting of share-based payments	–	–	(2.1)	–	–	–	2.1	–	–	–
Reclassification of remeasurement loss on defined benefit pension scheme	–	–	–	–	–	15.1	(15.1)	–	–	–
Shares reissued relating to share based payments	–	0.2	–	–	–	–	–	0.2	–	0.2
Loss on reissuance of treasury shares	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total transactions with owners	**–**	**0.2**	**4.5**	**(13.0)**	**–**	**15.1**	**(0.6)**	**6.2**	**(2.5)**	**3.7**
Balance at 31 December 2016	**654.7**	**(31.5)**	**3,227.5**	**50.2**	**(689.1)**	**(40.2)**	**2,411.9**	**5,583.5**	**(46.9)**	**5,536.6**

For the year ended 31 December 2015

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

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Year Ended 31 Dec 2016 Audited	 31 Dec 2015 Audited
Net cash generated from operating activities	**1,045.6**	1,048.6
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**16.8**	4.0
Purchases of property, plant and equipment	**(300.3)**	(639.2)
Purchases of intangible assets	**(4.1)**	(5.5)
Loan repayments from joint venture	**69.6**	6.6
Loan to joint venture	**(8.5)**	–
Interest received	**17.9**	16.7
Dividends received from associates and joint ventures	**27.7**	63.6
Acquisition of business (net of cash and borrowings acquired)	**(18.0)**	–
Investment in associates and joint ventures	**–**	(0.2)
Net cash used in investing activities	**(198.9)**	(554.0)
Cash flows from financing activities		
Interest paid	**(11.8)**	(15.1)
Proceeds from borrowings	**–**	80.0
Repayments of borrowings	**–**	(80.5)
Cost of share repurchases	**–**	(7.6)
Repurchase of convertible bonds	**(106.0)**	(64.7)
Proceeds from reissuance of treasury shares	**–**	0.7
Dividends paid to non-controlling interests	**(3.4)**	(8.4)
Net cash used in financing activities	**(121.2)**	(95.6)
Net increase in cash and cash equivalents	**725.5**	399.0
Cash and cash equivalents at beginning of year	**946.8**	572.6
Effect of foreign exchange rate movements on cash and cash equivalents	**4.1**	(24.8)
Cash and cash equivalents at end of year	**1,676.4**	946.8

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 1 March 2017.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period 1 January 2016 to 31 December 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 fourth quarter and year which ended 31 December 2016.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in the Consolidated Financial Statements for the year ended 31 December 2015, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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

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

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

5. Seasonality

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

6. Segment information

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

SURF and Conventional

The SURF and Conventional Business Unit includes:

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

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

i-Tech Services

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

Corporate

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

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

For the three months ended 31 December 2016

(in $ millions) Unaudited	**SURF and Conventional**	**i-Tech Services**	**Corporate**	**Total**
Revenue	**704.8**	**85.1**	**142.3**	**932.2**
Net operating income/(loss) excluding goodwill impairment charge	**153.4**	**(8.8)**	**(99.1)**	**45.5**
Impairment of goodwill	**(90.4)**	**–**	**–**	**(90.4)**
Net operating income/(loss)	**63.0**	**(8.8)**	**(99.1)**	**(44.9)**
Finance income				**7.0**
Other gains and losses				**15.5**
Finance costs				**(3.6)**
Loss before taxes				**(26.0)**

For the three months ended 31 December 2015

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Corporate	Total
Revenue	922.9	98.8	3.1	1,024.8
Net operating income/(loss) excluding goodwill impairment charge	204.4	(9.1)	(89.8)	105.5
Impairment of goodwill	(520.9)	–	–	(520.9)
Net operating loss	(316.5)	(9.1)	(89.8)	(415.4)
Finance income				4.6
Other gains and losses				11.8
Finance costs				(5.2)
Loss before taxes				(404.2)

For the year ended 31 December 2016

(in $ millions) Unaudited	**SURF and Conventional**	**i-Tech Services**	**Corporate**	**Total**
Revenue	**3,011.3**	**377.4**	**178.0**	**3,566.7**
Net operating income/(loss) excluding goodwill impairment charge	**717.1**	**38.0**	**(143.7)**	**611.4**
Impairment of goodwill	**(90.4)**	**–**	**–**	**(90.4)**
Net operating income/(loss)	**626.7**	**38.0**	**(143.7)**	**521.0**
Finance income				**17.9**
Other gains and losses				**44.9**
Finance costs				**(7.1)**
Income before taxes				**576.7**

For the year ended 31 December 2015

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Corporate	Total
Revenue	4,282.6	446.3	29.2	4,758.1
Net operating income/(loss) excluding goodwill impairment charge	840.5	21.7	(197.5)	664.7
Impairment of goodwill	(520.9)	–	–	(520.9)
Net operating income/(loss)	319.6	21.7	(197.5)	143.8
Finance income				16.7
Other gains and losses				32.6
Finance costs				(8.2)
Income before taxes				184.9

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.

For the year ended 31 December 2016, a restructuring charge of $97.1 million was recognised in relation to the Group's resizing and cost reduction programme, of which $57.9 million and $39.2 million were attributable to operating expenses and administrative expenses respectively. The full amounts of the charges were recognised in the Corporate operating segment.

8. Earnings per share

Basic and diluted earnings per share

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

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

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

	Three Months Ended		Year Ended	
For the period (in $ millions)	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited	**31 Dec 2016 Audited**	31 Dec 2015 Audited
Net income/(loss) used in the calculation of diluted earnings per share	**2.6**	(422.0)	**436.0**	(17.0)
Earnings used in the calculation of diluted earnings per share	**2.6**	(422.0)	**436.0**	(17.0)

	Three Months Ended		Year Ended	
For the period (number of shares)	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited	**31 Dec 2016 Audited**	31 Dec 2015 Audited
Weighted average number of common shares used in the calculation of basic earnings per share	**325,644,215**	325,611,787	**325,692,190**	325,768,171
Convertible bonds	**15,521,527**	–	**16,488,335**	–
Share options, performance shares and restricted shares	**804,089**	–	**705,069**	–
Weighted average number of common shares used in the calculation of diluted earnings per share	**341,969,831**	325,611,787	**342,885,594**	325,768,171

	Three Months Ended		Year Ended	
For the period (in $ per share)	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited
Basic earnings per share	**0.01**	(1.30)	**1.34**	(0.05)
Diluted earnings per share	**0.01**	(1.30)	**1.27**	(0.05)

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

	Three Months Ended		Year Ended	
For the period (number of shares)	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited	**31 Dec 2016 Audited**	31 Dec 2015 Audited
Convertible bonds	**–**	19,998,622	**–**	21,216,925
Share options and performance shares	**1,212,955**	2,407,692	**1,187,825**	2,417,260

Adjusted diluted earnings per share

Adjusted diluted earnings per share represents diluted earnings per share excluding the goodwill impairment charge of $90.4 million (2015: $520.9 million). The income and share data used in the calculation of Adjusted diluted earnings per share were as follows:

	Three Months Ended		Year Ended	
For the period (in $ millions)	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited	**31 Dec 2016 Audited**	31 Dec 2015 Audited
Net income attributable to shareholders of the parent company	**93.0**	98.9	**526.4**	503.9
Interest on convertible bonds (net of amounts capitalised)	**–**	–	**–**	–
Earnings used in the calculation of Adjusted diluted earnings per share	**93.0**	98.9	**526.4**	503.9

	Three Months Ended		Year Ended	
For the period (number of shares)	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited	**31 Dec 2016 Audited**	31 Dec 2015 Audited
Weighted average number of common shares used in the calculation of basic earnings per share	**325,644,215**	325,611,787	**325,692,190**	325,768,171
Convertible bonds	**15,521,527**	19,998,622	**16,488,335**	21,216,925
Share options and performance shares	**804,089**	48,244	**705,069**	80,820
Weighted average number of common shares used in the calculation of Adjusted diluted earnings per share	**341,969,831**	345,658,653	**342,885,594**	347,065,916

	Three Months Ended		Year Ended	
For the period (in $ per share)	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited	**31 Dec 2016 Audited**	31 Dec 2015 Audited
Adjusted diluted earnings per share	**0.27**	0.29	**1.54**	1.45

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 (loss)/income to Adjusted EBITDA and Adjusted EBITDA margin:

	Three Months Ended		Year Ended	
For the period (in $ millions)	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited	**31 Dec 2016 (a)**	31 Dec 2015 (a)
Net operating (loss)/income	**(44.9)**	(415.4)	**521.0**	143.8
Depreciation, amortisation and mobilisation	**95.2**	108.3	**371.8**	415.7
Impairment of goodwill	**90.4**	520.9	**90.4**	520.9
Impairment of property, plant and equipment	**147.5**	96.0	**157.9**	136.5
Impairment of intangible assets	**–**	–	**0.6**	–
Adjusted EBITDA (unaudited)	**288.2**	309.8	**1,141.7**	1,216.9
Revenue	**932.2**	1,024.8	**3,566.7**	4,758.1
Adjusted EBITDA margin (unaudited)	**30.9%**	30.2%	**32.0%**	25.6%

(a) Audited unless otherwise stated.

Reconciliation of net (loss)/income to Adjusted EBITDA and Adjusted EBITDA margin:

	Three Months Ended		Year Ended	
For the period (in $ millions)	**31 Dec 2016 Unaudited**	31 Dec 2015 Unaudited	**31 Dec 2016 (a)**	31 Dec 2015 (a)
Net (loss)/income	**(13.3)**	(421.0)	**418.3**	(37.0)
Depreciation, amortisation and mobilisation	**95.2**	108.3	**371.8**	415.7
Impairment of goodwill	**90.4**	520.9	**90.4**	520.9
Impairment of property, plant and equipment	**147.5**	96.0	**157.9**	136.5
Impairment of intangible assets	**–**	–	**0.6**	–
Finance income	**(7.0)**	(4.6)	**(17.9)**	(16.7)
Other gains and losses	**(15.5)**	(11.8)	**(44.9)**	(32.6)
Finance costs	**3.6**	5.2	**7.1**	8.2
Taxation	**(12.7)**	16.8	**158.4**	221.9
Adjusted EBITDA (unaudited)	**288.2**	309.8	**1,141.7**	1,216.9
Revenue	**932.2**	1,024.8	**3,566.7**	4,758.1
Adjusted EBITDA margin (unaudited)	**30.9%**	30.2%	**32.0%**	25.6%

(a) Audited unless otherwise stated.

10. Goodwill

The movement in goodwill during the year was as follows:

	Year Ended	
(in $ millions)	**31 Dec 2016 Audited**	31 Dec 2015 Audited
At year beginning	**766.8**	1,322.3
Acquisition	**14.9**	–
Impairment charge	**(90.4)**	(520.9)
Exchange differences	**(63.6)**	(34.6)
At year end	**627.7**	766.8

Business combination

On 27 July 2016 an indirect subsidiary of Subsea 7 S.A. acquired 100% of the voting shares of Swagelining Limited and Pioneer Lining Technology Limited. This acquisition resulted in the recognition of goodwill of $14.9 million. Goodwill comprises the value of unpatented technology and ongoing early stage research and development which do not meet the criteria for separate recognition. Subsequent to initial recognition of provisional amounts in Q3 2016, retrospective adjustments to goodwill were made following the completion of certain post-transaction procedures specified at the time of the business combination. A reconciliation of movements is as follows.

(in $ millions)	
Provisional goodwill arising on business combination	**9.1**
Adjustments to total identifiable net assets at fair value subsequent to initial recognition	0.5
Recognition of deferred tax liability on intangible assets	4.4
Increase in cash consideration subsequent to initial recognition	0.9
Exchange differences	(0.8)
As at 31 December 2016	**14.1**

Impairment review

The Group performed its annual impairment test as at 31 December 2016. The recoverable amounts of the cash-generating units (CGUs) were determined based on a value-in-use calculation using pre-tax cash flow projections approved by the Executive Management Team covering a five-year period. Cash flows beyond this five-year period were extrapolated in perpetuity, using a 2.0% (2015: 2.0%) growth rate to determine the terminal value. The pre-tax discount rate applied to cash flow projections was 11.2% (2015: 11.1%). Following the annual impairment review, an impairment charge of $90.4 million was recognised in the Consolidated Income Statement in respect of goodwill allocated to the Asia Pacific and Middle East (APME) CGU . The impairment arose as a result of the continued challenging business environment in the Asia Pacific region. In the short-to-medium term low oil prices combined with low levels of project awards are expected to adversely impact activity levels in the region.

11. Property, plant and equipment

Significant additions to property, plant and equipment for the quarter ended 31 December 2016 included expenditure related to the new-build vessel programme.

12. Treasury shares

During the fourth quarter, 190,255 shares were used to satisfy share-based awards. At 31 December 2016, the Group held 1,533,004 common shares as treasury shares, of which; 41,428 common shares were directly held (Q4 2015: 31,683), representing 0.01% (Q4 2015: 0.01%) of the total number of issued shares; 1,241,200 (Q4 2015: 1,441,200) common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 250,376 (Q4 2015: 250,376) common shares were held in a separate employee benefit trust to support specified share option awards.

13. Share repurchase programme

During the fourth quarter, no shares were repurchased under the Group's $200 million share repurchase programme initiated in July 2014. As at 31 December 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

As at 31 December 2016 the Group had total facilities of $1,051 million, all of which were unutilised. This included the $750 million multi-currency credit and guarantee facility, of which $94 million matures in September 2019 and $656 million matures in September 2021, and a senior term loan facility secured on two vessels under construction, 90% of this facility is provided by an Export Credit Agency (ECA) and 10% by two banks.

15. Commitments and contingent liabilities

Commitments

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

- contracts totalling $42.9 million relating to the new-build heavy construction vessel, *Seven Arctic*, and the diving support vessel, *Seven Kestrel* which are due to commence operations during the first half of 2017.

Contingent liabilities

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 31 December 2016 the contingent liability (including assessed amounts, penalties and interest) amounted to BRL 670.1 million, equivalent to $201.4 million. At 31 December 2015 the contingent liability (including assessed amounts, penalties and interest) amounted to BRL 706.7 million, equivalent to $177.1 million. The Group has challenged these assessments with some cases being dismissed by tax authorities.

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 'Business Combinations' required the Group to recognise as a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. The value of the provision recognised within the Consolidated Balance Sheet at 31 December 2016 was $4.8 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.

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 31 December 2016 was GBP 2.2 million, equivalent to $2.7 million.

16. Cash flow from operating activities

For the year ended (in $ millions)	**31 Dec 2016 Audited**	31 Dec 2015 Audited
Cash flow from operating activities:		
Income before taxes	**576.7**	184.9
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**354.5**	386.4
Impairment of property, plant and equipment	**157.9**	136.5
Impairment of intangible assets	**0.6**	-
Amortisation of intangible assets	**7.3**	7.2
Impairment of goodwill	**90.4**	520.9
Mobilisation costs	**10.0**	22.1
Adjustments for investing and financing items:		
Share of net income of associates and joint ventures	**(46.4)**	(63.4)
Finance income	**(17.9)**	(16.7)
Loss on disposal of property, plant and equipment	**2.3**	33.0
Insurance income	**–**	(30.6)
Gain on repurchase of convertible bonds	**(3.0)**	(2.6)
Finance costs	**7.1**	8.2
Adjustments for equity items:		
Share-based payments	**6.6**	6.8
	1,146.1	1,192.7
Changes in operating assets and liabilities:		
Decrease in inventories	**6.3**	10.1
Decrease in operating receivables	**126.3**	303.1
Decrease in operating liabilities	**(92.5)**	(249.2)
	40.1	64.0
Income taxes paid	**(140.6)**	(208.1)
Net cash generated from operating activities	**1,045.6**	1,048.6

17. Fair value and financial instruments

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

As at (in $ millions)	**31 Dec 2016 Carrying amount Audited**	**31 Dec 2016 Fair value Audited**	31 Dec 2015 Carrying amount Audited	31 Dec 2015 Fair value Audited
Financial liabilities				
Borrowings – convertible bonds – Level 2	**(427.3)**	**(435.3)**	(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 convertible bonds to market interest rates available to the Group. At the balance sheet date the interest rate available was 2.2% (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)	2016 31 Dec Level 2	2016 31 Dec Level 3	2015 31 Dec Level 2	2015 31 Dec Level 3
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through profit or loss – derivative instruments	**78.4**	**–**	20.9	–
Derivative instruments in designated hedge accounting relationships	**–**	**–**	1.7	–
Financial liabilities:				
Financial liabilities at fair value through profit or loss – derivative instruments	**(52.9)**	**–**	(21.6)	
Contingent consideration	**–**	**(11.5)**	–	–

During the year ended 31 December 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.
- Contingent consideration
  The fair value of contingent consideration is is determined based on current expectations of the achievement of specific targets and milestones calculated using the discounted cash flow method and unobservable inputs.

18. Post balance sheet events

Business combination

On 17 January 2017 an indirect subsidiary of Subsea 7 S.A. made an offer to acquire the 50% shareholding in Seaway Heavy Lifting Holding Limited currently owned by K&S Baltic Offshore (Cyprus) Limited. The offer includes an initial consideration of $279 million on completion and deferred consideration of up to $40 million to be paid by the end of the first quarter 2021 on condition that certain performance targets are met. The terms of the offer are binding on Subsea 7 until 1 July 2017. During this period the Works Council representing the employees of Seaway Heavy Lifting in the Netherlands will be consulted in compliance with Dutch law.

Senior secured facility

In January 2017, the Group drew down $301.3 million of funds against its Export Credit Agency (ECA) senior secured facility. Amounts drawn are secured against the vessels, *Seven Arctic* and *Seven Kestrel.*

Dividend

Reflecting the Group's excellent operating performance and resulting strong financial and liquidity position, the Board of Directors will recommend to the shareholders at the Annual General Meeting on 12 April 2017 that a special dividend of NOK 5.00 per share be paid, equivalent to a total dividend of approximately $200 million.