Subsea 7 S.A. Announces Second Quarter and Half Year 2023 Results

Luxembourg – 26 July 2023 – Subsea 7 S.A. (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355, the Company) announced today results of Subsea7 Group (the Group, Subsea7) for the second quarter and first half of 2023 which ended 30 June 2023.

Second quarter highlights

- Second quarter Adjusted EBITDA of $162 million resulting in a margin of 11%
- Renewables business unit back on track, with Adjusted EBITDA margin of 11%
- Order intake remains strong at $2.2 billion, resulting in a book-to-bill of 1.4 times
- Backlog of $10.4 billion, of which $3.0 billion to be executed in 2023 and $4.3 billion in 2024
- Recent awards and high levels of ongoing tendering activity continue to support a return of Adjusted EBITDA margins to a range of 15-20% over the coming four years
- Full year 2023 guidance reconfirmed

	Second Quarter		Half Year	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q2 2023 Unaudited**	Q2 2022 Unaudited	**1H 2023 Unaudited**	1H 2022 Unaudited
Revenue	**1,518**	1,247	**2,764**	2,441
Adjusted EBITDA[(a)]	**162**	134	**268**	220
Adjusted EBITDA margin[(a)]	**11%**	11%	**10%**	9%
Net operating income/(loss)	**1**	18	**(14)**	(13)
Net income/(loss)	**14**	22	**(15)**	10
Earnings per share – in $ per share				
Basic	**0.06**	0.14	**(0.01)**	0.09
Diluted[(b)]	**0.06**	0.14	**(0.01)**	0.09

At (in $ millions)	**30 June 2023 Unaudited**	31 March 2023 Unaudited
Backlog[(a)]	**10,363**	9,683
Book-to-bill ratio	**1.4x**	1.5x
Cash and cash equivalents	**398**	686
Borrowings	**(760)**	(649)
Net (debt)/cash excluding lease liabilities[(a)]	**(363)**	37
Net debt including lease liabilities[(a)]	**(805)**	(419)

(a) For explanations and reconciliations of Adjusted EBITDA, Adjusted EBITDA margin, Backlog, Book-to-bill ratio and Net cash/(debt) refer to the 'Alternative Performance Measures' section of 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.

John Evans, Chief Executive Officer, said:

Subsea7 delivered satisfactory financial results for the second quarter of 2023 reflecting a good operational performance in Subsea and Conventional and a strong result in Renewables. Continued positive momentum in new orders saw over $2 billion new work booked during the quarter, including notable awards of the Sakarya Phase 2A integrated subsea development in Türkiye, and an integrated monopile and cable installation contract for the East Anglia THREE wind development in the UK. Our book-to-bill was 1.4 times and the backlog grew to $10.4 billion. The Group is on track to meet Adjusted EBITDA expectations for the full year 2023, and the strong backlog, combined with the current positive dynamics in project tendering, gives us confidence that the Group Adjusted EBITDA margin will return to a range of 15-20% over the coming four years.

Operational highlights

During the second quarter, utilisation of our Subsea and Conventional vessels was high at 85%. *Seven Seas* made good operational progress on Sangomar in Senegal, and *Seven Vega* and *Seven Pacific* were active on the Bacalhau project in Brazil. *Seven Borealis* began the installation of jackets for the Marjan 2 project in Saudi Arabia, and we completed the transport and installation of a large jacket at the Azeri Central East development in the Caspian Sea. In addition, five vessels were active in Norway – *Seven Oceans*, *Seven Oceanic, Seven Navica* and *Seven Falcon* worked on eight fields for five clients including the Northern Lights CCUS project, while S*even Viking*, continued its long-term IRM contract.

In the Renewables business unit *Seaway Aimery* finished the cable lay scope of Seagreen in July, and this $1.4 billion project has now been successfully completed. In Taiwan, *Seaway Phoenix* was active on Changfang and Xidao while, in the UK, *Seaway Strashnov* made good progress on Dogger Bank A where it has now installed 71 of 95 monopiles (at 25 July 2023). This strong performance by *Seaway Strashnov* will allow commencement of Dogger Bank B in late 2023, allowing us to de-risk the scope of work for 2024.

Seaway Alfa Lift is currently in transit to Europe and will join the fleet in Q3 2023. The vessel is planned to be deployed on transition piece installation on Dogger Bank A&B and C from 2023 to 2025, while monopile installation will continue throughout the period with *Seaway Strashnov*. This revised plan is being developed with our client and, although subject to final approvals, provides confidence in our financial estimates for the project. The construction of *Seaway Ventus,* a heavy-duty jack-up suitable for turbine and monopile installation, remains on track.

Second quarter financial review

Revenue of $1.5 billion increased 22% compared to the prior year period. Adjusted EBITDA of $162 million equated to an Adjusted EBITDA margin of 10.7%, in line with the prior year period. This reflected an increased contribution from Renewables – with a return to a double-digit Adjusted EBITDA margin – offset by lower margins in Subsea and Conventional where the mix of activity is currently skewed towards projects won in a challenging environment in 2020 and 2021. Depreciation, amortisation and impairment charges of $161 million included charges of $23 million primarily relating to two non-core, shallow water vessels in Nigeria. Net operating income, including the impairment charges, declined to $1 million from $18 million in the prior year period. After net finance costs of $8 million, and a net foreign exchange gains of $59 million – driven by non-cash embedded derivatives - net income for the quarter was $14 million compared to $22 million in Q2 2022.

Net cash used in operations was $31 million including a $176 million increase in net working capital. The increase in net working capital was in line with expectations. Net cash used in investing activities was $201 million mainly related to the remaining milestone payments for *Seaway Alfa Lift* and the compulsory acquisition of the remaining shares in Seaway 7 ASA equating to $13 million. Net cash used in financing activities was $60 million including a dividend payment of $112 million. Overall, cash and cash equivalents decreased by $288 million from 31 March 2023 to $398 million at 30 June 2023. Net debt at the end of the second quarter was $805 million including lease liabilities of $442 million.

Second quarter order intake was $2.2 billion comprising new awards of $1.5 billion and escalations of $0.7 billion resulting in a book-to-bill ratio of 1.4 times. Backlog at the end of June was $10.4 billion, of which $3.0 billion is expected to be executed in 2023 and $4.3 billion in 2024.

Outlook – full year 2023 on track

We continue to expect revenue and Adjusted EBITDA in 2023 to be higher than 2022, with a weighting towards the second half of the year. Pricing and contract terms showed continued positive momentum during the second quarter and recent awards, as well as the current market dynamics, support our view that Adjusted EBITDA margins should gradually return to a range of 15-20% over the coming four years. This is approaching the margin necessary to yield an appropriate return on capital employed.

Conference Call Information

Date: 26 July 2023
Time: 12:00 UK Time
Access the webcast at subsea7.com or edge.media-server.com/mmc/p/kxosh2j9
Register for the conference call at https://register.vevent.com/register/BI8da15e8c6935495591d6ddae432e1ab1

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Special Note Regarding Forward-Looking Statements

Certain statements made in this announcement may contain 'forward-looking statements' (within the meaning of the safe harbour provisions of the U.S. Private Securities Litigation Reform Act of 1995). These statements relate to our current expectations, beliefs, intentions, assumptions or strategies regarding the future and are subject to known and unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements may be identified by the use of words such as 'anticipate', 'believe', 'estimate', 'expect', 'future', 'goal', 'intend', 'likely' 'may', 'plan', 'project', 'seek', 'should', 'strategy' 'will', and similar expressions. The principal risks which could affect future operations of the Group are described in the 'Risk Management' section of the Group's Annual Report and Consolidated Financial Statements. Factors that may cause actual and future results and trends to differ materially from our forward-looking statements include (but are not limited to): (i) our ability to deliver fixed price projects in accordance with client expectations and within the parameters of our bids, and to avoid cost overruns; (ii) our ability to collect receivables, negotiate variation orders and collect the related revenue; (iii) our ability to recover costs on significant projects; (iv) capital expenditure by oil and gas companies, which is affected by fluctuations in the price of, and demand for, crude oil and natural gas; (v) unanticipated delays or cancellation of projects included in our backlog; (vi) competition and price fluctuations in the markets and businesses in which we operate; (vii) the loss of, or deterioration in our relationship with, any significant clients; (viii) the outcome of legal proceedings or governmental inquiries; (ix) uncertainties inherent in operating internationally, including economic, political and social instability, boycotts or embargoes, labour unrest, changes in foreign governmental regulations, corruption and currency fluctuations; (x) the effects of a pandemic or epidemic or a natural disaster; (xi) liability to third parties for the failure of our joint venture partners to fulfil their obligations; (xii) changes in, or our failure to comply with, applicable laws and regulations (including regulatory measures addressing climate change); (xiii) operating hazards, including spills, environmental damage, personal or property damage and business interruptions caused by adverse weather; (xiv) equipment or mechanical failures, which could increase costs, impair revenue and result in penalties for failure to meet project completion requirements; (xv) the timely delivery of vessels on order and the timely completion of ship conversion programmes; (xvi) our ability to keep pace with technological changes and the impact of potential information technology, cyber security or data security breaches; and (xvii) the effectiveness of our disclosure controls and procedures and internal control over financial reporting. Many of these factors are beyond our ability to control or predict. Given these uncertainties, you should not place undue reliance on the forward-looking statements. Each forward-looking statement speaks only as of the date of this announcement. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
This information is considered to be inside information pursuant to the EU Market Abuse Regulation and is subject to the disclosure requirements pursuant to Section 5-12 the Norwegian Securities Trading Act.

This stock exchange release was published by Katherine Tonks, Investor Relations, Subsea7, on 26 July 2023 at 08:00 CET.

Second Quarter 2023

Income Statement

Revenue

Revenue for the second quarter was $1.5 billion, an increase of $271 million or 22% compared to Q2 2022. The increase was mainly due to significantly increased activity in the Subsea and Conventional business unit.

Adjusted EBITDA

Adjusted EBITDA was $162 million resulting in an Adjusted EBITDA margin of 11%, an increase of $28 million or 21% compared to Q2 2022. The increase was driven by improved Adjusted EBITDA in the Renewables business unit, which returned to double digit Adjusted EBITDA margins, partly offset by a lower contribution from the Subsea and Conventional business unit as projects awarded in 2020 and 2021 at low margins were executed.

Net operating income

Net operating income was $1 million compared to net operating income of $18 million in Q2 2022.

Net operating income in the quarter was mainly driven by:

- net operating income of $9 million in the Renewables business unit compared to net operating loss of $71 million in Q2 2022. The prior year period's results reflected costs recognised relating to slower progress and delays encountered on certain projects;
- net operating income of $2 million in the Corporate business unit compared to net operating income of $8 million in Q2 2022

partly offset by:

- net operating loss of $10 million in the Subsea and Conventional business unit compared to net operating income of $81 million in Q2 2022. The results in the second quarter of 2023 reflected the execution of projects awarded in 2020 and 2021 at low margins and impairment charges of $23 million related to non-core vessels in Nigeria. In addition, the results for the prior year period benefitted from the close-out of certain projects.

Net income

Net income was $14 million in the second quarter, compared to net income of $22 million in the prior year period.

The year-on-year movement was primarily due to:

- a reduction of $17 million in net operating income

partly offset by:

- a net gain of $59 million within other gains and losses, due to a net foreign currency gain, compared to a net gain of $47 million in the prior year period.

In the second quarter taxation was $37 million, representing an effective tax rate of 72%, compared to $36 million in Q2 2022 at an effective tax rate of 62%.

Earnings per share

Diluted earnings per share was $0.06 compared to $0.14 in Q2 2022, calculated using a weighted average number of shares of 301 million and 294 million, respectively.

Business Unit Highlights

Subsea and Conventional

Revenue for the second quarter was $1.2 billion, an increase of $219 million or 23% compared to the prior year period, reflecting higher activity levels.

During the quarter the Sakarya Phase 1 project, Türkiye, was substantially completed. Work progressed on the Sangomar project, Senegal, the Sanha Lean Gas and CLOV 3 projects, Angola, the Marjan 2 project, Saudi Arabia and the Azeri Central East development in the Caspian Sea.

In Brazil, there were high levels of utilisation of the PLSVs and work progressed on the Bacalhau and Mero 3 projects.

Net operating loss of $10 million compared to net operating income of $81 million in Q2 2022. Results in the second quarter of 2023 reflected the execution of low margin projects awarded in 2020 and 2021 and impairment charges of $23 million related to non-core vessels. In addition, the results for the prior year period benefitted from the close-out of certain projects.

Renewables

Revenue was $309 million compared to $260 million in Q2 2022. During the quarter close-out on the Hollandse Kust Zuid project, the Netherlands, and the Seagreen project, the UK, progressed as the projects neared completion. Work progressed on the Dogger Bank A&B project, the UK, and the Changfang and Xidao project, Taiwan.

Net operating income was $9 million in Q2 2023 compared to net operating loss of $71 million in Q2 2022, with the prior year period being adversely impacted by additional costs incurred on certain projects.

Corporate

Revenue, which was mainly driven by the Group's autonomous wholly-owned subsidiaries Xodus and 4Subsea, was $28 million, an increase of $3 million compared to Q2 2022.

Vessel utilisation and fleet

Vessel utilisation for the second quarter was 85% compared with 77% for Q2 2022.

At 30 June 2023 there were 40 vessels in the Group's fleet, comprising 38 active vessels and 2 vessels under construction.

Cash flow

Cash flow statement
Cash and cash equivalents were $398 million at 30 June 2023, a decrease $288 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- net cash used in operating activities of $31 million, reflected planned unfavourable movements of $176 million in net working capital;
- net cash used in investing activities of $201 million, which included purchases of property, plant and equipment and intangible assets of $197 million mainly related to the milestone payments for *Seaway Alfa Lift*; and
- net cash used in financing activities of $60 million, which included dividends paid of $112 million, payments related to lease liabilities of $48 million and scheduled repayment of borrowings of $31 million, partly offset by $143 million drawn under the Group's multi-currency revolving credit and guarantee facility.

Free cash flow
During the second quarter, the Group generated negative free cash flow of $228 million (Q2 2022: free cash flow of $42 million) which is defined as cash used in operating activities of $31 million (Q2 2022: cash generated from operating activities of $94 million) less purchases of property, plant and equipment and intangible assets of $197 million (Q2 2022: $52 million).

Half Year 2023

Income Statement

Revenue
Revenue for the first half of 2023 was $2.8 billion, an increase of $323 million or 13% compared to 1H 2022. The increase was due to significantly increased activity in the Subsea and Conventional business unit partly offset by lower revenue in the Renewables business unit.

Adjusted EBITDA
Adjusted EBITDA was $268 million resulting in an Adjusted EBITDA margin of 10%, an increase of $49 million or 22% compared to 1H 2022. The increase was driven by higher Adjusted EBITDA in the Renewables business unit partly offset by a lower contribution from the Subsea and Conventional business.

Net operating loss
Net operating loss was $14 million compared to net operating loss of $13 million in the prior year period.

Net operating loss in the first half of 2023 was driven by:

- net operating loss of $9 million in the Renewables business unit (1H 2022: net operating loss of $88 million) with the prior year period being impacted by costs incurred on certain projects; and
- net operating loss of $7 million in the Subsea and Conventional business unit (1H 2022: net operating income $66 million) with the prior year period benefitting from the close-out of certain projects.

Net (loss)/income
Net loss was $15 million in the first half of 2023, compared to net income of $10 million in the prior year period.

The year-on-year movement was primarily due to an increase in taxation charge of $20 million driven by withholding taxes incurred and the impact of impairment charges which were non-deductible for tax purposes.

Earnings per share
Diluted loss per share was $0.01 compared to diluted earnings per share of $0.09 in 1H 2022, calculated using a weighted average number of shares of 296 million and 295 million, respectively.

Business Unit Highlights

Subsea and Conventional
Revenue for the first half of 2023 was $2.2 billion, an increase of $379 million or 20% compared to the prior year period, reflecting higher activity levels.

During the period the Sakarya Phase 1 project, Türkiye, neared completion, and work progressed on the Sangomar project, Senegal, the Sanha Lean Gas and CLOV 3 projects, Angola, the Marjan 2 project, Saudi Arabia and the Azeri Central East development in the Caspian Sea.

In Brazil, there were high levels of utilisation of the PLSVs and work progressed on the Bacalhau and Mero 3 projects.

Net operating loss was $7 million compared to net operating income of $66 million in the prior year period. The results in 2023 reflect the execution of low margin projects awarded in 2020 and 2021 and impairment charges of $23 million related to non-core vessels classified as assets held for sale. In addition, the results for the prior year period benefitted from the close-out on certain projects.

Renewables
Revenue was $468 million compared to $526 million in the prior year period. During the period the Hollandse Kust Zuid project, the Netherlands, and the Seagreen project, the UK, were substantially completed. Work progressed on the Dogger Bank A&B project, the UK, and the Changfang and Xidao project, Taiwan.

Net operating loss was $9 million in the first half of 2023 compared to net operating loss of $88 million in the prior year period, which reflected costs incurred on the Formosa 2 project, Taiwan.

Corporate
Revenue, which was mainly driven by the Group's autonomous wholly-owned subsidiaries Xodus and 4Subsea and the Group's floating wind activities, was $54 million, an increase of $2 million compared to the prior year period.

Vessel utilisation and fleet
Vessel Utilisation for the first half of 2023 was 76% compared with 75% for 1H 2022.

Cash flow

Cash flow statement

Cash and cash equivalents were $398 million at 30 June 2023, a decrease of $248 million in the half year ended 30 June 2023. The movement in cash and cash equivalents was mainly attributable to:

- net cash used in operating activities of $158 million, which included planned unfavourable movements of $390 million in net working capital;
- net cash used in investing activities of $288 million, which included purchases of property, plant and equipment and intangible assets of $289 million

partly offset by:

- net cash generated from financing activities of $196 million, which included $300 million drawn under the Group's UK Export Finance (UKEF) facility, $143 million drawn under the Group's multi-currency revolving credit and guarantee facility, partly offset by, scheduled repayment of borrowings of $37 million and dividends paid to shareholders of $112 million.

Free cash flow

During the half year ended 30 June 2023, the Group generated negative free cash flow of $447 million (1H 2022: free cash flow of $29 million) which is defined as cash used in operating activities of $158 million (1H 2022: cash generated from operating activities of $133 million) less purchases of property, plant and equipment and intangible assets of $289 million (1H 2022: $104 million).

Balance Sheet

Non-current assets

At 30 June 2023, non-current assets were $4.9 billion (31 December 2022: $4.5 billion). The movement of $348 million was largely driven by an increase in right-of-use assets of $175 million, mainly related to long-term vessel leases and associated options, and an increase in property, plant and equipment of $107 million.

Non-current liabilities

At 30 June 2023, total non-current liabilities were $954 million (31 December 2022: $609 million). The increase of $345 million was mainly driven by:

- $300 million drawn under the Group's UK Export Finance (UKEF) facility, of which $240 million was recognised as non-current liabilities;
- increase of $136 million in lease liabilities

partly offset by:

- $47 million reclassified to current borrowings in line with repayment schedules.

Net current assets

At 30 June 2023, current assets were $2.8 billion (31 December 2022: $2.4 billion) and current liabilities were $2.3 billion (31 December 2022: $1.9 billion), resulting in net current assets of $405 million (31 December 2022: $537 million). The decrease of $132 million in the period was driven by:

- increase in borrowings of $212 million mainly driven by the drawdown of $143 million under the Group's multi-currency revolving credit and guarantee facility;
- decrease in cash and cash equivalents of $248 million;
- increase in trade and other liabilities of $190 million;
- increase in lease liabilities of $49 million

partly offset by:

- increase in construction contracts assets of $314 million; and
- increase in trade and other receivables of $179 million.

Equity

At 30 June 2023, total equity was $4.3 billion (31 December 2022: $4.5 billion). The decrease of $128 million in the period was driven by:

- dividends of $112 million;
- net loss of $15 million;
- acquisition of non-controlling interest of $13 million

partly offset by:

- net foreign currency translation gains of $18 million.

Borrowings, lease liabilities, net cash/(debt) and liquidity

Borrowings

At 30 June 2023, total borrowings were $760 million (31 December 2022: $356 million). The increase of $404 million was mainly driven by drawdowns of $300 million under the Group's UK Export Finance (UKEF) facility and $143 million under the Group's multi-currency revolving credit and guarantee facility, respectively. The increase in the Group's total borrowings was partly offset by scheduled repayments.

A summary of the borrowing facilities available to the Group at 30 June 2023 is as follows:

(in $ millions)	Total facility	Drawn[(a)]	Undrawn	Maturity Date
Multi-currency revolving credit and guarantee facility	700.0	(142.5)	557.5	June 2028[(b)]
UK Export Finance (UKEF) facility	475.0	(475.0)	–	February 2028
South Korean Export Credit Agency (ECA) facility	147.5	(147.5)	–	January 2027[(c)]
Total	**1,322.5**	**(765.0)**	**557.5**	

(a) Borrowings presented in the Consolidated Balance Sheet are shown net of capitalised fees of $4.6 million, which are amortised over the period of the facility.
(b) During the quarter the Group requested a one year extension to the multi-currency revolving credit and guarantee facility which will now mature in June 2028. The facility size will reduce from $700 million to $600 million in June 2027 until maturity in June 2028.
(c) 90% of the facility is provided by an Export Credit Agency (ECA) and 10% by commercial banks. The maturity of the ECA tranche is January 2029 and the maturity of the commercial tranche is January 2027.

Lease liabilities
Lease liabilities were $442 million, an increase of $185 million compared with 31 December 2022. The increase was driven by vessel leases, including options, entered into by the Group.

Net cash/(debt)
At 30 June 2023:

- net debt (excluding lease liabilities) was $363 million compared to net cash of $290 million at 31 December 2022; and
- net debt (including lease liabilities) was $805 million, compared to net cash of $33 million at 31 December 2022.

Gearing
At 30 June 2023, gross gearing (borrowings divided by total equity) was 17.6% (31 December 2022: 8.0%).

Liquidity
At 30 June 2023, the Group's liquidity, represented by cash and cash equivalents and undrawn borrowing facilities was $955 million (31 December 2022: $1.6 billion). The Group is at an advanced stage of negotiation to secure additional core debt funding of $450 million.

Shareholder distributions
Share repurchase programme
During the second quarter no shares were repurchased in accordance with the Group's share repurchase programme authorised on 24 July 2019, extended on 19 April 2023. At 30 June 2023, the Group had cumulatively repurchased 10,000,212 shares for a total consideration of $77 million under this programme. At 30 June 2023, the Group directly held 4,102,387 shares (31 December 2022: 9,794,267) as treasury shares, representing 1.35% (31 December 2022: 3.26%) of the total number of issued shares.

Backlog
At 30 June 2023 backlog was $10.4 billion compared to $9.7 billion at 31 March 2023. Order intake in the second quarter was $2.2 billion representing a book-to-bill ratio of 1.4 times. Order intake included new awards of $1.5 billion, including the Sakarya Phase 2A in Türkiye, East Anglia THREE offshore farm project in the UK and the Salamanca development project, US Gulf of Mexico. Escalations of approximately $700 million were recognised in the quarter. The impact of foreign exchange in the quarter was not significant.

$8.7 billion of the backlog at 30 June 2023 related to the Subsea and Conventional business unit (which included $0.4 billion related to long-term day-rate contracts for PLSVs in Brazil) and $1.7 billion related to the Renewables business unit. $3.0 billion of the backlog is expected to be executed in 2023, $4.3 billion in 2024 and $3.0 billion in 2025 and thereafter. Backlog related to associates and joint ventures, which is not significant to the Group, is excluded from these amounts.

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 26 to 42 of Subsea 7 S.A.'s 2022 Annual Report. Management has considered these principal risks and uncertainties and concluded that these have not changed significantly in the six-month period ended 30 June 2023. The principal risks within health, safety, security, environmental and quality include the risk of a pandemic virus. The principal risks within the business environment include risks related to civil or political unrest, including war.

Responsibility statement
We confirm that, to the best of our knowledge, the financial statements for the period 1 January 2023 to 30 June 2023 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 together with the Subsea 7 S.A. 2022 Annual Report include a fair review of the development and performance of the business and the position of the Group, including a description of the principal risks and uncertainties facing the Group.

Kristian Siem
Chairman

John Evans
Chief Executive Officer

Subsea 7 S.A.
Condensed Consolidated Income Statement

(in $ millions)	Second Quarter **Q2 2023 Unaudited**	Second Quarter Q2 2022 Unaudited	Half Year **1H 2023 Unaudited**	Half Year 1H 2022 Unaudited
Revenue	**1,517.8**	1,247.0	**2,764.1**	2,440.8
Operating expenses	**(1,448.0)**	(1,168.0)	**(2,642.6)**	(2,331.5)
Gross profit	**69.8**	79.0	**121.5**	109.3
Administrative expenses	**(69.4)**	(60.6)	**(135.2)**	(121.0)
Share of net gain/(loss) of associates and joint ventures	**0.7**	(0.6)	**(0.5)**	(1.4)
Net operating income/(loss)	**1.1**	17.8	**(14.2)**	(13.1)
Finance income	**7.5**	0.7	**13.6**	1.6
Other gains and losses	**58.7**	46.8	**55.7**	54.0
Finance costs	**(15.9)**	(7.1)	**(29.8)**	(11.9)
Income before taxes	**51.4**	58.2	**25.3**	30.6
Taxation	**(37.2)**	(36.0)	**(40.3)**	(20.8)
Net income/(loss)	**14.2**	22.2	**(15.0)**	9.8
Net income/(loss) attributable to:				
Shareholders of the parent company	**18.2**	41.2	**(1.7)**	26.3
Non-controlling interests	**(4.0)**	(19.0)	**(13.3)**	(16.5)
	14.2	22.2	**(15.0)**	9.8

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.06**	0.14	**(0.01)**	0.09
Diluted[(a)]	**0.06**	0.14	**(0.01)**	0.09

(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 Q2 2023 Unaudited	Second Quarter Q2 2022 Unaudited	Half Year 1H 2023 Unaudited	Half Year 1H 2022 Unaudited
Net income/(loss)	**14.2**	22.2	**(15.0)**	9.8
Items that may be reclassified to the income statement in subsequent periods:				
Net foreign currency translation gains/(losses)	**12.0**	(39.0)	**17.5**	(56.0)
Commodity cash flow hedges	**(1.4)**	(7.1)	**(4.4)**	5.7
Tax relating to components of other comprehensive income	**(3.4)**	2.7	**(3.2)**	1.5
Other comprehensive income/(loss)	**7.2**	(43.4)	**9.9**	(48.8)
Total comprehensive income/(loss)	**21.4**	(21.2)	**(5.1)**	(39.0)
Total comprehensive income/(loss) attributable to:				
Shareholders of the parent company	**25.4**	(1.1)	**8.1**	(20.2)
Non-controlling interests	**(4.0)**	(20.1)	**(13.2)**	(18.8)
	21.4	(21.2)	**(5.1)**	(39.0)

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

	30 June 2023 Unaudited	31 December 2022 Audited
Assets		
Non-current assets		
Goodwill	**191.9**	191.3
Intangible assets	**47.6**	31.1
Property, plant and equipment	**4,028.9**	3,922.0
Right-of-use assets	**417.4**	242.0
Interest in associates and joint ventures	**23.0**	25.5
Advances and receivables	**67.3**	65.9
Derivative financial instruments	**55.8**	5.3
Other financial assets	**1.1**	1.1
Deferred tax assets	**38.1**	38.7
	4,871.1	4,522.9
Current assets		
Inventories	**51.2**	49.5
Trade and other receivables	**764.7**	586.2
Current tax assets	**101.2**	61.1
Derivative financial instruments	**40.4**	16.7
Assets classified as held for sale	**31.0**	45.5
Construction contracts – assets	**1,121.8**	807.7
Other accrued income and prepaid expenses	**237.3**	204.6
Restricted cash	**7.4**	4.4
Cash and cash equivalents	**397.6**	645.6
	2,752.6	2,421.3
Total assets	**7,623.7**	6,944.2
Equity		
Issued share capital	**608.6**	600.0
Treasury shares	**(33.3)**	(75.0)
Paid in surplus	**2,581.4**	2,503.2
Translation reserve	**(613.8)**	(628.0)
Other reserves	**(22.8)**	(18.4)
Retained earnings	**1,776.1**	1,739.8
Equity attributable to shareholders of the parent company	**4,296.2**	4,121.6
Non-controlling interests	**26.1**	329.1
Total equity	**4,322.3**	4,450.7
Liabilities		
Non-current liabilities		
Borrowings	**494.3**	302.2
Lease Liabilities	**297.4**	161.2
Retirement benefit obligations	**9.8**	9.2
Deferred tax liabilities	**53.1**	54.4
Provisions	**34.8**	47.7
Contingent liabilities recognised	**0.5**	0.4
Derivative financial instruments	**59.1**	28.7
Other non-current liabilities	**5.0**	5.3
	954.0	609.1
Current liabilities		
Trade and other liabilities	**1,460.4**	1,270.4
Derivative financial instruments	**24.5**	7.2
Tax liabilities	**70.3**	49.3
Borrowings	**266.1**	53.8
Lease liabilities	**145.0**	95.8
Provisions	**109.2**	87.0
Construction contracts – liabilities	**258.8**	319.4
Deferred revenue	**13.1**	1.5
	2,347.4	1,884.4
Total liabilities	**3,301.4**	2,493.5
Total equity and liabilities	**7,623.7**	6,944.2

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2023

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2023	**600.0**	**(75.0)**	**2,503.2**	**(628.0)**	**(18.4)**	**1,739.8**	**4,121.6**	**329.1**	**4,450.7**
Comprehensive income/(loss)									
Net loss	–	–	–	–	–	(1.7)	(1.7)	(13.3)	(15.0)
Net foreign currency translation gains	–	–	–	17.4	–	–	17.4	0.1	17.5
Commodity cash flow hedges	–	–	–	–	(4.4)	–	(4.4)	–	(4.4)
Tax relating to components of other comprehensive income	–	–	–	(3.2)	–	–	(3.2)	–	(3.2)
Total comprehensive income/(loss)	**–**	**–**	**–**	**14.2**	**(4.4)**	**(1.7)**	**8.1**	**(13.2)**	**(5.1)**
Transactions with owners									
Dividends declared	–	–	–	–	–	(112.1)	(112.1)	–	(112.1)
Share issuance	20.0	–	107.0	–	–	–	127.0	(127.0)	–
Transaction costs	–	–	(0.5)	–	–	–	(0.5)	–	(0.5)
Share cancellation	(11.4)	41.6	(30.2)	–	–	–	–	–	–
Reclassification adjustment relating to ownership interests	–	–	–	–	–	150.2	150.2	(150.2)	–
Acquisition of non-controlling interest	–	–	–	–	–	–	–	(12.6)	(12.6)
Share-based payments	–	–	1.9	–	–	–	1.9	–	1.9
Shares reallocated related to share-based payments	–	0.1	–	–	–	(0.1)	–	–	–
Total transactions with owners	**8.6**	**41.7**	**78.2**	**–**	**–**	**38.0**	**166.5**	**(289.8)**	**(123.3)**
Balance at 30 June 2023	**608.6**	**(33.3)**	**2,581.4**	**(613.8)**	**(22.8)**	**1,776.1**	**4,296.2**	**26.1**	**4,322.3**

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2022	**600.0**	**(32.9)**	**2,503.9**	**(582.5)**	**(14.2)**	**1,709.5**	**4,183.8**	**304.5**	**4,488.3**
Comprehensive (loss)/income									
Net income/(loss)	–	–	–	–	–	26.3	26.3	(16.5)	9.8
Net foreign currency translation losses	–	–	–	(53.7)	–	–	(53.7)	(2.3)	(56.0)
Commodity cash flow hedges	–	–	–	–	5.7	–	5.7	–	5.7
Tax relating to components of other comprehensive income	–	–	–	1.9	(0.4)	–	1.5	–	1.5
Total comprehensive (loss)/income	**–**	**–**	**–**	**(51.8)**	**5.3**	**26.3**	**(20.2)**	**(18.8)**	**(39.0)**
Transactions with owners									
Shares repurchased	–	(28.1)	–	–	–	–	(28.1)	–	(28.1)
Share-based payments	–	–	1.7	–	–	–	1.7	–	1.7
Dividends declared	–	–	–	–	–	(33.6)	(33.6)	–	(33.6)
Shares reallocated relating to share-based payments	–	0.3	–	–	–	(0.3)	–	–	–
Total transactions with owners	**–**	**(27.8)**	**1.7**	**–**	**–**	**(33.9)**	**(60.0)**	**–**	**(60.0)**
Balance at 30 June 2022	**600.0**	**(60.7)**	**2,505.6**	**(634.3)**	**(8.9)**	**1,701.9**	**4,103.6**	**285.7**	**4,389.3**

Subsea 7 S.A.

Condensed Consolidated Cash Flow Statement

(in $ millions)	Half Year 30 June 2023 Unaudited	Half Year 30 June 2022 Unaudited Re-presented[(a)]
Operating activities		
Income before taxes	**25.3**	30.6
Adjustments for non-cash items:		
Depreciation and amortisation charges	**259.4**	232.8
Impairment of property, plant and equipment	**23.2**	–
Increase in foreign exchange embedded derivatives	**(30.1)**	(7.2)
Adjustments for investing and financing items:		
Share of net loss of associates and joint ventures	**0.5**	1.4
Net loss/(gain) on disposal of property, plant and equipment	**1.0**	(0.7)
Net loss/(gain) on maturity of lease liabilities	**0.2**	(2.2)
Release of contingent consideration post measurement period	**(0.5)**	(3.4)
Finance income	**(13.6)**	(1.6)
Finance costs	**29.8**	11.9
Adjustments for equity items:		
Share-based payments	**1.9**	1.7
	297.1	263.3
Changes in working capital:		
Increase in inventories	**(1.1)**	(10.2)
Increase in trade and other receivables	**(185.3)**	(253.4)
Increase in construction contract – assets	**(258.4)**	(27.3)
Increase in other working capital assets	**(34.2)**	(113.0)
Increase in trade and other liabilities	**172.5**	245.8
(Decrease)/increase in construction contract – liabilities	**(98.9)**	103.4
Increase/(decrease) in other working capital liabilities	**15.7**	(33.6)
Net movement in working capital	**(389.7)**	(88.3)
Income taxes paid	**(65.1)**	(42.1)
Net cash (used in)/generated from operating activities	**(157.7)**	132.9
Cash flows used in investing activities		
Proceeds from disposal of property, plant and equipment	**0.3**	0.9
Purchases of property, plant and equipment	**(280.2)**	(100.5)
Purchases of intangible assets	**(8.8)**	(3.8)
Acquisition of shares from non-controlling interest	**(12.6)**	–
Interest received	**13.6**	1.6
Net cash used in investing activities	**(287.7)**	(101.8)
Cash flows used in financing activities		
Interest paid	**(18.7)**	(4.3)
Repayment of borrowings	**(37.3)**	(49.3)
Proceeds from borrowings	**442.5**	–
Cost of share repurchases	**–**	(24.9)
Payments related to lease liabilities – principal	**(64.6)**	(46.9)
Payments related to lease liabilities – interest	**(13.9)**	(5.1)
Dividends paid to shareholders of the parent company	**(112.1)**	(31.7)
Net cash generated from/(used in) financing activities	**195.9**	(162.2)
Net decrease in cash and cash equivalents	**(249.5)**	(131.1)
Cash and cash equivalents at beginning of year	**645.6**	597.6
(Increase)/decrease in restricted cash	**(3.0)**	1.1
Effect of foreign exchange rate movements on cash and cash equivalents	**4.5**	(3.7)
Cash and cash equivalents at end of period	**397.6**	463.9

(a) Re-presented to remove embedded foreign currency derivative movements from net working capital.

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-1471 Luxembourg. The Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors on 25 July 2023.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2023 to 30 June 2023 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 2022 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 2022.

The Group adopted IFRS 17 'Insurance Contracts' for the year beginning 1 January 2023. Several amendments to existing IFRS were also applied for the first time in 2023. There was no material impact on the Consolidated Financial Statements of the Group as a result. Amendments to existing IFRSs, issued with an effective date of 1 January 2023 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 2022, 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 believes 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 Annual Report for the year ended 31 December 2022:

- Revenue recognition on long-term construction contracts
- Revenue recognition on variable consideration
- Goodwill carrying amount
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Measurement of onerous fixed-price contract provisions in business combinations
- 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, tropical storms and rough seas, which may cause delays. In the Northern Hemisphere seasonally adverse weather occurs typically during the period from October to March, whereas in the Southern Hemisphere it typically occurs during the period from May to September. Depending on project execution, each can affect the Group's offshore operations. Periods of adverse weather conditions usually result in low levels of activity.

6. Segment information

For management and reporting purposes, the Group is organised into three business units; Subsea and Conventional, Renewables and Corporate. These business units represent the Group's operating segments and are defined as follows:

Subsea and Conventional

The Subsea and Conventional business unit includes:

- Subsea Umbilicals, Risers and Flowlines (SURF) activities related to the engineering, procurement, installation and commissioning of highly complex subsea oil and gas systems in deep waters, including the long-term contracts for PLSVs in Brazil;
- Conventional services including the fabrication, installation, extension and refurbishment of fixed and floating platforms and associated pipelines in shallow water environments;
- Activities associated with the provision of inspection, repair and maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support;
- Activities associated with heavy lifting operations and decommissioning of redundant offshore structures; and
- Activities associated with carbon capture, utilisation and storage (CCUS).

This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Subsea and Conventional activities.

Renewables

The Renewables business unit comprises activities related to the delivery of fixed offshore wind farm projects. Activities include the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations and heavy transportation services for renewables structures. This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Renewables activities.

Corporate

The Corporate business unit includes group-wide activities, and associated costs, including captive insurance activities, operational support, corporate services and costs associated with discrete events such as restructuring. The Corporate business unit also includes the results of the Group's autonomous subsidiaries, Xodus and 4Subsea, and its non-wholly-owned subsidiary Nautilus Floating Solutions, and its activities in emerging energies such as hydrogen. A significant portion of the Corporate business unit's costs are allocated to the Subsea and Conventional business unit based on a percentage of external revenue.

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

For the three months ended 30 June 2023

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	**975.5**	**308.4**	**4.0**	**1,287.9**
Day-rate projects	**205.0**	**0.6**	**24.3**	**229.9**
	1,180.5	**309.0**	**28.3**	**1,517.8**
Net operating (loss)/income	**(10.1)**	**9.0**	**2.2**	**1.1**
Finance income				**7.5**
Other gains and losses				**58.7**
Finance costs				**(15.9)**
Income before taxes				**51.4**
Adjusted EBITDA[(a)]	***121.2***	***34.2***	***6.3***	***161.7***
Adjusted EBITDA margin[(a)]	***10.3%***	***11.1%***	***22.3%***	***10.7%***

For the three months ended 30 June 2022

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	768.4	256.1	6.9	1,031.4
Day-rate projects	192.9	3.8	18.9	215.6
	961.3	259.9	25.8	1,247.0
Net operating income/(loss)	80.5	(71.0)	8.3	17.8
Finance income				0.7
Other gains and losses				46.8
Finance costs				(7.1)
Income before taxes				58.2
Adjusted EBITDA[(a)]	*170.5*	*(49.1)*	*12.5*	*133.9*
Adjusted EBITDA margin[(a)]	*17.7%*	*(18.9%)*	*48.4%*	*10.7%*

6. Segment information continued

For the six months ended 30 June 2023

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	**1,879.8**	**467.8**	**8.9**	**2,356.5**
Day-rate projects	**362.0**	**0.6**	**45.0**	**407.6**
	2,241.8	**468.4**	**53.9**	**2,764.1**
Net operating (loss)/income	**(7.4)**	**(9.0)**	**2.2**	**(14.2)**
Finance income				**13.6**
Other gains and losses				**55.7**
Finance costs				**(29.8)**
Income before taxes				**25.3**
Adjusted EBITDA[(a)]	***218.0***	***40.3***	***10.1***	***268.4***
Adjusted EBITDA margin[(a)]	***9.7%***	***8.6%***	***18.7%***	***9.7%***

For the six months ended 30 June 2022

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	1,533.0	522.5	10.1	2,065.6
Day-rate projects	329.9	3.8	41.5	375.2
	1,862.9	526.3	51.6	2,440.8
Net operating income/(loss)	65.9	(87.6)	8.6	(13.1)
Finance income				1.6
Other gains and losses				54.0
Finance costs				(11.9)
Income before taxes				30.6
Adjusted EBITDA[(a)]	*246.1*	*(43.7)*	*17.3*	*219.7*
Adjusted EBITDA margin[(a)]	*13.2%*	*(8.3%)*	*33.5%*	*9.0%*

(a) Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to the 'Alternative Performance Measures' section of the Condensed Consolidated Financial Statements.

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 net 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 2023 Unaudited**	Q2 2022 Unaudited	**1H 2023 Unaudited**	1H 2022 Unaudited
Net income/(loss) attributable to shareholders of the parent company	**18.2**	41.2	**(1.7)**	26.3
Earnings used in the calculation of diluted earnings/(loss) per share	**18.2**	41.2	**(1.7)**	26.3

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2023 Unaudited**	Q2 2022 Unaudited	**1H 2023 Unaudited**	1H 2022 Unaudited
Weighted average number of common shares used in the calculation of basic earnings/(loss) per share	**299,983,169**	292,633,166	**295,948,494**	293,747,374
Performance shares	**1,063,897**	1,082,108	**–**	1,033,582
Weighted average number of common shares used in the calculation of diluted earnings/(loss) per share	**301,047,066**	293,715,274	**295,948,494**	294,780,956

	Second Quarter		Half Year	
For the period (in $ per share)	**Q2 2023 Unaudited**	Q2 2022 Unaudited	**1H 2023 Unaudited**	1H 2022 Unaudited
Basic earnings/(loss) per share	**0.06**	0.14	**(0.01)**	0.09
Diluted earnings/(loss) per share	**0.06**	0.14	**(0.01)**	0.09

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 2023 Unaudited**	Q2 2022 Unaudited	**1H 2023 Unaudited**	1H 2022 Unaudited
Performance shares	**717,059**	668,597	**1,785,252**	754,038

8. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	**1H 2023 Unaudited**	1H 2023 Unaudited
At year beginning	**191.3**	197.2
Exchange differences	**0.6**	(5.4)
At period end	**191.9**	191.8

9. Assets classified as held for sale

During the quarter the Group accepted an offer to dispose of the assets classified as held for sale. An impairment charge of $23.2 million was recognised to reduce the carrying amount of the assets to fair value less costs to sell. The disposal is expected to complete during the fourth quarter of 2023.

9. Issued share capital

In May, following the completion of the voluntary exchange offer and subsequent compulsory acquisition, Seaway 7 ASA became a wholly-owned subsidiary of the Group and was de-listed from Euronext Growth Oslo.

Following the voluntary exchange offer, Subsea 7 S.A. issued 1,435,806 common shares and the Group's issued share capital was $608,588,544 represented by 304,294,272 shares each with a nominal value of $2.00.

10. Treasury shares

At 30 June 2023, the Company directly held 4,102,387 shares (Q1 2023: 4,112,300) as treasury shares, representing 1.35% (Q1 2023: 1.36%) of the total number of issued shares.

The movement in treasury shares during the period was as follows:

	30 Jun 2023 Number of shares Unaudited	**30 Jun 2023 in $ millions Unaudited**	30 Jun 2022 Number of shares Unaudited	30 Jun 2022 in $ millions Unaudited
At year beginning	**9,794,267**	**75.0**	4,534,107	32.9
Shares repurchased	**–**	**–**	3,436,882	28.1
Shares reallocated relating to share-based payments	**(9,913)**	**(0.1)**	(30,117)	(0.3)
Shares cancelled	**(5,681,967)**	**(41.6)**	–	–
At period end	**4,102,387**	**33.3**	7,940,872	60.7

On 18 April 2023, at an extraordinary general meeting of the shareholders of Subsea 7 S.A. authority was granted to the Board of Directors to repurchase and to cancel shares repurchased in conformity with Luxembourg Company Law. The authority granted on 18 April 2023 replaces the previous authority granted on the 14 April 2021.

11. Share repurchase programme

During the second quarter, no shares were repurchased under the Group's share repurchase programme authorised on 24 July 2019. On 19 April 2023, the Board of Directors authorised a 24-month extension to the Group's $200 million share repurchase programme which will expire on 18 April 2025.

At 30 June 2023, the Group had cumulatively repurchased 10,000,212 shares for a total consideration of $76.8 million under this programme.

12. Borrowings

During the quarter the Group requested a one year extension to the multi-currency revolving credit and guarantee facility which will now mature in June 2028. The facility size will reduce from $700 million to $600 million in June 2027 until maturity in June 2028.

13. Commitments and contingent liabilities

Commitments

At 30 June 2023, the Group had contractual capital commitments totalling $288.6 million including commitments related to *Seaway Alfa Lift*, an offshore wind foundation installation vessel, and *Seaway Ventus*, an offshore wind turbine installation vessel.

Contingent liabilities not recognised in the Consolidated Balance Sheet

The Group is subject to tax audits and receives tax assessments in a number of jurisdictions where it has, or has had, operations. The estimation of the ultimate outcome of these audits and disputed tax assessments 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.

Between 2009 and 2023, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 30 June 2023 amounted to BRL 927.5 million, equivalent to $192.7 million (31 December 2022: BRL 908.8 million, equivalent to $174.7 million). The Group has challenged these assessments. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met however management believes that the likelihood of payment is not probable.

During 2018, 2019 and 2020, the Group's Brazilian business received several labour claims. The amount assessed at 30 June 2023 amounted to BRL 200.0 million, equivalent to $41.5 million (31 December 2022: BRL 205.1 million, equivalent to $39.4 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL 137.7 million, equivalent to $28.6 million as the disclosure criteria have been met (31 December 2022: BRL 138.6 million, equivalent to $26.6 million), however, management believes that the likelihood of payment is not probable. At 30 June 2023, a provision of BRL 62.3 million, equivalent to $12.9 million was recognised within the Consolidated Balance Sheet (31 December 2022: BRL 66.5 million, equivalent to $12.8 million), as the IAS 37 'Provisions, contingent liabilities and contingent assets' recognition criteria were met.

Contingent liabilities recognised in the Consolidated Balance Sheet

As part of the accounting for the business combination of Pioneer Lining Technology Limited, IFRS 3 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 2023 was $0.5 million (31 December 2022: $0.4 million). While complying with the requirements of IFRS 3, management continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

14. Fair value and financial instruments

The carrying values of the Group's financial assets and financial liabilities recorded at amortised cost in the Condensed Consolidated Financial Statements approximate their fair values.

Borrowings – South Korean Export Credit Agency (ECA) facility, UK Export Finance (UKEF) facility and multi-currency revolving credit and guarantee facility

Fair value is determined by matching the maturity profile of amounts utilised under each facility to market interest rates available to the Group for borrowings with similar security, maturity and repayment profiles. At 30 June 2023, interest charged under each 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 data (unobservable inputs).

Recurring and non-recurring fair value measurements

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

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

At (in $ millions)	**2023 30 Jun Level 1**	**2023 30 Jun Level 2**	**2023 30 Jun Level 3**	2022 31 Dec Level 1	2022 31 Dec Level 2	2022 31 Dec Level 3
Recurring fair value measurements						
Financial assets:						
Financial assets measured at fair value through profit and loss – embedded derivatives	**–**	**93.6**	**–**	–	16.7	–
Financial assets measured at fair value through profit and loss – forward foreign exchange contracts	**–**	**0.9**	**–**	–	1.1	–
Financial assets measured at fair value through other comprehensive income – commodity derivatives	**–**	**1.7**	**–**	–	4.2	–
Financial liabilities:						
Financial liabilities measured at fair value through profit and loss – embedded derivatives	**–**	**(81.1)**	**–**	–	(34.3)	–
Financial liabilities measured at fair value through profit and loss – forward foreign exchange contracts	**–**	**(0.1)**	**–**	–	(1.1)	–
Financial liabilities measured at fair value through profit and loss – commodity derivatives	**–**	**(0.2)**	**–**	–	(0.2)	–
Financial liabilities measured at fair value through other comprehensive income – commodity derivatives	**–**	**(2.2)**	**–**	–	(0.3)	–
Contingent consideration	**–**	**–**	**(1.2)**	–	–	(1.6)

During the period ended 30 June 2023 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.

Non-recurring fair value measurements

During the quarter, in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', an impairment charge of $23.2 million was recognised to reduce the carrying amount of assets classified as held for sale to fair value less costs to sell. These assets were measured within Level 3 of the fair value hierarchy. Further details are disclosed in Note 9 'Assets classified as held for sale'.

14. Fair value and financial instruments continued

Fair value techniques and inputs

Financial assets and liabilities mandatorily measured at fair value through profit or loss

The Group's financial assets and liabilities measured at 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 were calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Contingent consideration
  The fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones and calculated using the discounted cash flow method and unobservable inputs.

Financial assets and liabilities measured at fair value through other comprehensive income

The Group's financial assets and liabilities measured at fair value through other comprehensive income comprised:

- Commodity derivatives in designed hedge accounting relationships
  The fair value of outstanding commodity contracts were calculated using quoted commodity rates matching maturities of the contracts.

Financial assets measured at fair value through other comprehensive income and designated as such at initial recognition

The Group's financial assets measured at fair value through other comprehensive income and designated as such at initial recognition comprised:

- Other financial assets
  Strategic financial investments in unlisted companies are disclosed as other financial assets within non-current assets on the Consolidated Balance Sheet. Management concluded that due to the nature of these investments, there are a wide range of possible fair value measurements and in some cases, there may be insufficient recent information available to enable the Group to accurately measure fair value. Management review investments annually to ensure the carrying amount can be supported by expected future cash flows and have concluded cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes.

Alternative Performance Measures (APMs) - definitions

The Group uses Alternative Performance Measures (APMs) when evaluating financial performance, financial position and cash flows which are not defined or specified under International Financial Reporting Standards (IFRS), as adopted by the EU. Management considers that these non-IFRS measures, which are not a substitute for IFRS measures, provide stakeholders with additional information to further understand the Group's financial performance, financial position and cash flows.

APM	Description	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements	Rationale for utilising APM
Income Statement APMs				
Adjusted EBITDA and Adjusted EBITDA margin	Adjusted earnings before interest, taxation, depreciation and amortisation represents net income/(loss) before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.	Net income/(loss)	Net income/(loss) adjusted to exclude depreciation and amortisation costs, including amortisation of prepaid mobilisation expenses and amortisation of intangible assets, impairment charges or impairment reversals, finance income, remeasurement gains and losses on business combinations, other gains and losses (including foreign exchange gains and losses, gains on disposal of subsidiaries, gains and losses resulting from remeasurement of contingent consideration, gains on distributions and bargain purchase gains on business combinations), finance costs and taxation.	Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the Group and provide a meaningful comparative for its business units. The presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea7's peer group. Adjusted EBITDA margin may also be a useful ratio to compare performance to the Group's competitors and is widely used by shareholders and analysts. 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.
Effective tax rate (ETR)	The effective tax rate is expressed as a percentage, calculated as the taxation expense/(credit) divided by the income/(loss) before taxes.	Taxation	n/a	Provides a useful and relevant measure of the effectiveness of the Group's tax strategy and tax planning.
Balance Sheet APM				
Net cash/(debt) excluding lease liabilities and net cash/(debt) including lease liabilities	Net cash/(debt) is defined as cash and cash equivalents less borrowings. The Group utilises both net cash/(debt) excluding lease liabilities and net cash/(debt) including lease liabilities as financial position measures.	No direct equivalent	Calculated as cash and cash equivalent less borrowings (current and non-current). The measure may exclude lease liabilities (current and non-current) or include them.	Net cash/(debt) provides a meaningful and reliable basis to evaluate financial strength and liquidity of the Group.

Cash flow APMs				
Cash conversion	Cash conversion is defined as net cash generated from/(used in) operating activities, add back income taxes paid, divided by Adjusted EBITDA, expressed as a percentage.	No direct equivalent	Calculated as net cash generated from/(used in) operating activities in the Group's Consolidated Cash Flow Statement, add back income taxes paid and divided by Adjusted EBITDA.	Cash conversion is a financial management tool to determine the efficiency of the Group's ability to generate cash from its operating activities.
Free cash flow	Free cash flow is defined as net cash generated from/(used in) operating activities less purchases of property, plant and equipment and intangible assets.	No direct equivalent	Calculated as net cash generated from/(used in) operating activities from the Group's Consolidated Cash Flow Statement less purchases of property, plant and equipment and intangible assets.	Free cash flow is a relevant metric for shareholders and analysts when determining cash available to the Group to invest or potentially distribute.
Other APMs				
Backlog	Backlog represents expected future revenue from projects. Awards to associates and joint ventures are excluded from backlog figures, unless otherwise stated. Despite being a non-IFRS term, the Group recognises backlog in accordance with the requirements of IFRS 15, 'Revenue from Contracts with Customers', which represents revenue expected to be recognised in the future related to performance obligations which are unsatisfied, or partially unsatisfied, at the reporting date.	Transaction price allocated to the remaining performance obligations	n/a	Utilising the term backlog is in accordance with expected industry-wide terminology. It is similarly used by companies within Subsea7's peer group and is a helpful term for those evaluating companies within Subsea7's industry. Backlog may also be useful to compare performance with competitors and is widely used by shareholders and analysts. Notwithstanding this, backlog presented by the Group may not be comparable to similarly titled measures reported by other companies.
Book-to-bill ratio	Book-to-bill ratio represents total order intake divided by revenue for the reporting period.	No direct equivalent	n/a	The book-to-bill metric is widely used in the energy sector by shareholders and analysts and is a helpful term for those evaluating companies within Subsea7's industry. Notwithstanding this, the book-to-bill ratio presented by the Group may not be comparable to similarly titled measures reported by other companies.

Alternative Performance Measures - calculations

1a. Reconciliation of net operating income/(loss) to Adjusted EBITDA and Adjusted EBITDA margin

For the period (in $ millions)	Second Quarter		Half Year	
	Q2 2023 Unaudited	Q2 2022 Unaudited	**1H 2023 Unaudited**	1H 2022 Unaudited
Net operating income/(loss)	**1.1**	17.8	**(14.2)**	(13.1)
Depreciation, amortisation and mobilisation	**137.4**	116.1	**259.4**	232.8
Impairment of property, plant and equipment	**23.2**	–	**23.2**	–
Adjusted EBITDA	**161.7**	133.9	**268.4**	219.7
Revenue	**1,517.8**	1,247.0	**2,764.1**	2,440.8
Adjusted EBITDA margin	**10.7%**	10.7%	**9.7%**	9.0%

1b. Reconciliation of net income/(loss) to Adjusted EBITDA and Adjusted EBITDA margin

For the period (in $ millions)	Second Quarter		Half Year	
	Q2 2023 Unaudited	Q2 2022 Unaudited	**1H 2023 Unaudited**	1H 2022 Unaudited
Net income/(loss)	**14.2**	22.2	**(15.0)**	9.8
Depreciation, amortisation and mobilisation	**137.4**	116.1	**259.4**	232.8
Impairment of property, plant and equipment	**23.2**	–	**23.2**	–
Finance income	**(7.5)**	(0.7)	**(13.6)**	(1.6)
Other gains and losses	**(58.7)**	(46.8)	**(55.7)**	(54.0)
Finance costs	**15.9**	7.1	**29.8**	11.9
Taxation	**37.2**	36.0	**40.3**	20.8
Adjusted EBITDA	**161.7**	133.9	**268.4**	219.7
Revenue	**1,517.8**	1,247.0	**2,764.1**	2,440.8
Adjusted EBITDA margin	**10.7%**	10.7%	**9.7%**	9.0%

2. Effective tax rate

For the period (in $ millions)	Second Quarter		Half Year	
	Q2 2023 Unaudited	Q2 2022 Unaudited	**1H 2023 Unaudited**	1H 2022 Unaudited
Taxation charge	**(37.2)**	(36.0)	**(40.3)**	(20.8)
Income before taxation	**51.4**	58.2	**25.3**	30.6
Effective tax rate (percentage)	**72.4%**	61.9%	**159.3%**	68.0%

3. Net cash/(debt) excluding lease liabilities and net cash/(debt) including lease liabilities

At (in $ millions)	**30 June 2023 Unaudited**	30 June 2022 Unaudited
Cash and cash equivalents	**397.6**	463.9
Total borrowings	**(760.4)**	(368.0)
Net (debt)/cash excluding lease liabilities	**(362.8)**	95.9
Total lease liabilities	**(442.4)**	(183.8)
Net debt including lease liabilities	**(805.2)**	(87.9)

4. Free cash flow

For the period (in $ millions)	Second Quarter		Half Year	
	Q2 2023 Unaudited	Q2 2022 Unaudited	**1H 2023 Unaudited**	1H 2022 Unaudited
Cash (used in)/generated from operating activities	**(31.0)**	94.0	**(157.7)**	132.9
Purchases of property, plant and equipment and intangible assets	**(196.5)**	(51.6)	**(289.0)**	(104.3)
Free cash flow	**(227.5)**	42.4	**(446.7)**	28.6

5. Cash conversion

For the period (in $ millions)	Second Quarter Q2 2023 Unaudited	Q2 2022 Unaudited	Half Year 1H 2023 Unaudited	1H 2022 Unaudited
Cash (used in)/generated from operating activities	**(31.0)**	94.0	**(157.7)**	132.9
Income taxes paid	**41.4**	24.3	**65.1**	42.1
	10.4	118.3	**(92.6)**	175.0
Adjusted EBITDA	**161.7**	133.9	**268.4**	219.7
Cash conversion	**0.1x**	0.9x	**(0.3)x**	0.8x

6a. Backlog

The IFRS 15 'Revenue from Contracts with Customers' disclosure in relation to remaining performance obligations is contained in Note 23, 'Construction Contracts', in the Group's 2022 Annual Report. Unless otherwise stated, backlog and remaining performance obligations, as required by IFRS 15, will be the same number. Backlog by year of execution is as follows:

At (in $ millions)	30 June 2023 Unaudited	30 June 2022 Unaudited
Total backlog	**10,362.5**	7,796.2
Expected year of utilisation:		
2022	**–**	2,454.7
2023	**3,012.7**	2,973.2
2024	**4,306.2**	1,759.2
2025	**2,492.0**	608.6
2026 and thereafter	**551.6**	0.5

6b. Book-to-bill ratio

For the period (in $ millions)	Second Quarter Q2 2023 Unaudited	Q2 2022 Unaudited	Half Year 1H 2023 Unaudited	1H 2022 Unaudited
Order intake	**2,192.0**	2,056.7	**4,112.5**	3,217.2
Revenue	**1,517.8**	1,247.0	**2,764.1**	2,440.8
Book-to-bill ratio	**1.4x**	1.6x	**1.5x**	1.3x