Subsea 7 S.A. Announces Second Quarter and Half Year 2022 Results

Luxembourg – 28 July 2022 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the second quarter and first half of 2022 which ended 30 June 2022.

Second quarter highlights

- Adjusted EBITDA of $134 million, up 48% year-on-year, resulting in a margin of 11%
- Order intake of $2.1 billion, equating to a book-to-bill of 1.6 times
- Backlog of $7.8 billion, of which 10% is in Renewables, with $2.5 billion to be executed in 2022
- Cash and cash equivalents of $464 million and net debt (including lease liabilities) of $88 million
- Renewal of Subsea Integration Alliance for a further seven years

	Second Quarter		Half Year	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q2 2022 Unaudited**	Q2 2021 Unaudited	**1H 2022 Unaudited**	1H 2021 Unaudited
Revenue	**1,247**	1,198	**2,441**	2,194
Adjusted EBITDA[(a)]	**134**	90	**220**	193
Adjusted EBITDA margin[(a)]	**11%**	8%	**9%**	9%
Net operating income/(loss)	**18**	(28)	**(13)**	(37)
Net income/(loss)	**22**	(13)	**10**	(12)
Earnings per share – in $ per share				
Basic	**0.14**	(0.04)	**0.09**	(0.03)
Diluted[(b)]	**0.14**	(0.04)	**0.09**	(0.03)

At (in $ millions)	**30 Jun 2022 Unaudited**	31 Mar 2022 Unaudited
Backlog[(c)]	**7,796**	7,295
Book-to-bill ratio[(c)]	**1.6**	1.0
Cash and cash equivalents	**464**	500
Borrowings	**(368)**	(379)
Net cash excluding lease liabilities[(d)]	**96**	121
Net debt including lease liabilities[(d)]	**(88)**	(98)

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

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

(c) Backlog is a non-IFRS measure. Book-to-bill ratio represents total order intake divided by revenue recognised in the second quarter. Comparative figure is for the quarter ended 31 March 2022.

(d) Net cash/(debt) is a non-IFRS measure and is defined as cash and cash equivalents less borrowings.

John Evans, Chief Executive Officer, said:

In the second quarter of 2022, Subsea 7 delivered a strong performance in Subsea and Conventional, while the Renewables business unit performed in line with June's trading update. Since the first quarter, the industry's challenges relating to the supply chain and raw material price inflation have stabilised, allowing a number of projects to proceed. Order intake in the quarter was robust at $2.1 billion resulting in growth in our backlog to $7.8 billion. In addition, our pre-backlog (subject to FID[(1)]) was over $1 billion, reflecting offshore wind projects in the UK that we expect to convert to firm awards by early 2023. Both our core markets - subsea and offshore fixed wind - continue to improve, with positive momentum in pricing and risk allocation. During the quarter, we extended the Subsea Integration Alliance with Schlumberger for a further seven years. Subsea Integration Alliance has become a market leader in integrated SPS-SURF projects and we look forward to further growth. Overall, Subsea 7 is well-positioned to benefit from these positive market dynamics, and to deliver on a strategy that combines capital returns and growth over the long term.

Operational highlights

In the second quarter the Subsea and Conventional business unit made good progress on its portfolio, with projects completing in the Gulf of Mexico and Saudi Arabia. Activity remained high in the Gulf of Mexico, with *Seven Arctic*, *Seven Navica*, *Seven Oceans* and *Seven Vega* active on Anchor, Jack St Malo 4, Mad Dog 2, and Vito. In northern Europe, *Seven Oceans* worked on the Johan Sverdrup Phase 2, Balmoral and Pierce fields. Procurement neared completion for the fast-tracked Sakarya integrated project in Turkey, and the shallow water section of pipelay commenced.

In the Renewables business unit, foundation installation and cable lay work continued, as planned, on the Seagreen project in the UK. At the end of the quarter, 30 of 114 foundations and 21 cables had been installed. In Taiwan, *Seaway Yudin* worked on the Formosa 2 project while, in the Netherlands, *Seaway Strashnov*, *Seaway Aimery* and *Seaway Moxie* worked on the Hollandse Kust Zuid project. Both Formosa 2 and Hollandse Kust Zuid progressed in accordance with the execution plan announced in June, and they remain on track for completion in August and September, respectively.

Second quarter financial review

Second quarter revenue of $1.2 billion increased by 4% compared to the prior year period, reflecting growth in Subsea and Conventional offset by lower revenues in Renewables primarily driven by the phasing of the Seagreen project. Adjusted EBITDA of $134 million was up 48% year-on-year driven by a strong margin in Subsea and Conventional, partly offset by losses in Renewables. Net operating income was $18 million after depreciation and amortisation charges of $116 million. Net income for the quarter was $22 million, after taxation of $36 million and favourable other gains and losses of $47 million, including net foreign exchange gains of $44 million.

Net cash generated from operations was $94 million including a $63 million adverse movement in net working capital. Net cash used in investing activities was $50 million, including $52 million related to purchases of property, plant and equipment. Net cash used in financing activities was $72 million which included dividends of $32 million. Overall, cash and cash equivalents decreased by $36 million from 31 March 2022 to $464 million with net debt of $88 million, including lease liabilities of $184 million. As communicated in the Seaway 7 trading update in June 2022, progress on *Seaway Alfa Lift* build has encountered delays. The root cause of the delays in the delivery of the vessel is due to the status of the mission equipment, engineering and procurement. These conditions, attributable to OHT ASA, were present on 1 October 2021, the date of the business combination, as a result, the adverse financial impact has been accounted for as an adjustment to the transaction's purchase price allocation.

Order intake

Order intake was $2.1 billion comprising new awards of $1.7 billion, escalations of approximately $400 million, and adverse foreign exchange movements of approximately $300 million, resulting in a book-to-bill ratio of 1.6 in the quarter. Backlog at the end of June was $7.8 billion, of which $2.5 billion is expected to be executed during the remainder of 2022.

Outlook for full year 2022

We continue to expect that revenue and Adjusted EBITDA will be broadly in line with 2021. Tendering in the subsea market remains high and the pricing environment continues to improve. In fixed offshore wind, contract pricing and risk allocation have improved and should contribute to robust long-term margins and returns.

(1) Final investment decision by the clients

Conference Call Information

Date: 28 July 2022

Time: 11:00 UK Time

Access the webcast at subsea7.com or https://edge.media-server.com/mmc/p/5qxr3swf

Register for the conference call at https://register.vevent.com/register/BI519e84258b954cb6af64f7a30949e0c8

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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.

Second Quarter 2022

Income Statement

Revenue

Revenue for the second quarter was $1.2 billion, an increase of $49 million or 4% compared to Q2 2021. This was driven by increased revenue in the Subsea and Conventional business unit, with significant activity on the Sakarya project in Turkey. In the Renewables business unit offshore work progressed on the Seagreen project in the UK.

Adjusted EBITDA

Adjusted EBITDA was $134 million resulting in Adjusted EBITDA margin of 11%, compared to $90 million and 8% respectively for the prior year period.

Net operating income

Net operating income for the quarter was $18 million compared to net operating loss of $28 million in Q2 2021.

Net operating income in the quarter was driven by:

- net operating income of $81 million in the Subsea and Conventional business unit (Q2 2021: net operating loss of $10 million), which was driven by good project performance and the close out of certain projects in the quarter

partly offset by:

- net operating loss of $71 million in the Renewables business unit (Q2 2021: net operating loss of $32 million). The year-on-year deterioration in net operating income was driven by slower than anticipated progress on the Hollandse Kust Zuid project in the Dutch North Sea and continued delays on the Formosa 2 project in Taiwan.

Net income

Net income was $22 million in the quarter, compared to net loss of $13 million in Q2 2021.

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

- an increase in net operating income of $46 million;
- a net gain of $47 million within other gains and losses, which included net foreign currency gains of $44 million, compared to a net gain of $1 million in the prior year period

partly offset by:

- taxation of $36 million, equivalent to an effective tax rate of 62%, compared to a tax credit of $15 million in Q2 2021.

Earnings per share

Diluted earnings per share was $0.14 compared to diluted loss per share of $0.04 in Q2 2021, calculated using a weighted average number of shares of 294 million and 298 million, respectively.

Business Unit Highlights

Subsea and Conventional

Revenue for the second quarter was $961 million, an increase of $98 million or 11% compared to the prior year period.

During the quarter the Mad Dog 2, Jack St Malo 4, and Anchor Flowlines projects, in the Gulf of Mexico and 28 Jackets project, Saudi Arabia, were substantially completed.

Work progressed on the Sangomar project, Senegal, the Berri-Zuluf project, Saudi Arabia, the Sakarya project, Turkey, the Vito project in the Gulf of Mexico, and the Blythe and Vulcan Satellite Hubs, UK.

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

Net operating income was $81 million compared to net operating loss of $10 million in Q2 2021, the improvement was driven by good operational performance and the close out of certain projects. Net costs of $8 million related to the Covid-19 pandemic were recognised in the quarter.

Renewables

Revenue was $260 million compared to $315 million in Q2 2021. Work continued with the offshore phase of the Seagreen project, UK, the Changfang and Xidao project, Taiwan and the Hollandse Kust Zuid project, Dutch North Sea. Net operating loss was $71 million in Q2 2022 compared to net operating loss of $32 million in Q2 2021. The results of the Renewables business unit include costs recognised in relation to the Formosa 2 project in Taiwan whose economic interest was retained by Subsea 7 S.A., although it is being executed by Seaway 7 ASA. The net operating loss in Q2 2022 also reflected continued challenges on the Hollandse Kust Zuid project. These two projects progressed in accordance with the execution plan announced in June, and they remain on track for completion in August and September, respectively.

Corporate

Revenue, which was driven by the Group’s autonomous wholly owned subsidiaries Xodus and 4Subsea, was $26 million compared to $20 million in Q2 2021. Net operating income was $8 million compared to net operating income of $14 million in the prior year period. The net operating income in Q2 2021 benefitted from a credit of $11 million related to a downward revision to the Group’s restructuring provision.

Vessel utilisation and fleet

Active Vessel Utilisation for the second quarter was 77% compared with 82% for Q2 2021. Total Vessel Utilisation was 73% compared to 77% in Q2 2021.

At 30 June 2022 there were 38 vessels in the Group’s fleet, comprising 34 active vessels, 2 stacked vessels and 2 vessels under construction.

Cash flow

Cash flow statement

Cash and cash equivalents were $464 million at 30 June 2022, a decrease of $36 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- net cash generated from operating activities of $94 million, which included unfavourable movements of $63 million in net working capital;
- net cash used in investing activities of $50 million, which included purchases of property, plant and equipment and intangible assets of $52 million; and
- net cash used in financing activities of $72 million, which included dividends paid to equity shareholders of $32 million, payments related to lease liabilities of $27 million, repayment of borrowings of $6 million and share repurchases of $4 million.

Free cash flow

During the second quarter, the Group generated free cash flow of $42 million (Q2 2021: negative free cash flow of $19 million) which is defined as cash generated from operations of $94 million (Q2 2021: $15 million) less purchases of property, plant and equipment and intangible assets of $52 million (Q2 2021: $34 million).

Half Year 2022

Income Statement

Revenue

Revenue for the half year ended 30 June 2022 was $2.4 billion, an increase of $247 million or 11% compared to 1H 2021. The increase was driven by higher revenue in the Subsea and Conventional business unit, particularly in Turkey, Senegal, Brazil and Saudi Arabia, partly offset by lower revenue in the Renewables business unit.

Adjusted EBITDA

Adjusted EBITDA and Adjusted EBITDA margin for the half year ended 30 June 2022 were $220 million and 9% respectively, compared to $193 million and 9% in 1H 2021.

Net operating loss

Net operating loss for the half year ended 30 June 2022 was $13 million, compared to net operating loss of $37 million in 1H 2021.

The main items contributing to the net operating loss in the first half of 2022 were:

- net operating loss of $88 million in the Renewables business unit, which reflected delays on the Formosa 2 project in Taiwan and challenges on the Hollandse Kust Zuid project in the Dutch North Sea

partly offset by:

- net operating income of $66 million in the Subsea and Conventional business unit; and
- net operating income of $9 million related to the Corporate business unit.

Net Income

Net Income was $10 million for the first half of 2022 compared to net loss of $12 million in 1H 2021.

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

- the reduction in net operating loss recognised in the period; and
- net foreign currency gains in the first half of 2022 of $46 million compared to net foreign currency gains of $2 million in 1H 2021.

Taxation was $21 million in the first half of 2022 equivalent to an effective tax rate of 68%.

Earnings per share

Diluted earnings per share was $0.09 in the first half of 2022 compared to diluted loss per share of $0.03 in 1H 2021, calculated using a weighted average number of shares of 295 million and 298 million respectively.

Business Unit Highlights

Subsea and Conventional

Revenue was $1.9 billion, an increase of $265 million or 17% compared to 1H 2021.

During the half year ended 30 June 2022, the Mad Dog 2, King's Quay, Colibri, Jack St Malo 4 and Anchor projects, in the Gulf of Mexico, and the 28 Jackets project, Saudi Arabia were substantially completed.

Work progressed on the Sangomar project, Senegal, the Sanha Lean Gas project, Angola, the Berri-Zuluf project, Saudi Arabia, the Sakarya project, Turkey, and the Vito Construction projects in the Gulf of Mexico, the Blythe and Vulcan Satellite Hub, UK, the Johan Sverdrup Phase 2 project, Norway, and the ACE project, Azerbaijan.

In Brazil, there were high levels of utilisation of the four PLSVs under long-term contracts with Petrobras as well as continued progress on the Bacalhau project.

Net operating income was $66 million in the first half of 2022 compared to net operating loss of $17 million in 1H 2021. The improved net operating income reflected good operational performance and the close out of certain projects.

Renewables
Revenue was $526 million in the first half of 2022 compared to $556 million in 1H 2021. Net operating loss was $88 million in 1H 2022 compared to net operating loss of $52 million in 1H 2021. The results of the Renewables business unit include costs recognised in relation to the Formosa 2 project in Taiwan whose economic interest was retained by Subsea 7 S.A., although it is being executed by Seaway 7 ASA. The net operating loss in the first half of 2022 also reflected continued challenges on the Hollandse Kust Zuid project in the Dutch North Sea. These two projects progressed in accordance with the execution plan announced in June, and they remain on track for completion in August and September, respectively.

Corporate
Revenue, which was mainly driven by the Group's autonomous wholly owned subsidiaries Xodus and 4Subsea, was $52 million in first half of 2022 compared to $40 million in 1H 2021. Net operating income was $9 million in the first half of 2022 compared to net operating income of $31 million in 1H 2021. The net operating income in 1H 2021 benefitted from a credit of $29 million related to a downward revision to the Group's restructuring provision and the collection of aged receivables which had been credit impaired in the prior year.

Vessel utilisation and fleet
Active Vessel Utilisation for the first half of 2022 was 75% compared with 74% for 1H 2021. Total Vessel Utilisation was 71% compared to 70% in 2021.

Cash flow

Cash flow statement
Cash and cash equivalents were $464 million at 30 June 2022, a decrease of $134 million in the half year ended 30 June 2022. The movement in cash and cash equivalents was mainly attributable to:

- net cash generated from operating activities of $133 million, which included unfavourable movements of $96 million in net working capital;
- net cash used in investing activities of $102 million, which included purchases of property, plant and equipment and intangible assets of $104 million; and
- net cash used in financing activities of $162 million, which included payments related to lease liabilities of $52 million, repayment of borrowings of $49 million, dividends paid to equity shareholders of $32 million, and share repurchases of $25 million.

Free cash flow
During the six-month period ended 30 June 2022, the Group generated free cash flow of $29 million (1H 2021: $28 million) which is defined as cash generated from operations of $133 million (1H 2021: $86 million) less purchases of property, plant and equipment and intangible assets of $104 million (1H 2021: $58 million).

Balance Sheet

Non-current assets
At 30 June 2022, non-current assets were $4.5 billion (31 December 2021: $4.7 billion). The movement of $158 million was mainly due to a decrease in the carrying amount of property, plant and equipment and intangible assets of $107 million driven by depreciation and amortisation charges of $179 million partly offset by additions of $112 million.

Non-current liabilities
Non-current liabilities were $602 million (31 December 2021: $664 million). The decrease of $62 million was mainly driven by a decrease in non-current lease liabilities of $35 million as a result of payments made in the period, a decrease of $17 million in non-current borrowings as a result of scheduled repayments, partly offset by an increase in non-current derivative financial instruments of $15 million.

Net current assets
Current assets were $2.5 billion (31 December 2021: $2.3 billion) and current liabilities were $2.1 billion (31 December 2021: $1.9 billion), resulting in net current assets of $455 million (31 December 2021: $457 million). The decrease of $2 million in the period was driven by:

- decrease in cash and cash equivalents of $134 million;
- increase in trade and other liabilities of $209 million and an increase in construction contract liabilities of $87 million

partly offset by:

- increase in trade and other receivables of $232 million, an increase in other accrued income and prepaid expenses of $88 million and an increase in construction contract assets of $18 million; and
- decrease in current borrowings of $37 million due to repayment of the Seaway 7 ASA Revolving Credit Facility and a decrease in current lease liabilities of $12 million.

Equity
Total equity was $4.4 billion (31 December 2021: $4.5 billion). The decrease of $99 million in the period reflects:

- net foreign currency translation losses of $56 million;
- dividends of $34 million;
- share repurchases of $28 million

partly offset by:

- net income of $10 million; and
- an increase in commodity cash flow hedging reserve of $6 million.

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

Borrowings

Borrowings were $368 million (31 December 2021: $422 million). The decrease in borrowings of $54 million was mainly driven by repayment of the Seaway 7 ASA Revolving Credit Facility of $37 million and scheduled repayments of $12 million related to the Group's South Korean Export Credit Agency facility.

A summary of the borrowing facilities available to the Group at 30 June 2022 is as follows:

(in $ millions)	Total facility	Drawn	Undrawn	Maturity Date
Multi-currency revolving credit and guarantee facility[(a)]	700.0	–	700.0	June 2027
UK Export Finance (UKEF) facility	500.0	(200.0)	300.0	December 2026
South Korean Export Credit Agency (ECA) facility	172.7	(172.7)	–	July 2027
Total	**1,372.7**	**(372.7)**	**1,000.0**	

(a) On 15 June 2022, the Group entered into a $700 million multi-currency revolving credit and guarantee facility. Further details are disclosed in Note 12 'Borrowings' to the Condensed Consolidated Financial Statements.

Lease liabilities

Lease liabilities were $184 million, a decrease of $47 million compared with 31 December 2021 driven by scheduled payments.

Net cash/(debt)

At 30 June 2022:

- net cash (excluding lease liabilities) was $96 million compared to net cash of $176 million at 31 December 2021; and
- net debt (including lease liabilities) was $88 million, compared to net debt of $55 million at 31 December 2021.

Gearing

At 30 June 2022, gross gearing (borrowings divided by total equity) was 8.4% (31 December 2021: 9.4%).

Liquidity

At 30 June 2022, the Group's liquidity, represented by cash and cash equivalents and undrawn borrowing facilities was $1.5 billion (31 December 2021: $1.6 billion).

Shareholder distributions

Share repurchase programme

During the second quarter, 935,972 shares were repurchased for a consideration of $7 million in accordance with the Group's share repurchase programme authorised on 24 July 2019, extended on 15 April 2021. At 30 June 2022, the Group had cumulatively repurchased 7,789,022 shares for a total consideration of $59 million under this programme. At 30 June 2022, the Group directly held 7,940,872 shares (Q4 2021: 4,534,107) as treasury shares, representing 2.65% (Q4 2021: 1.51%) of the total number of issued shares.

Backlog

At 30 June 2022 backlog was $7.8 billion (Q1 2022: $7.3 billion). Order intake was $2.1 billion in the quarter, representing a book-to-bill ratio of 1.6. Order intake included new awards of $1.7 billion, which included the Búzios 8 project, Brazil, the CLOV 3 project, Angola, the TOPR and Ballymore projects, Gulf of Mexico and escalations of approximately $400 million. Adverse foreign exchange movements of approximately $300 million were recognised during the quarter.

$7.0 billion of the backlog at 30 June 2022 related to the Subsea and Conventional business unit (which included $0.6 billion related to long-term day-rate contracts for PLSVs in Brazil) and $0.8 billion related to the Renewables business unit. $2.5 billion of the backlog is expected to be executed in 2022, $3.0 billion in 2023 and $2.3 billion in 2024 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 24 to 36 of Subsea 7 S.A.'s 2021 Annual Report. Management has considered these principal risks and uncertainties and concluded that these have not changed significantly in the six-month period to 30 June 2022.

The principal risks within health, safety, security, environmental and quality include the risk of a pandemic virus. During the first half of the year, management has continued to mitigate the impacts of the Covid-19 pandemic by monitoring health procedures and adhering to the guidance of world health organisations and local authorities. The principal risks within the business environment include risks related to civil or political unrest, including war. The outcome of the Russia-Ukraine conflict remains uncertain. However, management does not at this date foresee a material direct impact on the Group from the conflict and related sanctions. Management continues to monitor the development of the conflict, including sanctions and indirect impacts, and other associated risks in order to apply suitable mitigations where possible.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January 2022 to 30 June 2022 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. 2021 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 2022 Unaudited**	Second Quarter Q2 2021 Unaudited	Half Year **1H 2022 Unaudited**	Half Year 1H 2021 Unaudited
Revenue	**1,247.0**	1,198.0	**2,440.8**	2,194.3
Operating expenses	**(1,168.0)**	(1,173.3)	**(2,331.5)**	(2,122.3)
Gross profit	**79.0**	24.7	**109.3**	72.0
Administrative expenses	**(60.6)**	(58.2)	**(121.0)**	(114.6)
Share of net (loss)/income of associates and joint ventures	**(0.6)**	5.4	**(1.4)**	5.6
Net operating income/(loss)	**17.8**	(28.1)	**(13.1)**	(37.0)
Finance income	**0.7**	1.1	**1.6**	1.9
Other gains and losses	**46.8**	1.0	**54.0**	17.1
Finance costs	**(7.1)**	(1.8)	**(11.9)**	(7.3)
Income/(loss) before taxes	**58.2**	(27.8)	**30.6**	(25.3)
Taxation	**(36.0)**	14.7	**(20.8)**	12.9
Net income/(loss)	**22.2**	(13.1)	**9.8**	(12.4)
Net income/(loss) attributable to:				
Shareholders of the parent company	**41.2**	(11.8)	**26.3**	(9.8)
Non-controlling interests	**(19.0)**	(1.3)	**(16.5)**	(2.6)
	22.2	(13.1)	**9.8**	(12.4)

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.14**	(0.04)	**0.09**	(0.03)
Diluted[(a)]	**0.14**	(0.04)	**0.09**	(0.03)

(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 2022 Unaudited	Q2 2021 Unaudited	Half Year 1H 2022 Unaudited	1H 2021 Unaudited
Net income/(loss)	**22.2**	(13.1)	**9.8**	(12.4)
Items that may be reclassified to the income statement in subsequent periods:				
Net foreign currency translation (losses)/gains	**(39.0)**	6.5	**(56.0)**	17.6
Commodity cash flow hedges	**(7.1)**	–	**5.7**	–
Tax relating to components of other comprehensive income	**2.7**	0.6	**1.5**	0.1
Items that will not be reclassified to the income statement in subsequent periods:				
Fair value adjustment on other financial assets	**–**	–	**–**	1.2
Other comprehensive (loss)/income	**(43.4)**	7.1	**(48.8)**	18.9
Total comprehensive (loss)/income	**(21.2)**	(6.0)	**(39.0)**	6.5
Total comprehensive (loss)/income attributable to:				
Shareholders of the parent company	**(1.1)**	(4.9)	**(20.2)**	9.4
Non-controlling interests	**(20.1)**	(1.1)	**(18.8)**	(2.9)
	(21.2)	(6.0)	**(39.0)**	6.5

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

	30 Jun 2022 Unaudited	(Revised) 31 Dec 2021 Unaudited
Assets		
Non-current assets		
Goodwill	**191.8**	197.2
Intangible assets	**29.8**	35.0
Property, plant and equipment	**3,979.0**	4,081.0
Right-of-use assets	**167.0**	206.4
Interest in associates and joint ventures	**26.7**	28.6
Advances and receivables	**59.0**	57.4
Derivative financial instruments	**29.6**	24.7
Construction contracts – assets	**–**	4.4
Other financial assets	**1.3**	1.3
Deferred tax assets	**52.6**	58.7
	4,536.8	4,694.7
Current assets		
Inventories	**50.0**	40.3
Trade and other receivables	**888.1**	655.9
Derivative financial instruments	**44.0**	35.8
Construction contracts – assets	**806.0**	788.2
Other accrued income and prepaid expenses	**292.4**	204.5
Restricted cash	**4.6**	5.7
Cash and cash equivalents	**463.9**	597.6
	2,549.0	2,328.0
Total assets	**7,085.8**	7,022.7
Equity		
Issued share capital	**600.0**	600.0
Treasury shares	**(60.7)**	(32.9)
Paid in surplus	**2,505.6**	2,503.9
Translation reserve	**(634.3)**	(582.5)
Other reserves	**(8.9)**	(14.2)
Retained earnings	**1,701.9**	1,709.5
Equity attributable to shareholders of the parent company	**4,103.6**	4,183.8
Non-controlling interests	**285.7**	304.5
Total equity	**4,389.3**	4,488.3
Liabilities		
Non-current liabilities		
Borrowings	**343.3**	360.3
Lease Liabilities	**107.6**	142.9
Retirement benefit obligations	**11.9**	12.3
Deferred tax liabilities	**41.2**	46.0
Provisions	**72.2**	85.0
Contingent liabilities recognised	**0.1**	5.5
Derivative financial instruments	**20.3**	5.7
Other non-current liabilities	**5.5**	6.1
	602.1	663.8
Current liabilities		
Trade and other liabilities	**1,561.4**	1,352.5
Derivative financial instruments	**7.3**	23.7
Tax liabilities	**54.2**	41.5
Borrowings	**24.7**	61.6
Lease liabilities	**76.2**	88.0
Provisions	**77.7**	96.7
Construction contracts – liabilities	**292.3**	205.7
Deferred revenue	**0.6**	0.9
	2,094.4	1,870.6
Total liabilities	**2,696.5**	2,534.4
Total equity and liabilities	**7,085.8**	7,022.7

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	(Revised) Non-controlling interests	(Revised) 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									
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 Statement of Changes in Equity
For the six months ended 30 June 2021

(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 2021	**600.0**	**(17.8)**	**2,505.2**	**(582.0)**	**(25.0)**	**1,747.4**	**4,227.8**	**27.3**	**4,255.1**
Comprehensive income/(loss)									
Net loss	–	–	–	–	–	(9.8)	(9.8)	(2.6)	(12.4)
Net foreign currency translation gains/(losses)	–	–	–	17.9	–	–	17.9	(0.3)	17.6
Fair value adjustment on other financial assets	–	–	–	–	1.2	–	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	0.1	–	–	0.1	–	0.1
Total comprehensive income/(loss)	**–**	**–**	**–**	**18.0**	**1.2**	**(9.8)**	**9.4**	**(2.9)**	**6.5**
Transactions with owners									
Share-based payments	–	–	1.8	–	–	–	1.8	–	1.8
Shares reallocated relating to share-based payments	–	0.2	–	–	–	(0.2)	–	–	–
Dividends declared	–	–	–	–	–	(69.5)	(69.5)	–	(69.5)
Transfer on disposal of other financial assets	–	–	–	–	(1.2)	1.2	–	–	–
Total transactions with owners	**–**	**0.2**	**1.8**	**–**	**(1.2)**	**(68.5)**	**(67.7)**	**–**	**(67.7)**
Balance at 30 June 2021	**600.0**	**(17.6)**	**2,507.0**	**(564.0)**	**(25.0)**	**1,669.1**	**4,169.5**	**24.4**	**4,193.9**

Subsea 7 S.A.

Condensed Consolidated Cash Flow Statement

(in $ millions)	Half Year 1H 2022 Unaudited	1H 2021 Unaudited
Operating activities		
Income/(loss) before taxes	**30.6**	(25.3)
Adjustments for non-cash items:		
Impairment of property, plant and equipment and intangible assets	**–**	5.4
Depreciation and amortisation charges	**232.8**	224.4
Adjustments for investing and financing items:		
Share of net loss/(income) of associates and joint ventures	**1.4**	(5.6)
Net gain on disposal of property, plant and equipment	**(0.7)**	(3.2)
Net gain on maturity of lease liabilities	**(2.2)**	(0.1)
Release of contingent consideration related to business combinations – post measurement period	**(3.4)**	–
Finance income	**(1.6)**	(1.9)
Finance costs	**11.9**	7.3
Adjustments for equity items:		
Share-based payments	**1.7**	1.8
	270.5	202.8
Changes in working capital:		
Increase in inventories	**(10.2)**	(7.0)
(Increase)/decrease in trade and other receivables	**(253.4)**	51.6
Increase in construction contract – assets	**(27.3)**	(192.0)
Increase in other working capital assets	**(120.7)**	(6.5)
Increase in trade and other liabilities	**245.8**	203.3
Increase/(decrease) in construction contract – liabilities	**103.4**	(68.7)
Decrease in other working capital liabilities	**(33.1)**	(53.6)
Net increase in working capital	**(95.5)**	(72.9)
Income taxes paid	**(42.1)**	(44.1)
Net cash generated from operating activities	**132.9**	85.8
Cash flows used in investing activities		
Proceeds from disposal of property, plant and equipment	**0.9**	4.9
Purchases of property, plant and equipment	**(100.5)**	(52.4)
Purchases of intangible assets	**(3.8)**	(5.6)
Interest received	**1.6**	1.9
Loan to joint venture	**–**	(33.0)
Dividends received from joint venture	**–**	0.1
Proceeds from sale of other financial assets	**–**	2.8
Investment in other financial assets	**–**	(0.2)
Net cash used in investing activities	**(101.8)**	(81.5)
Cash flows used in financing activities		
Interest paid	**(4.3)**	(5.6)
Repayment of borrowings	**(49.3)**	(12.3)
Cost of share repurchases	**(24.9)**	–
Payments related to lease liabilities	**(52.0)**	(46.6)
Dividends paid to shareholders of the parent company	**(31.7)**	(72.0)
Net cash used in financing activities	**(162.2)**	(136.5)
Net decrease in cash and cash equivalents	**(131.1)**	(132.2)
Cash and cash equivalents at beginning of year	**597.6**	511.6
Decrease in restricted cash	**1.1**	2.4
Effect of foreign exchange rate movements on cash and cash equivalents	**(3.7)**	8.0
Cash and cash equivalents at end of period	**463.9**	389.8

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 27 July 2022.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2022 to 30 June 2022 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 2021 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

During the second quarter of 2022, the Group identified adjustments to provisional amounts recognised in relation to business combinations entered into during 2021. The adjustments were identified during the relevant measurement periods and related to facts and circumstances which existed at the date of acquisition, as a result 2021 comparative information has been revised as if the accounting had been completed at the acquisition dates. Further details are disclosed in Note 9, 'Goodwill'. As the amounts differ from the amounts in the 2021 financial statements on which the Group's auditor previously reported, the 31 December 2021 Condensed Consolidated Balance Sheet is shown as unaudited.

The Condensed Consolidated Financial Statements are unaudited.

Covid-19 pandemic

During the second quarter of 2022, management continued to monitor the operational and financial impacts to the Group of the Covid-19 pandemic and implement mitigating measures where appropriate.

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 2021.

No new International Financial Reporting Standards (IFRSs) were adopted by the Group for the financial year beginning 1 January 2022. Several amendments to IFRS were applied for the first time in 2022 but did not have a material impact on the Consolidated Financial Statements of the Group. Amendments to existing IFRSs, issued with an effective date of 1 January 2022 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 2021, 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 Consolidated Financial Statements for the year ended 31 December 2021:

- 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 fair value adjustments in business combinations
- 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; and
- Activities associated with heavy lifting operations and decommissioning of redundant offshore 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 Subsea and Conventional activities. Specific services are provided to the Group's Renewables business unit, which includes the Group's non-wholly owned subsidiary Seaway 7 ASA, on an arm's length basis.

Renewables

The Renewables business unit comprises activities related to the delivery of fixed offshore wind farm projects. Following the business combination with OHT ASA (renamed Seaway 7 ASA) on 1 October 2021, the Group's fixed offshore wind farm activities are executed by Seaway 7 ASA, a non-wholly owned subsidiary of the Group from that date. 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. 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. The Corporate business unit provides specific services to the Renewables business unit, which includes the Group's non-wholly owned subsidiary Seaway 7 ASA, on an arm's length basis.

6. Segment information continued

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

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%***

For the three months ended 30 June 2021

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	682.7	314.9	2.4	1,000.0
Day-rate projects	180.3	0.1	17.6	198.0
	863.0	315.0	20.0	1,198.0
Net operating (loss)/income	(9.8)	(31.9)	13.6	(28.1)
Finance income				1.1
Other gains and losses				1.0
Finance costs				(1.8)
Loss before taxes				(27.8)
Adjusted EBITDA[(a)]	*90.7*	*(17.9)*	*17.5*	*90.3*
Adjusted EBITDA margin[(a)]	*10.5%*	*(5.7%)*	*87.5%*	*7.5%*

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%***

For the six months ended 30 June 2021

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	1,272.0	556.2	5.0	1,833.2
Day-rate projects	325.9	0.2	35.0	361.1
	1,597.9	556.4	40.0	2,194.3
Net operating (loss)/income	(16.6)	(51.8)	31.4	(37.0)
Finance income				1.9
Other gains and losses				17.1
Finance costs				(7.3)
Loss before taxes				(25.3)
Adjusted EBITDA[(a)]	*176.4*	*(24.7)*	*41.1*	*192.8*
Adjusted EBITDA margin[(a)]	*11.0%*	*(4.4%)*	*102.6%*	*8.8%*

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

7. Earnings per share

Basic and diluted earnings per share

Basic earnings/(loss) per share is calculated by dividing the net income/(loss) 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/(loss) 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/(loss) and share data used in the calculation of basic and diluted earnings/(loss) per share were as follows:

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2022 Unaudited**	Q2 2021 Unaudited	**1H 2022 Unaudited**	1H 2021 Unaudited
Net income/(loss) attributable to shareholders of the parent company	**41.2**	(11.8)	**26.3**	(9.8)
Earnings used in the calculation of diluted earnings/(loss) per share	**41.2**	(11.8)	**26.3**	(9.8)

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2022 Unaudited**	Q2 2021 Unaudited	**1H 2022 Unaudited**	1H 2021 Unaudited
Weighted average number of common shares used in the calculation of basic earnings/(loss) per share	**292,633,166**	297,683,774	**293,747,374**	297,679,301
Performance shares	**1,082,108**	–	**1,033,582**	–
Weighted average number of common shares used in the calculation of diluted earnings/(loss) per share	**293,715,274**	297,683,774	**294,780,956**	297,679,301

	Second Quarter		Half Year	
For the period (in $ per share)	**Q2 2022 Unaudited**	Q2 2021 Unaudited	**1H 2022 Unaudited**	1H 2021 Unaudited
Basic earnings/(loss) per share	**0.14**	(0.04)	**0.09**	(0.03)
Diluted earnings/(loss) per share	**0.14**	(0.04)	**0.09**	(0.03)

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

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2022 Unaudited**	Q2 2021 Unaudited	**1H 2022 Unaudited**	1H 2021 Unaudited
Performance shares	**668,597**	1,571,270	**754,038**	1,575,743

8. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) is a non-IFRS measure that represents net income/(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. The Group defines Adjusted EBITDA as 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 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 are not recognised as a measurement of performance under 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/(loss) (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 Group. These non-IFRS measures provide management with a meaningful comparative for its business units, as they eliminate the effects of financing, depreciation, amortisation, impairments, taxation and other gains and losses in the Consolidated Income Statement. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea 7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea 7's industry. Adjusted EBITDA margin may also be a useful ratio to compare performance to its competitors and is widely used by shareholders and analysts following the Group's performance.

Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

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

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2022 Unaudited**	Q2 2021 Unaudited	**1H 2022 Unaudited**	1H 2021 Unaudited
Net operating income/(loss)	**17.8**	(28.1)	**(13.1)**	(37.0)
Depreciation, amortisation and mobilisation	**116.1**	114.3	**232.8**	224.4
Impairment of property, plant and equipment	**–**	4.1	**–**	4.1
Impairment of intangible assets	**–**	–	**–**	1.3
Adjusted EBITDA	**133.9**	90.3	**219.7**	192.8
Revenue	**1,247.0**	1,198.0	**2,440.8**	2,194.3
Adjusted EBITDA margin	**10.7%**	7.5%	**9.0%**	8.8%

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

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2022 Unaudited**	Q2 2021 Unaudited	**1H 2022 Unaudited**	1H 2021 Unaudited
Net income/(loss)	**22.2**	(13.1)	**9.8**	(12.4)
Depreciation, amortisation and mobilisation	**116.1**	114.3	**232.8**	224.4
Impairment of property, plant and equipment	**–**	4.1	**–**	4.1
Impairment of intangible assets	**–**	–	**–**	1.3
Finance income	**(0.7)**	(1.1)	**(1.6)**	(1.9)
Other gains and losses	**(46.8)**	(1.0)	**(54.0)**	(17.1)
Finance costs	**7.1**	1.8	**11.9**	7.3
Taxation	**36.0**	(14.7)	**20.8**	(12.9)
Adjusted EBITDA	**133.9**	90.3	**219.7**	192.8
Revenue	**1,247.0**	1,198.0	**2,440.8**	2,194.3
Adjusted EBITDA margin	**10.7%**	7.5%	**9.0%**	8.8%

9. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	**(Revised) 1H 2022 Unaudited**	1H 2021 Unaudited
At year beginning	**197.2**	84.5
Exchange differences	**(5.4)**	1.9
At period end	**191.8**	86.4

During the second quarter of 2022, the Group identified adjustments to provisional amounts recognised in relation to business combinations entered into during 2021. The adjustments were identified during the relevant measurement periods and related to facts and circumstances which existed at the date of acquisition, as a result 2021 comparative information has been revised as if the accounting had been completed at the acquisition dates.

On 1 October 2021, the Group combined its Renewable business unit (consisting of the Group’s fixed offshore wind business) with OHT ASA (renamed Seaway 7 ASA). During the second quarter of 2022, the Group increased provisional amounts recognised in respect of an onerous fixed-price contract provision by $35.3 million with a corresponding increase of the same amount to goodwill.

On 22 September 2021, an indirect subsidiary of Subsea 7 S.A. acquired a 59.12% shareholding of Nautilus Floating Solutions, S.L. During the second quarter of 2022, the Group reduced provisional amounts recognised in respect of intangible assets by $2.3 million, increased goodwill by $1.4 million and reduced non-controlling interests by $0.9 million.

As a result of the above adjustments, the Group’s goodwill balance at 31 December 2021 has been revised to $197.2 million.

10. Treasury shares
At 30 June 2022, the Group directly held 7,940,872 shares (Q1 2022: 7,035,017) as treasury shares, representing 2.65% (Q1 2022: 2.35%) of the total number of issued shares.

The movement in treasury shares during the first half of 2022 was as follows:

	30 Jun 2022 Number of shares Unaudited	**30 Jun 2022 in $ millions Unaudited**	30 Jun 2021 Number of shares Unaudited	30 Jun 2021 in $ millions Unaudited
At year beginning	**4,534,107**	**32.9**	2,326,683	17.8
Shares repurchased	**3,436,882**	**28.1**	–	–
Shares reallocated relating to share-based payments	**(30,117)**	**(0.3)**	(10,457)	(0.2)
At period end	**7,940,872**	**60.7**	2,316,226	17.6

11. Share repurchase programme
During the second quarter, 935,972 shares were repurchased for a consideration of $7.4 million under the Group's share repurchase programme authorised on 24 July 2019, extended on 15 April 2021. At 30 June 2022, the Group had cumulatively repurchased 7,789,022 shares for a total consideration of $59.0 million under this programme.

12. Borrowings
On 15 June 2022, the Group entered into a $700.0 million multi-currency revolving credit and guarantee facility with a five-year tenor. The facility is available in a combination of guarantees, up to a limit of $200.0 million, and cash drawings, or in full for cash drawings. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC, a wholly-owned subsidiary of the Group. The facility was unutilised at 30 June 2022.

On 15 June 2022, the Group's previous $656.0 million multi-currency revolving credit and guarantee facility was cancelled.

13. Commitments and contingent liabilities
Commitments
At 30 June 2022, the Group had contractual commitments totalling $413.2 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 2020, the Group's Brazilian businesses were audited and formally assessed for tax on commercial and services (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 2022 amounted to BRL 876.6 million, equivalent to $167.3 million (31 December 2021: BRL 821.5 million, equivalent to $145.1 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 2022 amounted to BRL 224.3 million, equivalent to $42.8 million (31 December 2021: BRL 234.8 million, equivalent to $41.5 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL162.0 million, equivalent to $30.9 million as the disclosure criteria have been met (31 December 2021: BRL177.4 million, equivalent to $31.3 million), however, management believes that the likelihood of payment is not probable. At 30 June 2022, a provision of BRL 62.3 million, equivalent to $11.9 million was recognised within the Consolidated Balance Sheet (31 December 2021: BRL 57.4 million, equivalent to $10.1 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 accounting for the business combination in 2011 with Subsea 7 Inc., IFRS 3 'Business combinations' (IFRS 3) 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. Following a favourable legal ruling, management now consider this previously recognised liability to have expired. As a result, during the second quarter, the contingent liability of $5.4 million was derecognised in full and recognised within the Group's Consolidated Income Statement.

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 2022 was $0.1 million (31 December 2021: $0.5 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 and UK Export Finance (UKEF) 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 2022 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 Condensed Consolidated Balance Sheet and their level in the fair value hierarchy were as follows:

At (in $ millions)	**2022 30 Jun Level 1**	**2022 30 Jun Level 2**	**2022 30 Jun Level 3**	2021 31 Dec Level 1	2021 31 Dec Level 2	2021 31 Dec Level 3
Recurring fair value measurements						
Financial assets measured at fair value through profit or loss:						
Derivative financial instruments	**–**	**55.1**	**–**	–	47.7	–
Financial assets measured at fair value through other comprehensive income:						
Derivative financial instruments in designated hedge accounting relationships	**–**	**18.5**	**–**	–	12.8	–
Financial liabilities measured at fair value through profit or loss:						
Derivative financial instruments	**–**	**(27.6)**	**–**	–	(29.4)	–
Contingent consideration	**–**	**–**	**(2.7)**	–	–	(6.6)

During the period ended 30 June 2022 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 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:

- Derivative financial instruments in designed hedge accounting relationships
  The fair value of outstanding forward exchange contracts were calculated using quoted foreign exchange rates and yield curves derived from quoted interest 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.

15. Post balance sheet events

Share repurchase programme

Between 1 July 2022 and 27 July 2022 the Group repurchased 2,211,190 shares for a consideration of $17.3 million under the Group's share repurchase programme authorised on 24 July 2019, extended on 15 April 2021. At 27 July 2022, the Group had cumulatively repurchased 10,000,212 shares for a total consideration of $76.3 million under this programme.