Subsea 7 S.A. Announces Third Quarter 2023 Results

Luxembourg – 16 November 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 third quarter which ended 30 September 2023.

Third quarter highlights

- Third quarter Adjusted EBITDA of $201 million, a margin of 13%
- Free cash flow of $223 million, resulting in an increase in cash and cash equivalents to $530 million
- Net debt including lease liabilities $606 million, down from $805 million in the second quarter
- Order intake of $2.1 billion resulted in a book-to-bill of 1.3 times and continued backlog growth to $10.8 billion
- Backlog for execution in 2024 of $4.8 billion, up 51% on the equivalent position a year ago, with $3.2 billion for 2025
- Recent awards and high levels of ongoing tendering activity support a return of Adjusted EBITDA margins to a range of 15-20%, reaching towards the upper end of the range in 2025
- Full year 2023 guidance reconfirmed. In 2024, we anticipate that revenue will be between $6.0 and $6.5 billion, while Adjusted EBITDA is expected to be within a range from $950 million to $1.0 billion

	Third Quarter		Nine Months Ended	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q3 2023 Unaudited**	Q3 2022 Unaudited	**30 Sep 2023 Unaudited**	30 Sep 2022 Unaudited
Revenue	**1,578**	1,404	**4,342**	3,845
Adjusted EBITDA[a]	**201**	171	**470**	391
Adjusted EBITDA margin[a]	**13%**	12%	**11%**	10%
Net operating income	**64**	53	**50**	40
Net income	**36**	–	**21**	10
Earnings per share – in $ per share				
Basic	**0.11**	0.01	**0.11**	0.10
Diluted[b]	**0.11**	0.01	**0.11**	0.10

At (in $ millions)	**30 Sep 2023 Unaudited**	30 June 2023 Unaudited
Backlog[a]	**10,794**	10,363
Book-to-bill ratio[a]	**1.3x**	1.4x
Cash and cash equivalents	**530**	398
Borrowings	**(726)**	(760)
Net debt excluding lease liabilities[a]	**(196)**	(363)
Net debt including lease liabilities[a]	**(606)**	(805)

(a) For explanations and reconciliations of Adjusted EBITDA, Adjusted EBITDA margin, Backlog, Book-to-bill ratio and Net 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 reported solid third quarter results in line with management's expectations and the Group is on-track to meet guidance for the full year 2023. During the quarter, good operational progress was made on key projects in both Subsea and Conventional, and Renewables, including early activity on the backlog of higher-margin contracts. As these contracts mature, we are confident that Adjusted EBITDA margins will return to a range of 15-20%, reaching towards the upper end of the range for the full year 2025. Tendering activity in both subsea and offshore wind remains at high levels, extending our visibility beyond 2025 and supporting our view of a sustained upcycle into the latter part of the decade.

In Q3, the Renewables business unit delivered a double-digit Adjusted EBITDA margin for the second consecutive quarter by stabilising execution and high-grading new orders to rebalance risk and return. While the offshore wind industry continues its non-linear growth trajectory, we are confident that we have the right approach to sustain this improved level of performance.

On 2 October, the OneSubsea joint venture between Subsea7, SLB and Aker Solutions completed and, simultaneously, Subsea Integration Alliance between Subsea7 and OneSubsea was extended to 2033. The joint venture and Alliance leverage our combined market-leading assets, services and technologies to reinforce our ability to deliver greater efficiencies to clients, enabling them to unlock lower-carbon subsea reserves. During the quarter, the Alliance signed an agreement with BP for integrated subsea developments, working in a collaboration that will create value for BP, Subsea7 and OneSubsea, through enhanced visibility and optimised delivery.

Operational highlights

During the third quarter, Subsea7 made good progress on its major Subsea and Conventional projects. In Norway, for the large Yggdrasil project, activity was focused on design engineering, while offshore activities continued on Hanz, Hasselmus, Heimdal, Kobra East Gekko, Ormen Lange, Northern Lights and Tyrving utilising *Seven Oceans, Seven Oceanic, Seven Falcon* and *Seven Navica*. In Brazil *Seven Vega* and *Seven Pacific* were active offshore on the Bacalhau project and good progress was made on Mero 3, where we installed torpedo piles and fabrication works at Ubu commenced. In Senegal, *Seven Seas* installed structures at Sangomar while, in Angola, onshore fabrication for the CLOV 3 project continued. In Saudi Arabia, *Seven Borealis* completed the first campaign for the Marjan 2 project and in Indonesia, fabrication of pipe stalks began at the Bintan spoolbase for the Scarborough and Barossa projects in Australia.

In Renewables, activity was high in the UK where *Seaway Strashnov* completed the installation of monopiles for Dogger Bank A. In October, *Seaway Alfa Lift* commenced mobilisation for the installation of the transition pieces. Elsewhere, *Seaway Phoenix* continued cable lay at the Changfang and Xidao project in Taiwan and our newbuild foundation and turbine installation vessel, *Seaway Ventus,* underwent sea trials in China ahead of yard delivery in the fourth quarter.

Third quarter financial review

Revenue of $1.6 billion increased 12% compared to the prior year period. Adjusted EBITDA of $201 million equated to an Adjusted EBITDA margin of 13%, slightly ahead of the prior year period. This reflected the continued improved profitability in Renewables and a good performance in Subsea and Conventional. After a depreciation and amortisation charge of $137 million, net operating income increased to $64 million from $53 million in the prior year period. After net finance costs of $12 million, and a net foreign exchange loss of $7 million, net income for the quarter was $36 million compared to breakeven in the third quarter of 2022.

Net cash generated from operating activities was $289 million including an $88 million improvement in net working capital. Net cash used in investing activities was $61 million mainly related to payments for *Seaway Ventus*. Net cash used in financing activities was $94 million including lease payments of $45 million and repayment of borrowings of $31 million. Overall, cash and cash equivalents increased by $132 million from 30 June 2023 to $530 million at 30 September 2023. Net debt at the end of the third quarter was $606 million including lease liabilities of $410 million.

Third quarter order intake was $2.1 billion comprising new awards of $1.4 billion and escalations of $0.7 billion resulting in a book-to-bill ratio of 1.3 times. Backlog at the end of September was $10.8 billion, of which $1.7 billion is expected to be executed in the fourth quarter of 2023, $4.8 billion in 2024 and $3.2 billion in 2025.

Outlook

We continue to expect revenue and Adjusted EBITDA in 2023 to be higher than 2022. In 2024, we anticipate that revenue will be between $6.0 and $6.5 billion, while Adjusted EBITDA is expected to be within a range from $950 million to $1.0 billion. We expect capital expenditure to reduce to between $280 and $320 million. We therefore anticipate a sharp increase in free cash flow generation in 2024 which will enable us to extend our decade-long track record of shareholder returns. As pricing and contract terms continue to improve, Adjusted EBITDA margins should increase within a range of 15-20%, reaching towards the upper end of the range for the full year 2025.

With a tight subsea vessel market in 2024 and 2025, we are now tendering work for major EPCI projects with offshore activity in 2026 and beyond. We see sustained capital expenditure by clients in the subsea market, where the carbon intensity of resources and extraction method is lower than the global hydrocarbon average. A positive outlook for demand, combined with stability in the competitive landscape and the absence of newbuild global enabler pipelay vessels should ensure we generate an appropriate return on the substantial capital already invested in our subsea fleet.

In offshore wind, our foundation and cable lay installation vessels are near-fully utilised on world-class projects through 2024 and 2025. Despite the recent uncertainty in the regulatory and fiscal environments in the UK and US markets, demand for our services is strong, including in the Netherlands, Germany and Poland. With a focus on balancing risk and returns, we believe our offshore wind business will deliver sustainable value creation for shareholders for the long term.

Overall, through strong positions in lower-carbon oil and gas, as well as offshore wind, Subsea7 is well-placed to deliver the energy the world needs for today and tomorrow.

Conference Call Information

Date: 16 November 2023
Time: 12:00 UK Time, 13:00 CET
Access the webcast at subsea7.com or edge.media-server.com/mmc/p/zawi5mv6/
Register for the conference call at https://register.vevent.com/register/BI27406ccbe6134b6c875efd57a1191e4a

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Special Note Regarding Forward-Looking Statements

This document 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. 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 Fourth 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 document. 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 16 November 2023 at 08:00 CET.

Third Quarter 2023

Income Statement

Revenue

Revenue for the third quarter was $1.6 billion, an increase of $174 million or 12% compared to Q3 2022. The increase was mainly due to significantly increased activity in the Subsea and Conventional business unit.

Adjusted EBITDA

Adjusted EBITDA was $201 million resulting in an Adjusted EBITDA margin of 13%, an increase of $31 million or 18% compared to Q3 2022. The increase was driven by higher Adjusted EBITDA in both the Subsea and Conventional business unit, driven by higher activity levels, and in the Renewables business unit, which continued to deliver double digit Adjusted EBITDA margins.

Net operating income

Net operating income was $64 million compared to $53 million in Q3 2022.

Net operating income in the quarter was mainly driven by:

- net operating income of $76 million in the Subsea and Conventional business unit compared to $52 million in Q3 2022. The year-on-year increase, which was as anticipated, was mainly driven by higher activity levels;
- net operating income of $4 million in the Renewables business unit compared to net operating loss of $4 million in Q3 2022

partly offset by:

- net operating loss of $16 million in the Corporate business unit compared to net operating income of $5 million in Q3 2022.

Net income

Net income was $36 million in the third quarter, compared to net income of $nil in the prior year period.

The favourable movement was primarily due to:

- an increase of $11 million in net operating income;
- a net loss of $6 million recognised within other gains and losses compared to a net loss of $23 million in the prior year period, which reflected net foreign currency losses of $7 million and $25 million in Q3 2023 and Q3 2022, respectively;
- taxation of $10 million, representing an effective tax rate of 22%, compared to $27 million in Q3 2022, equivalent to an effective tax rate of 100%

partly offset by:

- finance costs of $18 million in the third quarter 2023 compared to $6 million in the prior year period. The year-on-year increase reflected higher borrowings and increased interest rates.

Earnings per share

Diluted earnings per share was $0.11 compared to $0.01 in Q3 2022, calculated using a weighted average number of shares of 301 million and 291 million, respectively.

Business Unit Highlights

Subsea and Conventional

Revenue for the third quarter was $1.3 billion, an increase of $292 million or 30% compared to the prior year period.

During the quarter the Europipe/Heimdal project, Norway, the TOPR project, Trinidad and Tobago and the Azeri Central East development in the Caspian Sea were 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 Skarv Satellites and Yggdrasil projects, Norway.

In Brazil, there were high levels of utilisation of the PLSVs and work progressed on the Bacalhau, Mero 3 and Búzios 8 projects.

Net operating income of $76 million in the third quarter compared to net operating income of $52 million in Q3 2022. Results in the third quarter of 2023 reflected anticipated higher activity levels.

Renewables

Revenue for the third quarter was $269 million compared to $374 million in Q3 2022, the year-on-year reduction was driven by the completion of the Seagreen project, UK, during the first half of 2023.

During the quarter the Changfang and Xidao project, Taiwan, neared completion. Work progressed on the Dogger Bank A&B and the Moray West Offshore Windfarm projects, UK, and the Yunlin and Hai Long projects, Taiwan.

Net operating income was $4 million in Q3 2023 compared to net operating loss of $4 million in Q3 2022.

Corporate

Revenue, which was mainly driven by the Group's autonomous wholly-owned subsidiaries Xodus and 4Subsea, was $27 million, compared to $40 million in the prior year period. Net operating loss was $16 million compared to net operating income of $5 million in Q3 2022.

Vessel utilisation and fleet

Vessel utilisation for the third quarter was 86% compared with 80% in Q3 2022.

At 30 September 2023 there were 39 vessels in the Group's fleet, comprising 38 active vessels, including ten chartered vessels, and one vessel under construction. During the quarter *Seaway Alfa Lift* joined the active fleet.

Cash flow

Cash flow statement

Cash and cash equivalents were $530 million at 30 September 2023, an increase of $132 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 $289 million, which included a favourable movement of $88 million in net working capital

partly offset by:

- net cash used in investing activities of $61 million, which included purchases of property, plant and equipment and intangible assets of $67 million mainly related to milestone payments for *Seaway Ventus*; and
- net cash used in financing activities of $94 million, which included payments related to lease liabilities of $45 million and scheduled repayments of borrowings of $31 million. During the quarter the Group borrowed $142 million under the 2023 UK Export Finance facility and repaid $143 million related to the Group's multi-currency revolving credit and guarantee facility.

Free cash flow
During the third quarter, the Group generated free cash flow of $223 million (Q3 2022: $131 million) which is defined as cash generated from operating activities of $289 million (Q3 2022: $210 million) less purchases of property, plant and equipment and intangible assets of $67 million (Q3 2022: $79 million).

Nine months ended 30 September 2023

Income Statement

Revenue
Revenue for the nine months ended 30 September 2023 was $4.3 billion, an increase of $498 million or 13% compared to the prior year period. 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 $470 million resulting in an Adjusted EBITDA margin of 11%, an increase of $79 million or 20% compared to the nine months ended 30 September 2022. The increase was driven by higher Adjusted EBITDA in the Renewables business unit with Adjusted EBITDA margin improving to 10% during 2023.

Net operating income
Net operating income was $50 million compared to $40 million in the prior year period.

Net operating income in the nine months ended 30 September 2023 was driven by:

- net operating income of $68 million in the Subsea and Conventional business unit (2022: $118 million)

partly offset by:

- net operating loss of $5 million in the Renewables business unit (2022: net operating loss $91 million) with the prior year period being impacted by costs incurred on certain projects; and
- net operating loss of $14 million in the Corporate business unit compared to net operating income of $13 million in the prior year period.

Net income
Net income was $21 million for the nine months ended 30 September 2023, compared to net income of $10 million in the prior year period.

The movement was primarily due to:

- an increase of $10 million in net operating income;
- a net gain of $50 million within other gains and losses compared to a net gain of $31 million in the prior year period, due principally to net foreign currency movements

partly offset by:

- finance costs of $47 million for the nine months ended 30 September 2023 compared to $18 million in the prior year period. The year-on-year increase was driven by higher borrowings and higher interest rates in 2023 compared to 2022; and
- taxation of $51 million, representing an effective tax rate of 70%, compared to $48 million in 2022, equivalent to an effective tax rate of 83%.

Earnings per share
Diluted earnings per share was $0.11 compared $0.10 in the nine months ended 30 September 2022, calculated using a weighted average number of shares of 299 million and 294 million, respectively.

Business Unit Highlights

Subsea and Conventional
Revenue for the nine months ended 30 September 2023 was $3.5 billion, an increase of $671 million or 24% compared to the prior year period.

During the period the Sakarya Phase 1 project, Türkiye, was substantially completed, and work progressed on the Sangomar project, Senegal, the Sanha Lean Gas and CLOV 3 projects, Angola and the Marjan 2 project, Saudi Arabia.

In Brazil, there were high levels of utilisation of the PLSVs and work progressed on the Bacalhau, Mero 3 and Búzios 8 projects.

Net operating income was $68 million compared to net operating income of $118 million in the prior year period. The results in 2023 reflect the execution of low margin projects awarded in 2020 and 2021 and non-cash 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 $737 million compared to $900 million in the prior year period. During the period the Hollandse Kust Zuid project, the Netherlands, and the Seagreen project, UK, were substantially completed. Work progressed on the Dogger Bank A&B project.

Net operating loss was $5 million in 2023 compared to net operating loss of $91 million in the prior year period, which reflected costs incurred on certain projects in 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 $81 million, a decrease of $11 million compared to the prior year period.

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

Vessel utilisation and fleet
Vessel Utilisation for the nine months ended 30 September 2023 was 80% compared with 74% for the prior year period.

Cash flow

Cash flow statement
Cash and cash equivalents were $530 million at 30 September 2023, a decrease of $116 million in the nine months ended 30 September 2023. The movement in cash and cash equivalents was mainly attributable to:

- net cash used in investing activities of $349 million, which included purchases of property, plant and equipment and intangible assets of $356 million, mainly related to the newbuild vessels *Seaway Alfa Lift* and *Seaway Ventus*

partly offset by:

- net cash generated from operating activities of $131 million, which included an adverse movement in net working capital of $302 million; and
- net cash generated from financing activities of $102 million, which included:
    - $300 million drawn under the Group's 2021 UK Export Finance facility and $142 million drawn under the Group's 2023 UK Export Finance facility, partly offset by;
    - scheduled repayments of borrowings of $68 million, related to the Group's 2021 Export Finance facility and South Korean Export Credit Agency (ECA) facility;
    - payments related to lease liabilities of $123 million; and
    - dividends paid to shareholders of $112 million.

Free cash flow
During the nine months ended 30 September 2023, the Group generated negative free cash flow of $224 million (nine months ended 30 September 2022: free cash flow $160 million) which is defined as cash generated from operating activities of $131 million (nine months ended 30 September 2022: $343 million) less purchases of property, plant and equipment and intangible assets of $356 million (nine months ended 30 September 2022: $183 million).

Balance Sheet

Non-current assets
At 30 September 2023, non-current assets were $4.8 billion (31 December 2022: $4.5 billion). The movement of $248 million was largely driven by an increase in right-of-use assets of $140 million, mainly related to three long-term vessel leases and associated options, and an increase in property, plant and equipment of $66 million.

Non-current liabilities
At 30 September 2023, total non-current liabilities were $992 million (31 December 2022: $609 million). The increase of $383 million was mainly driven by:

- drawdowns of $300 million under the Group's 2021 UK Export Finance facility and $142 million under the Group's 2023 UK Export Finance facility, of which $382 million was recognised as non-current liabilities;
- increase of $107 million in lease liabilities

partly offset by:

- $78 million reclassified to current borrowings in line with repayment schedules.

Net current assets
At 30 September 2023, current assets were $2.9 billion (31 December 2022: $2.4 billion) and current liabilities were $2.4 billion (31 December 2022: $1.9 billion), resulting in net current assets of $563 million (31 December 2022: $537 million). The increase of $26 million in the period was driven by:

- increase in construction contracts assets of $354 million;
- increase in trade and other receivables of $137 million

partly offset by:

- increase in trade and other liabilities of $224 million;
- increase in borrowings of $70 million mainly driven by the drawdown of $300 million under the Group's 2021 UK Export Finance facility, of which $60 million was recognised as current liabilities;
- increase in construction contracts liabilities of $62 million; and
- decrease in cash and cash equivalents of $116 million.

Equity

At 30 September 2023, total equity was $4.3 billion (31 December 2022: $4.5 billion). The decrease of $109 million in the period was driven by:

- dividends of $112 million;
- acquisition of non-controlling interest of $13 million;
- net foreign currency translation losses of $9 million

partly offset by:

- net income of $21 million.

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

Borrowings

At 30 September 2023, total borrowings were $726 million (31 December 2022: $356 million). The increase of $370 million was mainly driven by drawdowns of $300 million under the Group's 2021 UK Export Finance facility and $142 million under the Group's 2023 UK Export Finance facility. During the nine months ended 30 September 2023, the Group both borrowed and repaid $163 million from the multi-currency revolving credit and guarantee facility. 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 September 2023 is as follows:

(in $ millions)	Total facility	Drawn[(a)]	Undrawn	Maturity Date
Multi-currency revolving credit and guarantee facility	700.0	–	700.0	June 2028[(b)]
2021 UK Export Finance (UKEF 2021) facility	450.0	(450.0)	–	February 2028
2023 UK Export Finance (UKEF 2023) facility	450.0	(142.1)	307.9	July 2030
South Korean Export Credit Agency (ECA) facility	141.4	(141.4)	–	January 2027[(c)]
Total	**1,741.4**	**(733.5)**	**1,007.9**	

(a) Borrowings presented in the Condensed Consolidated Balance Sheet are shown net of capitalised fees of $7.9 million, which are amortised over the period of the facility.

(b) The Group's multi-currency revolving credit and guarantee facility will 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 $410 million, an increase of $153 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 September 2023:

- net debt (excluding lease liabilities) was $196 million compared to net cash of $290 million at 31 December 2022; and
- net debt (including lease liabilities) was $606 million, compared to net cash of $33 million at 31 December 2022.

Gearing

At 30 September 2023, gross gearing (borrowings divided by total equity) was 16.7% (31 December 2022: 8.0%).

Liquidity

At 30 September 2023, the Group's liquidity, represented by cash and cash equivalents and undrawn borrowing facilities was $1.5 billion (31 December 2022: $1.6 billion).

Backlog

At 30 September 2023 backlog was $10.8 billion compared to $10.4 billion at 30 June 2023. Order intake in the third quarter was $2.1 billion representing a book-to-bill ratio of 1.3 times. Order intake included new awards of $1.4 billion, which predominantly reflected the Mero 4 contract amendment. Escalations of approximately $700 million were recognised in the quarter. During the quarter there was an adverse foreign exchange impact of approximately $100 million.

$9.1 billion of the backlog at 30 September 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. $1.7 billion of the backlog is expected to be executed in 2023, $4.8 billion in 2024 and $4.3 billion in 2025 and thereafter. Backlog related to associates and joint ventures, which is not significant to the Group, is excluded from these amounts.

Subsea 7 S.A.
Condensed Consolidated Income Statement

(in $ millions)	Third Quarter Q3 2023 Unaudited	Third Quarter Q3 2022 Unaudited	Nine Months Ended 30 Sep 2023 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited
Revenue	**1,578.2**	1,404.0	**4,342.4**	3,844.8
Operating expenses	**(1,450.3)**	(1,287.0)	**(4,093.0)**	(3,618.5)
Gross profit	**127.9**	117.0	**249.4**	226.3
Administrative expenses	**(64.3)**	(63.4)	**(199.5)**	(184.4)
Share of net gain/(loss) of associates and joint ventures	**0.6**	(0.2)	**0.1**	(1.6)
Net operating income	**64.2**	53.4	**50.0**	40.3
Finance income	**5.9**	2.9	**19.5**	4.5
Other gains and losses	**(6.1)**	(23.3)	**49.6**	30.7
Finance costs	**(17.5)**	(5.8)	**(47.3)**	(17.7)
Income before taxes	**46.5**	27.2	**71.8**	57.8
Taxation	**(10.2)**	(27.3)	**(50.5)**	(48.1)
Net income/(loss)	**36.3**	(0.1)	**21.3**	9.7
Net income/(loss) attributable to:				
Shareholders of the parent company	**34.4**	3.2	**32.7**	29.6
Non-controlling interests	**1.9**	(3.3)	**(11.4)**	(19.9)
	36.3	(0.1)	**21.3**	9.7

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.11**	0.01	**0.11**	0.10
Diluted[(a)]	**0.11**	0.01	**0.11**	0.10

(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)	Third Quarter Q3 2023 Unaudited	Third Quarter Q3 2022 Unaudited	Nine Months Ended 30 Sep 2023 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited
Net income/(loss)	**36.3**	(0.1)	**21.3**	9.7
Items that may be reclassified to the income statement in subsequent periods:				
Net foreign currency translation losses	**(26.0)**	(74.7)	**(8.5)**	(130.7)
Commodity cash flow hedges	**4.3**	(15.0)	**(0.1)**	(9.3)
Tax relating to components of other comprehensive income	**3.6**	4.8	**0.4**	6.3
Other comprehensive loss	**(18.1)**	(84.9)	**(8.2)**	(133.7)
Total comprehensive income/(loss)	**18.2**	(85.0)	**13.1**	(124.0)
Total comprehensive income/(loss) attributable to:				
Shareholders of the parent company	**16.6**	(79.0)	**24.7**	(99.2)
Non-controlling interests	**1.6**	(6.0)	**(11.6)**	(24.8)
	18.2	(85.0)	**13.1**	(124.0)

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

(in $ millions)	30 Sep 2023 Unaudited	31 Dec 2022 Audited
Assets		
Non-current assets		
Goodwill	**189.9**	191.3
Intangible assets	**47.5**	31.1
Property, plant and equipment	**3,987.9**	3,922.0
Right-of-use assets	**382.0**	242.0
Interest in associates and joint ventures	**23.1**	25.5
Advances and receivables	**66.7**	65.9
Derivative financial instruments	**35.6**	5.3
Other financial assets	**1.1**	1.1
Deferred tax assets	**36.8**	38.7
	4,770.6	4,522.9
Current assets		
Inventories	**58.6**	49.5
Trade and other receivables	**723.5**	586.2
Current tax assets	**107.0**	61.1
Derivative financial instruments	**35.7**	16.7
Assets classified as held for sale	**31.0**	45.5
Construction contracts – assets	**1,161.8**	807.7
Other accrued income and prepaid expenses	**275.9**	204.6
Restricted cash	**7.5**	4.4
Cash and cash equivalents	**529.8**	645.6
	2,930.8	2,421.3
Total assets	**7,701.4**	6,944.2
Equity		
Issued share capital	**608.6**	600.0
Treasury shares	**(33.2)**	(75.0)
Paid in surplus	**2,582.4**	2,503.2
Translation reserve	**(635.9)**	(628.0)
Other reserves	**(18.5)**	(18.4)
Retained earnings	**1,810.4**	1,739.8
Equity attributable to shareholders of the parent company	**4,313.8**	4,121.6
Non-controlling interests	**27.7**	329.1
Total equity	**4,341.5**	4,450.7
Liabilities		
Non-current liabilities		
Borrowings	**602.1**	302.2
Lease Liabilities	**268.0**	161.2
Retirement benefit obligations	**9.7**	9.2
Deferred tax liabilities	**52.1**	54.4
Provisions	**30.0**	47.7
Contingent liabilities recognised	**0.4**	0.4
Derivative financial instruments	**24.6**	28.7
Other non-current liabilities	**4.8**	5.3
	991.7	609.1
Current liabilities		
Trade and other liabilities	**1,494.2**	1,270.4
Derivative financial instruments	**28.9**	7.2
Tax liabilities	**72.9**	49.3
Borrowings	**123.5**	53.8
Lease liabilities	**141.8**	95.8
Provisions	**114.6**	87.0
Construction contracts – liabilities	**381.5**	319.4
Deferred revenue	**10.8**	1.5
	2,368.2	1,884.4
Total liabilities	**3,359.9**	2,493.5
Total equity and liabilities	**7,701.4**	6,944.2

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 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 income	–	–	–	–	–	32.7	32.7	(11.4)	21.3
Net foreign currency translation losses	–	–	–	(8.3)	–	–	(8.3)	(0.2)	(8.5)
Commodity cash flow hedges	–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Tax relating to components of other comprehensive income	–	–	–	0.4	–	–	0.4	–	0.4
Total comprehensive income/(loss)	**–**	**–**	**–**	**(7.9)**	**(0.1)**	**32.7**	**24.7**	**(11.6)**	**13.1**
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	–	–	2.9	–	–	–	2.9	–	2.9
Shares reallocated relating to share-based payments	–	0.2	–	–	–	(0.2)	–	–	–
Total transactions with owners	**8.6**	**41.8**	**79.2**	**–**	**–**	**37.9**	**167.5**	**(289.8)**	**(122.3)**
Balance at 30 September 2023	**608.6**	**(33.2)**	**2,582.4**	**(635.9)**	**(18.5)**	**1,810.4**	**4,313.8**	**27.7**	**4,341.5**

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 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)	–	–	–	–	–	29.6	29.6	(19.9)	9.7
Net foreign currency translation losses	–	–	–	(125.8)	–	–	(125.8)	(4.9)	(130.7)
Commodity cash flow hedges	–	–	–	–	(9.3)	–	(9.3)	–	(9.3)
Tax relating to components of other comprehensive income	–	–	–	4.0	2.3	–	6.3	–	6.3
Total comprehensive (loss)/income	**–**	**–**	**–**	**(121.8)**	**(7.0)**	**29.6**	**(99.2)**	**(24.8)**	**(124.0)**
Transactions with owners									
Shares repurchased	–	(46.0)	–	–	–	–	(46.0)	–	(46.0)
Share-based payments	–	–	2.5	–	–	–	2.5	–	2.5
Dividends declared	–	–	–	–	–	(33.6)	(33.6)	–	(33.6)
Shares reallocated relating to share-based payments	–	0.3	–	–	–	(0.3)	–	–	–
Total transactions with owners	**–**	**(45.7)**	**2.5**	**–**	**–**	**(33.9)**	**(77.1)**	**–**	**(77.1)**
Balance at 30 September 2022	**600.0**	**(78.6)**	**2,506.4**	**(704.3)**	**(21.2)**	**1,705.2**	**4,007.5**	**279.7**	**4,287.2**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Nine Months Ended 30 Sep 2023 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited Re-presented[a]
Operating activities		
Income before taxes	**71.8**	57.8
Adjustments for non-cash items:		
Depreciation and amortisation charges	**396.3**	350.2
Impairment of property, plant and equipment	**23.2**	–
Credit impairment	**19.0**	–
(Increase)/decrease in foreign exchange embedded derivatives	**(31.3)**	50.9
Adjustments for investing and financing items:		
Share of (income)/loss of associates and joint ventures	**(0.1)**	1.6
Net gain on disposal of property, plant and equipment	**–**	(0.7)
Net loss/(gain) on maturity of lease liabilities	**0.3**	(3.0)
Release of contingent consideration post measurement period	**(0.5)**	(3.4)
Finance income	**(19.5)**	(4.5)
Finance costs	**47.3**	17.7
Adjustments for equity items:		
Share-based payments	**2.9**	2.5
	509.4	469.1
Changes in working capital:		
Increase in inventories	**(9.0)**	(19.9)
Increase in trade and other receivables	**(160.7)**	(244.3)
Increase in construction contract – assets	**(347.6)**	(27.8)
Increase in other working capital assets	**(81.5)**	(41.1)
Increase in trade and other liabilities	**230.1**	159.6
Increase in construction contract – liabilities	**50.1**	176.4
Increase/(decrease) in other working capital liabilities	**16.9**	(62.7)
Net movement in working capital	**(301.7)**	(59.8)
Income taxes paid	**(76.3)**	(66.4)
Net cash generated from operating activities	**131.4**	342.9
Cash flows used in investing activities		
Proceeds from disposal of property, plant and equipment	**–**	0.9
Purchases of property, plant and equipment	**(341.5)**	(173.3)
Purchases of intangible assets	**(14.1)**	(10.0)
Acquisition of shares from non-controlling interest	**(12.6)**	–
Interest received	**19.5**	4.5
Net cash used in investing activities	**(348.7)**	(177.9)
Cash flows generated from/(used in) financing activities		
Interest paid	**(36.2)**	(10.3)
Repayment of borrowings	**(230.9)**	(55.5)
Proceeds from borrowings	**604.6**	–
Cost of share repurchases	**–**	(46.0)
Payments related to lease liabilities – principal	**(101.6)**	(78.8)
Payments related to lease liabilities – interest	**(21.6)**	–
Dividends paid to shareholders of the parent company	**(112.1)**	(31.7)
Net cash generated from/(used in) financing activities	**102.2**	(222.3)
Net decrease in cash and cash equivalents	**(115.1)**	(57.3)
Cash and cash equivalents at beginning of year	**645.6**	597.6
(Increase)/decrease in restricted cash	**(3.1)**	1.1
Effect of foreign exchange rate movements on cash and cash equivalents	**2.4**	(8.5)
Cash and cash equivalents at end of period	**529.8**	532.9

(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 15 November 2023.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2023 to 30 September 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 September 2023

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	**1,076.8**	**268.1**	**4.1**	**1,349.0**
Day-rate projects	**205.9**	**0.7**	**22.6**	**229.2**
	1,282.7	**268.8**	**26.7**	**1,578.2**
Net operating income/(loss)	**75.8**	**4.4**	**(16.0)**	**64.2**
Finance income				**5.9**
Other gains and losses				**(6.1)**
Finance costs				**(17.5)**
Income before taxes				**46.5**
Adjusted EBITDA[(a)]	***181.9***	***31.4***	***(12.0)***	***201.3***
Adjusted EBITDA margin[(a)]	***14.2%***	***11.7%***	***(44.9%)***	***12.8%***

For the three months ended 30 September 2022

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	796.2	353.9	19.5	1,169.6
Day-rate projects	194.2	19.7	20.5	234.4
	990.4	373.6	40.0	1,404.0
Net operating income/(loss)	52.3	(3.5)	4.6	53.4
Finance income				2.9
Other gains and losses				(23.3)
Finance costs				(5.8)
Income before taxes				27.2
Adjusted EBITDA[(a)]	*141.9*	*20.6*	*8.3*	*170.8*
Adjusted EBITDA margin[(a)]	*14.3%*	*5.5%*	*20.8%*	*12.2%*

6. Segment information continued

For the nine months ended 30 September 2023

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	**2,956.6**	**735.9**	**13.0**	**3,705.5**
Day-rate projects	**568.0**	**1.3**	**67.6**	**636.9**
	3,524.6	**737.2**	**80.6**	**4,342.4**
Net operating income/(loss)	**68.4**	**(4.6)**	**(13.8)**	**50.0**
Finance income				**19.5**
Other gains and losses				**49.6**
Finance costs				**(47.3)**
Income before taxes				**71.8**
Adjusted EBITDA[a]	***399.8***	***71.7***	***(1.7)***	***469.8***
Adjusted EBITDA margin[a]	***11.3%***	***9.7%***	***(2.1%)***	***10.8%***

For the nine months ended 30 September 2022

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	2,329.2	876.4	29.6	3,235.2
Day-rate projects	524.1	23.5	62.0	609.6
	2,853.3	899.9	91.6	3,844.8
Net operating income/(loss)	118.2	(91.1)	13.2	40.3
Finance income				4.5
Other gains and losses				30.7
Finance costs				(17.7)
Income before taxes				57.8
Adjusted EBITDA[a]	*388.0*	*(23.1)*	*25.6*	*390.5*
Adjusted EBITDA margin[a]	*13.6%*	*(2.6%)*	*27.9%*	*10.2%*

(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:

	Third Quarter		**Nine Months Ended**	
For the period (in $ millions)	**Q3 2023 Unaudited**	Q3 2022 Unaudited	**30 Sep 2023 Unaudited**	30 Sep 2022 Unaudited
Net income attributable to shareholders of the parent company	**34.4**	3.2	**32.7**	29.6
Earnings used in the calculation of diluted earnings per share	**34.4**	3.2	**32.7**	29.6

	Third Quarter		**Nine Months Ended**	
For the period (number of shares)	**Q3 2023 Unaudited**	Q3 2022 Unaudited	**30 Sep 2023 Unaudited**	30 Sep 2022 Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**300,196,904**	290,150,438	**297,385,438**	292,517,407
Performance shares	**1,230,034**	1,093,209	**1,196,620**	1,118,527
Weighted average number of common shares used in the calculation of diluted earnings per share	**301,426,938**	291,243,647	**298,582,058**	293,635,934

	Third Quarter		**Nine Months Ended**	
For the period (in $ per share)	**Q3 2023 Unaudited**	Q3 2022 Unaudited	**30 Sep 2023 Unaudited**	30 Sep 2022 Unaudited
Basic earnings per share	**0.11**	0.01	**0.11**	0.10
Diluted earnings per share	**0.11**	0.01	**0.11**	0.10

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:

	Third Quarter		**Nine Months Ended**	
For the period (number of shares)	**Q3 2023 Unaudited**	Q3 2022 Unaudited	**30 Sep 2023 Unaudited**	30 Sep 2022 Unaudited
Performance shares	**544,581**	635,348	**585,052**	646,913

8. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	**30 Sep 2023 Unaudited**	30 Sep 2022 Unaudited
At year beginning	**191.3**	197.2
Exchange differences	**(1.4)**	(11.9)
At period end	**189.9**	185.3

9. Treasury shares

At 30 September 2023, the Company directly held 4,093,264 shares (Q2 2023: 4,102,387) as treasury shares, representing 1.35% (Q2 2023: 1.35%) of the total number of issued shares.

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

	30 Sep 2023 Number of shares Unaudited	**30 Sep 2023 in $ millions Unaudited**	30 Sep 2022 Number of shares Unaudited	30 Sep 2022 in $ millions Unaudited
At year beginning	**9,794,267**	**75.0**	4,534,107	32.9
Shares repurchased	**–**	**–**	5,648,072	46.0
Shares reallocated relating to share-based payments	**(19,036)**	**(0.2)**	(30,117)	(0.3)
Shares cancelled	**(5,681,967)**	**(41.6)**	–	–
At period end	**4,093,264**	**33.2**	10,152,062	78.6

10. Share repurchase programme

During the third 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 September 2023, the Group had cumulatively repurchased 10,000,212 shares for a total consideration of $76.8 million under this programme.

11. Borrowings

On 27 July 2023, the Group entered into a $450 million five-year amortising loan facility backed by a $360 million guarantee from UK Export Finance. The Group has a two-year availability period during which to draw on the facility, and the facility has a five-year tenor which commences the earlier of availability period expiry or when the facility is fully drawn. The lenders have classified the facility as a green loan as the funds are for use within the Group's Renewables business unit. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC, a wholly-owned subsidiary of the Group.

12. Commitments and contingent liabilities

Commitments

At 30 September 2023, the Group had contractual capital commitments totalling $283.4 million including commitments related to *Seaway Ventus*, an offshore wind turbine installation vessel (31 December 2022: $402.4 million).

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 September 2023 amounted to BRL 942.5 million, equivalent to $189.9 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 September 2023 amounted to BRL 195.1 million, equivalent to $39.3 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 137.1 million, equivalent to $27.6 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 September 2023, a provision of BRL 58.0 million, equivalent to $11.7 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 September 2023 was $0.4 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.

13. 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

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 September 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 Sep Level 1**	**2023 30 Sep Level 2**	**2023 30 Sep 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	**–**	**66.0**	**–**	–	16.7	–
Financial assets measured at fair value through profit and loss – forward foreign exchange contracts	**–**	**1.2**	**–**	–	1.1	–
Financial assets measured at fair value through other comprehensive income – commodity derivatives	**–**	**4.1**	**–**	–	4.2	–
Financial liabilities:						
Financial liabilities measured at fair value through profit and loss – embedded derivatives	**–**	**(52.4)**	**–**	–	(34.3)	–
Financial liabilities measured at fair value through profit and loss – forward foreign exchange contracts	**–**	**(0.7)**	**–**	–	(1.1)	–
Financial liabilities measured at fair value through profit and loss – commodity derivatives	**–**	**–**	**–**	–	(0.2)	–
Financial liabilities measured at fair value through other comprehensive income – commodity derivatives	**–**	**(0.4)**	**–**	–	(0.3)	–
Contingent consideration	**–**	**–**	**(1.5)**	–	–	(1.6)

During the period ended 30 September 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.

13. 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.

14. Events after the reporting period

Interests in associates and joint ventures

On 2 October 2023, the Group announced it had completed the acquisition of a 10% ownership interest in OneSubsea, a group of companies comprising the subsea businesses of SLB and Aker Solutions. OneSubsea is 70% owned by SLB, 20% by Aker Solutions and 10% by Subsea7. The Group's consideration for its 10% investment is $306.5 million with 50% being paid on 2 October 2023 and the remainder being payable on or before 30 June 2024. The results of OneSubsea will be equity accounted in the Group's Consolidated Financial Statements as an associate, on the basis that the Group has significant influence including representation on the Board of Directors.

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, gains and losses on disposal of property, plant and equipment and maturity of lease liabilities, 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.dat
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.
Order intake	Order intake represents new project awards plus variation orders on existing projects.	No direct equivalent	n/a	Order intake is in accordance with expected industry-wide terminology and primarily enables the book-to-bill APM to be calculated.

Alternative Performance Measures - calculations

1a. Reconciliation of net operating income to Adjusted EBITDA and Adjusted EBITDA margin

For the period (in $ millions)	Third Quarter Q3 2023 Unaudited	Q3 2022 Unaudited	Nine Months Ended 30 Sep 2023 Unaudited	30 Sep 2022 Unaudited
Net operating income	**64.2**	53.4	**50.0**	40.3
Depreciation, amortisation and mobilisation	**136.8**	117.4	**396.3**	350.2
Impairment of property, plant and equipment	**–**	–	**23.2**	–
Net loss on disposal of property, plant and equipment and maturity of lease liabilities	**0.3**	–	**0.3**	–
Adjusted EBITDA	**201.3**	170.8	**469.8**	390.5
Revenue	**1,578.2**	1,404.0	**4,342.4**	3,844.8
Adjusted EBITDA margin	**12.8%**	12.2%	**10.8%**	10.2%

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

For the period (in $ millions)	Third Quarter Q3 2023 Unaudited	Q3 2022 Unaudited	Nine Months Ended 30 Sep 2023 Unaudited	30 Sep 2022 Unaudited
Net income/(loss)	**36.3**	(0.1)	**21.3**	9.7
Depreciation, amortisation and mobilisation	**136.8**	117.4	**396.3**	350.2
Impairment of property, plant and equipment	**–**	–	**23.2**	–
Net loss on disposal of property, plant and equipment and maturity of lease liabilities	**0.3**	–	**0.3**	–
Finance income	**(5.9)**	(2.9)	**(19.5)**	(4.5)
Other gains and losses	**6.1**	23.3	**(49.6)**	(30.7)
Finance costs	**17.5**	5.8	**47.3**	17.7
Taxation	**10.2**	27.3	**50.5**	48.1
Adjusted EBITDA	**201.3**	170.8	**469.8**	390.5
Revenue	**1,578.2**	1,404.0	**4,342.4**	3,844.8
Adjusted EBITDA margin	**12.8%**	12.2%	**10.8%**	10.2%

2. Effective tax rate

For the period (in $ millions)	Third Quarter Q3 2023 Unaudited	Q3 2022 Unaudited	Nine Months Ended 30 Sep 2023 Unaudited	30 Sep 2022 Unaudited
Taxation charge	**(10.2)**	(27.3)	**(50.5)**	(48.1)
Income before taxation	**46.5**	27.2	**71.8**	57.8
Effective tax rate (percentage)	**21.9%**	100.4%	**70.3%**	83.2%

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

At (in $ millions)	30 Sep 2023 Unaudited	30 Sep 2022 Unaudited
Cash and cash equivalents	**529.8**	532.9
Total borrowings	**(725.6)**	(362.1)
Net (debt)/cash excluding lease liabilities	**(195.8)**	170.8
Total lease liabilities	**(409.8)**	(203.9)
Net debt including lease liabilities	**(605.6)**	(33.1)

4. Cash conversion

For the period (in $ millions)	Third Quarter Q3 2023 Unaudited	Q3 2022 Unaudited	Nine Months Ended 30 Sep 2023 Unaudited	30 Sep 2022 Unaudited
Cash generated from operating activities	**289.1**	210.0	**131.4**	342.9
Income taxes paid	**11.2**	24.3	**76.3**	66.4
	300.3	234.3	**207.7**	409.3
Adjusted EBITDA	**201.3**	170.8	**469.8**	390.5
Cash conversion	**1.5x**	1.4x	**0.4x**	1.0x

5. Free cash flow

For the period (in $ millions)	Third Quarter Q3 2023 Unaudited	Third Quarter Q3 2022 Unaudited	Nine Months Ended 30 Sep 2023 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited
Cash generated from operating activities	**289.1**	210.0	**131.4**	342.9
Purchases of property, plant and equipment and intangible assets	**(66.6)**	(79.0)	**(355.6)**	(183.3)
Free cash flow	**222.5**	131.0	**(224.2)**	159.6

6. Backlog

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 Sep 2023 Unaudited	30 Sep 2022 Unaudited
Total backlog	**10,794.3**	7,122.9
Expected year of execution:		
2022	**–**	1,309.8
2023	**1,667.8**	3,197.3
2024	**4,842.2**	2,029.6
2025	**3,202.3**	585.9
2026 and thereafter	**1,082.0**	0.3

7. Book-to-bill ratio

For the period (in $ millions)	Third Quarter Q3 2023 Unaudited	Third Quarter Q3 2022 Unaudited	Nine Months Ended 30 Sep 2023 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited
Order intake	**2,106.2**	960.8	**6,218.8**	4,178.0
Revenue	**1,578.2**	1,404.0	**4,342.4**	3,844.8
Book-to-bill ratio	**1.3x**	0.7x	**1.4x**	1.1x

8. Order intake

For the period (in $ millions)	Third Quarter Q3 2023 Unaudited	Third Quarter Q3 2022 Unaudited	Nine Months Ended 30 Sep 2023 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited
New project awards	**1,447.5**	626.0	**4,184.2**	2,913.1
Escalations on existing projects	**658.7**	334.8	**2,034.6**	1,264.9
Order intake	**2,106.2**	960.8	**6,218.8**	4,178.0