Subsea 7 S.A. Announces Second Quarter and Half Year 2018 Results

Luxembourg – 26 July 2018 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the second quarter and first half of 2018 which ended 30 June 2018.

Second Quarter highlights

- New awards and escalations totalled $1.3 billion with seven awards announced in the quarter; order backlog increased to $5.4 billion at end June 2018
- Market activity continued to recover steadily, led by tie-back projects. Subsea 7's competitive position remains differentiated by technology, early engagement and reliable delivery, combined with good commercial positioning
- Adjusted EBITDA of $186 million and margin of 16% reflected fewer large projects, lower pricing on new awards and lower activity levels in the Renewables and Heavy Lifting and i-Tech Services Business Units compared to the prior year period
- Strategic investment in renewables: acquisition of a cable-laying company and two vessels completed in April

	Second Quarter		Half Year	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q2 2018 Unaudited**	Q2 2017 Unaudited	**1H 2018 Unaudited**	1H 2017 Unaudited
Revenue	**1,160**	1,022	**1,969**	1,920
Adjusted EBITDA[(a)] (unaudited)	**186**	340	**289**	608
Adjusted EBITDA margin[(a)] (unaudited)	**16%**	33%	**15%**	32%
Net operating income	**74**	235	**66**	403
Net income	**74**	146	**56**	292
Earnings per share – in $ per share				
Basic	**0.24**	0.44	**0.21**	0.87
Diluted[(b)]	**0.24**	0.43	**0.21**	0.84

As at (in $ millions)	**30 Jun 2018 Unaudited**	31 Mar 2018 Unaudited
Backlog[(c)]	**5,433**	5,339
Cash and cash equivalents	**614**	1,007
Borrowings	**271**	277

(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 at 30 June 2018 and 31 March 2018 is unaudited and is a non-IFRS measure.

Jean Cahuzac, Chief Executive Officer, said:

'We achieved good order intake in the second quarter, reflecting our strong competitive position and ability to provide clients with the right solutions to enable projects to proceed. Seven awards were announced in the period with new projects offshore West Africa and Egypt and in the US Gulf of Mexico and North Sea, taking our book-to-bill ratio to 1.2 times. We continue to expect a gradual recovery of offshore oil and gas awards, led initially by tie-back projects and followed by larger greenfield developments.

Reported revenue of $1.2 billion and Adjusted EBITDA of $186 million resulted in Adjusted EBITDA margin of 16%. This represented a three percentage point improvement on the prior quarter, reflecting a seasonal increase in operational activity in the North Sea.

Our strategic focus on strengthening and growing our business has progressed well in the quarter with the successful completion of our acquisition of Siem Offshore Contractors (SOC) and its integration into our Renewables and Heavy Lifting Business Unit. We have made progress towards forming a joint venture with Schlumberger to develop our integrated service offering and we expect to complete this before the end of the year. We have a strong financial and liquidity position that enables us to pursue long-term investment opportunities that create sustainable value for all our stakeholders.'

Second quarter 2018 operational performance

SURF and Conventional projects made good progress in the quarter. Offshore Egypt, the West Nile Delta Phase Two project executed J-lay and S-lay campaigns that included in-line installation of three tees. In the US Gulf of Mexico umbilical installation was completed on the Stampede project. Offshore Brazil, the contract for the PLSV *Seven Phoenix* was extended, and is now expected to conclude in August. Offshore Norway, the Aasta Hansteen project completed the SPAR tow-in and connection of all steel catenary risers. In the Middle East, the Four Decks and 17 Cranes projects progressed well and pipelay activity continued on the Hasbah project.

Renewables and Heavy Lifting activity on the Beatrice wind farm project, offshore UK, neared completion with 82 of the 84 foundation jackets installed by the quarter end. Offshore Germany, the Borkum II project commenced offshore installation.

i-Tech Services renewed a long-term Inspection, Repair and Maintenance (IRM) contract offshore Norway, demonstrating its market-leading offering and reliable execution. i-Tech Services continued to grow its presence worldwide with the strategic addition of a chartered life of field vessel, *MMA Pinnacle*, for IRM services offshore Australia and Asia.

Active Vessel Utilisation was 80%, up 22 percentage points from the first quarter reflecting the seasonality of offshore operations in the North Sea. Total Vessel Utilisation was 75%, including two vessels that remained stacked in the quarter. During the second quarter, three vessels were added to the fleet and one vessel was removed for recycling. The new-build reel-lay vessel reached a significant construction milestone in July and will be named *Seven Vega*.

Technology and innovation differentiate Subsea 7 in a competitive market with complex technical challenges. Subsea 7 and Airborne Oil & Gas have been working together to qualify the use of composite riser solutions in Brazil. Composite risers offer a potentially superior solution for deepwater fields due to their lighter weight and improved corrosion resistant properties.

Financial highlights for the second quarter 2018

Second quarter revenue was $1.2 billion and Adjusted EBITDA was $186 million, up 13% and down 45% respectively compared to the prior year period. Adjusted EBITDA margin of 16% was 17 percentage points lower than the prior year due to fewer large projects completing in the quarter, lower margins on projects signed in the downturn and lower activity levels in the Renewables and Heavy Lifting, and i-Tech Services Business Units.

Subsea 7's new awards and escalations totalled $1.3 billion in the second quarter. Order backlog at the end of June was $5.4 billion, and included $95 million of order backlog from the acquisition of SOC in the second quarter.

In April, Subsea 7 acquired SOC and two associated vessels to complement its Renewables and Heavy Lifting activities. The addition of this cable-lay capability further derisks EPCI balance of plant operations on wind farms and expands Subsea 7's presence in this growing area of offshore energy.

The Group's financial and liquidity position remains strong. Cash and cash equivalents was $614 million at 30 June 2018 and net cash was $343 million. Cash outflow in the period included the payment of a $204 million special dividend and $164 million related to the acquisition of SOC with associated vessels. The Group's $656 million Revolving Credit Facility was unutilised at 30 June 2018.

Outlook

Awards to the market have increased over the last three quarters as clients have selectively moved ahead with projects sanctioned at the start of the recovery; most of these were tie-back solutions for incremental production. Recent awards have been enabled by early engagement, new technology and simplified solutions and benefitted from lower pricing in an underutilised supply chain. Subsea 7 has received a good share of these awards, reflecting its market-leading capabilities and good commercial positioning.

Tendering activity has increased for oil and gas projects and there is better visibility on the timing of project sanctions. Although project margins on new awards remain under pressure, pricing is expected to improve in the medium-term, linked to the increase in offshore activity.

The awards of certain large wind farm projects have been delayed, but the outlook for the offshore renewables market is unchanged and remains positive with technology and execution efficiency driving lower project costs.

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 26 July 2018

Time: 12:00 UK Time

Conference ID: 66623044#

	Conference Dial In Numbers
United Kingdom	0333 300 0804
United States	631 913 1422
Norway	23 50 02 43
International Dial In	+44 333 300 0804

Replay Facility Details

A replay facility (with conference ID 301216919#) will be available from:

Date: 26 April 2018
Time: 17:00 UK Time

	Conference Replay Dial In Numbers
International Dial In	+44 333 300 0819

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Special Note Regarding Forward-Looking Statements

Certain statements made in this announcement may include ‘forward-looking statements’. These statements may be identified by the use of words like ‘anticipate’, ‘believe’, ‘could’, ‘estimate’, ‘expect’, ‘forecast’, ‘intend’, ‘may’, ‘might’, ‘plan’, ‘predict’, ‘project’, ‘scheduled’, ‘seek’, ‘should’, ‘will’, and similar expressions. The forward-looking statements reflect our current views and are subject to risks, uncertainties and assumptions. The principal risks and uncertainties which could impact the Group and the factors which could affect the actual results are described but not limited to those in the ‘Risk Management’ section in the Group’s Annual Report and Consolidated Financial Statements 2017. These factors, and others which are discussed in our public announcements, are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: actions by regulatory authorities or other third parties; our ability to recover costs on significant projects; general economic conditions and competition in the markets and businesses in which we operate; our relationship with significant clients; the outcome of legal and administrative proceedings or governmental enquiries; uncertainties inherent in operating internationally; the timely delivery of vessels on order; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Other unknown or unpredictable factors could also have material adverse effects on our future results. Given these factors, you should not place undue reliance on the forward-looking statements.

Second Quarter 2018

Revenue
Revenue for the quarter was $1.2 billion, an increase of $137 million or 13% compared to Q2 2017. The year-on-year increase was due to higher activity levels in the SURF and Conventional Business Unit primarily due to increased activity in the Middle East. This was partially offset by lower activity levels in the Renewables and Heavy Lifting, and i-Tech Services Business Units.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $186 million and 16% respectively, compared to $340 million and 33% in Q2 2017. The reduced Adjusted EBITDA margin in Q2 2018 reflects lower pricing on projects awarded during the downturn within the SURF and Conventional Business Unit, fewer projects in the final stages of completion and lower activity levels in the Renewables and Heavy Lifting and i-Tech Services Business Units.

Net operating income
Net operating income for the quarter was $74 million, compared to net operating income of $235 million in Q2 2017. The decrease in net operating income across all Business Units reflects lower pricing on projects awarded during the downturn within the SURF and Conventional Business Unit, and lower activity levels in the Renewables and Heavy Lifting and i-Tech Services Business Units. Administrative expenses increased by $8 million compared with the prior year period, the increase mainly related to acquisitions made by the Group during 2017.

Net income
Net income was $74 million in the quarter, compared to net income of $146 million in Q2 2017. This was primarily due to:

- the decrease in net operating income

partially offset by:

- a net foreign currency gain of $25 million in Q2 2018, recognised within other gains and losses, compared to a net foreign currency loss of $23 million in Q2 2017.

Earnings per share
Diluted earnings per share was $0.24 in Q2 2018 compared to diluted earnings per share of $0.43 in Q2 2017, calculated using a weighted average number of shares of 327 million and 341 million respectively.

Cash and cash equivalents
Cash and cash equivalents was $614 million at 30 June 2018, a decrease of $394 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- $204 million dividends paid to equity shareholders of the parent company;
- $164 million net cash disbursed in acquiring certain businesses and assets from Siem Offshore Inc.;
- purchases of property, plant and equipment of $46 million

partially offset by:

- net cash generated from operating activities of $42 million.

Borrowings
Borrowings decreased to $271 million at 30 June 2018 from $277 million at 31 March 2018 due to scheduled repayments.

Half Year 2018

Revenue
Revenue for the half year ended 30 June 2018 was $2.0 billion, an increase of $49 million or 3% compared to 1H 2017. The year-on-year increase was due to higher activity levels in the SURF and Conventional Business Unit, primarily due to increased activity in the Middle East. This was partially offset by lower activity levels in the Renewables and Heavy Lifting and i-Tech Services Business Units.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the half year were $289 million and 15% respectively, compared to $608 million and 32% in 1H 2017. The reduced Adjusted EBITDA margin in 1H 2018 reflects lower pricing on projects awarded during the downturn within the SURF and Conventional Business Unit, fewer projects in the final stages of completion and lower activity levels in the Renewables and Heavy Lifting and i-Tech Services Business Units.

Net operating income
Net operating income for 1H 2018 was $66 million, compared to net operating income of $403 million in 1H 2017. The decrease in net operating income across all Business Units reflects lower pricing on projects awarded during the downturn within the SURF and Conventional Business Unit, and lower activity levels in Renewables and i-Tech Services. Administrative expenses increased by $35 million compared with the prior year period, the increase is mainly driven by the inclusion of the businesses the Group acquired during 2017 and increased tendering activity.

Net income
Net income for 1H 2018 was $56 million, compared to net income of $292 million in 1H 2017. This was primarily due to:

- the decrease in net operating income;
- the recognition of a $42m remeasurement gain on business combination in 1H 2017 related to the acquisition of Seaway Heavy Lifting

partially offset by:

- a net foreign currency gain of $3 million in 1H 2018, recognised within other gains and losses, compared to a net foreign currency loss of $30 million in 1H 2017.

Earnings per share
Diluted earnings per share was $0.21 in 1H 2018 compared to diluted earnings per share of $0.84 in 1H 2017, calculated using a weighted average number of shares of 327 million and 341 million respectively.

Cash and cash equivalents
Cash and cash equivalents was $614 million at 30 June 2018 compared to $1.1 billion at 31 December 2017. The decrease of $496 million during 1H 2018 was mainly attributable to:

- $204 million dividends paid to equity shareholders of the parent company;
- $164 million net cash disbursed in acquiring certain businesses and assets from Siem Offshore Inc.;
- purchases of property, plant and equipment of $124 million;
- payments of $19 million to acquire an interest in an equity-accounted joint venture

partially offset by:

- net cash generated from operating activities of $48 million.

Borrowings
Borrowings decreased to $271 million at 30 June 2018 from $283 million at 31 December 2017 due to scheduled repayments.

Business Unit Highlights

Second Quarter 2018

SURF and Conventional
Revenue for the quarter was $842 million, an increase of $228 million or 37% compared to Q2 2017.

During the quarter the Aasta Hansteen project, offshore Norway, neared completion. Work progressed during the quarter on the West Nile Delta Phase Two project, offshore Egypt, the Hasbah and 4 Decks projects, offshore Saudi Arabia and the Snorre project, offshore Norway. In Brazil, there were high levels of PLSV utilisation under long-term contracts with Petrobras.

Net operating income was $62 million in the quarter, a decrease of $101 million or 62% compared to Q2 2017. The decrease in net operating income reflected fewer projects in the final stages of completion and underlying margin pressure driven by challenging market conditions.

i-Tech Services
Revenue for Q2 2018 was $61 million, a decrease of $23 million or 27% compared to Q2 2017. ROV support activity decreased across the fleet due to a reduction in the number of active drill rigs worldwide. Inspection, Repair and Maintenance (IRM) activity decreased in all geographies.

Net operating income was $4 million in Q2 2018 compared to net operating income of $11 million in Q2 2017. The reduction in net operating income reflected lower activity levels and underlying pricing pressure.

Renewables and Heavy Lifting
Revenue was $257 million in Q2 2018 compared to $325 million in Q2 2017. The reduction in revenue was primarily due to reduced activity on the Beatrice wind farm project, offshore UK, which neared completion. Net operating income was $5 million in Q2 2018 compared to $53m in Q2 2017, the net operating income reflects lower activity levels compared with the prior year period.

Half Year 2018

SURF and Conventional
Revenue was $1.4 billion in 1H 2018, an increase of $210 million or 17% compared to 1H 2017.

During the half year the Aasta Hansteen project, offshore Norway and the TVEX project in US Gulf of Mexico were substantially completed. Work progressed during the period on the West Nile Delta Phase Two project, offshore Egypt, the Hasbah and 4 Decks projects, offshore Saudi Arabia and the Snorre project, offshore Norway. In Brazil, there were high levels of PLSV utilisation under long-term contracts with Petrobras.

Net operating income was $74 million in 1H 2018, a decrease of $239 million or 76% compared to 1H 2017. The decrease in net operating income reflected fewer projects in the final stages of completion and underlying margin pressure driven by challenging market conditions.

i-Tech Services
Revenue for 1H 2018 was $112 million, a decrease of $47 million or 29% compared to 1H 2017. ROV support activity decreased across the fleet due to a reduction in the number of active drill rigs worldwide. Inspection, Repair and Maintenance (IRM) activity decreased in all geographies.

Net operating income was $1 million in 1H 2018 compared to a net operating income of $22 million in 1H 2017. The reduction in net operating income reflected lower activity levels and competitive pricing pressure.

Renewables and Heavy Lifting
Revenue was $430 million in 1H 2018 compared to $545 million in 1H 2017. The reduction in revenue was primarily due to reduced activity on the Beatrice wind farm project, offshore UK, which neared completion. Net operating income was $1 million in 1H 2018 compared to $49 million in 1H 2017, the reduced net operating income reflects relatively low vessel utilisation due to weather conditions in the North Sea as well as lower activity levels.

Asset Development and Activities

Vessel Utilisation

Total Vessel Utilisation for the quarter was 75% compared with 68% in Q2 2017. Active Vessel Utilisation, which excludes stacked vessel days, was 80% compared to 77% in Q2 2017.

At 30 June 2018 there were 34 vessels in the total fleet, comprising 31 active vessels, two stacked vessels and one vessel under construction. During the quarter the Group acquired two vessels, *Seaway Aimery* (formerly *Siem Aimery*) and *Siem Moxie*, related to the acquisition of businesses to service the global offshore renewables market.

Asset Development

During the quarter construction continued on the Group's new reel-lay vessel, which will be named *Seven Vega*.

Backlog

At 30 June 2018 backlog was $5.4 billion, an increase of $0.1 billion compared with 31 March 2018. Order intake totalling $1.4 billion was recorded in the quarter, comprising new awards, project escalations of $1.3 billion and backlog related to the acquisition of Seaway Offshore Cables GmbH (formerly Siem Offshore Contractors GmbH) of $95 million. Unfavourable foreign exchange movements of approximately $200 million were recognised during the quarter. New awards included the Zinia project, offshore Angola, the PUPP project, offshore Nigeria, the Penguins and Alligin projects, offshore UK, the WDDM 9b project, offshore Egypt, the Vito Construction project in US Gulf of Mexico and an Inspection, Repair and Maintenance (IRM) frame agreement with Equinor, offshore Norway.

$4.5 billion of the backlog at 30 June 2018 related to the SURF and Conventional Business Unit (which included $1.1 billion related to long-term day-rate contracts for PLSV's in Brazil), $0.6 billion related to the i-Tech Services Business Unit and $0.3 billion related to the Renewables and Heavy Lifting Business Unit. $1.9 billion of this backlog is expected to be executed in 2018, $1.8 billion in 2019 and $1.7 billion in 2020 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

Risks and uncertainties

The principal risks and uncertainties which could materially adversely impact the Group's reputation, operations and/or financial performance and position are noted on pages 20 to 26 of Subsea 7 S.A.'s Annual Report and Consolidated Financial Statements 2017. The Executive Management Team has considered these principal risks and uncertainties and concluded that these have not changed significantly in the six month period to 30 June 2018.

During the six month period to 30 June 2018, the Group completed a business combination with the aim of strengthening its presence in the renewables sector. The acquisition of two vessels and certain businesses expands the Group's existing service offering within this sector. Diversification of service offerings and expansion into new geographical markets could increase the Group's exposure to risk. The Executive Management Team has considered the impact that this acquisition has had on the Group's exposure to risks and uncertainties and, with the approval of the Board of Directors, has taken actions to measure, monitor or mitigate these risks and the potential impact that may have on the financial performance of the Group.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January 2018 to 30 June 2018 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. Annual Report and Consolidated Financial Statements 2017 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.

Kristian Siem **Chairman**	**Jean Cahuzac** **Chief Executive Officer**

Subsea 7 S.A.
Condensed Consolidated Income Statement

(in $ millions)	Second Quarter **Q2 2018 Unaudited**	 Q2 2017 Unaudited	Half Year **1H 2018 Unaudited**	 1H 2017 Unaudited
Revenue	**1,159.5**	1,022.3	**1,968.7**	1,919.7
Operating expenses	**(1,022.8)**	(718.8)	**(1,758.5)**	(1,392.6)
Gross profit	**136.7**	303.5	**210.2**	527.1
Administrative expenses	**(65.7)**	(57.8)	**(140.0)**	(105.5)
Share of net income of associates and joint ventures	**2.9**	(11.0)	**(4.1)**	(18.3)
Net operating income	**73.9**	234.7	**66.1**	403.3
Finance income	**3.8**	5.7	**8.7**	10.9
Remeasurement gain on business combination	**–**	–	**–**	42.2
Other gains and losses	**27.2**	(27.2)	**4.6**	(34.9)
Finance costs	**(4.1)**	(7.0)	**(7.9)**	(9.0)
Income before taxes	**100.8**	206.2	**71.5**	412.5
Taxation	**(27.0)**	(60.4)	**(15.3)**	(120.5)
Net income	**73.8**	145.8	**56.2**	292.0
Net income attributable to:				
Shareholders of the parent company	**78.4**	143.9	**68.0**	284.8
Non-controlling interests	**(4.6)**	1.9	**(11.8)**	7.2
	73.8	145.8	**56.2**	292.0

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.24**	0.44	**0.21**	0.87
Diluted[(a)]	**0.24**	0.43	**0.21**	0.84

(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 2018 Unaudited	Second Quarter Q2 2017 Unaudited	Half Year 1H 2018 Unaudited	Half Year 1H 2017 Unaudited
Net income	**73.8**	145.8	**56.2**	292.0
Other comprehensive income				
Items that may be reclassified to the income statement in subsequent periods:				
Foreign currency translation	**(107.2)**	39.4	**(25.2)**	60.9
Share of other comprehensive income of associates and joint ventures	**–**	–	**–**	0.5
Reclassification adjustments relating to business combination	**–**	–	**–**	9.0
Tax relating to components of other comprehensive income which may be reclassified	**(2.6)**	–	**(0.7)**	0.4
Other comprehensive (loss)/income	**(109.8)**	39.4	**(25.9)**	70.8
Total comprehensive (loss)/income	**(36.0)**	185.2	**30.3**	362.8
Total comprehensive (loss)/income attributable to:				
Shareholders of the parent company	**(30.2)**	182.5	**42.4**	356.8
Non-controlling interests	**(5.8)**	2.7	**(12.1)**	6.0
	(36.0)	185.2	**30.3**	362.8

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

As at (in $ millions)	30 Jun 2018 Unaudited	31 Dec 2017 Audited
Assets		
Non-current assets		
Goodwill	**769.3**	700.8
Intangible assets	**68.4**	81.0
Property, plant and equipment	**4.719.9**	4,688.1
Interest in associates and joint ventures	**44.3**	28.7
Advances and receivables	**37.1**	35.2
Derivative financial instruments	**3.1**	5.8
Financial investments	**7.3**	5.5
Deferred tax assets	**16.6**	17.2
	5,666.0	5,562.3
Current assets		
Inventories	**38.3**	36.7
Trade and other receivables	**639.7**	497.3
Derivative financial instruments	**24.4**	36.9
Assets classified as held for sale	**0.5**	0.7
Construction contracts – assets	**508.2**	319.1
Other accrued income and prepaid expenses	**171.5**	176.3
Restricted cash	**5.3**	6.3
Cash and cash equivalents	**613.6**	1,109.1
	2,001.5	2,182.4
Total assets	**7,667.5**	7,744.7
Equity		
Issued share capital	**654.7**	654.7
Treasury shares	**(27.2)**	(19.7)
Paid in surplus	**2,831.8**	3,033.7
Translation reserve	**(549.2)**	(523.6)
Other reserves	**(29.3)**	(29.3)
Retained earnings	**2,847.7**	2,776.8
Equity attributable to shareholders of the parent company	**5,728.5**	5,892.6
Non-controlling interests	**36.3**	48.4
Total equity	**5,764.8**	5,941.0
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**245.9**	258.2
Retirement benefit obligations	**31.1**	30.9
Deferred tax liabilities	**74.4**	78.4
Provisions	**117.0**	67.6
Contingent liability recognised	**7.1**	7.8
Derivative financial instruments	**0.4**	0.5
Other non-current liabilities	**38.0**	49.9
	513.9	493.3
Current liabilities		
Trade and other liabilities	**992.3**	892.9
Derivative financial instruments	**14.5**	24.3
Current tax liabilities	**90.8**	87.7
Current portion of borrowings	**24.6**	24.5
Provisions	**146.6**	76.8
Construction contracts – liabilities	**104.5**	200.0
Deferred revenue	**15.5**	4.2
	1,388.8	1,310.4
Total liabilities	**1,902.7**	1,803.7
Total equity and liabilities	**7,667.5**	7,744.7

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2018

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017	**654.7**	**(19.7)**	**3,033.7**	**(523.6)**	**(29.3)**	**2,776.8**	**5,892.6**	**48.4**	**5,941.0**
Adjustment on implementation of IFRS 15	–	–	–	–	–	3.9	3.9	–	3.9
Balance at 1 January 2018	**654.7**	**(19.7)**	**3,033.7**	**(523.6)**	**(29.3)**	**2,780.7**	**5,896.5**	**48.4**	**5,944.9**
Comprehensive income									
Net income	–	–	–	–	–	68.0	68.0	(11.8)	56.2
Foreign currency translation	–	–	–	(24.9)	–	–	(24.9)	(0.3)	(25.2)
Tax relating to components of other comprehensive income	–	–	–	(0.7)	–	–	(0.7)	–	(0.7)
Total comprehensive (loss)/income	**–**	**–**	**–**	**(25.6)**	**–**	**68.0**	**42.4**	**(12.1)**	**30.3**
Transactions with owners									
Shares repurchased	–	(8.8)	–	–	–	–	(8.8)	–	(8.8)
Dividend declared and paid	–	–	(204.3)	–	–	–	(204.3)	–	(204.3)
Share-based payments	–	–	2.4	–	–	–	2.4	–	2.4
Shares reallocated relating to share-based payments	–	1.3	–	–	–	–	1.3	–	1.3
Loss on reissuance of treasury shares	–	–	–	–	–	(1.0)	(1.0)	–	(1.0)
Total transactions with owners	**–**	**(7.5)**	**(201.9)**	**–**	**–**	**(1.0)**	**(210.4)**	**–**	**(210.4)**
Balance at 30 June 2018	**654.7**	**(27.2)**	**2,831.8**	**(549.2)**	**(29.3)**	**2,847.7**	**5,728.5**	**36.3**	**5,764.8**

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

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

Subsea 7 S.A.

Condensed Consolidated Cash Flow Statement

(in $ millions)	Half Year **1H 2018** **Unaudited**	 1H 2017 Unaudited
Net cash generated from operating activities	**47.7**	97.3
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**2.8**	0.1
Purchases of property, plant and equipment	**(123.8)**	(61.4)
Purchases of intangible assets	**(2.0)**	(2.6)
Loans to third parties	**–**	(25.0)
Loan repayments from third parties	**–**	25.0
Completion payments to acquire subsidiary	**–**	(1.6)
Loans to associates and joint ventures	**(2.3)**	(0.4)
Loans to non-controlling interests	**–**	(0.2)
Loan repayments from joint ventures	**0.2**	0.9
Interest received	**8.7**	10.9
Dividends received from associates and joint ventures	**–**	0.6
Acquisition of interest in joint venture	**(18.9)**	–
Acquisition of business (net of cash and borrowings acquired)	**(169.0)**	(141.5)
Net cash used in investing activities	**(304.3)**	(195.2)
Cash flows from financing activities		
Interest paid	**(7.2)**	(5.6)
Proceeds from borrowings	**–**	301.3
Repayment of borrowings	**(12.3)**	(140.1)
Repayment of derivative financial instrument	**–**	(8.0)
Cost of share repurchases	**(8.7)**	–
Proceeds from reissuance of ordinary shares	**0.5**	(0.2)
Dividends paid to non-controlling interests	**–**	(0.5)
Dividends paid to equity shareholders of the parent company	**(204.3)**	(191.1)
Repurchase of convertible bonds	**–**	(54.7)
Net cash used in financing activities	**(232.0)**	(98.9)
Net decrease in cash and cash equivalents	**(488.6)**	(196.8)
Cash and cash equivalents at beginning of year	**1,109.1**	1,676.4
Decrease/(increase) in restricted cash	**1.0**	(6.5)
Effect of foreign exchange rate movements on cash and cash equivalents	**(7.9)**	1.3
Cash and cash equivalents at end of period	**613.6**	1,474.4

1. General information

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and over-the-counter as American Depositary Receipts (ADRs) in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. The Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors on 25 July 2018.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2018 to 30 June 2018 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 2017 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 2017 except as detailed below.

The following International Financial Reporting Standards (IFRS) have been adopted by the Group for the financial year beginning 1 January 2018.

IFRS 9 'Financial Instruments'

IFRS 9 impacts the accounting for financial instruments in three areas; classification and measurement, hedge accounting and impairment.

Due to the nature of the financial instruments held by the Group, the change in classification and measurement requirements has not had a significant impact on the Group's Condensed Consolidated Financial Statements. The Group does not currently apply hedge accounting and as a result the new requirements are not applicable.

The implementation of IFRS 9 demands a change from an incurred loss impairment model to an expected credit loss (ECL) impairment model and requires the Group to record allowances against financial assets for expected credit losses, either from a 12-month or lifetime perspective. Credit losses are expected to be insignificant due to the nature of the Group's clients and the services provided. A review of the historical occurrence of credit losses indicates that annual credit losses are not material to the Condensed Consolidated Financial Statements. The outlook for the oil and gas and renewable energy industries is not expected to result in a significant change in the Group's exposure to credit losses.

IFRS 15 'Revenue from Contracts with Customers'

The Group has adopted IFRS 15 using the modified retrospective approach for contracts not considered complete at the date of initial application. As a result, all lump-sum onerous contract provisions have been reassessed in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', having previously been governed by IAS 11 'Construction Contracts'.

The requirements of IAS 37 prescribe that an onerous contract provision must be calculated on a least net cost basis, which includes unavoidable costs only, and comparing these costs to the cost of cancelling a contract and incurring early termination fees. As a result of the reassessment and restatement of lump-sum onerous contract provisions the Group has recognised an increase in retained earnings at 1 January 2018 of $3.9 million. In addition the onerous contract provision of $95.0 million, which at 31 December 2017 was included in the Consolidated Balance Sheet within 'Construction contract – liabilities', has been remeasured and reallocated to 'Provisions'. The impact on the Consolidated Balance Sheet as of 1 January 2018 ((increase)/decrease)) was as follows:

(in $ millions)	Retained earnings	Construction contracts – liabilities	Provisions
Onerous contract provisions	**(3.9)**	**95.0**	**(91.1)**

As required by IAS 34 'Interim Financial Reporting', the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This is detailed within Note 6 'Segment information' to the Condensed Consolidated Financial Statements.

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 2017, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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

Management makes accounting judgements on the following aspects of the business as described in full in the audited Consolidated Financial Statements for the year ended 31 December 2017:

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

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. 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 four Business Units: SURF and Conventional, i-Tech Services, Renewables and Heavy Lifting and Corporate. These operating segments are defined as follows:

SURF and Conventional

The SURF and Conventional Business Unit includes:

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

This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed in SURF and Conventional activities.

i-Tech Services

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

Renewables and Heavy Lifting

The Renewables and Heavy Lifting Business Unit includes activities related to three specialist segments of the offshore energy market: the installation of offshore wind farm foundations and inter-array cables, heavy lifting operations for oil and gas structures, and the decommissioning of redundant offshore structures. This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed in Renewables and Heavy Lifting activities. The results of Seaway Offshore Cables GmbH (formerly Siem Offshore Contractors GmbH) and its UK subsidiary are included within this business unit from the date of acquisition.

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. A significant portion of the Corporate Business Unit's costs are allocated to the other operating segments based on a percentage of their external revenue.

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

For the three months ended 30 June 2018

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Renewables and Heavy Lifting	Corporate	Total
Revenue[(a)]					
Lump-sum projects	**676.9**	**0.5**	**256.8**	**–**	**934.2**
Day-rate projects	**165.3**	**60.0**	**–**	**–**	**225.3**
	842.2	**60.5**	**256.8**	**–**	**1,159.5**
Net operating income	**61.6**	**4.4**	**4.8**	**3.1**	**73.9**
Finance income					**3.8**
Other gains and losses					**27.2**
Finance costs					**(4.1)**
Income before taxes					**100.8**

(a) Revenue from contracts with customers recognised over time as defined by IFRS 15.

For the three months ended 30 June 2017

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

For the six months ended 30 June 2018

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Renewables and Heavy Lifting	Corporate	Total
Revenue[(a)]					
Lump-sum projects	**1,077.4**	**0.7**	**430.2**	**–**	**1,508.3**
Day-rate projects	**349.1**	**111.3**	**–**	**–**	**460.4**
	1,426.5	**112.0**	**430.2**	**–**	**1,968.7**
Net operating income/(loss)	**74.4**	**0.8**	**0.5**	**(9.6)**	**66.1**
Finance income					**8.7**
Other gains and losses					**4.6**
Finance costs					**(7.9)**
Income before taxes					**71.5**

(a) Revenue from contracts with customers recognised over time as defined by IFRS 15.

For the six months ended 30 June 2017

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

7. Earnings per share

Basic and diluted earnings per share

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

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

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

	Second Quarter		Half Year	
For the period (in $ millions)	**Q2 2018 Unaudited**	Q2 2017 Unaudited	**1H 2018 Unaudited**	1H 2017 Unaudited
Net income attributable to shareholders of the parent company	**78.4**	143.9	**68.0**	284.8
Interest on convertible bonds (net of amounts capitalised)	–	2.5	–	2.5
Earnings used in the calculation of diluted earnings per share	**78.4**	146.4	**68.0**	287.3

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2018 Unaudited**	Q2 2017 Unaudited	**1H 2018 Unaudited**	1H 2017 Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**325,900,131**	325,854,793	**326,209,237**	325,845,740
Convertible bonds	**–**	13,926,986	**–**	14,635,208
Share options and performance shares	**1,225,455**	1,012,835	**1,239,593**	989,989
Weighted average number of common shares used in the calculation of diluted earnings per share	**327,125,586**	340,794,614	**327,448,830**	341,470,937

	Second Quarter		Half Year	
For the period (in $ per share)	**Q2 2018 Unaudited**	Q2 2017 Unaudited	**1H 2018 Unaudited**	1H 2017 Unaudited
Basic earnings per share	**0.24**	0.44	**0.21**	0.87
Diluted earnings per share	**0.24**	0.43	**0.21**	0.84

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

	Second Quarter		Half Year	
For the period (number of shares)	**Q2 2018 Unaudited**	Q2 2017 Unaudited	**1H 2018 Unaudited**	1H 2017 Unaudited
Share options and performance shares	**606,147**	960,617	**603,064**	986,566

8. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation costs, 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 have not been prepared in accordance with IFRS as adopted by the EU. These measures exclude items that can have a significant effect on the Group's income or loss and therefore should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with IFRS) as a measure of the Group's operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group's liquidity.

Management believes that Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the business. These non-IFRS measures provide management with a meaningful comparative for its Business Units, as they eliminate the effects of financing, depreciation and taxation. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea 7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea 7's industry. Adjusted EBITDA margin may also be a useful ratio to compare performance to its competitors and is widely used by shareholders and analysts following the Group's performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

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

For the period (in $ millions)	Second Quarter Q2 2018 Unaudited	Second Quarter Q2 2017 Unaudited	Half Year 1H 2018 Unaudited	Half Year 1H 2017 Unaudited
Net operating income	**73.9**	234.7	**66.1**	403.3
Depreciation, amortisation and mobilisation	**111.1**	105.2	**222.0**	204.6
Impairment of property, plant and equipment	**0.5**	–	**0.5**	–
Adjusted EBITDA	**185.5**	339.9	**288.6**	607.9
Revenue	**1,159.5**	1,022.3	**1,968.7**	1,919.7
Adjusted EBITDA margin	**16.0%**	33.2%	**14.7%**	31.7%

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

For the period (in $ millions)	Second Quarter Q2 2018 Unaudited	Second Quarter Q2 2017 Unaudited	Half Year 1H 2018 Unaudited	Half Year 1H 2017 Unaudited
Net income	**73.8**	145.8	**56.2**	292.0
Depreciation, amortisation and mobilisation	**111.1**	105.2	**222.0**	204.6
Impairment of property, plant and equipment	**0.5**	–	**0.5**	–
Remeasurement gain on business combination	**–**	–	**–**	(42.2)
Finance income	**(3.8)**	(5.7)	**(8.7)**	(10.9)
Other gains and losses	**(27.2)**	27.2	**(4.6)**	34.9
Finance costs	**4.1**	7.0	**7.9**	9.0
Taxation	**27.0**	60.4	**15.3**	120.5
Adjusted EBITDA	**185.5**	339.9	**288.6**	607.9
Revenue	**1,159.5**	1,022.3	**1,968.7**	1,919.7
Adjusted EBITDA margin	**16.0%**	33.2%	**14.7%**	31.7%

9. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	Half Year 1H 2018 Unaudited	Half Year 1H 2017 Unaudited
At period beginning	**700.8**	627.7
Adjustments to identifiable net assets at fair value subsequent to initial recognition	**2.4**	–
Acquired in business combination	**70.2**	42.0
Exchange differences	**(4.1)**	12.7
At period end	**769.3**	682.4

10. Business combinations

Acquisition of certain businesses and assets of Siem Offshore Inc.

On 10 April 2018, indirect subsidiaries of Subsea 7 S.A. acquired the entire share capital of Seaway Offshore Cables GmbH (formerly Siem Offshore Contractors GmbH), its UK subsidiary, the inter-array cable lay vessel, *Seaway Aimery* (formerly *Siem Aimery*), and the support vessel, *Siem Moxie*. As a result of the transaction Seaway Offshore Cables GmbH became a wholly-owned subsidiary of the Group and its results are recognised within the Renewables and Heavy Lifting Business Unit from the date of acquisition.

Seaway Offshore Cables GmbH is a well-known installer of subsea inter-array cables and provides repair and maintenance services to the global offshore renewable energy market. It employs approximately 100 people. At the date of the transaction Seaway Offshore Cables GmbH was a wholly-owned subsidiary of Siem Offshore Inc., which is a related party to Subsea 7 S.A. The vessels, Seaway Aimery and Siem Moxie, were purchased from Siem Offshore Rederi AS, which is a wholly-owned subsidiary of Siem Offshore Inc.

The primary reason for the transaction is to expand Subsea 7’s presence in the renewables segment.

At 30 June 2018 accounting for the business combination was incomplete and as a result the Condensed Consolidated Financial Statements for the second quarter of 2018 include provisional amounts. Where required these provisional amounts will be adjusted retrospectively during the measurement period ending 9 April 2019. Provisional amounts for assets acquired and liabilities recognised, goodwill arising on acquisition and the analysis of the provisional purchase consideration were as follows:

As at (in $ millions)	10 Apr 2018 Unaudited provisional amounts
Assets	
Intangible assets	**2.6**
Property, plant and equipment	**117.2**
Financial investments	**1.9**
Deferred tax assets	**0.2**
Inventories	**0.8**
Trade and other receivables	**4.6**
Construction contracts – assets	**31.6**
Other accrued income and prepaid expenses	**2.5**
Cash and cash equivalents	**9.6**
	171.0
Liabilities	
Trade and other liabilities	**27.0**
Current tax liabilities	**8.0**
Construction contracts – liabilities	**10.9**
	45.9
Identifiable net assets at fair value	**125.1**
Less: deferred tax liability recognised on intangible assets	**(0.8)**
Add: goodwill arising on acquisition	**70.2**
	194.5
Consideration comprised	
Cash consideration:	
Cash payable (net of working capital adjustment)	**164.3**
Contingent cash consideration	**30.2**
Total consideration	**194.5**

Goodwill

Goodwill of $70.2 million comprises the value of intangible assets which do not meet the criteria for separate recognition including the assembled workforce, the diversification of the fleet and complementary service capabilities. Goodwill is not expected to be deductible for tax purposes.

Receivables

Receivables are shown at fair value and represent the gross contractual amounts receivable.

Consideration

As part of the sale and purchase agreement, a short-term receivable of $57.0 million, payable to Seaway Offshore Cables GmbH by Siem Offshore Inc., was assumed by the Group. Management has treated this receivable as an intra-group balance at the date of acquisition and has offset the intra-group balances on consolidation for the purposes of the business combination accounting. The future settlement of this balance will have no impact on the net cash paid, or payable, to the Siem Group related to the acquisition.

Contingent consideration comprising additional cash payments may be payable up to and inclusive of 2024 should certain performance targets be met. The fair value of the contingent consideration at the acquisition date, based on management's analysis and judgements, was $30.2 million. The range of potential outcomes is estimated to be between $nil and $124.0 million.

11. Treasury shares

During the second quarter, 12,566 shares were used to satisfy share-based awards. Following these transactions and those related to the share repurchase programme, at 30 June 2018, the Group directly held 1,482,479 common shares (Q1 2018: 820,346) as treasury shares, representing 0.45% (Q1 2018: 0.25%) of the total number of issued shares.

12. Share repurchase programme

During the second quarter, 674,699 shares were repurchased under the Group's $200 million share repurchase programme initiated in July 2014 and extended to 31 July 2019. At 30 June 2018, the Group had repurchased a cumulative 5,947,355 shares for a total consideration of $65.8 million under the July 2014 programme.

13. Commitments and contingent liabilities

Commitments

At 30 June 2018, the Group had entered into significant contractual commitments totalling $231.0 million, mainly in relation to the construction of *Seven Vega*, a new reel-lay vessel and associated pipe-lay equipment.

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.

Among these audits, the Group's Nigerian businesses were subject to audit by Rivers State, Nigeria, in respect of payroll taxes for the years 2010 to 2014. At 30 June 2018, there was a contingent liability relating to the assessments received from Rivers State, which total NGN 34,190 million, equivalent to $94.6 million (31 December 2017: NGN 34,190 million, equivalent to $95.0 million). The Group has challenged the assessments and is currently involved in court proceedings in Nigeria to protect its assets from sequestration by Rivers State authorities in respect of one of the assessments totalling NGN 3,352 million, equivalent to $9.3 million.

The Group does not believe the likelihood of payments is probable and no provision has been recognised in the Consolidated Balance Sheet in respect of assessments resulting from the Rivers State audits.

Between 2009 and 2017, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 30 June 2018 amounted to BRL 718.8 million, equivalent to $189.1 million (31 December 2017: BRL 703.3 million, equivalent to $213.7 million). The Group has challenged these assessments. No provision has been made in relation to these cases. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met, however, the Group does not believe that the likelihood of payment is probable.

Contingent liabilities recognised in the Consolidated Balance Sheet

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 'Business Combinations' required the Group to recognise as a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. The value of the provision recognised within the Consolidated Balance Sheet at 30 June 2018 was $4.2 million (31 December 2017: $4.9 million). While complying with the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, IFRS 3 'Business Combinations' required the Group to recognise a provision in respect of contingent consideration payable to a third party following the acquisition of intangible assets in 2009. The value of the provision recognised within the Consolidated Balance Sheet at 30 June 2018 was $2.8 million (31 December 2017: $2.9 million).

14. Cash flow from operating activities

	Half Year	
For the period ended (in $ millions)	**1H 2018 Unaudited**	1H 2017 Unaudited
Cash flow from operating activities:		
Income before taxes	**71.5**	412.5
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**201.1**	192.1
Impairment of property, plant and equipment	**0.5**	–
Amortisation of intangible assets	**17.0**	8.5
Amortisation of mobilisation costs	**3.9**	4.0
Adjustments for investing and financing items:		
Remeasurement gain on business combination	**–**	(42.2)
Share of net income of associates and joint ventures	**4.1**	18.3
Finance income	**(8.7)**	(10.9)
(Profit)/loss on disposal of property, plant and equipment	**(1.4)**	0.4
Loss on repurchase of convertible bonds	**–**	4.7
Finance costs	**7.9**	9.0
Adjustments for equity items:		
Share-based payments	**2.4**	4.1
	298.3	600.5
Changes in operating assets and liabilities:		
(Increase)/decrease in inventories	**(1.3)**	1.5
Increase in operating receivables	**(325.6)**	(42.7)
Increase/(decrease) in operating liabilities	**128.2**	(423.3)
	(198.7)	(464.5)
Income taxes paid	**(51.9)**	(38.7)
Net cash generated from operating activities	**47.7**	97.3

15. Fair value and financial instruments

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

Borrowings – senior secured facility

The fair value of the senior secured facility is determined by matching the maturity profile of the amounts utilised under the facility to market interest rates available to the Group for borrowings with similar security, maturity and repayment profiles. At 30 June 2018 interest charged under the facility is representative of market rates currently available to the Group and therefore the carrying amount approximates fair value.

Fair value measurements

Fair value hierarchy

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

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

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

Level 3 Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

Recurring and non-recurring fair value measurements

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

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

As at (in $ millions)	**2018 30 Jun Level 2**	**2018 30 Jun Level 3**	2017 31 Dec Level 2	2017 31 Dec Level 3
Recurring fair value measurements				
Financial assets mandatorily measured at fair value through profit or loss:				
Derivative instruments	**27.5**	**–**	42.7	–
Financial liabilities mandatorily measured at fair value through profit or loss:				
Derivative instruments	**(14.9)**	**–**	(24.8)	–
Contingent consideration	**–**	**(50.1)**	–	(20.0)

During the period ended 30 June 2018 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 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 was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Contingent consideration
  The fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones and calculated using the discounted cash flow method and unobservable inputs. The movement in contingent consideration during the period relates to the acquisition of Seaway Offshore Cables GmbH.

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

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

Financial investments

At 30 June 2018, the Group had investments in unlisted companies. The Group has concluded that due to their nature, in the case of each investment, there are a wide range of possible fair value measurements with insufficient recent information available to accurately measure fair value. As a result, at 30 June 2018, the investments continue to be carried at cost of $7.3 million as, in each case, cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes.

16. Related party transactions

The Subsea 7 S.A. Group is an associate of Siem Industries Inc., and is equity accounted for within Siem Industries Inc.'s consolidated financial statements.

As a result of the acquisition of Seaway Offshore Cables GmbH (formerly Siem Offshore Contractors GmbH) the Group has assumed full rights and obligations relating to pre-existing contractual arrangements in connection with the Beatrice wind farm project. These arrangements, which were contracted on an arm's length basis, between Seaway Heavy Lifting Offshore Contractors BV, a subsidiary of Seaway Heavy Lifting Holding Limited, and Seaway Offshore Cables GmbH are no longer considered to represent a related party transaction for the Subsea 7 S.A. Group.

As a result of the acquisition of Seaway Offshore Cables GmbH, transactions between Seaway Offshore Cables GmbH and Siem Industries Inc., and its subsidiaries and associated companies are now considered to be related party transactions for the Subsea 7 S.A. Group. These transactions, undertaken for operational purposes, are contracted on an arm's length basis.