

## Subsea 7 S.A. Announces Third Quarter 2015 Results

Luxembourg – 11 November 2015 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY) announced today results for the third quarter which ended on 30 September 2015. The Group's reporting segments are set out in Note 6 'Segment information'.

	Three Months Ended		Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented <sup>(a)</sup>	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented <sup>(a)</sup>
For the period (in \$ millions, except Adjusted EBITDA margin and per share data)				
Revenue	1,200	1,902	3,733	5,475
Adjusted EBITDA <sup>(b)</sup>	351	426	907	1,142
Adjusted EBITDA margin <sup>(b)</sup>	29.2%	22.4%	24.3%	20.9%
Net operating income	214	317	559	829
Net income	145	199	384	596
Earnings per share – in \$ per share <sup>(c)</sup>				
Basic	0.49	0.63	1.24	1.90
Diluted	0.46	0.57	1.17	1.71
As at (in \$ millions)				
Backlog			6,733	7,169
Cash and cash equivalents			657	433
Borrowings			553	584

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

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

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

### Jean Cahuzac, Chief Executive Officer, said:

'Subsea 7 has delivered another quarter of good results in the three months to 30 September, despite the continuation of difficult industry conditions and resultant decline in market activity, with strong operational performance in both Business Units driven by consistently good project execution.

Third quarter revenue of \$1.2 billion was \$702 million lower than the prior year quarter reflecting reduced workload due to the sustained downturn in oil company expenditure. Adjusted EBITDA of \$351 million and margin of 29.2% reflected significant progress on several large projects and included positive contribution from projects in the final stages of execution. Adjusted EBITDA included a \$36 million charge related to the cost reduction and resizing programme, in line with prior guidance.

Global vessel utilisation was 74% in the quarter reflecting a reduction in Life of Field work in the Northern Hemisphere and reduced activity levels as certain projects completed their offshore phases. In Brazil, there were high levels of vessel activity under the long-term PLSV contracts with Petrobras throughout the quarter.

Backlog at 30 September was \$6.7 billion and included an adverse impact from foreign exchange movements of approximately \$400 million. Order intake, excluding the adverse foreign exchange impact, was \$1.1 billion, which reflected the Group's strong competitive position and collaboration with clients to capture opportunities in a market that has remained subdued.

Cash generated from operating activities in the quarter was \$409 million, which resulted in cash and cash equivalents of \$657 million and net cash of \$104 million as at 30 September.

### Operational highlights for the third quarter of 2015

In the Northern Hemisphere and Life of Field Business Unit the Aasta Hansteen project, offshore Norway, progressed its offshore installation phase with all major fabrication completed. Offshore UK, the Montrose and Catcher projects made significant progress and concluded offshore activities for 2015, and the Mariner project also progressed with high levels of offshore activity in the quarter. In the Gulf of Mexico, the Heidelberg project was successfully completed. Life of Field activity remained low as clients continued to defer non-essential expenditure.

In the Southern Hemisphere and Global Projects Business Unit the TEN project, offshore Ghana, progressed well with fabrication, and *Seven Borealis* commenced pipelay activity. The completion of the Gorgon project, offshore Australia, contributed positively to results in the quarter. Offshore Nigeria, the Erha North project was substantially completed with first oil achieved in September. New awards in the quarter included a contract for phase one of the West Nile Delta project offshore Egypt. Towards the end of the quarter the new-build pipelay support vessel (PLSV) *Seven Rio* joined the fleet and commenced work in the Gulf of Mexico; this vessel will subsequently transit to Brazil to commence a five-year contract for Petrobras.

The cost reduction and resizing programme announced in May 2015 is on track to deliver approximately \$550 million of annualised cost savings, as previously guided. The headcount and active fleet reduction has progressed as planned: of the 12 vessels to leave the active fleet by early 2016, six owned vessels have been stacked and one chartered vessel has been returned during the third quarter. An impairment charge of \$36 million was recognised during the quarter on *Seven Polaris*, which will be scrapped.

### Outlook

The sustained low oil price environment continues to result in lower oil company expenditure and subdued industry activity. The timing of contract awards to market remains uncertain.

The guidance provided previously for the full year 2015 has been updated. Group revenue is still expected to be significantly lower in 2015 compared to the record level reported last year, but due to strong execution and timing of completion on several projects Adjusted EBITDA percentage margin is now expected to be above 2014 levels. Based on the prevailing market trends both revenue and Adjusted EBITDA percentage margin in 2016 are expected to be significantly lower than the Group's forecasts for 2015. The outlook beyond 2016 remains uncertain.

The fundamental long-term outlook for deepwater subsea field developments remains intact despite the challenges facing the industry as a result of the lower oil price. Subsea 7, in partnership with clients and suppliers, continues to develop innovative solutions to lower the cost base such that projects can become viable in the current low oil price environment.'

### Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 11 November 2015

Time: 12:00 UK Time

Conference ID: 37012806#

	Conference Dial In Numbers
United Kingdom	0203 139 4830
United States	718 873 9077
Norway	2 350 0559
International Dial In	+44 203 139 4830

### Replay Facility Details

A replay facility (with conference ID 663200#) will be available from:

Date: 11 November 2015

Time: 17:00 UK Time

	Conference Replay Dial In Numbers
International Dial In	+44 203 426 2807

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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 2014. 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; the 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.

### Interim Management Report: Financial Review

Where appropriate certain comparatives have been re-presented to reflect the declassification of the Group's interest in Sonamet and Sonacergy from assets held for sale as explained in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements. The impact of this re-presentation was to decrease net income for Q3 2014 by \$7 million, and to reduce total equity at 30 September 2014 by \$52 million.

#### Third Quarter 2015

##### Revenue

Revenue for the quarter was \$1.2 billion, a decrease of \$702 million or 37% compared with Q3 2014. The decrease reflected lower activity levels in both Business Units.

##### Adjusted EBITDA

Adjusted EBITDA for the quarter was \$351 million, a decrease of \$75 million compared to Q3 2014. Adjusted EBITDA margin was 29%, compared with 22% in Q3 2014. The reduction in Adjusted EBITDA reflected the decrease in activity levels and included a charge of \$36 million following the Group's decision, announced in May 2015, to implement its programme of cost reduction measures including a resizing of the fleet and workforce.

##### Net operating income

Net operating income was \$214 million, a decrease of \$103 million compared to Q3 2014. This decrease was primarily due to:

- lower activity in both Business Units and lower vessel utilisation of 74% in Q3 2015 compared to 91% in Q3 2014;
- an impairment charge of \$36 million related to *Seven Polaris* recognised in the quarter; and
- a charge of \$36 million related to the Group's cost reduction and resizing programme, of which \$13 million related to operating expenses and \$23 million related to administrative expenses

partially offset by:

- reduced administrative expenses, excluding the impact of the resizing programme, due mainly to lower personnel costs and favourable foreign exchange movements; and
- increased contribution from the Seaway Heavy Lifting joint venture due to a higher level of activity during Q3 2015 compared to Q3 2014.

##### Net income

Net income was \$145 million in the quarter, compared to \$199 million in Q3 2014. The reduction was primarily due to:

- the decrease in net operating income; and
- an increase in the tax charge of \$13 million compared to Q3 2014. The effective tax rate for Q3 2015 was 40% compared to 29% for Q3 2014. The percentage increase reflected the impact of the charges relating to the resizing programme and the impairment of *Seven Polaris* as well as non-cash adjustments to deferred tax

partially offset by:

- net foreign currency gains of \$23 million in Q3 2015, recognised within other gains and losses, compared with net foreign currency losses of \$35 million in Q3 2014.

##### Earnings per share

Diluted earnings per share was \$0.46 in the quarter compared to \$0.57 in Q3 2014, based on a weighted average number of shares of 347 million and 373 million respectively.

#### Nine months ended 30 September 2015

The comparative period ('2014') is the nine month period from 1 January 2014 to 30 September 2014.

##### Revenue

Revenue for the nine months ended 30 September 2015 was \$3.7 billion compared with \$5.5 billion in 2014. The decrease reflected lower activity levels in both Business Units and the adverse impact of the strengthening of the US dollar, against major currencies used throughout the Group, during the period compared with the comparative period.

##### Adjusted EBITDA

Adjusted EBITDA and Adjusted EBITDA margin were \$907 million and 24% respectively compared to \$1,142 million and 21% in 2014. The reduction in Adjusted EBITDA reflected the decrease in activity and included a charge of \$136 million related to the Group's programme of cost reduction measures including a resizing of the fleet and workforce. Excluding this charge, adjusted EBITDA margin was 28% with the underlying EBITDA being driven by the successful progression of the offshore phases of several projects.

##### Net operating income

Net operating income was \$559 million, a decrease of \$270 million compared to 2014. This decrease was primarily due to:

- lower activity levels in both Business Units;
- a charge of \$136 million associated with the Group's cost reduction and resizing programme, of which \$98 million related to operating expenses and \$38 million related to administrative expenses;
- an impairment charge of \$36 million related to *Seven Polaris*

partially offset by:

- reduction in costs recognised on projects within the Mexican sector of the Gulf of Mexico compared to 2014; and
- reduced administrative expenses, excluding the impact of the resizing programme, due mainly to lower personnel costs and favourable foreign exchange movements.

### Net income

Net income was \$384 million in the period, compared to \$596 million in 2014. The decrease was primarily due to:

- the decrease in net operating income

partially offset by:

- net foreign currency gains of \$19 million in 2015, recognised within other gains and losses, compared with net foreign currency losses of \$17 million in 2014; and
- lower finance costs of \$3 million compared to \$18 million in 2014 mainly due to the absence of interest charges related to the \$275 million 3.5% convertible bonds which matured in October 2014, and the capitalisation of interest costs in relation to the new-build vessel programme.

The effective tax rate for the period was 35% compared to 27% for 2014 which mainly reflected the impact of the \$136 million charge for the resizing programme and non-cash adjustments related to deferred tax.

### Earnings per share

Diluted earnings per share was \$1.17 for the nine months ended 30 September 2015 compared to \$1.71 for the nine months ended 30 September 2014, based on a weighted average number of shares of 347 million and 374 million respectively.

### Cash and borrowings

Cash and cash equivalents at 30 September 2015 totalled \$657 million compared with \$573 million at 31 December 2014. Total borrowings at 30 September 2015 were \$553 million, a decrease of \$25 million compared with 31 December 2014.

## Business Unit Highlights

### Third Quarter 2015

#### Northern Hemisphere and Life of Field

Revenue was \$510 million, a decrease of \$433 million or 46% compared to Q3 2014 which reflected significantly lower activity levels in the North Sea and Gulf of Mexico.

During the quarter, the Heidelberg project in the US Gulf of Mexico was completed. Work progressed during the quarter on the Martin Linge, Aasta Hansteen and Gullfaks Subsea Compression projects, offshore Norway, on the Mariner, Montrose, Catcher and Clair Ridge projects, offshore UK, and on the Dalmatian project in the US Gulf of Mexico. Life of Field revenue reduced in the quarter compared with Q3 2014 due to lower offshore activity levels, particularly in the North Sea.

Net operating income was \$80 million, a decrease of \$18 million or 18% compared to Q3 2014. The decrease in net operating income reflected reduced activity levels and was adversely impacted by lower vessel utilisation in Q3 2015 compared with Q3 2014.

#### Southern Hemisphere and Global Projects

Revenue was \$670 million, a decrease of \$290 million or 30% compared to Q3 2014. Revenue decreased due to the relative stage of completion of the Block 31 GES, CLOV, OFON 2, Gorgon Heavy Lift and Tie-ins, and Guar Lula NE projects which were all in their offshore phases in Q3 2014.

During Q3 2015 the West Nile Delta project, offshore Egypt, commenced and the Erha North project, offshore Nigeria, was substantially completed. There was significant progress on the Lianzi SURF and Lianzi Topside projects, offshore Angola; the T.E.N. project, offshore Ghana; the BC-10 Phase 3 project, offshore Brazil and the Al-Khalij project, offshore Qatar. In Brazil, there were high levels of vessel activity under the long-term PLSV contracts with Petrobras throughout the quarter.

Net operating income was \$185 million, a reduction of \$26 million or 12% compared to Q3 2014. The reduction in net operating income reflected the decrease in activity levels partially offset by the commercial close-out on completed projects including the Gorgon Heavy Lift and Tie-ins project, offshore Australia.

#### Corporate

Net operating loss was \$51 million (Q3 2014: net operating income \$8 million). A charge of \$36 million was recognised in the quarter related to the Group's programme of cost reduction measures including a resizing of the fleet and workforce. In addition an impairment charge of \$36 million related to *Seven Polaris* was recognised in the quarter. The results for the quarter benefitted from lower personnel costs and associated cost savings, excluding the impact of the resizing programme, and an increased contribution from the Seaway Heavy Lifting joint venture due to a higher level of activity during Q3 2015 compared to Q3 2014.

### Nine months ended 30 September 2015

#### Northern Hemisphere and Life of Field

Revenue was \$1.7 billion, a decrease of \$759 million or 31% compared to 2014. This reduction was largely due to decreased activity on the Delta S2 and Knarr projects, offshore Norway, and the Laggan Tormore and Dana Western Isles projects, offshore UK which all had significant offshore phases in 2014. In addition there was a significant decrease in Life of Field activity in the North Sea.

Net operating income was \$233 million, a decrease of \$18m or 7% compared to 2014 mainly due to decreased activity levels.

#### Southern Hemisphere and Global Projects

Revenue was \$2.0 billion, a decrease of \$1.0 billion or 33% compared to 2014. Revenue decreased due to the relative stage of completion of the Block 31 GES, CLOV, OFON 2, Gorgon Heavy Lift and Tie-ins, and Guar Lula NE projects which were all in their offshore phases in 2014.

Net operating income was \$434 million, a decrease of \$124 million or 22% compared to 2014. This reduction reflected the decreased activity levels partially offset by an increase in margin in 2015 on the successful completion of the offshore phases of several projects.

### Corporate

Net operating loss was \$108 million (2014: net operating income \$20 million) primarily due to a \$136 million charge associated with the Group's cost reduction and resizing programme recognised in the period and an impairment charge of \$36 million related to *Seven Polaris*. This was partially offset by lower personnel costs and associated cost savings, excluding the impact of the resizing programme, and an increased contribution from the Seaway Heavy Lifting joint venture due to higher activity levels during 2015 compared to 2014, which was adversely impacted by the dry-docking of *Stanislav Yudin*.

### Asset Development and Activities – Third Quarter 2015

#### Fleet Utilisation

Vessel utilisation during the third quarter was 74% compared with 91% in Q3 2014. This reduction reflected lower utilisation across the fleet, largely as a consequence of reduced offshore activity in the North Sea. During the quarter, in line with the Group's resizing programme, six owned vessels have been stacked and one chartered vessel has been returned.

#### New-build vessel programme

The PLSV, *Seven Rio*, commenced operations towards the end of the quarter in the Gulf of Mexico. The vessel will subsequently transit to Brazil to commence a five-year contract for Petrobras.

Construction continued on:

- the PLSVs, *Seven Sun* and *Seven Cruzeiro*, linked to long-term contracts awarded by Petrobras, expected to commence operations in the second and fourth quarters of 2016 respectively;
- *Seven Arctic*, a heavy construction vessel, due to commence operations in the first half of 2016; and
- *Seven Kestrel*, a diving support vessel mainly for activities in the North Sea, due to commence operations in the first half of 2016.

Actual and forecast expenditure on the Group's new-build vessel programme as at 30 September 2015 was:

(in \$ millions)	Actual expenditure				Forecast expenditure	
	2012	2013	2014	YTD 2015	Q4 2015	2016
Total	185	372	544	419	156	265

Actual and forecast expenditures include an estimate of capitalised interest during construction as part of the initial cost of the vessels.

### Backlog

Backlog was \$6.7 billion at 30 September 2015, a decrease of \$0.5 billion compared with 30 June 2015. Adverse foreign exchange movements, particularly in relation to the Brazilian Real portion of the multi-year PLSV contracts, had a \$0.4 billion adverse impact in the quarter. New awards and project escalations amounting to \$1.1 billion were recorded in the quarter. Major awards included: the West Nile Delta project, offshore Egypt, for BP/DEA; the Culzean project, offshore UK, for Maersk Oil and the Emergency Pipeline Repair System (EPRS) project, offshore Australia, for Chevron and IMPEX.

\$5.3 billion of the backlog at 30 September 2015 related to SURF activity, which included \$2.3 billion for the long-term PLSV contracts in Brazil, \$1.1 billion related to Life of Field and i-Tech and \$0.3 billion related to Conventional and Hook-up. \$1.1 billion of this backlog is expected to be executed in 2015, \$2.8 billion in 2016 and \$2.8 billion in 2017 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

**Subsea 7 S.A.**  
**Condensed Consolidated Income Statement**

	Three Months Ended		Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented <sup>(a)</sup>	30 Sept 2015 Unaudited	30 Sep 2014 Unaudited Re-presented <sup>(a)</sup>
(in \$ millions)				
Revenue	<b>1,199.8</b>	1,901.9	<b>3,733.3</b>	5,475.0
Operating expenses	<b>(930.4)</b>	(1,522.7)	<b>(2,998.5)</b>	(4,479.5)
<b>Gross profit</b>	<b>269.4</b>	379.2	<b>734.8</b>	995.5
Administrative expenses	<b>(88.9)</b>	(85.9)	<b>(237.7)</b>	(233.9)
Share of net income of associates and joint ventures	<b>33.3</b>	24.1	<b>61.9</b>	67.0
<b>Net operating income</b>	<b>213.8</b>	317.4	<b>559.0</b>	828.6
Finance income	<b>3.4</b>	3.7	<b>12.1</b>	16.7
Other gains and losses	<b>24.8</b>	(34.2)	<b>21.0</b>	(15.3)
Finance costs	<b>(1.3)</b>	(5.5)	<b>(3.0)</b>	(17.6)
<b>Income before taxes</b>	<b>240.7</b>	281.4	<b>589.1</b>	812.4
Taxation	<b>(95.9)</b>	(82.7)	<b>(205.1)</b>	(216.7)
<b>Net income</b>	<b>144.8</b>	198.7	<b>384.0</b>	595.7
<b>Net income attributable to:</b>				
Shareholders of the parent company	<b>158.2</b>	207.3	<b>405.0</b>	630.2
Non-controlling interests	<b>(13.4)</b>	(8.6)	<b>(21.0)</b>	(34.5)
	<b>144.8</b>	198.7	<b>384.0</b>	595.7
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>per share</b>	<b>per share</b>	<b>per share</b>	<b>per share</b>
Earnings per share		Re-presented <sup>(a)</sup>		Re-presented <sup>(a)</sup>
Basic	<b>0.49</b>	0.63	<b>1.24</b>	1.90
Diluted	<b>0.46</b>	0.57	<b>1.17</b>	1.71

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

## Subsea 7 S.A.

## Condensed Consolidated Statement of Comprehensive Income

	Three Months Ended		Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented <sup>(a)</sup>	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented <sup>(a)</sup>
(in \$ millions)				
<b>Net income</b>	<b>144.8</b>	198.7	<b>384.0</b>	595.7
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to the income statement in subsequent periods:</i>				
Foreign currency translation	<b>(138.6)</b>	(185.4)	<b>(172.2)</b>	(62.4)
Cash flow hedges:				
Net fair value gains/(losses) arising	<b>1.2</b>	(12.0)	<b>(5.1)</b>	(12.2)
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	<b>4.1</b>	0.2	<b>16.5</b>	(10.6)
Share of other comprehensive income of associates and joint ventures	<b>0.8</b>	2.1	<b>4.3</b>	4.1
Tax related to components of other comprehensive income which may be reclassified	<b>9.2</b>	13.5	<b>12.8</b>	14.4
<b>Other comprehensive loss</b>	<b>(123.3)</b>	(181.6)	<b>(143.7)</b>	(66.7)
<b>Total comprehensive income</b>	<b>21.5</b>	17.1	<b>240.3</b>	529.0
<b>Total comprehensive income attributable to:</b>				
Shareholders of the parent company	<b>28.5</b>	25.3	<b>250.7</b>	562.3
Non-controlling interests	<b>(7.0)</b>	(8.2)	<b>(10.4)</b>	(33.3)
	<b>21.5</b>	17.1	<b>240.3</b>	529.0

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

**Subsea 7 S.A.**  
**Condensed Consolidated Balance Sheet**

As at (in \$ millions)	30 Sep 2015 Unaudited	31 Dec 2014 Audited
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	1,301.2	1,322.3
Intangible assets	15.8	21.2
Property, plant and equipment	4,700.1	4,565.0
Interest in associates and joint ventures	389.6	373.8
Advances and receivables	97.8	128.3
Derivative financial instruments	7.8	3.8
Deferred tax assets	44.5	48.2
	<b>6,556.8</b>	<b>6,462.6</b>
<b>Current assets</b>		
Inventories	60.1	59.1
Trade and other receivables	706.5	840.4
Derivative financial instruments	15.1	28.0
Assets classified as held for sale	0.6	-
Construction contracts – assets	329.7	378.4
Other accrued income and prepaid expenses	192.2	283.3
Cash and cash equivalents	657.0	572.6
	<b>1,961.2</b>	<b>2,161.8</b>
<b>Total assets</b>	<b>8,518.0</b>	<b>8,624.4</b>
<b>Equity</b>		
Issued share capital	654.8	664.3
Treasury shares	(31.9)	(75.2)
Paid in surplus	3,219.1	3,255.5
Equity reserve	67.1	71.2
Translation reserve	(407.6)	(242.6)
Other reserves	(63.1)	(73.8)
Retained earnings	2,396.1	1,987.5
<b>Equity attributable to shareholders of the parent company</b>	<b>5,834.5</b>	<b>5,586.9</b>
Non-controlling interests	(38.5)	(25.2)
<b>Total equity</b>	<b>5,796.0</b>	<b>5,561.7</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Non-current portion of borrowings	553.4	576.2
Retirement benefit obligations	19.0	21.3
Deferred tax liabilities	152.2	117.1
Provisions	58.6	30.3
Contingent liability recognised	4.0	6.0
Derivative financial instruments	11.2	15.3
Other non-current liabilities	72.7	93.3
	<b>871.1</b>	<b>859.5</b>
<b>Current liabilities</b>		
Trade and other liabilities	1,331.6	1,674.1
Derivative financial instruments	16.0	25.1
Current tax liabilities	87.3	45.8
Current portion of borrowings	-	1.9
Provisions	95.3	28.9
Construction contracts – liabilities	315.3	425.7
Deferred revenue	5.4	1.7
	<b>1,850.9</b>	<b>2,203.2</b>
<b>Total liabilities</b>	<b>2,722.0</b>	<b>3,062.7</b>
<b>Total equity and liabilities</b>	<b>8,518.0</b>	<b>8,624.4</b>



**Subsea 7 S.A.**

**Condensed Consolidated Statement of Changes in Equity**

For the nine months ended 30 September 2015

(in \$ millions.)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2015</b>	<b>664.3</b>	<b>(75.2)</b>	<b>3,255.5</b>	<b>71.2</b>	<b>(242.6)</b>	<b>(73.8)</b>	<b>1,987.5</b>	<b>5,586.9</b>	<b>(25.2)</b>	<b>5,561.7</b>
<b>Comprehensive income/(loss)</b>										
Net income/(loss)	–	–	–	–	–	–	405.0	405.0	(21.0)	384.0
Foreign currency translation	–	–	–	–	(182.8)	–	–	(182.8)	10.6	(172.2)
Cash flow hedges	–	–	–	–	–	11.4	–	11.4	–	11.4
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	4.3	–	4.3	–	4.3
Tax relating to components of other comprehensive income	–	–	–	–	17.8	(5.0)	–	12.8	–	12.8
<b>Total comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(165.0)</b>	<b>10.7</b>	<b>405.0</b>	<b>250.7</b>	<b>(10.4)</b>	<b>240.3</b>
<b>Transactions with owners</b>										
Shares repurchased	–	(7.6)	–	–	–	–	–	(7.6)	–	(7.6)
Dividends declared	–	–	–	–	–	–	–	–	(2.9)	(2.9)
Equity component of convertible bonds	–	–	–	(4.1)	–	–	3.9	(0.2)	–	(0.2)
Share-based compensation	–	–	4.6	–	–	–	–	4.6	–	4.6
Shares reissued relating to share based payments	–	0.4	–	–	–	–	–	0.4	–	0.4
Loss on reissuance of treasury shares	–	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Shares cancelled	(9.5)	50.5	(41.0)	–	–	–	–	–	–	–
<b>Total transactions with owners</b>	<b>(9.5)</b>	<b>43.3</b>	<b>(36.4)</b>	<b>(4.1)</b>	<b>–</b>	<b>–</b>	<b>3.6</b>	<b>(3.1)</b>	<b>(2.9)</b>	<b>(6.0)</b>
<b>Balance at 30 September 2015</b>	<b>654.8</b>	<b>(31.9)</b>	<b>3,219.1</b>	<b>67.1</b>	<b>(407.6)</b>	<b>(63.1)</b>	<b>2,396.1</b>	<b>5,834.5</b>	<b>(38.5)</b>	<b>5,796.0</b>

For the nine months ended 30 September 2014

(in \$ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserve	Other reserve	Retained earnings Re-presented <sup>(a)</sup>	Total Re-presented <sup>(a)</sup>	Non-controlling interests Re-presented <sup>(a)</sup>	Total equity Re-presented <sup>(a)</sup>
<b>Balance at 1 January 2014</b>	<b>703.6</b>	<b>(356.9)</b>	<b>3,841.6</b>	<b>248.5</b>	<b>31.9</b>	<b>(59.5)</b>	<b>2,142.4</b>	<b>6,551.6</b>	<b>19.5</b>	<b>6,571.1</b>
<b>Comprehensive income/(loss)</b>										
Net income/(loss)	–	–	–	–	–	–	630.2	630.2	(34.5)	595.7
Foreign currency translation	–	–	–	–	(63.6)	–	–	(63.6)	1.2	(62.4)
Cash flow hedges	–	–	–	–	–	(22.8)	–	(22.8)	–	(22.8)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	4.1	–	4.1	–	4.1
Tax relating to components of other comprehensive income	–	–	–	–	8.6	5.8	–	14.4	–	14.4
<b>Total comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(55.0)</b>	<b>(12.9)</b>	<b>630.2</b>	<b>562.3</b>	<b>(33.3)</b>	<b>529.0</b>
<b>Transactions with owners</b>										
Shares repurchased	–	(113.3)	–	–	–	–	–	(113.3)	–	(113.3)
Dividends declared	–	–	(200.0)	–	–	–	–	(200.0)	(4.9)	(204.9)
Equity component of convertible bonds	–	–	–	(48.3)	–	–	48.3	–	–	–
Share-based compensation	–	–	6.1	–	–	–	–	6.1	–	6.1
Shares reissued relating to share based payments	–	13.0	–	–	–	–	–	13.0	–	13.0
Loss on reissuance of treasury shares	–	–	–	–	–	–	(11.8)	(11.8)	–	(11.8)
<b>Total transactions with owners</b>	<b>–</b>	<b>(100.3)</b>	<b>(193.9)</b>	<b>(48.3)</b>	<b>–</b>	<b>–</b>	<b>36.5</b>	<b>(306.0)</b>	<b>(4.9)</b>	<b>(310.9)</b>
<b>Balance at 30 September 2014</b>	<b>703.6</b>	<b>(457.2)</b>	<b>3,647.7</b>	<b>200.2</b>	<b>(23.1)</b>	<b>(72.4)</b>	<b>2,809.1</b>	<b>6,807.9</b>	<b>(18.7)</b>	<b>6,789.2</b>

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

**Subsea 7 S.A.**  
**Condensed Consolidated Cash Flow Statement**

	Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented <sup>(a)</sup>
(in \$ millions)		
<b>Net cash generated from operating activities</b>	<b>628.0</b>	1,091.4
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(547.7)	(656.8)
Purchase of intangible assets	(0.4)	–
Proceeds from disposal of property, plant and equipment	0.6	1.3
Interest received	12.1	16.7
Dividends received from associates and joint ventures	41.4	17.3
Investment in associates and joint ventures	–	(0.1)
Proceeds from loans to associates and joint ventures	6.6	–
<b>Net cash used in investing activities</b>	<b>(487.4)</b>	(621.6)
<b>Cash flows from financing activities</b>		
Interest paid	(6.5)	(15.4)
Proceeds from borrowing	80.0	–
Repayment of borrowing	(80.5)	–
Proceeds from reissuance of treasury shares	0.1	1.1
Shares repurchased	(7.6)	(121.8)
Dividends paid to equity shareholders of the parent company	–	(194.6)
Repurchase of convertible bonds	(18.4)	(79.0)
<b>Net cash used in financing activities</b>	<b>(32.9)</b>	(409.7)
Net increase in cash and cash equivalents	107.7	60.1
Cash and cash equivalents at beginning of period	572.6	691.5
Effect of foreign exchange rate movements on cash and cash equivalents	(23.3)	(4.8)
<b>Cash and cash equivalents at end of period</b>	<b>657.0</b>	746.8

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

### 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 10 November 2015.

### 2. Basis of preparation

The Condensed Consolidated Financial Statements for the period 1 January 2015 to 30 September 2015 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 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Certain comparative information has been re-presented due to the declassification of investments in Sonamet and Sonacergy as assets held for sale as detailed in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

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 2014.

No new or amended International Financial Reporting Standards (IFRSs) and interpretations have been adopted by the Group for the financial year beginning on 1 January 2015.

### 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 2014, 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 2014:

- Revenue recognition on long-term contracts
- Revenue recognition on variation orders and claims
- Goodwill carrying value
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Taxation

### 5. Seasonality

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

### 6. Segment information

With effect from 1 January 2015 the Group implemented a new organisational structure. The new organisational and segmental structure comprises two Business Units, which replaced four geographical Territories, and a Corporate segment.

The Corporate segment includes all activities that serve both Business Units. All onshore and offshore assets are allocated between the two Business Units. Reporting segments are defined below:

#### Northern Hemisphere and Life of Field

The Northern Hemisphere and Life of Field Business Unit includes activities in UK, Canada, Norway and the Gulf of Mexico together with the i-Tech division and Life of Field business line. It also includes spoolbases in Vigra, Norway and Leith, Scotland and a fabrication yard in Wick, Scotland. This segment also includes the Normand Oceanic and Eidesvik Seven joint ventures.

#### Southern Hemisphere and Global Projects

The Southern Hemisphere and Global Projects Business Unit includes activities in Africa, Asia Pacific and Middle East, Brazil and Global Projects centres. It also includes fabrication yards in Warri, Nigeria; Lobito, Angola and Port Gentil, Gabon and spoolbases in Luanda, Angola and Port Isabel, US. This segment also includes the SapuraAcergy and Subsea 7 Malaysia joint ventures.

#### Corporate

This segment includes all activities that serve both Business Units and includes: management of offshore resources; captive insurance activities and management and corporate services. It also includes the results of the Seaway Heavy Lifting joint venture.

**6. Segment information continued**

Summarised financial information concerning each reportable geographical reporting segment was as follows:

**For the three months ended 30 September 2015**

(in \$ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total
Revenue	509.9	669.6	20.3	1,199.8
Net operating income/(loss)	79.9	185.2	(51.3)	213.8
Finance income				3.4
Other gains and losses				24.8
Finance costs				(1.3)
Income before taxes				240.7

**For the three months ended 30 September 2014**

(in \$ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total Re-presented
Revenue	943.1	959.9	(1.1)	1,901.9
Net operating income	97.5	211.5	8.4	317.4
Finance income				3.7
Other gains and losses				(34.2)
Finance costs				(5.5)
Income before taxes				281.4

**For the nine months ended 30 September 2015**

(in \$ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total
Revenue	1,714.1	1,993.1	26.1	3,733.3
Net operating income/(loss)	232.6	434.1	(107.7)	559.0
Finance income				12.1
Other gains and losses				21.0
Finance costs				(3.0)
Income before taxes				589.1

**For the nine months ended 30 September 2014**

(in \$ millions) Unaudited	Northern Hemisphere and Life of Field	Southern Hemisphere and Global Projects	Corporate	Total Re-presented
Revenue	2,472.8	2,993.9	8.3	5,475.0
Net operating income	250.3	558.3	20.0	828.6
Finance income				16.7
Other gains and losses				(15.3)
Finance costs				(17.6)
Income before taxes				812.4

**7. Cost reduction programme**

In May 2015, the Group announced that in view of the difficult business and economic conditions prevailing in the oil and gas market and the consequent decline in workload, a programme of cost reduction measures would be implemented including a resizing of the fleet and workforce, and the restructuring of its corporate organisation.

During Q3, a charge of \$36.2 million was recognised in relation to the resizing programme, of which \$13.3 million and \$22.9 million were attributable to operating expenses and administrative expenses respectively. For the nine months ended 30 September 2015 a charge of \$136.2 million was recognised relating to the resizing programme of which \$97.3 million and \$38.9 million were attributable to operating expenses and administrative expenses respectively. The full amount of the charge was recognised in the Corporate reporting segment.

## 8. Earnings per share

### Basic and diluted earnings per share

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

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

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

	Three Months Ended		Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented
For the period (in \$ millions)				
Net income attributable to shareholders of the parent company	158.2	207.3	405.0	630.2
Interest on convertible bonds (net of amounts capitalised)	-	3.9	-	10.7
<b>Earnings used in the calculation of diluted earnings per share</b>	<b>158.2</b>	<b>211.2</b>	<b>405.0</b>	<b>640.9</b>

	Three Months Ended		Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited
For the period (number of shares)				
Weighted average number of common shares used in the calculation of basic earnings per share	325,587,429	329,884,268	325,820,872	331,590,222
Convertible bonds	21,336,738	42,373,480	21,627,488	41,640,002
Share options, performance shares and restricted shares	1,014	632,937	13,604	1,075,355
<b>Weighted average number of common shares used in the calculation of diluted earnings per share</b>	<b>346,925,181</b>	<b>372,890,685</b>	<b>347,461,964</b>	<b>374,305,579</b>

	Three Months Ended		Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented
For the period (in \$ per share)				
Basic earnings per share	0.49	0.63	1.24	1.90
Diluted earnings per share	0.46	0.57	1.17	1.71

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

	Three Months Ended		Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited
For the period (number of shares)				
Share options, performance shares and restricted shares	2,049,279	2,149,538	2,044,613	2,099,274

## 9. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation, amortisation and mobilisation costs, impairment charges or impairment reversals, finance income, other gains and losses (including gain on disposal of subsidiary and gain on distribution), finance costs and taxation. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.

The items excluded from Adjusted EBITDA represent items which are individually or collectively material but which are not considered representative of the performance of the business during the periods presented. Other gains and losses principally relate to disposals of investments, property, plant and equipment and net foreign exchange gains or losses. Impairments of assets represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future or their sale.

Adjusted EBITDA and Adjusted EBITDA margin have not been prepared in accordance with IFRS as adopted by the EU. These measures exclude items that can have a significant effect on the Group's income or loss and therefore should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with IFRS) as a measure of the Group's operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group's liquidity.

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

**9. Adjusted EBITDA and Adjusted EBITDA margin continued**

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

For the period (in \$ millions)	Three Months Ended		Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented
Net operating income	213.8	317.4	559.0	828.6
Depreciation, amortisation and mobilisation	99.7	108.8	307.3	313.8
Impairment of property, plant and equipment	37.4	-	40.5	-
Adjusted EBITDA	350.9	426.2	906.8	1,142.4
Revenue	1,199.8	1,901.9	3,733.3	5,475.0
Adjusted EBITDA margin	29.2%	22.4%	24.3%	20.9%

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

For the period (in \$ millions)	Three Months Ended		Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented
Net income	144.8	198.7	384.0	595.7
Depreciation, amortisation and mobilisation	99.7	108.8	307.3	313.8
Impairment of property, plant and equipment	37.4	-	40.5	-
Finance income	(3.4)	(3.7)	(12.1)	(16.7)
Other gains and losses	(24.8)	34.2	(21.0)	15.3
Finance costs	1.3	5.5	3.0	17.6
Taxation	95.9	82.7	205.1	216.7
Adjusted EBITDA	350.9	426.2	906.8	1,142.4
Revenue	1,199.8	1,901.9	3,733.3	5,475.0
Adjusted EBITDA margin	29.2%	22.4%	24.3%	20.9%

**10. Goodwill**

The movement in goodwill during the period was as follows:

(in \$ millions)	Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited
At period beginning	1,322.3	2,584.6
Exchange differences	(21.1)	(6.7)
<b>At period end</b>	<b>1,301.2</b>	<b>2,577.9</b>

**11. Property, plant and equipment**

Significant additions to property, plant and equipment for the nine months ended 30 September 2015 included \$417.5 million expenditure related to the new-build vessel programme as follows:

- \$214.3 million expenditure on three PLSVs, *Seven Rio*, *Seven Sun* and *Seven Cruzeiro*
- \$154.2 million expenditure on the heavy construction vessel, *Seven Arctic*
- \$49.0 million expenditure on the diving support vessel, *Seven Kestrel*

**12. Treasury shares**

On 30 September 2015, the Company cancelled 4,799,956 treasury shares. As at 30 September 2015, the Company held nil (Q3 2014: 20,530,747) common shares as treasury shares, representing 0% (Q3 2014: 5.84%) of the total number of issued shares. A further 1,526,200 (Q3 2014: 1,526,200) common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 253,482 (Q3 2014: 265,765) common shares were held in a separate employee benefit trust to support specified share option awards.

**13. Share repurchase programme**

During the third quarter no shares were repurchased under the Group's \$200 million share repurchase programme initiated in July 2014. As at 30 September 2015, the Group had repurchased a cumulative 5,272,656 shares for a total consideration of \$57.1 million under the July 2014 programme.

On 28 July 2015, the Board of Directors authorised a 24 month extension to the Group's share repurchase programme of up to \$200 million. The programme was approved pursuant to the standing authorisation granted to the Board of Directors at the Extraordinary General Meeting held on 27 November 2014, which allows for the purchase of up to a maximum of 10% of the Group's issued common shares, net of the common shares previously repurchased and still held as treasury shares.

**14. Borrowings**

## Convertible bonds

Between 1 July 2015 and 30 September 2015, the Group repurchased \$35.4 million (par value) of the \$700 million 1.00% convertible bonds due 2017 for \$32.5 million. At 30 September 2015, \$582.8 million (par value) of the 2017 Bonds, excluding those bonds repurchased and held by the Group, remained outstanding.

**15. Commitments and contingent liabilities**

## Commitments

As at 30 September 2015, the significant capital commitments that the Group had entered into were:

- contracts totalling \$220.8 million relating to two new-build PLSV's, *Seven Sun* and *Seven Cruzeiro*. The vessels are due to commence operations during 2016;
- contracts totalling \$38.7 million relating to the new-build heavy construction vessel, *Seven Arctic*. The vessel is due to commence operations during 2016; and
- contracts totalling \$18.0 million relating to the diving support vessel, *Seven Kestrel*. The vessel is due to commence operations during 2016.

## Contingent liabilities

Between 2009 and 2014, the Group's Brazilian businesses were audited and formally assessed for a state tax (ICMS) and federal taxes by the Brazilian State and Federal tax authorities. The amount assessed including penalties and interest as at 30 September 2015 amounted to BRL 752.5 million (\$189.4 million). At 31 December 2014 the amount assessed including penalties and interest amounted to BRL 677.9 million (\$267.8 million). The Group continues to believe that the prospect of any payment is possible but not probable and, other than as required by IFRS 3 'Business Combinations', no provision has been recognised.

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 September 2015 was \$4.1 million (31 December 2014: \$6.0 million). Despite the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

**16. Cash flow from operating activities**

For the period ended (in \$ millions)	Nine Months Ended	
	30 Sep 2015 Unaudited	30 Sep 2014 Unaudited Re-presented
<b>Cash flow from operating activities:</b>		
Income before taxes	589.1	812.4
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	289.6	293.2
Impairment of property, plant and equipment	40.5	-
Amortisation of intangible assets	5.1	8.3
Mobilisation costs	12.6	12.3
Adjustments for investing and financing items:		
Share of net income of associates and joint ventures	(61.9)	(67.0)
Finance income	(12.1)	(16.7)
Loss/(gain) on disposal of property, plant and equipment	0.3	(0.5)
Gain on repurchase of bonds	(1.3)	-
Finance costs	3.0	17.6
Adjustments for equity items:		
Share-based payments	4.6	6.1
	<b>869.5</b>	<b>1,065.7</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in inventories	(3.7)	(1.2)
Decrease in operating receivables	88.4	45.3
(Decrease)/increase in operating liabilities	(183.2)	147.6
	<b>(98.5)</b>	<b>191.7</b>
Income taxes paid	(143.0)	(166.0)
<b>Net cash generated from operating activities</b>	<b>628.0</b>	<b>1,091.4</b>

**17. Fair value and financial instruments**

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

As at (in \$ millions)	<b>30 Sep 2015</b> Carrying amount Unaudited	<b>30 Sep 2015</b> Fair value Unaudited	31 Dec 2014 Carrying amount Audited	31 Dec 2014 Fair value Audited
<b>Financial liabilities</b>				
Borrowings – convertible bonds – Level 2	<b>(553.4)</b>	<b>(536.1)</b>	(576.2)	(565.5)

**Borrowings – convertible bonds**

The fair value of the liability components of convertible bonds is determined by matching the maturity profile of the bonds to market interest rates available to the Group. At the balance sheet date the interest rate available was 5.65% (31 December 2014: 4.5%).

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

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

As at (in \$ millions)	<b>30 Sep 2015</b> Level 2 Unaudited	<b>30 Sep 2015</b> Level 3 Unaudited	31 Dec 2014 Level 2 Audited	31 Dec 2014 Level 3 Audited
<b>Recurring fair value measurements</b>				
Financial assets:				
Financial assets at fair value through profit or loss - derivative instruments	<b>21.0</b>	-	28.1	-
Derivative instruments in designated hedge accounting relationships	<b>1.9</b>	-	3.7	-
Financial liabilities:				
Financial liabilities at fair value through profit or loss - derivative instruments	<b>(27.2)</b>	-	(35.5)	-
Derivative instruments in designated hedge accounting relationships	-	-	(4.9)	-

During the nine month period ended 30 September 2015 there were no transfers between levels of the fair value hierarchy. The Group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

**Fair value techniques and inputs****Financial assets and liabilities at fair value through profit or loss**

The Group's financial assets and liabilities fair value through profit or loss comprised:

- Forward foreign exchange contracts  
The fair value of outstanding forward foreign exchange contracts was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Interest rate swap  
The fair value of the Group's interest rate swap was calculated using quoted 3 month US Dollar LIBOR rates. At the balance sheet date the three month US Dollar LIBOR rate was 0.32%.



**19. Post balance sheet events**

Convertible bonds

On 2 October 2015, the Group repurchased \$10 million (par value) of the \$700 million 1.00% convertible bonds due 2017 for \$9.1 million. Following this transaction, \$572.8 million (par value) of the 2017 Bonds, excluding those bonds repurchased and held by the Group, remained outstanding.