Subsea 7 S.A. Announces Third Quarter 2022 Results

Luxembourg – 17 November 2022 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the third quarter which ended 30 September 2022.

Third quarter highlights

- Adjusted EBITDA of $171 million resulting in a margin of 12%
- Backlog of $7.1 billion, of which $1.3 billion to be executed in Q4 2022 and $3.2 billion in 2023
- Cash and cash equivalents of $533 million and net debt (including lease liabilities) of $33 million
- Agreement to form a joint venture with SLB and Aker Solutions
- Extension of Subsea Integration Alliance agreement until 2033 on completion of the joint venture transaction
- Post quarter end, $650 million increase in liquidity for Seaway7 through an equity rights issue and new debt facilities that leaves its new-build programme fully funded

	Third Quarter		**Nine Months Ended**	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**Q3 2022 Unaudited**	Q3 2021 Unaudited	**30 Sep 2022 Unaudited**	30 Sep 2021 Unaudited
Revenue	**1,404**	1,451	**3,845**	3,645
Adjusted EBITDA[(a)]	**171**	185	**391**	378
Adjusted EBITDA margin[(a)]	**12%**	13%	**10%**	10%
Net operating income	**53**	78	**40**	41
Net income	**–**	45	**10**	33
Earnings per share – in $ per share				
Basic	**0.01**	0.15	**0.10**	0.12
Diluted[(b)]	**0.01**	0.15	**0.10**	0.12

At (in $ millions)	**30 Sep 2022 Unaudited**	30 Jun 2022 Unaudited
Backlog[(c)]	**7,123**	7,796
Book-to-bill ratio[(c)]	**0.7**	1.6
Cash and cash equivalents	**533**	464
Borrowings	**(362)**	(368)
Net cash excluding lease liabilities[(d)]	**171**	96
Net debt including lease liabilities[(d)]	**(33)**	(88)

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

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

(c) Backlog is a non-IFRS measure. Book-to-bill ratio represents total order intake divided by revenue recognised in the third quarter. Comparative figure is for the quarter ended 30 June 2022.

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

John Evans, Chief Executive Officer, said:

In the third quarter of 2022, Subsea7 delivered a strong performance in Subsea and Conventional while performance in Renewables stabilised. During the quarter an agreement to form a new joint venture was announced, involving the combination by SLB and Aker Solutions of their subsea hardware operations, and the acquisition by Subsea7 of a 10% interest in the new company for $306.5 million. The joint venture will replace SLB in Subsea Integration Alliance and our investment will strengthen the relationship with our partners. In addition, we expect an attractive return on investment on a standalone basis. The Subsea Integration Alliance agreement will be extended to 2033 on completion of the transaction.

In September, we announced a funding plan for our fixed offshore wind business, Seaway7. A combination of $200 million raised through the issuance of equity and $450 million of debt facilities leaves the business and its new-build vessel programme fully funded. Reflecting its strong outlook and reaffirming our belief that Seaway7's shares are materially undervalued, Subsea 7 S.A. subscribed to 72.4% of the equity issue to maintain its shareholding. This was mirrored by the other major shareholders, Songa Offshore and Lotus Marine.

Together these steps strengthen our position across the energy landscape as demand for both traditional and new energy resources continues to grow.

Operational highlights

In the third quarter the Subsea and Conventional business unit made good progress in engineering and procurement activities on the Mero 3 and Marjan 2 projects in Brazil and Saudi Arabia respectively. Our global enabler vessels were active on projects including Sakarya in Turkey, Sangomar in Senegal and the Hywind Tampen floating wind development in Norway.

In the Renewables business unit, the fleet achieved high utilisation including the completion of monopile installation activities on Hollandse Kust Zuid (HKZ) in the Netherlands and Formosa 2 in Taiwan, in line with our Q2 projections. Our cable lay vessels were fully utilised on Seagreen in the UK, and on HKZ.

Third quarter financial review

Revenue of $1.4 billion was broadly flat compared to the prior year period reflecting robust levels of activity in both the Subsea and Conventional, and Renewables business units. Adjusted EBITDA of $171 million equates to an Adjusted EBITDA margin of 12.2%, down from 12.8% in Q3 2021, which benefited from a greater number of project close-outs. After depreciation and amortisation charges of $117 million, net operating income declined to $53 million. Net income for the quarter declined to breakeven from $45 million in the prior year, partly due to net foreign exchange losses of $25 million compared with a gain of $27 million in the prior year quarter, recognised within other gains and losses.

Net cash generated from operations was $210 million including an $87 million beneficial movement in net working capital. Net cash used in investing activities was $76 million, including $73 million related to purchases of property, plant and equipment. Net cash used in financing activities was $60 million which included share repurchases of $21 million. Overall, cash and cash equivalents increased by $69 million from 30 June 2022 to $533 million with net debt of $33 million, including lease liabilities of $204 million.

Third quarter order intake was $1.0 billion comprising new awards of $0.6 billion, escalations of $0.4 billion, and adverse foreign exchange movements of $0.2 billion, resulting in a book-to-bill ratio of 0.7. Backlog at the end of September was $7.1 billion, of which $1.3 billion is expected to be executed during the fourth quarter of 2022 and $3.2 billion in 2023.

Outlook

We continue to expect that revenue and Adjusted EBITDA in 2022 will be broadly in line with 2021. We anticipate that revenue and Adjusted EBITDA in 2023 will be higher than 2022, with a weighting towards the second half.

The long-term outlook for both traditional and new energy is robust supported, in part, by the increased focus of European countries on energy security. After a prolonged period of underinvestment by the oil and gas industry, we see a gradual and durable improvement in demand for our subsea services. At the same time we expect limited new-build vessel capacity to enter our pipelay market. Demand for our fixed offshore wind services continues to increase underpinned by society's push for lower carbon energy sources.

Subsea7 is well positioned to address both markets, with a large and capable fleet of young vessels. Availability of installation capacity for subsea and offshore fixed wind markets is already tight for 2024, and tightening for 2025, resulting in improved risk profiles, payment terms and margins relating to contracts recently awarded and under negotiation. Meanwhile, bidding activity remains high, with a tender pipeline of around $16 billion in subsea, up 20% on the prior year, and $7 billion in fixed offshore wind.

Conference Call Information

Date: 17 November 2022

Time: 12:00 UK Time

Access the webcast at www.subsea7.com

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Special Note Regarding Forward-Looking Statements

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

Third Quarter 2022

Income Statement

Revenue
Revenue for the third quarter was $1.4 billion, a decrease of $47 million or 3% compared to Q3 2021. This reduction was mainly due to decreased revenue in the Subsea and Conventional business unit. In the Renewables business unit revenue was in line with the prior year period with offshore work progressing on the Seagreen project in the UK.

Adjusted EBITDA
Adjusted EBITDA was $171 million resulting in Adjusted EBITDA margin of 12%, a decrease of $14 million or 8% compared to Q3 2021. The decrease was mainly driven by lower Adjusted EBITDA in the Subsea and Conventional business unit, with the prior year period results benefitting from client settlements.

Net operating income
Net operating income was $53 million compared to $78 million in Q3 2021 which benefitted from a credit of $8 million related to the Group's resizing programme as a result of downward revisions to restructuring cost estimates.

Net operating income in the quarter was driven by:

- net operating income of $52 million in the Subsea and Conventional business unit (Q3 2021: $70 million)

partly offset by:

- net operating loss of $4 million in the Renewables business unit (Q3 2021: net operating income of $5 million).

Net income
Net income was nil in the quarter, compared to net income of $45 million in Q3 2021.

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

- a net loss of $23 million within other gains and losses, which included net foreign currency losses of $25 million, compared to a net gain of $33 million in the prior year period, which included net foreign currency gains of $27 million;
- a decrease in net operating income of $25 million

partly offset by:

- taxation of $27 million, equivalent to an effective tax rate of 100%, compared to a tax charge of $61 million in Q3 2021.

Earnings per share
Diluted earnings per share was $0.01 compared to $0.15 in Q3 2021, calculated using a weighted average number of shares of 291 million and 299 million, respectively.

Business Unit Highlights

Subsea and Conventional
Revenue for the third quarter was $990 million, a decrease of $64 million or 6% compared to the prior year period.

During the quarter the Terra Nova project, Canada, the Berri-Zuluf project, Saudi Arabia, the Pierce project, UK and the Johan Sverdrup Phase II project in Norway, were substantially completed.

Work progressed on the Sangomar project, Senegal, the Sanha Lean Gas project, Angola, the Sakarya project, Turkey, the Scarborough project, Australia, the TOPR project in the Gulf of Mexico and the Trell & Trine and Kobra East Gekko projects in Norway.

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

Net operating income was $52 million compared to net operating income of $70 million in Q3 2021, the year-on-year reduction was mainly due to the recognition of settlements with clients in the prior year period. Net costs of $10 million related to the Covid-19 pandemic were recognised in the quarter compared to $9 million in Q3 2021.

Renewables
Revenue was $374 million compared to $377 million in Q3 2021. Work continued with the offshore phase of the Seagreen and Dogger Bank A&B projects, both UK, the Zhong Neng, Changfang and Xidao, and Yunlin projects, Taiwan and the Hollandse Kust Zuid project, Dutch North Sea.

During the quarter the Formosa 2 project, Taiwan, was substantially completed.

Net operating loss was $4 million in Q3 2022 compared to net operating income of $5 million in Q3 2021.

Corporate
Revenue, which was mainly driven by the Group's autonomous wholly owned subsidiaries Xodus and 4Subsea, was $40 million compared to $19 million in Q3 2021. Net operating income was $5 million compared to net operating income of $4 million in the prior year period. The net operating income in Q3 2021 benefitted from a credit of $8 million related to the Group's resizing programme following downward revisions of restructuring cost estimates

Vessel utilisation and fleet
Active Vessel Utilisation for the third quarter was 85% compared with 94% for Q3 2021. Total Vessel Utilisation was 80% compared to 88% in Q3 2021.

As at 30 September 2022 there were 40 vessels in the Group's fleet, comprising 36 active vessels, 2 stacked vessels and 2 vessels under construction.

Cash flow

Cash flow statement
Cash and cash equivalents were $533 million at 30 September 2022, an increase of $69 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- net cash generated from operating activities of $210 million, which included favourable movements of $87 million in net working capital;
- net cash used in investing activities of $76 million, which included purchases of property, plant and equipment and intangible assets of $79 million; and
- net cash used in financing activities of $60 million, which included payments related to lease liabilities of $27 million, share repurchases of $21 million and repayment of borrowings of $6 million.

Free cash flow
During the third quarter, the Group generated free cash flow of $131 million (Q3 2021: negative free cash flow of $44 million) which is defined as cash generated from operations of $210 million (Q3 2021: negative $20 million) less purchases of property, plant and equipment and intangible assets of $79 million (Q3 2021: $24 million).

Nine months ended 30 September 2022

Income Statement

Revenue
Revenue for the nine months ended 30 September 2022 was $3.8 billion, an increase of $200 million or 5% compared to the prior year period. The increase was driven by higher revenue in the Subsea and Conventional business unit.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the nine months ended 30 September 2022 were $391 million and 10% respectively, compared to $378 million and 10% in nine months ended 30 September 2021.

Net operating Income
Net operating income for the nine months ended 30 September 2022 was $40 million, compared to $41 million in the prior year period.

The main items contributing to the net operating income in the period were:

- net operating income of $118 million in the Subsea and Conventional business unit;
- net operating income of $13 million related to the Corporate business unit

partly offset by:

- net operating loss of $91 million in the Renewables business unit, which reflected delays on the Formosa 2 project in Taiwan and challenges on the Hollandse Kust Zuid project in the Dutch North Sea.

Net Income
Net Income was $10 million in the nine months ended 30 September 2022 compared to net income of $33 million in the prior year period.

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

- a net gain of $31 million within other gains and losses, which included net foreign currency gain of $21 million, compared to a net gain of $50 million in 2021; and
- taxation was $48 million, in line with the prior year period, which was equivalent to an effective tax rate of 83%.

Earnings per share
Diluted earnings per share was $0.10 for the nine months ended 30 September 2022 compared to diluted earnings per share of $0.12 for the prior year period, calculated using a weighted average number of shares of 294 million and 299 million respectively.

Business Unit Highlights

Subsea and Conventional
Revenue for the nine months ended 30 September 2022 was $2.9 billion, an increase of $201 million or 8% compared to the prior year period.

During the nine months ended 30 September 2022, the Mad Dog 2, King's Quay, Jack St Marlo 4, Anchor and Colibri projects, in the Gulf of Mexico, the 28 Jackets and Berri-Zuluf projects in Saudi Arabia, the Jubilee project, Ghana, the Terra Nova project, Canada, the Pierce project, UK and the Johan Sverdrup Phase II project in Norway were substantially completed.

Work progressed on the Sangomar project, Senegal, the Sanha Lean Gas project, Angola, the Sakarya project, Turkey, the Vito Construction and TOPR projects in the Gulf of Mexico, the Blythe and Vulcan Satellite Hub, UK, the Scarborough project, Australia, the Trell & Trine and Kobra East Gekko projects in Norway, and the ACE project, Azerbaijan.

In Brazil, there were high levels of utilisation of the four PLSVs under long-term contracts with Petrobras as well as continued progress on the Bacalhau and Mero 3 projects.

Net operating income was $118 million in the nine months ended September 2022 compared to net operating income of $53 million in the prior year period. The improved net operating income reflected good operational performance and the close out of certain projects.

Renewables

Revenue was $900 million in the nine months ended 30 September 2022 compared to $934 million in the prior year period. Net operating loss was $91 million compared to net operating loss of $47 million in the prior year period.

Work continued with the offshore phase of the Seagreen and Dogger Bank A&B projects, both UK, the Zhong Neng, Changfang and Xidao, and Yunlin projects, Taiwan and the Hollandse Kust Zuid project, Dutch North Sea. The results of the Renewables business unit include costs recognised in relation to the Formosa 2 project in Taiwan, which was substantially completed during the period, whose economic interest was retained by Subsea 7 S.A., although it is being executed by Seaway 7 ASA. The net operating loss in the nine months ended 30 September also reflected continued challenges on the Hollandse Kust Zuid project in the Dutch North Sea.

Corporate

Revenue, which was mainly driven by the Group's autonomous wholly owned subsidiaries Xodus and 4Subsea and the Group's floating wind activities, was $92 million in the nine months ended September 2022 compared to $59 million in the prior year period. The increased revenue reflected activity on the Hywind Tampen floating wind development in Norway. Net operating income was $13 million in the nine months ended September 2022 compared to net operating income of $35 million in the prior year period. Net operating income in the nine months ended September 2021 benefitted from a credit of $37 million related to a downward revision to the Group's restructuring provision and the collection of aged receivables which had been credit impaired in the prior year.

Vessel utilisation and fleet

Active Vessel Utilisation for the nine months ended 31 September 2022 was 78% compared with 81% for the prior year period. Total Vessel Utilisation year-to-date was 74% compared to 76% in 2021.

Cash flow

Cash flow statement

Cash and cash equivalents were $533 million at 30 September 2022, a decrease of $65 million in the nine months ended 30 September 2022. The movement in cash and cash equivalents was mainly attributable to:

- net cash generated from operating activities of $343 million, which included unfavourable movements of $9 million in net working capital;
- net cash used in investing activities of $178 million, which included purchases of property, plant and equipment and intangible assets of $183 million; and
- net cash used in financing activities of $222 million, which included payments related to lease liabilities of $79 million, repayment of borrowings of $56 million, dividends paid to equity shareholders of $32 million, and share repurchases of $46 million.

Free cash flow

During the nine months ended 30 September 2022, the Group generated free cash flow of $160 million (nine months ended 30 September 2021: negative free cash flow $16 million) which is defined as cash generated from operations of $343 million (nine months ended 30 September 2021: $66 million) less purchases of property, plant and equipment and intangible assets of $183 million (nine months ended 30 September 2021: $82 million).

Balance Sheet

Non-current assets

At 30 September 2022, non-current assets were $4.5 billion (31 December 2021: $4.7 billion). The movement of $244 million was mainly due to a decrease in the carrying amount of property, plant and equipment and intangible assets of $176 million driven by depreciation and amortisation charges of $270 million partly offset by additions of $199 million.

Non-current liabilities

Non-current liabilities were $617 million (31 December 2021: $664 million). The decrease of $47 million was mainly driven by a decrease in non-current provisions of $28 million, a decrease of $23 million in non-current borrowings as a result of scheduled repayments, a decrease in non-current lease liabilities of $20 million as a result of payments made in the period, partly offset by an increase in non-current derivative financial instruments of $42 million.

Net current assets

Current assets were $2.4 billion (31 December 2021: $2.3 billion) and current liabilities were $1.9 billion (31 December 2021: $1.9 billion), resulting in net current assets of $453 million (31 December 2021: $457 million). The decrease of $4 million in the period was driven by:

- increase in construction contract liabilities of $100 million and an increase in trade and other liabilities of $38 million;
- decrease in cash and cash equivalents of $65 million

partly offset by:

- increase in trade and other receivables of $157 million; and
- decrease in current borrowings of $37 million due to repayment of the Seaway 7 ASA Revolving Credit Facility.

Equity

Total equity was $4.3 billion (31 December 2021: $4.5 billion). The decrease of $201 million in the period was driven by:

- net foreign currency translation losses of $131 million;
- share repurchases of $46 million;
- dividends of $34 million

partly offset by:

- net income of $10 million.

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

Borrowings

Borrowings were $362 million (31 December 2021: $422 million). The decrease in borrowings of $60 million was mainly driven by the repayment of the Seaway7 ASA Revolving Credit Facility of $37 million and scheduled repayments of $19 million related to the Group's South Korean Export Credit Agency facility.

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

(in $ millions)	Total facility	Drawn	Undrawn	Maturity Date
Multi-currency revolving credit and guarantee facility	700.0	–	700.0	June 2027
UK Export Finance (UKEF) facility	500.0	(200.0)	300.0	February 2028
South Korean Export Credit Agency (ECA) facility	166.5	(166.5)	–	January 2027[a]
Total	**1,366.5**	**(366.5)**	**1,000.0**	

(a) 90% of the facility is provided by an Export Credit Agency (ECA) and 10% by commercial banks. The maturity of the ECA tranche is January 2029 and the maturity of the commercial tranche is January 2027.

Lease liabilities

Lease liabilities were $204 million, a decrease of $27 million compared with 31 December 2021 driven by scheduled payments of $84 million, partly offset by additions of $67 million.

Net cash/(debt)

At 30 September 2022:

- net cash (excluding lease liabilities) was $171 million compared to net cash of $176 million at 31 December 2021; and
- net debt (including lease liabilities) was $33 million, compared to net debt of $55 million at 31 December 2021.

Gearing

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

Liquidity

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

Shareholder distributions

Share repurchase programme

During the third quarter, 2,211,190 shares were repurchased for a consideration of $17 million in accordance with the Group's share repurchase programme authorised on 24 July 2019, extended on 15 April 2021. At 30 September 2022, the Group had cumulatively repurchased 10,000,212 shares for a total consideration of $77 million under this programme. At 30 September 2022, the Group directly held 10,152,062 shares (Q4 2021: 4,534,107) as treasury shares, representing 3.38% (Q4 2021: 1.51%) of the total number of issued shares.

Backlog

At 30 September 2022 backlog was $7.1 billion (Q2 2022: $7.8 billion). Order intake was $1.0 billion in the quarter, representing a book-to-bill ratio of 0.7. Order intake reflected new awards of $0.6 billion, which included the Gas to Energy project in Guyana and the Trell & Trine field development in Norway and escalations of approximately $400 million. Adverse foreign exchange movements of approximately $200 million were recognised during the quarter.

$6.5 billion of the backlog at 30 September 2022 related to the Subsea and Conventional business unit (which included $0.5 billion related to long-term day-rate contracts for PLSVs in Brazil) and $0.6 billion related to the Renewables business unit. $1.3 billion of the backlog is expected to be executed in 2022, $3.2 billion in 2023 and $2.6 billion in 2024 and thereafter. Backlog related to associates and joint ventures, which is not significant to the Group, is excluded from these amounts.

Subsea 7 S.A.

Condensed Consolidated Income Statement

(in $ millions)	Third Quarter Q3 2022 Unaudited	Q3 2021 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited	30 Sep 2021 Unaudited
Revenue	**1,404.0**	1,450.5	**3,844.8**	3,644.8
Operating expenses	**(1,287.0)**	(1,309.1)	**(3,618.5)**	(3,431.4)
Gross profit	**117.0**	141.4	**226.3**	213.4
Administrative expenses	**(63.4)**	(62.0)	**(184.4)**	(176.6)
Share of net (loss)/income of associates and joint ventures	**(0.2)**	(1.2)	**(1.6)**	4.4
Net operating income	**53.4**	78.2	**40.3**	41.2
Finance income	**2.9**	1.4	**4.5**	3.3
Other gains and losses	**(23.3)**	33.2	**30.7**	50.3
Finance costs	**(5.8)**	(6.4)	**(17.7)**	(13.7)
Income before taxes	**27.2**	106.4	**57.8**	81.1
Taxation	**(27.3)**	(61.3)	**(48.1)**	(48.4)
Net (loss)/income	**(0.1)**	45.1	**9.7**	32.7
Net (loss)/income attributable to:				
Shareholders of the parent company	**3.2**	44.7	**29.6**	34.9
Non-controlling interests	**(3.3)**	0.4	**(19.9)**	(2.2)
	(0.1)	45.1	**9.7**	32.7

Earnings per share	**$ per share**	$ per share	**$ per share**	$ per share
Basic	**0.01**	0.15	**0.10**	0.12
Diluted[(a)]	**0.01**	0.15	**0.10**	0.12

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

Subsea 7 S.A.

Condensed Consolidated Statement of Comprehensive Income

(in $ millions)	Third Quarter Q3 2022 Unaudited	Q3 2021 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited	30 Sep 2021 Unaudited
Net (loss)/income	**(0.1)**	45.1	**9.7**	32.7
Items that may be reclassified to the income statement in subsequent periods:				
Net foreign currency translation (losses)/gains	**(74.7)**	(9.2)	**(130.7)**	8.4
Commodity cash flow hedges	**(15.0)**	–	**(9.3)**	–
Tax relating to components of other comprehensive income	**4.8**	(0.5)	**6.3**	(0.4)
Items that will not be reclassified to the income statement in subsequent periods:				
Fair value adjustment on other financial assets	**–**	–	**–**	1.2
Other comprehensive (loss)/income	**(84.9)**	(9.7)	**(133.7)**	9.2
Total comprehensive (loss)/income	**(85.0)**	35.4	**(124.0)**	41.9
Total comprehensive (loss)/income attributable to:				
Shareholders of the parent company	**(79.0)**	35.3	**(99.2)**	44.7
Non-controlling interests	**(6.0)**	0.1	**(24.8)**	(2.8)
	(85.0)	35.4	**(124.0)**	41.9

Subsea 7 S.A.

Condensed Consolidated Balance Sheet

	30 Sep 2022 Unaudited	(Revised) 31 Dec 2021 Unaudited
Assets		
Non-current assets		
Goodwill	**185.3**	197.2
Intangible assets	**29.0**	35.0
Property, plant and equipment	**3,911.1**	4,081.0
Right-of-use assets	**188.0**	206.4
Interest in associates and joint ventures	**25.0**	28.6
Advances and receivables	**59.1**	57.4
Derivative financial instruments	**4.3**	24.7
Construction contracts – assets	**–**	4.4
Other financial assets	**1.2**	1.3
Deferred tax assets	**48.2**	58.7
	4,451.2	4,694.7
Current assets		
Inventories	**58.7**	40.3
Trade and other receivables	**812.4**	655.9
Derivative financial instruments	**22.1**	35.8
Construction contracts – assets	**753.3**	788.2
Other accrued income and prepaid expenses	**217.8**	204.5
Restricted cash	**4.6**	5.7
Cash and cash equivalents	**532.9**	597.6
	2,401.8	2,328.0
Total assets	**6,853.0**	7,022.7
Equity		
Issued share capital	**600.0**	600.0
Treasury shares	**(78.6)**	(32.9)
Paid in surplus	**2,506.4**	2,503.9
Translation reserve	**(704.3)**	(582.5)
Other reserves	**(21.2)**	(14.2)
Retained earnings	**1,705.2**	1,709.5
Equity attributable to shareholders of the parent company	**4,007.5**	4,183.8
Non-controlling interests	**279.7**	304.5
Total equity	**4,287.2**	4,488.3
Liabilities		
Non-current liabilities		
Borrowings	**337.4**	360.3
Lease Liabilities	**123.3**	142.9
Retirement benefit obligations	**10.9**	12.3
Deferred tax liabilities	**35.2**	46.0
Provisions	**57.4**	85.0
Contingent liabilities recognised	**0.1**	5.5
Derivative financial instruments	**47.4**	5.7
Other non-current liabilities	**5.3**	6.1
	617.0	663.8
Current liabilities		
Trade and other liabilities	**1,390.2**	1,352.5
Derivative financial instruments	**7.9**	23.7
Tax liabilities	**67.8**	41.5
Borrowings	**24.7**	61.6
Lease liabilities	**80.6**	88.0
Provisions	**71.1**	96.7
Construction contracts – liabilities	**305.4**	205.7
Deferred revenue	**1.1**	0.9
	1,948.8	1,870.6
Total liabilities	**2,565.8**	2,534.4
Total equity and liabilities	**6,853.0**	7,022.7

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

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	(Revised) Non-controlling interests	(Revised) Total equity
Balance at 1 January 2022	**600.0**	**(32.9)**	**2,503.9**	**(582.5)**	**(14.2)**	**1,709.5**	**4,183.8**	**304.5**	**4,488.3**
Comprehensive (loss)/income									
Net income/(loss)	–	–	–	–	–	29.6	29.6	(19.9)	9.7
Net foreign currency translation losses	–	–	–	(125.8)		–	(125.8)	(4.9)	(130.7)
Commodity cash flow hedges	–	–	–	–	(9.3)	–	(9.3)	–	(9.3)
Tax relating to components of other comprehensive income	–	–	–	4.0	2.3	–	6.3	–	6.3
Total comprehensive (loss)/income	**–**	**–**	**–**	**(121.8)**	**(7.0)**	**29.6**	**(99.2)**	**(24.8)**	**(124.0)**
Transactions with owners									
Shares repurchased	–	(46.0)	–	–	–	–	(46.0)	–	(46.0)
Share-based payments	–	–	2.5	–	–	–	2.5	–	2.5
Dividends declared	–	–	–	–	–	(33.6)	(33.6)	–	(33.6)
Shares reallocated relating to share-based payments	–	0.3	–	–	–	(0.3)	–	–	–
Total transactions with owners	**–**	**(45.7)**	**2.5**	**–**	**–**	**(33.9)**	**(77.1)**	**–**	**(77.1)**
Balance at 30 September 2022	**600.0**	**(78.6)**	**2,506.4**	**(704.3)**	**(21.2)**	**1,705.2**	**4,007.5**	**279.7**	**4,287.2**

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 2021

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	**600.0**	**(17.8)**	**2,505.2**	**(582.0)**	**(25.0)**	**1,747.4**	**4,227.8**	**27.3**	**4,255.1**
Comprehensive income/(loss)									
Net income/(loss)	–	–	–	–	–	34.9	34.9	(2.2)	32.7
Net foreign currency translation gains/(losses)	–	–	–	9.0	–	–	9.0	(0.6)	8.4
Fair value adjustment on other financial assets	–	–	–	–	1.2	–	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	(0.4)	–	–	(0.4)	–	(0.4)
Total comprehensive income/(loss)	**–**	**–**	**–**	**8.6**	**1.2**	**34.9**	**44.7**	**(2.8)**	**41.9**
Transactions with owners									
Share-based payments	–	–	2.6	–	–	–	2.6	–	2.6
Shares reallocated relating to share-based payments	–	0.2	–	–	–	–	0.2	–	0.2
Dividends declared	–	–	–	–	–	(69.5)	(69.5)	–	(69.5)
Transfer on disposal of other financial assets	–	–	–	–	(1.2)	1.2	–	–	–
Loss on reallocation of treasury shares	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total transactions with owners	**–**	**0.2**	**2.6**	**–**	**(1.2)**	**(68.5)**	**(66.9)**	**–**	**(66.9)**
Balance at 30 September 2021	**600.0**	**(17.6)**	**2,507.8**	**(573.4)**	**(25.0)**	**1,713.8**	**4,205.6**	**24.5**	**4,230.1**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Nine Months Ended 30 Sep 2022 Unaudited	Nine Months Ended 30 Sep 2021 Unaudited
Operating activities		
Income before taxes	**57.8**	81.1
Adjustments for non-cash items:		
Impairment of property, plant and equipment and intangible assets	**–**	5.4
Depreciation and amortisation charges	**350.2**	331.3
Adjustments for investing and financing items:		
Share of net income/(loss) of associates and joint ventures	**1.6**	(4.4)
Net gain on disposal of property, plant and equipment	**(0.7)**	(2.9)
Net gain on maturity of lease liabilities	**(3.0)**	(0.1)
Release of contingent consideration related to business combinations – post measurement period	**(3.4)**	–
Finance income	**(4.5)**	(3.3)
Finance costs	**17.7**	13.7
Adjustments for equity items:		
Share-based payments	**2.5**	2.6
	418.2	423.4
Changes in working capital:		
Increase in inventories	**(19.9)**	(8.6)
Increase in trade and other receivables	**(244.3)**	(94.9)
Increase in construction contract – assets	**(27.8)**	(524.0)
Increase in other working capital assets	**(17.0)**	(33.9)
Increase in trade and other liabilities	**159.6**	485.8
Increase/(decrease) in construction contract – liabilities	**176.4**	(49.8)
Decrease in other working capital liabilities	**(35.9)**	(77.0)
Net increase in working capital	**(8.9)**	(302.4)
Income taxes paid	**(66.4)**	(55.0)
Net cash generated from operating activities	**342.9**	66.0
Cash flows used in investing activities		
Proceeds from disposal of property, plant and equipment	**0.9**	6.4
Purchases of property, plant and equipment	**(173.3)**	(74.2)
Purchases of intangible assets	**(10.0)**	(7.8)
Interest received	**4.5**	3.3
Loan to joint venture	**–**	(33.0)
Dividends received from joint venture	**–**	0.1
Proceeds from sale of other financial assets	**–**	2.8
Acquisition of advances from joint ventures	**–**	(7.4)
Repayment of advances from joint ventures	**–**	(3.0)
Investment in other financial assets	**–**	(0.6)
Net cash used in investing activities	**(177.9)**	(113.4)
Cash flows used in financing activities		
Interest paid	**(10.3)**	(9.5)
Repayment of borrowings	**(55.5)**	(18.5)
Cost of share repurchases	**(46.0)**	–
Payments related to lease liabilities	**(78.8)**	(68.6)
Dividends paid to shareholders of the parent company	**(31.7)**	(72.0)
Net cash used in financing activities	**(222.3)**	(168.6)
Net decrease in cash and cash equivalents	**(57.3)**	(216.0)
Cash and cash equivalents at beginning of year	**597.6**	511.6
Decrease in restricted cash	**1.1**	2.5
Effect of foreign exchange rate movements on cash and cash equivalents	**(8.5)**	1.8
Cash and cash equivalents at end of period	**532.9**	299.9

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 16 November 2022.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2022 to 30 September 2022 for Subsea 7 S.A. have been prepared on a going concern basis and in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU).

The Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2021 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

During the nine months ended 30 September 2022, the Group identified adjustments to provisional amounts recognised in relation to business combinations entered into during 2021. The adjustments were identified during the relevant measurement periods and related to facts and circumstances which existed at the date of acquisition, as a result 2021 comparative information has been revised as if the accounting had been completed at the acquisition dates. Further details are disclosed in Note 9 'Goodwill'. As the amounts differ from the amounts in the 2021 financial statements on which the Group's auditor previously reported, the 31 December 2021 Condensed Consolidated Balance Sheet is shown as unaudited.

The Condensed Consolidated Financial Statements are unaudited.

Covid-19 pandemic

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

3. Accounting policies

Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2021.

No new International Financial Reporting Standards (IFRSs) were adopted by the Group for the financial year beginning 1 January 2022. Several amendments to IFRS were applied for the first time in 2022 but did not have a material impact on the Consolidated Financial Statements of the Group. Amendments to existing IFRSs, issued with an effective date of 1 January 2022 but not yet endorsed by the EU, will be adopted by the Group following their adoption by the EU.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in the Consolidated Financial Statements for the year ended 31 December 2021, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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

Management makes accounting judgements on the following aspects of the business as described in full in the Consolidated Financial Statements for the year ended 31 December 2021:

- Revenue recognition on long-term construction contracts
- Revenue recognition on variable consideration
- Goodwill carrying amount
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Measurement of fair value adjustments in business combinations
- Measurement of onerous fixed-price contract provisions in business combinations
- Taxation

5. Seasonality

A significant portion of the Group's revenue is generated from work performed offshore. During certain periods of the year, the Group may be affected by adverse weather conditions such as hurricanes, tropical storms and rough seas, which may cause delays. In the Northern Hemisphere seasonally adverse weather occurs typically during the period from October to March, whereas in the Southern Hemisphere it typically occurs during the period from May to September. Depending on project execution, each can affect the Group's offshore operations. Periods of adverse weather conditions usually result in low levels of activity.

6. Segment information

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

Subsea and Conventional

The Subsea and Conventional business unit includes:

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

This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Subsea and Conventional activities. Specific services are provided to the Group's Renewables business unit, which includes the Group's non-wholly owned subsidiary Seaway 7 ASA, on an arm's length basis.

Renewables

The Renewables business unit comprises activities related to the delivery of fixed offshore wind farm projects. Following the business combination with OHT ASA (renamed Seaway 7 ASA) on 1 October 2021, the Group's fixed offshore wind farm activities are executed by Seaway 7 ASA, a non-wholly owned subsidiary of the Group from that date. Activities include the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations and heavy transportation services for renewables structures. This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Renewables activities.

Corporate

The Corporate business unit includes group-wide activities, and associated costs, including captive insurance activities, operational support, corporate services and costs associated with discrete events such as restructuring. The Corporate business unit also includes the results of the Group's autonomous subsidiaries, Xodus and 4Subsea, and its non-wholly owned subsidiary Nautilus Floating Solutions. A significant portion of the Corporate business unit's costs are allocated to the Subsea and Conventional business unit based on a percentage of external revenue. The Corporate business unit provides specific services to the Renewables business unit, which includes the Group's non-wholly owned subsidiary Seaway 7 ASA, on an arm's length basis.

6. Segment information continued

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

For the three months ended 30 September 2022

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

For the three months ended 30 September 2021

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	874.4	377.2	2.0	1,253.6
Day-rate projects	179.9	–	17.0	196.9
	1,054.3	377.2	19.0	1,450.5
Net operating income	69.6	4.8	3.8	78.2
Finance income				1.4
Other gains and losses				33.2
Finance costs				(6.4)
Income before taxes				106.4
Adjusted EBITDA(a)	*158.6*	*19.0*	*7.5*	*185.1*
Adjusted EBITDA margin(a)	*15.0%*	*5.0%*	*39.5%*	*12.8%*

For the nine months ended 30 September 2022

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

For the nine months ended 30 September 2021

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	2,146.4	933.4	6.9	3,086.7
Day-rate projects	505.7	0.2	52.2	558.1
	2,652.1	933.6	59.1	3,644.8
Net operating income/(loss)	53.1	(47.0)	35.1	41.2
Finance income				3.3
Other gains and losses				50.3
Finance costs				(13.7)
Income before taxes				81.1
Adjusted EBITDA(a)	*335.0*	*(5.7)*	*48.6*	*377.9*
Adjusted EBITDA margin(a)	*12.6%*	*(0.6%)*	*82.2%*	*10.4%*

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

7. Earnings per share

Basic and diluted earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares. The net income and share data used in the calculation of basic and diluted earnings per share were as follows:

	Third Quarter		Nine Months Ended	
For the period (in $ millions)	**Q3 2022 Unaudited**	Q3 2021 Unaudited	**30 Sep 2022 Unaudited**	30 Sep 2021 Unaudited
Net income attributable to shareholders of the parent company	**3.2**	44.7	**29.6**	34.9
Earnings used in the calculation of diluted earnings per share	**3.2**	44.7	**29.6**	34.9

	Third Quarter		Nine Months Ended	
For the period (number of shares)	**Q3 2022 Unaudited**	Q3 2021 Unaudited	**30 Sep 2022 Unaudited**	30 Sep 2021 Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**290,150,438**	297,688,585	**292,517,407**	297,682,423
Performance shares	**1,093,209**	840,227	**1,118,527**	947,460
Weighted average number of common shares used in the calculation of diluted earnings per share	**291,243,647**	298,528,812	**293,635,934**	298,629,883

	Third Quarter		Nine Months Ended	
For the period (in $ per share)	**Q3 2022 Unaudited**	Q3 2021 Unaudited	**30 Sep 2022 Unaudited**	30 Sep 2021 Unaudited
Basic earnings per share	**0.01**	0.15	**0.10**	0.12
Diluted earnings per share	**0.01**	0.15	**0.10**	0.12

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

	Third Quarter		Nine Months Ended	
For the period (number of shares)	**Q3 2022 Unaudited**	Q3 2021 Unaudited	**30 Sep 2022 Unaudited**	30 Sep 2021 Unaudited
Performance shares	**635,348**	724,535	**646,913**	623,463

8. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) is a non-IFRS measure that represents net income/(loss) before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation and amortisation costs, including amortisation of prepaid mobilisation expenses and amortisation of intangible assets, impairment charges or impairment reversals, finance income, remeasurement gains and losses on business combinations, other gains and losses (including foreign exchange gains and losses, gains on disposal of subsidiaries, gains and losses resulting from remeasurement of contingent consideration, gains on distributions and bargain purchase gains on business combinations), finance costs and taxation. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.

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

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

Management believes that Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the Group. These non-IFRS measures provide management with a meaningful comparative for its business units, as they eliminate the effects of financing, depreciation, amortisation, impairments, taxation and other gains and losses in the Consolidated Income Statement. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea7'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)	Third Quarter Q3 2022 Unaudited	Third Quarter Q3 2021 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited	Nine Months Ended 30 Sep 2021 Unaudited
Net operating income	**53.4**	78.2	**40.3**	41.2
Depreciation, amortisation and mobilisation	**117.4**	106.9	**350.2**	331.3
Impairment of property, plant and equipment	**–**	–	**–**	4.1
Impairment of intangible assets	**–**	–	**–**	1.3
Adjusted EBITDA	**170.8**	185.1	**390.5**	377.9
Revenue	**1,404.0**	1,450.5	**3,844.8**	3,644.8
Adjusted EBITDA margin	**12.2%**	12.8%	**10.2%**	10.4%

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

For the period (in $ millions)	Third Quarter Q3 2022 Unaudited	Third Quarter Q3 2021 Unaudited	Nine Months Ended 30 Sep 2022 Unaudited	Nine Months Ended 30 Sep 2021 Unaudited
Net (loss)/income	**(0.1)**	45.1	**9.7**	32.7
Depreciation, amortisation and mobilisation	**117.4**	106.9	**350.2**	331.3
Impairment of property, plant and equipment	**–**	–	**–**	4.1
Impairment of intangible assets	**–**	–	**–**	1.3
Finance income	**(2.9)**	(1.4)	**(4.5)**	(3.3)
Other gains and losses	**23.3**	(33.2)	**(30.7)**	(50.3)
Finance costs	**5.8**	6.4	**17.7**	13.7
Taxation	**27.3**	61.3	**48.1**	48.4
Adjusted EBITDA	**170.8**	185.1	**390.5**	377.9
Revenue	**1,404.0**	1,450.5	**3,844.8**	3,644.8
Adjusted EBITDA margin	**12.2%**	12.8%	**10.2%**	10.4%

9. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	(Revised) 30 Sep 2022 Unaudited	30 Sep 2021 Unaudited
At year beginning	**197.2**	84.5
Acquired in business combination	**–**	1.2
Exchange differences	**(11.9)**	1.2
At period end	**185.3**	86.9

During the nine months ended 30 September 2022, the Group identified adjustments to provisional amounts recognised in relation to business combinations entered into during 2021. The adjustments were identified during the relevant measurement periods and related to facts and circumstances which existed at the date of acquisition, as a result 2021 comparative information has been revised as if the accounting had been completed at the acquisition dates.

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

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

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

10. Treasury shares

At 30 September 2022, the Group directly held 10,152,062 shares (Q2 2022: 7,940,872) as treasury shares, representing 3.38% (Q2 2022: 2.65%) of the total number of issued shares.

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

	30 Sep 2022 Number of shares Unaudited	**30 Sep 2022 in $ millions Unaudited**	30 Sep 2021 Number of shares Unaudited	30 Sep 2021 in $ millions Unaudited
At year beginning	**4,534,107**	**32.9**	2,326,683	17.8
Shares repurchased	**5,648,072**	**46.0**	–	–
Shares reallocated relating to share-based payments	**(30,117)**	**(0.3)**	(23,585)	(0.2)
At period end	**10,152,062**	**78.6**	2,303,098	17.6

11. Share repurchase programme

During the third quarter, 2,211,190 shares were repurchased for a consideration of $17.3 million under the Group's share repurchase programme authorised on 24 July 2019, extended on 15 April 2021. At 30 September 2022, the Group had cumulatively repurchased 10,000,212 shares for a total consideration of $76.8 million under this programme.

12. Interest in joint ventures

On 30 August 2022, the Group announced an agreement to form a joint venture with SLB and Aker Solutions. The proposed joint venture will comprise the subsea businesses of SLB and Aker Solutions, with the Group contributing $306.5 million for a 10% ownership interest. The Group will not contribute any assets or businesses. The joint venture will operate within Subsea Integration Alliance, in a similar capacity to the existing arrangements with OneSubsea®, the subsea technologies, production and processing systems division of SLB. The transaction is subject to regulatory approvals as well as other customary closing conditions and is expected to complete during the second half of 2023. The consideration of $306.5 million will be payable 50% at completion date with the remainder on or before 30 June 2024. The results of the joint venture are expected to be equity accounted in the Group's Consolidated Financial Statements.

13. Commitments and contingent liabilities

Commitments

At 30 September 2022, the Group had contractual commitments totalling $380.7 million, including commitments related to *Seaway Alfa Lift*, an offshore wind foundation installation vessel and *Seaway Ventus*, an offshore wind turbine installation vessel.

Contingent liabilities not recognised in the Consolidated Balance Sheet

The Group is subject to tax audits and receives tax assessments in a number of jurisdictions where it has, or has had, operations. The estimation of the ultimate outcome of these audits and disputed tax assessments is complex and subjective. The likely outcome of the audits and associated cash outflow, if any, may be impacted by technical uncertainty and the availability of supporting documentation.

Between 2009 and 2020, the Group's Brazilian businesses were audited and formally assessed for tax on commercial and services (ICMS) and federal taxes (including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 30 September 2022 amounted to BRL 894.0 million, equivalent to $166.2 million (31 December 2021: BRL 821.5 million, equivalent to $145.1 million). The Group has challenged these assessments. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met however management believes that the likelihood of payment is not probable.

During 2018, 2019 and 2020, the Group's Brazilian business received several labour claims. The amount assessed at 30 September 2022 amounted to BRL 211.2 million, equivalent to $39.2 million (31 December 2021: BRL 234.8 million, equivalent to $41.5 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL142.7 million, equivalent to $26.5 million as the disclosure criteria have been met (31 December 2021: BRL177.4 million, equivalent to $31.3 million), however, management believes that the likelihood of payment is not probable. At 30 September 2022, a provision of BRL 68.5 million, equivalent to $12.7 million was recognised within the Consolidated Balance Sheet (31 December 2021: BRL 57.4 million, equivalent to $10.1 million), as the IAS 37 'Provisions, contingent liabilities and contingent assets' recognition criteria were met.

Contingent liabilities recognised in the Consolidated Balance Sheet

As part of the accounting for the business combination in 2011 with Subsea 7 Inc., IFRS 3 'Business combinations' (IFRS 3) required the Group to recognise as a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. Following a favourable legal ruling, management now consider this previously recognised liability to have expired. As a result, during the nine months ended 30 September 2022, the contingent liability of $5.4 million was derecognised in full and recognised within the Group's Consolidated Income Statement.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, IFRS 3 required the Group to recognise a provision in respect of contingent consideration payable to a third party following the acquisition of intangible assets in 2009. The value of the provision recognised within the Consolidated Balance Sheet at 30 September 2022 was $0.1 million (31 December 2021: $0.5 million). While complying with the requirements of IFRS 3, management continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

14. Fair value and financial instruments

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

Borrowings – South Korean Export Credit Agency (ECA) facility and UK Export Finance (UKEF) facility

Fair value is determined by matching the maturity profile of amounts utilised under each facility to market interest rates available to the Group for borrowings with similar security, maturity and repayment profiles. At 30 September 2022 interest charged under each facility is representative of market rates currently available to the Group and therefore the carrying amount approximates fair value.

Fair value measurements

Fair value hierarchy

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

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

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

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

Recurring and non-recurring fair value measurements

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

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

At (in $ millions)	**2022 30 Sep Level 1**	**2022 30 Sep Level 2**	**2022 30 Sep Level 3**	2021 31 Dec Level 1	2021 31 Dec Level 2	2021 31 Dec Level 3
Recurring fair value measurements						
Financial assets:						
Financial assets measured at fair value through profit and loss – embedded derivatives	**–**	**19.3**	**–**	–	43.5	–
Financial assets measured at fair value through profit and loss – forward foreign exchange contracts	**–**	**0.6**	**–**	–	1.3	–
Financial assets measured at fair value through profit and loss – commodity derivatives	**–**	**1.6**	**–**	–	2.9	–
Financial assets measured at fair value through other comprehensive income – commodity derivatives	**–**	**4.9**	**–**	–	12.8	–
Financial liabilities:						
Financial liabilities measured at fair value through profit and loss – embedded derivatives	**–**	**(52.3)**	**–**	–	(25.5)	–
Financial liabilities measured at fair value through profit and loss – forward foreign exchange contracts	**–**	**(1.6)**	**–**	–	(3.9)	–
Financial liabilities measured at fair value through other comprehensive income – commodity derivatives	**–**	**(1.4)**	**–**	–	–	–
Contingent consideration	**–**	**–**	**(2.4)**	–	–	(6.6)

During the period ended 30 September 2022 there were no transfers between levels of the fair value hierarchy. The Group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

Fair value techniques and inputs

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

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

- Forward foreign exchange contracts and embedded derivatives
  The fair value of outstanding forward foreign exchange contracts and embedded derivatives were calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Contingent consideration
  The fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones and calculated using the discounted cash flow method and unobservable inputs.

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

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

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

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

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

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

15. Events after the Reporting Period

Seaway 7 ASA rights issue and borrowings

On 9 September 2022, Seaway 7 ASA, a non-wholly owned subsidiary of the Group, announced an intention to raise $650 million through the issuance of new equity and debt.

Following approval by Seaway7's shareholders at an extraordinary general meeting (EGM) held on 6 October 2022, approximately $200 million was raised by a rights issue fully underwritten by Seaway 7 ASA's three largest shareholders. The Group subscribed to 72.42% of new shares for a consideration of approximately $146 million.

Following completion of the rights issue, $300 million of the Group's $700 million multi-currency revolving credit and guarantee facility, has been made available to Seaway 7 ASA. In addition, the Group will provide a $150 million shareholder revolving credit facility. The Group expects that this bridge finance facility will be replaced by alternative core debt financing prior to being drawn down.