subsea 7

Subsea 7 S.A. Announces First Quarter 2020 Results

Luxembourg – 30 April 2020 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the first quarter which ended 31 March 2020.

First quarter summary

- Prompt action taken to address the challenges posed by Covid-19 in order to safeguard the health and wellbeing of our workforce
- Adjusted EBITDA of $68 million and margin of 9% for the first quarter of 2020, reflecting lower activity levels in the North Sea, an absence of Conventional activity offshore Africa and the Middle East and increased costs due to the Covid-19 pandemic
- Order intake totalled $1.5 billion, equivalent to a book-to-bill ratio of 2.0, with four awards announced in the first quarter
- Order backlog increased to $5.6 billion at quarter end, with $2.7 billion expected to be executed in the remainder of 2020
- Strengthened liquidity position, with cash and cash equivalents of $340 million, $656 million in unutilised revolving credit facilities and a new Euro Commercial Paper programme equivalent to $740 million to diversify our sources of liquidity in these unpredictable times
- Reflecting the deterioration in the outlook for new oil and gas awards, swift and decisive action has been initiated to re-size the business targeting the removal of approximately $400 million in annualised cash costs by the second quarter 2021

	Three Months Ended	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**31 Mar 2020 Unaudited**	31 Mar 2019 Unaudited
Revenue	**751**	859
Adjusted EBITDA[(a)]	**68**	111
Adjusted EBITDA margin[(a)]	**9%**	13%
Net operating loss	**(49)**	(10)
Net loss	**(38)**	(19)
Earnings per share – in $ per share		
Basic	**(0.13)**	(0.06)
Diluted[(b)]	**(0.13)**	(0.06)
At (in $ millions)	**31 Mar 2020 Unaudited**	31 Dec 2019 Audited
Backlog - unaudited[(c)]	**5,648**	5,187
Cash and cash equivalents	**340**	398
Borrowings	**(228)**	(234)
Net cash[(d)]	**112**	164
Net debt[(d)]	**(255)**	(181)

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

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

(c) Backlog at 31 March 2020 and 31 December 2019 is unaudited and is a non-IFRS measure.

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

John Evans, Chief Executive Officer, said:

Subsea 7 had a strong start to 2020, with the announcement of four contract awards in the SURF and Conventional business unit, including a major integrated EPCI award for the Sangomar project in Senegal, and the FEED award for the Bacalhau project in Brazil. Just eight weeks ago, we discussed our positive outlook for the year, with an expectation of continued momentum in new order intake and a tightening market for some of our high-end pipelay vessels. The outlook has changed significantly as a result of the impact of the Covid-19 pandemic on demand for energy and the price of oil. In the near term, our efforts are now focused on safeguarding the health of the Group's 12,000 workforce while we continue to deliver projects for clients under difficult conditions. We are also implementing longer-term plans to re-shape the business to reflect the changed outlook for the industry.

Impact of Covid-19 and low oil prices

The combination of the Covid-19 pandemic and a new low oil price environment has had a dual impact on Subsea 7, both in terms of the execution of current contracts and on the longer-term outlook for the business.

Our project teams have been quick to adapt our work practices to safeguard the health and wellbeing of the workforce on our vessels, at our onshore worksites and in our offices, while negotiating the logistical challenges of keeping clients' projects moving forward. Measures taken to prevent the spread of the virus have included crew quarantines, extended crew rotations, reduced operating capacity at onshore sites to enable appropriate social distancing, and remote working for our engineers and office staff. While we were successful in minimising cases among our offshore workforce and maintaining operational continuity in the first quarter, this has inevitably come at a financial cost that is evident in today's results and is likely to be a feature of the coming quarters. Since the quarter end, we temporarily stopped work on one vessel in Brazil to manage a number of confirmed Covid-19 cases on board.

Reflecting the deterioration in the macro environment, our SURF and Conventional clients have been quick to reduce investment plans, cutting budgets for this year by 20-25% and, for the most part, pausing tendering activity. Subsea 7 was fortunate to start the year with a strong backlog and has benefitted from $1.5 billion of new orders in the first quarter. This provides us with a degree of visibility on activity levels this year, but we expect order flow to be low in the coming months and competition to increase, impacting the outlook for revenues and margins in the latter part of 2020 and beyond. Our Renewables and Heavy Lifting business unit has proven somewhat countercyclical and progress is continuing in tendering for offshore windfarm projects.

Measures to reduce costs and strengthen the balance sheet

In early April, we withdrew our guidance for 2020, reflecting both the risks posed by the virus to ongoing operations, and the uncertainty in the wider energy industry. While we cannot fully control the pace of project execution and revenue recognition in this environment, we are finalising our review of operating and capital expenses and have formulated various initiatives to maximise flexibility and cash preservation.

A comprehensive cost reduction programme is being developed and will be announced in the second quarter. This will allow us to address the current market conditions while maintaining our competitive position. It is envisaged that we would make a reduction in our global workforce, the majority of which would impact the non-permanent workforce but a reduction in permanent employees would also be necessary. We anticipate that our active fleet would be reduced by releasing a number of chartered vessels and stacking some owned vessels. These actions would be implemented over the next twelve months, corresponding to the phasing of the projected workload, and we aim to achieve a targeted annualised reduction in cash costs of approximately $400 million by Q2 2021. As a result of these actions we expect to record a restructuring charge in 2020.

We expect to take delivery in the third quarter of our new-build rigid reel-lay vessel, *Seven Vega*, which is scheduled to work on several projects. We have cut our capital investment plans for this year to $230-250 million, from our prior guidance of $270-290 million. Subsea 7 operates a modern fleet and investments in our vessels and onshore assets can be reduced to a minimum with further reductions in capital expenditure in 2021 and 2022.

Through these initiatives, our aim is to preserve cash and maintain balance sheet strength. At the end of the first quarter, Subsea 7 had cash and cash equivalents of $340 million and an undrawn revolving credit facility (RCF) of $656 million. In April we finalised a new Euro Commercial Paper programme equivalent to $740 million to further diversify our sources of liquidity in these unpredictable times.

First quarter review

First quarter revenue of $751 million was 13% lower than the prior year period reflecting lower activity levels in the North Sea and an absence of Conventional activity offshore Africa and the Middle East. Adjusted EBITDA of $68 million, a year-on-year decrease of 39%, at a margin of 9% (Q1 2019: 13%) was adversely impacted by low levels of Conventional and diving activity and high vessel transit time, as several global enablers were redeployed for new projects. In addition, profitability was affected by the impact on operations of the Covid-19 pandemic which is estimated to have ranged between $15 million and $20 million. The net loss for the quarter was $38 million.

During the quarter, net cash generated from operations was $82 million with a favourable movement in net operating assets and liabilities of $19 million. Capital expenditure was $93 million in the quarter, including milestone payments for *Seven Vega*. The Group ended the quarter with net debt of $255 million including IFRS 16 lease liabilities of $367 million.

In early 2020, Subsea 7 was successful in a number of tenders and booked new orders totalling $1.5 billion, including approximately $70 million of escalations. In SURF and Conventional, key awards included the Sangomar project, offshore Senegal, the Barossa project, offshore Australia, the King's Quay project, in US Gulf of Mexico and FEED for the Bacalhau project, offshore Brazil. Backlog at the end of March was $5.6 billion, of which $2.7 billion is expected to be executed in the remainder of 2020. The backlog for execution in 2021 of $2.0 billion is up 40% since the end of 2019.

Utilisation of Subsea 7's active fleet of 32 vessels was 63% in the first quarter 2020, compared to 72% in the prior year period, reflecting continued seasonality in the North Sea, low Conventional activity in Africa and the Middle East, and intercontinental transiting of certain global enabler vessels. At 31 March 2020, the total fleet comprised 34 vessels, including *Seven Vega*, which is due for delivery in the third quarter and one stacked vessel.

Outlook for 2020

Having started the year on a positive note, we are now preparing for a downturn in SURF and Conventional activity as our clients focus on reducing their capital expenditure budgets. This will have an impact on the pace of new awards and may affect the phasing of execution of recent contract awards. While these factors affect our revenue expectations for 2020 to some extent, the impact on EBITDA is greater. Rescheduling of higher-margin contracts which were due to start later this year will have an impact on the EBITDA for the SURF and Conventional business.

The outlook for Renewables is more positive and our tendering team remains in active negotiations on a number of projects. The business unit benefits from a diverse range of clients, many of which are not impacted by low oil prices and have not needed to make material cuts to near-term investment plans. While, in the short term, competition for these contracts is high, we are confident that these clients remain committed to their clean energy initiatives and we continue to view the offshore wind market as a source of sustainable, profitable growth for Subsea 7 in the longer term.

Guidance

Given the pace at which the environment continues to change and the low level of visibility on factors influencing our business we are unable at this stage to give any revenue or EBITDA guidance for 2020. Uncertainties include the timing of new contract awards and the conversion of FEED studies to full EPCI projects, as well as the phasing of projects already underway. This may include the deferral of some recently awarded, higher-margin work from 2020 to 2021 and beyond. Finally, the financial cost of addressing the operational inefficiencies of Covid-19 is yet to be determined, as the duration and extent of the pandemic's impact are unknown.

In the near future we expect to announce details of our cost reduction programme and it is anticipated that a restructuring charge will be recognised in 2020. We are also assessing whether an impairment of the carrying value of our non-current assets, including goodwill, is required.

We are taking action to address the elements under our control, with swift and decisive moves to reduce our cost base and capital expenditure, and to strengthen our balance sheet. We believe these measures will improve our resilience to the downturn, while protecting our strong competitive position in our core markets.

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 30 April 2020

Time: 12:00 UK Time

Conference ID: 91740296#

	Conference Dial In Numbers
United Kingdom	0800 358 9473
United States	631 913 1422
Norway	23 50 02 43
International Dial In	+44 333 300 0804

Replay Facility Details

A replay facility (with conference ID 301307646#) will be available from:

Date: 30 April 2020
Time: 17:00 UK Time

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

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Special Note Regarding Forward-Looking Statements

Certain statements made in this announcement may 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 for the year ended 31 December 2019. 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.

First Quarter 2020

Revenue
Revenue for the first quarter was $751 million, a decrease of $109 million or 13% compared to Q1 2019. This reduction was driven by lower activity levels in the SURF and Conventional business unit, with low levels of Conventional activities in West Africa and the Middle East, reduced levels of diving activities and low vessel utilisation.

Revenue in the Life of Field business unit was $63 million, an increase of $4 million compared with Q1 2019. Revenue in the Renewables and Heavy Lifting business unit was $62 million, an increase of $9 million compared to Q1 2019.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $68 million and 9% respectively, compared to $111 million and 13% in Q1 2019. Adjusted EBITDA margin in Q1 2020 reflected reduced activity within the SURF and Conventional business unit compared with Q1 2019.

Net operating loss
Net operating loss for the quarter was $49 million, compared to net operating loss of $10 million in Q1 2019. The SURF and Conventional business unit recognised a decrease in net operating income due to significantly reduced levels of Conventional and diving activities compared to Q1 2019 and additional costs caused by the impact of the Covid-19 pandemic.

Net loss
Net loss was $38 million in the quarter, compared to net loss of $19 million in Q1 2019.

The year-on-year increase in net loss was primarily due to:

- increase in net operating loss

Partly offset by:

- net gain of $16 million on recognition of a receivable related to a business combination completed in prior years; and
- net foreign currency gain of $3 million in Q1 2020, compared to net foreign currency loss of $24 million in Q1 2019.

The tax charge in the quarter was $4 million compared to a tax credit of $10 million in Q1 2019. The tax charge in Q1 2020 was mainly driven by irrecoverable withholding taxes.

Earnings per share
Diluted loss per share was $0.13 in Q1 2020 compared to diluted loss per share of $0.06 in Q1 2019, calculated using a weighted average number of shares of 299 million and 316 million respectively.

Cash and cash equivalents
Cash and cash equivalents were $340 million at 31 March 2020, a decrease of $58 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 $82 million

more than offset by:

- purchases of property, plant and equipment of $87 million, mainly in relation to the new-build reel-lay vessel, *Seven Vega*; and
- payments related to lease liabilities of $27 million.

Borrowings and lease liabilities
Borrowings decreased to $228 million at 31 March 2020 from $234 million at 31 December 2019 due to scheduled repayments. At 31 March 2020, lease liabilities were $367 million, an increase of $22 million compared with 31 December 2019.

Business Unit Highlights

First Quarter 2020

SURF and Conventional
Revenue for the first quarter was $625 million, a decrease of $121 million or 16% compared to Q1 2019.

During the quarter work progressed on the Burullus 9B project, offshore Egypt, the Jubilee Turret Remediation project, offshore Ghana, the Zinia project, offshore Angola, the Berri-Zuluf project, offshore Saudi Arabia, the Julimar Phase 2 project, offshore Australia, the Mad Dog 2, Katmai and Manuel projects in the US Gulf of Mexico, the Snorre, Ærfugl and Ærfugl Phase 2 projects, offshore Norway and the Arran and Penguins projects, offshore UK. In Brazil, there were high levels of PLSV utilisation under long-term contracts with Petrobras and work progressed on the Lapa NE project.

Net operating loss was $27 million in the quarter compared to net operating income of $4 million in Q1 2019. The net operating loss in the quarter was primarily driven by decreased Conventional activity in Africa and the Middle East, decreased diving activities in the North Sea, low vessel utilisation and high vessel transit times, as several global enablers were redeployed for new projects. Activities in West Africa were adversely impacted by costs associated with slow progress on certain projects exacerbated by the Covid-19 pandemic.

Life of Field
Revenue for Q1 2020 was $63 million, an increase of $4 million or 6% compared to Q1 2019. The increase in revenue was driven by increased inspection, repair and maintenance activities offshore Azerbaijan. Net operating loss was $1 million in Q1 2020 compared to net operating loss of $3 million in Q1 2019.

Renewables and Heavy Lifting
Revenue was $62 million in Q1 2020 compared to $53 million in Q1 2019. The increase in revenue was due to increased activity, particularly in relation to the Triton Knoll offshore wind farm project, offshore UK. Net operating loss was $12 million in Q1 2020 compared to net operating loss of $9 million in Q1 2019 primarily due to *Seaway Yudin* being idle in the quarter.

Asset Development and Activities

Vessel Utilisation

Active Vessel Utilisation for the quarter was 63% compared with 72% for Q1 2019. Total Vessel Utilisation was 61% compared to 68% in Q1 2019.

At 31 March 2020 there were 34 vessels in the fleet, comprising 32 active vessels, one stacked vessel and one vessel under construction. During the quarter, *Seven Mar*, which is now classified as an asset held for sale, and *Seven Pelican*, which is pending recycling, left the fleet.

Asset Development

During the quarter, construction work continued on the Group's new reel-lay vessel, *Seven Vega*, which was launched in May 2019. The vessel is expected to commence operations in the third quarter of 2020, after completing commissioning activities and sea trials.

Backlog

At 31 March 2020 backlog was $5.6 billion, an increase of $0.5 billion compared with 31 December 2019. Order intake totalling $1.5 billion, including escalations of approximately $70 million, was recorded in the quarter. Unfavourable foreign exchange movements of approximately $280 million were recognised during the quarter. New awards included the Sangomar project, offshore Senegal, the Barossa project, offshore Australia and the King's Quay project in US Gulf of Mexico.

$4.6 billion of the backlog at 31 March 2020 related to the SURF and Conventional business unit (which included $0.5 billion related to long-term day-rate contracts for PLSVs in Brazil), $0.5 billion related to the Life of Field business unit and $0.5 billion related to the Renewables and Heavy Lifting business unit. $2.7 billion of this backlog is currently expected to be executed in 2020, $2.0 billion in 2021 and $0.9 billion in 2022 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

Subsea 7 S.A.
Condensed Consolidated Income Statement

(in $ millions)	Three Months Ended 31 Mar 2020 Unaudited	 31 Mar 2019 Unaudited
Revenue	**750.6**	859.2
Operating expenses	**(736.8)**	(811.3)
Gross profit	**13.8**	47.9
Administrative expenses	**(63.2)**	(58.4)
Share of net income of associates and joint ventures	**0.4**	0.3
Net operating loss	**(49.0)**	(10.2)
Finance income	**1.5**	4.0
Other gains and losses	**19.8**	(16.7)
Finance costs	**(5.6)**	(5.9)
Loss before taxes	**(33.3)**	(28.8)
Taxation	**(4.3)**	10.0
Net loss	**(37.6)**	(18.8)
Net loss attributable to:		
Shareholders of the parent company	**(38.0)**	(19.0)
Non-controlling interests	**0.4**	0.2
	(37.6)	(18.8)

Earnings per share	$ per share	$ per share
Basic	**(0.13)**	(0.06)
Diluted[(a)]	**(0.13)**	(0.06)

(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)	Three Months Ended **31 Mar 2020 Unaudited**	Three Months Ended 31 Mar 2019 Unaudited
Net loss	**(37.6)**	(18.8)
Items that may be reclassified to the income statement in subsequent periods:		
Foreign currency translation	**(67.1)**	52.6
Reclassification adjustments relating to disposal of subsidiary	**–**	1.2
Tax relating to components of other comprehensive income which may be reclassified	**2.9**	(1.5)
Other comprehensive (loss)/income	**(64.2)**	52.3
Total comprehensive (loss)/income	**(101.8)**	33.5
Total comprehensive (loss)/income attributable to:		
Shareholders of the parent company	**(101.8)**	33.3
Non-controlling interests	**–**	0.2
	(101.8)	33.5

Subsea 7 S.A.

Condensed Consolidated Balance Sheet

	31 Mar 2020 Unaudited	31 Dec 2019 Audited
Assets		
Non-current assets		
Goodwill	**677.8**	704.6
Intangible assets	**43.7**	42.8
Property, plant and equipment	**4,351.4**	4,422.3
Right-of-use assets	**346.5**	327.8
Interest in associates and joint ventures	**24.1**	26.2
Advances and receivables	**30.2**	31.4
Derivative financial instruments	**4.3**	1.4
Other financial assets	**9.5**	8.1
Construction contracts - assets	**12.9**	14.9
Deferred tax assets	**30.8**	36.1
	5,531.2	5,615.6
Current assets		
Inventories	**31.1**	31.2
Trade and other receivables	**623.0**	604.7
Derivative financial instruments	**25.0**	4.1
Assets classified as held for sale	**30.0**	0.1
Construction contracts – assets	**333.9**	397.9
Other accrued income and prepaid expenses	**184.0**	168.6
Restricted cash	**7.2**	4.3
Cash and cash equivalents	**339.6**	397.7
	1,573.8	1,608.6
Total assets	**7,105.0**	7,224.2
Equity		
Issued share capital	**600.0**	600.0
Treasury shares	**(23.1)**	(14.0)
Paid in surplus	**2,508.6**	2,507.5
Translation reserve	**(653.8)**	(590.0)
Other reserves	**(20.2)**	(20.2)
Retained earnings	**2,801.5**	2,845.4
Equity attributable to shareholders of the parent company	**5,213.0**	5,328.7
Non-controlling interests	**39.6**	34.3
Total equity	**5,252.6**	5,363.0
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**202.9**	209.0
Non-current lease liabilities	**254.9**	251.2
Retirement benefit obligations	**14.8**	14.9
Deferred tax liabilities	**30.6**	34.9
Provisions	**47.9**	49.3
Contingent liability recognised	**6.2**	7.9
Derivative financial instruments	**2.8**	1.1
Other non-current liabilities	**20.5**	28.0
	580.6	596.3
Current liabilities		
Trade and other liabilities	**828.4**	858.3
Derivative financial instruments	**13.6**	7.0
Current tax liabilities	**42.7**	44.4
Current portion of borrowings	**24.6**	24.6
Current lease liabilities	**112.3**	94.0
Provisions	**68.1**	72.5
Construction contracts – liabilities	**180.4**	162.0
Deferred revenue	**1.7**	2.1
	1,271.8	1,264.9
Total liabilities	**1,852.4**	1,861.2
Total equity and liabilities	**7,105.0**	7,224.2

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2020

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	**600.0**	**(14.0)**	**2,507.5**	**(590.0)**	**(20.2)**	**2,845.4**	**5,328.7**	**34.3**	**5,363.0**
Comprehensive loss									
Net loss	–	–	–	–	–	(38.0)	(38.0)	0.4	(37.6)
Foreign currency translation	–	–	–	(66.7)	–	–	(66.7)	(0.4)	(67.1)
Tax relating to components of other comprehensive income	–	–	–	2.9	–	–	2.9	–	2.9
Total comprehensive loss	**–**	**–**	**–**	**(63.8)**	–	**(38.0)**	**(101.8)**	–	**(101.8)**
Transactions with owners									
Shares repurchased	–	(9.7)	–	–	–	–	(9.7)	–	(9.7)
Share-based payments	–	–	1.1	–	–	–	1.1	–	1.1
Shares reallocated relating to share-based payments	–	0.6	–	–	–	–	0.6	–	0.6
Loss on reallocation of treasury shares	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Reclassification adjustment relating to non-controlling interest	–	–	–	–	–	(5.3)	(5.3)	5.3	–
Total transactions with owners	**–**	**(9.1)**	**1.1**	**–**	**–**	**(5.9)**	**(13.9)**	**5.3**	**(8.6)**
Balance at 31 March 2020	**600.0**	**(23.1)**	**2,508.6**	**(653.8)**	**(20.2)**	**2,801.5**	**5,213.0**	**39.6**	**5,252.6**

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2019

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**654.7**	**(95.0)**	**2,826.6**	**(618.4)**	**(26.3)**	**2,941.8**	**5,683.4**	**38.4**	**5,721.8**
Comprehensive income/(loss)									
Net (loss)/income	–	–	–	–	–	(19.0)	(19.0)	0.2	(18.8)
Foreign currency translation	–	–	–	52.6	–	–	52.6	–	52.6
Disposal of subsidiary	–	–	–	1.2	–	–	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	(1.5)	–	–	(1.5)	–	(1.5)
Total comprehensive income/(loss)	**–**	**–**	**–**	**52.3**	**–**	**(19.0)**	**33.3**	**0.2**	**33.5**
Transactions with owners									
Shares repurchased	–	(74.5)	–	–	–	–	(74.5)	–	(74.5)
Share-based payments	–	–	1.1	–	–	–	1.1	–	1.1
Total transactions with owners	**–**	**(74.5)**	**1.1**	**–**	**–**	**–**	**(73.4)**	**–**	**(73.4)**
Balance at 31 March 2019	**654.7**	**(169.5)**	**2,827.7**	**(566.1)**	**(26.3)**	**2,922.8**	**5,643.3**	**38.6**	**5,681.9**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Three Months Ended 31 Mar 2020 Unaudited	31 Mar 2019 Unaudited
Net cash generated from operating activities	**82.4**	58.1
Cash flows from investing activities		
Net proceeds/(costs) from disposal of property, plant and equipment	**0.4**	(0.3)
Purchases of property, plant and equipment	**(86.7)**	(66.4)
Purchases of intangible assets	**(6.5)**	(1.1)
Gross proceeds from recognition of assets related to business combinations - post measurement period	**20.1**	–
Loans to joint ventures	**–**	(0.1)
Interest received	**1.5**	4.0
Proceeds from disposal of subsidiary	**–**	4.6
Acquisition of businesses (net of cash acquired)	**–**	(8.0)
Proceeds from sale of other financial assets	**–**	21.4
Investment in other financial assets	**(1.4)**	–
Net cash used in investing activities	**(72.6)**	(45.9)
Cash flows from financing activities		
Interest paid	**(2.1)**	(2.7)
Repayment of borrowings	**(6.2)**	(6.2)
Cost of share repurchases	**(9.3)**	(74.5)
Payments related to lease liabilities	**(27.3)**	(23.7)
Dividends paid to non-controlling interests	**(9.7)**	(0.4)
Net cash used in financing activities	**(54.6)**	(107.5)
Net decrease in cash and cash equivalents	**(44.8)**	(95.3)
Cash and cash equivalents at beginning of year	**397.7**	764.9
Increase in restricted cash	**(2.9)**	(4.1)
Effect of foreign exchange rate movements on cash and cash equivalents	**(10.4)**	0.4
Cash and cash equivalents at end of period	**339.6**	665.9

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 29 April 2020.

2. Basis of preparation
The Condensed Consolidated Financial Statements for the period from 1 January 2020 to 31 March 2020 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 2019 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Condensed Consolidated Financial Statements are unaudited.

As the global economy is impacted by the unprecedented global health and economic crisis following the outbreak of the Covid-19 pandemic, management continues to monitor the potential operational and financial impacts for the Group. In addition, the simultaneous increase in production by major oil producers and the unprecedented reduction in demand for energy has led to a significant imbalance in the oil and gas markets. The situation remains uncertain in terms of timescale and impact.

In light of the current issues caused by the Covid-19 pandemic and the associated issues in the energy sector, management have assessed the following areas which could impact the Group:

Going concern
Management consider that the going concern assumption remains appropriate for the Group. Despite the uncertainty regarding the potential impacts of the Covid-19 pandemic and the associated imbalance in the energy market, management consider that there are no significant doubts over the application of the going concern assumption and no disclosable material uncertainties which cast doubt upon the Group's ability to continue as a going concern.

Revenue recognition and backlog
The impact upon the Group's revenue and recorded backlog has been reviewed by management and there were no significant impacts resulting from the Covid-19 pandemic.

Onerous contract provisions
Onerous contract provisions were assessed in light of the requirements of IFRS 15 'Revenue from Contracts with Customers' and IAS 37 Provisions, Contingent Liabilities and Contingent Assets'. Certain inefficiencies were identified as a direct consequence of additional costs incurred, and expected to be incurred, as a result of the Covid-19 pandemic. Management concluded that these costs will not contribute to the overall progression of contracts and are being recognised as incurred.

Credit impairment and expected credit losses
During the quarter, no significant credit impairments were recognised as a result of the Covid-19 pandemic. The Group's expected credit loss provisions were reviewed and individual assessments were undertaken where appropriate.

Asset impairment, including goodwill and right-of-use assets
During the quarter no impairments related to long-life assets, including goodwill, property, plant and equipment and right-of-use assets were recognised. Management intend to complete a full impairment review during Q2 2020 to assess the potential impact of the Covid-19 pandemic and the challenges facing the energy sector.

Lease liability modifications
In relation to the Group's long-term chartered vessels, it is expected that certain lease liabilities will be reassessed during Q2 2020 if renewal options are not exercised as a result of the expected downturn in activity levels due to the Covid-19 pandemic and delayed project awards driven by the challenges facing the energy sector.

Fair value measurement
During the quarter foreign currency exchange rates fluctuated significantly, these were impacted by market volatility resulting from the Covid-19 pandemic. Management consider that foreign currency exchange rates applied represented fair value in relation to quoted transactions such as forward exchange contracts as at the measurement date of 31 March 2020.

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 2019.

No new International Financial Reporting Standards (IFRSs) were adopted by the Group for the financial year beginning 1 January 2020. Amendments to existing IFRSs, issued with an effective date of 1 January 2020 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 2019, 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 2019:

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

5. Seasonality

A significant portion of the Group's revenue is generated from work performed offshore. During certain periods of the year, the Group may be affected by adverse weather conditions such as hurricanes, tropical storms and rough seas, which may cause delays. 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 four business units: SURF and Conventional, Life of Field, Renewables and Heavy Lifting and Corporate. These operating segments are defined as follows:

SURF and Conventional

The SURF and Conventional business unit includes:

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

This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed on SURF and Conventional activities.

Life of Field

The Life of Field business unit includes activities associated with the provision of inspection, repair and maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support. This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed on Life of Field activities.

Renewables and Heavy Lifting

The Renewables and Heavy Lifting business unit includes activities related to three specialist segments of the offshore energy market: the installation of offshore wind turbine foundations and inner-array cables, heavy lifting operations for oil and gas structures, and the 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 on Renewables and Heavy Lifting 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. A significant portion of the Corporate business unit's costs are allocated to the other operating segments based on a percentage of their external revenue.

6. Segment information (continued)

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

For the three months ended 31 March 2020

(in $ millions) Unaudited	SURF and Conventional	Life of Field	Renewables and Heavy Lifting	Corporate	Total
Revenue					
Lump-sum projects	**492.1**	**2.1**	**61.8**	**–**	**556.0**
Day-rate projects	**133.2**	**61.2**	**0.2**	**–**	**194.6**
	625.3	**63.3**	**62.0**	**–**	**750.6**
Net operating loss	**(26.6)**	**(0.9)**	**(12.4)**	**(9.1)**	**(49.0)**
Finance income					**1.5**
Other gains and losses					**19.8**
Finance costs					**(5.6)**
Loss before taxes					**(33.3)**

For the three months ended 31 March 2019

(in $ millions) Unaudited	SURF and Conventional	Life of Field	Renewables and Heavy Lifting	Corporate	Total
Revenue					
Lump-sum projects	598.8	–	53.1	–	651.9
Day-rate projects	147.7	59.6	–	–	207.3
	746.5	59.6	53.1	–	859.2
Net operating income/(loss)	4.4	(3.2)	(9.2)	(2.2)	(10.2)
Finance income					4.0
Other gains and losses					(16.7)
Finance costs					(5.9)
Loss before taxes					(28.8)

7. Earnings per share

Basic and diluted earnings per share

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

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

	Three Months Ended	
For the period (in $ millions)	**31 Mar 2020 Unaudited**	31 Mar 2019 Unaudited
Net loss attributable to shareholders of the parent company	**(38.0)**	(19.0)
Earnings used in the calculation of basic and diluted earnings per share	**(38.0)**	(19.0)

	Three Months Ended	
For the period (number of shares)	**31 Mar 2020 Unaudited**	31 Mar 2019 Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**298,532,378**	315,550,356
Share options and performance shares	**–**	–
Weighted average number of common shares used in the calculation of diluted earnings per share	**298,532,378**	315,550,356

	Three Months Ended	
For the period (in $ per share)	**31 Mar 2020 Unaudited**	31 Mar 2019 Unaudited
Basic earnings per share	**(0.13)**	(0.06)
Diluted earnings per share	**(0.13)**	(0.06)

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:

	Three Months Ended	
For the period (number of shares)	**31 Mar 2020 Unaudited**	31 Mar 2019 Unaudited
Share options and performance shares	**1,797,507**	1,975,050

8. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation 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 (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.

8. Adjusted EBITDA and Adjusted EBITDA margin (continued)

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

For the period (in $ millions)	Three Months Ended 31 Mar 2020 Unaudited	Three Months Ended 31 Mar 2019 Unaudited
Net operating loss	**(49.0)**	(10.2)
Depreciation, amortisation and mobilisation	**117.1**	121.3
Adjusted EBITDA	**68.1**	111.1
Revenue	**750.6**	859.2
Adjusted EBITDA margin	**9.1%**	12.9%

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

For the period (in $ millions)	Three Months Ended 31 Mar 2020 Unaudited	Three Months Ended 31 Mar 2019 Unaudited
Net loss	**(37.6)**	(18.8)
Depreciation, amortisation and mobilisation	**117.1**	121.3
Finance income	**(1.5)**	(4.0)
Other gains and losses	**(19.8)**	16.7
Finance costs	**5.6**	5.9
Taxation	**4.3**	(10.0)
Adjusted EBITDA	**68.1**	111.1
Revenue	**750.6**	859.2
Adjusted EBITDA margin	**9.1%**	12.9%

9. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	Three Months Ended 31 Mar 2020 Unaudited	Three Months Ended 31 Mar 2019 Unaudited
At year beginning	**704.6**	751.3
Adjustments to identifiable net assets at fair value subsequent to initial recognition	**0.2**	–
Acquired in business combinations	**–**	25.6
Exchange differences	**(27.0)**	15.6
At period end	**677.8**	792.5

10. Treasury shares

During the first quarter, 51,382 shares were used to satisfy share-based awards. At 31 March 2020, the Group directly held 2,768,446 shares (Q4 2019: 1,212,860) as treasury shares, representing 0.92% (Q4 2019: 0.40%) of the total number of issued shares.

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

	31 Mar 2020 Number of shares	31 Mar 2020 in $ millions	31 Mar 2019 Number of shares	31 Mar 2019 in $ millions
At year beginning	**1,212,860**	**14.0**	8,240,024	95.0
Shares repurchased	**1,606,968**	**9.7**	6,555,920	74.5
Shares reallocated relating to share-based payments	**(51,382)**	**(0.6)**	–	–
At period end	**2,768,446**	**23.1**	14,795,944	169.5

11. Share repurchase programmes

During the first quarter, 1,606,968 shares were repurchased for a total consideration of $9.7 million under the Group's share repurchase programme authorised on 24 July 2019. At 31 March 2020, the Group has repurchased a cumulative 1,606,968 shares for a total consideration of $9.7 million under this programme.

12. Commitments and contingent liabilities

Commitments

At 31 March 2020, the Group had significant contractual commitments totalling $39.8 million, including commitments related to the construction of *Seven Vega*, a new reel-lay 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.

One of the amounts contested by the Group is in respect of an audit by Rivers State, Nigeria, of the Group's Nigerian operations in the years 2010 to 2014, with particular regard to payroll taxes for offshore personnel. At 31 March 2020, there was a contingent liability relating to assessments received from Rivers State in respect of such personnel, which totalled NGN 34,190 million, equivalent to $89.2 million (31 December 2019: NGN 34,190 million, equivalent to $94.1 million). The Group has challenged the assessments and is currently involved in court proceedings in Nigeria to release assets sequestered by Rivers State authorities in respect of one of the assessments totalling NGN 3,352 million, equivalent to $8.7 million (31 December 2019: NGN 3,352 million, equivalent to $9.2 million). The Group does not believe the likelihood of payments is probable and no provision has been recognised in the Consolidated Balance Sheet in respect of the assessments resulting from the Rivers State audits.

Between 2009 and 2018, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 31 March 2020 amounted to BRL 852.2 million, equivalent to $170.0 million (31 December 2019: BRL 847.7 million, equivalent to $207.6 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 the Group does not believe that the likelihood of payment is probable.

During 2018 and 2019, the Group's Brazilian business received a number of labour claims. The amount assessed at 31 March 2020 amounted to BRL 233.6 million, equivalent to $46.6 million (31 December 2019: BRL 237.8 million, equivalent to $58.2 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL190.4 million, equivalent to $38.0 million as the disclosure criteria have been met (31 December 2019: BRL193.3 million, equivalent to $47.3 million), however, the Group does not believe that the likelihood of payment is probable. At 31 March 2020, a provision of BRL 43.2 million, equivalent to $8.6 million was recognised within the Consolidated Balance Sheet (31 December 2019: BRL 44.5 million, equivalent to $10.9 million), as the IAS 37 'Provisions, contingent liabilities and contingent assets' recognition criteria were met.

Contingent liabilities recognised in the Consolidated Balance Sheet

As part of accounting for the business combination 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. The value of the provision recognised within the Consolidated Balance Sheet at 31 March 2020 was $5.7 million (31 December 2019: $6.9 million). While complying with the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, IFRS 3 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 31 March 2020 was $0.5 million (31 December 2019: $1.0 million). While complying with the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

13. Cash flow from operating activities

For the period ended (in $ millions)	Three Months Ended 31 Mar 2020 Unaudited	31 Mar 2019 Unaudited
Cash flow from operating activities:		
Loss before taxes	**(33.3)**	(28.8)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**86.6**	91.4
Amortisation of right-of-use assets	**25.1**	23.9
Amortisation of intangible assets	**2.9**	3.6
Amortisation of mobilisation costs	**2.5**	2.4
Gain on other financial assets measured at fair value through profit or loss	**–**	(5.5)
Adjustments for investing and financing items:		
Remeasurement loss on business combination	**–**	1.1
Gain on disposal of subsidiary	**–**	(4.3)
Gain on recognition of assets related to business combinations - post measurement period	**(15.5)**	–
Share of net income of associates and joint ventures	**(0.4)**	(0.3)
Net gain on disposal of property, plant and equipment	**(0.2)**	–
Finance income	**(1.5)**	(4.0)
Finance costs	**5.6**	5.9
Adjustments for equity items:		
Reclassification of exchange differences relating to the disposal of a subsidiary	**–**	1.2
Share-based payments	**1.1**	1.1
	72.9	87.7
Changes in operating assets and liabilities:		
Increase in inventories	**(0.8)**	(1.6)
Increase in operating receivables	**(37.3)**	(0.7)
Increase in operating liabilities	**57.0**	8.5
	18.9	6.2
Income taxes paid	**(9.4)**	(35.8)
Net cash generated from operating activities	**82.4**	58.1

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 – senior secured facility

The fair value of the senior secured facility is determined by matching the maturity profile of the amounts utilised under the facility to market interest rates available to the Group for borrowings with similar security, maturity and repayment profiles. At 31 March 2020 interest charged under the facility is representative of market rates currently available to the Group and therefore the carrying amount approximates fair value.

Fair value measurements

Fair value hierarchy

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

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

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

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

Recurring and non-recurring fair value measurements

Recurring fair value measurements are those that 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)	**2020 31 Mar Level 1**	**2020 31 Mar Level 2**	**2020 31 Mar Level 3**	2019 31 Dec Level 1	2019 31 Dec Level 2	2019 31 Dec Level 3
Recurring fair value measurements						
Financial assets measured at fair value through profit or loss:						
Derivative instruments	**–**	**29.3**	**–**	–	5.5	–
Financial liabilities measured at fair value through profit or loss:						
Derivative instruments	**–**	**(16.4)**	**–**	–	(8.1)	–
Contingent consideration	**–**	**–**	**(10.1)**	–	–	(11.5)

During the period ended 31 March 2020 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 measured at fair value through other comprehensive income and designated as such at initial recognition

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

- Other financial assets
  Strategic financial investments in unlisted companies are disclosed as other financial assets within non-current assets on the Consolidated Balance Sheet. The Group has concluded that due to their nature, in the case of each investment, there is a wide range of possible fair value measurements with insufficient recent information available to accurately measure fair value. As a result the investments are carried at cost.

15. Post balance sheet events

Euro Commercial Paper programme

In April 2020 the Group finalised a Euro Commercial Paper programme equivalent to $740 million in order to diversify the Group's sources of liquidity.

Restructuring costs

During the next twelve months cost reduction measures will be implemented, including a resizing of the Group's workforce and vessel fleet. This will allow the Group to address the current market conditions while maintaining its competitive position. It is anticipated that a restructuring charge will be recorded in 2020.