Seaway 7 ASA Announces First Quarter 2022 Results

Oslo – 28 April 2022 – Seaway 7 ASA (Euronext Growth: SEAW7) announced today results for the first quarter which ended 31 March 2022.

First Quarter highlights

- First quarter 2022 revenue up 11% year-on-year to $267 million
- First quarter Adjusted EBITDA of $14 million equating to a margin of 5%
- Order intake in the first quarter of $93 million, equating to a first quarter book-to-bill ratio of 0.4, resulting in backlog of $1.0 billion at quarter end

	Three Months Ended	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**31 Mar 2022 Unaudited**	31 Mar 2021 Unaudited
Revenue	**267**	241
Adjusted EBITDA[(a)]	**14**	(7)
Adjusted EBITDA margin[(a)]	**5%**	(3%)
Net operating loss	**(8)**	(20)
Net loss	**(2)**	(27)
Earnings per share – in $ per share		
Basic	**(0.00)**	(0.09)
Diluted[(b)]	**(0.00)**	(0.09)
At (in $ millions)	**31 Mar 2022 Unaudited**	31 Dec 2021 Audited
Backlog[(c)]	**1,046**	1,238
Book-to-bill ratio – year-to-date[(c)]	**0.4**	0.3
Cash and cash equivalents	**22**	22
Borrowings	**(99)**	(101)
Net debt excluding lease liabilities[(d)]	**(77)**	(79)
Net debt including lease liabilities[(d)]	**(96)**	(106)

(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 year. Book-to-bill ratio represents total order intake, (excluding amounts related to business combinations), divided by revenue recognised in the year-to-date. Comparative figure is for the full year ended 31 December 2021.

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

Stuart Fitzgerald, Chief Executive Officer, said:

In the first quarter of 2022, Seaway 7 delivered solid revenue and EBITDA growth compared with the prior year period. Although we experienced a relatively quiet quarter for announced new orders, the Group's backlog remains robust at $1.0 billion. Tendering activity has been high with several contracts and preferred supplier positions expected to be awarded to the industry in the coming months.

First quarter operational review

The first quarter saw a continuation of good operational progress in the fabrication and installation phase on the Seagreen project. Of the 114 jackets, 60 jackets were delivered and on site in Nigg, Scotland with a further 20 jackets completed by fabricators and in transit from fabrication yards in China and the Middle East. By quarter end, 21 jackets and 11 cables were installed and the delivery of the remaining jackets and cables to the marshalling yard in Scotland remains on schedule.

As reported in the press on 14 April 2022, an incident took place with Saipem's *S7000* vessel whilst off-hire from Seaway 7 and on a planned maintenance stop. The timing of the return to work of the *S7000* onto the Seagreen project is currently being evaluated.

Seaway Strashnov completed the monopile installation on the Kaskasi project in the German Bight in the first quarter. This was the first commercial use of a new method and equipment for installing monopiles in Dynamic Positioning mode from the *Seaway Strashnov*, a key milestone for Seaway 7 and an industry first. *Seaway Yudin* mobilised onto the Formosa 2 project in Taiwan and continued the installation of the pin-piles. *Seaway Aimery* commenced cable installation on the Hollandse Kust Zuid project, Netherlands and *Seaway Moxie* continued to be active on the Hornsea II project in the UK. Having finished 2021 work scopes on the Yunlin project *Seaway Phoenix* transited to the UK for maintenance in preparation for cable installation on the Seagreen project, UK. *Maersk Connector* sailed to Asia to support Taiwan project activity during 2022.

The heavy transportation vessels maintained their high levels of utilisation, despite planned dry-dockings, and we saw an improvement in the time charter equivalent day rates in the quarter.

During Q1 2022, the utilisation of the active fleet was 65%, down from 80% in the fourth quarter 2021.

The development of *Seaway Alfa Lift* foundation installation vessel continued through the first quarter in 2022 with sea trials successfully completed and commissioning of marine systems progressing.

The repairs of the Liebherr crane A-frame continued and are expected to be complete in the second half of 2022. The mission equipment for the upending and lowering of monopiles remains the critical path to vessel delivery and readiness for operations.

The development of *Seaway Ventus*, the Group's first wind turbine installation vessel, continued during the first quarter with good progress on detailed design, yard activities and crane manufacture from GustoMSC. Vessel delivery is scheduled for mid-2023 with the vessel anticipated to start in the first half of 2024 on the Borkum Riffgrund 3 and Gode Wind 3 project in Germany.

We are monitoring risks associated with the ongoing Covid-19 restrictions and lockdowns in China, particularly as it relates to the movement of 3rd party equipment and personnel.

First quarter financial review

First quarter revenue of $267 million increased by 11% compared to the prior year period, reflecting higher activity on the Seagreen project, UK. Adjusted EBITDA margin increased to 5% from a negative Adjusted ETBIDA margin of 3%. After depreciation and amortisation of $22 million, the Group recorded a net operating loss of $8 million. Net loss for the quarter was $2 million, after a tax credit of $5 million.

During the quarter, net cash generated from operating activities was $20 million which was impacted by delayed client payments linked to commercial discussions in relation to Covid-19 challenges and delays in Taiwan. Capital expenditure was $13 million and mainly related to planned dry dockings of the heavy transportation vessels. Net cash used in financing activities of $8 million included receipt of a $35 million short-term loan from the Group's ultimate parent undertaking, Subsea 7 S.A. Group, offset by repayment in full of the Seaway 7 ASA Revolving Credit Facility of $37 million and $5 million payment of lease liabilities. Cash and cash equivalents remained stable since 31 December 2021 and was $22 million by the end of the quarter.

In the first quarter, the Group recognised new awards of $33 million and escalations of approximately $60 million, resulting in a book-to-bill ratio of 0.4. The backlog at the end of March 2022 was $1.0 billion, of which $675 million is expected to be executed during the remainder of 2022.

Outlook

For the remainder of 2022 Seaway 7 benefits from a high level of visible activity afforded by its backlog. Ongoing tendering activity is significant for projects expected to be awarded to the industry in 2022, primarily for projects in UK, Europe and the US. This underpins our positive outlook for activity and earnings for Seaway 7 beyond the current backlog. To support this positive outlook we expect to have the core financing of the company in place by the end of the third quarter of 2022.

Seaway 7 remains well placed as a market leader in fixed offshore wind, with exposure across multiple segments in the value chain, and a unique geographic and client positioning. Market fundamentals for fixed offshore wind continue to strengthen and we expect demand for our services to be strong in the years to come. New assets under construction, a strengthening market and our ability to deliver large Integrated and EPCI projects for our customers will be key drivers for earnings growth going forward.

Special Note Regarding Forward-Looking Statements

Forward-Looking Statements: This announcement may contain 'forward-looking statements'. 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' section of the Group's Annual Report. Factors that may cause actual and future results and trends to differ materially from our forward-looking statements include (but are not limited to): (i) our ability to deliver fixed price projects in accordance with client expectations and within the parameters of our bids, and to avoid cost overruns; (ii) our ability to collect receivables, negotiate variation orders and collect the related revenue; (iii) our ability to recover costs on significant projects;(iv) unanticipated delays or cancellation of projects included in our backlog; (v) competition and price fluctuations in the markets and businesses in which we operate; (vi) the loss of, or deterioration in our relationship with, any significant clients; (vii) the outcome of legal proceedings or governmental inquiries; (viii) 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; (ix) the effects of a pandemic or epidemic or a natural disaster; (x) changes in, or our failure to comply with, applicable laws and regulations (including regulatory measures addressing climate change); (xi) operating hazards, including spills, environmental damage, personal or property damage and business interruptions caused by adverse weather; (xii) equipment or mechanical failures, which could increase costs, impair revenue and result in penalties for failure to meet project completion requirements; (xiii) the timely delivery of vessels on order and the timely completion of ship conversion programmes; (xiv) our ability to keep pace with technological changes and the impact of potential information technology, cyber security or data security breaches; and (xv) 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.

Webcast and conference call information:

Date: 28 April 2022

Time: 14:30 CET

Please join the webcast through https://channel.royalcast.com/hegnarmedia/#!/hegnarmedia/20220428_7

The webcast will also be available through Seaway 7 website https://www.seaway7.com/investors/results-reports-publications/

Conference call details

Participants dial-in numbers:	
Participant Passcode (for all countries):	447972
Norway:	+47 21956342
Sweden:	+46 406820620
UK:	+44 2037696819
USA:	+1 6467870157
International dial in:	+44 2037696819

Please join the call 5-10 minutes prior to scheduled start time.

For further information, please contact:

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First Quarter 2022

Revenue
Revenue for the first quarter was $267 million, an increase of $26 million or 11% compared to Q1 2021 and was driven by increased revenue on the Seagreen fixed offshore wind project, UK, and the addition of revenue related to offshore heavy transport services following the business combination between OHT ASA and the Subsea 7 S.A. Group's Renewables business unit on 1 October 2021.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $14 million and 5% respectively, compared to a negative Adjusted EBITDA of $7 million and Adjusted EBITDA margin of 3% in Q1 2021.

Net operating income
Net operating loss for the quarter was $8 million, compared to $20 million loss in Q1 2021.

The year-on-year improvement in net operating income was driven by:

- Seagreen operational progress on fabrication and offshore installation, higher vessel activity and positive contribution from the heavy transportation vessels.

Net income
Net loss was $2 million in the quarter, compared to a net loss of $27 million in Q1 2021.

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

- decrease in net operating losses of $12 million;
- decrease in tax cost of $10 million as a result of a tax credit in Q1 2022 compared with a tax charge in Q1 2021;
- favourable increase in other gains and losses of $2 million; and
- decrease in finance cost of $1 million.

Earnings per share
Diluted loss per share was $0.00 in Q1 2022 compared to a diluted loss per share of $0.09 in Q1 2021, calculated using a weighted average number of shares of 437 million and 314 million respectively.

Cash and cash equivalents
Cash and cash equivalents were $22 million at 31 March 2022. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- net cash generated from operating activities of $20 million, which included favourable movements of $5 million in net working capital;
- net cash used in investing activities of $13 million, as a result of purchases of property, plant and equipment of $13 million; and
- net cash used in financing activities of $8 million, which included receipt of a $35 million short-term loan from the Group's ultimate parent undertaking, Subsea 7 S.A. Group, offset by repayment in full of the Seaway 7 ASA Revolving Credit Facility of $37 million and $5 million payment of lease liabilities.

Borrowings and lease liabilities, net debt and liquidity
At 31 March 2022, the Group has access to funding from its ultimate parent undertaking, the Subsea 7 S.A. Group, by means of an unsecured working capital facility agreement of which $99 million was drawn at 31 March 2022. The external Revolving Credit Facility was repaid in full during the quarter.

At 31 March 2022, lease liabilities were $19 million, a decrease of $7 million compared with 31 December 2021.

Operational Highlights
Revenue was $267 million in Q1 2022 compared to $241 million in Q1 2021. The increase in revenue was mainly due to increased activity, particularly on the Seagreen fixed offshore wind project, the addition of revenue related to offshore heavy transport services and completion of the Kaskasi project. Net operating loss was $8 million in Q1 2022 compared to a $20 million loss in Q1 2021. The movement was driven by good operational progress on fabrication and offshore installation on the Seagreen project.

Vessel utilisation for the first quarter was 65% compared with 23% for Q1 2021. This is mainly driven by the business combination as Q1 2021 does not reflect the heavy transportation vessels.

At 31 March 2022 there were 13 vessels in the Group's fleet, comprising 11 active vessels and 2 vessels under construction.

Backlog

At 31 March 2022 backlog was $1.0 billion, compared to $1.2 billion at 31 December 2021. New awards totalling $33 million was recorded in the quarter and $60 million of escalations. Unfavourable foreign exchange movements of approximately $18 million were recognised during the quarter.

$675 million of the backlog is expected to be executed in 2022 and $371 million in 2023 and thereafter.

Seaway 7 ASA
Condensed Consolidated Income Statement

(in $ millions)	Three Months Ended 31 Mar 2022 Unaudited	 31 Mar 2021 Unaudited
Revenue	**267.1**	241.4
Operating expenses	**(265.2)**	(255.2)
Gross profit/(loss)	**1.9**	(13.8)
Administrative expenses	**(9.5)**	(6.2)
Net operating loss	**(7.6)**	(20.0)
Other gains and losses	**0.9**	(1.2)
Finance costs	**(0.3)**	(1.5)
Loss before taxes	**(7.0)**	(22.7)
Taxation	**5.4**	(4.1)
Net loss	**(1.6)**	(26.8)

Earnings per share	$ per share	$ per share
Basic	**(0.00)**	(0.09)
Diluted[(a)]	**(0.00)**	(0.09)

(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.

Seaway 7 ASA
Condensed Consolidated Statement of Comprehensive Income

(in $ millions)	Three Months Ended 31 Mar 2022 Unaudited	 31 Mar 2021 Unaudited
Net loss	**(1.6)**	(26.8)
Items that may be reclassified to the income statement in subsequent periods:		
Net foreign currency translation losses	**(1.3)**	(1.0)
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	**(1.3)**	0.2
Total comprehensive loss	**(2.9)**	(26.6)

Seaway 7 ASA

Condensed Consolidated Balance Sheet

	31 Mar 2022 Unaudited	31 Dec 2021 Audited
Assets		
Non-current assets		
Goodwill	**70.0**	70.0
Property, plant and equipment	**926.5**	929.6
Right-of-use assets	**17.7**	24.9
Derivative financial instruments	**0.3**	–
Deferred tax assets	**0.6**	0.6
	1,015.1	1,025.1
Current assets		
Inventories	**6.4**	5.9
Trade and other receivables	**80.8**	114.8
Derivative financial instruments	**6.8**	2.3
Construction contracts – assets	**201.0**	177.4
Other accrued income and prepaid expenses	**9.1**	3.9
Restricted cash	**–**	1.3
Cash and cash equivalents	**22.0**	22.0
	326.1	327.6
Total assets	**1,341.2**	1,352.7
Equity		
Issued share capital	**4.9**	4.9
Paid in surplus	**753.9**	753.9
Translation reserve	**(9.9)**	(8.6)
Other reserves	**53.9**	53.9
Retained earnings	**58.6**	60.2
Total equity	**861.4**	864.3
Liabilities		
Non-current liabilities		
Lease liabilities	**3.1**	6.0
Deferred tax liabilities	**1.3**	1.3
Provisions	**21.9**	21.9
Derivative financial instruments	**0.2**	0.7
	26.5	29.9
Current liabilities		
Trade and other liabilities	**280.4**	275.5
Derivative financial instruments	**0.4**	1.0
Tax liabilities	**–**	4.6
Borrowings	**98.9**	101.2
Lease liabilities	**16.0**	20.4
Provisions	**14.9**	14.2
Construction contracts – liabilities	**42.7**	41.6
	453.3	458.5
Total liabilities	**479.8**	488.4
Total equity and liabilities	**1,341.2**	1,352.7

Seaway 7 ASA

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2022

(in $ millions)	Issued share capital	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2022	**4.9**	**753.9**	**(8.6)**	**53.9**	**60.2**	**864.3**
Comprehensive loss						
Net loss	–	–	–	–	(1.6)	(1.6)
Net foreign currency translation losses	–	–	(1.3)	–		(1.3)
Total comprehensive loss	**–**	**–**	**(1.3)**	**–**	**(1.6)**	**(2.9)**
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2022	**4.9**	**753.9**	**(9.9)**	**53.9**	**58.6**	**861.4**

Seaway 7 ASA

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2021

(in $ millions)	Issued share capital	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2021	**1.3**	**58.5**	**(8.6)**	**405.4**	**121.5**	**578.1**
Comprehensive loss						
Net loss	–	–	–	–	(26.8)	(26.8)
Net foreign currency translation losses	–	–	(1.0)	–	–	(1.0)
Fair value adjustment of other financial assets	–	–	–	1.2	–	1.2
Total comprehensive loss	**–**	**–**	**(1.0)**	**1.2**	**(26.8)**	**(26.6)**
Transactions with owners						
Transfer on disposal of other financial assets	–	–	–	(1.2)	1.2	–
Total transactions with owners	**–**	**–**	**–**	**(1.2)**	**1.2**	**–**
Balance at 31 March 2021	**1.3**	**58.5**	**(9.6)**	**405.4**	**96.9**	**551.5**

Seaway 7 ASA
Condensed Consolidated Cash Flow Statement

(in $ millions)	Three Months Ended 31 Mar 2022 Unaudited	 31 Mar 2021 Unaudited
Operating activities		
Loss before taxes	**(7.0)**	(22.7)
Adjustments for non-cash items:		
Depreciation and amortisation charges	**21.9**	13.2
Adjustments for investing and financing items:		
Gain on maturity of lease liabilities	**(0.2)**	–
Finance costs	**0.3**	1.5
	15.0	(8.0)
Changes in working capital:		
Increase in inventories	**(0.5)**	(0.2)
Decrease/(increase) in trade and other receivables	**26.1**	(6.1)
(Increase)/decrease in construction contract – assets	**(27.2)**	3.9
(Increase)/decrease in other working capital assets	**(10.3)**	3.8
Increase in trade and other liabilities	**15.7**	29.6
Decrease in construction contract – liabilities	**(2.5)**	(22.8)
Increase in other working capital liabilities	**3.3**	5.1
Net decrease in working capital	**4.6**	13.3
Income taxes paid	**–**	–
Net cash generated from operating activities	**19.6**	5.3
Cash flows used in investing activities		
Purchases of property, plant and equipment	**(13.1)**	(3.5)
Proceeds from sale of other financial assets	**–**	2.8
Net cash used in investing activities	**(13.1)**	(0.7)
Cash flows used in financing activities		
Interest paid	**(0.3)**	(1.0)
Repayment of external borrowings	**(37.0)**	–
Payments related to lease liabilities	**(5.2)**	(1.8)
Proceeds from borrowings from related party	**34.7**	–
Net cash used in financing activities	**(7.8)**	(2.8)
Net (decrease)/increase in cash and cash equivalents	**(1.3)**	1.8
Cash and cash equivalents at beginning of year	**22.0**	7.7
Decrease in restricted cash	**1.3**	–
Cash and cash equivalents at end of period	**22.0**	9.5

Notes to the Condensed Consolidated Financial Statements

1. General information

Seaway 7 ASA is a company registered in Norway whose shares trade on the Oslo Stock Exchanges' marketplace, Euronext Growth (Merkur Market). The address of the registered office is Haakon VIIs Gate 1, 11th Floor Oslo, 0161 Norway. On 1 October 2021 OHT ASA changed its name to Seaway 7 ASA. The Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors on 28 April 2022.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2022 to 31 March 2022 for Seaway 7 ASA 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 are unaudited.

Agreement to combine the Subsea 7 S.A. Group's Renewables business unit with OHT ASA

On 8 July 2021 Seaway 7 ASA (formerly named OHT ASA), announced it had entered into an agreement to combine with the Subsea 7 S.A. Group's Renewables business unit (consisting of the Subsea 7 S.A. Group's fixed offshore wind business), the transaction was completed on 1 October 2021. The business combination met the criteria to be treated as a reverse acquisition with the deemed accounting acquirer being the Subsea 7 S.A. Group's Renewables business unit. The transaction resulted in the recognition of goodwill of $70.0 million in Seaway 7 ASA's Consolidated Balance Sheet at the date of the transaction.

Preparation of financial statements

The Consolidated Financial Statements of the Group are issued in the name of the legal parent, Seaway 7 ASA (formally OHT ASA). Results for the period from 1 January 2022 to 31 March 2022 represent those of Seaway 7 ASA and its subsidiaries. The Consolidated Financial Statements of Seaway 7 ASA are a continuation of the financial statements of the Subsea 7 S.A. Group's Renewables business unit with share capital retrospectively adjusted to reflect the share capital of the former OHT ASA Group, as legal acquirer.

Consolidated Financial Statements had not previously been prepared for the Subsea 7 S.A. Group's Renewables business unit, and as a result management prepared comparative Consolidated Financial Statements for Seaway 7 ASA on the following basis:

- For the nine-month period ended 30 September 2021 ('the carve-out period'), financial information represents the results and financial position of the Subsea 7 S.A. Group's Renewables business unit;
- For the three-month period ended 31 December 2021 financial information represents the Consolidated Financial Statements of Seaway 7 ASA and its subsidiaries.

The preparation of the comparative carve-out financial information required significant management judgements as described in the 2021 Annual Report of Seaway 7 ASA.

Covid-19 pandemic

As the global economy remains impacted by the unprecedented global health and economic crisis following the outbreak of the Covid-19 pandemic, management continued during the first quarter of 2022 to monitor the operational and financial impacts to the Group. Despite the uncertainty regarding the potential impacts of the Covid-19 pandemic 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.

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. 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 and impairment assessment
- 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. Depending on project execution this 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 has one reportable segment. The chief operating decision maker (CODM) reviews internal financial information for the Group as a single economic environment, operating predominately in the offshore renewables sector. Factors such as geographical areas or regulatory environments are not used by the CODM for determining resource allocation or for assessing performance.

The disaggregation of the Group's revenue from contracts with customers, all recognised over time, represents $267.1 million fixed-price (2021: $241.3 million) and $nil day-rate (2021: $0.1 million).

7. Earnings per share

Basic and diluted earnings per share

Basic and diluted earnings per share has been calculated by dividing the net loss attributable to shareholders of the parent company, by the weighted average number of shares in issuance.

As a result of the business combination between Subsea 7 S.A. Group's Renewables business unit and OHT ASA qualifying as a reverse acquisition, the weighted average number of shares used in the calculation for the three-month period ended 31 March 2021 is based on 314,325,054 shares.

Diluted earnings per share assumes conversion of all potentially dilutive common shares.

The net income/(loss) and share data used in the calculation of basic and diluted earnings/(loss) per share were as follows:

	Three months ended	
For the period (in $ millions)	**31 Mar 2022 Unaudited**	31 Mar 2021 Unaudited
Earnings used in the calculation of diluted loss per share	**(1.6)**	(26.8)
Weighted average number of common shares used in the calculation of basic and diluted loss per share	**436,562,575**	314,325,054

	Three months ended	
For the period (in $ per share)	**31 Mar 2022 Unaudited**	31 Mar 2021 Unaudited
Basic loss per share	**(0.00)**	(0.09)
Diluted loss per share	**(0.00)**	(0.09)

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

	Three months ended	
For the period (number of shares)	**31 Mar 2022 Unaudited**	31 Mar 2021 Unaudited
Performance shares	**1,018,935**	–

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, finance income, other gains and losses (including foreign exchange gains and losses, gains on disposal of subsidiaries and gains on distributions), 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.

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 Group. These non-IFRS measures provide management with a meaningful comparative, as they eliminate the effects of financing, depreciation, amortisation, 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 Seaway 7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Seaway 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.

Notes to the Condensed Consolidated Financial Statements

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

For the period (in $ millions)	Three months ended 31 Mar 2022 Unaudited	Three months ended 31 Mar 2021 Unaudited
Net operating loss	**(7.6)**	(20.0)
Depreciation, amortisation and mobilisation	**21.9**	13.2
Adjusted EBITDA	**14.3**	(6.8)
Revenue	**267.1**	241.4
Adjusted EBITDA margin	**5.4%**	(2.8%)

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

For the period (in $ millions)	Three months ended 31 Mar 2022 Unaudited	Three months ended 31 Mar 2021 Unaudited
Net loss	**(1.6)**	(26.8)
Depreciation, amortisation and mobilisation	**21.9**	13.2
Other gains and losses	**(0.9)**	1.2
Finance costs	**0.3**	1.5
Taxation	**(5.4)**	4.1
Adjusted EBITDA	**14.3**	(6.8)
Revenue	**267.1**	241.4
Adjusted EBITDA margin	**5.4%**	(2.8%)

9. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	Three months ended 31 Mar 2022 Unaudited	Three months ended 31 Mar 2021 Unaudited
At year beginning and period end	**70.0**	–

10. Commitments and contingent liabilities

Commitments

At 31 March 2022, the Group had contractual commitments totalling $364.3 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.

In the ordinary course of business, various claims, legal actions and complaints have been filed against the Group in addition to those specifically referred to above. The Group typically also provides contractual warranties for the repair of defects which are identified during a contract and within a defined period thereafter. Liability exposure levels are monitored by management and risk transfer mechanisms arranged where deemed appropriate. Although the final resolution of any of these matters could have a material effect on its operating results for a particular reporting period, management believes that it is not probable that these matters would materially impact the Group's Consolidated Financial Statements.

11. 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

The fair value of borrowings 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 2022 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 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 31 Mar Level 1**	**2022 31 Mar Level 2**	**2022 31 Mar Level 3**	2021 31 Dec Level 1	2021 31 Dec Level 2	2021 31 Dec Level 3
Recurring fair value measurements						
Financial assets measured at fair value through profit or loss:						
Derivative financial instruments	**–**	**7.1**	**–**	–	2.3	–
Financial liabilities measured at fair value through profit or loss:						
Derivative financial instruments	**–**	**(0.6)**	**–**	–	(1.7)	–

During the period ended 31 March 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.

12. Post balance sheet events

The Annual General Meeting of Shareholders of Seaway 7 ASA took place on 8 April 2022. All resolutions proposed by the Board of Directors were approved by the shareholders. No dividend was declared.