subsea 7

Subsea 7 S.A. Annual Report 2019

subsea 7

2019 Financial Performance

Revenue
$3,657m
(2018: $4,074m)

Adjusted EBITDA
$631m
(2018: $669m)

Cash and cash equivalents
$398m
(2018: $765m)

Dividends and share repurchases
$304m
(2018: $297m)

Net income/(loss)
$(82)m
(2018: $165m)

Diluted earnings per share
$(0.27)
(2018: $0.56)

Backlog
$5,187m
(2018: $4,907m)

Order intake
$3,945m
(2018: $3,984m)

Get the latest investor information online
www.subsea7.com

Vision

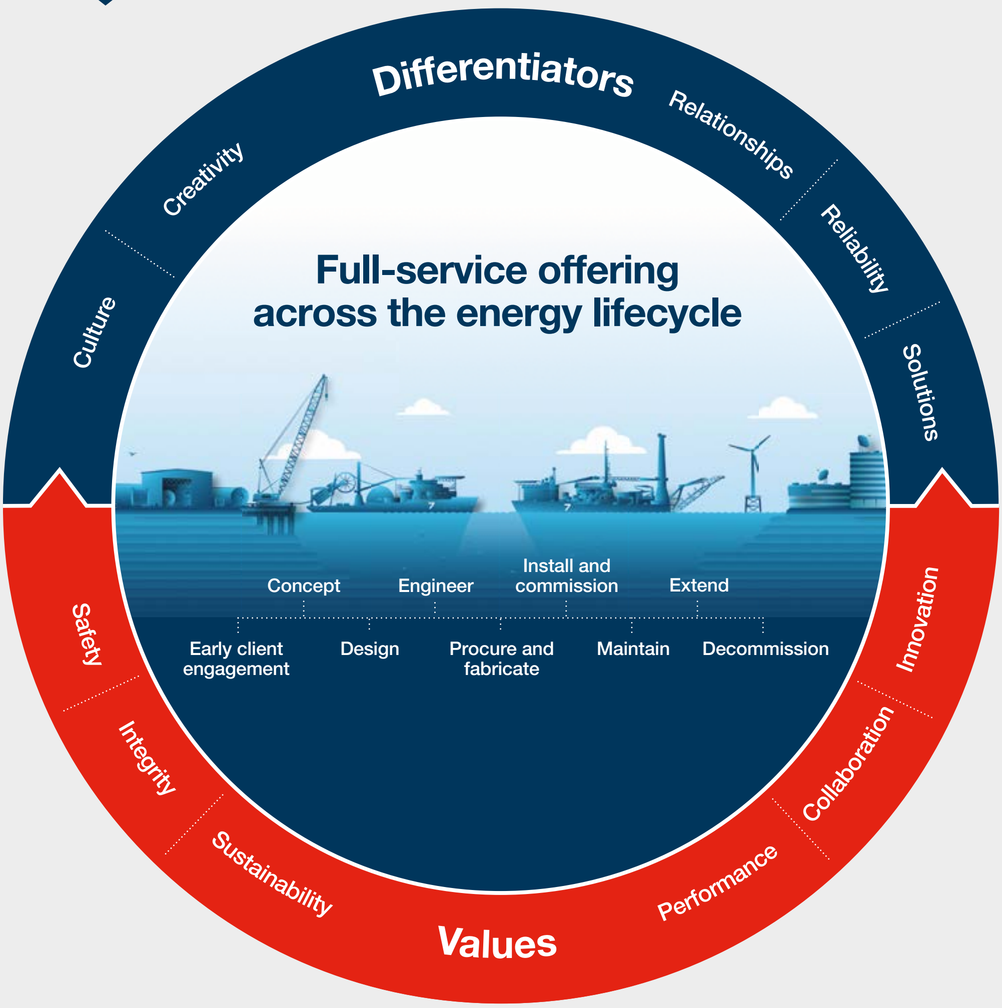
To **lead the way** in the **delivery** of **offshore projects** and **services** for the **energy industry**

Discover how we are executing our vision online. Visit www.subsea7.com

Strategy

In an **evolving energy** sector, we create **sustainable value** by being the industry's partner and **employer of choice** in delivering the **efficient** offshore solutions the **world needs**

Information on our strategic priorities and progress is on pages 12 to 17.



Learn more about what differentiates our business on page 5.

Understand how our Values help drive our performance on page 3.

Stakeholders

Delivering **sustainable value for our stakeholders**

See how we create better outcomes for our stakeholders on pages 6 and 7

Kristian Siem, Chairman

"We have a solid foundation of experience, expertise and Values. From this, we continue to develop and grow to meet the evolving needs of the offshore energy industry."

I would like to extend a special thanks to Jean Cahuzac, whose 11-year tenure at Subsea 7 included the merger of our legacy companies in 2011 followed by the most extended downturn our market has ever seen. Jean's leadership, drive and commitment have built a strong company founded on our Values and positioned us well to thrive into the future. He will remain on the Board as a Non-Executive Director. On behalf of the Board I would like to welcome John Evans to the position of CEO, effective 1 January 2020. John, previously Subsea 7's COO, has a passion and energy for delivery and results that will take us forward in achieving our strategy and vision. The succession of the CEO position and the reorganisation of senior management under John was planned for some time and is firmly in place.

To the shareholders of Subsea 7 S.A.

Subsea 7 performed satisfactorily in 2019 with solid financial results at operational level and good execution on projects in all three operational business units. The market environment continued gradually to improve and our strategy to engage early and offer innovative and integrated solutions to our clients affirmed our position as a leading partner for energy solutions worldwide.

Group revenue decreased 10% to $3.7 billion mostly due to reduced activities in the Renewables and Heavy Lifting business unit reflecting the timing of large project awards to the market. Oil and gas activity was broadly flat year-on-year. 2019 diluted earnings per share before the goodwill impairment was $0.05 compared to $0.56 in 2018 reflecting the lower levels of activity and low pricing on projects awarded in the downturn, partly offset by lower weighted average number of shares following the repurchase of 21 million shares for $250 million in the year.

Our priorities to invest in the business and keep an investment grade credit profile have resulted in a solid performance through the cycle and enabled us to adapt as the needs and expectations of our stakeholders have evolved. Our successful alliances, partnerships and technology, supported by our deeply embedded Values-led culture, have delivered market-leading solutions and created sustainable value, which position the Company well for the future.

Our vision for the future

Subsea 7's vision is to lead the way in the delivery of offshore projects and services for the energy industry, safely and efficiently. To achieve this, we are focusing on strategic priorities to develop our clients' Subsea Field of the Future and actively engage in energy transition by promoting lower carbon solutions and renewable energy sources.

The Group's Subsea Field of the Future ambition combines our full field lifecycle solutions and services and is enabled by our commitment to technology, engineering and relationships.

Clients are increasingly recognising the benefits of early engagement and 70% of our awards or tenders in the year included these services. We have strategically invested in our early engagement services with the acquisitions of Xodus Group and Green Light Environment and we have developed industry-leading partnerships and alliances. The integrated solutions designed and delivered by Subsea Integration Alliance, our SPS-SURF alliance with OneSubsea, a Schlumberger company, are often preferred by clients, particularly for greenfield developments where technology and early-stage engineering can optimise savings.

To be a leading partner for our clients we must have the right systems and processes that allow them to execute their development plans cost-effectively. Our technology and product development are enabling longer tie-backs and more efficient solutions with lower total expenditure over the life of the field. Our progress with digitalisation is unlocking additional efficiencies in the way we deliver our solutions and the acquisition of 4Subsea represents our first digital revenue stream.

We are committed to assisting our clients in all their offshore energy projects in oil, gas and renewable energy. Our adaptability and responsiveness have helped us to participate fully in society's drive towards lower carbon and renewable energy sources. To date, Subsea 7 has installed over 650 wind turbine foundations and nearly 1,500 kilometres of array cables on wind farm projects, and we look forward with confidence to the role we will play in generating sustainable energy solutions for society.

Living our Values

Subsea 7's six Values guide our behaviour and encapsulate the qualities our stakeholders expect of us. This year we undertook a materiality assessment to guide the development of our sustainability strategy and its results correlated closely to the Values we already embrace. To create long-term value for our stakeholders we must keep all our people safe, treat them fairly and with respect, mitigate our impact on the environment, deliver superior performance, work collaboratively and innovate smarter solutions. By living these Values we aim to be the employer and partner of choice in our industry.

Our solid financial foundation

Subsea 7 has an established framework for disciplined capital management based on three priorities: investing in the business to grow and strengthen our services, maintaining an investment grade credit profile and returning cash to shareholders.

In 2019 we invested organically and by acquisition to grow our technology and early engineering capabilities, and enhanced our fleet. Our new-build reel-lay vessel will be operational in 2020 working on complex long-distance rigid pipelay projects, initially in the US Gulf of Mexico.

During the year we returned $304 million to shareholders by means of a NOK 1.50 per share special dividend and the repurchase of 21 million shares at a cost of $250 million. We announced a new $200 million share repurchase programme in June, which can be executed at our discretion until June 2021.

At 31 December 2019 the Group had cash and cash equivalents of $398 million and net debt, including $345 million of lease liabilities, of $181 million.

My thanks

Our performance is the result of the experience, expertise and efforts of our people and our business partners and I would like to thank them all for their hard work and achievements. I also thank our clients and shareholders for their confidence and support as we strive to achieve our vision and create sustainable value through our strategy of delivering the efficient offshore solutions the world needs.

Kristian Siem
Chairman

Our Values

Safety
Our goal is an incident-free workplace. We work every day, everywhere to make sure all our people are safe.

Integrity
We apply the highest ethical standards in everything we do. We treat clients, our people, partners and suppliers fairly and with respect.

Sustainability
We take a proactive approach towards our social responsibilities, mitigate the impact of our activities on our planet's environment and respond to the effects of climate change.

Performance
We are driven to achieve the outcomes our clients want. We are trusted to achieve superior performance in every project.

Collaboration
We work closely and openly together with clients, partners and suppliers at a local and global level to deliver safer and stronger results for all.

Innovation
We create smarter and simpler solutions to meet the industry's needs. We combine technology, expertise, assets and partnerships to deliver projects in new ways.

John Evans, Chief Executive Officer

"Our track record of engineering creative solutions, delivered reliably, safely and collaboratively, positions us well for the increase in activity as our end markets recover and grow."

I am pleased to have been selected to lead Subsea 7 as its new CEO, following the retirement of Jean Cahuzac at the end of 2019. Succession planning is an important component of corporate development and we have been preparing for this change for some time. To support me in my new role we have strengthened the Executive Management Team (EMT) and I have full confidence that Subsea 7 will continue to lead the way in the delivery of offshore projects and services for the energy industry.

Our 2019 performance

In 2019 Subsea 7 reported revenue of $3.7 billion and Adjusted EBITDA of $631 million. This solid performance was achieved in a market that is gradually recovering from the longest downturn our industry has experienced and reflects our adaptable commercial approach and dedication to achieving the most cost-effective solutions for our clients.

During the year we delivered 27 projects and services offshore in 11 countries. Our global presence and long-standing experience in oil, gas and renewable energy projects provide us with a solid foundation for recovery. Significant operational achievements in 2019 included the successful completion of the final offshore campaign for the West Nile Delta project, offshore Egypt and the fabrication and certification of our Electrically Heat Traced Flowline technology in readiness for installation on the Ærfugl and Manuel projects in 2020.

We booked $3.9 billion of new awards and escalations in 2019 and undertook 121 early engagement engineering studies. By working with our clients from the initial stages of planning and design we help them achieve better, more effective solutions with a reduced environmental impact. In particular, the last year has been successful for Subsea Integration Alliance, which won a number of large greenfield projects supported by superior early engagement and engineering. The Sangomar project, offshore Senegal, and the Scarborough project offshore Australia were awarded to Subsea Integration Alliance as front-end engineering and design contracts on a sole supplier basis. Sangomar has progressed to a full engineering, procurement, installation and commissioning (EPIC) contract, and Scarborough should follow when the client reaches its final investment decision. Being involved right from the start of the project allows Subsea Integration Alliance to optimise the design and minimise the total investment cost for the life of the field. This contractual model is becoming more prevalent in both integrated and standalone SURF projects.

Our Renewables and Heavy Lifting business has experienced a difficult year with low activity levels and competitive pricing conditions. Despite this we have been commercially successful in winning a number of cable-lay contracts and have established a solid market presence in the fast growing Taiwanese offshore wind farm market.

Delivering our strategic vision

Subsea 7 is differentiated by its collaborative working relationships and creative solutions. We are taking this to the next level with our ambition for the Subsea Field of the Future, which aims to improve the solutions we provide and the way we deliver them. We will achieve this by prioritising the areas where we have the most to gain from investment and development, such as technology, integration, early engagement and digitalisation.

We have embraced the integration of SPS and SURF solutions through our partnership with Aker BP and our alliance with OneSubsea, Subsea Integration Alliance. Approximately half of the greenfield projects being tendered in the market in 2019 were on an integrated basis and our strategic focus on this contracting structure has firmly positioned us as one of only two fully integrated suppliers with worldwide presence.

We have invested throughout the downturn to affirm Subsea 7's leading position as preferred supplier to our clients and preferred employer for our people. The market is increasingly differentiated by technology and engineering capability and the quality of the solutions we can provide. We have strengthened our technical expertise through the downturn, with the acquisition of businesses that enhance our technology, engineering and environmental capability. We have also renewed and enhanced our vessels. Our new build reel-lay vessel, *Seven Vega,* is due to commence work in the first half of 2020. In the medium term, we anticipate lower levels of investment in the fleet, which is already the youngest and most capable in our industry.

Another key initiative that is gaining pace, is our programme to increase the use of digital solutions. Our digitalisation programme is focused both on the efficiency of our own deliverables and opportunities for revenue enhancement, enabling reduction of cost and creating potential for improved margins when projects are executed. Looking ahead, we will build on this solid start to capture strategic opportunities across the energy field lifecycle.

We continue to look at ways to increase our efficiency and to lower our environmental impact. This is one of the priorities for our sustainability strategy, which is discussed in more detail in our 2019 Sustainability Report. The upgrade of our life of field vessel, *Seven Viking*, to hybrid power has been successful, delivering savings in fuel and emissions of 19%. We have reached milestones in our in-house technology programmes with the launch of our first onshore control centres for ROV services that, in the future, are expected to reduce costs and vessel intensity for inspection maintenance and repair services.

Global energy demand continues to grow and society is looking for cleaner and more sustainable sources of energy to meet its needs. Subsea 7 is a focused offshore energy services provider and we believe we have a key role to play in facilitating the transition towards a lower carbon and renewable energy supply.

Continued gradual recovery

Looking ahead, we expect the gradual recovery of the oil and gas markets to continue in the coming years, as signalled by the growing number and size of new projects being tendered and awarded to market. We also anticipate a steady improvement in the commercial environment for offshore wind farm projects as the increased number of new developments starts to utilise the capacity in the foundation installation market. We have provided guidance to the market that our revenue and profitability is expected to improve from the low point reported for 2019. However, while we are executing projects won at lower prices during the downturn our percentage margin is expected to remain below mid-cycle levels.

John Evans
Chief Executive Officer

Our differentiators

We add value to our clients' businesses as we support them with cost-effective solutions enabled by technology

Culture

Global team with expertise, passion and commitment to deliver.

Our Values are strongly embedded and underpin the behaviours and ways of working of our teams. Our people take great pride in living our Values and applying them consistently across our global operations.

Creativity

Ability to innovate through technology, processes and partnerships.

We embrace new challenges, and apply our expertise and experience to generate technical, commercial and operational solutions, which benefit all our stakeholders.

Relationships

Working and learning together to achieve success for all.

We have built long-standing client and supplier relationships through consistent high-quality delivery, transparency and adaptability. We respond to what our clients need to support them in creating long-term value.

Reliability

Trusted partner in delivering projects.

We are proud of the execution track record that keeps our clients coming back, with over 1,000 projects successfully executed in all water depths worldwide. Our reliability is enhanced by our secure financial profile and liquidity position.

Solutions

Client-focused mindset to create the right solution.

Our clients rely on us to develop fit for purpose solutions that reliably meet project requirements. We deliver these solutions whether for complex programmes or for small, standardised projects or services.

Full service across the field lifecycle

Subsea 7 provides project management, engineering and construction expertise across the full field lifecycle. These services are delivered within three operational business units: SURF and Conventional, Life of Field, and Renewables and Heavy Lifting.

CONCEPT	DESIGN	ENGINEER	PROCURE AND FABRICATE

CONCEPT	DESIGN	ENGINEER	PROCURE AND FABRICATE
Input at concept allows for optimisation of later cycle stages.	**Robust FEED ensuring minimal change and accurate forecasting during design.**	**Detailed engineering by experienced personnel to deliver the best solution.**	**Efficient procurement and high quality fabrication delivered on time.**
What we do			
Being involved at the earliest stage of the field development enables us to deliver maximum value. The concept stage is key to lowering costs in the later lifecycle stages	We deliver Front End Engineering Design (FEED) for our clients. These services are essential in selecting the right solution to fully optimise the development.	Engineering is at the core of what we do. Detailed engineering involves taking the initial solutions developed in the concept and FEED stage and refining these for field execution.	Our teams are able to execute the largest EPIC projects in the market, in all our business units and in all geographies. Our ability to procure and fabricate effectively on a large scale differentiates us.
How we add value			
We incorporate new technologies, fit for purpose solutions and standardisation into the concept design to lower the total cost of development.	We work with our alliance and client partners to optimise solutions, align schedules and accurately forecast full lifecycle costs.	Our global teams of experts have a track record for designing the best solutions and executing them. This stems from our ability to solve problems and engineer solutions.	We have a clear understanding of the risks and opportunities that exist when working with a large supply chain network.

Creating better outcomes for our stakeholders

Our clients

Our collaborative way of working helps us to develop the best solutions for our clients' needs. We are able to lower our clients' costs by utilising our technology, our assets and efficient work processes. Our culture ensures good performance without compromising safety.

125

clients worked with Subsea 7 in 2019

Our shareholders

We seek to create long-term value for our shareholders in all that we do. We have the right solutions to maintain a market-leading position. We have a disciplined approach to capital allocation and a commitment to good governance.

265

meetings between Subsea 7 and investors in 2019

INSTALL AND COMMISSION	MAINTAIN	EXTEND	DECOMMISSION
Safe, on-schedule and cost-efficient installations by world class vessels.	**Effective and responsive maintenance reducing cost of ownership.**	**Maximise return on investment by utilising new technologies to extend the life of the field development.**	**Facilitate abandonment, decommissioning and re-use of infrastructure.**
We install and commission subsea energy developments in all water depths across all energy hubs.	We specialise in maintaining offshore field developments though our services and expertise delivered through our Life of Field business unit.	We invest in technology that enables our clients to extend the life of their assets through enhancement of current production or additional production.	We have the capacity to undertake large-scale infrastructure abandonments.
Our fleet of high specification vessels allows us to install market-leading solutions. Our onshore and offshore experts have the experience to deliver these solutions safely and efficiently.	We incorporate our maintenance knowledge services into the design of the field, lowering the total cost of ownership for our clients.	Our technology portfolio offers a range of solutions for all field extension needs; we collaborate with partners across the supply chain to deliver these solutions.	We can manage all aspects of decommissioning projects including: regulation, technology, environment, planning, execution and costs.

Our people

Our people are the foundation of our business. Our experts, onshore and offshore, can deliver solutions around the world, leading the industry in know-how and the ability to innovate. We invest in our people, giving them opportunities to learn and grow.

73

engineering graduates completed development schemes in 2019

Society

We engage with the societies we work in. Through local partnerships we create and develop local content opportunities, and contribute to the communities in which we work. With Integrity as a Value we have a zero tolerance attitude toward non-compliant business practices.

65

community assistance events delivered in 2019

Understanding our operating environment

Subsea 7 is a global leader in the offshore energy industry, delivering engineering and project management services and projects for oil and gas and offshore wind farm developments.

Oil and gas market overview

Weak economic growth in 2019 resulted in global oil demand growth of approximately 0.8 million barrels per day. The balance of supply and demand was sensitive to macroeconomic and geopolitical events and remained dependent on OPEC's self-imposed production constraints. During the year, the price of Brent oil was largely range-bound compared to prior years, trading between $60 and $70 per barrel for eight months of the year. In the first quarter the oil price steadily increased from a low point of $54 per barrel due to the implementation of OPEC's new Vienna Agreement. After peaking at $75 per barrel in April, concerns regarding the possible impact of US-China trade tensions and an unseasonal increase in US oil inventories resulted in a correction and the oil price reverted to its prior range. Global gas prices remained under pressure in 2019, as both liquefied natural gas (LNG) and piped gas supply continued to build in excess of demand growth. In Europe, this was exacerbated by unseasonably warm weather in the fourth quarter, curtailing winter demand and leading to high levels of gas in storage.

The demand for offshore oil and gas services continued to gradually recover throughout 2019, benefiting from increased investment in brownfield projects to compensate for the natural depletion of producing wells, as well as the sanctioning of some new greenfield developments.

Offshore oil award activity was driven by the increased sanctioning of greenfield deepwater projects offshore Brazil and West Africa as well as brownfield projects in the North Sea and the US Gulf of Mexico. Conventional shallow water developments also made good progress with strong growth in tenders and awards for projects offshore Saudi Arabia and an increase in activity in Nigeria.

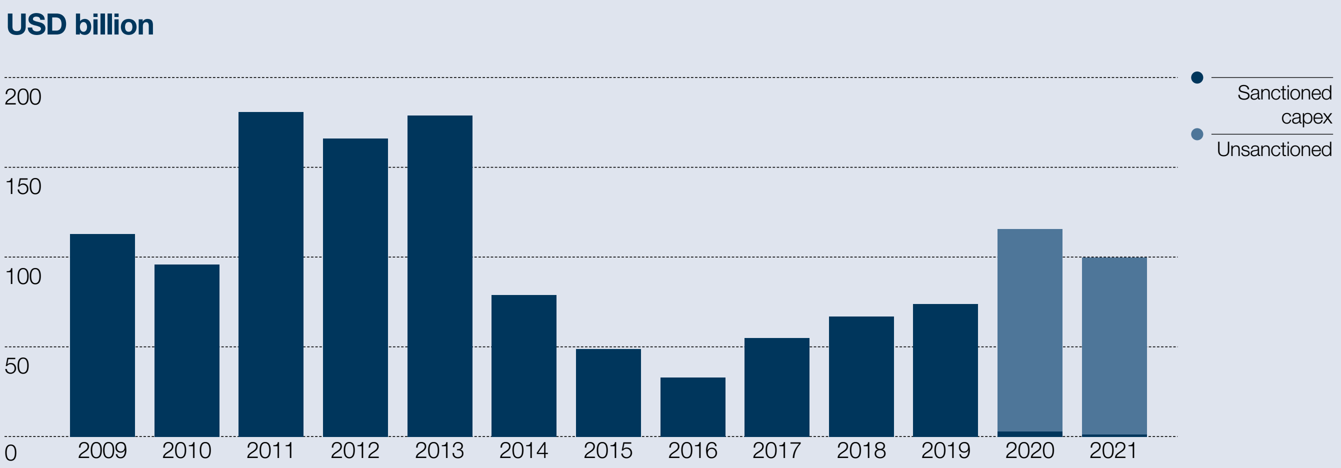
Offshore gas award activity was primarily related to incremental infrastructure for existing fields, particularly offshore Australia, as producing fields suffered depletion. Despite current market dynamics, industry estimates suggest that more greenfield projects will be needed to meet demand beyond 2023 and this continues to drive awards. New greenfield developments offshore East Africa, Qatar and Australia are being tendered and awarded.

The trend towards early engagement engineering and integrated contracts for Subsea Production Systems (SPS) and Subsea Umbilicals, Risers and Flowlines (SURF) meant that large new greenfield projects achieved the necessary cost and risk reduction for the International and National Oil Companies to proceed with development. Early engagement by integrated and standalone SURF contractors enables optimised field design and leading technology solutions for total field lifecycle expenditure, providing the operator with the best long-term economic outcome. Approximately half of the greenfield contracts in 2019 were awarded on an integrated basis, with projects now underway in all the major offshore basins and for a wide range of operators.

The market remains competitive for offshore oil and gas engineering, procurement, installation and commissioning (EPIC) projects, with three providers in the top tier, including Subsea 7. There has been a reduction in the supply of services with several smaller regional competitors exiting during the downturn and some consolidation, mostly in the form of alliances and partnerships. While 2019 remained a competitive year, large orders to the market helped contribute to improved pricing compared to the prior year.

At the peak of the market between 2011 and 2013, approximately $180 billion of greenfield capex was committed each year. This fell sharply to a low of only $33 billion in 2016. Since then, the market has gradually recovered, with $74 billion committed in 2019 and projected commitments of approximately $125 billion per year in 2020 and 2021. These projections include several large greenfield projects that are already in the concept or early engineering phases in locations such as Brazil, Africa, Guyana and Australia. If these projects progress as anticipated, they would mostly be executed offshore in 2022 and 2023. This is expected to result in a tightening of the supply in our sector that should allow pricing and margin improvements.

Offshore greenfield capex by commitment year and FID status



Source: Rystad Energy SeviceDemandCube.

The inspection, repair and maintenance (IRM) market showed signs of improvement in 2019, albeit still within a competitive environment, with more projects and long-term agreements signed in the year. The expectation is that as the oil and gas market recovers, the demand for life of field services will increase steadily. Technology is a key competitive differentiator in this market.

The decommissioning market has been affected by the development of new technologies that facilitate the extension of the life of mature fields, promoting long-distance tie-backs and re-utilisation of existing facilities. Nevertheless, the demand for decommissioning is set to increase, particularly in mature regions such as the North Sea and the US Gulf of Mexico.

Offshore wind market overview

The global demand for renewable energy continued to grow strongly in 2019, supported by increasing social and political pressure to limit greenhouse gas emissions. This trend has positively impacted the offshore wind farm market, with a growing number of countries increasing investment in the sector.

The offshore wind market has also benefited from the progression to larger turbines and bigger wind farm developments, both of which have contributed to a significant reduction in the levelised cost of electricity. More efficient wind farms have meant that lower government subsidies are required, and some developments in Europe have been sanctioned with no subsidies at all. The European market has the largest installed offshore wind farm capacity, but in 2019 the market in Asia accelerated with a number of projects underway offshore Taiwan. The US offshore wind market has begun to emerge but remains relatively small at the current time. Market projections estimate that the offshore wind market will increase five-fold by 2030 and by that time the installed capacity in Asia and the US will equal that of Europe.

As more countries look to develop offshore wind farms and as the shallow water areas for development are exhausted, the market is expected to move into deeper water and further offshore. Fixed wind turbine foundations are the most cost-effective solution in shallow water depths of up to approximately 65 metres. Beyond this depth a floating solution is required. Small floating wind farms have been trialled, but the economics are currently insufficient to enable a full size commercial floating wind farm to be developed. Unlocking this opportunity will accelerate the transition to renewable energy, particularly for countries with little or no suitable shallow water areas for development.

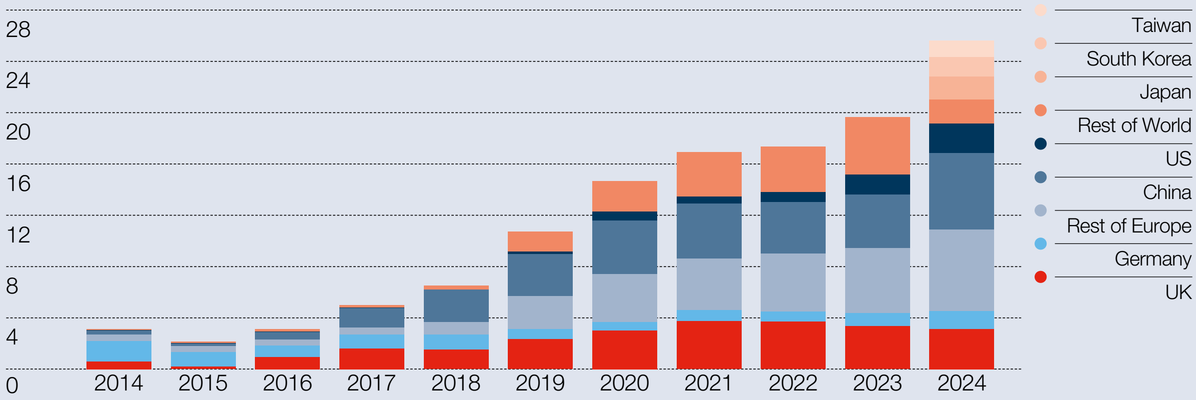
Over the past two years there has been a significant increase in competition in the wind turbine foundation installation market that is Subsea 7's primary focus. The entry of two major SURF contractors to a market that was already well supplied has resulted in lower pricing on new contracts. This oversupply is expected to be absorbed as the market grows but it may take a few years to rebalance.

Another focus area for Subsea 7 in the renewables market is the array cable-lay segment. It has not suffered from the same level of oversupply compared to the foundation installation market, translating into less competitive pressure and it has, therefore, benefited from the recent acceleration in offshore wind farm developments.

The transition to lower carbon or renewable energy sources is accelerating, but some energy sources are challenging to substitute. The storage and consistency of supply of wind and solar energy remain a challenge. The use of fossil fuel for transport, chemical and agriculture will take longer to evolve and market estimates predict oil and gas will continue to be dominant in the supply chain for the foreseeable future, with oil remaining relatively flat and gas continuing to grow.

Offshore renewables installation market by region

USD billion



Source: Rystad Energy research and analysis; 4C Offshore; US Department of Energy; Renewable UK; The Crown Estate; IRENA; EWEA; LORC.

Delivering optimum solutions to our clients

Subsea 7 provides project management, engineering and construction expertise across three operational business units.

SURF and Conventional

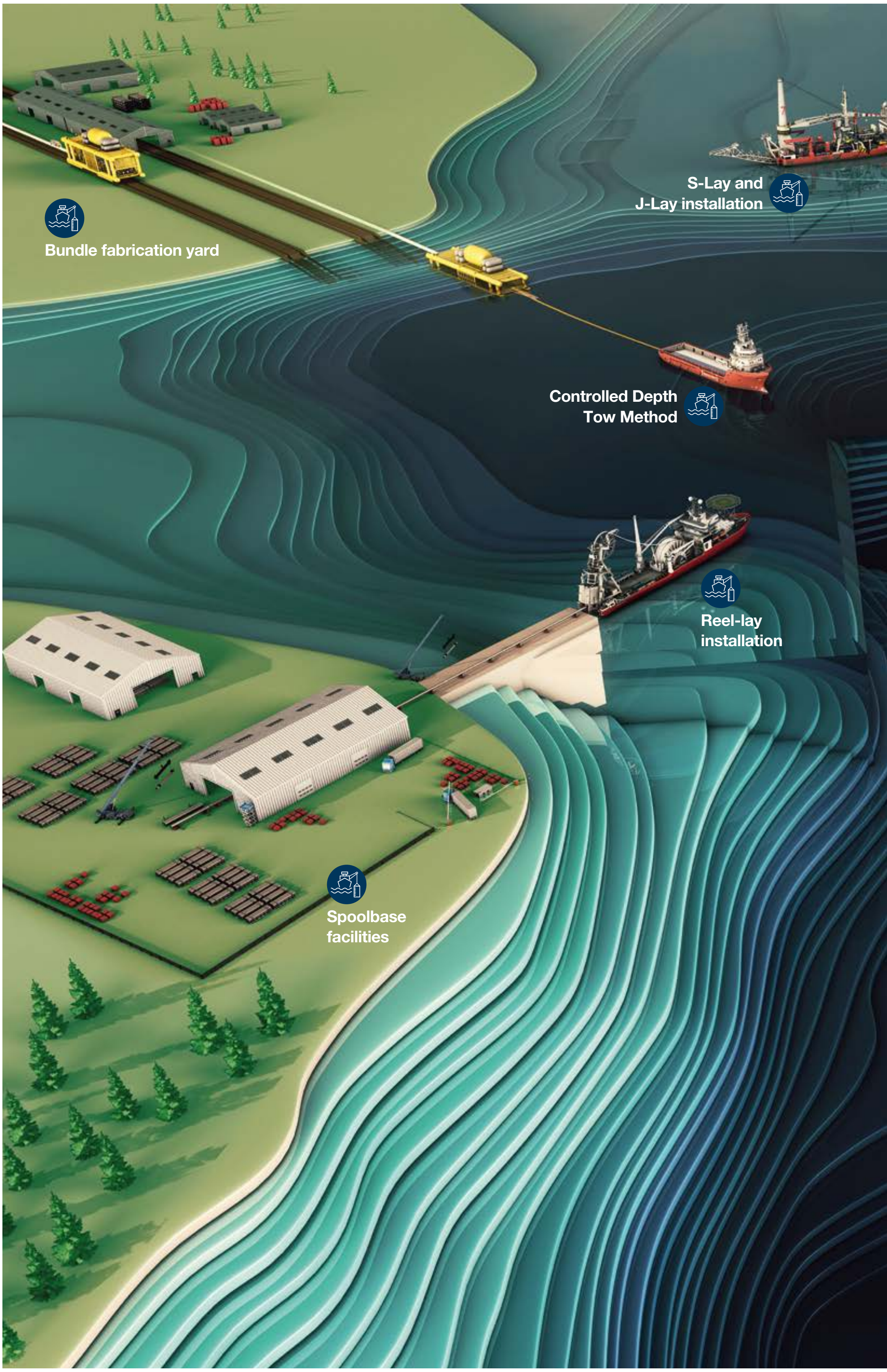
Subsea 7 is a global leader in offshore energy construction projects, operating in all water depths and conditions.

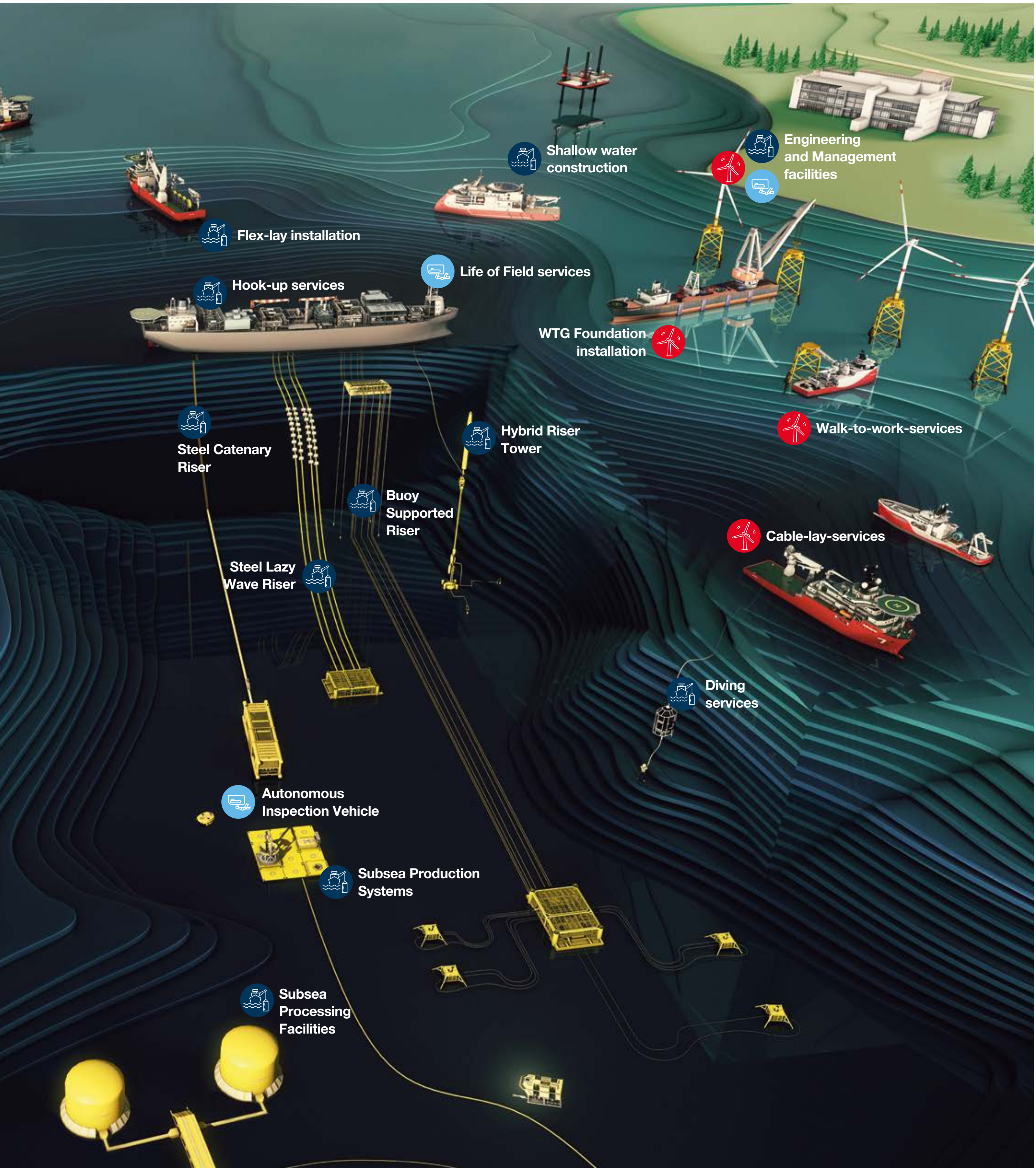
Life of Field

i-Tech 7 is a progressive and pioneering subsea life of field partner delivering inspection, repair and maintenance solutions to offshore energy developments.

Renewables and Heavy Lifting

Seaway 7 is a highly capable and experienced partner for the delivery of offshore wind farm projects, specialist foundations and cable-lay services.





Shallow water construction
Engineering and Management facilities
Flex-lay installation
Hook-up services
Life of Field services
WTG Foundation installation
Steel Catenary Riser
Hybrid Riser Tower
Walk-to-work-services
Buoy Supported Riser
Cable-lay-services
Steel Lazy Wave Riser
Diving services
Autonomous Inspection Vehicle
Subsea Production Systems
Subsea Processing Facilities

Our Vision for the future

Delivering our strategic priorities with an emphasis on people and a focus on profitability.

Subsea 7's Vision is to lead the way in the delivery of offshore projects and services for the energy industry. To achieve this we are concentrating on delivering the Subsea Field of the Future based on superior technical solutions delivered collaboratively in response to the needs of our clients. We are also preparing for the opportunities and risks related to the transition to lower carbon energy.

Subsea Field of the Future – delivering for our clients

Our ambition for the Subsea Field of the Future is based on four pillars:

Early engagement and partnership

Early engagement and partnership capabilities are key requirements for future competitive positioning in the market, and an opportunity for differentiation and delivery of improved profitability. By shaping project solutions to exploit differentiated proprietary products and technology and collaborative partnership agreements, Subsea 7 can deliver the best solutions with shared benefits.

Systems and products

Developing the best proprietary technology and seeking opportunities to standardise and modularise will differentiate Subsea 7's solutions and facilitate a shift toward a full field lifecycle cost approach thereby achieving the best long-term return on investment for our clients.

Integrated SPS-SURF solutions

Integrated SPS-SURF has become a critical element of greenfield oil and gas projects and latest market data suggest half of all greenfield contract awards in 2019 were on an integrated basis. The advantage of integration is better solutions for our clients and Subsea 7's Subsea Integration Alliance with OneSubsea cements our position in the top tier of the sector.

Digital delivery and services

The digital agenda extends across many areas of our project delivery and service offering, representing significant opportunity to increase the efficiency of our execution and develop new digital service offerings and solutions for our clients.

Energy transition to lower carbon solutions

Actively engaging in the transition to lower carbon energy enables us to more closely align with one of the key priorities of a significant, and likely increasing, portion of our client and shareholder base and be well positioned for longer-term opportunities.

Oil and gas markets

Through our early engagement and proprietary technology we are able to help our clients lower the carbon footprint of their oil and gas fields, reducing CO_2 emissions per unit of oil and gas produced. We are also seeking to lower our carbon footprint with initiatives to reduce fuel consumption and increase the efficiency of our operations.

Renewables

Subsea 7 has been providing services to the offshore wind farm market for over ten years and has developed a strong reputation for safe, reliable and cost-effective solutions. Our expertise in foundations and cable-lay services as well as project management, procurement and engineering have helped to lower the cost of wind farm developments.

Delivering our strategic Vision in 2019

In an evolving energy sector, we create sustainable value by being the industry's partner and employer of choice in delivering the efficient offshore solutions the world needs.

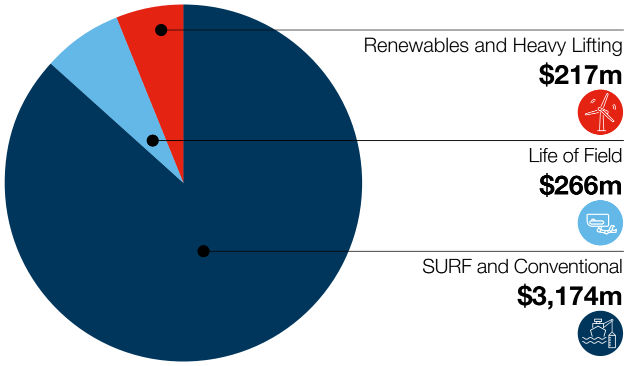
Subsea 7 has invested throughout the cycle in strategic opportunities, in order to accomplish its vision of leading the way in the delivery of offshore projects and services for the energy industry. Across our three operational business units we provide our clients with the best solutions at every stage of the lifecycle.

In 2019 our early engagement, integrated solutions and proprietary SURF technology helped to lower the cost of developments and secure greenfield project awards at the FEED and EPIC stages. In Renewables and Heavy Lifting, we developed our global expansion strategy by establishing our position in Taiwan and establishing a presence in the US. In Life of Field, our digitalisation programme progressed well with the launch of onshore control ROV centres in the UK and Norway.

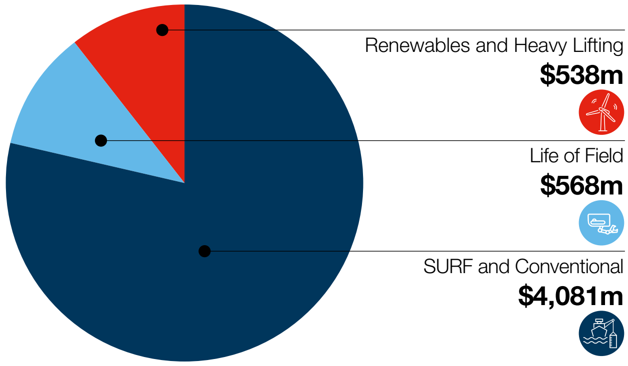
Delivering across our segments

Subsea 7 structures itself around its diversified strengths, operating across three operational business units: SURF and Conventional, Life of Field and Renewables and Heavy Lifting.

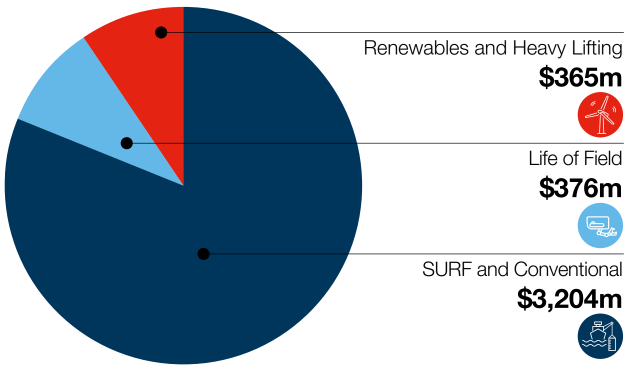
Group revenue
$3,657m (2018: $4,074m)



Backlog
$5,187m (2018: $4,907m)



Order intake
$3,945m (2018: $3,984m)



2019 strategic highlights

- Deepwater projects with lower breakeven oil and gas prices tendered and awarded in various geographies. $3.6 billion of new awards and escalations related to oil and gas developments in 2019.
- New, technology-enabled, brownfield developments with the first three projects to utilise EHTF technology now underway.
- Middle East presence consolidated with high volumes of tendering activity and over $900 million of new work awarded in the year.
- Confirmed as leading supplier of integrated solutions through Subsea Integration Alliance, with greenfield FEED and EPIC awards for projects in Africa, Brazil and Australia.
- Successful entry into the Asian wind farm market with two projects awarded offshore Taiwan.
- Targeted investment in early engagement and digitalisation with the acquisitions of Xodus and 4Subsea.

SURF and Conventional

Our SURF and Conventional business unit is a world leader in delivering complex offshore projects to the constantly evolving energy industry.

Subsea 7 offers full lifecycle solutions for Subsea Umbilicals, Risers and Flowlines (SURF) projects in all water depths and subsea environments. It also has a portfolio of conventional projects that includes fabrication, installation, extension and refurbishment of energy infrastructure in shallow water locations.

Our aim is to deliver the right solution to maximise our clients' returns, improving the field development economics. This is achieved through our extensive expertise in design, engineering, fabrication and installation of offshore projects. By engaging with our clients in the early stage of the field development process, this expertise is used to select the optimal solution to unlock the full economic potential of the field. Xodus, recently acquired by the Group, together with Subsea 7's Field Development Group, increase our strength in early engagement capabilities by providing leading expertise in Front End Engineering Design (FEED).

Early engagement reaches its full potential when combined with the integrated delivery model. Subsea Integration Alliance (SIA), an alliance between Subsea 7 and OneSubsea, offers fully integrated solutions that aggregate SURF services provided by Subsea 7 with Subsea Production Systems (SPS) offered by OneSubsea. SIA was established in 2015 and its goal is to provide total field lifecycle solutions from concept definition through the life of the field, by applying complementary technology and expertise.

We have seen a rapid increase in awards using the integrated model, with 57% of greenfield projects awarded to market in 2019 being integrated. Subsea 7, with Subsea Integration Alliance, is well positioned to take a healthy share of this market. With 12 projects awarded to date, SIA has been particularly successful in winning large greenfield projects that can benefit from our combined early engagement capabilities and technology portfolio. Mad Dog Phase 2, Sangomar, Julimar, Scarborough and, most recently Bacalhau, the first ever integrated project in Brazil, are all good examples of this success.

Technology is one of the key enablers in the gradually recovering oil and gas market and we have been at the forefront of this initiative by expanding the technological boundaries of subsea engineering to find new and more efficient ways to develop fields. This can be seen in our proprietary technology, the Electrically Heat Traced Flowline (EHTF), that was developed to improve the economics of marginal fields and enable long distance tie-backs which would not previously have been possible. EHTF technology has been instrumental in winning work such as the Ærfugl Phase 1 and Phase 2 projects for Aker BP in Norway and the Manuel project for BP in the US Gulf of Mexico. All three projects progressed well in 2019 with trials and qualification resulting in the commencement of onshore fabrication by the end of the year, in preparation for the first EHTF offshore campaign in 2020.

Another example of new technology applied in the SURF and Conventional business unit is LinerBridge®, the world's first all-polymer lining connector that increases the cost-effectiveness and lowers the complexity of polymer lining systems for water injection lines, enabling a step change in the mitigation of internal corrosion suffered by pipelines and risers. The connector is an alternative to conventional CRA connectors and creates a robust and fully integrated polymer barrier within the pipeline. This technology has been successfully installed on four projects in 2019, namely, Snorre for Equinor, Nova for Wintershall, Oda for Spirit Energy and Cook for Ithaca, and is planned to be used in more developments in the coming years.

In 2019 we completed the Giza-Fayoum and Raven project, the second phase of the West Nile Delta development executed for BP offshore Egypt. The project commenced in 2016 and included the EPCI of more than 270 km of rigid pipelines, 65 km of flexible lines and 148 km of umbilicals, delivered with the involvement of multiple Subsea 7 offices and using five world class vessels. West Nile Delta is responsible for more than 20% of the entire gas supply in Egypt and we are proud to have supported our client in this achievement,

SURF and Conventional strategy

Market opportunities

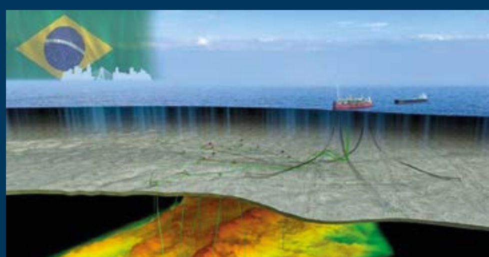
- Continue to build sustainable EPCI businesses in regions such as the Middle East, Brazil, Central America, and the new energy producing countries in Africa such as Senegal and Mozambique. Maintain our leading positions in Gulf of Mexico, North Sea and Australia.
- Utilise our early phase engineering expertise, delivered through our Field Development Group and SIA, and strengthened by the acquisition of Xodus and 4Subsea, to enable early engagement, optimisation of project life cycle costs and the ability to maximise stakeholders' returns.

Strategic objectives

- Use new technologies, standardisation and digitalisation to deliver cost improvements and maximise returns for clients and Subsea 7.
- Increase the market share of SIA.
- Successfully develop and deliver a portfolio of Electrically Heat Traced Flowline projects.

Success for SIA in Brazil

The Bacalhau award was a significant endorsement of SIA's strong position within the integrated market, a long-established presence in Brazil and a commitment to support Equinor's strategy of long-term growth in the region.



demonstrating Subsea 7's ability to adapt to a new market dynamic and entering in a new province to deliver a major, complex project.

In Brazil, Subsea 7 has four long-term day-rate contracts to provide Pipe Lay Support Vessels (PLSVs) to Petrobras. PLSV activity is included in our SURF and Conventional business unit and the contracts extend up to 2022. In 2020, Petrobras is expected to launch an invitation to tender for their renewal. In addition to the PLSVs, Brazil remains a promising region for Subsea 7. With the recent entrance of new major operators in the market, a number of large greenfield developments were awarded to market in 2019 and the expectation is that this momentum will continue in 2020.

Offshore Nigeria and the Middle East are our two main areas of focus for conventional work. In 2019 our presence in the Middle East was consolidated through a number of awards such as Marjan 2 for Saudi Aramco. In Nigeria, the offshore phase of the PUPP project was completed.

SURF and Conventional revenue

$3,174m

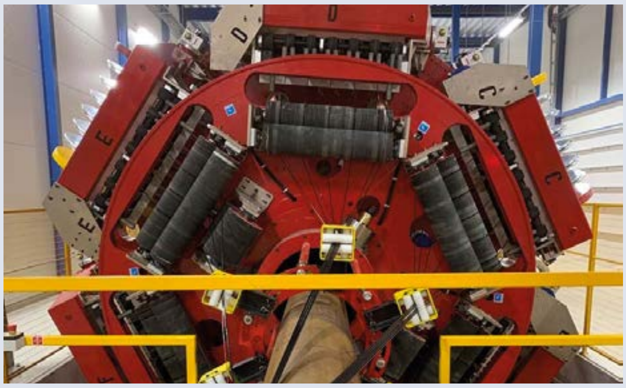
(2018: $3,164m)

2019 market share of greenfield integrated projects

50%

Number of active projects

59



Traditional approaches to flow assurance become inefficient or uneconomical for longer-distance tie-backs. To overcome this challenge and maximise production at the lowest possible cost, Subsea 7 has developed a market-leading solution: the Electrically Heat Traced Flowline (EHTF). Aimed at maintaining fluid temperature from reservoir to topside facilities, it removes flow assurance challenges related to hydrates and wax formation. EHTF technology represents a step change in both field economics and production optimisation. To date, we have embedded this technology in three projects. In 2019 we successfully completed spooling trials for Aker BP's Ærfugl Phase 1 Project in Norway and the Manuel project for BP in the US Gulf Mexico in preparation for offshore campaigns in 2020.

West Nile Delta Project in numbers

276km
of rigid pipe laid

65km
of flexible flowlines installed

148km
of umbilical flowlines installed

38km
of flying leads installed

Life of Field

Through i-Tech 7 we provide leading Life of Field solutions for the offshore energy industry.

Our Life of Field offering comprises inspection, repair and maintenance (IRM), integrity management, drill rig support, production enhancement and decommissioning support services. i-Tech 7 is a market-leading service provider that integrates expert engineering services with cutting edge technologies to enhance the performance and protect the integrity of offshore energy developments. With access to a portfolio of more than 3,500 tools, 91 ROVs and 5 chartered vessels combined with extensive in-house expertise, i-Tech 7 offers fully integrated solutions throughout the life of a field.

Life of Field activities have steadily increased in 2019 with the North Sea and Azerbaijan strategic focus areas for the Group in the IRM segment. IRM activities are key for our clients to predict production efficiency and reduce time-loss associated with unplanned maintenance. We support them in this challenge by providing state-of-the-art services aimed at maximising their investment return in the field.

Life of Field services are also an essential part of our fully integrated offering. By engaging early with our clients, new technologies that enhance monitoring and maintenance of the field, and consequently its reliability, can be incorporated into the concept designed for its development thereby optimising engineering and installation time. The ability to combine SURF, SPS and Life of Field services is a key differentiator in the current market environment and has enabled strategic wins such as the Bacalhau project, the first ever integrated project in Brazil.

Technology lies at the core of our business, and being able to extend our asset integrity management offering based upon the development of an enhanced digitalisation capability is a key strategic priority for i-Tech 7. Supporting this strategy, the acquisition of 4Subsea was completed in 2019. 4Subsea is an industry leader in subsea digital services, including advanced sensor technology supported by the application of algorithms and artificial intelligence. This acquisition complements previous initiatives in digitalisation, such as the partnership with Leidos, and aims to accelerate the Group's drive toward a more digital offshore world.

Following the market trend in Life of Field towards a reduction in vessel dependency for IRM activities, we opened three onshore control centres early in 2019, located in Aberdeen, Scotland and Stavanger, Norway. The intention is to use these operational centres to control ROVs remotely with significantly less requirement for offshore support. This initiative has the potential to reduce clients' expenditure in IRM which improves field economics and, at the same time, reduces their carbon footprint with fewer emissions coming from activities involving vessels.

In January 2019, the IRM vessel, *Seven Viking*, was successfully converted to a hybrid vessel as part of its long-term IRM contract with Equinor in Norway. The conversion, which involved the installation of a battery system and land-based power supply, delivers a range of benefits including 19% fuel savings and a consequent reduction in carbon emissions, improved dynamic positioning performance, shore power connections for energy supply while quayside and innovative features such as the ability to charge autonomous ROVs in the field.

Life of Field revenue

$266m

(2018: $245m)

Workclass ROVs owned

91

Chartered vessels

5

Life of Field strategy

Market opportunities

- Fully integrated projects across the full field lifecycle allowing optimisation of clients' operating expenditures through involvement in the concept design of the development.
- New technologies unlocking efficiencies in Life of Field services such as equipment electrification and digitalisation.
- Expansion in key energy hubs such as South East Asia, Australia and the Caspian Sea.
- Increase in operating expenditure by clients to minimise unplanned downtime on existing subsea infrastructure.

Strategic objectives

- Continue to invest in enhancing our ROVs through electrification technologies, making them faster, more efficient and more environmentally friendly.
- Drive our digitalisation programme to commercialisation.
- Continue to develop technologies jointly with OneSubsea to offer more efficient IRM services.

Towards a digital future

At the forefront of exploiting the latest digital technologies for automation of data analysis and effective use of cloud services, 4Subsea will accelerate the pace of digital services development to support activities in all business units.

Renewables and Heavy Lifting

Seaway 7 is Subsea 7's Renewables and Heavy Lifting business, which aims to be a partner of choice for our clients in the growing offshore wind farm sector.

Subsea 7 has been involved in the offshore wind farm market for over ten years and, with the combined offering of Seaway Heavy Lifting and Seaway Offshore Cables, we have become a leading contractor for the supply and installation of wind turbine foundations and subsea inner-array cables. We provide our services through a variety of flexible solutions. We provide standalone Transportation and Installation services (T&I) for wind turbine foundations and substation foundations and topsides. We also provide T&I services for inner-array cables or the full range of Engineering, Procurement, Installation and Commissioning (EPIC) services for the entire array cable system. In addition we offer T&I or full Engineering, Procurement, Construction and Installation (EPCI) services as an integrated package for both wind turbine foundations and inner-array cables.

Our extensive experience in managing complex offshore projects together with our unrivalled technical knowledge and a state-of-the-art fleet gives us the right suite of capabilities to establish a leading position in the fast-growing renewables market. The fixed offshore wind market is growing rapidly. We continue to see significant growth in the well-established markets in Europe, especially in the UK, the Netherlands and Germany, with France an emerging new market and other countries expected to follow. Outside Europe, we see attractive opportunities in the Far East, including in Taiwan, where we won our first projects for both foundations and cables in 2019. China is also investing heavily in offshore wind farms with a drive towards deeper water and larger turbines that is expected to create opportunities. Elsewhere, we see a growing number of potential projects along the US east coast.

Although demand has been growing steadily there has also been a significant increase in competition leading to overcapacity in the foundation installation market. This imbalance is expected to diminish as demand accelerates over the medium to long term. The dynamics of the cable lay market, although competitive, remain more favourable.

Expertise is a key differentiator in an over-supplied market and we are constantly looking for innovative ways to execute our work. Towards the end of 2019, Seaway 7 completed the first monopile installation with the vessel operating in dynamic positioning (DP) mode, an achievement that considerably reduced the installation time of these structures.

Floating offshore wind is the next most promising potential market for offshore renewables. While there are no significant commercial farms anticipated in the near term, there are a large number of demonstrator floating wind turbine projects in operation and a number of smaller schemes being progressed to provide clean power to remote offshore facilities. Seaway 7 is actively participating in a variety of these projects and is enhancing its technical capability and expertise to be ready to support future large-scale commercial investments. In 2019, we partnered with Equinor to install the cable system of its pilot development, Hywind Tampen, an 88 MW offshore wind farm comprising 11 floating wind turbines. The wind farm is located between the Snorre and Gullfaks concessions, to which it will provide electricity. Floating offshore wind is expected to become a significant market in five to ten years time.

Our heavy lifting activities can also address the needs of oil and gas developments. In 2019 activity levels in this sector remained low, representing approximately 9% of the work executed by Renewables and Heavy Lifting.

Renewables and Heavy Lifting revenue

$217m

(2018: $664m)

Renewables revenue

$198m

Number of turbine foundations installed in 2019

20

(2018: 83)

Length of cables installed

231km

Renewables and Heavy Lifting strategy

Market opportunities

– Continued growth in demand in Europe and the establishment of the offshore renewables industry in emerging markets such as China and the US east coast.
– Increasing demand for integrated T&I services for wind turbine foundations and inner-array cables as well as EPIC solutions.
– Steady demand for EPCI projects and associated expertise with potential for future growth in the medium term.
– Application of innovative solutions to the offshore wind market to improve the cost efficiency of installation for clients.
–

Strategic objectives

– Support our clients with flexible, cost effective solutions as the evolving offshore wind market transitions to a reduced or zero subsidy environment.
– Participate in pilot schemes for floating offshore wind farms to build technical experience and position Seaway 7 to capture potential full-scale opportunities in the long term.

Global expansion

In 2019 Seaway 7 completed the installation of foundations for its first renewables project in Taiwan delivering on the strategy to expand our activities to regions outside Europe.

Committed to operating in a safe, ethical and responsible manner

Subsea 7 has a strong Values-led culture and believes that operating in a safe, ethical and responsible manner is at the heart of creating sustainable value for all our stakeholders.

The safety and wellbeing of our people is our first priority

We aim for an incident-free work place every day, everywhere and our policies are continually reviewed to ensure that this is achieved. Construction activities are potentially hazardous, particularly in remote offshore locations. It is therefore essential that the right policies and organisational framework are in place, to ensure that our people work safely.

Subsea 7's Business Management System underpins the way in which Subsea 7 conducts safety training, reporting, procedures and assessments. Procedures are set at Group level to ensure that no matter where in the world the worksite is located our commitment to safety remains paramount.

We recognise that safety incidents and near misses are not acceptable and we are constantly focused on reducing these occurrences. In 2019 we set more challenging targets for our key performance indicators for lost-time incident and recordable incident frequency rates, reducing the former to 0.03 (2018: 0.05) and the latter to 0.20 (2018: 0.21) respectively, having achieved our prior year targets and wanting to continually aim higher. During the year no fatalities were recorded, our lost-time incident rate was 0.02 and our recordable incident frequency was 0.20.

In 2019 we delivered a new training programme, Work Safe Home Safe, to 1,200 employees with 67 training sessions performed in 10 locations around the world. All senior operational people were included in the training with 98% attending in the year, including the entire Executive Management Team. See pages 3 and 23 of this report for more on healthy and safety.

Driving environmental sustainability

In 2019 we added a new Value of Sustainability explicitly stating our commitment to our social responsibilities, mitigating our impact on the environment and responding to the effects of climate change.

Subsea 7 takes a proactive approach to sustainability, recognising the importance of environmental risks and opportunities to all our stakeholders. We invest in proprietary technology and innovation programmes, such as our Electrically Heat Traced Flowline, Pipeline Bundles and autonomous ROV programmes, that reduce our own and our clients' carbon emissions. Our Environmental Management System is in full compliance and certified to the environmental management standard ISO 14001.

We have a comprehensive risk management system with procedures and tools that identify, analyse, report and manage business risks, including those related to environmental risks and the effects of climate change. We measure key environmental data against internal targets including fuel and energy consumption, carbon emissions, waste segregation, spills and other incidents. Environmental hazard severity is measured through a points system that reflects the potential impact on the environment should an incident occur. We participate in the Carbon Disclosure Project, providing detailed disclosures that allow all our stakeholders to review our progress. More details can be found on pages 12 to 15 of Company's 2019 Sustainability Report.

Over 90% of our emissions come from our vessels and therefore our carbon dioxide emissions correlate strongly with our activity levels in the year. In 2019 our Scope 1 carbon emissions totalled 361,164 tonnes, 5% lower than in 2018 and equivalent to 99 tonnes per $1 million revenue (2018: 103 tonnes/$1million). Over 3,494 Clean Operations were recorded on our vessels in the year (2018: 3,600), reducing our carbon dioxide emissions by over 19,560 tonnes, and saving $4.1 million in fuel costs. A Clean Operation is considered an activity where a vessel's carbon footprint is reduced through measures which save energy without compromising safety or execution. All our vessels are able to operate using low sulphur fuel and do not require any modifications for the new low sulphur limits which will be introduced in 2020. All our owned vessels are registered with the Norwegian NOx Fund and three have NOx reducing equipment that reduce emissions by 75%.

Newer vessels are better equipped to minimise greenhouse gas emissions. Subsea 7 has invested to create one of the youngest fleets in the industry with an average age of just 11 years at the end of 2019, down from 19 years in 2011. In 2019 *Seven Viking* converted from conventional power to battery and diesel hybrid power, saving 2,400 tonnes of CO_2 emissions, a 19% reduction compared to its performance in 2018. At the end of their useful life, our vessels are recycled in accordance with the Hong Kong Convention and the EU Ship Recycling Regulation.

Our Renewables and Heavy Lifting business unit, Seaway 7, specialises in offshore wind farm construction. In 2019 this business

Our 2019 KPIs

Lost-time incident frequency rate (%)

0.02

per 200,000 hours worked
(2019 target: < 0.03)
(2018: 0.05, target: < 0.05)

Environmental spill

11.8

litres per 200,000 hours worked
(2018: 10.6, target: < 25 litres)

Carbon emissions

99

Tonnes of carbon dioxide (Scope 1) produced per $1 million in revenue
(2018: 103)

2019 was a significant year in Subsea 7's sustainability journey. A newly formed Sustainability Working Group undertook a detailed assessment to set the cornerstones of our sustainability strategy. As part of this ongoing process, we will issue our first Sustainability Report and a set of overall ambitions and associated KPIs will be established to drive our sustainability efforts going forward.

Recordable incident frequency rate (%)

0.20

per 200,000 hours worked
(2019 target: < 0.20)
(2018: 0.22, target: < 0.21)

Environmental incident frequency rate (%)

0.82

per 200,000 hours worked
(2018: 0.64, target: < 0.70)

Operational cost savings due to Clean Operations programme

$4.1m

(2018: $3.1m)

Number of employees completing compliance ethics e-learning

4,791

(2018: 3,989, target: 100% of target population) unit generated 6% of Subsea 7’s revenue, and 91% of Seaway 7’s revenue was related exclusively to renewable energy services. See pages 3, 5, 12, 16, 17 and 23 of this report for more on this topic.

Recognising and valuing the strength in diversity

At Subsea 7, building greater diversity and inclusion is as important for our people to achieve a rewarding career as it is for our business to stay successful. Diversity and inclusion empowers our people, makes us smarter and brings in different skills and talents that help us develop a variety of creative approaches to solving complex problems. In 2019 our Diversity and Inclusion Committee focused on setting the framework against which all parts of business, onshore and offshore, will put in place their own annual diversity and inclusion action plans. The framework consists of four focus areas, within which we will take positive action: improve our inclusive culture in the workplace, increase the proportion of women in leadership positions, increase the proportion of local people in management teams of countries where we work and ensure recruitment reflects a diverse population.

We believe that everyone has the right to be treated with dignity and respect. Our policy on Equal Opportunities and Diversity in Employment ensures our people are able to work in a manner where they are free from all forms of discrimination, including harassment and bullying. More details can be found on pages 16 and 17 of Company's 2019 Sustainability Report.

Subsea 7 has offices and onshore operations facilities in 27 countries worldwide and we have 90 nationalities represented in our workforce. Our local presence and local relationships are central to our ability to deliver projects, including the provision of national content and community investment. In 2019 we delivered 65 community assistance programmes and events (2018: 67 programmes). See more on pages 7 and 23 of this report.

Compliance, ethics and integrity are key to our business

We are committed to conducting business in an ethical manner and in compliance with applicable laws wherever we operate. We aim to act fairly, honestly and with integrity at all times, and in doing so earn the trust of our clients, business partners, suppliers and other stakeholders. All employees are required to uphold our Code of Conduct, which puts our Values into practice and integrates our three key policy statements on Ethics, Human Rights and Health, Safety, Environment and Quality (HSEQ) for everyone who works for Subsea 7. In 2019 we refreshed our Code of Conduct, ensuring that the content remained comprehensive, relevant and up-to-date. We have a “speak-up” policy that supports our Code of Conduct, and establishes a mechanism for anyone with concerns to raise them without fear of retaliation or detriment, and for cases to be investigated conscientiously and without bias. This includes an externally administered and confidential reporting helpline. We logged 36 cases in 2019 (2018: 47).

Please see Subsea 7's 2019 Sustainability Report available at www.subsea7.com

We work with thousands of suppliers worldwide, and our Supply Chain Management procedures include rigorous selection and appointment criteria. Approved supplier status requires pre-qualification of suppliers from a HSEQ, ethics and anti-corruption perspective. Suppliers are required to comply with the Subsea 7 Code of Conduct for Suppliers, which includes commitments regarding human rights, anti-corruption, safety and the environment. More details can be found on pages 10, 11 and 18 of Company's 2019 Sustainability Report.

Subsea 7’s anti-bribery and anti-corruption compliance and ethics programme is rooted in our Values and designed in accordance with international best practice (including the International Anti-Bribery Management System Standard ISO 37001). It includes frameworks for assessing risks and providing assurance. During 2019, 4,791 people completed our compliance and ethics e-learning, which represents 100% of our targeted population (2018: 3,989).

Subsea 7’s Head of Compliance and Ethics is responsible for the design and oversight of the compliance and ethics programme, and provides regular reports to the Corporate Governance and Nominations Committee of the Board and to the Executive Ethics Committee. One of the key roles of the compliance and ethics function is to ensure management understands, accepts and fulfils its accountability for compliance and ethics. See page 23 of this report for risks associated with compliance and ethics.

Respecting and upholding human rights

We will always respect the dignity and uphold the human rights of everyone working for us or with us, including people who work for our suppliers or who live in the communities where we work. We have a Human Rights Policy Statement and a Slavery and Human Trafficking Statement that summarise Subsea 7’s commitment and efforts to improve our understanding and management of the potential human rights impacts of our business activities and, more specifically, to respond to the UK Modern Slavery Act.

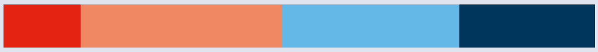
In 2019 we became a signatory to the UN Global Compact and declared our support for the Building Responsibly Principles. We were already aligned with the Ten Principles of the UN Global Compact on human rights, labour, environment and anti-corruption, and we will continue to further embed these principles in the work that we do. We will also look to engage in collaborative projects which advance the broader development goals of the United Nations.

We engage in open and constructive dialogue with our people and, if applicable, their representatives. Our people are free to join organisations of their choice that represent them, consistent with local laws.

Nationality mix

56%	Europe
17%	Asia/Pacific
23%	Americas
4%	Other

Age



13%	16-29
34%	30-39
30%	40-49
23%	50+

Gender mix of the Executive Management Team

75%	Male
25%	Female

Gender mix Groupwide

38%	Onshore Male
15%	Onshore Female
46%	Offshore Male
1%	Offshore Female

Principal risks and uncertainties

Effective risk management is fundamental to the Group's performance and creates sustainable value for our stakeholders.

The Group's approach is to identify key risks at an early stage and develop actions to measure, monitor and mitigate their likelihood and impact. This approach is embedded throughout the Group and is an integral part of our day-to-day activities.

The Group's SURF and Conventional business unit generates the majority of the Group's revenue. It executes offshore energy projects which, with the exception of long-term contracts for PLSVs, offshore Brazil, are generally contracted on a fixed-price basis. These projects involve the design, engineering, procurement, construction and installation of offshore energy infrastructure on behalf of clients. Offshore systems can be large, highly complex and technologically rich solutions and the environments in which the Group operates can be harsh and challenging. The costs and margins realised on such projects can vary from the original estimated amounts due to a number of factors and could result in the Group incurring a reduced margin or loss on such projects. The Group assesses the risks involved in fixed-price contracts and uses the terms of the contracts to mitigate certain aspects of these risks. The long-term contracts for PLSVs, executed offshore Brazil, have a less challenging risk profile with services contracted on a day-rate basis.

The Life of Field business unit, which operates under the i-Tech 7 brand, has a lower, less complex risk profile but does involve working and planning around the operations of existing, sometimes ageing, infrastructure, to provide ROV and inspection, repair and maintenance services throughout the life of the field, from first energy to decommissioning. Contracts are typically negotiated on a day-rate reimbursable basis using industry standard contracting terms which offer a balanced risk profile. With a strong focus on technology development, this business unit could be impacted by a failure of our strategy to offer a more technology and product driven service to clients.

The Group's Renewables and Heavy Lifting business unit operates under the Seaway 7 brand to deliver offshore wind farm projects and specialised foundations and cable-lay services for offshore energy developments. The Group is one of a few operators that can provide EPCI expertise for the execution of offshore wind farm projects, which are usually contracted on a lump-sum basis. The Group may choose to hold an equity stake in the companies established to own and operate the wind farms in conjunction with an EPCI contract. The offshore wind market continues to develop and grow, supported by government sponsored initiatives to address climate concerns. It has a different contractual landscape compared to the SURF and Conventional business unit, which, compounded by the present intense level of competition, can be at times challenging for the contractor. When contracting on a Transportation and Installation (T&I) basis, the breadth of the Group's expertise is less critical, and so more providers may be able to compete for the contract compared to an EPCI contract and the time between tender and execution of the contracts may be shorter.

The Group operates in a cyclical industry where activity is strongly influenced by the current and forecast price of energy, including any subsidies, as well as the impact following decisions taken by governing bodies. The Group's risk management processes assist the Group to respond to changes in activity levels and apply appropriate measures to adjust its cost base as far as practical while at the same time ensuring that an acceptable risk profile is maintained.

Roles and responsibilities

The Board of Directors has oversight of the Group's risk management activities and internal control processes. The Executive Management Team is responsible for monitoring and managing operational and enterprise risk in pursuit of the Group's business objectives. The Executive Management Team is responsible for designing and implementing appropriate systems and procedures for the identification and management of risks, while ensuring that, subject to an acceptable level of risk, the business is able to optimise stakeholder value.

The CEO determines the level of risk which can be taken by the business units and by region, country and functional management. This is managed through Group policies and delegated authority levels which provide the means by which risks are reviewed and then escalated to the appropriate management level within the Group up to and including the Board of Directors for review and approval.

Principal risks and uncertainties

Principal risks are those risks that, given the Group's current position, could materially threaten its business model, future performance, prospects, solvency, liquidity, reputation, or prevent the Group from delivering its strategic objectives.

The means which the Group employs to mitigate or eliminate these risks are shown on pages 21 and 26.

Additional risks and uncertainties that the Group is unaware of, or that it currently deems immaterial, may in the future have a material adverse effect on the Group's reputation, operations, financial performance and position. However, the Board of Directors believes that the Group's risk management and internal control systems have assisted, and will continue to assist, the Group to identify and respond to such risks.

MARKET RISKS

Risk	Mitigation
Strategic The Group recognises that technology as well as engineering capabilities and having the right solutions to meet clients' demands are differentiators in our market sector. We need to provide certain clients with comprehensive service packages and are committed to offering solutions whereby the Group engages earlier in the engineering and design stage. The Group must deliver on its designs to the satisfaction of its clients. There is a risk that the demand for innovative designs and solutions accelerates into the construction and installation phase without sufficient time to transition from development to production. The Group provides vertically integrated SURF and SPS solutions through its Subsea Integration Alliance, its alliance with OneSubsea and other collaborative partnerships. Integrated solutions consolidate risk into one shared contractual framework, meaning that the risk profile to the Group is wider. There is a risk that the Group does not have sufficient knowledge or ability to manage, protect or mitigate the risks associated with vertically integrated solutions that were previously managed by other parties. A failure of our strategy to offer more technology and design led solutions could impact the growth of the business and affect its position as a market leader. From time to time the Group may engage in strategic mergers, partnerships, joint ventures and acquisitions to support this growth. This brings risk in the form of incorrect assessment of the target market, new and inherited legal and contractual liabilities as well as operational and financial risk. It also carries the risk of failure to integrate new business combinations and their resources into the Group and the failure to deliver on its strategic objectives.	Technology related risks are mitigated by employing qualified personnel, as well as compliance with industry and engineering standards combined with strict adherence to the Group's engineering management and control systems and procedures. The Group also has a multi stage gate process for the implementation of new technologies. For integrated solutions, the Group's risks are mitigated through considered selection of alliance and collaborative partners and pre-identified ways of working. In addition, the Group has a procedure to establish, at tender stage, a risk sharing methodology to complement the project. The Group also continues to maintain disciplined contracting principles to mitigate increased risk. The Group has internal resources and external advisors to engage in thorough due diligence and ensures that an experienced project management team is deployed to manage acquisition or merger opportunities. The project team ensures operational management is engaged in the integration process immediately after an acquisition or merger to ensure it is successfully executed.
Economic The Group's business depends on the level of activity in the segments of the energy industry in which it operates and, consequently, any significant change in the level, timing or nature of clients' expenditure plans could adversely impact the Group's order intake, financial performance and position. A rapid increase or decrease in demand for the Group's services could outpace the Group's ability to resize its capacity for service provision. Our clients' financial strength and the economic viability of their projects can be impacted by fluctuating energy prices which in turn can be driven by political conditions and technological development as well as decisions taken by OPEC and non-OPEC members on production levels. Our clients in the renewables sector may oblige contractors to invest in a minority equity stake in the energy development project as part of the requirements to tender, increasing the Group's financial exposure to the project's success.	The Group closely monitors market activity and collaborates with its clients to understand their future project and expenditure plans. Early engagement in the design phase of the energy project enables the Group to better assess the risks and opportunities of the project as it progresses towards construction. The financial strength and solvency of our clients is a specific area of focus before entering into contracts. The Group has successfully reduced costs and continues to look for ways to improve efficiency and productivity to respond to market demand to optimise costs. It also seeks to diversify selectively into new markets which allow the Group to leverage its resources and competencies, as well as into other geographies requiring its services. In addition, the Group reviews and adjusts its capacity, as necessary, to reflect the current and forecast near-term activity levels, whilst retaining and investing in capability.
Competition The Group faces competition to win contracts needed to assure a sustainable backlog of future work across all business units. This competition may result in pricing pressures or a change to a contractor's risk profile, as our competitors strive to win contracts and secure work. Contractual terms which are more onerous for the contractor and increase liabilities, both actual and contingent, can have an adverse impact on the Group's financial performance and position. Furthermore, the competitive landscape has reacted to the lower oil price environment in the form of alliances and vertical and horizontal consolidation to achieve economies of scale and wider control of the value chain. Such initiatives could represent a threat to the Group's profile as a specialised offshore service provider.	The Group endeavours to reduce its exposure to competition by differentiating itself from competitors. The Group's experience and resources, in particular its people, versatile and modern fleet and proprietary technology offerings, help it respond effectively to challenges from competitors. The Group seeks, within the framework of the business' contractual risk profile, to support and maintain industry recognised balanced contracting forms. A further differentiator is the Group's ability and experience in partnering with clients and forming alliances with other oilfield services companies to offer packaged solutions and to contribute to the early development stages of projects, as well as offering cost-effective and efficient technical solutions to its clients.

BUSINESS ENVIRONMENT RISKS

Risk	Mitigation
Geographic The Group operates and tenders for work in many countries worldwide, each with specific political, economic and social characteristics which can give rise to various risks and uncertainties that can adversely impact project execution and financial performance, including but not limited to: – Economic instability – Legal, fiscal and regulatory uncertainty and change – Onerous local content obligations – Sanction and export controls – Civil or political unrest, including war – Regime change – Brexit (the decision of the United Kingdom to leave the European Union) Terms of the United Kingdom's exit from the European Union remain unknown until such time as an agreement with the European Union is reached. It remains unclear whether such complex negotiations will be completed by the December 2020 target date or what the terms of the trading relationship will be. The outcome may have an impact on the Group's operations, particularly the operations and offices located in the United Kingdom which could be negatively impacted by the legal fiscal or regulatory changes.	Country or regional risks are identified and evaluated before and throughout Group operations in such markets. Appropriate risk responses are developed and implemented to mitigate the likelihood and impact of identified risks. The Group adopts a proactive and rigorous approach to assessing and mitigating these risks and, where possible, looks to develop local or regional management teams to strengthen its knowledge of, and presence in, the countries of operation. The Group regularly assesses its exposure to the potential implications of Brexit on its activities in the United Kingdom and worldwide. It assesses its exposures against well-informed scenarios and has put in place mitigation plans to minimise operational disruption and financial impact.
Technological innovation The Group's clients seek cost-effective solutions to develop energy resources, particularly in deep waters and challenging offshore environments and to enhance the full field life cycle. This may require the implementation of new technologies and digital solutions. Digitalisation and data analytics provide an opportunity to gather and use data to support the Group's business activities including those addressing the full field life cycle such as asset integrity management and sensory data such as production flow. Any failure by the Group to anticipate or respond appropriately to changing technology, market demands, and client requirements could adversely affect the Group's ability to compete effectively for, and win, new work. Introducing technology which is insufficiently mature or unsatisfactorily implemented when selected by our client as a valid solution could have an adverse reputational and financial impact for the Group. Reliance on the use of data and cloud storage facilities has the associated risks of Information Technology, operational systems and cyber security failures.	The Group monitors industry trends and collaborates with clients to understand their technology requirements. This allows the Group to effectively invest in developing differentiated and cost-effective technologies to meet current and anticipated client demand. In developing new technologies, the risks associated with selecting and pursuing appropriate technological solutions, technical completion, commercialisation and successful implementation are carefully considered and addressed through 'gate controls' operated by knowledgeable and experienced Subsea 7 personnel.
Environmental Sustainability The Group is committed to delivering offshore solutions to meet the needs of its clients not only to sustain the fields of the future but also to be actively engaged in an energy transition that supports energy sources that are sustainable and have lower environmental impact. The Group believes in and is committed to facilitating the transition towards lower carbon and renewable energy supplies. The risk to the Group is that society, interested bodies and their carbon neutral commitments, impose increased pressures on the financial markets, insurers, investors and other stakeholders to dissociate themselves from oil and gas related companies.	The Group is committed to proactively participating in sustainability which is aligned with the Group's culture of operating in a safe, ethical and responsible manner. The Group has invested, and continues to invest, in new technologies and innovative programmes that reduce both the Group's and its clients' carbon emissions. The Group participates in the Carbon Disclosure Project and the UN Global Compact and the Building Responsibly frameworks, publishing its performance so that stakeholders can review its progress. More information on the Group's efforts and initiatives can be found in the 2019 Sustainability Report which is published as a separate document.

ORGANISATION AND MANAGEMENT RISKS

Risk	Mitigation
People Failure to attract and retain suitably skilled and capable personnel could adversely impact the Group's ability to execute projects and its future growth prospects. Increased competition from other offshore service companies for skilled personnel as the market improves could result in rising employee attrition, a lack of resources and/or increased compensation costs for the Group. In addition, there is a risk of failure to integrate business cultures and personnel following business growth through acquisition activities.	The Group sees the importance of health and wellness in the workplace and seeks to offer working groups, seminars and health initiatives across its locations and vessels. The Group utilises medium-term business projections to assess resource requirements which allows timely, corrective intervention to appropriately resource the organisation in terms of size, profile, competency mix and location. The Group monitors attrition by function and geography and has developed appropriate remuneration and incentive packages to help attract and retain key employees. Performance management and succession planning processes are in place to develop staff and identify high-potential individuals for key roles in the business. Integration plans, including training and ongoing communication programmes covering all operational functions and business activities, are adopted at acquisition.
Compliance and ethics The Group is committed to conducting business in accordance with applicable law and the highest ethical standards. However, there is a risk that its employees, representatives or other persons associated with it may take actions that breach the Group's Code of Conduct or applicable laws, including but not limited to anti-bribery, particularly in countries perceived to be at high risk of corruption. Any such breach could result in monetary penalties, convictions, debarment and damage to the Group's reputation and could therefore impact its ability to do business.	Integrity is one of the Group's Values and the Group has an Ethics Policy Statement and Code of Conduct which clearly set out the behaviours expected of its employees and those who work with it. These policies are periodically updated to ensure they remain current and fresh. The Group has a compliance and ethics programme underpinned by its Values and designed in accordance with international best practice to embed the Code of Conduct, prevent bribery and corruption, and manage compliance and ethics risks generally. The programme includes financial controls, risk assessments and procedures for managing third-party risks. Mandatory annual compliance and ethics e-learning for employees raises awareness, highlights the whole range of consequences and encourages compliance. Employees are encouraged to raise concerns about possible non-compliance via an externally administered whistleblowing helpline. A committee comprising members of the Executive Management Team sets objectives for the implementation and continual improvement of the compliance and ethics programme and monitors progress. Regular reports are provided to the Board of Directors. The Group regularly engages an independent third-party assurance provider to benchmark its compliance and ethics programme against best practice including International Standard ISO 37001.
Information technology and operational systems, cyber risks and security The Group's operations depend on the availability and security of a number of key Information Technology (IT) and operational systems. The Group's investment in its digitalisation programme combined with the acquisition of data driven businesses means that the risk of these systems being disrupted or compromised by a general failure or by cyber attacks is increasingly relevant. Such risks include but are not limited to: – Unauthorised access to key operational, financial or corporate systems – Malware (including computer viruses) – Theft and misappropriation of data and sensitive information – Targeted fraud attacks – Data management and non-compliance with legislation such as the EU General Data Protection Regulation (GDPR) – Increasing use of IT to interconnect with multiple stakeholders and the possibility of such interconnectivity being disrupted to their detriment Such breaches in technology security could adversely impact the Group's ability to maintain ongoing business operations and lead to financial and asset loss, reputational damage, loss of client and shareholder confidence and regulatory fines.	The Group recognises the increased incidence of cyber security threats and continually reviews its infrastructure, policies, procedures and defences to mitigate associated risks, engaging market-leading specialists where appropriate. It assesses the technology framework against approved independent standards and maintains a programme of regular investment in new hardware, software and systems to ensure the integrity of its IT security defences. The Group is periodically working with recognised independent industry experts to audit the sustainability of its security systems. The Group has a number of IT policies, including a policy on information security, designed to protect its systems and ensure their availability and integrity as well as combating attempted fraud. These policies are regularly reviewed to ensure they continue to address existing and emerging information security, cyber maritime and cyber crime risks as well as GDPR. Mandatory internal e-learning courses are used to maintain a high level of awareness among employees of IT security risks and of the Group's procedures to manage them. Regular reports are provided to the Audit Committee on cyber risk exposure and cyber security strategy.

DELIVERY AND OPERATIONAL RISKS

Risk	Mitigation
Bidding The Group wins most of its work through a competitive tendering process. A significant proportion of the Group's work is undertaken by way of fixed-price contracts which exposes the Group to increases in supply chain costs. Failure to secure and manage costs could impact the Group's financial performance. An inability to understand and respond to operational and contractual risks or accurately estimate project costs could have an adverse impact on the Group's legal liability and financial performance and position.	All bids are subject to the Group's estimating and tendering processes and authority levels. Cost estimates are prepared on the basis of a detailed standard costing analysis, and the selling price and contract terms are based on the Group's commercial contracting standards and market conditions. Before the tender is submitted, a formal multi-gate review process is performed. Tenders are first reviewed at a region level where the technical, operational, legal and financial aspects of the proposal are considered in detail. Completion of the region review process requires the formal approval of the appropriate level of management. Dependent on the tender value, there is an escalating level of approval required. Tenders meeting specific financial and risk criteria are reviewed and approved by a Committee of the Board of Directors.
Realisation and renewal of backlog Delays (including those related to the clients' final investment decisions) suspensions, cancellations and scope changes to awarded projects recorded in backlog could materially impact the financial performance and position of the Group in current and future years.	The Group works to mitigate these risks through its contract terms, including, where possible, provision for cancellation fees or early termination payments.
Joint ventures The Group may engage in joint ventures with selected partners to obtain necessary expertise or local knowledge and contract or partner with specialist companies to develop new or emerging business opportunities. A failure to find an appropriate joint venture partner or a failure by a joint venture partner to perform to the standards required by the joint venture agreement could result in negative financial and reputational impact to the Group. Misalignment between Subsea 7 and a joint venture partner on the strategy for the joint venture could lead to a deadlock, impacting negatively, inter alia, on project execution. In addition, the failure of a joint venture partner to meet its financial obligations could result in an adverse impact on the Group's financial performance and position.	The Group seeks to ensure that selected joint venture partners not only have the necessary expertise, local knowledge and suitable financial profile but are also able to meet the Group's health, safety, security, environmental and quality standards (HSSEQ) and its Code of Conduct obligations. The Group endeavours to establish appropriate governance and oversight mechanisms to monitor the performance of its joint ventures and joint venture partners with regards to such matters.
Project execution The Group executes complex projects and a failure to meet contractual requirements could have several adverse consequences, including contract disputes, rejected claims and cost overruns, which could adversely impact the Group's financial performance, position and reputation. For most contracts, the offshore execution phase, which generally involves the use of either single or multiple vessels, is usually the most hazardous as this phase is exposed, among other risks, to adverse weather conditions or the risk of loss or damage to the contracted works. These hazards can result in unforeseen delays to the project, damage to vessels and equipment, repair or rework, injury to those working offshore, or increased financial loss associated with the delay.	The Group assigns a project management team to every project. Every project is assessed by regional management using the Project Monthly Status Report review process. These reviews cover project progress, risk management, cost management, financial performance and sensitivity analysis. Detailed assessments of costs and revenues are estimated and reported upon, taking into account project performance, planning schedules, contract variations, claims, allowances and contingency analysis. The Group factors the risk of adverse weather conditions into the design of its vessels, equipment and procedures and project scheduling, as well as the training of its offshore workforce. It also works to mitigate potential adverse financial consequences when negotiating contractual terms with its clients.
Supply chain Failure of a key supplier could result in disruption to the Group's ability to complete a project in a timely manner. A significant period interruption affecting elements of our supply chain arising from factors such as pandemics, extreme weather or other unforeseen external factors would have an impact on our ability to deliver our client's projects and could cause disruption to ongoing Group capital expenditure initiatives such as vessel construction, dry dockings and upgrades. In periods of increased activity for the Group, there is a risk that the supply chain does not or cannot react at the same pace as demand and insufficient capacity causes a deterioration in the quality of the product or service. Unexpected increases in supply chain costs could result in higher project costs that impact the Group's financial performance. The resultant time delays or increased costs could lead to irrecoverable costs to the Group and the imposition of financial penalties by clients as well as reputational damage and reduced competitiveness.	The financial profile and outlook of the Group's key suppliers is reviewed during the pre-qualification process for vendors and is considered prior to signing project-related contracts. Unforeseen external factors leading to interruptions in supply chain delivery are difficult to manage, however the Group evaluates these risks and where possible will seek to avoid single source suppliers and will seek to mitigate the financial impact of such interruptions through appropriate contractual terms and conditions. If necessary, appropriate guarantees or performance-related bonds are requested from our key suppliers. In addition, the Group seeks to develop strong long-term relationships with high-quality and competent suppliers, working to balance costs at a sustainable level and not only engage on a lowest bid basis.

DELIVERY AND OPERATIONAL RISKS CONTINUED

Risk	Mitigation
Health, safety, security, environmental and quality The Group's projects are complex and are sometimes performed in unfamiliar environments in varied conditions. This requires continuous monitoring and management of health, safety, security, environmental and quality (HSSEQ) risks associated with the project specification and installation method as well as addressing the location and assets utilised. A failure to manage these risks could expose our people and those who work with us to injury or harm. It could result in an environmental event or cause injury or damage to other parties. It could result in significant commercial, legal and reputational damage or potential disbarment from the affected country. The nature of the Group's worldwide operating activities carries an exposure of significant health risks, including exposure to pandemic viruses or other infectious diseases.	The Group is focused on continuously monitoring HSSEQ performance at all levels and actively motivates, influences and guides employees' individual and collective behaviour. The Group is committed to protecting the health and safety of its people and those working on its sites and vessels as well as minimising its impact on the environment. The Group has an HSSEQ policy and detailed HSSEQ procedures designed to identify, assess and reduce such risks while ensuring compliance with relevant laws and regulations. The policy and procedures are subject to review, monitoring and certification by an independent, internationally recognised specialist firm. The Group mitigates exposure to the risk of infectious diseases and pandemics by monitoring health procedures and adhering to the guidance of world health organisations and experts.
Fleet management The Group has a fleet of vessels which are required for the successful delivery of its projects. These vessels operate in a number of regions which are subject to political, fiscal, legal and regulatory risks. This also includes regulatory requirements related to the crewing of the vessels in the territories where they are operating. Failure to manage such risks could lead to an adverse impact to the Group's financial performance and position. Lack of vessel availability is a risk. Uncertainty in operational vessel schedules may lead to non-availability for other projects in the tendering or execution phase. Vessel availability could also be negatively impacted by delays to vessel construction, completion of maintenance, vessel upgrading and dry-docking activities. In extreme circumstances, the non-availability of a vessel or multiple vessels through loss or irreparable damage could compromise the Group's ability to meet its contractual obligations and cause financial loss. To maintain the competitiveness of the fleet, the Group from time to time makes significant investments in the construction or acquisition of new vessels. If the anticipated demand for those vessels does not materialise, such investments may not generate the intended financial return.	The Group considers carefully the political, fiscal, legal and regulatory risks associated with the deployment of its vessels and crew into regions in which it operates, and monitors developments to ensure it is able to respond appropriately. To minimise the risk of non-availability, the Group dedicates resources to perform vessel scheduling centrally rather than at a business unit or region level. Vessel construction, maintenance, upgrading and dry-docking activities are subject to detailed planning and controls are deployed to mitigate the risk of completion delays. The design and operational capabilities of a vessel are carefully assessed before its deployment to a particular project and are then closely monitored during the project's execution. The impact of potential non-availability of a vessel is mitigated by both the size and flexibility of the Group's fleet and its ability to access the vessel charter market. Before initiating the construction or acquisition of a new vessel, the Group conducts detailed analyses of the potential market and seeks to ensure that the vessel's technical specifications and projected capital and operating costs are appropriate for the anticipated market. The Group exhaustively assesses the market's need for new assets and, after a rigorous technical and financial review, will decide to proceed with construction where there is sufficient future activity and with acceptable financial returns on its investment.

FINANCIAL RISKS

Risk	Mitigation
Revenue and margin recognition Individual period performance may be significantly affected by the timing of contract completion, at which point the final outcome of a project may be fully assessed. Until then, the Group, in common with other companies in the sector, uses the percentage-of-completion method of accounting for revenue and margin recognition. This method relies on the Group's ability to estimate future costs in an accurate manner over the remaining life of a project. As projects may take a number of years to execute, this process requires a significant degree of judgement, with changes to estimates or unexpected costs or recoveries potentially resulting in significant fluctuations in revenue and profitability. Inaccurate forecasting of the costs to complete a project and of the revenues which can be earned from the client for changes to contract scope could have a negative impact on the Group's management of its liquidity and weaken its financial position. Fixed-price contracts awarded at low or negative margins can create volatility when accounting for project performance as forecast unavoidable losses are recognised in full as soon as they are identified.	Project performance is monitored by means of Project Monthly Status Reports (PMSRs) which record actual costs of work performed, the estimated cost to complete a project and the estimated full-life project revenue. The PMSR allows management to reliably estimate the likely outcome in terms of profitability of each project. These PMSRs are subject to rigorous review and challenge at key levels of management within the Group. Note 4 "Critical accounting judgements and key sources of estimation uncertainty" to the Consolidated Financial Statements provides more detail of the Group's approach to revenue recognition on long-term contracts.

FINANCIAL RISKS CONTINUED

Risk	Mitigation
Cash flow and liquidity The Group's working capital position will be affected by the timing of contract cash flows where the timing of receipts from clients, typically based on completion of milestones, may not necessarily match the timing of payments the Group makes to its suppliers. In executing some of its contracts the Group is often required by its clients in the normal course of business to issue performance-related bonds and guarantees. Access to credit from financial institutions in support of these instruments is fundamental to the Group's ability to compete, particularly for large EPIC contracts. In rare instances clients may request specific payment terms such as payment deferrals which can negatively impact the cash flow profile of projects. The availability of short-term and long-term external financing is required to help meet the Group's financial obligations as they fall due. In the event that such financing were to be unavailable or withdrawn, the Group's activities would be significantly constrained.	The Group seeks, through committed banking facilities, to meet its working capital needs and to finance the acquisition or construction of new assets. The Group's cash position, access to liquidity and debt leverage are monitored closely by both the Executive Management Team and the Board of Directors. The Group works to mitigate client payment deferral request risks through its contract terms. In addition the Group continuously assesses the creditworthiness of its client base.

INTERNAL CONTROL

The Board of Directors is responsible for oversight of the Group's system of internal controls and for reviewing its effectiveness. The Board of Directors recognises that any system of internal controls can only provide reasonable and not absolute assurance that material financial misstatement and/or fraud will be detected or that the risk of failure to achieve business objectives is eliminated.

The Group's systems of internal controls operate through a number of processes. The more significant include:

- Delegated authority level matrices with certain matters being reserved for the Board of Directors
- Annual review of the strategy, plans and budgets of individual business units to identify the key risks to the achievement of the Group's objectives
- Monthly financial and operational performance reviews against budgets
- Individual tender and contract reviews at various levels throughout the Group
- Capital expenditure and investment reviews and authorisation
- Regular reviews and reporting on the effectiveness of the Group's health, safety, security, environmental and quality (HSSEQ) processes
- Group treasury policies
- Group taxation compliance and reporting policies and systems
- The Group's whistleblowing policy, which allows individuals to raise concerns in confidence about potential breaches of the Code of Conduct
- Quarterly reporting to the Executive Management Team from the Global Applications and Systems Steering Committee (GASSC) on the integrity and security of its business and IT systems including cyber risk
- Cyclical reviews of all non wholly-owned subsidiaries, joint ventures and associates by the Joint Venture Steering Committee

The Group's internal audit function, which reports directly to the Audit Committee, performs independent reviews of key business financial processes and controls and other areas considered to be of high business risk. The Audit Committee annually reviews and approves the internal audit plan and receives regular updates on internal audit's findings and the actions taken by management to address these.

Governance overview

Allen Stevens,
Chairman of the Corporate Governance and Nominations Committee

"As a Board it is our aim to create long-term value for all our stakeholders."

2019 was a busy year in terms of corporate governance during which we continued to build upon and improve our governance structure for the benefit of all our stakeholders.

Changes to Board composition

Through our Corporate Governance and Nominations Committee we regularly review the composition of the Board of Directors to ensure that, as a whole, it possesses the necessary range of complementary skills, experience, knowledge and the appropriate degree of diversity. With this in mind, we seek out individuals who we feel are qualified to become Directors of the Company. Accordingly, the Board of Directors recommended the appointment of our newest Non-Executive Director to the shareholders at the AGM in April and we were delighted to welcome Elisabeth Proust to the Board. Ms Proust (whose biography appears on page 29) brings with her more than 35 years of international experience in the oil and gas sector combined with engineering expertise.

The end of 2019 also saw the retirement of Jean Cahuzac from his position as Chief Executive Officer of Subsea 7, but we will continue to benefit from his expertise as he remains on the Board of Directors in a non-executive capacity.

Review of Board effectiveness

Having appointed in 2018 an external facilitator to conduct the annual evaluation of its working practices, the Board agreed that for 2019, the Board effectiveness review would be carried out internally. Accordingly, the Company Secretary oversaw an evaluation, asking each Director to complete a questionnaire focusing upon matters such as contribution to the Company's performance, Board composition and risk management. Based on the responses, a detailed report was prepared and presented to the Board, providing it with an opportunity to reflect upon the Board's behaviours and identify areas where improvements could be made. The report highlighted an experienced Board, working well together in the interest of all of the Company's stakeholders.

Sustainability

During 2019 the Corporate Governance and Nominations Committee continued to focus upon ensuring that the Company fully complies with all Luxembourg legislation. In particular, detailed consideration has been given to the Luxembourg legislation regarding non-financial and diversity information and, accordingly, pages 18-19 of the Annual Report provide information regarding Subsea 7's approach to topics such as diversity, environmental matters and human rights.

In addition, following the inclusion of Sustainability as one of Subsea 7's six core Values in February 2019, there has been a focus throughout Subsea 7 on ensuring that it takes a proactive approach towards social responsibility, including mitigating the impact of its activities on the environment and responding to the effects of climate change. For the Board of Directors, this commitment is emphasised by our Board Charter which provides us with a duty to embed Sustainability into all the Group's business processes. In line with this aim, in March 2019 Subsea 7 formally signed up to the UN Global Compact, the world's largest corporate sustainability initiative, thereby committing to implement its Ten Principles on human rights, labour, environment and anti-corruption. This commitment is fully supported by the Board of Directors, which aims to embed these principles into the work that we do. In addition, I am pleased to report that Subsea 7 published its first Sustainability Report in March 2020 and this is available at www.subsea7.com.

We are proud of the work being accomplished on corporate governance and we will continue to build upon and improve our governance structures to run our business for the benefit of all stakeholders.

Governance at a glance

The areas listed below, on which we report on the pages indicated, are aligned with the Norwegian Code of Practice for Corporate Governance.

Board of Directors

Kristian Siem
Chairman

Skills and experience
Mr Siem brings an extensive knowledge of the offshore oil and gas services business worldwide from previous senior executive and non-executive roles combined with long-standing experience as chairman of public companies listed in the US, UK and Norway. Mr Siem is the founder of the Siem Industries Group and has been Director and Chairman of Siem Industries since 1982. Prior to joining the Group, he held several management positions with the Fred. Olsen Group in the US and Norway. Mr Siem has previously held directorships at Kvaerner ASA and Transocean Inc. He holds a degree in Business Economics.

Date of appointment
Appointed Director and Chairman from January 2011.

Prior to the merger of Acergy S.A. and Subsea 7 Inc. in January 2011 Mr Siem was Chairman of Subsea 7 Inc. from January 2002.

Committee membership
C G

Key external appointments
Chairman of Siem Industries Inc.

Director of Siem Offshore Inc., Siem Shipping Inc. (formerly Star Reefers Inc.) and Frupor S.A.

Nationality and date of birth
1949

Tenure
Re-elected by shareholders on 17 April 2019 until the 2021 AGM.

Allen Stevens
Senior Independent Director*

Skills and experience
Mr Stevens brings to the role many years of experience in shipping, finance and management. Mr Stevens started in the shipping industry in financial planning at Sea-Land Service Inc., and subsequently served as Treasurer of McLean Industries Inc. from 1972 to 1988. Mr Stevens served as Chairman and Director of Erie Shipbuilding from 2006 to 2009, and Chairman of Trailer Bridge Inc. from 2008 until 2012. He has also held senior executive and management positions with Great Lakes Transport Limited. He is a graduate of Harvard Law School and holds a degree in Industrial Engineering from the University of Michigan.

Date of appointment
Appointed a Non-Executive Independent Director from January 2011 and Senior Independent Director from May 2018.

Mr Stevens was Independent Director of Subsea 7 Inc. from December 2005 to January 2011.

Committee membership
G C

Key external appointments
Vice President and director of Masterworks Development Co., LLC.

Nationality and date of birth
1943

Tenure
Re-elected by shareholders on 17 April 2019 until the 2021 AGM.

Jean Cahuzac
Director

Skills and experience
Mr Cahuzac has wide multi-country technical, commercial and general management experience in senior executive roles in the oil and gas services sector spanning a period of 40 years. He was appointed Chief Executive Officer of Acergy S.A. in 2008 and in 2011, post merger, became the Chief Executive Officer of Subsea 7 S.A., a position he held until his retirement in December 2019. Mr Cahuzac was Chief Operating Officer and then President at Transocean from 2000 to 2008. He worked at Schlumberger from 1979 to 1999 in various field management positions and then as President of Sedco-Forex. He holds a Master's degree in Engineering from École des Mines de St-Étienne and is a graduate of the French Petroleum Institute in Paris.

Date of appointment
Appointed a Director from May 2008 (then named Acergy S.A.).

Committee membership

Key external appointments
Member of the Supervisory Board of Société Phocéenne de Participations.

Nationality and date of birth
1954

Tenure
Re-elected by shareholders on 17 April 2018 until the 2020 AGM.

Eystein Eriksrud
Director

Skills and experience
Mr Eriksrud brings to his role extensive legal expertise in commercial and corporate affairs combined with senior executive experience in the offshore energy and shipping industries. In 2019 he became a partner at RO Sommernes Advokatfirma DA. Mr Eriksrud was Deputy Chief Executive Officer of the Siem Industries Group from 2011 to 2019 and held a number of Directorships within the Siem Industries Group. He was a partner of Norwegian law firm Wiersholm Mellbye & Bech, from 2005 to 2011. He is a Candidate of Jurisprudence from the University of Oslo.

Date of appointment
Appointed a Non-Executive Director from March 2012.

Committee membership
A

Key external appointments

Nationality and date of birth
1970

Tenure
Re-elected by shareholders on 17 April 2018 until the 2020 AGM.

Committee key

- Chairman
- C Compensation Committee
- G Corporate Governance and Nominations Committee
- A Audit Committee

* As used below, 'independent' is defined by the rules and codes of corporate governance of the Oslo Børs on which Subsea 7 S.A. is listed, which the Board must satisfy, in particular the Norwegian Code of Practice for Corporate Governance. Under the terms of the Company's Articles of Incorporation, Directors may be elected for terms of up to two years and serve until their successors are elected. Under the Company's Articles of Incorporation, the Board must consist of not fewer than three Directors.

Dod Fraser
Independent Director*

Skills and experience
Mr Fraser brings comprehensive experience in corporate finance and investment banking both internationally and in the United States. This is supplemented by extensive knowledge of corporate governance in his current and prior appointments as audit committee member. Mr Fraser served as a Managing Director and Group Executive with Chase Manhattan Bank, now JP Morgan Chase, leading the global oil and gas group from 1995 until 2000. Until 1995 he was a General Partner of Lazard Frères & Co. Mr Fraser has been a trustee of Resources for the Future, a Washington-based environmental policy think-tank. He is a graduate of Princeton University.

Date of appointment
Appointed a Non-Executive Independent Director from December 2009 (then named Acergy S.A.).

Committee membership
A

Key external appointments
Director of Rayonier Inc.

Director of Fleet Topco Limited.

Director of OCI N.V.

Nationality and date of birth
 1950

Tenure
Re-elected by shareholders on 17 April 2019 until the 2021 AGM.

Niels Kirk
Independent Director*

Skills and experience
Mr Kirk brings to the role over 35 years of international corporate and structured finance experience with extensive knowledge of the global energy, power and resource sectors at executive level. He worked at Citibank for over 25 years where his most recent appointment was Chairman & Managing Director of Energy & Natural Resources in Europe, the Middle East and Africa until 2018. Prior to Citibank, he worked at Banque Paribas for five years. Mr Kirk is a member of the Advisory Council of Advanced Power, which develops, acquires, owns and manages power generation and related infrastructure projects in Europe and North America. He holds an MBA in Finance and International Business from the Stern School at New York University.

Date of appointment
Appointed a Non-Executive Independent Director from April 2018.

Committee membership
C A

Key external appointments
Co-founder and CEO of Kirk, Lovegrove and Company Ltd.

Nationality and date of birth
  1962

Tenure
Elected by shareholders on 17 April 2018 until the 2020 AGM.

David Mullen
Independent Director*

Skills and experience
Mr Mullen brings over 30 years' experience in the oil services business. He has previously held the position of CEO at two other companies in the subsea industry, Wellstream Holdings PLC and Ocean Rig ASA. Prior to these appointments he was Senior Vice President of Global Marketing, Business Development and M&A at Transocean from 2005 to 2008. Mr Mullen also had a 23-year career at Schlumberger, including as President of Oilfield Services for North and South America. He holds a Bachelor of Arts degree in Geology and Physics from Trinity College, Dublin, and a MSc degree in Geophysics from the National University of Ireland.

Date of appointment
Appointed a Non-Executive Independent Director from April 2018.

Committee membership
G

Key external appointments
CEO and Director of Shelf Drilling Limited.

Nationality and date of birth
 1958

Tenure
Elected by shareholders on 17 April 2018 until the 2020 AGM.

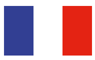
Elisabeth Proust
Independent Director

Skills and experience
Ms Proust, in addition to her engineering expertise, brings extensive multi-country experience in the oil and gas sector at an executive level after spending more than 35 years at Total. Ms Proust was the first female vice president for development engineering for Total worldwide and, as her career progressed, she held multiple leadership roles as a managing director of Total's affiliates in Indonesia, Nigeria and, finally, the UK. Ms Proust is a Senior Advisor for Renoir Group, which is a management consulting firm in sustainable change. Ms Proust has a Bachelor of Applied Science degree in hydrodynamics from École Centrale de Nantes as well as a Diploma in drilling, reservoir and production engineering from the French Petroleum Institute in Paris.

Date of appointment
Appointed a Non-Executive Independent Director from April 2019.

Committee membership

Key external appointments

Nationality and date of birth
 1957

Tenure
Elected by shareholders on 17 April 2019 until the 2021 AGM.

Executive Management Team

John Evans
Chief Executive Officer

Skills and experience

John has over 30 years of experience in the oil and gas services industry, primarily in the SURF and offshore engineering and construction sectors. He started his career in 1986, working with Brown & Root and built a successful track record in general management, commercial and operational roles in the offshore oil and gas industry.

Prior to his current appointment, from July 2005, John held the position of Chief Operating Officer of Subsea 7.

John has a Bachelor of Engineering degree in Mechanical Engineering from Cardiff University, is a Chartered Mechanical and Marine Engineer and a Chartered Director.

Date of appointment

John has been Chief Executive Officer of Subsea 7 since January 2020.

Nationality and date of birth


1963

Olivier Blaringhem
Executive Vice President – SURF and Conventional

Skills and experience

Olivier started his career in the oil and gas engineering and contracting sector in 1995, working for seven years with Entrepose Contracting in project management and commercial roles, based in Nigeria, China and France.

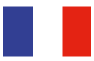
Since joining Subsea 7 in 2002, Olivier has held a number of country, regional and corporate management positions based in the North Sea, Africa, Asia and the Middle East. In 2016, Olivier was appointed Vice President of Asia Pacific and the Middle East until his appointment to Executive Vice President – SURF and Conventional in January 2020.

Olivier has a degree in Mechanical and Electrical Engineering from the École Spéciale des Travaux Publics in Paris.

Date of appointment

Olivier was appointed Executive Vice President – SURF and Conventional in January 2020.

Nationality and date of birth


1970

Stuart Fitzgerald
Executive Vice President – Alliances and Strategy

Skills and experience

Stuart began his career with Subsea 7 in 1998. In 2014 he was appointed Vice President Sales and Marketing for the Northern Hemisphere and Life of Field business. In June 2016, Stuart was appointed Vice President Strategy and Technology, a position that he held until his appointment to Executive Vice President – Strategy and Commercial in January 2018.

Stuart has a Bachelor of Engineering degree in Mechanical Engineering and a Bachelor of Science degree in Applied Mathematics from Monash University in Melbourne, Australia.

Date of appointment

Stuart was appointed Executive Vice President Alliances and Strategy in September 2019.

Nationality and date of birth


1969

Nathalie Louys
General Counsel

Skills and experience

Nathalie began her legal career in 1986, working with Saint-Gobain and Eurotunnel, gaining extensive legal experience across various industries. In 1996 she joined Technip, based in Paris, progressing to the role of Vice President Legal – Offshore.

In 2006 Nathalie joined Subsea 7 performing senior corporate and operational legal roles. Prior to her current appointment Nathalie was Vice President Legal – Commercial.

Nathalie has been admitted to the Paris Bar and has legal qualifications from University Paris I – Panthéon Sorbonne and Paris XI in France and the University of Kent in the UK.

Date of appointment

Nathalie has been General Counsel of Subsea 7 since April 2012.

Nationality and date of birth


1963

Katherine Lyne
Executive Vice President – Human Resources

Skills and experience
Kate began her career in the power generation sector with Alstom, where she held roles in Belgium, France, the UK and the US. In 2004 she moved to Imerys where she was initially HR Director for the Paper division before being appointed as HR Director for the Ceramics, Refractories, Abrasives, and Foundry business based in Paris.

In 2012 Kate joined Subsea 7 as Vice President Group Human Resources which she held until her current appointment.

Kate has a business degree from the University of Brighton and is a fellow of the Chartered Institute of Personnel and Development.

Date of appointment
Kate has been Executive Vice President – Human Resources of Subsea 7 since September 2019.

Nationality and date of birth
 1969

Stephen McNeill
Executive Vice President – Renewables

Skills and experience
Steph began his career in the offshore energy sector in 1990, subsequently working in various technical, commercial and management roles worldwide for Brown and Root Vickers, Det Norske Veritas, Saipem and Kellogg Brown and Root.

Steph joined Subsea 7 in 2005 and has held a number of different positions in general management. In January 2018 Steph was appointed Senior Vice President Renewables and Heavy Lifting which he held until his current appointment.

Steph has a Bachelor of Engineering degree in Naval Architecture and Offshore Engineering from the University of Strathclyde and is a Chartered Engineer and a Fellow of the Royal Institution of Naval Architects.

Date of appointment
Steph was appointed Executive Vice President – Renewables in January 2020.

Nationality and date of birth
 1969

Ricardo Rosa
Chief Financial Officer

Skills and experience
Ricardo started his career in 1977 with Price Waterhouse. In 1983 he joined Schlumberger where he held various financial positions, working in France, Indonesia, Brazil, Venezuela, Italy and the UK.

In 2000 he joined Transocean as Vice President and Controller in Houston, subsequently becoming Senior Vice President for Asia Pacific and Middle East and then for Europe and Africa. Prior to joining Subsea 7, he was Transocean's Executive Vice President and CFO.

Ricardo has a Masters of Arts degree in Modern Languages from Oxford University and is a member of the Institute of Chartered Accountants in England and Wales.

Date of appointment
Ricardo has been Chief Financial Officer of Subsea 7 since July 2012.

Nationality and date of birth
  1956

Phillip Simons
Executive Vice President – Projects and Operations

Skills and experience
Phil began his career in 1987 in offshore drilling until 1992 when he became an engineer for pipeline installation contractor, European Marine Contractors. Phil has more than 20 years' experience in the subsea pipelines business.

Phil joined Subsea 7 in Aberdeen in 2004 as a senior project manager and in 2011 was appointed Vice President for Canada, Mediterranean and Russia. In 2013 he was appointed Vice President UK and Canada, before taking up the role of Vice President for North Sea and Canada in 2016. In 2018 Phil was appointed Senior Vice President Global Projects and Operations.

Phil has a Bachelor of Engineering degree in Mining Engineering from the University of Leeds.

Date of appointment
Phil was appointed Executive Vice President – Projects and Operations in January 2020.

Nationality and date of birth
 1966

2019 Corporate Governance Report
Regulatory compliance

This section sets out the arrangements the Board has put in place to help ensure that it fulfils its corporate governance obligations, including the application of the principles of the Norwegian Code of Practice for Corporate Governance.

Legal and regulatory framework

Subsea 7 S.A. is a 'société anonyme' organised in the Grand Duchy of Luxembourg under the Company Law of 1915, as amended, being incorporated in Luxembourg in 1993, and acts as the holding company for all of the Group's entities.

Subsea 7 S.A.'s registered office is located at 412F, route d'Esch, L-2086 Luxembourg. The Company is registered with the Luxembourg Register of Commerce and Companies under the designation 'R.C.S. Luxembourg B 43172'. As a company incorporated in Luxembourg and with shares traded on the Oslo Børs and ADRs traded over-the-counter in the US, Subsea 7 S.A. is subject to Luxembourg laws and regulations with respect to corporate governance.

As a company listed on the Oslo Børs, where its shares are actively traded, the Company follows the Norwegian Code of Practice for Corporate Governance on a 'comply or explain' basis, where this does not contradict Luxembourg laws and regulations. The Norwegian Code of Practice for Corporate Governance is available at www.nues.no.

The Group's corporate governance policies and procedures are explained below, with reference to the principles of corporate governance as set out in the sections identified in the Norwegian Code of Practice for Corporate Governance dated 17 October 2018.

Articles of Incorporation – nature of the Group's business

As stated in its Articles of Incorporation, Subsea 7 S.A.'s business activities are as follows:

"The objects of the Company are to invest in subsidiaries which predominantly will provide subsea construction, maintenance, inspection, survey and engineering services, in particular for the offshore oil and gas and related industries. The Company may further itself provide such subsea construction, maintenance, inspection, survey and engineering services, and services ancillary to such services.

The Company may, without restriction, carry out any and all acts and do any and all things that are not prohibited by law in connection with its corporate objects and to do such things in any part of the world whether as principal, agent, contractor or otherwise. More generally, the Company may participate in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or by any other means of all shares, stocks, debentures, bonds or securities; the acquisition of patents and licences which it will administer and exploit; it may lend or borrow with or without security, provided that any monies so borrowed may only be used for the purposes of the Company, or companies which are subsidiaries of or associated with or affiliated to the Company; in general it may undertake any operations directly or indirectly connected with these objects."

The full text of the Company's Articles of Incorporation, as amended, is available on Subsea 7's website.

Business

The Board of Directors has set strategies and targets for the Company's business. The Group structures itself around its diversified strengths, reporting through three operational business units: SURF and Conventional, Life of Field and Renewables and Heavy Lifting.

The SURF and Conventional business unit is a global leader in offshore energy services delivering Design, Engineering, Procurement, Construction and Installation (EPCI), and Decommissioning projects in all water depths, operating under the Subsea 7 brand.

The Life of Field business unit is a leading expert in inspection, repair and maintenance (IRM), integrity management, drill rig support, production enhancement and decommissioning support services, operating under the i-Tech 7 brand.

The Renewables and Heavy Lifting business unit is an experienced partner for the delivery of offshore wind farm projects and specialist foundations and cable-lay services, operating under the Seaway 7 brand. Further details of the Group's business units are outlined in the 'Overview' and 'Strategy' sections on pages 6 to 17.

BOARD OF DIRECTORS

Kristian Siem Chairman	**Allen Stevens** Senior Independent Director	**Jean Cahuzac** Director	**Eystein Eriksrud** Director
Dod Fraser Independent Director	**Niels Kirk** Independent Director	**David Mullen** Independent Director	**Elisabeth Proust** Independent Director

Elisabeth Proust joined the Board of Directors on 17 April 2019.

Board of Directors: composition and independence

As a Luxembourg incorporated entity, the Company does not have a corporate assembly.

The Board of Directors comprises eight Directors. The majority of the Directors were, during the year ended 31 December 2019, considered independent in accordance with the rules of the Oslo Børs on which Subsea 7 S.A. is listed and the independence criteria of the Norwegian Code of Practice for Corporate Governance.

Biographies of the individual Directors are detailed on pages 28 to 29.

The charters of the permanent committees do not permit executive management to be members. The composition of the Company's Board of Directors and the controls to avoid conflicts of interest are in accordance with both Luxembourg company law and good corporate governance practice.

The Board of Directors endeavours to ensure that it is constituted by Directors with a varied background and with the necessary expertise, diversity and capacity to ensure that it can effectively function as a cohesive body. Prior to proposing candidates to the relevant general meeting for election to the Board of Directors, the Corporate Governance and Nominations Committee seeks to consult with the Company's major shareholders before recommending candidates to the Board of Directors.

Directors are elected by a general meeting for a term not exceeding two years and may be re-elected. Directors need not be shareholders. At a general meeting the shareholders may dismiss any Director, with or without cause, at any time notwithstanding any agreement between the Company and the Director. Such dismissal may not prejudice the claims that a Director may have for indemnification as provided for in the Articles of Incorporation or for a breach of any contract existing between him or her and the Company.

If there is a vacancy on the Board of Directors, the remaining Directors appointed at a general meeting have the right to appoint a replacement Director until the next meeting of shareholders, who will be asked to confirm such appointment.

With the exception of a candidate recommended by the Board of Directors, or a Director whose term of office expires at a general meeting of the Company, no candidate may be appointed unless at least three days and no more than 22 days before the date of the relevant meeting, a written proposal, signed by a duly authorised shareholder, shall have been deposited at the registered office of the Company together with a written declaration, signed by the proposed candidate, confirming his or her wish to be appointed.

The Directors of the Board are encouraged to hold shares in the Company as the Board of Directors believes it promotes a common financial interest between the members of the Board of Directors and the shareholders of the Company. Details of the Directors' shareholdings are on page 112.

Work of the Board of Directors

The Board of Directors adheres to a Board Charter which sets out the instructions for the Board.

The main responsibilities of the Board of Directors are:

1. Setting the values used to guide the affairs of the Group. This includes the Group's commitment to achieving its health and safety vision and the Group's adherence to the highest ethical standards in all of its operations worldwide.
2. Integrating environmental improvement into business plans and strategies, and seeking to embed sustainability into the Group's business processes.
3. Overseeing the Group's compliance with its statutory and regulatory obligations and ensuring that systems and processes are in place to enable these obligations to be met.
4. Setting the strategy and targets of the Group.
5. Establishing and maintaining an effective corporate structure for the Group.
6. Overseeing the Group's compliance with financial reporting and disclosure obligations.
7. Overseeing the risk management of the Group.
8. Overseeing Group communications.
9. Determining its own composition, subject to the provisions of the Company's Articles of Incorporation.
10. Ensuring the effective corporate governance of the Group.
11. Approving the remuneration package for the CEO based upon the recommendation of the Compensation Committee.
12. Setting and approving policies.

The Board of Directors' Charter is available on the Subsea 7 website: www.subsea7.com.

2019 Meeting attendance

	Board	Audit Committee*	Corporate Governance and Nominations Committee*	Compensation Committee
Kristian Siem	8/9		3/3	3/3
Allen Stevens	9/9		3/3	3/3
Jean Cahuzac	9/9			
Dod Fraser	9/9	6/6		
Eystein Eriksrud	8/9	6/6		
Niels Kirk	9/9	6/6		3/3
David Mullen	9/9		3/3	
Elisabeth Proust**	6/9			

* Additionally, a joint session of the Audit Committee and the Corporate Governance and Nominations Committee was held on 26 February 2019 at which all members of both committees were present.

** Elisabeth Proust was appointed as Director on 17 April 2019.

Responsibilities during the year

During the year, the Board of Directors sets a plan for its work for the following year, which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and the review and monitoring of the Group's current year financial performance. In 2020, the Board of Directors is scheduled to convene on seven occasions, but the schedule is flexible to react to operational or strategic changes in the market and circumstances affecting the Group.

The Board of Directors has overall responsibility for the management of the Group and has delegated the daily management and operations of the Group to the CEO, who is appointed by and serves at the discretion of the Board of Directors. The CEO is supported by the other members of the Executive Management Team, further details of which are on pages 30 to 31. The Executive Management Team has the collective duty to deliver Subsea 7's strategic, financial and other objectives, as well as to safeguard the Group's assets, organisation and reputation. The Board of Directors has internal regulations for its own operation and approves objectives for its own work, as well as the work of the Executive Management Team, with particular emphasis on clear internal allocation of responsibility and duties.

It is the duty of the Executive Management Team to provide the Board of Directors with appropriate, precise and timely information on the operations and financial performance of the Group, in order for the Board of Directors to perform its duties. The Board of Directors has established a Corporate Governance and Nominations Committee, a Compensation Committee and an Audit Committee, each of which has a charter approved by the Board of Directors. Matters are delegated to the committees as appropriate. The Directors appointed to these committees are selected based on their experience and to ensure the committees operate in an effective manner. The minutes of all committee meetings are circulated to all Directors.

The performance and expertise of the Board of Directors are monitored and reviewed annually, including an evaluation of the composition of the Board of Directors and the manner in which its members function, both individually and as a collegiate body. The evaluation of the performance of the Board of Directors during the 2019 year was conducted internally and the results of the evaluation were shared with the Corporate Governance and Nominations Committee. In line with best practice, the evaluation of the performance of the Board of Directors is conducted by an external facilitator every third year. The most recent external review was conducted during 2018 in respect of the year 2017; accordingly the next external review is due at the end of 2020.

Risk management and internal control

The Board of Directors acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. The Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material financial misstatement or loss.

The Group adopts internal controls appropriate to its business activities and geographical spread. The key components of the Group's system of internal control are described in the Risk Management section on pages 20 to 26. The Group has in place clearly defined lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of capital expenditure. The Executive Management Team meets with other senior management on a regular basis to discuss particular issues, including key operational and commercial risks, health and safety performance, sustainability, environmental factors, and legal and financial matters.

The Group has a comprehensive annual planning and management reporting process. A detailed annual budget is prepared in advance of each year and supplemented by forecasts updated during the course of the year. Financial results are reported monthly to the Executive Management Team and quarterly to the Board of Directors and compared to budget, forecasts, market consensus and prior year results.

The Board of Directors reviews reports on actual financial performance and forward-looking financial guidance.

The Board of Directors derives further assurances from the reports of the Audit Committee. The Audit Committee has been delegated responsibility to review the effectiveness of the internal financial control systems implemented by management and is assisted by the internal audit function and the external auditor where appropriate.

Communication with stakeholders

Implementation and reporting on corporate governance

Subsea 7 S.A. acknowledges the division of roles between shareholders, the Board of Directors and the Executive Management Team. The Group further ensures good governance is adopted by holding regular Board of Directors' meetings, which the Executive Management Team attends and at which strategic, operational and financial matters are presented.

The Group's vision is:

To lead the way in the delivery of offshore projects and services for the energy industry.

The Group's Values are:
Safety, Integrity, Sustainability, Innovation, Performance and Collaboration.

In pursuit of the six Values, the Group has an Ethics Policy Statement and a Code of Conduct which reflect its commitment to clients, shareholders, employees and other stakeholders to conduct business legally and with integrity and honesty. The Ethics Policy Statement and the Code of Conduct were approved by the Board of Directors and were issued to all Directors, officers and employees and are subject to periodic review and updating.

General meetings

The Articles of Incorporation provide that the Annual General Meeting (AGM) shall be held within six months from the end of the financial year and in 2020 it will be held on 7 April.

The notice of meeting and agenda documents for the AGM are posted on the Group's website at least 21 days prior to the meeting and shareholders receive the information at least 21 days prior to the meeting by mail. Documentation from previous AGMs is available on the Subsea 7 website: www.subsea7.com.

All shareholders that are registered with the Norwegian Central Securities Depository System receive a written notice of the AGM. The Company will set a record date as close as practicable to the date of the AGM, taking into account the differing deadlines for ADR and common share proxies. Subject to the procedures described in the Articles of Incorporation, all shareholders holding individually or collectively at least 10% of the issued shares have the right to submit proposals or draft resolutions. All shareholders on the register as at the record date will be eligible to attend in person, or vote by proxy, at the AGM.

Proxy forms are available and may be submitted by eligible shareholders which allow separate voting instructions to be given for each proposed resolution to one of the representatives indicated on the proxy form and also allow a person to be nominated to vote on behalf of shareholders as their proxy. There will be a separate vote for each candidate nominated for election to the Board of Directors. Details will be provided in the resolutions and supporting information distributed to the shareholders ahead of the AGM.

Under Luxembourg law, there are minimum quorum requirements for extraordinary general meetings but no minimum quorum requirement for AGMs. Decisions will be validly made at the AGM regardless of the number of shares represented if approval is obtained from the majority of the votes of those shareholders that are present or represented.

The Articles of Incorporation of the Company stipulate that the AGM will be chaired by the Chairman of the Board of Directors. However, the Board of Directors ordinarily delegates authority to the Company Secretary to chair the AGM. If a majority of the shareholders request an alternative independent chairman, one will be appointed.

At the AGM, the shareholders, inter alia, elect members of the Board of Directors for nominated terms of appointment, approve the Company's Annual Accounts, the Group's Annual Report and Consolidated Financial Statements, discharge the Directors from their duties for the financial year and approve the statutory auditor's appointment. In accordance with Luxembourg law and the Company's Articles of Incorporation, the Chairman of the Board is elected by the Board of Directors based on its insight into who has the most suitable level of understanding of the Company to carry out the duties of the Chairman.

Equity and dividends

Shareholders' equity

Total shareholders' equity at 31 December 2019 was $5.3 billion (2018: $5.7 billion) which the Board of Directors believes is satisfactory given the Group's strategy, objectives and risk profile.

Dividend policy

It is Subsea 7's objective to give its shareholders an attractive return on their invested capital. The return is to be achieved through a combination of dividend payments, share repurchases and an increase in the value of the Company's shares over time through disciplined investment in value-adding growth opportunities. The Board of Directors each year, after evaluating the Company's financial position and re-investment opportunities, may decide to recommend that shareholders approve at the AGM an appropriate dividend. This dividend will normally be paid in the month following its approval at the AGM.

Equity mandates

At the extraordinary general meeting held on 17 April 2019, the Board of Directors' authority to approve the purchase of the Company's shares up to a maximum of 32,736,711 common shares (representing 10% of the issued common shares as at 17 April 2019) was granted until 17 April 2021. This authority is subject to certain purchase price conditions and is conditional on such purchases being made in open market transactions through the Oslo Børs, subject to certain limitations. The Board of Directors was also granted authority for a period ending on 17 October 2021 to cancel shares repurchased under such authorisation and to reduce the issued share capital through such cancellations.

An extraordinary general meeting was held on 17 April 2018 at which the Company's shareholders approved the restatement of the authorised share capital at $900,000,000 with any authorised but unissued common shares lapsing on 16 May 2021. Additionally, the Board of Directors was authorised to issue new shares within the authorised unissued share capital. The Board of Directors was authorised to waive, suppress or limit existing shareholders' preferential subscription rights up to a maximum of 32,736,711 common shares (representing 10% of the issued common shares as at 17 April 2018). These authorisations were granted for a period of three years, expiring on 16 May 2021, to reduce inter alia the administrative burden of convening an extraordinary general meeting annually.

Equal treatment of shareholders and transactions with close associates

One class of shares

The Company has one class of shares which are listed on the Oslo Børs. Each share carries equal rights including an equal voting right at annual or extraordinary general meetings of shareholders of the Company. No shares carry any special control rights. The Articles of Incorporation contain no restrictions on voting rights.

Share issues

The Board of Directors is authorised to suppress the pre-emptive rights of shareholders under certain circumstances and within the limits set forth previously. This is to allow flexibility to deal with matters deemed to be in the best interest of the Company.

In the event of the Board of Directors resolving to issue new shares and waive the pre-emptive rights of existing shareholders, the Board of Directors intends to comply with the recommendation of the Norwegian Code of Practice for Corporate Governance that the justification for such waiver is noted in the Stock Exchange announcement relating to such a share issue.

Related party transactions

Any transactions between the Group and members of the Board of Directors, executive management or close associates are detailed in Note 34 'Related party transactions' to the Consolidated Financial Statements.

The Board of Directors will, from time to time, determine the necessity of obtaining third-party valuations on transactions with related parties. Under Luxembourg law, Directors may not vote on transactions in which they are directly or indirectly financially interested.

The Group's Code of Conduct requires any Director or employee to declare if they hold any direct or indirect financial interest in any transaction entered into by the Group.

Freely negotiable shares

Subsea 7 S.A.'s shares are traded as common shares on the Oslo Børs and as ADRs over-the-counter in the US.

All shares are freely negotiable. The Articles of Incorporation contain no form of restriction on the negotiability of shares in the Company.

Corporate Governance and Nominations Committee

Committee members

Allen Stevens
Committee Chairman

Kristian Siem
David Mullen

The Board of Directors has established a Corporate Governance and Nominations Committee. The composition of this Committee is for the Board of Directors to determine in accordance with the Company's Articles of Incorporation. The Board of Directors believes that the Committee, comprising certain members of the Board of Directors, the majority of whom are independent of the Company's main shareholders, has the most suitable level of understanding of the Company to carry out the duties of the Committee.

The Corporate Governance and Nominations Committee's main responsibilities are:

1. Actively seeking and evaluating individuals qualified to become Directors of the Company and nominating candidates to the Board of Directors.
2. Periodically reviewing the composition and duties of the Company's permanent committees and recommending any changes to the Board of Directors.
3. Periodically reviewing the compensation of Directors and making any recommendations to the Board of Directors.
4. Annually reviewing the duties and performance of the Chairman of the Board and recommending to the Board of Directors a Director for election by the Board of Directors to the position of Chairman of the Board.
5. Annually reviewing the Company's corporate governance guidelines, procedures and policies for the Board of Directors and recommending to the Board of Directors any changes and/or additions thereto that they believe are desirable and/or required. These governance guidelines include the following:
   - How the Board of Directors is selected and compensated (for example, the size of the Board, Directors' compensation, qualifications, independence, retirement and conflicts of interests).
   - How the Board of Directors functions (for example, procedures for Board meetings, agendas, committee structure and format and distribution of Board materials).
   - How the Board of Directors interacts with shareholders and management (for example, selection and evaluation of the CEO, succession planning, communications with shareholders and access to management).
6. Overseeing the annual evaluation of the Board of Directors' performance.
7. Overseeing all aspects of Subsea 7's compliance and ethics programme. This will include a regular review of the structure of the compliance function, the scope of its activities and the effective implementation of the programme (including procedures for employees to raise concerns about breaches of the Code of Conduct and for such concerns to be investigated and remediated).
8. Annually reviewing the Committee's own performance.

The Corporate Governance and Nominations Committee Charter is available on the Subsea 7 website: www.subsea7.com.

Compensation Committee

Committee members

Kristian Siem
Committee Chairman

Allen Stevens
Niels Kirk

The Compensation Committee has been established by the Board to assist in developing a fair compensation programme for the executive officers and to ensure compliance with legal requirements as to executive officer compensation. The Compensation Committee's main responsibilities are:

1. Annually reviewing and approving the compensation paid to the executive officers of the Company with the exception of the CEO where the Compensation Committee may make a recommendation to the Board of Directors.
2. Establishing annually performance objectives for the Company's CEO and annually reviewing the CEO's performance against objectives and setting the CEO's compensation based on its evaluation.
3. Overseeing the Company's Benefit Plans in accordance with the objectives of the Company established by the Board of Directors.
4. Reviewing executive compensation plans and making recommendations to the Board on the adoption of new plans or programmes.
5. Recommending to the Board of Directors, the terms of any contractual agreements and any other similar arrangements that may be entered into with executive officers of the Company and its subsidiaries.
6. Approving appointments of the CEO, the CEO's direct reports and certain other appointments.
7. Preparing the report on executive compensation to be included in the Company's Annual Report and Consolidated Financial Statements.
8. Annually reviewing the Compensation Committee's own performance.

The Compensation Committee Charter is available on the Subsea 7 website: www.subsea7.com.

Remuneration of the Board of Directors

The Company's Non-Executive Directors receive remuneration in accordance with their individual roles and committee membership. The CEO's remuneration is detailed in Note 34 'Related party transactions' to the Consolidated Financial Statements. The Directors are encouraged to own shares in the Company but no longer participate in any incentive or share option schemes, with the exception of Mr Cahuzac who retains awards granted to him in his capacity as CEO prior to his retirement from this role on 31 December 2019. The remuneration of the Board of Directors is approved at the AGM annually and is disclosed in Note 34 'Related party transactions' to the Consolidated Financial Statements.

Directors are not permitted to undertake specific assignments for the Group unless these have been disclosed to and approved in advance by the full Board of Directors.

Remuneration of the Executive Management

The Group's remuneration policy is set by the Compensation Committee. The policy is designed to provide remuneration packages which will help to attract, retain and motivate senior management to achieve the Group's strategic objectives and to enhance shareholder value. The Compensation Committee also seeks to ensure that the remuneration policy is applied consistently across the Group and that remuneration is fair and transparent, while encouraging high performance.

The Compensation Committee benchmarks executive remuneration against comparable companies and seeks to ensure that the Group offers rewards and incentives which are competitive with those offered by the Group's peers. In benchmarking elements of remuneration against Subsea 7's peers, the Compensation Committee may from time to time take advice from external consultants.

Remuneration comprises base salary, bonus, share-based payments, benefits and pension. Performance related remuneration schemes define limits in respect of the absolute awards available. These are defined within the scheme arrangements and set out limits regarding total award in a given year and, in specific instances, the total award available to certain individuals.

Short-term incentive arrangements

The Group operates a common annual short-term incentive plan (bonus) with targets set by the Compensation Committee. The current performance conditions for executive officers are based upon the following metrics with the relevant weighting: Financial performance (45%), Project performance (20%), Safety performance (10%) and Personal objectives (25%).

Long-term incentive arrangements

The Group currently operates a single long-term incentive arrangement, the 2018 Long-term Incentive Plan ('2018 LTIP') to reward and incentivise key management. The 2018 LTIP provides for conditional awards based upon performance conditions over a performance period of at least three years. The performance conditions are based upon two measures: relative Total Shareholder Return (TSR) and Return on Average Invested Capital (ROAIC) based upon a weighting of 65%/35%.

There is an award cap such that executive officers may not be granted shares in a single year that have an aggregate market value in excess of 150% of their annual base salary and must build up a shareholding with a fair value of 150% of their annual base salary. There are also former schemes which are now closed to new awards. Full details of the 2018 LTIP are set out in Note 35 'Share-based payments' to the Consolidated Financial Statements.

Chief Executive Officer remuneration

The remuneration package of the CEO was determined by the Board of Directors on the recommendation of the Compensation Committee. The compensation of the CEO is reported in Note 34 'Related party transactions' to the Consolidated Financial Statements.

Executive Management Team remuneration

The remuneration package of the other members of the Executive Management Team was determined by the Compensation Committee and is shown in aggregate in Note 34 'Related party transactions' to the Consolidated Financial Statements.

Share ownership of the Executive Management Team

Details of total performance shares and shares held in the Company by the Executive Management Team are shown in Note 34 'Related party transactions' to the Consolidated Financial Statements.

Audit Committee

Committee members

Dod Fraser
Committee Chairman

Eystein Eriksrud
Niels Kirk

The Audit Committee is responsible for ensuring that the Group has an independent and effective external and internal audit process. The Audit Committee supports the Board of Directors in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintain appropriate relationships with the external auditor. A majority of the Audit Committee, including the Chairman, are independent as requied by Luxembourg law.

The Audit Committee's main responsibilities include:

1. Monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity.
2. Monitoring the effectiveness of the Company's and the Group's internal quality controls, internal audit function, financial controls framework and, where applicable, risk management systems.
3. Monitoring the statutory audit of the Company's Annual Accounts and the Consolidated Financial Statements of the Group, in particular its performance, taking into account any findings and conclusions by the competent authority.
4. Reviewing the quarterly, half-yearly and annual financial statements of the Group before their approval by the Board of Directors.
5. Informing the Board of Directors of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and the role of the Committee in that process.
6. Reviewing and monitoring the independence of the external auditor, in particular with respect to the appropriateness of the provision of additional non-audit services to the Company and the Group and putting in place procedures and making recommendations with respect to the selection and the appointment of the external auditor.
7. Reviewing the report from the external auditor on key matters arising from the Group and the Company statutory audits.
8. Dealing with complaints received directly or via management, including information received confidentially and anonymously, in relation to accounting, financial reporting, internal controls and external audit issues.
9. Reviewing the disclosure of transactions involving related parties.
10. Annually reviewing the Audit Committee's own performance.

The Audit Committee Charter is available on the Subsea 7 website: www.subsea7.com.

The terms of reference of the Audit Committee, as set out in the Audit Committee Charter, satisfy the requirements of applicable law and are in accordance with the Articles of Incorporation.

The Chairman of the Audit Committee is Dod Fraser, whose biography can be found on page 29. The Board of Directors has determined that Mr Fraser is the Audit Committee's financial expert and competent in accounting and audit practice with recent and relevant financial experience. The Audit Committee Charter requires that the Audit Committee shall consist of not less than three Directors. The Audit Committee meets at least four times a year and its meetings are attended by representatives of the external auditor and by the head of the internal audit function.

Auditor

The external auditor meets the Audit Committee annually regarding the planning and preparation of the audit of the Group's Consolidated Financial Statements and the Company's Annual Accounts.

The Audit Committee members hold separate discussions with the external auditor during the year without members of the Executive Management Team being present. The scope, resources and level of fees proposed by the external auditor in relation to the Group's audit and related activities are approved by the Audit Committee.

The Audit Committee recognises that it is occasionally in the interest of the Group to engage its external auditor to undertake certain other non-prohibited non-audit assignments. Fees paid to the external auditor for audit and non-audit services are reported in Note 6 'Net operating income' to the Consolidated Financial Statements, which are in turn approved at the AGM. The Audit Committee also requests the external auditor to confirm annually in writing that the external auditor is independent.

Take-overs

Subsea 7 S.A.'s Board of Directors endorses the principles concerning equal treatment of all shareholders. In the event of a take-over bid, it is obliged to act in accordance with the requirements of applicable Luxembourg and Norwegian law provisions and in accordance with the applicable principles for good corporate governance.

The Company has been notified of the following significant shareholders who control 5% or more of the voting rights of the Company:

	%[(a)]
Siem Industries Inc.	23.9
Folketrygdfondet	8.9

(a) Information is correct as at 31 December 2019.

Information and communications

Subsea 7 S.A.'s Board of Directors concurs with the principles of equal treatment of all shareholders and the Group is committed to reporting financial results and other information on an accurate and timely basis. The Group provides information to the market through quarterly and annual reports, investor and analyst presentations which are available to the media and by making operational and financial information available on Subsea 7's website. Announcements are released through notification to the company disclosure systems of the Oslo Børs and the Luxembourg Commission de Surveillance du Secteur Financier and simultaneously on the Subsea 7 website. As a listed company, the Company complies with the relevant regulations regarding disclosure. Information is only provided in English.

The Company complies in all material respects with the Oslo Børs' Code of Practice for IR, which is available at www.oslobors.no/.

DIRECTORS AND CHIEF EXECUTIVE OFFICER'S RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the Consolidated Financial Statements and the Unconsolidated Financial Statements for the year ended 31 December 2019 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group taken as a whole. We also confirm that, to the best of our knowledge, the 2019 Annual Report, Consolidated Financial Statements and Unconsolidated Financial Statements include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.

By Order of the Board of Directors of Subsea 7 S.A.

Kristian Siem
Chairman

John Evans
Chief Executive Officer

FINANCIAL REVIEW

Management Report for Subsea 7 Group (the Group)

Financial highlights

For the year ended 31 December 2019 revenue was $3.7 billion, a decrease of $0.4 billion or 10% compared to the prior year. Adjusted EBITDA was $631 million (2018: $669 million) and Adjusted EBITDA percentage margin was 17% in 2019 compared with 16% in 2018. The Adjusted EBITDA margin in 2019 continued to reflect lower pricing on projects awarded during the downturn within the SURF and Conventional business unit, and significantly lower activity levels in the Renewables and Heavy Lifting business unit following the completion of the Beatrice wind farm project. Net operating loss was $23 million, which included a goodwill impairment charge of $100 million recognised in the Renewables and Heavy Lifting business unit, reflecting the impact of the competitive wind turbine foundations market in the short to medium term. Net loss for the year was $82 million. Excluding the goodwill impairment charge net income was $18 million. Adjusted diluted earnings per share, which excludes the goodwill impairment charge was $0.05 in 2019 compared to $0.56 in the prior year.

During 2019, Subsea 7 delivered solid operational results, continued to progress orders awarded at lower prices during the downturn and commenced work on projects with more favourable terms. The outlook for SURF and Conventional improved, with the level of tendering increasing year-on-year and pricing recovering gradually. Subsea Integration Alliance, the Group's SPS-SURF partnership with OneSubsea, made a significant contribution to order intake during the year, reinforcing the Group's momentum in greenfield subsea projects and reaffirming the strategy of early engagement and an integrated approach. In Renewables and Heavy Lifting, the cable-lay vessels continued to deliver good utilisation, but the wind turbine foundations market remains competitive. Management remains confident that the Group's client-focused approach and experience managing complex projects leave it well-positioned to create sustainable value in addressing clients' transition to lower carbon solutions.

The Group is committed to reducing its own environmental impact and 2020 will mark the publication of its first Sustainability Report, which will discuss the Group's sustainability strategy in more detail. The upgrade of the Life of Field vessel, *Seven Viking*, to hybrid power, has been successful and the first onshore control centre for ROV services was launched, this will help reduce the Group's carbon footprint for inspection, repair and maintenance services.

At 31 December 2019, order backlog was $5.2 billion with order intake during the year of $3.9 billion. There was a significant increase in new SURF awards primarily on brownfield developments, which typically have lower investment hurdles. Subsea 7's proprietary technology, early engagement and partnership approach were evident in a number of the awards in 2019, with Pipeline Bundles, Electrically Heat Traced Flowlines and integrated SPS-SURF collaboration creating cost-effective and differentiated solutions.

The Group's liquidity and financial position remains strong. At 31 December 2019, the Group held cash and cash equivalents of $398 million compared with $765 million at 31 December 2018, had total borrowings of $234 million compared with $258 million at 31 December 2018 and unutilised credit facilities totalling $656 million. In line with its strategy to grow and strengthen its business, the Group invested $284 million in acquisitions and capital expenditure, while maintaining a strong financial and liquidity position. Investment priorities included expanding its early engineering offering, developing efficient technologies and owning the right vessels to meet the needs of current and future projects. The Group's disciplined approach to capital management led to payments to shareholders totalling $304 million in 2019 through a combination of share repurchases and a special dividend.

While Subsea 7 is confident of the improving conditions in the Group's markets, in view of current global economic uncertainty and market volatility, combined with a change in law impacting the continuing validity of the Group's advance tax agreement with the Luxembourg authorities, which is still being evaluated, the Board of Directors does not recommend the payment of a special dividend to the shareholders at the Annual General Meeting on the 7 April 2020. Rather, the Group will manage its returns to shareholders through the current $200 million share repurchase programme.

For the year ended (in $ millions, except Adjusted EBITDA margin, share and per share data)	**2019 31 Dec**	2018 31 Dec
Revenue	**3,657**	4,074
Adjusted EBITDA[a] (unaudited)	**631**	669
Adjusted EBITDA margin[a] (unaudited)	**17%**	16%
Net operating income excluding goodwill impairment charge	**77**	200
Goodwill impairment charge	**(100)**	–
Net operating (loss)/income	**(23)**	200
Net income excluding goodwill impairment charge	**18**	165
Net (loss)/income	**(82)**	165
Earnings per share – in $ per share		
Basic	**(0.27)**	0.56
Diluted[b]	**(0.27)**	0.56
Adjusted diluted[b]	**0.05**	0.56

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Backlog	**5,187**	4,907
Cash and cash equivalents	**398**	765
Borrowings	**(234)**	(258)
Net cash (excluding IFRS 16 'Leases' liabilities)	**164**	507
Net debt (including IFRS 16 'Leases' liabilities)	**(181)**	–[c]

(a) For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to page 124 'Adjusted EBITDA and Adjusted EBITDA margin' of the Consolidated Financial Statements. IFRS 16 'Leases' was implemented on 1 January 2019 and comparative figures for 2018 have not been restated, as a result Adjusted EBITDA for the year ended 31 Dec 2019 benefitted by $105 million.

(b) For the explanation and a reconciliation of diluted earnings per share and Adjusted diluted earnings per share, which excludes the impact of the goodwill impairment charge, refer to Note 11 'Earnings per share' to the Consolidated Financial Statements.

(c) IFRS 16 'Leases' was implemented on 1 January 2019, comparative figures for 2018 have not been restated, as a result net debt (including IFRS 16 'Leases' liabilities) at 31 December 2018 has not been shown.

Revenue

Revenue for the year ended 31 December 2019 was $3.7 billion, a decrease of $0.4 billion or 10% compared to 2018. The year-on-year decrease was primarily due to significantly lower activity levels in the Renewables and Heavy Lifting business unit following the completion of the Beatrice wind farm project.

Adjusted EBITDA

Adjusted EBITDA and Adjusted EBITDA margin for the year ended 31 December 2019 were $631 million and 17% respectively, compared to $669 million and 16% in 2018. The year ended 31 December 2019 benefitted by $105 million compared to the prior year due to the implementation of IFRS 16 'Leases' on 1 January 2019. Adjusted EBITDA margin in 2019 reflected lower pricing on projects awarded during the downturn within the SURF and Conventional business unit and significantly lower activity levels within the Renewables and Heavy Lifting business unit.

Net operating income/(loss)

Net operating loss for the year ended 31 December 2019 was $23 million, compared to net operating income of $200 million in 2018. The decrease was mainly due to:

- significantly lower activity levels in the Renewables and Heavy Lifting business unit, which reported an operating loss of $56 million excluding goodwill impairment charge in 2019 compared to operating income of $4 million in 2018;
- a goodwill impairment charge of $100 million related to the Renewables and Heavy Lifting business unit;
- impairment charges related to property, plant and equipment of $70 million compared to $13 million in 2018

partially offset by:

- impairment charges of $25 million, related to intangible assets, recognised in 2018 with no equivalent charge in 2019.

Net operating income, excluding the impact of the goodwill impairment charge, was $77 million, a decrease of $123 million compared to 2018.

Net income/(loss)

Net loss was $82 million for the year ended 31 December 2019, compared to net income of $165 million for the prior year. The net loss for 2019 was primarily due to:

- net operating loss of $23 million in 2019, compared with net operating income of $200 million in 2018;
- net foreign currency losses of $30 million for the year ended 31 December 2019, compared to net foreign currency gains of $7 million in 2018;
- an increase of $11 million in finance costs mainly due to the implementation of IFRS 16 'Leases' from 1 January 2019

partially offset by:

- a decrease in the taxation charge of $22 million compared with the prior year.

Net income excluding the goodwill impairment charge was $18 million for 2019 compared to net income of $165 million in 2018.

Excluding the impact of the goodwill impairment charge of $100 million and the impairment charges of $70 million related to property, plant and equipment, which both attracted limited tax relief, the effective tax rate for the year ended 31 December 2019 was 27% compared with 24% in the prior year.

Earnings per share

Diluted loss per share was $0.27 for the year ended 31 December 2019 compared to diluted earnings per share of $0.56 in 2018, calculated using a weighted average number of shares of 305 million and 327 million respectively. Adjusted diluted earnings per share, which excludes the impact of the goodwill impairment charge, was $0.05 compared to $0.56 in 2018.

Allocation of net income/(loss)

The net loss for the year of $82 million (2018: net income of $165 million) was transferred to equity, of which net loss of $84 million (2018: net income of $183 million) was recognised in retained earnings attributable to shareholders of the parent company and net income of $1 million in non-controlling interests (2018: net loss of $18 million).

Business Unit Highlights
For the year ended 31 December 2019

(in $ millions)	SURF and Conventional	Life of Field	Renewables and Heavy Lifting	Corporate	Total
Selected financial information:					
Revenue	**3,174.1**	**265.6**	**216.9**	**–**	**3,656.6**
Net operating income/(loss) excluding goodwill impairment charge	**159.8**	**(2.8)**	**(56.1)**	**(23.9)**	**77.0**
Impairment of goodwill	**–**	**–**	**(99.9)**	**–**	**(99.9)**
Net operating income/(loss)	**159.8**	**(2.8)**	**(156.0)**	**(23.9)**	**(22.9)**

For the year ended 31 December 2018

(in $ millions)	SURF and Conventional	Life of Field	Renewables and Heavy Lifting	Corporate	Total
Selected financial information:					
Revenue	3,164.3	245.2	664.0	0.3	4,073.8
Net operating income/(loss)	230.7	(11.7)	3.9	(22.9)	200.0

SURF and Conventional

Revenue was $3.2 billion for the year ended 31 December 2019, in line with 2018.

During the year ended 31 December 2019, the West Nile Delta GFR field development project, offshore Egypt, the PUPP and Asabo Flare Restoration projects, offshore Nigeria, the Hasbah project, offshore Saudi Arabia, the Storr and Alligin projects, offshore UK, the Oda, Yme and Aaskalad projects, offshore Norway and the Sole project, offshore Australia completed or neared completion. Work progressed on the Burullus 9B project, offshore Egypt, the 3PDMs and Berri-Zuluf projects, offshore Saudi Arabia, the Mad Dog 2, Katmai and Manuel projects in the US Gulf of Mexico, the Snorre, Nova and Ærfugl 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 commenced on the Lapa NE project.

Net operating income was $160 million for the year ended 31 December 2019, a decrease of $71 million or 31% compared to 2018. The decrease in net operating income was primarily driven by lower pricing on projects awarded during the downturn, and impairment charges of $67 million recognised in 2019, related to property, plant and equipment, compared to impairment charges of $26 million in 2018, mainly related to intangible assets.

Life of Field

Revenue for the year ended 31 December 2019 was $266 million, an increase of $20 million or 8% compared to 2018. The increase in revenue was primarily driven by increased inspection, repair and maintenance activities, offshore Azerbaijan, in the North Sea and Gulf of Mexico.

Net operating loss was $3 million for the year ended 31 December 2019 compared to net operating loss of $12 million in 2018. The decrease in net operating loss reflected $12 million of impairment charges, related to property, plant and equipment, recognised in 2018 with no equivalent charge in 2019.

Renewables and Heavy Lifting

Revenue was $217 million for the year ended 31 December 2019 compared to $664 million in 2018. The reduction in revenue was primarily due to lower activity on the Beatrice wind farm project, offshore UK, which is operationally complete. Net operating loss was $156 million in 2019, compared to net operating income of $4 million in 2018. In 2019, impairment charges of $100 million related to goodwill, and $3 million, related to property, plant and equipment, were recognised reflecting the impact of the competitive wind turbine foundations market in the short to medium term. Net operating loss excluding the goodwill impairment charge was $56 million compared to net operating income of $4 million in 2018, the decrease reflected lower activity levels compared with the prior year, due to the completion of the Beatrice wind farm project, and a competitive market environment.

Research and development
During the year, research and development costs were $22 million compared to $19 million in 2018.

Backlog
At 31 December 2019 backlog was $5.2 billion, an increase of $0.3 billion compared with 31 December 2018. Order intake totalling $3.9 billion, including escalations, was recorded in the year. New awards included the Marjan Phase 2 and Berri-Zuluf projects, offshore Middle East, the Julimar Phase 2 project, offshore Australia, the Johan Sverdrup Phase 2 and Ærfugl Phase 2 projects, offshore Norway and the Formosa 2 project, offshore Taiwan.

$4.1 billion of the backlog at 31 December 2019 related to the SURF and Conventional business unit (which included $0.6 billion related to long-term day-rate contracts for PLSVs in Brazil), $0.6 billion related to the Life of Field business unit and $0.5 billion related to the Renewables and Heavy Lifting business unit. $3.3 billion of this backlog is expected to be executed in 2020, $1.4 billion in 2021 and $0.5 billion in 2022 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

Balance sheet
Goodwill
At 31 December 2019, goodwill was $705 million, a net decrease of $47 million compared with the prior year. During the year goodwill of $45 million was recognised in connection with acquired businesses and an impairment charge of $100 million was recognised related to the Renewables and Heavy Lifting business unit as a result of the short to medium-term competitive nature of the wind turbine foundations market.

Property, plant and equipment
During 2019 additions to property, plant and equipment totalled $272 million (2018: $223 million) which included the continued construction of the reel-lay vessel, *Seven Vega*, which is due to commence operations during 2020.

Impairment charges totalling $70 million were recognised in the year (2018: $13 million), mainly related to two older vessels which are expected to leave the fleet during 2020.

Acquisition of businesses
During the year the Group invested $26 million in acquisitions (net of cash acquired), this mainly related to acquiring 4Subsea, and the remaining 40% in Xodus which was not already held by the Group.

Borrowings and lease liabilities
Borrowings decreased to $234 million at 31 December 2019 from $258 million at 31 December 2018 due to scheduled repayments. Lease liabilities were $345 million at 31 December 2019, following their initial recognition on the balance sheet as of 1 January 2019, on implementation of IFRS 16 'Leases'.

Facilities
At 31 December 2019 the Group had facilities of $656 million relating to the Group's multi-currency revolving credit and guarantee facility, all of which remained unutilised.

Share repurchase plans
In line with the Group's objective to give its shareholders an attractive return on their investment, 21,056,838 shares were repurchased during 2019 for a total consideration of $250 million. On 24 July 2019, The Board of Directors authorised a new share repurchase programme of up to $200 million, valid for two years. During 2019 there were no shares repurchased under this new programme. At 31 December 2019, the Group directly held 1,212,860 shares (2018: 8,240,024) as treasury shares.

Dividends
A special dividend of NOK 1.50 per share was approved by the shareholders of Subsea 7 S.A. at the Annual General Meeting on 17 April 2019. The total dividend of $53.8 million was paid on 3 May 2019.

Shareholders

The 20 largest shareholders at 31 December 2019 and their beneficial ownership[a] as a percentage of the total fully paid and issued common shares of the Company were:

	%
Siem Industries, Inc.	23.9
Folketrygdfondet	8.9
BlackRock Institutional Trust Company, N.A.	3.7
DNB Asset Management AS	3.3
Trinity Street Asset Management LLP	3.2
Nordea Funds Oy	2.7
KLP Forsikring	2.5
Eleva Capital LLP	2.3
The Vanguard Group, Inc.	2.2
Danske Capital (Norway)	2.1
Storebrand Kapitalforvaltning AS	2.1
Robotti & Company Advisors, LLC	2.0
Schroder Investment Management Ltd. (SIM)	2.0
Pareto Asset Management AS	2.0
SAFE Investment Company Limited	1.9
ODIN Forvaltning AS	1.6
Alfred Berg Kapitalforvaltning AS	1.2
BlackRock Investment Management (UK) Ltd.	1.2
Dimensional Fund Advisors, L.P.	0.9
Holberg Fondsforvaltning AS	0.8

(a) The data is provided by NASDAQ OMX and is obtained through an analysis of beneficial ownership and fund manager information. This is provided in response to disclosure of ownership notices issued to all custodians on the Subsea 7 VPS share register. While every reasonable effort has been made to verify the data, there may be fluctuations as a result of such events as stock lending or other non-institutional stock movements, and neither Subsea 7 nor NASDAQ OMX can guarantee the accuracy of the analysis.

Cash and cash equivalents

Movements in cash and cash equivalents are summarised as follows:

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Cash and cash equivalents at the beginning of the year	**765**	1,109
Net cash generated from operating activities	**357**	424
Net cash used in investing activities	**(274)**	(425)
Net cash used in financing activities	**(447)**	(335)
Decrease in restricted cash	**–**	2
Effect of exchange rate changes on cash and cash equivalents	**(3)**	(10)
Cash and cash equivalents at the end of the year	**398**	765

Net cash generated from operating activities was $357 million (2018: $424 million) which included a net decrease in operating liabilities of $145 million (2018: $167 million).

Net cash used in investing activities was $274 million compared with $425 million used in 2018. This was mainly related to expenditure on property, plant and equipment of $240 million (2018: $238 million) and expenditure related to intangible assets of $18 million (2018: $6 million). In addition, cash outflow related to acquisition of businesses (net of cash acquired) was $26 million in 2019 (2018: $161 million) and a payment of $30 million was made related to contingent consideration in respect of acquisitions made in prior years.

Net cash used in financing activities was $447 million (2018: $335 million), which was mainly driven by the repurchase of shares in the parent company of $250 million and the payment of a dividend to shareholders of the parent company of $54 million.

New-build vessel programme

During 2019 construction continued on the Group's new reel-lay vessel, *Seven Vega*, and associated pipelay equipment. The total cost, excluding capitalised interest, is expected to be below $300 million and the vessel is expected to commence operations during 2020.

Liquidity

At 31 December 2019, the Group had sufficient liquidity to meet its expected funding requirements for the next 12 months. The Group had cash and cash equivalents of $398 million and unutilised committed credit and guarantee facilities of $656 million, all of which were available for cash drawings. The Group monitors its future business opportunities on a continuous basis and actively reviews its credit and guarantee facilities and its long-term funding requirements.

Cash management constraints

The Group operates within a liquidity risk management framework which governs its management of short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by ensuring that it has access to sufficient cash, banking and borrowing facilities. This is achieved by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities where appropriate.

Covenant compliance

The Group's credit facilities contain various financial covenants including, but not limited to, a minimum level of tangible net worth, a maximum level of net debt to earnings before interest, taxes, depreciation and amortisation, a maximum level of total financial debt to tangible net worth, a minimum level of cash and cash equivalents and an interest cover covenant. During the year all covenants were met. The Group expects to be able to comply with all financial covenants during 2020.

Going concern

The Consolidated Financial Statements have been prepared under the assumption of going concern. This assumption is based on the level of cash and cash equivalents at the year end, the banking and borrowing facilities in place, the forecast cash flows for the Group and the backlog position at 31 December 2019.

Risk management and internal control

The Group's approach to risk management and internal control is detailed in the Risk Management and Governance sections on pages 20 to 41. Financial risk management is as described in Note 33 'Financial instruments'.

Post balance sheet events

Assets classified as held for sale

During January 2019, a vessel was classified as an asset held for sale with the criteria specified within IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' being met. The asset is held at its fair value at the balance sheet date and is expected to be sold within the next 12 months. In addition a second vessel was removed from the active fleet in preparation for recycling.

Outlook

The continued improvement in the deepwater oil and gas markets has supported increased tendering activity and a gradual improvement in pricing compared to 2018. Since the year end, the Group has announced a number of greenfield FEED and SURF awards and, in addition, it is currently working on tenders with an estimated value of approximately $11 billion, up from approximately $9 billion at the same time last year.

While demand for offshore wind turbine services is growing in support of the transition to low carbon energy production, continued competition in the foundations market continues to negatively impact pricing. This is expected to improve in the longer term as the market rebalances.

Revenue and Adjusted EBITDA in 2020 is expected to be higher than in 2019, driven by an increase in activity in key markets. The Adjusted EBITDA margin is expected to remain relatively subdued, as projects awarded with competitive pricing progress to offshore execution.

Management Report for Subsea 7 S.A. (the Company)

Additional information specific to the Unconsolidated Financial Statements of Subsea 7 S.A.

Unconsolidated Financial Statements of Subsea 7 S.A.

The Unconsolidated Financial Statements of Subsea 7 S.A., the ultimate parent company of the Subsea 7 S.A. Group, are shown on page 129 to page 136. These were prepared in accordance with Luxembourg's legal and regulatory requirements and using the going concern basis of accounting further described above. The profit for the year ended 31 December 2019 was $61 million (2018: $127 million). The profit was mainly as a result of a dividend received during the year from an affiliated undertaking, partially offset by value adjustments in respect of investments in affiliated undertakings. It is proposed that the profit of $61 million for the year ended 31 December 2019 be allocated to profit and loss brought forward at 1 January 2020 resulting in a profit to be brought forward amounting to $173 million.

Own shares held

In line with the Company's objective to give its shareholders an attractive return on their investment, 21,056,838 shares were repurchased during 2019 for a total consideration of $250 million. At 31 December 2018 the Company directly held 1,212,860 (2018: 8,240,024) own shares at a carrying amount of $14 million.

Risk management, internal control and corporate governance

The Company's approach to risk management, internal control and corporate governance is consistent with that applied to affiliates in the Subsea 7 S.A. Group and is detailed in the Risk Management and Governance sections on pages 20 to 41. Financial risk management is as described in Note 33 'Financial instruments'.

Non-financial information required by regulation is provided in pages 1 to 41.

By order of the Board of Directors of Subsea 7 S.A.

Kristian Siem	**John Evans**
Chairman	Chief Executive Officer

SUBSEA 7 S.A. CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2019

Report of the Réviseur d’Entreprises Agréé

To the shareholders of Subsea 7 S.A.
412F, route d’Esch
L-2086 Luxembourg

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of Subsea 7 S.A. and its subsidiaries (the “Group”) included on page 56 to page 123, which comprise the Consolidated Balance Sheet at 31 December 2019, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group at 31 December 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the “Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (“CSSF”). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs are further described in the “Responsibilities of the “réviseur d’entreprises agréé” for the audit of the Consolidated Financial Statements” section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of the audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter:</th><th>Recognition of revenues and income on long-term contracts</th></tr>
<tr><td>Description of key audit matter:</td><td>A significant proportion of the Group's revenues and income are derived from long-term contracts. As detailed in Note 3 'Significant accounting policies' to the Consolidated Financial Statements these contracts include complex technical and commercial risks and often specify performance milestones to be achieved throughout the contract period, which can last several years.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement, with estimates being made to:
• assess the total contract costs;
• assess the stage of completion of the contract;
• assess the proportion of revenues, including variation orders, to recognise in line with contract completion;
• forecast the profit margin on each contract incorporating appropriate allowances for technical and commercial risks related to performance milestones yet to be achieved; and
• appropriately identify, estimate and provide for onerous contracts.

There is a range of acceptable outcomes resulting from these judgements that could lead to different revenue or income being reported in the Consolidated Financial Statements.

The Group has detailed procedures and processes in place to manage the commercial, technical and financial aspects of long-term contracts. The processes include the preparation of a Project Monthly Status Report (PMSR), which includes key accounting and forecast information for the relevant contract.

The risk of material misstatement is that the accounting for the Group's significant contracts does not accurately reflect the progress made and consequently the contract revenue and margin at the reporting date.</td></tr>
<tr><td>Our response:</td><td>We evaluated and tested the relevant information technology systems and tested the operating effectiveness of internal controls over the accuracy and timing of long-term contract revenue and margin recognised in the Consolidated Financial Statements, including controls over:
• the detailed contract reviews (being the PMSR process and controls) performed by management and reviewed at the project and the Group level that included estimating total costs, stage of completion of contracts, profit margin and evaluating contract profitability; and
• the transactional controls that underpin the production of underlying contract related cost balances including the purchase to pay, vessel costs and payroll cycles.

For the most significant and judgemental contracts, we:
• obtained the PMSR and gained an understanding of the performance and status of the contracts;
• corroborated management's positions through the examination of externally generated evidence, such as customer correspondence;
• discussed and understood management's estimates for total contract costs and forecast costs-to-complete, including taking into account the historical accuracy of such estimates;
• discussed and understood management's estimates in recognising actual or potential variation orders, including taking into account the historical accuracy of such estimates;
• tested the reconciliation of cost models to the PMSR;
• re-performed the percentage of completion calculation; and
• considered whether provisions for onerous contracts reflect the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

We read the relevant clauses within selected contracts and discussed each with management to obtain a full understanding of the specific terms and risks, which informed our consideration of whether revenue for these contracts was appropriately recognised.

We made enquiries to both Group internal and external legal counsel and considered the positions taken by management.

We assessed the adequacy of the disclosures in Note 3 'Significant accounting policies' and Note 5 'Segment information' to the Consolidated Financial Statements in relation to revenue.</td></tr>
</table>

<table>
<tr><th>Key audit matter:</th><th>Goodwill impairment assessments</th></tr>
<tr><td>Description of key audit matter:</td><td>As detailed in Note 13 ‘Goodwill’ to the Consolidated Financial Statements, the Consolidated Balance Sheet included $704.6 million of goodwill at 31 December 2019. A goodwill impairment charge of $99.9 million was recognised during the year.

Goodwill is subject to an annual review for impairment. An estimate of the recoverable amount of the cash-generating units (CGU) to which goodwill is allocated is prepared. The estimated recoverable amount is calculated as the higher of the value-in-use or fair value less costs to dispose. The outcome of the impairment review could vary significantly if different assumptions were applied in the models.

The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows with many of the key underlying assumptions being impacted by political and economic factors. The key assumptions include:
• the future EBITDA assumptions taken from the Group’s most recent budgets and plans for the next five years approved by management (“the Plan”);
• the long-term growth rate used beyond the period covered by the Plan; and
• the pre-tax discount rate applied to future cash flows.

Our audit focused on the risk that the carrying amount of goodwill could be overstated.</td></tr>
<tr><td>Our response:</td><td>We understood the internal controls for the goodwill impairment process including the determination of assumptions used within the models to assess the recoverable amount of goodwill, and evaluated the appropriateness of management’s identification of the Group’s CGUs.

We assessed management’s impairment testing by obtaining the supporting model and assessing the methodology and key assumptions made:
• future EBITDA forecasts – we evaluated management’s EBITDA forecasts and tested the underlying values used in the calculations by comparing management’s forecast to the latest management approved five-year Plan. We assessed the actual performance in the year against the prior year budgets to evaluate historical forecasting accuracy;
• long-term growth rate – we compared the rates applied by management to available externally developed rates;
• pre-tax discount rates – we involved our valuations specialists in our evaluation of the discount rate to consider the appropriateness of the rates used; and
• we tested the arithmetical accuracy of the models.

As part of our testing of the revenue and EBITDA forecasts, we evaluated the five-year Plan process, focusing on expected EBITDA margins and timing of any recovery of the subsea energy market assumptions in the Plan.

Given the significance of the terminal value cash flows to the total value-in-use we paid particular attention to the assumptions as regards sustainable EBITDA levels and compared these to expected and historical levels.

We re-performed sensitivity analysis around the key assumptions for all CGUs in order to ascertain the extent of change in those assumptions required individually or collectively to result in a further impairment of goodwill. For those CGUs which were most sensitive, we discussed the basis for these cash flows with management and the Audit Committee.

We examined the sensitivity disclosures presented in the Consolidated Financial Statements to consider whether reasonably possible changes to assumptions that could lead to a material impairment had been disclosed.

We assessed the adequacy of the disclosures in Note 13 ‘Goodwill’ to the Consolidated Financial Statements.</td></tr>
</table>

Key audit matter:	**Property, plant and equipment (vessel fleet) impairment assessments**
Description of key audit matter:	As detailed in Note 15 ' Property, plant and equipment' to the Consolidated Financial Statements, the Consolidated Balance Sheet included $3,871.7 million related to the vessel fleet at 31 December 2019. Impairment charges of $69.5 million were recognised during the year. Property, plant and equipment are subject to an impairment test where indicators of impairment exist. The continued challenging business environment has adversely impacted both current market valuations and expected future utilisation of specific vessels giving rise to indicators of impairment for the vessel fleet. Impairment charges are recognised when necessary to bring the carrying amounts of specific assets to their recoverable amount defined as the higher of value-in-use or fair value less costs to dispose. The process for determining whether impairment indicators exist is complex and requires significant management judgement. The key factors are: • the forecast utilisation of the vessel fleet; • the external broker estimates of market valuation; and • the determination of the value-in-use of the cash generating units in which the vessels are allocated. The subsequent process for determining the amount of impairment of vessels which may result from the above indicators is also complex and requires significant management judgement and estimates. Our audit focused on the risk that the carrying amount of the vessel fleet could be misstated.
Our response:	We evaluated management's assessment for indicators of impairment or for reversal of impairments for property, plant and equipment. We understood the internal financial controls for the vessel impairment process including the determination of assumptions used within the models to assess the recoverable amount. We obtained management's impairment assessment for owned-vessels, which included obtaining external broker valuations indicating the market value of the vessels. For vessels where an impairment trigger was identified, we analysed the recoverable amount considering the value-in-use of the cash generating units in which the vessels are allocated and external broker valuations to determine the reasonableness of the carrying amounts. We reviewed the external broker valuations obtained by management for each vessel and assessed their independence, objectivity and competence. For all vessels in the fleet, we evaluated the estimated remaining useful life including understanding any changes (or lack thereof) from the prior year. We evaluated the adequacy of the Group's disclosures in Note 15 'Property, plant and equipment' to the Consolidated Financial Statements regarding the impairments of property, plant and equipment in the Consolidated Financial Statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report from pages 43 to 48 and the accompanying Corporate Governance Report from pages 32 to 41 but does not include the Consolidated Financial Statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 17 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is six years.

The Consolidated Management Report from pages 43 to 48 is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Report on pages 32 to 41 is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Other matter

The Corporate Governance Report includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire
Luxembourg, 25 February 2020

Consolidated Income Statement

For the year ended (in $ millions, except per share data)	Notes	**2019 31 Dec**	2018 31 Dec
Revenue	5	**3,656.6**	4,073.8
Operating expenses	6	**(3,310.5)**	(3,585.3)
Gross profit		**346.1**	488.5
Administrative expenses	6	**(268.2)**	(285.7)
Impairment of goodwill	13	**(99.9)**	–
Share of net loss of associates and joint ventures	17	**(0.9)**	(2.8)
Net operating (loss)/income		**(22.9)**	200.0
Finance income	8	**13.2**	16.1
Other gains and losses	7	**(17.9)**	14.1
Finance costs	8	**(25.3)**	(13.9)
(Loss)/income before taxes		**(52.9)**	216.3
Taxation	9	**(29.5)**	(51.8)
Net (loss)/income		**(82.4)**	164.5
Net (loss)/income attributable to:			
Shareholders of the parent company		**(83.6)**	182.5
Non-controlling interests	26	**1.2**	(18.0)
		(82.4)	164.5

Earnings per share	Notes	**$ per share**	$ per share
Basic	11	**(0.27)**	0.56
Diluted[(a)]	11	**(0.27)**	0.56

(a) For explanation and a reconciliation of earnings per share and diluted earnings per share please refer to Note 11 'Earnings per share' within Notes to the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended (in $ millions)	Notes	**2019 31 Dec**	2018 31 Dec
Net (loss)/income		**(82.4)**	164.5
Items that may be reclassified to the income statement in subsequent periods:			
Foreign currency translation gains/(losses)		**27.7**	(96.9)
Reclassification adjustment relating to disposal of a subsidiary		**1.2**	–
Tax relating to components of other comprehensive income which may be reclassified	9	**(0.8)**	1.1
Items that will not be reclassified to the income statement in subsequent periods:			
Remeasurement (losses)/gains on defined benefit pension schemes	36	**(0.9)**	3.0
Tax relating to remeasurement gains on defined benefit pension schemes	9	**(0.2)**	–
Other comprehensive income/(loss)		**27.0**	(92.8)
Total comprehensive (loss)/income		**(55.4)**	71.7
Total comprehensive (loss)/income attributable to:			
Shareholders of the parent company		**(56.3)**	90.6
Non-controlling interests		**0.9**	(18.9)
		(55.4)	71.7

Consolidated Balance Sheet

At (in $ millions)	Notes	**2019 31 Dec**	2018 31 Dec
Assets			
Non-current assets			
Goodwill	13	**704.6**	751.3
Intangible assets	14	**42.8**	31.9
Property, plant and equipment	15	**4,422.3**	4,568.9
Right-of-use assets	16	**327.8**	–
Interest in associates and joint ventures	17	**26.2**	45.2
Advances and receivables	18	**31.4**	38.4
Derivative financial instruments	33	**1.4**	0.7
Other financial assets		**8.1**	7.2
Construction contracts – assets	22	**14.9**	–
Retirement benefit assets	36	**–**	0.1
Deferred tax assets	9	**36.1**	28.9
		5,615.6	5,472.6
Current assets			
Inventories	19	**31.2**	32.0
Trade and other receivables	20	**604.7**	607.9
Derivative financial instruments	33	**4.1**	10.5
Other financial assets		**–**	15.9
Assets classified as held for sale		**0.1**	0.4
Construction contracts – assets	22	**397.9**	494.9
Other accrued income and prepaid expenses	21	**168.6**	165.7
Restricted cash		**4.3**	4.1
Cash and cash equivalents	23	**397.7**	764.9
		1,608.6	2,096.3
Total assets		**7,224.2**	7,568.9
Equity			
Issued share capital	24	**600.0**	654.7
Treasury shares	25	**(14.0)**	(95.0)
Paid in surplus		**2,507.5**	2,826.6
Translation reserve		**(590.0)**	(618.4)
Other reserves		**(20.2)**	(26.3)
Retained earnings		**2,845.4**	2,941.8
Equity attributable to shareholders of the parent company		**5,328.7**	5,683.4
Non-controlling interests	26	**34.3**	38.4
Total equity		**5,363.0**	5,721.8
Liabilities			
Non-current liabilities			
Non-current portion of borrowings	27	**209.0**	233.6
Non-current lease liabilities	28	**251.2**	–
Retirement benefit obligations	36	**14.9**	30.9
Deferred tax liabilities	9	**34.9**	39.5
Provisions	31	**49.3**	98.7
Contingent liability recognised	32	**7.9**	6.0
Derivative financial instruments	33	**1.1**	3.0
Other non-current liabilities	29	**28.0**	34.6
		596.3	446.3
Current liabilities			
Trade and other liabilities	30	**858.3**	978.1
Derivative financial instruments	33	**7.0**	4.1
Current tax liabilities		**44.4**	103.4
Current portion of borrowings	27	**24.6**	24.6
Current lease liabilities	28	**94.0**	–
Provisions	31	**72.5**	117.4
Construction contracts – liabilities	22	**162.0**	167.8
Deferred revenue	37	**2.1**	5.4
		1,264.9	1,400.8
Total liabilities		**1,861.2**	1,847.1
Total equity and liabilities		**7,224.2**	7,568.9

Consolidated Statements of Changes in Equity

For the year ended 31 December 2019

(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 (loss)/income									
Net (loss)/income	–	–	–	–	–	(83.6)	(83.6)	1.2	(82.4)
Foreign currency translation gains/(losses)	–	–	–	28.0	–	–	28.0	(0.3)	27.7
Disposal of subsidiary	–	–	–	1.2	–	–	1.2	–	1.2
Remeasurement losses on defined benefit pension schemes	–	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Tax relating to components of other comprehensive income	–	–	–	(0.8)	(0.2)	–	(1.0)	–	(1.0)
Total comprehensive income/(loss)	**–**	**–**	**–**	**28.4**	**(1.1)**	**(83.6)**	**(56.3)**	**0.9**	**(55.4)**
Transactions with owners									
Shares repurchased	–	(249.7)	–	–	–	–	(249.7)	–	(249.7)
Share cancellation	(54.7)	322.0	(267.3)	–	–	–	–	–	–
Dividends declared	–	–	(54.6)	–	–	–	(54.6)	(5.0)	(59.6)
Share-based payments	–	–	5.9	–	–	–	5.9	–	5.9
Vesting of share-based payments	–	–	(3.1)	–	–	3.1	–	–	–
Shares reallocated relating to share-based payments	–	8.7	–	–	–	–	8.7	–	8.7
Reclassification of remeasurement loss on defined benefit pension schemes	–	–	–	–	7.2	(7.2)	–	–	–
Loss on reallocation of treasury shares	–	–	–	–	–	(8.7)	(8.7)	–	(8.7)
Total transactions with owners	**(54.7)**	**81.0**	**(319.1)**	**–**	**7.2**	**(12.8)**	**(298.4)**	**(5.0)**	**(303.4)**
Balance at 31 December 2019	**600.0**	**(14.0)**	**2,507.5**	**(590.0)**	**(20.2)**	**2,845.4**	**5,328.7**	**34.3**	**5,363.0**

Consolidated Statements of Changes in Equity

For the year ended 31 December 2018

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017	**654.7**	**(19.7)**	**3,033.7**	**(523.6)**	**(29.3)**	**2,776.8**	**5,892.6**	**48.4**	**5,941.0**
Adjustment on implementation of IFRS 9 and IFRS 15	–	–	–	–	–	1.0	1.0	–	1.0
Balance at 1 January 2018	**654.7**	**(19.7)**	**3,033.7**	**(523.6)**	**(29.3)**	**2,777.8**	**5,893.6**	**48.4**	**5,942.0**
Comprehensive income/(loss)									
Net income/(loss)	–	–	–	–	–	182.5	182.5	(18.0)	164.5
Foreign currency translation losses	–	–	–	(95.9)	–	(0.1)	(96.0)	(0.9)	(96.9)
Remeasurement gains on defined benefit pension schemes	–	–	–	–	3.0	–	3.0	–	3.0
Tax relating to components of other comprehensive income	–	–	–	1.1	–	–	1.1	–	1.1
Total comprehensive (loss)/income	**–**	**–**	**–**	**(94.8)**	**3.0**	**182.4**	**90.6**	**(18.9)**	**71.7**
Transactions with owners									
Shares repurchased	–	(92.9)	–	–	–	–	(92.9)	–	(92.9)
Dividends declared	–	–	(204.3)	–	–	–	(204.3)	–	(204.3)
Share-based payments	–	–	4.9	–	–	–	4.9	–	4.9
Vesting of share-based payments	–	–	(7.7)	–	–	7.7	–	–	–
Shares reallocated relating to share-based payments	–	17.6	–	–	–	–	17.6	–	17.6
Loss on reallocation of treasury shares	–	–	–	–	–	(17.2)	(17.2)	–	(17.2)
Reclassification adjustment relating to non-controlling interest	–	–	–	–	–	(8.9)	(8.9)	8.9	–
Total transactions with owners	**–**	**(75.3)**	**(207.1)**	**–**	**–**	**(18.4)**	**(300.8)**	**8.9**	**(291.9)**
Balance at 31 December 2018	**654.7**	**(95.0)**	**2,826.6**	**(618.4)**	**(26.3)**	**2,941.8**	**5,683.4**	**38.4**	**5,721.8**

Consolidated Cash Flow Statement

For the year ended (in $ millions)	Notes	**2019 31 Dec**	2018 31 Dec
Net cash generated from operating activities	38	**356.7**	423.6
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**4.5**	11.1
Purchases of property, plant and equipment		**(239.9)**	(237.9)
Purchases of intangible assets		**(18.4)**	(6.1)
Loans to third parties		**–**	(4.2)
Loan repayments from joint venture		**–**	0.2
Loans to joint venture		**(0.3)**	(2.4)
Investments in associates and joint ventures	17	**(3.0)**	(1.8)
Interest received	8	**13.2**	16.1
Proceeds from disposal of subsidiary		**4.6**	–
Acquisition of businesses (net of cash acquired)	12	**(25.8)**	(161.3)
Acquisition of interest in joint venture	17	**–**	(18.9)
Payment of contingent consideration in respect of acquisitions	33	**(29.5)**	–
Proceeds from sale of other financial assets		**21.4**	–
Investment in other financial assets		**(1.0)**	(20.0)
Net cash used in investing activities		**(274.2)**	(425.2)
Cash flows from financing activities			
Interest paid		**(11.0)**	(13.9)
Repayments of borrowings		**(26.7)**	(24.6)
Proceeds from reallocation of common shares		**–**	0.4
Cost of share repurchases	25	**(249.7)**	(92.9)
Payments related to lease liabilities	28	**(105.0)**	–
Dividends paid to shareholders of the parent company	10	**(53.8)**	(204.3)
Dividends paid to non-controlling interests		**(1.0)**	–
Net cash used in financing activities	33	**(447.2)**	(335.3)
Net decrease in cash and cash equivalents		**(364.7)**	(336.9)
Cash and cash equivalents at beginning of year	23	**764.9**	1,109.1
(Increase)/decrease in restricted cash		**(0.2)**	2.2
Effect of foreign exchange rate movements on cash and cash equivalents		**(2.3)**	(9.5)
Cash and cash equivalents at end of year	23	**397.7**	764.9

Notes to the Consolidated Financial Statements

1. General information

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and as American Depositary Receipts (ADRs) over-the-counter in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg.

Subsea 7 is a global leader in the delivery of offshore projects and services for the evolving energy industry. The 'Group' consists of Subsea 7 S.A. and its subsidiaries at 31 December 2019.

The Group provides products and services required for subsea field development, including project management, design and engineering, procurement, fabrication, survey, installation, and commissioning of production facilities on the seabed and the tie-back of these facilities to fixed or floating platforms or to the shore. Through its Life of Field business unit, the Group offers a full spectrum of products and capabilities including remotely operated vehicles and tooling services to support exploration and production activities and to deliver full-life of field services to its clients. Through its Renewables and Heavy Lifting business unit, the Group offers expertise in 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. The Group provides engineering and advisory services to clients in the oil and gas, renewables and utilities industries through its wholly-owned subsidiary Xodus.

Authorisation of Consolidated Financial Statements

Under Luxembourg law, the Consolidated Financial Statements are approved by the shareholders at the Annual General Meeting. The Consolidated Financial Statements were authorised for issue by the Board of Directors on 25 February 2020.

Presentation of Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The Consolidated Financial Statements comply with Article 4 of the EU IAS Regulation.

Amounts in the Consolidated Financial Statements are stated in US Dollars ($), the currency of the primary economic environment in which the Group operates. Group entities whose functional currency is not the US Dollar are consolidated in accordance with the policies set out in Note 3 'Significant accounting policies'.

The Consolidated Financial Statements have been prepared on the going concern basis. This assumption is based on the level of cash and cash equivalents at the year end, the credit facilities in place, the forecast cash flows for the Group and the backlog position at 31 December 2019.

The Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and balances required to be measured at fair value. The principal accounting policies adopted are consistent with the Consolidated Financial Statements for the year ended 31 December 2018, except where noted in Note 2 'Adoption of new accounting standards'.

2. Adoption of new accounting standards

(i) Effective new accounting standards

In 2019 the Group applied IFRS 16 'Leases' for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below. Several other amendments were applied for the first time in 2019 but did not have an impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 'Leases'

IFRS 16 replaces IAS 17 'Leases' and establishes new recognition, measurement and disclosure requirements for both parties to a lease contract. IFRS 16 was effective for reporting periods beginning on or after 1 January 2019. The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach and did not restate comparative information. As a result of the adoption of IFRS 16 the Group recognised right-of-use assets and lease liabilities within the Consolidated Balance Sheet on 1 January 2019.

Under IFRS 16 a lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of a lease as either an operating lease or a finance lease for lessees and introduces a single model for all leases with the exception of leases for low-value assets or for periods of twelve months or less.

The new requirements result in significant changes to the accounting model applied by lessees, however lessor accounting remains, in substance, unchanged. Where leases were previously accounted for as operating leases there are significant changes. The single model requires lessees to recognise most leases within the Consolidated Balance Sheet as lease liabilities. A corresponding right-of-use asset is recognised which represents the contractual right to use the leased asset for a period of time. The Consolidated Cash Flow Statement is also affected with lease payments being presented within financing activities having previously been recognised within operating activities.

At 31 December 2018 the Group had $395.6 million of commitments under operating leases for vessels, land and buildings and equipment. On implementation of IFRS 16, the lease liabilities were measured as the present value of the remaining committed lease payments using a discount rate equal to the incremental borrowing rates specific to each lease. The weighted-average incremental borrowing rate used to measure lease liabilities at the date of initial application was 5.21%. As permitted by IFRS 16, the Group opted to measure the right-of-use asset at an amount equal to the liabilities at the implementation date. No adjustment was made for accrued or prepaid lease obligations on the grounds of materiality.

The impact on the Consolidated Balance Sheet at the date of implementation was as follows:

At 1 January 2019 (in $ millions)	IFRS 16	Previous IFRS	Impact
Consolidated Balance Sheet:			
Right-of-use assets	**351.1**	**–**	**351.1**
Lease liabilities	**(357.1)**	**–**	**(357.1)**
Other provisions	**(63.4)**	**(69.4)**	**6.0**

On initial implementation of IFRS 16, management opted to apply practical expedients and has:

- applied the requirements of IFRS 16 to all contracts previously identified as leases under IAS 17 'Leases';
- excluded initial direct costs from measurement of the right-of-use asset;
- applied discount rates on a portfolio basis where leases are similar in nature and have similar remaining lease terms;
- relied upon the previous assessment of whether a lease is onerous as an alternative to performing an impairment review. Where applicable the carrying amount of the right-of-use asset was adjusted by the carrying amount of the onerous lease provision. This resulted in a $6.0 million reduction in the right-of-use asset recognised on implementation;
- applied the short-term lease exemption to all leases with durations which terminate within 12 months of the implementation date, with the exception of vessel leases which at inception were greater than 12 months, which are in substance long-term agreements; and
- payments related to leases are presented as financing cash flows, representing payments of principal and interest in the Consolidated Cash Flow Statement.

The following table represents the reconciliation of lease liabilities as of 1 January 2019:

(in $ millions)	
Operating lease commitments at 31 December 2018	395.6
Recognition of renewal options expected to be exercised	119.6
Recognition exemption for short-term and low-value leases	(131.3)
Effect of discounting at the incremental borrowing rate as of 1 January 2019	(26.8)
Liabilities from leases as of 1 January 2019	**357.1**

3. Significant accounting policies

Significant accounting policies for 2019

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of Subsea 7 S.A. ('the Company') and entities controlled by the Company (its subsidiaries). Control is assumed to exist where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. If the Group loses control over a subsidiary it derecognises related assets, liabilities and non-controlling interests and other components of equity, while any resultant gain or loss is recognised in income or loss. Any investment retained is recognised at fair value.

The Group consolidates non-wholly-owned subsidiaries where it can be considered to exercise control over the entity. In some cases this may result in the consolidation of non-wholly-owned subsidiaries in which the Group holds less than 50% of the voting rights when there is no history of the other shareholders exercising their votes to outvote the Group.

Subsidiaries

Assets, liabilities, income and expenses of a subsidiary are included in the Consolidated Financial Statements from the date the Group obtains control over the subsidiary until the date the Group ceases to control the subsidiary. Changes in the Group's interest in a subsidiary that do not result in the Group ceasing to control that subsidiary are accounted for as equity transactions.

Where necessary, adjustments are made to the financial statements of subsidiaries to align these with the accounting policies of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Note 40 'Wholly-owned subsidiaries' includes information related to wholly-owned subsidiaries which are included in the Consolidated Financial Statements of the Group.

All subsidiaries are wholly-owned (100%) except those listed in Note 26 'Non-controlling interests'. Non-controlling interests comprise equity interests in subsidiaries which are not attributable, directly or indirectly, to the Company. Non-controlling interests in the net assets or liabilities of subsidiaries are identified separately from the equity attributable to shareholders of the parent company. Non-controlling interests consist of the amount of those interests at the date that the Group obtains control over the subsidiary together with the non-controlling shareholders' share of net income or loss and other comprehensive income or loss since that date.

3. Significant accounting policies continued

Interests in associates and joint arrangements

An associate is an entity over which the Group has significant influence, but not control, and which is neither a subsidiary nor a joint venture. Significant influence is defined as the right to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint arrangement is an arrangement in which two or more parties have joint control. A joint arrangement is classified as either a joint venture or a joint operation depending upon the rights and obligations of the parties to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Interests in associates and joint ventures are accounted for using the equity method. Under this method, the investment is recognised in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture, less any provisions for impairment. The Consolidated Income Statement reflects the Group's share of net income or loss of the associate or joint venture. Losses in excess of the Group's interest (which includes any long-term interests that, in substance, form part of the Group's net investment) are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share in the Consolidated Statement of Comprehensive Income.

Interests in joint operations are accounted for in line with the Group's proportional interest in the joint operations. As a joint operator the Group recognises its interest in: assets (including its share of any assets held jointly); liabilities (including its share of any liabilities incurred jointly); revenue from the sale of its share of output by the joint operation; and expenses (including its share of any expenses incurred jointly).

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency is defined as the currency of the primary economic environment in which the entity operates. While this is usually the local currency, the US Dollar is designated as the functional currency of certain entities where transactions and cash flows are predominantly in US Dollars.

All transactions in non-functional currencies are initially translated into the functional currency of each entity at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are translated to the functional currency at the exchange rate prevailing at the balance sheet date.

All resulting exchange rate differences are recognised in the Consolidated Income Statement. Non-monetary items which are measured at historical cost in a non-functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items which are measured at fair value in a non-functional currency are translated to the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Foreign exchange revaluations of short-term intra-group balances denominated in non-functional currencies are recognised in the Consolidated Income Statement. Revaluations of long-term intra-group loans are recognised in the translation reserve in equity.

The assets and liabilities of operations which have a non-US Dollar functional currency are translated into the Group's reporting currency, US Dollar, at the exchange rate prevailing at the balance sheet date. The exchange rate differences arising on the translation are recognised in the translation reserve in equity. Income and expenditure items are translated at the weighted average exchange rates for the year. On disposal of an entity with a non-US Dollar functional currency the cumulative translation adjustment previously recognised in the translation reserve in equity is reclassified to the Consolidated Income Statement. At 31 December 2019, the exchange rates of the main currencies used throughout the Group, compared to the US Dollar, were as follows:

GBP	0.770
EUR	0.903
NOK	8.977
BRL	4.083

Revenue from Contracts with Customers

The Group applies the IFRS 15 'Revenue from Contracts with Customers' five-step model whereby revenue is recognised at an amount which reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

The Group's revenue comprises revenue recognised from contracts with customers for the provision of long-term fixed-price contracts, services under charter agreements, day-rate contracts, reimbursable contracts, cost-plus contracts (and similar contracts), each of which are considered to comprise one performance obligation. The following is a description of the principal activities, by operating segment, from which the Group generates revenue as disclosed in the disaggregated revenue analysis (Note 5 'Segment information').

SURF and Conventional

SURF and Conventional work, which includes Engineering, Procurement, Installation and Commissioning (EPIC) contracts, is generally contracted on a fixed-price basis. The costs and margins realised on such projects vary dependent on a number of factors which may result in reduced margins or, in some cases, losses. The promised goods and services within each contract are considered to be distinct as a bundle under IFRS 15. Due to the significant integration, customisation and highly interrelated nature of the work performed they form one performance obligation with revenue being recognised over time. During a contract, work is performed for the sole benefit of the client who continually monitors progress. Clients may also participate in the supplier selection processes for procured items. During the offshore phase of a contract, the Group typically executes work related to the installation of the client's assets. Due to the nature of the work performed the Group would not have an alternative use for the works performed under a contract for a specific client. The transaction price for these types of contracts, where there is an element of variable consideration, is based upon the single most likely outcome. Any additional work, such as scope changes or variation orders, as well as variable consideration, will be included within the total price once the amounts can be reasonably estimated and management have concluded that their recognition will not result in a significant revenue reversal in a future period.

For EPIC projects, revenue is recognised in each period based upon the advancement of the work-in-progress. The input method used to progressively recognise revenue over time is based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of goods and services to the customer. Any significant upfront procurement which is not customised for the specific project is not included within the actual cost of work performed until such time as the costs incurred are proportionate to the progress in satisfying the performance obligation. Similarly an adjustment to the measurement of progress may be required where significant inefficiencies occur. Typically payment is due from the customer between 30 to 60 days following the issuance of the invoice. The contracts have no significant financing component as the period between when the Group transfers promised goods or services to a customer and when the customer pays for those goods or services will be one year or less. In circumstances where the Group has recognised revenue, but not issued an invoice, the entitlement to consideration is recognised as a construction contract asset. The construction contract asset is transferred to receivables in accordance with the agreed milestone schedule which reflects the unconditional entitlement to payment. Construction contract liabilities arise when progress billings to date exceed project revenues recognised. Assurance type warranty periods commence at the completion of the contractual obligations and typically have a duration of between one to three years. Construction contract asset and liability balances at 31 December 2019 and 2018 are disclosed within Note 22 'Construction contracts'.

The Group's Pipelay Support Vessel (PLSV) contracts, offshore Brazil, are also included within this category of revenue. PLSV revenue is based upon an agreed schedule of work applied to a range of daily operating activities pre-agreed with the customer. As such these contracts are considered to be distinct as a pattern and hence one performance obligation under the guidelines within IFRS 15. Each day is distinct with the overall promise being the delivery of a series of days which have the same pattern of transfer to the customer. The transaction price for all PLSV contracts is determined by the expected value approach being the number of days multiplied by the expected day-rate. This method of revenue recognition for PLSV contracts provides a faithful depiction of the transfer of goods and services. Typically the value of work completed in any one month corresponds directly with Subsea 7's right to payment. Payment is due from the client approximately 30 days following invoice date. These contracts have no significant financing component. Unbilled revenue related to work completed, which has not been billed to clients, is included within Note 21 'Other accrued income and prepaid expenses'.

Front end engineering studies (FEED) undertaken by the Group are also included within this category of revenue principally on a day-rate basis. Revenue recognition for day-date contracts is described in the paragraph below.

Life of Field

The Group's Life of Field business provides Remotely Operated Vehicles (ROVs), survey and inspection, drill-rig support and related solutions on a day-rate basis. Projects are contracted on the basis of an agreed schedule of rates applied to a range of daily operating activities. Life of Field contracts are considered to be distinct as a pattern and hence one performance obligation under the guidelines within IFRS 15. Each day is distinct with the overall promise being the delivery of a series of days that have the same pattern of transfer to the customer. The transaction price for all day-rate contracts is determined by the expected value approach being the number of days multiplied by the expected day-rate. This method of revenue recognition for day-rate contracts provides a faithful depiction of the transfer of goods and services. Typically the value of work completed in any one month corresponds directly with Subsea 7's right to payment. Payment is due from the client approximately 30-45 days following the invoice date. These contracts have no significant financing component. Unbilled revenue related to work completed, which has not been billed to clients, is included within Note 21 'Other accrued income and prepaid expenses'.

Customers of the Life of Field business, in certain circumstances, may request the commissioning of bespoke tooling. Revenue in relation to bespoke tooling, which is not significant in relation to the Group's overall revenue, is considered distinct in its own right. Dependent on the individual contract with the customer, revenue from the sale of this bespoke tooling may be recognised over time or at a point in time when control of the asset is transferred to the customer, generally on delivery.

Renewables and Heavy Lifting

Renewables and Heavy Lifting projects which include the construction and installation of wind turbine foundations and inner-array cables, heavy lifting operations and decommissioning are generally contracted on a fixed-price basis. Similar to EPIC contracts, the promised goods and services within Renewables and Heavy Lifting contracts are considered to be distinct as a bundle and hence one performance obligation with revenue being recognised over time. Although the promises within the contract are capable of being distinct, management have concluded that they are not due to the significant integration, customisation and highly interrelated nature of each contract. The contract work performed is for the sole benefit of the customer who continually monitors progress and the Group would not have an alternative use for work performed under a specific contract. Clients may also participate in the supplier selection processes for procured items. The transaction price for these types of contracts, where there is an element of variable consideration, is based upon the single most likely outcome.

3. Significant accounting policies continued

Any additional work, such as scope changes or variation orders, as well as variable consideration will be included within the total price once the amounts can be reasonably estimated and management have concluded that this will not result in a significant revenue reversal in a future period.

For Renewables and Heavy Lifting contracts the input method used to progressively recognise revenue over time is based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of the goods and services to the customer. Any significant upfront procurement which is not customised for the particular project is not included within the actual cost of work performed at each period end. An adjustment to the measure of progress may be required where significant inefficiencies occur which were not reflected in the price of the contract. Payment is due from the client approximately 30-45 days following the issuance of the invoice. These contracts have no significant financing component as the period between when the Group transfers the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less. In circumstances where the Group has recognised revenue, but not issued an invoice, the entitlement to consideration is recognised as a construction contract asset. The construction contract asset is transferred to receivables in accordance with the agreed milestone schedule which reflects the unconditional entitlement to payment. Construction contract liabilities arise when progress billings exceed project revenues. Assurance type warranty periods commence at the completion of the contractual obligations and typically have a duration of between one to three years. Construction contract asset and liability balances at 31 December 2019 and 2018 are disclosed within Note 22 ‘Construction contracts’.

Corporate

No revenue is currently recognised within the Group’s Corporate segment.

Advances received from customers

For certain projects the Group may receive short-term advances from customers which are presented as deferred revenue within the Consolidated Balance Sheet. Advances received from customers include amounts received before the work is performed on day-rate contracts and amounts received from customers in advance of work commencing on fixed-price contracts. The consideration is not adjusted for the effects of a financing component where the Group expects, at contract inception, that the period between when the customer pays for the service and when the Group transfers that promised service to the customer will be 12 months or less.

Principal versus agent

For certain projects the Group provides procurement services and assumes responsibility for the logistics and handling of procured items. Management’s assessment of whether a principal or agent relationship exists is based upon whether the Group has the ability to control the goods before they are transferred to the customer. This assessment is performed on a contract-by-contract basis.

Variable consideration

Variable consideration is constrained at contract inception to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Warranty obligations

The Group provides warranties for the repair of defects which are identified during the contract and within a defined period thereafter. As such, most are assurance-type warranties, as defined within IFRS 15, which the Group recognises under IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’. The Group does not have any contractual obligations for service-type warranties.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. These amounts are calculated using the effective interest rate related to the period of the expenditure. All other borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

Finance costs

Finance costs or charges, including premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method.

Retirement benefit costs

The Group administers several defined contribution pension plans. Obligations in respect of such plans are charged to the Consolidated Income Statement as they fall due.

In addition, the Group administers a small number of defined benefit pension plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Remeasurements, comprising actuarial gains and losses and the return on plan assets, (excluding net interest), are recognised immediately through the Consolidated Statement of Comprehensive Income in the period in which they occur with a corresponding adjustment in the Consolidated Balance Sheet. Remeasurements are not reclassified to the Consolidated Income Statement in subsequent periods. Past service costs are recognised in the Consolidated Income Statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises portions of the service cost (comprising current and past service costs) gains and losses on curtailments, non-routine settlements and net interest expense or income in the net defined benefit obligation under both operating expenses and administrative expenses in the Consolidated Income Statement. The Group is also committed to providing lump-sum bonuses to employees upon retirement in certain countries. These retirement bonuses are unfunded, and are recorded in the Consolidated Balance Sheet at their actuarial valuation.

A defined benefit pension plan is considered settled once all future legal or constructive obligations for part or all of the benefits provided are eliminated. Upon settlement the defined benefit asset/liability is remeasured using the current fair value of the plan assets and current actuarial assumptions. Any difference between the current defined benefit asset/liability and the fair value will be recognised as a gain or loss and released from other reserves to retained earnings.

Taxation

Taxation expense or income recorded in the Consolidated Income Statement or Consolidated Statement of Other Comprehensive Income represents the sum of the current tax and deferred tax charge or credit for the year.

Current tax

Current tax is based on the taxable income for the year, together with any adjustments to tax payable in respect of prior years. Taxable income differs from income before taxes as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and further excludes items that are never taxable or deductible. The tax laws and rates used to compute the amount of current tax payable are those that are enacted or substantively enacted at the balance sheet date.

Current tax assets or liabilities are representative of taxes being owed by, or owing to, local tax authorities. In determining current tax assets or liabilities the Group takes into account the impact of uncertain tax treatments and whether additional taxes or penalties may be due.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Consolidated Balance Sheet and the corresponding tax bases used in the computation of taxable income, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets or liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets or liabilities in a transaction (other than in a business combination) that does not affect either the taxable income or the accounting income before taxes.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax assets are only recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Deferred tax assets are derecognised or reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are substantively enacted and expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly in the Consolidated Statement of Comprehensive Income in which case the deferred tax is also recognised within the Consolidated Statement of Comprehensive Income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current income tax assets and liabilities on a net basis.

Tax contingencies and provisions

IFRIC 23 ‘Uncertainty over Income Tax Treatments’ addresses accounting for income taxes when tax treatments involve uncertainty which affects the application of IAS 12 ‘Income Taxes’. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses whether uncertain tax treatments should be considered separately; assumptions with regards the examination of tax treatments by taxation authorities; determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates.

In accordance with IFRIC 23 a provision for an uncertain tax treatment is made where the ultimate outcome of a particular tax matter is uncertain. In calculating a provision the Group assesses the probability of the liability arising and, where a reasonable estimate can be made, recognises a provision for the liability it considers probable to be required to settle the present obligation. Provisions are based on experience of similar transactions, internal estimates and appropriate external advice.

Dry-dock, mobilisation and decommissioning expenditure

Dry-dock expenditure incurred to maintain a vessel’s classification is capitalised in the Consolidated Balance Sheet as a distinct component of the asset and amortised over the period until the next scheduled dry-docking (usually between two-and-a-half years and five years). At the date of the next dry-docking, the previous dry-dock asset and accumulated amortisation is derecognised. All other repair and maintenance costs are recognised in the Consolidated Income Statement as incurred.

A provision is recognised for decommissioning expenditures required to restore a leased vessel to its original or agreed condition, together with a corresponding amount capitalised, when the Group recognises it has a present obligation and a reliable estimate can be made of the amount of the obligation.

3. Significant accounting policies continued

Business combinations and goodwill

Business combinations

Acquisitions of subsidiaries and businesses, including business combinations completed in stages, are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the acquisition date) of cash and other assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Where an acquisition qualifies as a business combination completed in stages, consideration includes the fair value of the Group's equity interest prior to the combination. Any gain or loss associated with the remeasurement of the equity interest to fair value is recognised as a remeasurement gain or loss. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are recognised as an adjustment to the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at fair value on the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 'Income Taxes';
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 'Employee Benefits';
- lease liabilities for which the Group is lessee, the lease liability is measured as if the lease contract were a new lease in accordance with IFRS 16 'Leases';
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 'Share-based Payments'; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete, to the extent that the amounts can be reasonably calculated. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained regarding facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information regarding facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired by the Group (the acquisition date). Goodwill is measured as the sum of the consideration and either the amount of any non-controlling interests in the acquiree or the fair value of the Group's previously held equity interest in the entity less the net fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration and either the amount of any non-controlling interests in the acquiree or the fair value of the Group's previously held equity interest in the acquiree, the excess is recognised immediately in the Consolidated Income Statement. Goodwill is reviewed for impairment at least annually.

Gain on a bargain purchase

A gain arising on a bargain purchase is recognised in the Consolidated Income Statement on the date that control is acquired (the acquisition date). The gain is measured as the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date less the sum of the consideration.

Intangible assets other than goodwill

Overview

Intangible assets acquired separately are measured at cost at the date of initial acquisition. Following initial recognition, intangible assets are measured at cost less amortisation and impairment charges. Intangible assets acquired as part of a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets acquired as part of a business combination are measured at acquisition date fair value less amortisation and impairment charges.

Internally generated intangible assets are not capitalised, with the exception of development expenditure which meets the criteria for capitalisation.

Intangible assets with finite lives are amortised over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at least annually. Changes in the expected useful life are accounted for by changing the amortisation period or method, and are treated as changes in accounting estimates. The amortisation expense related to intangible assets with finite lives is recognised in the Consolidated Income Statement in the expense category consistent with the function of the intangible asset.

Research and development costs

Research costs are expensed as incurred. The Group recognises development expenditure as an internally generated intangible asset when the criteria for recognition specified in IAS 38 'Intangible Assets' are met.

Amortisation of the intangible asset over the period of the expected useful life begins when development is complete and the asset is available for use. The asset is tested for impairment whenever there is an indication that the asset may be impaired.

Property, plant and equipment
Property, plant and equipment acquired separately, including critical spare parts acquired and held for future use, are measured at cost less accumulated depreciation and accumulated impairment charges.

Assets under construction are carried at cost, less any recognised impairment charges. Depreciation of these assets commences when the assets become operational and are deemed available for use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Vessels	10 to 25 years
Operating equipment	3 to 10 years
Buildings	20 to 25 years
Other assets	3 to 7 years

Land is not depreciated.

Vessels are depreciated to their estimated residual value. Residual values, useful economic lives and methods of depreciation are reviewed at least annually and adjusted if appropriate.

Gains or losses arising on disposal of property, plant and equipment are determined as the difference between any disposal proceeds and the carrying amount of the asset at the date of the transaction. Gains and losses on disposal are recognised in the Consolidated Income Statement in the period in which the asset is disposed.

Impairment of non-financial assets
At each reporting date the Group assesses whether there is any indication that non-financial assets, including right-of-use assets, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's fair value less costs of disposal and its value-in-use. Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset is allocated. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment charges are recognised in the Consolidated Income Statement in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment charges may require to be reversed. If such an indication exists the Group makes an estimate of the recoverable amount. A previously recognised impairment charge is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment charge was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment charge been recognised for the asset in prior periods. Any such reversal is recognised in the Consolidated Income Statement. The following criteria are also applied in assessing impairment of specific assets:

Goodwill
An assessment is made at each reporting date as to whether there is an indication of impairment. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the combination. Following the implementation of IFRS 16 'Leases', the carrying amount of the CGU to which goodwill is assessed includes right-of-use assets.

Each unit or group of units to which the goodwill is allocated initially represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'. If circumstances give rise to a change in the composition of CGUs and a reallocation is justified, goodwill is reallocated based on relative value at the time of the change in composition. Following any reorganisation the CGU cannot be larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Recoverable amounts are determined based on value-in-use calculations using discounted pre-tax cash flow projections based on risk-adjusted financial forecasts approved by the Executive Management Team.

As cash flow projections are risk-adjusted for CGU specific risks, risk premiums are not applied to the discount rate which is applied to all CGUs. The discount rate applied to the cash flow projections is a pre-tax rate and reflects current market assessments of the time value of money, risks specific to the asset and a normalised capital structure for the industry. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment charge is recognised in the Consolidated Income Statement. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that CGU is disposed, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed and the portion of the CGU retained.

Associates and joint ventures
At each reporting date the Group determines whether there is any objective evidence that the investment in an associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the estimated fair value of the associate or joint venture and its carrying amount. The resultant impairment charge is recognised in the Consolidated Income Statement.

3. Significant accounting policies continued

Financial Instruments

Classification and measurement

The Group's financial assets include cash and short-term deposits, trade and other receivables, other receivables, derivative financial instruments and equity investments which are classified as other financial assets. The Group's financial liabilities include trade and other payables, contingent consideration, borrowings and derivative financial instruments.

Initial measurement is based upon one of four IFRS 9 'Financial Instruments' models: amortised cost; fair value through profit and loss (FVPL); fair value through other comprehensive income (with recycling of accumulated gains and losses) or fair value through other comprehensive income (without recycling of accumulated gains and losses).

Classification and subsequent measurement is dependent upon the business model under which the Group holds and manages the financial assets; and whether the contractual cash flows resulting from the instrument represent 'solely payments of principal and interest' (the 'SPPI' criterion').

All financial assets are classified at initial recognition and are initially measured at fair value net of transaction costs, with the exception of those classified as FVPL. Classification as amortised cost is applicable where the instruments are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and the cash flows resulting from the instrument consist solely of principal and interest. Debt financial assets are subsequently measured at FVPL, amortised cost or fair value through other comprehensive income (FVOCI) depending on classification.

Equity instruments are reported as other financial assets and are subsequently measured at FVPL when not considered to be strategic in nature. Where the Group considers other financial assets to be strategic in nature and is expecting to hold them for the foreseeable future the investments are measured at FVOCI with no recycling of gains or losses to profit or loss on derecognition.

All financial liabilities are classified at initial recognition and are initially measured at fair value net of transaction costs, with the exception of those classified as FVPL. Financial liabilities are measured at FVPL when they meet the definition of held for trading or when they are designated as such on initial recognition. Otherwise, financial liabilities are measured at amortised cost.

The Group enters into forward foreign currency contracts, in order to manage its foreign currency exposures; these are measured at FVPL. The Group regularly enters into multi-currency contracts from which the cash flows may lead to embedded foreign exchange derivatives in non-financial host contracts, carried at FVPL. The Group reassesses the existence of an embedded derivative if the terms of the host financial instrument change significantly. The fair values of derivative financial instruments are measured on bid prices for assets held and offer prices for issued liabilities based on values quoted in active markets. Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognised in the Consolidated Income Statement within other gains and losses.

Cash and cash equivalents comprise cash at bank, cash on hand, money market funds, and short-term highly liquid assets with an original maturity of three months or less and readily convertible to known amounts of cash. Utilised revolving credit facilities are included within current borrowings. Cash and cash equivalents are measured at amortised cost.

Impairment of financial assets and construction contract assets

The Group applies the expected credit loss (ECL) impairment model to record allowances for expected credit losses. The expected credit loss model applies to all debt financial assets accounted for in accordance with IFRS 9 'Financial Instruments'. The expected credit loss impairment model is also applied to contract assets accounted for under IFRS 15 'Revenue from Contracts with Customers'.

For contract assets and trade and other receivables which do not contain a significant financing component, the Group applies the simplified approach. This approach requires the allowance for ECLs to be recognised at an amount equal to lifetime expected credit losses.

For other debt financial assets the allowance for ECLs is calculated on a 12-month basis and is based on the portion of ECLs expected to result from default events possible within 12 months of the reporting date. The Group monitors for significant changes in credit risk and where this is materially different to ECLs calculated on a 12-month basis changes the allowance to reflect the risk of expected default in the contractual lifetime of the financial asset. Unless there is a valid mitigating factor, the Group considers there to have been a significant increase in credit risk when contractual payments are more than 30 days past the due date for payment.

At each reporting date the Group assesses whether any indicators exist that a financial asset or group of financial assets has become credit impaired. Where an asset is considered to be credit impaired a specific allowance is recognised based on the actual cash flows that the Group expects to receive and is determined using historical credit loss experience and forward-looking factors specific to the counterparty and the economic environment. Any shortfall is discounted at the original effective interest rate for the relevant asset.

Except where there are valid mitigating factors, the Group considers a financial asset in default when contractual payments are 90 days past the due date for payment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Financial investments

The Group's non-current financial investments comprise strategic shareholdings in technology companies. These investments are held at cost, deemed an appropriate estimate of fair value, due to the uncertainty over technical milestones and the wide range of possible fair value measurements. These investments are reviewed for indicators of impairment at each reporting date.

Inventories

Inventories comprise consumables, materials and non-critical spares and are valued at the lower of cost and net realisable value.

Treasury shares
Treasury shares are the Group's own equity instruments which are repurchased and shown within equity at cost. Gains or losses realised or incurred on the purchase, sale, reallocation or cancellation of the Group's own equity instruments are recognised within equity. No gains or losses are recognised in the Consolidated Income Statement.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past transaction or event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation. Estimates are determined by the judgement of management supplemented by the experience of similar transactions, and, in some cases, advice from independent experts. Contingent liabilities are disclosed in Note 32 'Commitments and contingent liabilities' to the Consolidated Financial Statements, but not recognised until they meet the criteria for recognition as a provision. Where the Group is virtually certain that some or all of a provision will be reimbursed, that reimbursement is recognised as a separate asset. The expense relating to any provision is reflected in the Consolidated Income Statement at an amount reflective of the risks specific to the liability. Where the provision is discounted, any increase in the provision due to the passage of time is recognised as a finance cost in the Group's Consolidated Income Statement.

The following criteria are applied for the recognition and measurement of significant classes of provisions:

Onerous contracts
The Group recognises provisions for onerous contracts once the underlying event or conditions leading to the contract becoming onerous are probable and a reliable estimate can be made. Onerous lump-sum contract provisions are assessed in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Onerous provisions are calculated on a least net cost basis, which includes unavoidable costs only, while comparing these costs to the cost of cancelling a contract and incurring early termination fees.

Legal claims
In the ordinary course of business, the Group is subject to various claims, litigation and complaints. An associated provision is recognised if it is probable that a liability has been incurred and the amount can be reliably estimated.

Contingent consideration
The Group recognises a provision where, as part of the sale and purchase agreement, contingent consideration has been agreed. The amount and timing of contingent consideration is often uncertain and is payable based on the achievement of specific targets and milestones. The liability is initially measured at its acquisition date fair value, determined using the discounted cash flows method and unobservable inputs and is remeasured at each reporting date. Changes in fair value are recognised in the Consolidated Income Statement.

Share-based payments
Certain employees of the Group receive part of their remuneration in the form of conditional awards of shares based on the performance of the Group. Equity-settled transactions with employees are measured at fair value at the date on which they are granted. The fair value is determined using a Monte Carlo simulation model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each balance sheet date, until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The cumulative expense also includes the estimated future charge to be borne by the Group in respect of social security contributions, based on the intrinsic unrealised value of the awards using the share price at the balance sheet date. The net income or expense for a period represents the difference in cumulative expense recognised at the beginning and end of that period.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, due to vesting conditions being unable to be met, the cumulative expense previously recognised is reversed with a credit recognised in the Consolidated Income Statement. If a new award is substituted for the cancelled award, the new award is measured at fair value at the date on which it is granted.

Earnings per share
Earnings per share is calculated using the weighted average number of common shares and common share equivalents outstanding during each period excluding treasury shares. The potentially dilutive effect of outstanding performance shares is reflected as share dilution in the computation of diluted earnings per share.

Significant accounting policy for 2018
The following accounting policy has been provided to assist with the understanding of comparative financial information for the year ended 31 December 2018. This accounting policy, which complied with IAS 17 'Leases', has been superseded to comply with IFRS 16 'Leases' as disclosed in Note 2 'Adoption of new accounting standards'.

3. Significant accounting policies continued

Leasing

The determination of whether an arrangement was or contained a lease was based on the substance of the arrangement at the inception date, whether the fulfilment of the arrangement was dependent on the use of a specific asset or assets or the arrangement conveyed a right to use an asset. Leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

Operating lease payments were recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease were aggregated and recognised on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease were recognised on the same basis as the related lease.

Improvements made to leased assets were expensed in the Consolidated Income Statement unless they significantly increased the value of the leased asset, under which circumstance this expenditure was capitalised in the Consolidated Balance Sheet and subsequently recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term applicable to the leased asset.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in Note 3 'Significant accounting policies', management is required to make judgements, estimates and assumptions regarding 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 prospectively in the period in which the estimate is revised.

Revenue recognition

The Group's accounting policies under IFRS 15 'Revenue from Contracts with Customers' are detailed in Note 3 'Significant accounting policies'.

Revenue recognition on long-term construction contracts and renewables contracts

The Group accounts for long-term construction contracts for both engineering, procurement, installation and commissioning (EPIC) projects and renewables and heavy lifting projects using the percentage-of-completion method, which is standard practice in the industry. Contract revenues, total cost estimates and estimates of physical progression are reviewed by management on a monthly basis. Any adjustments made as a result of these reviews are reflected in contract revenues or contract costs in the reporting period, based on the percentage-of-completion method.

To the extent that these adjustments result in a reduction or elimination of previously reported contract revenues or costs, a charge or credit is recognised in the Consolidated Income Statement; amounts in prior periods are not restated. Such a charge or credit may be significant depending on the size of the project, the stage of project completion and the size of the adjustment. Additional information that enhances and refines the estimating process is often obtained after the balance sheet date but before the issuance of the Consolidated Financial Statements, which may result in an adjustment to the Consolidated Financial Statements based on events, favourable or unfavourable, occurring after the balance sheet date.

The percentage-of-completion method requires management to make reliable estimates of physical progression, costs incurred, full project contract costs and full project contract revenues. The Group's Project Monthly Status Reports (PMSRs) evaluate the likely outcome of each individual project for the purpose of making reliable estimates of cost, revenue and progression, measured either by cost or physical progression. A key element of the PMSRs is the estimate of contingency. Contingency is an estimate of the costs required to address the potential future outcome of identified project risks. The Group uses a systematic approach in estimating contingency based on project size. This approach utilises a project specific risk register in order to identify and assess the likelihood and impact of these risks. The most significant risks and uncertainties in the Group's projects typically relate to the offshore phase of operations. Identified risks that materialise may result in increased costs. Contingency associated with identified risks are removed from the full project cost estimate throughout the remaining life of the project if the identified risks do not materialise.

Revenue recognition on variation orders and claims

A significant portion of the Group's revenue is billed under fixed-price contracts. Due to the nature of the services performed, variation orders and claims are common. A variation order is an instruction by the client for a change in the scope of the work to be performed under the contract which may lead to an increase or a decrease in contract revenue based on changes in the specifications or design of an asset and changes in the duration of the contract.

A claim is an amount that may be collected as reimbursement for costs not included in the contract price. A claim may arise from delays caused by clients, errors in specifications or design, and disputed variations in contract work. The measurement of revenue arising from claims is subject to a high level of uncertainty and is dependent on the outcome of negotiations.

Recognition of revenue on variation orders and claims is governed by the Group's revenue recognition approval policy.

Allocation of goodwill to cash-generating units (CGUs)

During 2019, the Group completed three business combinations which resulted in the recognition of goodwill. Management used their judgement in the identification of the appropriate CGUs for the monitoring of goodwill. Goodwill recognised on these acquisitions is detailed in Note 13 'Goodwill'.

Goodwill carrying amount

Goodwill is reviewed at least annually to assess whether there is objective evidence to indicate that the carrying amount of goodwill requires impairment at a CGU level. The impairment review is performed on a value-in-use basis which requires the estimation of future net operating cash flows. Further details relating to the impairment review are disclosed in Note 13 'Goodwill'.

Property, plant and equipment

Property, plant and equipment is recorded at cost and depreciation is recorded on a straight-line basis over the useful lives of the assets. Management uses its experience to estimate the remaining useful economic life and residual value of an asset.

A review for indicators of impairment is performed at each reporting date. When events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable, a review for impairment is carried out by management. Where the value-in-use method is used to determine the recoverable amount of an asset, management uses its judgement in determining the CGU to which the asset belongs, or whether the asset can be considered a CGU in its own right. The level of aggregation of assets is a significant assumption made by management and includes consideration of which assets generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management has determined that vessels are not CGUs individually as they do not generate cash inflows independently of other Group assets. Once the CGU has been determined management uses its judgement in determining the value-in-use of the CGU as detailed in Note 13 'Goodwill'. Where an asset is considered a CGU in its own right management uses its judgement to estimate future asset utilisation, cash flows, remaining life and the discount rate used.

Recognition of provisions and disclosure of contingent liabilities

In the ordinary course of business, the Group becomes involved in contract disputes from time-to-time due to the nature of its activities as a contracting business involved in multiple long-term projects at any given time. The Group recognises provisions to cover the expected risk of loss to the extent that negative outcomes are likely and reliable estimates can be made. The final outcomes of these contract disputes are subject to uncertainties as to whether or not they develop into a formal legal action and therefore the resulting liabilities may exceed the liability anticipated by management.

Furthermore, the Group may be involved in legal proceedings from time-to-time; these proceedings are incidental to the ordinary conduct of its business. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is reasonably possible that the final resolution of any litigation could require the Group to incur additional expenditures in excess of provisions that it may have previously recognised.

Management uses its judgement in determining whether the Group should recognise a provision or disclose a contingent liability. These judgements include whether the Group has a present obligation and the probability that an outflow of economic resource is required to settle the obligation. Management may also use its judgement to determine the amount of the obligation or contingent liability. Management uses external advisers to assist with some of these judgements. Further details relating to provisions and contingent liabilities are shown in Note 31 'Provisions' and Note 32 'Commitments and contingent liabilities'.

Taxation

The Group is subject to taxation in numerous jurisdictions and significant judgement is required in calculating the consolidated tax position. There are transactions for which the ultimate tax determination is uncertain and for which the Group makes provisions based on an assessment of internal estimates and appropriate external advice, including decisions regarding whether to recognise deferred tax assets in respect of tax losses. Each year management completes a detailed review of uncertain tax treatments across the Group and makes provisions based on the probability of the liability arising. Where the final outcome of these matters differs from the amounts that were initially recorded, the difference will impact the taxation charge in the period in which the outcome is determined. Details of key judgements and other issues considered are set out in Note 9 'Taxation'.

Measurement of other intangible assets acquired on business combinations

Acquisition accounting for business combinations requires management judgement to estimate the fair value of previously unrecognised intangible assets. Intangible assets recognised by the Group following business combinations include third party unexecuted contractual backlog. Management uses its judgement to determine fair value and the appropriate amortisation periods for intangible assets using income-based valuation approaches. Management uses external advisers to assist with some of these judgements. Further details relating to intangible assets acquired as a result of business combinations are included in Note 12 'Business combinations'.

Measurement of contingent consideration in business combinations

As a result of business combinations the Group has recognised contingent consideration being additional cash consideration payable to previous owners should specific targets be achieved in future periods. At the acquisition date management applied judgement to provisionally estimate the fair value of this consideration using the discounted cash flow method and certain assumptions related to expected future activity levels. Further details are included in Note 12 'Business combinations'.

Changes to the expected levels of contingent consideration resulting from adjusting events during the 12-month measurement period are reflected in the amounts recognised as part of the accounting for the business combination. Changes resulting from non-adjusting events and all changes to the expected levels of contingent consideration arising after the end of the measurement period are reflected within other gains and losses in the Group's Consolidated Income Statement.

5. 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.

The accounting policies of the business units are the same as the Group's accounting policies, which are described in Note 3 'Significant accounting policies'.

Allocations of costs also occur between segments based on the physical location of personnel. The Chief Operating Decision Maker (CODM) is the Chief Executive Officer of the Group. The CODM is assisted by the other members of the Executive Management Team. Neither total assets nor total liabilities by operating segment are regularly provided to the CODM and consequently no such disclosure is shown. Summarised financial information, including the disaggregation of the Group's revenue from contracts with customers, concerning each operating segment is as follows:

For the year ended 31 December 2019

(in $ millions)	SURF and Conventional	Life of Field	Renewables and Heavy Lifting	Corporate	Total
Selected financial information:					
Revenue[(a)/(b)/(c)]					
Lump-sum projects	**2,533.4**	**1.0**	**216.6**	**–**	**2,751.0**
Day-rate projects	**640.7**	**264.6**	**0.3**	**–**	**905.6**
	3,174.1	**265.6**	**216.9**	**–**	**3,656.6**
Operating expenses	**(2,861.0)**	**(258.5)**	**(244.8)**	**53.8**	**(3,310.5)**
Impairment of goodwill	**–**	**–**	**(99.9)**	**–**	**(99.9)**
Share of net (loss)/income of associates and joint ventures	**(4.3)**	**1.9**	**–**	**1.5**	**(0.9)**
Depreciation, mobilisation and amortisation expenses	**(346.4)**	**(77.8)**	**(54.2)**	**(5.7)**	**(484.1)**
Impairment of property, plant and equipment	**(66.5)**	**–**	**(3.0)**	**–**	**(69.5)**
Reconciliation of net operating income/(loss) to loss before taxes:					
Net operating income/(loss) excluding goodwill impairment charge	**159.8**	**(2.8)**	**(56.1)**	**(23.9)**	**77.0**
Net operating income/(loss) including goodwill impairment charge	**159.8**	**(2.8)**	**(156.0)**	**(23.9)**	**(22.9)**
Finance income					**13.2**
Other gains and losses					**(17.9)**
Finance costs					**(25.3)**
Loss before taxes					**(52.9)**

(a) Revenue represents only external revenues for each segment. An analysis of inter-segment revenues has not been included as this information is not provided to the CODM.

(b) Two clients in the year individually accounted for more than 10% of the Group's revenue. The revenue from these clients, attributable to SURF and Conventional and Life of Field operating segments, were as follows; Client A $471.5 million (2018: $733.5 million) and Client B $401.5 million (2018: $501.4 million).

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

For the year ended 31 December 2018

(in $ millions)	SURF and Conventional	Life of Field	Renewables and Heavy Lifting	Corporate	Total
Selected financial information:					
Revenue[(a)/(b)]					
Lump-sum projects	2,527.7	2.4	663.4	–	3,193.5
Day-rate projects	636.6	242.8	0.6	0.3	880.3
	3,164.3	245.2	664.0	0.3	4,073.8
Operating expenses	(2,781.0)	(245.2)	(625.2)	66.1	(3,585.3)
Share of net (loss)/income of associates and joint ventures	(5.1)	1.7	–	0.6	(2.8)
Depreciation, mobilisation and amortisation expenses	(333.8)	(36.1)	(55.4)	(4.7)	(430.0)
Impairment of property, plant and equipment and intangible assets	(26.3)	(12.4)	–	–	(38.7)
Reconciliation of net operating income/(loss) to income before taxes:					
Net operating income/(loss)	230.7	(11.7)	3.9	(22.9)	200.0
Finance income					16.1
Other gains and losses					14.1
Finance costs					(13.9)
Income before taxes					216.3

(a) Revenue represents only external revenues for each segment. An analysis of inter-segment revenues has not been included as this information is not provided to the CODM.
(b) Revenue from contracts with customers recognised over time as defined by IFRS 15.

5. Segment information continued

Geographic information

Revenues from external clients

Based on the country of registered office of the Group's subsidiary or branch, revenues are split as follows:

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
United Kingdom	**1,036.9**	1,471.6
Norway	**590.6**	467.1
United States of America	**552.0**	289.2
Nigeria	**320.4**	160.9
Brazil	**190.0**	205.8
Saudi Arabia	**167.0**	286.6
Singapore	**141.4**	255.0
Australia	**139.5**	136.0
Egypt	**135.3**	341.5
Netherlands	**100.0**	–
Azerbaijan	**58.3**	45.9
Angola	**47.0**	40.3
Ghana	**46.2**	33.0
Germany	**42.5**	59.8
Mexico	**33.5**	46.8
Taiwan	**33.4**	–
Other countries	**22.6**	234.3
	3,656.6	4,073.8

Non-current assets

Based on the country of registered office of the Group's subsidiary or branch, non-current assets excluding goodwill, derivative financial instruments, retirement benefit assets and deferred tax assets are located in the following countries:

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
United Kingdom	**2,582.6**	2,679.9
Isle of Man	**857.9**	809.7
Netherlands	**463.3**	12.5
Norway	**416.5**	356.0
Nigeria	**101.1**	12.9
Cyprus	**70.1**	559.6
Angola	**68.7**	81.1
Egypt	**58.6**	66.1
United States of America	**58.1**	30.7
Azerbaijan	**54.8**	4.0
Brazil	**48.8**	45.6
Other countries	**93.0**	33.5
	4,873.5	4,691.6

6. Net operating income

Net operating income/(loss) includes:

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Research and development costs	**22.0**	19.4
Employee benefits	**966.3**	976.4
Depreciation of property, plant and equipment (Note 15)	**365.9**	389.6
Amortisation of right-of-use assets (Note 16)	**98.2**	–
Amortisation of intangible assets (Note 14)	**11.0**	30.8
Mobilisation costs	**9.0**	9.6
Lease expense for short-term leased assets[a]	**222.3**	–
Lease expense for low-value leased assets[a]	**2.1**	–
Variable lease payments not included within lease liabilities[a]	**0.7**	–
Impairment of goodwill (Note 13)	**99.9**	–
Impairment of intangible assets (Note 14)	**–**	25.3
Impairment of property, plant and equipment (Note 15)	**69.5**	13.4
Net increase in allowances for expected credit losses for financial assets (Note 33)	**1.9**	0.1
Net increase/(decrease) in allowances for expected credit losses on construction contract assets (Note 22)	**0.6**	(1.3)
Net credit impairment credit for financial assets (Note 33)	**(3.0)**	(0.6)
Auditor's remuneration	**2.7**	2.4

(a) The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach and did not restate comparative information.

The total fees chargeable to the Group by its principal auditing firm Ernst & Young S.A. and other member firms of Ernst & Young Global Limited were:

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Audit fees	**2.5**	2.1
Tax fees	**0.2**	0.3
	2.7	2.4

Audit fees constitute charges incurred for professional services rendered by the Group's principal auditor and member firms. Charges were incurred for the audit of the consolidated and statutory financial statements of Subsea 7 S.A. and certain subsidiaries. Fees were primarily incurred in connection with the year ended 31 December 2019 but include final settlement of charges associated with the year ended 31 December 2018.

Tax fees constitute charges incurred for professional services rendered by the Group's principal auditors and their member firms relating to the provision of tax advice and tax compliance services for work undertaken during the year ended 31 December 2019. Fees were primarily incurred in connection with the year ended 31 December 2019 but include final settlement of charges associated with the year ended 31 December 2018.

The Group's Audit Committee policy requires pre-approval of audit and non-audit services prior to the appointment of the providers of professional services together with highlighting excluded services which the Group's principal auditor cannot provide. The Audit Committee delegates approval to the Chief Financial Officer based on predetermined limits. The Audit Committee pre-approved or, in cases where pre-approval was delegated, ratified all audit and non-audit services provided to Subsea 7 S.A. and its subsidiaries during the year ended 31 December 2019.

6. Net operating income continued

Reconciliation of operating expenses and administrative expenses by nature

	31 Dec 2019			31 Dec 2018		
For the year ended (in $ millions)	**Operating expenses**	**Administrative expenses**	**Total expenses**	Operating expenses	Administrative expenses	Total expenses
Direct project related costs, including procurement	**1,369.0**	**–**	**1,369.0**	1,809.8	–	1,809.8
Employee benefits	**829.7**	**136.6**	**966.3**	831.5	144.9	976.4
Depreciation, amortisation and mobilisation	**447.2**	**36.9**	**484.1**	408.7	21.3	430.0
Lease expense for short-term leased assets[(a)]	**220.1**	**2.2**	**222.3**	–	–	–
Lease expense for low-value leased assets[(a)]	**2.1**	**–**	**2.1**	–	–	–
Variable lease expense not included within lease liabilities[(a)]	**0.7**	**–**	**0.7**	–	–	–
Impairment of intangible assets	**–**	**–**	**–**	25.3	–	25.3
Impairment of property, plant and equipment	**69.5**	**–**	**69.5**	13.4	–	13.4
Net increase in allowances for expected credit losses for financial assets	**1.9**	**–**	**1.9**	0.1	–	0.1
Net increase/(decrease) in allowances for expected credit losses for construction contract assets	**0.6**	**–**	**0.6**	(1.3)	–	(1.3)
Net credit impairment credit for financial assets	**(3.0)**	**–**	**(3.0)**	(0.6)	–	(0.6)
Other expenses	**372.7**	**92.5**	**465.2**	498.4	119.5	617.9
Total	**3,310.5**	**268.2**	**3,578.7**	3,585.3	285.7	3,871.0

(a) The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach and did not restate comparative information. The comparative figures for 2018 include expenses related to short and long-term leases within both the 'Direct project related costs, including procurement' and 'Other expenses' categories.

7. Other gains and losses

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Gains on disposal of property, plant and equipment	**1.3**	5.8
Fair value losses on derivative financial instruments mandatorily measured at fair value through profit or loss	**(7.8)**	(0.5)
Fair value gains/(losses) on other financial assets measured at fair value through profit or loss	**5.5**	(4.0)
Net gain on disposal of subsidiary	**3.1**	–
Net gains on business combinations post measurement periods	**3.9**	6.2
Remeasurement loss on business combinations	**(1.4)**	–
Net foreign currency exchange (losses)/gains	**(22.5)**	6.6
Total	**(17.9)**	14.1

Fair value gains/(losses) on other financial assets measured at fair value through profit or loss comprise the remeasurement of investments in quoted securities.

Net foreign currency exchange gains/(losses) include fair value gains/(losses) on embedded derivatives.

8. Finance income and finance costs

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Interest on financial assets measured at amortised cost	**13.2**	16.1
Total finance income	**13.2**	16.1

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Interest and fees on financial liabilities measured at amortised cost	**13.9**	14.1
Total borrowing costs	**13.9**	14.1
Less: amounts capitalised and included in the cost of qualifying assets	**(5.9)**	(3.4)
	8.0	10.7
Interest on lease liabilities	**17.2**	–
Interest on tax liabilities	**0.1**	3.2
Total finance costs	**25.3**	13.9

Interest on lease liabilities arises as a result of the adoption of IFRS 16 ‘Leases’ which was implemented on 1 January 2019.

Borrowing costs included in the cost of qualifying assets during the year was calculated by applying to expenditure on such assets at an average capitalisation rate of 3.7% dependent on the funding source (2018: 3.8%).

9. Taxation

Tax recognised in the Consolidated Income Statement

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Tax charged/(credited) in the Consolidated Income Statement		
Current tax:		
Corporation tax on income for the year	**55.1**	104.2
Adjustments in respect of prior years	**(11.9)**	0.4
Total current tax	**43.2**	104.6
Deferred tax credit	**(13.7)**	(52.8)
Total	**29.5**	51.8

Tax recognised in the Consolidated Statement of Comprehensive Income

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Tax charge/(credit) relating to items recognised directly in comprehensive income		
Current tax on:		
Exchange differences	**0.8**	(1.1)
Income tax recognised directly in comprehensive income	**0.8**	(1.1)
Deferred tax on:		
Actuarial gains on defined benefit pension schemes	**0.2**	–
Deferred tax recognised directly in comprehensive income	**0.2**	–
Total	**1.0**	(1.1)

9. Taxation continued

Reconciliation of the total tax charge

Income taxes have been provided for in accordance with IAS 12 'Income Taxes', based on the tax laws and rates in the countries where the Group operates and generates taxable income.

The reconciliation below uses a tax rate of 24.94% (2018: 26.01%) which represents the blended tax rate applicable to Luxembourg entities.

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
(Loss)/income before taxes	**(52.9)**	216.3
Tax at the blended tax rate of 24.94% (2018: 26.01%)	**(13.2)**	56.3
Effects of:		
Cost/(benefit) of tonnage tax regimes	**7.4**	(22.7)
Different tax rates of subsidiaries operating in other jurisdictions	**(9.9)**	(17.6)
Movement in unprovided deferred tax	**13.5**	(2.1)
Tax effect of share of net loss of associates and joint ventures	**1.7**	0.7
Withholding taxes and unrelieved overseas taxes	**30.0**	26.5
Other permanent differences	**(0.5)**	6.9
Foreign exchange movement on devalued currencies	**–**	11.4
Non-deductible amortisation charges	**5.0**	1.9
Non-deductible goodwill impairment charge	**25.1**	–
Revisions to uncertain tax positions	**(17.7)**	(9.2)
Adjustments related to prior years	**(11.9)**	(0.3)
Tax charge in the Consolidated Income Statement	**29.5**	51.8

Deferred tax

Movements in the net deferred tax balance were:

(in $ millions)	**2019**	2018
At year beginning	**(10.6)**	(61.2)
Charged to:		
Consolidated Income Statement	**13.7**	52.8
Recognised on acquisition of businesses	**–**	0.2
Balance sheet reclassifications	**0.2**	(0.4)
Exchange differences	**(2.1)**	(2.0)
At year end	**1.2**	(10.6)

The main categories of deferred tax assets and liabilities recognised in the Consolidated Balance Sheet, before offset of balances within countries where permitted, were as follows:

At 31 December 2019

(in $ millions)	**Deferred tax asset**	**Deferred tax liability**	**Net recognised deferred tax asset/(liability)**
Intangible assets	**–**	**(0.9)**	**(0.9)**
Property, plant and equipment	**–**	**(61.7)**	**(61.7)**
Accrued expenses	**16.0**	**(0.2)**	**15.8**
Share-based payments	**0.8**	**–**	**0.8**
Tax losses	**33.2**	**–**	**33.2**
Other	**14.0**	**–**	**14.0**
Total	**64.0**	**(62.8)**	**1.2**

At 31 December 2018

(in $ millions)	Deferred tax asset	Deferred tax liability	Net recognised deferred tax asset/(liability)
Intangible assets	–	(6.9)	(6.9)
Property, plant and equipment	–	(40.1)	(40.1)
Accrued expenses	15.3	–	15.3
Share-based payments	1.0	–	1.0
Tax losses	22.7	–	22.7
Other	3.6	(6.2)	(2.6)
Total	42.6	(53.2)	(10.6)

Deferred tax is analysed in the Consolidated Balance Sheet, after offset of balances within countries, as:

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Deferred tax assets	**36.1**	28.9
Deferred tax liabilities	**(34.9)**	(39.5)
Total	**1.2**	(10.6)

At 31 December 2019, the Group had tax losses of $2,485.7 million (2018: $2,264.2 million) available for offset against future taxable income. A deferred tax asset has been recognised, using the applicable tax rates, in respect of $114.8 million (2018: $79.9 million) of such losses. No deferred tax asset has been recognised in respect of the remaining $2,370.9 million (2018: $2,184.3 million) as it is not considered probable that there will be sufficient future taxable income available for offset. In addition, the Group has other unrecognised deferred tax assets of approximately $30.1 million (2018: $19.4 million) in respect of other temporary differences.

No deferred tax has been recognised in respect of temporary differences relating to the unremitted earnings of the Group's subsidiaries and branches where remittance is not contemplated and where the timing of distribution is within the control of the Group and for those interests in associates and joint arrangements where it has been determined that no additional tax will arise. The aggregate amount of unremitted earnings giving rise to such temporary differences for which deferred tax liabilities were not recognised at 31 December 2019 was $495.5 million (2018: $902.8 million).

Tonnage tax regime

The tax charge reflected a net cost in the year of $7.4 million (2018: benefit of $22.7 million) as a result of activities taxable under the particular tonnage tax regimes that the Group has elected into, as compared to the tax that would be payable if those activities were not eligible.

Net operating losses (NOLs)

NOLs to carry forward in various countries will expire as follows:

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Within five years	**43.4**	51.7
5 to 10 years	**310.6**	247.1
11 to 20 years	**187.2**	151.8
Without time limit	**1,944.5**	1,813.6
Total	**2,485.7**	2,264.2

There were $102.9 million (2018: $106.0 million) of NOLs included in the above relating to Brazil on which no deferred tax asset was recognised by the Group at 31 December 2019. Cumulative losses included in the above in respect of operations in the Gulf of Mexico were $383.9 million (2018: $395.3 million).

Included in the above were $1,472.8 million (2018: $1,401.4 million) of NOLs relating to Luxembourg, which could be subject to future claw-back if certain transactions were entered into.

9. Taxation continued

Tax contingencies and provisions

The Group's business operations are carried out worldwide and, as such, the Group is subject to the jurisdiction of a significant number of tax authorities at any point in time.

The Group routinely has to manage tax risks in respect of permanent establishments, transfer pricing and other international tax issues. In common with other multinational companies, the conflict between the Group's global operating model and the jurisdictional approach of tax authorities can lead to uncertainty on tax positions.

This often results in the Group's filing positions being subject to audit, enquiry and possible re-assessment. In 2019, the Group was subject to audits and disputes in, among others, Angola, Australia, Brazil, Congo, France, Germany, Nigeria, Mexico and Norway. These audits are at various stages of completion. The Group's policy is to co-operate fully with the relevant tax authorities while seeking to defend its tax positions.

The Group provides for the amount of taxes that it considers probable of being payable as a result of such audits and for which a reasonable estimate can be made. Furthermore, each reporting period management completes a detailed review of uncertain tax positions across the Group, and makes provisions based on the probability of a liability arising. It is possible that ultimate resolution of these uncertain positions could result in tax charges that are materially higher or lower than the amounts provided for.

In the year ended 31 December 2019, the Group recorded a net decrease in its tax contingencies of $19.9 million (2018: $9.2 million decrease) as a result of revisions to estimated future obligations, and the resolution of certain matters with the relevant tax authorities.

10. Dividends

A special dividend of NOK 1.50 per share was approved by the shareholders of Subsea 7 S.A. at the Annual General Meeting on 17 April 2019 and recognised in shareholders' equity in April 2019. The special dividend was paid from the share premium account which in accordance with Luxembourg law is included in the distributable reserves of Subsea 7 S.A. The total dividend of $53.8 million was paid on 3 May 2019 to shareholders of Subsea 7 S.A.

11. 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 year, excluding shares repurchased by the Group and held as treasury shares (Note 25 '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 Company's potentially dilutive common shares include those related to share options and performance shares. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

The net income/(loss) attributable to shareholders of the parent company and share data used in the basic and diluted earnings per share calculations were as follows:

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Net (loss)/income attributable to shareholders of the parent company	**(83.6)**	182.5
Earnings used in the calculation of diluted earnings per share	**(83.6)**	182.5

For the year ended	**2019 31 Dec Number of shares**	2018 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**304,881,174**	325,484,782
Share options and performance shares	**–**	1,706,065
Weighted average number of common shares used in the calculation of diluted earnings per share	**304,881,174**	327,190,847

For the year ended (in $ per share)	**2019 31 Dec**	2018 31 Dec
Basic earnings per share	**(0.27)**	0.56
Diluted earnings per share	**(0.27)**	0.56

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

For the year ended	**2019 31 Dec Number of shares**	2018 31 Dec Number of shares
Share options and performance shares	**2,077,194**	538,762

Adjusted diluted earnings per share

Adjusted diluted earnings per share represents diluted earnings per share excluding goodwill impairment charge. The net income/(loss) attributable to shareholders of the parent company and share data used in the calculation of Adjusted diluted earnings per shares were as follows:

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Net (loss)/income attributable to shareholders of the parent company	**(83.6)**	182.5
Impairment of goodwill	**99.9**	–
Earnings used in the calculation of Adjusted diluted earnings per share	**16.3**	182.5

For the year ended	**2019 31 Dec Number of shares**	2018 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**304,881,174**	325,484,782
Share options and performance shares	**1,366,961**	1,706,065
Weighted average number of common shares used in the calculation of diluted earnings per share	**306,248,135**	327,190,847

For the year ended (in $ per share)	**2019 31 Dec**	2018 31 Dec
Adjusted diluted earnings per share	**0.05**	0.56

12. Business combinations

Acquisition of remaining 40% of the shares of Xodus Group (Holdings) Limited

On 13 March 2019, a direct subsidiary of Subsea 7 S.A. acquired the remaining 40% of the shares of Xodus Group (Holdings) Limited (Xodus). Prior to the acquisition, the Group held a 60% equity interest in Xodus and the transaction was treated as a business combination achieved in stages. The Group remeasured its previously held equity interest to a fair value of $20.9 million which resulted in the recognition of a remeasurement loss of $1.4 million. Cash consideration paid for the remaining 40% of the shares was $9.3 million. The transaction resulted in a provisional amount of goodwill of $26.0 million.

Xodus provides engineering and advisory services to clients in the oil and gas, renewables and utilities industries. The primary reason for the transaction was to strengthen the Group's early engineering engagement capability.

Acquisition of Green Light Environment Pty Ltd

On 9 August 2019, an indirect subsidiary of Subsea 7 S.A. acquired the entire share capital of Green Light Environment Pty Ltd (Green Light). Cash consideration paid for the shares was $0.8 million with associated contingent consideration of $0.5 million. The transaction resulted in the recognition of a provisional amount of goodwill of $1.1 million.

Green Light provides environmental support and value-adding solutions to its client base across the energy industry in Australia. The primary reason for the transaction was to expand the Group's capability related to integrated environmental solutions.

Acquisition of 4Subsea A.S

On 2 October 2019, an indirect subsidiary of Subsea 7 S.A. acquired the entire share capital of 4Subsea A.S, its subsidiaries and joint ventures (4Subsea). Cash consideration paid for the shares was $20.1 million with associated contingent consideration of $1.0 million. The transaction resulted in the recognition of a provisional amount of goodwill of $18.3 million.

4Subsea is a leading provider of technology and services that delivers key decision support to oil and gas and offshore wind operators worldwide. The primary reason for the transaction was to enhance the Group's ability to deliver advanced digital solutions within field development, life of field and renewables.

12. Business combinations continued

Aggregate provisional fair values

As each individual acquisition was not material to the Group, management has presented aggregated provisional fair values of the acquired identifiable assets and liabilities. This table is inclusive of adjustments recognised between the respective acquisition dates and 31 December 2019. Stamp duty and other expenses incurred in connection with the acquisitions have been accounted for separately and recorded within administrative expenses in the Group's Consolidated Income Statement.

(in $ millions)	
Assets	
Intangible assets	**2.7**
Property, plant and equipment	**1.4**
Right-of-use assets	**7.2**
Trade and other receivables	**15.5**
Other accrued income and prepaid expenses	**8.7**
Cash and cash equivalents	**4.4**
	39.9
Liabilities	
Trade and other liabilities	**22.0**
Borrowings	**1.6**
Lease liabilities	**7.2**
Provisions	**1.9**
	32.7
Identifiable net assets at fair value	**7.2**
Goodwill arising on acquisition	**45.4**
	52.6
Consideration comprised	
Cash consideration:	
Cash paid	**30.2**
Contingent consideration	**1.5**
Fair value of the Group's equity interest prior to business combination	**20.9**
Total consideration	**52.6**

Goodwill

Aggregate goodwill of $45.4 million comprised the value of intangible assets which did not meet the criteria for separate recognition, including the assembled workforce and complementary service capabilities. Goodwill of $27.1 million was allocated to the Xodus cash-generating unit (CGU) and $18.3 million was allocated to the Life of Field CGU; neither amount is expected to be deductible for tax purposes.

Contingent consideration

As part of the sale and purchase agreements with previous owners, contingent consideration has been agreed. Additional cash payments to previous owners may be payable should specific targets be met in future periods. At the acquisition dates and at 31 December 2019 the fair value of contingent consideration was estimated to be $1.5 million. Fair value was determined using management assumptions based on forecast activity levels. A significant increase or decrease in forecast activity levels would result in a higher or lower fair value of the provision for contingent consideration. The range of potential outcomes is estimated to be between $nil and $2.5 million payable between 2020 and 2022.

Receivables

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

Financial performance

The aggregated financial performance of the acquisitions made during the year, from the individual applicable dates of each acquisition to 31 December 2019, was $47.0 million of revenue and $1.3 million of loss before tax. If the combinations had taken place at the beginning of the year, 2019 Group revenue and loss before tax would have been $3,683.2 million and $50.8 million respectively.

13. Goodwill

(in $ millions)	Total
Cost	
At 1 January 2018	2,323.8
Adjustments to identifiable net assets at fair value subsequent to initial recognition	2.4
Acquisitions	74.2
Exchange differences	(85.4)
At 31 December 2018	2,315.0
Acquisitions (Note 12)	45.4
Exchange differences	35.1
At 31 December 2019	**2,395.5**
Accumulated impairment	
At 1 January 2018	1,623.0
Exchange differences	(59.3)
At 31 December 2018	1,563.7
Impairment charge	99.9
Exchange differences	27.3
At 31 December 2019	**1,690.9**
Carrying amount	
At 31 December 2018	751.3
At 31 December 2019	**704.6**

On 13 March 2019, a direct subsidiary of Subsea 7 S.A. acquired the remaining 40% of the shares of Xodus Group (Holdings) Limited (Xodus). Prior to the acquisition, the Group held a 60% interest in Xodus and the transaction was treated as a business combination achieved in stages. The transaction resulted in a provisional amount of goodwill of $26.0 million being recognised. All of this goodwill is allocated to the Xodus CGU.

On 9 August 2019, an indirect subsidiary of Subsea 7 S.A. acquired the entire share capital of Green Light Environment Pty Ltd (Greenlight). The transaction resulted in the recognition of a provisional amount of goodwill of $1.1 million. All of this goodwill is allocated to the Xodus CGU.

On 2 October 2019, an indirect subsidiary of Subsea 7 S.A. acquired the entire share capital of 4Subsea AS, its subsidiaries and joint ventures (4Subsea). The transaction resulted in the recognition of a provisional amount of goodwill of $18.3 million. All of this goodwill is allocated to the Life of Field CGU.

For financial management and reporting purposes, the Group is organised into management regions. Management regions are aligned with the Group's business units which are used by the Chief Operating Decision Maker (CODM) to allocate resources and appraise performance.

The Group has ten CGUs which are aligned with management regions. During 2019, management decided to reallocate significant operational assets which had previously been included within the Africa and Global Projects CGU. As a result, management no longer consider Africa and Global Projects to be a discrete CGU and activities, and net assets, associated with projects performed by the Global Project Centre are now allocated to the management region where the project is expected to be executed. Management now consider Africa to be a discrete CGU and the goodwill previously allocated to the Africa and Global Projects CGU has been reallocated to the Africa CGU. At 31 December 2019 the Group's CGUs comprised:

- CGUs for Africa, Asia Pacific and Middle East, Brazil, Gulf of Mexico, Norway and the United Kingdom and Canada which include activities connected with the performance of regional projects including SURF activities (related to the engineering, procurement, construction and installation of offshore systems), Conventional services (including the fabrication, installation, extension and refurbishment of platforms and pipelines in shallow water) and the long-term PLSV contracts in Brazil;
- Pipelines Group CGU which includes activities connected with the fabrication and installation of polymer-lining technology for pipelines and riser systems;
- Xodus CGU which includes activities related to engineering services, advisory services and environmental support;
- Life of Field CGU which includes activities connected with the provision of inspection, repair and maintenance services, integrity management of subsea infrastructure and remote intervention support. Activity related to 4Subsea AS is reported within this CGU; and
- Renewables and Heavy Lifting CGU which includes activities connected with 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.

13. Goodwill continued

The Group performed its annual goodwill impairment test at 31 December 2019. The carrying amounts of goodwill allocated to the CGUs subsequent to this review were as follows:

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Africa and Global Projects[a]	**–**	387.3
Africa[a]	**394.1**	–
Asia Pacific and Middle East	**14.9**	14.9
Brazil	**–**	–
Gulf of Mexico	**–**	–
Life of Field	**82.2**	62.7
Norway	**104.8**	105.2
Pipelines Group	**14.8**	14.4
Renewables and Heavy Lifting	**–**	101.9
UK and Canada	**66.6**	64.9
Xodus	**27.2**	–
Total	**704.6**	751.3

(a) Management now consider Africa to be a discrete CGU and the goodwill previously allocated to the Africa and Global Projects CGU has been reallocated to the Africa CGU.

The recoverable amounts of the CGUs were determined based on a value-in-use calculation using pre-tax, risk adjusted cash flow projections approved by the Executive Management Team covering a five-year period from 2020 to 2024. Cash flows beyond this five-year period were extrapolated in perpetuity using a 2.0% (2018: 2.0%) growth rate to determine the terminal value. The pre-tax discount rate applied to the risk adjusted cash flow projections was 10.2% (2018: 11.7%).

Following the annual impairment review, an impairment charge in respect of goodwill within the Renewables and Heavy Lifting CGU of $99.9 million was recognised in the Consolidated Income Statement for the year ended 31 December 2019.

At 31 December 2019 the recoverable amount of the Renewables and Heavy Lifting CGU was $737.5 million (2018: $872.8 million). The impairment charge relating to the Renewables and Heavy Lifting CGU is reported within the Renewables and Heavy Lifting operating segment. The decrease in the recoverable amount arose as a result of a challenging business environment, particularly in relation to the installation of wind turbine foundations, in the short to medium term, which has led management to revise downwards the forecast cash flow projections.

Key assumptions used in value-in-use calculations

Management consider that the calculations of value-in-use for all CGUs are most sensitive to the following key assumptions:

- EBITDA forecasts;
- the pre-tax discount rate; and
- the growth rate used to extrapolate cash flows.

EBITDA forecast – The EBITDA forecast for each CGU is dependent on a combination of factors including market size, market share, contractual backlog, gross margins, future project awards, asset utilisation and an assessment of the impacts of competition within the respective segments. Assumptions are based on a combination of internal and external studies, management judgements and historical information, adjusted for any foreseen changes in market conditions.

Pre-tax discount rate – The pre-tax discount rate was estimated based on the weighted average cost of capital of the Group, amended to reflect a normalised capital structure for the energy sector. Risk premiums were not applied to the discount rate applied to individual CGUs as the CGU cash flow projections were risk adjusted.

Growth rate estimates – The 2.0% (2018: 2.0%) growth rate used to extrapolate the cash flow projections beyond the five-year period is broadly consistent with market expectations for long-term growth in the industry and assumes no significant change in the Group's market share and the range of services and products provided.

Sensitivity to changes in key assumptions

In determining the value-in-use recoverable amount for each CGU, sensitivities have been applied to key assumptions. The industry in which the Group operates is cyclical and highly dependent on energy prices, this could lead to changes in future cash flows which are greater than the sensitivity ranges applied.

In the performance of sensitivity analysis the impact of the following changes to key assumptions were assessed:

- an increase in the pre-tax discount rate by 1 percentage point;
- a decrease in the pre-tax discount rate by 1 percentage point;
- an increase in the long-term growth rate by 1 percentage point;
- a decrease in the long-term growth rate by 1 percentage point;
- a 10% increase in the forecast EBITDA assumptions during the five-year period from 2020 to 2024, and the EBITDA upon which terminal values have been calculated; and
- a 10% decrease in the forecast EBITDA assumptions during the five-year period from 2020 to 2024, and the EBITDA upon which terminal values have been calculated.

CGUs not impaired and not sensitive to impairment

Changes to any of the key assumptions used in the sensitivity analysis would not, in isolation, cause the recoverable amount of the Asia Pacific and Middle East CGU, the Life of Field CGU, the Pipelines Group CGU, the UK and Canada CGU or the Xodus CGU to be materially less than its carrying amount.

The GOM CGU and the Brazil CGU have no goodwill, therefore any future changes in the key assumptions, in isolation, would not result in an impairment charge being recognised against goodwill.

CGUs not impaired but sensitive to impairment

For the Norway CGU and the Africa CGU, a change to certain key assumptions used in the sensitivity analysis would, in isolation, cause the recoverable amounts to be less than their carrying amounts. For the year ended 31 December 2019, a 10% decrease in the forecasted EBITDA assumption, in isolation, would lead to a goodwill impairment charge recognised against the Norway CGU and Africa CGU of $12.2 million and $16.3 million respectively. Variations to other key assumptions, in isolation, would not result in a goodwill impairment charge. At 31 December 2019, the recoverable amount of the Norway CGU exceeded the carrying amount by $122.7 million (2018: $405.7 million) and the recoverable amount of the Africa CGU exceeded the carrying amount by $146.8 million.

CGUs where goodwill has been impaired

In the Renewables and Heavy Lifting CGU, a change to any of the key assumptions used in the sensitivity analysis would, in isolation, cause the impairment of goodwill to be materially less than the full impairment charge recognised in 2019. For the year ended 31 December 2019, a decrease of one percentage point in the pre-tax discount rate, in isolation, would lead to no goodwill impairment charge being recognised against the Renewables and Heavy Lifting CGU. An increase of one percentage point in the long-term growth rate, in isolation, would lead to a goodwill impairment charge recognised against the Renewables and Heavy Lifting CGU of $15.6 million. A 10% increase in the forecasted EBITDA assumption, in isolation, would lead to a goodwill impairment charge recognised against the Renewables and Heavy Lifting CGU of $12.9 million. At 31 December 2019, the recoverable amount of the Renewables and Heavy Lifting CGU was $737.5 million (2018: $872.8 million) and the goodwill allocated to this CGU was fully impaired.

14. Intangible assets

(in $ millions)	Software	Customer contracts (Backlog)	Other intangibles	Total
Cost				
At 1 January 2018	38.4	28.1	71.9	138.4
Acquisition of businesses	–	2.6	–	2.6
Additions	3.7	–	2.9	6.6
Disposals	(5.4)	–	(0.5)	(5.9)
Exchange differences	(2.1)	(0.2)	(1.9)	(4.2)
At 31 December 2018	34.6	30.5	72.4	137.5
Acquisition of businesses (Note 12)	0.7	–	2.0	2.7
Additions	11.2	–	7.2	18.4
Disposals	(0.4)	–	–	(0.4)
Exchange differences	1.3	–	1.7	3.0
At 31 December 2019	**47.4**	**30.5**	**83.3**	**161.2**
Accumulated amortisation and impairment				
At 1 January 2018	28.6	12.8	16.0	57.4
Charge for the year	4.2	14.8	11.8	30.8
Impairments	–	1.4	23.9	25.3
Eliminated on disposal	(5.4)	–	(0.5)	(5.9)
Exchange differences	(1.5)	–	(0.5)	(2.0)
At 31 December 2018	25.9	29.0	50.7	105.6
Charge for the year	3.8	1.5	5.7	11.0
Eliminated on disposal	(0.4)	–	–	(0.4)
Exchange differences	0.9	–	1.3	2.2
At 31 December 2019	**30.2**	**30.5**	**57.7**	**118.4**
Carrying amount:				
At 31 December 2018	8.7	1.5	21.7	31.9
At 31 December 2019	**17.2**	**–**	**25.6**	**42.8**

The table above includes assets under construction of $19.0 million (2018: $9.6 million).

An impairment test was performed on the balances at 31 December 2019.

15. Property, plant and equipment

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2018	5,764.4	985.7	503.3	78.5	7,331.9
Acquisition of businesses	113.7	3.3	–	0.2	117.2
Additions	159.9	28.8	30.4	3.5	222.6
Exchange differences	(46.5)	(22.3)	(19.7)	(4.1)	(92.6)
Disposals	(272.0)	(52.9)	(1.5)	(12.7)	(339.1)
Transfers	(35.8)	34.9	(3.7)	4.6	–
At 31 December 2018	5,683.7	977.5	508.8	70.0	7,240.0
Acquisition of businesses (Note 12)	–	0.3	–	1.1	1.4
Additions	211.8	31.6	17.2	11.1	271.7
Exchange differences	22.7	10.3	(1.5)	2.1	33.6
Transfers	3.5	4.6	–	(8.1)	–
Disposals	(47.5)	(4.0)	(1.5)	(5.7)	(58.7)
At 31 December 2019	**5,874.2**	**1,020.3**	**523.0**	**70.5**	**7,488.0**
Accumulated depreciation and impairment					
At 1 January 2018	1,724.0	637.9	216.7	65.2	2,643.8
Charge for the year	288.9	71.1	24.0	5.6	389.6
Impairments	1.0	12.4	–	–	13.4
Exchange differences	(18.6)	(14.2)	(5.3)	(2.4)	(40.5)
Eliminated on disposals	(269.5)	(51.5)	(1.5)	(12.7)	(335.2)
Transfer	(35.8)	34.9	–	0.9	–
At 31 December 2018	1,690.0	690.6	233.9	56.6	2,671.1
Charge for the year	277.0	59.0	23.9	6.0	365.9
Impairments	69.5	–	–	–	69.5
Exchange differences	9.7	5.5	(0.7)	0.7	15.2
Eliminated on disposals	(45.5)	(4.0)	(1.0)	(5.5)	(56.0)
Transfers	1.8	(1.1)	–	(0.7)	–
At 31 December 2019	**2,002.5**	**750.0**	**256.1**	**57.1**	**3,065.7**
Carrying amount:					
At 31 December 2018	3,993.7	286.9	274.9	13.4	4,568.9
At 31 December 2019	**3,871.7**	**270.3**	**266.9**	**13.4**	**4,422.3**

The table above includes assets under construction of $299.7 million at 31 December 2019 (2018: $190.3 million) which includes the construction of the new reel-lay vessel, *Seven Vega*, and associated pipelay equipment.

An impairment test was performed on the balances of property, plant and equipment at 31 December 2019 and impairment charges totalling $69.5 million (2018: $13.4 million) were recognised where the future recoverable amounts were reassessed and reduced. The impairment charges were mainly related to two older vessels within the SURF and Conventional business unit. The charges were recognised in the Consolidated Income Statement within operating expenses. Recoverable amount is defined as the higher of value-in-use and fair value less costs of disposal and was determined by management based on recent similar market transactions, an assessment of internal estimates and independent external valuations.

16. Right-of-use assets

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2019	242.5	1.9	105.7	1.0	351.1
Acquisition of businesses (Note 12)	–	–	7.2	–	7.2
Additions	61.7	4.6	11.8	1.9	80.0
Exchange differences	(10.0)	(0.2)	(3.7)	(0.1)	(14.0)
Disposals	(10.8)	(0.1)	(0.6)	(0.1)	(11.6)
At 31 December 2019	**283.4**	**6.2**	**120.4**	**2.7**	**412.7**
Accumulated amortisation and impairment					
Charge for the year	71.7	2.8	22.9	0.8	98.2
Exchange differences	(1.9)	(0.1)	–	–	(2.0)
Eliminated on disposals	(10.7)	–	(0.6)	–	(11.3)
At 31 December 2019	**59.1**	**2.7**	**22.3**	**0.8**	**84.9**
Carrying amount:					
At 31 December 2019	**224.3**	**3.5**	**98.1**	**1.9**	**327.8**

The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach and did not restate comparative information. The Group leases vessels, operating equipment and properties with contracts which are typically for fixed periods but may have extension options used to maximise operational flexibility. The majority of extension and termination options held are exercisable only by the Group not the respective lessors. Lease liabilities are disclosed within Note 28 'Lease liabilities'. Commitments to leases which have not yet commenced are disclosed within Note 32 'Commitments and contingent liabilities'.

An impairment test was performed on the balances at 31 December 2019.

17. Interests in associates and joint arrangements

Interests in associates and joint ventures

At 31 December 2019 the Group had interests in 12 joint ventures. The Group's respective ownership interests in joint ventures were as follows:

	Year end	Country of registration	Operating segment	Classification	Subsea 7 ownership %
Belmet 7 Limited	31 December	Ghana	SURF and Conventional	Joint Venture	49
Eidesvik Seven AS	31 December	Norway	Life of Field	Joint Venture	50
Eidesvik Seven Chartering AS	31 December	Norway	Life of Field	Joint Venture	50
ENMAR SA	31 December	Mozambique	SURF and Conventional	Joint Venture	51
GO FZE	31 December	Nigeria	SURF and Conventional	Joint Venture	40
Global Oceon Engineers Nigeria Limited	31 December	Nigeria	SURF and Conventional	Joint Venture	40
SapuraAcergy Assets Pte Ltd[(a)]	31 January	Malaysia	SURF and Conventional	Joint Venture	51
SapuraAcergy Sdn Bhd[(a)]	31 January	Malaysia	SURF and Conventional	Joint Venture	50
Subsea Integration Alliance LLC	31 December	US	SURF and Conventional	Joint Venture	50
Subsea 7 Malaysia Sdn Bhd	31 December	Malaysia	SURF and Conventional	Joint Venture	30

(a) The Group has 50% equity ownership of SapuraAcergy Sdn. Bhd and 51% equity ownership in SapuraAcergy Assets Pte Ltd, however, 1% is subject to a put and call option for the benefit of its joint venture partner.

For all entities the principal place of business is consistent with the country of registration. For the majority of entities the proportion of voting rights is consistent with the proportion of ownership interest, however in some cases some specific matters require unanimous approval of all shareholders.

17. Interests in associates and joint arrangements continued

All interests in joint ventures are accounted for using the equity method. Financial information, using consistent accounting policies, for the year ended 31 December 2019 is used for all entities. The movement in the balance of investments in joint ventures was as follows:

(in $ millions)	2019	2018
At year beginning	**45.2**	28.7
Share of net loss of associates and joint ventures	**(0.9)**	(2.8)
Investment in joint ventures	**5.2**	1.8
Acquisition of interest in joint ventures	**–**	18.9
Remeasurement of investments in joint ventures	**(1.4)**	–
Derecognition of investment in joint ventures	**(20.9)**	–
Net reclassification/(reversal of reclassification) of negative investment balance	**0.2**	(0.8)
Share of other comprehensive income of associates and joint ventures	**(0.5)**	–
Exchange differences	**(0.7)**	(0.6)
At year end	**26.2**	45.2

Investment in joint ventures

During 2019, investments in joint ventures totalling $5.2 million were made (2018: $1.8 million), mainly related to Subsea 7 Malaysia.

Acquisition of interests in joint ventures

During 2019, the Group acquired interests, for a nominal consideration, in GO FZE and Subsea Integration Alliance LLC. In addition, the Group acquired an interest in Astori Subsea A.S and Astori Spolka z.o.o as a result of the business combination with 4Subsea.

Derecognition of investment in joint venture

On 13 March 2019 the Group acquired the remaining 40% share of Xodus Group Ltd (Xodus) not already owned by the Group. As a result of this transaction the equity accounted investment, which the Group held prior to the transaction, was remeasured to fair value resulting in a remeasurement loss of $1.4 million. Subsequent to the remeasurement, the investment was derecognised and formed part of the consideration for the business combination with Xodus.

Summarised financial information

At 31 December 2019 none of the Group's investments in joint ventures were individually material to the Group therefore summarised financial information has not been provided.

Interests in joint arrangements

The Group executes contracts on a regular basis through unstructured joint operations governed by alliance or consortium agreements. These agreements provide for joint and several liability for the parties involved. The material joint operations of the Group are as detailed below.

The Group participates in Subsea Integration Alliance (SIA), which is an unincorporated strategic global alliance between Subsea 7 and OneSubsea, the subsea technologies, production and processing systems division of Schlumberger. As part of the alliance, Subsea 7 and OneSubsea agree terms and conditions on a project-by-project basis, this governs the relationship between the entities executing contracts with clients. SIA operates globally and provides clients with subsea technologies, production and processing systems, bringing together field development planning, project delivery and total lifecycle solutions under an extensive technology and services portfolio. Contracts with clients are entered into by individual entities of the Subsea 7 and OneSubsea groups, with all activities executed on a joint and several basis.

Saudi Arabian Oil Company has awarded a long-term frame agreement to a consortium consisting of Subsea 7 and L&T Hydrocarbon Engineering. This unincorporated consortium is governed by a consortium agreement, and Subsea 7 and L&T Hydrocarbon Engineering are jointly and severely liable to Saudi Arabian Oil Company for the various call-off work orders awarded to the consortium via the long-term frame agreement. The consortium's activities include project management, engineering, procurement, fabrication, transportation and installation of offshore facilities and infrastructure. The principal place of business of the unincorporated consortium is the Kingdom of Saudi Arabia.

18. Advances and receivables

At (in $ millions)	2019 31 Dec	2018 31 Dec
Non-current amounts due from associates and joint ventures	**7.3**	7.3
Capitalised fees for long-term loan facilities	**0.6**	2.1
Deposits held by third parties	**0.9**	1.0
Other receivables	**22.6**	28.0
Total	**31.4**	38.4

19. Inventories

At (in $ millions)	2019 31 Dec	2018 31 Dec
Materials and non-critical spares	**15.8**	11.7
Consumables	**15.4**	20.3
Total	**31.2**	32.0

For the year ended (in $ millions)	2019 31 Dec	2018 31 Dec
Total cost of inventory charged to the Consolidated Income Statement	**51.8**	79.1
Write-down of inventories charged to the Consolidated Income Statement	**0.4**	3.4
Reversal of provision for obsolescence credited to the Consolidated Income Statement	**(3.3)**	(3.5)

At 31 December 2019 inventories included a provision for obsolescence of $9.5 million (2018: $10.9 million). There were no inventories pledged as security.

20. Trade and other receivables

At (in $ millions)	2019 31 Dec	2018 31 Dec
Trade receivables	**461.5**	487.0
Allowance for expected credit losses	**(2.7)**	(0.8)
Allowance for credit impairment	**(15.9)**	(18.9)
	442.9	467.3
Current amounts due from associates and joint ventures	**16.4**	14.2
Allowance for credit impairment of current amounts due from associates and joint ventures	**(2.2)**	(2.2)
	14.2	12.0
Other receivables	**44.7**	59.6
Advances to suppliers	**16.1**	11.7
Other taxes receivable	**86.8**	57.3
Total	**604.7**	607.9

Details of how the Group manages its credit risk and further analysis of the trade receivables balance, allowances for expected credit losses and allowances for credit impairment are shown in Note 33 ‘Financial instruments’.

Other taxes receivable related to value added tax, sales tax, withholding tax, social security and other indirect taxes.

Other receivables include insurance receivables, customer retentions and deposits.

21. Other accrued income and prepaid expenses

At (in $ millions)	2019 31 Dec	2018 31 Dec
Unbilled revenue	**116.7**	84.6
Allowance for expected credit losses	**(0.3)**	(0.4)
	116.4	84.2
Prepaid expenses	**52.2**	81.5
Total	**168.6**	165.7

Unbilled revenue related to work completed on day-rate contracts, which had not been billed to clients at the balance sheet date. Unbilled revenue recognised in relation to business combinations has been disclosed in Note 12 ‘Business combinations’. There were no contract liability balances which relate to this category of contract revenue. Revenue of $nil (2018: $0.6 million) was recognised in the year relating to performance obligations satisfied in previous periods. The increase in the balance during the year from $84.6 million to $116.7 million was largely driven by an increase in day-rate activity in Africa.

Prepaid expenses arise in the normal course of business and represent expenditure which has been deferred and which will be recognised in the Consolidated Income Statement within 12 months of the balance sheet date.

21. Other accrued income and prepaid expenses continued

The movement in the allowance for expected credit losses in respect of unbilled revenue during the year was as follows:

(in $ millions)	**2019 31 Dec**	2018 31 Dec
Allowance for expected credit losses		
At year beginning	**(0.4)**	–
Adjustment on implementation of IFRS 9	**–**	(0.4)
Decrease in allowance recognised in profit or loss	**0.1**	–
At year end	**(0.3)**	(0.4)

The allowances for expected credit losses is impacted by fluctuations in the mix of customers, the size of receivables due and the default probability.

At 31 December 2019 the allowance for credit impairment in respect of unbilled revenue was $nil (2018: $nil).

22. Construction contracts

(in $ millions)	**Construction contracts – assets**	**Construction contracts – liabilities**
At 31 December 2019		
Non-current	**14.9**	**–**
Current	**397.9**	**(162.0)**
Total	**412.8**	**(162.0)**

(in $ millions)	Construction contracts – assets	Construction contracts – liabilities
At 31 December 2018		
Current	494.9	(167.8)
Total	494.9	(167.8)

(in $ millions)	**2019 31 Dec**	2018 31 Dec
Revenue recognised which was included in construction contract liabilities at beginning of year	**150.1**	165.7
Revenue recognised from performance obligations satisfied in previous periods	**54.2**	29.5

Revenue recognised which was included in construction contract liabilities at the beginning of the year of $150.1 million (2018: $165.7 million) represents amounts included within the construction contract liabilities balance at 1 January which have been recognised as revenue during the year. Revenue recognised from performance obligations satisfied in previous periods of $54.2 million (2018: $29.5 million) represents revenue recognised in the income statement for projects which were considered operationally complete at the year end.

Significant movements in the construction contract asset and construction contract liability balances

The Group has construction contract asset and construction contract liability balances as a result of long-term projects in the SURF and Conventional and Renewable and Heavy Lifting operating segments. Details of the Group's performance obligations are disclosed in Note 3 'Significant accounting policies'. Construction contract assets and liabilities recognised in relation to business combinations have been disclosed in Note 12 'Business combinations'. Due to the number and size of projects within the Group, construction contract asset and liability balances can vary significantly at each reporting date. Cumulative adjustments to revenue are most commonly caused by a change to the estimate of the transaction price due to a reassessment of the constraint to variable consideration, awarded variation orders, scope changes or amendments to the cost profile.

The decrease of $82.1 million in construction contract assets during 2019 (2018: increase of $175.8 million) is driven primarily by a decrease in activity in the Renewables and Heavy Lifting segment.

Construction contract assets

An analysis of the ageing of construction contract assets at the balance sheet date has not been provided. Due to the nature of the balances and the fact that the Group bills on a milestone basis, the ageing of construction contract assets is not reflective of the credit risk associated with these balances.

The movement in the allowance for expected credit losses in respect of construction contract assets during the year was as follows:

(in $ millions)	**2019 31 Dec**	2018 31 Dec
Allowance for expected credit losses		
At year beginning	**(0.5)**	–
Adjustment on implementation of IFRS 9	**–**	(1.8)
(Increase)/decrease in allowance recognised in profit or loss	**(0.6)**	1.3
At year end	**(1.1)**	(0.5)

The allowance for expected credit losses increased during the year due to fluctuations in the mix of customers, the size of receivables due and the default probability.

At 31 December 2018 and 31 December 2019 the allowances for credit impairment recognised in connection with construction contract assets were $nil.

Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) was as follows:

At 31 December 2019

	Expected year of execution				
(in $ millions)	**2020**	**2021**	**2022**	**2023 and beyond**	**Total**
SURF and Conventional	**2,822.7**	**1,070.0**	**177.5**	**10.3**	**4,080.5**
Life of Field	**188.8**	**167.8**	**130.3**	**81.1**	**568.0**
Renewables and Heavy Lifting	**315.6**	**130.4**	**66.6**	**25.5**	**538.1**
Total	**3,327.1**	**1,368.2**	**374.4**	**116.9**	**5,186.6**

At 31 December 2018

	Expected year of execution				
(in $ millions)	2019	2020	2021	2022 and beyond	Total
SURF and Conventional	2,482.5	1,238.7	301.1	36.3	4,058.6
Life of Field	167.5	95.1	85.3	113.2	461.1
Renewables and Heavy Lifting	191.3	192.1	4.1	–	387.5
Total	2,841.3	1,525.9	390.5	149.5	4,907.2

The Group has not adopted the practical expedients permitted by IFRS 15, therefore all contracts which have an original expected duration period of one year or less have been included in the tables above. The estimate of the transaction price does not include any amounts of variable consideration which are constrained.

23. Cash and cash equivalents

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Cash and cash equivalents	**397.7**	764.9

Cash and cash equivalents included amounts totalling $35.1 million (2018: $50.3 million) held by Group undertakings in certain countries whose exchange controls may significantly restrict or delay the remittance of these amounts to foreign jurisdictions.

24. Issued share capital

Authorised shares

	2019 31 Dec Number of shares	2019 31 Dec in $ millions	2018 31 Dec Number of shares	2018 31 Dec in $ millions
Authorised common shares, $2.00 par value	**450,000,000**	**900.0**	450,000,000	900.0

Issued shares

	2019 31 Dec Number of shares	2019 31 Dec in $ millions	2018 31 Dec Number of shares	2018 31 Dec in $ millions
Fully paid and issued common shares	**300,000,000**	**600.0**	327,367,111	654.7
The issued common shares consist of:				
Common shares excluding treasury shares	**298,787,140**	**597.6**	319,127,087	638.2
Treasury shares at par value (Note 25)	**1,212,860**	**2.4**	8,240,024	16.5
Total	**300,000,000**	**600.0**	327,367,111	654.7

Cancellation of shares

During the year ended 31 December 2019, the number of fully paid and Issued Common Shares was reduced by 27,367,111 and the issued share capital of the Company was reduced by $54,734,222, as a result of the following transactions:

On 2 May 2019, in accordance with the delegation of authority given to the Board at the Extraordinary General Meeting of shareholders held on 27 November 2014, 15,000,000 Common Shares held in treasury were cancelled.

On 12 June 2019, 1,080,718 shares were cancelled in accordance with the delegation of authority given to the Board at the Extraordinary General Meeting of shareholders held on 27 November 2014 and 5,919,282 shares were cancelled in accordance with the delegation of authority given to the Board at the Extraordinary General Meeting of shareholders held on 17 April 2019.

On 25 July 2019, in accordance with the delegation of authority given to the Board at the Extraordinary General Meeting of shareholders held on 17 April 2019, 5,367,111 Common Shares held in treasury were cancelled.

25. Treasury shares

Share repurchase plan

On 31 July 2014, the Group announced a share repurchase programme of up to $200 million (as extended by the Board of Directors on 25 July 2017). The programme was approved pursuant to the standing authorisation granted to the Board of Directors at the Annual General Meeting held on 27 May 2011 (as renewed and extended by the Extraordinary General Meeting on 27 November 2014), which allows for the purchase of up to a maximum of 10% of the Group's issued share capital, net of purchases already made.

During 2019, the Group repurchased 4,541,000 (2018: 8,149,699) treasury shares for a total consideration of $49.8 million (2018: $92.9 million). On 19 February 2019, the Group completed this share repurchase programme. The Group had repurchased a cumulative 17,963,355 for a total consideration of $199.7 million under this programme.

On 27 February 2019, the Board of Directors authorised a new share repurchase programme of up to $200 million to be executed over two years. On 11 July 2019, the Group completed this share repurchase programme. From the 27 February 2019 to 11 July 2019, the Group repurchased a cumulative 16,515,838 shares for a total consideration of $199.9 million under this programme.

On 24 July 2019, the Board of Directors authorised a new share repurchase programme of up to $200 million, to be executed over two years. At 31 December 2019 no shares had been repurchased under this programme.

All repurchases were made in the open market on the Oslo Børs, pursuant to certain conditions, and were in conformity with Article 49-2 of the Luxembourg Company Law and the EU Commission Regulation 2273/2003 on exemptions for repurchase programmes and stabilisation of financial instruments. At 31 December 2019 the remaining repurchased shares, which had not been reallocated relating to share-based payments, were held as treasury shares.

Summary

At 31 December 2019 Subsea 7 S.A. held 1,212,860 treasury shares (2018: 8,240,024), which amounted to 0.40% (2018: 2.52%) of the total number of issued shares.

	2019 Number of shares	2019 in $ millions	2018 Number of shares	2018 in $ millions
At year beginning	**8,240,024**	**95.0**	857,887	19.7
Shares cancelled	**(27,367,111)**	**(322.0)**	–	–
Shares repurchased	**21,056,838**	**249.7**	8,149,699	92.9
Shares reallocated relating to share-based payments	**(716,891)**	**(8.7)**	(767,562)	(17.6)
Balance at year end	**1,212,860**	**14.0**	8,240,024	95.0

26. Non-controlling interests

At 31 December 2019 the Group's respective ownership interests in subsidiaries which are non-wholly-owned were as follows:

	Year end	Country of registration	Subsea 7 ownership %
Globestar Engineering Company (Nigeria) Limited	31 December	Nigeria	98.8
Naviera Subsea 7 S de RL de CV	31 December	Mexico	49.0
Nigerstar 7 FZE	31 December	Nigeria	49.0
Nigerstar 7 Limited	31 December	Nigeria	49.0
PT Subsea 7 Indonesia	31 December	Indonesia	94.9
Servicios Subsea 7 S de RL de CV	31 December	Mexico	52.0
Sonacergy – Serviços E Construções Petrolíferas Lda.	31 December	Portugal	55.0
Sonamet Industrial S.A.	31 December	Angola	55.0
Subsea Seven Doha Oil and Gas Services and Trading LLC	31 December	Qatar	49.0
Subsea 7 Equatorial Guinea SA	31 December	Equatorial Guinea	65.0
Subsea 7 Volta Contractors Limited	31 December	Ghana	49.0

For all entities, the principal place of business is consistent with the country of registration. Financial information for the year ended 31 December 2019 is used for all entities.

The movement in the equity attributable to non-controlling interests was as follows:

(in $ millions)	**2019**	2018
At year beginning	**38.4**	48.4
Share of net income/(loss) for the year	**1.2**	(18.0)
Dividends declared	**(5.0)**	–
Reclassification of non-controlling interest to equity attributable to shareholders of Subsea 7 S.A.	**–**	8.9
Exchange differences	**(0.3)**	(0.9)
At year end	**34.3**	38.4

Investments in non-wholly-owned subsidiaries

During the year the Group established a 65% interest in Subsea 7 Equatorial Guinea SA and a 49% interest in Subsea 7 Doha Oil & Gas Services and Trading LLC.

Disposal of non-wholly-owned subsidiaries

During the year the Group disposed of Subsea 7 Gabon which resulted in a net gain of $3.1 million disclosed within Note 7 'Other gains and losses'.

Summarised financial information

At 31 December 2019 none of the Group's non-controlling interests were individually material to the Group therefore summarised financial information has not been provided.

27. Borrowings

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
The Export Credit Agency (ECA) senior secured facility	**233.6**	258.2
Total	**233.6**	258.2
Consisting of:		
Non-current portion of borrowings	**209.0**	233.6
Current portion of borrowings	**24.6**	24.6
Total	**233.6**	258.2

Commitment fees expensed during the year in respect of unused lines of credit totalled $1.8 million (2018: $1.6 million).

27. Borrowings continued

Facilities

The multi-currency revolving credit and guarantee facility

The Group has a $656 million multi-currency revolving credit and guarantee facility which matures on 2 September 2021. The facility is backed by key relationship banks and is available for the issuance of guarantees, up to a limit of $200 million, a combination of guarantees and cash drawings, or is available in full for cash drawings. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC. The facility was unutilised at 31 December 2019.

The Export Credit Agency (ECA) senior secured facility

In July 2015 the Group entered into a $357 million senior term loan facility secured on two vessels owned by the Group. The facility is provided 90% by an Export Credit Agency (ECA) and 10% by two banks and is available for general corporate purposes. The ECA tranche has a 12-year maturity and a 12-year amortising profile. The bank tranche has a five-year maturity and a 15-year amortising profile, which commenced April 2017. If the bank tranche is not refinanced satisfactorily after five years then the ECA tranche also becomes due. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC. At 31 December 2019 the amount outstanding under the facility was $233.6 million (2018: $258.2 million).

Utilisation of facilities

At (in $ millions)	**2019 31 Dec Utilised**	**2019 31 Dec Unutilised**	**2019 31 Dec Total**	2018 31 Dec Utilised	2018 31 Dec Unutilised	2018 31 Dec Total
Committed borrowings facilities	**233.6**	**656.0**	**889.6**	258.2	656.0	914.2

Bank overdraft and short-term lines of credit

Overdraft facilities consisted of $nil (2018: $6.3 million), of which $nil (2018: $nil) was drawn at 31 December 2019.

Other facilities

In addition to the above there are a number of uncommitted, unsecured bi-lateral guarantee arrangements in place in order to provide specific geographical coverage. The utilisation of these facilities at 31 December 2019 was $838.5 million (2018: $753.3 million).

Guarantee arrangements with joint ventures

On 27 July 2016 Eidesvik Seven AS, a 50% owned joint venture between Eidesvik Offshore ASA and the Group, drew down NOK 572 million from a NOK 600 million bank loan facility to repay a shareholder loan from the Group. The facility, secured on the vessel, *Seven Viking*, is fully guaranteed by Subsea 7 S.A. with a 50% counter-guarantee from Eidesvik Shipping AS and has a termination date of 31 January 2021. The outstanding balance at 31 December 2019 was NOK 417 million (equivalent to $46.4 million); (2018: NOK 465 million (equivalent to $53.3 million)).

28. Lease liabilities

Relevant for 2019 only

Following the implementation of IFRS 16 'Leases' on 1 January 2019, leases are recognised as liabilities at the date at which the leased asset is available for use by the Group.

At 31 December 2019, the Group's lease liabilities were as follows:

At (in $ millions)	**2019 31 Dec**
Maturity analysis – contractual undiscounted cash flows	
Within one year	95.2
Years two to five inclusive	257.1
After five years	28.9
Total undiscounted lease liabilities	**381.2**
Effect of discounting	(36.0)
Discounted lease liabilities	**345.2**
Consisting of:	
Non-current	251.2
Current	94.0
Total discounted lease liabilities	**345.2**

Amounts recognised within the Consolidated Income Statement in relation to short-term and low-value leases are disclosed within Note 6 'Net operating income'. Payments related to lease liabilities disclosed within the Consolidated Cash Flow statement for the year to 31 December 2019 were $105.0 million.

Operating lease arrangements – relevant for 2018 only
The Group as lessee

For the year ended (in $ millions)	2018 31 Dec
Charges recognised under operating leases	106.0

Operating lease commitments at 31 December 2018 totalled $395.6 million. These included vessel charter hire obligations of $271.6 million. The remaining obligations at 31 December 2018 related to office facilities and other equipment of $124.0 million.

The Group's outstanding lease commitments at 31 December 2018 were due as follows:

At (in $ millions)	2018 31 Dec
Within one year	94.4
Years two to five inclusive	256.5
After five years	44.7
Total	395.6

The operating leases had various terms and future renewal options. Renewal options which had not yet been exercised were excluded from the outstanding commitments.

29. Other non-current liabilities

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Accrued salaries and benefits	**5.7**	7.7
Non-current amounts due to associates and joint ventures	**1.8**	1.8
Other	**20.5**	25.1
Total	**28.0**	34.6

30. Trade and other liabilities

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Accruals	**490.3**	580.3
Trade payables	**165.0**	188.4
Current amounts due to associates and joint ventures	**11.7**	10.7
Accrued salaries and benefits	**101.6**	104.6
Withholding taxes	**13.8**	16.6
Other taxes payable	**53.5**	63.0
Other current liabilities	**22.4**	14.5
Total	**858.3**	978.1

31. Provisions

(in $ millions)	Claims	Decommissioning	Restructuring	Onerous lump-sum contracts	Other	Total
At 1 January 2018	37.8	22.6	27.6	–	56.4	144.4
Adjustment on implementation of IFRS 15	–	–	–	91.1	–	91.1
Additional provision in the year	5.7	6.1	11.8	206.6	49.8	280.0
Utilisation of provision	(25.0)	(11.0)	(25.1)	(144.6)	(26.0)	(231.7)
Unused amounts released during the year	(0.9)	(7.0)	(2.5)	(42.4)	(9.6)	(62.4)
Exchange differences	(1.5)	(0.2)	(1.2)	(1.2)	(1.2)	(5.3)
At 31 December 2018	16.1	10.5	10.6	109.5	69.4	216.1
Adjustment on implementation of IFRS 16	–	–	(6.0)	–	–	(6.0)
Acquired as part of business combination	–	–	–	–	1.9	1.9
Additional provision in the year	7.5	0.9	–	86.9	15.0	110.3
Utilisation of provision	(1.4)	(0.4)	(3.0)	(82.3)	(49.9)	(137.0)
Unused amounts released during the year	(2.9)	–	(0.1)	(56.2)	(5.3)	(64.5)
Exchange differences	(0.5)	0.2	(0.2)	(0.5)	2.0	1.0
At 31 December 2019	**18.8**	**11.2**	**1.3**	**57.4**	**33.1**	**121.8**

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Consisting of:		
Non-current provisions	**49.3**	98.7
Current provisions	**72.5**	117.4
Total	**121.8**	216.1

The claims provision comprises a number of claims made against the Group including disputes, personal injury cases, tax claims and lease disputes, where the timing of resolution is uncertain.

The decommissioning provision is mainly in relation to the Group's obligation to restore leased vessels to their original, or agreed, condition. The costs related to the provision are expected to be incurred in the years in which the leases cease, which range from 2021 to 2025.

The restructuring provision relates to expenses associated with cost reduction and headcount resizing activities. The provision includes employee termination costs and professional fees. The provision is based on statutory requirements and discretionary arrangements for headcount reductions. Cash outflows associated with termination costs and professional fees are expected to occur in 2020.
On 1 January 2019, as a result of the adoption of IFRS 16 'Leases', the carrying amount of the right-of-use assets was reduced by the associated onerous lease provisions of $6.0 million which had previously been disclosed as restructuring provisions.

Onerous lump-sum contract provisions relate to projects where total forecast costs at completion exceed the expected transaction price.

Other provisions mainly related to onerous day-rate contracts and contingent consideration.

32. Commitments and contingent liabilities

Commitments

The Group's commitments at 31 December 2019 consisted of:

- commitments to purchase property, plant and equipment from external suppliers of $97.4 million (2018: $207.1 million), including commitments related to the construction of *Seven Vega*, a new reel-lay vessel and associated pipelay equipment; and
- contractual lease commitments, relating to vessel charters which have not commenced, totalling $37.6 million.

Contingent liabilities

A summary of the contingent liabilities is as follows:

(in $ millions)	Contingent liability recognised		Contingent liability not recognised	
	2019	2018	**2019**	2018
At year beginning	**6.0**	7.8	**321.8**	324.2
Movement in contingent liabilities	**2.1**	(0.8)	**38.9**	36.4
Exchange differences	**(0.2)**	(1.0)	**(11.7)**	(38.8)
At year end	**7.9**	6.0	**349.0**	321.8

Contingent liabilities recognised in the Consolidated Balance Sheet

As a result of the business combination between Acergy S.A. and Subsea 7 Inc., on 7 January 2011, 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 December 2019 was $6.9 million (2018: $4.0 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.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, IFRS 3 required the Group to recognise a contingent liability at the acquisition date, in respect of contingent amounts payable to a third party following the acquisition of intangible assets in 2009. The contingent liability recognised within the Consolidated Balance Sheet at 31 December 2019 was $1.0 million (2018: $1.9 million).

Contingent liabilities not recognised in the Consolidated Balance Sheet

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 December 2019 amounted to BRL 847.7 million, equivalent to $207.6 million (2018: BRL 750.7 million, equivalent to $192.6 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 and civil tax assessments. The amounts claimed or assessed at 31 December 2019 totalled BRL 237.8 million, equivalent to $58.2 million (2018: BRL 136.4 million, equivalent to $35.0 million.) The Group has challenged these claims. A contingent liability has been disclosed for BRL 193.3 million, equivalent to $47.3 million as the disclosure criteria has been met however the Group does not believe that the likelihood of payment is probable. A provision of BRL 44.5 million, equivalent to $10.9 million (2018: BRL 27.4 million, equivalent to $7.0 million) was recognised within the Consolidated Balance Sheet at 31 December 2019 as the IAS 37 'Provisions, contingent liabilities and contingent assets' recognition criteria were met.

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 December 2019, 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 $94.1 million (2018: NGN 34,190 million, equivalent to $94.2 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 $9.2 million. The Group does not believe the likelihood of payment is probable and no provision has been recognised in the Consolidated Balance Sheet in respect of the assessments resulting from the Rivers State audits.

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. Although the final resolution of any such matters could have a material effect on its operating results for a particular reporting period, the Group believes that it is not probable that these matters would materially impact its Consolidated Financial Statements.

33. Financial instruments

Significant accounting policies

Details of the significant accounting policies adopted including the classification, basis of measurement and recognition of income and expense in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 'Significant accounting policies'.

Classification of financial instruments

Financial instruments are classified as follows:

At (in $ millions)	**2019 31 Dec Carrying amount**	2018 31 Dec Carrying amount
Financial assets		
Restricted cash	**4.3**	4.1
Cash and cash equivalents (Note 23)	**397.7**	764.9
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**1.2**	7.6
Embedded derivatives	**4.1**	3.6
Commodity derivatives	**0.2**	–
Financial assets measured at fair value through profit or loss:		
Other financial assets – financial investments	**–**	15.9
Financial assets elected to be measured at fair value through other comprehensive income:		
Other financial assets – financial investments	**8.1**	7.2
Financial assets measured at amortised cost:		
Net trade receivables (Note 20)	**442.9**	467.3
Non-current amounts due from associates and joint ventures (Note 18)	**7.3**	7.3
Net current amounts due from associates and joint ventures (Note 20)	**14.2**	12.0
Other financial receivables	**11.3**	18.5
Financial liabilities		
Financial liabilities mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**(6.2)**	(4.3)
Embedded derivatives	**(1.9)**	(2.8)
Contingent consideration (Note 31)	**(11.5)**	(47.7)
Financial liabilities measured at amortised cost:		
Trade payables (Note 30)	**(165.0)**	(188.4)
Lease liabilities (Note 28)	**(345.2)**	–
Non-current amounts due to associates and joint ventures (Note 29)	**(1.8)**	(1.8)
Current amounts due to associates and joint ventures (Note 30)	**(11.7)**	(10.7)
Borrowings – facilities (Note 27)	**(233.6)**	(258.2)
Other financial payables	**(16.2)**	(11.2)

Fair value

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair values due to their short-term nature or contractual cash flow characteristics.

Financial instruments – gains and losses recognised within profit or loss

The Group's financial instruments resulted in the recognition of the following in the Consolidated Income Statement:

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Interest income from financial assets measured at amortised cost	**13.2**	16.1
Net fair value losses on financial assets measured at fair value through profit or loss	**(0.2)**	(36.0)
Net fair value (losses)/gains on financial liabilities measured at fair value through profit or loss	**(1.0)**	17.7

Fees incurred in connection with financial instruments

Total fees incurred during the year in connection with financial instruments measured at amortised cost were $3.0 million (2018: $2.9 million).

Cash and cash equivalents

At 31 December 2019 the Group held cash and cash equivalents of $397.7 million (2018: $764.9 million) which included cash and cash equivalents available on demand of $197.9 million (2018: $294.5 million) and time deposits with financial institutions.

The table shows the carrying amount of amounts on deposit. These are graded and monitored internally by the Group based on current external credit ratings issued, with 'prime' being the highest possible rating.

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Deposits:		
Counterparties rated prime grade	**4.1**	145.0
Counterparties rated high grade	**–**	20.0
Counterparties rated upper-medium grade	**157.1**	280.4
Counterparties rated lower-medium grade	**38.6**	25.0
Total	**199.8**	470.4

Financial instruments mandatorily measured at fair value through profit or loss

The Group classifies its financial assets at fair value through profit or loss if it is classified as one of the following:

- debt instruments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income;
- equity investments that are held for trading; or
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

Derivative financial instruments recognised in the Consolidated Balance Sheet were as follows:

At (in $ millions)	**31 Dec 2019 Assets**	**31 Dec 2019 Liabilities**	**31 Dec 2019 Total**	31 Dec 2018 Assets	31 Dec 2018 Liabilities	31 Dec 2018 Total
Non-current						
Forward foreign exchange contracts	**–**	**(1.0)**	**(1.0)**	–	(2.4)	(2.4)
Embedded derivatives	**1.4**	**(0.1)**	**1.3**	0.7	(0.6)	0.1
Total	**1.4**	**(1.1)**	**0.3**	0.7	(3.0)	(2.3)
Current						
Forward foreign exchange contracts	**1.2**	**(5.2)**	**(4.0)**	7.6	(1.9)	5.7
Embedded derivatives	**2.7**	**(1.8)**	**0.9**	2.9	(2.2)	0.7
Commodity derivatives	**0.2**	**–**	**0.2**	–	–	–
Total	**4.1**	**(7.0)**	**(2.9)**	10.5	(4.1)	6.4

Contingent consideration

Contingent consideration relates to amounts payable in connection with business combinations. The amounts payable are contingent on future events and are determined based on current expectations of the achievement of specific targets and milestones.

Financial instruments measured at fair value through profit or loss

Financial assets at fair value through profit or loss comprise investments in quoted securities which the Group expects to divest within 12 months of the balance sheet date. As the investments are non-strategic in nature, changes in fair value have been recognised in profit or loss.

Financial instruments elected to be measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise investments in equity securities not held for trading, and for which the Group has made an irrevocable election, at initial recognition, to recognise changes in fair value through other comprehensive income rather than profit or loss as these investments are strategic in nature.

The Group has concluded that due to their nature, in the case of each investment, there are a wide range of possible fair value measurements with insufficient recent information available to enable the Group to accurately measure fair value. As a result, at 31 December 2019, the investments continue to be carried at cost as, in each case, cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes. As a result no fair value remeasurement gains were recognised within other comprehensive income during 2019.

Upon disposal of these equity investments, any associated balance accumulated within other comprehensive income will be reclassified to retained earnings and will not be reclassified to the Consolidated Income Statement. No investments were derecognised during the year.

During the year no dividends were recognised within profit or loss in connection with the financial investments. During the year there were no transfers of cumulative gains or losses within equity.

33. Financial instruments continued

Financial assets measured at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial risk management objectives

The Group monitors and manages the financial risks relating to its financial operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (consisting of currency risk and fair value interest rate risk), credit risk and liquidity risk. The Group seeks to minimise the effects of these risks by using a variety of financial instruments to hedge these financial risk exposures.

Derivative financial instruments are used exclusively for hedging purposes and not as trading or speculative instruments. The Group does not currently apply hedge accounting.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks, including forward foreign exchange contracts to hedge the exchange rate risk arising on future revenues, operating expenditures and capital expenditures.

In the year ended 31 December 2019, there was no significant change to the Group's exposure to market risks or the manner in which it managed and measured the risk.

Foreign currency risk

The Group conducts operations in many countries and, as a result, is exposed to currency fluctuations related to revenue and expenditure in the normal course of business. The Group has in place risk management policies that seek to limit the adverse effects of fluctuations in foreign currency exchange rates on its financial performance.

The Group's reporting currency is the US Dollar. Revenue and expenses are principally denominated in the reporting currency of the Group. The Group also has significant operations denominated in British Pound Sterling and Euro as well as other cash flows in Angolan Kwanza, Australian Dollar, Brazilian Real, Canadian Dollar, Danish Krone, Egyptian Pound, Ghanaian Cedi, Malaysian Ringgit, Mexican Peso, Nigerian Naira, Norwegian Krone, Saudi Arabian Riyal, Singaporean Dollar and UAE Dirham.

Foreign currency sensitivity analysis

The Group considers that its principal currency exposure is to movements in the US Dollar against other currencies. The US Dollar is the Group's reporting currency, the functional currency of many of its subsidiaries and the currency of a significant volume of the Group's cash flows.

At 31 December 2019 the Group performed a sensitivity analysis to indicate the extent to which net income/(loss) and equity would be affected by changes in the exchange rate between the US Dollar and other currencies in which the Group transacts. The analysis is based on a strengthening of the US Dollar by 10% against each of the other currencies in which the Group has significant assets and liabilities at the end of each respective period. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a three to five-year time-frame. The Group's analysis of the impact on net income/(loss) in each year is based on monetary assets and liabilities in the Consolidated Balance Sheet at the end of each respective year.

The Group's analysis of the impact on equity includes the impacts on the translation reserve in respect of intra-group balances that form part of the net investment in a foreign operation. The amounts disclosed have not been adjusted for the impact of taxation.

A 10% strengthening in the US Dollar exchange rate against other currencies in which the Group transacts would increase net foreign currency exchange gains reported in other gains and losses by $2.5 million for the year ended 31 December 2019 (2018: $19.0 million). The impact would be a decrease in reported equity of $8.1 million (2018: decrease of $8.3 million).

Forward foreign exchange contracts

The Group primarily enters into forward foreign exchange contracts with maturities of up to three years, to manage the risk associated with transactions with a foreign exchange exposure risk. These transactions consist of highly probable cash flow exposures relating to revenue, operating expenditure and capital expenditure.

The Group does not use derivative instruments to hedge the exposure to exchange rate fluctuations from its net investments in foreign subsidiaries.

The following table details the external forward foreign exchange contracts outstanding:

At 31 December 2019

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $ millions)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	**49.3**	**1.9**	**165.7**	**–**	**(0.2)**	**(0.2)**
Danish Krone	**25.3**	**1.0**	**–**	**–**	**(0.8)**	**(0.1)**
Euro	**71.5**	**6.5**	**65.9**	**–**	**(2.5)**	**(0.7)**
Norwegian Krone	**19.4**	**0.1**	**8.4**	**–**	**(0.1)**	**–**
Singapore Dollar	**20.1**	**–**	**–**	**–**	**0.1**	**–**
Australian Dollar	**–**	**–**	**69.9**	**–**	**(0.5)**	**–**
Total	**185.6**	**9.5**	**309.9**	**–**	**(4.0)**	**(1.0)**

At 31 December 2018

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $ millions)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	5.1	11.3	316.7	–	3.8	(0.8)
Canadian Dollar	–	–	1.9	–	–	–
Danish Krone	39.8	7.2	–	–	(0.1)	(0.3)
Euro	64.8	31.2	–	–	(1.3)	(1.3)
Norwegian Krone	1.1	0.5	126.2	–	2.2	–
Singapore Dollar	5.1	–	–	–	–	–
Australian Dollar	–	–	59.4	–	1.1	–
Total	115.9	50.2	504.2	–	5.7	(2.4)

Hedge accounting
At 31 December 2019 and at 31 December 2018 none of the Group's outstanding external forward foreign exchange contracts had been designated as hedging instruments and as a result there was no movement in the hedging reserve.

Embedded derivatives
The Group regularly enters into multi-currency contracts from which the cash flows may lead to embedded foreign exchange derivatives in non-financial host contracts, carried at fair value through profit or loss. Embedded foreign currency derivatives, arising from multi-currency contracts, are separated where the host contract does not qualify as a financial asset, where the transactional currency differs from the functional currencies of the involved parties and a separate instrument, with the same terms as the embedded derivative, would meet the definition of a derivative.

The fair values of the embedded derivatives at 31 December 2019 amounted to $4.1 million related to financial assets (2018: $3.6 million) and $1.9 million related to financial liabilities (2018: $2.8 million). The effects on the Consolidated Income Statement were reflected in net foreign currency gains and losses within other gains and losses.

Interest rate risk management
The Group places surplus funds in the money markets to generate an investment return with a range of maturities (generally less than six months) ensuring a high level of liquidity and reducing the credit risk associated with the deposits. Changes in the interest rates associated with these deposits will impact the interest income generated.

Interest rate sensitivity analysis
At 31 December 2019, the Group had cash deposits and borrowings. A 1% increase in interest rates would not have a significant impact on the Group's finance cost or finance income due to the net cash position the Group held throughout the year.

The Group continues to monitor the reform of the Inter-borrowing Offering Rate (IBOR) and will actively manage the associated outcome.

Credit risk management
Credit risk refers to the risk that a customer or counterparty to a financial instrument will default on its contractual obligations and fail to make payment as obligations fall due resulting in financial loss to the Group. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments.

The maximum exposure of the Group to credit-related loss of financial instruments is the aggregate of the carrying amount of the financial assets as summarised on page 100.

33. Financial instruments continued

Financial instruments and cash deposits

The Group has adopted a policy of transacting with creditworthy financial institutions as a means of mitigating the risk of financial loss from defaults. Credit ratings are supplied by independent rating agencies. The Group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is distributed among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved on an annual basis and are monitored daily. The Group uses credit ratings as well as other publicly available financial information and its own trading records to rate its major counterparties.

The Group considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's credit risk management practices are designed to address the risk characteristics of the key classes of financial asset. Credit exposure is controlled by counterparty limits that are reviewed and approved on an annual basis and are monitored daily. In respect of its clients and suppliers, the Group uses credit ratings as well as other publicly available financial information and its own trading records to rate its major counterparties. The assessment of the Group's exposure to credit risk includes consideration of historical and forward-looking information regarding both the financial position and performance of the counterparty and the general macro-economic environment.

Expected credit loss assessment for financial assets

Allowances are recognised as required under the IFRS 9 impairment model and continue to be carried until there are indicators that there is no reasonable expectation of recovery.

For construction contract assets and trade and other receivables which do not contain a significant financing component, the Group applies the simplified approach. This approach requires the allowance for expected credit losses to be recognised at an amount equal to lifetime expected credit losses. For other debt financial assets the Group applies the general approach to providing for expected credit losses as prescribed by IFRS 9, which permits the recognition of an allowance for the estimated expected loss resulting from default in the subsequent twelve month period. Exposure to credit loss is monitored on a continual basis and, where material, the allowance for expected credit losses is adjusted to reflect the risk of default during the lifetime of the financial asset should a significant change in credit risk be identified.

In determining expected credit losses, financial assets with the same counterparty are grouped and where appropriate expected credit losses are measured on a collective basis. In determining the level of allowance the Group uses an internal credit risk grading framework and applies judgement based on a variety of data in order to predict the likely risk of default. The Group defines default as full or partial non-payment of contractual cash flows. The determination of expected credit losses is derived from historical and forward-looking information which includes external ratings, audited financial statements and other publically available information about customers. Determination of the level of expected credit loss incorporates a review of factors which can be indicative of default, including the nature of the counterparty (for example national oil and gas companies, international oil and gas companies or independent oil and gas companies) and the individual industry sectors in which the counterparty operates.

The majority of the Group's financial assets are expected to have a low risk of default. A review of the historical occurrence of credit losses indicates that credit losses are insignificant due to the size of the Group's clients and the nature of the services provided. The outlook for the energy industry is not expected to result in a significant change in the Group's exposure to credit losses. As lifetime expected credit losses are not expected to be significant the Group has opted not to adopt the practical expedient available under IFRS 9 to utilise a provision matrix for the recognition of lifetime expected credit losses on trade receivables. Allowances are calculated on a case-by-case basis based on the credit risk applicable to individual counterparties.

Exposure to credit risk is continually monitored in order to identify financial assets which experience a significant change in credit risk. While assessing for significant changes in credit risk the Group makes use of operational simplifications permitted by IFRS 9. The Group considers a financial asset to have low credit risk if the asset has a low risk of default; the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and no adverse changes in economic or business conditions have been identified which in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Where a financial asset becomes more than 30 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if a change in the exposure to credit risk has occurred.

Should a significant change in the exposure to credit risk be identified the allowance for expected credit losses is increased to reflect the risk of expected default in the lifetime of the financial asset. The Group continually monitors for indications that a financial asset has become credit impaired with an allowance for credit impairment recognised when the loss is incurred. Where a financial asset becomes more than 90 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if the asset has become credit impaired.

The Group considers an asset to be credit impaired once there is evidence that a loss has been incurred. In addition to recognising an allowance for expected credit loss, the Group monitors for the occurrence of events that have a detrimental impact on the recoverability of financial assets. Evidence of credit impairment includes, but is not limited to, indications of significant financial difficulty of the counterparty, a breach of contract or failure to adhere to payment terms, bankruptcy or financial reorganisation of a counterparty or the disappearance of an active market for the financial asset.

A financial asset is only impaired when there is no reasonable expectation of recovery.

For trade receivables, the Group's current credit risk grading framework comprises the following categories:

Category	Description	Response
Performing	The counterparty has a low risk of default. No balances are aged greater than 30 days past due.	An allowance for lifetime ECLs is recognised where the impact is determined to be material.
Monitored	The counterparty has a low risk of default. Balances aged greater than 30 days past due have arisen due to ongoing commercial discussions associated with the close-out of contractual requirements and are not considered to be indicative of an increased risk of default.	The allowance for lifetime ECLs is increased where the impact is determined to be material.
In default	Balances are greater than 90 days past due with the ageing not being as a result of ongoing commercial discussions associated with the close-out of contractual commitments, or there is evidence indicating that the counterparty is in severe financial difficulty and collection of amounts due is improbable.	The asset is considered to be credit impaired and an allowance for the estimated incurred loss is recognised where material.
Written off	There is evidence that the counterparty is in severe financial difficulty and the Group has no realistic prospect of recovery of balances due.	The gross receivable and associated allowance are both derecognised.

The credit risk grades disclosed above are consistent with the information used by the Group for credit risk management purposes. Specific information regarding the counterparty together with past-due information and forward-looking information is utilised in order to determine the appropriate credit grading category. At 31 December 2019 the trade receivables balances per the grading framework were as follows:

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Performing	**296.6**	379.4
Monitored	**149.0**	88.7
In default	**15.9**	18.9
Gross carrying amount	**461.5**	487.0

In addition to the credit risk grading framework for trade receivables the Group uses past-due information to assess significant increases in credit risk for all financial assets. Information related to ageing of material financial assets is included within subsequent disclosures.

Other financial assets, including amounts due from associates and joint ventures, are not subject to the Group's credit risk grading framework. The Group assesses the credit risk of these financial assets on a case-by-case basis using all relevant available historical and forward-looking information. Allowances for expected credit losses or credit impairment are recorded when required.

Trade receivables

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Gross carrying amount	**461.5**	487.0
Allowance for expected credit losses	**(2.7)**	(0.8)
Allowance for credit impairments	**(15.9)**	(18.9)
Net carrying amount	**442.9**	467.3

The table below provides an analysis of the age of trade receivables at the balance sheet date. This includes details of those trade receivables which are past due, but not impaired, and trade receivables which are individually determined to be impaired.

At 31 December 2019

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	**303.4**	**49.1**	**26.5**	**82.5**	**461.5**
Allowance for expected credit losses	**(2.7)**	**–**	**–**	**–**	**(2.7)**
Allowance for incurred credit impairments	**(6.8)**	**–**	**–**	**(9.1)**	**(15.9)**
Net carrying amount	**293.9**	**49.1**	**26.5**	**73.4**	**442.9**

33. Financial instruments continued

At 31 December 2018

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	389.9	5.6	24.5	67.0	487.0
Allowance for expected credit losses	(0.6)	–	–	(0.2)	(0.8)
Allowance for incurred credit impairments	(7.6)	–	(0.5)	(10.8)	(18.9)
Net carrying amount	**381.7**	**5.6**	**24.0**	**56.0**	**467.3**

The movement in the allowance for expected credit losses in respect of trade receivables during the year was as follows:

(in $ millions)	**2019 31 Dec**	2018 31 Dec
Allowance for expected credit losses		
At year beginning	**(0.8)**	–
Adjustment on implementation of IFRS 9	**–**	(0.7)
Increase in allowance recognised in profit or loss	**(1.9)**	(0.1)
At year end	**(2.7)**	(0.8)

The allowance for expected credit losses increased during the year due to fluctuations in the mix of customers, the size of receivables due and the default probability. The movement in the allowances for credit impairment in respect of trade receivables during the year was as follows:

(in $ millions)	**2019 31 Dec**	2018 31 Dec
Allowance for credit impairment		
At year beginning	**(18.9)**	–
Previous allowance recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'	**–**	(19.4)
Allowance recognised on acquisition of businesses	**–**	(0.2)
Increase in allowance recognised in profit or loss	**(4.4)**	(11.4)
Utilisation of allowance	**0.3**	10.6
Unused amounts released during the year	**7.4**	1.1
Exchange differences	**(0.3)**	0.4
At year end	**(15.9)**	(18.9)

Amounts due from associates and joint ventures

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Gross carrying amount	**23.7**	21.5
Allowance for incurred credit impairments	**(2.2)**	(2.2)
Net carrying amount	**21.5**	19.3

The table below provides an analysis of the ageing of amounts due from associates and joint ventures at the balance sheet date. This includes details of balances with associates and joint ventures which are past due at the end of the reporting period, but not impaired, and associates and joint ventures which are individually determined to be impaired at the end of the reporting period.

At 31 December 2019

(in $ millions)	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount	**5.8**	**0.8**	**0.1**	**17.0**	**23.7**
Allowance for credit impairments	**–**	**–**	**–**	**(2.2)**	**(2.2)**
Net carrying amount	**5.8**	**0.8**	**0.1**	**14.8**	**21.5**

At 31 December 2018

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	0.9	0.2	3.2	17.2	21.5
Allowance for credit impairments	(0.1)	–	–	(2.1)	(2.2)
Net carrying amount	0.8	0.2	3.2	15.1	19.3

The movement in the allowance in respect of amounts due from associates and joint ventures during the year was as follows:

(in $ millions)	**2019 31 Dec**	2018 31 Dec
Allowance for credit impairments		
At year beginning	**(2.2)**	–
Previous allowance recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'	**–**	(13.1)
Unused amounts reversed	**–**	10.8
Exchange differences	**–**	0.1
At year end	**(2.2)**	(2.2)

At 31 December 2019 the allowance for expected credit losses recognised in connection with amounts due from associates and joint ventures was $nil (2018: $nil).

Other financial assets at amortised cost

An analysis of the age of other financial assets at the balance sheet date has not been provided on the grounds of materiality. Other financial assets are typically non-recurring and are monitored on an asset-by-asset basis. Ageing is not necessarily reflective of credit risk.

At 31 December 2019 the allowances for expected credit losses and credit impairment recognised in connection with other financial assets at amortised cost were $nil (2018: $nil).

Concentration of credit risk

Credit risk is primarily associated with trade receivables. Net trade receivables (Note 20 'Trade and other receivables') arise from a large number of clients, dispersed geographically. Continual credit evaluation is performed on the recoverability of trade receivables. The following table classifies outstanding balances into three categories:

At	**2019 31 Dec Category percentage**	2018 31 Dec Category percentage
National oil and gas companies	**24%**	27%
International oil and gas companies	**34%**	37%
Independent oil, gas and energy companies	**42%**	36%
Total	**100%**	100%

National oil and gas companies are either partially or fully-owned by or directly controlled by the government of their respective country of incorporation. Both international and independent oil and gas companies are mainly publicly or privately owned. International oil and gas companies are generally larger in size and scope than independent oil, gas and energy companies.

During the year ended 31 December 2019, two clients (2018: four clients) contributed individually to more than 10% of the Group's revenue. The revenue from these clients was $873.0 million or 24% of total Group revenue (2018: $2.1 billion or 52%).

The five largest receivables balances by client are shown below:

At (in $ millions)	**31 Dec 2019**
Client A	**70.6**
Client B	**49.5**
Client C	**48.5**
Client D	**45.6**
Client E	**30.3**

At (in $ millions)	31 Dec 2018
Client A	89.3
Client B	82.4
Client C	54.5
Client D	23.1
Client E	19.5

The client mix for outstanding accounts receivable balances in 2019 is not the same as 2018. The Group did not have any significant credit exposure to any single counterparty at 31 December 2019.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are primarily banks with high credit ratings assigned by international credit-rating agencies. At 31 December 2019, 52% (2018: 31%) of cash was held at counterparties with a credit rating lower than 'upper-medium grade' classification.

33. Financial instruments continued

Liquidity risk management

The Group has a framework for the management of short, medium and long-term funding and liquidity management requirements. The Group continually monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities. Liquidity risk is managed by maintaining adequate cash and cash equivalent balances and by ensuring available borrowing facilities are in place. Included in Note 27 'Borrowings' are details of the undrawn facilities that the Group has at 31 December 2019.

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted cash flows relating to financial liabilities based on the earliest date on which the payment can be required. Principal cash flows are as follows:

At 31 December 2019

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Borrowings	**6.0**	**6.0**	**12.6**	**209.0**	**233.6**
Trade payables	**160.2**	**4.2**	**0.5**	**0.1**	**165.0**
Current amounts due to associates and joint ventures	**11.7**	**–**	**–**	**–**	**11.7**
Loan due to associates and joint ventures	**–**	**–**	**–**	**1.8**	**1.8**
Lease liabilities	**7.6**	**10.3**	**77.3**	**286.0**	**381.2**
Total	**185.5**	**20.5**	**90.4**	**496.9**	**793.3**

At 31 December 2018

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Borrowings	6.1	6.1	12.4	233.6	258.2
Trade payables	174.6	13.5	0.2	0.1	188.4
Current amounts due to associates and joint ventures	10.7	–	–	–	10.7
Loan due to associates and joint ventures	–	–	–	1.8	1.8
Total	191.4	19.6	12.6	235.5	459.1

The following table details the Group's liquidity profile for its derivative financial instruments. The table has been prepared based on the undiscounted net cash payments and receipts on the derivative instruments that settle on a net basis and the undiscounted gross payments and receipts on those derivative financial instruments that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the balance sheet date.

At 31 December 2019

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Net settled:					
Embedded derivatives	**–**	**1.0**	**0.8**	**0.1**	**1.9**
Gross settled:					
Foreign exchange forward contract payments	**193.4**	**8.2**	**35.5**	**10.6**	**247.7**
Foreign exchange forward contract receipts	**(192.0)**	**(7.3)**	**(32.6)**	**(9.6)**	**(241.5)**
Total	**1.4**	**1.9**	**3.7**	**1.1**	**8.1**

At 31 December 2018

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Net settled:					
Embedded derivatives	–	0.9	1.3	0.6	2.8
Gross settled:					
Foreign exchange forward contract payments	80.7	6.4	35.0	52.5	174.6
Foreign exchange forward contract receipts	(80.5)	(6.1)	(33.6)	(50.1)	(170.3)
Total	0.2	1.2	2.7	3.0	7.1

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders of the parent company.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 27 'Borrowings', cash and cash equivalents disclosed in Note 23 'Cash and cash equivalents' and equity attributable to shareholders of the parent company, comprising issued share capital, paid in surplus, reserves and retained earnings.

The Group monitors its capital structure using a debt service ratio of net debt to Adjusted EBITDA. Effective 1 January 2019, the debt service ratio has been revised following the implementation of IFRS 16; the ratio now calculates net debt as the principal value of borrowings, lease liabilities less cash and cash equivalents.

Reconciliation of movements in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows are classified in the Consolidated Cash Flow Statement as cash flows from financing activities.

	Liabilities		**Equity**				**Other**	**Total**
(in $ millions)	Other borrowings	Lease liabilities	Dividends payable to shareholders of parent	Dividends payable to non-controlling interests	Treasury shares	Other equity		
Balance at 31 December 2018	**258.2**	**–**	**–**	**7.6**	**(95.0)**	**–**	**(2.9)**	**167.9**
Adjustment on implementation of IFRS 16	–	357.1	–	–	–	–	–	357.1
Balance at 1 January 2019	**258.2**	**357.1**	–	**7.6**	**(95.0)**	–	**(2.9)**	**525.0**
Financing cash flows								
Interest paid	(9.9)	–	–	–	–	–	(1.1)	(11.0)
Repayment of borrowings	(26.7)	–	–	–	–	–	–	(26.7)
Cost of share repurchases	–	–	–	–	(249.7)	–	–	(249.7)
Payments related to lease liabilities	–	(105.0)	–	–	–	–	–	(105.0)
Dividends paid to shareholders of the parent company	–	–	(53.8)	–	–	–	–	(53.8)
Dividends paid to non-controlling interest	–	–	–	(1.0)	–	–	–	(1.0)
Total financing cash flows	**(36.6)**	**(105.0)**	**(53.8)**	**(1.0)**	**(249.7)**	**–**	**(1.1)**	**(447.2)**
Non-cash changes								
Acquisition of businesses	1.6	7.2	–	–	–	–	–	8.8
Dividends declared	–	–	54.6	5.0	–	–	–	59.6
Disposal of lease liability	–	(0.1)	–	–	–	–	–	(0.1)
Addition of lease liability	–	81.2	–	–	–	–	–	81.2
Shares reallocated relating to share-based payments	–	–	–	–	8.7	–	–	8.7
Loss on reallocation of treasury shares	–	–	–	–	–	8.7	–	8.7
Allocated to retained earnings	–	–	–	–	–	(8.7)	–	(8.7)
Share cancellation	–	–	–	–	322.0	–	–	322.0
Interest charges	8.1	17.2	–	–	–	–	–	25.3
Exchange differences	2.3	(12.4)	(0.8)	(0.1)	–	–	–	(11.0)
Total non-cash changes	**12.0**	**93.1**	**53.8**	**4.9**	**330.7**	**–**	**–**	**494.5**
Balance at 31 December 2019	**233.6**	**345.2**	**–**	**11.5**	**(14.0)**	**–**	**(4.0)**	**572.3**

33. Financial instruments continued

	Liabilities	Equity				Other	Total[a]
(in $ millions)	Other borrowings	Dividends payable to shareholders of parent	Dividends payable to non-controlling interests	Treasury shares	Other equity		
Balance at 1 January 2018	**282.7**	**–**	**7.6**	**(19.7)**	**–**	**(2.8)**	**267.8**
Financing cash flows							
Interest paid	(10.6)	–	–	–	–	(3.3)	(13.9)
Repayment of borrowings	(24.6)	–	–	–	–	–	(24.6)
Proceeds from reallocation of common shares	–	–	–	–	0.4	–	0.4
Cost of share repurchases	–	–	–	(92.9)	–	–	(92.9)
Dividends paid to shareholders of the parent company	–	(204.3)	–	–	–	–	(204.3)
Total financing cash flows	**(35.2)**	**(204.3)**	**–**	**(92.9)**	**0.4**	**(3.3)**	**(335.3)**
Non-cash changes							
Dividends declared	–	204.3	–	–	–	–	204.3
Shares reallocated relating to share-based payments	–	–	–	17.6	–	–	17.6
Loss on reallocation of treasury shares	–	–	–	–	17.2	–	17.2
Allocated to retained earnings	–	–	–	–	(17.6)	–	(17.6)
Interest charges	10.7	–	–	–	–	3.2	13.9
Total non-cash changes	**10.7**	**204.3**	**–**	**17.6**	**(0.4)**	**3.2**	**235.4**
Balance at 31 December 2018	**258.2**	**–**	**7.6**	**(95.0)**	**–**	**(2.9)**	**167.9**

(a) Re-presented to exclude contingent consideration shown within investing activities.

Fair value measurement

During the year ended 31 December 2019 there were no transfers between levels of the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

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

At (in $ millions)	**2019 31 Dec Level 1**	**2019 31 Dec Level 2**	**2019 31 Dec Level 3**	2018 31 Dec Level 1	2018 31 Dec Level 2	2018 31 Dec Level 3
Recurring fair value measurements						
Financial assets:						
Financial assets at fair value through profit or loss – derivative instruments	**–**	**1.2**	**–**	–	7.6	–
Financial assets at fair value through profit or loss – embedded derivatives	**–**	**4.1**	**–**	–	3.6	–
Financial assets at fair value through profit or loss – commodity derivatives	**–**	**0.2**	**–**	–	–	–
Other financial assets	**–**	**–**	**–**	15.9	–	–
Financial liabilities:						
Financial liabilities at fair value through profit or loss – derivative instruments	**–**	**(6.2)**	**–**	–	(4.3)	–
Financial liabilities at fair value through profit or loss – embedded derivatives	**–**	**(1.9)**	**–**	–	(2.8)	–
Contingent consideration (Note 31)	**–**	**–**	**(11.5)**	–	–	(47.7)

Recurring fair value measurements

Financial assets and financial liabilities

Financial assets and financial liabilities which are remeasured to fair value on a recurring basis are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and quotes for similar instruments;
- the fair value of other financial assets classified as current assets, which includes quoted securities, is determined using quoted prices;
- the fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones calculated using the discounted cash flow method and unobservable inputs. Quantitative information about the significant unobservable inputs used in the fair value measurement and sensitivities to changes in these unobservable inputs are as disclosed below:

(in $ millions)	Balance at 1 January 2019	Fair value adjustments	Acquisition of businesses	Utilisation	Exchange differences	Balance at 31 December 2019
Contingent consideration	**47.7**	**(5.9)**	**1.5**	**(30.8)**	**(1.0)**	**11.5**

  Significant inputs to the fair value of contingent consideration following a business combination include the assumed probability of the achievement of operational targets and technical milestones. A significant increase or decrease in the assumed probability of achieving these would result in a higher or lower fair value of the contingent consideration liability, while a significant increase or decrease in the discount rate would result in a higher or lower fair value of the contingent consideration liability. Gains or losses for the year are recorded in the Consolidated Income Statement as disclosed within Note 7 'Other gains and losses'. Utilisation of $30.8 million includes $29.5 million disclosed within financing activities in the Consolidated Cash Flow Statement and $1.3 million which is included in net cash generated from operating activities; and

- the fair values of foreign exchange derivative instruments and embedded derivatives are calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivative financial instruments.

Non-recurring fair value measurements

Assumptions used in determining fair value of financial assets and financial liabilities which are not remeasured to fair value on a recurring basis are as follows:

Receivables and payables

The fair value of receivables and payables is based on their carrying amount which is representative of contractual amounts due and, where appropriate, incorporates expectations about future expected credit losses.

Financial investments which are strategic in nature

Other financial assets which are classified as non-current include equity investments in unlisted companies which are strategic in nature. The Group has concluded that 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 continue to be carried at cost as, in each case, cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes.

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).

34. Related party transactions

Key management personnel

Key management personnel include the Board of Directors and the Executive Management Team. Key management personnel at 31 December 2019 included 13 individuals (2018: 12 individuals). The remuneration of these personnel is determined by the Compensation Committee of the Board of Directors of Subsea 7 S.A.

Non-Executive Directors

Details of fees paid to Non-Executive Directors for the year ended 31 December 2019 are set out below:

Name	Annual fee $	Member of Audit Committee $	2019 31 Dec $	2018 31 Dec $
Kristian Siem	**200,000**	**–**	**–** [(a)]	– [(a)]
Sir Peter Mason KBE (retired 17 April 2018)	**–**	**–**	**–**	36,250
Eystein Eriksrud	**105,000**	**6,000**	**111,000**	111,000
Dod Fraser	**105,000**	**14,000**	**119,000**	119,000
Robert Long (retired 17 April 2018)	**–**	**–**	**–**	32,190
Allen Stevens	**105,000**	**–**	**105,000**	105,000
Niels Kirk	**105,000**	**6,000**	**111,000**	78,810
Elisabeth Proust (appointed 17 April 2019)	**105,000**	**–**	**74,550**	–
David Mullen	**105,000**	**–**	**105,000**	74,550

(a) Mr Siem's fee is included within payments to Siem Industries Inc. as detailed in 'Other related party transactions' on page 114.

Subsea 7 S.A. shares held by the Non-Executive directors at 31 December 2019 were as follows:

Shareholdings

Name	Total owned shares
Kristian Siem[(a)]	**–**
Eystein Eriksrud	**3,100**
Dod Fraser	**4,000**
Allen Stevens	**10,650**
Niels Kirk	**–**
Elisabeth Proust	**830**
David Mullen	**–**

(a) At 31 December 2019, Siem Industries Inc. which is a company controlled through trusts where Mr Siem and certain members of his family are potential beneficiaries, owned 71,712,977 shares, representing 23.9% of total common shares of the Company.

Key management

The remuneration of the Executive Management Team during the year was as follows:

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Salaries and other short-term employee benefits	**6.4**	7.8
Share-based payments	**2.1**	0.9
Post-employment benefits	**0.1**	0.1
Total	**8.6**	8.8

The compensation of the Chief Executive Officer ('CEO') for the year was $2.0 million (2018: $2.5 million) and included base salary, bonus and benefits-in-kind. This amount excludes the IFRS 2 'Share-based Payments' charge for any incentive plans of which the CEO is a member.

Performance shares outstanding and shareholdings at 31 December 2019 were as follows:

Shares and performance shares

Name	Total performance shares[(a)]	Total owned shares
Jean Cahuzac (retired 31 December 2019)	149,868	151,319
Ricardo Rosa	130,307	33,460
John Evans[(b)]	171,683	70,610
Nathalie Louys	84,483	22,221
Stuart Fitzgerald	107,302	13,681
Kate Lyne (appointed 1 September 2019)	58,346	11,301

(a) Total performance shares held represent the maximum future entitlement assuming all conditions are met.
(b) Effective 1 January 2020 John Evans was appointed as CEO.

Effective 1 January 2020, Olivier Blaringhem, Steph McNeill and Phil Simons joined the Executive Management Team.

Transactions with key management personnel

During the year, key management personnel were awarded the rights to 160,000 performance shares under the 2018 Long-term Incentive Plan. Refer to Note 35 'Share-based payments' for details of the plan.

Transactions with associates and joint ventures

The Consolidated Balance Sheet includes:

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Non-current receivables due from associates and joint ventures (Note 18)	**7.3**	7.3
Non-current payables due to associates and joint ventures (Note 29)	**(1.8)**	(1.8)
Trade receivables due from associates and joint ventures (Note 20)	**14.2**	12.0
Trade payables due to associates and joint ventures (Note 30)	**(11.7)**	(10.7)
Net receivables due from associates and joint ventures	**8.0**	6.8

At 31 December 2019 trade receivables due from associates and joint ventures are shown net of allowance for credit impairment of $2.2 million (2018: $2.2 million).

During the year, the Group provided services to associates and joint ventures amounting to $3.6 million (2018: $1.2 million) and purchased goods and services from associates and joint ventures amounting to $35.2 million (2018: $30.9 million).

At 31 December 2019, the Group had provided long-term loans to joint ventures amounting to $7.3 million (2018: $7.3 million). Working capital funding of associates and joint ventures is included within trade receivables due from associates and joint ventures.

Guarantee arrangements with joint ventures are shown within Note 27 'Borrowings'.

34. Related party transactions continued

Other related party transactions

During the year the Group undertook related party transactions, all of which were conducted on an arm's length basis.

The Group is an associate of Siem Industries Inc. and is equity accounted for within Siem Industries Inc.'s Consolidated Financial Statements. Payments were made to Siem Industries Inc. in relation to the services provided by Mr Siem totalling $0.2 million (2018: $0.2 million). Dividends totalling $12.5 million (2018: $43.7 million) were paid to Siem Industries Inc.

Purchases by the Group from subsidiaries of Siem Industries Inc. including vessel charters, provision of crew and associated services, totalling $5.6 million (2018: $1.3 million), were made during the year.

Purchases by the Group from subsidiaries of Siem Offshore Inc. including vessel charters, provision of crew and associated services, totalling $10.2 million (2018: $16.9 million), were made during the year.

During 2019, the Group recognised $0.5 million as full and final settlement in relation to its previous ownership interest in Deep Seas Insurance, a wholly-owned subsidiary of Siem industries Inc.

Siem Offshore Inc. is an associate of Siem Industries Inc, and Mr Siem is a member of the Board of Directors and its Chairman (effective 1 August 2019). Mr Eriksrud was the Chairman and a member of the Board until 31 July 2019.

Revenue generated by the Group from subsidiaries of Siem Offshore Inc. including ROV and survey services, totalled $0.9 million were made during the year (2018: $0.4 million).

The Group provides rented office accommodation to Siem Offshore do Brasil S.A., a company ultimately controlled by Siem Industries Inc. Total rental income for 2019 was $0.2 million (2018: $0.4 million).

The Group provides rented office accommodation to Siem Shipping UK Limited, a company ultimately controlled by Siem Industries Inc. Total rental income for 2019 was $0.3 million (2018: $0.3 million).

During 2019, the Group rented office accommodation from Siem Europe Properties S.à r.l. and Siem Offshore Real Estate GmbH, which are ultimately controlled by Siem Industries Inc. Total rental cost for 2019 was less than $0.1 million (2018: less than $0.1 million).

At 31 December 2019, the Group had outstanding balances payable to Siem Offshore Real Estate GmbH of less than $0.1 million (2018: less than $0.1 million).

At 31 December 2019, the Group had outstanding balances receivable from Siem Offshore do Brasil SA and Siem Offshore Rederi AS of less than $0.1 million (2018: $0.6 million).

During the year, $29.5 million was paid to Siem Offshore Inc. as full and final settlement of the contingent consideration related to the Group's acquisition of Seaway Offshore Cables GmbH (formerly Siem Offshore Contractors GmbH) in 2018. The transaction resulted in a $1.5 million gain being recognised within other gains and losses in the Group's Consolidated Income Statement.

35. Share-based payments

The Group operated two equity-settled share-based payment schemes during 2019.

The following table summarises the compensation expense recognised in the Consolidated Income Statement during the year:

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Expense arising from equity-settled share-based payment transactions:		
2013 Long-term Incentive Plan	**3.9**	4.5
2018 Long-term Incentive Plan	**2.0**	0.4
Total	**5.9**	4.9

Equity-settled share-based payment schemes

2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan (2013 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 28 June 2013. The 2013 LTIP had a five-year term with awards being made annually until 2017.

The 2013 LTIP provided for conditional awards of shares based upon performance conditions measured over a performance period of three years. Performance conditions were based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions were determined over a three-year period.

During 2019, no grants (2018: nil) of shares were made under the terms of the 2013 LTIP. On 1 October 2019, in accordance with the terms of the 2013 LTIP, shares totalling 716,891 (2018: 738,709) were unconditionally transferred to participants for $nil consideration.

2018 Long-term Incentive Plan

The 2018 Long-term Incentive Plan (2018 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 17 April 2018. The 2018 LTIP has a five-year term with awards being made annually. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of that calendar year. The total number of shares that may be delivered pursuant to awards under the plan shall not exceed 11,500,000. Grants are determined by the Compensation Committee of the Subsea 7 S.A. Board of Directors, which is responsible for operating and administering the plan.

The 2018 LTIP is an essential component of the Group's reward strategy, and was designed to align the interests of participants with those of Subsea 7's shareholders, and enables participants to share in the success of the Group. The 2018 LTIP provides for conditional awards of shares based upon performance conditions measured over a performance period of three years.

Performance conditions are based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions are determined over a three-year period.

During 2019, initial grants comprising 1,291,000 (2018: 1,227,000) conditional awards of shares were made under the terms of the 2018 LTIP, 839,150 awards are subject to relative TSR performance measures and 451,850 are subject to ROAIC performance measures.

TSR based awards

The Group will have to achieve a TSR ranking above the median for any awards to vest. If the ranked TSR position of Subsea 7 during the three-year period, as converted to a percentage, is equal to 50%, 20% of the share award will vest. If the actual ranked TSR position of Subsea 7 is greater than 50% and below 90%, the vesting of the share award between 20% and 65% is determined by linear interpolation. The maximum award of 65% would only vest if the Group achieved top decile TSR ranking.

ROAIC based awards

ROAIC is calculated for each of the three years of the performance period on a quarterly basis. If the average ROAIC achieved by the Group during the performance period is greater than 9% but less than 11%, vesting between 5% and 15% shall be determined by linear interpolation. If the actual ROAIC achieved by the Group during the performance period is greater than 11% but less than 14%, vesting between 15% and 35% shall be determined by linear interpolation. The maximum award of 35% would only vest if the Group achieved average ROAIC of 14% or greater.

Under the terms of the awards LTIP participants are not entitled to receive dividend equivalent payments.

At 31 December 2019, there were approximately 110 senior managers and key employees who participate in the LTIP schemes. Individual award caps are in place such that no senior executive or other employee may be granted shares under the LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary at the date of the award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

The IFRS 2 'Share-based Payments' fair value of each performance share granted under the 2013 and 2018 LTIP is estimated as of the grant date using a Monte Carlo simulation model with weighted average assumptions as follows:

For the year ended	**2019 31 Dec**	2018 31 Dec
Weighted average share price at grant date (in $)	**10.14**	15.17
TSR performance – Weighted average fair value at grant date (in $)	**5.29**	7.94
ROAIC performance – Weighted average fair value at grant date (in $)	**9.63**	14.40
Expected volatility	**34%**	39%
Risk free rate	**1.28%**	1.32%
Dividend yield	**1.30%**	1.30%

35. Share-based payments continued

The expected share price volatility over the performance period is estimated from the Company's historical share price volatility. The award fair values were adjusted to recognise that participants are not entitled to receive dividend equivalent payments.

The non-market ROAIC performance condition is not incorporated into the grant date fair value of the ROAIC based awards. The value of each award will be adjusted at every reporting date to reflect the Group's current expectation of the number of performance shares which will vest under the non-market ROAIC performance condition.

Upon vesting, Subsea 7 will withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, in cash, to the relevant tax authority on the employee's behalf. In 2019, three plans vested under the LTIP 2013 scheme, and the total estimated withholding tax transferred to relevant tax authorities was $3.6 million (2018: $3.6 million). Of this total, $0.5 million was in relation to employee social security contributions and $3.1 million was in relation to income tax.

36. Retirement benefit obligations

The Group operates both defined contribution and defined benefit pension plans.

The Group's contributions under the defined contribution pension plans are determined as a percentage of individual employee's pensionable salaries. The expense relating to these plans for the year was $39.3 million (2018: $34.4 million).

Defined benefit plans

The Group operates both funded and unfunded defined benefit pension plans.

France

The defined benefit plan for France is called the *indemnités de fin de carrière* (retirement indemnity plan) and is pursuant to applicable French legislation and labour agreements in force in the industry. A lump-sum payment is made to employees upon retirement based on length of service, employment category and the employee's final salary. The obligation is unfunded and uninsured, as is standard practice in France. Since the retirement indemnity plan is based upon specific lengths of service, categories and values set by French legislation and collective agreements there is no specific trust or internal governance in place for this plan.

Norway

There are two Norwegian defined benefit pension plans which are known as the office (onshore) plan and the sailor plan.

The office (onshore) plan is a defined benefit scheme held with a life insurance company to provide pension benefits for the Group's employees. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the Norwegian National Insurance Scheme. The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is 67 years. The office (onshore) plan is closed to new members.

The sailor plan is an established separate tariff-rated pension scheme for offshore personnel. Under this scheme participants are entitled to receive a pension between 60-67 years of age only. These are funded obligations.

Under the plans, pensions are paid upon retirement based on the employee's length of service and final salary. The plans have been established in accordance with Norwegian legislation and are separately administered funds. Due to Norwegian legislation the pension scheme must provide an annual guaranteed return on investment, and consequently, the plan assets have a bias toward bonds rather than equities. While the pension company is responsible for handling the plan according to Norwegian law, the Group is obligated to have a steering committee for the plan. The steering committee considers and makes recommendations to the Group on matters relating to the plan, including but not limited to: composition of the investment portfolio, amendments to the scheme, administration and enforcement of the scheme, transfer of funds to the Group, transfer of the scheme to another pension provider and termination of the scheme.

Netherlands

With an effective date of 1 January 2019, the Group entered into revised pension plan arrangements in relation to onshore and offshore employees based in the Netherlands. The new pension plan is a defined contribution plan and replaced the previous defined benefit plans. As a result of the changes, the Group no longer has any obligations related to the defined benefit plans and all assets and liabilities related to those plans were derecognised.

At 31 December 2018, the fair value of funded obligations of the defined benefit plans was $68.8 million and the fair value of the scheme's assets was $51.6 million. The derecognition of the net retirement obligation of $17.2 million resulted in a credit being recognised within the Consolidated Income Statement with $12.9 million recognised within operating expenses and $4.3 million recognised within administrative expenses. In addition, $7.2 million was reclassified within equity and a deferred tax asset of $1.1 million was derecognised.

Changes in the defined benefit obligation and fair value of plan assets

The following table provides a reconciliation of the changes in retirement benefit obligations and in the fair value of plan assets:

	Norway		Netherlands		France		Total	
(in $ millions)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Defined benefit obligation								
At year beginning	**(16.6)**	(18.4)	**(68.8)**	(68.1)	**(11.6)**	(9.7)	**(97.0)**	(96.2)
Amounts charged to the Consolidated Income Statement:								
Service costs	**(0.3)**	(0.4)	**–**	(5.4)	**(0.9)**	(0.7)	**(1.2)**	(6.5)
Interest costs	**(0.4)**	(0.3)	**–**	(1.4)	**(0.2)**	(0.2)	**(0.6)**	(1.9)
Curtailments	**–**	–	**–**	–	**0.1**	–	**0.1**	–
Liabilities extinguished on settlement	**–**	–	**68.8**	–	**–**	–	**68.8**	–
Employee taxes	**–**	0.1	**–**	–	**–**	–	**–**	0.1
Sub-total	**(0.7)**	(0.6)	**68.8**	(6.8)	**(1.0)**	(0.9)	**67.1**	(8.3)
Remeasurement gains/(losses) recognised in other comprehensive income:								
Actuarial changes arising from changes in demographic assumptions	**–**	–	**–**	0.8	**(1.2)**	0.4	**(1.2)**	1.2
Actuarial changes arising from changes in financial assumptions	**–**	–	**–**	–	**–**	(1.4)	**–**	(1.4)
Experience adjustments	**(0.3)**	1.0	**–**	2.0	**0.8**	(0.5)	**0.5**	2.5
Sub-total	**(0.3)**	1.0	**–**	2.8	**(0.4)**	(1.5)	**(0.7)**	2.3
Benefits paid	**0.8**	0.9	**–**	0.2	**0.1**	–	**0.9**	1.1
Exchange differences	**0.4**	0.5	**–**	3.1	**0.4**	0.5	**0.8**	4.1
At year end	**(16.4)**	(16.6)	**–**	(68.8)	**(12.5)**	(11.6)	**(28.9)**	(97.0)
Fair value of plan assets								
At year beginning	**14.6**	15.3	**51.6**	50.0	**–**	–	**66.2**	65.3
Assets extinguished on settlement	**–**	–	**(51.6)**	–	**–**	–	**(51.6)**	–
Interest income	**0.4**	0.4	**–**	0.9	**–**	–	**0.4**	1.3
Sub-total	**0.4**	0.4	**(51.6)**	0.9	**–**	–	**(51.2)**	1.3
Remeasurement gains/(losses) recognised in other comprehensive income:								
Return on plan assets (excluding amounts in interest income)	**–**	0.5	**–**	(0.6)	**–**	–	**–**	(0.1)
Administrative expenses	**(0.2)**	(0.2)	**–**	–	**–**	–	**(0.2)**	(0.2)
Experience adjustments	**–**	–	**–**	1.0	**–**	–	**–**	1.0
Sub-total	**(0.2)**	0.3	**–**	0.4	**–**	–	**(0.2)**	0.7
Employer and participant contributions	**0.4**	0.1	**–**	2.8	**–**	–	**0.4**	2.9
Benefits paid	**(0.8)**	(0.9)	**–**	(0.2)	**–**	–	**(0.8)**	(1.1)
Exchange differences	**(0.4)**	(0.6)	**–**	(2.3)	**–**	–	**(0.4)**	(2.9)
At year end	**14.0**	14.6	**–**	51.6	**–**	–	**14.0**	66.2
Net defined benefit obligation	**(2.4)**	(2.0)	**–**	(17.2)	**(12.5)**	(11.6)	**(14.9)**	(30.8)
Presented as:								
Retirement benefit assets	**–**	0.1	**–**	–	**–**	–	**–**	0.1
Retirement benefit obligations	**(2.4)**	(2.1)	**–**	(17.2)	**(12.5)**	(11.6)	**(14.9)**	(30.9)
Total	**(2.4)**	(2.0)	**–**	(17.2)	**(12.5)**	(11.6)	**(14.9)**	(30.8)

36. Retirement benefit obligations continued

The retirement benefit obligations of $14.9 million (2018: $13.7 million) for pension schemes which are in deficit in Norway, and France, are recognised as non-current liabilities within the Consolidated Balance Sheet.

Unfunded schemes

Included within the defined benefit obligation are amounts arising from unfunded French plans with a total obligation of $12.5 million (2018: $11.6 million).

Funded schemes

The Norwegian schemes are funded through a separately administered investment fund. The fair value of the Norwegian scheme assets were as follows:

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Investments quoted in active markets		
Quoted equity investments	**2.0**	2.3
Unquoted investments		
Bonds	**8.4**	7.9
Property	**1.9**	2.0
Other	**1.7**	2.4
Total	**14.0**	14.6

Future cash flows

The estimated contributions expected to be paid into the French and Norwegian plans during 2020 are $1.5 million (2019: $4.4 million).

The average remaining service periods were as follows:

At (in years)	**2019 31 Dec**	2018 31 Dec
Norway office (onshore) plan	**6.0**	7.0

Significant actuarial assumptions

The principal assumptions used to determine the present value of the defined benefit obligation were as follows:

Year ended 31 December 2019

(in %)	**Netherlands**	**Norway**	**France**
Pension increase	**–**	**0.7 – 2.0**	**–**
Discount rate	**–**	**1.8**	**0.5**
Future salary increase	**–**	**2.3**	**3.0**

Year ended 31 December 2018

(in %)	Netherlands	Norway	France
Pension increase	–	0.8 – 2.5	–
Discount rate	2.0	2.6	1.5
Future salary increase	2.5	2.8	3.0

Assumptions regarding future mortality are set based on advice in accordance with published statistics and experience. The average life expectancies in years of a pensioner retiring at the plan retirement age for participants in the Norway office (onshore) are shown below. Life expectancy information for the sailor plan has not been provided as participants are only entitled to receive a pension between 60-67 years of age.

	Retirement age	Sex	**2019 31 Dec**	2018 31 Dec
Norway office (onshore) plan	67 years	Male	**18.2**	18.4
	67 years	Female	**24.9**	24.9

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions at 31 December 2019 is shown below. The sensitivity analysis has been determined based on a method that extrapolates the impact on the net defined benefit obligation ((increase)/decrease) as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Norway – sailor plan

(in $ millions)	**Pension increase**		**Discount rate**		**Future salary increase**	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	**–**	**–**	**–**	**–**	**–**	**–**

Norway – office plan

(in $ millions)	**Pension increase**		**Discount rate**		**Future salary increase**	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	**(0.2)**	**0.2**	**0.2**	**(0.2)**	**–**	**–**

France

(in $ millions)	**Discount rate**	
Sensitivity level	0.25% increase	0.25% decrease
Impact on the net defined benefit obligation	**0.4**	**(0.4)**

37. Deferred revenue

At (in $ millions)	**2019 31 Dec**	2018 31 Dec
Advances received from clients	**2.1**	5.4

Advances received from clients include amounts received before the related work is performed on day-rate contracts and amounts paid by clients in advance of work commencing on lump-sum contracts.

38. Cash flow from operating activities

For the year ended (in $ millions)	Notes	2019 31 Dec	2018 31 Dec
Cash flow from operating activities:			
(Loss)/income before taxes		**(52.9)**	216.3
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	15	**365.9**	389.6
Impairment of property, plant and equipment	15	**69.5**	13.4
Impairment of intangible assets	14	**–**	25.3
Amortisation of right-of-use assets	16	**98.2**	–
Amortisation of intangible assets	14	**11.0**	30.8
Amortisation of mobilisation costs	6	**9.0**	9.6
Impairment of goodwill	13	**99.9**	–
(Gain)/loss on other financial assets measured at fair value through profit or loss	7	**(5.5)**	4.0
Adjustments for investing and financing items:			
Remeasurement loss on business combination	12	**1.4**	–
Gain on disposal of subsidiary		**(4.3)**	–
Gain on settlement of contingent consideration		**(1.5)**	–
Share of net loss of associates and joint ventures	17	**0.9**	2.8
Net gain on disposal of property, plant and equipment	7	**(1.3)**	(5.8)
Finance income	8	**(13.2)**	(16.1)
Finance costs	8	**25.3**	13.9
Adjustments for equity items:			
Reclassification of exchange differences relating to disposal of a subsidiary		**1.1**	–
Share-based payments	35	**5.9**	4.9
		609.4	688.7
Changes in operating assets and liabilities:			
Decrease in inventories		**0.8**	4.7
Decrease/(increase) in operating receivables		**78.1**	(309.1)
(Decrease)/increase in operating liabilities		**(223.9)**	137.6
		(145.0)	(166.8)
Income taxes paid		**(107.7)**	(98.3)
Net cash generated from operating activities		**356.7**	423.6

39. Post balance sheet events

Assets classified as held for sale

During January 2019, a vessel was classified as an asset held for sale with the criteria specified within IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' being met. The asset is held at its fair value at the balance sheet date and is expected to be sold within the next 12 months. In addition a second vessel was removed from the active fleet in preparation for recycling.

40. Wholly-owned subsidiaries

Subsea 7 S.A. had the following wholly-owned subsidiaries at 31 December 2019.

Name	Registered in	Nature of business
4Subsea AS	Norway	General Trading
4Subsea Do Brasil Projetos e Servicos de Integridade Subsea Ltda	Brazil	General Trading
4Subsea UK Limited	United Kingdom	General Trading
Acergy (Gibraltar) Limited	Gibraltar	Corporate Service
Acergy B.V.	Netherlands	Holding
Acergy France S.A.S.	France	General Trading
Acergy Holdings (Gibraltar) Limited[a]	Gibraltar	Special Purpose
Acergy Shipping Ltd	Gibraltar	Vessel Owning
Aquarius Solutions Inc.	Canada	General Trading
Astori AS	Norway	General Trading
Aurora Environmental Limited	United Kingdom	General Trading
Class 3 (UK) Limited	United Kingdom	Vessel Owning
Subsea 7 Saudi Arabia Limited (formerly EMAS Saudi Arabia Limited)	Saudi Arabia	General Trading
Globestar FZE (Snake Island)	Nigeria	General Trading
Green Light Environment Pty Limited	Australia	General Trading
Normand Oceanic AS	Norway	Vessel Owning
Normand Oceanic Chartering AS	Norway	General Trading
Pelagic Nigeria Limited	Nigeria	Holding
Pioneer Lining Technology Limited	United Kingdom	General Trading
PT. Subsea 7 Manufaktur Indonesia	Indonesia	General Trading
SHL Contracting France S.A.S.	France	General Trading
SHL Contracting Germany GmbH	Germany	General Trading
Seaway Heavy Lifting Contracting Limited	Cyprus	General Trading
Seaway Heavy Lifting Engineering B.V.	Netherlands	General Trading
Seaway Heavy Lifting Holding Limited	Cyprus	Holding
Seaway Heavy Lifting Limited	Cyprus	General Trading
Seaway Heavy Lifting Offshore Crew B.V.	Netherlands	General Trading
Seaway Heavy Lifting Shipping Limited	Cyprus	Vessel Owning
SHL Stanislav Yudin Limited	Cyprus	Vessel Owning
Seaway Offshore Cables GmbH	Germany	General Trading
Seaway Offshore Cables Limited	United Kingdom	General Trading
Seaway Offshore Participações S/A	Brazil	Holding
Seaway Vessels BV	Netherlands	Vessel Owning
Sevenseas Contractors S de RL de CV	Mexico	General Trading
SHL Contracting BV	Netherlands	General Trading
SHL Contracting UK Limited	United Kingdom	General Trading
SHL Contracting US Inc.	United States	General Trading
SHL Holding NL B.V.	Netherlands	Holding
SHL Offshore Contractors B.V.	Netherlands	General Trading
SO France S.A.	France	Special Purpose
Subsea 7 (ME) Pte Limited	Singapore	General Trading
Subsea 7 (Singapore) Pte Limited	Singapore	General Trading
Subsea 7 (UK Service Company) Limited[a]	United Kingdom	Corporate Service
Subsea 7 (US) LLC	US	General Trading
Subsea 7 Angola S.A.S.	France	Special Purpose
Subsea 7 Asia Pacific Sdn Bhd	Malaysia	Special Purpose
Subsea 7 Australia Contracting Pty Ltd	Australia	General Trading
Subsea 7 Canada Inc.	Canada	General Trading
Subsea 7 Chartering (UK) Limited	United Kingdom	General Trading

40. Wholly-owned subsidiaries continued

Name	Registered in	Nature of business
Subsea 7 Contracting (UK) Limited	United Kingdom	General Trading
Subsea 7 Crewing Limited	United Kingdom	Special Purpose
Subsea 7 Deep Sea Limited	United Kingdom	General Trading
Subsea 7 do Brasil Serviços Ltda	Brazil	General Trading
Subsea 7 Engineering Limited	United Kingdom	General Trading
Subsea 7 Finance (UK) PLC	United Kingdom	Special Purpose
Subsea 7 Holding Inc.	Cayman Islands	Holding
Subsea 7 Holding Norway AS	Norway	Holding
Subsea 7 Holdings (UK) Limited	United Kingdom	Holding
Subsea 7 Holdings (US) Inc.	US	Holding
Subsea 7 International Contracting Limited	United Kingdom	General Trading
Subsea 7 International Holdings (UK) Limited[a]	United Kingdom	Holding
Subsea 7 Investments (UK) Limited	United Kingdom	Special Purpose
Subsea 7 i-Tech Australia Pty Limited	Australia	General Trading
Subsea 7 i-Tech do Brasil Serviços Ltda	Brazil	Dormant
Subsea 7 i-Tech Limited	United Kingdom	General Trading
Subsea 7 i-Tech Mexico S. de R.L. de C.V.	Mexico	General Trading
Subsea 7 i-Tech Norway AS	Norway	General Trading
Subsea 7 i-Tech US Inc	US	General Trading
Subsea 7 Limited	United Kingdom	General Trading
Subsea 7 Luanda Ltd	Cayman Islands	General Trading
Subsea 7 M.S. Limited	United Kingdom	Corporate Service
Subsea 7 Marine (US) Inc.	US	Dormant
Subsea 7 Marine LLC	US	General Trading
Subsea 7 Mexico S de RL de CV	Mexico	General Trading
Subsea 7 Moçambique, Limitada	Mozambique	General Trading
Subsea 7 Navica AS	Norway	Vessel Owning
Subsea 7 Nigeria Limited	Nigeria	General Trading
Subsea 7 Nile Delta Limited	Egypt	General Trading
Subsea 7 Normand Oceanic Holding AS	Norway	Holding
Subsea 7 Norway AS	Norway	General Trading
Subsea 7 Offshore Resources (UK) Limited	United Kingdom	Vessel Owning
Subsea 7 Pipeline Production Limited	United Kingdom	General Trading
Subsea 7 Port Isabel LLC	US	General Trading
Subsea 7 Portugal, Limitada	Portugal	General Trading
Subsea 7 Senior Holdings (UK) Limited	United Kingdom	Holding
Subsea 7 Services (Singapore) Pte Limited	Singapore	General Trading
Subsea 7 Shipping Limited	Isle of Man	Vessel Owning
Subsea 7 Singapore Contracting Pte Limited	Singapore	General Trading
Subsea 7 Treasury (UK) Limited	United Kingdom	Special Purpose
Subsea 7 Vessel Owner AS	Norway	Vessel Owning
Subsea 7 West Africa Contracting Limited	United Kingdom	General Trading
Subsea 7 West Africa S.A.S.	France	General Trading
Swagelining Limited	United Kingdom	General Trading
Tartaruga Insurance Limited	Isle of Man	Special Purpose
Thames International Enterprise Limited	United Kingdom	Special Purpose
Xodus DMCC	United Arab Emirates	General Trading
Xodus Group (Holdings) Limited	United Kingdom	Holding
Xodus Group A/S	Norway	Dormant
Xodus Oil and Gas Consultants (Pty) Limited	South Africa	General Trading

Name	Registered in	Nature of business
Xodus Group BV	Norway	General Trading
Xodus Group Inc	United States	General Trading
Xodus Group Limited	United Kingdom	General Trading
Xodus Group Pty Limited	Australia	General Trading
ZNM Nigeria Limited	Nigeria	Dormant

(a) Wholly-owned subsidiaries directly owned by the parent company, Subsea 7 S.A.

For all entities, the principal place of business is consistent with the place of registration.

All subsidiary undertakings are included in the Consolidated Financial Statements of the Group. The proportion of the voting rights in the subsidiary undertakings held directly by the immediate parent company do not differ from the proportion of shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

Details of the addresses of the registered office of each of the wholly-owned subsidiaries are available on request from Subsea 7 S.A., registered office, 412F, route d'Esch, L-2086 Luxembourg.

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 or loss (as determined in accordance with IFRS) as a measure of the Group's operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group's liquidity.

Management believes that Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the business. These non-IFRS measures provide management with a meaningful comparative for its business units, as they eliminate the effects of financing, depreciation, taxation and other one-off adjustments to 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 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 who monitor the Group's performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

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

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Net operating (loss)/income	**(22.9)**	200.0
Depreciation, amortisation and mobilisation	**484.1**	430.0
Impairment of property, plant and equipment	**69.5**	13.4
Impairment of intangible assets	**–**	25.3
Impairment of goodwill	**99.9**	–
Adjusted EBITDA	**630.6**	668.7
Revenue	**3,656.6**	4,073.8
Adjusted EBITDA %	**17.2%**	16.4%

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

For the year ended (in $ millions)	**2019 31 Dec**	2018 31 Dec
Net (loss)/income	**(82.4)**	164.5
Depreciation, amortisation and mobilisation	**484.1**	430.0
Impairment of property, plant and equipment	**69.5**	13.4
Impairment of other intangible assets	**–**	25.3
Impairment of goodwill	**99.9**	–
Finance income	**(13.2)**	(16.1)
Other gains and losses	**17.9**	(14.1)
Finance costs	**25.3**	13.9
Taxation	**29.5**	51.8
Adjusted EBITDA	**630.6**	668.7
Revenue	**3,656.6**	4,073.8
Adjusted EBITDA %	**17.2%**	16.4%

SUBSEA 7 S.A. FINANCIAL STATEMENTS AND REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ FOR YEAR ENDED 31 DECEMBER 2019

412F, route d'Esch
L-2086
Luxembourg
R.C.S. Luxembourg No. B43172

Report of the Réviseur d’Entreprises Agréé

To the Shareholders of

Subsea 7 S.A.

412F, route d’Esch

L-2086 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Subsea 7 S.A. (the “Company”) included in page 129 to page 136, which comprise the Balance Sheet at 31 December 2019, the Profit and Loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the “Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (“CSSF”). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs are further described in the “Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements” section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter:	**Impairment of investments in affiliated undertakings**
Description of key audit matter:	Subsea 7 S.A., as ultimate parent of the Group, holds shares in affiliated undertakings Acergy Holdings (Gibraltar) Limited, Subsea 7 International Holdings (UK) Limited and Subsea 7 (UK Service Company) Limited amounting to an aggregate of $1,694.2 million at 31 December 2019 as disclosed in Note 3 ‘Financial assets’ to the Annual Accounts. A value adjustment of $544.7 million was recognised during the year. As stated in Note 2 ‘Significant accounting policies’ to the Annual Accounts, the Company performs an annual review of the carrying amounts of individual investments with any resulting impairments reflected in the profit and loss account in the relevant period. If an impairment indicator is identified, the estimated recoverable amount of the investment is prepared. The estimated recoverable amount is calculated as the higher of the value-in-use or fair value less costs to sell. The outcome of the impairment review could vary significantly if different assumptions were applied in the valuation model. The key factors are: • the future EBITDA assumptions taken from the Group’s most recent budgets and plans for the next five years (the “Plan”); • the long-term growth rate used beyond the period covered by the Plan; • the pre-tax discount rate applied to future cash flows. Impairment of shares in affiliated undertakings is considered a key audit matter because of the significant judgement involved regarding the assessment of their recoverable amount.

Key audit matter:	Impairment of investments in affiliated undertakings
Our response:	Our audit procedures in relation to the valuation of the investments in affiliated undertakings included, among others: We assessed management's impairment testing by obtaining the supporting model and assessing the methodology and key assumptions made: • future EBITDA forecasts – we evaluated management's EBITDA forecasts and tested the underlying values used in the calculations by comparing managements' forecast to the latest management approved five year Plan. We assessed the actual performance in the year against the prior year budgets to evaluate historical forecasting accuracy; • long-term growth rate – we compared the rates applied by management to available externally developed rates; • pre-tax discount rates – we involved our valuations specialists in our evaluation of the discount rate to consider the appropriateness of the rates used; and • net Assets – we agreed the net assets to the financial records of the respective companies. We compared the carrying amount of the investments to their recoverable amount in order to assess whether an impairment or reversal of previously recognised impairment exists. We assessed the adequacy and appropriateness of the disclosures in Note 2 'Significant accounting policies' and Note 3 'Financial assets' to the Annual Accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report from pages 43 to 48 and the accompanying Corporate Governance Report from pages 32 to 41 but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 17 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is six years.

The Management Report from pages 43 to 48 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Report on pages 32 to 41 is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Other matter

The Corporate Governance Report includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire
Luxembourg, 25 February 2020

Subsea 7 S.A. Balance Sheet

At ($ in millions)	Notes	**2019 31 Dec**	2018 31 Dec
Assets			
Fixed assets			
Financial assets			
Shares in affiliated undertakings	3	**1,694.2**	1,913.4
Participating interests	3	**–**	–
Current assets			
Other debtors			
becoming due and payable within one year		**0.2**	0.1
Investments			
Own shares	6	**13.9**	79.7
Cash at bank and in hand		**–**	–
Prepayments		**0.1**	0.1
Total assets		**1,708.4**	1,993.3
Capital, reserves and liabilities			
Capital and reserves			
Subscribed capital	4	**600.0**	654.7
Share premium account	4	**749.6**	1,004.6
Reserves			
Legal reserve	4, 5	**65.5**	65.5
Reserve for own shares	4, 6	**13.9**	79.7
Profit or (loss) brought forward		**112.5**	(14.6)
Profit or (loss) for the financial year	4	**60.7**	127.1
Total capital and reserves		**1,602.2**	1,917.0
Creditors			
Amounts owed to affiliated undertakings			
becoming due and payable within one year	7	**105.8**	76.1
Other creditors			
Tax authorities		**0.1**	0.1
Other creditors			
becoming due and payable within one year		**0.3**	0.1
Total liabilities		**106.2**	76.3
Total capital, reserves and liabilities		**1,708.4**	1,993.3

The accompanying notes on pages 131 to 136 form an integral part of the Financial Statements for Subsea 7 S.A.

Subsea 7 S.A. Profit and Loss Account

For the year ended ($ in millions)	Notes	**2019 31 Dec**	2018 31 Dec
Other operating income	8	**40.0**	41.4
Raw materials and consumables and other external expenses			
Other external expenses	10	**(1.0)**	(1.6)
Staff costs			
Wages and salaries		**(0.1)**	(0.1)
Other operating expenses	11	**(26.9)**	(29.2)
Income from participating interests			
derived from affiliated undertakings	12	**585.0**	210.0
Other interest receivable and similar income			
derived from affiliated undertakings	13	**9.7**	1.0
other interest and similar income		**0.7**	–
Value adjustments			
in respect of financial assets and of investments held as current assets	3, 6	**(539.3)**	(83.2)
Interest payable and similar expenses			
concerning affiliated undertakings	7	**(7.4)**	(4.2)
other interest and similar expenses		**–**	(6.6)
Other taxes		**–**	(0.4)
Profit or (loss) for the financial year		**60.7**	127.1

The accompanying notes on pages 131 to 136 form an integral part of the Financial Statements for Subsea 7 S.A.

Notes to the financial statements

1. Organisation

Subsea 7 S.A. (the Company) is a holding company which was incorporated under the laws of Luxembourg on 10 March 1993. The Company has been incorporated for an unlimited period of time. The Subsea 7 S.A. Group (the Group) consists of Subsea 7 S.A. and its affiliated undertakings at 31 December 2019.

The objects of the Company are to invest in affiliated undertakings which provide subsea construction, maintenance, inspection, survey and engineering services, predominantly for the offshore oil and gas, renewable energy, heavy lifting and related industries. More generally, the Company is authorised to participate in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or any other means of all shares, stocks, debentures, bonds or securities; and the acquisition of patents and licences it will administer and exploit. The Company is authorised to lend or borrow with or without security, provided that any monies so borrowed may only be used for the purpose of the Company, or companies which are affiliated undertakings of, or associated with the Company; in general it is authorised to undertake any operations directly or indirectly connected with these objects.

The Company also prepares Consolidated Financial Statements in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union; these are shown on pages 56 to 123 and are also available at the registered office of the Company or on www.subsea7.com.

2. Significant accounting policies

The Financial Statements were prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002 as amended, determined and applied by the Board of Directors of the Company. The Company maintains its accounting records and presents its Financial Statements in US Dollars ($). Significant accounting policies are as follows:

2.1 Financial assets

Shares in affiliated undertakings, participating interests and loans to affiliated undertakings are stated at cost less any accumulated impairment in value. An annual review of the carrying amount is performed on an individual investment basis with resulting impairments or reversals of impairment reflected in the Profit and Loss account in the relevant period. Earnings in investee companies are recognised when, and to the extent that, dividends are received from affiliated undertakings and participating interests.

2.2 Own shares

Own shares are initially measured at acquisition cost and recognised as an asset with a corresponding non-distributable reserve created from share premium. Own shares are subsequently remeasured at the lower of cost or market value using the FIFO (First In First Out) method. They are subject to value adjustments where their recovery is compromised. These value adjustments are reversed when the reasons for which the value adjustments were made have ceased to apply.

2.3 Translation of foreign currencies

The Company maintains its accounts in US Dollars; this is the currency in which its capital is expressed and the Financial Statements are prepared. Amounts in foreign currencies are translated into US Dollars on the following basis:

- formation expenses, the cost of acquisition of intangible, tangible and financial fixed assets denominated in a currency other than US Dollars are translated at historical exchange rates;
- all other assets denominated in a currency other than US Dollars are valued individually at the lower of their values translated into US Dollars at their historical exchange rate or exchange rate prevailing at the balance sheet date;
- all liabilities denominated in a currency other than US Dollars are valued individually at the higher of their values translated at historical exchange rate or exchange rate prevailing at the balance sheet date; and
- revenues and expenses denominated in a currency other than US Dollars are translated into US Dollars at the exchange rates applicable on the day on which they are collected or disbursed.

Only realised foreign exchange gains and losses and unrealised foreign exchange losses are recognised in the Profit and Loss account.

2.4 Share-based payments

Awards made under the Group's Long-term Incentive Plans, in the form of equity-settled share-based payments, are satisfied by the Company on behalf of its affiliated undertakings. The costs associated with these awards are recognised on the date of issuance and recorded in the Profit and Loss account as an adjustment to the value of own shares.

2.5 Parent company guarantees

The Company issues parent company guarantees (PCGs) to third parties on behalf of its direct and indirect affiliated undertakings where requested. The Company receives a fee in respect of the PCGs issued, which is recorded as other operating income within the Profit and Loss account. This income is recognised on a straight-line basis over the period of the guarantee.

2.6 Interest payable and receivable

Amounts owed to and owed by affiliated undertakings bear interest at commercial rates.

2.7 Other debtors

Other debtors are recognised initially at nominal amount. Provision for impairment is made when there is objective evidence that the Company may not be able to collect all of the amounts due. Bad debts are written off where necessary.

2.8 Amounts owed to affiliated undertakings and other creditors

Amounts owed to affiliated undertakings and other creditors are stated at nominal amount.

3. Financial assets

($ in millions)	Shares in affiliated undertakings	Participating interests	Loans to affiliated undertakings
Cost			
At 31 December 2018	3,061.4	18.8	–
Additions for the year	–	–	400.0
Transfers for the year	400.0	–	(400.0)
Disposals for the year	(74.5)	(18.8)	–
At 31 December 2019	**3,386.9**	**–**	**–**
Accumulated value adjustments			
At 31 December 2018	(1,148.0)	(18.8)	–
Value adjustments for the year	(544.7)	–	–
Disposals for the year	–	18.8	–
At 31 December 2019	**(1,692.7)**	**–**	**–**
Carrying amount			
At 31 December 2018	1,913.4	–	–
At 31 December 2019	**1,694.2**	**–**	**–**

On 20 June 2019 the Company loaned $400.0 million at an interest rate of 4.5% to its affiliated undertaking Subsea 7 International Holdings (UK) Limited. On 20 December 2019 the loan was contributed by the Company to Subsea 7 International Holdings (UK) Limited in exchange for one additional share at a premium.

On 5 September 2019, Acergy Holdings (Gibraltar) Limited returned $74.5 million capital to the Company.

On 25 October 2019 the Company sold its one share in its participating interest, Subsea 7 Shipping Limited, to an affiliated undertaking at book value $100.

A review of the carrying amount of the financial assets was performed at 31 December 2019 which resulted in a value adjustment of $544.7 million being recognised in the Company's shares held in Acergy Holdings (Gibraltar) Limited (2018: $57.6 million).

Shares in affiliated undertakings

		Percentage held		Carrying amount ($ in millions)	
Name of company	Registered in	**2019**	2018	**2019**	2018
Acergy Holdings (Gibraltar) Limited	Gibraltar	100%	100%	**112.8**	732.0
Subsea 7 International Holdings (UK) Limited	UK	100%	100%	**1,501.5**	1,101.5
Subsea 7 (UK Service Company) Limited	UK	100%	100%	**79.9**	79.9
Total shares in affiliated undertakings				**1,694.2**	1,913.4

Participating interests

		Percentage held		Carrying amount ($ in millions)	
Name of company	Registered in	**2019**	2018	**2019**	2018
Subsea 7 Shipping Limited	Isle of Man	Nil	<1%	**–**	–

The capital, reserves and profit and loss of the affiliated undertakings of the Company are included within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. as shown on page 121 to page 123, and the Company has applied the exemption, in accordance with article 67.3b of the law of 19 December 2002, to not disclose this information.

4. Capital and reserves

($ in millions)	Subscribed capital	Share premium account	Legal reserve	Reserve for own shares	Profit or (loss) brought forward	Profit or (loss) for the financial year	Total
Balance at 1 January 2018	654.7	1,275.8	65.5	12.8	–	(14.6)	1,994.2
Allocation of the result	–	–	–	–	(14.6)	14.6	–
Dividend paid	–	(204.3)	–	–	–	–	(204.3)
Net movement of own shares	–	(66.9)	–	66.9	–	–	–
Profit for the financial year	–	–	–	–	–	127.1	127.1
Balance at 31 December 2018	654.7	1,004.6	65.5	79.7	(14.6)	127.1	1,917.0
Allocation of the result	–	–	–	–	127.1	(127.1)	–
Dividend paid	–	(54.6)	–	–	–	–	(54.6)
Cancellation of shares	(54.7)	(266.2)	–	–	–	–	(320.9)
Net movement of own shares	–	65.8	–	(65.8)	–	–	–
Profit for the financial year	–	–	–	–	–	60.7	60.7
Balance at 31 December 2019	**600.0**	**749.6**	**65.5**	**13.9**	**112.5**	**60.7**	**1,602.2**

At 31 December 2019, the authorised share capital comprised 450,000,000 $2.00 common shares (2018: 450,000,000 $2.00 common shares) and the subscribed capital comprised 300,000,000 $2.00 common shares (2018: 327,367,111 $2.00 common shares).

A dividend of NOK 1.50 per share was approved by the shareholders of the Company at the Annual General Meeting on 17 April 2019 which was paid from the share premium account on 3 May 2019.

During the year ended 31 December 2019, the reduction of the reserve for own shares of $65.8 million was mainly represented by shares cancelled of $320.9 million and shares reallocated relating to share-based payments of $8.5 million, partially offset by share repurchases at a cost of $249.7 million.

5. Legal reserve

Luxembourg law requires that 5% of the Company's unconsolidated net income is allocated to a legal reserve annually, prior to declaration of dividends. This requirement continues until the reserve is 10% of its issued share capital at nominal value, after which no further allocations are required until further issuance of shares. The legal reserve may also be satisfied by allocation of the required amount at the issuance of shares or by a transfer from share premium. The legal reserve is not distributable. The legal reserve for all issued common shares has been satisfied and appropriate allocations are made to the legal reserve account at the time of each issuance of new shares.

6. Reserve for own shares

	2019 Number of shares	**2019 in $ millions**	2018 Number of shares	2018 in $ millions
At year beginning	**8,240,024**	**79.7**	857,887	12.8
Shares repurchased	**21,056,838**	**249.7**	8,149,699	92.9
Shares cancelled	**(27,367,111)**	**(320.9)**	–	–
Reversal of value adjustment on share cancellation	**–**	**14.0**	–	–
Shares reallocated relating to share-based payments	**(716,891)**	**(8.5)**	(767,562)	(11.5)
Value adjustment in year	**–**	**(0.1)**	–	(14.5)
Balance at year end	**1,212,860**	**13.9**	8,240,024	79.7

At 31 December 2019, the Company directly held 1,212,860 (2018: 8,240,024) own shares with a total nominal value of $2.4 million (2018: $16.5 million), representing 0.40% (2018: 2.52%) of the total number of issued shares.

During the year ended 31 December 2019, 27,367,111 shares representing 8.36% of the total number of issued shares were cancelled. The cancellation of these shares resulted in a $14.0 million reversal of the value adjustment recognised in the previous year. In addition 716,891 (2018: 767,562) shares representing 0.24% (2018: 0.19%) of the total number of issued shares were reallocated for nil consideration to employees of the Subsea 7 Group to satisfy share awards under the 2013 Long-term Incentive Plan.

During the year ended 31 December 2019, the Company recognised a loss of $8.5 million (2018: $11.1 million) related to own shares used for settlement of Long-term Incentive Plans.

A review of the carrying amount of own shares was performed at 31 December 2019; this resulted in a value adjustment of $0.1 million being recognised.

7. Amounts owed to affiliated undertakings
Becoming due and payable within one year

At ($ in millions)	**2019 31 Dec**	2018 31 Dec
Amounts owed to affiliated undertakings	**105.8**	76.1

Amounts owed to affiliated undertakings were mainly related to amounts due to Subsea 7 Treasury (UK) Limited under a short-term working capital facility. During the year ended 31 December 2019, interest costs of $7.4 million were recognised by the Company (2018: $4.2 million).

8. Other operating income

At ($ in millions)	**2019 31 Dec**	2018 31 Dec
Parent company guarantee income	**40.0**	41.4

9. Commitments and guarantees
The Company arranges bank guarantees, which collectively refer to bank guarantees, performance bonds, tendering bonds, advance payment bonds, guarantees or standby letters of credit in respect of the performance obligations certain of its affiliated undertakings have to their clients.

Facilities
The multi-currency revolving credit and guarantee facility
The Group has a $656 million multi-currency revolving credit and guarantee facility which matures on 2 September 2021. The facility is backed by key relationship banks and is available for the issuance of guarantees, up to a limit of $200 million, a combination of guarantees and cash drawings, or is available in full for cash drawings. The facility is guaranteed by the Company and Subsea 7 Finance (UK) PLC. The facility was unutilised at 31 December 2019.

The Export Credit Agency (ECA) senior secured facility
In July 2015 the Group entered into a $357 million senior term loan facility secured on two vessels owned by the Group. The facility is provided 90% by an Export Credit Agency (ECA) and 10% by two banks and is available for general corporate purposes. The ECA tranche has a 12-year maturity and a 12-year amortising profile. The bank tranche has a five-year maturity and a 15-year amortising profile, which commenced April 2017. If the bank tranche is not refinanced satisfactorily after five years then the ECA tranche also becomes due. The facility is guaranteed by the Company and Subsea 7 Finance (UK) PLC. At 31 December 2019 the amount outstanding under the facility was $233.6 million (2018: $258.2 million).

Bank overdraft and short-term lines of credit
Overdraft facilities consisted of $nil (2018: $6.3 million), of which $nil (2018: $nil) was drawn at 31 December 2019.

Other facilities
In addition to the above there are a number of uncommitted, unsecured bi-lateral guarantee arrangements in place in order to provide specific geographical coverage. The total utilisation of these facilities at 31 December 2019 was $838.5 million (2018: $753.3 million).

Guarantee arrangements with joint ventures
On 27 July 2016 Eidesvik Seven AS, a 50% owned joint venture between Eidesvik Offshore ASA and the Group, drew down NOK 572 million from a NOK 600 million bank loan facility to repay a shareholder loan from the Group. The facility, secured on the vessel, *Seven Viking*, is fully guaranteed by the Company with a 50% counter-guarantee from Eidesvik Shipping AS and has a termination date of 31 January 2021. The outstanding balance at 31 December 2019 was NOK 417 million (equivalent to $46.4 million); (2018: NOK 465 million (equivalent to $53.3 million)).

10. Other external expenses

For the year ended ($ in millions)	**2019 31 Dec**	2018 31 Dec
Administrative expenses	**0.9**	1.5
Statutory audit fees	**0.1**	0.1
Total	**1.0**	1.6

11. Other operating expenses

For the year ended ($ in millions)	**2019 31 Dec**	2018 31 Dec
Corporate allocation and shareholders' costs	**26.1**	28.4
Other operating expenses	**0.8**	0.8
Total	**26.9**	29.2

12. Income from participating interests derived from affiliated undertakings
On 25 April 2019, Acergy Holdings (Gibraltar) Limited, a wholly-owned affiliate of the Company, declared a dividend of $585.0 million to be paid to the Company (2018: $210.0 million dividend from Subsea 7 International Holdings (UK) Limited).

13. Other interest receivable and similar income derived from affiliated undertakings

For the year ended ($ in millions)	**2019 31 Dec**	2018 31 Dec
Interest receivable from Subsea 7 International Holdings (UK) Limited	**9.0**	–
Guarantee fee commission receivable from Eidesvik Seven AS	**0.7**	0.9
Interest receivable from Subsea 7 Treasury (UK) Limited	**–**	0.1
Total	**9.7**	1.0

14. Tax on profit or loss

For the year ended 31 December 2019 the Company was fully taxable at an effective rate of 24.94% (2018: 26.01%). After taking account of required book to tax adjustments, the Company recorded a fiscal loss for the year. No benefit has been recorded in respect of those losses due to uncertainty over their future recoverability.

15. Share-based payments

Awards made under the Group's Long-term Incentive Plans, in the form of equity-settled share-based payments, are satisfied by the Company on behalf of its affiliated undertakings. A charge of $8.5 million (2018: $11.1 million) was recorded within value adjustments in respect of investments held as current assets in relation to the settlement of shared-based compensation.

The most significant share-based schemes operated by the Group are:

2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan (2013 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 28 June 2013. The 2013 LTIP had a five-year term with awards being made annually.

The 2013 LTIP is an essential component of the Group reward strategy, and was designed to align the interests of participants with those of the Company's shareholders, and enables participants to share in the success of the Group. The 2013 LTIP provides for conditional awards of shares based upon performance conditions over a performance period of at least three years.

Performance conditions are based on two measures: relative total shareholder return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions were determined over a three-year period.

During 2019, no initial grants (2018: nil) of conditional awards of shares were made under the terms of the 2013 LTIP.

On 1 October 2019, in accordance with the terms of the 2013 LTIP, shares totalling 716,891 (2018: 738,709) were unconditionally reallocated to participants.

2018 Long-term Incentive Plan

The 2018 Long-term Incentive Plan (2018 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 17 April 2018. The 2018 LTIP has a five-year term with awards being made annually. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of that calendar year. The total number of shares that may be delivered pursuant to awards under the plan shall not exceed 11,500,000. Grants are determined by the Compensation Committee of the Subsea 7 S.A. Board of Directors, which is responsible for operating and administering the plan.

The 2018 LTIP is an essential component of the Group's reward strategy and was designed to align the interests of participants with those of Subsea 7's shareholders, and enables participants to share in the success of the Group. The 2018 LTIP provides for conditional awards of shares based upon performance conditions over a performance period of at least three years.

Performance conditions are based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions are determined over a three-year period.

During 2019, initial grants comprising 1,291,000 (2018: 1,227,000) conditional awards of shares were made under the terms of the 2018 LTIP. 839,150 awards are subject to relative TSR performance measures and 451,850 are subject to ROAIC performance measures.

TSR based awards

The Group will have to deliver a TSR ranking above the median for any awards to vest. If the ranked TSR position of the Group during the three-year period, as converted to a percentage, is equal to 50%, 20% of the share award will vest. If the actual ranked TSR position of the Group is greater than 50% and below 90%, the vesting of the share award between 20% and 65% is determined by linear interpolation. The maximum award of 65% would only vest if the Group achieved top decile TSR ranking.

ROAIC based awards

ROAIC will be calculated for each of the three years of the performance period on a quarterly basis. If the average ROAIC achieved by the Group during the performance period is greater than 9% but less than 11%, vesting between 5% and 15% shall be determined by linear interpolation. If the actual ROAIC achieved by the Group during the performance period is greater than 11% but less than 14%, vesting between 15% and 35% shall be determined by linear interpolation. The maximum award of 35% would only vest if the Group achieved average ROAIC of 14% or greater.

15. Share-based payments continued

ROAIC based awards continued

Under the terms of the award plan participants are not entitled to receive dividend equivalent payments.

At 31 December 2019, there were approximately 110 senior managers and key employees of the Group who participate in the LTIP schemes. Individual award caps are in place such that no senior executive or other employee may be granted shares under the 2013 LTIP and the 2018 LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary as of the first day of the year of award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

16. Staff

The average full-time equivalent number of employees of the Company for the year ended 31 December 2019 was one (2018: one).

17. Related party transactions

The Company has taken advantage of the exemption under the law of 19 December 2002, Article 65 which does not require the disclosure of transactions with wholly-owned members of the Group.

The Company is an associate of Siem Industries Inc. and is equity accounted for within Siem Industries Inc.'s Consolidated Financial Statements. During the year ended 31 December 2019 payments totalling $0.2 million (2018: $0.2 million) were made to Siem Industries Inc. in relation to the services provided by Mr Kristian Siem to the Company.

During 2019 the Company rented office accommodation from Siem Europe Properties S.à r.l, a Company ultimately controlled by Siem Industries Inc. Total rental cost for 2019 was less than $0.1 million (2018: less than $0.1 million).

In addition the Company received guarantee commission for an amount of $0.7 million (2018: $0.9 million) from Eidesvik Seven AS related to the 100% guarantee provided on the NOK 600 million ($66.8 million) bank loan facility.

18. Board of Directors' expenses

Fees paid to Directors for the year ended 31 December 2019 amounted to $0.6 million (2018: $0.6 million).

19. Subsequent events

The Board of Directors will recommend to the shareholders at the Annual General Meeting that no dividend be paid in respect of 2019.

Glossary

4Subsea	4Subsea is a leading provider of technology and services that help operators optimise energy production from subsea oil & gas fields and offshore wind farms. The company is part of the Subsea 7 Group.
Acergy S.A.	The former name of Subsea 7 S.A. prior to the Combination which completed following the close of business on the Oslo Børs on 7 January 2011.
Adjusted EBITDA	Adjusted EBITDA is defined on page 124 in the Consolidated Financial Statements.
AGM	Annual General Meeting
Articles of Incorporation	The articles of incorporation of Subsea 7 S.A.
Autonomous inspection vehicle (AIV)	A remotely operated vehicle (ROV) that does not require a host vessel or tether to operate.
Backlog	Expected future revenue from in-hand projects only where an award has been formally signed. Backlog awarded to associates and joint ventures is excluded from backlog figures, unless otherwise stated.
Brownfield	Brownfield developments are oil and gas fields where infrastructure is in place.
Buoy-supported riser (BSR)	The BSR concept consists of a large sub-surface buoy which is anchored to the seabed by tethers. The buoy supports multiple Steel Catenary Risers which are connected to the floating production storage, and offloading unit (FPSO) by flexible jumpers.
Business management system (BMS)	Our integrated business management system integrates all of Subsea7's systems and processes into one complete framework.
CAPEX	Capital expenditure
Cash-generating unit (CGU)	These are the separable business units on which impairment reviews are carried out.
Clean operation	A clean operation is any measure beyond a normal operating practice that will save energy.
Combination	The repurchase and cancellation of all of the issued and outstanding ordinary shares in the capital of Subsea 7 Inc., the issue by Subsea 7 Inc. of new ordinary shares to Acergy S.A. (now Subsea 7 S.A.) and the issue of new common shares to the Subsea 7 Inc. shareholders, which took place on 7 January 2011. Under IFRS, the Combination is accounted for as an acquisition.
Company	Subsea 7 S.A.
Consortium	An association with one or more companies with the objective of participating in achieving a common goal.
Controlled-depth tow method	The controlled-depth tow bundle-lay method was pioneered and developed by Subsea 7 and involves the transportation of pre-fabricated and fully-tested pipelines, control lines and umbilicals in a bundle configuration suspended between two tow vessels. On arrival at the field, the bundle is lowered to the seabed, manoeuvred into location and the carrier pipe is flooded to stabilise the bundle in its final position.
Conventional	Conventional services include the fabrication, installation, extension, hook-up and refurbishment of fixed and floating platforms in shallow water.
CRA	Corrosion resistant alloy

Day-rate contract/project	A contract/project in which the contractor is remunerated by the client at an agreed daily rate (often with agreed escalations for multi-year contracts) for each day of use of the contractor's vessels, equipment, personnel and other resources and services utilised on the contract/project. Such contracts may also include certain lump-sum payments e.g. for activities such as mobilisation and demobilisation of vessels and equipment.
Decommissioning	The taking out of service of production facilities at the end of their economic lives and their removal or partial removal from offshore for recycling and/or disposal onshore.
Diving support vessel (DSV)	An offshore construction vessel that has dedicated saturation diving chamber(s) and dive bells for subsea construction activities in water depths of up to 300 metres.
DNB	Den Norske Bank
Dry-dock	A facility for the construction, maintenance, and repair of vessels.
EBITDA	See Adjusted EBITDA
Electrically Heat-Traced Flowline (EHTF)	Electrically Heat-Traced Flowline is a combination of high performance thermal insulation (pipe-in-pipe) with a restive electrical heating system provided by wires laid between the insulation and the flowline, allowing for greater distances of tie-backs.
EPCI/EPIC	Engineering, Procurement, Construction and Installation or Engineering, Procurement, Installation and Commissioning
Executive Management Team	The Executive Management Team of Subsea 7 S.A. comprises: the Chief Executive Officer, Chief Financial Officer, Executive Vice President – SURF and Conventional, Executive Vice President – Renewables, Executive Vice President – Projects and Operations, Executive Vice President – Alliances and Strategy, Executive Vice President – Human Resources, and General Counsel.
Fabrication yard	Strategically positioned shore-based facility to support delivery of offshore projects through fabrication of different types of steel structures e.g. jackets, modules, decks and platforms, spools, jumpers.
FEED	Front-end engineering and design
FID	Final investment decision
Field Development Group	Part of Subsea 7's organisational structure that is responsible for early client engagement, providing field development concepts with a focus on Subsea 7's most appropriate technologies, products, services, standardised offerings and overall solution package.
Flex-lay	A pipelay method for installing flexible pipelines, umbilicals and risers by spooling them from a reel, carousel or basket, bending them over a chute and guiding them onto the seabed.
Flowline	A pipeline carrying oil, gas or water that connects the subsea wellhead to a manifold or to surface production facilities.

Global Projects Centre	Part of a Subsea 7's organisational structure which came into effect on 1 January 2015 and comprises the major project teams based in Paris and London which manage large, complex, technology-rich global projects.
Greenfield	Greenfield developments relate to oil and gas fields with no existing installed infrastructure.
Group	Subsea 7 S.A. and its subsidiaries
Heavy lift vessel	An offshore vessel or barge designed to lift objects greater than 1,000 tonnes for subsea construction and topside operations.
Hook-up	The process of making connections from a well to an oil and gas separator and from the separator to either the storage tanks or a flowline.
HR	Human resources
HRT	Hybrid riser tower
HSEQ	Health, safety, environment and quality
Inner-array cables	Cables that run between the individual wind turbine foundations and substatations.
Integrity Management	A risk-based service supporting operators of subsea assets in the maintenance of their facilities.
IRM	Inspection, repair and maintenance of subsea infrastructure.
i-Tech 7	The brand that represents Subsea 7's Life of Field business unit.
J-lay	A pipelay method consisting of welding lengths of steel pipe on board a pipelay vessel (into double, quadruple or hex joints) and lowering the double/quadruple/hex length of pipeline vertically either through the vessel's moonpool or over the side of the vessel to the seabed, then repeating the process.
Life of Field business unit	Our Life of Field business unit provides fully-integrated solutions, engineering services and enabling technologies that protects the integrity and optimises the performance of subsea energy infrastructure, throughout the life of a field, operating under the i-Tech 7 brand.
Long-term agreement (LTA)	The LTA contracts, awarded by Saudi Aramco, have a fixed duration of six years with options to be extended for up to twelve years in total.
Lost-time incident (LTI)	The number of work related injuries or illnesses that result in the affected person being absent from work for at least one normal shift after the shift on which the injury occurred, because they are unfit to perform any duties, per 200,000 hours worked.
Lump-sum contract/ project	A contract/project in which the contractor is remunerated by the client at a fixed price which is deemed to include the contractor's costs, profit and contingency allowances for risks. Any over-run of costs experienced by the contractor arising from, for example, an over-run in schedule due to poor execution or increases in costs of goods and services procured from third parties, unless specifically agreed with the client in the contract/project, is for the contractor's account.
L&T Hydrocarbon Engineering	L&T Hydrocarbon Engineering, a wholly owned subsidiary of Larsen & Toubro Limited (L&T), serves the Oil and Gas sector around the world. Organised under Offshore, Onshore, Construction Services, Modular Fabrication and Engineering Services verticals, the company delivers 'design to build' engineering and construction solutions across the hydrocarbon spectrum.

NigerStar7	NigerStar7 Limited and NigerStar7 Free Zone Enterprise
Norwegian NOx Fund	The Norwegian NOx Fund's purpose is to reduce NOx emissions in industry and fulfil Norway's obligations under the Gothenburg Protocol.
NOx	Nitrogen oxides that are most relevant for air pollution, namely nitric oxide (NO) and nitrogen dioxide (NO_2). These gases contribute to the formation of smog and acid rain, as well as affecting tropospheric ozone.
OneSubsea ®	OneSubsea is a Schlumberger company which offers a step change in reservoir recovery for the subsea oil and gas industry through integration and optimisation of the entire production system over the life of a field.
OPEC	Organisation of the Petroleum Exporting Countries
Performance share	Performance shares are awarded under the 2009 and 2013 Long-term Incentive Plans and cover approximately 150 senior employees. These shares vest after at least three years, subject to performance conditions.
Petrobras	Petróleo Brasileiro S.A., more commonly known as Petrobras, is a semi-public Brazilian multinational corporation in the petroleum industry.
Pipe-in-pipe	A pipe-in-pipe product consists of a production pipeline being sleeved into an outer pipe with the annulus being kept dry and filed with a high-performance insulation material delivering enhanced thermal properties.
Pipeline Bundle	A Pipeline Bundle incorporates all the structures, valve work, pipelines and control systems necessary to operate a field in one single pre-assembled product. The finished Pipeline Bundle is transported to its offshore location by the controlled-depth tow method, delivering considerable value and cost savings.
PLSV	Pipelay support vessel
Reel-lay	A pipelay method consisting of the onshore construction of a pipeline which is spooled onto a large vessel-mounted reel, transported to the field and unreeled down to the seabed.
Remote intervention	Provision of tooling, sampling, repair and containment solutions and services, including engineering, project management, autonomous intervention vehicles, ROVs and related tooling.
Renewables	Renewables or offshore renewables activity including the design and installation of offshore wind, tidal, wave and other related marine systems.
Renewables and Heavy Lifting business unit	Our Renewables and Heavy Lifting business unit is an experienced partner for the delivery of offshore wind farm projects and specialist heavy lifting and cable-lay services, operating under the Seaway 7 brand.
Riser/riser systems	A pipe through which liquid travels upward from the seabed to a surface production facility. Riser systems fall into two categories, those coupled directly to the host facility (SCRs), and un-coupled systems which in most cases are connected by flexible jumpers (HRTs/BSRs).
ROAIC	Return on average invested capital. A key performance indicator for the Group which is used as a non-market performance measure in the 2013 and 2018 Long-term Incentive Plans.
ROV(s)	Remotely operated vehicle(s)

Schlumberger	Schlumberger Limited is a global oilfield services company and is the parent company of OneSubsea, with which Subsea 7 is partnered in the Subsea Integration Alliance
SCR	Steel catenary riser
Seaway 7	The brand that represents the Renewable and Heavy Lifting business unit
Seaway Heavy Lifting	Seaway Heavy Lifting Holding Limited and its subsidiaries
Seaway Offshore Cables	Formerly called Siem Offshore Contractors. Seaway Offshore Cables is a leader in submarine cable installation, repair and maintenance serving the global offshore renewable energy and oil and gas sectors as well as utility markets.
S-lay	A pipelay method consisting of continuously welding lengths of steel pipe on board a pipelay vessel and feeding them in a horizontal manner typically over the stern of the vessel on a ramp (stinger) from where the pipe, under its own weight, forms an 'S'-shaped catenary as it is lowered to the seabed.
Sonacergy	Sonacergy – Serviços e Construções Petroliferas Lda (Zona Franca da Madeira)
Sonamet	Sonamet Industrial S.A.
Spoolbase	A shore-based facility used to facilitate continuous pipelaying for offshore oil and gas production. A spoolbase facility allows the welding of joints of pipe, predominantly steel pipe of 4“ to 18“ diameter, into predetermined lengths for spooling onto a reel-lay pipelay vessel.
Stacked	Term used to describe a vessel that is not operational and is unavailable for immediate deployment. Stacked vessels usually have a significantly reduced crew and an associated decrease in operating cost.
Subsea Integration Alliance	The alliance between Subsea 7 and OneSubsea (a Schlumberger company) to provide clients with integrated SPS and SURF solutions for offshore oil and gas developments.
Subsea processing facilities	Equipment that is placed on the seabed which is able to process hydrocarbons before entering a topside facility.
Subsea production system (SPS)	The equipment placed on the seabed that is connected to subsea pipeline networks and riser systems to produce the reservoir to a host facility
Subsea 7	Subsea 7 S.A. and its subsidiaries
Subsea 7 Inc.	Subsea 7 Inc., a company incorporated under the laws of the Cayman Islands registered number MC-115107 with registered offices at Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands.
Subsea 7 S.A.	Subsea 7 S.A. (formerly Acergy S.A.), a company incorporated under the laws of Luxembourg registered with the Registre de Commerce et des Sociétés in Luxembourg under number B 43 172 with a registered office at 412F, route d'Esch, L-2086, Luxembourg.
Subsea Field Development	The range of subsea engineering, design, project management, fabrication and installation services related to the development of new subsea oil and gas fields. The principal services relate to rigid and flexible pipelines, risers, umbilicals and associated construction activities.
SURF	Subsea umbilicals, risers and flowlines, which includes infrastructure related to subsea trees or floating production platforms, regardless of water depth, such as pipelines, risers, umbilicals, moorings, and other subsea structures such as pipeline end manifolds (PLEM) and pipeline end terminations (PLET).
SURF and Conventional business unit	Our SURF and Conventional business unit is a global leader in offshore energy services delivering design, engineering, procurement, construction, installation (EPCI) and decommissioning projects in all water depths, operating under the Subsea 7 brand.

Tie-back	A connection between a new oil and gas discovery and an existing production facility, improving the economics of marginal fields into profitable assets.
Tonnage tax	An optional tax regime for shipping companies offered by tax authorities including the UK and Norway.
Total recordable incident rate	The number of lost-time injuries, cases of substitute work and other injuries requiring treatment by a medical professional per 200,000 hours worked.
Total Shareholder Return	Total shareholder return is a measure of the performance of shares. It combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualized percentage.
T&I	Transport and installation
Umbilical	An assembly of hydraulic hoses, which can also include electrical cables or optic fibres, used to control subsea structures from an offshore platform or a floating vessel.
Values	Subsea 7 has six Values which are embedded at all levels in the organisation and which guide our behaviours: Safety, Integrity, Innovation, Performance, Collaboration and Sustainability.
Variation order	An instruction by the client for a change in the scope of the work to be performed under the contract which may lead to an increase or a decrease in contract revenue based on changes in the specifications or design of an asset and changes in the duration of the contract.
VPS	Verdipapirsentralen, the Norwegian central securities depository
Walk-to-work vessel	A specialised vessel that allows access to wind turbine generators for maintenance and service.
Xodus Group	Client-led engineering consultancy that provides engineering and advisory services to clients in the oil and gas, LNG, renewables and utilities industries worldwide. Xodus Group's shareholder is Subsea 7, which holds a 100% interest.

Additional Information

Special note regarding forward-looking statements

Certain statements made in this Report may include 'forward-looking statements'. These statements relate to our expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'may', 'plan', 'project', 'should', 'will', 'seek', and similar expressions.

The forward-looking statements that we make reflect our current views and assumptions with respect to future events and are subject to risks and uncertainties. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, including those discussed in this Report under 'Risk Management', 'Financial Review' and the quantitative and qualitative information disclosures about market risk contained in Note 33 'Financial instruments' to the Consolidated Financial Statements. The following factors are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: (i) our ability to deliver fixed price projects in accordance with client expectations and the parameters of our bids and 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 expenditures by oil and gas companies; (v) the current global economic situation and level of oil and gas prices; (vi) delays or cancellation of projects included in our backlog; (vii) competition in the markets and businesses in which we operate; (viii) prevailing prices for our products and services; (ix) the loss of, or deterioration in our relationship with, any significant clients; (x) the outcome of legal proceedings or governmental inquiries; (xi) uncertainties inherent in operating internationally, including economic, political and social instability, boycotts or embargoes, pandemic or epidemic or natural disaster, labour unrest, changes in foreign governmental regulations, corruption and currency fluctuations; (xii) liability to third parties for the failure of our joint venture partners to fulfil their obligations; (xiii) changes in, or our failure to comply with, applicable laws and regulations; (xiv) cost and availability of supplies and raw materials; (xv) operating hazards, including spills, environmental damage, personal or property damage and business interruptions caused by adverse weather; (xvi) equipment or mechanical failures, which could increase costs, impair revenue and result in penalties for failure to meet project completion requirements; (xvii) the timely delivery of vessels on order and the timely completion of ship conversion programmes; (xviii) the impact of changes to estimated future costs and revenues used in project accounting on a 'percentage-of-completion' basis, which could reduce or eliminate reported income; (xix) our ability to keep pace with technological changes and the impact of potential information technology, cyber security or data security breaches; (xx) the effectiveness of our disclosure controls and procedures and internal control over financial reporting; and (xxi) actions by regulatory authorities or other third parties.

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. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Investor relations and press enquiries
Shareholders, securities analysts, portfolio managers, representatives of financial institutions and the press may contact:

Investor Relations
Email: ir@subsea7.com
Telephone: +44 20 8210 5568

Financial information
Copies of Stock Exchange announcements (including the Group's quarterly and semi-annual results announcements and the Group's Annual Report and Consolidated Financial Statements) are available on the Group's website www.subsea7.com.

Any shareholder requiring a printed copy of the Group's Annual Report and Consolidated Financial Statements or the Company's Financial Statements can request these via the website www.subsea7.com.

Stock listings
Common shares – Traded on Oslo Børs under the symbol SUBC – www.oslobors.no.
ISIN: LU0075646355

Registrar – Common Shares
Registrar for the shares of Subsea 7 S.A., recorded in the Norwegian Central Securities Depository (Verdipapirsentralen – the 'VPS').

DNB Bank ASA
Postboks 1600 Sentrum
NO-0021 Oslo
Norway
Telephone: +47 23 26 80 16
Email: sten.sundby@dnb.no

Depository Bank – ADRs
Subsea 7 S.A. has a sponsored Level 1 ADR facility, for which Deutsche Bank Trust Company Americas acts as depository. Each ADR represents one common share of the Company. The ADRs are quoted over-the-counter ('OTC') in the US under the ticker symbol SUBCY.

For enquiries, beneficial ADR holders may contact the broker service of Deutsche Bank Trust Company Americas.

American Stock Transfer & Trust Company LLC
6201 15th Avenue
Brooklyn, NY 11219
US
Toll free: +1 866 249 2593 (toll free for US residents only)
Direct dial: +1 718 921 8137
E-mail: db@astfinancial.com
Further information is also available at: www.adr.db.com.

Financial calendar
Subsea 7 S.A. intends to publish its quarterly financial results for 2020 on the following dates:

Q1 2020 Results	30 April 2020
Q2 and H1 2020 Results	29 July 2020
Q3 2020 Results	12 November 2020
Q4 and FY 2020 Results	25 February 2021

2019 Annual General Meeting
7 April 2020 at 15.00 CET
412F, route d'Esch
L-2086 Luxembourg

Registered office
412F, route d'Esch
L-2086 Luxembourg

Website
www.subsea7.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

This report is printed utilising vegetable based inks on UPM Finesse Silk & UPM Finesse Offset, both of which are sourced from well managed forests independently certified according to the rules of the Forest Stewardship Council (FSC®). This report was printed by an FSC-certified and carbon neutral printing company. Both materials are manufactured at a mill that is certified to the ISO14001 and EMAS environmental standards.

Designed and produced by Black Sun Plc.

Printed by Pureprint.