



“We have performed well, delivering differentiated services and solutions for our clients in an evolving energy sector.”

**Jean Cahuzac**  
Chief Executive Officer

### Reflecting on our 2018 performance

In 2018, all three of Subsea 7's operational business units performed well. We executed our projects successfully and received a good share of new awards as the oil and gas market moved towards the gradual recovery phase of the cycle.

Revenue of \$4.1 billion was 2% higher than the prior year as we consolidated acquisitions made during the downturn and benefited from an increase in offshore activity supported by the higher oil price. Our vessel utilisation increased to 70% as we completed major offshore campaigns in Egypt and benefited from recently awarded projects in the North Sea.

Adjusted EBITDA of \$669 million was \$366 million lower than 2017, reflecting the challenging market conditions as we executed projects that were awarded at lower prices during the downturn.

The increase in operations offshore UK and Norway in the summer accentuated the seasonality of our earnings, with more activity in the second and third quarters when weather conditions were more favourable in the Northern Hemisphere.

In 2018, we substantially completed the largest two projects awarded to Subsea 7 since the start of the downturn: the West Nile Delta Phase Two project, which was the latest in a series of domestic gas projects completed offshore Egypt since 2015; and our largest renewables project to date, the Beatrice wind farm project, offshore UK.

Our order backlog was \$4.9 billion at the end of the year.

Order intake was \$4.0 billion, reflecting our strong differentiated offering of projects and services in offshore oil, gas and wind energy. Awards included the Manuel project, in the US Gulf of Mexico, which is the second application of our patented Electrically Heat Traced Flowline technology, designed to deliver a long-distance tie-back solution. We were also awarded the Penguins and Buzzard projects, offshore UK, both of which were enabled by the application of our unique Pipeline Bundle technology to drive cost-effective solutions. 2018 saw more integrated project awards for our successful Subsea Integration Alliance with OneSubsea, with the Katmai project in the US Gulf of Mexico and the West Barracouta project, offshore Australia. Our investment in a renewables business led to several transport and installation awards, with wind farm projects awarded offshore Taiwan and the US, the first outside Europe.

Pricing on new projects has been under pressure in 2018, reflecting prevailing market conditions. We have continued to focus on cost optimisation and maintained a disciplined approach to the appropriate level of project risk.

Our people, offshore and onshore, are at the heart of our good performance and their safety and wellbeing is our first priority. We aim to achieve an incident-free workplace every day in all our locations worldwide, despite the complex operating environments in which we execute our projects. In 2018, we improved our safety track record, as measured by key industry performance indicators, and introduced new programmes such as our mental health resilience training course alongside our existing safety training and leadership programmes.

## 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.



### CREATIVITY

Ability to innovate through technology, processes and partnerships.



### RELATIONSHIPS

Working and learning together to achieve success for all.



### RELIABILITY

Trusted partner in delivering projects.



### SOLUTIONS

Client-focused mindset to create the right solution.

## Delivering offshore solutions efficiently

Subsea 7 is a leading provider of offshore solutions to the energy industry. We achieve this through our differentiated offering based on our skill, expertise and experience. Our client-focused mindset and desire to offer the right solution has driven us to get involved earlier in the project lifecycle. Our expertise in early engineering, provided by Xodus for client-led solutions, our own engineering teams and Subsea Integration Alliance for supplier-led solutions, is helping our clients achieve superior results for their projects. Engaging earlier enables us to innovatively combine technology, processes and partnerships to deliver better and more efficient outcomes. Early engagement highlights of the year included the award of the Front End Engineering Design (FEED) for the greenfield SNE Phase 1 project offshore Senegal. Our long-term relationships with clients, partners and suppliers are strengthened by our reliable performance and collaborative culture.

In 2018, we have won and executed integrated projects through our successful Subsea Integration Alliance with OneSubsea. Based on this success, we have strengthened our alliance with a dedicated management team and supervisory board, with senior representation from both Subsea 7 and Schlumberger, to deliver on our integrated strategy and provide a solid framework for future joint technology programmes.

## Looking ahead to the recovery

Project sanctions for offshore oil and gas troughed in 2016, with a sequential increase in tendering activity in both 2017 and 2018. As we look ahead to 2019, we see a continuation of this trend and expect our clients to award a number of larger greenfield oil and gas projects to the market. These larger awards require longer offshore campaigns for key enabling vessels and as these come to market we expect industry utilisation and subsequently project pricing to improve. Although oil price volatility remains a risk, most large projects we are tendering today have breakeven levels well below the projected long-term oil price trends. Subsea 7 does not have any large wind farm projects scheduled for execution in 2019, but new market awards are expected to drive increased activity from 2020, as this market continues to grow and becomes more global.

In 2019 we will be executing oil and gas projects awarded in the trough of the downturn. This, combined with a lull between large wind farm project awards, leads us to expect lower revenues and earnings in 2019. Nevertheless, the projects we are now tendering for and winning give us confidence that the expected market recovery will translate into further improvement of our financial performance in the medium term.

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Chief Executive Officer