



“Our strategic investments to grow and strengthen our business through the recent down cycle position us well to deliver sustainable value to all our stakeholders as the market recovers.”

Kristian Siem
Chairman

To the shareholders of Subsea 7 S.A.

Subsea 7 delivered good operational and financial results in 2018. Our safety standards remained high, and we continue to aim for improvement. This robust performance was driven by the improving activity levels in deepwater oil and gas and was supported by solid results from businesses acquired by Subsea 7 during the downturn.

Revenue rose by 2% to \$4.1 billion with increased revenues from Conventional activities resulting from a full year's contribution from projects in the Middle East acquired in mid-2017. 2018 diluted earnings per share was \$0.56 compared to \$1.36 in 2017, reflecting lower pricing on projects awarded during the downturn and fewer large projects in the final stages of completion.

Our focused and collaborative approach to finding the optimal solutions with our clients, partners and suppliers has allowed us to deliver enhanced project outcomes. Subsea 7's order intake was \$4.0 billion primarily due to new contracts and contract escalations in 2018, as we offered smarter and lower cost solutions for projects in a market benefiting from a higher oil price for the majority of the year.

Well positioned for growth

Offshore energy remains critical to meeting global demand in the long term. I am confident that Subsea 7 is in the right markets as we see continued long-term growth of oil and gas production, with gas increasing its share, as well as the development of offshore wind farms for renewable energy in a growing number of regions around the globe.

The number of deepwater oil and gas projects sanctioned by our clients started to increase in 2018 as the benefits of collaboration, innovation and integration supported better economic returns. Projects sanctioned in 2018 were mostly small and mid-sized that generate accelerated incremental returns for our clients at a lower absolute project cost. As the recovery cycle progresses we are seeing more tenders for larger greenfield developments with project sanctions expected in 2019 and 2020.

Through strategic investments made in the downturn we have strengthened our portfolio of best-in-class technology, enhanced our early engineering capability, developed a fully integrated offering with a world-leading partner, OneSubsea, a Schlumberger company, and grown our positions in the Conventional and Renewables markets. This has strengthened our presence in the offshore energy market, which positions us well to support clients and win market share as the market recovers.

Our Values driven culture

Subsea 7's Values provide the framework for how we behave and what our people, our clients, our shareholders and society can expect from us; they make us who we are.

We have introduced Sustainability as a new Value, having previously included it implicitly within our other Values. Our increased focus on Sustainability reflects the growing importance of environmental and social responsibility at Subsea 7. Subsea 7 has a track record in adhering to these Values. They are what make us an attractive employer for our people, and a long-standing trusted partner for our clients, suppliers, business partners and shareholders.

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 from 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.

Our framework for disciplined capital management

Subsea 7 has a strong financial and liquidity position that has enabled the Group to re-invest in the business, maintain an investment grade credit profile and return cash to shareholders, even during the challenging phases of the market cycle.

A total of \$297 million in cash was returned to shareholders in 2018. The Group paid a special dividend of \$204 million to shareholders in May 2018 and repurchased 8.1 million shares at a cost of \$93 million, thereby completing on 19 February 2019 the \$200 million share repurchase programme approved by the Board on 30 July 2014.

During the year, Subsea 7 developed its presence in Renewables, with the acquisition of Seaway Offshore Cables, and enhanced its early engineering capability by taking a majority stake in Xodus Group. Further investments were made in technology and the fleet with continued progress on the new-build rigid reel-lay vessel *Seven Vega*, which is due to commence operation in 2020.

Reflecting the Group's strong financial position and expectation of an improving market, the Board of Directors approved a new share repurchase programme on 27 February 2019 of up to \$200 million over two years and will recommend to the shareholders at the Annual General Meeting that a special dividend of NOK 1.50 per share be paid, equating to a total dividend of approximately \$55 million, reflecting a balancing of cash returns to favour share repurchases.

My thanks

I would like to thank our people and our business partners for their expertise, passion and commitment as we work to provide our clients with the right solutions and create sustainable value.

On behalf of the Board of Directors, I thank Sir Peter Mason, who was Senior Independent Director, and Mr Robert Long, who was an Independent Director, both of whom retired during 2018, for their long service and valuable counsel to the Company over many years.

I would also like to thank our clients and shareholders for their ongoing support and confidence as we deliver on our strategy to achieve our vision of leading the way in the delivery of offshore projects and services for the energy industry.

Kristian Siem
Chairman