

POSITIONED FOR THE FUTURE



JOHN EVANS
Chief Executive Officer

“Despite the changes to the macro-environment and our industries, we have continued to deliver and are well-positioned for successful execution of our strategy.”

In a year characterised by uncertainty and exceptional operational challenges, Subsea 7 reported strong cash flow generation while safeguarding the health of our people. With near-term visibility supported by a backlog of \$6.2 billion, we look ahead with optimism to the reduction of Covid-19's impact on society and are well-positioned to benefit from a recovery in the oil and gas markets, as well as continued growth in renewables.

REFLECTING ON A CHALLENGING YEAR

When I assumed the role of CEO in January the oil price was \$65 per barrel, we had a growing backlog of projects and our tendering teams were active in negotiating new work with tentative signs of improvement in the pricing environment. That radically changed in March as Covid-19 spread within Asia, throughout Europe and to the US. After what transpired to be a challenging year, first and foremost I would like to thank our people both offshore and onshore for their commitment to keep our operations running. Extra time away from families, longer shifts and more demanding working environments have put additional pressures on everyone, but we have continued to deliver high-quality projects to clients and cemented our reputation for reliability, quality and safety – the industry's partner of choice.

When our clients began cutting their capital expenditure budgets in order to preserve their own balance sheets, we moved quickly to re-align the size of our resource base to reflect the new reality. Our cost reduction plan targets a \$400 million annualised cash cost saving and is

well-advanced with completion expected by the end of 2021. The decision to reduce our fleet by up to ten vessels and our headcount by up to 3,000 people was difficult but necessary, and was designed to protect our oil and gas business while retaining core skills and capabilities in order to leverage a future oil price recovery. Partly offsetting these cost reduction efforts and as a result of Covid-19, we incurred approximately \$70 million incremental net costs related to logistical and operational inefficiencies such as social distancing at onshore bases, quarantining crews and problems with the international transit of vessels and people. This reduced our Adjusted EBITDA to \$337 million, equating to a margin of 10%.

A STRATEGY TO UNDERPIN CONTINUED OUTPERFORMANCE

While 2020 was a challenging year for our operations, we continued to mature and develop our two-pronged strategy of Subsea Field of the Future – Systems and Delivery, and Energy Transition – Proactive Participation. This strategy is increasingly underpinned by a focus on sustainability and, in 2020, we continued to develop our

plans to address our own environmental footprint, as well as those of our clients. Our progress is outlined in more detail in our second Sustainability Report, published in conjunction with this Annual Report.

Subsea Field of the Future – Systems and Delivery

Addressing the oil and gas markets, we are confident our focus on cost-efficient oil and gas solutions, with a reduced carbon footprint, remains the correct approach for today's environment. Early engagement and partnerships, alongside our Subsea Integration Alliance with OneSubsea^{®1}, remain key to optimising field developments, particularly in a lower oil price environment. The digitalisation of our products and services is already delivering cost and time efficiencies for us as well as our clients and we continue to find new ways to increase the automation and AI content of our solutions. Finally, the year saw us take delivery of *Seven Vega*, our state-of-the-art pipelay vessel which, alongside our Electrically Heat-Traced Flowline and Pipeline Bundle technology, form key components of our enabling products and systems innovation initiative. Capable of both rigid and flexible pipelay, and with a large pipeline loading capacity, *Seven Vega* enables us to complete complex installation activities with improved efficiency.

Energy Transition – Proactive Participation

Subsea 7 has long adopted a proactive approach to participation in the Energy Transition and we continue to evolve our strategy to reflect advances in the global drive to a world of net zero carbon emissions. The past year has seen China commit to be carbon neutral by 2060, and the US pivot towards rejoining the Paris Climate Change Accord.

Our Renewables business, with a track record of over ten years of delivering large, complex offshore wind projects, remains at the heart of our low-carbon strategy. Our backlog and tender pipeline continue

to grow and diversify as the oil majors accelerate their drive towards sustainable energy sources, and as our European client base expands its reach to Asia and the US. Last year we made the decision to invest in the conversion of one of our pipelay support vessels for cable lay activities. *Seven Phoenix* is currently under conversion and will re-join the fleet in the first half of 2021. Alongside our existing offshore wind vessels it will be instrumental in executing the record level of orders we have in our Renewables backlog. We are also actively involved in the floating wind industry which is evolving rapidly from the conceptual stage and pilot

developments, towards full-scale commercialisation. In tandem, we are seeing a greater appetite among our oil and gas clients for off-grid developments, designed to provide power and reduce the emissions of their offshore developments. Other initiatives within Energy Transition, such as carbon capture and hydrogen, are at an initial stage of development, but in 2020, Xodus has been increasingly active in client studies focussed on these emerging energy themes.

OUR STRATEGY



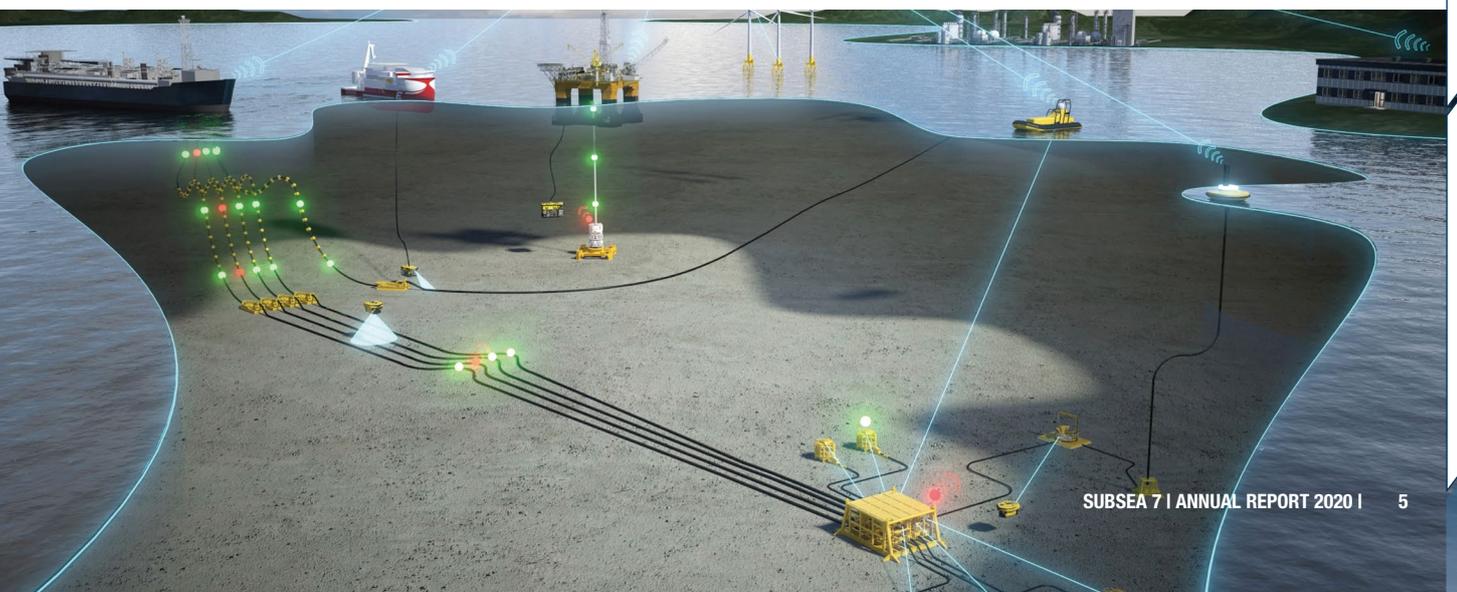
SUBSEA FIELD OF THE FUTURE – SYSTEMS AND DELIVERY

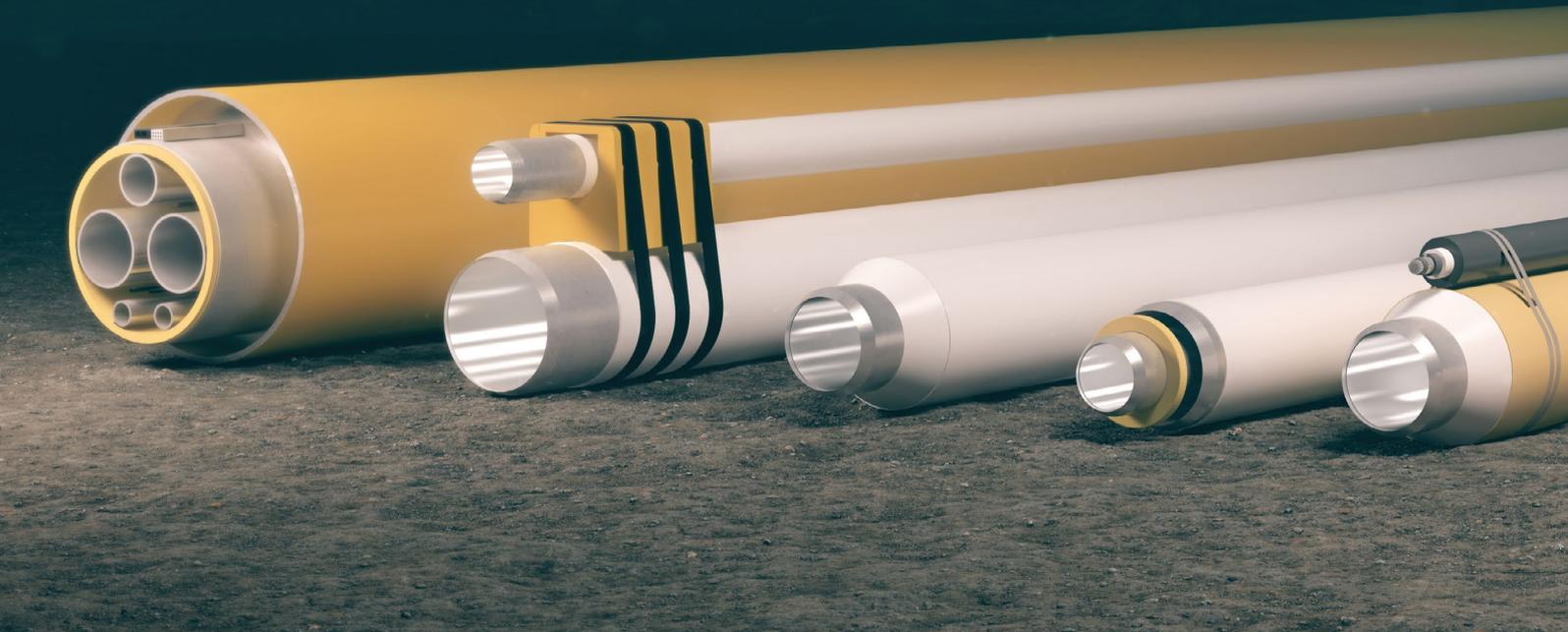
- Early engagement and partnerships
- Systems innovation and enabling products
- Integrated SPS and SURF
- Digital delivery of projects and services



ENERGY TRANSITION – PROACTIVE PARTICIPATION

- Renewables – offshore wind
- Oil and gas – lower carbon developments
- Emerging energy – new markets and opportunities
- Operations – sustainable and efficient





ORGANISATIONAL STREAMLINING

From 1 January 2021, partly as a consequence of our resizing plans, we have merged SURF and Conventional and Life of Field into one business unit focused on the offshore oil and gas market. The combined unit, named Subsea and Conventional, will operate alongside our Renewables business, underpinning our strategies for the Subsea Field of the Future and Energy Transition.

OUTLOOK

A solid foundation of financial strength

The pace of global economic recovery and the continued rebalancing of oil supply and demand remains uncertain, but Subsea 7 is well-placed to navigate the downturn and to remain a leader in its chosen energy markets. With robust net cash flow of \$114 million in 2020, we ended the year with net cash of \$49 million and with liquidity of over \$1 billion. This financial strength enables us to preserve the competitiveness of our oil and gas business while accelerating growth in renewables, investing selectively in new opportunities. The protection of our balance sheet remains a key priority for our use of cash as we face another year of heightened uncertainty.

Activity in advantaged markets in oil and gas

2020 saw our oil and gas clients reduce their capital budgets by approximately 30%, but the backlog of our SURF and Conventional and Life of Field business units remained resilient at a combined \$4.2 billion with no project cancellations to date. We expect the re-phasing of activity that we experienced last year to continue to a lesser degree in 2021, while pockets of improving activity are already emerging in key, intrinsically-advantaged markets. Brazil, with its world-class reserves and low oil price breakeven point, remains a focus for investment by our clients and a market in which we have a strong presence. In the Gulf of Mexico, we are executing and tendering an array of smaller projects that leverage existing infrastructure to create value for clients with minimised capital outlay. Lastly, in Norway, recent changes to the tax regime have encouraged an increase in engineering studies that we expect will lead to contract awards in the coming two years.

Continued growth in Renewables

Our Renewables business continues to make good progress towards achieving our Energy Transition ambitions. With a lower adverse impact from Covid-19 and an increasing commitment from governments and companies to reduce carbon emissions, the offshore wind market remains strong and we anticipate the market will achieve a high growth rate in the coming decade. In 2020, our year end backlog of foundation installation and cable lay work reached \$2.0 billion and tendering activity for further contracts remains high. In 2021, we expect activity to ramp up on our \$1.4 billion Seagreen project, while, in parallel, preparations will begin for several offshore campaigns on projects such as Hollandse Kust Zuid and Kaskasi.

Guidance

Subsea 7's full year 2021 results are likely to be adversely impacted by costs associated with the Covid-19 pandemic, including more contagious, new variants of the virus. We currently anticipate that revenue in 2021 will exceed the prior year level, predominantly driven by greater activity in Renewables. Revenue in Subsea and Conventional should increase due to the re-phasing of some work from 2020 into 2021. While it is difficult to predict the operational and financial impact of Covid-19 in 2021, Adjusted EBITDA is expected to improve year-on-year and we forecast net operating income to be positive.

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.

“Our strategy, driven by our vision of the Subsea Field of the Future, along with proactive participation in Energy Transition, positions us for a recovery in the oil and gas market as well as growth in offshore wind.”