

Positioned to thrive through the energy transition



Kristian Siem Chairman

Subsea7 delivered a good performance in 2022 driven by an accelerating recovery in the subsea market.

To the shareholders of Subsea 7 S.A.

In 2022, our Group revenue increased 3% to \$5.1 billion, driven by higher activity in the subsea business, offsetting a decline in renewables. Group Adjusted EBITDA of \$559 million resulted in an EBITDA margin of 11%, broadly in line with last year. Diluted earnings per share were \$0.19, an improvement from \$0.11 in 2021. Order intake increased 17% year-on-year to \$7.1 billion, taking the backlog above \$9.0 billion for the first time since 2014, with improved pricing in both subsea and renewables.

Positive outlook underpinned by the drive for energy security

We began 2022 with a positive view of the outlook for the Group, supported by a solid backlog and a significant increase in tendering activity. After years of under-investment by oil and gas producers, growing global energy demand, and with limited threat of new vessel additions by the industry, the stage was set for durable improvement in the dynamics of the subsea market. At the same time, the pipeline of opportunities in fixed offshore wind continued to expand.

The world was shaken by the conflict in Ukraine that began in February 2022. The consequent threat to Europe's energy security underscored the need for investment in energy infrastructure, both traditional and renewable. The coincident increase in raw material prices, compounded by a rise in general inflation and interest rates, presented challenges for industries globally, including our own, and a handful of the industry's marginal projects were postponed. However, there remains a vast portfolio of potential developments in both subsea and offshore wind with attractive economics, all of which will be necessary if the industry is to meet the demand for global energy and provide energy security in Europe.

Making the energy transition possible

Subsea7 is well-positioned to help the world meet this challenge while working towards Net Zero, with a strong position across the offshore energy landscape from lower-carbon oil and gas, carbon capture and fixed offshore wind, to emerging energy sources such as floating wind and future opportunities in hydrogen. We are playing a key role in supporting our stakeholders, and the world, in achieving these energy transition goals.

With decades of experience in the traditional energy market we are working alongside our clients and supply chain to reduce the emissions intensity of offshore hydrocarbon developments, both during the installation phase and over the life of the field. Our own emissions will be reduced through hybridisation and digitalisation of our vessels, as well as through the use of biofuels, where available. Our subsidiaries, Xodus and 4Subsea, are helping us to deliver solutions that reduce the carbon emissions of our clients' developments and we utilise our Carbon Estimator tool in every study we undertake. We are also actively involved in installing new carbon capture, utilisation and storage (CCUS) infrastructure to increase the availability of carbon sequestration, which will be key to the world's efforts to tackle climate change. The lower-carbon oil and gas and CCUS markets are key opportunities for Subsea Integration Alliance, our partnership with SLB (formerly Schlumberger), which will be strengthened by SLB's agreement with Aker Solutions to form a new subsea hardware company.

While hydrocarbons are likely to remain part of the energy mix for some time, with lower-carbon gas replacing more highly polluting fuels such as coal, offshore wind will be an important contributor to the world's push to Net Zero. Over the past 10 years we have supported major developers in the construction of over 10GW of offshore wind power – enough to power 12 million homes – including the installation of over 1,000 wind turbine foundations and nearly 2,000 kilometres of inner-array cables. Towards the end of 2023 we will take delivery of two state-of-the-art installation vessels that will enable larger turbines to be installed more efficiently, helping to improve wind farm economics and provide cost-efficient, renewable energy for communities in Europe, Asia and the US. In common with many industries in the early stages of development, the offshore wind market is taking time to find a balance in the sharing of risk and reward between its stakeholders. In 2022, Subsea7 executed some challenging projects and we have applied the learnings to further enhance our processes. I am confident that this industry will offer the Group a valuable source of long-term growth with an attractive returns profile. In addition, our strategies in emerging energies will continue to place Subsea7 at the heart of the energy transition for decades to come.

Progress in delivering our sustainability targets

Sustainability is one of our core Values and underpins our strategy. This year we continued to make progress against our ambitions across our six priority areas, as well as in our sustainability disclosure, and it is gratifying to see this recognised by the ESG rating agencies. In December, Subsea7 achieved the fifth highest score of the 92 companies in the sector assessed by

S&P Global. This is material progress from our position last year and indicative of our commitment to advance our sustainability performance. The Group's fourth Sustainability Report, including our TCFD disclosure, is published concurrently with this Annual Report. Our fleet of 36 vessels accounts for over 90% of Subsea7's emissions and is therefore the focus of many of our strategies behind our ambition to target Net Zero by 2050. The adoption of cleaner fuels is a key component of our pathway to reduce our fleet emissions and this year I was pleased that we completed a successful trial of biofuels on *Seven Oceanic*, with an estimated CO₂ saving of around 30%. Being able to demonstrate this capability and operability is vital in promoting lower-carbon alternatives, as they become more widely available at scale to the market.

Inspiring people

In May 2022 we published 'Inspiring People: The Story of Subsea7' which celebrates 20 years of our company and 75 years of history through the predecessor companies that combined to make the Subsea7 of today. Our rich heritage of entrepreneurial spirit and innovation has enabled us to achieve major milestones, from deploying the industry's first dedicated pipelay barge in the shallow water Gulf of Mexico, to installing Angola's first real deepwater field and Brazil's first subsalt development. The industry is constantly evolving, but our passion for tackling challenges and engineering solutions will ensure Subsea7 remains at the forefront of the offshore energy landscape. An online copy of the book is available on our website.

Shareholder returns

In 2022, Subsea7 generated net cash of \$55 million and ended the year with a strong balance sheet with \$33 million of net cash including lease liabilities of \$257 million. During the year we returned \$78 million to shareholders through dividends and share repurchases, including our first regular dividend of NOK 1.00 per share.

In the year ahead, the Group will invest in enhancing its wind fleet, as well as in the subsea hardware joint venture between SLB and Aker Solutions. It is also expected that the subsea business will invest in working capital associated with two projects in Brazil and Saudi Arabia. While these investments dampen the potential for excess cash generation by the Group, the Board will recommend a NOK 4.00 per share dividend at the AGM on 18 April 2023. In arriving at this proposal, the Board took into consideration the financial performance and prospects of the Group, the NOK 1.00 regular dividend policy commitment and the status of the 2022 share repurchase programme. One of our main objectives for the future is to improve the Group's return on capital employed, which remains low while our clients enjoy the benefits of higher energy prices and industry efficiencies, including the services we provide. This process has already begun, with higher prices and margins embedded in recent awards and ongoing tenders, including in fixed offshore wind. It is envisaged that the Group will be capable of generating significant excess free cash flow from 2024 onwards and the Board is committed to returning excess cash to shareholders.

As well as delivering on our strategy to return capital to shareholders, Subsea7 is committed to paying taxes in a fair and transparent manner in the countries in which it operates. In 2022, our operations resulted in a corporate cash tax contribution to tax authorities around the world of \$103 million (with an effective tax rate of 73%), bringing our total corporation tax contribution over the past decade to \$1.2 billion.

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.

My thanks

On behalf of the Board of Directors, I would like to thank our people across the globe for their continued dedication and efforts in delivering the complex projects that are the bedrock of Subsea7. I am also grateful for our strong relationships with both our clients and our suppliers. Together we have navigated the challenges of 2022 and I look forward to sharing in the successes of the years ahead. Finally, I would like to thank our shareholders for their ongoing support as we execute a strategy that embraces the energy transition to deliver long-term value accretion.

Kristian Siem
Chairman