Chief Executive Officer's Review

Delivering a strong operational and financial performance

John Evans Chief Executive Officer

Financial performance

2023 Backlog

$10.6bn

2022: $9.0bn

2023 Revenue

$6.0bn

2022: $5.1bn

2023 Adjusted EBITDA

$714m

2022: $559m

2023 Net income

$10m

2022: $36m

Our Subsea and Conventional business delivered strong, quality backlog growth that should underpin increasing cash flow in the years ahead.

In our Renewables business, profitability has recovered and our backlog of work supports high activity through 2024 and 2025.

Solid financial results in 2023

Group revenue increased 16% year-on-year to $6.0 billion, driven by growth in Subsea and Conventional, partially offset by a decline in Renewables.

Revenue in Subsea and Conventional increased 26% year-on-year, driven by high activity in Norway, Türkiye and Brazil and our Adjusted EBITDA margin was 12%. Over the course of the year, our portfolio of projects began a gradual shift from those won in weaker market conditions to more recent awards with improved pricing and cash flow profile.

Revenue in Renewables fell 14% year-on-year, driven by the phasing of major projects in the UK and as a consequence of greater selectivity in tendering new work. However, as a result, the Renewables margin recovered to 11% through a stronger focus on execution combined with improved contractual risk allocation.

Overall, the Group's Adjusted EBITDA increased 28% to $714 million, a margin of 12%.

2023 was a year of reinvestment in the business, with capital expenditure of $581 million, mainly relating to newbuild fixed offshore wind vessels, and the first of two $153 million payments for our 10% stake in the OneSubsea joint venture with SLB and Aker Solutions. At year end, net debt was $552 million (comprising net financial debt of $94 million and lease liabilities of $458 million), which is expected to materially reduce in the near term.

Tendering activity continued at high levels in 2023, with order intake of $7.4 billion, equivalent to a book-to-bill of 1.2 times, including the award of Mero 4, Sakarya 2a, Agogo and East Anglia THREE. At the year end, our teams were actively tendering projects worth around $30 billion, a dramatic recovery from the $15 billion in preparation in 2020, further supporting confidence in the upcycle for both subsea oil and gas and fixed offshore wind.

Reinforcing our market-leading position in subsea through collaborations and partnerships

2023 was an important year for our subsea business as we extended several key relationships and established new alliances.

During the year, the OneSubsea joint venture between Subsea7, SLB and Aker Solutions was completed and, simultaneously, Subsea Integration Alliance between Subsea7 and OneSubsea was extended to 2033. The joint venture and the Alliance leverage our combined market-leading assets, services and technologies to reinforce our ability to deliver greater efficiencies to clients, enabling them to unlock subsea reserves.

The benefits of Subsea Integration Alliance were showcased this year in Türkiye where, in close collaboration with Türkiye Petrolleri Anonim Ortaklığı (TPAO) and our partners, we completed the first phase of the Sakarya gas development. This fast-track project delivered first gas just 30 months after the discovery of the field and is testament to what can be achieved when we adopt an integrated approach and work in close collaboration with our client. The subsequent award of the second phase of Sakarya was the ultimate endorsement of this accomplishment.

During the year, Subsea Integration Alliance signed a memorandum of understanding with bp regarding integrated subsea developments, working in a collaboration that will create value for bp, Subsea7 and OneSubsea through enhanced visibility and optimised delivery. Subsea Integration Alliance will work with bp from concept selection and through the full field lifecycle, to deliver enhanced subsea project performance, based on new ways of working and an innovative commercial model.

2023 also marked the start of the delivery of our next portfolio of projects for Aker BP in Norway. Subsea7 has partnered with Aker BP for a decade and has worked in a fully collaborative alliance incorporating Aker Solutions (now part of OneSubsea) to deliver subsea projects. During this time Subsea7 supported Aker BP in growing its production from 4 to 450 thousand barrels per day.

Collaborations and partnerships are a cornerstone of our strategy. As the energy landscape evolves, we will leverage Subsea7's market-leading position and strong relationships along the value chain as we continue to adapt to grow, delivering value creation for our shareholders.

Driving the energy transition with carbon capture and offshore wind

2023 was a year of change for our fixed offshore wind business. At the beginning of the year we completed the acquisition of minority interests in Seaway7, simplifying its ownership and funding structure, and streamlining its strategic decision-making processes. Despite the many challenges faced by the wind industry during the year, Seaway7 was successful in rebalancing the risk/reward profile of its backlog, returning to a stable, improved level of profitability while also securing several key new awards including the inner-array cable-lay scope for Iberdrola's 1.4GW East Anglia THREE development.

The delivery of newbuilds *Seaway Alfa Lift* and (in early 2024) *Seaway Ventus* has increased our renewables fleet to 13 vessels, which includes cable-lay and heavy-lift vessels capable of installing some of the largest wind developments in the market. These vessels support our expectations for the growth of the fixed offshore wind business in the coming years.

During the year, Subsea7 continued to pursue other new energy markets including floating wind and carbon capture. We delivered the initial offshore pipelay campaign of the Northern Lights development in Norway, part of the world's first full-scale carbon capture project named Longship. Over its lifetime, this initial phase will enable the transportation of 128 million tonnes of CO_2 to a storage field in the North Sea, demonstrating the strategic importance of carbon capture as part of the energy transition. This market offers Subsea7 – on both a standalone basis and through Subsea Integration Alliance – a new avenue of growth utilising existing subsea assets and engineering expertise.

Foundations in place for strong cash flow generation

Supported by a high backlog of quality projects, we anticipate that 2024 Adjusted EBITDA will be within a range of $950 million to $1.0 billion, while we expect capital expenditure to reduce significantly. We therefore anticipate a sharp increase in free cash flow in 2024.

Longer term, we see sustained capital expenditure by clients in the subsea market. A positive outlook

for demand, combined with stability in the competitive landscape, should ensure we generate an appropriate return on the substantial capital already invested in our subsea fleet.

In fixed offshore wind, despite the recent uncertainty in the regulatory and fiscal environments in the UK and US markets, demand for our services is strong, including in the Netherlands, Germany and Poland, and we expect a recovery in UK awards during 2024. With a focus on balancing risk and returns, we believe our offshore wind business will deliver sustainable value creation for shareholders.

Overall, through strong positions in subsea oil and gas, as well as offshore wind, Subsea7 is well placed to deliver the energy the world needs for today and tomorrow.

John Evans
Chief Executive Officer