# Subsea 7 S.A. Announces Fourth Quarter and Full Year 2018 Results

**Luxembourg – 28 February 2019** – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the fourth quarter and full year which ended 31 December 2018. Unless otherwise stated the comparative period is the full year which ended 31 December 2017.

## Fourth Quarter and Full Year 2018 highlights

- Reported Adjusted EBITDA percentage margin of 16% for the full year 2018 and fourth quarter, reflecting challenging market conditions as we executed projects that were awarded at lower prices during the downturn
- Successful early engagement activity with a significant increase in early engineering awards
- Enhanced capability in renewables through acquisition of Seaway Offshore Cables and two associated vessels in the first half of the year
- Net cash of $507 million at 31 December 2018, and $656 million unutilised credit facilities
- $297 million returned to shareholders in 2018 comprising $204 million special dividend and $93 million in share repurchases
- Following successful conclusion of the 2014 share repurchase programme in February 2019, a new two-year $200 million share repurchase programme has been announced, enabled by our strong financial and liquidity position and improving market outlook
- Special dividend of NOK 1.50 per share will be recommended for shareholder approval at the AGM, rebalancing cash returns to favour share repurchases

| | Fourth Quarter | | Full Year | |
|---|---|---|---|---|
| For the period (in $ millions, except Adjusted EBITDA margin and per share data) | **Q4 2018 Unaudited** | Q4 2017 Unaudited | **2018 Audited** | 2017[c] |
| Revenue | **1,023** | 1,003 | **4,074** | 3,986 |
| Adjusted EBITDA[a] | **163** | 176 | **669** | 1,035 |
| Adjusted EBITDA margin[a] | **16%** | 18% | **16%** | 26% |
| Net operating income | **23** | 28 | **200** | 581 |
| Net income | **32** | 51 | **165** | 455 |
| Earnings per share – in $ per share | | | | |
| Basic | **0.12** | 0.17 | **0.56** | 1.39 |
| Diluted[b] | **0.12** | 0.17 | **0.56** | 1.36 |

| As at (in $ millions) | **2018 31 Dec** | 2017 31 Dec |
|---|---|---|
| Backlog - unaudited | **4,907** | 5,208 |
| Cash and cash equivalents | **765** | 1,109 |
| Borrowings | **258** | 283 |

(a) For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to Note 8 'Adjusted EBITDA and Adjusted EBITDA margin' to the Condensed Consolidated Financial Statements.

(b) For the explanation and a reconciliation of diluted earnings per share refer to Note 7 'Earnings per share' to the Condensed Consolidated Financial Statements.

(c) Audited unless otherwise stated.

### Jean Cahuzac, Chief Executive Officer, said:

'Subsea 7 delivered good operational and financial results in 2018, despite the challenge of delivering projects awarded at lower prices during the downturn. The number of deepwater oil and gas projects awarded by our clients started to increase as industry-wide cost reductions and higher oil and gas prices supported better economic returns. We received a good share of new awards reflecting our enabling technology, early engagement and integrated solutions.

Subsea 7's performance reflects our strategy to be a global leader in the delivery of offshore projects and services for the evolving energy industry and create sustainable value by being the industry's partner and employer of choice in delivering the efficient offshore solutions the world needs. We invested in our business during 2018, acquiring additional early engineering capability with our investment in Xodus and expanding our renewables capability with the acquisition of Seaway Offshore Cables. We invested in our fleet, with continued progress constructing our new reel-lay vessel, *Seven Vega*, which is due to commence operations in 2020. We also invested in our people, with 53 new graduate engineers and 40 marine cadets joining us in the year. Subsea Integration Alliance, our collaboration with OneSubsea, Schlumberger, has delivered positive results with the award of integrated projects offshore Australia and in the Gulf of Mexico, and integrated early engineering awards offshore Senegal and Australia that are expected to progress to the execute phase after final investment decisions are made. We remain committed to our long-term relationship with Schlumberger and are encouraged by the success of Subsea Integration Alliance and our integrated technology programmes.

In 2019 we expect continued pressure on our financial performance from the projects awarded at lower prices during the downturn and from a reduction in our offshore wind farm installation activity. However, offshore activity levels are improving and the projects we are now tendering and winning give us confidence that the expected market recovery will translate into better performance for Subsea 7 in the future.'

### Full year 2018

Full year 2018 revenue was $4.1 billion, 2% higher than the prior year. This reflected an increase in SURF and Conventional business unit revenue, offset by lower revenues from the Life of Field (formerly named i-Tech Services)[1] and Renewables and Heavy Lifting business units. Adjusted EBITDA was $669 million (2017: $1,035 million) and Adjusted EBITDA percentage margin was 16%, (2017: 26%) reflecting lower pricing on projects awarded during the downturn and lower levels of activity in the Life of Field and Renewables and Heavy Lifting business units. Net operating income was $200 million. The tax charge of $52 million was equivalent to an effective tax rate of 24%. Diluted earnings per share was $0.56, a 59% decrease compared to the prior year.

At 31 December 2018 order backlog was $4.9 billion, including adverse foreign exchange movements of approximately $200 million during the course of the year. Order intake was $4.0 billion, helped by a significant increase in new SURF awards primarily on brownfield developments, which typically have lower investment decision hurdles. Subsea 7's proprietary technology, early engagement and partnership approach were evident in a number of the awards in 2018, with Pipeline Bundles, Electrically Heat Traced Flowlines and integrated SPS-SURF collaboration creating cost effective and differentiated solutions. 2018 saw success for Subsea 7 in a number of new geographies, with awards offshore Taiwan, Senegal, Azerbaijan and the US east coast.

In line with its strategy to grow and strengthen its business, Subsea 7 invested $418 million in acquisitions and capital expenditure, while maintaining a strong financial and liquidity position. Investment priorities included expanding its early engineering services, developing efficient technologies and owning the right vessels to meet the needs of current and future projects. At 31 December 2018, cash and cash equivalents were $765 million, net cash was $507 million and unutilised credit facilities totalled $656 million. Subsea 7's disciplined approach to capital management led to payments to shareholders totalling $297 million in 2018 through a combination of share repurchases and a special dividend.

Following the successful conclusion of the Group's $200 million share repurchase programme on 19 February 2019, the Board of Directors has authorised a new share repurchase programme of up to $200 million to be carried out over the next two years. In addition, the Board of Directors will recommend to the shareholders at the Annual General Meeting on 17 April 2019 that a special dividend of NOK 1.50 per share be paid, equivalent to a total dividend of approximately $55 million.

### Fourth quarter 2018

Group revenue was $1.0 billion in the fourth quarter of 2018 and Adjusted EBITDA was $163 million, equating to a margin of 16%. Net operating income of $23 million included $38 million of impairment charges relating to property, plant and equipment and intangible assets. Net income was $32 million, including a taxation charge of $3 million as a result of an improved full year effective tax rate.

Order intake of $913 million was adversely impacted by approximately $110 million related to the de-recognition of the Fortuna project, which has been cancelled. New awards announced in the quarter included the integrated Manuel project in the Gulf of Mexico, the Shearwater project, offshore UK, and the Jubilee Turret project, offshore Ghana. Subsea Integration Alliance has also been awarded two early engineering contracts for potentially large integrated projects that are expected to progress to execution subject to final investment decision.

Operational performance in the fourth quarter was good in all three operational business units. In SURF and Conventional the West Nile Delta phase two project, offshore Egypt, progressed well with the successful mechanical completion of the final three wells in the Giza and Fayoum fields and preparation for the installation of flexible pipeline in 2019 in the Raven field. In shallow water offshore Nigeria, the PUPP project progressed with its first offshore campaign including riser installation and hook-up activities. The Life of Field vessel *Seven Viking* was converted to hybrid battery power ahead of a new five-year inspection, repair and maintenance (IRM) contract that commenced at the start of 2019. This dual-power capability will enable *Seven Viking* to reduce its fuel consumption by approximately 12%. In Renewables and Heavy Lifting, all foundations and transition pieces have now been installed and the cables have been laid and trenched on the Borkum II project.

Total vessel utilisation was 70% in the fourth quarter 2018 (2017: 55%) and 70% for the full year (2017: 61%). Active vessel utilisation, which excludes stacked vessels, was 75% for the fourth quarter and 76% for the full year. The improved utilisation compared to the prior year periods reflects increased offshore activity on SURF projects. The Pipelay Support Vessels (PLSV) on long-term contracts offshore Brazil maintained high levels of utilisation. Subsea 7 ended the year with 33 vessels in its fleet, including one under construction, *Seven Vega,* and two stacked vessels, *Seven Phoenix and Seven Mar*. A diving support vessel, *Rockwater 2*, was sold for recycling in the fourth quarter at the end of 35 years in service and replaced by *Seven Pegasus*, which was tactically acquired in January 2019.

### Outlook

Subsea 7 expects the positive trend of increased tendering and award activity to continue in 2019 and anticipates several large greenfield oil and gas projects will be awarded to the market in the year. Large projects require longer offshore campaigns for key enabling vessels and, as these come to market, industry utilisation and project pricing should improve. Although oil price volatility remains a risk, most projects that Subsea 7 is currently tendering have breakeven levels well below the projected long-term oil price trends as the benefits of collaboration, innovation and integration contribute to better economic returns. Subsea 7 does not have any new EPCI wind farm projects scheduled for offshore execution in 2019, but new project awards to market are expected to drive increased activity from 2020 as this market continues to grow and becomes more global.

Subsea 7's guidance for the full year 2019 remains unchanged. Revenue is expected to be slightly lower than in 2018, Adjusted EBITDA is expected to be lower and net operating income is expected to be positive. Guidance includes the anticipated impact of the implementation of IFRS 16 'Leases', as detailed in note 16.

1. i-Tech Services business unit has been renamed Life of Field business unit. There is no change to the definition of the activities of this business unit, which provides Inspection, Repair and Maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support, operating under the i-Tech 7 brand.

### Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 28 February 2019

Time: 12:00 UK Time

Conference ID: 65680950#

| | Conference Dial In Numbers |
|---|---|
| United Kingdom | 0333 300 0804 |
| United States | 631 913 1422 |
| Norway | 23 50 02 43 |
| International Dial In | +44 333 300 0804 |

### Replay Facility Details

A replay facility (with conference ID 301273858#) will be available from:

Date: 28 February 2019
Time: 17:00 UK Time

| | Conference Replay Dial In Numbers |
|---|---|
| International Dial In | +44 333 300 0819 |

For further information, please contact:

Isabel Green

Investor Relations Director

email: isabel.green@subsea7.com

Telephone: +44 20 8210 5568

### Special Note Regarding Forward-Looking Statements

Certain statements made in this announcement may include ‘forward-looking statements’. These statements may be identified by the use of words like ‘anticipate’, ‘believe’, ‘could’, ‘estimate’, ‘expect’, ‘forecast’, ‘intend’, ‘may’, ‘might’, ‘plan’, ‘predict’, ‘project’, ‘scheduled’, ‘seek’, ‘should’, ‘will’, and similar expressions. The forward-looking statements reflect our current views and are subject to risks, uncertainties and assumptions. The principal risks and uncertainties which could impact the Group and the factors which could affect the actual results are described but not limited to those in the ‘Risk Management’ section in the Group’s Annual Report and Consolidated Financial Statements 2017. These factors, and others which are discussed in our public announcements, are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: actions by regulatory authorities or other third parties; our ability to recover costs on significant projects; general economic conditions and competition in the markets and businesses in which we operate; our relationship with significant clients; the outcome of legal and administrative proceedings or governmental enquiries; uncertainties inherent in operating internationally; the timely delivery of vessels on order; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Other unknown or unpredictable factors could also have material adverse effects on our future results. Given these factors, you should not place undue reliance on the forward-looking statements.

## Fourth Quarter 2018

### Revenue
Revenue for the quarter was $1.0 billion, in line with Q4 2017. Higher activity levels in the SURF and Conventional business unit, with increased operations offshore Africa, Norway and in the Gulf of Mexico were partially offset by lower activity levels in the Renewables and Heavy Lifting business unit. Revenue in the fourth quarter in the Life of Field business unit (formerly named i-Tech Services) was in line with Q4 2017.

### Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $163 million and 16% respectively, compared to $176 million and 18% in Q4 2017. The reduced Adjusted EBITDA margin in Q4 2018 reflected lower pricing on projects awarded during the downturn within the SURF and Conventional business unit and lower activity levels within the Renewables and Heavy Lifting business unit.

### Net operating income
Net operating income for the quarter was $23 million, compared to $28 million in Q4 2017. The SURF and Conventional business unit showed an increase in net operating income as a result of higher activity levels, offset by losses from the Renewables and Heavy Lifting and Life of Field business units. Impairment charges of $38 million were recognised in the quarter in relation to intangible assets and property, plant and equipment compared with impairment charges of $32 million in Q4 2017. Administrative expenses were $82 million for the quarter, an increase of $8 million compared with the prior year period, mostly driven by increased tendering costs.

### Net income
Net income was $32 million in the quarter, compared to net income of $51 million in Q4 2017. The reduction in net income was primarily due to:

- the decrease in net operating income; and
- a taxation charge of $3 million in the quarter, compared to a credit of $32 million in Q4 2017. The effective rate of tax for Q4 2018 was 8%, which reflected an improvement in the full year 2018 effective tax rate.

### Earnings per share
Diluted earnings per share was $0.12 in Q4 2018 compared to diluted earnings per share of $0.17 in Q4 2017, calculated using a weighted average number of shares of 325 million and 329 million respectively.

### Cash and cash equivalents
Cash and cash equivalents was $765 million at 31 December 2018, an increase of $33 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- net cash generated from operating activities of $186 million

partially offset by:

- repurchases of shares at a cost of $84 million; and
- purchases of property, plant and equipment of $40 million.

### Borrowings
Borrowings decreased to $258 million at 31 December 2018 from $264 million at 30 September 2018 due to scheduled repayments.

## Year ended 31 December 2018

### Revenue
Revenue for the year ended 31 December 2018 was $4.1 billion, an increase of $88 million or 2% compared to 2017. The year-on-year increase was due to higher activity levels, across all regions, in the SURF and Conventional business unit with the exception of Brazil where there were fewer PLSVs in operation in 2018. This was partially offset by lower activity levels in the Renewables and Heavy Lifting and Life of Field business units.

Adjusted EBITDA and Adjusted EBITDA margin for the year ended 31 December 2018 were $669 million and 16% respectively, compared to $1.0 billion and 26% in 2017. The reduced Adjusted EBITDA margin in 2018 reflected lower pricing on projects awarded during the downturn within the SURF and Conventional business unit, and lower activity levels in the Renewables and Heavy Lifting and Life of Field business units.

### Net operating income
Net operating income for the year ended 31 December 2018 was $200 million, compared to net operating income of $581 million in 2017. The decrease in net operating income across all business units reflected lower pricing on projects awarded during the downturn within the SURF and Conventional business unit, and lower activity levels in the Life of Field and Renewables and Heavy Lifting business units. Impairment charges of $39 million were recognised in the year in relation to intangible assets and property, plant and equipment compared with impairment charges of $32 million in 2017. Administrative expenses increased by $42 million compared with the prior year, the increase was mainly driven by the consolidation of businesses acquired by the Group and increased tendering activity.

### Net income
Net income for the year ended 31 December 2018 was $165 million, compared to net income of $455 million in 2017. The decrease in net income was primarily due to:

- the decrease in net operating income;
- the recognition of a $25 million remeasurement gain on business combinations in 2017

partially offset by:

- a reduction of $48 million in the taxation charge, driven by reduced profitability. The effective tax rate in 2018 was 24% compared to 18% in 2017 reflecting increased withholding tax charges; and
- a net foreign currency gain of $7 million in 2018, recognised within other gains and losses, compared to a net foreign currency loss of $57 million in 2017.

### Earnings per share

Diluted earnings per share was $0.56 for the year ended 31 December 2018 compared to diluted earnings per share of $1.36 in 2017, calculated using a weighted average number of shares of 327 million and 338 million respectively.

### Cash and cash equivalents

Cash and cash equivalents was $765 million at 31 December 2018 compared to $1.1 billion at 31 December 2017. The decrease of $344 million during the year was mainly attributable to:

- purchases of property, plant and equipment totalling $238 million;
- $161 million net cash disbursed with respect to business combinations, mainly related to the acquisition of certain businesses and vessels acquired from Siem Offshore Inc.;
- payments of $19 million to acquire a 60% interest in Xodus Group, an equity-accounted joint venture;
- $204 million dividends paid to shareholders of the parent company;
- repurchases of shares at a cost of $93 million

partially offset by:

- net cash generated from operating activities of $424 million.

### Borrowings

Borrowings decreased to $258 million at 31 December 2018 from $283 million at 31 December 2017 due to scheduled repayments.

## Business Unit Highlights

## Fourth Quarter 2018

### SURF and Conventional

Revenue for the quarter was $873 million, an increase of $118 million or 16% compared to Q4 2017.

During the quarter the 17 Cranes project, offshore Saudi Arabia, the Culzean project, offshore UK, and the Appomattox project, in the US Gulf of Mexico, neared completion. Work progressed during the quarter on the West Nile Delta Phase Two project, offshore Egypt, the Hasbah project and 3PDMs project, both offshore Saudi Arabia, the PUPP project, offshore Nigeria, and the Sole project, offshore Australia. In Brazil, there were high levels of PLSV utilisation under long-term contracts with Petrobras.

Net operating income was $64 million in the quarter, an increase of $29 million or 85% compared to Q4 2017. The increase in net operating income reflected higher activity levels, resulting in higher vessel utilisation particularly in the North Sea. Impairment charges of $26 million were recognised in the quarter, in relation to intangible assets, compared with impairment charges in Q4 2017 of $32 million, mainly related to property, plant and equipment.

### Life of Field

Revenue for Q4 2018 was $68 million, in line with Q4 2017. There was a slight decrease in ROV support activity due to a reduction in the number of active drill rigs worldwide. Inspection, Repair and Maintenance (IRM) activities included operations offshore Azerbaijan, following the award of a long-term contract.

Net operating loss was $17 million in Q4 2018 compared to net operating loss of $5 million in Q4 2017. The increase in net operating loss was primarily due to impairment charges of $12 million recognised in Q4 2018 in relation to obsolete ROVs and related equipment.

### Renewables and Heavy Lifting

Revenue was $82 million in Q4 2018 compared to $181 million in Q4 2017. The reduction in revenue was primarily due to reduced activity on the Beatrice wind farm project, offshore UK, which neared completion during Q4 2018. Net operating loss was $13 million in Q4 2018 compared to a net operating loss of $3 million in Q4 2017, reflecting lower activity levels compared with the prior year period, and delayed progress on the Borkum II project, offshore Germany, which was adversely impacted by unfavourable weather conditions.

## Year ended 31 December 2018

### SURF and Conventional

Revenue for the year ended 31 December 2018 was $3.2 billion, an increase of $440 million or 16% compared to the prior year.

During the year the 4 Decks project, offshore Saudi Arabia, and the Aasta Hansteen project, offshore Norway, were substantially completed. Work progressed on the West Nile Delta Phase Two project, offshore Egypt, the Hasbah project, offshore Saudi Arabia, the Snorre project, offshore Norway and the Greater Western Flank project, offshore Australia. In Brazil, there were high levels of PLSV utilisation under long-term contracts with Petrobras.

Net operating income was $231 million, a decrease of $220 million or 49% compared to 2017. The decrease in net operating income reflected fewer projects in the final stages of completion and underlying margin pressure driven by challenging market conditions. Impairment charges of $26 million were recognised in the year, mainly related to intangible assets, compared with impairment charges in 2017 of $32 million, mainly related to property, plant and equipment.

### Life of Field
Revenue for the year was $245 million, a decrease of $57 million or 19% compared to 2017. ROV support activity reflected the reduced number of active drill rigs. Levels of Inspection, Repair and Maintenance (IRM) activity worldwide were consistent with 2017.

Net operating loss was $12 million compared to net operating income of $23 million in 2017. The net operating loss in 2018 reflected lower activity levels and competitive pricing pressure, in addition to impairment charges of $12 million recognised in relation to obsolete ROVs and related equipment.

### Renewables and Heavy Lifting
Revenue was $664 million in 2018 compared to $959 million in 2017. The reduction in revenue was primarily due to reduced activity on the Beatrice wind farm project, offshore UK, which neared completion during late 2018. Net operating income was $4 million compared to $90 million in 2017, reflecting lower activity levels, the phasing of profit recognition on the Beatrice wind farm project, and delayed progress on the Borkum II project, offshore Germany, which was adversely impacted by unfavourable weather conditions.

## Asset Development and Activities

### Vessel Utilisation
Total Vessel Utilisation for the quarter was 70% compared with 55% in Q4 2017. Active Vessel Utilisation, which excludes stacked vessel days, was 75% compared to 62% in Q4 2017.

At 31 December 2018 there were 33 vessels in the total fleet, comprising 30 active vessels, two stacked vessels and one vessel under construction.

### Asset Development
During the quarter construction continued on the Group's new reel-lay vessel, which will be named *Seven Vega*.

## Backlog

At 31 December 2018 backlog was $4.9 billion, a decrease of $0.2 billion compared with 30 September 2018. Order intake, including escalations, totalling $0.9 billion was recorded in the quarter, this included the de-recognition of approximately $110 million related to the Fortuna project, offshore Equatorial Guinea, following its cancellation. Unfavourable foreign exchange movements of approximately $60 million were recognised during the quarter. New awards included the Manuel project, in the US Gulf of Mexico, the Jubilee Turrett project, offshore Ghana, the Shearwater project, offshore UK and the Yunlin wind farm project, offshore Taiwan.

$4.0 billion of the backlog at 31 December 2018 related to the SURF and Conventional business unit (which included $0.9 billion related to long-term day-rate contracts for PLSV's in Brazil), $0.5 billion related to the Life of Field business unit and $0.4 billion related to the Renewables and Heavy Lifting business unit. $2.8 billion of this backlog is expected to be executed in 2019, $1.5 billion in 2020 and $0.6m billion in 2021 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

## Risks and uncertainties

The principal risks and uncertainties which could materially adversely impact the Group's reputation, operations and/or financial performance and position are noted on pages 20 to 26 of Subsea 7 S.A.'s Annual Report and Consolidated Financial Statements 2017. The Executive Management Team has considered these principal risks and uncertainties and concluded that these have not changed significantly in the year ended 31 December 2018.

During 2018, the Group completed a business combination with the aim of strengthening its presence in the renewables sector. The acquisition of two vessels and certain businesses expands the Group's existing service offering within this sector. Diversification of service offerings and expansion into new geographical markets could increase the Group's exposure to risk. The Executive Management Team has considered the impact that this acquisition has had on the Group's exposure to risks and uncertainties and, with the approval of the Board of Directors, has taken actions to measure, monitor or mitigate these risks and the potential impact that they may have on the financial performance of the Group.

## Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the year ended 31 December 2018 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group taken as a whole. We also confirm that, to the best of our knowledge, this report together with the Subsea 7 S.A. Annual Report and Consolidated Financial Statements 2017 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.

## Subsea 7 S.A.
### Condensed Consolidated Income Statement

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| (in $ millions) | **31 Dec 2018 Unaudited** | 31 Dec 2017 Unaudited | **31 Dec 2018 Audited** | 31 Dec 2017 Audited |
| Revenue | **1,022.7** | 1,002.6 | **4,073.8** | 3,985.6 |
| Operating expenses | **(918.9)** | (889.1) | **(3,585.3)** | (3,118.4) |
| **Gross profit** | **103.8** | 113.5 | **488.5** | 867.2 |
| Administrative expenses | **(81.7)** | (74.0) | **(285.7)** | (243.8) |
| Share of net income of associates and joint ventures | **1.1** | (11.3) | **(2.8)** | (42.7) |
| **Net operating income** | **23.2** | 28.2 | **200.0** | 580.7 |
| Finance income | **3.6** | 7.7 | **16.1** | 24.6 |
| Remeasurement (loss)/gain on business combination | **–** | (17.3) | **–** | 25.0 |
| Other gains and losses | **11.3** | 6.4 | **14.1** | (54.8) |
| Finance costs | **(3.3)** | (5.8) | **(13.9)** | (21.0) |
| **Income before taxes** | **34.8** | 19.2 | **216.3** | 554.5 |
| Taxation | **(2.8)** | 32.1 | **(51.8)** | (99.9) |
| **Net income** | **32.0** | 51.3 | **164.5** | 454.6 |
| | | | | |
| **Net income attributable to:** | | | | |
| Shareholders of the parent company | **38.0** | 56.6 | **182.5** | 454.8 |
| Non-controlling interests | **(6.0)** | (5.3) | **(18.0)** | (0.2) |
| | **32.0** | 51.3 | **164.5** | 454.6 |

| Earnings per share | **$ per share** | $ per share | **$ per share** | $ per share |
|---|---|---|---|---|
| Basic | **0.12** | 0.17 | **0.56** | 1.39 |
| Diluted[a] | **0.12** | 0.17 | **0.56** | 1.36 |

(a) For the explanation and a reconciliation of diluted earnings per share refer to Note 7 'Earnings per share' to the Condensed Consolidated Financial Statements.

## Subsea 7 S.A.
### Condensed Consolidated Statement of Comprehensive Income

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| (in $ millions) | **31 Dec 2018 Unaudited** | 31 Dec 2017 Unaudited | **31 Dec 2018 Audited** | 31 Dec 2017 Audited |
| **Net income** | **32.0** | 51.3 | **164.5** | 454.6 |
| **Other comprehensive (loss)/income** | | | | |
| *Items that may be reclassified to the income statement in subsequent periods:* | | | | |
| Foreign currency translation | **(55.7)** | (18.0) | **(96.9)** | 124.9 |
| Share of other comprehensive income of associates and joint ventures | **–** | – | **–** | 0.5 |
| Reclassification adjustments relating to business combination | **–** | – | **–** | 9.0 |
| Tax relating to components of other comprehensive income which may be reclassified | **1.9** | 1.2 | **1.1** | (0.5) |
| *Items that will not be reclassified to the income statement in subsequent periods:* | | | | |
| Remeasurement gains of defined benefit pension schemes | **3.0** | 0.4 | **3.0** | 0.4 |
| **Other comprehensive (loss)/income** | **(50.8)** | (16.4) | **(92.8)** | 134.3 |
| **Total comprehensive (loss)/ income** | **(18.8)** | 34.9 | **71.7** | 588.9 |
| **Total comprehensive (loss)/ income attributable to:** | | | | |
| Shareholders of the parent company | **(12.0)** | 40.1 | **90.6** | 589.5 |
| Non-controlling interests | **(6.8)** | (5.2) | **(18.9)** | (0.6) |
| | **(18.8)** | 34.9 | **71.7** | 588.9 |

## Subsea 7 S.A.
### Condensed Consolidated Balance Sheet

| As at (in $ millions) | 31 Dec 2018 Audited | 31 Dec 2017 Audited |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Goodwill | **751.3** | 700.8 |
| Intangible assets | **31.9** | 81.0 |
| Property, plant and equipment | **4,568.9** | 4,688.1 |
| Interest in associates and joint ventures | **45.2** | 28.7 |
| Advances and receivables | **38.4** | 35.2 |
| Derivative financial instruments | **0.7** | 5.8 |
| Other financial assets | **7.2** | 5.5 |
| Retirement benefit assets | **0.1** | – |
| Deferred tax assets | **28.9** | 17.2 |
| | **5,472.6** | 5,562.3 |
| **Current assets** | | |
| Inventories | **32.0** | 36.7 |
| Trade and other receivables | **607.9** | 497.3 |
| Derivative financial instruments | **10.5** | 36.9 |
| Other financial assets | **15.9** | – |
| Assets classified as held for sale | **0.4** | 0.7 |
| Construction contracts – assets | **494.9** | 319.1 |
| Other accrued income and prepaid expenses | **165.7** | 176.3 |
| Restricted cash | **4.1** | 6.3 |
| Cash and cash equivalents | **764.9** | 1,109.1 |
| | **2,096.3** | 2,182.4 |
| **Total assets** | **7,568.9** | 7,744.7 |
| **Equity** | | |
| Issued share capital | **654.7** | 654.7 |
| Treasury shares | **(95.0)** | (19.7) |
| Paid in surplus | **2,826.6** | 3,033.7 |
| Translation reserve | **(618.4)** | (523.6) |
| Other reserves | **(26.3)** | (29.3) |
| Retained earnings | **2,941.8** | 2,776.8 |
| **Equity attributable to shareholders of the parent company** | **5,683.4** | 5,892.6 |
| Non-controlling interests | **38.4** | 48.4 |
| **Total equity** | **5,721.8** | 5,941.0 |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Non-current portion of borrowings | **233.6** | 258.2 |
| Retirement benefit obligations | **30.9** | 30.9 |
| Deferred tax liabilities | **39.5** | 78.4 |
| Provisions | **98.7** | 67.6 |
| Contingent liability recognised | **6.0** | 7.8 |
| Derivative financial instruments | **3.0** | 0.5 |
| Other non-current liabilities | **34.6** | 49.9 |
| | **446.3** | 493.3 |
| **Current liabilities** | | |
| Trade and other liabilities | **978.1** | 892.9 |
| Derivative financial instruments | **4.1** | 24.3 |
| Current tax liabilities | **103.4** | 87.7 |
| Current portion of borrowings | **24.6** | 24.5 |
| Provisions | **117.4** | 76.8 |
| Construction contracts – liabilities | **167.8** | 200.0 |
| Deferred revenue | **5.4** | 4.2 |
| | **1,400.8** | 1,310.4 |
| **Total liabilities** | **1,847.1** | 1,803.7 |
| **Total equity and liabilities** | **7,568.9** | 7,744.7 |

**Subsea 7 S.A.**
**Condensed Consolidated Statement of Changes in Equity**
For the year ended 31 December 2018

| Audited (in $ millions) | Issued share capital | Treasury shares | Paid in surplus | Translation reserve | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2017** | **654.7** | **(19.7)** | **3,033.7** | **(523.6)** | **(29.3)** | **2,776.8** | **5,892.6** | **48.4** | **5,941.0** |
| Adjustment on implementation of IFRS 9 and IFRS 15 | – | – | – | – | – | 1.0 | 1.0 | – | 1.0 |
| **Balance at 1 January 2018** | **654.7** | **(19.7)** | **3,033.7** | **(523.6)** | **(29.3)** | **2,777.8** | **5,893.6** | **48.4** | **5,942.0** |
| **Comprehensive income/(loss)** | | | | | | | | | |
| Net income/(loss) | – | – | – | – | – | 182.5 | 182.5 | (18.0) | 164.5 |
| Foreign currency translation | – | – | – | (95.9) | – | (0.1) | (96.0) | (0.9) | (96.9) |
| Remeasurement gains on defined benefit pension schemes | – | – | – | – | 3.0 | – | 3.0 | – | 3.0 |
| Tax relating to components of other comprehensive income | – | – | – | 1.1 | – | – | 1.1 | – | 1.1 |
| **Total comprehensive income/(loss)** | **–** | **–** | **–** | **(94.8)** | **3.0** | **182.4** | **90.6** | **(18.9)** | **71.7** |
| **Transactions with owners** | | | | | | | | | |
| Shares repurchased | – | (92.9) | – | – | – | – | (92.9) | – | (92.9) |
| Dividend declared and paid | – | – | (204.3) | – | – | – | (204.3) | – | (204.3) |
| Share-based payments | – | – | 4.9 | – | – | – | 4.9 | – | 4.9 |
| Vesting of share-based payments | – | – | (7.7) | – | – | 7.7 | – | – | – |
| Shares reallocated relating to share-based payments | – | 17.6 | – | – | – | – | 17.6 | – | 17.6 |
| Loss on reissuance of treasury shares | – | – | – | – | – | (17.2) | (17.2) | – | (17.2) |
| Reclassification adjustment relating to non-controlling interest | – | – | – | – | – | (8.9) | (8.9) | 8.9 | – |
| **Total transactions with owners** | **–** | **(75.3)** | **(207.1)** | **–** | **–** | **(18.4)** | **(300.8)** | **8.9** | **(291.9)** |
| **Balance at 31 December 2018** | **654.7** | **(95.0)** | **2,826.6** | **(618.4)** | **(26.3)** | **2,941.8** | **5,683.4** | **38.4** | **5,721.8** |

**Subsea 7 S.A.**
**Condensed Consolidated Statement of Changes in Equity**
For the year ended 31 December 2017

| Audited (in $ millions) | Issued share capital | Treasury shares | Paid in surplus | Equity reserves | Translation reserve | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2017** | **654.7** | **(31.5)** | **3,227.5** | **50.2** | **(689.1)** | **(40.2)** | **2,411.9** | **5,583.5** | **(46.9)** | **5,536.6** |
| **Comprehensive income/(loss)** | | | | | | | | | | |
| Net income/(loss) | – | – | – | – | – | – | 454.8 | 454.8 | (0.2) | 454.6 |
| Foreign currency translation | – | – | – | – | 125.3 | – | – | 125.3 | (0.4) | 124.9 |
| Share of other comprehensive income of associates and joint ventures | – | – | – | – | – | 0.5 | – | 0.5 | – | 0.5 |
| Remeasurement gains on defined benefit pension schemes | – | – | – | – | – | 0.4 | – | 0.4 | - | 0.4 |
| Reclassification adjustments relating to business combinations | – | – | – | – | 4.5 | 4.5 | – | 9.0 | – | 9.0 |
| Tax relating to components of other comprehensive income | – | – | – | – | (0.5) | – | – | (0.5) | – | (0.5) |
| **Total comprehensive income/(loss)** | **–** | **–** | **–** | **–** | **129.3** | **5.4** | **454.8** | **589.5** | **(0.6)** | **588.9** |
| **Transactions with owners** | | | | | | | | | | |
| Dividend declared | – | – | (191.1) | – | – | – | – | (191.1) | – | (191.1) |
| Equity component of convertible bonds | – | – | – | (50.2) | – | – | 50.1 | (0.1) | – | (0.1) |
| Addition of non-controlling interest | – | – | – | – | – | – | – | – | 0.2 | 0.2 |
| Share-based payments | – | – | 6.0 | – | – | – | – | 6.0 | – | 6.0 |
| Vesting of share-based payments | – | – | (8.7) | – | – | – | 8.7 | – | – | – |
| Shares reallocated relating to share-based payments | – | 11.8 | – | – | – | – | – | 11.8 | – | 11.8 |
| Loss on reissuance of treasury shares | – | – | – | – | – | – | (11.3) | (11.3) | – | (11.3) |
| Reclassification adjustment relating to business combination | – | – | – | – | – | 5.5 | (5.5) | – | – | – |
| Reclassification of non-controlling interest | – | – | – | – | 36.2 | – | (131.9) | (95.7) | 95.7 | – |
| **Total transactions with owners** | **–** | **11.8** | **(193.8)** | **(50.2)** | **36.2** | **5.5** | **(89.9)** | **(280.4)** | **95.9** | **(184.5)** |
| **Balance at 31 December 2017** | **654.7** | **(19.7)** | **3,033.7** | **–** | **(523.6)** | **(29.3)** | **2,776.8** | **5,892.6** | **48.4** | **5,941.0** |

**Subsea 7 S.A.**
**Condensed Consolidated Cash Flow Statement**

| (in $ millions) | Year Ended 31 Dec 2018 Audited | 31 Dec 2017 Audited |
|---|---|---|
| **Net cash generated from operating activities** | **423.6** | 209.3 |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of property, plant and equipment | **11.1** | 0.8 |
| Purchases of property, plant and equipment | **(237.9)** | (146.7) |
| Purchases of intangible assets | **(6.1)** | (7.4) |
| Loans to third parties | **(4.2)** | (25.0) |
| Loan repayments from third parties | **–** | 25.0 |
| Loan repayments from joint venture | **0.2** | 1.1 |
| Loans to joint venture | **(2.4)** | (0.6) |
| Advances from joint venture | **–** | 10.0 |
| Investments in associates and joint ventures | **(1.8)** | – |
| Loans to non-controlling interests | **–** | (0.2) |
| Interest received | **16.1** | 24.6 |
| Dividends received from associates and joint ventures | **–** | 100.7 |
| Acquisition of businesses (net of cash and borrowings acquired) | **(161.3)** | (146.5) |
| Acquisition of interest in joint venture | **(18.9)** | – |
| Investment in financial assets | **(20.0)** | (5.5) |
| **Net cash used in investing activities** | **(425.2)** | (169.7) |
| **Cash flows from financing activities** | | |
| Interest paid | **(13.9)** | (15.9) |
| Proceeds from borrowings | **–** | 301.2 |
| Repayment of borrowings | **(24.6)** | (252.9) |
| Repayment of derivative financial instrument | **–** | (8.0) |
| Repurchase of convertible bonds | **–** | (77.3) |
| Redemption of convertible bonds | **–** | (358.0) |
| Proceeds from reallocation of ordinary shares | **0.4** | 0.5 |
| Cost of share repurchases | **(92.9)** | – |
| Dividends paid to equity shareholders of the parent company | **(204.3)** | (191.1) |
| Dividends paid to non-controlling interests | **–** | (0.5) |
| **Net cash used in financing activities** | **(335.3)** | (602.0) |
| Net decrease in cash and cash equivalents | **(336.9)** | (562.4) |
| Cash and cash equivalents at beginning of year | **1,109.1** | 1,676.4 |
| Decrease/(increase) in restricted cash | **2.2** | (6.3) |
| Effect of foreign exchange rate movements on cash and cash equivalents | **(9.5)** | 1.4 |
| **Cash and cash equivalents at end of year** | **764.9** | 1,109.1 |

## 1. General information

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and over-the-counter as American Depositary Receipts (ADRs) in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. The Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors on 27 February 2019.

## 2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2018 to 31 December 2018 for Subsea 7 S.A. have been prepared on a going concern basis and in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU).

The Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2017 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Condensed Consolidated Financial Statements are unaudited.

## 3. Accounting policies

### Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2017 except as detailed below.

The following International Financial Reporting Standards (IFRS) have been adopted by the Group for the financial year beginning 1 January 2018.

#### IFRS 9 'Financial Instruments'

IFRS 9 impacts the accounting for financial instruments in three areas; classification and measurement, hedge accounting and impairment.

Due to the nature of the financial instruments held by the Group, the change in classification and measurement requirements has not had a significant impact on the Group's Condensed Consolidated Financial Statements. The Group does not currently apply hedge accounting and as a result the new requirements are not applicable.

The implementation of IFRS 9 demands a change from an incurred loss impairment model to an expected credit loss (ECL) impairment model and requires the Group to record allowances against financial assets for expected credit losses. At implementation management performed an assessment to determine the impact and concluded that credit losses are expected to be insignificant due to the nature of the Group's clients and the services provided. During Q4 2018 management reassessed this position and decided to retrospectively recognise allowances for ECLs on implementation of IFRS 9 of $2.9 million. As management has elected not to restate comparative financial information, this adjustment has been recognised within opening retained earnings at 1 January 2018.

#### IFRS 15 'Revenue from Contracts with Customers'

The Group has adopted IFRS 15 using the modified retrospective approach for contracts not considered complete at the date of initial application. As a result, all lump-sum onerous contract provisions have been reassessed in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', having previously been governed by IAS 11 'Construction Contracts'.

The requirements of IAS 37 prescribe that an onerous contract provision must be calculated on a least net cost basis, which includes unavoidable costs only, and comparing these costs to the cost of cancelling a contract and incurring early termination charges. As a result of the reassessment and restatement of lump-sum onerous contract provisions the Group recognised an increase in retained earnings at 1 January 2018 of $3.9 million. In addition the onerous contract provision of $95.0 million, which at 31 December 2017 was included in the Consolidated Balance Sheet within 'Construction contract – liabilities', has been remeasured and reallocated to 'Provisions'. The (increase)/decrease on the Consolidated Balance Sheet as of 1 January 2018 was as follows:

| (in $ millions) | Retained earnings | Construction contracts – liabilities | Provisions |
|---|---|---|---|
| Onerous contract provisions | **(3.9)** | **95.0** | **(91.1)** |

As required by IAS 34 'Interim Financial Reporting', the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This is detailed within Note 6 'Segment information' to the Condensed Consolidated Financial Statements.

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in the Consolidated Financial Statements for the year ended 31 December 2017, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Management makes accounting judgements on the following aspects of the business as described in full in the audited Consolidated Financial Statements for the year ended 31 December 2017:

- Revenue recognition on long-term construction contracts
- Revenue recognition on variation orders and claims
- Allocation of goodwill to cash-generating units (CGUs)
- Goodwill carrying amount
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Taxation
- Measurement of other intangibles acquired on business combinations
- Measurement of contingent consideration on business combinations

## 5. Seasonality

A significant portion of the Group's revenue is generated from work performed offshore. During certain periods of the year, the Group may be affected by adverse weather conditions such as hurricanes, tropical storms and rough seas, which may cause delays. Periods of adverse weather conditions usually result in low levels of activity.

## 6. Segment information

For management and reporting purposes, the Group is organised into four business units: SURF and Conventional, Life of Field (formerly named i-Tech Services), Renewables and Heavy Lifting and Corporate. These operating segments are defined as follows:

### SURF and Conventional

The SURF and Conventional business unit includes:

- Subsea Umbilicals, Risers and Flowlines (SURF) activities related to the engineering, procurement, installation and commissioning of highly complex systems offshore, including the long-term PLSV contracts in Brazil; and
- Conventional services including the fabrication, installation, extension and refurbishment of fixed and floating platforms and associated pipelines in shallow water environments.

This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed on SURF and Conventional activities.

### Life of Field

The Life of Field (formerly named i-Tech Services) business unit includes activities associated with the provision of Inspection, Repair and Maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support. This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed on Life of Field activities. The Eidesvik Seven joint venture is reported within this segment.

### Renewables and Heavy Lifting

The Renewables and Heavy Lifting business unit includes activities related to three specialist segments of the offshore energy market: the installation of offshore wind farm foundations and inter-array cables, heavy lifting operations for oil and gas structures, and the decommissioning of redundant offshore structures. This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed on Renewables and Heavy Lifting activities. The results of Seaway Offshore Cables GmbH (formerly Siem Offshore Contractors GmbH) and its UK subsidiary are included within this business unit from the date of acquisition.

### Corporate

The Corporate business unit includes group-wide activities, and associated costs, including captive insurance activities, operational support, corporate services and costs associated with discrete events such as restructuring. A significant portion of the Corporate business unit's costs are allocated to the other operating segments based on a percentage of their external revenue.

Summarised financial information relating to each operating segment is as follows:

### For the three months ended 31 December 2018

| (in $ millions) Unaudited | SURF and Conventional | Life of Field | Renewables and Heavy Lifting | Corporate | Total |
|---|---|---|---|---|---|
| Revenue[(a)] | | | | | |
| Lump-sum projects | **734.8** | **–** | **82.3** | **–** | **817.1** |
| Day-rate projects | **137.7** | **67.5** | **0.1** | **0.3** | **205.6** |
| | **872.5** | **67.5** | **82.4** | **0.3** | **1,022.7** |
| Net operating income/(loss) | **63.7** | **(16.8)** | **(13.0)** | **(10.7)** | **23.2** |
| Finance income | | | | | **3.6** |
| Other gains and losses | | | | | **11.3** |
| Finance costs | | | | | **(3.3)** |
| Income before taxes | | | | | **34.8** |

(a) Revenue from contracts with customers recognised over time as defined by IFRS 15.

### For the three months ended 31 December 2017

| (in $ millions) Unaudited | SURF and Conventional | Life of Field | Renewables and Heavy Lifting | Corporate | Total |
|---|---|---|---|---|---|
| Revenue[(b)] | 754.1 | 67.3 | 181.2 | – | 1,002.6 |
| Net operating income/(loss) | 34.4 | (5.0) | (3.3) | 2.1 | 28.2 |
| Finance income | | | | | 7.7 |
| Net remeasurement loss on business combination | | | | | (17.3) |
| Other gains and losses | | | | | 6.4 |
| Finance costs | | | | | (5.8) |
| Income before taxes | | | | | 19.2 |

(b) Revenue recognised in accordance with IAS 11 ' Construction contracts' or IAS 18 'Revenue' as appropriate.

### For the year ended 31 December 2018

| (in $ millions) Audited | SURF and Conventional | Life of Field | Renewables and Heavy Lifting | Corporate | Total |
|---|---|---|---|---|---|
| Revenue[(a)] | | | | | |
| Lump-sum projects | **2,527.7** | **2.4** | **663.4** | **–** | **3,193.5** |
| Day-rate projects | **636.6** | **242.8** | **0.6** | **0.3** | **880.3** |
| | **3,164.3** | **245.2** | **664.0** | **0.3** | **4,073.8** |
| Net operating income/(loss) | **230.7** | **(11.7)** | **3.9** | **(22.9)** | **200.0** |
| Finance income | | | | | **16.1** |
| Other gains and losses | | | | | **14.1** |
| Finance costs | | | | | **(13.9)** |
| Income before taxes | | | | | **216.3** |

(a) Revenue from contracts with customers recognised over time as defined by IFRS 15.

### For the year ended 31 December 2017

| (in $ millions) Audited | SURF and Conventional | Life of Field | Renewables and Heavy Lifting | Corporate | Total |
|---|---|---|---|---|---|
| Revenue[(b)] | 2,724.8 | 302.3 | 958.5 | – | 3,985.6 |
| Net operating income | 450.8 | 22.7 | 90.0 | 17.2 | 580.7 |
| Finance income | | | | | 24.6 |
| Net remeasurement gain on business combination | | | | | 25.0 |
| Other gains and losses | | | | | (54.8) |
| Finance costs | | | | | (21.0) |
| Income before taxes | | | | | 554.5 |

(b) Revenue recognised in accordance with IAS 11 ' Construction contracts' or IAS 18 'Revenue' as appropriate.

## 7. Earnings per share

### Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the parent company by the weighted average number of common shares in issue during the period, excluding common shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares.

The income and share data used in the calculation of basic and diluted earnings per share were as follows:

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| For the period (in $ millions) | **31 Dec 2018 Unaudited** | 31 Dec 2017 Unaudited | **31 Dec 2018 Audited** | 31 Dec 2017 Audited |
| Net income attributable to shareholders of the parent company | **38.0** | 56.6 | **182.5** | 454.8 |
| Interest on convertible bonds (net of amounts capitalised) | **–** | – | **–** | 4.7 |
| **Earnings used in the calculation of diluted earnings per share** | **38.0** | 56.6 | **182.5** | 459.5 |

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| For the period (number of shares) | **31 Dec 2018 Unaudited** | 31 Dec 2017 Unaudited | **31 Dec 2018 Audited** | 31 Dec 2017 Audited |
| Weighted average number of common shares used in the calculation of basic earnings per share | **323,617,437** | 327,123,211 | **325,484,782** | 326,013,650 |
| Convertible bonds | **–** | 579,178 | **–** | 10,748,457 |
| Share options and performance shares | **1,053,963** | 1,250,305 | **1,706,065** | 1,728,282 |
| **Weighted average number of common shares used in the calculation of diluted earnings per share** | **324,671,400** | 328,952,694 | **327,190,847** | 338,490,389 |

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| For the period (in $ per share) | **31 Dec 2018 Unaudited** | 31 Dec 2017 Unaudited | **31 Dec 2018 Audited** | 31 Dec 2017 Audited |
| Basic earnings per share | **0.12** | 0.17 | **0.56** | 1.39 |
| Diluted earnings per share | **0.12** | 0.17 | **0.56** | 1.36 |

The following shares that could potentially dilute earnings per share were excluded from the calculation of diluted earnings per share due to being anti-dilutive:

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| For the period (number of shares) | **31 Dec 2018 Unaudited** | 31 Dec 2017 Unaudited | **31 Dec 2018 Audited** | 31 Dec 2017 Audited |
| Share options and performance shares | **928,872** | 1,103,390 | **538,762** | 1,127,927 |

## 8. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation (‘Adjusted EBITDA’) is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group’s performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation costs, amortisation of prepaid mobilisation expenses and amortisation of intangible assets, impairment charges or impairment reversals, finance income, remeasurement gains and losses on business combinations, other gains and losses (including foreign exchange gains and losses, gains on disposal of subsidiaries, gains and losses resulting from remeasurement of contingent consideration, gains on distributions and bargain purchase gains on business combinations), finance costs and taxation. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.

The items excluded from Adjusted EBITDA represent items which are individually or collectively material but which are not considered representative of the performance of the business during the periods presented. Other gains and losses principally relate to disposals of investments, property, plant and equipment and net foreign exchange gains or losses. Impairments of assets represent the excess of the assets’ carrying amount over the amount that is expected to be recovered from their use in the future or their sale.

Adjusted EBITDA and Adjusted EBITDA margin are not recognised as a measurement of performance under IFRS as adopted by the EU. These measures exclude items that can have a significant effect on the Group’s income or loss and therefore should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with IFRS) as a measure of the Group’s operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group’s liquidity.

Management believes that Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the business. These non-IFRS measures provide management with a meaningful comparative for its business units, as they eliminate the effects of financing, depreciation and taxation. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea 7’s peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea 7’s industry. Adjusted EBITDA margin may also be a useful ratio to compare performance to its competitors and is widely used by shareholders and analysts following the Group’s performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

Reconciliation of net operating income to Adjusted EBITDA and Adjusted EBITDA margin:

| For the period (in $ millions) | Three Months Ended **31 Dec 2018 Unaudited** | 31 Dec 2017 Unaudited | Year Ended **31 Dec 2018 Audited** | 31 Dec 2017 Audited |
|---|---|---|---|---|
| Net operating income | **23.2** | 28.2 | **200.0** | 580.7 |
| Depreciation, amortisation and mobilisation | **101.5** | 116.4 | **430.0** | 422.3 |
| Impairment of property, plant and equipment | **12.9** | 31.5 | **13.4** | 31.5 |
| Impairment of intangible assets | **25.3** | – | **25.3** | – |
| Adjusted EBITDA | **162.9** | 176.1 | **668.7** | 1,034.5 |
| Revenue | **1,022.7** | 1,002.6 | **4,073.8** | 3,985.6 |
| Adjusted EBITDA margin | **15.9%** | 17.6% | **16.4%** | 25.9% |

Reconciliation of net income to Adjusted EBITDA and Adjusted EBITDA margin:

| For the period (in $ millions) | Three Months Ended **31 Dec 2018 Unaudited** | 31 Dec 2017 Unaudited | Year Ended **31 Dec 2018 Audited** | 31 Dec 2017 Audited |
|---|---|---|---|---|
| Net income | **32.0** | 51.3 | **164.5** | 454.6 |
| Depreciation, amortisation and mobilisation | **101.5** | 116.4 | **430.0** | 422.3 |
| Impairment of property, plant and equipment | **12.9** | 31.5 | **13.4** | 31.5 |
| Impairment of intangible assets | **25.3** | – | **25.3** | – |
| Remeasurement loss/(gain) on business combination | **–** | 17.3 | **–** | (25.0) |
| Finance income | **(3.6)** | (7.7) | **(16.1)** | (24.6) |
| Other gains and losses | **(11.3)** | (6.4) | **(14.1)** | 54.8 |
| Finance costs | **3.3** | 5.8 | **13.9** | 21.0 |
| Taxation | **2.8** | (32.1) | **51.8** | 99.9 |
| Adjusted EBITDA | **162.9** | 176.1 | **668.7** | 1,034.5 |
| Revenue | **1,022.7** | 1,002.6 | **4,073.8** | 3,985.6 |
| Adjusted EBITDA margin | **15.9%** | 17.6% | **16.4%** | 25.9% |

## 9. Goodwill

The movement in goodwill during the year was as follows:

| (in $ millions) | Year Ended **31 Dec 2018 Audited** | 31 Dec 2017 Audited |
|---|---|---|
| At year beginning | **700.8** | 627.7 |
| Adjustments to identifiable net assets at fair value subsequent to initial recognition | **2.4** | – |
| Acquired in business combination | **74.2** | 45.6 |
| Exchange differences | **(26.1)** | 27.5 |
| **At year end** | **751.3** | 700.8 |

## 10. Business combinations

### Acquisition of certain businesses and assets of Siem Offshore Inc.

On 10 April 2018, indirect subsidiaries of Subsea 7 S.A. acquired the entire share capital of Seaway Offshore Cables GmbH (formerly Siem Offshore Contractors GmbH), its UK subsidiary, the inter-array cable lay vessel, *Seaway Aimery* (formerly *Siem Aimery*), and the support vessel, *Seaway Moxie* (formerly *Siem Moxie*). Subsequent to initial recognition of provisional amounts in Q2 2018, retrospective adjustments to goodwill were made following completion of certain post-transaction procedures specified at the time of the business combination. A reconciliation of movements is as follows:

| (in $ millions) | |
|---|---|
| Provisional goodwill arising on business combination | **70.2** |
| Adjustments to identifiable net assets at fair value subsequent to initial recognition | **0.8** |
| Increase in contingent consideration subsequent to initial recognition | **4.6** |
| Exchange differences | **(1.4)** |
| **At 31 December 2018** | **74.2** |

For a further explanation and the related financial disclosures refer to Note 10 'Business combinations' within the Group's Condensed Consolidated Financial Statements for the quarter ended 30 June 2018 at www.subsea7.com.

## 11. Treasury shares

During the fourth quarter, 717,455 shares were used to satisfy share-based awards. At 31 December 2018, the Group directly held 8,240,024 shares (Q3 2018: 1,482,479) as treasury shares, representing 2.52% (Q3 2018: 0.45%) of the total number of issued shares.

## 12. Share repurchase programme

During the fourth quarter, 7,475,000 shares were repurchased for a total consideration of $84.1 million under the Group's $200 million share repurchase programme initiated in July 2014 and extended to 31 July 2019. At 31 December 2018, the Group had repurchased a cumulative 13,422,355 shares for a total consideration of $149.9 million under the July 2014 programme.

## 13. Commitments and contingent liabilities

### Commitments

At 31 December 2018, the Group had entered into significant contractual commitments totalling $207.1 million, mainly in relation to the construction of *Seven Vega*, a new reel-lay vessel and associated pipe-lay equipment.

### Contingent liabilities not recognised in the Consolidated Balance Sheet

The Group is subject to tax audits and receives tax assessments in a number of jurisdictions where it has, or has had, operations. The estimation of the ultimate outcome of these audits and disputed tax assessments is complex and subjective. The likely outcome of the audits and associated cash outflow, if any, may be impacted by technical uncertainty and the availability of supporting documentation.

One of the amounts contested by the Group is in respect of an audit by Rivers State, Nigeria into the Group's Nigerian operations in the years 2010 to 2014, with particular regard to payroll taxes for offshore personnel. At 31 December 2018, there was a contingent liability relating to assessments received from Rivers State in respect of such personnel, which totalled NGN 34,190 million, equivalent to $94.2 million (31 December 2017: $95.0 million). The Group has challenged the assessments and is currently involved in court proceedings in Nigeria to release assets sequestered by Rivers State authorities in respect of one of the assessments totalling NGN 3,352 million, or $9.2 million.

Between 2009 and 2018, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 31 December 2018 amounted to BRL 750.7 million, equivalent to $192.6 million (2017: BRL 703.3 million, equivalent to $213.7 million). The Group has challenged these assessments. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met however the Group does not believe that the likelihood of payment is probable.

At 31 December 2018 the Group's Brazilian business received a number of labour and civil tax claims. The amount assessed at 31 December 2018 amounted to BRL 136.4 million, equivalent to $35.0 million (2017: BRL 50.9 million, equivalent to $15.5 million.) The Group has challenged these claims. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met however the Group does not believe that the likelihood of payment is probable.

### Contingent liabilities recognised in the Consolidated Balance Sheet

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 'Business combinations' required the Group to recognise as a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. The value of the provision recognised within the Consolidated Balance Sheet at 31 December 2018 was $4.1 million (31 December 2017: $4.9 million). While complying with the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, IFRS 3 'Business combinations' required the Group to recognise a provision in respect of contingent consideration payable to a third party following the acquisition of intangible assets in 2009. The value of the provision recognised within the Consolidated Balance Sheet at 31 December 2018 was $1.9 million (31 December 2017: $2.9 million).

## 14. Cash flow from operating activities

| For the year ended (in $ millions) | Year Ended 31 Dec 2018 Audited | 31 Dec 2017 Audited |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Income before taxes | **216.3** | 554.5 |
| Adjustments for non-cash items: | | |
| Depreciation of property, plant and equipment | **389.6** | 388.5 |
| Impairment of property, plant and equipment | **13.4** | 31.5 |
| Impairment of intangible assets | **25.3** | – |
| Amortisation of intangible assets | **30.8** | 26.4 |
| Loss on other financial assets measured at fair value through profit or loss | **4.0** | – |
| Amortisation of mobilisation costs | **9.6** | 7.4 |
| Adjustments for investing and financing items: | | |
| Remeasurement gain on business combination | **–** | (25.0) |
| Net bargain purchase gain on business combination | **–** | (3.4) |
| Share of net income of associates and joint ventures | **2.8** | 42.7 |
| Finance income | **(16.1)** | (24.6) |
| Net gain on disposal of property, plant and equipment | **(5.8)** | (0.5) |
| Net loss on repurchase of convertible bonds and settlement or borrowings | **–** | 2.4 |
| Finance costs | **13.9** | 21.0 |
| Adjustments for equity items: | | |
| Reclassification adjustments relating to foreign subsidiaries disposed of in the year | **–** | 7.4 |
| Share-based payments | **4.9** | 6.0 |
| | **688.7** | 1,034.3 |
| **Changes in operating assets and liabilities:** | | |
| Decrease in inventories | **4.7** | 7.4 |
| Increase in operating receivables | **(309.1)** | (176.8) |
| Increase/(decrease) in operating liabilities | **137.6** | (554.4) |
| | **(166.8)** | (723.8) |
| Income taxes paid | **(98.3)** | (101.2) |
| **Net cash generated from operating activities** | **423.6** | 209.3 |

## 15. Fair value and financial instruments

The carrying values of the Group's financial assets and financial liabilities recorded at amortised cost in the Condensed Consolidated Financial Statements approximate their fair values.

### Borrowings – senior secured facility

The fair value of the senior secured facility is determined by matching the maturity profile of the amounts utilised under the facility to market interest rates available to the Group for borrowings with similar security, maturity and repayment profiles. At 31 December 2018 interest charged under the facility is representative of market rates currently available to the Group and therefore the carrying amount approximates fair value.

### Fair value measurements

#### Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

#### Recurring and non-recurring fair value measurements

Recurring fair value measurements are those that IFRSs require at the end of each reporting period and non-recurring fair value measurements are those that IFRSs require or permit in particular circumstances.

Assets and liabilities which are measured at fair value in the Condensed Consolidated Balance Sheet and their level in the fair value hierarchy were as follows:

| As at (in $ millions) | **2018 31 Dec Level 1** | **2018 31 Dec Level 2** | 2018 31 Dec Level 3 | 2017 31 Dec Level 1 | 2017 31 Dec Level 2 | 2017 31 Dec Level 3 |
|---|---|---|---|---|---|---|
| **Recurring fair value measurements** | | | | | | |
| Financial assets measured at fair value through profit or loss: | | | | | | |
| Derivative instruments | **–** | **11.2** | **–** | – | 42.7 | – |
| Other financial assets | **15.9** | **–** | **–** | – | – | – |
| Financial liabilities measured at fair value through profit or loss: | | | | | | |
| Derivative instruments | **–** | **(7.1)** | **–** | – | (24.8) | – |
| Contingent consideration | **–** | **–** | **(47.7)** | – | – | (20.0) |

During the period ended 31 December 2018 there were no transfers between levels of the fair value hierarchy. The Group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

### Fair value techniques and inputs

#### Financial assets and liabilities mandatorily measured at fair value through profit or loss

The Group's financial assets and liabilities at fair value through profit or loss comprised:

- Forward foreign exchange contracts and embedded derivatives
  The fair value of outstanding forward foreign exchange contracts and embedded derivatives was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Other financial assets
  Other financial assets comprise investments in equity securities. Fair value was determined using quoted prices.
- Contingent consideration
  The fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones and calculated using the discounted cash flow method and unobservable inputs. The movement in contingent consideration during the year relates principally to the acquisition of Seaway Offshore Cables GmbH and finalisation of detailed long-term forecasts for market activity including the assumed probability of the achievement of installation targets, technical milestones and vessel days.

#### Financial assets measured at fair value through other comprehensive income and designated as such at initial recognition

The Group's financial assets and liabilities measured at fair value through other comprehensive income and designated as such at initial recognition comprised:

#### Financial investments

At 31 December 2018, the Group had investments in unlisted companies which are disclosed as other financial assets within Non-current assets on the Consolidated Balance Sheet. The Group has concluded that due to their nature, in the case of each investment, there are a wide range of possible fair value measurements with insufficient recent information available to accurately measure fair value. As a result, at 31 December 2018, the investments continue to be carried at cost of $7.2 million as, in each case, cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes.

## 16. Impact of implementation of IFRS 16 'Leases'

With effect from 1 January 2019 the Group will be implementing IFRS 16 'Leases' on a modified retrospective basis. The requirements of IFRS 16 will be applied to all leases except for those with low value assets or with lease terms of 12 months or less. With the exception of changes in classification, IFRS 16 will have no impact on the Group's reported cash flows. Net income will be unaffected, except for adverse phasing of finance costs recognised in 2019, which will reverse in subsequent years.

On 1 January 2019, the Group recognised right-of-use assets of $351 million, net of impairments related to onerous leases of $6 million, within non-current assets. In addition, on 1January the Group recognised lease liabilities, primarily within non-current liabilities, of $357 million. Right-of-use assets will be amortised on a straight-line basis over the remaining term of each individual lease and lease liabilities will be adjusted for interest payable and instalment payments.

An estimate of the impact of IFRS 16 on the Group's income statement has been performed based on current and forecast lease commitments. It is expected that IFRS 16 will have a significant impact on the Group's reported Adjusted EBITDA and amortisation charge. The estimated impact of implementing IFRS 16 on the Group's 2019 financial results will be to increase net operating income by between $10 million and $15 million, increase Adjusted EBITDA by between $100 million and $110 million and increase finance costs by between $10 million and $15 million. Net operating income will be favourably impacted by approximately $10 million and income before tax will be adversely impacted by up to $5 million, with this adverse impact reversing in subsequent years.

## 17. Post balance sheet events

### Dividend

The Board of Directors will recommend to the shareholders at the Annual General Meeting on 17 April 2019 that a special dividend of NOK 1.50 per share be paid, equivalent to a total dividend of approximately $55 million, rebalancing cash returns to favour share repurchases.

### Share repurchases

On 19 February 2019 the Group completed its $200 million share repurchase programme, initiated in July 2014. Between 1 January 2019 and 19 February 2019 the Group repurchased 4,541,000 shares for a consideration of $49.8 million. On 27 February 2019, in light of the Group's solid financial and liquidity position and improving market outlook, the Board of Directors authorised a new share repurchase programme of up to $200 million over two years. The repurchased shares will be held in treasury by the Group.