subsea 7

DELIVERING SUSTAINABLE VALUE ACROSS THE ENERGY LIFECYCLE

SUBSEA 7 S.A.
ANNUAL REPORT 2020

subsea 7

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2020 FINANCIAL PERFORMANCE

REVENUE

$3,466M

(2019: $3,657m)

ADJUSTED EBITDA

$337M

(2019: $631m)

CASH AND CASH EQUIVALENTS

$512M

(2019: $398m)

DIVIDENDS AND SHARE REPURCHASES

$10M

(2019: $304m)

NET INCOME/(LOSS)

$(1.1)BN

(2019: $(82)m)

DILUTED EARNINGS PER SHARE

$(3.67)

(2019: $(0.27))

BACKLOG

$6.2BN

(2019: $5.2bn)

ORDER INTAKE

$4.4BN

(2019: $3.9bn)

VISION

To **lead the way** in the **delivery** of **offshore projects** and **services** for the **energy industry**

Discover online how we are fulfilling our vision. Visit www.subsea7.com

STRATEGY

In an **evolving energy** sector, we create **sustainable value** by being the **industry's partner** and **employer of choice** in delivering the **efficient** offshore solutions the **world needs**

Information on our strategic priorities and progress is set out on pages 14 to 17

SUBSEA FIELD OF THE FUTURE – SYSTEMS & DELIVERY

ENERGY TRANSITION – PROACTIVE PARTICIPATION

DIFFERENTIATORS

Culture **Creativity** **Relationships** **Reliability** **Solutions**

Learn more about what differentiates our approach to business on page 7

VALUES

Safety **Integrity** **Sustainability** **Performance** **Collaboration** **Innovation**

Understand how our Values help drive our performance on page 3

STAKEHOLDERS

Delivering **sustainable value for our stakeholders**

See how we create better outcomes for our stakeholders on pages 8 and 9

DELIVERING FOR OUR STAKEHOLDERS

"Drawing on our Values, we have navigated the challenges society faced in 2020 while retaining our leadership in providing optimised solutions for the offshore energy industry."

KRISTIAN SIEM
Chairman

Subsea 7's robust financial performance in a very challenging year is testament to the dedication and flexibility of our people, as well as the collaborative and effective relationships we have with our clients. Together we continue to navigate the extra demands placed upon us all by the Covid-19 pandemic as we deliver world-class projects in both the oil and gas and offshore wind industries.

TO THE SHAREHOLDERS OF SUBSEA 7 S.A.

Subsea 7's results for 2020 reflect an exceptionally challenging backdrop for the industry, society in general, and the global economy brought on by the Covid-19 pandemic and the associated reduction in demand for oil and gas. Group revenue decreased 5% to $3.5 billion mainly due to reduced activity in SURF and Conventional following the collapse of the price of oil in March. Renewables and Heavy Lifting revenue increased nearly threefold driven predominantly by work in Europe.

Group Adjusted EBITDA of $337 million after restructuring charges of $86 million and net Covid-19 costs of approximately $70 million resulted in a margin of 10%. As with many companies in the sector, the Group's results were impacted by $323 million in asset write-downs and $605 million in goodwill impairment, which gave rise to a diluted loss per share of $3.67.

Decisive action to address a rapid change in environment

The year began on an optimistic note with the prospect of an improvement in the activity levels and pricing dynamics of certain key markets. However, the rapid spread of Covid-19 across the globe dramatically changed the outlook for global energy demand and the offshore oil and gas industry.

In response, management reacted quickly and decisively to address the deterioration in the operating environment through a cost reduction plan that will safeguard our oil and gas business, while enabling us to support growth in our Renewables business. These measures allow Subsea 7 to reduce capacity while retaining core expertise and competencies, giving us the flexibility to adapt as the oil and gas market begins to recover.

A clear strategy targeting optimised returns

During 2020, Subsea 7 continued to develop its strategy to be a partner of choice for clients in both the oil and gas and offshore wind industries.

In oil and gas, our vision is built upon the principle that through early engagement and partnership, and the use of innovative systems and products, we can deliver cost-effective offshore projects that meet the investment criteria and environmental goals of our clients.

Our engineering teams continue to deliver solutions that create value for our clients and we are engaging with these clients to find ways to reduce the carbon footprint of their hydrocarbon developments. Our fleet of vessels is one of the youngest in the oil and gas industry. With the delivery of *Seven Vega*, it is now optimised for installation of our full range of subsea solutions and we are entering an era of harvesting with greater free cash generation and higher returns.

Our strategy to address the offshore wind market also strives to balance the ability to capture growth opportunities with the goal to maximise returns. The five vessels in our own Renewables fleet are key to delivery of projects as well as to managing the risks and challenges of the installation market. They underpin our differentiated offering in integrated foundations and inner-array cable solutions and position us for the larger EPCI projects that leverage our engineering, project management, risk evaluation and supply chain expertise.

Sustainability reinforces our Values driven culture

Since their introduction in 2012, Subsea 7's Values have provided a foundation for what our clients, our people, our shareholders and society can expect from us. These have been as important as ever in navigating a challenging year with integrity, and in ensuring the safety of our workforce around the world while we continue to deliver projects for clients.

In 2019, we introduced Sustainability as an additional Value focused on our environmental and societal behaviours, and in 2020 we established a new Executive Sustainability Committee. We have increased our active participation in ESG rankings, including CDP and the Dow Jones Sustainability Index. Our second Sustainability Report, published in conjunction with this Annual Report, improves the way we communicate the initiatives from across our Group. Our plans for the year ahead include further progress in the disclosure of our governance, strategy, and climate risk management as we increase our alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Financial strength and disciplined capital allocation

Despite the challenges of 2020, Subsea 7 created value for shareholders through a diversified approach to energy markets that enabled growth of our backlog, as well as through strong cash flow performance that further enhanced our balance sheet. This financial strength is essential to ensure that our oil and gas business remains competitive through the downturn, while also enabling us to capture growth opportunities that will help drive the success of the Group in the coming years.

Subsea 7's prudent approach to financial strength continues to be complemented by an ethos of strong capital stewardship. Our capital discipline is underscored by a commitment to shareholder returns that has seen nearly $2 billion distributed in the past decade. In early 2020, the Group repurchased 1.6 million shares for $10 million, but this share buyback programme was suspended in April 2020 when the macro-environment deteriorated.

Since then an improvement in commodity prices and greater visibility on the outlook for our businesses, combined with our strong balance sheet position, give the Board of Directors the confidence to recommend to shareholders that a special dividend be paid of NOK 2.00 per share, equivalent to approximately $70 million, in respect of 2020.

The Board

The Board was deeply saddened to learn of the sudden passing of Allen Stevens, Senior Independent Director, in January 2021. Allen joined the Board of Subsea 7 S.A. in 2011 and made an invaluable contribution to the Group. He will be greatly missed and we send our deepest condolences to Allen's family.

My thanks

On behalf of the Board I would like to thank all our people for the exceptional efforts and resilience that provided the foundation for delivering a solid operational performance during this unusual year. The organisation was tested during these difficult times and the response has been impressive.

I would also like to thank our alliance partners and clients for their continued collaboration as we work together to deliver projects despite the challenging operating environment.

Finally, I would like to thank our shareholders for their continued support and confidence as we look forward to a brighter future.

KRISTIAN SIEM
Chairman

OUR VALUES

Safety
Our goal is an incident-free workplace. We work every day, everywhere to make sure all our people are safe.

Performance
We are driven to achieve the outcomes our clients want. We are trusted to achieve superior performance from every project.

Integrity
We apply the highest ethical standards in everything we do. We treat clients, our people, partners and suppliers fairly and with respect.

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.

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.

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.

POSITIONED FOR THE FUTURE

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

JOHN EVANS
Chief Executive Officer

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

REFLECTING ON A CHALLENGING YEAR

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

When our clients began cutting their capital expenditure budgets in order to preserve their own balance sheets, we moved quickly to re-align the size of our resource base to reflect the new reality. Our cost reduction plan targets a $400 million annualised cash cost saving and is well-advanced with completion expected by the end of 2021. The decision to reduce our fleet by up to ten vessels and our headcount by up to 3,000 people was difficult but necessary, and was designed to protect our oil and gas business while retaining core skills and capabilities in order to leverage a future oil price recovery. Partly offsetting these cost reduction efforts and as a result of Covid-19, we incurred approximately $70 million incremental net costs related to logistical and operational inefficiencies such as social distancing at onshore bases, quarantining crews and problems with the international transit of vessels and people. This reduced our Adjusted EBITDA to $337 million, equating to a margin of 10%.

A STRATEGY TO UNDERPIN CONTINUED OUTPERFORMANCE

While 2020 was a challenging year for our operations, we continued to mature and develop our two-pronged strategy of Subsea Field of the Future – Systems and Delivery, and Energy Transition – Proactive Participation. This strategy is increasingly underpinned by a focus on sustainability and, in 2020, we continued to develop our plans to address our own environmental footprint, as well as those of our clients. Our progress is outlined in more detail in our second Sustainability Report, published in conjunction with this Annual Report.

Subsea Field of the Future – Systems and Delivery

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

1. OneSubsea® is the subsea technologies, production and processing systems division of Schlumberger

Energy Transition – Proactive Participation

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

Our Renewables business, with a track record of over ten years of delivering large, complex offshore wind projects, remains at the heart of our low-carbon strategy. Our backlog and tender pipeline continue to grow and diversify as the oil majors accelerate their drive towards sustainable energy sources, and as our European client base expands its reach to Asia and the US. Last year we made the decision to invest in the conversion of one of our pipelay support vessels for cable lay activities. *Seven Phoenix* is currently under conversion and will re-join the fleet in the first half of 2021. Alongside our existing offshore wind vessels it will be instrumental in executing the record level of orders we have in our Renewables backlog. We are also actively involved in the floating wind industry which is evolving rapidly from the conceptual stage and pilot developments, towards full-scale commercialisation. In tandem, we are seeing a greater appetite among our oil and gas clients for off-grid developments, designed to provide power and reduce the emissions of their offshore developments. Other initiatives within Energy Transition, such as carbon capture and hydrogen, are at an initial stage of development, but in 2020, Xodus has been increasingly active in client studies focussed on these emerging energy themes.

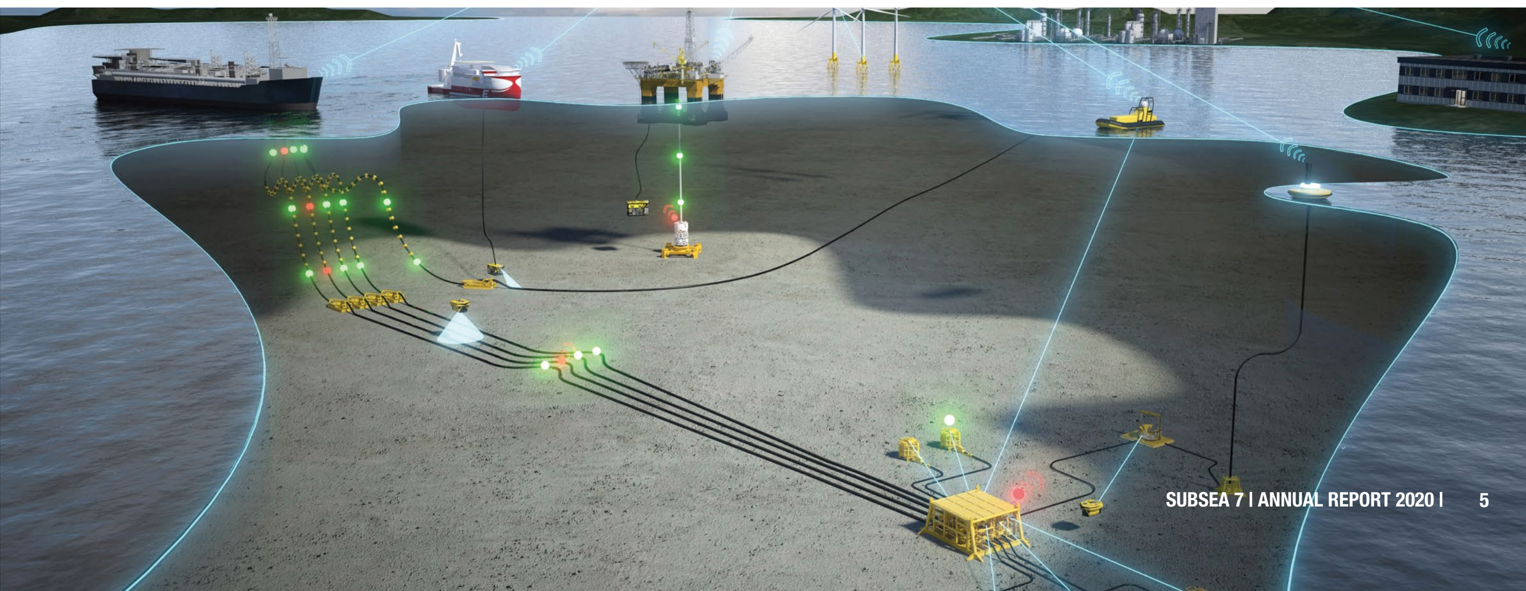
OUR STRATEGY

SUBSEA FIELD OF THE FUTURE – SYSTEMS AND DELIVERY

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

ENERGY TRANSITION – PROACTIVE PARTICIPATION

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



ORGANISATIONAL STREAMLINING

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

OUTLOOK

A solid foundation of financial strength

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

Activity in advantaged markets in oil and gas

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

Continued growth in Renewables

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

Guidance

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

JOHN EVANS
Chief Executive Officer

OUR DIFFERENTIATORS

We add value to our clients' businesses as we support them with cost-effective solutions enabled by technology

Culture

Global team with expertise, passion and commitment to deliver. Our Values are strongly embedded and underpin the behaviours and ways of working of our teams. Our people take great pride in living our Values and applying them consistently across our global operations.

Creativity

Ability to innovate through technology, processes and partnerships. We embrace new challenges, and apply our expertise and experience to generate technical, commercial and operational solutions, which benefit all our stakeholders.

Relationships

Working and learning together to achieve success for all. We have built long-standing client and supplier relationships through consistent high-quality delivery, transparency and adaptability. We respond to what our clients need to support them in creating long-term value.

Reliability

Trusted partner in delivering projects. We are proud of the execution track record that keeps our clients coming back, with over 1,000 projects successfully executed in all water depths worldwide. Our reliability is enhanced by our secure financial profile and liquidity position.

Solutions

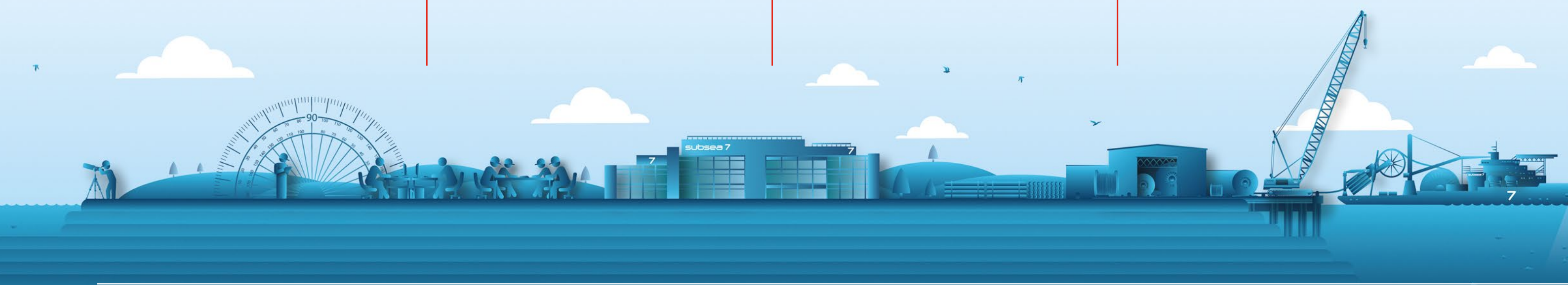
Client-focused mindset to create the right solution. Our clients rely on us to develop fit for purpose solutions that reliably meet project requirements. We deliver these solutions whether for complex programmes or for small, standardised projects or services.

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

FULL SERVICE ACROSS THE FIELD LIFECYCLE

Subsea 7 provides project management, engineering and construction expertise across the full field lifecycle. These services are delivered to clients in both the oil and gas and renewables sectors.

CONCEPT	DESIGN	ENGINEER	PROCURE AND FABRICATE



CONCEPT	DESIGN	ENGINEER	PROCURE AND FABRICATE
Input at the concept phase allows for optimisation of later cycle stages.	**Robust FEED ensuring minimal change and accurate forecasting during design.**	**Detailed engineering by experienced personnel to deliver the best solution.**	**Efficient procurement and high-quality fabrication delivered on time.**
What we do			
Being involved at the earliest stage of developments enables us to deliver maximum value, whether in oil and gas or offshore wind. The concept stage is key to lowering costs in the later lifecycle stages.	We deliver front-end engineering and design (FEED) for our clients. These services are essential in selecting the right solution to fully optimise the development.	Engineering is at the core of what we do. Detailed engineering involves taking the initial solutions developed in the concept and FEED stage and refining these for execution. For EPCI wind projects, our engineering teams support clients in their bids for offshore licences.	Our teams are able to execute the large EPCI projects in all our business units and in all geographies. The scale and global reach of our supply chain management differentiates us.
How we add value			
We incorporate new technologies, fit for purpose solutions and standardisation into the concept design to lower the total cost of development.	We work with our alliance and client partners to optimise solutions, align schedules and accurately forecast full lifecycle costs.	Our global teams of experts have a track record for designing the best solutions and executing them. This stems from our ability to solve problems and engineer solutions.	We have a clear understanding of the risks and opportunities that exist when working with a large, global supply chain network.

Creating better outcomes for our stakeholders

Our clients
Our collaborative way of working helps us to develop the best solutions for our clients' needs. We are able to lower our clients' costs by utilising our technology, our assets and efficient work processes. Our culture ensures good performance without compromising safety.

88

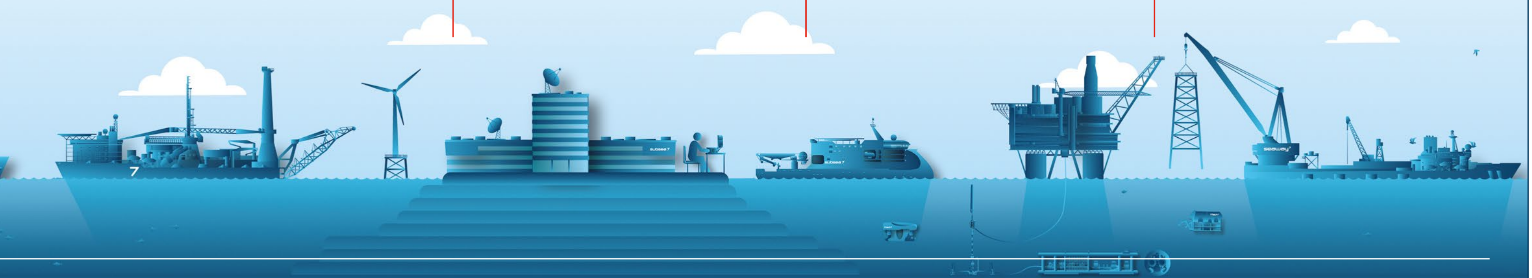
clients supported by Subsea 7 in 2020

Our shareholders
We seek to create long-term value for our shareholders in all that we do. We have the right solutions to maintain a market-leading position. We have a disciplined approach to capital allocation and a commitment to good governance. Through roadshows and conferences, we aim to communicate effectively with our shareholders.

430

attendees at Subsea 7's virtual Renewables Investor Event in September 2020

INSTALL AND COMMISSION	MAINTAIN	EXTEND	DECOMMISSION
Safe, on-schedule and cost-efficient installation by world-class vessels.	**Effective and responsive maintenance, reducing the cost of ownership.**	**Return on investment maximised by utilising new technologies to extend the life of the field development.**	**Facilitation of abandonment, decommissioning and re-use of infrastructure.**
We install and commission subsea infrastructure for hydrocarbon developments in all water depths. We install foundations and inner-array cables for fixed and floating wind farms.	We specialise in maintaining offshore infrastructure through use of our fleet of ROVs. Our digital products and services help optimise maintenance and reduce downtime and unplanned outages.	We have a growing portfolio of technologies that enable clients to extend the life of their assets through production enhancement as well as the tie-in of satellite reserves.	We have the capacity to undertake large-scale infrastructure abandonments in both oil and gas and wind markets.
Our fleet of high specification vessels allows us to install market-leading solutions. Our onshore and offshore experts have the experience to deliver these solutions safely and efficiently.	We incorporate our maintenance knowledge services into the design of the field, lowering the total cost of ownership for our clients.	Our technology portfolio offers a range of solutions for all field extension needs. We collaborate with partners across the supply chain to deliver these solutions.	We can manage all aspects of decommissioning projects including regulation, technology, environment, planning, execution and costs.



Our people
Our people are the foundation of our business. Our experts, onshore and offshore, can deliver solutions around the world, leading the industry in know-how and the ability to innovate. We invest in our people, giving them opportunities to learn and grow.

22,000
digital learning courses completed by our employees in 2020

Society
We engage with the societies we work in. Through local partnerships we create and develop local content opportunities, and contribute to the communities in which we work. With Integrity as a Value we have a zero tolerance attitude towards non-compliant business practices.

38
community assistance events delivered in 2020

UNDERSTANDING OUR OPERATING ENVIRONMENT

Subsea 7 is a global leader in the offshore energy industry, delivering engineering and project management services for oil and gas and offshore wind farm developments.

OIL AND GAS MARKET REVIEW

Last year saw the return of elevated oil price volatility sparked by the emergence of the Covid-19 pandemic. Having started 2020 at $65 per barrel, the price of Brent began to weaken in January, driven by concerns about the impact of the virus on Asian economic growth and the implications for global oil demand. When China banned travel from Wuhan and the first case of Covid-19 was registered in Singapore, the oil price fell to $50 per barrel. However, by late March Covid-19's spread across the world had led to extensive national lock-downs and the prospect of a reduction in daily oil demand of up to 30 million barrels. OPEC's initial inaction in curtailing oil supply to address this imbalance led to suggestions of a new price war and, as concerns mounted that global storage capacity would soon be exhausted, the price of oil collapsed to below $20 per barrel, a level not realised in over 20 years. In April, OPEC and its allies agreed to cut global supply by 10%, equivalent to 9.7 million barrels a day, and US production also began to fall. The resulting improvement in the balance of oil supply and demand, combined with a relaxation of Covid-19 restrictions and progress in developing various vaccines, saw oil prices recover to around $40 per barrel by June and trade between approximately $40 to $50 per barrel for the remainder of the year. Global spot gas prices were similarly weak for most of 2020 driven by strong LNG supply growth, high storage levels, limited scope for coal-to-gas switching and depressed demand. Global prices fell below $2 per million BTU during the summer season, driving shut-ins of some LNG supply. As Covid-19 restrictions eased, prices began to recover and were boosted by the onset of colder weather in the northern hemisphere and some LNG supply outages.

As a result of the downturn in commodity prices as well as disruption caused by Covid-19 restrictions, the market for SURF and Conventional services reduced significantly during 2020. The early part of the year had seen some large greenfield project sanctions as well as brownfield awards in West Africa, the Gulf of Mexico and the North Sea, but there was a rapid fall in tendering activity during the second quarter as major oil companies cut their capital expenditure budgets by up to 30% in order to preserve cash and protect their balance sheets. While the industry honoured existing contracts, in some regions, particularly the Middle East, activity levels were curtailed significantly by Covid-19 restrictions.

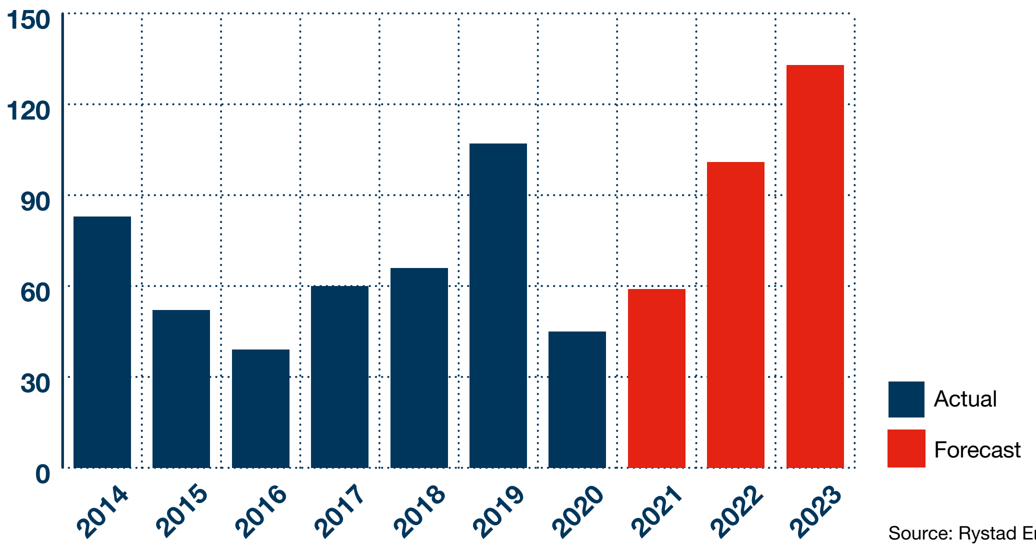
Certain pockets of tendering activity persisted despite the challenges, including Brazil, where world-class developments have low oil price breakevens, and the Gulf of Mexico, where satellite reserves can be tied back to existing infrastructure for a relatively low cost. In Norway the introduction of additional tax relief for projects sanctioned before the end of 2022 fuelled an increase in demand for engineering studies that is expected to lead to an improvement in order flow from 2022.

In all geographies and markets, early engagement, partnerships and integrated solutions remain key to unlocking opportunities in a low oil price environment. These capabilities gained traction during the previous downturn and are designed to optimise field developments, providing the operator with the best economic outcome.

Overall, the market for SURF and Conventional activity is expected to remain subdued in the near term, and competition among Subsea 7 and its peers is likely to keep pricing at depressed levels.

OFFSHORE GREENFIELD CAPEX BY COMMITMENT YEAR

USD billion



Source: Rystad Energy, January 2021

COVID-19 MARKET IMPACT

Like most businesses around the world, Subsea 7's operations were adversely impacted by the Covid-19 pandemic. As always, the safety and wellbeing of our people were the Group's top priorities and we reacted swiftly to implement new ways of working to accommodate the logistical and operational challenges. Most of our vessel crews moved to extended offshore rotations with strict quarantine and testing regimes, while our operational bases and fabrication sites adapted plant layouts and working practices to meet local regulations for social distancing. These precautions came at a financial cost but we continued to deliver projects and support our clients throughout the year while safeguarding the health and safety of our people.

The outlook for the second half of 2021 and beyond is more positive as demand for oil is forecast to recover gradually, supported by the roll-out of various vaccines targeting Covid-19, and this should translate into more stable oil prices. In the medium term, the balance of risk to oil prices may lie to the upside following the current period of under-investment in new supply.

The inspection, repair and maintenance (IRM) market followed trends in the overall oil and gas market during 2020. New awards and long-term agreements declined in the year although some increased activity was seen in the Gulf of Mexico and Brazil.

OFFSHORE WIND MARKET REVIEW

Despite the challenging macro-environment, tendering for fixed offshore wind farm developments remained active in 2020. This was supported by forecasts of strong, long-term growth in demand for renewable energy, driven by increasing social and political pressure to reduce carbon emissions, as well as the continued reduction in the development cost of offshore wind power. Activity in well-established markets in Europe such as the UK, Germany and the Netherlands remained high, while tendering for projects in newer markets such as Taiwan increased. After the completion of pilot developments in the US during early 2020, preparations for full-scale projects increased and by the end of 2020, several large US projects were being bid by the industry. Near-term growth is expected to remain volatile as countries define and implement new regulatory frameworks, and this may lead to unevenness in awards to contractors such as Subsea 7. However, as regions mature, the growth in the market and the pace of order flow should become steadier and more predictable.

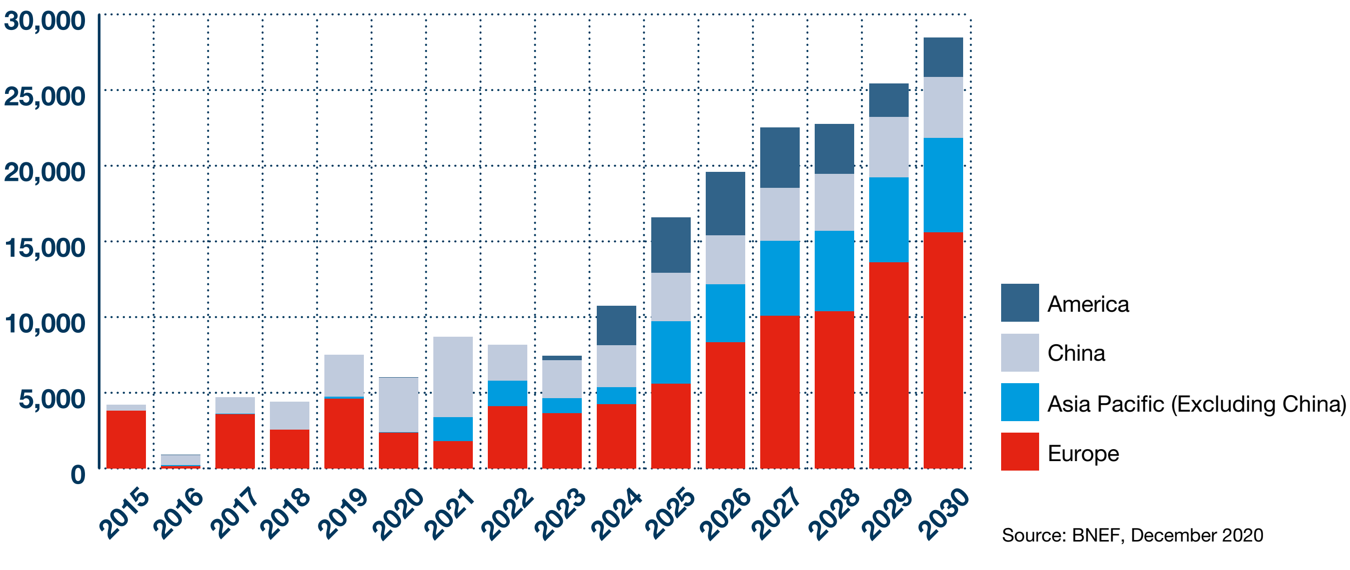
As countries with a deeper continental shelf enter the offshore wind arena, floating wind is expected to become a more meaningful sector of the market. This will take time to mature but further pilot projects were initiated in 2020 with the acceleration of energy transition efforts.

Most fixed offshore wind farm developments continued to be operated by traditional utility companies. However, during the year several oil majors accelerated plans to cut emissions, set new targets for renewable power generation and, in some cases, invested directly in planned wind farms. Diversification of the offshore wind market client base in this manner adds further support to the expected increase in the number of projects and overall industry capital expenditure. The oil majors, in particular, have shown interest in advancing floating wind concepts, with a view to reducing the carbon footprint of oil and gas developments by providing off-grid renewable power to offshore infrastructure. This trend further supports the growth potential of this segment as more oil companies commit to reduce greenhouse gas emissions.

The competitive landscape in offshore wind continued to be mixed in 2020. Competition for foundation installation contracts remained elevated while the market for inner-array cable lay, including for integrated foundation and cable lay contracts, was more favourable. The award of much larger engineering, procurement, construction and installation (EPCI) contracts remains sporadic but this differentiated offering continues to gain traction with developers. As established European developers expand into new geographies, and as oil companies increase their involvement in the offshore wind market, it is expected that demand for a greater level of outsourcing, as offered by the EPCI model, will increase.

OFFSHORE WIND FARM INSTALLATION MARKET BY REGION

Gigawatts



Source: BNEF, December 2020

DELIVERING OPTIMUM SOLUTIONS TO OUR CLIENTS

SURF AND CONVENTIONAL

Subsea 7 is a global leader in offshore energy construction projects, operating in all water depths and conditions.

subsea 7

LIFE OF FIELD

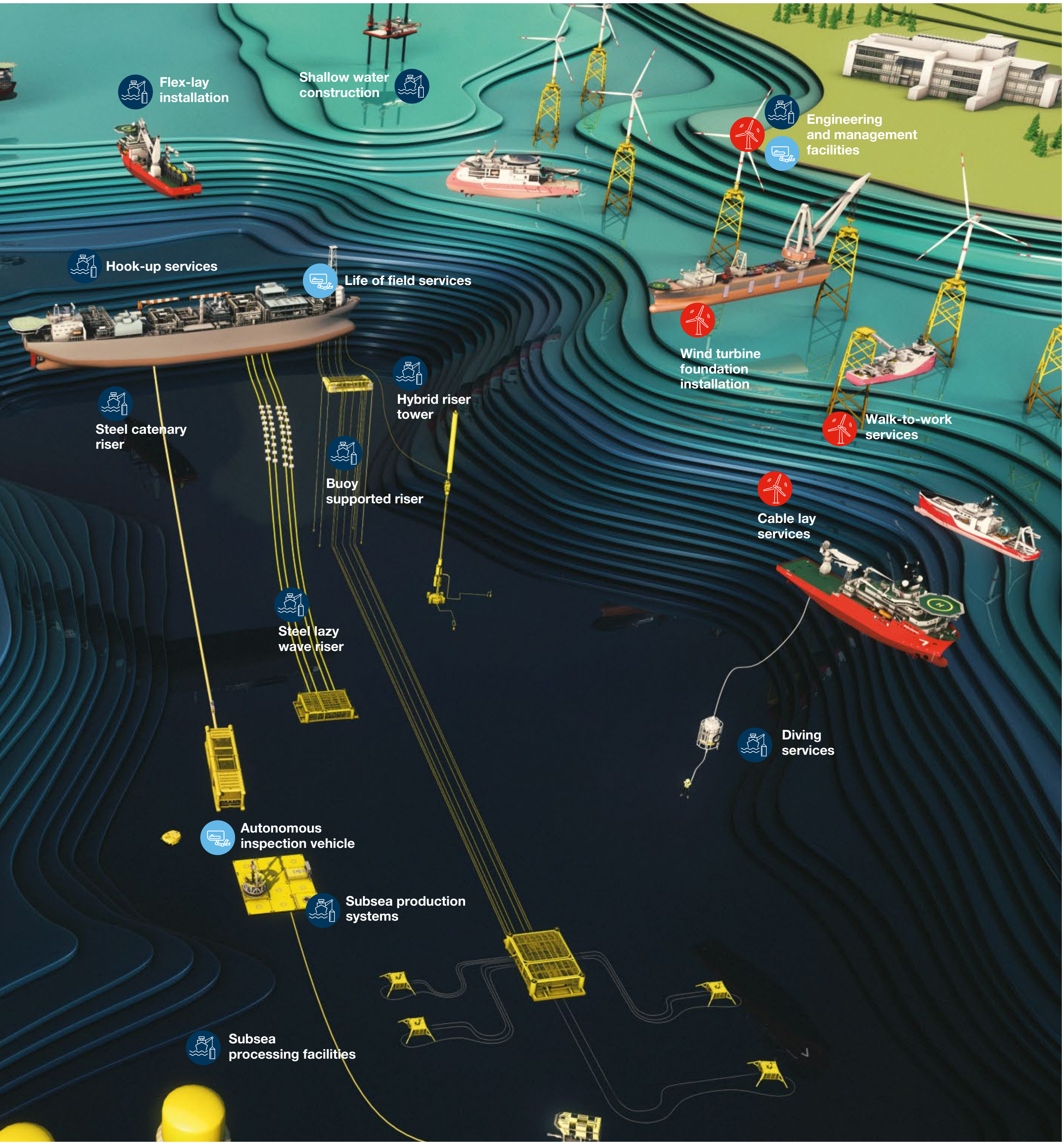
i-Tech 7 is a progressive and pioneering subsea life of field partner delivering inspection, repair and maintenance solutions to offshore energy developments.

i-Tech 7

RENEWABLES AND HEAVY LIFTING

Seaway 7 is a highly capable and experienced partner for the delivery of offshore wind farm projects, specialist foundations and cable lay services.

seaway 7


Flex-lay
installation
Shallow water
construction
Engineering
and management
facilities
Hook-up services
Life of field services
Wind turbine
foundation
installation
Hybrid riser
tower
Steel catenary
riser
Walk-to-work
services
Buoy
supported riser
Cable lay
services
Steel lazy
wave riser
Diving
services
Autonomous
inspection vehicle
Subsea production
systems
Subsea
processing facilities

SUBSEA FIELD OF THE FUTURE – SYSTEMS AND DELIVERY

Subsea 7 is differentiated by its collaborative working relationships and our ability to develop creative solutions. We are taking this to the next level with our ambition for Subsea Field of the Future – Systems and Delivery, which aims to create value by further improving our solutions and the way we deliver them.

For more information on our technology portfolio, please visit https://www.subsea7.com/en/our-business/technology.html

Our ambition for the subsea field of the future is based on four pillars:

EARLY ENGAGEMENT AND PARTNERSHIPS

Early engagement was a strong element of the structural changes seen within the subsea market during the previous downturn, and has gained significant momentum over the last 24 months. Through the establishment of our Field Development Group, the acquisition of Xodus, the growth of Subsea Integration Alliance, along with other successful client partnerships and alliances, we support our clients in defining the most efficient and optimised solution for their field developments while promoting our technologies.

400
FEED engineers

SYSTEM INNOVATION AND ENABLING PRODUCTS

System innovation and enabling products continues our technology focus and increases standardisation and modularisation of the products and solutions we provide. This underpins the reliability of our services and ultimately improves cost effectiveness and ensures we are competitive. The use of digital twins and full lifecycle views facilitates a shift towards a total cost approach that supports our clients in achieving the best return on investment.

111
early engagement studies awarded in 2020

INTEGRATED SPS AND SURF

We have embraced the integration of SPS and SURF solutions through Subsea Integration Alliance, our strategic global alliance with OneSubsea®, as well as through our partnership with Aker BP in Norway. The continuous focus on strengthening this offering has firmly positioned us as one of only two fully integrated suppliers with a global presence. Working as an alliance facilitates standardisation and optimisation of systems across the full subsea spectrum, further differentiating our services.

1,500
granted and pending patents

DIGITAL DELIVERY OF PROJECTS AND SERVICES

Our digital efforts extend across the full project lifecycle from concept through operations to decommissioning. They deliver improved efficiency for clients and represent a new digital services revenue stream for Subsea 7. Our vision is to continue capturing strategic opportunities that bring additional value and capabilities to our digital portfolio.

SYSTEM INNOVATION AND ENABLING PRODUCTS
SNORRE EXPANSION

Project at a glance

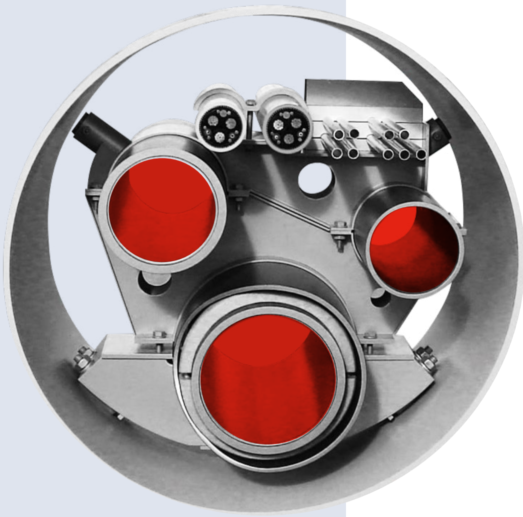
First project to incorporate Swagelining Linerbridge® technology in water injection lines.

- World's first all-polymer lining connector
- Removes the need for costly Corrosion Resistant Alloy welding
- 35% reduction in this cost element

Pipeline Bundles

- Include electrical and fibre optic lines in preparation for the use of Underwater Intervention Drones/ Autonomous Underwater Vehicles

Watch our video at https://youtu.be/mXD63hS9Rw0



ENERGY TRANSITION – PROACTIVE PARTICIPATION

As global energy demand continues to grow, society is looking for cleaner and more sustainable sources to meet its needs. Subsea 7's strategy is to be a proactive participant in the Energy Transition by assisting our clients in reducing the carbon footprint of their developments, by reducing our own emissions and by being a major contractor in the renewable energy market.

RENEWABLES – OFFSHORE WIND

Through Subsea 7's Renewables business unit, branded Seaway 7, we have an established position in the renewables supply chain, providing clients with foundations and cable lay services for the construction of offshore wind farms. With over ten years of experience, we have built and installed hundreds of foundations and laid over 800 kilometres of inner-array cables for fixed offshore wind farms worldwide. Our technical expertise combined with extensive track record in project and supply chain management put us in a strong position to seize opportunities in this growing market.

6 GW
renewables projects supported by year end 2020

OIL AND GAS – LOWER CARBON DEVELOPMENTS

As part of their own Energy Transition strategies, most of our oil and gas clients are focused on reducing the carbon footprint of their oil and gas developments. Our proprietary technology, engineering capability and digital solutions support them in developing fields more efficiently, with improved asset performance and lower carbon emissions at every stage of the lifecycle. Our Carbon Estimator is an important tool to achieve this goal.

100%
early engagement activities that will utilise Carbon Estimator

EMERGING ENERGY – NEW MARKETS AND OPPORTUNITIES

We continue to define our strategy for new markets and opportunities such as hydrogen and carbon capture. Through Xodus's advisory and technical capabilities we are already supporting carbon capture and hydrogen developments in various markets including the UK, continental Europe and Australia. With collaboration, partnerships and alliances firmly part of our DNA, we will look at opportunities to participate in these emerging markets

5,000
CCS and hydrogen manhours executed by Xodus in 2020

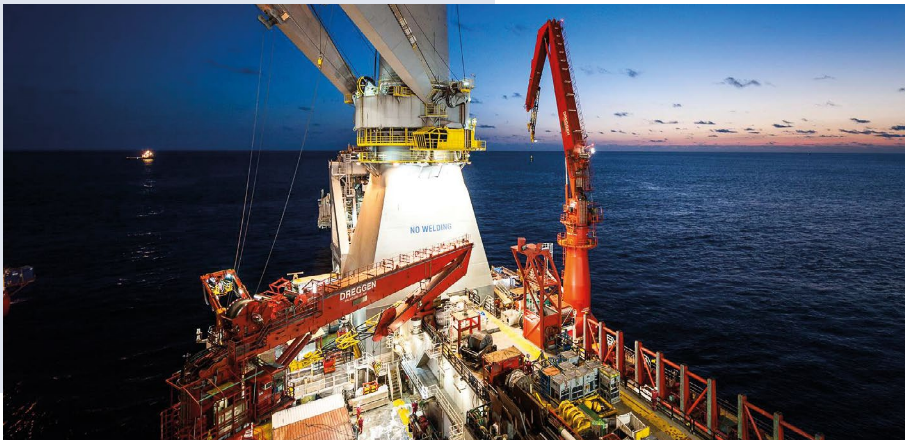
OPERATIONS – SUSTAINABLE AND EFFICIENT

We recognise the importance of continuing our focus on sustainable and efficient operations to reduce the carbon footprint of our own activities. This is a fundamental pillar of our strategy and we are already making a difference through various programmes and initiatives such as Clean Operations, vessel hybridisation and onshore ROV control centres.

RENEWABLES – OFFSHORE WIND
SEAGREEN OFFSHORE WIND FARM

Project at a glance

- Subsea 7 scope $1.4 billion
- EPCI of balance of plant
- 114 wind turbines of 10MW each for a total capacity of 1.1GW
- 332 km of inner-array cables to be fabricated in Greece, 300 days of installation activity
- Foundations comprising 230,000 tonnes of steel to be fabricated across three sites in China and the UAE
- Offshore installation planned for 2021 and 2022

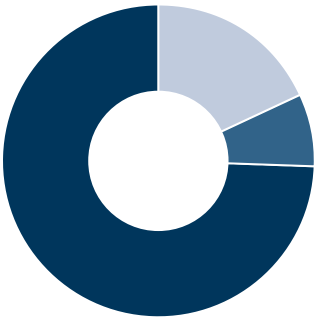


DELIVERING ACROSS OUR BUSINESS UNITS

Subsea 7 structures itself around its diversified strengths, operating across three operational business units: SURF and Conventional, Life of Field and Renewables and Heavy Lifting.

GROUP REVENUE

$3,466M (2019: $3,657m)



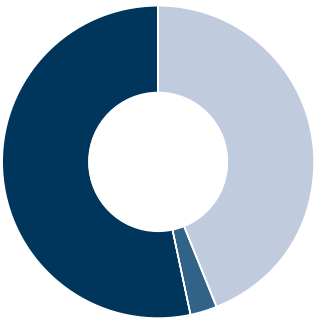
Renewables and Heavy Lifting **($631m)**

Life of Field **($257m)**

SURF and Conventional **($2,578m)**

ORDER INTAKE

$4,401M (2019: $3,945m)



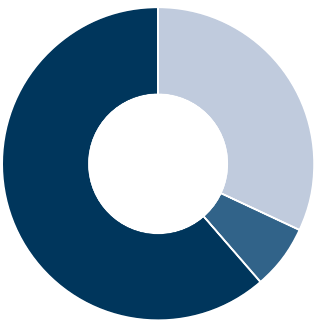
Renewables and Heavy Lifting **($1,943m)**

Life of Field **($121m)**

SURF and Conventional **($2,337m)**

BACKLOG

$6,214M (2019: $5,187m)



Renewables and Heavy Lifting **($1,987m)**

Life of Field **($425m)**

SURF and Conventional **($3,803m)**

2020 STRATEGIC HIGHLIGHTS

- A record year for order intake in Renewables with $1.9 billion including projects in Europe, Asia and the US. Tendering activity remained high despite the challenging global environment.
- The first project to utilise EHTF technology installed, enabling longer tie-backs for reduced development cost and lower carbon footprint.
- *Seven Vega* delivered in November before transiting to location in December. A world-class rigid pipelay vessel providing cost-efficient installation of rigid pipelines.
- Three PLSV contracts in Brazil extended until mid-2022. All four PLSV contracts now expire in 2022.
- Award to Seaway 7 of a balance of plant EPCI contract for the Seagreen offshore wind project valued at over $1.4 billion.
- Successful entry into the US wind farm market with a pilot development offshore Virginia.

BUSINESS UNITS

SURF AND CONVENTIONAL

Our SURF and Conventional business unit is a world leader in delivering complex offshore projects to the constantly evolving energy industry. It operates under the Subsea 7 brand.

Subsea 7's largest business unit, SURF and Conventional, offers integrated solutions for our clients' oil and gas field developments incorporating the engineering, procurement, installation and commissioning (EPIC) of subsea umbilicals, risers and flowlines (SURF) in all water depths. It also offers Conventional EPIC services for surface infrastructure in shallow water locations. Drawing on decades of experience in designing and executing projects across the globe, we aim to optimise developments in order to maximise the project's return on investment for our clients.

SURF and Conventional is the cornerstone of our vision of the subsea field of the future and its market-leading position leverages all four principles of this strategy: early engagement and partnerships, integrated SPS-SURF, system innovation and enabling products, and digital delivery and services.

Our journey in developing an oil and gas field typically begins with early engagement with the client to deliver feasibility studies and front-end engineering and design (FEED) solutions. This collaborative approach has seen us develop extensive relationships with our clients and suppliers that allow us to optimise the cost efficiency of field designs. Over 90% of SURF and Conventional awards in 2020 involved early engagement, drawing on the expertise of both Xodus, our energy consultancy, and Subsea 7's Field Development Group.

Early engagement can have the greatest impact on field economics by combining both SPS and SURF in an integrated approach to field development. We achieve this through Subsea Integration Alliance, which combines SURF services provided by Subsea 7 with SPS offered by OneSubsea®. Approximately half of the greenfield projects awarded to the market in 2019 were on an integrated basis and, while tendering activity was quiet in general for the industry in 2020, 35-40% of order intake in the coming five years is expected to be on an integrated basis. The alliance is currently executing engineering for the Bacalhau project, the first ever integrated project in Brazil, and projects are underway in the Gulf of Mexico, West Africa and Australia.

In the design of optimal field solutions, our engineering services go hand-in-hand with our strategy of systems innovation and enabling products in finding more cost-efficient ways to develop fields. 2020 saw the first installation in Norway of our proprietary Electrically Heat-Traced Flowline (EHTF). This heated pipeline enables longer tie-backs of satellite reserves, extending the reach of existing infrastructure. It reduces overall costs and minimises the development's carbon footprint by eliminating the need for surface facilities. In 2020, we launched our state-of-the-art pipelay vessel. *Seven Vega* offers our clients greater efficiency with fewer trips to complete each project, as well as being equipped to lay rigid pipeline along with flexible product, leading to higher levels of utilisation.

Digitalisation of our services and products is also key to delivering faster and more efficient field developments. Subsea Integration Alliance has the leading concept evaluation tool in the marketplace, allowing clients to easily assess field design choices and their impact on overall returns. Subsea 7's Carbon Estimator extends this assessment to include the impact of field design on lifetime carbon emissions. Whether through early engagement, integration, novel technologies, or digitalisation of products and workflows, our vision of the subsea field of the future will drive cost efficiency for clients and continued differentiation for Subsea 7.

SURF and Conventional has good visibility of its future activity levels thanks to a $3.8 billion backlog of firm work. EPIC projects are commonly up to three years in duration and therefore, while our clients' capital budgets are affected by commodity prices, our activity levels are sheltered to some extent. While some projects experienced delays and re-phasing in 2020 as clients sought to protect their balance sheets and accommodate the logistical challenges introduced by Covid-19, our contracts have proven robust and we experienced no cancellations despite the oil price collapse. In addition to its EPIC work, Subsea 7 has four long-term day-rate contracts with Petrobras to provide pipelay support vessels (PLSVs) for use on a mixture of brownfield and greenfield projects. These contracts currently expire in 2022.

SURF AND CONVENTIONAL REVENUE

$2,578M

(2019: $3,174m)

NUMBER OF ACTIVE PROJECTS

64

PROJECTS EXPECTED TO BE INTEGRATED

35-40%

STRATEGIC REPORT
GOVERNANCE
CONSOLIDATED FINANCIAL STATEMENTS
SUBSEA7 S.A FINANCIAL STATEMENTS
GLOSSARY

LIFE OF FIELD

Our Life of Field business unit provides inspection, repair and maintenance (IRM) services using the i-Tech 7 brand.

Life of Field is a market-leading provider of inspection, repair and maintenance services, combining engineering with technology to protect the integrity of offshore energy infrastructure throughout the life of a field. i-Tech 7 offers fully integrated solutions that leverage a portfolio of more than 3,500 tools, 91 ROVs and six chartered vessels, as well as extensive in-house expertise. Our services are provided under long-term contracts in the North Sea and Azerbaijan, with additional shorter-term work in areas such as the Gulf of Mexico and Brazil.

Life of Field activities remained steady in 2020, demonstrating the resilience of the business in a volatile macro-environment. Regardless of industry conditions, one of the key challenges our clients face is to reduce the loss of production and revenue, as well as the extra costs, associated with unplanned downtime. We provide state-of-the-art services aimed at optimising maintenance strategies and maximising clients' returns on investment.

Our Life of Field business is integral to our vision of the subsea field of the future and is a key feature of our early engagement initiatives as well as the continued advancement of our digital delivery strategy.

As part of our early engagement activities, the integration of integrity monitoring technology into initial field design increases the reliability of our developments, while engineering with long-term maintenance in mind improves the lifetime cost efficiency of fields.

Through digitalisation of our systems, real time data can bring further enhancements to maintenance strategies, while our growing monitoring dataset enables us to more accurately model and engineer our solutions.

Life of Field is also part of our Energy Transition strategy, through the reduction of emissions from our own and our clients' operations. In 2020, *Seven Viking*, our hybridised IRM vessel, performed its first full year of operations, and hybridisation of further vessels is under review.

Seven Viking was also our first vessel to utilise an ROV system controlled from an onshore control centre while the vessel operated over 350 kilometres offshore. This was a significant achievement for Subsea 7's ROV and autonomy programme and represented further progress in delivering sustainable subsea operations for clients.

To align with our strategic focus area Subsea Field of the Future – Systems and Delivery, we have combined our Life of Field and SURF and Conventional business units. Since January 2021 one business unit, named Subsea and Conventional, encompasses our full portfolio of services and products dedicated to the oil and gas industry, allowing us to streamline the organisation and maximise potential synergies between the two areas. This includes greater integration of IRM and well intervention into the integrated field development solutions created by Subsea Integration Alliance to provide a holistic offering across the lifecycle of our clients' fields. It will also enable us to accelerate our drive to digitalise field developments.

LIFE OF FIELD REVENUE

$257M

(2019: $266m)

WORKCLASS ROVS

91

CHARTERED VESSELS

6

RENEWABLES AND HEAVY LIFTING

Subsea 7's Renewables and Heavy Lifting business unit, operating under the Seaway 7 brand, is a top-tier service provider for the offshore wind industry and is a fundamental part of our Energy Transition strategy.

Seaway 7 has been involved in the offshore wind market since the early days of the industry's commercialisation. With over ten years of experience, we have built and installed nearly 750 wind turbine foundations and laid over 800 kilometres of inner-array cables for fixed offshore wind farms worldwide. We have also been involved in some of the world's first floating wind farm developments. The global offshore wind farm market has grown rapidly, with more than 30 gigawatts of capacity installed by the end of 2020. Looking ahead, strong growth is projected as society drives increased investment in renewable and carbon neutral energy.

Our flexible offering in Renewables is tailored to our clients' needs, ranging from standalone transport and installation (T&I) to full-scale engineering, procurement, construction and installation (EPCI) contracts. These two contracting models can encompass turbine foundations, inner-array cables or both as an integrated package. While T&I contracts are currently more commonplace, with engineering and project management performed in-house by the client, the rapid growth in the size of projects combined with a push into new territories is expected to drive increasing appetite for outsourcing and growth in demand for EPCI services. This trend plays to our core strengths in managing major offshore projects, dealing with complex supply chains and managing the risks associated with turnkey contracts. These competitive advantages are underpinned by the global reach and local knowledge that we have gained through decades of experience in oil and gas, and together differentiate us from many other contractors in the offshore wind industry.

At the end of 2020, our Renewables backlog reached $2.0 billion, driven by the award of projects in Europe, Asia and the US for execution in 2021 and 2022. In anticipation of this increased activity, we announced a capital investment of $25 million to convert *Seven Phoenix* for cable lay work. Our existing cable lay vessel, *Seaway Aimery*, is projected to be fully utilised through 2022 and the *Seven Phoenix* investment decision was supported by a backlog of work. The vessel is due to re-join the fleet by mid-2021, enhancing our position as a leading service provider in the offshore wind market.

Although our core fleet of vessels is central to our ability to understand and effectively manage T&I and EPCI projects, we aim to grow our Renewables business in a capital-light manner, to optimise our cash generation and our returns. To do this we will continue to make use of subcontracted vessels to execute certain integrated T&I and EPCI projects. The foundation installation market remains oversupplied with capable vessels and further new builds have already been announced by the industry, suggesting sufficient availability of third-party vessels during the coming years. We believe that by using subcontracted vessels we can leverage our engineering and project management skills to capture a significant share of this high-growth market while improving returns.

In addition to the fixed offshore wind market, the floating wind market represents a major growth opportunity for Seaway 7 and one that appears to be accelerating. To date, we have participated in a number of pilot projects supplying off-grid power to remote offshore oil and gas facilities, and we see strong interest in this means of decarbonisation from our oil major clients as they seek to minimise their own emissions. As the economics of floating wind continue to improve in the coming years, Seaway 7 is well-placed to extend its leadership in offshore wind when this market achieves full-scale commercialisation.

From January 2021, this business unit will be renamed Renewables and will exclude activities relating to the oil and gas industry, which represented negligible revenue in 2020.

RENEWABLES AND HEAVY LIFTING REVENUE

$631M

(2019: $217m)

RENEWABLES AND HEAVY LIFTING BACKLOG

$1,987M

(2019: $538m)

CUMULATIVE FOUNDATIONS INSTALLED

748

To 31 December 2020

CUMULATIVE RENEWABLES CABLES INSTALLED

816 KM

To 31 December 2020

COMMITTED TO OPERATING IN A SAFE, ETHICAL AND RESPONSIBLE MANNER

Subsea 7 has a strong Values-led culture and believes that operating in a safe, ethical and responsible manner is at the heart of creating sustainable value for all our stakeholders.

OUR KPIs

We have been focusing on our sustainability priorities and report on our progress in the following sections. An important part of driving and monitoring our progress is the use of relevant KPIs.

Lost-time incident frequency rate

0.07
per 200,000 hours worked
(2020 target: <0.03)
(2019: 0.02, target: <0.03)

Number of suppliers with a contract that included human rights clauses or underwent human rights screening

6,660
(2019: 6,481)

Number of employees completing compliance and ethics e-learning including anti-corruption

5,153
100% of target population
(2019: 4,791, 100% of target population)

Cumulative power capacity of renewables projects supported to end of 2020

6.0 GW
(2019: 5.1 GW)

Carbon emissions

410,446
tonnes of scope 1 CO_2 emissions
(2019: 432,733)

% of waste reused or recycled from onshore owned sites

76%

Environmental incident frequency rate

0.86
per 200,000 hours worked
(2019: 0.82, target: < 0.70)

Environmental spill

36
litres per 200,000 hours worked
(2019: 11.8, target: < 25 litres)

Please see Subsea 7's 2020 Sustainability Report available at www.subsea7.com

OUR SUSTAINABILITY PRIORITIES

HEALTH, SAFETY AND WELLBEING

The safety of our people is our first priority. We aim for an incident-free work-place every day, everywhere and our policies are continually reviewed to seek to improve our safety performance. We believe that all people working on our sites anywhere in the world are entitled to the same level of protection. Subsea 7's Business Management System underpins the way in which we conduct safety training, reporting, procedures and assessments. Subsea 7's line managers are responsible for implementation and compliance with the system and ensuring that all employees and contractors are aware of their responsibilities.

We record all incidents and near misses in detail and investigate every event. During the year no fatalities were recorded, our lost-time incident rate was 0.07 and our recordable incident frequency was 0.29.

Subsea 7 checks activities against our internal standards and processes as well as regulatory and legislative requirements.

We promote a healthy work-life balance through a combination of wellbeing initiatives, protecting against occupational health hazards and supporting our employees when they need it most.

PROGRESS IN 2020

Health and safety: Our aim to deliver safety leadership training to all management and supervisors successfully continued in 2020 through a digital platform where we held virtual sessions.

Assurance and verification: In order to provide further assurance that our safety procedures are implemented as planned, we have commenced a comprehensive self-verification process. This will continue throughout 2021.

Wellbeing: We set a foundation for a global wellbeing framework and provided our employees access to online learning resources.

Covid-19: The impact of Covid-19 led us to further evolve our business continuity plans.

ENERGY TRANSITION

As a partner of choice to the offshore energy industry, Subsea 7 will play a proactive role in the construction of sustainable offshore energy developments around the world and will support the transition of energy supply towards lower carbon sources.

The offshore wind farm market has become a significant part of our business. In 2020 this business unit generated 18% of Subsea 7's revenue.

Floating offshore wind is the next most promising growth area for offshore renewables. Floating wind offers the possibility to further support energy transition by allowing a greater number of offshore wind farms to be developed in deeper water.

Gas has an important role in the transition. Our proprietary technology and engineering capability support our clients in developing these fields cost effectively and efficiently.

PROGRESS IN 2020

Transition to lower carbon solutions: We have expanded our early engagement capabilities to support the development of lower carbon solutions.

Growth of offshore wind and renewables: We have strengthened our capabilities within our offshore wind renewables business on a number of fronts and grown that business.

Diversification and innovation in the energy transition: During the past year we have evaluated opportunities in emerging new markets such as floating wind, hydrogen and carbon capture. We have committed to investing in research and development in support of energy transition and technology initiatives.

Proactive participation in global energy transition: Subsea 7 is an active participant advocating the need for transition in the offshore energy sector towards lower-carbon and sustainable solutions.

LABOUR PRACTICES AND HUMAN RIGHTS

Treating our people and those that work with us fairly and with dignity is fundamental to the way that we work. We are committed to fulfilling our responsibility to respect and protect human rights including the prevention of modern slavery and human trafficking anywhere in our business or supply chain.

We have a Human Rights Policy Statement and a Slavery and Human Trafficking Statement that summarise Subsea 7's commitment and efforts to improve our understanding and management of the potential human rights impacts of our business activities and, more specifically, to respond to the UK Modern Slavery Act.

We are committed to fair and lawful employment practices. We are an equal opportunities employer and seek to protect our people from discrimination and bullying. These principles are embedded within our policies and procedures in our Business Management System, and our people are encouraged to raise any questions or concerns related to any conduct inconsistent with our policies. In addition, our people must abide by our Code of Conduct, which is clear that we will not accept any abuse of human rights and we will not work with suppliers that do so.

In 2019 we became a signatory to the UN Global Compact and declared our support for the Building Responsibly Principles.

PROGRESS IN 2020

Baseline setting: We created a three-year roadmap for embedding the principles of Building Responsibly and the UN Global Compact within the Group.

Risk assessments: We enhanced our risk assessment tools to include the principles of Building Responsibly and the UN Global Compact.

Communication and engagement: We have developed an engagement campaign to raise awareness of our commitments to the principles of Building Responsibly and the UN Global Compact.

OPERATIONAL ECO-EFFICIENCY

Subsea 7 recognises the impacts of climate change and its potential effect on all our stakeholders. We seek to be more efficient in the way that we work and invest in solutions that lower our greehouse gas emissions. Over 90% of our emissions come from our vessels such that our CO_2 emissions correlate strongly with our offshore activity levels.

Our Environmental Management System is certified to ISO 14001. In 2020, DNV GL performed an audit of our compliance which confirmed effective fulfilment of requirements. We measure key environmental data against internal targets including fuel and energy consumption, carbon emissions, waste segregation, spills and other incidents. We have a comprehensive risk management system with procedures and tools that identify, analyse, report and manage business risks that are related to environmental exposure and the effects of climate change.

PROGRESS IN 2020

Engaging with clients to reduce the environmental impact of our operations: In 2020 Subsea 7 developed and launched its Carbon Estimator tool to help measure the environmental impact of our products and solutions.

Improving environmental efficiency of our fleet: In line with our ambition of reducing our operational greehouse gas emissions, Subsea 7 commissioned a study on the conversion of part of its fleet to hybrid power. In 2020 our scope 1 CO_2 emissions totalled 410,446 tonnes, (2019: 432,733 tonnes).

Improving environmental efficiency offshore: We continued to automate the reporting and calculation of clean operations across our fleet, recording 3,322 Clean Operations in the year (2019: 3,494) resulting in a reduction of our carbon emissions by 29,264 tonnes. A Clean Operation is an activity where a vessel's carbon footprint is reduced without compromising safety or execution.

Improving environmental efficiency onshore: We communicated a directive for onshore sites to use renewable energy sources where available.

BUSINESS ETHICS

We are committed to applying the highest ethical standards in everything we do, treating all our stakeholders fairly and with respect. All employees are required to uphold our Code of Conduct, which integrates our three key policy statements on Ethics, Human Rights and Health, Safety, Environment and Quality (HSEQ) for everyone who works for Subsea 7.

Our "Speak-Up" policy establishes a mechanism for anyone with concerns to raise them without fear of retaliation or detriment, and for cases to be investigated conscientiously and without bias. This includes an externally administered and confidential reporting helpline.

Our Compliance and Ethics Programme has been developed to prevent bribery, corruption and other compliance and ethics breaches by the Company and all who work for us – including suppliers and other third parties.

Our Code of Conduct for Suppliers sets out the key principles of ethical business conduct that our suppliers are required to uphold.

Subsea 7's Chief Ethics and Compliance Officer provides regular reports to the Corporate Governance and Nominations Committee of the Board and to the Executive Ethics Committee to ensure management understands, accepts and fulfils its accountability for compliance and ethics.

PROGRESS IN 2020

Embedding a culture of ethics, compliance and integrity: We increased the number of employees who completed e-learning and extended it to more offshore staff. During 2020, 5,153 people completed our training (2019: 4,791).

Ensuring all who work for us uphold our commitment to business ethics: We implemented a new platform to enhance the risk assessment and due diligence screening of third parties. This will also allow us to increase the number of suppliers going through a more efficient and effective process.

Making a positive impact on business ethics in our sector including the supply chain: We promoted UN International Anti-Corruption Day, including a message from our CEO and a webinar on anti-corruption. We held Supplier Integrity Webinars across our regions and business units, at which senior managers talked about the importance of integrity.

ECOLOGICAL IMPACTS

Subsea 7's fabrication and construction activities, offshore and onshore, have an impact on the environments that surround them. We conduct our business in a way that considers the environment and which aims to keep any negative impact to a minimum and put in place procedures to protect biodiversity and the ecosystems we work in.

We have a Group Health, Safety, Environment and Security policy which gives close attention to achieving regulatory compliance and continually improving our environmental performance. Subsea 7's line managers are responsible for implementation and compliance with this policy and that all employees and contractors are aware of their responsibilities.

We take responsibility for our own end-of-life assets, with all vessels recycled in accordance with the Hong Kong Accord. In 2020 one vessel was decommissioned from the fleet.

PROGRESS IN 2020

Recycling our waste: We have developed a Group Waste Protocol and Guidelines which include our commitment to waste reduction. This year we recycled 76% of onshore waste and segregated for recycling 61% of non-hazardous offshore waste.

Partnering with an institution to assist in a marine environmental initiative: We have reviewed our ongoing initiatives and are committed to continuing them. We have engaged with a series of institutions to develop programmes that can be initiated throughout the Group.

Zero single use plastics: Subsea 7 has become a signatory to the UK Chamber of Shipping charter which seeks to eliminate non-essential single use plastic. We have reviewed our global single use plastics and started a programme of replacement.

A FOCUS ON OUR PEOPLE

OUR PEOPLE

We create sustainable value by being the industry's partner of choice. This is achieved by our people, their dedication and their tireless determination. At Subsea 7 we offer our people a career they can be proud of, a place for innovation and an environment where they can thrive.

DIVERSITY AND INCLUSION

At Subsea 7 we value and promote diversity and regard it as a key to our success. An inclusive and diverse environment fosters creativity and innovation and improves decision-making by introducing new ways of thinking. We are committed to providing a workplace where everyone can thrive. An attractive working life stems from the relationships we have with the people around us. We want our people to feel empowered to bring their real self to work, to a culture that celebrates and values diversity. Onshore or offshore, they are in an environment where their wellbeing is supported, surrounded by people who respect their goals, so they can be the very best they can be. These principles are well-established and form part of Subsea 7's Human Rights policy and our policy on Equal Opportunities and Diversity in Employment. In 2020 we set a company objective for all our regional business units and segments to put in place a Diversity and Inclusion (D&I) action plan focused around our Group D&I framework, as set in 2019 by our Group D&I Steering Committee. Our leadership teams remained focused on this topic and all parts of the business delivered their plans. The framework consists of four focus areas, on which we will take positive action and report:

– improve our inclusive culture in the workplace
– increase the proportion of women in leadership positions
– increase the proportion of local people in management teams of countries where we work
– ensure recruitment reflects a diverse population.

INVESTING IN OUR PEOPLE

At Subsea 7 we want all our people to have a career they can be proud of. No two careers at Subsea 7 are the same, but our framework of well-established career development and learning tools empowers our people to achieve their career ambitions.

Functional and professional development frameworks and a variety of learning content are easily accessible via our digital platforms, designed to promote inclusive and equal learning opportunities amongst our employees. Local blended learning and one-to-one meetings with direct managers provide a holistic framework of career development.

NATIONALITY MIX

- Europe **(57%)**
- Asia/Pacific **(22%)**
- Americas **(17%)**
- Other **(4%)**

GENDER MIX OF THE EXECUTIVE MANAGEMENT TEAM

- Male **(75%)**
- Female **(25%)**

AGE

- 16-29 **(11%)**
- 30-39 **(34%)**
- 40-49 **(31%)**
- 50+ **(24%)**

GENDER MIX GROUP-WIDE

- Onshore Male **(39%)**
- Onshore Female **(14%)**
- Offshore Male **(46%)**
- Offshore Female **(1%)**

COVID-19

Covid-19 had a big impact on our employees in 2020. Offshore, our crews underwent strict quarantines and testing regimes, and moved to extended rotations. Our employees in operational bases had to adapt to new work practices to ensure adequate social distancing and our office employees moved to home-working. We worked hard to ensure we supported our employees through these challenging times, including through our Employee Assistance Programme, virtual programmes on health and wellbeing, and increased internal communications to keep people connected.

PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management is fundamental to the Group's performance and creates sustainable value for our stakeholders.

The Group's approach is to identify key risks at an early stage and develop actions to measure, monitor and mitigate against their likelihood and impact. This approach is embedded throughout the Group and is an integral part of our day-to-day activities.

The Group's SURF and Conventional business unit generates the majority of the Group's revenue and is the cornerstone of our Subsea Field of the Future vision. It executes offshore energy projects at each stage of the field's lifecycle from design, engineering, procurement, construction and installation of offshore energy infrastructure, to decommissioning. Offshore operations are large, highly complex, technologically rich systems in diverse locations, where the Group often faces harsh and challenging conditions. With the exception of certain long-term contracts, the Group generally contracts on a fixed price basis. The costs and margins realised on such projects can vary from the original estimated amounts due to a number of factors, sometimes resulting in a reduced margin or loss. In 2020, additional operating costs generated by the Covid-19 pandemic are an example of how certain factors can negatively impact margins. The Group assesses the risks involved in fixed-price contracts and uses the contract terms to mitigate certain aspects of these risks. Long-term contracts, such as those for the PLSVs in Brazil, have a less challenging risk profile with services contracted on a day-rate basis.

The Life of Field business unit has a lower, less complex risk profile but does involve working and planning around the operations of existing, sometimes ageing infrastructure, to provide ROV and inspection, repair and maintenance services throughout the life of the field, from the start of energy production to decommissioning. Contracts are typically negotiated on a day-rate basis using industry-standard contracting terms which offer a balanced risk profile. With a strong focus on technology and digitalisation development, this business unit could be impacted by a failure of our strategy to offer more technology and product driven service to clients. On 1 January 2021, the SURF and Conventional and Life of Field businesses were combined into one business unit, focusing on the offshore oil and gas market. The merging of two business units will not materially affect the underlying activities' risk profile. The new Subsea and Conventional business unit will operate alongside our Renewables business unit, underpinning our strategies in Subsea Field of the Future and Energy Transition.

The Group's Renewables and Heavy Lifting business unit was re-named Renewables on 1 January 2021 and operates under the Seaway 7 brand to deliver offshore wind farm projects and specialised foundations and cable lay services for offshore energy developments. The Group is one of a few contractors that can provide EPCI expertise for the execution of offshore wind farm projects, which are, with increasing frequency, contracted on a lump-sum basis. The Group may choose to hold an equity stake in the companies established to own and operate the wind farms, in conjunction with an EPCI contract.

As the offshore wind market continues to develop and grow, the sector is often supported by government-led initiatives to address climate change concerns. It has a different contractual landscape compared to the SURF and Conventional business unit, which, compounded by the present intense level of competition, can be challenging for the contractor. As offshore wind develops, the trend towards increasingly larger farms brings a potential significant increase in activities and EPCI contracts. As foundation sizes increase to accommodate larger wind turbines the number of assets capable of installing the largest foundations may decrease. When contracting on a limited Transportation and Installation (T&I) basis, the breadth of the Group's expertise is less differentiating and more service providers are capable of competing, compared to an EPCI contract.

The Group operates in a predominantly cyclical industry where activity is strongly influenced by the current and forecast price of energy, as well as the impact of decisions taken by governing bodies, particularly regarding regulation, subsidies and fiscal incentives.

The Group's risk management processes assist the Group to respond to changes in activity levels and apply appropriate measures to adjust its cost base as far as practical, while at the same time ensuring that an acceptable risk profile is maintained.

ROLES AND RESPONSIBILITIES

The Board of Directors has oversight of the Group's risk management activities and internal control processes. The recently formalised Executive Risk Committee is responsible for monitoring and managing operational and enterprise risk in pursuit of the Group's business objectives and reports to the Board of Directors. The Executive Management Team is responsible for designing and implementing appropriate systems and procedures for the identification and management of risks, while ensuring, subject to an acceptable level of risk, that the Group is able to optimise stakeholder value.

The CEO determines the level of risk which can be taken by the business units by region, country and by functional management. This is managed through Group policies and delegated authority levels which provide the means by which risks are reviewed and escalated to the appropriate management level within the Group, including the Board of Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks are those risks that, given the Group's current position, could materially threaten its business model, future performance, prospects, solvency, liquidity, reputation, or prevent the Group from delivering its strategic objectives.

The means which the Group employs to mitigate or eliminate these risks are shown on pages 27 to 36.

Additional risks and uncertainties that the Group is unaware of, or currently deems immaterial, may in the future have a material adverse effect on the Group's reputation, operations, financial performance and position. However, the Board of Directors believes that the Group's risk management and internal control systems have assisted, and will continue to assist, the Group to identify and respond to such risks.

MARKET RISK

RISK	MITIGATION
Strategic The Group recognises that technology, engineering capabilities and providing the right solutions to meet clients' demands are market differentiators. The Group is committed to delivering on its Subsea Field of the Future strategy, which is focused on cost-efficient oil and gas solutions. The Group can engage earlier with clients in the engineering and design stage and through integrated SURF and SPS, to support optimisation of field developments. The Group must deliver on its designs to the satisfaction of its clients. There is a risk the demand for innovative designs and solutions accelerates into the construction and installation phase without sufficient time to transition from development to production. Integrated solutions consolidate risk into one shared contractual framework, meaning that the risk profile to the Group is wider. There is a risk the Group does not have sufficient knowledge or ability to manage, protect or mitigate the risks associated with integrated solutions, previously managed by other parties. A failure of our strategy to offer more technology and design led solutions could impact winning work and affect the Group's position as a market leader. The Group continues to advance its strategy in the Energy Transition, with increasing involvement in the renewables energy sector, particularly offshore wind. There is a risk that advancements in the size and complexity of renewables projects could exceed our expertise and asset base. There is a dependency on a reduced asset pool, capable of performing the installation work, which could impact pricing as well as scheduling. Fierce competition and the attractiveness of this growing sector also brings risk. The Group is actively involved in floating wind, a frontier area gaining pace. The Group is obliged to keep abreast of engineering developments, technologies and installation methodologies. From time to time the Group may engage in strategic mergers, partnerships, joint ventures and acquisitions to support growth. This brings risk in the form of incorrect assessments of the target market, new and inherited legal and contractual liabilities, as well as risks that are operational and financial in nature. It also carries the risk of failure to integrate new business combinations and their resources into the Group and failing to deliver the Group's strategic objectives.	Technology related risks are mitigated by employing qualified personnel, as well as compliance with industry and engineering standards combined with strict adherence to the Group's engineering management and control systems and procedures. The Group has a multistage gate process for the implementation of new technologies. For integrated solutions, the Group's risks are mitigated through considered selection of alliance and collaborative partners and pre-identified ways of working. In addition, the Group has a procedure to establish, at tender stage, a risk sharing methodology to complement the project. It continues to maintain disciplined contracting principles to mitigate project and operating risks. The Group brings extensive experience and engineering capabilities from a proven track record of project management and execution in the oil and gas sector to the offshore wind sector through investing in the right people and having the right technical capabilities and support assets. The Group values partnering with experienced clients to better control the risks involved in delivering renewables projects. The Group has internal resources and external advisers to engage in thorough due diligence and ensures that an experienced management team is deployed to manage acquisition or merger opportunities. This team ensures operational management is engaged in the integration process immediately after an acquisition or merger to ensure successful execution.

MARKET RISK CONTINUED

RISK	MITIGATION
Economic The Group's business depends on the level of activity in the segments of the energy industry in which it operates and, consequently, any significant change in the level, timing or nature of clients' expenditure plans could adversely impact the Group's order intake, financial performance and position. During the year, oil and gas clients reduced their capital budgets by up to 30% due to the reduction in underlying oil and gas pricing, simultaneously with many showing a greater appetite to pursue Energy Transition initiatives. There were fewer project awards and a re-phasing of certain projects during the year. These were driven by the impact of the Covid-19 pandemic on energy prices, reflected in a fall in demand for oil and gas for industrial activity and global travel. The Group has had to adapt to such changes and make cost savings while maintaining its capability to deliver on complex major projects. A rapid increase or decrease in demand for the Group's services could outpace the Group's ability to resize its capacity for service provision. Furthermore, our suppliers could be adversely affected by the prolonged energy sector downturn and any default by them can impact a project's schedule. Our clients' financial strength and the economic viability of their projects can be impacted by the fluctuation of energy prices and energy mix which can be driven by political conditions, technological development or global demand. In the renewables sector, our clients may oblige contractors to invest in a minority equity stake in the energy development project as part of the requirements to tender, increasing the Group's financial exposure to the project's success. Furthermore, the expansion of renewables activity from a market centred in north west Europe to newer geographies such as the US and Taiwan brings potential economic risks associated with establishing a new industry. History has shown that stakeholder management of local content, governmental policy, legislative, social and environmental constraints can influence the timing of and development of renewables projects.	The Group closely monitors market activity and collaborates with clients to understand their future project and expenditure plans. Early engagement in the design phase of an energy project enables the Group to better assess the risks and opportunities and their economic implications of the projects as they progress towards construction. Following award, the Group is able to implement cost reduction measures to adapt the projects to market conditions and work within the terms of the contracts to mitigate the effect of client-led changes to project schedules or workscopes. The financial strength and solvency of our clients and suppliers is a specific area of focus before entering into contracts. The Group has successfully reduced its cost base and continues to look for ways to improve efficiency and productivity to respond to market demand to optimise expenditures. The Group seeks to diversify selectively into new markets which allow it to leverage resources and competencies, as well as into other geographies requiring similar services.
Competition The Group faces competition to win contracts needed to assure a sustainable backlog of future work across the business units. This competition may result in pricing pressures or a change to a contractor's risk profile, as competitors strive to win contracts and secure work. Contractual terms which are more onerous for the contractor may increase liabilities, both actual and contingent, and adversely impact the Group's financial performance and position. Furthermore, the competitive landscape has reacted to the lower oil price environment in the form of alliances and vertical and horizontal consolidation, to achieve economies of scale and wider control of the value chain. Such initiatives could represent a threat to the Group's profile as a specialised offshore service provider.	The Group endeavours to reduce its exposure to competition by differentiating itself from competitors. The Group's experience and resources, including its people, versatile and modern fleet and proprietary technology and digital delivery offerings, help it respond effectively to challenges from competitors. The Group seeks, within the framework of the business's contractual risk profile, to support and maintain industry recognised balanced contracting forms. A further differentiator is the Group's ability and experience in partnering with clients and forming alliances with other oilfield services companies to offer packaged solutions and to contribute to the early development stages of projects, as well as offering cost-effective and efficient technical solutions. Competition in the renewable sector is strong and the Group continues to demonstrate its expertise and capabilities in the delivery and execution of complex projects and market its renewables EPCI track record as a differentiator over smaller contractors or new entrants.

BUSINESS ENVIRONMENT RISKS

RISK	MITIGATION
Geographic The Group operates and tenders for work worldwide, with each country having specific political, economic and social characteristics which can give rise to various risks and uncertainties. These can adversely impact project execution and financial performance, including but not limited to: – Economic instability – Legal, fiscal and regulatory uncertainty and change – Onerous local content obligations – Sanction and export controls – Civil or political unrest, including war – Regime change – Brexit (the decision of the United Kingdom to leave the European Union) The terms of the United Kingdom's exit from the European Union are in place with the UK-EU trade agreement. The impact on the Group's contracted operations, including the importation of goods into the UK, has been minimal. There remains uncertainty as to the full extent of the trade agreement and its impact, as new processes and procedures are embedded in addition to the legal, fiscal or regulatory changes yet to be determined. The impact on the Group's flexibility to deploy personnel between the EU and the UK also remains uncertain.	Country or regional risks are identified and evaluated before and throughout Group operations in such markets. Appropriate risk responses are developed and implemented to mitigate the likelihood and impact of identified risks. The Group adopts a proactive and rigorous approach to assessing and mitigating these risks and, where possible, looks to develop local or regional management teams to strengthen its knowledge of, and presence in, the countries of operation. The Group continues to address its exposure to the UK-EU trade agreement terms and impact on its activities in the United Kingdom and worldwide. The Group will exercise its pre-planning arrangements to embed the new processes and procedures required to trade between the UK and the EU and will deploy its mitigation plans to minimise operational disruption and financial impact during any transition phase.
Technological innovation The Group's clients seek cost-effective solutions to develop energy resources, particularly in deep waters and challenging offshore environments, to enhance the full field lifecycle. This may require implementation of new technologies and digital solutions. Digitalisation and data analytics provide an opportunity to gather and use data to support the Group's business activities including those addressing the full project lifecycle from concept through operations to decommissioning including asset integrity management and sensory data such as production flow. The Group aims to deliver improved efficiency for clients and secure a digital service revenue stream for itself. Any failure by the Group to anticipate or respond appropriately to changing technology, market demands, and client requirements could adversely affect the Group's ability to compete effectively for, and win, new work. Introducing technology which is insufficiently mature or unsatisfactorily implemented when selected by our client as a valid solution could have an adverse reputational and financial impact for the Group. Reliance on the use of data and cloud storage facilities has the associated risks of information technology, operational technology, systems and cyber security failures.	The Group monitors industry trends and collaborates with clients to understand their technology requirements. This allows the Group to effectively invest in developing differentiated and cost-effective technologies to meet current and anticipated client demand. In developing new technologies, the risks associated with selecting and pursuing appropriate technological solutions, technical completion, commercialisation and successful implementation are carefully considered and addressed through 'gate controls' operated by knowledgeable and experienced Subsea 7 personnel. At every step of the innovation process, safety and the cyber security aspects of new technology, software and systems are considered to ensure the continuity of business and operations.

ORGANISATION AND MANAGEMENT RISKS

RISK	MITIGATION
Environmental sustainability The Group is committed to delivering offshore solutions to meet the needs of its clients to sustain the subsea fields of the future and to be actively engaged in the Energy Transition that supports sustainable energy sources. The Group believes in and is committed to facilitating the transition towards lower carbon and renewable energy supplies. The risk to the Group is that society, interested bodies and their carbon neutral commitments, impose increased pressures on the financial markets, insurers, investors and other stakeholders to dissociate themselves from oil and gas related companies. The Group recognises the impacts of climate change and the potential effect on our business, our end markets and society and acknowledges the risks associated with not taking steps to mitigate its impact.	The Group is committed to proactively participating in sustainability which is aligned with the Group's culture of operating in a safe, ethical and responsible manner. The Group has invested, and continues to invest, in new technologies and innovative programmes that reduce both the Group's and its clients' carbon emissions. The Group participates in the CDP, the UN Global Compact and the Building Responsibly frameworks and will increase its alignment with the recommendation of the Task Force on Climate-related Financial Disclosures, publishing its performance so that stakeholders can review its progress. More information on the Group's efforts and initiatives can be found in the 2020 Sustainability Report which is published as a separate document. The Group is committed to engaging in more efficient ways of working and investing in solutions that lower the Group's greenhouse gas emissions. The majority of the Group's emissions emanate from its vessels and the Group continually looks for ways to reduce this impact on the environment. Initiatives taken include the conversion of the entire fleet to run on low sulphur fuel, in line with IMO guidelines and regulations. Furthermore, following the conversion of *Seven Viking* propulsion systems to hybrid technology to minimise the impact of idling engines, the Group is assessing further conversions as well as investment in other greener technologies.
People The Group has introduced new ways of working for both onshore and offshore personnel following the impact of the Covid-19 pandemic, bringing with it a risk of managing and maintaining a healthy workforce and ensuring the continuation of a collaborative working environment. Like many businesses, the Group carries the risk of failing to attract and retain suitably skilled and capable personnel across all business units at a time where there is a preferential move, particularly in the younger demographic, towards opportunities in greener energy, which could adversely impact the Group's ability to execute projects and its future growth prospects. In addition, a further downturn in the energy sector in recent years may discourage some people from returning when the market improves. Following the departure of the UK from the EU there could be a risk to being able to move people between countries, supporting projects and development. The Group is committed to the UN Global Compact in supporting the commitment to respect and protect human rights and ensuring that all individuals engaged in our business operations, including those working in our supply chain, are treated fairly and with integrity. The Group is implementing an enhanced assessment process to identify and address areas of risk in this domain. The Group is conscious that the geographic diversity of its operations increases the risk of non-adherence to its policies and procedures regarding labour practices and human rights.	The Group recognises the importance of health and wellness of its workforce at all times. This became a key priority during 2020 as a result of the Covid-19 pandemic. The Group reinforced the importance of physical and mental health, flexible working and adaptability in the workplace and ensured employees had access to Employee Assistance Programmes as well as making online seminars and health initiatives available across its locations and vessels. Employees working offshore on a rotational basis were particularly affected by constraints imposed by various governments in response to the Covid-19 pandemic. The Group took several specific measures to mitigate the disruption and stress caused by travel restrictions and quarantining on their rotation schedules and travel to and from their assignments offshore. The Group utilises medium-term business projections to assess resource requirements which allows timely, corrective intervention to appropriately resource the organisation in terms of size, profile, competency mix and location. The Group monitors attrition by function and geography and has developed appropriate remuneration and incentive packages to help attract and retain key employees. Performance management and succession planning processes are in place to develop staff and identify high-potential individuals for key roles in the business. Integration plans, including training and ongoing communication programmes covering all operational functions and business activities, are adopted for all acquired businesses. During the Brexit negotiations Subsea 7 established a working group to review the impact of the departure from the EU, which includes the effect on people. Communication about new requirements for individuals travelling and movement of people between the UK and EU countries has been carried out. The Group is enhancing its risk analysis activities relating to the identification of breaches of our human rights and acceptable labour practices policies and is working to embed the principles of Building Responsibly and the UN Global Compact. With the support of external organisations, it is designing and delivering training across the Group and conducting risk assessments and supporting the creation of action plans to address high risk areas. The Group carries out audits against existing frameworks and action plans, and continually reinforces the importance of adherence to the Group's Code of Conduct both internally but also by our supply chain.

ORGANISATION AND MANAGEMENT RISKS CONTINUED

RISK	MITIGATION
Compliance and ethics The Group is committed to conducting business in accordance with applicable law and the highest ethical standards. However, there is a risk that its employees, representatives or other persons associated with it may take actions that breach the Group's Code of Conduct or applicable laws, including but not limited to anti-bribery or anti-corruption. The Group continually assess such risks which vary across the Group's geographical locations. The Group has identified the following as being the most significant corruption risks it faces: – Small bribes and facilitation payments, especially in relation to the movement of vessels, people and materials – Illicit enrichment of public officials through hidden ownership in local suppliers that local content laws require us to use – Bribery by third parties working on our behalf – Bribery to win work – Bribery to get variation orders approved – Bribery to get work certified or paid These risks are inherent in our sector, the Group's business model and, to a large extent, the locations in which it works. The Group fully supports the enlightened goals of local content laws, but they can increase corruption risks and weaken our procurement procedures and controls. Any compliance and ethics breach could result in monetary penalties, convictions, debarment and damage to the Group's reputation and could therefore impact its ability to do business.	The Group is confident that the risks identified are adequately managed by our compliance and ethics programme, and in many cases by our clients' robust procurement procedures. Integrity is one of the Group's Values and the Group has an Ethics Policy Statement and Code of Conduct which clearly set out the behaviours expected of its employees and those who work with it. These policies are periodically updated to ensure they remain current and fresh. The Group has a compliance and ethics programme underpinned by its Values and designed in accordance with international best practice to embed the Code of Conduct, prevent bribery and corruption, and manage compliance and ethics risks generally. The programme includes financial controls, risk assessments and procedures for managing third-party risks. Mandatory annual compliance and ethics e-learning for employees raises awareness, highlights the whole range of consequences and encourages compliance. Employees are encouraged to raise concerns about possible non-compliance via an externally administered whistleblowing helpline. A committee comprising members of the Executive Management Team sets objectives for the implementation and continual improvement of the compliance and ethics programme and monitors progress. Regular reports are provided to the Board of Directors. The Group regularly engages an independent third-party assurance provider to benchmark its compliance and ethics programme against best practice, including international standard ISO 37001 2016.
Information technology and operational systems, cyber risks and security The Group's operations depend on the availability and security of a number of key Information Technology (IT) and operational systems. The Group's investment in its digitalisation programme combined with the acquisition of data driven businesses means the risk of these systems being disrupted or compromised by a general failure or by cyber attacks is increasingly relevant particularly at a time where the context imposes more remote connection into the Group infrastructure. Such risks include but are not limited to: – Unauthorised access to key operational, financial or corporate systems – Malware (including computer viruses) – Theft and misappropriation of data and sensitive information – Targeted fraud attacks – Data management and non-compliance with legislation such as the EU General Data Protection Regulation (GDPR) – Increasing use of IT to interconnect with multiple stakeholders and the possibility of such interconnectivity being disrupted to their detriment – Denial of access to or utilisation of assets with the risk of a potential loss or damage event Such breaches in security could adversely impact the Group's ability to maintain ongoing business operations and lead to financial and asset loss, reputational damage, loss of client and shareholder confidence and regulatory fines.	The Group recognises the increased incidence of cyber security threats and takes this risk very seriously. It continually reviews its infrastructure, suppliers, policies, procedures and defences to mitigate associated risks and keep abreast of risk intelligence by engaging market-leading specialists where appropriate. It assesses the technology framework against approved independent standards and maintains a programme of regular investment in new hardware, software and systems to ensure the integrity of its IT security defences. The Group works with recognised independent industry experts to audit and test the sustainability of its security systems and assesses the business and operational impact of a cyber event, analysing varied scenarios, interruption types and effectiveness of recovery plans. The Group has a number of IT policies, including a policy on information security, designed to protect its systems and ensure their availability and integrity as well as combating attempted fraud. These policies are regularly reviewed to ensure they continue to address existing and emerging information security, cyber maritime and cyber crime risks as well as GDPR. Mandatory internal e-learning courses and regular phishing simulation tests are used to maintain a high level of awareness among employees of IT security risks and of the Group's procedures to manage them. The functional senior management periodically updates the Executive Risk Committee and the Board's Audit Committee on cyber risk exposure and cyber security strategy.

DELIVERY AND OPERATIONAL RISKS

RISK	MITIGATION
Bidding The Group wins most of its work through a competitive tendering process. A significant proportion of the Group's work is undertaken by way of fixed-price contracts which exposes the Group to increases in supply chain costs. Failure to secure and manage costs could impact the Group's financial performance. An inability to understand and respond to operational and contractual risks or accurately estimate project costs could have an adverse impact on the Group's legal liability and financial performance and position.	All bids are subject to the Group's estimating and tendering processes and authority levels. Cost estimates are prepared on the basis of a detailed standard costing analysis, and the selling price and contract terms are based on the Group's commercial contracting standards and market conditions. Before the tender is submitted, a formal multi-gate review process is performed. Tenders are first reviewed at a regional level where the technical, operational, legal and financial aspects of the proposal are considered in detail. Completion of the regional review process requires the formal approval of the appropriate level of management. Dependent on the tender value and complexity (such as technology and partnering), there is an escalating level of approval required. Tenders meeting specific financial and risk criteria are reviewed and approved by the Tender Committee of the Board of Directors.
Realisation and renewal of backlog Delays (including those related to the clients' final investment decisions) suspensions, cancellations, scope, re-phasing or content changes to awarded projects recorded in backlog could materially impact the financial performance and position of the Group in current and future years.	The Group works to mitigate these risks through its contract terms, including, where possible, provision for cancellation fees or early termination payments.
Joint ventures The Group may engage in joint ventures with selected partners to obtain necessary expertise or local knowledge and contract or partner with specialist companies to develop new or emerging business opportunities. A failure to find an appropriate joint venture partner or a failure by a joint venture partner to perform to the standards required by the joint venture agreement could result in negative financial and reputational impact to the Group. Misalignment between Subsea 7 and a joint venture partner on strategic matters could lead to a deadlock, impacting negatively, inter alia, on project execution. In addition, the failure of a joint venture partner to meet its financial obligations could result in an adverse impact on the Group's financial performance and position.	The Group seeks to ensure that selected joint venture partners not only have the necessary expertise, local knowledge and suitable financial profile but are also able to meet the Group's health, safety, security, environmental and quality standards (HSSEQ) and its Code of Conduct obligations. The Group endeavours to establish appropriate governance and oversight mechanisms to monitor the performance of its joint ventures and joint venture partners with regard to such matters.
Project execution The Group executes complex projects and a failure to meet contractual requirements could have several adverse consequences, including contract disputes, rejected claims and cost overruns, which could adversely impact the Group's financial performance, position and reputation. For most contracts, the offshore execution phase, which generally involves the use of either single or multiple vessels, is usually the most hazardous as this phase is exposed, among other risks, to adverse weather conditions or the risk of loss or damage to the contracted works. These hazards can result in unforeseen delays to the project, damage to vessels and equipment, repair or rework, injury to those working offshore, or increased financial loss associated with the delay or damage. The Group must continue to innovate and develop products that allow it to deliver optimal field solutions and cost-efficient solutions for its clients. One such innovation is the Group's Electrically Heat-Traced Flowline (EHTF). Errors or defects in product design and production can expose the Group to additional warranty or product liability risks.	The Group assigns a project management team to every project. Every project is assessed by regional management using the Project Monthly Status Report review process. These reviews cover project progress, risk management, cost management, financial performance and sensitivity analysis. Detailed assessments of costs and revenue are estimated and reported upon, taking into account project performance, planning schedules, contract variations, claims, allowances and contingency analysis. The Group factors the risk of adverse weather conditions into the design of its vessels, equipment and procedures and project scheduling, as well as the training of its offshore workforce. It also works to mitigate potential adverse financial consequences when negotiating contractual terms with its clients. Innovative products are commercialised after rigorous testing that is subject to a hierarchy of stage-gate reviews.

DELIVERY AND OPERATIONAL RISKS CONTINUED

RISK	MITIGATION

Supply chain

Risk

Failure of a key supplier could result in disruption to the Group's ability to complete a project in a timely manner. A significant period of interruption affecting elements of our supply chain arising from factors such as pandemics, extreme weather, financial uncertainty or other unforeseen external factors would have an impact on our ability to deliver our client's projects and could cause disruption to ongoing Group capital expenditure initiatives such as vessel construction, dry dockings and upgrades.

In periods of increased activity for the Group, there is a risk that the supply chain does not or cannot react at the same pace as demand and insufficient capacity causes a deterioration in the quality of the product or service and extended lead times. Similarly, the impact of Covid-19 disruption exists in our direct and indirect supply chain.

Unexpected increases in supply chain costs could result in higher project costs that impact the Group's financial performance.

The resultant time delays or increased costs could lead to irrecoverable costs to the Group and the imposition of financial penalties by clients as well as reputational damage and reduced competitiveness. In a time where cost reductions are essential and cost is a necessary consideration in the selection of key suppliers by our clients, quality and control assurance is a risk. Faulty or damaged components could result in additional project costs which may not be fully recoverable from the supplier and will be incurred by the Group.

Mitigation

The financial profile and outlook of the Group's key suppliers is reviewed during the pre-qualification process for vendors and is considered prior to signing project-related contracts. Unforeseen external factors leading to interruptions in supply chain delivery are difficult to manage, however the Group evaluates these risks and where possible will seek to avoid single source suppliers and will seek to mitigate the financial impact of such interruptions through appropriate contractual terms and conditions.

If necessary, appropriate guarantees or performance-related bonds are requested from our key suppliers. In addition, the Group seeks to develop strong long-term relationships with high-quality and competent suppliers, working to balance costs at a sustainable level and not only engage on a lowest bid basis. The Group engages qualified quality assurance and quality control specialists in the supplier selection process and who have an active role throughout the duration of project execution. These specialists have teams on the ground at key supplier locations to ensure the quality standards are met and assurance policies followed as well as the timelines for delivery.

Communicable or infectious diseases including pandemics

Risk

Communicable or infectious diseases, such as the Covid-19 pandemic, can expose the Group to operational disruption and increased costs as a result of measures required to be undertaken to ensure the safe continuation of the business but also as a result of unexpected business interruptions. The risks to the Group include additional operational costs to continue normal operational activities as well as enhanced working arrangements to work safely in accordance with the changes made in law, quarantining crew and logistical issues associated with the international transit of vessels and people. These costs are not included in fixed-price contracts and therefore pose a financial risk to the Group if they cannot be recovered as a result of exercising our contractual rights. The financial performance of the Group is further impacted by clients' reduced capital expenditure, reduced project award activity or the re-phasing of awarded projects during a pandemic. The risk of a reduced workforce, breaching minimum manning levels or vessel stand-by or quarantine exposures could impact the Group's financial and operational results. The Group is at risk of an interruption caused to the supply chain which is also likely to be impacted.

Mitigation

The Group first and foremost adheres to the law, guidelines, protection and mitigation measures set out by each country in which the Group operates and in accordance with the vessel flag state. Where working from home is not possible, such as for certain onshore fabrication facilities and the offshore vessels, the risk of incurring a significant or severe outbreak of illness is mitigated through the implementation of health screening and additional cleaning and sanitisation measures as part of infection control and prevention. The Group aims to establish safe working environments for the continuation of critical activities in the energy sector. To achieve this, new working procedures are required, including in some cases chartering aircraft to support crew transfers when commercial flights are grounded; extending the period of crew rotations offshore and imposing periods of quarantine prior to embarkation. Reduced workforce numbers and social distancing measures are built into the operational procedures for onshore and offshore locations. Where possible, the Group aims to mitigate some of the additional project cost exposures in complying with changes in the law by exercising its contractual rights to issue variation order requests to clients.

DELIVERY AND OPERATIONAL RISKS CONTINUED

RISK	MITIGATION
Health, safety, security, environmental and quality The Group's projects are complex and are sometimes performed in unfamiliar environments in varied conditions. This requires continuous monitoring and management of health, safety, security, environmental and quality (HSSEQ) risks associated with the location of work, project specification and installation method as well as addressing the location and assets utilised. A failure to manage these risks could expose our people and those who work with us to security breaches, injury or harm. It could result in an environmental event or cause injury or damage to other parties. It could result in significant commercial, legal and reputational damage or potential disbarment from the affected country. The nature of the Group's worldwide operating activities carries an exposure of significant health risks and disruption to our business operations.	The Group is focused on continuously monitoring HSSEQ performance at all levels and actively motivates, influences and guides employees' individual and collective behaviour. The Group is committed to protecting the health and safety of its people and those working on its sites and vessels as well as minimising its impact on the environment. The Group has an HSSEQ policy and detailed HSSEQ procedures designed to identify, assess and reduce such risks while ensuring compliance with relevant laws and regulations. The policy and procedures are subject to review, monitoring and certification by an independent, internationally recognised specialist firm. The Group mitigates exposure to the risk of communicable or infectious diseases by developing health procedures and medical screening that adhere to the guidance and incorporate the best practice set out by world health organisations and industry experts. This includes enhanced travel and embarkation procedures for offshore personnel, to mitigate the risk of severe illness occurring onboard our vessels.
Fleet management The Group has a fleet of vessels which are required for the successful delivery of its projects. These vessels operate in a number of regions which are subject to political, fiscal, legal and regulatory risks. This also includes regulatory requirements related to the crewing of the vessels in the territories where they are operating. Failure to manage such risks could lead to an adverse impact on the Group's financial performance and position. Lack of vessel availability is a risk. Uncertainty in operational vessel schedules may lead to non-availability for other projects in the tendering or execution phase. Vessel availability could also be negatively impacted by delays to vessel construction, completion of maintenance, vessel upgrading and dry-docking activities. In extreme circumstances, the non-availability of a vessel or multiple vessels through loss or irreparable damage could compromise the Group's ability to meet its contractual obligations and cause financial loss. Conversely an underutilisation of the vessel fleet exposes the Group to a risk of under recovery of the total fleet costs. To maintain the competitiveness of the fleet, the Group from time to time makes significant investments in the construction or acquisition of new vessels. If the anticipated demand for those vessels does not materialise, such investments may not generate the intended financial return.	The Group considers carefully the political, fiscal, legal and regulatory risks associated with the deployment of its vessels and crew into regions in which it operates, and monitors developments to ensure it can respond appropriately. To minimise the risk of non-availability, the Group dedicates resources to perform vessel scheduling centrally rather than at a business unit or region level. Vessel construction, maintenance, upgrading and dry-docking activities are subject to detailed planning and controls are deployed to mitigate the risk of completion delays. The design and operational capabilities of a vessel are carefully assessed before its deployment to a particular project and are then closely monitored during the project's execution. The impact of potential non-availability of a vessel is mitigated by both the size and flexibility of the Group's fleet and its ability to access the vessel charter market. The Group adjusts its fleet size to suit its view of the future market by cold or warm stacking its excess assets, as well as potentially returning chartered tonnage to their owners. Before initiating the construction or acquisition of a new vessel, the Group conducts detailed analyses of the potential market and seeks to ensure that the vessel's technical specifications and projected capital and operating costs are appropriate for the anticipated market. The Group assesses the market's need for new assets and, after a rigorous technical and financial review, will decide to proceed with construction or conversion where there is sufficient future activity and with acceptable financial returns on its investment.

FINANCIAL RISKS

RISK	MITIGATION
Revenue and margin recognition Individual period performance may be significantly affected by the timing of contract completion, at which point the final outcome of a project may be fully assessed. Until then, the Group, in common with other companies in the sector, uses the percentage-of-completion method of accounting for revenue and margin recognition. This method relies on the Group's ability to estimate future costs in an accurate manner over the remaining life of a project. As projects may take a number of years to execute, this process requires a significant degree of judgement, with changes to estimates or unexpected costs or recoveries potentially resulting in significant fluctuations in revenue and profitability. Inaccurate forecasting of the costs to complete a project and of the revenue which can be earned from the client for changes to contract scope could have a negative impact on the Group's management of its liquidity and weaken its financial position. Fixed-price contracts awarded at low or negative margins can create volatility when accounting for project performance as forecast unavoidable losses are recognised in full as soon as they are identified. Forecasting in a pandemic and economic crisis is more complex and subject to increased volatility as changes unfold.	Project performance is monitored by means of Project Monthly Status Reports (PMSRs) which record actual costs of work performed, the estimated cost to complete a project and the estimated full-life project revenue. The PMSR allows management to reliably estimate the likely outcome in terms of profitability of each project. These PMSRs are subject to rigorous review and challenge, which include the impact of the Covid-19 pandemic at key levels of management within the Group. Note 4, 'Critical accounting judgements and key sources of estimation uncertainty', to the Consolidated Financial Statements provides more detail of the Group's approach to revenue recognition on long-term contracts.
Cash flow and liquidity The Group's working capital position will be affected by the timing of contract cash flows where the timing of receipts from clients, typically based on completion of milestones, may not necessarily match the timing of payments the Group makes to its suppliers. In executing some of its contracts the Group is required by its clients in the normal course of business to issue performance-related bonds and guarantees. Access to credit from financial institutions in support of these instruments is fundamental to the Group's ability to compete, particularly for large EPIC contracts. In rare instances clients may request specific payment terms such as payment deferrals which can negatively impact the cash flow profile of projects. The availability of short-term and long-term external financing is required to help meet the Group's financial obligations as they fall due. In the event that such financing were to be unavailable or withdrawn, the Group's activities would be significantly constrained.	In addition to using its cash and cash equivalents, the Group seeks, through committed facilities negotiated with various financial institutions and export credit agencies as well as debt raised from the capital markets, to meet its working capital needs and to finance the acquisition or construction of new assets. The Group's cash position, access to liquidity and debt leverage are monitored closely by both the Executive Management Team and the Board of Directors. The Group works to mitigate client payment deferral request risks through its contract terms. In addition, the Group continuously assesses the creditworthiness of its client and supplier base.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is responsible for oversight of the Group's system of risk management and internal controls and for reviewing its effectiveness. The Board of Directors recognises that any system of internal controls can only provide reasonable and not absolute assurance that material financial misstatement and/or fraud will be detected or that the risk of failure to achieve business objectives is eliminated.

The Group's systems of internal controls operate through a number of processes. The more significant include:

- Delegated authority level matrices with certain matters being reserved for the Board of Directors
- Annual review of the strategy, plans and budgets of individual business units to identify the key risks to the achievement of the Group's objectives
- Monthly financial and operational performance reviews against budgets
- Individual tender and contract reviews at various levels throughout the Group
- Capital expenditure and investment reviews and authorisation
- Regular reviews and reporting on the effectiveness of the Group's HSSEQ processes
- Group treasury policies
- Group taxation compliance and reporting policies and systems
- The Group's whistleblowing policy, which allows individuals to raise concerns in confidence about potential breaches of the Code of Conduct
- Quarterly reporting to the Executive Management Team from the Global Applications and Systems Steering Committee (GASSC) on the integrity and security of its business and IT systems, including cyber risk
- Cyclical reviews of all non wholly-owned subsidiaries, joint ventures and associates by the Joint Venture Steering Committee

The Group's internal audit function, which reports directly to the Audit Committee, performs independent reviews of key business financial processes and controls and other areas considered to be of high business risk. The Audit Committee annually reviews and approves the internal audit plan and receives regular updates on internal audit's findings and the actions taken by management to address these. The role of the Executive Risk Committee is to meet quarterly to review the risks identified as impacting or having the potential to impact the Group's operations and strategic objectives as well as discussing emerging risks.

FOCUSING ON GOOD CORPORATE GOVERNANCE IN TIMES OF HEIGHTENED UNCERTAINTY

DAVID MULLEN
Chairman of the Corporate Governance and Nominations Committee

It is with sadness that I am providing this update in my new role as Chairman of the Corporate Governance and Nominations Committee and Senior Independent Director following the death in January 2021 of Allen Stevens, who had led the Corporate Governance and Nominations Committee since May 2018. As Senior Independent Director, I will continue Allen's approach of providing independent oversight and constructive challenge to ensure the Company maintains the highest corporate governance standards.

CHANGES TO BOARD AND COMMITTEE COMPOSITION

We began 2020 as a Board of eight directors. However, 2020 saw the retirement of one of our non-independent directors, Eystein Eriksrud, from the Board of Directors. This, together with Allen's passing, has resulted in the Board of Directors reducing from eight to six members, comprised of four independent directors and two non-independent directors. There have also been changes to the Board Committees. As well as my appointment, Niels Kirk has been appointed to the Corporate Governance and Nominations Committee. In addition, Elisabeth Proust has been appointed to both the Compensation Committee and the Audit Committee. With Elisabeth's appointment, the Audit Committee is now comprised solely of independent directors.

GOVERNANCE IN A PANDEMIC

2020 was a year that saw unprecedented challenges. Nevertheless, thanks to the governance structures we have in place, we were able to continue to run our business in accordance with our goal of creating long-term value for all our stakeholders.

The Covid-19 crisis and restrictions on travel meant that the shareholders' meeting and Board meetings could not proceed on a physical basis as originally planned. However, following the enaction of temporary Luxembourg legislation allowing companies to hold shareholder and board meetings without any physical participation, the Board quickly adapted to the digital way of working and was able to conduct three more meetings than originally scheduled for the year. In addition, the AGM took place as scheduled on 7 April 2020.

However, the Board took the decision to postpone the externally facilitated evaluation of Board practices which was due in 2020 until face-to-face interviews were once again possible and, as such, in 2020 the Board evaluation was conducted internally by the Company Secretary.

SUSTAINABILITY

Sustainability has been an important area of focus for the Board of Directors this year and I am proud to report that, as a result of the permanent inclusion of Sustainability as an agenda item at every Board meeting as well as the establishment of an Executive Sustainability Committee reporting to the CEO, Sustainability has become thoroughly embedded into our corporate governance structure and its profile within the organisation and the understanding of what Sustainability means to Subsea 7 has increased significantly. You can read more about our six Sustainability Priorities and the progress made in relation to each priority in 2020 on pages 23 to 24 as well as in the Company's Sustainability Report.

RISK MANAGEMENT

During 2020 a review was conducted of the key corporate governance obligations of the Board of Directors with regards to understanding and reviewing risks and the decision was made to set up an Executive Risk Committee reporting to the CEO, which would focus on improving the visibility of the effective risk monitoring systems we already have in place and embedding them more thoroughly into our corporate governance structure, and this is something we will be working on during 2021.

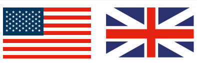
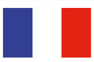
Despite the challenges faced, 2020 was a productive year and we were able to continue to build upon and improve our governance structures, always having regard to our goal to create long-term value for all of our stakeholders.

GOVERNANCE AT A GLANCE

The areas listed below, on which we report on the pages indicated, are aligned with the Norwegian Code of Practice for Corporate Governance.

BOARD OF DIRECTORS

	KRISTIAN SIEM	ALLEN STEVENS	DAVID MULLEN	JEAN CAHUZAC
	Chairman	(Died 10 January 2021) Senior Independent Director*	Senior Independent Director*	Director
Skills and experience	Mr Siem brings an extensive knowledge of the offshore oil and gas services business worldwide from previous senior executive and non-executive roles combined with long-standing experience as chairman of public companies listed in the US, UK and Norway. Mr Siem is the founder of the Siem Industries Group and has been Director and Chairman of Siem Industries since 1982. Prior to joining the Group, he held several management positions with the Fred. Olsen Group in the US and Norway. Mr Siem has previously held directorships at Kvaerner ASA and Transocean Inc. He holds a degree in Business Economics.	Mr Stevens had many years of experience in shipping, finance and management. He started in the shipping industry in financial planning at SeaLand Service Inc., and subsequently served as Treasurer of McLean Industries Inc. from 1972 to 1988. Mr Stevens served as Chairman and Director of Erie Shipbuilding from 2006 to 2009, and Chairman of Trailer Bridge Inc. from 2008 until 2012. He also held senior executive and management positions with Great Lakes Transport Limited. He was a graduate of Harvard Law School and held a degree in Industrial Engineering from the University of Michigan.	Mr Mullen brings over 30 years' experience in the oil services business. He has previously held the position of CEO at two other companies in the subsea industry, Wellstream Holdings PLC and Ocean Rig ASA. Prior to these appointments he was Senior Vice President of Global Marketing, Business Development and M&A at Transocean from 2005 to 2008. Mr Mullen also had a 23-year career at Schlumberger, including as President of Oilfield Services for North and South America. He holds a Bachelor of Arts degree in Geology and Physics from Trinity College, Dublin, and an MSc degree in Geophysics from the National University of Ireland.	Mr Cahuzac has wide multi-country technical, commercial and general management experience in senior executive roles in the oil and gas services sector spanning a period of 40 years. He was appointed Chief Executive Officer of Acergy S.A. in 2008 and in 2011, post merger, became the Chief Executive Officer of Subsea 7 S.A., a position he held until his retirement in December 2019. Mr Cahuzac was Chief Operating Officer and then President at Transocean from 2000 to 2008. He worked at Schlumberger from 1979 to 1999 in various field management positions and then as President of Sedco Forex. He holds a Master's degree in Engineering from École des Mines de St-Étienne and is a graduate of the French Petroleum Institute in Paris.
Date of appointment	Appointed Director and Chairman from January 2011. Prior to the merger of Acergy S.A. and Subsea 7 Inc. in January 2011 Mr Siem was Chairman of Subsea 7 Inc. from January 2002.	Mr Stevens was appointed a Non-Executive Independent Director from January 2011 and Senior Independent Director from May 2018. Mr Stevens was Independent Director of Subsea 7 Inc. from December 2005 to January 2011.	Appointed a Non-Executive Independent Director from April 2018 and appointed Senior Independent Director from January 2021.	Appointed a Director from May 2008 (then named Acergy S.A.).
Committee membership	C G		G	
Key external appointments	Chairman of Siem Industries S.A., Siem Offshore Inc. and Frupor S.A.	Mr Stevens was Vice President and Director of Masterworks Development Co., LLC.	CEO and Director of Shelf Drilling Limited.	Member of the Supervisory Board of Société Phocéenne de Participations.
Nationality and date of birth	1949	1943	1958	1954
Tenure	Re-elected by shareholders on 17 April 2019 until the 2021 AGM.		Re-elected by shareholders on 7 April 2020 until the 2022 AGM.	Re-elected by shareholders on 7 April 2020 until the 2022 AGM.

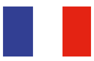
DOD FRASER	NIELS KIRK	ELISABETH PROUST
Independent Director*	Independent Director*	Independent Director*
Skills and experience		
Mr Fraser brings comprehensive experience in corporate finance and investment banking both internationally and in the United States. This is supplemented by extensive knowledge of corporate governance in his current and prior appointments as audit committee member. Mr Fraser served as a Managing Director and Group Executive with Chase Manhattan Bank, now JP Morgan Chase, leading the global oil and gas group from 1995 until 2000. Until 1995 he was a General Partner of Lazard Frères & Co. Mr Fraser has been a trustee of Resources for the Future, a Washington-based environmental policy think-tank. He is a graduate of Princeton University.	Mr Kirk brings to the role over 35 years of international corporate and structured finance experience combined with extensive knowledge of the energy, power and resource sectors at executive level. He is a co-founder and Chief Executive of the energy advisory firm Kirk Lovegrove and Company Ltd. Prior to this, he worked at Citibank and Banque Paribas. Mr Kirk is a member of the Advisory Council of Advanced Power, which develops, acquires, owns and manages power generation and related infrastructure projects in Europe and North America. Mr Kirk holds an MBA in Finance and International Business from the Stern School at New York University.	Ms Proust, in addition to her engineering expertise, brings extensive multi-country experience in the oil and gas sector at an executive level after spending more than 35 years at Total. Ms Proust was the first female vice president for development engineering for Total worldwide and, as her career progressed, she held multiple leadership roles as a managing director of Total's affiliates in Indonesia, Nigeria and, finally, the UK. Ms Proust is a Senior Advisor for Renoir Group, which is a management consulting firm in sustainable change. Ms Proust has a Bachelor of Applied Science degree in hydrodynamics from École Centrale de Nantes as well as a Diploma in drilling, reservoir and production engineering from the French Petroleum Institute in Paris.
Date of appointment		
Appointed a Non-Executive Independent Director from December 2009 (then named Acergy S.A.).	Appointed a Non-Executive Independent Director from April 2018.	Appointed a Non-Executive Independent Director from April 2019.
Committee membership		
A	C A G	C A
Key external appointments		
Director of Rayonier Inc. Director of Fleet Topco Limited. Director of OCI N.V.	Co-founder and CEO of Kirk, Lovegrove and Company Ltd.	Non-Executive Director of Premier Oil plc.
Nationality and date of birth		
 1950	 1962	 1957
Tenure		
Re-elected by shareholders on 17 April 2019 until the 2021 AGM.	Re-elected by shareholders on 7 April 2020 until the 2022 AGM.	Elected by shareholders on 17 April 2019 until the 2021 AGM.

Committee key

- (red circle) Chairman
- C Compensation Committee
- G Corporate Governance and Nominations Committee
- A Audit Committee

* 'Independent' is defined by the rules and codes of corporate governance of the Oslo Børs on which Subsea 7 S.A. is listed, which the Board must satisfy, in particular the Norwegian Code of Practice for Corporate Governance. Under the terms of the Company's Articles of Incorporation, Directors may be elected for terms of up to two years and serve until their successors are elected. Under the Company's Articles of Incorporation, the Board must consist of not fewer than three Directors.

EXECUTIVE MANAGEMENT TEAM

	JOHN EVANS	OLIVIER BLARINGHEM	STUART FITZGERALD	NATHALIE LOUYS
	Chief Executive Officer	Executive Vice President – Subsea and Conventional	Executive Vice President – Alliances and Strategy	General Counsel
Skills and experience	John has over 30 years of experience in the oil and gas services industry, primarily in the SURF and offshore engineering and construction sectors. He started his career in 1986, working with Brown & Root, and built a successful track record in general management, and commercial and operational roles in the offshore oil and gas industry. Prior to his current appointment, from July 2005, John held the position of Chief Operating Officer of Subsea 7. John has a Bachelor of Engineering degree in Mechanical Engineering from Cardiff University, is a Chartered Mechanical and Marine Engineer and a Chartered Director.	Olivier started his career in the oil and gas engineering and contracting sector in 1995, working for seven years with Entrepose Contracting in project management and commercial roles, based in Nigeria, China and France. Since joining Subsea 7 in 2002, Olivier has held a number of country, regional and corporate management positions based in the North Sea, Africa, Asia and the Middle East. In 2016, Olivier was appointed Vice President of Asia Pacific and the Middle East until his appointment to Executive Vice President – SURF and Conventional in January 2020. Olivier has a degree in Mechanical and Electrical Engineering from the École Spéciale des Travaux Publics in Paris.	Stuart began his career with Subsea 7 in 1998. In 2014 he was appointed Vice President Sales and Marketing for the Northern Hemisphere and Life of Field business. In June 2016, Stuart was appointed Vice President Strategy and Technology, a position that he held until his appointment to Executive Vice President – Strategy and Commercial in January 2018. Stuart has a Bachelor of Engineering degree in Mechanical Engineering and a Bachelor of Science degree in Applied Mathematics from Monash University in Melbourne, Australia.	Nathalie began her legal career in 1986, working with Saint-Gobain and Eurotunnel, gaining extensive legal experience across various industries. In 1996 she joined Technip, based in Paris, progressing to the role of Vice President Legal – Offshore. In 2006 Nathalie joined Subsea 7 performing senior corporate and operational legal roles. Prior to her current appointment Nathalie was Vice President Legal – Commercial. Nathalie has been admitted to the Paris Bar and has legal qualifications from University Paris I – Panthéon Sorbonne and Paris XI in France and the University of Kent in the UK.
Date of appointment	John has been Chief Executive Officer of Subsea 7 since January 2020.	Olivier was appointed Executive Vice President – SURF and Conventional in January 2020 and Subsea and Conventional in January 2021.	Stuart was appointed Executive Vice President Alliances and Strategy in September 2019.	Nathalie has been General Counsel of Subsea 7 since April 2012.
Nationality and date of birth	 1963	 1970	 1969	 1963

	KATHERINE LYNE	STEPHEN MCNEILL	RICARDO ROSA	PHILLIP SIMONS
	Executive Vice President – Human Resources	Executive Vice President – Renewables	Chief Financial Officer	Executive Vice President – Projects and Operations
Skills and experience	Kate began her career in the power generation sector with Alstom, where she held roles in Belgium, France, the UK and the US. In 2004 she moved to Imerys where she was initially HR Director for the Paper division before being appointed as HR Director for the Ceramics, Refractories, Abrasives, and Foundry business based in Paris. In 2012 Kate joined Subsea 7 as Vice President Group Human Resources which she held until her current appointment. Kate has a business degree from the University of Brighton and is a fellow of the Chartered Institute of Personnel and Development.	Steph began his career in the offshore energy sector in 1990, subsequently working in various technical, commercial and management roles worldwide for Brown and Root Vickers, Det Norske Veritas, Saipem and KBR. Steph joined Subsea 7 in 2005 and has held a number of different positions in general management. In January 2018 Steph was appointed Senior Vice President Renewables and Heavy Lifting which he held until his current appointment. Steph has a Bachelor of Engineering degree in Naval Architecture and Offshore Engineering from the University of Strathclyde and is a Chartered Engineer and a Fellow of the Royal Institution of Naval Architects.	Ricardo started his career in 1977 with Price Waterhouse. In 1983 he joined Schlumberger where he held various financial positions, working in France, Indonesia, Singapore, Brazil, Venezuela, Italy and the UK. In 2000 he joined Transocean as Vice President and Controller in Houston, subsequently becoming Senior Vice President for Asia Pacific and Middle East and then for Europe and Africa. Prior to joining Subsea 7, he was Transocean's Executive Vice President and CFO. Ricardo has a Masters of Arts degree in Modern Languages from Oxford University and is a member of the Institute of Chartered Accountants in England and Wales.	Phil began his career in 1987 in offshore drilling until 1992 when he became an engineer for pipeline installation contractor, European Marine Contractors. Phil has more than 20 years' experience in the subsea pipelines business. Phil joined Subsea 7 in Aberdeen in 2004 as a senior project manager and in 2011 was appointed Vice President for Canada, Mediterranean and Russia. In 2013 he was appointed Vice President UK and Canada, before taking up the role of Vice President for North Sea and Canada in 2016. In 2018 Phil was appointed Senior Vice President Global Projects and Operations. Phil has a Bachelor of Engineering degree in Mining Engineering from the University of Leeds.
Date of appointment	Kate has been Executive Vice President – Human Resources of Subsea 7 since September 2019.	Steph was appointed Executive Vice President – Renewables in January 2020.	Ricardo has been Chief Financial Officer of Subsea 7 since July 2012.	Phil was appointed Executive Vice President – Projects and Operations in January 2020.
Nationality and date of birth	 1969	 1969	  1956	 1966

2020 CORPORATE GOVERNANCE REPORT REGULATORY COMPLIANCE

This section sets out the arrangements the Board has put in place to help ensure that it fulfils its corporate governance obligations, including the application of the principles of the Norwegian Code of Practice for Corporate Governance.

LEGAL AND REGULATORY FRAMEWORK

Subsea 7 S.A. is a 'société anonyme' organised in the Grand Duchy of Luxembourg under the Company Law of 1915, as amended, being incorporated in Luxembourg in 1993, and acts as the holding company for all of the Group's entities.

Subsea 7 S.A.'s registered office is located at 412F, route d'Esch, L-2086 Luxembourg. The Company is registered with the Luxembourg Register of Commerce and Companies under the designation 'R.C.S. Luxembourg B 43172'. As a company incorporated in Luxembourg and with shares traded on the Oslo Børs and ADRs traded over-the-counter in the US, Subsea 7 S.A. is subject to Luxembourg laws and regulations with respect to corporate governance.

As a company listed on the Oslo Børs, where its shares are actively traded, the Company follows the Norwegian Code of Practice for Corporate Governance on a 'comply or explain' basis, where this does not contradict Luxembourg laws and regulations. The Norwegian Code of Practice for Corporate Governance is available at www.nues.no.

The Group's corporate governance policies and procedures are explained below, with reference to the principles of corporate governance as set out in the sections identified in the Norwegian Code of Practice for Corporate Governance dated 17 October 2018.

ARTICLES OF INCORPORATION – NATURE OF THE GROUP'S BUSINESS

As stated in its Articles of Incorporation, Subsea 7 S.A.'s business activities are as follows:

"The objects of the Company are to invest in subsidiaries which predominantly will provide subsea construction, maintenance, inspection, survey and engineering services, in particular for the offshore oil and gas and related industries. The Company may further itself provide such subsea construction, maintenance, inspection, survey and engineering services, and services ancillary to such services.

The Company may, without restriction, carry out any and all acts and do any and all things that are not prohibited by law in connection with its corporate objects and to do such things in any part of the world whether as principal, agent, contractor or otherwise. More generally, the Company may participate in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or by any other means of all shares, stocks, debentures, bonds or securities; the acquisition of patents and licences which it will administer and exploit; it may lend or borrow with or without security, provided that any monies so borrowed may only be used for the purposes of the Company, or companies which are subsidiaries of or associated with or affiliated to the Company; in general it may undertake any operations directly or indirectly connected with these objects."

The full text of the Company's Articles of Incorporation, as amended, is available on Subsea 7's website.

BUSINESS

The Board of Directors has set strategies and targets for the Company's business. Since 1 January 2021, the Group has structured itself around its diversified strengths, reporting through two operational business units: Subsea and Conventional, and Renewables.

The Subsea and Conventional business unit is a global leader in offshore energy services delivering Design, Engineering, Procurement, Construction and Installation (EPCI), and Decommissioning projects in all water depths, operating under the Subsea 7 brand.

The Renewables business unit is an experienced partner for the delivery of offshore wind farm projects and specialist foundations and cable lay services, operating under the Seaway 7 brand. Further details of the Group's business units are outlined in the 'Strategy' and 'Business Review' sections on pages 14 to 21.

BOARD OF DIRECTORS

KRISTIAN SIEM Chairman	**DAVID MULLEN** Senior Independent Director	**JEAN CAHUZAC** Director
DOD FRASER Independent Director	**NIELS KIRK** Independent Director	**ELISABETH PROUST** Independent Director

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

As a Luxembourg incorporated entity, the Company does not have a corporate assembly.

The Board of Directors comprises six Directors. The majority of the Directors were, during the year ended 31 December 2020, considered independent in accordance with the rules of the Oslo Børs on which Subsea 7 S.A. is listed and the independence criteria of the Norwegian Code of Practice for Corporate Governance.

The Board has a Senior Independent Director elected from among its independent members to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary.

Biographies of the individual Directors are detailed on pages 38 to 39.

The charters of the permanent committees do not permit executive management to be members. The composition of the Company's Board of Directors and the controls to avoid conflicts of interest are in accordance with both Luxembourg company law and good corporate governance practice.

The Board of Directors endeavours to ensure that it is constituted by Directors with a varied background and with the necessary expertise, diversity and capacity to ensure that it can effectively function as a cohesive body. Prior to proposing candidates to the relevant general meeting for election to the Board of Directors, the Corporate Governance and Nominations Committee seeks to consult with the Company's major shareholders before recommending candidates to the Board of Directors.

Directors are elected by a general meeting for a term not exceeding two years and may be re-elected. Directors need not be shareholders. At a general meeting the shareholders may dismiss any Director, with or without cause, at any time notwithstanding any agreement between the Company and the Director. Such dismissal may not prejudice the claims that a Director may have for indemnification as provided for in the Articles of Incorporation or for a breach of any contract existing between him or her and the Company.

If there is a vacancy on the Board of Directors, the remaining Directors appointed at a general meeting have the right to appoint a replacement Director until the next meeting of shareholders, who will be asked to confirm such appointment.

With the exception of a candidate recommended by the Board of Directors, or a Director whose term of office expires at a general meeting of the Company, no candidate may be appointed unless at least three days and no more than 22 days before the date of the relevant meeting, a written proposal, signed by a duly authorised shareholder, shall have been deposited at the registered office of the Company together with a written declaration, signed by the proposed candidate, confirming his or her wish to be appointed.

The Directors of the Board are encouraged to hold shares in the Company as the Board of Directors believes it promotes a common financial interest between the members of the Board of Directors and the shareholders of the Company. Details of the Directors' shareholdings are on page 124.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors adheres to a Board Charter which sets out the instructions for the Board.

The main responsibilities of the Board of Directors are:

1. Setting the values used to guide the affairs of the Group. This includes the Group's commitment to achieving its health and safety vision and the Group's adherence to the highest ethical standards in all of its operations worldwide.
2. Integrating environmental improvement into business plans and strategies, and seeking to embed sustainability into the Group's business processes.
3. Overseeing the Group's compliance with its statutory and regulatory obligations and ensuring that systems and processes are in place to enable these obligations to be met.
4. Setting the strategy and targets of the Group.
5. Establishing and maintaining an effective corporate structure for the Group.
6. Overseeing the Group's compliance with financial reporting and disclosure obligations.
7. Overseeing the risk management of the Group.
8. Overseeing Group communications.
9. Determining its own composition, subject to the provisions of the Company's Articles of Incorporation.
10. Ensuring the effective corporate governance of the Group.
11. Approving the remuneration package for the CEO based upon the recommendation of the Compensation Committee.
12. Setting and approving policies.

The Board of Directors' Charter is available on the Subsea 7 website: www.subsea7.com.

RESPONSIBILITIES DURING THE YEAR

During the year, the Board of Directors sets a plan for its work for the following year, which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and the review and monitoring of the Group's current year financial performance. In 2021, the Board of Directors is scheduled to convene on seven occasions, but the schedule is flexible to react to operational or strategic changes in the market and circumstances affecting the Group.

The Board of Directors has overall responsibility for the management of the Group and has delegated the daily management and operations of the Group to the CEO, who is appointed by and serves at the discretion of the Board of Directors. The CEO is supported by the other members of the Executive Management Team, further details of which are on pages 40 to 41.

The Executive Management Team has the collective duty to deliver Subsea 7's strategic, financial and other objectives, as well as to safeguard the Group's assets, organisation and reputation. The Board of Directors has internal regulations for its own operation and approves objectives for its own work, as well as the work of the Executive Management Team, with particular emphasis on clear internal allocation of responsibility and duties.

It is the duty of the Executive Management Team to provide the Board of Directors with appropriate, precise and timely information on the operations and financial performance of the Group, in order for the Board of Directors to perform its duties. The Board of Directors has established a Corporate Governance and Nominations Committee, a Compensation Committee and an Audit Committee, each of which has a charter approved by the Board of Directors. Matters are delegated to the committees as appropriate. The Directors appointed to these committees are selected based on their experience and to ensure the committees operate in an effective manner. The minutes of all committee meetings are circulated to all Directors.

2020 MEETING ATTENDANCE

	Board	Audit Committee*	Corporate Governance and Nominations Committee*	Compensation Committee
Kristian Siem	10/10		3/3	4/4
Allen Stevens**	10/10		3/3	4/4
Jean Cahuzac	10/10			
Dod Fraser	10/10	6/6		
Eystein Eriksrud***	1/2			
Niels Kirk	10/10	6/6		4/4
David Mullen	10/10		3/3	
Elisabeth Proust	10/10	5/6		

* Additionally, a joint session of the Audit Committee and the Corporate Governance and Nominations Committee was held on 24 February 2020.
** Allen Stevens died on 10 January 2021.
*** Eystein Eriksrud's mandate ended at the Annual General Meeting held on 7 April 2020.

The performance and expertise of the Board of Directors are monitored and reviewed annually, including an evaluation of the composition of the Board of Directors and the manner in which its members function, both individually and as a collegiate body. In line with best practice, the evaluation of the performance of the Board of Directors is conducted by an external facilitator every third year. The most recent external review was conducted in respect of the year 2017 and as such the review of 2020 was due to be conducted externally. However, in reflection of the challenge of not being able to physically meet, the Board of Directors took the exceptional decision to defer the external evaluation by 12 months. Accordingly, the evaluation of the performance of the Board of Directors during the 2020 year was conducted internally and the results of the evaluation were shared with Corporate Governance and Nominations Committee. The deferred external review is due at the end of 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors acknowledges its responsibility for the Group's identification and management of risk along with the system of internal control and for reviewing the effectiveness of these. The Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material financial misstatement or loss. The Board of Directors carries out an annual review of the Group's most important areas of exposure to risk and its internal control arrangements, having regard to the changing nature of risk and the Group's ability to cope with them.

The Group adopts internal controls appropriate to its business activities and geographical spread. The key components of the Group's system of risk management and internal control are described in the Risk Management section on pages 26 to 36. The Group has in place clearly defined lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of capital expenditure. An Executive Risk Committee meets on a quarterly basis to review and discuss the Group's risk and risk management procedures and reports to the Board. The Executive Management Team also meets with functional senior management on a regular basis to discuss particular issues, including key operational and commercial risks, health and safety performance, sustainability, environmental factors, and legal and financial matters.

The Group has a comprehensive annual planning and management reporting process. A detailed annual budget is prepared in advance of each year and supplemented by forecasts updated during the course of the year. Financial results are reported monthly to the Executive Management Team and quarterly to the Board of Directors and compared to budget, forecasts, market consensus and prior year results.

The Board of Directors reviews reports on actual financial performance and forward-looking financial guidance.

The Board of Directors derives further assurances from the reports of the Audit Committee. The Audit Committee has been delegated responsibility to review the effectiveness of the internal financial control systems implemented by management and is assisted by the internal audit function and the external auditor where appropriate.

COMMUNICATION WITH STAKEHOLDERS

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Subsea 7 S.A. acknowledges the division of roles between shareholders, the Board of Directors and the Executive Management Team. The Group further ensures good governance is adopted by holding regular Board of Directors' meetings, which the Executive Management Team attends and at which strategic, operational and financial matters are presented.

The Group's vision is: To lead the way in the delivery of offshore projects and services for the energy industry.

The Group's Values are: Safety, Integrity, Sustainability, Innovation, Performance and Collaboration.

In pursuit of the six Values, the Group has an Ethics Policy Statement and a Code of Conduct which reflect its commitment to clients, shareholders, employees and other stakeholders to conduct business legally and with integrity and honesty. The Ethics Policy Statement and the Code of Conduct were approved by the Board of Directors and were issued to all Directors, officers and employees and are subject to periodic review and updating.

GENERAL MEETINGS

The Articles of Incorporation provide that the Annual General Meeting (AGM) shall be held within six months from the end of the financial year and in 2021 it will be held on 14 April.

The notice of meeting and agenda documents for the AGM are posted on the Group's website at least 21 days prior to the meeting and shareholders receive the information at least 21 days prior to the meeting by mail. Documentation from previous AGMs is available on the Subsea 7 website: www.subsea7.com.

All shareholders that are registered with the Norwegian Central Securities Depository System receive a written notice of the AGM. The Company will set a record date as close as practicable to the date of the AGM, taking into account the differing deadlines for ADR and common share proxies. Subject to the procedures described in the Articles of Incorporation, all shareholders holding individually or collectively at least 10% of the issued shares have the right to submit proposals or draft resolutions. All shareholders on the register as at the record date will be eligible to attend in person, or vote by proxy, at the AGM.

Proxy forms are available and may be submitted by eligible shareholders which allow separate voting instructions to be given for each proposed resolution to one of the representatives indicated on the proxy form and also allow a person to be nominated to vote on behalf of shareholders as their proxy. There will be a separate vote for each candidate nominated for election to the Board of Directors. Details will be provided in the resolutions and supporting information distributed to the shareholders ahead of the AGM.

Under Luxembourg law, there are minimum quorum requirements for extraordinary general meetings but no minimum quorum requirement for AGMs. Decisions will be validly made at the AGM regardless of the number of shares represented if approval is obtained from the majority of the votes of those shareholders that are present or represented.

The Articles of Incorporation of the Company stipulate that the AGM will be chaired by the Chairman of the Board of Directors. However, the Board of Directors ordinarily delegates authority to the Company Secretary to chair the AGM. If a majority of the shareholders request an alternative independent chairman, one will be appointed.

At the AGM, the shareholders, inter alia, elect members of the Board of Directors for nominated terms of appointment, approve the Company's Annual Accounts, the Group's Annual Report and Consolidated Financial Statements, discharge the Directors from their duties for the financial year and approve the statutory auditor's appointment. In accordance with Luxembourg law and the Company's Articles of Incorporation, the Chairman of the Board is elected by the Board of Directors based on its insight into who has the most suitable level of understanding of the Company to carry out the duties of the Chairman.

EQUITY AND DIVIDENDS

Shareholders' equity

Total shareholders' equity at 31 December 2020 was $4.2 billion (2019: $5.3 billion) which the Board of Directors believes is satisfactory given the Group's strategy, objectives and risk profile.

Dividend policy

It is Subsea 7's objective to give its shareholders an attractive return on their invested capital. The return is to be achieved through a combination of dividend payments, share repurchases and an increase in the value of the Company's shares over time through disciplined investment in value-adding growth opportunities. The Board of Directors each year, after evaluating the Company's financial position and re-investment opportunities, may decide to recommend that shareholders approve at the AGM an appropriate dividend. This dividend will normally be paid in the month following its approval at the AGM.

Equity mandates

At the extraordinary general meeting held on 17 April 2019, the Board of Directors' authority to approve the purchase of the Company's shares up to a maximum of 32,736,711 common shares (representing 10% of the issued common shares as at 17 April 2019) was granted until 17 April 2021. This authority is subject to certain purchase price conditions and is conditional on such purchases being made in open market transactions through the Oslo Børs, subject to certain limitations. The Board of Directors was also granted authority for a period ending on 17 October 2021 to cancel shares repurchased under such authorisation and to reduce the issued share capital through such cancellations.

An extraordinary general meeting was held on 17 April 2018 at which the Company's shareholders approved the restatement of the authorised share capital at $900,000,000 with any authorised but unissued common shares lapsing on 16 May 2021. Additionally, the Board of Directors was authorised to issue new shares within the authorised unissued share capital. The Board of Directors was authorised to waive, suppress or limit existing shareholders' preferential subscription rights up to a maximum of 32,736,711 common shares (representing 10% of the issued common shares as at 17 April 2018). These authorisations were granted for a period of three years, expiring on 16 May 2021, to reduce inter alia the administrative burden of convening an extraordinary general meeting annually.

An extraordinary general meeting will be held on 14 April 2021 at which it will be proposed that the shareholders (1) approve the restatement of the authorised share capital at $900,000,000 and (2) approve the renewal of the Board of Directors' authority to purchase up to 10% of the Company's issued shares as well as the authority to cancel shares repurchased under such authorisation and to reduce the issued share capital through such cancellations.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

One class of shares

The Company has one class of shares which are listed on the Oslo Børs. Each share carries equal rights including an equal voting right at annual or extraordinary general meetings of shareholders of the Company. No shares carry any special control rights. The Articles of Incorporation contain no restrictions on voting rights.

Share issues

The Board of Directors is authorised to suppress the pre-emptive rights of shareholders under certain circumstances and within the limits set forth previously. This is to allow flexibility to deal with matters deemed to be in the best interest of the Company.

In the event of the Board of Directors resolving to issue new shares and waive the pre-emptive rights of existing shareholders, the Board of Directors intends to comply with the recommendation of the Norwegian Code of Practice for Corporate Governance that the justification for such waiver is noted in the Stock Exchange announcement relating to such a share issue.

Related party transactions

Any transactions between the Group and members of the Board of Directors, executive management or close associates are detailed in Note 33 'Related party transactions' to the Consolidated Financial Statements.

The Board of Directors will, from time to time, determine the necessity of obtaining third-party valuations on transactions with related parties. Under Luxembourg law, Directors may not vote on transactions in which they are directly or indirectly financially interested.

The Group's Code of Conduct requires any Director or employee to declare if they hold any direct or indirect financial interest in any transaction entered into by the Group.

Freely negotiable shares

Subsea 7 S.A.'s shares are traded as common shares on the Oslo Børs and as ADRs over-the-counter in the US.

All shares are freely negotiable. The Articles of Incorporation contain no form of restriction on the negotiability of shares in the Company.

CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

COMMITTEE MEMBERS
David Mullen
Committee Chairman

Kristian Siem
Niels Kirk

The Board of Directors has established a Corporate Governance and Nominations Committee. The composition of this Committee is for the Board of Directors to determine in accordance with the Company's Articles of Incorporation. The Board of Directors believes that the Committee, comprising certain members of the Board of Directors, the majority of whom are independent of the Company's main shareholders, has the most suitable level of understanding of the Company to carry out the duties of the Committee.

The Corporate Governance and Nominations Committee's main responsibilities are:

1. Actively seeking and evaluating individuals qualified to become Directors of the Company and nominating candidates to the Board of Directors.
2. Periodically reviewing the composition and duties of the Company's permanent committees and recommending any changes to the Board of Directors.
3. Periodically reviewing the compensation of Directors and making any recommendations to the Board of Directors.
4. Annually reviewing the duties and performance of the Chairman of the Board and recommending to the Board of Directors a Director for election by the Board of Directors to the position of Chairman of the Board.
5. Annually reviewing the Company's corporate governance guidelines, procedures and policies for the Board of Directors and recommending to the Board of Directors any changes and/or additions thereto that they believe are desirable and/or required. These governance guidelines include the following:
   - How the Board of Directors is selected and compensated (for example, the size of the Board, Directors' compensation, qualifications, independence, retirement and conflicts of interests).
   - How the Board of Directors functions (for example, procedures for Board meetings, agendas, committee structure and format and distribution of Board materials).
   - How the Board of Directors interacts with shareholders and management (for example, selection and evaluation of the CEO, succession planning, communications with shareholders and access to management).
6. Overseeing the annual evaluation of the Board of Directors' performance.
7. Overseeing all aspects of Subsea 7's compliance and ethics programme. This will include a regular review of the structure of the compliance function, the scope of its activities and the effective implementation of the programme (including procedures for employees to raise concerns about breaches of the Code of Conduct and for such concerns to be investigated and remediated).
8. Annually reviewing the Committee's own performance.

The Corporate Governance and Nominations Committee Charter is available on the Subsea 7 website: www.subsea7.com.

COMPENSATION COMMITTEE

COMMITTEE MEMBERS

Kristian Siem
Committee Chairman

Elisabeth Proust
Niels Kirk

The Compensation Committee has been established by the Board to assist in developing a fair compensation programme for the executive officers and to ensure compliance with legal requirements as to executive officer compensation. The Compensation Committee's main responsibilities are:

1. Annually reviewing and approving the compensation paid to the executive officers of the Company with the exception of the CEO where the Compensation Committee may make a recommendation to the Board of Directors.
2. Establishing annually performance objectives for the Company's CEO and annually reviewing the CEO's performance against objectives and setting the CEO's compensation based on its evaluation.
3. Overseeing the Company's Benefit Plans in accordance with the objectives of the Company established by the Board of Directors.
4. Reviewing executive compensation plans and making recommendations to the Board on the adoption of new plans or programmes.
5. Recommending to the Board of Directors, the terms of any contractual agreements and any other similar arrangements that may be entered into with executive officers of the Company and its subsidiaries.
6. Approving appointments of the CEO, the CEO's direct reports and certain other appointments.
7. Preparing the report on executive compensation to be included in the Company's Annual Report and Consolidated Financial Statements.
8. Annually reviewing the Compensation Committee's own performance.

The Compensation Committee Charter is available on the Subsea 7 website: www.subsea7.com.

REMUNERATION OF THE BOARD OF DIRECTORS

The Company's Directors receive remuneration in accordance with their individual roles and committee membership. The CEO's remuneration is detailed in Note 33 'Related party transactions' to the Consolidated Financial Statements. The Directors are encouraged to own shares in the Company but no longer participate in any incentive or share option schemes, with the exception of Mr Cahuzac who retains awards granted to him in his capacity as CEO prior to his retirement from this role on 31 December 2019. The remuneration of the Board of Directors is approved at the AGM annually and is disclosed in Note 33 'Related party transactions' to the Consolidated Financial Statements.

Directors are not permitted to undertake specific assignments for the Group unless these have been disclosed to and approved in advance by the Board of Directors.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Group's remuneration policy is set by the Compensation Committee. The policy is designed to provide remuneration packages which will help to attract, retain and motivate senior management to achieve the Group's strategic objectives and to enhance shareholder value. The Compensation Committee also seeks to ensure that the remuneration policy is applied consistently across the Group and that remuneration is fair and transparent, while encouraging high performance.

The Compensation Committee benchmarks executive remuneration against comparable companies and seeks to ensure that the Group offers rewards and incentives which are competitive with those offered by the Group's peers. In benchmarking elements of remuneration against Subsea 7's peers, the Compensation Committee may from time to time take advice from external consultants.

Remuneration comprises base salary, bonus, share-based payments, benefits and pension. Performance related remuneration schemes define limits in respect of the absolute awards available. These are defined within the scheme arrangements and set out limits regarding total award in a given year and, in specific instances, the total award available to certain individuals.

SHORT-TERM INCENTIVE ARRANGEMENTS

The Group operates a common annual short-term incentive plan (bonus) with targets set by the Compensation Committee. The current performance conditions for executive officers are based upon the following metrics with the relevant weighting: Financial performance (45%), Project performance (20%), Safety performance (10%) and Personal objectives (25%).

LONG-TERM INCENTIVE ARRANGEMENTS

The Group currently operates a single long-term incentive arrangement, the 2018 Long-term Incentive Plan ('2018 LTIP') to reward and incentivise key management. The 2018 LTIP provides for conditional awards based upon performance conditions over a performance period of at least three years. The performance conditions are based upon two measures: relative Total Shareholder Return (TSR) and Return on Average Invested Capital (ROAIC) based upon a weighting of 65%/35%.

There is an award cap such that executive officers may not be granted shares in a single year that have an aggregate market value in excess of 150% of their annual base salary and must build up a shareholding with a fair value of 150% of their annual base salary. There are also former schemes which are now closed to new awards. Full details of the 2018 LTIP are set out in Note 34 'Share-based payments' to the Consolidated Financial Statements.

CHIEF EXECUTIVE OFFICER REMUNERATION

The remuneration package of the CEO was determined by the Board of Directors on the recommendation of the Compensation Committee. The compensation of the CEO is reported in Note 33 'Related party transactions' to the Consolidated Financial Statements.

EXECUTIVE MANAGEMENT TEAM REMUNERATION

The remuneration package of the other members of the Executive Management Team was determined by the Compensation Committee and is shown in aggregate in Note 33 'Related party transactions' to the Consolidated Financial Statements.

SHARE OWNERSHIP OF THE EXECUTIVE MANAGEMENT TEAM

Details of total performance shares and shares held in the Company by the Executive Management Team are shown in Note 33 'Related party transactions' to the Consolidated Financial Statements.

AUDIT COMMITTEE

COMMITTEE MEMBERS
Dod Fraser
Committee Chairman

Elisabeth Proust
Niels Kirk

The Audit Committee is responsible for ensuring that the Group has an independent and effective external and internal audit process. The Audit Committee supports the Board of Directors in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintain appropriate relationships with the external auditor. A majority of the Audit Committee, including the Chairman, are independent as required by Luxembourg law.

The Audit Committee's main responsibilities include:

1. Monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity.
2. Monitoring the effectiveness of the Company's and the Group's internal quality controls, internal audit function, financial controls framework and, where applicable, risk management systems.
3. Monitoring the statutory audit of the Company's Annual Accounts and the Consolidated Financial Statements of the Group, in particular its performance, taking into account any findings and conclusions of the competent authority.
4. Reviewing the quarterly, half-yearly, interim and annual financial statements of the Group before their approval by the Board of Directors.
5. Informing the Board of Directors of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and the role of the Committee in that process.
6. Reviewing and monitoring the independence of the external auditor, in particular with respect to the appropriateness of the provision of additional non-audit services to the Company and the Group and putting in place procedures and making recommendations with respect to the selection and the appointment of the external auditor.
7. Reviewing the report from the external auditor on key matters arising from the Group and the Company statutory audits.
8. Dealing with complaints received directly or via management, including information received confidentially and anonymously, in relation to accounting, financial reporting, internal controls and external audit issues.
9. Reviewing the disclosure of transactions involving related parties.
10. Annually reviewing the Audit Committee's own performance.

The Audit Committee Charter is available on the Subsea 7 website: www.subsea7.com.

The terms of reference of the Audit Committee, as set out in the Audit Committee Charter, satisfy the requirements of applicable law and are in accordance with the Articles of Incorporation.

The Chairman of the Audit Committee is Dod Fraser, whose biography can be found on page 39. The Board of Directors has determined that Mr Fraser is the Audit Committee's financial expert and competent in accounting and audit practice with recent and relevant financial experience. The Audit Committee Charter requires that the Audit Committee shall consist of not less than three Directors. The Audit Committee meets at least four times a year and its meetings are attended by representatives of the external auditor and by the head of the internal audit function.

AUDITOR

The external auditor meets the Audit Committee annually regarding the planning and preparation of the audit of the Group's Consolidated Financial Statements and the Company's Annual Accounts.

The Audit Committee members hold separate discussions with the external auditor during the year without members of the Executive Management Team being present. The scope, resources and level of fees proposed by the external auditor in relation to the Group's and the Company's audits and related activities are approved by the Audit Committee.

The Audit Committee recognises that it is occasionally in the interest of the Group to engage its external auditor to undertake certain other non-prohibited non-audit assignments. Fees paid to the external auditor for audit and non-audit services are reported in Note 6 'Net operating income' to the Consolidated Financial Statements, which are in turn approved at the AGM. The Audit Committee also requests the external auditor to confirm annually in writing that the external auditor remains independent.

TAKE-OVERS

Subsea 7 S.A.'s Board of Directors endorses the principles concerning equal treatment of all shareholders. In the event of a take-over bid, it is obliged to act in accordance with the requirements of applicable Luxembourg and Norwegian law provisions and in accordance with the applicable principles for good corporate governance.

The Company has been notified of the following significant shareholders who control 5% or more of the voting rights of the Company:

	%[a]
Siem Industries Inc.	24.3
Folketrygdfondet	9.5

(a) Information is correct as at 31 December 2020.

INFORMATION AND COMMUNICATIONS

Subsea 7 S.A.'s Board of Directors concurs with the principles of equal treatment of all shareholders and the Group is committed to reporting financial results and other information on an accurate and timely basis. The Group provides information to the market through quarterly and annual reports, investor and analyst presentations which are available to the media and by making operational and financial information available on Subsea 7's website. Announcements are released through notification to the company disclosure systems of the Oslo Børs and the Luxembourg Commission de Surveillance du Secteur Financier and simultaneously on the Subsea 7 website. As a listed company, the Company complies with the relevant regulations regarding disclosure. Information is only provided in English.

The Company complies in all material respects with the Oslo Børs' Code of Practice for IR, which is available at www.oslobors.no/.

DIRECTORS AND CHIEF EXECUTIVE OFFICER'S RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the Consolidated Financial Statements and the Unconsolidated Financial Statements for the year ended 31 December 2020 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, the 2020 Annual Report, Consolidated Financial Statements and Unconsolidated Financial Statements 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.

By Order of the Board of Directors of Subsea 7 S.A.

KRISTIAN SIEM
Chairman

JOHN EVANS
Chief Executive Officer

FINANCIAL REVIEW

MANAGEMENT REPORT FOR SUBSEA 7 GROUP (THE GROUP)

Financial highlights

For the year ended 31 December 2020 revenue was $3.5 billion, a decrease of $190 million or 5% compared to the prior year. Adjusted EBITDA was $337 million (2019: $631 million) equivalent to an Adjusted EBITDA margin of 10% compared with 17% in 2019. Adjusted EBITDA reflected significantly reduced activity within the SURF and Conventional business unit compared with 2019, as well as net costs associated with the Covid-19 pandemic of approximately $70 million and restructuring charges of $86 million related to the Group's cost reduction programme, announced during 2020. Net operating loss, excluding goodwill impairment charges was $428 million compared to net operating income, excluding goodwill impairment charges of $77 million in 2019. During the year impairment charges related to property, plant and equipment, intangible assets and right-of-use assets of $323 million were recognised (2019: $70 million) in addition to impairment charges related to goodwill of $605 million (2019: $100 million). Net loss for the year was $1.1 billion compared to net loss of $82 million in 2019. Excluding the goodwill impairment charges net loss was $500 million in 2020. Adjusted diluted earnings per share, which excludes the goodwill impairment charges was a loss per share of $1.64 compared to earnings per share of $0.05 in the prior year.

In a challenging twelve months Subsea 7 responded well. The Covid-19 pandemic required radical changes to operations and had an adverse effect on the market for the Group's oil and gas businesses. In response, incremental operating costs were booked and the cost base was restructured, with material impairments to goodwill and asset values recognised. Yet, Subsea 7 continued to deliver projects to its clients, generated positive cash flow and increased its backlog.

Subsea 7's backlog grew by 20% to $6.2 billion, the result of a strong presence in the growing offshore renewables market and a focus on parts of the oil and gas market with favourable economics. Order intake during the year was $4.4 billion, including the $1.4 billion Seagreen offshore wind farm project, offshore UK, equivalent to a book-to-bill ratio of 1.3.

The Group's liquidity and financial position remained strong. At 31 December 2020, the Group held cash and cash equivalents of $512 million compared with $398 million at 31 December 2019, had total borrowings of $209 million compared with $234 million at 31 December 2019 and unutilised credit facilities in excess of $1 billion.

Given the improvement in the stability and visibility of the Group's markets over the past six months, a special dividend payment of NOK 2.00 per share, equivalent to approximately $70 million, is to be recommended by the Board for approval by shareholders at the AGM. Subsea 7 has returned $2 billion of excess capital to shareholders over the past decade, and this latest dividend recommendation marking the Board's confidence in the financial position and outlook for the Group.

For the year ended (in $ millions, except Adjusted EBITDA margin, share and per share data)	**2020 31 Dec**	2019 31 Dec
Revenue	**3,466**	3,657
Adjusted EBITDA[(a),(b)] (unaudited)	**337**	631
Adjusted EBITDA margin[(a),(b)] (unaudited)	**10%**	17%
Net operating (loss)/income excluding goodwill impairment charges	**(428)**	77
Goodwill impairment charges	**(605)**	(100)
Net operating loss	**(1,034)**	(23)
Net (loss)/income excluding goodwill impairment charges	**(500)**	18
Net loss	**(1,105)**	(82)
Earnings per share – in $ per share		
Basic	**(3.67)**	(0.27)
Diluted[(c)]	**(3.67)**	(0.27)
Adjusted diluted[(c)]	**(1.64)**	0.05

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Backlog[(d)]	**6,214**	5,187
Cash and cash equivalents	**512**	398
Borrowings	**(209)**	(234)
Net cash excluding lease liabilities[(e)]	**303**	164
Net cash/(debt) including lease liabilities[(e)]	**49**	(181)

(a) For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to page 136 ‘Adjusted EBITDA and Adjusted EBITDA margin’.
(b) During the year ended 31 December 2020 restructuring charges of $86 million were recognised (2019: $nil), adversely impacting Adjusted EBITDA and Adjusted EBITDA margin.
(c) For the explanation and a reconciliation of diluted earnings per share and Adjusted diluted earnings per share, which excludes the impact of the goodwill impairment charges, refer to Note 11 ‘Earnings per share’ to the Consolidated Financial Statements.
(d) Backlog at 31 December 2020 and 31 December 2019 is unaudited and is a non-IFRS measure.
(e) Net cash is a non-IFRS measure and is defined as cash and cash equivalents less borrowings.

Revenue
Revenue for the year ended 31 December 2020 was $3.5 billion, a decrease of $190 million or 5% compared to 2019. The year-on-year decrease was primarily driven by a significant reduction in activity in West Africa and the Middle East and re-phasing of awarded work due to low oil prices and the Covid-19 pandemic in the SURF and Conventional business unit. This was partly offset by increased activity in the Renewables and Heavy Lifting business unit in Taiwan, offshore US east coast and on the Seagreen offshore wind farm project, offshore UK.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the year ended 31 December 2020 were $337 million and 10% respectively, compared to $631 million and 17% in 2019. Adjusted EBITDA reflected significantly reduced activity within the SURF and Conventional business unit compared with 2019, the impact of the Covid-19 pandemic which had a net cost of approximately $70 million and the recognition of $86 million of restructuring costs related to the Group’s downsizing programme announced in Q2 2020.

Net operating loss
Net operating loss, excluding goodwill impairment charges, for the year ended 31 December 2020 was $428 million compared to net operating income of $77 million in 2019. The main items contributing to the net operating loss were:

- significantly lower activity levels in the SURF and Conventional business unit and fewer projects in their close-out phase compared to the prior year;
- net costs of approximately $70 million related to the Covid-19 pandemic;
- impairment charges of $282 million related to property, plant and equipment, mainly related to older vessels or vessels expected to have low utilisation;
- impairment charges of $32 million related to right-of-use assets;
- impairment charges of $9 million related to intangible assets; and
- restructuring costs of $86 million related to the Group’s resizing programme.

During the year ended 31 December 2020, goodwill impairment charges totalling $605 million were recognised. The charges were driven by downward revisions to expected activity levels within the SURF and Conventional business unit in the short to medium term. Net operating loss including the impact of goodwill impairment charges was $1.0 billion, compared to a net operating loss of $23 million in 2019.

Net loss

Net loss was $1.1 billion for the year ended 31 December 2020, compared to net loss of $82 million in 2019. The net loss in 2020 was primarily due to:

- the net operating loss of $1.0 billion;
- net foreign currency losses of $35 million

partly offset by:

- net gain of $16 million on recognition of a receivable related to a business combination completed in prior years.

The tax charge for the year ended 31 December 2020 of $33 million reflected the limited tax relief available related to the goodwill and impairment charges recognised in the year, together with irrecoverable withholding taxes and the impact of losses incurred in certain jurisdictions where tax credits could not be recognised.

Earnings per share

Diluted loss per share was $3.67 for the year ended 31 December 2020 compared to a diluted loss per share of $0.27 in 2019, calculated using a weighted average number of shares of 298 million and 305 million respectively. Adjusted diluted loss per share, which excludes the impact of goodwill impairment charges, was $1.64 for the year ended 31 December 2020.

Allocation of net income/(loss)

The net loss for the year of $1,105 million (2019: net loss of $82 million) was transferred to equity, of which net loss of $1,093 million (2019: net loss of $84 million) was recognised in retained earnings attributable to shareholders of the parent company and net loss of $12 million in non-controlling interests (2019: net income of $1 million).

Business Unit Highlights
For the year ended 31 December 2020

(in $ millions)	**SURF and Conventional**	**Life of Field**	**Renewables and Heavy Lifting**	**Corporate**	**Total**
Selected financial information:					
Revenue	**2,578.4**	**256.6**	**631.4**	**–**	**3,466.4**
Net operating loss excluding goodwill impairment charges	**(258.8)**	**12.6**	**(39.7)**	**(142.5)**	**(428.4)**
Impairment of goodwill	**(591.4)**	**(14.0)**	**–**	**–**	**(605.4)**
Net operating loss	**(850.2)**	**(1.4)**	**(39.7)**	**(142.5)**	**(1,033.8)**

For the year ended 31 December 2019

(in $ millions)	SURF and Conventional	Life of Field	Renewables and Heavy Lifting	Corporate	Total
Selected financial information:					
Revenue	3,174.1	265.6	216.9	–	3,656.6
Net operating (loss)/income excluding goodwill impairment charges	159.8	(2.8)	(56.1)	(23.9)	77.0
Impairment of goodwill	–	–	(99.9)	–	(99.9)
Net operating income/(loss)	159.8	(2.8)	(156.0)	(23.9)	(22.9)

SURF and Conventional

Revenue was $2.6 billion, a decrease of $596 million or 19% compared to 2019.

During the year the Burullus 9B project, offshore Egypt, and the Snorre project, offshore Norway were completed. Work progressed on the Jubilee Turret Remediation project, offshore Ghana, the Zinia project, offshore Angola, the Sangomar project, offshore Senegal, the Berri-Zuluf project, offshore Saudi Arabia, the Julimar Phase 2 project, offshore Australia, Mad Dog 2, King's Quay and Manuel projects in the US Gulf of Mexico, the Ærfugl, Ærfugl Phase 2 and Nova projects, offshore Norway and the Arran, Penguins, Blythe and Buzzard Phase 2 projects, offshore UK. In Brazil, the Lapa NE project was substantially completed and there were high levels of PLSV utilisation under long-term contracts with Petrobras. Certain PLSVs had operations adversely impacted by Covid-19 outbreaks onboard during the year.

Net operating loss, excluding goodwill impairment charges, was $259 million for the year, compared to net operating income of $160 million in 2019. The net operating loss in 2020 was primarily driven by impairment charges of $280 million related to vessels, equipment and right-of-use assets (2019: $66 million). There was decreased Conventional activity in Africa and the Middle East compared to 2019, decreased diving activities in the North Sea and lower vessel utilisation. The net operating loss in 2020 was also adversely impacted by net costs associated with the Covid-19 pandemic of approximately $65 million.

During the year goodwill impairment charges of $591 million were recognised. The charges were driven by downward revisions to expected activity levels in the short to medium term.

Life of Field

Revenue was $257 million for the year ended 31 December 2020, $9 million lower than in 2019. Net operating income, excluding goodwill impairment was $13 million compared to net operating loss of $3 million in 2019. The increase in net operating income was driven by higher vessel utilisation than the prior year and the benefit of the Group's cost reduction measures, partly offset by impairment charges of $15 million related to ROVs and equipment.

During the year goodwill impairment charges of $14 million were recognised. The charges were driven by downward revisions to expected activity levels in the short to medium term.

Renewables and Heavy Lifting

Revenue was $631 million for the year ended 31 December 2020, compared to $217 million in 2019. The increase in revenue was due to increased activity, with the commencement of the Seagreen offshore wind farm project, offshore UK, and progress on the Yunlin project, offshore Taiwan. The Triton Knoll project, offshore UK, was completed during the year. Net operating loss was $40 million in 2020 compared to a net operating loss, excluding goodwill impairment, of $56 million in 2019. The year-on-year decrease in net operating loss was primarily driven by higher activity levels and improved vessel utilisation, partly offset by increased costs on the Triton Knoll project following an incident onboard *Seaway Strashnov* during the second quarter.

Corporate

Net operating loss of $143 million for the year ended 31 December 2020 included restructuring costs of $86 million recognised in relation to the Group's resizing programme and impairment charges of $29 million related to property, plant and equipment and intangible assets.

Research and development

During the year, research and development costs were $15 million compared to $22 million in 2019.

Backlog

At 31 December 2020 backlog was $6.2 billion, an increase of $1.0 billion compared with 31 December 2019. Order intake totalling $4.4 billion, including escalations, was recorded in the year. New awards included the Seagreen offshore wind farm project, offshore UK.

$3.8 billion of the backlog at 31 December 2020 related to the SURF and Conventional business unit (which included $0.4 billion related to long-term day-rate contracts for PLSVs in Brazil), $0.4 billion related to the Life of Field business unit and $2.0 billion related to the Renewables and Heavy Lifting business unit. $4.0 billion of the backlog is expected to be executed in 2021, $1.6 billion in 2022 and $0.6 billion in 2023 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

Balance sheet

Goodwill

At 31 December 2020, goodwill was $85 million, a net decrease of $620 million compared with the prior year. During the year goodwill impairment charges of $591 million and $14 million were recognised related to the SURF and Conventional business unit and the Life of Field business units respectively. The charges were triggered by the Covid-19 pandemic and the challenges facing the energy sector which adversely impacted expected future activity levels of the Group.

Property, plant and equipment

During 2020 additions to property, plant and equipment totalled $177 million (2019: $272 million) which included the completion of the reel-lay vessel, *Seven Vega*, which commenced operations in the fourth quarter of 2020 and the ongoing conversion of *Seven Phoenix* to cable lay. Impairment charges totalling $282 million were recognised in the year (2019: $70 million), mainly related to older vessels or vessels with low utilisation forecast in the short to medium term within the SURF and Conventional business unit.

Borrowings and lease liabilities

Borrowings decreased to $209 million at 31 December 2020 from $234 million at 31 December 2019 due to scheduled repayments. Lease liabilities were $254 million at 31 December 2020, a decrease of $91 million compared with 31 December 2019, the reduction was driven by payments made in the year, a downward revision of expected lease periods and lease terminations.

Facilities

At 31 December 2020 the Group had facilities of $656 million relating to the Group's multi-currency revolving credit and guarantee facility, and $800 million relating to the Group's Euro Commercial Paper Programme, both of which remained unutilised.

Share repurchase plans

During 2020, the Group repurchased 1,627,968 shares for a total consideration of $10 million. The shares were repurchased under the share repurchase programme authorised by the Board of Directors on 24 July 2019, which is valid until July 2021. At 31 December 2020, the Group directly held 2,326,683 shares (2019: 1,212,860) as treasury shares.

Dividends

During the year ended 31 December 2020, no dividends were declared or paid to shareholders of the parent company.

Shareholders

The 20 largest shareholders at 31 December 2020 and their beneficial ownership[(a)] as a percentage of the total fully paid and issued common shares of the Company were:

	%
Siem Industries S.A. (formerly Siem Industries Inc.)	24.3
Folketrygdfondet	9.5
BlackRock Institutional Trust Company, N.A.	3.7
Fidelity Management & Research Company	3.1
Trinity Street Asset Management LLP	3.1
DNB Asset Management AS	2.6
Storebrand Kapitalforvaltning AS	2.2
The Vanguard Group, Inc.	2.0
Robotti & Company Advisors, LLC	1.9
SAFE Investment Company Limited	1.9
Pareto Asset Management AS	1.7
Nordea Funds Oy	1.7
KLP Forsikring	1.7
ODIN Forvaltning AS	1.2
Alken Asset Management Ltd	1.1
Dimensional Fund Advisors, L.P.	1.0
Danske Invest Asset Management Ltd	1.0
Cobas Asset Management, SGIIC, SA	0.9
BlackRock Investment Management (UK) Ltd.	0.9
Mandarine Gestion	0.8

(a) The data is provided by NASDAQ OMX and is obtained through an analysis of beneficial ownership and fund manager information. This is provided in response to disclosure of ownership notices issued to all custodians on the Subsea 7 VPS share register. While every reasonable effort has been made to verify the data, there may be fluctuations as a result of such events as stock lending or other non-institutional stock movements, and neither Subsea 7 nor NASDAQ OMX can guarantee the accuracy of the analysis.

Cash and cash equivalents

Movements in cash and cash equivalents are summarised as follows:

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Cash and cash equivalents at the beginning of the year	**398**	765
Net cash generated from operating activities	**447**	357
Net cash used in investing activities	**(165)**	(274)
Net cash used in financing activities	**(158)**	(447)
Increase in restricted cash	**(3)**	–
Effect of exchange rate changes on cash and cash equivalents	**(7)**	(3)
Cash and cash equivalents at the end of the year	**512**	398

Net cash generated from operating activities was $447 million (2019: $357 million) which included a net increase in operating liabilities of $192 million (2019: net decrease of $145 million).

Net cash used in investing activities was $165 million compared with $274 million used in 2019. This was mainly related to expenditure on property, plant and equipment of $157 million (2019: $240 million) and expenditure related to intangible assets of $25 million (2019: $18 million).

Net cash used in financing activities was $158 million (2019: $447 million), which was mainly driven by payments in relation to lease liabilities of $104 million (2019: $105 million) and scheduled repayments of borrowings of $25 million (2019: $27 million).

Liquidity

At 31 December 2020, the Group had sufficient liquidity to meet its expected funding requirements for the next 12 months with cash and cash equivalents of $512 million. In addition, the Group had facilities of $656 million relating to the Group's multi-currency revolving credit and guarantee facility and $800 million relating to the Group's Euro Commercial Paper Programme, both of which remain unutilised. The Group does not intend to utilise the Euro Commercial Paper Programme concurrently with the multi-currency revolving credit and guarantee facility.

Cash management constraints

The Group operates within a liquidity risk management framework which governs its management of short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by ensuring that it has access to sufficient cash, banking and borrowing facilities. This is achieved by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities where appropriate.

Covenant compliance

The Group's credit facilities contain various financial covenants including, but not limited to, a minimum level of tangible net worth, a maximum level of net debt to earnings before interest, taxes, depreciation and amortisation, a maximum level of total financial debt to tangible net worth, a minimum level of cash and cash equivalents and an interest cover covenant. During the year all covenants were met. The Group expects to be able to comply with all financial covenants during 2021.

Going concern

The Consolidated Financial Statements have been prepared under the assumption of going concern. This assumption is based on the level of cash and cash equivalents at the year end, the banking and borrowing facilities in place, the forecast cash flows for the Group and the backlog position at 31 December 2020.

Risk management and internal control

The Group's approach to risk management and internal control is detailed in the Risk Management and Governance sections on pages 26 to 51. Financial risk management is as described in Note 32 'Financial instruments'.

Post balance sheet events

Dividends

The Board of Directors will recommend to the shareholders at the Annual General Meeting on 14 April 2021 that a special dividend of NOK 2.00 per share be paid, equivalent to a total dividend of approximately $70 million, marking the Board's confidence in the financial position and outlook for the Group, as well as a continued commitment to capital discipline.

Facilities

On 24 February 2021, the Group entered into a $500 million five-year amortising loan facility backed by a $400 million guarantee from UK Export Finance. The Group has a two-year availability period during which to draw on the facility, and the facility has a five-year tenor which commences at the end of the availability period or when the facility is fully drawn, if earlier. The facility can be used for general corporate purposes, including to provide working capital financing for services provided from the UK. The facility is guaranteed by Subsea 7 S.A.

Outlook

After a brief pause in the first half of the year, tendering for oil and gas projects recommenced at a lower level during the second half of 2020 and continues at this pace in 2021. Regions with greater activity include Norway, where fiscal incentives have stimulated an increase in early-stage engineering activity, the Gulf of Mexico, predominantly focused on low-cost tie-backs, and Brazil, where the large, pre-salt fields have low oil price breakevens that continue to attract capital. In addition, Subsea 7 has been selected as preferred supplier for several projects, including Bacalhau, Scarborough, Pecan and Rovuma and management is optimistic that some of these will progress to award during 2021.

Tendering in Renewables remains active for projects expected to result in awards to the industry in nine to twelve months' time including in Asia, Europe and the US. While the market for wind turbine installation work remains competitive, Subsea 7 continues to differentiate itself through its integrated and EPCI contract offerings, leveraging a strong track record in the management of large, complex projects across the globe.

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

MANAGEMENT REPORT FOR SUBSEA 7 S.A. (THE COMPANY)

Additional information specific to the Unconsolidated Financial Statements of Subsea 7 S.A.

Unconsolidated Financial Statements of Subsea 7 S.A.

The Unconsolidated Financial Statements of Subsea 7 S.A., the ultimate parent company of the Subsea 7 S.A. Group, are shown on page 141 to page 148. These were prepared in accordance with Luxembourg's legal and regulatory requirements and using the going concern basis of accounting described above. The loss for the year ended 31 December 2020 was $0.3 million (2019: profit of $61 million). The loss was mainly as a result of income related to parent company guarantees being more than offset by value adjustments in respect of investments in affiliated undertakings and other operating expenses. It is proposed that the loss of $0.3 million for the year ended 31 December 2020 be allocated to profit and loss brought forward at 1 January 2021 resulting in a profit to be brought forward amounting to $178 million.

Own shares held

During 2020, the Company repurchased 1,627,968 shares for a total consideration of $10 million. At 31 December 2020 the Company directly held 2,326,683 (2019: 1,212,860) own shares at a carrying amount of $17 million (2019: $14 million).

Risk management, internal control and corporate governance

The Company's approach to risk management, internal control and corporate governance is consistent with that applied to affiliates in the Subsea 7 S.A. Group and is detailed in the Risk Management and Governance sections on pages 26 to 51. Financial risk management is described in Note 32 'Financial instruments'. Non-financial information required by regulation is provided on pages 1 to 51.

By order of the Board of Directors of Subsea 7 S.A.

Kristian Siem	**John Evans**
Chairman	Chief Executive Officer

SUBSEA 7 S.A. CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2020

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the shareholders of Subsea 7 S.A.
412F, route d'Esch
L-2086 Luxembourg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the Consolidated Financial Statements of Subsea 7 S.A. and its subsidiaries (the 'Group') included on page 67 to page 135, which comprise the Consolidated Balance Sheet at 31 December 2020, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group at 31 December 2020, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the 'Law of 23 July 2016') and with International Standards on Auditing ('ISAs') as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ('CSSF'). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the 'Responsibilities of the "réviseur d'entreprises agréé" for the audit of the Consolidated Financial Statements' section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Accountants, including international independence standards, issued by the International Ethics Standards Boards for Accountants ('IESBA Code') as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of the audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter:</th><th>Recognition of revenue and income on long-term contracts</th></tr>
<tr><td>Description of key audit matter:</td><td>A significant proportion of the Group's revenue and income are derived from long-term contracts. As detailed in Note 3 'Significant accounting policies' to the Consolidated Financial Statements, these contracts include complex technical and commercial risks and often specify performance milestones to be achieved throughout the contract period, which can last several years.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement, with estimates being made to:
• assess the total contract costs;
• assess the stage of completion of the contract;
• assess the proportion of revenue, including variation orders, to recognise in line with contract completion;
• forecast the profit margin on each contract incorporating appropriate allowances for technical and commercial risks related to performance milestones yet to be achieved; and
• appropriately identify, estimate and provide for onerous contracts.

There is a range of acceptable outcomes resulting from these judgements that could lead to different revenue or income being reported in the Consolidated Financial Statements.

The Group has detailed procedures and processes in place to manage the commercial, technical and financial aspects of long-term contracts. The processes include the preparation of a Project Monthly Status Report (PMSR), which includes key accounting and forecast information for the relevant contract.

The risk of material misstatement is that the accounting for the Group's significant contracts does not accurately reflect the progress made and consequently the contract revenue and margin at the reporting date.</td></tr>
<tr><td>Our response:</td><td>We evaluated and tested the relevant information technology systems and tested the operating effectiveness of internal controls over the accuracy and timing of long-term contract revenue and margin recognised in the Consolidated Financial Statements, including controls over:
• the detailed contract reviews (being the PMSR process and controls) performed by management and reviewed at the project and the Group level that included estimating total costs, stage of completion of contracts, profit margin and evaluating contract profitability; and
• the transactional controls that underpin the production of underlying contract related cost balances including the purchase-to-pay, vessel costs and payroll cycles.

For the most significant and judgemental contracts, we:
• obtained the PMSR and gained an understanding of the performance and status of the contracts;
• corroborated management's positions through the examination of externally generated evidence, such as customer correspondence;
• discussed and understood management's estimates for total contract costs and forecast costs-to-complete, including taking into account the historical accuracy of such estimates;
• discussed and understood management's estimates in recognising actual or potential variation orders, including taking into account the historical accuracy of such estimates;
• tested the reconciliation of cost models to the PMSR and to the accounting records;
• re-performed the percentage of completion calculation; and
• considered whether provisions for onerous contracts reflect the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

We read the relevant clauses within selected contracts and discussed each with management to obtain a full understanding of the specific terms and risks, which informed our consideration of whether revenue for these contracts was appropriately recognised.

We made enquiries to both Group internal and external legal counsel and considered the positions taken by management.

We assessed the adequacy of the disclosures in Note 3 'Significant accounting policies' and Note 5 'Segment information' to the Consolidated Financial Statements in relation to revenue.</td></tr>
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Key audit matter:	Goodwill impairment assessments
Description of key audit matter:	As detailed in Note 12 'Goodwill', the Consolidated Financial Statements include $84.5 million of goodwill at 31 December 2020. A goodwill impairment of $605.4 million was recognised during the year due to the identification of an impairment trigger largely in relation to the Covid-19 pandemic, the related drop in oil and gas demand and the associated impact on the Group. Goodwill is subject to an annual review for impairment or when events or circumstances indicate an impairment trigger exists that the fair value of the Group or reporting unit may be below its carrying amount. An estimate of the recoverable amount of the cash-generating units (CGU) to which goodwill is allocated is prepared. The estimated recoverable amount is calculated as the higher of the value-in-use or fair value less cost of disposal. The outcome of the impairment review could vary significantly if different assumptions were applied in the models. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows with many of the key underlying assumptions being impacted by political and economic factors. The key assumptions include: • the future EBITDA assumptions taken from the Group's most recent budgets and plans for the next five years approved by management ('the Plan'); • the long-term growth rate used beyond the period covered by the Plan; and • the pre-tax discount rate applied to future cash flows. Our audit focused on the risk that the carrying amount of goodwill could be overstated.
Our response:	We understood the internal controls for the goodwill impairment process including the determination of assumptions used within the models to assess the recoverable amount of goodwill, and evaluated the appropriateness of management's identification of the Group's CGUs. We assessed management's impairment testing by obtaining the supporting model and assessing the methodology and key assumptions made: • future EBITDA forecasts – we evaluated management's EBITDA forecasts and tested the underlying values used in the calculations by comparing management's forecast to the latest management approved five-year strategic plan. We assessed the actual performance in the year against the budgets prepared in the prior year to evaluate historical forecasting accuracy; • long-term growth rate – we compared the rates applied by management to available externally developed rates; • pre-tax discount rates – we involved our valuations specialists in our evaluation of the discount rate to consider the appropriateness of the rates used; and • we tested the arithmetical accuracy of the models. As part of our testing of the revenue and EBITDA forecasts, we evaluated the five-year plan process, focusing on expected EBITDA margins and timing of any recovery of the subsea energy market assumptions in the Plan. Given the significance of the terminal value cash flows to the total value-in-use we paid particular attention to the assumptions as regards sustainable EBITDA levels and compared these to the expected and historical levels. We re-performed sensitivity analysis around the key assumptions for all CGUs in order to ascertain the extent of change in those assumptions required individually or collectively to result in a further impairment of goodwill. For those CGUs which were most sensitive, we discussed the basis for these cash flows with management and the Audit Committee. We examined the sensitivity disclosures presented in the Consolidated Financial Statements to consider whether reasonably possible changes to assumptions that could lead to a material impairment had been disclosed. We assessed the adequacy of the disclosures in Note 12 'Goodwill' to the Consolidated Financial Statements.

Key audit matter:	**Vessel fleet impairment assessments**
Description of key audit matter:	The Subsea 7 vessel fleet comprises owned and leased vessels. At 31 December 2020, the carrying amount of the owned vessel fleet was $3,541.2 million and the carrying amount of right-of-use assets related to leased vessels was $143.9 million as detailed in Note 14 'Property, plant and equipment' and Note 15 'Right-of-use assets' to the Consolidated Financial Statements. During the year, impairment charges of $249.3 million and $12.2 million for owned vessels and right-of-use assets related to leased vessels respectively were recognised. Vessels within property, plant and equipment and right-of-use assets related to leased vessels are subject to an impairment test where indicators of impairment exist. The continued challenging business environment has adversely impacted both current market valuations and expected future utilisation of specific vessels, giving rise to indicators of impairment for certain vessels. Impairment charges are recognised when necessary to bring the carrying amounts of specific assets to their recoverable amount defined as the higher of value-in-use or fair value less cost of disposal. The process for determining whether impairment indicators exist is complex and requires significant management judgement. The key factors are: • the forecast utilisation of the owned vessel fleet and the right-of-use assets related to leased vessels; • the determination of the value-in-use of the cash generating units in which the vessels are allocated; and • the external broker estimates of market valuation (for owned vessels only). The subsequent process for determining the amount of impairment which may result from the above indicators is also complex and requires significant management judgement and estimates. Our audit focused on the risk that the carrying amount of the owned vessel fleet within property, plant and equipment and the right-of-use assets related to leased assets could be overstated.
Our response:	We evaluated management's assessment for indicators of impairment or for indicators of reversal of impairments related to owned vessels within property, plant and equipment and right-of-use assets related to leased vessels. We understood the internal financial controls for the owned vessel and right-of-use asset impairment process including the determination of assumptions used within the models to assess the recoverable amount. We obtained management's impairment assessment for the owned vessels and right-of-use assets related to vessel leases. For owned vessels and right-of-use assets relating to leased vessels, where an impairment trigger was identified, we analysed the recoverable amount considering the value-in-use of the cash generating units in which the owned vessels and right-of-use assets relating to leased vessels are allocated. For owned vessels we reviewed the external broker valuations obtained by management for each vessel and assessed the independence, objectivity and competence of the broker. We ensured that the impairments recognised by management were recognised appropriately. We evaluated the adequacy of the Group's disclosures in Note 14 'Property, plant and equipment' and Note 15 'Right-of-use assets' regarding the impairments of owned vessels and right-of-use assets related to leased vessels in the Consolidated Financial Statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report from pages 53 to 58 and the accompanying Corporate Governance Statement from pages 42 to 51 but does not include the Consolidated Financial Statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 7 April 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

The Consolidated Management Report from pages 53 to 58 is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

The accompanying corporate governance statement on pages 42 to 51 is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Other matter

The corporate governance statement includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire
Luxembourg, 24 February 2021

CONSOLIDATED INCOME STATEMENT

For the year ended (in $ millions, except per share data)	Notes	**2020 31 Dec**	2019 31 Dec
Revenue	5	**3,466.4**	3,656.6
Operating expenses	6	**(3,652.9)**	(3,310.5)
Gross (loss)/profit		**(186.5)**	346.1
Administrative expenses	6	**(241.4)**	(268.2)
Impairment of goodwill	12	**(605.4)**	(99.9)
Share of net loss of associates and joint ventures	16	**(0.5)**	(0.9)
Net operating loss		**(1,033.8)**	(22.9)
Finance income	8	**4.8**	13.2
Other gains and losses	7	**(18.3)**	(17.9)
Finance costs	8	**(24.6)**	(25.3)
Loss before taxes		**(1,071.9)**	(52.9)
Taxation	9	**(33.3)**	(29.5)
Net loss		**(1,105.2)**	(82.4)
Net loss attributable to:			
Shareholders of the parent company		**(1,092.8)**	(83.6)
Non-controlling interests	25	**(12.4)**	1.2
		(1,105.2)	(82.4)

Earnings per share	Notes	**$ per share**	$ per share
Basic	11	**(3.67)**	(0.27)
Diluted[(a)]	11	**(3.67)**	(0.27)

(a) For explanation and a reconciliation of earnings per share and diluted earnings per share please refer to Note 11 'Earnings per share' within Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended (in $ millions)	Notes	**2020 31 Dec**	2019 31 Dec
Net loss		**(1,105.2)**	(82.4)
Items that may be reclassified to the income statement in subsequent periods:			
Net foreign currency translation gains		**9.8**	27.7
Reclassification adjustment relating to disposal of a subsidiary		**–**	1.2
Tax relating to components of other comprehensive income	9	**(0.6)**	(0.8)
Items that will not be reclassified to the income statement in subsequent periods:			
Remeasurement gains/(losses) on defined benefit pension schemes	35	**0.3**	(0.9)
Tax relating to remeasurement gains on defined benefit pension schemes	9	**–**	(0.2)
Remeasurement loss on other financial assets	32	**(5.5)**	–
Other comprehensive income		**4.0**	27.0
Total comprehensive loss		**(1,101.2)**	(55.4)
Total comprehensive loss attributable to:			
Shareholders of the parent company		**(1,090.0)**	(56.3)
Non-controlling interests		**(11.2)**	0.9
		(1,101.2)	(55.4)

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2020

At (in $ millions)	Notes	**2020 31 Dec**	2019 31 Dec
Assets			
Non-current assets			
Goodwill	12	**84.5**	704.6
Intangible assets	13	**46.0**	42.8
Property, plant and equipment	14	**3,982.6**	4,422.3
Right-of-use assets	15	**213.3**	327.8
Interest in associates and joint ventures	16	**29.5**	26.2
Advances and receivables	17	**23.0**	31.4
Derivative financial instruments	32	**22.9**	1.4
Other financial assets	32	**2.9**	8.1
Construction contracts – assets	21	**6.7**	14.9
Retirement benefit assets	35	**0.8**	–
Deferred tax assets	9	**49.5**	36.1
		4,461.7	5,615.6
Current assets			
Inventories	18	**26.4**	31.2
Trade and other receivables	19	**590.7**	604.7
Derivative financial instruments	32	**31.4**	4.1
Assets classified as held for sale		**–**	0.1
Construction contracts – assets	21	**470.6**	397.9
Other accrued income and prepaid expenses	20	**197.6**	168.6
Restricted cash		**7.1**	4.3
Cash and cash equivalents	22	**511.6**	397.7
		1,835.4	1,608.6
Total assets		**6,297.1**	7,224.2
Equity			
Issued share capital	23	**600.0**	600.0
Treasury shares	24	**(17.8)**	(14.0)
Paid in surplus		**2,505.2**	2,507.5
Translation reserve		**(582.0)**	(590.0)
Other reserves		**(25.0)**	(20.2)
Retained earnings		**1,747.4**	2,845.4
Equity attributable to shareholders of the parent company		**4,227.8**	5,328.7
Non-controlling interests	25	**27.3**	34.3
Total equity		**4,255.1**	5,363.0
Liabilities			
Non-current liabilities			
Non-current portion of borrowings	26	**184.4**	209.0
Non-current lease liabilities	27	**168.6**	251.2
Retirement benefit obligations	35	**14.3**	14.9
Deferred tax liabilities	9	**32.2**	34.9
Provisions	30	**49.5**	49.3
Contingent liabilities recognised	31	**6.0**	7.9
Derivative financial instruments	32	**21.1**	1.1
Other non-current liabilities	28	**14.7**	28.0
		490.8	596.3
Current liabilities			
Trade and other liabilities	29	**981.8**	858.3
Derivative financial instruments	32	**26.4**	7.0
Current tax liabilities		**32.6**	44.4
Current portion of borrowings	26	**24.6**	24.6
Current lease liabilities	27	**85.4**	94.0
Provisions	30	**118.5**	72.5
Construction contracts – liabilities	21	**279.5**	162.0
Deferred revenue	36	**2.4**	2.1
		1,551.2	1,264.9
Total liabilities		**2,042.0**	1,861.2
Total equity and liabilities		**6,297.1**	7,224.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	**600.0**	**(14.0)**	**2,507.5**	**(590.0)**	**(20.2)**	**2,845.4**	**5,328.7**	**34.3**	**5,363.0**
Comprehensive loss									
Net loss	–	–	–	–	–	(1,092.8)	(1,092.8)	(12.4)	(1,105.2)
Net foreign currency translation gains	–	–	–	8.6	–	–	8.6	1.2	9.8
Remeasurement losses on defined benefit pension schemes	–	–	–	–	0.3	–	0.3	–	0.3
Fair value adjustment on other financial assets	–	–	–	–	(5.5)	–	(5.5)	–	(5.5)
Tax relating to components of other comprehensive income	–	–	–	(0.6)	–	–	(0.6)	–	(0.6)
Total comprehensive income/(loss)	**–**	**–**	**–**	**8.0**	**(5.2)**	**(1,092.8)**	**(1,090.0)**	**(11.2)**	**(1,101.2)**
Transactions with owners									
Shares repurchased	–	(9.8)	–	–	–	–	(9.8)	–	(9.8)
Dividends declared	–	–	–	–	–	–	–	(1.1)	(1.1)
Share-based payments	–	–	4.2	–	–	–	4.2	–	4.2
Vesting of share-based payments	–	–	(6.5)	–	–	6.5	–	–	–
Shares reallocated relating to share-based payments	–	6.0	–	–	–	–	6.0	–	6.0
Loss on reallocation of treasury shares	–	–	–	–	–	(6.0)	(6.0)	–	(6.0)
Reclassification of deferred tax on defined benefit pension schemes	–	–	–	–	0.4	(0.4)	–	–	–
Reclassification adjustment relating to non-controlling interests	–	–	–	–	–	(5.3)	(5.3)	5.3	–
Total transactions with owners	**–**	**(3.8)**	**(2.3)**	**–**	**0.4**	**(5.2)**	**(10.9)**	**4.2**	**(6.7)**
Balance at 31 December 2020	**600.0**	**(17.8)**	**2,505.2**	**(582.0)**	**(25.0)**	**1,747.4**	**4,227.8**	**27.3**	**4,255.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**654.7**	**(95.0)**	**2,826.6**	**(618.4)**	**(26.3)**	**2,941.8**	**5,683.4**	**38.4**	**5,721.8**
Comprehensive (loss)/income									
Net (loss)/income	–	–	–	–	–	(83.6)	(83.6)	1.2	(82.4)
Net foreign currency translation gains/(losses)	–	–	–	28.0	–	–	28.0	(0.3)	27.7
Disposal of subsidiary	–	–	–	1.2	–	–	1.2	–	1.2
Remeasurement losses on defined benefit pension schemes	–	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Tax relating to components of other comprehensive income	–	–	–	(0.8)	(0.2)	–	(1.0)	–	(1.0)
Total comprehensive income/(loss)	**–**	**–**	**–**	**28.4**	**(1.1)**	**(83.6)**	**(56.3)**	**0.9**	**(55.4)**
Transactions with owners									
Shares repurchased	–	(249.7)	–	–	–	–	(249.7)	–	(249.7)
Share cancellation	(54.7)	322.0	(267.3)	–	–	–	–	–	–
Dividends declared	–	–	(54.6)	–	–	–	(54.6)	(5.0)	(59.6)
Share-based payments	–	–	5.9	–	–	–	5.9	–	5.9
Vesting of share-based payments	–	–	(3.1)	–	–	3.1	–	–	–
Shares reallocated relating to share-based payments	–	8.7	–	–	–	–	8.7	–	8.7
Reclassification of remeasurement loss on defined benefit pension schemes	–	–	–	–	7.2	(7.2)	–	–	–
Loss on reallocation of treasury shares	–	–	–	–	–	(8.7)	(8.7)	–	(8.7)
Total transactions with owners	**(54.7)**	**81.0**	**(319.1)**	**–**	**7.2**	**(12.8)**	**(298.4)**	**(5.0)**	**(303.4)**
Balance at 31 December 2019	**600.0**	**(14.0)**	**2,507.5**	**(590.0)**	**(20.2)**	**2,845.4**	**5,328.7**	**34.3**	**5,363.0**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended (in $ millions)	Notes	2020 31 Dec	2019 31 Dec
Net cash generated from operating activities	37	**446.8**	356.7
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**1.7**	4.5
Purchases of property, plant and equipment		**(157.3)**	(239.9)
Purchases of intangible assets		**(25.3)**	(18.4)
Net proceeds from recognition of assets related to business combinations – post measurement period		**16.6**	–
Loans to joint venture		**–**	(0.3)
Investments in associates and joint ventures	16	**(0.6)**	(3.0)
Interest received	8	**4.8**	13.2
Proceeds from disposal of subsidiaries		**–**	4.6
Acquisition of businesses (net of cash acquired)		**–**	(25.8)
Payment of contingent consideration in respect of acquisitions	32	**(1.3)**	(29.5)
Proceeds from sale of other financial assets		**–**	21.4
Investment in other financial assets		**(3.2)**	(1.0)
Net cash used in investing activities		**(164.6)**	(274.2)
Cash flows from financing activities			
Interest paid		**(9.4)**	(11.0)
Repayments of borrowings		**(24.6)**	(26.7)
Cost of share repurchases	24	**(9.8)**	(249.7)
Payments related to lease liabilities	27	**(103.6)**	(105.0)
Dividends paid to shareholders of the parent company	10	**–**	(53.8)
Dividends paid to non-controlling interests		**(10.2)**	(1.0)
Net cash used in financing activities	32	**(157.6)**	(447.2)
Net increase/(decrease) in cash and cash equivalents		**124.6**	(364.7)
Cash and cash equivalents at beginning of year	22	**397.7**	764.9
Increase in restricted cash		**(2.8)**	(0.2)
Effect of foreign exchange rate movements on cash and cash equivalents		**(7.9)**	(2.3)
Cash and cash equivalents at end of year	22	**511.6**	397.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and as American Depositary Receipts (ADRs) over-the-counter in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg.

Subsea 7 is a global leader in the delivery of offshore projects and services for the evolving energy industry. The 'Group' consists of Subsea 7 S.A. and its subsidiaries at 31 December 2020.

The Group provides products and services required for subsea field development, including project management, design and engineering, procurement, fabrication, survey, installation, and commissioning of production facilities on the seabed and the tie-back of these facilities to fixed or floating platforms or to the shore. Through its Life of Field business unit, the Group offers a full spectrum of products and capabilities including remotely operated vehicles and tooling services to support exploration and production activities and to deliver full life of field services to its clients. Through its Renewables and Heavy Lifting business unit, the Group offers expertise in three specialist segments of the offshore energy market: the installation of offshore wind turbine foundations and inner-array cables; heavy lifting operations for oil and gas structures; and the decommissioning of redundant offshore structures. The Group provides engineering and advisory services to clients in the oil and gas, renewables and utilities industries through its wholly-owned autonomous subsidiaries Xodus and 4Subsea.

Authorisation of Consolidated Financial Statements

Under Luxembourg law, the Consolidated Financial Statements are approved by the shareholders at the Annual General Meeting. The Consolidated Financial Statements were authorised for issue by the Board of Directors on 24 February 2021.

Presentation of Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The Consolidated Financial Statements comply with Article 4 of the EU IAS Regulation.

Amounts in the Consolidated Financial Statements are stated in US Dollars ($), the currency of the primary economic environment in which the Group operates. Group entities whose functional currency is not the US Dollar are consolidated in accordance with the policies set out in Note 3 'Significant accounting policies'.

The Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and balances required to be measured at fair value. The principal accounting policies adopted are consistent with the Consolidated Financial Statements for the year ended 31 December 2019, except where noted in Note 2 'Adoption of new accounting standards'.

Going Concern

The Consolidated Financial Statements have been prepared on the going concern basis.

The global economy remains impacted by the unprecedented health and economic crisis following the outbreak of the Covid-19 pandemic. Management continues to monitor the potential operational, market and financial impacts to the Group including the mitigating impacts of the vaccination roll-out in 2021. Despite the remaining uncertainty regarding the potential impacts of the Covid-19 pandemic and the associated imbalance in the energy market, management considers that there are no significant doubts over the application of the going concern assumption and no disclosable material uncertainties which cast doubt upon the Group's ability to continue as a going concern.

During 2020, the Group incurred net Covid-19 costs of approximately $70 million related to factors such as vessel standby days due to onboard outbreaks of the virus, additional vessel crew change-over times and costs, and additional operational costs as a result of supply chain and travel restrictions. These were partly offset by reduced travel costs incurred by onshore employees and some cost compensation by certain clients. Management expects that net Covid-19 costs will continue to be incurred in 2021. Management will continue to work with its clients and suppliers to mitigate the impacts of the pandemic on operations.

The Group retains a strong cash position with cash and cash equivalents of $511.6 million at 31 December 2020. Borrowings at 31 December 2020 were $209.0 million in relation to the Group's Export Credit Agency senior secured facility. The Group's $656 million multi-currency revolving credit and guarantee facility remained unutilised as did the $800 million Euro Commercial Paper Programme. Despite the challenges facing the energy sector the Group closed the year with an order backlog of $6.2 billion, an increase of $1.0 billion compared to 31 December 2019, demonstrating improving, near to medium-term activity levels, particularly in renewables. Forecasts continue to demonstrate that the Group will generate cash flows from operations more than sufficient to support the assumption that the Group will continue as a going concern. Management has performed stress tests of future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios which reflect extended periods of low oil prices and potential operational and Covid-19 related issues which could adversely impact the Group. Management has also performed reverse stress testing through modelling of anticipated reasonable worst-case scenarios. In all scenarios management identified no forecast breaches of banking covenants and demonstrated sufficient liquidity.

As a Group, operational risks and resultant financial exposures arising due to the Covid-19 pandemic and the associated imbalance in the energy market are described below. Management will continue to monitor these risks during 2021.

Revenue recognition and backlog

The impact upon the Group's 2020 revenue and backlog recognised was reviewed by management. There were no significant impacts on the backlog recognised due to the Covid-19 pandemic and the associated imbalance in the energy market. The timing of execution was delayed on certain projects during 2020 with some work rescheduled into 2021. Although the position remains uncertain there is no significant re-phasing of project execution currently anticipated in 2021.

1. GENERAL INFORMATION CONTINUED

Onerous contract provisions

Onerous contract provisions were assessed in light of the requirements of IFRS 15 'Revenue from Contracts with Customers' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Certain inefficiencies were identified as a direct consequence of additional costs incurred, and expected to be incurred, as a result of the Covid-19 pandemic. Management concluded that these costs did not contribute to the overall progression of contracts and were recognised as incurred. Costs of this nature will continue to be monitored by management during 2021.

Credit impairment and expected credit losses

During 2020, no material credit impairments were recognised as a result of the Covid-19 pandemic and the associated imbalance in the energy market. The Group's expected credit loss allowances, calculated in accordance with IFRS 9 'Financial Instruments', were reviewed and individual assessments were undertaken where appropriate. As expected, due to the impact on the financial markets, the expected credit loss allowances increased during 2020. Although this calculation utilises market-based credit analytics incorporating market and financial information which enables forward-looking analysis of the probability of default, the Group does not consider the actual risk of credit impairment to be materially higher than before the pandemic. The Group does not have a significant exposure to any single counterparty and this is expected to continue to be the case during 2021.

Asset impairment, including goodwill and right-of-use assets

Management performed an interim impairment review during the second quarter of 2020 in order to assess the impact of the Covid-19 pandemic and the challenges facing the energy sector. Impairments were recognised in relation to goodwill, property, plant and equipment and right-of-use assets. The Group's annual impairment review was performed during the fourth quarter of 2020 and additional impairments were recognised in relation to goodwill, intangible assets, property, plant and equipment and right-of-use assets. No impairments recognised in the interim impairment review were reversed during the annual impairment review.

Lease liability reassessment

During the second quarter of 2020, management performed a reassessment of the Group's long-term chartered vessels as a result of the expected downturn in activity levels due to the Covid-19 pandemic and the challenges facing the energy sector. Certain lease liabilities, and associated right-of-use assets, were reduced as a consequence of renewal options not expected to be exercised. No further reassessments were required during the Group's annual impairment review.

Fair value measurement

During the year, foreign currency exchange rates fluctuated significantly, impacted by market volatility resulting from the Covid-19 pandemic and the impact on the global economy. Management considers that foreign currency exchange rates applied represented fair value in relation to quoted transactions such as forward exchange contracts at the measurement date of 31 December 2020.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective new accounting standards

No new International Financial Reporting Standards (IFRS) were adopted by the Group for the financial year beginning 1 January 2020. Several amendments to IFRS were applied for the first time in 2020 but did not have an impact on the Consolidated Financial Statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of Subsea 7 S.A. (the Company) and entities controlled by the Company (its subsidiaries). Control is assumed to exist where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. If the Group loses control over a subsidiary it derecognises related assets, liabilities and non-controlling interests and other components of equity, while any resultant gain or loss is recognised in income or loss. Any investment retained is recognised at fair value.

The Group consolidates non-wholly-owned subsidiaries where it can be considered to exercise control over the entity. In some cases this may result in the consolidation of non-wholly-owned subsidiaries in which the Group holds less than 50% of the voting rights when there is no history of the other shareholders exercising their votes to outvote the Group.

Subsidiaries

Assets, liabilities, income and expenses of a subsidiary are included in the Consolidated Financial Statements from the date the Group obtains control over the subsidiary until the date the Group ceases to control the subsidiary. Changes in the Group's interest in a subsidiary that do not result in the Group ceasing to control that subsidiary are accounted for as equity transactions.

Where necessary, adjustments are made to the financial statements of subsidiaries to align these with the accounting policies of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Note 39 'Wholly-owned subsidiaries' includes information related to wholly-owned subsidiaries which are included in the Consolidated Financial Statements of the Group.

All subsidiaries are wholly-owned (100%) except those listed in Note 25 'Non-controlling interests'. Non-controlling interests comprise equity interests in subsidiaries which are not attributable, directly or indirectly, to the Company. Non-controlling interests in the net assets or liabilities of subsidiaries are identified separately from the equity attributable to shareholders of the parent company. Non-controlling interests consist of the amount of those interests at the date that the Group obtains control over the subsidiary together with the non-controlling shareholders' share of net income or loss and other comprehensive income or loss since that date.

Interests in associates and joint arrangements

An associate is an entity over which the Group has significant influence, but not control, and which is neither a subsidiary nor a joint venture. Significant influence is defined as the right to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint arrangement is an arrangement in which two or more parties have joint control. A joint arrangement is classified as either a joint venture or a joint operation depending upon the rights and obligations of the parties to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Interests in associates and joint ventures are accounted for using the equity method. Under this method, the investment is recognised in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture, less any provisions for impairment. The Consolidated Income Statement reflects the Group's share of net income or loss of the associate or joint venture. Losses in excess of the Group's interest (which includes any long-term interests that, in substance, form part of the Group's net investment) are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share in the Consolidated Statement of Comprehensive Income.

Interests in joint operations are accounted for in line with the Group's proportional interest in the joint operations. As a joint operator the Group recognises its interest in: assets (including its share of any assets held jointly); liabilities (including its share of any liabilities incurred jointly); revenue from the sale of its share of output by the joint operation; and expenses (including its share of any expenses incurred jointly).

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency is defined as the currency of the primary economic environment in which the entity operates. While this is usually the local currency, the US Dollar is designated as the functional currency of certain entities where transactions and cash flows are predominantly in US Dollars.

All transactions in non-functional currencies are initially translated into the functional currency of each entity at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are translated to the functional currency at the exchange rate prevailing at the balance sheet date.

All resulting exchange rate gains and losses are recognised in the Consolidated Income Statement. Non-monetary items which are measured at historical cost in a non-functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items which are measured at fair value in a non-functional currency are translated to the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Foreign exchange revaluations of short-term intra-group balances denominated in non-functional currencies are recognised in the Consolidated Income Statement. Revaluations of long-term intra-group loans are recognised in the translation reserve in equity.

The assets and liabilities of operations which have a non-US Dollar functional currency are translated into the Group's reporting currency, US Dollar, at the exchange rate prevailing at the balance sheet date. The exchange rate differences arising on the translation are recognised in the translation reserve in equity. Income and expenditure items are translated at the weighted average exchange rates for the year. On disposal of an entity with a non-US Dollar functional currency the cumulative translation adjustment previously recognised in the translation reserve in equity is reclassified to the Consolidated Income Statement. At 31 December 2020, the exchange rates of the main currencies used throughout the Group, compared to the US Dollar, were as follows:

GBP	0.748
EUR	0.822
NOK	8.741
BRL	5.160
CNY	6.543

Revenue from Contracts with Customers

The Group applies the IFRS 15 'Revenue from Contracts with Customers' five-step model whereby revenue is recognised at an amount which reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

The Group's revenue comprises revenue recognised from contracts with customers for the provision of long-term fixed-price contracts, services under charter agreements, day-rate contracts, reimbursable contracts, cost-plus contracts (and similar contracts), each of which are considered to comprise one performance obligation. The following is a description of the principal activities, by operating segment, from which the Group generates revenue as disclosed in the disaggregated revenue analysis (Note 5 'Segment information').

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

SURF and Conventional

SURF and Conventional work, which includes Engineering, Procurement, Installation and Commissioning (EPIC) contracts, is generally contracted on a fixed-price basis. The costs and margins realised on such projects vary dependent on a number of factors which may result in reduced margins or, in some cases, losses. The promised goods and services within each contract are considered to be distinct as a bundle under IFRS 15. Due to the significant integration, customisation and highly interrelated nature of the work performed they form one performance obligation with revenue being recognised over time. During a contract, work is performed for the sole benefit of the client who continually monitors progress. Clients may also participate in the supplier selection processes for procured items. During the offshore phase of a contract, the Group typically executes work related to the installation of the client's assets. Due to the nature of the work performed the Group would not have an alternative use for the works performed under a contract for a specific client. The transaction price for these types of contracts, where there is an element of variable consideration, is based upon the single most likely outcome. Any additional work, such as scope changes or variation orders, as well as variable consideration, will be included within the total price once the amounts can be reasonably estimated and management has concluded that their recognition will not result in a significant revenue reversal in a future period.

For EPIC contracts, revenue is recognised in each period based upon the advancement of the work-in-progress. The input method used to progressively recognise revenue over time is based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of goods and services to the customer. Any significant upfront procurement which is not customised for the specific project is not included within the actual cost of work performed until such time as the costs incurred are proportionate to the progress in satisfying the performance obligation. Similarly an adjustment to the measurement of progress may be required where significant inefficiencies occur. Typically payment is due from the customer between 30 to 60 days following the issuance of the invoice. The contracts have no significant financing component as the period between when the Group transfers promised goods or services to a customer and when the customer pays for those goods or services will be one year or less. In circumstances where the Group has recognised revenue, but not issued an invoice, the entitlement to consideration is recognised as a construction contract asset. The construction contract asset is transferred to receivables in accordance with the agreed milestone schedule which reflects the unconditional entitlement to payment. Construction contract liabilities arise when progress billings to date exceed project revenues recognised. Assurance type warranty periods commence at the completion of the contractual obligations and typically have a duration of between one to three years. Construction contract asset and liability balances at 31 December 2020 and 2019 are disclosed within Note 21 'Construction contracts'.

The Group's Pipelay Support Vessel (PLSV) contracts, offshore Brazil, are also included within this category of revenue. PLSV revenue is based upon an agreed schedule of work applied to a range of daily operating activities pre-agreed with the customer. As such these contracts are considered to be distinct as a pattern and hence one performance obligation under the guidelines within IFRS 15. Each day is distinct with the overall promise being the delivery of a series of days which have the same pattern of transfer to the customer. The transaction price for all PLSV contracts is determined by the expected value approach being the number of days multiplied by the expected day-rate. This method of revenue recognition for PLSV contracts provides a faithful depiction of the transfer of goods and services. Typically the value of work completed in any one month corresponds directly with the Group's right to payment. Payment is due from the client approximately 30 days following invoice date. These contracts have no significant financing component. Unbilled revenue related to work completed, which has not been billed to the customer, is included within Note 20 'Other accrued income and prepaid expenses'.

Front-end engineering studies (FEED) undertaken by the Group are also included within this category of revenue principally on a day-rate basis. Revenue recognition for day-rate contracts is described in the paragraph below.

Life of Field

The Group's Life of Field business unit provides Remotely Operated Vehicles (ROVs), survey and inspection, drill-rig support and related solutions on a day-rate basis. Projects are contracted on the basis of an agreed schedule of rates applied to a range of daily operating activities. Life of field contracts are considered to be distinct as a pattern and hence one performance obligation under the guidelines within IFRS 15. Each day is distinct with the overall promise being the delivery of a series of days that have the same pattern of transfer to the customer. The transaction price for all day-rate contracts is determined by the expected value approach, being the number of days multiplied by the expected day-rate. This method of revenue recognition for day-rate contracts provides a faithful depiction of the transfer of goods and services. Typically the value of work completed in any one month corresponds directly with Subsea 7's right to payment. Payment is due from the client approximately 30-45 days following the invoice date. These contracts have no significant financing component. Unbilled revenue related to work completed, which has not been billed to clients, is included within Note 20 'Other accrued income and prepaid expenses'.

Customers of the Life of Field business unit, in certain circumstances, may request the commissioning of bespoke tooling. Revenue in relation to bespoke tooling, which is not significant in relation to the Group's overall revenue, is considered distinct in its own right. Dependent on the individual contract with the customer, revenue from the sale of this bespoke tooling may be recognised over time or at a point in time when control of the asset is transferred to the customer, generally on delivery.

Renewables and Heavy Lifting

Renewables and Heavy Lifting contracts which include the construction and installation of wind turbine foundations and inner-array cables, heavy lifting operations and decommissioning are generally contracted on a fixed-price basis. Similar to EPIC contracts, the promised goods and services within Renewables and Heavy Lifting contracts are considered to be distinct as a bundle and hence one performance obligation with revenue being recognised over time. Although the promises within the contract are capable of being distinct, management has concluded that they are not due to the significant integration, customisation and highly interrelated nature of each contract. The contract work performed is for the sole benefit of the customer who continually monitors progress and the Group would not have an alternative use for work performed under a specific contract. Clients may also participate in the supplier selection processes for procured items. The transaction price for these types of contracts, where there is an element of variable consideration, is based upon the single most likely outcome.

Any additional work, such as scope changes or variation orders, as well as variable consideration will be included within the total price once the amounts can be reasonably estimated and management has concluded that this will not result in a significant revenue reversal in a future period.

For Renewables and Heavy Lifting contracts the input method used to progressively recognise revenue over time is based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of the goods and services to the customer. Any significant upfront procurement which is not customised for the particular project is not included within the actual cost of work performed at each period end. An adjustment to the measure of progress may be required where significant inefficiencies occur which were not reflected in the price of the contract. Payment is due from the client approximately 30-45 days following the issuance of the invoice. These contracts have no significant financing component as the period between when the Group transfers the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less. In circumstances where the Group has recognised revenue, but not issued an invoice, the entitlement to consideration is recognised as a construction contract asset. The construction contract asset is transferred to receivables in accordance with the agreed milestone schedule which reflects the unconditional entitlement to payment. Construction contract liabilities arise when progress billings exceed project revenues. Assurance type warranty periods commence at the completion of the contractual obligations. Construction contract asset and liability balances at 31 December 2020 and 2019 are disclosed within Note 21 'Construction contracts'.

Corporate

No revenue was recognised within the Group's Corporate segment during 2020 or 2019.

Advances received from customers

For certain projects the Group may receive short-term advances from customers which are presented as deferred revenue within the Consolidated Balance Sheet. Advances received from customers include amounts received before the work is performed on day-rate contracts and amounts received from customers in advance of work commencing on fixed-price contracts. The consideration is not adjusted for the effects of a financing component where the Group expects, at contract inception, that the period between when the customer pays for the service and when the Group transfers that promised service to the customer will be 12 months or less.

Principal versus agent

For certain projects the Group provides procurement services and assumes responsibility for the logistics and handling of procured items. Management's assessment of whether a principal or agent relationship exists is based upon whether the Group has the ability to control the goods before they are transferred to the customer. This assessment is performed on a contract-by-contract basis.

Variable consideration

Variable consideration is constrained at contract inception to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Warranty obligations

The Group provides warranties for the repair of defects which are identified during the contract and within a defined period thereafter. All are assurance-type warranties, as defined within IFRS 15, which the Group recognises under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The Group does not have any contractual obligations for service-type warranties.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. These amounts are calculated using the effective interest rate related to the period of the expenditure. All other borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

Finance costs

Finance costs or charges, including premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method.

Retirement benefit costs

The Group administers several defined contribution pension plans. Obligations in respect of such plans are charged to the Consolidated Income Statement as they fall due.

In addition, the Group administers a small number of defined benefit pension plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Remeasurements, comprising actuarial gains and losses and the return on plan assets, (excluding net interest), are recognised immediately through the Consolidated Statement of Comprehensive Income in the period in which they occur with a corresponding adjustment in the Consolidated Balance Sheet. Remeasurements are not reclassified to the Consolidated Income Statement in subsequent periods. Past service costs are recognised in the Consolidated Income Statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring related costs.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises portions of the service cost (comprising current and past service costs) gains and losses on curtailments, non-routine settlements and net interest expense or income in the net defined benefit obligation under both operating expenses and administrative expenses in the Consolidated Income Statement. The Group is also committed to providing lump-sum retirement bonuses to employees upon retirement in certain countries. These retirement bonuses are unfunded, and are recorded in the Consolidated Balance Sheet at their actuarial valuation.

A defined benefit pension plan is considered settled once all future legal or constructive obligations for part or all of the benefits provided are eliminated. Upon settlement the defined benefit asset/liability is remeasured using the current fair value of the plan assets and current actuarial assumptions. Any difference between the current defined benefit asset/liability and the fair value will be recognised as a gain or loss and released from other reserves to retained earnings.

Taxation

Taxation expense or income recorded in the Consolidated Income Statement or Consolidated Statement of Other Comprehensive Income represents the sum of the current tax and deferred tax charge or credit for the year.

Current tax

Current tax is based on the taxable income for the year, together with any adjustments to tax payable in respect of prior years. Taxable income differs from income before taxes as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and further excludes items that are never taxable or deductible. The tax laws and rates used to compute the amount of current tax payable are those that are enacted or substantively enacted at the balance sheet date.

Current tax assets or liabilities are representative of taxes being owed by, or owing to, local tax authorities. In determining current tax assets or liabilities the Group takes into account the impact of uncertain tax treatments and whether additional taxes or penalties may be due.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Consolidated Balance Sheet and the corresponding tax bases used in the computation of taxable income, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets or liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets or liabilities in a transaction (other than in a business combination) that does not affect either the taxable income or the accounting income before taxes.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax assets are only recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Deferred tax assets are derecognised or reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are substantively enacted and expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly in the Consolidated Statement of Comprehensive Income in which case the deferred tax is also recognised within the Consolidated Statement of Comprehensive Income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current income tax assets and liabilities on a net basis.

Tax contingencies and provisions

In accordance with IFRIC 23 a provision for an uncertain tax treatment is made where the ultimate outcome of a particular tax matter is uncertain. In calculating a provision the Group assesses the probability of the liability arising and, where a reasonable estimate can be made, recognises a provision for the liability it considers probable to be required to settle the present obligation. Provisions are based on experience of similar transactions, internal estimates and appropriate external advice.

Dry-dock, mobilisation and decommissioning expenditure

Dry-dock expenditure incurred to maintain a vessel's classification is capitalised in the Consolidated Balance Sheet as a distinct component of the asset and amortised over the period until the next scheduled dry-docking (usually between two-and-a-half years and five years). At the date of the next dry-docking, the previous dry-dock asset and accumulated amortisation is derecognised. All other repair and maintenance costs are recognised in the Consolidated Income Statement as incurred.

A provision is recognised for decommissioning expenditures required to restore a leased vessel to its original or agreed condition, together with a corresponding amount capitalised, when the Group recognises it has a present obligation and a reliable estimate can be made of the amount of the obligation.

Business combinations and goodwill

Business combinations

Acquisitions of subsidiaries and businesses, including business combinations completed in stages, are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the acquisition date) of cash and other assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Where an acquisition qualifies as a business combination completed in stages, consideration includes the fair value of the Group's equity interest prior to the combination. Any gain or loss associated with the remeasurement of the equity interest to fair value is recognised as a remeasurement gain or loss in the Consolidated Income Statement. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are recognised as an adjustment to the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at fair value on the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 'Income Taxes';
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 'Employee Benefits';
- lease liabilities for which the Group is lessee, the lease liability is measured as if the lease contract were a new lease in accordance with IFRS 16 'Leases';
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 'Share-based Payments'; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete, to the extent that the amounts can be reliably calculated. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained regarding facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information regarding facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired by the Group (the acquisition date). Goodwill is measured as the sum of the consideration and either the amount of any non-controlling interests in the acquiree or the fair value of the Group's previously held equity interest in the entity less the net fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration and either the amount of any non-controlling interests in the acquiree or the fair value of the Group's previously held equity interest in the acquiree, the excess is recognised immediately in the Consolidated Income Statement. Goodwill is reviewed for impairment at least annually.

Gain on a bargain purchase

A gain arising on a bargain purchase is recognised in the Consolidated Income Statement on the date that control is acquired (the acquisition date). The gain is measured as the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date less the sum of the consideration.

Intangible assets other than goodwill

Overview

Intangible assets acquired separately are measured at cost at the date of initial acquisition. Following initial recognition, intangible assets are measured at cost less amortisation and impairment charges. Intangible assets acquired as part of a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets acquired as part of a business combination are measured at acquisition date fair value less amortisation and impairment charges.

Internally generated intangible assets are not capitalised, with the exception of development expenditure which meets the criteria for capitalisation specified in IAS 38 'Intangible Assets'.

Intangible assets with finite lives are amortised over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life are accounted for by changing the amortisation period or method, and are treated as changes in accounting estimates. The amortisation expense related to intangible assets with finite lives is recognised in the Consolidated Income Statement in the expense category consistent with the function of the intangible asset.

Research and development costs

Research costs are expensed as incurred. The Group recognises development expenditure as an internally generated intangible asset when the criteria for recognition specified in IAS 38 'Intangible Assets' are met.

Amortisation of the intangible asset over the period of the expected useful life begins when development is complete and the asset is available for use. The asset is assessed for impairment whenever there is an indication that the asset may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Property, plant and equipment

Property, plant and equipment acquired separately, including critical spare parts acquired and held for future use, are measured at cost less accumulated depreciation and accumulated impairment charges.

Assets under construction are recognised at cost, less any recognised impairment charges. Depreciation of these assets commences when the assets become operational and are deemed available for use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Vessels	10 to 25 years
Operating equipment	3 to 10 years
Buildings	20 to 25 years
Other assets	3 to 7 years

Land is not depreciated.

Vessels are depreciated to their estimated residual value. Residual values, useful economic lives and methods of depreciation are reviewed at least annually and adjusted if appropriate.

Gains or losses arising on disposal of property, plant and equipment are determined as the difference between any disposal proceeds and the carrying amount of the asset at the date of the transaction. Gains and losses on disposal are recognised in the Consolidated Income Statement in the period in which the asset is disposed.

Impairment of non-financial assets

At each reporting date the Group assesses whether there is any indication that non-financial assets, including right-of-use assets, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's fair value less costs of disposal and its value-in-use. Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset is allocated. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment charges are recognised in the Consolidated Income Statement in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment charges may require to be reversed. If such an indication exists the Group makes an estimate of the recoverable amount. A previously recognised impairment charge is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment charge was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment charge been recognised for the asset in prior periods. Any such reversal is recognised in the Consolidated Income Statement. The following criteria are also applied in assessing impairment of specific assets:

Goodwill

An assessment is made at each reporting date as to whether there is an indication of impairment. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or group of CGUs, that are expected to benefit from the combination.

Each CGU or group of CGUs to which the goodwill is allocated initially represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'. If circumstances give rise to a change in the composition of CGUs and a reallocation is justified, goodwill is reallocated based on relative value at the time of the change in composition. Following any reorganisation, the CGU cannot be larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Recoverable amounts are determined based on value-in-use calculations using discounted pre-tax cash flow projections based on risk-adjusted financial forecasts approved by the Executive Management Team.

As cash flow projections are risk-adjusted for CGU specific risks, risk premiums are not applied to the discount rate which is applied to all CGUs. The discount rate applied to the cash flow projections is a pre-tax rate and reflects current market assessments of the time value of money, risks specific to the asset and a normalised capital structure for the industry. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment charge is recognised in the Consolidated Income Statement. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that CGU is disposed, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed and the portion of the CGU retained.

Associates and joint ventures

At each reporting date the Group determines whether there is any objective evidence that the investment in an associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the estimated fair value of the associate or joint venture and its carrying amount. The resultant impairment charge is recognised in the Consolidated Income Statement.

Financial Instruments

Classification and measurement

The Group's financial assets include cash and short-term deposits, trade and other receivables, construction contract assets, other receivables, derivative financial instruments and equity investments which are classified as other financial assets. The Group's financial liabilities include trade and other payables, contingent consideration, borrowings and derivative financial instruments.

Initial measurement is based upon one of four IFRS 9 'Financial Instruments' models: amortised cost; fair value through profit and loss (FVPL); fair value through other comprehensive income (with recycling of accumulated gains and losses); or fair value through other comprehensive income (without recycling of accumulated gains and losses).

Classification and subsequent measurement is dependent upon the business model under which the Group holds and manages the financial asset; and whether the contractual cash flows resulting from the instrument represent 'solely payments of principal and interest' (the 'SPPI' criterion').

All financial assets are classified at initial recognition and are initially measured at fair value net of transaction costs, with the exception of those classified as FVPL. Classification as amortised cost is applicable where the instruments are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and the cash flows resulting from the instrument consist solely of principal and interest. Debt financial assets are subsequently measured at FVPL, amortised cost or fair value through other comprehensive income (FVOCI) depending on classification.

Equity instruments are reported as other financial assets and are subsequently measured at FVPL when not considered to be strategic in nature. Where the Group considers other financial assets to be strategic in nature and is expecting to hold them for the foreseeable future the investments are measured at FVOCI with no recycling of gains or losses to profit or loss on derecognition.

All financial liabilities are classified at initial recognition and are initially measured at fair value net of transaction costs, with the exception of those classified as FVPL. Financial liabilities are measured at FVPL when they meet the definition of held for trading or when they are designated as such on initial recognition. Otherwise, financial liabilities are measured at amortised cost.

The Group enters into forward foreign currency contracts, in order to manage its foreign currency exposures; these are measured at FVPL. The Group regularly enters into multi-currency contracts from which the cash flows may lead to embedded foreign exchange derivatives in non-financial host contracts, carried at FVPL. The Group reassesses the existence of an embedded derivative if the terms of the host financial instrument change significantly. The fair values of derivative financial instruments are measured on bid prices for assets held and offer prices for issued liabilities based on values quoted in active markets. Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognised in the Consolidated Income Statement within other gains and losses.

Cash and cash equivalents comprise cash at bank, cash on hand, money market funds, and short-term highly liquid assets with an original maturity of three months or less and which are readily convertible to known amounts of cash. Utilised revolving credit facilities are included within current borrowings. Cash and cash equivalents are measured at amortised cost.

Impairment of financial assets and construction contract assets

The Group applies the expected credit loss (ECL) impairment model to record allowances for expected credit losses. The expected credit loss model applies to all debt financial assets accounted for in accordance with IFRS 9 'Financial Instruments'. The expected credit loss impairment model is also applied to contract assets accounted for under IFRS 15 'Revenue from Contracts with Customers'.

For construction contract assets and trade and other receivables which do not contain a significant financing component, the Group applies the simplified approach. This approach requires the allowance for ECLs to be recognised at an amount equal to lifetime expected credit losses.

For other debt financial assets the allowance for ECLs is calculated on a 12-month basis and is based on the portion of ECLs expected to result from default events possible within 12 months of the reporting date. The Group monitors for significant changes in credit risk and where this is materially different to ECLs calculated on a 12-month basis changes the allowance to reflect the risk of expected default in the contractual lifetime of the financial asset. Unless there is a valid mitigating factor, the Group considers there to have been a significant increase in credit risk when contractual payments are more than 30 days past the due date for payment.

At each reporting date the Group assesses whether any indicators exist that a financial asset or group of financial assets has become credit impaired. Where an asset is considered to be credit impaired a specific allowance is recognised based on the actual cash flows that the Group expects to receive and is determined using historical credit loss experience and forward-looking factors specific to the counterparty and the economic environment. Any shortfall is discounted at the original effective interest rate for the relevant asset.

Except where there are valid mitigating factors, the Group considers a financial asset in default when contractual payments are 90 days past the due date for payment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Financial investments

The Group's non-current financial investments comprise strategic shareholdings in technology companies. These investments are held at cost, deemed an appropriate estimate of fair value, due to the uncertainty over technical milestones and the wide range of possible fair value measurements. These investments are reviewed for indicators of impairment at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Inventories

Inventories comprise consumables, materials and non-critical spares and are valued at the lower of cost and net realisable value.

Treasury shares

Treasury shares are the Group's own equity instruments which are repurchased and shown within equity at cost, using the first-in first-out basis. Gains or losses realised or incurred on the purchase, sale, reallocation or cancellation of the Group's own equity instruments are recognised within equity. No gains or losses are recognised in the Consolidated Income Statement.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past transaction or event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation. Estimates are determined by the judgement of management supplemented by the experience of similar transactions, and, in some cases, advice from independent experts. Contingent liabilities are disclosed in Note 31 'Commitments and contingent liabilities' to the Consolidated Financial Statements, but not recognised until they meet the criteria for recognition as a provision. Where the Group is virtually certain that some or all of a provision will be reimbursed, that reimbursement is recognised as a separate asset. The expense relating to any provision is reflected in the Consolidated Income Statement at an amount reflective of the risks specific to the liability. Where the provision is discounted, any increase in the provision due to the passage of time is recognised as a finance cost in the Group's Consolidated Income Statement.

The following criteria are applied for the recognition and measurement of significant classes of provisions:

Onerous contracts

The Group recognises provisions for onerous contracts once the underlying event or conditions leading to the contract becoming onerous are probable and a reliable estimate can be made. Onerous lump-sum contract provisions are assessed in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Onerous provisions are calculated on a least net cost basis, which includes unavoidable costs only, while comparing these costs to the cost of cancelling a contract and incurring early termination fees.

Legal claims

In the ordinary course of business, the Group is subject to various claims, litigation and complaints. An associated provision is recognised if it is probable that a liability has been incurred and the amount can be reliably estimated.

Contingent consideration

The Group recognises a provision where, as part of the sale and purchase agreement, contingent consideration has been agreed. The amount and timing of contingent consideration is often uncertain and is payable based on the achievement of specific targets and milestones. The liability is initially measured at its acquisition date fair value, determined using the discounted cash flows method and unobservable inputs and is remeasured at each reporting date. Changes in fair value are recognised in the Consolidated Income Statement.

Share-based payments

Certain employees of the Group receive part of their remuneration in the form of conditional awards of shares based on the performance of the Group. Equity-settled transactions with employees are measured at fair value at the date on which they are granted. The fair value is determined using a Monte Carlo simulation model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each balance sheet date, until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The cumulative expense also includes the estimated future charge to be borne by the Group in respect of social security contributions, based on the intrinsic unrealised value of the awards using the share price at the balance sheet date. The net income or expense for a period represents the difference in cumulative expense recognised at the beginning and end of that period.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, due to vesting conditions being unable to be met, the cumulative expense previously recognised is reversed with a credit recognised in the Consolidated Income Statement. If a new award is substituted for the cancelled award, the new award is measured at fair value at the date on which it is granted.

Earnings per share
Earnings per share is calculated using the weighted average number of common shares and common share equivalents outstanding during each period excluding treasury shares. The potentially dilutive effect of outstanding performance shares is reflected as share dilution in the computation of diluted earnings per share.

Lease liabilities and right-of-use assets
The Group applies IFRS 16 'Leases' and assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets which varies as follows:

Vessels	2 to 5 years
Operating equipment	2 to 5 years
Land and buildings	3 to 10 years

The cost of a right-of-use asset includes an estimate of costs expected to be incurred by the Group on termination of the lease to reinstate the underlying asset to the condition required by the terms and conditions of the lease. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having utilised the underlying asset during the period. Right-of-use assets are subject to a review for indicators of impairment at least annually.

Lease liabilities
The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of purchase options reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses an incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases, which are those leases which have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group also applies the low-value assets recognition exemption to assets which are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses in the Consolidated Income Statement on a straight-line basis over the lease term.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 3 'Significant accounting policies', management is required to make judgements, estimates and assumptions regarding 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 believes 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 prospectively in the period in which the estimate is revised.

Revenue recognition

The Group's accounting policies under IFRS 15 'Revenue from Contracts with Customers' are detailed in Note 3 'Significant accounting policies'.

Revenue recognition on long-term construction contracts

The Group accounts for long-term construction contracts for both engineering, procurement, installation and commissioning (EPIC) projects and renewables and heavy lifting projects using the percentage-of-completion method, which is standard practice in the industry. Contract revenue, total cost estimates and estimates of physical progression are reviewed by management on a monthly basis. Any adjustments made as a result of these reviews are reflected in contract revenue or contract costs in the reporting period, based on the percentage-of-completion method.

To the extent that these adjustments result in a reduction or elimination of previously reported contract revenue or costs, a charge or credit is recognised in the Consolidated Income Statement; amounts in prior periods are not restated. Such a charge or credit may be significant depending on the size of the project, the stage of project completion and the size of the adjustment. Additional information that enhances and refines the estimating process is often obtained after the balance sheet date but before the issuance of the Consolidated Financial Statements, which may result in an adjustment to the Consolidated Financial Statements based on events, favourable or unfavourable, occurring after the balance sheet date.

The percentage-of-completion method requires management to make reliable estimates of physical progression, costs incurred, full project contract costs and full project contract revenue. The Group's Project Monthly Status Reports (PMSRs) evaluate the likely outcome of each individual project for the purpose of making reliable estimates of cost, revenue and progression, measured either by cost or physical progression. A key element of the PMSRs is the estimate of contingency. Contingency is an estimate of the costs required to address the potential future outcome of identified project risks. The Group uses a systematic approach in estimating contingency based on project size. This approach utilises a project specific risk register in order to identify and assess the likelihood and impact of these risks. The most significant risks and uncertainties in the Group's projects typically relate to the offshore phase of operations. Identified risks that materialise may result in increased costs. Contingency associated with identified risks are removed from the full project cost estimate throughout the remaining life of the project if the identified risks have not, or are not, expected to materialise.

Revenue recognition on variation orders and claims

A significant portion of the Group's revenue is billed under fixed-price contracts. Due to the nature of the services performed, variation orders and claims are common. A variation order is an instruction by the client for a change in the scope of the work to be performed under the contract which may lead to an increase or a decrease in contract revenue based on changes in the specifications or design of an asset and changes in the duration of the contract.

A claim is an amount that may be collected as reimbursement for costs not included in the contract price. A claim may arise from delays caused by clients, errors in specifications or design, and disputed variations in contract work. The measurement of revenue arising from claims is subject to a high level of uncertainty and is dependent on the outcome of negotiations.

Recognition of revenue on variation orders and claims is governed by the Group's revenue recognition approval policy.

Goodwill carrying amount

Goodwill is reviewed at least annually to assess whether there is objective evidence to indicate that the carrying amount of goodwill requires impairment at a CGU level. The impairment review is performed on a value-in-use basis which requires the estimation of future cash flows. Further details relating to the impairment review process are disclosed in Note 12 'Goodwill'.

Property, plant and equipment

Property, plant and equipment is recorded at cost and depreciation is recorded on a straight-line basis over the useful lives of the assets. Management uses its experience to estimate the remaining useful economic life and residual value of an asset.

A review for indicators of impairment is performed at each reporting date. When events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable, a review for impairment is carried out by management. Where the value-in-use method is used to determine the recoverable amount of an asset, management uses its judgement in determining the CGU to which the asset belongs, or whether the asset can be considered a CGU in its own right. The level of aggregation of assets is a significant assumption made by management and includes consideration of which assets generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management has determined that vessels are not CGUs individually as they do not generate cash inflows independently of other Group assets. Once the CGU has been determined management uses its judgement in determining the value-in-use of the CGU, as detailed in Note 12 'Goodwill'. Where an asset is considered a CGU in its own right management uses its judgement to estimate future asset utilisation, cash flows, remaining life and the discount rate used.

Recognition of provisions and disclosure of contingent liabilities

In the ordinary course of business, the Group becomes involved in contract disputes from time-to-time due to the nature of its activities as a contracting business involved in multiple long-term projects at any given time. The Group recognises provisions to cover the expected risk of loss to the extent that negative outcomes are likely and reliable estimates can be made. The final outcomes of these contract disputes are subject to uncertainties as to whether or not they develop into a formal legal action and therefore the resulting liabilities may exceed the liability anticipated by management.

Furthermore, the Group may be involved in legal proceedings from time-to-time; these proceedings are incidental to the ordinary conduct of its business. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is reasonably possible that the final resolution of any litigation could require the Group to incur additional expenditures in excess of provisions that it may have previously recognised.

Management uses its judgement in determining whether the Group should recognise a provision or disclose a contingent liability. These judgements include whether the Group has a present obligation and the probability that an outflow of economic resource is required to settle the obligation. Management may also use its judgement to determine the amount of the obligation or contingent liability. Management uses external advisers to assist with some of these judgements. Further details relating to provisions and contingent liabilities are shown in Note 30 'Provisions' and Note 31 'Commitments and contingent liabilities'.

Taxation

The Group is subject to taxation in numerous jurisdictions and significant judgement is required in calculating the consolidated tax position. There are transactions for which the ultimate tax determination is uncertain and for which the Group makes provisions based on an assessment of internal estimates and appropriate external advice, including decisions regarding whether to recognise deferred tax assets in respect of tax losses. Each year management completes a detailed review of uncertain tax treatments across the Group and makes provisions based on the probability of the liability arising. Where the final outcome of these matters differs from the amounts that were initially recorded, the difference will impact the taxation charge in the period in which the outcome is determined. Details of key judgements and other issues considered are set out in Note 9 'Taxation'.

Measurement of other intangible assets acquired on business combinations

Acquisition accounting for business combinations requires management judgement to estimate the fair value of previously unrecognised intangible assets. Intangible assets recognised by the Group following business combinations include third party unexecuted contractual backlog. Management uses its judgement to determine fair value and the appropriate amortisation periods for intangible assets using income-based valuation approaches. Management uses external advisers to assist with some of these judgements.

Measurement of contingent consideration in business combinations

As a result of business combinations, the Group has recognised contingent consideration, being additional cash consideration payable to previous owners should specific targets be achieved in future periods. At the acquisition date management applied judgement to provisionally estimate the fair value of this consideration using the discounted cash flow method and certain assumptions related to expected future activity levels.

Changes to the expected levels of contingent consideration resulting from adjusting events during the 12-month measurement period are reflected in the amounts recognised as part of the acquisition accounting for the business combination. Changes resulting from non-adjusting events and all changes to the expected levels of contingent consideration arising after the end of the measurement period are reflected within other gains and losses in the Group's Consolidated Income Statement.

5. SEGMENT INFORMATION

For management and reporting purposes, the Group is organised into four business units: SURF and Conventional, Life of Field, 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, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed on SURF and Conventional activities.

Life of Field

The Life of Field 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, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed on life of field activities.

Renewables and Heavy Lifting

The Renewables and Heavy Lifting business unit includes activities related to three specialist segments of the offshore energy market: the procurement and installation of offshore wind turbine foundations and inner-array cables, heavy lifting operations for oil and gas structures, and the decommissioning of redundant offshore structures. This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed on Renewables and Heavy Lifting activities.

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.

The accounting policies of the business units are the same as the Group's accounting policies, which are described in Note 3 'Significant accounting policies'.

Allocations of costs also occur between segments based on the physical location of personnel. The Chief Operating Decision Maker (CODM) is the Chief Executive Officer of the Group. The CODM is assisted by the other members of the Executive Management Team. Neither total assets nor total liabilities by operating segment are regularly provided to the CODM and consequently no such disclosure is shown.

Changes to operating segments

With effect from 1 January 2021, for management and reporting purposes, the Group will be organised into three business units: Subsea and Conventional, Renewables and Corporate. Life of field activities will be merged into the Subsea and Conventional business unit and the results of the Group's autonomous subsidiaries, Xodus and 4Subsea, currently reported under SURF and Conventional, will be recognised within the Corporate business unit. With effect from 1 January 2021, the Renewables business unit will exclude all activities relating to the oil and gas industry. The results for the first quarter of 2021 will reflect the revised reporting structure and comparative results will be re-presented except for oil and gas related activities, which were not significant, in the Renewables business unit.

Summarised financial information, including the disaggregation of the Group's revenue from contracts with customers, concerning each operating segment is as follows:

For the year ended 31 December 2020

(in $ millions)	SURF and Conventional	Life of Field	Renewables and Heavy Lifting	Corporate	Total
Selected financial information:					
Revenue[(a)/(b)/(c)]					
Lump-sum projects	**2,109.4**	**13.2**	**630.3**	**–**	**2,752.9**
Day-rate projects	**469.0**	**243.4**	**1.1**	**–**	**713.5**
	2,578.4	**256.6**	**631.4**	**–**	**3,466.4**
Operating expenses	**(2,713.4)**	**(233.0)**	**(645.8)**	**(60.7)**	**(3,652.9)**
Impairment of goodwill	**(591.4)**	**(14.0)**	**–**	**–**	**(605.4)**
Share of net income/(loss) of associates and joint ventures	**3.9**	**1.3**	**–**	**(5.7)**	**(0.5)**
Depreciation, mobilisation and amortisation charges	**(306.2)**	**(75.8)**	**(51.4)**	**(9.0)**	**(442.4)**
Impairment of intangible assets, property, plant and equipment, and right-of-use assets	**(279.7)**	**(14.9)**	**–**	**(28.5)**	**(323.1)**
Reconciliation of net operating loss to loss before taxes:					
Net operating (loss)/income excluding goodwill impairment charges	**(258.8)**	**12.6**	**(39.7)**	**(142.5)**	**(428.4)**
Net operating loss including goodwill impairment charges	**(850.2)**	**(1.4)**	**(39.7)**	**(142.5)**	**(1,033.8)**
Finance income					**4.8**
Other gains and losses					**(18.3)**
Finance costs					**(24.6)**
Loss before taxes					**(1,071.9)**

(a) Revenue represents only external revenue for each segment. An analysis of inter-segment revenue has not been included as this information is not provided to the CODM.
(b) Two clients in the year individually accounted for more than 10% of the Group's revenue. The revenue from these clients, attributable to SURF and Conventional and Life of Field operating segments, were as follows: Client A $335.5 million (2019: $471.5 million) and Client B $334.5 million (2019: $401.5 million).
(c) Revenue from contracts with customers recognised over time as defined by IFRS 15.

For the year ended 31 December 2019

(in $ millions)	SURF and Conventional	Life of Field	Renewables and Heavy Lifting	Corporate	Total
Selected financial information:					
Revenue[(a)/(b)]					
Lump-sum projects	2,533.4	1.0	216.6	–	2,751.0
Day-rate projects	640.7	264.6	0.3	–	905.6
	3,174.1	265.6	216.9	–	3,656.6
Net operating expenses	(2,861.0)	(258.5)	(244.8)	53.8	(3,310.5)
Impairment of goodwill	–	–	(99.9)	–	(99.9)
Share of net (loss)/income of associates and joint ventures	(4.3)	1.9	–	1.5	(0.9)
Depreciation, mobilisation and amortisation charges	(346.4)	(77.8)	(54.2)	(5.7)	(484.1)
Impairment of property, plant and equipment	(66.5)	–	(3.0)	–	(69.5)
Reconciliation of net operating income/(loss) to loss before taxes:					
Net operating income/(loss) excluding goodwill impairment charges	159.8	(2.8)	(56.1)	(23.9)	77.0
Net operating income/(loss) including goodwill impairment charges	159.8	(2.8)	(156.0)	(23.9)	(22.9)
Finance income					13.2
Other gains and losses					(17.9)
Finance costs					(25.3)
Loss before taxes					(52.9)

(a) Revenue represents only external revenue for each segment. An analysis of inter-segment revenue has not been included as this information is not provided to the CODM.
(b) Revenue from contracts with customers recognised over time as defined by IFRS 15.

5. SEGMENT INFORMATION CONTINUED

Geographic information

Revenue from external clients

Based on the country of registered office of the Group's subsidiaries or branches, revenue is split as follows:

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
United Kingdom	**1,292.7**	1,036.9
United States of America	**520.3**	552.0
Norway	**490.2**	590.6
Brazil	**186.5**	190.0
Netherlands	**166.4**	100.0
Australia	**133.5**	139.5
Taiwan	**126.7**	33.4
Saudi Arabia	**101.6**	167.0
Singapore	**92.9**	141.4
Ghana	**70.7**	46.2
Azerbaijan	**66.4**	58.3
Angola	**58.0**	47.0
Mexico	**52.4**	33.5
Germany	**30.6**	42.5
Senegal	**26.0**	0.4
Nigeria	**16.0**	320.4
Qatar	**15.6**	4.4
Other countries[a]	**19.9**	153.1
	3,466.4	3,656.6

(a) Comparative information for the year ended 31 December 2019 includes external revenue of $135.3 million from the Group's subsidiaries or branches with a registered office in Egypt.

Non-current assets

Based on the country of registered office of the Group's subsidiaries or branches, non-current assets excluding goodwill, derivative financial instruments, retirement benefit assets and deferred tax assets are located in the following countries:

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
United Kingdom	**2,375.5**	2,582.6
Isle of Man	**864.5**	857.9
Netherlands	**441.1**	463.3
Norway	**274.4**	416.5
Nigeria	**65.8**	101.1
Cyprus	**65.2**	70.1
United States of America	**55.2**	58.1
Azerbaijan	**41.9**	54.8
Brazil	**35.4**	48.8
Angola	**35.2**	68.7
Other countries[a]	**49.8**	151.6
	4,304.0	4,873.5

(a) Comparative information for the year ended 31 December 2019 includes non-current assets of $58.6 million from the Group's subsidiaries or branches with a registered office in Egypt.

6. NET OPERATING INCOME

Net operating loss includes:

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Research and development costs	**14.6**	22.0
Employee benefits	**933.6**	966.3
Amortisation of intangible assets (Note 13)	**14.7**	11.0
Depreciation of property, plant and equipment (Note 14)	**334.9**	365.9
Amortisation of right-of-use assets (Note 15)	**82.1**	98.2
Amortisation of mobilisation costs	**10.7**	9.0
Lease expense for short-term leased assets	**222.4**	222.3
Lease expense for low-value leased assets	**0.6**	2.1
Variable lease payments not included within lease liabilities	**2.6**	0.7
Impairment of goodwill (Note 12)	**605.4**	99.9
Impairment of intangible assets (Note 13)	**9.2**	–
Impairment of property, plant and equipment (Note 14)	**282.0**	69.5
Impairment of right-of-use assets (Note 15)	**31.9**	–
Net increase in allowances for expected credit losses for financial assets	**1.0**	1.9
Net increase in allowances for expected credit losses on construction contract assets (Note 21)	**2.7**	0.6
Net credit impairment loss/(credit) for financial assets (Note 32)	**13.2**	(3.0)
Auditor's remuneration	**2.7**	2.7

The total fees chargeable to the Group by the principal auditing firm Ernst & Young S.A. and other member firms of Ernst & Young Global Limited were:

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Audit fees	**2.6**	2.5
Tax fees	**0.1**	0.2
	2.7	2.7

Audit fees constitute charges incurred for professional services rendered by the Group's principal auditor and member firms. Charges were incurred for the audit of the consolidated and statutory financial statements of Subsea 7 S.A. and certain subsidiaries. Fees were primarily incurred in connection with the year ended 31 December 2020 but include final settlement of charges associated with the year ended 31 December 2019.

Tax fees constitute charges incurred for professional services rendered by the Group's principal auditors and their member firms relating to the provision of tax advice and tax compliance services for work undertaken during the year ended 31 December 2020. Fees were primarily incurred in connection with the year ended 31 December 2020.

The Group's Audit Committee policy requires pre-approval of audit and non-audit services prior to the appointment of the providers of professional services together with highlighting excluded services which the Group's principal auditor cannot provide. The Audit Committee delegates approval to the Chief Financial Officer based on predetermined limits. The Audit Committee pre-approved or, in cases where pre-approval was delegated, ratified all audit and non-audit services, provided by the Group's principal auditor, to Subsea 7 S.A. and its subsidiaries during the year ended 31 December 2020.

6. NET OPERATING INCOME CONTINUED

Reconciliation of operating expenses and administrative expenses by nature

For the year ended (in $ millions)	31 Dec 2020 Operating expenses	31 Dec 2020 Administrative expenses	31 Dec 2020 Total expenses	31 Dec 2019 Operating expenses	31 Dec 2019 Administrative expenses	31 Dec 2019 Total expenses
Direct project related costs, including procurement	**1,611.4**	**–**	**1,611.4**	1,369.0	–	1,369.0
Employee benefits[(a)]	**811.8**	**121.8**	**933.6**	829.7	136.6	966.3
Depreciation, amortisation and mobilisation	**403.5**	**38.9**	**442.4**	447.2	36.9	484.1
Lease expense for short-term leased assets[(a)]	**221.3**	**1.1**	**222.4**	220.1	2.2	222.3
Lease expense for low-value leased assets	**0.6**	**–**	**0.6**	2.1	–	2.1
Variable lease expense not included within lease liabilities	**2.6**	**–**	**2.6**	0.7	–	0.7
Impairment of intangible assets	**9.2**	**–**	**9.2**	–	–	–
Impairment of property, plant and equipment	**282.0**	**–**	**282.0**	69.5	–	69.5
Impairment of right-of-use assets	**14.2**	**17.7**	**31.9**	–	–	–
Net increase in allowances for expected credit losses for financial assets	**1.0**	**–**	**1.0**	1.9	–	1.9
Net increase in allowances for expected credit losses for construction contract assets	**2.7**	**–**	**2.7**	0.6	–	0.6
Net credit impairment loss/(credit) for financial assets	**13.2**	**–**	**13.2**	(3.0)	–	(3.0)
Other expenses[(a)]	**279.4**	**61.9**	**341.3**	372.7	92.5	465.2
Total	**3,652.9**	**241.4**	**3,894.3**	3,310.5	268.2	3,578.7

(a) Total restructuring charges for the year were $85.5 million with $57.6 million and $7.1 million included in employee benefits and lease expense for short-term leased assets respectively. $20.8 million of the restructuring charges related to credit impairments on receivable balances which are included within other expenses.

During 2020, the Group participated in certain government assistance programmes, such as furlough schemes where employee costs were partly reimbursed by way of a percentage of an employee's gross salary. Typically, compensation was capped at a set level. The total amount received under government assistance schemes for the year ended 31 December 2020 was $4.9 million and the Group received a benefit of $0.8 million related to reduced employment related taxes. In addition, payment of $2.3 million of employment related taxes incurred in 2020 was deferred to future years.

7. OTHER GAINS AND LOSSES

For the year ended (in $ millions)	2020 31 Dec	2019 31 Dec
(Losses)/gains on disposal of property, plant and equipment	**(0.2)**	1.3
Gain on maturity of lease liabilities	**1.8**	–
Fair value losses on derivative financial instruments mandatorily measured at fair value through profit or loss	**(0.6)**	(7.8)
Fair value (losses)/gains on other financial assets measured at fair value through profit or loss	**(3.0)**	5.5
Net gain on disposal of subsidiaries	**0.2**	3.1
Net gains on business combinations post measurement periods	**18.3**	3.9
Remeasurement loss on business combinations	**–**	(1.4)
Net foreign currency exchange losses	**(34.8)**	(22.5)
Total	**(18.3)**	(17.9)

Fair value (losses)/gains on other financial assets measured at fair value through profit or loss comprise the remeasurement of investments in quoted securities.

Net gains on business combinations post measurement periods include net gains from recognition of assets related to business combinations of $15.5 million and fair value adjustments related to contingent consideration.

Net foreign currency exchange losses include fair value gains/(losses) on embedded derivatives.

8. FINANCE INCOME AND FINANCE COSTS

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Interest on financial assets measured at amortised cost	**4.8**	13.2
Total finance income	**4.8**	13.2

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Interest and fees on financial liabilities measured at amortised cost	**8.9**	13.9
Total borrowing costs	**8.9**	13.9
Less: amounts capitalised and included in the cost of qualifying assets	**(4.6)**	(5.9)
	4.3	8.0
Interest on lease liabilities	**19.7**	17.2
Interest on tax liabilities	**0.6**	0.1
Total finance costs	**24.6**	25.3

Borrowing costs included in the cost of qualifying assets during the year were calculated by applying to expenditure on such assets at an average capitalisation rate of 2.1% dependent on the funding source (2019: 3.7%).

9. TAXATION

Tax recognised in the Consolidated Income Statement

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Tax charged/(credited) in the Consolidated Income Statement		
Current tax:		
Corporation tax on income for the year	**48.5**	55.1
Adjustments in respect of prior years	**(0.2)**	(11.9)
Total current tax	**48.3**	43.2
Deferred tax credit	**(15.0)**	(13.7)
Total	**33.3**	29.5

Tax recognised in the Consolidated Statement of Comprehensive Income

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Tax charge relating to items recognised directly in comprehensive income		
Current tax on:		
Exchange differences	**0.6**	0.8
Income tax recognised directly in comprehensive income	**0.6**	0.8
Deferred tax on:		
Remeasurement gains on defined benefit pension schemes	**–**	0.2
Deferred tax recognised directly in comprehensive income	**–**	0.2
Total	**0.6**	1.0

9. TAXATION CONTINUED

Reconciliation of the total tax charge

Income taxes have been provided for in accordance with IAS 12 'Income Taxes', based on the tax laws and rates in the countries where the Group operates and generates taxable income.

The reconciliation below uses a tax rate of 24.94% (2019: 24.94%) which represents the blended tax rate applicable to Luxembourg entities.

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Loss before taxes	**(1,071.9)**	(52.9)
Tax at the blended tax rate of 24.94% (2019: 24.94%)	**(267.3)**	(13.2)
Effects of:		
Different tax rates of subsidiaries operating in other jurisdictions	**18.3**	(9.9)
Non-deductible impairments of goodwill	**150.9**	25.1
Non-qualifying depreciation	**8.8**	5.0
Net cost of tonnage tax regimes	**35.9**	7.4
Withholding taxes and unrelieved overseas taxes	**35.9**	30.0
Non-deductible expenses and non-taxable income	**2.7**	(0.5)
Tax effect of share of net loss of associates and joint ventures	**–**	1.7
Movement in unprovided deferred tax	**51.9**	13.5
Revisions to uncertain tax positions	**(2.7)**	(17.7)
Adjustments related to prior years	**(1.1)**	(11.9)
Tax charge in the Consolidated Income Statement	**33.3**	29.5

Deferred tax

Movements in the net deferred tax balance were:

(in $ millions)	**2020**	2019
At year beginning	**1.2**	(10.6)
Charged to:		
Consolidated Income Statement	**15.0**	13.7
Balance sheet reclassifications	**(3.1)**	0.2
Exchange differences	**4.2**	(2.1)
At year end	**17.3**	1.2

The main categories of deferred tax assets and liabilities recognised in the Consolidated Balance Sheet, before offset of balances within countries where permitted, were as follows:

At 31 December 2020

(in $ millions)	**Deferred tax asset**	**Deferred tax liability**	**Net recognised deferred tax asset/(liability)**
Intangible assets	**–**	**(0.3)**	**(0.3)**
Property, plant and equipment	**–**	**(45.4)**	**(45.4)**
Accrued expenses	**9.6**	**(1.6)**	**8.0**
Share-based payments	**0.4**	**–**	**0.4**
Tax losses	**45.7**	**–**	**45.7**
Other	**8.9**	**–**	**8.9**
Total	**64.6**	**(47.3)**	**17.3**

At 31 December 2019

(in $ millions)	Deferred tax asset	Deferred tax liability	Net recognised deferred tax asset/(liability)
Intangible assets	–	(0.9)	(0.9)
Property, plant and equipment	–	(61.7)	(61.7)
Accrued expenses	16.0	(0.2)	15.8
Share-based payments	0.8	–	0.8
Tax losses	33.2	–	33.2
Other	14.0	–	14.0
Total	64.0	(62.8)	1.2

Deferred tax is analysed in the Consolidated Balance Sheet, after offset of balances within countries, as:

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Deferred tax assets	**49.5**	36.1
Deferred tax liabilities	**(32.2)**	(34.9)
Total	**17.3**	1.2

At 31 December 2020, the Group had tax losses of $2,667.2 million (2019: $2,485.7 million) available for offset against future taxable income. A deferred tax asset has been recognised, using the applicable tax rates, in respect of $182.0 million (2019: $114.8 million) of such losses. No deferred tax asset has been recognised in respect of the remaining $2,485.2 million (2019: $2,370.9 million) as it is not considered probable that there will be sufficient future taxable income available for offset in the foreseeable future. In addition, the Group has other unrecognised deferred tax assets of $45.2 million (2019: $30.1 million) in respect of other temporary differences.

No deferred tax has been recognised in respect of taxable temporary differences relating to the unremitted earnings of the Group's subsidiaries and branches where remittance is not contemplated and where the timing of distribution is within the control of the Group. The aggregate amount of unremitted earnings giving rise to such temporary differences for which deferred tax liabilities were not recognised at 31 December 2020 was $227.3 million (2019: $495.5 million).

Tonnage tax regime

The Group has elected to have qualifying vessel activities taxed under tonnage tax regimes in the UK, Norway and the Netherlands.

In 2020, net losses incurred on activities taxed under these regimes resulted in a negative impact on the Group's tax charge of $35.9 million (2019: $7.4 million); $33.0 million (2019: $11.0 million) of which related to impairment charges related to vessels on which no effective tax relief is available.

Net operating losses

Net operating losses (NOLs) to carry forward in various countries will expire as follows:

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Within five years	**240.6**	43.4
5 to 10 years	**195.9**	310.6
11 to 20 years	**161.1**	187.2
Without time limit	**2,069.6**	1,944.5
Total	**2,667.2**	2,485.7

Included in the above were $1,476.9 million (2019: $1,472.8 million) of NOLs relating to Luxembourg, which could be subject to future claw-back if certain transactions were entered into, as well as cumulative losses in respect of operations in the Gulf of Mexico of $454.5 million (2019: $383.9 million).

There were $83.3 million (2019: $102.9 million) of NOLs included in the above relating to Brazil on which no deferred tax asset was recognised by the Group at 31 December 2020 (2019: $nil).

9. TAXATION CONTINUED

Tax contingencies and provisions

The Group's business operations are carried out worldwide and, as such, the Group is subject to the jurisdiction of a significant number of tax authorities at any point in time.

The Group routinely has to manage tax risks in respect of permanent establishments, transfer pricing and other international tax issues. In common with other multinational companies, the conflict between the Group's global operating model and the jurisdictional approach of tax authorities can lead to uncertainty on tax positions.

This often results in the Group's filing positions being subject to audit, enquiry and possible re-assessment. During 2020, the Group was subject to audits and disputes in, among others, Australia, Brazil, Congo, France, Nigeria, and Mexico. These audits are at various stages of completion. The Group's policy is to co-operate fully with the relevant tax authorities while seeking to defend its tax positions.

The Group provides for the amount of taxes that it considers probable of being payable as a result of such audits and for which a reasonable estimate can be made. Furthermore, for each reporting period management completes a detailed review of uncertain tax positions across the Group, and makes provisions based on the probability of a liability arising. It is possible that the ultimate resolution of these uncertain positions could result in tax charges that are materially higher or lower than the amounts provided for.

In the year ended 31 December 2020, the Group recorded a net decrease in its tax contingencies of $4.5 million (2019: $19.9 million net decrease) as a result of revisions to estimated future obligations, and the resolution of certain matters with the relevant tax authorities.

10. DIVIDENDS

During the year ended 31 December 2020 no dividends were approved or paid (2019: $53.8 million).

11. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income/(loss) attributable to shareholders of the parent company by the weighted average number of common shares in issue during the year, excluding shares repurchased by the Group and held as treasury shares (Note 24 '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 Group's potentially dilutive common shares include those related to performance shares.

The net income/(loss) attributable to shareholders of the parent company and share data used in the basic and diluted earnings per share calculations were as follows:

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Net loss attributable to shareholders of the parent company	**(1,092.8)**	(83.6)
Earnings used in the calculation of diluted earnings per share	**(1,092.8)**	(83.6)

For the year ended	**2020 31 Dec Number of shares**	2019 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**297,651,231**	304,881,174
Performance shares	**–**	–
Weighted average number of common shares used in the calculation of diluted earnings per share	**297,651,231**	304,881,174

For the year ended (in $ per share)	**2020 31 Dec**	2019 31 Dec
Basic earnings per share	**(3.67)**	(0.27)
Diluted earnings per share	**(3.67)**	(0.27)

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

For the year ended	2020 31 Dec Number of shares	2019 31 Dec Number of shares
Performance shares	**1,637,979**	2,077,194

Adjusted diluted earnings per share

Adjusted diluted earnings per share represents diluted earnings per share excluding goodwill impairment charges. The net income/(loss) attributable to shareholders of the parent company and share data used in the calculation of Adjusted diluted earnings per share were as follows:

For the year ended (in $ millions)	2020 31 Dec	2019 31 Dec
Net loss attributable to shareholders of the parent company	**(1,092.8)**	(83.6)
Impairment of goodwill	**605.4**	99.9
Earnings used in the calculation of Adjusted diluted earnings per share	**(487.4)**	16.3

For the year ended	2020 31 Dec Number of shares	2019 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**297,651,231**	304,881,174
Performance shares	**–**	1,366,961
Weighted average number of common shares used in the calculation of Adjusted diluted earnings per share	**297,651,231**	306,248,135

For the year ended (in $ per share)	2020 31 Dec	2019 31 Dec
Adjusted diluted earnings per share	**(1.64)**	0.05

12. GOODWILL

(in $ millions)	Total
Cost	
At 1 January 2019	2,315.0
Acquisitions	45.4
Exchange differences	35.1
At 31 December 2019	2,395.5
Adjustment to identifiable net assets at fair value subsequent to initial recognition	0.1
Exchange differences	44.7
At 31 December 2020	**2,440.3**
Accumulated impairment	
At 1 January 2019	1,563.7
Impairment charges	99.9
Exchange differences	27.3
At 31 December 2019	1,690.9
Impairment charges	605.4
Exchange differences	59.5
At 31 December 2020	**2,355.8**
Carrying amount	
At 31 December 2019	704.6
At 31 December 2020	**84.5**

For financial management and reporting purposes, the Group is organised into management regions. Management regions are aligned with the Group's business units which are used by the Chief Operating Decision Maker (CODM) to allocate resources and appraise performance.

The Group has nine cash generating units (CGUs) which are aligned with management regions. In anticipation of the amendments to the Group's reporting structure, which take effect from 1 January 2021, management realigned certain CGUs for the purposes of the annual impairment review. The Middle East is now included in the Africa CGU to form the Africa Middle East Caspian CGU. Asia Pacific and 4Subsea are now treated as discrete CGUs representing the lowest level within the Group at which goodwill is monitored for internal management purposes. The UK and Canada CGU has been renamed UK and Global IRM (UK GIRM) which includes the majority of the previous Life of Field CGU and the Norway CGU now includes a part of the previous Life of Field CGU. The Renewables and Heavy Lifting CGU has been renamed Renewables. Management no longer considers Pipelines Group to be a discrete CGU. At 31 December 2020 the Group's CGUs comprised:

- CGUs for Africa Middle East Caspian, Asia Pacific, Brazil, Gulf of Mexico, Norway and UK GIRM which include activities connected with the performance of regional projects including SURF activities (related to the engineering, procurement, construction and installation of offshore systems), Conventional services (including the fabrication, installation, extension and refurbishment of platforms and pipelines in shallow water), the long-term PLSV contracts in Brazil, activities connected with the provision of inspection, repair and maintenance services, integrity management of subsea infrastructure and remote intervention support;
- Xodus CGU which includes activities related to engineering services, advisory services and environmental support;
- 4Subsea CGU which includes activities connected with integrity management of subsea infrastructure; and
- Renewables CGU which includes activities connected with three specialist segments of the offshore energy market: the installation of offshore wind turbine foundations and inner-array cables, heavy lifting operations related to the renewables sector, and the decommissioning of redundant offshore structures.

In the second quarter of 2020 management performed an interim impairment review as a result of impairment indicators arising due to the Covid-19 pandemic and the associated global economic impacts facing the energy sector. In addition, management performed the Group's annual impairment review in the fourth quarter of 2020. Subsequent to these reviews the carrying amounts of the remaining goodwill were allocated to the following CGUs:

At (in $ millions)	2020 31 Dec
Norway	**9.6**
UK GIRM	**40.7**
Xodus	**14.9**
4Subsea	**19.3**
Total	**84.5**

At 31 December 2020 there was no goodwill associated with the Africa Middle East Caspian, Asia Pacific, Brazil, Gulf of Mexico and Renewables CGUs.

At 31 December 2019 the goodwill carrying amount was $704.6 million and was allocated to the following CGUs: Africa $394.1 million; Asia Pacific and Middle East $14.9 million; Life of Field $82.2 million; Norway $104.8 million; Pipelines Group $14.8 million; UK and Canada $66.6 million; and Xodus $27.2 million.

Following the interim and annual impairment reviews, charges of $605.4 million were recognised. The impairment charges were driven by the decrease in the recoverable amounts arising as a result of a challenging business environment, particularly given the decline in the oil price and the impacts of the Covid-19 pandemic, in the short to medium term, which led management to revise the forecast cash flow projections downwards. The charges were recognised in the CGUs shown below:

- Africa Middle East Caspian $397.4 million
- Norway $103.3 million
- UK GIRM $77.5 million
- Xodus $13.2 million
- Pipelines Group (no longer considered a discrete CGU) $14.0 million

The recoverable amounts of the CGUs were determined based on a value-in-use calculation using pre-tax, risk adjusted cash flow projections approved by the Executive Management Team covering a five-year period from 2021 to 2025. Cash flows beyond this five-year period were extrapolated in perpetuity using a 2.0% (2019: 2.0%) growth rate to determine the terminal value. The pre-tax discount rate applied to the risk adjusted cash flow projections was 10.8% (2019: 10.2%).

Key assumptions used in value-in-use calculations

Management considers that the calculations of value-in-use for all CGUs are most sensitive to the following key assumptions:

- EBITDA forecasts;
- the pre-tax discount rate; and
- the growth rate used to extrapolate cash flows.

EBITDA forecast – The EBITDA forecast for each CGU is dependent on a combination of factors including market size, market share, contractual backlog, gross margins, future project awards, asset utilisation and an assessment of the impacts of competition within the respective segments. Assumptions are based on a combination of internal and external studies, management judgements and historical information, adjusted for any foreseen changes in market conditions.

Pre-tax discount rate – The pre-tax discount rate was estimated based on the weighted average cost of capital of the Group, amended to reflect a normalised capital structure for the energy sector. Risk premiums were not applied to the discount rate applied to individual CGUs as the CGU cash flow projections were risk adjusted.

Growth rate estimates – The 2.0% (2019: 2.0%) growth rate used to extrapolate the cash flow projections beyond the five-year period is broadly consistent with market expectations for long-term growth in the industry and assumes no significant change in the Group's market share and the range of services and products provided.

Sensitivity to changes in key assumptions

In determining the value-in-use recoverable amount for each CGU, sensitivities have been applied to key assumptions. The industry in which the Group operates is cyclical and highly dependent on energy prices, this could lead to changes in future cash flows which are greater than the sensitivity ranges applied.

In the performance of sensitivity analysis the impacts of the following changes to key assumptions were assessed:

- an increase in the pre-tax discount rate by 1 percentage point;
- a decrease in the pre-tax discount rate by 1 percentage point;
- an increase in the long-term growth rate by 1 percentage point;
- a decrease in the long-term growth rate by 1 percentage point;
- a 10% increase in the forecast EBITDA assumptions during the five-year period from 2021 to 2025, and the EBITDA upon which terminal values have been calculated; and
- a 10% decrease in the forecast EBITDA assumptions during the five-year period from 2021 to 2025, and the EBITDA upon which terminal values have been calculated.

12. GOODWILL CONTINUED

CGUs not impaired and not sensitive to impairment

Changes to any of the key assumptions used in the sensitivity analysis would not, in isolation, cause the recoverable amount of the 4Subsea and the Norway CGUs to be materially less than their carrying amount.

CGUs where goodwill has been impaired

In the UK GIRM and Xodus CGUs, a change to any of the key assumptions used in the sensitivity analysis would, in isolation, cause the impairment of goodwill to be materially different than the impairment charges recognised in 2020. At 31 December 2020, a decrease of one percentage point in the pre-tax discount rate, in isolation, would lead to no goodwill impairment charge being recognised against the UK GIRM CGU and an impairment charge of $8.9 million against the Xodus CGU; an increase in the pre-tax discount rate by one percentage point, in isolation, would lead to a goodwill impairment charge recognised against the UK GIRM CGU and Xodus CGU of $53.5 million and $16.5 million respectively. An increase of one percentage point in the long-term growth rate, in isolation, would lead to no goodwill impairment charge being recognised against the UK GIRM CGU and an impairment charge of $10.2 million against the Xodus CGU; a decrease in the long-term growth rate by one percentage point, in isolation, would lead to a goodwill impairment charge recognised against the UK GIRM CGU and Xodus CGU of $52.1 million and $15.5 million respectively. A 10% increase in the forecasted EBITDA assumption, in isolation, would lead to no goodwill impairment charge being recognised against the UK GIRM CGU and an impairment charge of $9.6 million against the Xodus CGU; a 10% decrease in the forecasted EBITDA assumption, in isolation, would lead to a goodwill impairment charge recognised against the UK GIRM CGU and Xodus CGU of $53.5 million and $16.7 million respectively.

The Africa Middle East Caspian, Asia Pacific, Brazil, GOM and Renewables CGUs have no goodwill, therefore any future changes in the key assumptions, in isolation, would not result in an impairment charge being recognised against goodwill.

13. INTANGIBLE ASSETS

(in $ millions)	Software	Customer contracts (backlog)	Other intangibles	Total
Cost				
At 1 January 2019	34.6	30.5	72.4	137.5
Acquisition of businesses	0.7	–	2.0	2.7
Additions	11.2	–	7.2	18.4
Disposals	(0.4)	–	–	(0.4)
Exchange differences	1.3	–	1.7	3.0
At 31 December 2019	47.4	30.5	83.3	161.2
Additions	2.0	–	24.0	26.0
Disposals	(4.4)	–	(0.3)	(4.7)
Exchange differences	1.1	–	2.5	3.6
At 31 December 2020	**46.1**	**30.5**	**109.5**	**186.1**
Accumulated amortisation and impairment				
At 1 January 2019	25.9	29.0	50.7	105.6
Charge for the year	3.8	1.5	5.7	11.0
Eliminated on disposal	(0.4)	–	–	(0.4)
Exchange differences	0.9	–	1.3	2.2
At 31 December 2019	30.2	30.5	57.7	118.4
Charge for the year	3.4	–	11.3	14.7
Impairments	–	–	9.2	9.2
Eliminated on disposal	(3.9)	–	(0.3)	(4.2)
Exchange differences	0.8	–	1.2	2.0
At 31 December 2020	**30.5**	**30.5**	**79.1**	**140.1**
Carrying amount:				
At 31 December 2019	17.2	–	25.6	42.8
At 31 December 2020	**15.6**	**–**	**30.4**	**46.0**

The table above includes assets under construction of $15.8 million (2019: $19.0 million). Other intangible assets includes capitalised expenditure related to the Group's digitalisation programme.

An impairment test was performed on the balances at 31 December 2020 and impairment charges of $9.2 million (2019: $nil) were recognised. The impairment charges were mainly related to technology assets where future economic benefit is considered to be uncertain. The charges were recognised in the Consolidated Income Statement within operating expenses in the Corporate business unit.

14. PROPERTY, PLANT AND EQUIPMENT

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2019	5,683.7	977.5	508.8	70.0	7,240.0
Acquisition of businesses	–	0.3	–	1.1	1.4
Additions	211.8	31.6	17.2	11.1	271.7
Exchange differences	22.7	10.3	(1.5)	2.1	33.6
Transfers	3.5	4.6	–	(8.1)	–
Disposals	(47.5)	(4.0)	(1.5)	(5.7)	(58.7)
At 31 December 2019	5,874.2	1,020.3	523.0	70.5	7,488.0
Additions	156.7	17.4	2.8	–	176.9
Exchange differences	18.6	13.1	(5.5)	(2.3)	23.9
Transfers	7.2	(4.5)	–	(2.7)	–
Disposals	(78.7)	(28.8)	(1.7)	(15.1)	(124.3)
At 31 December 2020	**5,978.0**	**1,017.5**	**518.6**	**50.4**	**7,564.5**
Accumulated depreciation and impairment					
At 1 January 2019	1,690.0	690.6	233.9	56.6	2,671.1
Charge for the year	277.0	59.0	23.9	6.0	365.9
Impairments	69.5	–	–	–	69.5
Exchange differences	9.7	5.5	(0.7)	0.7	15.2
Eliminated on disposals	(45.5)	(4.0)	(1.0)	(5.5)	(56.0)
Transfer	1.8	(1.1)	–	(0.7)	–
At 31 December 2019	2,002.5	750.0	256.1	57.1	3,065.7
Charge for the year	255.0	50.6	22.7	6.6	334.9
Impairments	249.3	13.4	19.3	–	282.0
Exchange differences	7.5	11.0	(1.2)	(0.2)	17.1
Eliminated on disposals	(77.5)	(23.9)	(1.6)	(14.8)	(117.8)
At 31 December 2020	**2,436.8**	**801.1**	**295.3**	**48.7**	**3,581.9**
Carrying amount:					
At 31 December 2019	3,871.7	270.3	266.9	13.4	4,422.3
At 31 December 2020	**3,541.2**	**216.4**	**223.3**	**1.7**	**3,982.6**

The table above includes assets under construction of $85.7 million at 31 December 2020 (2019: $299.7 million).

An impairment test was performed on the balances of property, plant and equipment at 31 December 2020 and impairment charges totalling $282.0 million (2019: $69.5 million) were recognised where the future recoverable amounts were reassessed and reduced. The impairment charges were mainly related to older vessels or vessels with low utilisation forecast in the medium term within the SURF and Conventional business unit. The charges were recognised in the Consolidated Income Statement within operating expenses. Recoverable amount is defined as the higher of value-in-use and fair value less costs of disposal and was determined by management based on recent similar market transactions, an assessment of internal estimates and independent external valuations.

15. RIGHT-OF-USE ASSETS

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2019	242.5	1.9	105.7	1.0	351.1
Acquisition of businesses	–	–	7.2	–	7.2
Additions	61.7	4.6	11.8	1.9	80.0
Exchange differences	(10.0)	(0.2)	(3.7)	(0.1)	(14.0)
Disposals	(10.8)	(0.1)	(0.6)	(0.1)	(11.6)
At 31 December 2019	283.4	6.2	120.4	2.7	412.7
Additions	38.2	0.2	13.4	0.6	52.4
Exchange differences	4.9	0.1	3.4	–	8.4
Remeasurement	(9.0)	–	(0.1)	–	(9.1)
Disposals	(60.3)	(4.3)	(5.0)	(0.4)	(70.0)
At 31 December 2020	**257.2**	**2.2**	**132.1**	**2.9**	**394.4**
Accumulated amortisation and impairment					
At 1 January 2019	–	–	–	–	–
Charge for the year	71.7	2.8	22.9	0.8	98.2
Exchange differences	(1.9)	(0.1)	–	–	(2.0)
Eliminated on disposals	(10.7)	–	(0.6)	–	(11.3)
At 31 December 2019	59.1	2.7	22.3	0.8	84.9
Charge for the year	54.2	2.7	24.3	0.9	82.1
Impairments	12.2	0.4	19.3	–	31.9
Exchange differences	10.0	(0.1)	1.4	–	11.3
Remeasurement	4.0	–	2.4	–	6.4
Eliminated on disposals	(26.2)	(4.3)	(4.6)	(0.4)	(35.5)
At 31 December 2020	**113.3**	**1.4**	**65.1**	**1.3**	**181.1**
Carrying amount:					
At 31 December 2019	224.3	3.5	98.1	1.9	327.8
At 31 December 2020	**143.9**	**0.8**	**67.0**	**1.6**	**213.3**

The Group leases vessels, operating equipment and properties with contracts which are typically for fixed periods but may have extension options used to maximise operational flexibility. The majority of extension and termination options held are exercisable only by the Group not the respective lessors. Lease liabilities are disclosed within Note 27 'Lease liabilities'. Commitments to leases which have not yet commenced are disclosed within Note 31 'Commitments and contingent liabilities'.

An impairment test was performed on the balances at 31 December 2020 and impairment charges totalling $31.9 million (2019: $nil) were recognised. The impairment charges were mainly related to vessels and properties with low utilisation forecast in the short to medium term. Impairment charges of $14.2 million were recognised as operating expenses and $17.7 million as administrative expenses within the Consolidated Income Statement. All impairment charges were recognised in the Group's SURF and Conventional business unit.

16. INTERESTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Interests in associates and joint ventures

At 31 December 2020 the Group had interests in 11 joint ventures. The Group's ownership interests in joint ventures were as follows:

	Year end	Country of registration	Operating segment	Classification	Subsea 7 ownership %
Astori Sp. z.o.o.	31 December	Poland	SURF and Conventional	Joint Venture	49
Belmet 7 Limited	31 December	Ghana	SURF and Conventional	Joint Venture	49
Eidesvik Seven AS	31 December	Norway	Life of Field	Joint Venture	50
Eidesvik Seven Chartering AS	31 December	Norway	Life of Field	Joint Venture	50
ENMAR S.A.	31 December	Mozambique	SURF and Conventional	Joint Venture	51
GO FZE	31 December	Nigeria	SURF and Conventional	Joint Venture	40
Global Ocean Engineers Nigeria Limited	31 December	Nigeria	SURF and Conventional	Joint Venture	40
SapuraAcergy Assets Pte Ltd[(a)]	31 January	Malaysia	SURF and Conventional	Joint Venture	51
SapuraAcergy Sdn Bhd[(a)]	31 January	Malaysia	SURF and Conventional	Joint Venture	50
Subsea Integration Alliance LLC	31 December	US	SURF and Conventional	Joint Venture	50
Subsea 7 Malaysia Sdn Bhd	31 December	Malaysia	SURF and Conventional	Joint Venture	30

(a) The Group has 50% equity ownership of SapuraAcergy Sdn. Bhd and 51% equity ownership in SapuraAcergy Assets Pte Ltd, however, 1% is subject to a put and call option for the benefit of its joint venture partner.

For all entities the principal place of business is consistent with the country of registration. For the majority of entities the proportion of voting rights is consistent with the proportion of ownership interest, however in some cases some specific matters require unanimous approval of all shareholders.

All interests in joint ventures are accounted for using the equity method. Financial information, using consistent accounting policies, for the year ended 31 December 2020 is used for all entities. The movement in the balance of investments in joint ventures was as follows:

(in $ millions)	**2020**	2019
At year beginning	**26.2**	45.2
Share of net loss of associates and joint ventures	**(0.5)**	(0.9)
Investment in joint ventures	**0.6**	5.2
Remeasurement of investments in joint ventures	**–**	(1.4)
Derecognition of investments in joint ventures	**(1.8)**	(20.9)
Net reclassification of investment balances	**4.4**	0.2
Share of other comprehensive income/(loss) of associates and joint ventures	**–**	(0.5)
Exchange differences	**0.6**	(0.7)
At year end	**29.5**	26.2

Investment in joint ventures

During 2020, investments in joint ventures totalling $0.6 million were made (2019: $5.2 million), mainly related to Subsea 7 Malaysia.

Net reclassification of investment balances

This amount relates primarily to reclassification within the Group's balance sheet of negative investment balances to other non-current liabilities.

Summarised financial information

At 31 December 2020 none of the Group's investments in joint ventures were individually material to the Group therefore summarised financial information has not been provided.

Interests in joint arrangements

The Group executes contracts on a regular basis through unstructured joint operations governed by alliance or consortium agreements. These agreements provide for joint and several liability for the parties involved. The material joint operations of the Group are detailed below.

The Group participates in Subsea Integration Alliance (SIA), through unincorporated strategic global operations between Subsea 7 and OneSubsea, the subsea technologies, production and processing systems division of Schlumberger. As part of the alliance, Subsea 7 and OneSubsea agree terms and conditions on a project-by-project basis; this governs the relationship between the entities executing contracts with clients. SIA operates globally and provides clients with subsea technologies, production and processing systems, bringing together field development planning, project delivery and total lifecycle solutions under an extensive technology and services portfolio. Contracts with clients are entered into by individual entities of the Subsea 7 and OneSubsea groups, with all activities executed on a joint and several basis.

Saudi Arabian Oil Company has awarded a long-term frame agreement to a consortium consisting of Subsea 7 and L&T Hydrocarbon Engineering. This unincorporated consortium is governed by a consortium agreement, and Subsea 7 and L&T Hydrocarbon Engineering are joint and severally liable to Saudi Arabian Oil Company for the various call-off work orders awarded to the consortium via the long-term frame agreement. The consortium's activities include project management, engineering, procurement, fabrication, transportation and installation of offshore facilities and infrastructure. The principal place of business of the unincorporated consortium is the Kingdom of Saudi Arabia.

17. ADVANCES AND RECEIVABLES

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Non-current amounts due from associates and joint ventures	**7.3**	7.3
Allowance for credit impairment	**(1.6)**	–
	5.7	7.3
Capitalised fees for long-term loan facilities	**1.4**	0.6
Deposits held by third parties	**1.1**	0.9
Other receivables	**14.8**	22.6
Total	**23.0**	31.4

18. INVENTORIES

At (in $ millions)	2020 31 Dec	2019 31 Dec
Materials and non-critical spares	**14.6**	15.8
Consumables	**11.8**	15.4
Total	**26.4**	31.2

For the year ended (in $ millions)	2020 31 Dec	2019 31 Dec
Total cost of inventory charged to the Consolidated Income Statement	**53.7**	51.8
Write-down of inventories charged to the Consolidated Income Statement	**0.9**	0.4
Reversal of provision for obsolescence credited to the Consolidated Income Statement	**(0.1)**	(3.3)

At 31 December 2020 inventories included a provision for obsolescence of $7.8 million (2019: $9.5 million). There were no inventories pledged as security.

19. TRADE AND OTHER RECEIVABLES

At (in $ millions)	2020 31 Dec	2019 31 Dec
Trade receivables	**523.7**	461.5
Allowance for expected credit losses	**(2.7)**	(2.7)
Allowance for credit impairment	**(23.3)**	(15.9)
	497.7	442.9
Current amounts due from associates and joint ventures	**9.2**	16.4
Allowance for credit impairment	**(1.9)**	(2.2)
	7.3	14.2
Other receivables	**25.8**	44.7
Advances to suppliers	**6.3**	16.1
Other taxes receivable	**53.6**	86.8
Total	**590.7**	604.7

Details of how the Group manages its credit risk and further analysis of the trade receivables balance, allowances for expected credit losses and allowances for credit impairment are shown in Note 32 'Financial instruments'.

Other receivables include insurance receivables, customer retentions and deposits.

Other taxes receivable include value added tax, sales tax, withholding tax, social security tax and other indirect taxes.

20. OTHER ACCRUED INCOME AND PREPAID EXPENSES

At (in $ millions)	2020 31 Dec	2019 31 Dec
Unbilled revenue	**78.4**	116.7
Allowance for expected credit losses	**(1.3)**	(0.3)
	77.1	116.4
Prepaid expenses	**120.5**	52.2
Total	**197.6**	168.6

Unbilled revenue relates to work completed on day-rate contracts, which had not been billed to clients at the balance sheet date. There were no contract liability balances which relate to this category of contract revenue. Revenue of $1.2 million (2019: $nil) was recognised in the year relating to performance obligations satisfied in previous periods. The decrease in the balance during the year was largely driven by lower day-rate activity in the Life of Field business unit and reduced day-rates on contracts related to pipelay support vessels in Brazil.

Prepaid expenses arise in the normal course of business and represent expenditure which has been deferred and which will be recognised in the Consolidated Income Statement within 12 months of the balance sheet date.

The movement in the allowance for expected credit losses in respect of unbilled revenue during the year was as follows:

(in $ millions)	**2020 31 Dec**	2019 31 Dec
Allowance for expected credit losses		
At year beginning	**(0.3)**	(0.4)
(Increase)/decrease in allowance recognised in profit or loss	**(1.0)**	0.1
At year end	**(1.3)**	(0.3)

Details of how the Group manages its credit risk are shown in Note 32 ‘Financial Instruments’.

At 31 December 2020 the allowance for credit impairment in respect of unbilled revenue was $nil (2019: $nil).

21. CONSTRUCTION CONTRACTS

(in $ millions)	**Construction contracts – assets**	**Construction contracts – liabilities**
At 31 December 2020		
Current	**474.4**	**(279.5)**
Allowance for expected credit losses	**(3.8)**	**–**
	470.6	**(279.5)**
Non-current	**6.7**	**–**
Total	**477.3**	**(279.5)**

(in $ millions)	Construction contracts – assets	Construction contracts – liabilities
At 31 December 2019		
Current	399.0	(162.0)
Allowance for expected credit losses	(1.1)	–
	397.9	(162.0)
Non-current	14.9	–
Total	412.8	(162.0)

(in $ millions)	**2020 31 Dec**	2019 31 Dec
Revenue recognised which was included in construction contract liabilities at beginning of year	**159.6**	150.1
Revenue recognised from performance obligations satisfied in previous periods	**52.4**	54.2

Revenue recognised which was included in construction contract liabilities at the beginning of the year of $159.6 million (2019: $150.1 million) represents amounts included within the construction contract liabilities balance at 1 January 2020 which have been recognised as revenue during the year. Revenue recognised from performance obligations satisfied in previous periods of $52.4 million (2019: $54.2 million) represents revenue recognised in the Consolidated Income Statement for projects which were considered operationally complete at the prior year end.

Significant movements in the construction contract asset and construction contract liability balances

The Group has construction contract asset and construction contract liability balances as a result of long-term projects in the SURF and Conventional and Renewable and Heavy Lifting business units. Details of the Group’s treatment of performance obligations are disclosed in Note 3 ‘Significant accounting policies’. Due to the number and size of projects within the Group, construction contract asset and liability balances can vary significantly at each reporting date. Cumulative adjustments to revenue are most commonly caused by a change to the estimate of the transaction price due to a reassessment of the constraint to variable consideration, awarded variation orders, scope changes or amendments to the cost profile.

The increases during 2020 in construction contract assets and construction contract liabilities of $64.5 million and $117.5 million respectively were driven primarily by an increase in activity in the Renewables and Heavy Lifting business unit.

21. CONSTRUCTION CONTRACTS CONTINUED

Construction contract assets

An analysis of the ageing of construction contract assets at the balance sheet date has not been provided. Due to the nature of the balances and the fact that the Group invoices on a milestone basis, the ageing of construction contract assets is not reflective of the credit risk associated with these balances.

The movement in the allowance for expected credit losses in respect of net construction contract assets during the year was as follows:

(in $ millions)	**2020 31 Dec**	2019 31 Dec
Allowance for expected credit losses		
At year beginning	**(1.1)**	(0.5)
Increase in allowance recognised in profit or loss	**(2.7)**	(0.6)
At year end	**(3.8)**	(1.1)

The allowance for expected credit losses increased during the year due to fluctuations in the mix of customers, the size of receivables due and the default probability.

At 31 December 2020 the allowance for credit impairment recognised in connection with construction contract assets was $nil (2019: $nil).

Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) was as follows:

At 31 December 2020

	Expected year of execution				
(in $ millions)	**2021**	**2022**	**2023**	**2024 and beyond**	**Total**
SURF and Conventional	**2,634.4**	**786.4**	**269.6**	**112.5**	**3,802.9**
Life of Field	**206.8**	**126.8**	**87.1**	**3.9**	**424.6**
Renewables and Heavy Lifting	**1,258.4**	**643.7**	**84.2**	**0.4**	**1,986.7**
Total	**4,099.6**	**1,556.9**	**440.9**	**116.8**	**6,214.2**

At 31 December 2019

	Expected year of execution				
(in $ millions)	2020	2021	2022	2023 and beyond	Total
SURF and Conventional	2,822.7	1,070.0	177.5	10.3	4,080.5
Life of Field	188.8	167.8	130.3	81.1	568.0
Renewables and Heavy Lifting	315.6	130.4	66.6	25.5	538.1
Total	3,327.1	1,368.2	374.4	116.9	5,186.6

The estimate of the transaction price does not include any amounts of variable consideration which are constrained.

22. CASH AND CASH EQUIVALENTS

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Cash and cash equivalents	**511.6**	397.7

Cash and cash equivalents included amounts totalling $31.4 million (2019: $35.1 million) held by Group undertakings in certain countries whose exchange controls may significantly restrict or delay the remittance of these amounts to jurisdictions outside of that country.

23. ISSUED SHARE CAPITAL

Authorised shares

	2020 31 Dec Number of shares	2020 31 Dec in $ millions	2019 31 Dec Number of shares	2019 31 Dec in $ millions
Authorised common shares, $2.00 par value	**450,000,000**	**900.0**	450,000,000	900.0

Issued shares

	2020 31 Dec Number of shares	2020 31 Dec in $ millions	2019 31 Dec Number of shares	2019 31 Dec in $ millions
Fully paid and issued common shares	**300,000,000**	**600.0**	300,000,000	600.0
The issued common shares consist of:				
Common shares excluding treasury shares	**297,673,317**	**595.3**	298,787,140	597.6
Treasury shares at par value (Note 24)	**2,326,683**	**4.7**	1,212,860	2.4
Total	**300,000,000**	**600.0**	300,000,000	600.0

24. TREASURY SHARES

Share repurchase plan

On 24 July 2019, the Board of Directors authorised a new share repurchase programme of up to $200 million, to be executed over two years. The programme was approved pursuant to the authorisation granted to the Board of Directors at the Extraordinary General Meeting held on 17 April 2019, which allows for the purchase of up to a maximum of 10% of the Group's issued share capital, net of purchases already made.

During 2020, the Group repurchased 1,627,968 (2019: 21,056,838) shares for a total consideration of $9.8 million (2019: $249.7 million), which is the cumulative number of shares repurchased under this programme.

All repurchases were made in the open market on the Oslo Børs, pursuant to certain conditions, and were in conformity with Article 49-2 of Luxembourg Company Law and EU Commission Regulation 2273/2003 on exemptions for repurchase programmes and stabilisation of financial instruments. At 31 December 2020 the remaining repurchased shares, which had not been reallocated relating to share-based payments, were held as treasury shares.

Summary

At 31 December 2020 Subsea 7 S.A. held 2,326,683 treasury shares (2019: 1,212,860), which amounted to 0.78% (2019: 0.40%) of the total number of issued shares.

	2020 Number of shares	2020 in $ millions	2019 Number of shares	2019 in $ millions
At year beginning	**1,212,860**	**14.0**	8,240,024	95.0
Shares cancelled	**–**	**–**	(27,367,111)	(322.0)
Shares repurchased	**1,627,968**	**9.8**	21,056,838	249.7
Shares reallocated relating to share-based payments	**(514,145)**	**(6.0)**	(716,891)	(8.7)
Balance at year end	**2,326,683**	**17.8**	1,212,860	14.0

25. NON-CONTROLLING INTERESTS

At 31 December 2020 the Group's respective ownership interests in subsidiaries which are non-wholly-owned were as follows:

	Year end	Country of registration	Subsea 7 ownership %
Globestar Engineering Company (Nigeria) Limited	31 December	Nigeria	98.8
Naviera Subsea 7 S. de R.L. de C.V.	31 December	Mexico	49.0
Nigerstar 7 FZE	31 December	Nigeria	49.0
Nigerstar 7 Limited	31 December	Nigeria	49.0
PT Subsea 7 Indonesia	31 December	Indonesia	94.9
Servicios Subsea 7 S. de R.L. de C.V.	31 December	Mexico	52.0
Sonacergy – Serviços E Construções Petrolíferas Lda.	31 December	Portugal	55.0
Sonamet Industrial S.A.	31 December	Angola	55.0
Subsea Seven Doha Oil and Gas Services and Trading LLC	31 December	Qatar	49.0
Subsea 7 Equatorial Guinea S.A.	31 December	Equatorial Guinea	65.0
Subsea 7 Volta Contractors Limited	31 December	Ghana	49.0

For all entities, the principal place of business is consistent with the country of registration. Financial information for the year ended 31 December 2020 has been used for all entities.

The movement in the equity attributable to non-controlling interests was as follows:

(in $ millions)	**2020**	2019
At year beginning	**34.3**	38.4
Share of net (loss)/income for the year	**(12.4)**	1.2
Dividends declared	**(1.1)**	(5.0)
Reclassification of non-controlling interests to equity attributable to shareholders of Subsea 7 S.A.	**5.3**	–
Exchange differences	**1.2**	(0.3)
At year end	**27.3**	34.3

Reclassification of non-controlling interests to equity attributable to shareholders of Subsea 7 S.A.

During the year the Group reclassified $5.3 million (2019: $nil) in relation to equity previously attributable to Subsea 7 Volta Contractors Limited, to equity attributable to shareholders of Subsea 7 S.A.

Summarised financial information

At 31 December 2020 none of the Group's non-controlling interests were individually material to the Group therefore summarised financial information has not been provided.

26. BORROWINGS

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
The Export Credit Agency (ECA) senior secured facility	**209.0**	233.6
Total	**209.0**	233.6
Consisting of:		
Non-current portion of borrowings	**184.4**	209.0
Current portion of borrowings	**24.6**	24.6
Total	**209.0**	233.6

Commitment fees expensed during the year in respect of unused lines of credit totalled $2.3 million (2019: $1.8 million).

Facilities

The multi-currency revolving credit and guarantee facility

The Group has a $656 million multi-currency revolving credit and guarantee facility. During 2020, the Group extended the maturity date of this facility from 2 September 2021 to 4 September 2023. The facility is available in a combination of guarantees, up to a limit of $200 million, and cash drawings, or in full for cash drawings. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC, a wholly-owned subsidiary of the Group. The facility was unutilised at 31 December 2020 and 31 December 2019.

The Export Credit Agency (ECA) senior secured facility

In July 2015 the Group entered into a $357 million senior term loan facility secured on two vessels owned by the Group. The facility is provided 90% by an Export Credit Agency (ECA) and 10% by two banks and is available for general corporate purposes. The ECA tranche has a 12-year maturity and a 12-year amortising profile. The bank tranche has a five-year maturity and a 15-year amortising profile, which commenced April 2017. If the bank tranche is not refinanced satisfactorily after five years then the ECA tranche also becomes due. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC. At 31 December 2020, the amount outstanding under the facility was $209.0 million (2019: $233.6 million).

Euro Commercial Paper Programme

During April 2020 the Group finalised a Euro Commercial Paper Programme equivalent to $800 million. Under the programme, the Group has the ability to access short-term financing through commercial paper dealers. The programme, which matures on 23 March 2021, is available for general corporate purposes, with certain limitations. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC and was unutilised at 31 December 2020. The Group does not intend to utilise this programme concurrently with the multi-currency revolving credit and guarantee facility.

Utilisation of facilities

At (in $ millions)	**2020 31 Dec Utilised**	**2020 31 Dec Unutilised**	**2020 31 Dec Total**	2019 31 Dec Utilised	2019 31 Dec Unutilised	2019 31 Dec Total
Committed borrowings facilities	**209.0**	**1,456.0**	**1,665.0**	233.6	656.0	889.6

Other facilities

In addition to the above there are a number of uncommitted, unsecured bi-lateral guarantee arrangements in place in order to provide specific geographical coverage. The utilisation of these facilities at 31 December 2020 was $1.2 billion (2019: $838.5 million).

Guarantee arrangements with joint ventures

On 27 July 2016 Eidesvik Seven AS, a 50% owned joint venture between Eidesvik Offshore ASA and the Group, drew down NOK 572 million from a NOK 600 million bank loan facility to repay a shareholder loan from the Group. The facility, secured on the vessel, *Seven Viking*, is fully guaranteed by Subsea 7 S.A. with a 50% counter-guarantee from Eidesvik Shipping AS. During January 2021, the maturity date of this facility was extended from 31 January 2021 to 29 April 2021. The outstanding balance at 31 December 2020 was NOK 370 million (equivalent to $42.3 million); (2019: NOK 417 million (equivalent to $46.4 million)).

27. LEASE LIABILITIES

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Maturity analysis – contractual undiscounted cash flows		
Within one year	80.7	95.2
Years two to five inclusive	183.8	257.1
After five years	5.8	28.9
Total undiscounted lease liabilities	**270.3**	**381.2**
Effect of discounting	(16.3)	(36.0)
Discounted lease liabilities	**254.0**	**345.2**
Consisting of:		
Non-current	168.6	251.2
Current	85.4	94.0
Total discounted lease liabilities	**254.0**	**345.2**

Amounts recognised within the Consolidated Income Statement in relation to short-term and low-value leases are disclosed within Note 6 ‘Net operating income’. Payments related to lease liabilities disclosed within the Consolidated Cash Flow statement for the year ended 31 December 2020 were $103.6 million (2019: $105.0 million).

28. OTHER NON-CURRENT LIABILITIES

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Accrued salaries and benefits	**–**	5.7
Non-current amounts due to associates and joint ventures	**–**	1.8
Other	**14.7**	20.5
Total	**14.7**	28.0

29. TRADE AND OTHER LIABILITIES

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Accruals	**512.3**	490.3
Trade payables	**289.4**	165.0
Current amounts due to associates and joint ventures	**12.0**	11.7
Accrued salaries and benefits	**88.0**	101.6
Withholding taxes	**13.4**	13.8
Other taxes payable	**47.4**	53.5
Other current liabilities	**19.3**	22.4
Total	**981.8**	858.3

30. PROVISIONS

(in $ millions)	Claims	Decommissioning	Restructuring	Onerous lump-sum contracts	Other	Total
At 1 January 2019	16.1	10.5	10.6	109.5	69.4	216.1
Adjustment on implementation of IFRS 16	–	–	(6.0)	–	–	(6.0)
Acquired as part of business combination	–	–	–	–	1.9	1.9
Additional provision in the year	7.5	0.9	–	86.9	15.0	110.3
Utilisation of provision	(1.4)	(0.4)	(3.0)	(82.3)	(49.9)	(137.0)
Unused amounts released during the year	(2.9)	–	(0.1)	(56.2)	(5.3)	(64.5)
Exchange differences	(0.5)	0.2	(0.2)	(0.5)	2.0	1.0
At 31 December 2019	18.8	11.2	1.3	57.4	33.1	121.8
Additional provision in the year	3.9	3.7	64.7	70.5	13.0	155.8
Utilisation of provision	(3.5)	(3.5)	(22.4)	(53.3)	(13.5)	(96.2)
Unused amounts released during the year	(0.7)	–	–	(6.4)	(4.2)	(11.3)
Exchange differences	(2.3)	0.1	3.0	(2.5)	(0.4)	(2.1)
At 31 December 2020	**16.2**	**11.5**	**46.6**	**65.7**	**28.0**	**168.0**

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Consisting of:		
Non-current provisions	**49.5**	49.3
Current provisions	**118.5**	72.5
Total	**168.0**	121.8

The claims provision comprises a number of claims made against the Group including disputes, personal injury cases and tax claims, where the timing of resolution is uncertain.

The decommissioning provision is mainly in relation to the Group's obligation to restore leased vessels to their original, or agreed, condition. The cash outflows related to the provision are expected to occur in the years in which the leases cease, which range from 2021 to 2025.

The restructuring provision relates to expenses associated with cost reduction and headcount resizing activities. The provision includes employee termination costs and professional fees. The provision is based on statutory requirements and discretionary arrangements for headcount reductions. Cash outflows associated with termination costs and professional fees are expected to occur in 2021.

Onerous lump-sum contract provisions relate to projects where total forecast costs at completion exceed the expected transaction price.

Other provisions mainly related to onerous day-rate contracts and contingent consideration.

31. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Group's commitments at 31 December 2020 consisted of:

- commitments to purchase property, plant and equipment from external suppliers of $37.0 million (2019: $97.4 million), including commitments related to *Seven Phoenix*, which is being converted to a cable lay vessel;
- contractual lease commitments, relating to vessel charters which had not commenced at 31 December 2020, totalling $nil (2019: $37.6 million); and
- short-term lease commitments totalling $35.2 million.

Contingent liabilities

A summary of the contingent liabilities is as follows:

	Contingent liability recognised		Contingent liability not recognised	
(in $ millions)	**2020**	2019	**2020**	2019
At year beginning	**7.9**	6.0	**349.0**	321.8
Movement in contingent liabilities	**(0.5)**	2.1	**(3.8)**	38.9
Exchange differences	**(1.4)**	(0.2)	**(60.0)**	(11.7)
At year end	**6.0**	7.9	**285.2**	349.0

Contingent liabilities recognised in the Consolidated Balance Sheet

As a result of the business combination between Acergy S.A. and Subsea 7 Inc., on 7 January 2011, IFRS 3 'Business Combinations' (IFRS 3) 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 2020 was $5.5 million (2019: $6.9 million). While complying with the requirements of IFRS 3, management 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 required the Group to recognise a contingent liability at the acquisition date, in respect of contingent amounts payable to a third party following the acquisition of intangible assets in 2009. The contingent liability recognised within the Consolidated Balance Sheet at 31 December 2020 was $0.5 million (2019: $1.0 million).

Contingent liabilities not recognised in the Consolidated Balance Sheet

Between 2009 and 2020, the Group's Brazilian businesses were audited and formally assessed for Imposto sobre Circulaçao de Mercadorias e Serviços (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 2020 amounted to BRL 834.5 million, equivalent to $161.7 million (2019: BRL 847.7 million, equivalent to $207.6 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 management believes that the likelihood of payment is not probable.

During 2018, 2019 and 2020 the Group's Brazilian business received several labour claims and civil tax assessments. The amounts claimed or assessed at 31 December 2020 totalled BRL 238.8 million, equivalent to $46.2 million (2019: BRL 237.8 million, equivalent to $58.2 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL 187.3 million, equivalent to $36.3 million (2019: BRL 193.3 million, equivalent to $47.3 million) as the disclosure criteria has been met however management believes that the likelihood of payment is not probable. A provision of BRL 51.5 million, equivalent to $9.9 million (2019: BRL 44.5 million, equivalent to $10.9 million) was recognised within the Consolidated Balance Sheet at 31 December 2020 as the IAS 37 'Provisions, contingent liabilities and contingent assets' recognition criteria were met.

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, of the Group's Nigerian operations in the years 2010 to 2014, with particular regard to payroll taxes for offshore personnel. At 31 December 2020, 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 $87.2 million (2019: NGN 34,190 million, equivalent to $94.1 million). The Group has challenged these 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, equivalent to $8.5 million (31 December 2019: NGN 3,352 million, equivalent to $9.2 million). Management does not believe the likelihood of payment is probable and no provision has been recognised in the Consolidated Balance Sheet in respect of the assessments resulting from these audits.

In the ordinary course of business, various claims, legal actions and complaints have been filed against the Group in addition to those specifically referred to above. The Group typically also provides contractual warranties for the repair of defects which are identified during a contract and within a defined period thereafter. Warranty periods vary dependent on contract type and operating segment; EPIC oil and gas contracts typically attract shorter periods than EPIC renewables contracts. Liability exposure levels are monitored by management and risk transfer mechanisms arranged where deemed appropriate. Although the final resolution of any of these matters could have a material effect on its operating results for a particular reporting period, management believes that it is not probable that these matters would materially impact the Group's Consolidated Financial Statements.

32. FINANCIAL INSTRUMENTS

Details of the significant accounting policies adopted including the classification, basis of measurement and recognition of income and expense in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 'Significant accounting policies'.

Classification of financial instruments

Financial instruments are classified as follows:

At (in $ millions)	**2020 31 Dec Carrying amount**	2019 31 Dec Carrying amount
Financial assets		
Restricted cash	**7.1**	4.3
Cash and cash equivalents (Note 22)	**511.6**	397.7
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**1.4**	1.2
Embedded derivatives	**49.7**	4.1
Commodity derivatives	**3.2**	0.2
Financial assets elected to be measured at fair value through other comprehensive income:		
Other financial assets – financial investments	**2.9**	8.1
Financial assets measured at amortised cost:		
Net trade receivables (Note 19)	**497.7**	442.9
Net non-current amounts due from associates and joint ventures (Note 17)	**5.7**	7.3
Net current amounts due from associates and joint ventures (Note 19)	**7.3**	14.2
Other financial receivables	**14.9**	11.3
Financial liabilities		
Financial liabilities mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**(1.2)**	(6.2)
Embedded derivatives	**(44.2)**	(1.9)
Commodity derivatives	**(2.1)**	–
Contingent consideration	**(7.7)**	(11.5)
Financial liabilities measured at amortised cost:		
Trade payables (Note 29)	**(289.4)**	(165.0)
Lease liabilities (Note 27)	**(254.0)**	(345.2)
Non-current amounts due to associates and joint ventures (Note 28)	**–**	(1.8)
Current amounts due to associates and joint ventures (Note 29)	**(12.0)**	(11.7)
Borrowings (Note 26)	**(209.0)**	(233.6)
Other financial payables	**(13.6)**	(16.2)

Fair value

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair values due to their short-term nature or contractual cash flow characteristics.

Financial instruments – gains and losses recognised within profit or loss

The Group's financial instruments resulted in the recognition of the following in the Consolidated Income Statement:

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Interest income from financial assets measured at amortised cost	**4.8**	13.2
Net fair value gains/(losses) on financial assets measured at fair value through profit or loss	**48.8**	(0.2)
Net fair value losses on financial liabilities measured at fair value through profit or loss	**(39.4)**	(1.0)

32. FINANCIAL INSTRUMENTS CONTINUED

Fees incurred in connection with financial instruments

Total fees incurred during the year in connection with financial instruments measured at amortised cost were $3.5 million (2019: $3.0 million).

Cash and cash equivalents

At 31 December 2020 the Group held cash and cash equivalents of $511.6 million (2019: $397.7 million) which included cash and cash equivalents available on demand of $244.1 million (2019: $197.9 million) and time deposits with financial institutions of $267.5 million (2019: 199.8 million).

The table below shows the carrying amount of amounts on deposit. These are graded and monitored internally by the Group based on current external credit ratings issued, with 'prime' being the highest possible rating.

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Deposits:		
Counterparties rated prime grade	**80.0**	4.1
Counterparties rated high grade	**15.0**	–
Counterparties rated upper-medium grade	**131.9**	157.1
Counterparties rated lower-medium grade	**40.6**	38.6
Total	**267.5**	199.8

Financial instruments mandatorily measured at fair value through profit or loss

The Group classifies its financial assets at fair value through profit or loss if classified as one of the following:

- debt instruments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income;
- equity investments that are held for trading; or
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

Derivative financial instruments recognised in the Consolidated Balance Sheet were as follows:

At (in $ millions)	**31 Dec 2020 Assets**	**31 Dec 2020 Liabilities**	**31 Dec 2020 Total**	31 Dec 2019 Assets	31 Dec 2019 Liabilities	31 Dec 2019 Total
Non-current						
Forward foreign exchange contracts	**–**	**–**	**–**	–	(1.0)	(1.0)
Embedded derivatives	**20.7**	**(19.8)**	**0.9**	1.4	(0.1)	1.3
Commodity derivatives	**2.2**	**(1.3)**	**0.9**	–	–	–
Total	**22.9**	**(21.1)**	**1.8**	1.4	(1.1)	0.3
Current						
Forward foreign exchange contracts	**1.4**	**(1.2)**	**0.2**	1.2	(5.2)	(4.0)
Embedded derivatives	**29.0**	**(24.4)**	**4.6**	2.7	(1.8)	0.9
Commodity derivatives	**1.0**	**(0.8)**	**0.2**	0.2	–	0.2
Total	**31.4**	**(26.4)**	**5.0**	4.1	(7.0)	(2.9)

Contingent consideration

Contingent consideration relates to amounts payable in connection with business combinations. The amounts payable are contingent on future events and are determined based on current expectations of the achievement of specific targets and milestones.

Financial instruments measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss comprise investments in quoted securities which the Group expects to divest within 12 months of the balance sheet date. As the investments are non-strategic in nature, changes in fair value are recognised in profit or loss.

Financial instruments elected to be measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise investments in equity securities not held for trading, and for which the Group has made an irrevocable election, at initial recognition, to recognise changes in fair value through other comprehensive income rather than profit or loss as these investments are strategic in nature.

Management concluded that due to the nature of these investments, there are a wide range of possible fair value measurements and in some cases there may be insufficient recent information available to enable the Group to accurately measure fair value. Management reviews investments at least annually to ensure the carrying amount can be supported by expected future cash flows and has concluded that cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes. During the year ended 31 December 2020, fair value was determinable for one of the Group's equity investments and a fair value remeasurement loss of $5.5 million (2019: $nil) was recognised within other comprehensive income.

Upon disposal or derecognition of these equity investments, any associated balance accumulated within other comprehensive income will be reclassified to retained earnings. No investments were derecognised during the year.

During the year no dividends were recognised within profit or loss in connection with the financial investments and there were no transfers of cumulative gains or losses within equity.

Financial assets measured at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial risk management objectives

The Group monitors and manages the financial risks relating to its financial operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (consisting of currency risk and fair value interest rate risk), credit risk and liquidity risk. The Group seeks to minimise the effects of these risks by using a variety of financial instruments to hedge these financial risk exposures.

Derivative financial instruments are used exclusively for hedging purposes and not as trading or speculative instruments. During the years ended 31 December 2020 and 31 December 2019 the Group did not apply hedge accounting.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks, including forward foreign exchange contracts to hedge the exchange rate risk arising on future revenue, operating expenditures and capital expenditures.

In the year ended 31 December 2020, there was no significant change to the Group's exposure to market risks or the manner in which it managed and measured the risk.

Foreign currency risk

The Group conducts operations in many countries and, as a result, is exposed to foreign currency fluctuations related to revenue and expenditure in the normal course of business. The Group has in place risk management policies that seek to limit the adverse effects of fluctuations in foreign currency exchange rates on its financial performance.

The Group's reporting currency is the US Dollar. Revenue and expenses are principally denominated in the reporting currency of the Group. The Group also has significant operations denominated in British Pound Sterling and Euro as well as other cash flows in Angolan Kwanza, Australian Dollar, Brazilian Real, Canadian Dollar ,Chinese Yuan, Danish Krone, Egyptian Pound, Ghanaian Cedi, Korean Won, Malaysian Ringgit, Mexican Peso, Nigerian Naira, Norwegian Krone, Saudi Arabian Riyal and Singaporean Dollar.

Foreign currency sensitivity analysis

The Group considers that its principal currency exposure is to movements in the US Dollar against other currencies. The US Dollar is the Group's reporting currency, the functional currency of many of its subsidiaries and the currency of a significant volume of the Group's cash flows.

At 31 December 2020 the Group performed a sensitivity analysis to indicate the extent to which net income/(loss) and equity would be affected by changes in the exchange rate between the US Dollar and other currencies in which the Group transacts. The analysis is based on a strengthening of the US Dollar by 10% against each of the other currencies in which the Group has significant assets and liabilities at the end of each respective period. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a five-year time-frame. The Group's analysis of the impact on net income/(loss) in each year is based on monetary assets and liabilities in the Consolidated Balance Sheet at the end of each respective year.

The Group's analysis of the impact on equity includes the impacts on the translation reserve in respect of intra-group balances that form part of the net investment in a foreign operation. The amounts disclosed have not been adjusted for the impact of taxation.

A 10% strengthening in the US Dollar exchange rate against other currencies in which the Group transacts would increase net foreign currency exchange gains reported in other gains and losses by $29.0 million for the year ended 31 December 2020 (2019: $2.5 million). The impact would be an increase in reported equity of $18.2 million (2019: decrease of $8.1 million).

Forward foreign exchange contracts

The Group primarily enters into forward foreign exchange contracts with maturities of up to three years, to manage the risk associated with transactions with a foreign exchange exposure risk. These transactions consist of highly probable cash flow exposures relating to revenue, operating expenditure and capital expenditure.

The Group does not use derivative instruments to hedge the exposure to exchange rate fluctuations from its net investments in foreign subsidiaries.

32. FINANCIAL INSTRUMENTS CONTINUED

The following table details the external forward foreign exchange contracts outstanding:

At 31 December 2020

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $ millions)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	**22.4**	**–**	**1.3**	**–**	**(0.4)**	**–**
Danish Krone	**12.3**	**–**	**1.0**	**–**	**(0.1)**	**–**
Euro	**21.7**	**–**	**23.1**	**–**	**(0.2)**	**–**
Norwegian Krone	**7.0**	**–**	**10.9**	**–**	**–**	**–**
Singapore Dollar	**18.6**	**–**	**0.7**	**–**	**(0.1)**	**–**
Australian Dollar	**–**	**–**	**77.1**	**–**	**1.0**	**–**
Total	**82.0**	**–**	**114.1**	**–**	**0.2**	**–**

At 31 December 2019

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $ millions)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	49.3	1.9	165.7	–	(0.2)	(0.2)
Danish Krone	25.3	1.0	–	–	(0.8)	(0.1)
Euro	71.5	6.5	65.9	–	(2.5)	(0.7)
Norwegian Krone	19.4	0.1	8.4	–	(0.1)	–
Singapore Dollar	20.1	–	–	–	0.1	–
Australian Dollar	–	–	69.9	–	(0.5)	–
Total	185.6	9.5	309.9	–	(4.0)	(1.0)

Hedge accounting

At 31 December 2020 and at 31 December 2019 none of the Group's outstanding external forward foreign exchange contracts had been designated as hedging instruments and as a result there was no movement in the hedging reserve.

Embedded derivatives

The Group regularly enters into multi-currency contracts from which the cash flows may lead to embedded foreign exchange derivatives in non-financial host contracts, carried at fair value through profit or loss. Embedded foreign currency derivatives, arising from multi-currency contracts, are separated where the host contract does not qualify as a financial asset, where the transactional currency differs from the functional currencies of the involved parties and a separate instrument, with the same terms as the embedded derivative, would meet the definition of a derivative.

The fair values of the embedded derivatives at 31 December 2020 amounted to $49.7 million related to financial assets (2019: $4.1 million) and $44.2 million related to financial liabilities (2019: $1.9 million). The effects on the Consolidated Income Statement were reflected in net foreign currency gains and losses within other gains and losses.

Commodity hedging

The Group enters into commodity hedging to manage risk on specific exposures, swapping floating price to fixed. At 31 December 2020 the fair values of commodity trades amounted to $3.2 million within financial assets (2019: $0.2 million) and $2.1 million within financial liabilities (2019: $nil).

Interest rate risk management

The Group places funds in the money markets to generate an investment return with a range of maturities (generally less than six months) ensuring a high level of liquidity and reducing the credit risk associated with the deposits. Changes in the interest rates associated with these deposits will impact the interest income generated.

Interest rate sensitivity analysis

At 31 December 2020, the Group had cash deposits and borrowings. A 1% increase in interest rates would not have a significant impact on the Group's finance cost or finance income due to the net cash position the Group held throughout the year.

The Group continues to monitor the reform of the Inter-borrowing Offering Rate (IBOR) and will actively manage the associated outcome.

Credit risk management

Credit risk refers to the risk that a customer or counterparty to a financial instrument will default on its contractual obligations and fail to make payment as obligations fall due resulting in financial loss for the Group. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments.

The maximum exposure of the Group to credit-related loss of financial instruments is the aggregate of the carrying amount of the financial assets as summarised on page 111.

Financial instruments and cash deposits

The Group has adopted a policy of transacting with creditworthy financial institutions as a means of mitigating the risk of financial loss from defaults. Credit ratings are supplied by independent rating agencies. The Group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is distributed among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved on an annual basis and are monitored daily. The Group uses credit ratings as well as other publicly available financial information and its own trading records to rate its major counterparties.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's credit risk management practices are designed to address the risk characteristics of the key classes of financial asset. Credit exposure is controlled by counterparty limits that are reviewed and approved on an annual basis and are monitored daily. In respect of its clients and suppliers, the Group uses credit ratings as well as other publicly available financial information and its own trading records to rate its major counterparties. The assessment of the Group's exposure to credit risk includes consideration of historical and forward-looking information regarding both the financial position and performance of the counterparty and the general macro-economic environment.

Expected credit loss assessment for financial assets

Allowances are recognised as required under the IFRS 9 impairment model and continue to be carried until there are indicators that there is no reasonable expectation of recovery.

For construction contract assets and trade and other receivables which do not contain a significant financing component, the Group applies the simplified approach. This approach requires the allowance for expected credit losses to be recognised at an amount equal to lifetime expected credit losses. For other debt financial assets the Group applies the general approach to providing for expected credit losses as prescribed by IFRS 9, which permits the recognition of an allowance for the estimated expected loss resulting from default in the subsequent 12-month period. Exposure to credit loss is monitored on a continual basis and, where material, the allowance for expected credit losses is adjusted to reflect the risk of default during the lifetime of the financial asset should a significant change in credit risk be identified.

In determining expected credit losses, financial assets with the same counterparty are grouped and where appropriate expected credit losses are measured on a collective basis. In determining the level of allowance the Group uses an internal credit risk grading framework and applies judgement based on a variety of data in order to predict the likely risk of default. The Group defines default as full or partial non-payment of contractual cash flows. The determination of expected credit losses is derived from historical and forward-looking information which includes external ratings, audited financial statements and other publicly available information about customers. Determination of the level of expected credit loss incorporates a review of factors which can be indicative of default, including the nature of the counterparty (for example national oil and gas companies, international oil and gas companies or independent oil, gas and energy companies) and the individual industry sectors in which the counterparty operates.

The majority of the Group's financial assets are expected to have a low risk of default. A review of the historical occurrence of credit losses indicates that credit losses are insignificant due to the size of the Group's clients and the nature of the services provided. The outlook for the energy industry is not expected to result in a significant change in the Group's exposure to credit losses. As lifetime expected credit losses are not expected to be significant the Group has opted not to adopt the practical expedient available under IFRS 9 to utilise a provision matrix for the recognition of lifetime expected credit losses on trade receivables. Allowances are calculated on a case-by-case basis based on the credit risk applicable to individual counterparties.

Exposure to credit risk is continually monitored in order to identify financial assets which experience a significant change in credit risk. While assessing for significant changes in credit risk the Group makes use of operational simplifications permitted by IFRS 9. The Group considers a financial asset to have low credit risk if the asset has a low risk of default; the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and no adverse changes in economic or business conditions have been identified which in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Where a financial asset becomes more than 30 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if a change in the exposure to credit risk has occurred.

Should a significant change in the exposure to credit risk be identified the allowance for expected credit losses is increased to reflect the risk of expected default in the lifetime of the financial asset. The Group continually monitors for indications that a financial asset has become credit impaired with an allowance for credit impairment recognised when the loss is incurred. Where a financial asset becomes more than 90 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if the asset has become credit impaired.

The Group considers an asset to be credit impaired once there is evidence that a loss has been incurred. In addition to recognising an allowance for expected credit loss, the Group monitors for the occurrence of events that have a detrimental impact on the recoverability of financial assets. Evidence of credit impairment includes, but is not limited to, indications of significant financial difficulty of the counterparty, a breach of contract or failure to adhere to payment terms, bankruptcy or financial reorganisation of a counterparty or the disappearance of an active market for the financial asset.

A financial asset is only impaired when there is no reasonable expectation of recovery.

32. FINANCIAL INSTRUMENTS CONTINUED

For trade receivables, the Group's current credit risk grading framework comprises the following categories:

Category	Description	Response
Performing	The counterparty has a low risk of default. No balances are aged greater than 30 days past due.	An allowance for lifetime ECLs is recognised where the impact is determined to be material.
Monitored	The counterparty has a low risk of default. Balances aged greater than 30 days past due have arisen due to ongoing commercial discussions associated with the close-out of contractual requirements and are not considered to be indicative of an increased risk of default.	The allowance for lifetime ECLs is increased where the impact is determined to be material.
In default	Balances are greater than 90 days past due with the ageing not being as a result of ongoing commercial discussions associated with the close-out of contractual commitments, or there is evidence indicating that the counterparty is in severe financial difficulty and collection of amounts due is improbable.	The asset is considered to be credit impaired and an allowance for the estimated incurred loss is recognised where material.
Written off	There is evidence that the counterparty is in severe financial difficulty and the Group has no realistic prospect of recovery of balances due.	The gross receivable and associated allowance are both derecognised.

The credit risk grades disclosed above are consistent with the information used by the Group for credit risk management purposes. Specific information regarding the counterparty together with past-due information and forward-looking information is utilised in order to determine the appropriate credit grading category. Trade receivables balances per the grading framework were as follows:

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Performing	**467.5**	296.6
Monitored	**32.9**	149.0
In default	**23.3**	15.9
Gross carrying amount	**523.7**	461.5

In addition to the credit risk grading framework for trade receivables the Group uses past-due information to assess significant increases in credit risk for all financial assets. Information related to ageing of material financial assets is included within subsequent disclosures.

Other financial assets, including amounts due from associates and joint ventures, are not subject to the Group's credit risk grading framework. The Group assesses the credit risk of these financial assets on a case-by-case basis using all relevant available historical and forward-looking information. Allowances for expected credit losses or credit impairment are recorded when required.

Trade receivables

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Gross carrying amount	**523.7**	461.5
Allowance for expected credit losses	**(2.7)**	(2.7)
Allowance for credit impairments	**(23.3)**	(15.9)
Net carrying amount	**497.7**	442.9

The table below provides an analysis of the age of trade receivables at the balance sheet date. This includes details of those trade receivables which are past due, but not impaired, and trade receivables which are individually determined to be impaired.

At 31 December 2020

(in $ millions)	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount	**471.3**	**9.9**	**2.9**	**39.6**	**523.7**
Allowance for expected credit losses	**(2.7)**	**–**	**–**	**–**	**(2.7)**
Allowance for incurred credit impairments	**(3.8)**	**–**	**–**	**(19.5)**	**(23.3)**
Net carrying amount	**464.8**	**9.9**	**2.9**	**20.1**	**497.7**

At 31 December 2019

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	303.4	49.1	26.5	82.5	461.5
Allowance for expected credit losses	(2.7)	–	–	–	(2.7)
Allowance for incurred credit impairments	(6.8)	–	–	(9.1)	(15.9)
Net carrying amount	293.9	49.1	26.5	73.4	442.9

The movement in the allowance for expected credit losses in respect of trade receivables during the year was as follows:

(in $ millions)	**2020 31 Dec**	2019 31 Dec
Allowance for expected credit losses		
At year beginning	**(2.7)**	(0.8)
(Increase)/decrease in allowance recognised in profit or loss	**–**	(1.9)
At year end	**(2.7)**	(2.7)

The movement in the allowances for credit impairment in respect of trade receivables during the year was as follows:

(in $ millions)	**2020 31 Dec**	2019 31 Dec
Allowance for credit impairment		
At year beginning	**(15.9)**	(18.9)
Increase in allowance recognised in profit or loss	**(14.9)**	(4.4)
Utilisation of allowance	**3.4**	0.3
Unused amounts released during the year	**3.0**	7.4
Exchange differences	**1.1**	(0.3)
At year end	**(23.3)**	(15.9)

Amounts due from associates and joint ventures

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Gross carrying amount	**16.5**	23.7
Allowance for incurred credit impairments	**(3.5)**	(2.2)
Net carrying amount	**13.0**	21.5

The table below provides an analysis of the ageing of amounts due from associates and joint ventures. This includes balances with associates and joint ventures which are past due at the end of the reporting period, but not impaired, and balances which are individually determined to be impaired at the end of the reporting period.

At 31 December 2020

(in $ millions)	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount	**1.7**	**0.2**	**0.9**	**13.7**	**16.5**
Allowance for credit impairments	**(0.1)**	**–**	**–**	**(3.4)**	**(3.5)**
Net carrying amount	**1.6**	**0.2**	**0.9**	**10.3**	**13.0**

At 31 December 2019

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	5.8	0.8	0.1	17.0	23.7
Allowance for credit impairments	–	–	–	(2.2)	(2.2)
Net carrying amount	5.8	0.8	0.1	14.8	21.5

32. FINANCIAL INSTRUMENTS CONTINUED

The movement in the allowance for credit impairments in respect of amounts due from associates and joint ventures during the year was as follows:

(in $ millions)	2020 31 Dec	2019 31 Dec
Allowance for credit impairments		
At year beginning	**(2.2)**	(2.2)
Increase in allowance recognised in profit or loss	**(1.6)**	–
Unused amounts reversed	**0.3**	–
At year end	**(3.5)**	(2.2)

At 31 December 2020 the allowance for expected credit losses recognised in connection with amounts due from associates and joint ventures was $nil (2019: $nil).

Other financial assets at amortised cost

An analysis of the age of other financial assets at the balance sheet date has not been provided on the grounds of materiality. Other financial assets are typically non-recurring and are monitored on an asset-by-asset basis. Ageing is not necessarily reflective of credit risk.

At 31 December 2020 the allowances for expected credit losses and credit impairment recognised in connection with other financial assets at amortised cost were $nil (2019: $nil).

Concentration of credit risk

Credit risk is primarily associated with trade receivables. Net trade receivables (Note 19 'Trade and other receivables') arise from a large number of clients, dispersed geographically. Continual credit evaluation is performed on the recoverability of trade receivables. The following table classifies outstanding balances into three categories:

	2020 31 Dec	2019 31 Dec
At	Category percentage	Category percentage
National oil and gas companies	**19%**	24%
International oil and gas companies	**34%**	34%
Independent oil, gas and energy companies	**47%**	42%
Total	**100%**	100%

National oil and gas companies are either partially or fully-owned by or directly controlled by the government of their respective country of incorporation. Both international and independent oil and gas companies are mainly publicly or privately owned. International oil and gas companies are generally larger in size and scope than independent oil, gas and energy companies.

During the year ended 31 December 2020, two clients (2019: two clients) contributed individually to 10% or more of the Group's revenue. The revenue from these clients was $670.0 million or 20% of total Group revenue (2019: $873.0 million or 24%).

The five largest receivables balances by client are shown below:

At (in $ millions)	31 Dec 2020
Client A	**57.1**
Client B	**55.2**
Client C	**46.1**
Client D	**40.7**
Client E	**35.5**

At (in $ millions)	31 Dec 2019
Client A	70.6
Client B	49.5
Client C	48.5
Client D	45.6
Client E	30.3

The client mix for outstanding accounts receivable balances at 31 December 2020 is not the same as at 31 December 2019. The Group did not have any significant credit exposure to any single counterparty at 31 December 2020 or 31 December 2019.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are primarily banks with high credit ratings assigned by international credit-rating agencies. At 31 December 2020, 52% (2019: 52%) of cash was held at counterparties with a credit rating lower than 'upper-medium grade' classification.

Liquidity risk management

The Group has a framework for the management of short, medium and long-term funding and liquidity management requirements. The Group continually monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities. Liquidity risk is managed by maintaining adequate cash and cash equivalent balances and by ensuring available borrowing facilities are in place. Included in Note 26 'Borrowings' are details of the undrawn facilities that the Group had at 31 December 2020.

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted cash flows relating to financial liabilities based on the earliest date on which the payment can be required. Principal cash flows are as follows:

At 31 December 2020

(in $ millions)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**Total**
Borrowings	**6.0**	**6.0**	**12.6**	**184.4**	**209.0**
Trade payables	**275.5**	**13.3**	**0.6**	**–**	**289.4**
Amounts due to associates and joint ventures	**12.0**	**–**	**–**	**–**	**12.0**
Lease liabilities	**6.1**	**12.5**	**62.1**	**189.6**	**270.3**
Total	**299.6**	**31.8**	**75.3**	**374.0**	**780.7**

At 31 December 2019

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Borrowings	6.0	6.0	12.6	209.0	233.6
Trade payables	160.2	4.2	0.5	0.1	165.0
Amounts due to associates and joint ventures	11.7	–	–	–	11.7
Loans due to associates and joint ventures	–	–	–	1.8	1.8
Lease liabilities	7.6	10.3	77.3	286.0	381.2
Total	185.5	20.5	90.4	496.9	793.3

The following table details the Group's liquidity profile for its derivative financial instruments. The table has been prepared based on the undiscounted net cash payments and receipts on the derivative instruments that settle on a net basis and the undiscounted gross payments and receipts on those derivative financial instruments that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the balance sheet date.

At 31 December 2020

(in $ millions)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**Total**
Net settled:					
Embedded derivatives	**–**	**3.0**	**21.4**	**19.8**	**44.2**
Commodity hedging	**0.3**	**0.1**	**0.4**	**1.3**	**2.1**
Gross settled:					
Foreign exchange forward contract payments	**72.4**	**8.0**	**2.8**	**–**	**83.2**
Foreign exchange forward contract receipts	**(71.7)**	**(7.7)**	**(2.6)**	**–**	**(82.0)**
Total	**1.0**	**3.4**	**22.0**	**21.1**	**47.5**

At 31 December 2019

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Net settled:					
Embedded derivatives	–	1.0	0.8	0.1	1.9
Gross settled:					
Foreign exchange forward contract payments	193.4	8.2	35.5	10.6	247.7
Foreign exchange forward contract receipts	(192.0)	(7.3)	(32.6)	(9.6)	(241.5)
Total	1.4	1.9	3.7	1.1	8.1

32. FINANCIAL INSTRUMENTS CONTINUED

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders of the parent company.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 26 'Borrowings', cash and cash equivalents disclosed in Note 22 'Cash and cash equivalents' and equity attributable to shareholders of the parent company, comprising issued share capital, paid in surplus, reserves and retained earnings.

The Group monitors its capital structure using a leverage ratio of net debt to Adjusted EBITDA. The ratio calculates net debt as the principal value of borrowings and lease liabilities less cash and cash equivalents.

Reconciliation of movements in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows are classified in the Consolidated Cash Flow Statement as cash flows from financing activities.

	Liabilities		Equity			Other	Total
(in $ millions)	Other borrowings	Lease liabilities	Dividends payable to non-controlling interests	Treasury shares	Other equity		
Balance at 1 January 2020	**233.6**	**345.2**	**11.5**	**(14.0)**	**–**	**(4.0)**	**572.3**
Financing cash flows							
Interest paid	(6.2)	–	–	–	–	(3.2)	(9.4)
Repayment of borrowings	(24.6)	–	–	–	–	–	(24.6)
Cost of share repurchases	–	–	–	(9.8)	–	–	(9.8)
Payments related to lease liabilities	–	(103.6)	–	–	–	–	(103.6)
Dividends paid to non-controlling interest	–	–	(10.2)	–	–	–	(10.2)
Total financing cash flows	**(30.8)**	**(103.6)**	**(10.2)**	**(9.8)**	**–**	**(3.2)**	**(157.6)**
Non-cash changes							
Dividends declared	–	–	1.1	–	–	–	1.1
Disposal of lease liabilities	–	(34.5)	–	–	–	–	(34.5)
Addition of lease liabilities	–	52.4	–	–	–	–	52.4
Remeasurement of lease liabilities	–	(15.5)	–	–	–	–	(15.5)
Shares reallocated relating to share-based payments	–	–	–	6.0	–	–	6.0
Loss on reallocation of treasury shares	–	–	–	–	(6.0)	–	(6.0)
Interest charges	6.2	19.7	–	–	–	(1.3)	24.6
Exchange differences	–	(9.7)	(0.3)	–	–	–	(10.0)
Total non-cash changes	**6.2**	**12.4**	**0.8**	**6.0**	**(6.0)**	**(1.3)**	**18.1**
Balance at 31 December 2020	**209.0**	**254.0**	**2.1**	**(17.8)**	**(6.0)**	**(8.5)**	**432.8**

	Liabilities		Equity				Other	Total
(in $ millions)	Other borrowings	Lease liabilities	Dividends payable to shareholders of parent	Dividends payable to non-controlling interests	Treasury shares	Other equity		
Balance at 31 December 2018	**258.2**	**–**	**–**	**7.6**	**(95.0)**	**–**	**(2.9)**	**167.9**
Adjustment on implementation of IFRS 16	–	357.1	–	–	–	–	–	357.1
Balance at 1 January 2019	**258.2**	**357.1**	–	**7.6**	**(95.0)**	–	**(2.9)**	**525.0**
Financing cash flows								
Interest paid	(9.9)	–	–	–	–	–	(1.1)	(11.0)
Repayment of borrowings	(26.7)	–	–	–	–	–	–	(26.7)
Cost of share repurchases	–	–	–	–	(249.7)	–	–	(249.7)
Payments related to lease liabilities	–	(105.0)	–	–	–	–	–	(105.0)
Dividends paid to shareholders of the parent company	–	–	(53.8)	–	–	–	–	(53.8)
Dividends paid to non-controlling interest	–	–	–	(1.0)	–	–	–	(1.0)
Total financing cash flows	**(36.6)**	**(105.0)**	**(53.8)**	**(1.0)**	**(249.7)**	**–**	**(1.1)**	**(447.2)**
Non-cash changes								
Acquisition of businesses	1.6	7.2	–	–	–	–	–	8.8
Dividends declared	–	–	54.6	5.0	–	–	–	59.6
Disposal of lease liabilities	–	(0.1)	–	–	–	–	–	(0.1)
Addition of lease liabilities	–	81.2	–	–	–	–	–	81.2
Shares reallocated relating to share-based payments	–	–	–	–	8.7	–	–	8.7
Loss on reallocation of treasury shares	–	–	–	–	–	8.7	–	8.7
Allocated to retained earnings	–	–	–	–	–	(8.7)	–	(8.7)
Share cancellation	–	–	–	–	322.0	–	–	322.0
Interest charges	8.1	17.2	–	–	–	–	–	25.3
Exchange differences	2.3	(12.4)	(0.8)	(0.1)	–	–	–	(11.0)
Total non-cash changes	**12.0**	**93.1**	**53.8**	**4.9**	**330.7**	**–**	**–**	**494.5**
Balance at 31 December 2019	**233.6**	**345.2**	**–**	**11.5**	**(14.0)**	**–**	**(4.0)**	**572.3**

32. FINANCIAL INSTRUMENTS CONTINUED

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 data (unobservable inputs).

Fair value measurement

During the year ended 31 December 2020 there were no transfers between levels of the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy from the date of the event or change in circumstances that caused the transfer.

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

At (in $ millions)	**2020 31 Dec Level 1**	**2020 31 Dec Level 2**	**2020 31 Dec Level 3**	2019 31 Dec Level 1	2019 31 Dec Level 2	2019 31 Dec Level 3
Recurring fair value measurements						
Financial assets:						
Financial assets at fair value through profit or loss – derivative instruments	**–**	**1.4**	**–**	–	1.2	–
Financial assets at fair value through profit or loss – embedded derivatives	**–**	**49.7**	**–**	–	4.1	–
Financial assets at fair value through profit or loss – commodity derivatives	**–**	**3.2**	**–**	–	0.2	–
Financial liabilities:						
Financial liabilities at fair value through profit or loss – derivative instruments	**–**	**(1.2)**	**–**	–	(6.2)	–
Financial liabilities at fair value through profit or loss – embedded derivatives	**–**	**(44.2)**	**–**	–	(1.9)	–
Financial liabilities at fair value through profit or loss – commodity derivatives	**–**	**(2.1)**	**–**	–	–	–
Contingent consideration[(a)]	**–**	**–**	**(7.7)**	–	–	(11.5)

(a) A reconciliation of contingent consideration movements during the year is shown on page 123

Recurring fair value measurements

Financial assets and financial liabilities

Financial assets and financial liabilities which are remeasured to fair value on a recurring basis are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and quotes for similar instruments;
- the fair value of other financial assets classified as current assets, which includes quoted securities, is determined using quoted prices;
- the fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones calculated using the discounted cash flow method and unobservable inputs. Quantitative information about the significant unobservable inputs used in the fair value measurement and sensitivities to changes in these unobservable inputs are as disclosed below:

(in $ millions)	Balance at 1 January 2020	Fair value adjustments	Utilisation	Exchange differences	Balance at 31 December 2020
Contingent consideration	**11.5**	**(2.8)**	**(1.3)**	**0.3**	**7.7**

- Significant inputs to the fair value of contingent consideration following a business combination include the assumed probability of the achievement of operational targets and technical milestones. A significant increase or decrease in the assumed probability of achieving these would result in a higher or lower fair value of the contingent consideration liability, while a significant increase or decrease in the discount rate would result in a higher or lower fair value of the contingent consideration liability. Gains or losses for the year were recorded in the Consolidated Income Statement as disclosed within Note 7 'Other gains and losses'. Utilisation of $1.3 million is disclosed within financing activities in the Consolidated Cash Flow Statement; and
- the fair values of foreign exchange derivative instruments and embedded derivatives are calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivative financial instruments.

Non-recurring fair value measurements

Assumptions used in determining fair value of financial assets and financial liabilities which are not remeasured to fair value on a recurring basis are as follows:

The fair value of receivables and payables is based on their carrying amount which is representative of contractual amounts due and, where appropriate, incorporates expectations about future expected credit losses.

Financial investments which are strategic in nature.

Other financial assets which are classified as non-current include equity investments in unlisted companies which are strategic in nature. Management concluded that due to the nature of these investments, there are a wide range of possible fair value measurements and in some cases there may be insufficient recent information available to enable the Group to accurately measure fair value. Management review investments annually to ensure the carrying amount can be supported by expected future cash flows and has concluded cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes.

33. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include the Board of Directors and the Executive Management Team. Key management personnel at 31 December 2020 included 13 individuals (2019: 13 individuals). The remuneration of these personnel is determined by the Compensation Committee of the Board of Directors of Subsea 7 S.A.

Non-Executive Directors

Details of fees paid to Non-Executive Directors for the year ended 31 December 2020 are set out below:

Name	Annual fee $	Member of Audit Committee $	2020 31 Dec $	2019 31 Dec $
Kristian Siem	**177,500**	**–**	**–** [(a)]	– [(a)]
Eystein Eriksrud (retired 7 April 2020)	**28,035**	**1,602**	**29,637**	111,000
Dod Fraser	**93,188**	**12,425**	**105,613**	119,000
Allen Stevens	**93,188**	**–**	**93,188**	105,000
Niels Kirk	**93,188**	**5,325**	**98,513**	111,000
Elisabeth Proust	**93,188**	**3,723**	**96,911**	74,550
David Mullen	**93,188**	**–**	**93,188**	105,000
Jean Cahuzac (appointed 1 Jan 2020)	**93,188**	**–**	**93,188**	–

(a) Mr Siem's fee is included within payments to Siem Industries S.A. (formerly Siem Industries Inc.) as detailed in 'Other related party transactions' on page 126.

Subsea 7 S.A. shares held by the Non-Executive directors at 31 December 2020 were as follows:

Shareholdings

Name	Total owned shares
Kristian Siem[(a)]	**–**
Dod Fraser	**4,000**
Allen Stevens	**10,650**
Niels Kirk	**–**
Elisabeth Proust	**830**
David Mullen	**–**
Jean Cahuzac	**178,042**

(a) At 31 December 2020, Siem Industries S.A. (formerly Siem Industries Inc.) which is a company controlled through trusts where Mr Siem and certain members of his family are potential beneficiaries, owned 73,035,377 shares, representing 24.3% of total common shares of the Company.

Key management

The remuneration of the Executive Management Team during the year was as follows:

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Salaries and other short-term employee benefits	**5.0**	6.4
Share-based payments	**0.6**	2.1
Post-employment benefits	**0.2**	0.1
Total	**5.8**	8.6

The compensation of the Chief Executive Officer (CEO) for the year was $1.0 million (2019: $2.0 million) and included base salary, bonus and benefits-in-kind. This amount excludes the IFRS 2 'Share-based Payments' charge for any incentive plans of which the CEO is a member.

Performance shares outstanding and shareholdings held at 31 December 2020 were as follows:

Shares and performance shares

Name	Total performance shares[(a)]	Total owned shares
John Evans[(b)]	170,196	81,873
Ricardo Rosa	124,356	42,345
Stuart Fitzgerald	103,704	18,774
Nathalie Louys	87,098	27,663
Kate Lyne	68,258	14,491
Olivier Blaringhem (appointed 1 January 2020)	92,631	14,105
Steph McNeill (appointed 1 January 2020)	88,718	4,778
Phil Simons (appointed 1 January 2020)	88,387	4,447

(a) Total performance shares held represent the maximum future entitlement assuming all conditions are met.
(b) Effective 1 January 2020 John Evans was appointed as CEO.

Transactions with key management personnel

During the year, key management personnel were awarded the rights to 258,000 performance shares under the Group's 2018 Long-term Incentive Plan. Refer to Note 34 'Share-based payments' for details of the plan.

Transactions with associates and joint ventures

The Consolidated Balance Sheet includes:

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Net non-current receivables due from associates and joint ventures (Note 17)	**5.7**	7.3
Non-current payables due to associates and joint ventures (Note 28)	**–**	(1.8)
Net trade receivables due from associates and joint ventures (Note 19)	**7.3**	14.2
Trade payables due to associates and joint ventures (Note 29)	**(12.0)**	(11.7)
Net receivables due from associates and joint ventures	**1.0**	8.0

During the year, the Group provided services to associates and joint ventures amounting to $2.2 million (2019: $3.6 million) and purchased goods and services from associates and joint ventures amounting to $26.2 million (2019: $35.2 million).

Guarantee arrangements with joint ventures are shown within Note 26 'Borrowings'.

33. RELATED PARTY TRANSACTIONS CONTINUED

Other related party transactions

During the year the Group undertook related party transactions, all of which were conducted on an arm's length basis.

The Group is an associate of Siem Industries S.A. (formerly Siem Industries Inc.) and is equity accounted for within Siem Industries S.A.'s Consolidated Financial Statements. Payments were made to Siem Industries S.A. in relation to the services provided by Mr Siem and reimbursement of other support services and costs incurred by Siem Industries S.A. totalling $0.5 million (2019: $0.2 million). Dividends totalling $nil (2019: $12.5 million) were paid to Siem Industries S.A.

Purchases by the Group from subsidiaries of Siem Industries S.A. including vessel charters, provision of crew and associated services, totalling $nil (2019: $5.6 million), were made during the year.

Siem Offshore Inc. is an associate of Siem Industries S.A. and Mr Siem is the chairman of the Board of Directors of Siem Offshore Inc.

Purchases by the Group from subsidiaries of Siem Offshore Inc. including vessel charters, provision of crew and associated services, totalling $17.2 million (2019: $10.2 million), were made during the year.

Revenue generated by the Group from subsidiaries of Siem Offshore Inc. including the provision of ROV and survey services, totalling $0.1 million were made during the year (2019: $0.9 million).

The Group provide rented office accommodation to Siem Offshore do Brasil S.A., a company ultimately controlled by Siem Industries S.A. Total rental income for 2020 was $0.2 million (2019: $0.2 million).

The Group provide rented office accommodation to Siem Shipping UK Limited, a company ultimately controlled by Siem Industries S.A. Total rental income for 2020 was $0.3 million (2019: $0.3 million).

During 2020, the Group rented office accommodation from Siem Europe Properties S.à r.l. and Siem Offshore Real Estate GmbH, which are ultimately controlled by Siem Industries S.A. Total rental cost for 2020 was less than $0.1 million (2019: less than $0.1 million).

At 31 December 2020, the Group had outstanding balances payable to Siem Offshore Real Estate GmbH of less than $0.1 million (2019: less than $0.1 million).

At 31 December 2020, the Group had outstanding balances receivable from Siem Offshore do Brasil SA and Siem Offshore Rederi AS of less than $0.1 million (2019: less than $0.1 million).

34. SHARE-BASED PAYMENTS

The Group operated two equity-settled share-based payment schemes during 2020.

The following table summarises the compensation expense recognised in the Consolidated Income Statement during the year:

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Expense arising from equity-settled share-based payment transactions:		
2013 Long-term Incentive Plan	**1.6**	3.9
2018 Long-term Incentive Plan	**2.6**	2.0
Total	**4.2**	5.9

Equity-settled share-based payment schemes

2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan (2013 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 28 June 2013. The 2013 LTIP had a five-year term with awards being made annually until 2017.

The 2013 LTIP provided for conditional awards of shares based upon performance conditions measured over a performance period of three years. Performance conditions were based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions were determined over a three-year period.

During 2020, in accordance with the terms of the 2013 LTIP, shares totalling 514,145 (2019: 716,891) were unconditionally transferred to participants for $nil consideration.

2018 Long-term Incentive Plan

The 2018 Long-term Incentive Plan (2018 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 17 April 2018. The 2018 LTIP has a five-year term with awards being made annually. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of that calendar year. The total number of shares that may be delivered pursuant to awards under the plan shall not exceed 11,500,000. Grants are determined by the Compensation Committee of the Subsea 7 S.A. Board of Directors, which is responsible for operating and administering the plan.

The 2018 LTIP is an essential component of the Group's reward strategy, and is designed to align the interests of participants with those of Subsea 7's shareholders, and enables participants to share in the success of the Group. The 2018 LTIP provides for conditional awards of shares based upon performance conditions measured over a performance period of three years.

Performance conditions are based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions are determined over a three-year period.

During 2020, initial grants comprising 1,120,000 (2019: 1,387,000) conditional awards of shares were made under the terms of the 2018 LTIP, 728,000 awards are subject to relative TSR performance measures and 392,000 are subject to ROAIC performance measures.

TSR based awards

The Group will have to achieve a TSR ranking above the median for any awards to vest. If the ranked TSR position of Subsea 7 during the three-year period, as converted to a percentage, is equal to 50%, 20% of the share award will vest. If the actual ranked TSR position of Subsea 7 is greater than 50% and below 90%, the vesting of the share award between 20% and 65% is determined by linear interpolation. The maximum award of 65% would only vest if the Group achieved top decile TSR ranking.

ROAIC based awards

ROAIC is calculated for each of the three years of the performance period on a quarterly basis. If the average ROAIC achieved by the Group during the performance period is greater than 9% but less than 11%, vesting between 5% and 15% shall be determined by linear interpolation. If the actual ROAIC achieved by the Group during the performance period is greater than 11% but less than 14%, vesting between 15% and 35% shall be determined by linear interpolation. The maximum award of 35% would only vest if the Group achieved average ROAIC of 14% or greater during the performance period.

Under the terms of the awards LTIP participants are not entitled to receive dividend equivalent payments.

At 31 December 2020, there were approximately 100 senior managers and key employees who participate in the LTIP schemes. Individual award caps are in place such that no senior executive or other employee may be granted shares under the LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary at the date of the award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

The IFRS 2 'Share-based Payments' fair value of each performance share granted under the 2013 and 2018 LTIP is estimated as of the grant date using a Monte Carlo simulation model with weighted average assumptions as follows:

For the year ended	**2020 31 Dec**	2019 31 Dec
Weighted average share price at grant date (in $)	**8.61**	10.14
TSR performance – Weighted average fair value at grant date (in $)	**4.72**	5.29
ROAIC performance – Weighted average fair value at grant date (in $)	**7.96**	9.63
Expected volatility	**54%**	34%
Risk free rate	**0.30%**	1.28%
Dividend yield	**2.00%**	1.30%

34. SHARE-BASED PAYMENTS CONTINUED

The expected share price volatility over the performance period is estimated from the Company's historical share price volatility. The award fair values were adjusted to recognise that participants are not entitled to receive dividend equivalent payments.

The non-market ROAIC performance condition is not incorporated into the grant date fair value of the ROAIC based awards. The value of each award will be adjusted at each reporting date to reflect the Group's current expectation of the number of performance shares which will vest under the non-market ROAIC performance condition.

Upon vesting, the Group will withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, in cash, to the relevant tax authority on the employee's behalf. In 2020, three plans vested under the LTIP 2013 scheme, and the total estimated withholding tax transferred to the relevant tax authorities was $2.3 million (2019: $3.6 million). Of this total, $0.6 million was in relation to employee social security contributions and $1.7 million was in relation to income tax.

35. RETIREMENT BENEFIT OBLIGATIONS

The Group operates both defined contribution and defined benefit pension plans.

The Group's contributions under the defined contribution pension plans are determined as a percentage of individual employee's pensionable salaries. The expense relating to these plans for the year was $44.2 million (2019: $39.3 million).

Defined benefit plans

The Group operates both funded and unfunded defined benefit pension plans.

France

The defined benefit plan for France is called the *indemnités de fin de carrière* (retirement indemnity plan) and is pursuant to applicable French legislation and labour agreements in force in the industry. A lump-sum payment is made to employees upon retirement based on length of service, employment category and the employee's final salary. The obligation is unfunded and uninsured, as is standard practice in France. Since the retirement indemnity plan is based upon specific lengths of service, categories and values set by French legislation and collective agreements there is no specific trust or internal governance in place for this plan.

Norway

There are two Norwegian defined benefit pension plans which are known as the office (onshore) plan and the sailor plan.

The office (onshore) plan is a defined benefit scheme held with a life insurance company to provide pension benefits to the Group's employees. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the Norwegian National Insurance Scheme. The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is 67 years. The office (onshore) plan is closed to new members.

The sailor plan is an established separate tariff-rated pension scheme for offshore personnel. Under this scheme participants are entitled to receive a pension between 60-67 years of age only. These are funded obligations.

Under the plans, pensions are paid upon retirement based on the employee's length of service and final salary. The plans have been established in accordance with Norwegian legislation and are separately administered funds. Due to Norwegian legislation the pension scheme must provide an annual guaranteed return on investment, and consequently, the plan assets have a bias toward bonds rather than equities. While the pension company is responsible for administering the plan according to Norwegian law, the Group is obligated to have a steering committee for the plan. The steering committee considers and makes recommendations to the Group on matters relating to the plan, including but not limited to: composition of the investment portfolio, amendments to the scheme, administration and enforcement of the scheme, transfer of the scheme to another pension provider and termination of the scheme.

Netherlands

During 2019 the Group entered into revised pension plan arrangements in relation to onshore and offshore employees based in the Netherlands. The new pension plan is a defined contribution plan and replaced the previous defined benefit plans. As a result of the changes, the Group no longer has any obligations related to the defined benefit plans and all assets and liabilities related to those plans were derecognised during the year ended 31 December 2019.

Changes in the defined benefit obligation and fair value of plan assets

The following table provides a reconciliation of the changes in retirement benefit obligations and in the fair value of plan assets:

	Norway		Netherlands		France		Total	
(in $ millions)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Defined benefit obligation								
At year beginning	**(16.4)**	(16.6)	**–**	(68.8)	**(12.5)**	(11.6)	**(28.9)**	(97.0)
Amounts (charged)/credited to the Consolidated Income Statement:								
Service costs	**(0.2)**	(0.3)	**–**	–	**(1.0)**	(0.9)	**(1.2)**	(1.2)
Past service credit	**1.9**	–	**–**	–	**–**	–	**1.9**	–
Interest costs	**(0.2)**	(0.4)	**–**	–	**(0.1)**	(0.2)	**(0.3)**	(0.6)
Curtailments	**–**	–	**–**	–	**2.8**	0.1	**2.8**	0.1
Liabilities extinguished on settlement	**–**	–	**–**	68.8	**–**	–	**–**	68.8
Sub-total	**1.5**	(0.7)	**–**	68.8	**1.7**	(1.0)	**3.2**	67.1
Remeasurement gains/(losses) recognised in other comprehensive income:								
Actuarial changes arising from changes in demographic assumptions	**–**	–	**–**	–	**(0.4)**	(1.2)	**(0.4)**	(1.2)
Actuarial changes arising from changes in financial assumptions	**–**	–	**–**	–	**(0.1)**	–	**(0.1)**	–
Experience adjustments	**0.8**	(0.3)	**–**	–	**0.2**	0.8	**1.0**	0.5
Sub-total	**0.8**	(0.3)	**–**	–	**(0.3)**	(0.4)	**0.5**	(0.7)
Benefits paid	**0.7**	0.8	**–**	–	**0.1**	0.1	**0.8**	0.9
Exchange differences	**(0.1)**	0.4	**–**	–	**(1.2)**	0.4	**(1.3)**	0.8
At year end	**(13.5)**	(16.4)	**–**	–	**(12.2)**	(12.5)	**(25.7)**	(28.9)
Fair value of plan assets								
At year beginning	**14.0**	14.6	**–**	51.6	**–**	–	**14.0**	66.2
Assets extinguished on settlement	**–**	–	**–**	(51.6)	**–**	–	**–**	(51.6)
Amounts (charged)/credited to the Consolidated Income Statement:								
Past service credit	**(1.4)**	–	**–**	–	**–**	–	**(1.4)**	–
Interest income	**0.2**	0.4	**–**	–	**–**	–	**0.2**	0.4
Sub-total	**(1.2)**	0.4	**–**	–	**–**	–	**(1.2)**	0.4
Remeasurement losses recognised in other comprehensive income:								
Administrative expenses	**(0.2)**	(0.2)	**–**	–	**–**	–	**(0.2)**	(0.2)
Sub-total	**(0.2)**	(0.2)	**–**	–	**–**	–	**(0.2)**	(0.2)
Employer and participant contributions	**0.1**	0.4	**–**	–	**–**	–	**0.1**	0.4
Benefits paid	**(0.7)**	(0.8)	**–**	–	**–**	–	**(0.7)**	(0.8)
Exchange differences	**0.2**	(0.4)	**–**	–	**–**	–	**0.2**	(0.4)
At year end	**12.2**	14.0	**–**	–	**–**	–	**12.2**	14.0
Net defined benefit obligation	**(1.3)**	(2.4)	**–**	–	**(12.2)**	(12.5)	**(13.5)**	(14.9)
Presented as:								
Retirement benefit assets	**0.8**	–	**–**	–	**–**	–	**0.8**	–
Retirement benefit obligations	**(2.1)**	(2.4)	**–**	–	**(12.2)**	(12.5)	**(14.3)**	(14.9)
Total	**(1.3)**	(2.4)	**–**	–	**(12.2)**	(12.5)	**(13.5)**	(14.9)

35. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The retirement benefit assets of $0.8 million (2019: $nil) and retirement benefit obligations of $14.3 million (2019: $14.9 million) for pension schemes which are in deficit in Norway and France, are recognised as non-current assets and non-current liabilities respectively within the Consolidated Balance Sheet.

Unfunded schemes

Included within the defined benefit obligation are amounts arising from unfunded French plans with a total obligation of $12.2 million (2019: $12.5 million).

Funded schemes

The Norwegian schemes are funded through a separately administered investment fund. The fair value of the Norwegian scheme assets were as follows:

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Investments quoted in active markets		
Quoted equity investments	**1.3**	2.0
Unquoted investments		
Bonds	**6.5**	8.4
Property	**1.9**	1.9
Other	**2.5**	1.7
Total	**12.2**	14.0

Future cash flows

The estimated contributions expected to be paid into the French and Norwegian plans during 2021 are $1.3 million (2020: $1.5 million).

The average remaining service periods were as follows:

At (in years)	**2020 31 Dec**	2019 31 Dec
Norway office (onshore) plan	**6.0**	6.0

Significant actuarial assumptions

The principal assumptions used to determine the present value of the defined benefit obligation were as follows:

Year ended 31 December 2020

(in %)	**Norway**	**France**
Pension increase	**0.0 – 1.75**	**–**
Discount rate	**1.5**	**0.5**
Future salary increase	**2.0**	**2.0**

Year ended 31 December 2019

(in %)	Norway	France
Pension increase	0.7 – 2.0	–
Discount rate	1.8	0.5
Future salary increase	2.3	3.0

Assumptions regarding future mortality are set based on advice in accordance with published statistics and experience. The average life expectancies in years of a pensioner retiring at the plan retirement age for participants in the Norway office (onshore) plan are shown below. Life expectancy information for the sailor plan has not been provided as participants are only entitled to receive a pension between 60-67 years of age.

	Retirement age	Sex	**2020 31 Dec**	2019 31 Dec
Norway office (onshore) plan	67 years	Male	**17.9**	18.2
	67 years	Female	**25.1**	24.9

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions at 31 December 2020 is shown below. The sensitivity analysis has been determined based on a method that extrapolates the impact on the net defined benefit obligation ((increase)/decrease) as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Norway – sailor plan

(in $ millions)	**Pension increase**		**Discount rate**		**Future salary increase**	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	**–**	**–**	**–**	**–**	**–**	**–**

Norway – office plan

(in $ millions)	**Pension increase**		**Discount rate**		**Future salary increase**	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	**(0.1)**	**0.1**	**0.1**	**(0.1)**	**–**	**–**

France

(in $ millions)	**Discount rate**	
Sensitivity level	0.25% increase	0.25% decrease
Impact on the net defined benefit obligation	**0.3**	**(0.3)**

36. DEFERRED REVENUE

At (in $ millions)	**2020 31 Dec**	2019 31 Dec
Advances received from clients	**2.4**	2.1

Advances received from clients include amounts received before the related work is performed on day-rate contracts and amounts paid by clients in advance of work commencing on lump-sum contracts.

37. CASH FLOW FROM OPERATING ACTIVITIES

For the year ended (in $ millions)	Notes	**2020 31 Dec**	2019 31 Dec
Cash flow from operating activities:			
Loss before taxes		**(1,071.9)**	(52.9)
Adjustments for non-cash items:			
Impairment of goodwill	12	**605.4**	99.9
Amortisation of intangible assets	13	**14.7**	11.0
Impairment of intangible assets	13	**9.2**	–
Depreciation of property, plant and equipment	14	**334.9**	365.9
Impairment of property, plant and equipment	14	**282.0**	69.5
Amortisation of right-of-use assets	15	**82.1**	98.2
Impairment of right-of-use assets	15	**31.9**	–
Amortisation of mobilisation costs	6	**10.7**	9.0
Adjustments for investing and financing items:			
Remeasurement loss on business combination	7	**–**	1.4
Gain on recognition of assets related to business combinations – post measurement period	7	**(15.5)**	–
Gain on disposal of other financial assets measured at fair value through profit or loss		**–**	(5.5)
Gain on disposal of subsidiary		**–**	(4.3)
Gain on settlement of contingent consideration		**–**	(1.5)
Share of net loss of associates and joint ventures	16	**0.5**	0.9
Net loss/(gain) on disposal of property, plant and equipment	7	**0.2**	(1.3)
Net gain on maturity of lease liabilities		**(1.8)**	–
Finance income	8	**(4.8)**	(13.2)
Finance costs	8	**24.6**	25.3
Adjustments for equity items:			
Reclassification of exchange differences relating to disposal of a subsidiary		**–**	1.1
Share-based payments	34	**4.2**	5.9
		306.4	609.4
Changes in operating assets and liabilities:			
Decrease in inventories		**4.3**	0.8
(Increase)/decrease in operating receivables		**(88.5)**	78.1
Increase/(decrease) in operating liabilities		**276.3**	(223.9)
		192.1	(145.0)
Income taxes paid		**(51.7)**	(107.7)
Net cash generated from operating activities		**446.8**	356.7

38. POST BALANCE SHEET EVENTS

Dividend

The Board of Directors will recommend to the shareholders at the Annual General Meeting on 14 April 2021 that a special dividend of NOK 2.00 per share be paid, equivalent to a total dividend of approximately $70 million, marking the Board's confidence in the financial position and outlook for the Group.

Facilities

On 24 February 2021, the Group entered into a $500 million five-year amortising loan facility backed by a $400 million guarantee from UK Export Finance. The Group has a two-year availability period during which to draw on the facility, and the facility has a five-year tenor which commences at the end of the availability period or when the facility is fully drawn, if earlier. The facility can be used for general corporate purposes, including to provide working capital financing for services provided from the UK. The facility is guaranteed by Subsea 7 S.A.

39. WHOLLY-OWNED SUBSIDIARIES

Subsea 7 S.A. had the following wholly-owned subsidiaries at 31 December 2020.

Name	Registered in	Nature of business
4Subsea AS	Norway	General Trading
4Subsea Astori AS	Norway	General Trading
4Subsea Do Brasil Projetos e Servicos de Integridade Subsea Ltda	Brazil	General Trading
4Subsea UK Limited	United Kingdom	General Trading
Acergy B.V.	Netherlands	Holding
Acergy France S.A.S.	France	General Trading
Acergy Holdings (Gibraltar) Limited[(a)]	Gibraltar	Special Purpose
Aquarius Solutions Inc.	Canada	General Trading
Aurora Environmental Limited	United Kingdom	General Trading
Class 3 (UK) Limited	United Kingdom	Vessel Owning
Subsea 7 Saudi Arabia Limited (formerly EMAS Saudi Arabia Limited)	Saudi Arabia	General Trading
Globestar FZE	Nigeria	General Trading
Green Light Environment Pty Limited	Australia	General Trading
Pelagic Nigeria Limited	Nigeria	Holding
Pioneer Lining Technology Limited	United Kingdom	General Trading
PT. Subsea 7 Manufaktur Indonesia	Indonesia	General Trading
SHL Contracting France S.A.S.	France	General Trading
SHL Contracting Germany GmbH	Germany	General Trading
Seaway Heavy Lifting Contracting Limited	Cyprus	General Trading
Seaway Heavy Lifting Engineering B.V.	Netherlands	General Trading
Seaway Heavy Lifting Holding Limited	Cyprus	Holding
Seaway Heavy Lifting Limited	Cyprus	General Trading
Seaway Heavy Lifting Offshore Crew B.V.	Netherlands	General Trading
Seaway Heavy Lifting Shipping Limited	Cyprus	Vessel Owning
SHL Stanislav Yudin Limited	Cyprus	Vessel Owning
Seaway Offshore Cables GmbH	Germany	General Trading
Seaway Offshore Cables Limited	United Kingdom	General Trading
Seaway Offshore Participações S/A	Brazil	Holding
Seaway Vessels B.V.	Netherlands	Vessel Owning
Sevenseas Contractors S. de R.L. de C.V.	Mexico	General Trading
SHL Contracting B.V.	Netherlands	General Trading
SHL Contracting UK Limited	United Kingdom	General Trading
SHL Contracting US Inc.	United States	General Trading
SHL Holding NL B.V.	Netherlands	Holding
SHL Offshore Contractors B.V.	Netherlands	General Trading
SO France S.A.	France	Special Purpose
Subsea 7 (ME) Pte Limited	Singapore	General Trading
Subsea 7 (Singapore) Pte Limited	Singapore	General Trading
Subsea 7 (UK Service Company) Limited[(a)]	United Kingdom	Corporate Service
Subsea 7 (US) LLC	US	General Trading
Subsea 7 Angola S.A.S.	France	Special Purpose
Subsea 7 Asia Pacific Sdn Bhd	Malaysia	Special Purpose
Subsea 7 Australia Contracting Pty Ltd	Australia	General Trading
Subsea 7 Canada Inc.	Canada	General Trading
Subsea 7 Chartering (UK) Limited	United Kingdom	General Trading

39. WHOLLY-OWNED SUBSIDIARIES CONTINUED

Name	Registered in	Nature of business
Subsea 7 Contracting (UK) Limited	United Kingdom	General Trading
Subsea 7 Crewing Limited	United Kingdom	Special Purpose
Subsea 7 Crewing Services Pte. Ltd.	Singapore	General Trading
Subsea 7 Deep Sea Limited	United Kingdom	General Trading
Subsea 7 do Brasil Serviços Ltda	Brazil	General Trading
Subsea 7 Engineering Limited	United Kingdom	General Trading
Subsea 7 Finance (UK) PLC	United Kingdom	Special Purpose
Subsea 7 Holding Inc.	Cayman Islands	Holding
Subsea 7 Holding Norway AS	Norway	Holding
Subsea 7 Holdings (UK) Limited	United Kingdom	Holding
Subsea 7 Holdings (US) Inc.	US	Holding
Subsea 7 International Contracting Limited	United Kingdom	General Trading
Subsea 7 International Holdings (UK) Limited[a]	United Kingdom	Holding
Subsea 7 i-Tech Australia Pty Limited	Australia	General Trading
Subsea 7 i-Tech do Brasil Serviços Ltda	Brazil	Dormant
Subsea 7 i-Tech Limited	United Kingdom	General Trading
Subsea 7 i-Tech Mexico S. de R.L. de C.V.	Mexico	General Trading
Subsea 7 i-Tech Norway AS	Norway	General Trading
Subsea 7 i-Tech US Inc.	US	General Trading
Subsea 7 Limited	United Kingdom	General Trading
Subsea 7 Luanda Ltd	Cayman Islands	General Trading
Subsea 7 Marine (US) Inc.	US	Dormant
Subsea 7 Marine LLC	US	General Trading
Subsea 7 Mexico S. de R.L. de C.V.	Mexico	General Trading
Subsea 7 Moçambique, Limitada	Mozambique	General Trading
Subsea 7 Navica AS	Norway	Vessel Owning
Subsea 7 Nigeria Limited	Nigeria	General Trading
Subsea 7 Nile Delta Limited	Egypt	General Trading
Subsea 7 Norway AS	Norway	General Trading
Subsea 7 Offshore Resources (UK) Limited	United Kingdom	Vessel Owning
Subsea 7 Pipeline Production Limited	United Kingdom	General Trading
Subsea 7 Port Isabel LLC	US	General Trading
Subsea 7 Portugal Unipessoal Limitada	Portugal	General Trading
Subsea 7 Senegal SAS	Senegal	General Trading
Subsea 7 Services (Singapore) Pte Limited	Singapore	General Trading
Subsea 7 Shipping Limited	Isle of Man	Vessel Owning
Subsea 7 Singapore Contracting Pte Limited	Singapore	General Trading
Subsea 7 Treasury (UK) Limited	United Kingdom	Special Purpose
Subsea 7 Vessel Owner AS	Norway	Vessel Owning
Subsea 7 West Africa Contracting Limited	United Kingdom	General Trading
Subsea 7 West Africa S.A.S.	France	General Trading
Swagelining Limited	United Kingdom	General Trading
Tartaruga Insurance Limited	Isle of Man	Special Purpose
Thames International Enterprise Limited	United Kingdom	Special Purpose
Xodus DMCC	United Arab Emirates	General Trading
Xodus Group (Holdings) Limited	United Kingdom	Holding
Xodus Group A/S	Norway	Dormant
Xodus Oil and Gas Consultants (Pty) Limited	South Africa	General Trading

Name	Registered in	Nature of business
Xodus Group B.V.	Norway	General Trading
Xodus Group Consultants Sdn. Bhd	Malaysia	General Trading
Xodus Group Inc	United States	General Trading
Xodus Group Limited	United Kingdom	General Trading
Xodus Group Pty Limited	Australia	General Trading
ZNM Nigeria Limited	Nigeria	Dormant

(a) Wholly-owned subsidiaries directly owned by the parent company, Subsea 7 S.A.

For all entities, the principal place of business is consistent with the place of registration.

All subsidiary undertakings are included in the Consolidated Financial Statements of the Group. The proportion of the voting rights in the subsidiary undertakings held directly by the immediate parent company do not differ from the proportion of shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

Details of the addresses of the registered office of each of the wholly-owned subsidiaries are available on request from Subsea 7 S.A., registered office, 412F, route d'Esch, L-2086 Luxembourg.

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 and amortisation costs including 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 or loss (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 Group. These non-IFRS measures provide management with a meaningful comparative for its business units, as they eliminate the effects of financing, depreciation, amortisation, impairments, taxation and other one-off adjustments to the Consolidated Income Statement. 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 who monitor 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 loss to Adjusted EBITDA and Adjusted EBITDA margin:

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Net operating loss	**(1,033.8)**	(22.9)
Depreciation, amortisation and mobilisation	**442.4**	484.1
Impairment of goodwill	**605.4**	99.9
Impairment of intangible assets	**9.2**	–
Impairment of property, plant and equipment	**282.0**	69.5
Impairment of right-of-use assets	**31.9**	–
Adjusted EBITDA	**337.1**	630.6
Revenue	**3,466.4**	3,656.6
Adjusted EBITDA %	**9.7%**	17.2%

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

For the year ended (in $ millions)	**2020 31 Dec**	2019 31 Dec
Net loss	**(1,105.2)**	(82.4)
Depreciation, amortisation and mobilisation	**442.4**	484.1
Impairment of goodwill	**605.4**	99.9
Impairment of intangible assets	**9.2**	–
Impairment of property, plant and equipment	**282.0**	69.5
Impairment of right-of-use assets	**31.9**	–
Finance income	**(4.8)**	(13.2)
Other gains and losses	**18.3**	17.9
Finance costs	**24.6**	25.3
Taxation	**33.3**	29.5
Adjusted EBITDA	**337.1**	630.6
Revenue	**3,466.4**	3,656.6
Adjusted EBITDA %	**9.7%**	17.2%

SUBSEA 7 S.A. FINANCIAL STATEMENTS AND REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ FOR YEAR ENDED 31 DECEMBER 2020

412F, route d'Esch
L-2086
Luxembourg
R.C.S. Luxembourg No. B43172

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the Shareholders of

Subsea 7 S.A.

412F, route d'Esch

L-2086 Luxembourg

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Subsea 7 S.A. (the 'Company') included in page 141 to page 148, which comprise the Balance Sheet at 31 December 2020, the Profit and Loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the 'Law of 23 July 2016') and with International Standards on Auditing ('SAs') as adopted for Luxembourg by the 'Commission de Surveillance du Secteur Financier' ('CSSF'). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the 'Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements' section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Accountants, including international independence standards, issued by the International Ethics Standards Boards for Accountants ('IESBA Code') as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter:	Impairment of investments in affiliated undertakings
Description of key audit matter:	Subsea 7 S.A., as ultimate parent of the Group, holds shares in affiliated undertakings Acergy Holdings (Gibraltar) Limited, Subsea 7 International Holdings (UK) Limited and Subsea 7 (UK Service Company) Limited amounting to an aggregate of $1,673.2 million at 31 December 2020 as disclosed in Note 3 'Financial assets' to the Annual Accounts. A value adjustment of $21.0 million was recognised during the year. As stated in Note 2 'Significant accounting policies' to the Annual Accounts, the Company performs an annual review of the carrying amounts of individual investments with any resulting impairments reflected in the profit and loss account in the relevant period. If an impairment indicator is identified, the estimated recoverable amount of the investment is prepared. The estimated recoverable amount is calculated as the higher of the value-in-use or fair value less costs of disposal. The outcome of the impairment review could vary significantly if different assumptions were applied in the valuation model. The key factors are: • the future EBITDA assumptions taken from the Group's most recent budgets and plans for the next five years (the 'Plan'); • the long-term growth rate used beyond the period covered by the Plan; • the pre-tax discount rate applied to future cash flows. Impairment of investments in affiliated undertakings is considered a key audit matter because of the significant judgement involved regarding the assessment of their recoverable amount.

Key audit matter:	Impairment of investments in affiliated undertakings
Our response:	Our audit procedures in relation to the valuation of the investments in affiliated undertakings included, among others: We assessed management's impairment testing by obtaining the supporting model and assessing the methodology and key assumptions made: • Future EBITDA forecasts – we evaluated management's EBITDA forecasts and tested the underlying values used in the calculations by comparing management's forecast to the latest management approved five-year Plan. We assessed the actual performance in the year against the budgets prepared in the prior year to evaluate historical forecasting accuracy; • Long-term growth rate – we compared the rates applied by management to available externally developed rates; • Pre-tax discount rates – we involved our valuations specialists in our evaluation of the discount rate to consider the appropriateness of the rates used; and • Net assets – we agreed the net assets to the financial records of the respective companies. We compared the carrying amount of the investments to their recoverable amount in order to assess whether an impairment or reversal of previously recognised impairments exists. We assessed the adequacy and appropriateness of the disclosures in Note 2 'Significant accounting policies' and Note 3 'Financial assets' of the Annual Accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report on page 58 and the accompanying corporate governance statement from pages 42 to 51 but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 7 April 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

The Management Report on page 58 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying corporate governance statement on pages 42 to 51 is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Other matter

The corporate governance statement includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire
Luxembourg, 24 February 2021

SUBSEA 7 S.A. BALANCE SHEET

At ($ in millions)	Notes	**2020 31 Dec**	2019 31 Dec
Assets			
Fixed assets			
Financial assets			
Shares in affiliated undertakings	3	**1,673.2**	1,694.2
Current assets			
Other debtors			
becoming due and payable within one year		**0.2**	0.2
Investments			
Own shares	6	**16.9**	13.9
Cash at bank and in hand		**–**	–
Prepayments		**0.2**	0.1
Total assets		**1,690.5**	1,708.4
Capital, reserves and liabilities			
Capital and reserves			
Subscribed capital	4	**600.0**	600.0
Share premium account	4	**746.6**	749.6
Reserves			
Legal reserve	4, 5	**60.0**	65.5
Reserve for own shares	4, 6	**16.9**	13.9
Profit or (loss) brought forward	4	**178.7**	112.5
Profit or (loss) for the financial year	4	**(0.3)**	60.7
Total capital and reserves		**1,601.9**	1,602.2
Creditors			
Amounts owed to affiliated undertakings			
becoming due and payable within one year	7	**88.1**	105.8
Other creditors			
Tax authorities		**0.3**	0.1
Other creditors			
becoming due and payable within one year		**0.2**	0.3
Total liabilities		**88.6**	106.2
Total capital, reserves and liabilities		**1,690.5**	1,708.4

The accompanying notes on pages 143 to 148 form an integral part of the Financial Statements for Subsea 7 S.A.

SUBSEA 7 S.A. PROFIT AND LOSS ACCOUNT

For the year ended ($ in millions)	Notes	**2020 31 Dec**	2019 31 Dec
Other operating income	8	**42.1**	40.0
Raw materials and consumables and other external expenses			
Other external expenses	10	**(0.9)**	(1.0)
Staff costs			
Wages and salaries		**(0.1)**	(0.1)
Other operating expenses	11	**(17.5)**	(26.9)
Income from participating interests			
derived from affiliated undertakings	12	**8.0**	585.0
Other interest receivable and similar income			
derived from affiliated undertakings	13	**0.6**	9.7
other interest and similar income		**–**	0.7
Value adjustments			
in respect of financial assets and of investments held as current assets	3, 6	**(27.8)**	(539.3)
Interest payable and similar expenses			
concerning affiliated undertakings	7	**(4.4)**	(7.4)
Other taxes		**(0.3)**	–
Profit or (loss) for the financial year		**(0.3)**	60.7

The accompanying notes on pages 143 to 148 form an integral part of the Financial Statements for Subsea 7 S.A.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION

Subsea 7 S.A. (the Company) is a holding company which was incorporated under the laws of Luxembourg on 10 March 1993. The Company has been incorporated for an unlimited period of time. The Subsea 7 S.A. Group (the Group) consists of Subsea 7 S.A. and its affiliated undertakings at 31 December 2020.

The objects of the Company are to invest in affiliated undertakings which provide subsea construction, maintenance, inspection, survey and engineering services, predominantly for the offshore oil and gas, renewable energy, heavy lifting and related industries. More generally, the Company is authorised to participate in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or any other means of all shares, stocks, debentures, bonds or securities; and the acquisition of patents and licences it will administer and exploit. The Company is authorised to lend or borrow with or without security, provided that any monies so borrowed may only be used for the purpose of the Company, or companies which are affiliated undertakings of, or associated with the Company; in general it is authorised to undertake any operations directly or indirectly connected with these objects.

The Company also prepares Consolidated Financial Statements in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union; these are shown on pages 67 to 135 and are also available at the registered office of the Company or on www.subsea7.com.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements were prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002 as amended, determined and applied by the Board of Directors of the Company. The Company maintains its accounting records and presents its Financial Statements in US Dollars ($). Significant accounting policies are as follows:

2.1 Financial assets

Shares in affiliated undertakings are stated at cost less any accumulated impairment in value. An annual review of the carrying amount is performed on an individual investment basis with resulting impairments or reversals of impairment reflected in the Profit and Loss account in the relevant period. Earnings in investee companies are recognised when, and to the extent that, dividends are received from affiliated undertakings and participating interests.

2.2 Own shares

Own shares are initially measured at acquisition cost and recognised as an asset with a corresponding non-distributable reserve created from share premium. Own shares are subsequently remeasured at the lower of cost or market value using the FIFO (First In First Out) method. They are subject to value adjustments where their recovery is compromised. These value adjustments are reversed when the reasons for which the value adjustments were made have ceased to apply.

2.3 Translation of foreign currencies

The Company maintains its accounts in US Dollars; this is the currency in which its capital is expressed and the Financial Statements are prepared. Amounts in foreign currencies are translated into US Dollars on the following basis:

- formation expenses, the cost of acquisition of intangible, tangible and financial fixed assets denominated in a currency other than US Dollars are translated at historical exchange rates;
- all other assets denominated in a currency other than US Dollars are valued individually at the lower of their values translated into US Dollars at their historical exchange rate or exchange rate prevailing at the balance sheet date;
- all liabilities denominated in a currency other than US Dollars are valued individually at the higher of their values translated at historical exchange rate or exchange rate prevailing at the balance sheet date; and
- revenue and expenses denominated in a currency other than US Dollars are translated into US Dollars at the exchange rates applicable on the day on which they are collected or disbursed.

Only realised foreign exchange gains and losses and unrealised foreign exchange losses are recognised in the Profit and Loss account.

2.4 Share-based payments

Awards made under the Group's Long-term Incentive Plans, in the form of equity-settled share-based payments, are satisfied by the Company on behalf of its affiliated undertakings. The costs associated with these awards are recognised on the date of issuance and recorded in the Profit and Loss account as an adjustment to the value of own shares.

2.5 Parent company guarantees

The Company issues parent company guarantees (PCGs) to third parties on behalf of its direct and indirect affiliated undertakings where requested. The Company receives a fee in respect of the PCGs issued, which is recorded as other operating income within the Profit and Loss account. This income is recognised on a straight-line basis over the period of the guarantee.

2.6 Interest payable and receivable

Amounts owed to and owed by affiliated undertakings bear interest at commercial rates.

2.7 Other debtors

Other debtors are recognised initially at nominal amount. Provision for value adjustment is made when there is objective evidence that the Company may not be able to collect all of the amounts due. Bad debts are written off where necessary.

2.8 Amounts owed to affiliated undertakings and other creditors

Amounts owed to affiliated undertakings and other creditors are stated at nominal amount.

3. FINANCIAL ASSETS

($ in millions)	Shares in affiliated undertakings
Cost	
At 31 December 2019	3,386.9
At 31 December 2020	**3,386.9**
Accumulated value adjustments	
At 31 December 2019	(1,692.7)
Value adjustments for the year	(21.0)
At 31 December 2020	**(1,713.7)**
Carrying amount	
At 31 December 2019	1,694.2
At 31 December 2020	**1,673.2**

A review of the carrying amount of the financial assets was performed at 31 December 2020 which resulted in a value adjustment of $21.0 million being recognised in the Company's shares held in Acergy Holdings (Gibraltar) Limited (2019: $544.7 million).

Shares in affiliated undertakings

		Percentage held		Carrying amount ($ in millions)	
Name of company	Registered in	**2020**	2019	**2020**	2019
Acergy Holdings (Gibraltar) Limited	Gibraltar	**100%**	100%	**91.8**	112.8
Subsea 7 International Holdings (UK) Limited	UK	**100%**	100%	**1,501.5**	1,501.5
Subsea 7 (UK Service Company) Limited	UK	**100%**	100%	**79.9**	79.9
Total shares in affiliated undertakings				**1,673.2**	1,694.2

The capital, reserves and profit and loss of the affiliated undertakings of the Company are included within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. as shown on page 133 to page 135, and the Company has applied the exemption, in accordance with article 67.3b of the law of 19 December 2002, to not disclose this information.

4. CAPITAL AND RESERVES

($ in millions)	Subscribed capital	Share premium account	Legal reserve	Reserve for own shares	Profit or (loss) brought forward	Profit or (loss) for the financial year	Total
Balance at 1 January 2019	654.7	1,004.6	65.5	79.7	(14.6)	127.1	1,917.0
Allocation of the result	–	–	–	–	127.1	(127.1)	–
Dividend paid	–	(54.6)	–	–	–	–	(54.6)
Cancellation of shares	(54.7)	(266.2)	–	–	–	–	(320.9)
Net movement of own shares	–	65.8	–	(65.8)	–	–	–
Profit for the financial year	–	–	–	–	–	60.7	60.7
Balance at 31 December 2019	600.0	749.6	65.5	13.9	112.5	60.7	1,602.2
Allocation of the result	–	–	–	–	60.7	(60.7)	–
Release of legal reserve	–	–	(5.5)	–	5.5	–	–
Net movement of own shares	–	(3.0)	–	3.0	–	–	–
Loss for the financial year	–	–	–	–	–	(0.3)	(0.3)
Balance at 31 December 2020	**600.0**	**746.6**	**60.0**	**16.9**	**178.7**	**(0.3)**	**1,601.9**

At 31 December 2020, the authorised share capital comprised 450,000,000 $2.00 common shares (2019: 450,000,000 $2.00 common shares) and the subscribed capital comprised 300,000,000 $2.00 common shares (2019: 300,000,000 $2.00 common shares).
No dividends were declared or paid during the year (2019: $54.6 million).

During the year ended 31 December 2020, the increase in the reserve for own shares of $3.0 million reflected share repurchases at a cost of $9.8 million partly offset by reallocations relating to share-based payments of $6.0 million and a downward value adjustment of $0.8 million.

5. LEGAL RESERVE

Luxembourg law requires that 5% of the Company's unconsolidated net income is allocated to a legal reserve annually, prior to declaration of dividends. This requirement continues until the reserve is 10% of its issued share capital at nominal value, after which no further allocations are required until further issuance of shares. The legal reserve may also be satisfied by allocation of the required amount at the issuance of shares or by a transfer from share premium. The legal reserve is not distributable. The legal reserve for all issued common shares has been satisfied and appropriate allocations are made to the legal reserve account at the time of each issuance of new shares.

Following a reduction in subscribed capital in 2019, the shareholders of the Company's approved a reduction of the legal reserve of $5.5 million at the Annual General Meeting held on 7 April 2020.

6. RESERVE FOR OWN SHARES

	2020 Number of shares	**2020 in $ millions**	2019 Number of shares	2019 in $ millions
At year beginning	**1,212,860**	**13.9**	8,240,024	79.7
Shares repurchased	**1,627,968**	**9.8**	21,056,838	249.7
Shares cancelled	**–**	**–**	(27,367,111)	(320.9)
Reversal of value adjustment on shares reallocated/cancelled	**–**	**–**	–	14.0
Shares reallocated relating to share-based payments	**(514,145)**	**(6.0)**	(716,891)	(8.5)
Value adjustment in year	**–**	**(0.8)**	–	(0.1)
Balance at year end	**2,326,683**	**16.9**	1,212,860	13.9

At 31 December 2020, the Company directly held 2,326,683 (2019: 1,212,860) own shares with a total nominal value of $4.7 million (2019: $2.4 million), representing 0.78% (2019: 0.40%) of the total number of issued shares.

During the year ended 31 December 2020, 514,145 (2019: 716,891) shares representing 0.17% (2019: 0.24%) of the total number of issued shares were reallocated for $nil consideration to employees of the Subsea 7 Group to satisfy share awards under the 2013 Long-term Incentive Plan.

During the year ended 31 December 2020, the Company recognised a value adjustment of $6.0 million (2019: $8.5 million) related to own shares used for settlement of Long-term Incentive Plans.

A review of the carrying amount of own shares was performed at 31 December 2020; this resulted in a value adjustment of $0.8 million (2019: $0.1 million) being recognised.

7. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

Becoming due and payable within one year

At ($ in millions)	**2020 31 Dec**	2019 31 Dec
Amounts owed to affiliated undertakings	**88.1**	105.8

Amounts owed to affiliated undertakings were mainly related to amounts due to Subsea 7 Treasury (UK) Limited under a short-term working capital facility. During the year ended 31 December 2020, interest costs of $4.4 million were recognised by the Company (2019: $7.4 million).

8. OTHER OPERATING INCOME

At ($ in millions)	**2020 31 Dec**	2019 31 Dec
Parent company guarantee income	**42.1**	40.0

9. COMMITMENTS AND GUARANTEES

The Company arranges bank guarantees, which collectively refer to bank guarantees, performance bonds, tendering bonds, advance payment bonds, guarantees or standby letters of credit in respect of the performance obligations certain of its affiliated undertakings have to their clients.

Facilities

The multi-currency revolving credit and guarantee facility

The Group has a $656 million multi-currency revolving credit and guarantee facility. During 2020, the Group extended the maturity date of this facility from 2 September 2021 to 4 September 2023. The facility is available in a combination of guarantees, up to a limit of $200 million, and cash drawings, or in full for cash drawings. The facility is guaranteed by the Company and Subsea 7 Finance (UK) PLC, a wholly-owned subsidiary of the Group. The facility was unutilised at 31 December 2020.

The Export Credit Agency (ECA) senior secured facility

In July 2015 the Group entered into a $357 million senior term loan facility secured on two vessels owned by the Group. The facility is provided 90% by an Export Credit Agency (ECA) and 10% by two banks and is available for general corporate purposes. The ECA tranche has a 12-year maturity and a 12-year amortising profile. The bank tranche has a five-year maturity and a 15-year amortising profile, which commenced April 2017. If the bank tranche is not refinanced satisfactorily after five years then the ECA tranche also becomes due. The facility is guaranteed by the Company and Subsea 7 Finance (UK) PLC. At 31 December 2020, the amount outstanding under the facility was $209.0 million (2019: $233.6 million).

Euro Commercial Paper Programme

During April 2020 the Group finalised a Euro Commercial Paper Programme equivalent to $800 million. Under the programme, the Group has the ability to access short-term financing through commercial paper dealers. The programme, which matures on 23 March 2021, is available for general corporate purposes, with certain limitations. The facility is guaranteed by the Company and Subsea 7 Finance (UK) PLC and was unutilised at 31 December 2020. The Group does not intend to utilise this programme concurrently with the multi-currency revolving credit and guarantee facility.

Other facilities

In addition to the above there are a number of uncommitted, unsecured bi-lateral guarantee arrangements in place in order to provide specific geographical coverage. The utilisation of these facilities at 31 December 2020 was $1.2 billion (2019: $838.5 million).

Guarantee arrangements with joint ventures

On 27 July 2016 Eidesvik Seven AS, a 50% owned joint venture between Eidesvik Offshore ASA and the Group, drew down NOK 572 million from a NOK 600 million bank loan facility to repay a shareholder loan from the Group. The facility, secured on the vessel, *Seven Viking*, is fully guaranteed by Subsea 7 S.A. with a 50% counter-guarantee from Eidesvik Shipping AS. During January 2021, the maturity date of this facility was extended from 31 January 2021 to 29 April 2021. The outstanding balance at 31 December 2020 was NOK 370 million (equivalent to $42.3 million); (2019: NOK 417 million (equivalent to $46.4 million)).

10. OTHER EXTERNAL EXPENSES

For the year ended ($ in millions)	**2020 31 Dec**	2019 31 Dec
Administrative expenses	**0.8**	0.9
Statutory audit fees	**0.1**	0.1
Total	**0.9**	1.0

11. OTHER OPERATING EXPENSES

For the year ended ($ in millions)	**2020 31 Dec**	2019 31 Dec
Corporate allocation and shareholders' costs	**16.3**	26.1
Other operating expenses	**1.2**	0.8
Total	**17.5**	26.9

12. INCOME FROM PARTICIPATING INTERESTS DERIVED FROM AFFILIATED UNDERTAKINGS

On 18 December 2020, Acergy Holdings (Gibraltar) Limited, a wholly-owned affiliate of the Company, declared a dividend of $8.0 million to be paid to the Company (2019: $585.0 million).

13. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME DERIVED FROM AFFILIATED UNDERTAKINGS

For the year ended ($ in millions)	**2020 31 Dec**	2019 31 Dec
Interest receivable from Subsea 7 International Holdings (UK) Limited	**–**	9.0
Guarantee fee commission receivable from Eidesvik Seven AS	**0.6**	0.7
Total	**0.6**	9.7

14. TAX ON PROFIT OR LOSS

For the year ended 31 December 2020 the Company was fully taxable at an effective rate of 24.94% (2019: 24.94%). After taking account of required book to tax adjustments, the Company recorded a fiscal loss for the year. No benefit has been recorded in respect of those losses due to uncertainty over their future recoverability.

15. SHARE-BASED PAYMENTS

Awards made under the Group's Long-term Incentive Plans, in the form of equity-settled share-based payments, are satisfied by the Company on behalf of its affiliated undertakings. A charge of $6.0 million (2019: $8.5 million) has been recorded under value adjustments in respect of investments held as current assets in relation to the settlement of shared-based compensation.

The most significant share-based schemes operated by the Group are:

2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan (2013 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 28 June 2013. The 2013 LTIP had a five-year term with awards being made annually until 2017.

The 2013 LTIP is an essential component of the Group reward strategy, and was designed to align the interests of participants with those of the Company's shareholders, and enables participants to share in the success of the Group. The 2013 LTIP provides for conditional awards of shares based upon performance conditions over a performance period of at least three years.

Performance conditions are based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions were determined over a three-year period.

During 2020, no initial grants (2019: nil) of conditional awards of shares were made under the terms of the 2013 LTIP. In accordance with the terms of the 2013 LTIP, 514,145 shares (2019: 716,891) were unconditionally reallocated to participants.

2018 Long-term Incentive Plan

The 2018 Long-term Incentive Plan (2018 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 17 April 2018. The 2018 LTIP has a five-year term with awards being made annually. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of that calendar year. The total number of shares that may be delivered pursuant to awards under the plan shall not exceed 11,500,000. Grants are determined by the Compensation Committee of the Subsea 7 S.A. Board of Directors, which is responsible for operating and administering the plan.

The 2018 LTIP is an essential component of the Group's reward strategy and was designed to align the interests of participants with those of Subsea 7's shareholders, and enables participants to share in the success of the Group. The 2018 LTIP provides for conditional awards of shares based upon performance conditions over a performance period of at least three years.

Performance conditions are based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions are determined over a three-year period.

During 2020, initial grants comprising 1,120,000 (2019: 1,387,000) conditional awards of shares were made under the terms of the 2018 LTIP. 728,000 awards are subject to relative TSR performance measures and 392,000 are subject to ROAIC performance measures.

TSR based awards

The Group will have to deliver a TSR ranking above the median for any awards to vest. If the ranked TSR position of the Group during the three-year period, as converted to a percentage, is equal to 50%, 20% of the share award will vest. If the actual ranked TSR position of the Group is greater than 50% and below 90%, the vesting of the share award between 20% and 65% is determined by linear interpolation. The maximum award of 65% would only vest if the Group achieved top decile TSR ranking.

ROAIC based awards

ROAIC will be calculated for each of the three years of the performance period on a quarterly basis. If the average ROAIC achieved by the Group during the performance period is greater than 9% but less than 11%, vesting between 5% and 15% shall be determined by linear interpolation. If the actual ROAIC achieved by the Group during the performance period is greater than 11% but less than 14%, vesting between 15% and 35% shall be determined by linear interpolation. The maximum award of 35% would only vest if the Group achieved average ROAIC of 14% or greater.

Under the terms of the award plan participants are not entitled to receive dividend equivalent payments.

Approximately 100 senior managers and key employees of the Group participate in the LTIP schemes. Individual award caps are in place such that no senior executive or other employee may be granted shares under the 2013 LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary as of the first day of the year of award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

16. STAFF

The average full-time equivalent number of employees of the Company for the year ended 31 December 2020 was one (2019: one).

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under the law of 19 December 2002, Article 65 which does not require the disclosure of transactions with wholly-owned members of the Group.

The Company is an associate of Siem Industries S.A. (formerly Siem Industries Inc.) and is equity accounted for within Siem Industries S.A.'s Consolidated Financial Statements. During the year ended 31 December 2020 payments were made in relation to the services provided by Mr Siem and reimbursement of other support services and costs incurred by Siem Industries S.A. totalling $0.5 million (2019: $0.2 million).

During 2020 the Company rented office accommodation from Siem Europe Properties S.à r.l, a Company ultimately controlled by Siem Industries S.A. Total rental cost was less than $0.1 million (2019: less than $0.1 million).

In addition the Company received guarantee commission for an amount of $0.6 million (2019: $0.7 million) from Eidesvik Seven AS related to the 100% guarantee provided on the NOK 600 million ($68.6 million) bank loan facility.

18. BOARD OF DIRECTORS' EXPENSES

Fees paid to Directors for the year ended 31 December 2020 amounted to $0.6 million (2019: $0.6 million).

19. SUBSEQUENT EVENTS

Dividend

The Board of Directors will recommend to the shareholders at the Annual General Meeting on 14 April 2021 the approval of the allocation of results of the Company to profit or loss brought forward at 1 January 2021 and the payment of a dividend of NOK 2.00 per common share, equivalent to a total dividend of approximately $70 million, marking the Board's confidence in the financial position and outlook for the Group, to be paid from profit or loss brought forward.

Facilities

On 24 February 2021, the Group entered into a $500 million five-year amortising loan facility backed by a $400 million guarantee from UK Export Finance. The Group has a two-year availability period during which to draw on the facility, and the facility has a five-year tenor which commences at the end of the availability period or when the facility is fully drawn, if earlier. The facility can be used for general corporate purposes, including to provide working capital financing for services provided from the UK. The facility is guaranteed by Subsea 7 S.A.

GLOSSARY

4Subsea	4Subsea is a leading provider of technology and services that help operators optimise energy production from subsea oil and gas fields and offshore wind farms. 4Subsea is a wholly-owned autonomous subsidiary of Subsea 7.
Acergy S.A.	The former name of Subsea 7 S.A. prior to the Combination which completed following the close of business on the Oslo Børs on 7 January 2011.
Adjusted EBITDA	Adjusted EBITDA is defined on page 136 in the Consolidated Financial Statements.
AGM	Annual General Meeting
Articles of Incorporation	The articles of incorporation of Subsea 7 S.A.
Backlog	Expected future revenue from in-hand projects only where an award has been formally signed. Backlog awarded to associates and joint ventures is excluded from backlog figures, unless otherwise stated.
Brownfield	Brownfield developments are oil and gas fields where infrastructure is in place.
Balance of plant	Infrastructure and facilities of a wind farm excluding the wind turbine generators
Business management system (BMS)	Our integrated business management system integrates all of Subsea7's systems and processes into one complete framework.
CAPEX	Capital expenditure
Clean Operation	A Clean Operation is any measure beyond a normal operating practice that will save energy.
Combination	The repurchase and cancellation of all of the issued and outstanding ordinary shares in the capital of Subsea 7 Inc., the issue by Subsea 7 Inc. of new ordinary shares to Acergy S.A. (now Subsea 7 S.A.) and the issue of new common shares to the Subsea 7 Inc. shareholders, which took place on 7 January 2011. Under IFRS, the Combination is accounted for as an acquisition.
Company	Subsea 7 S.A.
Consortium	An association with one or more companies with the objective of participating in achieving a common goal.
Conventional	Conventional services include the fabrication, installation, extension, hook-up and refurbishment of fixed and floating platforms in shallow water.

Day-rate contract/project	A contract/project in which the contractor is remunerated by the client at an agreed daily rate (often with agreed escalations for multi-year contracts) for each day of use of the contractor's vessels, equipment, personnel and other resources and services utilised on the contract/project. Such contracts may also include certain lump-sum payments e.g. for activities such as mobilisation and demobilisation of vessels and equipment.
Decommissioning	The taking out of service of production facilities at the end of their economic lives and their removal or partial removal from offshore for recycling and/or disposal onshore.
Dry-dock	A facility for the construction, maintenance, and repair of vessels.
EBITDA	See Adjusted EBITDA
Electrically Heat-Traced Flowline (EHTF)	Electrically Heat-Traced Flowline is a combination of high performance thermal insulation (pipe-in-pipe) with a restive electrical heating system provided by wires laid between the insulation and the flowline, allowing for greater distances of tie-backs.
EPCI/EPIC	Engineering, procurement, construction and installation or engineering, procurement, installation and commissioning
Executive Management Team	The Executive Management Team of Subsea 7 S.A. comprises: the Chief Executive Officer, Chief Financial Officer, Executive Vice President – Subsea and Conventional, Executive Vice President – Renewables, Executive Vice President – Projects and Operations, Executive Vice President – Alliances and Strategy, Executive Vice President – Human Resources, and General Counsel.
Fabrication yard	Strategically positioned shore-based facility to support delivery of offshore projects through fabrication of different types of structures.
FEED	Front-end engineering and design
FID	Final investment decision
Field Development Group	Part of Subsea 7's organisational structure that is responsible for early client engagement, providing field development concepts with a focus on Subsea 7's most appropriate technologies, products, services, standardised offerings and overall solution package.
Flex-lay	A pipelay method for installing flexible pipelines, umbilicals and risers by spooling them from a reel, carousel or basket, bending them over a chute and guiding them onto the seabed.
Flowline	A pipeline carrying oil, gas or water that connects the subsea wellhead to a manifold or to surface production facilities.

Greenfield	Greenfield developments relate to oil and gas fields with no existing installed infrastructure.
Group	Subsea 7 S.A. and its subsidiaries
Heavy lift vessel	An offshore vessel or barge designed to lift objects greater than 1,000 tonnes for subsea construction and topside operations.
Hook-up	The process of making connections from a well to an oil and gas separator and from the separator to either the storage tanks or a flowline.
HR	Human resources
Inner-array cables	Cables that run between the individual wind turbine foundations and substations.
Integrity management	A risk-based service supporting operators of subsea assets in the maintenance of their facilities.
IRM	Inspection, repair and maintenance of subsea infrastructure.
i-Tech 7	The brand that represented Subsea 7's Life of Field business unit. From 1 January 2021, it is reported within the new Subsea and Conventional business unit.
J-lay	A pipelay method consisting of welding lengths of steel pipe on board a pipelay vessel (into double, quadruple or hex joints) and lowering the double/quadruple/hex length of pipeline vertically either through the vessel's moonpool or over the side of the vessel to the seabed, then repeating the process.
Jacket	A steel structure, typically comprised of an x-braced configuration between four steel legs. Jackets are one design of foundation for wind turbine generators.
Life of Field business unit	Our Life of Field business unit provided fully-integrated solutions, engineering services and enabling technologies to protect the integrity and optimise the performance of subsea energy infrastructure, throughout the life of a field, under the i-Tech 7 brand. From 1 January 2021 this business unit has been combined with SURF and Conventional in a new business unit called Subsea and Conventional.
Linerbridge ®	All-polymer lining connector that removes the need for costly Corrosion Resistant Alloy (CRA) welding
Lump-sum contract/ project	A contract/project in which the contractor is remunerated by the client at a fixed price which is deemed to include the contractor's costs, profit and contingency allowances for risks. Any over-run of costs experienced by the contractor arising from, for example, an over-run in schedule due to poor execution or increases in costs of goods and services procured from third parties, unless specifically agreed with the client in the contract/project, is for the contractor's account.
Monopile foundation	A single, cylindrical, steel structure that can be used as a foundation for a wind turbine generator or offshore substation.

OneSubsea ®	OneSubsea is the subsea technologies, production, and processing systems division of Schlumberger.
OPEC	Organization of the Petroleum Exporting Countries
Performance share	Performance shares are awarded under the 2009 and 2013 Long-term Incentive Plans and cover approximately 150 senior employees. These shares vest after at least three years, subject to performance conditions.
Petrobras	Petróleo Brasileiro S.A., more commonly known as Petrobras, is a semi-public Brazilian multinational corporation in the petroleum industry.
Pipe-in-pipe	A pipe-in-pipe product consists of a production pipeline being sleeved into an outer pipe with the annulus being kept dry and filled with a high-performance insulation material delivering enhanced thermal properties.
Pipeline Bundle	A Pipeline Bundle incorporates all the structures, valve work, pipelines and control systems necessary to operate a field in one single pre-assembled product. The finished Pipeline Bundle is transported to its offshore location by the controlled-depth tow method, delivering considerable value and cost savings.
PLSV	Pipelay support vessel
Reel-lay	A pipelay method consisting of the onshore construction of a pipeline which is spooled onto a large vessel-mounted reel, transported to the field and unreeled down to the seabed.
Renewables	Renewables or offshore renewables activity including the design and installation of offshore wind, tidal, wave and other related marine systems.
Renewables and Heavy Lifting business unit	Our Renewables and Heavy Lifting business unit is an experienced partner for the delivery of offshore wind farm projects and specialist heavy lifting and cable lay services, operating under the Seaway 7 brand. From 1 January 2021 this business has been renamed Renewables and will exclude all oil and gas activities.
Riser/riser systems	A pipe through which liquid travels upward from the seabed to a surface production facility. Riser systems fall into two categories: those coupled directly to the host facility, and un-coupled systems which in most cases are connected by flexible jumpers.
ROAIC	Return on Average Invested Capital. A key performance indicator for the Group which is used as a non-market performance measure in the 2013 and 2018 Long-term Incentive Plans.
ROV(s)	Remotely operated vehicle(s)

Schlumberger	Schlumberger Limited is a global oilfield services company and is the parent company of OneSubsea®, with which Subsea 7 is partnered in Subsea Integration Alliance
Seaway 7	The brand that represents the Renewable business unit
S-lay	A pipelay method consisting of continuously welding lengths of steel pipe on board a pipelay vessel and feeding them in a horizontal manner typically over the stern of the vessel on a ramp (stinger) from where the pipe, under its own weight, forms an 'S'-shaped catenary as it is lowered to the seabed.
Spoolbase	A shore-based facility used to facilitate continuous pipelaying for offshore oil and gas production. A spoolbase facility allows the welding of joints of pipe, predominantly steel pipe of 4" to 18" diameter, into predetermined lengths for spooling onto a reel-lay pipelay vessel.
Subsea Integration Alliance	Subsea Integration Alliance is a nonincorporated strategic global alliance between Subsea 7 and OneSubsea®, the subsea technologies, production, and processing systems division of Schlumberger.
Subsea processing facilities	Equipment that is placed on the seabed which is able to process hydrocarbons before entering a topside facility
Subsea production system (SPS)	The equipment placed on the seabed that is connected to subsea pipeline networks and riser systems to produce the reservoir to a host facility.
Subsea 7	Subsea 7 S.A. and its subsidiaries
Subsea 7 Inc.	Subsea 7 Inc. was a company incorporated under the laws of the Cayman Islands registered number MC-115107 with registered offices at Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands.
Subsea 7 S.A.	Subsea 7 S.A. (formerly Acergy S.A.), a company incorporated under the laws of Luxembourg registered with the Registre de Commerce et des Sociétés in Luxembourg under number B 43 172 with a registered office at 412F, route d'Esch, L-2086, Luxembourg.
SURF	Subsea umbilicals, risers and flowlines
SURF and Conventional business unit	From 1 January 2021, our SURF and Conventional business unit has been combined with the Life of Field business unit and renamed Subsea and Conventional. It is a global leader in offshore energy services delivering design, engineering, procurement, construction, installation (EPCI) and decommissioning projects in all water depths, operating under the Subsea 7 brand.

Tie-back	A connection between a new oil and gas discovery and an existing production facility, improving the economics of marginal fields into profitable assets.
Total Shareholder Return	Total Shareholder Return is a measure of the performance of shares. It combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.
T&I	Transport and installation
Umbilical	An assembly of hydraulic hoses, which can also include electrical cables or optic fibres, used to control subsea structures from an offshore platform or a floating vessel.
Values	Subsea 7 has six Values which are embedded at all levels in the organisation and which guide our behaviours: Safety, Integrity, Innovation, Performance, Collaboration and Sustainability.
Variation order	An instruction by the client for a change in the scope of the work to be performed under the contract which may lead to an increase or a decrease in contract revenue based on changes in the specifications or design of an asset and changes in the duration of the contract.
VPS	Verdipapirsentralen, the Norwegian central securities depository
Walk-to-work vessel	A specialised vessel that allows access to wind turbine generators for maintenance and service.
Wind turbine foundation	A base on to which a wind turbine generator is installed.
Wind turbine generator	A wind-driven power generation unit.
Xodus Group	Client-led engineering consultancy that provides engineering and advisory services to clients in the oil and gas, LNG, renewables and utilities industries worldwide. Xodus is a wholly-owned autonomous subsidiary of Subsea 7.

ADDITIONAL INFORMATION

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made in this Report may include ‘forward-looking statements’. These statements relate to our expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words such as ‘anticipate’, ‘believe’, ‘estimate’, ‘expect’, ‘intend’, ‘may’, ‘plan’, ‘project’, ‘should’, ‘will’, ‘seek’, and similar expressions.

The forward-looking statements that we make reflect our current views and assumptions with respect to future events and are subject to risks and uncertainties. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, including those discussed in this Report under ‘Risk Management’, ‘Financial Review’ and the quantitative and qualitative information disclosures about market risk contained in Note 32 ‘Financial instruments’ to the Consolidated Financial Statements.

The following factors are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: (i) our ability to deliver fixed price projects in accordance with client expectations and within the parameters of our bids, and to avoid cost overruns; (ii) our ability to collect receivables, negotiate variation orders and collect the related revenue; (iii) our ability to recover costs on significant projects; (iv) capital expenditure by oil and gas companies, which is affected by fluctuations in the price of, and demand for, crude oil and natural gas; (v) unanticipated delays or cancellation of projects included in our backlog; (vi) competition and price fluctuations in the markets and businesses in which we operate; (vii) the loss of, or deterioration in our relationship with, any significant clients; (viii) the outcome of legal proceedings or governmental inquiries; (ix) uncertainties inherent in operating internationally, including economic, political and social instability, boycotts or embargoes, labour unrest, changes in foreign governmental regulations, corruption and currency fluctuations; (x) the effects of a pandemic or epidemic or a natural disaster; (xi) liability to third parties for the failure of our joint venture partners to fulfil their obligations; (xii) changes in, or our failure to comply with, applicable laws and regulations (including regulatory measures addressing climate change); (xiii) operating hazards, including spills, environmental damage, personal or property damage and business interruptions caused by adverse weather; (xiv) equipment or mechanical failures, which could increase costs, impair revenue and result in penalties for failure to meet project completion requirements; (xv) the timely delivery of vessels on order and the timely completion of ship conversion programmes; (xvi) our ability to keep pace with technological changes and the impact of potential information technology, cyber security or data security breaches; and (xvii) the effectiveness of our disclosure controls and procedures and internal control over financial reporting.

Many of these factors are beyond our ability to control or predict. Given these uncertainties, you should not place undue reliance on the forward- looking statements. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Investor relations and press enquiries

Shareholders, securities analysts, portfolio managers, representatives of financial institutions and the press may contact:

Investor Relations

Email: ir@subsea7.com
Telephone: +44 20 8210 5568

Financial information

Copies of Stock Exchange announcements (including the Group's quarterly and semi-annual results announcements and the Group's Annual Report and Consolidated Financial Statements) are available on the Group's website www.subsea7.com.

Any shareholder requiring a printed copy of the Group's Annual Report and Consolidated Financial Statements or the Company's Financial Statements can request these via the website www.subsea7.com.

Stock listings

Common shares – Traded on Oslo Børs under the symbol SUBC – www.oslobors.no.
ISIN: LU0075646355
LEI: 222100AIF0CBCY80AH62

Registrar – Common Shares

Registrar for the shares of Subsea 7 S.A., recorded in the Norwegian Central Securities Depository (Verdipapirsentralen – the 'VPS').

DNB Bank ASA
Postboks 1600 Sentrum
NO-0021 Oslo, Norway
Telephone: +47 23 26 80 16
Email: sten.sundby@dnb.no

Depository Bank – ADRs

Subsea 7 S.A. has a sponsored Level 1 ADR facility, for which Deutsche Bank Trust Company Americas acts as depository. Each ADR represents one common share of the Company. The ADRs are quoted over-the-counter ('OTC') in the US under the ticker symbol SUBCY.

For enquiries, beneficial ADR holders may contact the broker service of Deutsche Bank Trust Company Americas.

American Stock Transfer & Trust Company LLC
6201 15th Avenue Brooklyn,
NY 11219 US
Toll free: +1 866 249 2593 (toll free for US residents only)
Direct dial: +1 718 921 8137
E-mail: db@astfinancial.com

Further information is also available at: www.adr.db.com.

Financial calendar

Subsea 7 S.A. intends to publish its quarterly financial results for 2021 on the following dates:

Q1 2021 Results	29 April 2021
Q2 and H1 2021 Results	28 July 2021
Q3 2021 Results	17 November 2021
Q4 and FY 2021 Results	3 March 2022

2021 Annual General Meeting and Extraordinary General Meeting

14 April 2021 at 15.00 CET
412F, route d'Esch
L-2086 Luxembourg

Registered office
412F, route d'Esch
L-2086 Luxembourg

Website

www.subsea7.com

Subsea 7 is a global leader in the delivery of offshore projects and services for the evolving energy industry, creating sustainable value by being the industry's partner and employer of choice in delivering the efficient offshore solutions the world needs.

Subsea 7 is listed on the Oslo Børs (SUBC), ISIN LU0075646355, LEI 222100AIF0CBCY80AH62. Registered office: 412F Route d'Esch, L-2086 Luxembourg

Website: www.subsea7.com

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