FINANCIAL REVIEW

Management Report for Subsea7 Group (the Group)

Financial highlights

At a glance

- Full year Adjusted EBITDA of $1,090 million, up 53% on the prior year, equating to a margin of 16%
- Net income of $217 million compared to $10 million in 2023
- Robust free cash flow of $583 million
- Order intake of $8.2 billion, a book-to-bill ratio of 1.2
- A high-quality backlog of $11.2 billion at year end implies over 80% visibility on 2025 revenue guidance and supports the outlook for Adjusted EBITDA margin expansion to 18 to 20%
- Dividend of approximately $350 million proposed, subject to shareholder approval, for payment in two equal instalments in 2025

In $ millions, except Adjusted EBITDA margin and per share data	**2024 31 Dec**	2023 31 Dec
Revenue	**6,837**	5,974
Adjusted EBITDA[(a)]	**1,090**	714
Adjusted EBITDA margin[(a)]	**16%**	12%
Net operating income	**446**	105
Net income	**217**	10
Earnings per share – in $ per share		
Basic	**0.68**	0.05
Diluted[(b)]	**0.67**	0.05

At (in $ millions)	**2024 31 Dec**	2023 31 Dec
Backlog[(a)]	**11,175**	10,587
Book-to-bill ratio[(a)]	**1.2x**	1.2x
Cash and cash equivalents	**575**	751
Borrowings	**(722)**	(845)
Net debt excluding lease liabilities[(a)]	**(147)**	(94)
Net debt including lease liabilities[(a)]	**(602)**	(552)

(a) For explanations and reconciliations of Adjusted EBITDA, Adjusted EBITDA margin, Backlog, Book-to-bill ratio and Net debt refer to the 'Alternative Performance Measures' section on page 203.
(b) For the explanation and a reconciliation of diluted earnings per share refer to Note 11 'Earnings per share' to the Consolidated Financial Statements.

2024 Summary

The Group delivered solid results as the upcycles in the subsea and offshore wind industries gathered pace. Revenue and Adjusted EBITDA in the Subsea and Conventional business unit increased significantly driven by the shift in mix towards projects awarded in a more favourable commercial environment.

The Group recorded order intake of over $8 billion, which equated to a book-to-bill of 1.2 times. Order intake was the highest since 2013, resulting in a backlog of over $11 billion at year end.

In 2024, revenue was $6.8 billion, net operating income was $446 million and Adjusted EBITDA was $1,090 million, driven by higher revenues and margin expansion within both the Subsea and Conventional and Renewables business units. After taxation of $152 million, equating to an effective tax rate of 41%, net income was $217 million in 2024.

Net cash generated from operating activities was $931 million and free cash flow was $583 million after capital expenditure of $349 million. At 31 December 2024, the Group held cash and cash equivalents of $575 million and net debt including lease liabilities was $602 million. At year end the Group had liquidity of around $1.3 billion with $758 million of undrawn borrowing facilities.

During the year the Company paid dividends of $163 million, equivalent to NOK 6.00 per share and repurchased 5.2 million shares for a cost of $87 million, leading to returns to shareholders of $250 million.

Commitment to shareholder returns

At the Annual General Meeting on 8 May 2025, the Board of Directors will propose that shareholders approve a cash dividend of NOK 13.00 per share, equating to approximately $350 million, payable in two equal instalments in May and November 2025. This represents a year-on-year increase of 40% in returns to shareholders and is equivalent to an approximate yield of 7% related to the cash dividend.

Outlook

Management anticipates that revenue in 2025 will be between $6.8 billion and $7.2 billion, while the Adjusted EBITDA margin is expected to be within a range from 18% to 20%. Management continues to expect margins to exceed 20% in 2026, based upon the Group's firm backlog of contracts and the prospects in the tendering pipeline.

Driven by structural factors including economic development and energy security, the outlook for long-term energy demand growth remains positive. Subsea7's exposure to both the hydrocarbon and renewable sectors leaves the Group well placed to benefit from this structural energy trend. Subsea7's focus on late-cycle, long-duration developments adds resilience to the Group's strategy, while the Group's track record for project execution and strong balance sheet support a market-leading position that benefits the Group, its customers and shareholders.

Income statement

Revenue

Revenue for the year ended 31 December 2024 was $6.8 billion, an increase of $863 million or 14% compared to the prior year. The increase was mainly due to increased activity in the Subsea and Conventional and Renewables business units with strong demand for the Group's services.

Adjusted EBITDA

Adjusted EBITDA was $1,090 million, an increase of $376 million or 53% compared to 2023, resulting in an Adjusted EBITDA margin of 16% compared to 12% in the prior year. The year-on-year increase was driven by higher activity levels and the execution of projects awarded at improved margins in both the Subsea and Conventional and Renewables business units.

Net operating income

Net operating income was $446 million compared to $105 million in the prior year. The increase in net operating income was driven by:

- net operating income of $404 million in the Subsea and Conventional business unit compared to $196 million in the prior year. The year-on-year increase in profitability was mainly driven by high activity levels and the execution of projects awarded at improved margins; and
- net operating income of $53 million in the Renewables business unit compared to net operating loss of $74 million in the prior year. The year-on-year increase reflected higher activity levels and non-cash impairment charges of $17 million recognised in 2024, compared to non-cash impairment charges of $73 million in 2023.

Net income

Net income was $217 million compared to $10 million in the prior year. The year-on-year improvement of $207 million was mainly driven by:

- an increase in net operating income of $341 million

partly offset by:

- net loss within other gains and losses of $1 million, driven by losses on foreign exchange largely offset by gains on non-cash foreign exchange, compared to a net gain of $21 million in the prior year, mainly driven by non-cash foreign exchange gains;
- finance costs of $101 million for the year ended 31 December 2024, which reflected higher levels of borrowings, compared with finance costs of $71 million in the prior year; and
- taxation of $152 million, equivalent to an effective tax rate of 41%, compared to taxation of $70 million in 2023.

Earnings per share

Diluted earnings per share was $0.67 compared to $0.05 in 2023, calculated using a weighted average number of shares of 300 million and 299 million, respectively.

Business unit highlights

For the year ended 31 December 2024

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	**4,815.1**	**1,190.8**	**16.8**	**6,022.7**
Day-rate projects	**684.9**	**41.6**	**87.8**	**814.3**
	5,500.0	**1,232.4**	**104.6**	**6,837.0**
Net operating income/(loss)	**403.5**	**53.4**	**(11.4)**	**445.5**
Finance income				**24.4**
Other gains and losses				**(0.5)**
Finance costs				**(101.2)**
Income before taxes				**368.2**
Adjusted EBITDA[a]	***897.3***	***185.0***	***7.8***	***1,090.1***
Adjusted EBITDA margin[a]	***16.3%***	***15.0%***	***7.5%***	***15.9%***

For the year ended 31 December 2023

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Fixed-price projects	4,171.1	951.6	16.7	5,139.4
Day-rate projects	748.0	3.5	82.8	834.3
	4,919.1	955.1	99.5	5,973.7
Net operating income/(loss)	196.2	(73.9)	(17.6)	104.7
Finance income				25.2
Other gains and losses				21.3
Finance costs				(71.2)
Income before taxes				80.0
Adjusted EBITDA[a]	*612.4*	*102.5*	*(0.5)*	*714.4*
Adjusted EBITDA margin[a]	*12.4%*	*10.7%*	*(0.5%)*	*12.0%*

(a) Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to the 'Alternative Performance Measures' section on page 203.

Business unit highlights

Subsea and Conventional

Revenue for the year ended 31 December 2024 was $5.5 billion, an increase of $581 million or 12% compared to the prior year.

During the year: Marjan 2 (Saudi Arabia); Sangomar (Senegal); Gas-to-Energy (Guyana); Sanha Lean Gas (Angola); BJP Salema (Brazil); Northern Lights and Tyrving (Norway) neared completion. Work progressed on Agogo (Angola); Barossa (Australia); Salamanca (US); Raven (Egypt); Sakarya Phase 2a (Türkiye); Yggdrasil (Norway) and CRPO 80/81 (Saudi Arabia).

In Brazil, there were high levels of utilisation of the PLSVs and work progressed on Bacalhau, Mero 3&4, Búzios 8 and Búzios 9.

Net operating income was $404 million compared to $196 million in the prior year. The year-on-year increase reflected high activity levels, the execution of projects awarded at improved margins and the Group's share of net income in its associate, OneSubsea, of $36 million compared to $8 million in the prior year.

Renewables

Revenue for the year ended 31 December 2024 was $1.2 billion, an increase of $277 million or 29% compared to the prior year.

During the year: Dogger Bank B and Moray West (UK); and Yunlin and Zhong Neng (Taiwan) neared completion. Work progressed on East Anglia THREE and Dogger Bank C (UK); Revolution (US) and Hai Long (Taiwan).

Net operating income was $53 million compared to net operating loss of $74 million in the prior year. The year-on-year increase reflected higher activity levels and non-cash impairment charges of $17 million recognised in 2024, compared to non-cash impairment charges of $73 million in 2023.

Corporate
Revenue, which was mainly driven by the Group's autonomous wholly-owned subsidiaries Xodus and 4Subsea, was $105 million, compared to $100 million in the prior year. Net operating loss was $11 million compared with net operating loss of $18 million in the prior year.

Vessel utilisation and fleet
Vessel utilisation for the year ended 31 December 2024 was 86% compared with 77% for the prior year. At 31 December 2024, there were 41 vessels in the Group's fleet, including 12 chartered vessels.

Backlog
At 31 December 2024 backlog was $11.2 billion compared to $10.6 billion at 31 December 2023. Order intake was $8.2 billion representing a book-to-bill ratio of 1.2 times. Order intake included new awards of $6.7 billion, escalations of $1.5 billion and an unfavourable foreign exchange impact of approximately $750 million.

$9.1 billion of the backlog at 31 December 2024 related to the Subsea and Conventional business unit (which included approximately $1.4 billion related to long-term day-rate contracts for PLSVs in Brazil) and $2.1 billion related to the Renewables business unit. $5.8 billion of the backlog is expected to be executed in 2025, $3.4 billion in 2026 and $2.0 billion in 2027 and thereafter. Backlog related to associates and joint ventures is excluded from these amounts.

Cash flow

Cash flow statement
Cash and cash equivalents were $575 million at 31 December 2024, a decrease of $176 million in the year. The movement in cash and cash equivalents was mainly attributable to:

- net cash generated from operating activities of $931 million, which included a favourable movement of $56 million in net working capital

more than offset by:

- net cash used in investing activities of $414 million, comprising $349 million related to purchases of property, plant and equipment and intangible assets, $153 million in relation to the final instalment for the Group's investment in its associate, OneSubsea, partly offset by $60 million related to vessel disposal proceeds; and
- net cash used in financing activities of $680 million, which included payments related to lease liabilities of $223 million, $163 million related to dividends paid to the shareholders of the parent company, scheduled repayments of borrowings of $125 million and share repurchases of $87 million.

Free cash flow
During the year, the Group generated free cash flow of $583 million (2023: $79 million) which is defined as net cash generated from operating activities of $931 million (2023: $660 million) less purchases of property, plant and equipment and intangible assets of $349 million (2023: $581 million).

Balance sheet

Non-current assets
At 31 December 2024, non-current assets were $5.2 billion (31 December 2023: $5.2 billion). The decrease of $24 million was largely driven by a decrease in property, plant and equipment of $109 million partly offset by an increase in deferred tax assets of $43 million and an increase in derivative financial instruments of $33 million.

Non-current liabilities
At 31 December 2024, total non-current liabilities were $1.0 billion (31 December 2023: $1.1 billion). The decrease of $171 million was largely driven by $139 million reclassified to current borrowings in line with repayment schedules and a decrease in non-current lease liabilities of $59 million.

Net current assets
At 31 December 2024, current assets were $2.5 billion (31 December 2023: $2.9 billion) and current liabilities were $2.4 billion (31 December 2023: $2.6 billion), resulting in net current assets of $40 million (31 December 2023: $249 million). The decrease of $209 million in the year was largely driven by:

- decrease in trade and other receivables of $258 million;
- decrease in cash and cash equivalents of $176 million; and
- increase in current lease liabilities of $56 million

partly offset by:

- decrease in trade and other liabilities of $255 million; and
- increase in construction contract assets of $82 million.

Equity
At 31 December 2024, total equity was $4.3 billion (31 December 2023: $4.4 billion). The movement of $62 million was largely driven by dividends paid of $163 million and share repurchases of $87 million partly offset by net income of $217 million.

Borrowings, lease liabilities, net cash/(debt) and liquidity

Borrowings

At 31 December 2024, total borrowings were $722 million (31 December 2023: $845 million). The decrease of $123 million was largely driven by scheduled repayments of $125 million.

A summary of the borrowing facilities available at 31 December 2024 is as follows:

(in $ millions)	Total facility	Drawn[(a)]	Undrawn	Maturity Date
Multi-currency revolving credit and guarantee facility	600.0	–	600.0	June 2029[(b)]
2021 UK Export Finance (UKEF 2021) facility	325.0	(325.0)	–	February 2028
2023 UK Export Finance (UKEF 2023) facility	450.0	(292.4)	157.6	July 2030
South Korean Export Credit Agency (ECA) facility	110.6	(110.6)	–	January 2027[(c)]
Total	**1,485.6**	**(728.0)**	**757.6**	

(a) Borrowings presented in the Consolidated Balance Sheet are shown net of capitalised fees of $6.4 million, which are amortised over the period of the respective facility.
(b) The Group's multi-currency revolving credit and guarantee facility will reduce to $500 million in June 2028 until maturity in June 2029.
(c) 90% of the facility is provided by an Export Credit Agency (ECA) and 10% by commercial banks. The maturity of the ECA tranche is January 2029 and the maturity of the commercial tranche is January 2027.

Lease liabilities

At 31 December 2024, lease liabilities were $455 million, a decrease of $3 million compared to 31 December 2023.

Net debt

At 31 December 2024:

- net debt (excluding lease liabilities) was $147 million compared to $94 million at 31 December 2023; and
- net debt (including lease liabilities) was $602 million, compared to $552 million at 31 December 2023.

Gearing

At 31 December 2024, gross gearing (borrowings divided by total equity) was 16.8% (31 December 2023: 19.4%).

Liquidity

At 31 December 2024, the Group's liquidity, represented by cash and cash equivalents and undrawn borrowing facilities was $1.3 billion (31 December 2023: $1.6 billion).

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.

Financial covenant compliance

The Group's committed borrowing facilities contain financial covenants relating to a maximum level of net debt (excluding lease liabilities) to Adjusted EBITDA. During the year, all financial covenants were met. The Group expects to be able to comply with all financial covenants during 2025.

Share repurchase programme

During the year ended 31 December 2024, 5.2 million shares were repurchased for a cost of $87 million, in accordance with the Group's share repurchase programme authorised on 24 July 2019, extended on 19 April 2023. At 31 December 2024, the Group had cumulatively repurchased 15.2 million shares for a total cost of $164 million under this programme. At 31 December 2024, the Group held 4.0 million shares (31 December 2023: 3.8 million) as treasury shares, representing 1.33% (31 December 2023: 1.26%) of the total number of issued shares.

Dividend

A dividend of NOK 6.00 per share was approved by the shareholders of Subsea 7 S.A. at the Annual General Meeting on 2 May 2024. The dividend, equivalent to a total of $163 million, was paid in two equal instalments on 14 May 2024 and 7 November 2024 to shareholders of Subsea 7 S.A. with respective record dates of 7 May 2024 and 31 October 2024.

Shareholders

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

At	2024 %	2023 %
Siem Industries S.A.	**23.6**	23.3
Folketrygdfondet	**8.9**	8.1
Elliott Management Corporation	**4.6**	4.5
BlackRock Institutional Trust Company, N.A.	**3.5**	3.7
Storebrand Kapitalforvaltning AS	**2.6**	2.5
DNB Asset Management AS	**2.5**	2.5
The Vanguard Group, Inc.	**2.3**	2.2
KLP Fondsforvaltning AS	**2.0**	2.1
Alfred Berg Kapitalforvaltning AS	**2.0**	1.7
Pareto Asset Management AS	**2.0**	2.1
SAFE Investment Company Limited	**1.9**	1.9
Amundi Asset Management, SAS	**1.5**	0.9
Robotti & Company Advisors, LLC	**1.2**	1.2
ODIN Forvaltning AS	**1.2**	1.6
Key Group Holdings (Cayman), Ltd.	**1.1**	1.1
Artisan Partners Limited Partnership	**1.1**	1.2
T. Rowe Price International Ltd	**0.9**	0.8
DNCA Investments	**0.8**	0.8
Metzler Asset Management GmbH	**0.8**	0.9
State Street Global Advisors (US)	**0.8**	0.7
Total	**65.3**	63.8

(a) The data is provided by NASDAQ, Inc. 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 Subsea7 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 Subsea7 nor NASDAQ, Inc. can guarantee the accuracy of the analysis.

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 Group's forecast cash flows, the committed borrowing facilities in place, and the backlog position at 31 December 2024.

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 24 to 63. Financial risk management is as described in Note 32 'Financial instruments'.

Events after the reporting period

Proposed Combination of Subsea7 and Saipem

On 23 February 2025, Subsea 7 S.A. announced an agreement in principle on the key terms of the proposed merger with Saipem S.p.A. In accordance with the memorandum of understanding signed between Saipem S.p.A. and Subsea 7 S.A., Subsea 7 S.A. shareholders will receive 6.688 Saipem S.p.A. shares for each Subsea 7 S.A. share held, and an extraordinary dividend for an amount equal to €450 million will be distributed immediately prior to completion. Subsea 7 S.A. and Saipem S.p.A. shareholders will own 50% each of the issued share capital of the combined company. The completion of the proposed combination is anticipated to occur in the second half of 2026, following completion of confirmatory due diligence, the approval of the final terms of the proposed combination by the Board of Directors of Subsea 7 S.A. and Saipem S.p.A., the execution of a satisfactory merger agreement, and relevant corporate and regulatory approvals.

Dividend

At the Annual General Meeting on 8 May 2025, the Board of Directors will propose that shareholders approve a cash dividend of NOK 13.00 per share, equating to approximately $350 million, payable in two equal instalments in May and November 2025.

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 pages 212 to 220. These were prepared in accordance with Luxembourg's legal and regulatory requirements and using the going concern basis of accounting.

The loss for the year ended 31 December 2024 was $69.5 million (2023: profit of $361.0 million). The adverse movement in profitability was mainly driven by significantly reduced income derived from participating interests in affiliated undertakings, which was $15.0 million in 2024 compared to $400.0 million in 2023. It is proposed that the loss of $69.5 million for the year ended 31 December 2024 be allocated to profit and loss brought forward at 1 January 2025 resulting in a profit to be brought forward amounting to $227.8 million.

Own shares held

During 2024, the Company cancelled 4.7 million shares in accordance with the authority granted to the Board on 18 April 2023. At 31 December 2024, the Company directly held 4.0 million (2023: 3.8 million) own shares at a carrying amount of $62.7 million (2023: $31.1 million).

Distributable amounts

At 31 December 2024, the Company had distributable amounts, as defined by Luxembourg law, totalling $856.0 million (2023: $1,156.5 million). Distributable amounts include share premium account, profit and loss account brought forward and profit or loss for the year. The year-on-year decrease was mainly due to dividends declared of $163.1 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 Subsea7 Group and is detailed in the Risk Management and Governance sections on pages 24 to 63. Financial risk management is described in Note 32 'Financial instruments'. Non-financial information required by regulation is provided on pages 2 to 121.

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

Kristian Siem
Chairman

John Evans
Chief Executive Officer