Subsea 7 S.A. Announces First Quarter 2021 Results

Luxembourg – 29 April 2021 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the first quarter which ended 31 March 2021.

First quarter highlights

- First quarter 2021 revenue up 33% year-on-year to $1.0 billion
- Adjusted EBITDA up 50% to $102 million after incurring net Covid-19 costs of approximately $9 million
- Order intake of $0.8 billion, equating to a book-to-bill of 0.8 times
- Backlog of $6.0 billion of which 30% in Renewables, with $3.4 billion to be executed in 2021
- Net cash generated from operations of $71 million in the quarter
- Cash and cash equivalents of $527 million with net cash at quarter end of $74 million

	Three Months Ended	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**31 Mar 2021 Unaudited**	31 Mar 2020 Unaudited
Revenue	**996**	751
Adjusted EBITDA[(a)]	**102**	68
Adjusted EBITDA margin[(a)]	**10%**	9%
Net operating loss	**(9)**	(49)
Net income/(loss)	**1**	(38)
Earnings per share – in $ per share		
Basic	**0.01**	(0.13)
Diluted[(b)]	**0.01**	(0.13)

At (in $ millions)	**31 Mar 2021 Unaudited**	31 Dec 2020 Audited
Backlog - unaudited[(c)]	**6,002**	6,214
Cash and cash equivalents	**527**	512
Borrowings	**(203)**	(209)
Net cash excluding lease liabilities[(d)]	**324**	303
Net cash including lease liabilities[(d)]	**74**	49

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

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

(c) Backlog at 31 March 2021 and 31 December 2020 is unaudited and is a non-IFRS measure.

(d) Net cash is a non-IFRS measure and is defined as cash and cash equivalents less borrowings.

John Evans, Chief Executive Officer, said:

In the first quarter of 2021 Subsea 7 delivered solid revenue and EBITDA growth compared with the prior year. Although we experienced a relatively quiet quarter for announced new orders, the Group's backlog remains robust at $6.0 billion and tendering activity for oil and gas projects has improved in certain regions of the world, with several contracts expected to be awarded to the industry in the coming months. Our high Renewables backlog adds to our revenue visibility and demonstrates the advantage of a diversified energy services strategy. We look ahead with optimism to a recovery in new order flow in our oil and gas business as well as continued, strong growth in our well-established offshore wind business.

Strategy update

Subsea 7's two-pronged strategy comprised of 'Subsea Field of the Future' and 'Energy Transition – Proactive Participation' made further progress in the quarter with our first carbon capture and storage award, for the Northern Lights project in Norway, as well as the establishment of a joint venture to develop the Salamander floating offshore wind project in Scotland. These form part of a collection of activities focused on emerging energies that underpin our commitment to enabling lower carbon solutions both for Subsea 7 and our clients.

First quarter operational review

In the first quarter the Subsea and Conventional business unit made good progress on several projects. In the Middle East, *Seven Champion* was active in Saudi Arabia installing topsides at the 3 PDM project at the Hasbah and Arabiyah fields (CRPO 27) as well as the 28 Jackets project at the Marjan, Zuluf, Safaniya and Ribyan fields (CRPO 47, 48 and 49). In Angola, *Seven Arctic* and *Simar Esperança* completed the final phase of the Zinia project, while the Sangomar project in Senegal made good progress in the fabrication of pipelines and subsea equipment. In the Gulf of Mexico, *Seven Navica* and *Seven Pegasus* were active on the Ichalkil project, while *Seven Oceans* and *Seven Pacific* continued offshore activities on the Mad Dog 2 project. Engineering and fabrication activities continued on the Anchor, King's Quay and Jack St Malo projects. In Australia, Subsea 7's scope was completed by *Seven Eagle* at the West Barracouta field while procurement activity commenced on the Barossa project. The diving support and light construction vessels achieved good utilisation in the North Sea.

In the Renewables business unit we continued work on the Seagreen project, with fabrication of the jackets and inner-array cables making further progress. In Taiwan, winter weather resulted in *Seaway Yudin* remaining on standby for most of the quarter. *Seaway Aimery* and *Seaway Moxie* were in transit to Europe ahead of their campaigns in the North Sea.

Overall, utilisation of Subsea 7's active fleet was 66% in the first quarter, compared to 63% in the prior year period. The quarter was marked by a number of international transits of some of our global enablers. In addition, *Seven Vega* incurred significant downtime while in the Gulf of Mexico for equipment repairs to address storm damage. It returned to operation on 14 April and the delay has largely been accommodated by reallocation of work to Subsea 7's other pipelay vessels. At the quarter end, the active fleet comprised 29 vessels following the release of *Harvey Intervention*.

First quarter financial review

From January 2021 we combined our SURF and Conventional and Life of Field business units into one business unit, named Subsea and Conventional, which comprises our full portfolio of services and products dedicated to the oil and gas industry. Simultaneously, the Renewables and Heavy Lifting business unit was renamed Renewables and excludes heavy lifting activities relating to the oil and gas industry.

First quarter revenue of $1.0 billion increased by 33% compared to the prior year period, reflecting significantly higher activity in Renewables as well as moderate growth in the Subsea and Conventional business unit as projects deferred from 2020 into 2021 made progress. Adjusted EBITDA of $102 million was up 50% year-on-year driven by good progress on Subsea and Conventional projects, high utilisation of the PLSVs and progress on Seagreen, partially offset by a high level of vessel transit time. After a depreciation and amortisation charge of $110 million, the Group recorded a net operating loss of $9 million. Net income for the quarter was $1 million, after a tax charge of $2 million and other gains and losses of $16 million, including net foreign exchange gains of $9 million.

During the quarter, net cash generated from operations was $71 million despite a $25 million adverse movement in net working capital reflecting the phasing of prepayments on certain large EPCI projects. Capital expenditure was $24 million including costs relating to the conversion of *Seaway Phoenix* for cable lay, as well as dry docking costs associated with *Seven Falcon* and continued investment in the Group's digitalisation initiatives. Overall, cash and cash equivalents increased by $15 million since 31 December 2020 to $527 million and the Group ended the quarter with net cash of $74 million, including lease liabilities of $251 million.

During the first quarter, Subsea 7 booked new orders of approximately $600 million and escalations of approximately $200 million, resulting in a book-to-bill ratio of 0.8. The backlog at the end of March 2021 was $6.0 billion, of which $3.4 billion is expected to be executed during the remainder of 2021.

Outlook for full year 2021

The outlook for oil and gas project awards has seen a gradual improvement during the first quarter, although tendering activity remains focused on certain regions with advantaged economics. The pace of tendering in Brazil has gained momentum with several projects scheduled to be awarded to the industry this year, and early engagement activity in Norway is high, which should drive increased tendering for EPCI projects from the end of the year onwards. The Gulf of Mexico remains an active market for smaller tie-back opportunities. While the offshore phase of these new contracts would fall in the period from late 2023 onwards, Subsea 7's cost reduction plan is designed to optimise use of the fleet in the interim period. Tendering in Renewables remains active for projects expected to be awarded to the industry in early 2022, including in Asia, Europe and the US.

For the remainder of 2021 Subsea 7 benefits from a high level of visible activity afforded by its backlog, but quarterly results may be adversely impacted by the net costs associated with the Covid-19 pandemic. We continue to expect that revenue in 2021 will exceed the prior year level. While it is difficult to predict the operational and financial impact of Covid-19, Adjusted EBITDA is expected to improve year-on-year and we forecast net operating income to be positive.

Conference Call Information

Date: 29 April 2021

Time: 12:00 UK Time

Access the webcast at subsea7.com or register for the conference call at http://emea.directeventreg.com/registration/8478263.

Advance registration is required.

For further information, please contact:

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Special Note Regarding Forward-Looking Statements

Certain statements made in this announcement may contain 'forward-looking statements' (within the meaning of the safe harbour provisions of the U.S. Private Securities Litigation Reform Act of 1995). These statements relate to our current expectations, beliefs, intentions, assumptions or strategies regarding the future and are subject to known and unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements may be identified by the use of words such as 'anticipate', 'believe', 'estimate', 'expect', 'future', 'goal', 'intend', 'likely' 'may', 'plan', 'project', 'seek', 'should', 'strategy' 'will', and similar expressions. The principal risks which could affect future operations of the Group are described in the 'Risk Management' section of the Group's Annual Report and Consolidated Financial Statements for the year ended 31 December 2020. Factors that may cause actual and future results and trends to differ materially from our forward-looking statements include (but are not limited to): (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. Each forward-looking statement speaks only as of the date of this announcement. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

First Quarter 2021

Revenue
Revenue for the first quarter was $1.0 billion, an increase of $246 million or 33% compared to Q1 2020. This was driven by increased revenue in both the Renewables business unit, with work progressing on the Seagreen offshore wind farm project, and in the Subsea and Conventional business unit, with increased activity in West Africa and Gulf of Mexico.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $102 million and 10% respectively, compared to $68 million and 9% in Q1 2020.

Net operating loss
Net operating loss for the quarter was $9 million, compared to net operating loss of $49 million in Q1 2020. The year-on-year reduction in net operating loss was driven by:

- a reduction in net operating loss of $22 million compared to Q1 2021, in the Subsea and Conventional business unit;
- a credit of $18 million related to the Group's resizing programme as a result of downward revisions to restructuring cost estimates and the receipt of receivable balances which had been credit impaired in the prior year

partly offset by:

- an increase in net operating loss of $8 million in Renewables, which reflected low vessel utilisation in the quarter driven by adverse weather conditions; and
- net costs of approximately $9 million related to the Covid-19 pandemic.

Net Income
Net income was $1 million in the quarter, compared to net loss of $38 million in Q1 2020.

The year-on-year improvement was primarily due to:

- reduction in net operating loss; and
- other gains and losses of $16 million, which includes net foreign currency gains of $9 million in Q1 2021, compared to a net foreign currency gains of $3 million in Q1 2020.

The tax charge in Q1 2021 was $2 million compared to $4 million in Q1 2020.

Earnings per share
Diluted earnings per share was $0.01 in Q1 2021 compared to diluted loss per share of $0.13 in Q1 2020, calculated using a weighted average number of shares of 298 million and 299 million respectively.

Cash and cash equivalents
Cash and cash equivalents were $527 million at 31 March 2021, an increase of $15 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- net cash generated from operating activities of $71 million

partly offset by:

- purchases of property, plant and equipment and intangible assets of $24 million; and
- payments related to lease liabilities of $24 million.

Borrowings and lease liabilities
Borrowings decreased to $203 million at 31 March 2021 from $209 million at 31 December 2020 due to scheduled repayments. At 31 March 2021, lease liabilities were $251 million, a net decrease of $3 million compared with 31 December 2020.

Business Unit Highlights
With effect from 1 January 2021, for management and reporting purposes, the Group implemented a new organisational structure comprising three business units. The Group combined its 'SURF and Conventional' and 'Life of Field' business units into one business unit, named 'Subsea and Conventional', which encompasses the full portfolio of services and products dedicated to the oil and gas industry. The 'Renewables and Heavy Lifting' business unit has been renamed 'Renewables' and excludes all activities relating to the oil and gas industry. The 'Corporate' business unit now includes the results of the Group's autonomous subsidiaries, Xodus and 4Subsea. Where significant, comparative results for the prior year period have been re-presented to reflect the changes to the operating segments.

First Quarter 2021

Subsea and Conventional
Revenue for the first quarter was $735 million, an increase of $66 million or 10% compared to Q1 2020.

During the quarter the Zinia project, offshore Angola was completed. Work progressed on the Sangomar project, offshore Senegal, the Berri-Zuluf and 28 Jackets projects, offshore Saudi Arabia, the Julimar Phase 2 and West Barracouta projects, offshore Australia, the Ichalkil, Mad Dog 2, King's Quay and Manuel projects in the Gulf of Mexico, the Pierce project, offshore UK and the LingShui SCR T&I project, offshore China. In Brazil, there were high levels of utilisation of the four PLSVs under long-term contracts with Petrobras.

Net operating loss was $7 million in the quarter compared to net operating loss of $28 million in Q1 2020. The reduction in net operating loss in Q1 2021 compared to Q1 2020 reflected increased Conventional activity in Africa and the Middle East compared to Q1 2020 and increased levels of diving activity in the UK North Sea, this was partly offset by high levels of transit times for the Group's global enabler vessels.

Renewables

Revenue was $241 million in Q1 2021 compared to $62 million in Q1 2020. The increase in revenue was due to increased activity, particularly in relation to jacket fabrication and inner-array cable manufacturing on the Seagreen offshore wind farm project, offshore UK. Net operating loss was $20 million in Q1 2021 compared to net operating loss of $12 million in Q1 2020 reflecting reduced vessel utilisation in the quarter compared to the prior year period.

Corporate

Revenue, which was driven by the Group's autonomous wholly-owned subsidiaries Xodus and 4Subsea, was $20 million in Q1 2021 and was in line with Q1 2020. Net operating income was $18 million in Q1 2021 compared to a net operating loss of $8 million in Q1 2020. The net operating income in Q1 2021 benefitted from a credit of $18 million related to the Group's resizing programme following downward revisions to restructuring cost estimates and the collection of aged receivables which had been credit impaired in the prior year.

Asset Development and Activities

Vessel Utilisation

Active Vessel Utilisation for the first quarter was 66% compared with 63% for Q1 2020. Total Vessel Utilisation was 62% compared to 61% in Q1 2020.

At 31 March 2021 there were 31 vessels in the Group's fleet, comprising 29 active vessels and 2 stacked vessels.

Asset Development

During the quarter, work continued to convert *Seaway Phoenix* (formerly *Seven Phoenix*) into a cable lay vessel and it is expected to be operational in the second quarter of 2021.

Backlog

At 31 March 2021 backlog was $6.0 billion, a decrease of $0.2 billion compared with 31 December 2020. Order intake totalling $0.8 billion was recorded in the quarter, with new awards of $0.6 billion and escalations of approximately $0.2 billion. Favourable foreign exchange movements of approximately $20 million were recognised during the quarter.

$4.2 billion of the backlog at 31 March 2021 related to the Subsea and Conventional business unit (which included $0.4 billion related to long-term day-rate contracts for PLSVs in Brazil) and $1.8 billion related to the Renewables business unit. $3.4 billion of the backlog is expected to be executed in 2021, $1.9 billion in 2022 and $0.7 billion in 2023 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

Subsea 7 S.A.
Condensed Consolidated Income Statement

(in $ millions)	Three months Ended 31 Mar 2021 Unaudited	Three months Ended 31 Mar 2020 Unaudited
Revenue	**996.4**	750.6
Operating expenses	**(949.0)**	(736.8)
Gross profit	**47.4**	13.8
Administrative expenses	**(56.4)**	(63.2)
Share of net income of associates and joint ventures	**0.1**	0.4
Net operating loss	**(8.9)**	(49.0)
Finance income	**0.7**	1.5
Other gains and losses	**16.2**	19.8
Finance costs	**(5.5)**	(5.6)
Income/(loss) before taxes	**2.5**	(33.3)
Taxation	**(1.7)**	(4.3)
Net income/(loss)	**0.8**	(37.6)
Net income/(loss) attributable to:		
Shareholders of the parent company	**2.0**	(38.0)
Non-controlling interests	**(1.2)**	0.4
	0.8	(37.6)

Earnings per share	$ per share	$ per share
Basic	**0.01**	(0.13)
Diluted[a]	**0.01**	(0.13)

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

Subsea 7 S.A.

Condensed Consolidated Statement of Comprehensive Income

(in $ millions)	Three Months Ended 31 Mar 2021 Unaudited	Three Months Ended 31 Mar 2020 Unaudited
Net income/(loss)	**0.8**	(37.6)
Items that may be reclassified to the income statement in subsequent periods:		
Net foreign currency translation gains/(losses)	**11.0**	(67.1)
Tax relating to components of other comprehensive income	**(0.5)**	2.9
Items that will not be reclassified to the income statement in subsequent periods:		
Fair value adjustment on other financial assets	**1.2**	–
Other comprehensive income/(loss)	**11.7**	(64.2)
Total comprehensive income/(loss)	**12.5**	(101.8)
Total comprehensive income/(loss) attributable to:		
Shareholders of the parent company	**14.3**	(101.8)
Non-controlling interests	**(1.8)**	–
	12.5	(101.8)

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

	31 Mar 2021 Unaudited	31 Dec 2020 Audited
Assets		
Non-current assets		
Goodwill	**86.0**	84.5
Intangible assets	**51.0**	46.0
Property, plant and equipment	**3,927.5**	3,982.6
Right-of-use assets	**211.7**	213.3
Interest in associates and joint ventures	**32.0**	29.5
Advances and receivables	**25.1**	23.0
Derivative financial instruments	**26.5**	22.9
Construction contracts - assets	**4.2**	6.7
Other financial assets	**1.3**	2.9
Retirement benefit assets	**–**	0.8
Deferred tax assets	**49.7**	49.5
	4,415.0	4,461.7
Current assets		
Inventories	**31.6**	26.4
Trade and other receivables	**545.0**	590.7
Derivative financial instruments	**32.3**	31.4
Construction contracts – assets	**515.1**	470.6
Other accrued income and prepaid expenses	**204.0**	197.6
Restricted cash	**4.6**	7.1
Cash and cash equivalents	**527.0**	511.6
	1,859.6	1,835.4
Total assets	**6,274.6**	6,297.1
Equity		
Issued share capital	**600.0**	600.0
Treasury shares	**(17.6)**	(17.8)
Paid in surplus	**2,506.1**	2,505.2
Translation reserve	**(570.9)**	(582.0)
Other reserves	**(25.0)**	(25.0)
Retained earnings	**1,750.4**	1,747.4
Equity attributable to shareholders of the parent company	**4,243.0**	4,227.8
Non-controlling interests	**25.5**	27.3
Total equity	**4,268.5**	4,255.1
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**158.2**	184.4
Non-current lease liabilities	**170.5**	168.6
Retirement benefit obligations	**14.2**	14.3
Deferred tax liabilities	**31.5**	32.2
Provisions	**44.2**	49.5
Contingent liabilities recognised	**5.4**	6.0
Derivative financial instruments	**17.1**	21.1
Other non-current liabilities	**13.3**	14.7
	454.4	490.8
Current liabilities		
Trade and other liabilities	**1,066.7**	981.8
Derivative financial instruments	**29.5**	26.4
Current tax liabilities	**22.3**	32.6
Current portion of borrowings	**44.7**	24.6
Current lease liabilities	**80.1**	85.4
Provisions	**96.7**	118.5
Construction contracts – liabilities	**209.7**	279.5
Deferred revenue	**2.0**	2.4
	1,551.7	1,551.2
Total liabilities	**2,006.1**	2,042.0
Total equity and liabilities	**6,274.6**	6,297.1

Subsea 7 S.A.

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2021

Unaudited (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 2021	**600.0**	**(17.8)**	**2,505.2**	**(582.0)**	**(25.0)**	**1,747.4**	**4,227.8**	**27.3**	**4,255.1**
Comprehensive income/(loss)									
Net income/(loss)	–	–	–	–	–	2.0	2.0	(1.2)	0.8
Net foreign currency translation gains/(losses)	–	–	–	11.6	–	–	11.6	(0.6)	11.0
Fair value adjustment on other financial assets	–	–	–	–	1.2	–	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	(0.5)	–	–	(0.5)	–	(0.5)
Total comprehensive income/(loss)	**–**	**–**	**–**	**11.1**	**1.2**	**2.0**	**14.3**	**(1.8)**	**12.5**
Transactions with owners									
Share-based payments	–	–	0.9	–	–	–	0.9	–	0.9
Shares reallocated relating to share-based payments	–	0.2	–	–	–	–	0.2	–	0.2
Transfer on disposal of other financial assets	–	–	–	–	(1.2)	1.2	–	–	–
Loss on reallocation of treasury shares	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total transactions with owners	**–**	**0.2**	**0.9**	**–**	**(1.2)**	**1.0**	**0.9**	**–**	**0.9**
Balance at 31 March 2021	**600.0**	**(17.6)**	**2,506.1**	**(570.9)**	**(25.0)**	**1,750.4**	**4,243.0**	**25.5**	**4,268.5**

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2020

Unaudited (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 income/(loss)									
Net (loss)/income	–	–	–	–	–	(38.0)	(38.0)	0.4	(37.6)
Net foreign currency translation losses	–	–	–	(66.7)	–	–	(66.7)	(0.4)	(67.1)
Tax relating to components of other comprehensive income	–	–	–	2.9	–	–	2.9	–	2.9
Total comprehensive loss	**–**	**–**	**–**	**(63.8)**	**–**	**(38.0)**	**(101.8)**	**–**	**(101.8)**
Transactions with owners									
Shares repurchased	–	(9.7)	–	–	–	–	(9.7)	–	(9.7)
Share-based payments	–	–	1.1	–	–	–	1.1	–	1.1
Shares reallocated relating to share-based payments	–	0.6	–	–	–	–	0.6	–	0.6
Loss on reallocation of treasury shares	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Reclassification adjustment relating to non-controlling interest	–	–	–	–	–	(5.3)	(5.3)	5.3	–
Total transactions with owners	**–**	**(9.1)**	**1.1**	**–**	**–**	**(5.9)**	**(13.9)**	**5.3**	**(8.6)**
Balance at 31 March 2020	**600.0**	**(23.1)**	**2,508.6**	**(653.8)**	**(20.2)**	**2,801.5**	**5,213.0**	**39.6**	**5,252.6**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

(in $ millions)	Three Months Ended 31 Mar 2021 Unaudited	Three Months Ended 31 Mar 2020 Unaudited
Net cash generated from operating activities	**70.9**	82.4
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**–**	0.4
Purchases of property, plant and equipment	**(20.6)**	(86.7)
Purchases of intangible assets	**(3.4)**	(6.5)
Net proceeds from recognition of assets related to business combinations – post measurement period	**–**	20.1
Interest received	**0.7**	1.5
Proceeds from sale of other financial assets	**2.8**	–
Investment in other financial assets	**–**	(1.4)
Net cash used in investing activities	**(20.5)**	(72.6)
Cash flows from financing activities		
Interest paid	**(3.6)**	(2.1)
Repayment of borrowings	**(6.2)**	(6.2)
Cost of share repurchases	**–**	(9.3)
Payments related to lease liabilities	**(23.6)**	(27.3)
Dividends paid to non-controlling interests	**–**	(9.7)
Net cash used in financing activities	**(33.4)**	(54.6)
Net increase/(decrease) in cash and cash equivalents	**17.0**	(44.8)
Cash and cash equivalents at beginning of year	**511.6**	397.7
Decrease/(increase) in restricted cash	**2.5**	(2.9)
Effect of foreign exchange rate movements on cash and cash equivalents	**(4.1)**	(10.4)
Cash and cash equivalents at end of period	**527.0**	339.6

1. General information

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and over-the-counter as American Depositary Receipts (ADRs) in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. The Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors on 28 April 2021.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2021 to 31 March 2021 for Subsea 7 S.A. have been prepared on a going concern basis and in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU).

The Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Condensed Consolidated Financial Statements are unaudited.

Covid-19 pandemic

As the global economy remains impacted by the unprecedented global health and economic crisis following the outbreak of the Covid-19 pandemic, management continued during the first quarter of 2021 to monitor the operational and financial impacts to the Group. Despite the uncertainty regarding the potential impacts of the Covid-19 pandemic and the associated imbalance in the energy market, management consider 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.

3. Accounting policies

Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2020.

No new International Financial Reporting Standards (IFRSs) were adopted by the Group for the financial year beginning 1 January 2021. Amendments to existing IFRSs, issued with an effective date of 1 January 2021 but not yet endorsed by the EU, will be adopted by the Group following their adoption by the EU.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in the Consolidated Financial Statements for the year ended 31 December 2020, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management 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 in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Management makes accounting judgements on the following aspects of the business as described in full in the Consolidated Financial Statements for the year ended 31 December 2020:

- Revenue recognition on long-term construction contracts
- Revenue recognition on variation orders and claims
- Goodwill carrying amount
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Taxation
- Measurement of other intangibles acquired on business combinations
- Measurement of contingent consideration on business combinations

5. Seasonality

A significant portion of the Group's revenue is generated from work performed offshore. During certain periods of the year, the Group may be affected by adverse weather conditions such as hurricanes, tropical storms and rough seas, which may cause delays. In the Northern Hemisphere seasonally adverse weather occurs typically during the period from October to March, whereas in the Southern Hemisphere it typically occurs during the period from May to September. Depending on project execution, each can affect the Group's offshore operations. Periods of adverse weather conditions usually result in low levels of activity.

6. Segment information

With effect from 1 January 2021, for management and reporting purposes, the Group implemented a new organisational structure comprising three business units; Subsea and Conventional, Renewables and Corporate. These business units represent the Group's operating segments and are defined as follows:

Subsea and Conventional

The Subsea and Conventional business unit includes:

- Subsea Umbilicals, Risers and Flowlines (SURF) activities related to the engineering, procurement, installation and commissioning of highly complex subsea oil and gas systems in deep waters, including the long-term contracts for PLSVs in Brazil;
- Conventional services including the fabrication, installation, extension and refurbishment of fixed and floating platforms and associated pipelines in shallow water environments;
- Activities associated with the provision of inspection, repair and maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support; and
- Activities associated with heavy lifting operations and 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 in Subsea and Conventional activities.

Renewables

The Renewables business unit comprises activities related to the delivery of fixed and floating offshore wind farm projects. This includes the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations for renewables structures. This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Renewables activities.

With effect from 1 January 2021, the Renewables business unit excludes all activities relating to the oil and gas industry. Comparative disclosures have not been re-presented to reflect this amendment, as oil and gas related activities were not significant.

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. The Corporate business unit also includes the results of the Group's autonomous subsidiaries, Xodus and 4Subsea. A significant portion of the Corporate business unit's costs are allocated to the other business units based on a percentage of their external revenue.

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

For the three months ended 31 March 2021

(in $ millions) Unaudited	Subsea and Conventional	Renewables	Corporate	Total
Revenue				
Lump-sum projects	**589.3**	**241.3**	**2.6**	**833.2**
Day-rate projects	**145.6**	**0.1**	**17.5**	**163.2**
	734.9	**241.4**	**20.1**	**996.4**
Net operating (loss)/income	**(6.8)**	**(20.0)**	**17.9**	**(8.9)**
Finance income				**0.7**
Other gains and losses				**16.2**
Finance costs				**(5.5)**
Income before taxes				**2.5**

For the three months ended 31 March 2020

(in $ millions) Unaudited	Subsea and Conventional Re-presented[a]	Renewables Re-presented[a]	Corporate Re-presented[a]	Total Re-presented[a]
Revenue				
Lump-sum projects	494.2	61.8	2.2	558.2
Day-rate projects	174.6	0.2	17.6	192.4
	668.8	62.0	19.8	750.6
Net operating loss	(28.3)	(12.4)	(8.3)	(49.0)
Finance income				1.5
Other gains and losses				19.8
Finance costs				(5.6)
Loss before taxes				(33.3)

(a) Re-presented due to new organisational structure implemented from 1 January 2021.

7. Earnings per share

Basic and diluted earnings per share

Basic earnings/(loss) 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 period, excluding common shares purchased by the Group and held as treasury shares.

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares. The net income/(loss) and share data used in the calculation of basic and diluted earnings/(loss) per share were as follows:

	Three Months Ended	
For the period (in $ millions)	**31 Mar 2021 Unaudited**	31 Mar 2020 Unaudited
Net income/(loss) attributable to shareholders of the parent company	**2.0**	(38.0)
Earnings used in the calculation of diluted earnings/(loss) per share	**2.0**	(38.0)

	Three Months Ended	
For the period (number of shares)	**31 Mar 2021 Unaudited**	31 Mar 2020 Unaudited
Weighted average number of common shares used in the calculation of basic earnings/(loss) per share	**297,674,727**	298,532,378
Performance shares	**813,585**	–
Weighted average number of common shares used in the calculation of diluted earnings/(loss) per share	**298,488,312**	298,532,378

	Three Months Ended	
For the period (in $ per share)	**31 Mar 2021 Unaudited**	31 Mar 2020 Unaudited
Basic earnings/(loss) per share	**0.01**	(0.13)
Diluted earnings/(loss) per share	**0.01**	(0.13)

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

	Three Months Ended	
For the period (number of shares)	**31 Mar 2021 Unaudited**	31 Mar 2020 Unaudited
Performance shares	**766,732**	1,797,507

8. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation 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 (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 following the Group's performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

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

	Three Months Ended	
For the period (in $ millions)	**31 Mar 2021 Unaudited**	31 Mar 2020 Unaudited
Net operating loss	**(8.9)**	(49.0)
Depreciation, amortisation and mobilisation	**109.9**	117.1
Impairment of intangible assets	**1.3**	–
Adjusted EBITDA	**102.3**	68.1
Revenue	**996.4**	750.6
Adjusted EBITDA margin	**10.3%**	9.1%

Reconciliation of net income/(loss) to Adjusted EBITDA and Adjusted EBITDA margin:

	Three Months Ended	
For the period (in $ millions)	**31 Mar 2021 Unaudited**	31 Mar 2020 Unaudited
Net income/(loss)	**0.8**	(37.6)
Depreciation, amortisation and mobilisation	**109.9**	117.1
Impairment of intangible assets	**1.3**	–
Finance income	**(0.7)**	(1.5)
Other gains and losses	**(16.2)**	(19.8)
Finance costs	**5.5**	5.6
Taxation	**1.7**	4.3
Adjusted EBITDA	**102.3**	68.1
Revenue	**996.4**	750.6
Adjusted EBITDA margin	**10.3%**	9.1%

9. Goodwill

The movement in goodwill during the quarter was as follows:

	Three Months Ended	
(in $ millions)	**31 Mar 2021 Unaudited**	31 Mar 2020 Unaudited
At quarter beginning	**84.5**	704.6
Adjustments to identifiable net assets at fair value subsequent to initial recognition	**–**	0.2
Exchange differences	**1.5**	(27.0)
At quarter end	**86.0**	677.8

10. Treasury shares

During the first quarter, 10,457 shares were used to satisfy share-based awards. At 31 March 2021, the Group directly held 2,316,226 shares (Q4 2020: 2,326,683) as treasury shares, representing 0.77% (Q4 2020: 0.78%) of the total number of issued shares.

The movement in treasury shares during the period was as follows:

	31 Mar 2021 Number of shares Unaudited	**31 Mar 2021 in $ millions Unaudited**	31 Mar 2020 Number of shares Unaudited	31 Mar 2020 in $ millions Unaudited
At year beginning	**2,326,683**	**17.8**	1,212,860	14.0
Shares repurchased	**–**	**–**	1,606,968	9.7
Shares reallocated relating to share-based payments	**(10,457)**	**(0.2)**	(51,382)	(0.6)
At period end	**2,316,226**	**17.6**	2,768,446	23.1

11. Share repurchase programme

During the first quarter, no shares were repurchased under the Group's share repurchase programme authorised on 24 July 2019. At 31 March 2021, the Group had cumulatively repurchased 1,627,968 shares for a total consideration of $9.8 million under this programme.

12. Commitments and contingent liabilities

Commitments

At 31 March 2021, the Group had significant contractual commitments totalling $26.4 million, including commitments related to *Seaway Phoenix (*formerly *Seven Phoenix)*, which is being converted to a cable lay vessel.

Contingent liabilities not recognised in the Consolidated Balance Sheet

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

During the first quarter of 2021, the Group reached full and final settlement in respect of an audit by Rivers State, Nigeria and as a consequence previously sequestrated assets were released. The settlement did not have a significant impact on the Consolidated Financial Statements of the Group and no future contingent liability disclosure will be required.

Between 2009 and 2020, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 31 March 2021 amounted to BRL 814.0 million, equivalent to $141.4 million (31 December 2020: BRL 834.5 million, equivalent to $161.7 million). The Group has challenged these assessments. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met however management believes that the likelihood of payment is not probable.

During 2018, 2019 and 2020, the Group's Brazilian business received several labour claims. The amount assessed at 31 March 2021 amounted to BRL 230.0 million, equivalent to $40.0 million (31 December 2020: BRL 238.8 million, equivalent to $46.2 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL177.3 million, equivalent to $30.8 million as the disclosure criteria have been met (31 December 2020: BRL187.3 million, equivalent to $36.3 million), however, management believes that the likelihood of payment is not probable. At 31 March 2021, a provision of BRL 52.7 million, equivalent to $9.2 million was recognised within the Consolidated Balance Sheet (31 December 2020: BRL 51.5 million, equivalent to $9.9 million), as the IAS 37 'Provisions, contingent liabilities and contingent assets' recognition criteria were met.

Contingent liabilities recognised in the Consolidated Balance Sheet

As part of accounting for the business combination with Subsea 7 Inc., 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 March 2021 was $4.9 million (31 December 2020: $5.5 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 provision in respect of contingent consideration payable to a third party following the acquisition of intangible assets in 2009. The value of the provision recognised within the Consolidated Balance Sheet at 31 March 2021 was $0.5 million (31 December 2020: $0.5 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.

13. Cash flow from operating activities

For the period ended (in $ millions)	Three Months Ended 31 Mar 2021 Unaudited	Three Months Ended 31 Mar 2020 Unaudited
Cash flow from operating activities:		
Income/(loss) before taxes	**2.5**	(33.3)
Adjustments for non-cash items:		
Amortisation of intangible assets	**3.9**	2.9
Impairment of intangible assets	**1.3**	–
Depreciation of property, plant and equipment	**83.9**	86.6
Amortisation of right-of-use assets	**20.0**	25.1
Amortisation of mobilisation costs	**2.1**	2.5
Adjustments for investing and financing items:		
Gain on recognition of assets related to business combinations – post measurement period	**–**	(15.5)
Share of net income of associates and joint ventures	**(0.1)**	(0.4)
Net gain on disposal of property, plant and equipment	**–**	(0.2)
Finance income	**(0.7)**	(1.5)
Finance costs	**5.5**	5.6
Adjustments for equity items:		
Share-based payments	**0.9**	1.1
	119.3	72.9
Changes in operating assets and liabilities:		
Increase in inventories	**(5.2)**	(0.8)
Increase in operating receivables	**(5.9)**	(37.3)
(Decrease)/increase in operating liabilities	**(13.8)**	57.0
	(24.9)	18.9
Income taxes paid	**(23.5)**	(9.4)
Net cash generated from operating activities	**70.9**	82.4

14. Fair value and financial instruments

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

Borrowings – senior secured facility

The fair value of the senior secured facility is determined by matching the maturity profile of the amounts utilised under the facility to market interest rates available to the Group for borrowings with similar security, maturity and repayment profiles. At 31 March 2021 interest charged under the facility is representative of market rates currently available to the Group and therefore the carrying amount approximates fair value.

Fair value measurements

Fair value hierarchy

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

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

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

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

Recurring and non-recurring fair value measurements

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

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

At (in $ millions)	**2021 31 Mar Level 1**	**2021 31 Mar Level 2**	**2021 31 Mar Level 3**	2020 31 Dec Level 1	2020 31 Dec Level 2	2020 31 Dec Level 3
Recurring fair value measurements						
Financial assets measured at fair value through profit or loss:						
Derivative instruments	**–**	**58.8**	**–**	–	54.3	–
Financial liabilities measured at fair value through profit or loss:						
Derivative instruments	**–**	**(46.6)**	**–**	–	(47.5)	–
Contingent consideration	**–**	**–**	**(7.7)**	–	–	(7.7)

During the period ended 31 March 2021 there were no transfers between levels of the fair value hierarchy. The Group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

Fair value techniques and inputs

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

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

- Forward foreign exchange contracts and embedded derivatives
  The fair value of outstanding forward foreign exchange contracts and embedded derivatives were calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Contingent consideration
  The fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones and calculated using the discounted cash flow method and unobservable inputs.

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

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

- Other financial assets
  Strategic financial investments in unlisted companies are disclosed as other financial assets within non-current assets on the Consolidated Balance Sheet. 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 have concluded cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes.

15. Post balance sheet events

Shareholder resolution on Dividend at Annual General Meeting

The Annual General Meeting of Shareholders of Subsea 7 S.A. took place on 14 April 2021. All resolutions proposed by the Board of Directors were approved by shareholders, including the resolution to approve the payment of a dividend of NOK 2.00 per share, equivalent to a total dividend of approximately $70 million. The dividend will be paid on 7 May 2021 to the holders of Common Shares and on 14 May 2021 to the holders of American Depositary Receipts.

Share repurchase programme

At the Extraordinary General Meeting of shareholders held on 14 April 2021 authority was granted to the Board of Directors to repurchase shares and to cancel shares repurchased in conformity with Luxembourg Company Law. The authority granted on 14 April 2021 replaced the previous authority granted on 24 July 2019. The Board of Directors authorised a 24-month extension to the Group's $200 million share repurchase programme, which will expire on 14 April 2023. At 28 April 2021, $190 million of the $200 million share programme remains available for future share repurchases.