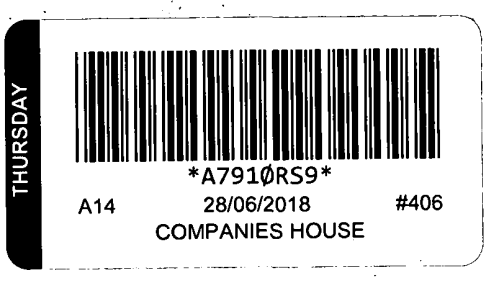
# Subsea 7 International Contracting Limited

# Report and Financial Statements

# For the year ended 31 December 2017

**Registered Number 03073521**



# Subsea 7 International Contracting Limited

## Report and Financial Statements
**for the year ended 31 December 2017**

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# Subsea 7 International Contracting Limited

Registered No. 03073521

## Directors and Other Information
**for the year ended 31 December 2017**

**Directors**
Victor Jorge Snabaitis Bomfin (resigned 1 July 2017)
Simon Ellis (appointed 1 April 2018)
John Gordon
Neil McDonald (appointed 1 April 2018)
Stephen McNeill (resigned 1 April 2018)
Jonathan Tame (appointed 1 July 2017, resigned 1 April 2018)
Marcelo Xavier (appointed 1 July 2017)

**Company Secretary**
Lorna Peace
Subsea 7 M.S. Limited (resigned 8 June 2018)

**Registered Office**
40 Brighton Road
Sutton
Surrey
England
SM2 5BN

**Independent Auditor**
Ernst & Young LLP
Statutory Auditors
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

## Strategic Report
**for the year ended 31 December 2017**

The Directors present their Strategic Report for Subsea 7 International Contracting Limited (the "Company") for the year ended 31 December 2017. This report is specific to the Company and not the wider Subsea 7 S.A. group. The results for the Subsea 7 S.A. group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. which can be found at www.subsea7.com.

**Review of the business**

The Company is the predominant vessel operator to the Subsea 7 S.A. group, (the "Group"), and also provides project management and subsea installation services to the offshore oil and gas industry, particularly offshore Brazil. Revenue has decreased by $83 million in the year to $737 million (2016: $820 million) reflecting lower levels of market activity, vessel utilisation and reduced internal vessel rates. The profit for the year, after taxation was $146 million (2016: $198 million). During the year the Company declared an interim dividend of $465 million to Subsea 7 Senior Holdings (UK) Limited, the Company's immediate parent undertaking. The Directors do not recommend the payment of a final dividend for the year. Based on the 2016 taxable profits of the Company's Norwegian permanent establishment, a Group contribution of $14 million was made to a fellow Group undertaking in accordance with the requirements under Norwegian tax legislation.

**Key performance indicators**

Under s414c of the Companies Act 2006, the Directors are required to disclose the Company's financial and non-financial key performance indicators. The Subsea 7 S.A. group, being Subsea 7 S.A. and its subsidiaries, (the "Group"), manages its operations at a segmental and geographical level. For these reasons the Directors believe that the disclosure of Key Performance Indicators for the Company and the Group is not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, which includes this company, is discussed in the Annual Report and Consolidated Financial Statements of the ultimate parent undertaking, Subsea 7 S.A.

The Directors are satisfied with the performance and results of the Company for the year.

**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company is subject to management processes applicable to the entire Group. The Group's risk management programme seeks to limit the adverse effects of these factors on the financial performance of Group companies. Information on how the risks specific to the Company arise are set out below, as are the objectives, policies and processes for their management and the methods used to measure each risk. The key business risks and uncertainties affecting the Company include:

***Economic risk***

The Company's business is dependent on the level of activity in the oil and gas and renewable energy industries and, consequently, any significant change in the level or timing of clients' expenditure plans could adversely impact order intake and levels of activity. Such plans could be impacted by fluctuating energy prices which in turn can be driven by political conditions and technological development as well as decisions taken by OPEC and non-OPEC members on production levels. A rapid increase or decrease in demand could outpace the Company's ability to resize its capacity for service provision.

The Company, via the wider Group, works closely with its clients to understand their future project and expenditure plans. The financial strength and solvency of clients is a specific area of focus before entering into a contract. In addition the Company has reviewed, adjusted and continues to adjust its cost base to reflect the current uncertainties in the market.

***Competition risk***

The Company faces competition to win contracts needed to assure a sustainable backlog of future work for both contracts and resources. This competition may result in pricing pressures or a change to a contractor's risk profile, as our competitors strive to win contracts and secure work. This may have an adverse impact on the Company's financial performance and position. The Company's experience and resources, in particular its people, versatile and modern fleet and proprietary technology offerings, help it to respond effectively to challenges from competitors. A further differentiator is both the Company and Group's ability to partner with clients and form alliances with other oilfield service companies to contribute to the early development stages of projects, as well as offer cost effective and efficient solutions to its clients.

## Strategic Report (continued)
*for the year ended 31 December 2017*

***Project execution risk***
The projects in which the Company is involved are complex and a failure to meet our clients' contractual requirements could have several adverse consequences, including contract disputes, non-agreed claims and cost overruns, which could adversely impact the Company's financial position, financial performance 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 which can result in unforeseen delays to the project or damage to vessels and equipment or injury to those personnel working offshore.

The Company assigns a project management team to every project. Every project is assessed using the Project Monthly Status Report review process. These reviews cover project progress, risk management, financial performance, cost management and sensitivity analysis. Detailed assessments of costs and revenues are estimated and reported upon, taking into account project performance, planning schedules, contract variations, claims, allowances and contingency analysis. The Company factors the risk of adverse weather conditions into the design of its vessels, equipment and procedures, as well as the training of its offshore workforce. The Company also works to mitigate the potential adverse financial consequences when negotiating contractual terms with its clients.

***Fleet management risk***
The Company has a fleet of vessels which are essential to 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 around the crewing of the vessels in the territories where they are operating. Failure to manage such risks could adversely impact the financial performance and position of the Company.

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 through loss or irreparable damage could compromise the Company's ability to meet its contractual obligations and cause financial loss.

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 into regions in which it operates, and monitors developments to ensure it is able to respond appropriately.

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.

Before initiating the construction or acquisition of new vessels, the Group conducts detailed analysis of the potential market and seeks to ensure that the vessels' technical specifications and projected capital and operating costs are appropriate for the anticipated market.

In addition, the Group actively pursues long-term contracts with clients to underpin the investment in new vessels with a view to generating the intended financial returns.

## Strategic Report (continued)
**for the year ended 31 December 2017**

***Human resource related risk***
Failure to attract and retain suitably skilled and capable personnel could adversely impact the Company's ability to execute projects and its future growth prospects. Increased competition for skilled personnel could result in rising employee attrition and create a lack of resources and/or increased compensation costs for the Company.

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 also 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 help develop staff and identify high-potential individuals for key roles in the business.

***Health, safety, security, environmental and quality risk***
The Company's projects are complex and are sometimes performed in unfamiliar environments and in varied conditions. This requires continuous monitoring and management of health, safety, security, environmental and quality (HSSEQ) risks associated with them. A failure to manage these risks could expose our people and those who work with us to injury or harm and could result in significant commercial, legal and reputational damage. 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 Company is focused on continuous HSSEQ performance at all levels and actively motivates, influences and guides employees' individual and collective behaviour. The Company 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 monitoring, review and certification by an independent third party.

***Compliance and ethics risk***
The Company is committed to conducting business in a legal and ethical manner. However, there is a risk that its employees, representatives or such other persons may take actions that breach the Group's Code of Conduct or applicable laws, including but not limited to anti-bribery and anti-corruption laws. Any such breach could result in monetary penalties, convictions, debarment and damage to the Company's reputation and could therefore impact its ability to do business.

Integrity is one of the Group's core values and the Group also has an Ethics Policy Statement and Code of Conduct, which clearly sets out the behaviours expected of its employees and those who work with it. 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 and to prevent bribery and corruption. The programme includes financial controls, supply chain management procedures, 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. A committee comprising members of the Group's Executive Management Team sets objectives for the implementation of the compliance and ethics programme and monitors progress. The Group has engaged an independent third party assurance provider to benchmark the compliance and ethics programme against best practice including International Standard ISO 37001.

***Geographic risk***
The Company operates in several countries worldwide, each with specific political, economic and social characteristics which can give rise to various risks and uncertainties that can, on occasion, adversely impact project execution and financial performance, including but not limited to:

- Economic instability
- Legal, fiscal and regulatory uncertainty and change
- Sanctions and export controls
- Civil or political unrest, including war
- Regime change

Country or regional risks are identified and evaluated before and during Company operations in such markets. Appropriate risk responses are developed and implemented to mitigate the likelihood and impact of identified risks. The Company adopts a proactive and rigorous approach to assessing and mitigating these risks.

## Strategic Report (continued)
**for the year ended 31 December 2017**

***Credit risk***

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and trade receivables. Cash and cash equivalents, primarily composed of deposits and investments are maintained with other Group companies with treasury functions and/or a number of major financial institutions in regions that the Company operates. The Company performs on-going credit evaluations of counter-parties and generally does not require collateral from its customers. The credit risk on liquid funds is mitigated because the Company's counterparties are either Group undertakings or banks with high credit-ratings assigned by international credit rating agencies.

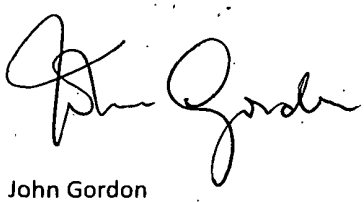
***Cash flow and liquidity risk***

The Company's working capital position is affected by the timing of contract cash flows where the timing of receipts from clients may not necessarily match the timing of payments made to suppliers. The availability of short-term and long-term financing may be required to meet obligations as they fall due. In the event that such financing were to be unavailable or withdrawn, the Company's activities would be significantly constrained.

The Company is part of the Group's centralised financing arrangements which, through committed banking facilities, seeks to meet the working capital requirements of all Group companies and finance the acquisition or construction of new assets. The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions. The Company has access to a working capital facility provided by another Group company. The Group has access to committed external facilities and other sources of external finance which can be made available to the Company as required.

In the opinion of the Directors, the Company is well placed to successfully manage the principal risks and uncertainties.

On behalf of the Board



John Gordon
**Director**
25 June 2018

## Directors' Report
**for the year ended 31 December 2017**

The Directors present their report for Subsea 7 International Contracting Limited (the "Company") for the year ended 31 December 2017. This report is specific to the Company and not the wider Subsea 7 S.A. group. The results for the Subsea 7 S.A. group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. which can be found at www.subsea7.com.

**Directors**
The names of the current Directors are listed on page 1. John Gordon held office throughout the year, Jonathan Tame and Marcelo Xavier were appointed Director on 1 July 2017, Simon Ellis and Neil McDonald were appointed Director on 1 April 2018. Victor Jorge Snabaitis Bomfin served as a Director until his resignation on 1 July 2017, Stephen McNeil and Jonathan Tame resigned as director on 1 April 2018.

**Qualifying third party indemnity provisions**
The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

**Principal activities**
The principal activities of the Company were the charter of vessels from and to other Group companies and to provide project management and subsea installation services to the offshore oil and gas industry, particularly offshore Brazil. There have been no significant changes in the Company's principal activities during the year and the Directors are not aware, at the date of this report, of any likely changes in the Company's activities in the forthcoming year.

**Results and performance**
The Statement of Comprehensive Income for the year is set out on page 11. The Company's total comprehensive income for the financial year of $146 million (2016: $198 million) has been transferred to reserves.

**Dividends**
During the year the Company declared an interim dividend of $465 million to Subsea 7 Senior Holdings (UK) Limited, the Company's immediate parent undertaking. The Company does not have a formal dividend policy. In June 2018, the Directors proposed and approved the payment of a dividend of $140 million (equating to $3.5 million per share), the dividend will be recognised within equity as an appropriation of retained earnings.

**Financial instruments**
The Company is part of the Group's centralised financing risk management arrangements and manages financial risks through internal risk reports which analyse exposures by degree and magnitude of risks. Where appropriate the Group's risk management programme seeks to limit the adverse effects of risks and seeks to minimise the effects of these risks by using a variety of financial instruments to hedge risk exposures. The Group reviews compliance with policies and exposure limits on a regular basis and it does not enter into or trade financial instruments for speculative purposes.

The Company does not enter into financial instruments in order to manage foreign currency exposures.

**Future developments**
As part of the Group, the Company is well positioned to take advantage of future opportunities in a highly competitive and cost efficient market. In recent years the oil and gas market has undergone a transformational downturn. Where possible the Company has responded with innovation and reorganisation in order to drive down costs and find better, more efficient solutions. A focused strategy and differentiated offering has been effective in strengthening market position and changing the industry dynamics. The Company is well positioned to build on key strengths as the offshore oil and gas market experiences a slow and gradual recovery.

Activity levels in 2018 are expected to be significantly lower than 2017. The Directors expect that revenue will continue to be generated from the charter of vessels from and to other Group companies and to provide project management and subsea installation services to the offshore oil and gas industry, particularly offshore Brazil.

## Directors' Report (continued)
**for the year ended 31 December 2017**

**Going concern**
The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures economic, competition, project execution, fleet management, human resource, health, safety, security environmental and quality, compliance and ethics, geographic, credit, cash flow and liquidity risk are described above and in the Strategic Report.

The Company has net assets of $180 million (2016: $499 million) and has considerable financial resources together with long-term customer contracts. The Directors have considered the forecast cash flow of the Company. It is considered to be sufficient to support continued trading operations for a period of twelve months from signing the Financial Statements. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

A large proportion of the Company's receivable balances are held with fellow Group undertakings. An impairment review has been performed on these balances and no provision has been made. Due to the significant financial resources of the Group, the Directors consider the balances to be recoverable.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

**Events since the Balance Sheet date**
In June 2018, the Company declared a dividend of $140 million to Subsea 7 Senior Holdings (UK) Limited, the Company's immediate parent undertaking.

**Statement of Directors' responsibilities**
The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

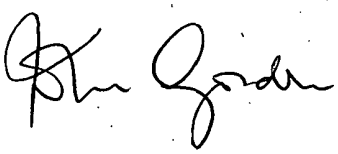
## Directors' Report (continued)
**for the year ended 31 December 2017**

**Disclosure of information to auditor**
The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditor**
Ernst & Young LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

On behalf of the Board



John Gordon
**Director**
25 June 2018

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUBSEA 7 INTERNATIONAL CONTRACTING LIMITED

### Opinion

We have audited the financial statements of Subsea 7 International Contracting Limited for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101, "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.
Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUBSEA 7 INTERNATIONAL CONTRACTING LIMITED (continued)

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Kevin Weston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

27/6/2018

# Subsea 7 International Contracting Limited

## Statement of Comprehensive Income

**for the year ended 31 December**

| | Note | **2017 $000** | 2016 $000 |
|---|---|---|---|
| **Revenue** | 5 | **737,075** | 819,886 |
| Operating expenses | | **(569,130)** | (601,106) |
| **Net operating income** | 6 | **167,945** | 218,780 |
| Finance income | 12 | **7,228** | 4,134 |
| Other gains and losses | 11 | **(2,835)** | 2,681 |
| Finance costs | | **-** | (2) |
| Non-operating expense | 13 | **(13,527)** | (15,211) |
| **Net income before taxes** | | **158,811** | 210,382 |
| Taxation | 14 | **(12,663)** | (12,015) |
| **Net income** | | **146,148** | 198,367 |
| **Total comprehensive income** | | **146,148** | 198,367 |

# Subsea 7 International Contracting Limited

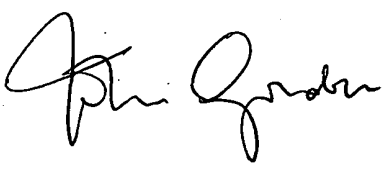
## Balance Sheet

**As at 31 December**

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **9,925** | 8,592 |
| Advances and receivables | 17 | **15,400** | 6,051 |
| Deferred tax assets | 14 | **992** | 725 |
| | | **26,317** | 15,368 |
| **Current assets** | | | |
| Inventories | 18 | **6,979** | 8,063 |
| Trade and other receivables | 19 | **245,977** | 587,062 |
| Accrued income and prepaid expenses | 20 | **48,624** | 38,086 |
| Cash and cash equivalents | | **-** | 9,815 |
| | | **301,580** | 643,026 |
| **Total assets** | | **327,897** | 658,394 |
| **Equity** | | | |
| Issued share capital | 21 | **-** | - |
| Paid in surplus | | **40,000** | 40,000 |
| Retained earnings | | **140,195** | 458,579 |
| **Equity attributable to shareholders** | | **180,195** | 498,579 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Provisions | 22 | **3,975** | 853 |
| Other non-current liabilities | 24 | **457** | 619 |
| | | **4,432** | 1,472 |
| **Current liabilities** | | | |
| Trade and other liabilities | 25 | **123,870** | 140,817 |
| Current tax liabilities | 14 | **12,605** | 10,566 |
| Provisions | 22 | **5,174** | 3,654 |
| Deferred revenue | 26 | **1,621** | 3,306 |
| | | **143,270** | 158,343 |
| **Total liabilities** | | **147,702** | 159,815 |
| **Total equity and liabilities** | | **327,897** | 658,394 |

The notes to the Financial Statements on pages 14 to 34 are an integral part of these Financial Statements.

The financial statements of Subsea 7 International Contracting Limited, Company Number 03073521 on pages 11 to 34 were approved by the Board of Directors on 25 June 2018 and were signed on its behalf by:



John Gordon
**Director**

# Subsea 7 International Contracting Limited

## Statement of Changes in Equity
**for the year ended 31 December 2017**

| | Note | Issued share capital $000 | Paid in surplus $000 | Retained earnings $000 | Total $000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | | **-** | **40,000** | **458,579** | **498,579** |
| **Comprehensive income** | | | | | |
| Net income | | - | - | 146,148 | 146,148 |
| **Total comprehensive income** | | **-** | **40,000** | **146,148** | **146,148** |
| **Transactions with owners** | | | | | |
| Dividends | 15 | - | - | (465,000) | (465,000) |
| Share-based compensation | | - | - | 468 | 468 |
| **Total transactions with owners** | | **-** | **-** | **(464,532)** | **(464,532)** |
| **Balance at 31 December 2017** | | **-** | **40,000** | **140,195** | **180,195** |
| | | | | | |
| **Balance at 1 January 2016** | | **-** | **40,000** | **259,686** | **299,686** |
| **Comprehensive income** | | | | | |
| Net income | | - | - | 198,367 | 198,367 |
| **Total comprehensive income** | | **-** | **40,000** | **198,367** | **198,3673** |
| **Transactions with owners** | | | | | |
| Share-based compensation | | | | 526 | 526 |
| **Total transactions with owners** | | **-** | **-** | **526** | **526** |
| **Balance at 31 December 2016** | | **-** | **40,000** | **458,579** | **498,579** |

# Subsea 7 International Contracting Limited

## Notes to the Financial Statements
**for the year ended 31 December 2017**

### 1 General information

The Financial Statements and notes contained within this document are specific to Subsea 7 International Contracting Limited (the "Company") and not the wider Subsea 7 S.A. group. The results for the Subsea 7 S.A. group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A., which can be found at www.subsea7.com.

The Financial Statements of the Company for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 25 June 2018. The Company is a limited company incorporated and domiciled in the United Kingdom. The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

**Basis of preparation**

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. In line with 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980)' the Company has chosen to adapt the formats of the Balance Sheet and Statement of Comprehensive Income and has applied the relevant presentation requirements of IAS 1 'Presentation of Financial Statements'.

The Financial Statements are presented in United States Dollars ($) which is the Company's functional and presentation currency, being the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand dollars ($000) except when otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IAS 7 'Statement of Cash Flows',

(b) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-Based Payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined),

(c) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (requirement to disclose key management personnel compensation),

(d) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective),

(e) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member,

(f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1 (a reconciliation of the number of shares outstanding at the beginning and end of the period) and

(ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment' (a reconciliation of movements for each class of property, plant and equipment).

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 1 General information (continued)

**Basis of preparation (continued)**

(g) the following paragraphs of IAS 1 'Presentation of Financial Statements'.
- 10(d) (statement of cash flows),
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its Financial Statements, or when it reclassifies items in its Financial Statements),
- 16 (statement of compliance with IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-38D (additional comparative information),
- 40A-40D (requirements for a third statement of financial position),
- 111 (cash flow statement information) and
- 134-136 (capital management disclosures)

(h) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets' (assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts),

(i) the requirements of IFRS 7 'Financial Instruments: Disclosures',

(j) the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

**Going concern**

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to risks are described in the Directors' Report and Strategic Report.

The Company has net assets of $180 million (2016: $499 million) and has considerable financial resources together with long-term customer contracts. The Directors have considered the forecast cash flow of the Company. It is considered to be sufficient to support continued trading operations for a period of twelve months from signing the Financial Statements. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

A large proportion of the Company's receivable balances are held with fellow Group undertakings. An impairment review has been performed on these balances and no provision has been made. Due to the significant financial resources of the Group, the Directors consider the balances to be recoverable.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

### 2 Adoption of new accounting standards

No new International Financial Reporting Standards (IFRS) were adopted by the Company for the financial year beginning 1 January 2017. Amendments effective for the financial year beginning 1 January 2017 have been adopted however none of these amendments have had a material impact on the financial results of the Company.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 3 Judgement and key sources of estimation uncertainty

In the application of the Company's accounting policies which are described in Note 4 '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 the Company 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 on-going basis. Revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised.

***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 value of property, plant and equipment may not be recoverable, a review for impairment is carried out by management. This involves the estimation of future cash flows attributable to the asset which are then discounted at an appropriate rate. Where required, fair value less costs of disposal is estimated internally or by obtaining a third party valuation. Costs of disposal are included where a reliable estimate can be made.

***Carrying value of loans and receivables***
Loans and receivables are reviewed at least annually for objective evidence to indicate whether the carrying values are impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or default or significantly delay payments are considered to be objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recognised. In determining this, management reviews historical experience, recent and expected future financial performance and financial position. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

***Recognition of provisions and disclosure of contingent liabilities***
When a potential exposure is identified management uses its judgement in determining whether the Company should recognise a provision or disclose a contingent liability. These judgements include whether the Company has a present obligation and the probability that an outflow of economic benefit is required to settle the obligation. Management may also use its judgement to determine the amount of the obligation. Management uses external advisers to assist with some of these judgements. Further details relating to provisions and contingent liabilities can be found in Note 22 'Provisions' and Note 27 'Commitments and contingencies liabilities '.

***Taxation***
The Company is subject to taxation in numerous jurisdictions and significant judgement is required in calculating the tax provision. There are transactions for which the ultimate tax determination is uncertain and for which the Company 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 positions and makes provisions based on the probability of the liability arising. Where the final tax outcome of these matters differs from the amounts that were initially recorded, the difference will impact the tax charge in the period in which the outcome is determined. Details of key judgements and other issues considered are set out in Note 14 'Taxation'.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 4 Significant accounting policies

**Revenue recognition**
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

*Service revenues*
Revenues received for the provision of services under charter agreements, day-rate contracts, reimbursable/cost-plus contracts and similar contracts are recognised on an accruals basis as services are provided.

**Dry-dock, mobilisation and decommissioning expenditure**
Dry-dock expenditure incurred to maintain a vessel's classification is capitalised 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 is derecognised. All other repair and maintenance costs are recognised in the Statement of Comprehensive Income as incurred.

Mobilisation expenditures, which consist of expenditure incurred prior to the deployment of vessels or equipment, are classified as prepayments and expensed over the project life.

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 as property, plant and equipment, when the Company recognises it has a present obligation and a reliable estimate can be made of the amount of the obligation.

**Leasing**
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use an asset. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are aggregated and recognised on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised on the same basis as the related lease.

Improvements to leased assets are expensed in the Statement of Comprehensive Income unless they significantly increase the value of the leased asset, under which circumstance this expenditure will be capitalised and subsequently recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term applicable to the leased asset.

**Foreign currency translation**
Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

At 31 December 2017 the main exchange rates used throughout the Company, compared to the US Dollar, were as follows:

| | |
|---|---|
| GBP | 0.747 |
| EUR | 0.842 |
| NOK | 8.410 |

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 4 Significant accounting policies (continued)

**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.

**Finance income**
Finance income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Finance income is accrued by reference to the principal outstanding and the interest rate applicable.

**Taxation**
*Income taxes*
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

*Deferred taxes*
Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, with the following exception; deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the future tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

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

Assets under construction are carried at cost, less any recognised impairment charge. Depreciation of these assets commences when the assets become operational and either commence activities or are deemed available for service.

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 |
| Other assets | 3 to 7 years |

Vessels are impaired to their estimated residual value.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

**4 Significant accounting policies (continued)**

**Property, plant and equipment (continued)**
Residual values, useful lives and methods of depreciation are reviewed at least annually and adjusted as appropriate.

The gains or losses arising on disposal of assets 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 Statement of Comprehensive Income in the period in which the asset is disposed.

**Tendering costs**
Costs incurred in the tendering process are expensed in the Statement of Comprehensive Income as incurred.

**Impairment of non-financial assets**
At each Balance Sheet date the Company assesses whether there is any indication that non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company 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 Company 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 value, the asset is considered impaired and is written down to its recoverable value. 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 to sell, an appropriate valuation model is used.

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

An assessment is made at each Balance Sheet date as to whether there is any indication that previously recognised impairment charges may no longer exist or may have decreased. If such an indication exists the Company makes an estimate of the recoverable amount. A previously recognised impairment loss 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 loss been recognised for the asset in prior years. Any such reversal is recognised in the Statement of Comprehensive Income.

**Financial instruments**
A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. The classification depends on the nature and purpose of the financial assets and liabilities which is determined at the time of initial recognition.

The Company's financial assets include trade and other receivables.

The Company's financial liabilities include trade and other payables.

All financial instruments are initially measured at cost plus transaction costs, with the exception of those classified as fair value through profit or loss and all derivatives which are measured at fair value.

**Impairment of financial assets**
At each Balance Sheet date the Company assesses whether any indicators exist that a financial asset or group of financial assets is impaired. Impairment losses are recorded if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The impairment is recognised through the Statement of Comprehensive Income.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 4 Significant accounting policies (continued)

**Impairment of financial assets (continued)**
In any subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised; the previously recognised impairment loss will be reversed through the Statement of Comprehensive Income.

**Cash and cash equivalents**
Cash and cash equivalents in the Balance Sheet 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 readily convertible to known amounts of cash. Utilised revolving credit facilities are included within current borrowings.

**Trade and other receivables**
The Company assesses at each reporting date whether any indicators exist that a financial asset or group of financial assets is impaired.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Company may not be able to collect all, or part, of the amounts due. Impaired trade receivables are derecognised when they are fully assessed as uncollectible.

Loans receivable and other receivables are carried at amortised cost using the effective interest rate method. Interest income, together with gains and losses when the loans and receivables are derecognised or impaired, is recognised in the Statement of Comprehensive Income.

**Trade and other payables**
Payables are recognised initially at fair value, net of transaction costs incurred. After initial recognition payables are subsequently measured at amortised cost using the effective interest rate method. Interest expenses (which don't meet the criteria for capitalisation), together with gains and losses when payables are derecognised or impaired, is recognised in the Statement of Comprehensive Income.

**Inventories**
Inventories comprise materials, consumables and spares and are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to conclude the sale.

**Provisions**
Provisions are recognised when the Company 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. Where the Company 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 Statement of Comprehensive Income at a current pre-tax amount that reflects 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.

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

*Onerous contracts*
The Company recognises provisions for onerous contracts once the underlying event or conditions leading to the contract becoming onerous is highly probable and a reliable estimate can be made. Provisions are measured at the best estimate of unavoidable costs under the contract which reflect the least net cost of exiting the contract which is the lower of the cost of fulfilling it and any compensation or penalties resulting from failure to fulfil the contract.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 4 Significant accounting policies (continued)

**Provisions (continued)**

*Legal claims*

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

*Contingent considerations*

Other contingent liabilities are disclosed in the Notes to the Financial Statements as necessary, but are not recognised until they meet the criteria for recognition as a provision.

**Share-based payments**

Certain employees of the Company receive part of their remuneration in the form of share options and conditional awards of shares based on the performance of the Subsea 7 S.A. 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 (vesting date). The cumulative expense recognised for the equity-settled transactions at each balance sheet date, until the vesting date, reflects the extent to which the vesting period has expired and the Company'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 Company in respect of national insurance 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.

The expenses associated with the award of share-based payments are recharged to the Company in which the employee's primary activities are located by the employee's employing entity at no mark-up. The Company which benefits from the employee's primary activities incurs all expenses associated with share-based payments and is therefore responsible for eventual settlement of any outstanding awards and options.

Awards of shares to settle share-based payment arrangements to individual employees may be made by the Company's ultimate parent company, Subsea 7 S.A. on behalf of the Company at no cost to the Company.

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 they are granted

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 5 Revenue

**Revenue by activity**

Revenue is generated from the provision of services. Revenue recognised in the Statement of Comprehensive Income is analysed as follows:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| SURF and Conventional | **385,027** | 402,432 |
| Vessel chartering | **339,162** | 384,131 |
| Personnel services | **12,886** | 33,323 |
| **Total** | **737,075** | 819,886 |

*SURF and Conventional*

Revenue relates to the provision of Subsea Umbilicals, Risers and Flowlines (SURF) activities related to engineering, procurement, installation and commissioning of highly complex systems offshore. Conventional services include fabrication, installation, extension and refurbishment of fixed and floating platforms and associated pipelines in shallow water environments.

*Vessel chartering*

Revenue relates to the provision of owned vessels on charter to other entities within the Subsea 7 S.A. group.

*Personnel services*

Revenue relates to the provision of employees on charter to other entities within the wider Subsea 7 S.A. group.

**Revenue by geographic origin**

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Africa | **20,621** | 50,737 |
| Europe (excluding United Kingdom) | **53,980** | 92,409 |
| North America | **80,046** | 86,588 |
| South America | **327,587** | 357,250 |
| United Kingdom | **243,405** | 211,565 |
| Others | **11,436** | 21,337 |
| **Total** | **737,075** | 819,886 |

Revenue by geographic destination was wholly attributable to the United Kingdom.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 6 Net operating income

Net operating income is stated after charging/(crediting):

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Employee benefits (Note 8) | **10,944** | 14,286 |
| Termination expenses | **(72)** | 1,041 |
| Restructuring expense | **2** | (26) |
| Depreciation of property, plant and equipment (Note 16) | **7,035** | 21,198 |
| Mobilisation costs | **899** | 172 |
| Impairment of property, plant and equipment | **-** | 10,237 |
| (Reversal)/Impairment of trade receivables | **(15,466)** | 10,237 |
| Inventory recognised as an expense | **30,089** | 19,579 |
| Operating lease payments (Note 28) | **37,851** | 32,596 |

During the year, bad debt provisions held on balances due from Joint Venture entities were assessed. As a result, a $14.5 million impairment on a balance due from a Mexican Joint Venture, which had been recognised in the Statement of Comprehensive Income during 2015, was fully reversed. A provision held with a Joint Venture entity in Angola was also decreased by $1.0 million.

### 7 Auditors' remuneration

During the year, fees payable to the Company's auditors for the audit of the Company's annual accounts was $15,324 (2016: $15,227). This amount was borne by another Subsea 7 S.A. group company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Annual Report and Consolidated Financial Statements of its ultimate parent, Subsea 7 S.A.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 8 Employee benefits

Aggregate benefits paid to employees of the Company are shown below:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Short-term employee benefits | **8,034** | 10,536 |
| Social security costs | **1,264** | 1,678 |
| Pension costs | **658** | 827 |
| Other long-term benefits | **457** | 619 |
| Share-based payments | **531** | 626 |
| **Total** | **10,944** | 14,286 |

Share-based payments expense relates to charges incurred by the Company in connection with equity-settled share-based payments schemes.

Included in pension costs are $0.7 million (2016: $0.8 million) in respect of defined contribution schemes.

### 9 Employees

The average monthly number of employees during the year was made up as follows:

| | 2017 No. | 2016 No. |
|---|---|---|
| Operations – onshore | **56** | 70 |
| Administration – general management | **1** | 1 |
| Administration – other | **7** | 8 |
| **Total** | **64** | 79 |

### 10 Directors' remuneration

Aggregate remuneration paid to five (2016: three) Directors of the Company for services provided to multiple companies within the Group is shown below:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Aggregate remuneration | **1,661** | 1,249 |
| Aggregate amount received on Long Term Incentive Plan | **575** | 59 |
| Aggregate amounts (excluding shares) receivable under long-term incentive schemes | **50** | 27 |
| Company pension contributions to defined contribution schemes | **146** | 190 |
| **Total** | **2,432** | 1,525 |

Retirement benefits are accruing to five (2016: three) Directors under defined contribution schemes.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 10 Directors' remuneration (continued)

**Highest paid Director**

The remuneration of the highest paid Director, including gains made on exercise of share options and gains made under long-term incentive schemes, was $881 thousand (2016: $772 thousand), including Company pension contributions to defined contribution schemes of $81 thousand (2016: $142 thousand).

### 11 Other gains and losses

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Net foreign currency exchange (losses)/gains | **(2,835)** | 2,681 |

### 12 Finance income

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Bank interest income | **19** | 7 |
| Interest income from Group undertakings | **7,209** | 4,127 |
| **Total** | **7,228** | 4,134 |

### 13 Non-operating expense

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Norwegian tax loss payment | **13,527** | 15,211 |

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 14 Taxation

| Tax charged in the Statement of Comprehensive Income is disclosed as follows: | 2017 $000 | 2016 $000 |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax | **10,449** | 6,684 |
| Foreign tax | **5,115** | 12,433 |
| **Current tax** | **15,564** | 19,117 |
| Amounts over provided in previous years - UK | **(2,633)** | (6,381) |
| **Total current tax:** | **12,931** | 12,736 |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences | **(445)** | (721) |
| Prior year adjustment | **177** | - |
| **Total deferred tax** | **(268)** | (721) |
| **Taxation expense reported in the Statement of Comprehensive Income** | **12,663** | 12,015 |

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK as follows:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Accounting profit before taxation | **158,811** | 210,382 |
| Profit on ordinary activities at the standard UK rate of 19.25% (2016: 20%) | **30,571** | 42,076 |
| ***Effects of :*** | | |
| Expenses not deductible for tax purposes | **3,395** | 126 |
| Income not taxable for tax purposes | **-** | (236) |
| Share-based payment relief | **(134)** | (30) |
| Effect of higher taxes on overseas income | **-** | 114 |
| Change in tax laws and rates | **-** | 40 |
| Net benefit of the tonnage tax regime | **(18,712)** | (23,694) |
| Tax under provided in previous years | **(2,457)** | (6,381) |
| **Taxation expense reported in the Statement of Comprehensive Income** | **12,663** | 12,015 |

***UK Tonnage tax regime***
S7 International Contracting Limited has elected to be taxed in accordance with the UK tonnage tax regime.

***Change in corporation tax rate***
The UK corporation tax rate reduced from 20% to 19% effective 1 April 2017 to be followed by a further reduction to 17% effective 1 April 2020. Deferred tax balances have been measured at 17% - 19% being the rates substantively enacted at 31 December 2017. The rate used is dependent on the expected timing of any reversals of timing/temporary differences. The tax charge for the current year is different to the standard rate for the reasons set out in the reconciliation.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 14 Taxation (continued)

**Deferred tax**

| The deferred tax included in the Company Balance Sheet is as follows: | **2017 $000** | 2016 $000 |
|---|---|---|
| ***Deferred tax asset*** | | |
| Provisions | **192** | 147 |
| Decelerated capital allowances | **800** | 578 |
| ***Disclosed on the Balance Sheet*** | | |
| Deferred tax asset | **992** | 725 |

| | **2017 $000** | 2016 $000 |
|---|---|---|
| ***Deferred tax in the Statement of Comprehensive Income*** | | |
| Decelerated) capital allowances | **(222)** | (749) |
| Provisions | **(46)** | 28 |
| **Deferred tax credit** | **(268)** | (721) |

### 15 Dividends

During the year a dividend of $465 million was declared and paid (2016: nil). This is equivalent to a dividend of $11.6 million per share (2016: nil).

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 16 Property, plant and equipment

| | Vessels $000 | Operating equipment $000 | Other assets $000 | Total $000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | **50,004** | **15,262** | **154** | **65,420** |
| Additions | **8,368** | **-** | **-** | **8,368** |
| Disposals | **(48,206)** | **-** | **-** | **(48,206)** |
| **At 31 December 2017** | **10,166** | **15,262** | **154** | **25,582** |
| **Accumulated depreciation** | | | | |
| At 1 January 2017 | **41,636** | **15,038** | **154** | **56,828** |
| Charge for the year | **6,926** | **109** | **-** | **7,035** |
| Eliminated on disposals | **(48,206)** | **-** | **-** | **(48,206)** |
| **At 31 December 2017** | **356** | **15,147** | **154** | **15,657** |
| **Net book value at 31 December 2017** | **9,810** | **115** | **-** | **9,925** |
| Net book value at 31 December 2016 | 8,368 | 224 | - | 8,592 |

***Assets under construction***
Included in the above are assets under construction of $7.0 million (2016: $1.4 million) for which the expenditure in the year amounted to $7.0 million (2016: $nil).

***Vessel inventories***
Included in the above are vessel spare parts transferred from inventory in accordance with IAS 16 'Property, Plant and Equipment'.

***Dry-docking***
Dry-docking disposals of $1.3 million (2016: nil) represent the derecognition of fully depreciated capitalised dry-docking expenditure.

### 17 Advances and receivables

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Other non-current receivables | **15,400** | 6,051 |

Other non-current receivables consist of long term prepaid mobilisation expenditure.

### 18 Inventories

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Materials and spares | **-** | 91 |
| Consumables | **6,979** | 7,972 |
| **Total** | **6,979** | 8,063 |

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 18 Inventories (continued)

The Company's inventories consist of consumable items held in support of workshops and project operations plus equipment spare parts. All inventories are carried at cost less a provision for slow moving and obsolete items. The carrying amount of inventory is deemed to approximate replacement value. The cost of inventory recognised as an expense in the current year was $30.1 million (2016: $19.6 million). Inventories are stated after provisions of $0.7 million (2016: $1.0 million). The amount recognised as a credit in the current year for provision for slow moving and obsolete items was nil (2016: nil).

### 19 Trade and other receivables

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Trade receivables | **12,129** | 3,499 |
| Allowance for doubtful debts | **(533)** | (473) |
| Net trade receivables | **11,596** | 3,026 |
| Amounts due from joint ventures and associates | **896** | 16,500 |
| Amounts due from Group undertakings | **229,631** | 566,673 |
| Advances to suppliers | **42** | 14 |
| Other taxes receivable | **3,575** | 657 |
| Other current receivables | **237** | 192 |
| **Total** | **245,977** | 587,062 |

The fair value of trade and other receivables approximate their carrying values due to the short period of time to maturity. Trade receivables are carried net of provisions.

Amounts due from Group undertakings include amounts due from subsidiaries and other companies forming part of the Subsea 7 S.A. group. Amounts due from Group undertakings that are party to the centralised Working Capital Agreement are unsecured, earn interest at a rate of LIBOR plus 1% per annum, have no fixed date of repayment and are repayable on demand.

Amounts due from Group undertakings whose balances are cash-settled are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Other taxes receivable relate to valued added tax whilst other current receivables relate to accrued personnel recoveries.

### 20 Accrued income and prepaid expenses

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Unbilled revenue | **41,353** | 35,200 |
| Prepaid expenses | **7,271** | 2,886 |
| **Total** | **48,624** | 38,086 |

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 21 Issued share capital
The Company's allotted, called up and fully paid share capital is as follows:

| | 2017 $000 |
|---|---|
| ***Allotted, called up and fully paid*** | |
| Ordinary shares of £1 each | - |

| | 2017 No. |
|---|---|
| ***Allotted, called up and fully paid*** | |
| Ordinary shares of £1 each | |
| At 1 January | 40 |
| **At 31 December 2017** | **40** |

All allotted shares have equal voting rights and equal rights to dividends.

### 22 Provisions

| | Decommissioning $000 | Restructuring $000 | Other $000 | Total $000 |
|---|---|---|---|---|
| **At 1 January 2017** | **4,435** | **72** | **-** | **4,507** |
| *Analysed as:* | | | | |
| Current | **3,582** | **72** | **-** | **3,654** |
| Non-current | **853** | **-** | **-** | **853** |
| *Arising during the year* | | | | |
| Additional provision | **3,312** | **-** | **5,174** | **8,486** |
| Utilisation of provision | **(3,055)** | **-** | **-** | **(3,055)** |
| Unused amounts released | **(717)** | **(72)** | **-** | **(789)** |
| **At 31 December 2017** | **3,975** | **-** | **5,174** | **9,149** |
| *Consisting of:* | | | | |
| Current | **-** | **-** | **5,174** | **5,174** |
| Non- current | **3,975** | **-** | **-** | **3,975** |

***Decommissioning provision***
The decommissioning provision is in relation to the obligation to restore leases vessels to their original, or agreed, condition. The costs related to the provision are expected to be incurred in the year the leases cease, which ranges from 2019 to 2022.

***Other provisions***
Other provisions include provisions for an onerous contract and remediation costs payable to clients.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 23 Financial instruments

The Company's financial instruments are classified as follows;

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | - | 9,815 |
| *Loans and receivables:* | | |
| Trade receivables | **11,596** | 3,026 |
| Current amounts due from Group undertakings | **229,631** | 566,673 |
| Current amounts due from joint ventures and associates | **896** | 16,500 |
| **Financial liabilities** | | |
| *Loans and payables:* | | |
| Trade payables | **4,360** | 4,316 |
| Current amounts due to Group undertakings | **66,771** | 76,407 |
| Current amounts due to joint ventures and associates | **896** | 896 |
| Other payables | **8** | 69 |

**Fair value measurement**
The fair value of financial assets and liabilities carried at amortised cost approximate their carrying values due to the short period of time to maturity.

**Recurring and non-recurring fair value measurements**
Recurring fair value measures are those that FRS 101 requires at the end of each reporting period. Non-recurring fair value measurements are those that IFRSs require or permit in particular circumstances.

**Fair value techniques and inputs**
The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Where possible fair values are determined with reference to quoted prices however where unavailable fair values are determined using generally accepted pricing models. Assumptions used in determining fair value of financial assets and financial liabilities are as follows:

*Trade and other receivables and payables*
For current balances, the carrying values approximate fair values due to the short-term of maturity. The fair value of non-current financial assets and liabilities (excluding derivative financial instruments) are based on discounted cash flow analysis using prices from observable current market transactions or calculated by discounting expected future cash flows at prevailing market interest rates for instruments with the same terms and characteristics.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 24 Other non-current liabilities

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Accruals | **457** | 619 |

The fair value and carrying value of other non-current liabilities are not materially different.

### 25 Trade and other liabilities

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Accruals | **49,842** | 56,747 |
| Trade payables | **4,360** | 4,316 |
| Amounts due to joint ventures and associates | **896** | 896 |
| Amounts due to Group undertakings | **66,771** | 76,407 |
| Taxation and social security | **1,993** | 2,382 |
| Other current payables | **8** | 69 |
| **Total** | **123,870** | 140,817 |

Trade payables are non-interest bearing and are normally settled on 60 day terms. Other creditors are non-interest bearing and have an average term of six months.

The fair value of trade and other liabilities approximate their carrying values due to the short period of time to maturity.

Amounts due to Group undertakings include amounts due to subsidiaries and other companies forming part of the Subsea 7 S.A. group. Amounts due to Group undertakings that are party to the centralised Working Capital Agreement are unsecured, incur interest at a rate of LIBOR plus 3.45% per annum, have no fixed date of repayment and are repayable on demand.

Amounts due to Group undertakings whose balances are cash-settled are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Taxation and social security include valued added tax, social security and other indirect taxes. Also included are various employee benefit balances.

### 26 Deferred revenue

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Advances received from clients | **1,621** | 3,306 |

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 construction contracts.

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 27 Commitments and contingent liabilities

***Commitments***
The Company's commitments at 31 December 2017 include commitments to purchase property, plant and equipment from external suppliers. Capital expenditure contracted for at the Balance Sheet date but not yet incurred is as follows:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Property, vessels, plant and equipment | **104** | 24 |

***Contingent liabilities***
As at 31 December 2017 the Company had no contingent liabilities (2016: none).

### 28 Operating lease arrangements

The amount charged to the Statement of Comprehensive Income in respect of operating leases in the year was $37.9 million (2016: $32.6 million).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Commitments under non-cancellable operating leases expiring: | | |
| Within one year | **31,257** | 24,717 |
| Later than one year and no later than five years | **57,801** | 27,519 |
| **Total** | **89,058** | 52,236 |

The Company has entered into a number of vessel charters under non-cancellable operating lease agreements. The Company also leases housing. The leases have various terms, escalation clauses and renewal rights.

### 29 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly-owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 December with other related parties are as follows:

| Related party | Sales to related party $000 | Purchases from Related party $000 | Amounts owed by related party $000 | Amounts owed to related party $000 |
|---|---|---|---|---|
| ***Joint ventures*** | | | | |
| 2017 | - | - | **9,621** | **896** |
| 2016 | 1,043 | - | 26,260 | 896 |

## Notes to the Financial Statements (continued)
**for the year ended 31 December 2017**

### 29 Related party transactions (continued)

***Terms and conditions of transactions with related parties***

Sales and purchases between related parties are made on an arm's length basis. Outstanding balances with entities other than subsidiaries are unsecured, interest free. The Company has not provided or benefited from any guarantees for any related party receivables or payables. As at 31 December 2017, the Company has a provision for doubtful debts, relating to amounts owed by related parties, of $8.7 million (2016: $9.2 million).

### 30 Post Balance Sheet events

In June 2018, the Company declared a dividend of $140 million to Subsea 7 Senior Holdings (UK) Limited, the Company's immediate parent undertaking.

### 31 Ultimate and immediate parent undertaking and controlling party

The immediate parent undertaking of the Company is Subsea 7 Senior Holdings (UK) Limited, a company registered in England.

The Company's ultimate parent undertaking and controlling party at 31 December 2017 is Subsea 7 S.A. The largest (and smallest) group which includes these Financial Statements in their consolidation is the Subsea 7 S.A. group. The Annual Report and Consolidated Financial Statements of Subsea 7 S.A. can be obtained from the address below or at www.subsea7.com.

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