



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

2 PERFORMANCE REVIEW & IMPACT

employee retention. Recruitment will remain a significant challenge as the pandemic makes it more difficult to integrate new team members in the usual way. SBM Offshore will therefore improve onboarding, rolling out best practices to ensure that all new employees experience the same high-standard onboarding wherever they are recruited in the world, online or in person.

In 2022, SBM Offshore will continue to deepen its 'employee experience' knowledge to further improve all aspects of the organizational culture and nurture a strong sense of belonging.

On Training, SBM Offshore will further improve the content and catalogue of the Learning Management System, a training tool which enables SBM Offshore to become a learning organization where each SBM Offshore learner is an entrepreneur in their career development. In addition, SBM Offshore will make unconscious bias awareness sessions available to the Company at large and will also set ambitious diversity and inclusion targets.

2.1.6 ECONOMIC PERFORMANCE

MANAGEMENT APPROACH

SBM Offshore's primary business segments are: Lease and Operate and Turnkey. Although financial results are presented per segment, activities between business segments are closely related. In addition to reporting under International Financial Reporting Standards (IFRS) guidelines, SBM Offshore's Directional reporting methodology was introduced to reflect Management's view of SBM Offshore and how it monitors and assesses financial performance. This chapter of the Annual Report presents numbers based on directional reporting.

SBM Offshore provides Directional Revenue and EBITDA guidance, which is updated in the event of material change, if any. Economic performance is a result of all company activities, governed as per sections 3.1 Management Board and Supervisory Board and 3.2 Corporate Governance and executed as per the Management Approach sections in chapter 2 Performance Review & Impact.

2021 PERFORMANCE

Economic performance is measured through profitability, cashflow, backlog and the financial position of SBM Offshore.

Profitability

Adjusted for non-recurring items, Underlying Directional revenue for full-year 2021 came in at US\$2,317 million, an increase of 1% compared with 2020. This increase is mainly driven by the Turnkey segment benefiting from the general ramp-up of Turnkey activities with five FPSO's under construction in 2021, the awarded limited scope on the

FPSO for the Yellowtail development project and the higher contribution from the renewable and offshore services product lines. This was partially offset by the comparative impact of the Johan Castberg Turret Mooring System EPC project delivered in 2020. Underlying Directional Lease and Operate revenue was US\$1,584 million almost stable versus US\$1,622 million in the prior period.

Underlying Directional EBITDA amounted to US\$931 million in 2021 compared with US\$944 million in 2020. This resulted from a decrease of the Underlying Lease and Operate EBITDA by US\$42 million. Despite an overall stronger operational performance of the fleet, this is mainly explained by (i) the net incremental costs from the implementation of additional safety measures linked to COVID-19 and (ii) repair costs incurred in 2021 on damaged mooring lines on one unit and (iii) higher maintenance and repair activities, including maintenance campaigns postponed to 2021 due to the COVID-19 new pandemic context in 2020. The 2020 EBITDA also benefited from the contribution of the Deep Panuke MOPU decommissioning activities. Underlying Directional Turnkey EBITDA increased from US\$(9) million in the year-ago period to US\$19 million in the current year. Reduced level of EPC activity in the Turret and Mooring product line, following the Johan Castberg Turret Mooring System project delivery was nearly offset by the general ramp-up of other Turnkey activities (including higher contribution from Offshore services). In addition, the Turnkey EBITDA benefited from positive project and risk close out in 2021, while it was impacted by US\$(40) million of restructuring costs in 2020.

2021 Underlying Directional net income attributable to shareholders stood at US\$126 million, a slight increase compared with US\$125 million in the previous year. It should be noted that the ongoing EPC works on *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão*, *Liza Unity* (FPSO), *Prosperity* (FPSO) and the FPSO for the Yellowtail development project did not contribute to Directional net income over the period. This is because the contracts were 100% owned by the Company as of December 31, 2021 and are classified as operating leases as per Directional accounting principles. Therefore, the contribution of these five FPSO projects to the Directional profit and loss will largely materialize in the coming years, subject to project execution performance, in line with the operating cash flows.

The above Underlying figures adjust several non-recurring items described in 4.1.3 Financial Review Directional.

Cash Flow/Liquidities

Thanks to the strong contribution of the fleet, SBM Offshore generated US\$715 million of net cash flows from operating activities over 2021.

The fact that the bridge loans related to *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* were drawn in full during the last quarter of 2021 for a total amount of US\$1,255 million generated a significant excess of financing cash flow compared with actual investments to date on these two units (approximately US\$800 million as of December 31, 2021). As a result, cash and cash equivalents increased from US\$383 million at year-end 2020 to US\$1,059 million at year-end 2021.

Backlog

The Directional backlog, which is presented on a pro-forma basis in note 4.1.3 Financial Review Directional, grew to a record total of US\$29.5 billion at December 31, 2021, compared with US\$21.6 billion at year-end 2020.

This increase was mainly the result of (i) the awarded contracts for the *FPSO Almirante Tamandaré* project and the *FPSO Alexandre de Gusmão* project and (ii) the awarded initial scope to begin FEED activities and build a Fast4Ward® hull for the FPSO for the Yellowtail development project. SBM Offshore's backlog provides cash flow visibility of 29 years, up to 2050.

Statement of Financial Position

SBM Offshore's financial position has remained strong as a result of the cash flow generated by the fleet and the successful adaptation of the Turnkey segment to a more competitive and unpredictable market.

Directional shareholders equity decreased from US\$858 million at year-end 2020 to US\$604 million at year-end 2021. This was primarily due to the completion of the EUR150 million (US\$178 million) share repurchase program and the dividend distribution to the shareholders for an amount of US\$165 million partially offset by the net income of the year. It should be noted that under Directional policy, the contribution to profit and equity of the substantial FPSOs program under construction will largely materialize in the coming years, subject to project execution performance, in line with the generation of associated operating cash flows.

Directional net debt increased to US\$5,401 million from US\$4,093 million at year-end 2020. While the Lease and Operate segment continues to generate strong operating cash flow, SBM Offshore drew (i) on projects financing and (ii) on bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* to fund continued investment in growth.

Almost half of SBM Offshore's debt as of December 31, 2021 consisted of non-recourse project financing (US\$2.9 billion) in special purpose investees. The remainder (US\$3.5 billion) mainly comprised of borrowings to support the ongoing construction of five FPSOs which will become non-recourse following project execution finalization and release of the Parent Company Guarantee. SBM Offshore's Revolving Credit Facility (RCF) was undrawn at year end and cash and undrawn committed credit facilities amounted to US\$2,981 million.

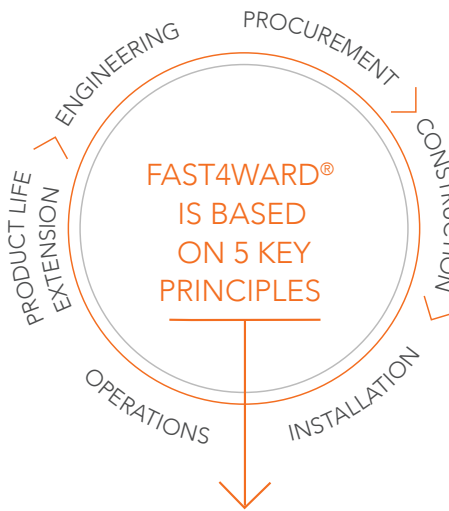
For a total overview of SBM Offshore's financials under IFRS, please see section 4.2 Consolidated Financial Statements of the Annual Report.

2 PERFORMANCE REVIEW & IMPACT

FAST4WARD®



Fast4Ward® is SBM Offshore's program to transform the business by reducing cycle time to energy delivery, de-risking projects and improving quality and safety.



CLIENT FIRST



STANDARDIZATION



FLAWLESS
EXECUTION



INTEGRATED
SUPPLY CHAIN



ENABLING
DIGITAL SOLUTIONS

REDUCING
CYCLE TIME

UP TO 12 MONTHS FASTER

DE-RISKING
PROJECTS

STANDARDIZED
HULL AND TOPSIDES

ENABLING LOWER
BREAK-EVENS

LOWER CAPEX AND OPEX