



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

4.1.3 FINANCIAL REVIEW DIRECTIONAL

in US\$ million	Directional	
	FY 2021	FY 2020
Revenue	2,242	2,368
Lease and Operate	1,509	1,699
Turnkey	733	669
Underlying Revenue	2,317	2,291
Lease and Operate	1,584	1,622
Turnkey	733	669
EBITDA	849	1,021
Lease and Operate	914	1,108
Turnkey	19	(9)
Other	(84)	(78)
Underlying EBITDA	931	944
Lease and Operate	989	1,031
Turnkey	19	(9)
Other	(76)	(78)
Profit/(loss) attributable to shareholders	121	38
Underlying profit attributable to shareholders	126	125

in US\$ billion	Directional	
	FY 2021	FY 2020
Backlog	29.5	21.6

UNDERLYING PERFORMANCE – DIRECTIONAL

Underlying Directional Revenue and EBITDA are adjusted for the non-recurring events during a financial period to enable comparison of normal business activities for the current period in relation to the comparative period.

During 2021 the Directional EBITDA and profit attributable to shareholders were impacted by US\$(8) million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.

In addition, the 2021 Underlying Directional Revenue and EBITDA includes US\$75 million related to final cash received over the period under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020. This amount was excluded from the Underlying 2020 Revenue and EBITDA. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the Underlying Directional gross margin and profit attributable to shareholders.

For reference, the difference between Directional profit attributable to shareholders and Underlying Directional profit attributable to shareholders was due to the following non-recurring items in 2020:

- A full impairment of US\$(57) million of the SBM Installer installation vessel;
- Other impairments of US\$(29) million (individually not significant) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

BACKLOG – DIRECTIONAL

Change in ownership scenarios and lease contract duration have the potential to significantly impact the Company's future cash flows, net debt balance as well as the profit and loss statement. The Company therefore provides a pro-forma Directional backlog based on the best available information regarding ownership scenarios and lease contract duration for the various projects.

The pro-forma Directional backlog at the end of 2021 reflects the following key assumptions:

- The *Liza Destiny* (FPSO) contract covers the basic contractual term of 10 years of lease and operate.
- The *Liza Unity* (FPSO) contract covers a maximum period of two years of lease and operate within which the unit will be purchased by the client. The impact of the sale of *Liza Unity* (FPSO) is reflected in the Turnkey backlog at the end of the maximum two year period.

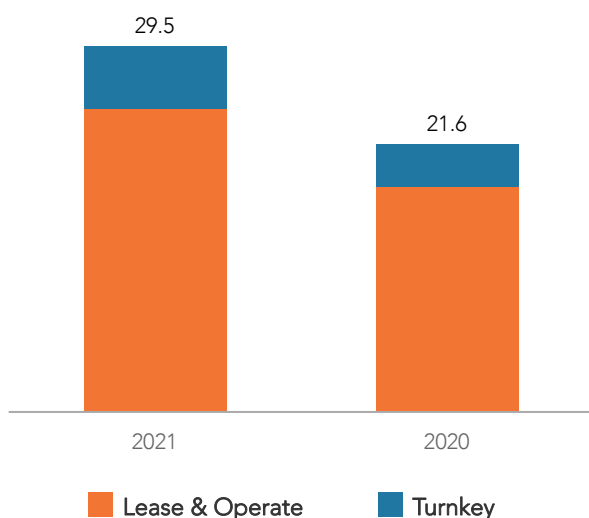
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- The *Prosperity* (FPSO) contract awarded to the Company in October 2020 covers a maximum period of lease and operate of two years, within which the FPSO ownership and operation will transfer to the client. The impact of the subsequent sale of *Prosperity* (FPSO) is reflected in the Turnkey backlog at the end of the maximum two year period. Normally, the Company would not yet take the operating and maintenance scope of this contract into account although it has been agreed in principle, pending a final work order. However, to be consistent with the prior year and to better reflect the current reality, the pro-forma backlog set out below takes the operating and maintenance scope on *Prosperity* (FPSO) into account.
- With respect to FPSO for the Yellowtail development project, for which the full lease and operate contract award is subject to necessary government approvals and final work order to be received from the client, the amount included in the pro-forma backlog is limited to the value of the initial limited release of funds to the Company to begin FEED activities and secure a Fast4Ward® hull.
- On December 20, 2021, the Company signed an agreement with China Merchants Financial Leasing (Hong Kong) Holding Co., Limited (CMFL) regarding the future divestment of 13.5% equity ownership in the Sepetiba special purpose companies. This transaction has not yet been reflected in the backlog as it remains subject to various approvals, which include the consent from co-owners, lenders and export credit agencies.
- The *FPSO Almirante Tamandaré* partial divestment to partners (45%) was concluded after the reporting period on January 25, 2022. As a consequence, the ownership share (55%) in the 26.25 years lease and operate contracts was added to the Lease and Operate backlog and the partial divestment to partners (45%) was added to the Turnkey backlog
- The pro-forma backlog of *FPSO Alexandre de Gusmão* takes into account the initially targeted Company ownership share (55%) in the 22.5 years lease and operate contracts. As a consequence, this targeted share was added to the the Lease and Operate backlog whereas the partial divestment to partners (45%), which remains subject to finalization of the shareholder agreement and various approvals, was added to the Turnkey backlog.

The pro-forma Directional backlog at the end of December 2021 increased by almost US\$7.9 billion to a total of US\$29.5 billion. 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 secure a Fast4Ward® hull for the FPSO for the Yellowtail development project less turnover for the period consumed of US\$2.2 billion.

in billions of US\$	Turnkey	Lease & Operate	Total
2022	1.5	1.6	3.1
2023	0.8	1.6	2.4
2024	1.5	1.8	3.3
Beyond 2024	1.2	19.5	20.7
Total Backlog	5.0	24.5	29.5

Pro-forma Directional Backlog (in billions of US\$)



PROFITABILITY – DIRECTIONAL

Preliminary remark

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.

As far as *Liza Unity* (FPSO), *Prosperity* (FPSO) and the FPSO for the Yellowtail development project are concerned, the Company has determined that it is optimal from an operational and financial perspective to retain full ownership as opposed to partnering on these projects. Therefore, under the Company's Directional accounting policy, the revenue recognition on these three FPSO projects is as follows:

- The Company does not recognize any revenue and margin during the Turnkey phase of the project unless defined invoicing (if any) to the client occurred during the construction phase to cover specific construction work and/or services performed before the commencement of the lease. These upfront payments are recognized as revenues and the costs associated with the related construction work and/or services are recognized as cost of sales with no margin during construction.
- The Company will book all revenue and margin associated with the lease and operate contracts related to its 100% share during the lease phase, in line with the cash flows.
- Upon transfer of the FPSO to the client, after reaching the end of the lease period or upon exercising of the purchase option by the client, the Company will book all revenue and margin associated with the transfer in the Turnkey segment.

With respect to *FPSO Almirante Tamandaré*, the partial divestment to partners (45%) was concluded on 25 January 2022. For *FPSO Alexandre de Gusmão*, a similar transaction (involving a divestment of 45%) is expected to materialize in the course of 2022. Therefore, under the Company's Directional accounting policy, the revenue recognition on these two FPSO projects is as follows:

- Until the partial divestment dates, the Company does not recognize any revenue and margin unless defined invoicing (if any) to the client occurred during the construction phase to cover specific construction work and/or services performed before the commencement of the lease. These upfront payments are recognized as revenues and the costs associated with the related construction work and/or services are recognized as cost of sales with no margin.
- Upon partial divestments to partners, the Company will book revenue and (once the gate progress of completion is reached) margin associated with the EPC works to the extent of the portion of the sale to partners in the special purpose entity (e.g. 45% of EPC works).

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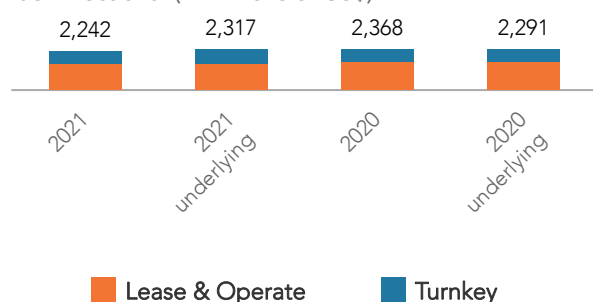
- The Company will book its share (estimated at 55%) in revenue and margin associated to the lease and operate contracts during the lease phase.

Therefore, the contribution of these five FPSO projects to the Directional profit and loss will largely materialize in the coming years, in line with the operating cash flows.

Revenue

Total Directional revenue decreased by 5% to US\$2,242 million compared with US\$2,368 million in 2020, with the decrease primarily attributable to the Lease and Operate segment. Adjusted for the non-recurring item of US\$75 million (refer to paragraph 'Underlying Performance'), Underlying Directional revenue increased to US\$2,317 million compared with US\$2,291 million for the same period in 2020.

Revenue Directional (in millions of US\$)



This variance of the Underlying Directional revenue is further detailed by segment as follows:

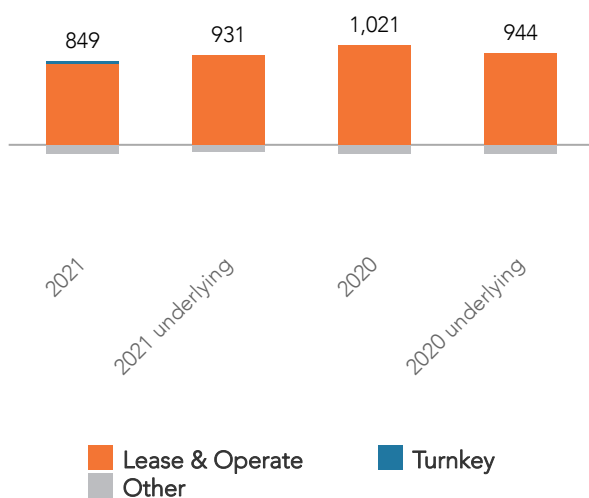
Underlying Directional Lease and Operate revenue was US\$1,584 million, a slight decrease versus US\$1,622 million in the prior period. This reflects the stability of the Fleet over the period. The slight decrease is mainly explained by Deep Panuke MOPU decommissioning activities which contributed to the 2020 revenue only. It is worth mentioning that the Deep Panuke MOPU lease revenue is almost stable considering that the Underlying Directional Revenue has been adjusted for the lease payments received in 2021 under the final settlement signed with the client following the early redelivery in 2020. Lease and Operate revenue in 2021 represents 68% of total underlying Directional revenue contribution in 2021, down from a 71% contribution in 2020.

Underlying Directional Turnkey revenue increased to US\$733 million, representing 32% of total underlying 2021 revenue. This compares with US\$669 million, or 28% of total revenue, in 2020. This increase is mostly attributable to the general ramp-up of Turnkey activities with five FPSOs under construction in 2021, the awarded limited scope for the FPSO for the Yellowtail development project and the higher contribution from the renewable and offshore services product lines. The revenue increase from this general ramp-up more than offsets the year-on-year decrease resulting from the Johan Castberg Turret Mooring System EPC project delivery in 2020.

EBITDA

Directional EBITDA amounted to US\$849 million, representing a 17% decrease compared with US\$1,021 million in 2020. Adjusted for the non-recurring items (see paragraph 'Underlying Performance' in the same section), Underlying Directional EBITDA amounted to US\$931 million in 2021, almost stable compared with US\$944 million in 2020.

EBITDA Directional (in millions of US\$)

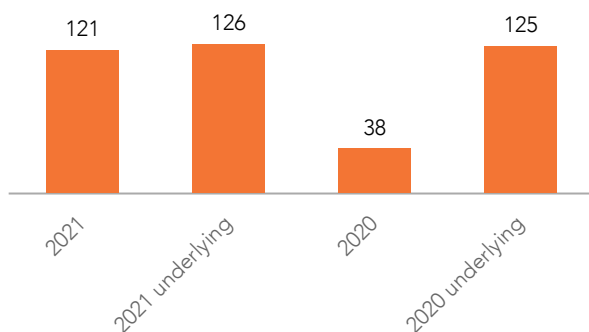


The variance of Underlying Directional EBITDA is further detailed by segment as follows:

- Underlying Directional Lease and Operate EBITDA moved from US\$1,031 million in the year-ago period to US\$989 million in the current year period. This decrease is mainly explained by (i) the net incremental costs from the implementation of additional safety measures linked to COVID-19, (ii) repair costs incurred in 2021 on damaged mooring lines on one unit (for which compensation from insurance is not yet secured) 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. As a result, full year 2021 Underlying Directional Lease & Operate EBITDA margin decreased to 62% (64% in 2020).
- Underlying Directional Turnkey EBITDA increased from US\$(9) million in the year-ago period to US\$19 million in the current year. The 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 benefits from positive project and risk close out in 2021, while it was impacted by US\$(40) million of restructuring costs in 2020. The Underlying Directional Turnkey EBITDA margin, expressed as a percentage of Turnkey revenue, therefore increased to 3%, compared with -1% the year-ago period.
- The other non-allocated costs charged to EBITDA are almost stable moving from US\$(78) million in the year ago period to US\$(76) million in the current year. These costs include continuing investment in the Company's digital initiatives in line with the prior periods.

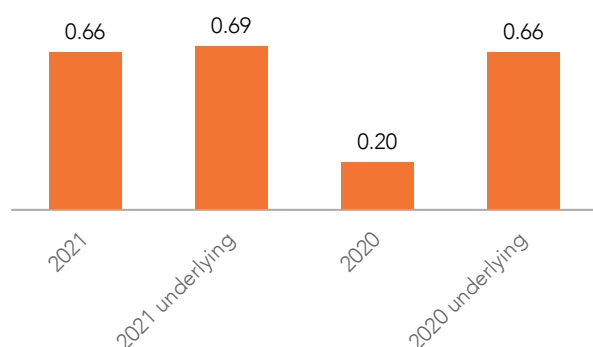
Net income

Net Income Directional (in millions of US\$)



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Weighted Average Earnings Per Share Directional (in US\$)



Underlying Directional depreciation, amortization and impairment decreased by US\$42 million year-on-year. This primarily resulted from a lower depreciation on *FPSO Espirito Santo*, following the five years' extension of the lease and operate contracts of this unit signed in 2020, and a net release of impairment on financial assets due to the Company's clients credit ratings improvement compared with 2020.

Directional net financing costs totaled US\$(171) million in 2021 and are almost stable compared with US\$(175) million in the year-ago period.

The Underlying Directional effective tax rate increased to 36% versus 25% in the year-ago period mainly explained by higher taxes paid in relation to the Brazilian and Guyanese fleets.

As a result, the Company recorded an Underlying Directional net profit of US\$126 million, or US\$0.69 per share, a 1% and 4% increase respectively when compared with US\$125 million, or US\$0.66 per share, in the year-ago period.

STATEMENT OF FINANCIAL POSITION – DIRECTIONAL

in millions of US\$

	2021	2020
Total equity	604	858
Net debt ¹	5,401	4,093
Net cash	1,059	383
Total assets	9,690	7,894
Solvency ratio ²	28.9	34.0

¹ Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents.

² Solvency ratio is calculated in accordance with the definition provided in section 4.3.24 Covenants

Shareholders' equity decreased by US\$254 million from US\$858 million at year-end 2020 to US\$604 million at year-end 2021, mostly due to the following items:

- Completion of the EUR150 million (US\$178 million) share repurchase program executed between August 5, 2021 and October 11, 2021;
- Dividend distributed to the shareholders for US\$165 million;
- Decrease of the hedging reserves by US\$54 million; and
- Positive net result of US\$121 million in 2021.

The movement in hedging reserve is mainly caused by the increase of the marked-to-market value of the interest rate swaps due to increasing market interest rates during the year. This was partially offset by the decreased marked-to-market value of forward currency contracts, mainly driven by the appreciation of the US\$ exchange rate versus the hedged currencies (especially EUR).

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.

Net debt increased by US\$1,308 million to US\$5,401 million at year-end 2021. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew (i) on project finance facilities for *Liza Unity* (FPSO), *Prosperity* (FPSO) and the *FPSO Sepetiba* and (ii) on the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* to fund continued investment in growth.

Almost half of the Company'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) comprised of (i) borrowings to support the on-going construction of five FPSOs which will become non-recourse following project execution finalization and release of the Parent Company Guarantee and (ii) the loan related to the DSCV SBM Installer. The Company's Revolving Credit Facility (RCF) was undrawn at year-end and the net cash balance stood at US\$1,059 million (December 31, 2020: US\$383 million). The year-end cash balance includes significant residual proceeds from the aggregate US\$1,255 million bridge loans for the *FPSOs Almirante Tamandaré and Alexandre de Gusmão* which were both fully drawn in 2021. Lease liabilities totaled US\$57 million (December 31, 2020: US\$71 million).

Total assets increased to US\$9.7 billion as of December 31, 2021, compared with US\$7.9 billion at year-end 2020. This resulted from the substantial investments in property, plant and equipment (mainly *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba*, *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and awarded limited scope for the FPSO for the Yellowtail development project) and the increase in the net cash balance following the full drawdown of the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*.

The relevant covenants (solvency ratio and interest cover ratio) applicable for the Company's RCF, undrawn as at year-end 2021, were all met at December 31, 2021. In line with previous years, the Company had no off-balance sheet financing.

The Company'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.

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CASH FLOW / LIQUIDITIES – DIRECTIONAL

Cash and undrawn committed credit facilities amount to US\$2,984 million at December 31, 2021, of which US\$1,069 million is considered as pledged to specific project debts servicing related to *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* or otherwise restricted in its utilization.

The consolidated cash flow statement under Directional reporting is as follows:

in millions of US\$	2021	2020
EBITDA	849	1,021
Adjustments for non-cash and investing items		
Addition/(release) provision	14	25
(Gain)/loss on disposal of property, plant and equipment	(1)	1
(Gain) / loss on acquisition of shares in investees	0	(1)
Share-based payments	27	26
Changes in operating assets and liabilities		
(Increase)/Decrease in operating receivables	17	(227)
Movement in construction work-in-progress / contract liability	(42)	24
(Increase)/Decrease in inventories	(1)	(134)
Increase/(Decrease) in operating liabilities	(82)	11
Income taxes paid	(66)	(51)
Net cash flows from (used in) operating activities	715	696
Capital expenditures	(1,483)	(871)
(Addition) / repayments of funding loans	(6)	3
Cash receipts from sale of investments in joint ventures	53	28
Other investing activities	20	4
Net cash flows from (used in) investing activities	(1,415)	(837)
Additions and repayments of borrowings and lease liabilities	1,945	534
Dividends paid to shareholders	(165)	(150)
Share repurchase program	(178)	(165)
Interest paid	(224)	(155)
Net cash flows from (used in) financing activities	1,377	62
Foreign currency variations	(2)	5
Net increase/(decrease) in cash and cash equivalents	676	(74)

Significant cash has been generated in 2021. The (i) strong operating cash flows, (ii) drawdowns on project financings and bridge loans and (iii) net proceed from the issuance of the senior secure notes on *FPSO Cidade de Ilhabela* were partially used to:

- Invest in the five FPSOs under construction and the limited scope for the FPSO for the Yellowtail development project;
- Return funds to the shareholders through dividends and the share repurchase program; and
- Service the Company's non-recourse debt and interest in accordance with the respective repayment schedules.

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.

4.1.4 FINANCIAL REVIEW IFRS

in US\$ million	IFRS	
	FY 2021	FY 2020
Revenue	3,747	3,496
Lease and Operate	1,270	1,761
Turnkey	2,477	1,735
Underlying Revenue	3,822	3,419
Lease and Operate	1,345	1,684
Turnkey	2,477	1,735
EBITDA	823	1,043
Lease and Operate	636	1,007
Turnkey	271	114
Other	(84)	(78)
Underlying EBITDA	906	966
Lease and Operate	711	930
Turnkey	271	114
Other	(76)	(78)
Profit/(loss) attributable to shareholders	400	191
Underlying profit attributable to shareholders	405	277

UNDERLYING PERFORMANCE

Underlying IFRS Revenue and EBITDA are adjusted for the non-recurring events during a financial period to enable comparison of normal business activities for the current period in relation to the comparative period.

During 2021 the IFRS EBITDA and profit attributable to shareholders is impacted by US\$(8) million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.

In addition, the 2021 Underlying IFRS Revenue and EBITDA includes US\$75 million related to final cash received for the period under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020. This amount was excluded from the Underlying 2020 Revenue and EBITDA. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the Underlying IFRS gross margin and the profit attributable to shareholders.

For reference, the difference between profit attributable to shareholders and Underlying IFRS profit attributable to shareholders was due to the following non-recurring items in 2020:

- A full impairment of US\$(57) million of the SBM Installer installation vessel.
- Other impairments of US\$(29) million (individually not significant) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

PROFITABILITY

Preliminary remark

In contrast to Directional, the construction of *Liza Unity* (FPSO) and *Prosperity* (FPSO) contributed to both IFRS Turnkey revenue and gross margin over the period. This is because these contracts are classified as finance leases as per IFRS 16 and are therefore accounted for as a direct sale under IFRS.

The same treatment applied to the construction of *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and the FPSO for the Yellowtail development project under IFRS, except that revenue recognition on these projects was limited to cost incurred over the period as they have not yet reached the gate progress of completion allowing margin recognition under the Company policy (this gate being formalized by an independent project review mitigating uncertainties related to the cost at completion).

With respect to the construction of *FPSO Sepetiba*, it fully contributed to both IFRS Turnkey revenue and gross margin over the period given this contract is classified as finance lease (versus a contribution to Directional Turnkey revenue and gross margin limited to the portion of the sale to partners in the special purpose entity, i.e 35.5%).