OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

4.1.3 FINANCIAL REVIEW DIRECTIONAL

	Directional	
in US$ million	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**

	Directional	
in US$ billion	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:

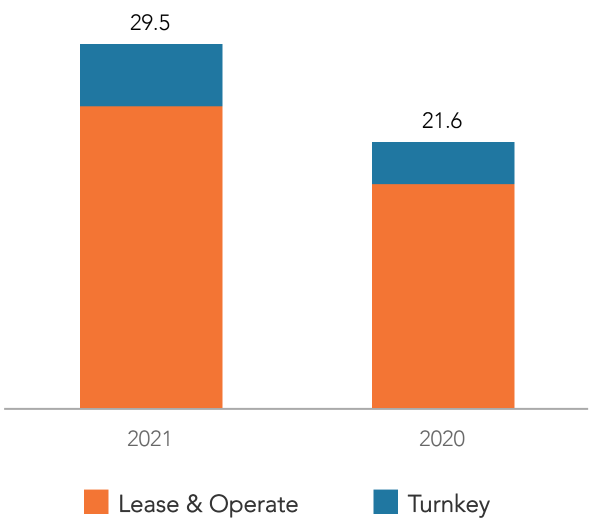
- The *Liza Destiny* (FPSO) contract covers the basic contractual term of 10 years of lease and operate.
- The *Liza Unity* (FPSO) contract covers a maximum period of two years of lease and operate within which the unit will be purchased by the client. The impact of the sale of *Liza Unity* (FPSO) is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

- 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 (involvind 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).