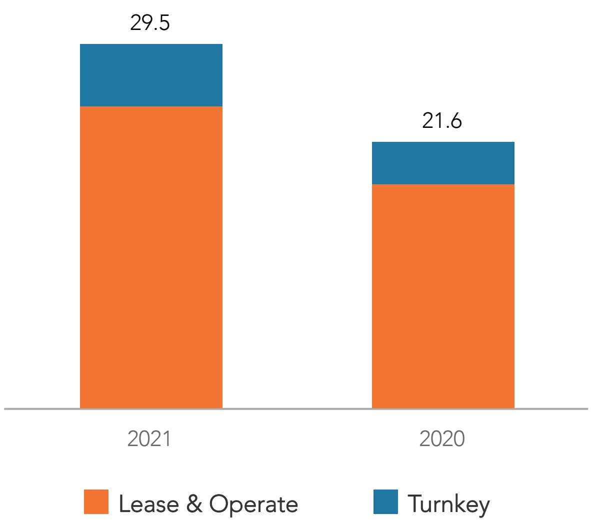
SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

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).

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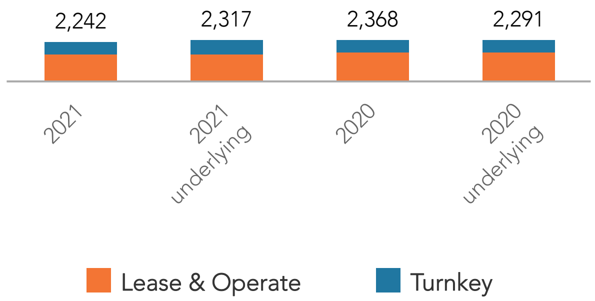
- The Company will book its share (estimated at 55%) in revenue and margin associated to the lease and operate contracts during the lease phase.

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:

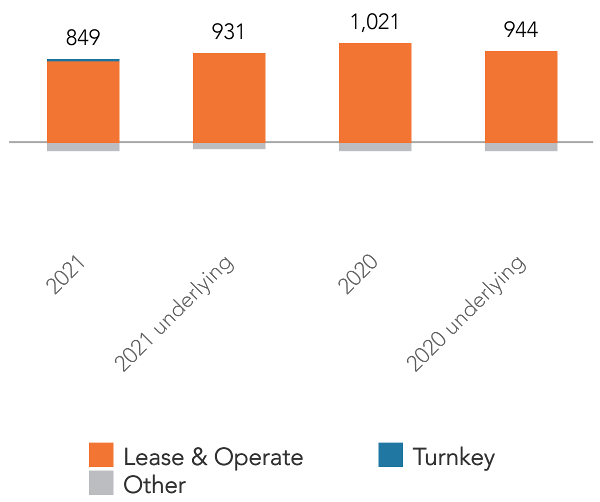
Underlying Directional Lease and Operate revenue was US$1,584 million, a slight decrease versus US$1,622 million in the prior period. This reflects the stability of the Fleet over the period. The slight decrease is mainly explained by Deep Panuke MOPU decommissioning activities which contributed to the 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$)

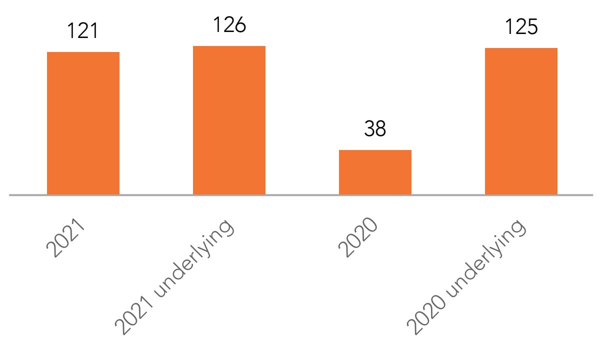


The variance of Underlying Directional EBITDA is further detailed by segment as follows:

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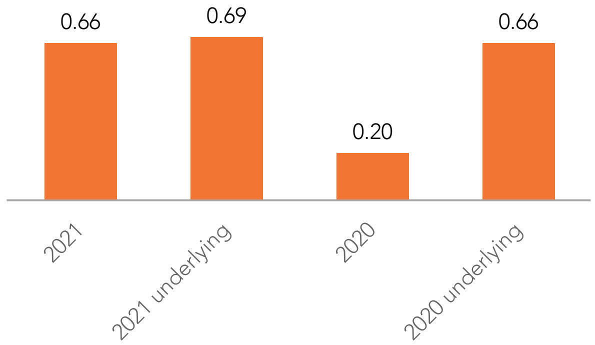
Weighted Average Earnings Per Share Directional (in US$)



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.