OFFSHORE

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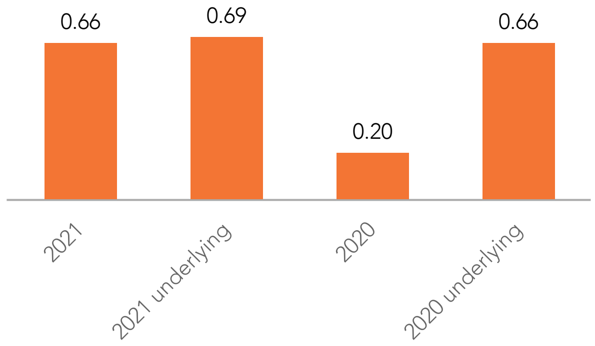
ANNUAL REPORT 2021

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$2.9billion) 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.

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.