OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 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%).

Revenue

Total Underlying IFRS revenue increased by 12% to US$3,822 million compared with US$3,419 million in 2020.

This increase was driven by the Turnkey segment with the progress of construction activity on the FPSO projects and, to a lower extent, the higher contribution from the renewables and offshore services product lines. This growth in revenue more than offsets the year-on-year decrease resulting from the Johan Castberg Turret Mooring System EPC project delivery in 2020.

Underlying IFRS Lease and Operate revenue decreased by 20% to US$1,345 million compared with US$1,684 million in the year-ago period. This decrease is mainly explained by the extension of the *FPSO Espirito Santo* lease contract at the end of 2020 which resulted in the classification of the extended lease arrangement as a finance lease, while the previous arrangement was accounted as an operating lease. Due to the finance lease classification, a significant portion of the transaction was recognized as revenue in 2020 for an amount of US$249 million, as if it was a direct sale to the client. Over the rest of the Fleet, the underlying revenue slightly decreased due to the Deep Panuke MOPU decommissioning activities which contributed to the 2020 revenue only.

EBITDA

Underlying EBITDA amounted to US$906 million, representing a 6% decrease compared with Underlying EBITDA of US$966 million in the year-ago period. This resulted from the decreased contribution of the Lease and Operate segment, partially offset by the increased contribution of the Turnkey segment, both impacted by the same drivers as the changes in IFRS revenue. The variation of Underlying EBITDA by segment also resulted from the following items:

- On the Lease and Operate segment (i) an increase in the net incremental costs from the implementation of additional safety measures linked to COVID-19, (ii) some 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;
- US$(40) million of restructuring costs which impacted the Underlying 2020 Turnkey EBITDA.

Net income

2021 underlying consolidated IFRS net income attributable to shareholders stood at US$405 million, an increase of US$128 million from the previous year. The decrease in the Underlying IFRS EBITDA was more than offset by:

- A decrease in the Underlying IFRS depreciation, amortization and impairment primarily due to (i) the requalification of the *FPSO Espirito Santo contract* as finance lease following the extension of the contract late 2020 and (ii) the release of impairment on financial assets due to lower credit and counterparty risks;
- An increase in share of profits in associates mainly driven by the additional six years' extension for the lease and operate contracts of the *FPSO Kikeh*. As a result of the revised terms and conditions, the lease contract of *FPSO Kikeh* remained classified as a finance lease under IFRS and the Company recognized a profit of US$76 million corresponding to its share of the increase in the discounted value of future lease payments.

STATEMENT OF FINANCIAL POSITION

in millions of US$	2021	2020	2019	2018	2017
Total equity	3,537	3,462	3,613	3,612	3,559
Net debt[1]	6,681	5,209	4,416	3,818	4,613
Net cash	1,021	414	506	718	957
Total assets	13,211	11,085	10,287	9,992	11,007

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

Total equity increased from US$3,462 million at December 31, 2020 to US$3,537 million, with the positive result over the current year period and the equity injection from non-controlling interest in special purpose entities being partially offset by:

- The completion of the EUR150 million (US$178 million) share repurchase program executed between April 5, 2021 and October 11, 2021;
- Dividends distributed to the shareholders and non-controlling interests (US$292 million); and
- A decrease of the hedging reserves (US$18 million). The movement in hedging reserve was mainly caused by the increase of the marked-to-market value of the interest rate swaps due to declining market interest rates during the year. This was