

2022
ANNUAL
REPORT



TRUE.
BLUE.
TRANSITION.

2.1.6 ECONOMIC PERFORMANCE

MANAGEMENT APPROACH

SBM Offshore's primary business segments are: Lease and Operate; and Turnkey. Although financial results are presented per segment, activities between business segments are closely related. In addition to reporting under International Financial Reporting Standards (IFRS) guidelines, SBM Offshore's directional reporting methodology was introduced to reflect Management's view of SBM Offshore and how it monitors and assesses financial performance. This chapter of the Annual Report presents numbers based on directional reporting.

SBM Offshore provides Directional Revenue and EBITDA guidance, which is updated in the event of material change, if any. Economic performance is a result of all company activities, governed as per sections 3.1 and 3.2 and executed as per the Management Approach sections in chapter 2.

2022 PERFORMANCE

Economic performance is measured through profitability, cashflow, backlog and the financial position of SBM Offshore.

Profitability

Adjusted for non-recurring items, Underlying Directional revenue for full-year 2022 came in at US\$3,288 million, an increase of 42% compared with 2021. This increase is mainly driven by the Turnkey segment increasing to US\$1,525 million (US\$733 million in 2021) benefiting from the general ramp-up of Turnkey activities, with five FPSO's under construction (and completion of FPSO *Liza Unity*) in 2022. Furthermore the partial 45% divestment on two projects at the beginning of 2022 (FPSO *Almirante Tamandaré* and FPSO *Alexandre de Gusmão*) allowed SBM Offshore to recognize revenue for all the EPCI related work performed on these projects so far to the extent of the partners' ownership in lessor related SPV's (i.e. 45% of EPC works). Underlying Directional Lease and Operate revenue was US\$1,763 million an increase versus US\$1,584 million in the prior period. This mainly reflects FPSO *Liza Unity* joining the fleet upon successful delivery of the EPCI project partially offset by the end of Deep Panuke MOPU and FPSO *Capixaba* lease contracts in 2022.

Underlying Directional EBITDA amounted to US\$1,010 million in 2022 compared with US\$931 million in 2021. This increase is driven by the Lease and Operate EBITDA which increased from US\$989 million in 2021 to US\$1,080 million in 2022 mainly resulting from the same drivers as for the Underlying Lease and Operate revenue.

Although SBM Offshore recorded a significant increase in the Turnkey revenue related to projects under construction,

there was not a commensurate impact on EBITDA due to several factors :

- i. (Direct payments received during construction on FPSO *Liza Unity*, FPSO *Prosperity* and FPSO *ONE GUYANA* (being 100% owned by SBM Offshore) were recognized as revenue without contribution to gross margin in accordance with SBM Offshore's policy for Directional reporting;
- ii. Following the partial 45% divestment in FPSO *Alexandre de Gusmão* and FPSO *Almirante Tamandaré*, the first 25% of progress on the EPCI related work have been recognized without associated margin as per SBM Offshore "stage of completion" policy (associated margin being spread over the remaining construction period and finally
- iii. On SBM Offshore's overall project portfolio, strategic mitigation measures against inflation have been proving effective on controlling cost and protecting schedule. Nevertheless, parts of the portfolio remain sensitive to the pressure in the global supply chain as a result of the war between Russia and Ukraine and the continuing impact from the COVID-19 pandemic.

As a result, Underlying Directional Turnkey EBITDA decreased from US\$19 million in the year-ago period to US\$7 million in the current year.

2022 Underlying Directional net income attributable to shareholders stood at US\$115 million, a decrease compared with US\$126 million in the previous year. Despite strong operating performance translated in the increase of Underlying Directional EBITDA, net income was negatively impacted by the FPSO *Cidade de Anchieta* impairment (US\$92 million) following the shutdown of the vessel and the capitalization of associated repair costs.

The above Underlying figures are adjusted for some non-recurring items described in section 4.1.3.

Cash Flow/Liquidities

Thanks to the strong contribution of the fleet, SBM Offshore generated US\$799 million of net cash flows from operating activities over 2022.

These operating cash flows and drawdowns on project financing together with some of SBM Offshore's existing cash was primarily used to: (i) invest in the five FPSOs under construction and Fast4Ward® new build multi-purpose hull; (ii) transfer partial excess of cash in FPSO *Almirante Tamandaré* and FPSO *Alexandre de Gusmão* SPVs to partners following the 45% divestment of shares; (iii) return funds to the shareholders through dividends; and (iv) service SBM Offshore's non-recourse debt and interest in accordance with the respective repayment schedules.