# 2022 ANNUAL REPORT

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## 4.1.3 FINANCIAL REVIEW DIRECTIONAL

| | Directional | |
|---|---|---|
| in US$ million | FY 2022 | FY 2021 |
| **Revenue** | **3,288** | **2,242** |
| Lease and Operate | 1,763 | 1,509 |
| Turnkey | 1,525 | 733 |
| **Underlying Revenue** | **3,288** | **2,317** |
| Lease and Operate | 1,763 | 1,584 |
| Turnkey | 1,525 | 733 |
| **EBITDA** | **1,010** | **849** |
| Lease and Operate | 1,080 | 914 |
| Turnkey | 7 | 19 |
| Other | (77) | (84) |
| **Underlying EBITDA** | **1,010** | **931** |
| Lease and Operate | 1,080 | 989 |
| Turnkey | 7 | 19 |
| Other | (77) | (76) |
| **Profit/(loss) attributable to shareholders** | **115** | **121** |
| **Underlying profit attributable to shareholders** | **115** | **126** |

| | Directional | |
|---|---|---|
| in US$ billion | FY 2022 | FY 2021 |
| Backlog | 30.5 | 29.5 |

### 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 2022, Directional Revenue, EBITDA and profit attributable to shareholders were not impacted by any non-recurring transaction. Therefore, Underlying Directional Revenue, EBITDA and profit attributable to shareholders have not been adjusted.

For reference, in 2021:
- the Underlying Directional Revenue and EBITDA included US$75 million related to the final cash received in 2021 under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the Underlying Directional gross margin and profit attributable to shareholders.
- The Directional EBITDA and profit attributable to shareholders were impacted by US$(8) million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.

### 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 2022 reflects the following key assumptions:
- The FPSO *Liza Destiny* contract covers the basic contractual term of 10 years of lease and operate.
- The FPSO *Liza Unity* and FPSO *Prosperity* contracts cover a maximum period of two years of lease and operate within which the FPSO ownership and operation will transfer to the client.
- The FPSO *ONE GUYANA* contract awarded to the Company in April 2022 covers a maximum period of lease and operate of two years, within which the FPSO ownership and operation will transfer to the client.
- For FPSO *Liza Unity*, FPSO *Prosperity* and FPSO *ONE GUYANA*, the impact of the sale of those 3 FPSO's is reflected in the Turnkey backlog at the end of the maximum two-year period.

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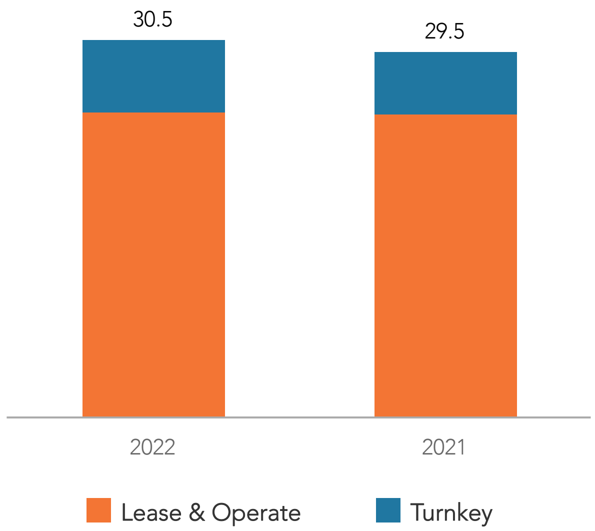
- For both FPSO *ONE GUYANA* and FPSO *Prosperity* the pro-forma backlog set out below takes the operation and maintenance scope up to a two-year contractual period into account as it has been agreed in principle, pending a final work order. This affords consistency with prior years and betters reflect the current reality.
- The 13.5% equity divestment in *FPSO Sepetiba* to CMFL has not yet been reflected in the backlog as the transaction remains subject to various approvals, which include the consent from co-owners, lenders and export credit agencies.

The pro-forma Directional backlog at the end of December 2022 increased by US$1 billion to a total of US$30.5 billion. This increase was mainly the result of the awarded contract for the FPSO *ONE GUYANA* project partially offset by the turnover for the period which consumed US$3.3 billion of backlog. The partial 45% divestments to partners related to projects *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, which were concluded in 2022 (see note 4.3.1 Financial Highlights), had no impact on the pro-forma backlog as divestment impact of those two projects was already considered in the 2021 pro-forma Directional backlog. The Company's backlog provides cash flow visibility of 28 years, up to 2050.

| in billions of US$ | Turnkey | Lease & Operate | Total |
|---|---|---|---|
| 2023 | 0.9 | 1.9 | 2.7 |
| 2024 | 1.7 | 1.9 | 3.7 |
| 2025 | 1.3 | 2.2 | 3.4 |
| Beyond 2025 | 2.0 | 18.7 | 20.7 |
| **Total Backlog** | **5.9** | **24.7** | **30.5** |

Pro-forma Directional Backlog (in billions of US$)




## PROFITABILITY – DIRECTIONAL

### Accounting treatment of projects under construction

It should be noted that the ongoing EPC works on FPSO *Prosperity* and the FPSO *ONE GUYANA* and finalized EPC works on FPSO *Liza Unity* 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, 2022 and are classified as operating leases as per Directional accounting principles.

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 and margin recognition on these two 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. The upfront payments are recognized as revenues and the cost of sales associated with the related construction work and/or services are recognized as costs 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.

Therefore, the contribution of the FPSO *Prosperity* and the FPSO *ONE GUYANA* projects to the Directional profit and loss will largely materialize in the coming years, in line with the operating cash flows as per FPSO *Liza Unity*, which started contributing to Directional net income over the period following its start of production as of February 11, 2022.

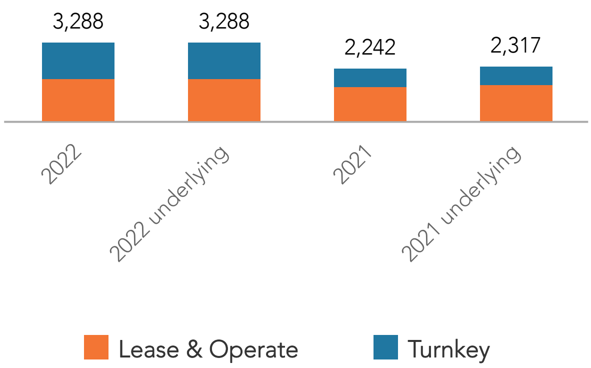
With respect to *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão,* considering the partial 45% divestment to partners which was concluded during the period:

- The Company started recognizing revenue as well as margin (the gate progress of completion being reached during the period) associated with the EPC works 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).
- The Company will book its share (i.e. 55%) in revenue and margin associated with the lease and operate contracts during the lease phase.

**Revenue**

Total Directional revenue increased by 47% to US$3,288 million compared with US$2,242 million in 2021, with the increase primarily attributable to the Turnkey segment. Considering the adjustment done in 2021 for the non-recurring item of US$75 million (refer to paragraph 'Underlying Performance') in the Lease and Operate segment, Underlying Directional revenue increased by 42% compared with US$2,317 million for the same period in 2021.

Revenue Directional (in millions of US$)




This variance of the Underlying Directional revenue is further detailed by segment as follows:

Underlying Directional Turnkey revenue increased to US$1,525 million, representing 46% of total underlying 2022 revenue. This compares with US$733 million, or 32% of total Underlying revenue in 2021. This resulted from a ramp-up of Turnkey activities with five FPSOs under construction (and completion of FPSO *Liza Unity*) during the period partially offset by lower contribution from the offshore installation services, following the sale of the SBM Installer which occurred early 2022. Furthermore the partial 45% divestment on two projects at the beginning of 2022 (*FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*) allowed the Company 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 reflects mainly the following items: (i) FPSO *Liza Unity* joining the fleet upon successful delivery of the EPCI project during the first quarter 2022 and (ii) increased reimbursable scope, partially offset by (iii) the end of Deep Panuke MOPU lease contract (as the last payments from the client contributed to the Underlying Revenue of previous year), (iv) the end of the *FPSO Capixaba* lease contracts in the first half-year of 2022, and finally (v) lower average straight-lined day rate of *FPSO Kikeh* lease after extension at the end of 2021.

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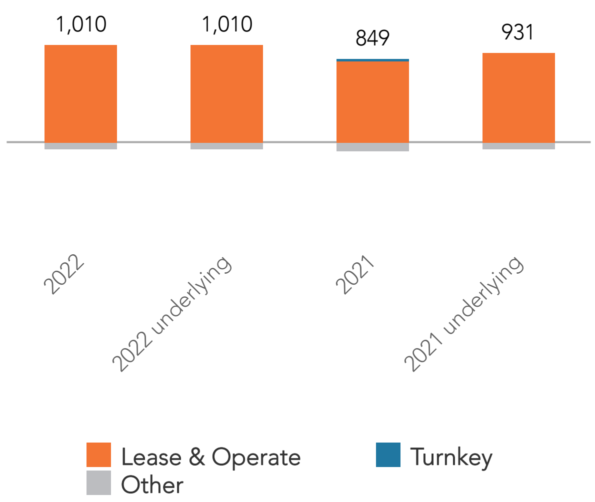
The shutdown of operations of *FPSO Cidade de Anchieta* only had a limited impact on revenue over the period, due to the extension of the contract (corresponding to the period of shutdown) beyond the original end date of the lease. As a consequence, the total contractual lease revenue remains unchanged, whereas the revenue of the period, recognized on a straight line basis over the remaining lease period, has been slightly impacted.

**EBITDA**

Directional EBITDA amounted to US$1,010 million, representing a 19% increase compared with US$849 million in 2021 with the increase attributable to the Lease and Operate segment. Adjusted for the non-recurring items (see paragraph 'Underlying Performance' in the same section), Underlying Directional EBITDA amounted to US$1,010 million in 2022, a 8% increase compared with US$931 million in 2021.

EBITDA Directional (in millions of US$)



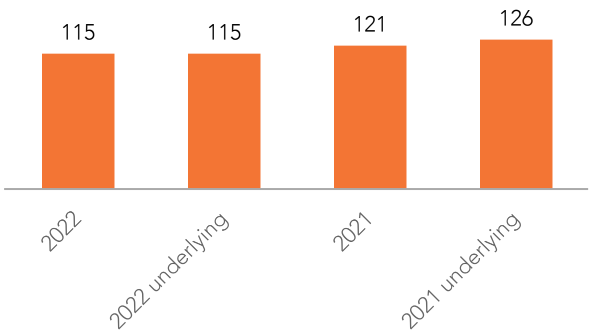

The variance of Underlying Directional EBITDA is further detailed by segment as follows:

- Underlying Directional Turnkey EBITDA decreased from US$19 million in the year-ago period to US$7 million in the current year. Although the Company recorded a significant increase in revenue related to projects under construction, there was not a commensurate impact on EBITDA due to several factors:
  - (i) FPSO *Liza Unity*, FPSO *Prosperity* and FPSO *ONE GUYANA* are 100% owned by the Company. In accordance with the Company policy for Directional reporting, the direct payments received during construction for these units are therefore recognized as revenue without contribution to gross margin;
  - (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 the Company "stage of completion" policy (associated margin being spread over the remaining construction period);
  - (iii) On the Company'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.
- Underlying Directional Lease and Operate EBITDA moved from US$989 million in the year-ago period to US$1,080 million in the current year period. This increase mainly resulted from the same drivers as for the Underlying Lease and Operate revenue: The additional contribution from FPSO *Liza Unity* and increased reimbursable scope was partially offset by (i) the end of Deep Panuke MOPU (as the last payments from the client contributed to the Underlying EBITDA of the year-ago period), (ii) the end of *FPSO Capixaba* lease contracts and associated demobilization costs and (iii) the lower average straight-lined lease day rate of *FPSO Kikeh*. As a result, full-year 2022 Underlying Directional Lease & Operate EBITDA margin was almost stable at 61% compared with 62% in 2021.

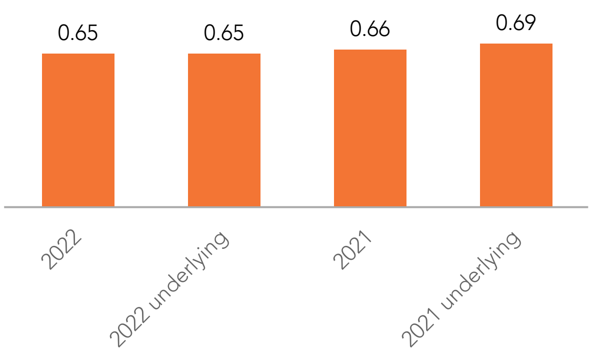
- In relation to *FPSO Cidade de Anchieta,* repair costs of the four tanks which were required for the safe restart of the vessel did not impact the Lease and Operate EBITDA as they met the criteria of capitalization under IAS16 and therefore have been recognized as an increase in the Property, plant and equipment value of the *FPSO Cidade de Anchieta*. The impairment of US$92 million did not have an impact on EBITDA, but is included in the net income (see below).
- The other non-allocated costs charged to EBITDA remained stable at US$(76) million in the year-ago period and US$(77) million in the current year.

## Net income

Net Income Directional (in millions of US$)




Weighted Average Earnings Per Share Directional (in US$)




Underlying Directional depreciation, amortization and impairment increased by US$57 million year-on-year. This primarily resulted from (i) US$92 million *FPSO Cidade de Anchieta* impairment following the shutdown of the vessel and the capitalisation of associated tank repair costs (refer to section 4.3.13 Property Plant and equipment), (ii) FPSO *Liza Unity* joining the operating fleet in February 2022, which marked the beginning of the depreciation of the Unit partially offset by (i) *FPSO Capixaba* and Deep Panuke MOPU leaving the fleet, (ii) *FPSO Kikeh*'s lease extension, which resulted in a lower depreciation charge for the current period.

Directional net financing costs totaled US$(188) million in 2022 compared with US$(171) million in the year-ago period, mainly reflecting the additional interest generated by the FPSO *Liza Unity* project loan partially offset by the scheduled amortization of remaining projects loans of vessels under operation.

The Underlying Directional effective tax rate increased to 45% versus 36% in the year-ago period primarily driven by taxes applied to charter revenues of FPSOs in operation in Guyana and the impairment of *FPSO Cidade de Anchieta*.

As a result, the Company recorded a Directional net profit of US$115 million, or US$0.65 per share, a 9% and 6% decrease respectively when compared with the Underlying Directional net profit of US$126 million, or US$0.69 per share, in the year-ago period. This is mostly due to the *FPSO Cidade de Anchieta* impairment partially offset by strong operating performance.

## STATEMENT OF FINANCIAL POSITION – DIRECTIONAL

| in millions of US$ | 2022 | 2021 |
|---|---|---|
| Total equity | 1,078 | 604 |
| Net debt[1] | 6,082 | 5,401 |
| Net cash | 615 | 1,059 |
| Total assets | 10,769 | 9,690 |
| Solvency ratio[2] | 29.6 | 28.9 |

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 increased by US$474 million from US$604 million at year-end 2021 to US$1,078 million at year-end 2022, mostly due to the following items:

- An increase of the hedging reserves of US$510 million;
- A positive net result of US$115 million in 2022; and
- Dividend distributed to the shareholders decreasing equity by US$180 million;

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.

It should be noted that under Directional policy, the contribution to profit and equity of the FPSOs program under construction will largelly materialize in the coming years at Company's share ownership in lessor-related SPV's, subject to project execution performance, in line with the generation of associated operating cash flows.

Net debt increased by US$681 million to US$6,082 million at year-end 2022. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew on project finance facilities for FPSO *Liza Unity,* FPSO *Prosperity*, FPSO *ONE GUYANA* and *FPSO Sepetiba* to fund continued investment in growth on these FPSOs under construction. With regards to *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, for which 2021 bridge loans were fully drawn in advance of investments in growth, the associated excess of financing cash flow (approximately US$800 million generated as at December 31, 2021), was consumed as a result of progress with construction and the partial 45% divestment to partners, which resulted in the derecognition of a commensurate share of the related cash and debt.

The majority of the Company's debt as at December 31, 2022 consisted of non-recourse project financing (US$3.7billion) in special purpose investees. This non-recourse balance includes the project loan related to FPSO *Liza Unity* for which the pre-completion company guarantee was released on June 2, 2022. The remainder (US$3 billion) comprised of 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. The Company's Revolving Credit Facility (RCF) was undrawn at year-end and the net cash balance stood at US$615 million (December 31, 2021: US$1,059 million). Lease liabilities totaled US$47 million (December 31, 2021: US$57 million).

Total assets increased to US$10.8 billion as at December 31, 2022, compared with US$9.7 billion at year-end 2021. This resulted from the substantial investments in property, plant and equipment (mainly FPSO *Prosperity* , *FPSO Sepetiba*, *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and FPSO *ONE GUYANA*) and the increase in the derivative assets over the period due to increased marked-to-market value of interest rate swaps compared with year-end 2021, which mainly arose from increasing US market interest rates.

The relevant covenants (solvency ratio and interest cover ratio) applicable for the Company's RCF, undrawn as at year-end 2022, were all met at December 31, 2022. 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, as well as the positive contribution of the turnkey activities.

## CASH FLOW / LIQUIDITIES – DIRECTIONAL

Cash and undrawn committed credit facilities amount to US$3,037 million at December 31, 2022, of which US$1,422 million is considered as pledged to specific project debt servicing related to FPSO *Prosperity*, FPSO *ONE GUYANA* and *FPSO Sepetiba* or otherwise restricted in its utilization.

The consolidated cash flow statement under Directional reporting is as follows:

| in millions of US$ | 2022 | 2021 |
|---|---|---|
| **EBITDA** | **1,010** | **849** |
| Adjustments for non-cash and investing items | | |
| Addition/(release) provision | 46 | 14 |
| (Gain)/loss on disposal of property, plant and equipment | (9) | (1) |
| (Gain) / loss on acquisition of shares in investees | (2) | 0 |
| Share-based payments | 19 | 27 |
| Changes in operating assets and liabilities | | |
| (Increase)/Decrease in operating receivables | (156) | 17 |
| Movement in contract assets | (115) | (42) |
| (Increase)/Decrease in inventories | (10) | (1) |
| Increase/(Decrease) in operating liabilities | 117 | (82) |
| Income taxes paid | (100) | (66) |
| **Net cash flows from (used in) operating activities** | **799** | **715** |
| Capital expenditures | (1,342) | (1,483) |
| (Addition) / repayments of funding loans | 6 | (6) |
| Cash flows from changes in interests of subsidiaries | (307) | - |
| Cash receipts from sale of investments in joint ventures | 0 | 53 |
| Other investing activities | 44 | 20 |
| **Net cash flows from (used in) investing activities** | **(1,600)** | **(1,415)** |
| Additions and repayments of borrowings and lease liabilities | 717 | 1,945 |
| Dividends paid to shareholders | (178) | (165) |
| Share repurchase program | - | (178) |
| Interest paid | (181) | (224) |
| **Net cash flows from (used in) financing activities** | **359** | **1,377** |
| Foreign currency variations | (3) | (2) |
| **Net increase/(decrease) in cash and cash equivalents** | **(444)** | **676** |

The Company generated strong operating cash flows mainly as a result of FPSO *Liza Unity* joining the fleet and the operating cash recognized following the divestment of *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*. This was partially offset by the *FPSO Cidade de Anchieta* shut down as well as *FPSO Capixaba* and Deep Panuke MOPU leaving the fleet.

Cash generated from the strong operating cash flows and drawdowns on project financings together with some of the Company's existing cash was primarily used to:

- Invest in the five FPSOs under construction, the Fast4Ward® new build multi-purpose hull and the *FPSO Cidade de Anchieta* shutdown-associated repair costs impacting capital expenditures under investing activities;
- Transfer partial excess of cash in *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* SPVs to partners following the 45% divestment of shares;
- Return funds to the shareholders through dividends; and
- Service the Company's non-recourse debt and interest in accordance with the respective repayment schedules.

As a result, cash and cash equivalents decreased from US$1,059 million at year-end 2021 to US$615 million at year-end 2022.