

2022 ANNUAL REPORT



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4 FINANCIAL INFORMATION 2022

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 largely 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.