

2022 ANNUAL REPORT



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4.1.4 FINANCIAL REVIEW IFRS

in US\$ million	IFRS	
	FY 2022	FY 2021
Revenue	4,913	3,747
Lease and Operate	1,414	1,270
Turnkey	3,499	2,477
Underlying Revenue	4,913	3,822
Lease and Operate	1,414	1,345
Turnkey	3,499	2,477
EBITDA	1,209	823
Lease and Operate	719	636
Turnkey	569	271
Other	(80)	(84)
Underlying EBITDA	1,209	906
Lease and Operate	719	711
Turnkey	569	271
Other	(80)	(76)
Profit/(loss) attributable to shareholders	450	400
Underlying profit attributable to shareholders	450	405

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 2022, IFRS Revenue, EBITDA and profit attributable to shareholders were not impacted by any non-recurring transaction. Therefore, Underlying IFRS Revenue, EBITDA and profit attributable to shareholders have not been adjusted. For reference, in 2021:

- the Underlying IFRS 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 EBITDA based on IFRS accounting policies 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.

PROFITABILITY

Accounting treatment of projects under construction

In contrast to Directional, the construction of FPSO *Prosperity* and the FPSO *ONE GUYANA* and finalized EPC works on FPSO *Liza Unity* 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 *Sepetiba*, FPSO *Almirante Tamandaré* and FPSO *Alexandre de Gusmão* which fully contributed to both IFRS Turnkey revenue and gross margin over the period given these contracts are classified as finance lease. Under Directional, the contribution to Turnkey revenue and gross margin for these projects is limited to the portion of the sale to partners in the special purpose entity owning the units (i.e. respectively 35.5%, 45% and 45%).

Revenue

Total Underlying IFRS revenue increased by 29% to US\$4,913 million compared with US\$3,822 million in 2021.

This increase was mainly driven by the Turnkey segment, with five FPSOs under construction and completion of FPSO *Liza Unity* qualifying for finance lease accounting in the current period, slightly offset by a lower contribution from offshore installation services following the sale of the SBM Installer, which occurred early 2022.

Underlying IFRS Lease and Operate revenue slightly increased by 5% to US\$1,414 million compared with US\$1,345 million in the year-ago period. This increase is mostly driven by (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 the Deep Panuke MOPU lease contract (since the last payments from the client contributed to the Underlying IFRS Revenue of previous year), (iv) the end of FPSO *Capixaba* contracts in the first half year 2022 and finally (v) regular declining profile of interest revenue from finance leases.

As under Directional, the shutdown of operations of FPSO *Cidade de Anchieta* (which is classified as operating lease under IFRS as well) only had 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

Underlying EBITDA based on IFRS accounting policies amounted to US\$1,209 million, representing a 33% increase compared with US\$906 million in the year-ago period.

- Underlying Turnkey EBITDA increased from US\$271 million in the year-ago period to US\$569 million, supported by the same drivers as the increase in the IFRS Turnkey revenue as well as due to the successful close-out of the construction activities of FPSO *Liza Unity*, delivered over the first quarter of 2022. The Underlying Turnkey EBITDA margin stood at 16% of Turnkey revenue, despite the negative effects of the pandemic and the Russia-Ukraine war on the macro-environment.
- Underlying Lease and Operate EBITDA for the current period slightly increased by 1% to US\$719 million versus US\$711 million in the same period prior year. This resulted from the same drivers as the slight increase in IFRS Lease and Operate Revenue.

As under Directional, in relation to FPSO *Cidade de Anchieta* (which is also classified as an operating lease under IFRS), 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*.

Net income

2022 underlying consolidated IFRS net income attributable to shareholders stood at US\$450million, an increase of US\$45 million from the previous year. The increase in the Underlying EBITDA under IFRS linked to the strong operating performance was partially offset by:

- An increase in depreciation, amortization and impairment primarily explained by US\$92 million FPSO *Cidade de Anchieta* impairment, following the shutdown of the vessel and the capitalisation of associated tank repair costs (refer to paragraph 4.3.13 Property Plant and equipment), partially offset by FPSO *Capixaba* and Deep Panuke MOPU (which were classified as operating lease under IFRS) leaving the fleet.
- An increase in financing costs following the additional drawdowns on (i) project finance facilities for FPSO *Liza Unity*, FPSO *Prosperity*, and FPSO *Sepetiba* and (ii) the new loan achieved for FPSO *ONE GUYANA*.
- A decrease in share of profits in associates profit, mainly driven by the 2021 additional six-year 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 in 2021, corresponding to its share of the increase in the discounted value of future lease payments.

STATEMENT OF FINANCIAL POSITION

in millions of US\$	2022	2021	2019	2018	2017
Total equity	4,914	3,537	3,462	3,613	3,612
Net debt ¹	7,881	6,681	5,209	4,416	3,818
Net cash	683	1,021	414	506	718
Total assets	15,889	13,211	11,085	10,287	9,992

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

Total equity increased from US\$3,537 million at December 31, 2021 to US\$4,914 million. Notwithstanding the dividend distributed to the shareholders of US\$180 million, this increase mainly resulted from (i) the positive result over the current

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period, (ii) capital contribution from non-controlling interest in special purpose entities and (iii) the increase of the hedging reserves. The movement in hedging reserve is mainly caused by the increase of the marked-to-market value of interest rate swaps due to increasing market interest rates during the year.

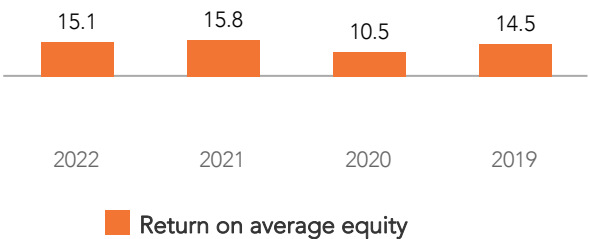
Net debt increased by US\$1,201 million to US\$7,881 million at year-end 2022. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew on project finance facilities for FPSO *Liza Unity* during its construction phase, FPSO *Prosperity*, FPSO *ONE GUYANA* 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 generated (approximately US\$800 million as of December 31, 2021), was consumed as a result of progress made on investments in the two units during the current year.

Half of the Company's debt as of December 31, 2022, consisted of non-recourse project financing (US\$4.5 billion) in special purpose investees. The remainder (US\$4 billion) comprised borrowings to support the ongoing construction of five FPSOs which will become non-recourse following project execution finalization and release of the related Parent Company Guarantee. The Revolving Credit Facility (RCF) was undrawn at year-end and the net cash balance stood at US\$683 million (December 31, 2021: US\$1,021 million). Lease liabilities totaled US\$46 million as of December 31, 2022.

Total assets increased to US\$15.9 billion as of December 31, 2022, compared with US\$13.2 billion at year end 2021. This primarily resulted from the increase of contract assets related to the FPSO projects under construction and the increase of derivative financial instruments (mainly caused by the increase of the marked-to-market value of interest rate swaps due to increasing market interest rates during the year). These variations were partially offset by a reduction of the gross amount of the finance lease receivables, in line with the repayment schedules, the regular depreciation of PP&E as well as the decrease in the net cash balance.

RETURN ON AVERAGE EQUITY

Return on average equity (ROAE) measures the performance of the Company based on the average equity attributable to the shareholders of the parent company. ROAE is calculated as Underlying profit attributable to shareholders divided by the annual average of equity attributable to shareholders of the parent company.



2022 ROAE stood at 15.1%, above the past three-year average of 13.6%. This is driven by a higher underlying profit attributable to shareholders, mainly explained by the increase in the Turnkey activity.