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ANNUAL REPORT 2020

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regarding lease and operations durations for FPSOs in Guyana, the current pro-forma backlog at December 31, 2020 was updated to reflect the basic contractual term of 10 years of lease and operate.

- The *Liza Unity* (FPSO) contract covers a maximum period of two years of lease and operate within which the unit will be purchased by the client. Normally, the Company would not yet take the operating and maintenance scope of this contract into account although it has been agreed in principle, pending a final work order. However, to be consistent with prior year and to better reflect the current reality, the pro-forma backlog set out below takes the operating and maintenance scope on *Liza Unity* (FPSO) into account. The impact of the sale of *Liza Unity* (FPSO) is reflected in the Turnkey backlog.
- The *FPSO Prosperity* contract awarded to the Company in October 2020 covers a period of up to two years, after which the FPSO ownership and operation will transfer to the client. The impact of the subsequent sale of *Prosperity* (FPSO) is reflected in the Turnkey backlog. Similar as for *Liza Unity* (FPSO), the operating and maintenance scope of this contract, which is pending a final work order, is taken into account in the pro-forma backlog. As reminder, the pro-forma backlog reported as at December 31, 2019, was limited to the value of the initial limited funds released to the Company to begin FEED activities and secure a Fast4Ward® hull.
- Discussions are ongoing with the client on the lease and operations durations for FPSOs in Guyana. The potential impact of these discussions has not been included in the backlog, as they have not yet been completed.

The pro-forma Directional backlog at the end of December 2020 increased by almost US\$1 billion to a total of US\$21.6 billion. This increase was mainly the result of (i) the awarded contracts for the next phase of the Payara development for the *Prosperity* (FPSO) project; (ii) the change in *Liza Destiny* (FPSO) assumptions to reflect the basic contractual term of 10 years of lease and operate and (iii) the five years' extension for the lease and operate contracts of the *FPSO Espirito Santo*. Turnover for the period consumed US\$2.4 billion of backlog.

in billions of US\$	Turnkey	Lease & Operate	Total
2021	0.5	1.5	2.0
2022	0.3	1.6	1.9
2023	0.1	1.6	1.7
Beyond 2023	2.4	13.6	16.0
Total Backlog	3.3	18.3	21.6

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



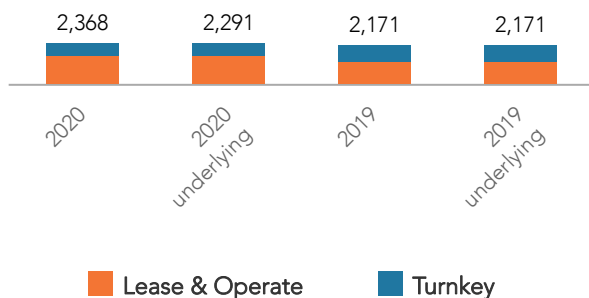
PROFITABILITY – DIRECTIONAL

Revenue

Total Directional revenue increased by 9% to US\$2,368 million compared with US\$2,171 million in 2019, with the increase primarily attributable to an improvement in the Lease and Operate segment. The 2020 Directional revenue figure includes

non-recurring items of US\$77 million, while there were no non-recurring items impacting 2019 Directional Revenue (refer to the paragraph on Underlying Performance in this same section).

Revenue Directional (in millions of US\$)



Adjusted for this non-recurring item, underlying Directional revenue increased to US\$ 2,291 million in 2020 compared with US\$ 2,171 million in 2019. This variance is further detailed as follows by segment:

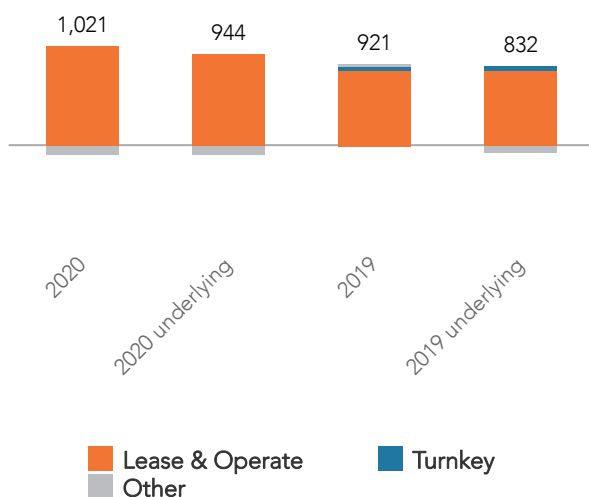
Underlying Directional Lease and Operate revenue was US\$1,622 million, versus US\$1,315 million in the prior period. This increase is mainly driven by (i) the *Liza Destiny* (FPSO) joining the fleet after achieving first oil at the end of 2019 and (ii) the Company's additional percentage of ownership in the Lease and Operate entities related to the five Brazilian FPSO's in which the Company purchased additional shares in the second half year of 2019. Lease and Operate revenue in 2020 represents 71% of total underlying Directional revenue contribution in 2020, up from a 61% contribution in 2019.

Underlying Directional Turnkey revenue decreased to US\$669 million, representing 29% of total underlying 2020 revenue. This compares with US\$856 million, or 39% of total revenue, in 2019. Despite a general ramp-up of Turnkey activities with three FPSO's under construction in 2020, the decrease is mostly attributable to the reduced level of activity on the Johan Castberg Turret Mooring System EPC project, which was nearing completion at the end of 2019. It should be noted that, under Directional reporting, the Liza Unity and Prosperity projects, which are 100% owned by the Company, are qualified as operating leases. As such, their contribution to the Turnkey revenue is limited to those upfront payments and variation orders directly paid by the client before the commencement of the lease.

EBITDA

Directional EBITDA amounted to US\$1,021 million, representing an 11% increase compared with US\$921 million in 2019. The 2020 EBITDA figure includes a non-recurring item of US\$77 million, while 2019 Directional EBITDA includes non-recurring items totaling US\$90 million (refer to the paragraph on Underlying Performance in this same section).

EBITDA Directional (in millions of US\$)



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Adjusted for non-recurring items, Underlying Directional EBITDA increased to US\$944 million in 2020 compared with US\$832 million in 2019. This variance is further detailed as follows by segment:

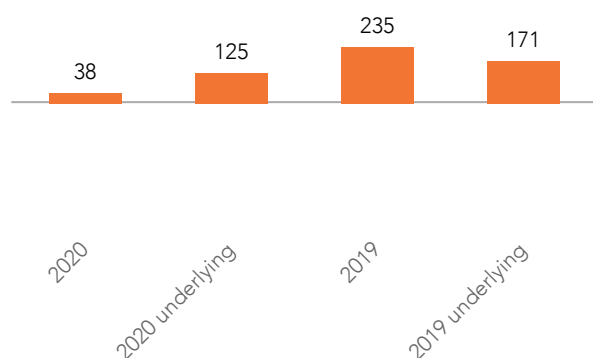
- Underlying Directional Lease and Operate EBITDA moved from US\$842 million in the year-ago period to US\$1,031 million in the current year period. This increase is supported by the same drivers as the increase in the Lease and Operate revenue. The incremental costs from the implementation of additional safety measures linked to COVID-19 have been partially recharged to clients under reimbursable contracts. Full year 2020 Underlying Directional Lease & Operate EBITDA margin remained stable at 64% (64% in 2019).
- Underlying Directional Turnkey EBITDA decreased from US\$53 million in the year-ago period to US\$(9) million in the current year. Although there was a high level of activity with three FPSO's under construction in 2020, this activity principally relates to Lease & Operate linked projects with therefore limited contribution to Turnkey EBITDA (as further explained below). While the reduced level of activity on the Johan Castberg Turret Mooring System EPC project was nearly offset by ramp-up on *FPSO Sepetiba*, the Turnkey EBITDA was impacted by US\$(40) million of restructuring costs as well as lower contribution from smaller product lines (Offshore Services/Terminals) during the current year. The Underlying Directional Turnkey EBITDA margin expressed as a percentage of Turnkey revenue stood at -1%, compared to 6% the year-ago period. The level of activity was sufficient to absorb structural costs of the segment and most of the restructuring costs.
- The other non-allocated costs charged to EBITDA increased from US\$(63) million in the year ago period to US\$(78) million in the current year. This mainly resulted from one-off legal and tax expenses and investment in the Company's digital initiatives.

It should be noted that the ongoing EPC works on *Liza Unity* (FPSO) and *Prosperity* (FPSO) did not contribute to Directional net income over the period. This is because the contracts are 100% owned by the Company 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 recognition on these 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. These upfront payments are recognized as revenues and the costs associated with the related construction work and/or services are recognized as cost of sales with no margin during construction.
- The Company will book all revenue and margin associated to the lease and operate contracts for its 100% share in the Lease and Operate phase, in line with the cash flows, during the lease period.
- Upon transfer of the FPSO to the client, after reaching the end of the lease and operate 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.

Net income

Net Income Directional (in millions of US\$)



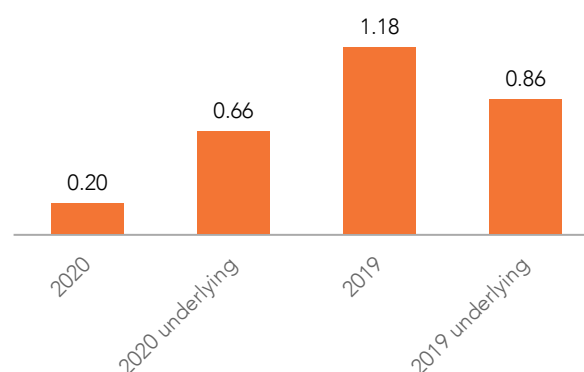
Underlying Directional depreciation, amortization and impairment increased by US\$125 million year-on-year primarily due to a US\$68 million *Liza Destiny* (FPSO) depreciation charge and US\$35 million additional depreciation following the purchase of additional shares in five Brazilian FPSOs completed in the second half of 2019.

Directional net financing costs totaled US\$(175) million in 2020, compared with US\$(142) million in the year-ago period, mainly reflecting the additional interest generated by the *Liza Destiny* (FPSO) project loan as well as additional interests following the purchase of additional shares in five Brazilian FPSOs completed in the second half of 2019.

The Directional effective tax rate increased to 53% versus 15% in the year-ago period mainly due various non-recurring items negatively impacting the decrease in profit before tax without having direct tax effects.

As a result, the Company recorded an Underlying Directional net profit of US\$125 million, or US\$0.66 per share, a 27% and 24% decrease respectively when compared with US\$171 million, or US\$0.86 per share, in the year-ago period. While the growth of the Lease and Operate segment was sufficient to absorb (i) the lower contribution from Turnkey projects, (ii) the higher investment in the Company's digital initiatives and (iii) the increased impairment in financial assets, this decrease of the Underlying Directional net profit mainly resulted from the US\$(46) million restructuring severance costs expensed in 2020 to adapt the Company's business model to an environment of shorter oil price cycles and increased volatility.

Weighted Average Earnings Per Share Directional (in US\$)



STATEMENT OF FINANCIAL POSITION – DIRECTIONAL

in millions of US\$

	2020	2019
Total equity	858	1,179
Net debt ¹	4,093	3,460
Net cash	383	458
Total assets	7,894	7,414
Solvency ratio ²	34.0	35.7

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 decreased by US\$321 million from US\$1,179 million at year-end 2019 to US\$858 million at year-end 2020, mostly due to the following items:

- Completion of the EUR150 million (US\$165 million) share repurchase program executed between February 13, 2020 and April 3, 2020;
- Dividend distributed to the shareholders for US\$150 million;
- Decrease of the hedging reserves by US\$58 million; and
- Positive net result of US\$39 million in 2020.

The movement in hedging reserve is mainly caused by the decrease of the marked-to-market value of the interest rate swaps due to declining market interest rates during the year. This was partially offset by the increased marked-to-market value of forward currency contracts mainly driven by the depreciation of the US\$ exchange rate versus the hedged currencies (especially EUR).

Net debt increased by US\$633 million to US\$4,093 million at year-end 2020. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew under the project loan facilities of *Liza Destiny* (FPSO) and *Liza Unity* (FPSO) as well as under the bridge loan secured for *FPSO Sepetiba* to fund continued investment in growth.

The majority of the Company's debt as of December 31, 2020 consisted of non-recourse project financing (US\$3.1 billion) in special purpose investees. The remainder (US\$1.3 billion) comprised of borrowings to support the construction of *Liza Unity* (FPSO) and *FPSO Sepetiba* and the loan related to the DSCV SBM Installer. The Company's Revolving Credit Facility (RCF)