



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

2019 had no impact on IFRS revenue and EBITDA (these entities being subsidiaries consolidated using the full consolidation method as per IFRS 10).

In contrast to Directional, it should also be noted that the construction of *Liza Unity* (FPSO) contributed to both IFRS Turnkey revenue and gross margin over the period. This is because this contract is classified as finance lease as per IFRS 16 and is therefore accounted for as if it were a sale under IFRS. The same treatment applied to the construction of *Prosperity* (FPSO) under IFRS, except that revenue recognition on this project was limited to cost incurred over the period given the Company policy of not recognizing margin before it could be estimated reliably thanks to substantial progress in engineering activity and the completion of an independent project review mitigating uncertainties related to the cost at completion. With respect to the construction of *FPSO Sepetiba*, it fully contributed to both IFRS Turnkey revenue and gross margin over the period. This is because this contract is classified as finance lease and is therefore accounted for as if it was a sale as per IFRS 16 while under directional only the portion of sale to partners in the special purpose entity is recognized.

Net income

Excluding non-recurring items, 2020 underlying consolidated IFRS net income attributable to shareholders stood at US\$277 million, a decrease of US\$114 million from the previous year. While the growth of the Lease and Operate segment was almost sufficient to absorb the lower contribution from Turnkey projects, the decrease of the Underlying IFRS net profit mainly resulted from (i) restructuring severance costs expensed in 2020 to adapt the Company's business model to an environment of shorter oil price cycles and increased volatility, (ii) reduced share profits in associates and (iii) higher investment in the Company's digital initiatives.

STATEMENT OF FINANCIAL POSITION

in millions of US\$	2020	2019	2018	2017	2016
Total equity	3,462	3,613	3,612	3,559	3,513
Net debt ¹	5,209	4,416	3,818	4,613	5,216
Net cash	414	506	718	957	904
Total assets	11,085	10,287	9,992	11,007	11,488

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

Total equity decreased from US\$3,613 million at December 31, 2019 to US\$3,462 million with the positive result over the current year period being more than offset by:

- The completion of the EUR150 million (US\$165 million) share repurchase program executed between February 13, 2020 and April 3, 2020;
- Dividends distributed to the shareholders and non-controlling interests (US\$233 million); and
- A decrease of the hedging reserves (US\$98 million). 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 increase of the 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\$793 million to US\$5,209 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.

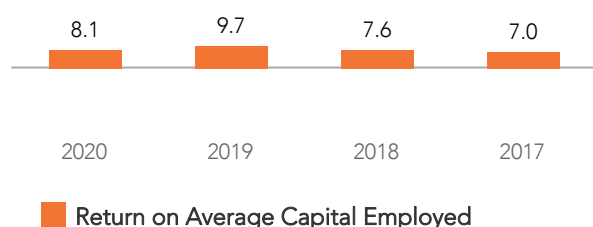
The majority of the Company's debt as of December 31, 2020 consisted of non-recourse project financing (US\$4 billion) in special purpose investees. The remainder (US\$1.5 billion) comprised of borrowings to support the construction of *Liza Unity* (FPSO) and *FPSO Sepetiba* as well as the loan related to the DSCV SBM Installer. The Revolving Credit Facility (RCF) was undrawn at year-end and the net cash balance stood at US\$414 million (December 31, 2019: US\$506 million). Lease liabilities totaled US\$71 million as of December 31, 2020.

Total assets increased to US\$11.1 billion as of December 31, 2020, compared with US\$10.3 billion at year-end 2019 with the investments in *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* being partially offset by a reduction of the gross amount of the finance lease receivable in line with the repayment schedule as well as by regular depreciation and non recurring impairments of property, plant and equipment.

4 CORPORATE STATEMENTS 2020

RETURN ON AVERAGE CAPITAL EMPLOYED

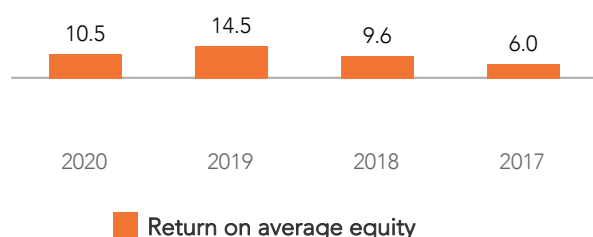
Return on average capital employed (ROACE) is a measure of the return generated on capital invested in the Company. The measure provides a guide for long-term value creation by the Company. ROACE is calculated as Underlying EBIT divided by the annual average of: i) total equity, ii) total borrowings and lease liabilities, iii) non-current provisions and iv) deferred tax liabilities minus the cash and cash equivalents.



2020 ROACE stood at 8.1%, which is in line with the past three-year average of 8.1%.

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.



2020 ROAE stood at 10.5%, which is in line with the past three-year average of 10.0%.

4.1.5 OUTLOOK AND GUIDANCE

The challenges seen in 2020 will undoubtedly continue in 2021. Clients are restructuring and have cut their budgets significantly. However strong fundamentals of deepwater projects in quality resource areas allow these to rank favorably in capital allocation. The investments made over many years to transform the Company for the future underpinned by the cashflow foundation of the long-term backlog leave the company well positioned to deliver its strategy, notwithstanding the continued challenges associated with the pandemic.

The Company's 2021 Directional revenue guidance is around US\$2.6 billion, of which around US\$1.6 billion is expected from the Lease and Operate segment and around US\$1 billion from the Turnkey segment. Directional 2021 EBITDA guidance is around US\$900 million for the Company.

This guidance includes Directional revenues and EBITDA of US\$77 million related to the expected cash receipts in 2021 from the Deep Panuke contract, which were both excluded from the 2020 outlook and underlying results. It also considers the currently foreseen COVID-19 impacts on projects and fleet operations. The Company highlights that the direct and indirect impact of the pandemic could continue to have a material impact on the Company's business and results and the realization of the guidance for 2021.