



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

4.1.3 FINANCIAL REVIEW DIRECTIONAL

	Directional	
in US\$ million	FY 2020	FY 2019
Revenue	2,368	2,171
Lease and Operate	1,699	1,315
Turnkey	669	856
EBITDA	1,021	921
Lease and Operate	1,108	842
Turnkey	(9)	53
Other	(78)	26
Underlying EBITDA	944	832
Lease and Operate	1,031	842
Turnkey	(9)	53
Other	(78)	(63)
Profit/(loss) attributable to shareholders	38	235
Underlying profit attributable to shareholders	125	171

	Directional	
in US\$ billion	FY 2020	FY 2019
Backlog	21.6	20.7

UNDERLYING PERFORMANCE – DIRECTIONAL

Non-recurring items in 2020 impacted the Directional profit attributable to shareholders by US\$(87) million as follows:

- Accelerated Directional Revenue and EBITDA recognized for US\$77 million following the early redelivery of the Deep Panuke MOPU and the final settlement signed with the client in July 2020, which triggered the end of the lease period of the unit. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the gross margin and the Directional profit attributable to shareholders.
- A full impairment of US\$(57) million of the SBM Installer installation vessel.
- Other impairments of US\$(29) million (individually not material) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

For additional information regarding impairments recognized refer to notes: 4.3.13 Property, Plant and Equipment and 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets.

For reference, non-recurring items for 2019 impacted the Directional profit attributable to shareholders by US\$65 million as follows:

- A US\$90 million impact on EBITDA related to the gain that arose on the acquisition of the minority ownership in five Brazilian FPSOs from Constellation on November 22, 2019. Refer to note 4.3.1 Financial Highlights for full detail on this transaction.
- A total impairment of US\$(25) million relating to two, individually not material, impairments of property, plant and equipment.

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 2020 reflects the following key assumptions:

- The *Liza Destiny* (FPSO) contract covers 10 years of lease and operate. Based on previous discussions with the client, it was expected that the client would purchase the unit after a period of up to two years of operations, which as a result was reflected in previous pro-forma backlog at December 31, 2018 and 2019. Considering ongoing discussions with the client

4 CORPORATE STATEMENTS 2020

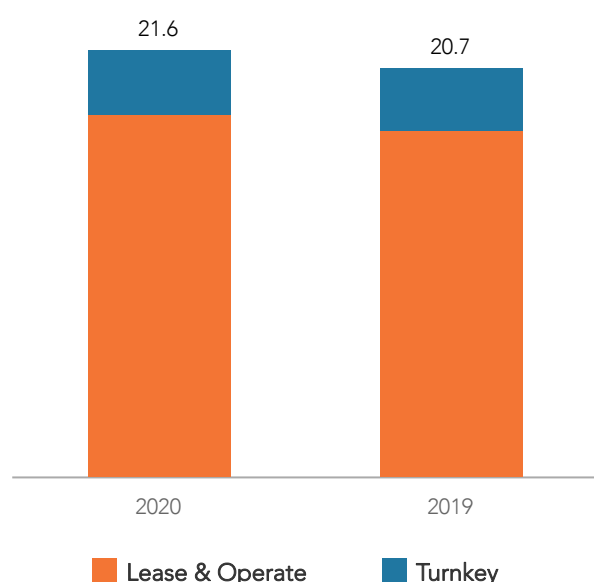
regarding lease and operations durations for FPSOs in Guyana, the current pro-forma backlog at December 31, 2020 was updated to reflect the basic contractual term of 10 years of lease and operate.

- 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