SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

	31 December 2020		31 December 2019	
	IFRS	DIR	IFRS	DIR
Brazil	5,709	3,933	6,050	3,656
Guyana	791	1,817	873	1,432
Angola	257	269	242	323
Equatorial Guinea	87	138	106	160
Switzerland	66	79	49	50
Monaco	57	57	66	67
Malaysia	57	43	93	61
The United States of America	50	51	87	65
Canada	28	28	182	182
Other	141	114	142	170
Total	**7,243**	**6,528**	**7,891**	**6,166**

RELIANCE ON MAJOR CUSTOMERS

Under Directional, two customers each represent more than 10% of the consolidated revenue. Total revenue from these two major customers amounts to US$1,469 million (US$1,023 million and US$446 million, respectively). In 2019, the revenue related to the three major customers was US$1,339 million (US$703 million, US$385 million and US$250 million, respectively). In 2020 and 2019, the revenue of these major customers was predominantly related to the Lease and Operate segment.

Under IFRS, three customers each represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$2,879 million (US$1,661 million, US$867 million and US$352 million respectively). In 2019 two customers accounted for more than 10% of the consolidated revenue (US$2,393 million), respectively for US$1,450 million and US$943 million.

4.3.3 REVENUE

The Company's revenue mainly originates from construction contracts and lease and operate contracts. Revenue originating from construction contracts is presented in the Turnkey segment while revenue from lease and operate contracts is presented in the Lease and Operate segment. Around 65% of the Company's 2020 lease and operate revenue is made of charter rates related to lease contracts while the remaining amount originates from operating contracts. The Company recognizes most of its revenue (i.e. around 90%) over time.

The Company's policy regarding revenue recognition is described in further detail in note 4.2.7 B. Critical Accounting Policies – (d) Revenue. Due to COVID-19 pandemic, the Company incurred additional costs in order to satisfy its performance obligation on some of its construction contracts mainly due to limited delay in the project delivery following lockdown periods, international travel restrictions and remote working. Those additional costs contribute to the progress of transfer of control of the construction asset to the customer over the construction period and have therefore been considered as part of the revenue recognition over time. The related amount recognized as revenue in 2020 is less than 1% of total 2020 revenue. For the disaggregation of total revenue by country and by segment, please refer to Geographical Information under note 4.3.2 Operating Segments and Directional Reporting and 4.3.1 Financial Highlights.

The Company's construction contracts can last for multiple years depending on the type of product, scope and complexity of the project while the Company's Lease and Operate contracts are generally multiple-year contracts. As a result, the Company has (partially) outstanding performance obligations to its clients (unsatisfied performance obligations) at December 31, 2020. These unsatisfied performance obligations relate to:

- Ongoing construction contracts, including the construction of vessels under finance lease that still need to be completed;
- Ongoing multiple-year operating contracts. Note that for this specific disclosure on unsatisfied performance obligations, the lease component of the Lease and Operate contracts is excluded (this component being described in further detail in notes 4.3.13 Property, Plant and Equipment and 4.3.15 Finance Lease Receivables). As noted, some contracts include (performance) bonuses when earned or penalties incurred under the Company's Lease and Operate contracts. The

Company recognizes revenues for such items at a point in time. The amount of performance-related payments for 2020 was US$68 million (2019: US$88 million).

The following table presents the unsatisfied performance obligations as at December 31, 2020 (in billions of US$):

Unsatisfied performance obligations related to:	2020	2019
- constructions contracts including finance leases	3.0	3.1
- operating contracts	7.0	7.4
Total	10.0	10.5

The unsatisfied performance obligations for the committed construction contracts relate mostly to three major construction FPSO contracts. Revenue related to these construction contracts is expected to be recognized over the coming four years in line with the construction progress on these projects.

The unsatisfied performance obligations for the operating contracts relate to i) the Company's vessels leased to clients where the Company is the operator (both operating and finance lease contracts) and ii) one operating contract for operating services on a vessel that is owned by the client. The operating contracts end between 2022 and 2045. The Company will recognize the unsatisfied performance obligation over this period in line with the work performed.

The Company can agree on various payment arrangements which generally reflect the progress of delivered performance obligations. However, if the Company's delivered performance obligation exceeds instalments invoiced to the client, a 'Construction work-in-progress' (contract asset) is recognized (see note 4.3.20 Construction Work-In-Progress). If the instalments invoiced to the client exceed the work performed, a contract liability is recognized (see note 4.3.27 Trade and Other Payables).

As a result of various commercial discussions with clients, the Company recognized revenue amounting to US$28 million in 2020 (2019: US$16 million) originating from performance obligations satisfied in previous periods.

Lease revenue recognized for leases where the Company is the lessor, for both operating and finance leases, relates to fixed and variable lease payments. Most of the Company's revenue from lease contracts is based on fixed day rates. To the extent that lease payments are dependent on an index or a rate, they are excluded from the initial recognition of the lease payments receivable.

4.3.4 OTHER OPERATING INCOME AND EXPENSE

	2020	2019
Insurance claim income	-	5
Gains from sale of financial participations, property, plant and equipment	(1)	0
Other operating income	5	2
Total other operating income	**4**	**7**
Other operating expenses	(1)	(2)
Impairment of other assets and onerous contracts	(10)	-
Restructuring expenses	(46)	(0)
Total other operating expense	**(57)**	**(2)**
Total	**(53)**	**5**

Restructuring of the Company

In 2020, the Company incurred restructuring expenses. The Company took action to reorganize the allocation of activities in centers in order to become more efficient. Compared with year-end 2019, the reorganization lead to a reduction of approximately 600 positions. The related restructuring severance costs expense totaled US$46 million in 2020. As a result of the restructuring, the Company also impaired right-of-use assets on buildings and recognized an onerous provision for a total amount of US$10 million.