



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

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 led 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.

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Acquisition of 75% equity ownership in OS Installer Limited

The Company acquired the remaining 75% equity ownership in OS Installer Limited for a consideration of US\$34 million on September 30, 2020. The net impact between (i) the financial consideration paid to acquire the 75% share in OS Installer Limited, (ii) the recognition of the acquired assets and liabilities and (iii) the derecognition of lease liability and previously held investment, has been recognized in the line item 'Other operating income' for US\$3 million. Please refer to note 4.3.13 Property, Plant and Equipment.

4.3.5 EXPENSES BY NATURE

The table below sets out expenses by nature for all items included in EBIT for the years 2020 and 2019:

	<i>Note</i>	2020	2019
Expenses on construction contracts		(1,245)	(1,319)
Employee benefit expenses	4.3.6	(614)	(575)
Vessels operating costs		(378)	(312)
Depreciation, amortization and impairment		(439)	(268)
Selling expenses		(24)	(30)
Other costs		(189)	(153)
Total expenses		(2,891)	(2,657)

In 2020, expenses on construction contracts decreased by 6% reflecting the lower activity on Turnkey projects.

Vessel operating costs have increased as a result of *Liza Destiny* (FPSO) first oil at the end of 2019, additional maintenance costs and costs related to preventive measures implemented as a result of COVID-19.

Depreciation, amortization and impairment was impacted in 2020 by the following non-recurring items:

- The depreciation of US\$(78) million for Deep Panuke MOPU following the end of the lease period;
- A full impairment of US\$(57) million of the SBM Installer installation vessel; and
- 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.

Expenses related to short-term leases and leases of low value assets amounted to US\$5 million in 2020 (2019: US\$6 million).

The increase in Other costs is mainly driven by the impact of the 2020 restructuring severance costs of US\$46 million.

4.3.6 EMPLOYEE BENEFIT EXPENSES

Information with respect to employee benefits expenses are detailed as follows:

	<i>Note</i>	2020	2019
Wages and salaries		(353)	(329)
Social security costs		(53)	(54)
Contributions to defined contribution plans		(35)	(33)
Contributions to defined benefit plans		(1)	(3)
Share-based payment cost		(27)	(17)
Contractors costs		(84)	(88)
Other employee benefits		(60)	(51)
Total employee benefits	4.3.5	(614)	(575)

Contractors costs include expenses related to contractor staff not on the Company's payroll. Other employee benefits mainly include commuting, training, expatriate and other non-wage compensation costs.