



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

NUMBER OF EMPLOYEES

Number of employees (by operating segment)

By operating segment:	2020		2019	
	Average	Year-end	Average	Year-end
Lease and Operate	1,714	1,772	1,596	1,656
Turnkey	1,790	1,796	1,620	1,783
Other	473	470	409	475
Total excluding employees working for JVs and associates	3,976	4,038	3,624	3,914
Employees working for JVs and associates	531	536	635	525
Total	4,507	4,574	4,259	4,439

Number of employees (by geographical area)

By geographical area:	2020		2019	
	Average	Year-end	Average	Year-end
the Netherlands	444	435	414	453
Worldwide	3,532	3,603	3,211	3,461
Total excluding employees working for JVs and associates	3,976	4,038	3,624	3,914
Employees working for JVs and associates	531	536	635	525
Total	4,507	4,574	4,259	4,439

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits. Despite the restructuring of the Company, the increase in headcount is due to the ramp-up of the center located in India, supporting the Company's Engineering, Procurement and Construction ('EPC') activities and fleet support for operations as well as an increase in onshore and offshore staff linked to *Liza Destiny* (FPSO). The departures linked to the 2020 restructuring of the Company were not all effective as per December 31, 2020.

4.3.7 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to US\$(24) million (2019: US\$(24) million) and mainly relate to the internal projects 'Digital FPSO' and Renewables development costs.

The amortization of development costs recognized in the statement of financial position is allocated to cost of sales when the developed technology is used through one or several projects. Otherwise, it is allocated to research and development expenses.

4.3.8 NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL AND CONTRACT ASSETS

In the context of the COVID-19 pandemic and low oil prices, during the year 2020 companies were experiencing conditions often associated with a general economic downturn. In a very short period of time, the credit ratings of various oil companies deteriorated and they announced significant cost reductions and other measures to preserve their liquidity. In response to this situation, the Company (i) reassessed whether there is a significant increase in credit risk related to its financial assets as of December 31, 2020, and (ii) updated estimates in terms of 'probability of default' and 'loss given default' in order to determine the expected credit losses.

Finance Lease Receivables

There was no payment default on any finance lease contracts over the period. In addition, despite the overall economic downturn, the Company concluded that the counterparties of the finance lease receivables still have a strong capacity to meet their contractual cash flow obligations based on existing contractual arrangements, which include parent company guarantees. Based on the available forward-looking information related to the oil price, it is also assumed that none of the assets leased under the Company's finance lease contracts would become un-economic to operate for its clients.

Therefore, the Company concludes that (i) the credit risk has not increased significantly since the initial recognition of the finance lease receivable, and (ii) the finance lease receivables still have a low credit risk as of December 31, 2020.

4 CORPORATE STATEMENTS 2020

Construction Work-in-Progress and Trade Receivables

As for the finance leases, there was no payment default (including overdue of more than 90 days) on any material trade receivables over the period. The Company performed as usual a detailed analysis of the credit risks associated with material trade receivables balances as at the reporting date. This did not result in any significant impairment losses over the period.

Other Financial Assets

Overall, the reassessment of the expected credit losses of other financial assets resulted in a limited impact, except for the impairment of one long-term receivable amounting to US\$11 million. This was the result of a significant downgrade in the credit rating of the main producer of one of the units, resulting in a full impairment of the main producer's contribution to the long-term receivable.

Impairments of financial assets and contract assets which relate to credit risk as per IFRS 9 requirements are recognized in a dedicated line of the income statement: 'Net impairment losses on financial and contract assets'. Impairments resulting from commercial disputes and other business decisions are not included in this dedicated line of the income statement.

During the year, the following gains/(losses) related to credit risks were recognized:

	2020	2019
Impairment losses		
- Movement in loss allowance for trade receivables	(1)	3
- Movement in loss allowance for construction work-in-progress	(4)	0
- Movement in loss allowance for finance lease receivables	(1)	0
- Movement in loss allowance for other assets	(18)	(1)
Net impairment gains/(losses) on financial and contract assets	(24)	3

During the year 2020, the Company recognized US\$(24) million net impairment loss on financial and contract assets.

The limited amount of loss allowance recognized by the Company over 2020 reflects the creditworthiness of the Company's client portfolio.

4.3.9 NET FINANCING COSTS

	2020	2019
Interest income on loans & receivables	3	10
Interest income on investments	3	10
Net foreign exchange gain	2	10
Other financial income	1	1
Financial income	9	31
Interest expenses on financial liabilities at amortized cost	(181)	(247)
Interest expenses on hedging derivatives	(76)	(17)
Interest expenses on lease liabilities	(5)	(6)
Interest addition to provisions	(1)	(2)
Net loss on financial instruments at fair value through profit and loss	0	(0)
Net cash flow hedges ineffectiveness	(3)	(3)
Net foreign exchange loss	0	0
Financial expenses	(265)	(274)
Net financing costs	(257)	(243)

The increase in net financing costs is mainly due to: (i) the decrease of interest income on investments due to lower interest rates (US\$ LIBOR) in 2020; (ii) the decrease of interest income on loans and receivables resulting from the repayment of loans from Sonasing Xikomba Ltd (the entity that owns the *N'Goma FPSO*), following optimization of the non-recourse project loan in 2019 and; (iii) the decrease of the net foreign exchange gain related to the reduction of index-linked term deposits protecting the Company against Kwanza devaluation for its cash held in Angola.