



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

RIGHT-OF-USE ASSETS

As of December 31, 2020, the Company leases buildings and cars. The movement of the right-of-use assets during the year 2020 is summarized as follows:

2020

	Buildings	Vessels and floating equipment	Other fixed assets	Total
Book value at 1 January	59	55	1	115
Additions	11	-	1	12
Depreciation	(14)	(4)	(1)	(19)
Impairment	(6)	(51)	-	(57)
Foreign currency variations	2	-	0	2
Other movements	0	-	(1)	(1)
Total movements	(7)	(55)	(1)	(63)
Cost	93	20	3	116
Accumulated depreciation and impairment	(41)	(20)	(2)	(64)
Book value at 31 December	52	-	1	52

2019

	Buildings	Vessels and floating equipment	Other fixed assets	Total
Book value at 1 January	61	63	1	126
Additions	13	-	1	13
Depreciation	(14)	(8)	(1)	(23)
Foreign currency variations	(1)	-	(0)	(1)
Total movements	(2)	(8)	(0)	(11)
Cost	84	71	3	158
Accumulated depreciation and impairment	(25)	(16)	(1)	(43)
Book value at 31 December	59	55	1	115

During the year 2020, the main movements regarding right-of-use assets related to (i) US\$19 million of depreciation charges, (ii) US\$51 million impairment of the SBM Installer right-of-use asset to nil and (iii) an impairment charge of US\$6 million on right-of-use assets related to office buildings, which was a result of the Company's restructuring activities and the reallocation of activities and resources, which also led to certain leased office buildings being vacated.

Impairment of SBM Installer

The Company leased the SBM Installer installation vessel through a charter contract, which ends in 2026. The contract included the option for the Company to acquire the vessel during the charter period. During the year of 2020, due to the COVID-19 pandemic, the Company decided to put the vessel in lay-up for a period of three months (until July 2020) in order to protect the crew and reduce the costs in a context of low activity. Furthermore, the Company downgraded expectations regarding future economic benefits to be generated by the vessel given the expected slowdown of the offshore services business in the coming few years (which may create over-supply in offshore markets and therefore reduce the vessel utilization).

Based on the performed impairment test with a pre-tax discount rate of 11.6%, the Company concluded that the entire book value of the right-of-use asset had to be impaired for a total amount of US\$51 million in the first half of 2020. As a part of this impairment assessment, the Company also fully impaired other fixed assets related to the SBM Installer with a book value of US\$6 million. The total impairment related to the SBM Installer recognized for the period was US\$57 million. If revenue were to be increased by 10% on the relevant period, this would result in US\$6 million less impairment loss.

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Subsequent to the impairment, the Company decided in September 2020 to acquire the remaining 75% ownership in OS Installer Limited. As a result, the installation vessel was added to property, plant and equipment and the fully impaired right-of-use asset was derecognized.

Office leases

The other significant contracts relate to the lease of offices. The contract periods of the Company's office rentals vary between one to ten years and most of the contracts include extension options between three to fifteen years. The extension options have been taken into account in the measurement of lease liabilities when the Company is reasonably certain to exercise these options. The lease agreements do not impose any covenants.

OPERATING LEASES AS A LESSOR

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements which terminate between 2022 and 2030. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the vessels and floating equipment

	31 December 2020	31 December 2019
Cost	2,683	3,257
Accumulated depreciation and impairment	(2,317)	(2,481)
Book value at 31 December	367	777

In December 2020, the Company entered into a new contract with the client on the *FPSO Espirito Santo* and agreed new terms and conditions including the extension of the contract from the year 2023 to 2028 and additional annual extension options up to 2033. As a result, this new contract has been classified as a finance lease as per IFRS 16 instead of an operating lease. Further, The Deep Panuke MOPU, located offshore Nova Scotia, Canada, was safely redelivered by the client to the Company in July 2020. As such, the Deep Panuke MOPU is not a leased facility anymore as of December 31, 2020. As a result, the book value of the leased facilities included in the vessels and floating equipment has decreased by US\$410 million.

The nominal values of the future expected bareboat receipts (undiscounted lease payments) in respect of the remaining operating lease contracts are:

Nominal values of the future expected bareboat receipts

	31 December 2020	31 December 2019
Within 1 year	277	319
2 years	145	297
3 years	95	134
4 years	94	121
5 years	92	94
After 5 years	399	508
Total	1,103	1,473

A number of agreements have extension options, which have not been included in the above table.

Purchase and termination options in operating lease contracts

The operating lease contract of semi-submersible *Thunder Hawk* includes a call option for the client to purchase the underlying asset. The exercise of this call option would have resulted in a gain for the Company as of December 31, 2020.