# ANNUAL REPORT 2020

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

Trade debtors (trade debtors balance)

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Nominal amount | 118 | 130 |
| Impairment allowance | (3) | (2) |
| **Total** | **115** | **128** |

The allowance for impairment represents the Company's estimate of losses in respect of trade debtors. The allowance related to credit risk for significant trade debtors is built on specific expected loss components that relate to individual exposures. Furthermore, the Company uses historical credit loss experience as well as forward-looking information to determine a 1% expected credit loss rate on individually insignificant trade receivable balances. The creation and release for impaired trade debtors due to credit risk are reported in the line item 'Net impairment losses on financial and contract assets' of the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The ageing of the nominal amounts of the trade debtors are:

Trade debtors (ageing of the nominal amounts of the trade debtors)

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Nominal | Impairment | Nominal | Impairment |
| Not past due | 69 | (2) | 67 | 1 |
| Past due 0-30 days | 5 | (0) | 27 | - |
| Past due 31-120 days | 15 | (0) | 22 | - |
| Past due 121- 365 days | 9 | (0) | 6 | - |
| More than one year | 21 | (1) | 8 | - |
| **Total** | **118** | **(3)** | **130** | **1** |

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of Company joint ventures and independent customers for whom there is no recent history of default, or the receivable amount can be offset by amounts included in current liabilities.

For the closing balance and movements during the year of allowances on trade receivables, please refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management.

## 4.3.20 CONSTRUCTION WORK-IN-PROGRESS

The details regarding construction work -in-progress are included in the following table:

| | *Note* | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Recognized revenue | | 2,492 | 1,508 |
| Instalments invoiced | | (309) | (577) |
| Reclassification to contract liability | *4.3.27* | 69 | 42 |
| Net impairment losses on contract assets | *4.3.8* | (4) | (0) |
| **Total construction work-in-progress** | | **2,248** | **973** |

The significant portion of the outstanding balance of construction work-in-progress as of December 31, 2020 relates to the *Liza Unity* (FPSO), *FPSO Sepetiba* and *Prosperity* (FPSO) finance lease projects since the Company will receive most of the payments for the construction only during the lease period through bareboat charter payments. The increase in the construction work-in-progress is mainly driven by the progress made in 2020 on the *Liza Unity* (FPSO), *FPSO Sepetiba* and *Prosperity* (FPSO) projects.

Contract liabilities of US$69 million comprises the amounts of those individual contracts for which the total instalments invoiced exceed the total revenue recognized. Contract liabilities are reclassified to other current liabilities (see note 4.3.27 Trade and Other Payables).

Regarding information about expected credit losses recognized for construction work-in-progress, refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management.

## 4.3.21 DERIVATIVE FINANCIAL INSTRUMENTS

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivative instruments is included in note 4.3.29 Financial Instruments – Fair Values and Risk Management.

In the ordinary course of business and in accordance with its hedging policies as of December 31, 2020, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of interest rate financing exposure. The most important floating rate is the US$ 3-month LIBOR. Details of interest percentages of the long-term debt are included in note 4.3.24 Borrowings and Lease Liabilities.

The fair value of the derivative financial instruments included in the statement of financial position is summarized as follows:

Derivative financial instruments

| | 31 December 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Interest rate swaps cash flow hedge | 1 | 351 | (351) | 8 | 166 | (159) |
| Forward currency contracts cash flow hedge | 98 | 21 | 77 | 14 | 48 | (35) |
| Forward currency contracts fair value through profit and loss | 38 | 39 | (1) | 22 | 27 | (5) |
| **Total** | **137** | **411** | **(274)** | **43** | **241** | **(198)** |
| Non-current portion | 38 | 277 | (240) | 5 | 156 | (150) |
| Current portion | 99 | 134 | (35) | 37 | 85 | (48) |

The significant movement in the net balance of derivative assets and liabilities of US$76 million over the period is mostly related to the decreased marked-to-market value of interest rate swaps, which mainly arises from decreasing market interest rates, whereas the increased marked-to-market value of forward currency contracts is mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

The ineffective portion recognized in the income statement (please refer to note 4.3.9 Net Financing Costs ) arises from cash flow hedges which totaled less than a US$3 million loss in 2020 (2019: US$3 million loss). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

No ineffectiveness was recognized due to the IBOR transition, refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management.

## 4.3.22 NET CASH AND CASH EQUIVALENT

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash and bank balances | 78 | 82 |
| Short-term investments | 336 | 424 |
| **Cash and cash equivalent** | **414** | **506** |
| **Net cash and cash equivalent** | **414** | **506** |

The cash and cash equivalents dedicated to debt and interest payments (and therefore restricted) amounted to US$215 million as per December 31, 2020 (2019: US$188 million). Short-term investment deposits are made for varying periods of up