



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

4 CORPORATE STATEMENTS 2020

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