SBM OFFSHORE

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ANNUAL REPORT 2021

4 FINANCIAL INFORMATION 2021

4.1 FINANCIAL REVIEW

4.1.1 FINANCIAL OVERVIEW

	Directional		IFRS	
in US$ million	FY 2021	FY 2020	FY 2021	FY 2020
Revenue	**2,242**	**2,368**	**3,747**	**3,496**
Lease and Operate	1,509	1,699	1,270	1,761
Turnkey	733	669	2,477	1,735
Underlying Revenue	**2,317**	**2,291**	**3,822**	**3,419**
Lease and Operate	1,584	1,622	1,345	1,684
Turnkey	733	669	2,477	1,735
EBITDA[1]	**849**	**1,021**	**823**	**1,043**
Lease and Operate	914	1,108	636	1,007
Turnkey	19	(9)	271	114
Other	(84)	(78)	(84)	(78)
Underlying EBITDA	**931**	**944**	**906**	**966**
Lease and Operate	989	1,031	711	930
Turnkey	19	(9)	271	114
Other	(76)	(78)	(76)	(78)
Profit/(loss) attributable to shareholders	**121**	**38**	**400**	**191**
Underlying profit attributable to shareholders	**126**	**125**	**405**	**277**

1 EBITDA, earnings (profit attributable to shareholders) excluding net financing costs, income tax expense, depreciation, amortization and impairment as well as share of profit/(loss) of equity-accounted investees

General

The Company's primary business segments are 'Lease and Operate' and 'Turnkey'. Additionally, the Company discloses separately non-allocated corporate income and expense items presented in the category 'Other'. Revenue and EBITDA are analyzed by segment, but it should be recognized that business activities are closely related.

During recent years the Company's awarded lease contracts were systematically classified under IFRS as finance leases for accounting purposes, whereby the fair value of the leased asset is recorded as a Turnkey 'sale' during construction. For the Turnkey segment, this accounting treatment results in the acceleration of recognition of lease revenues and profits into the construction phase of the asset, whereas the asset generates the cash mainly only after construction and commissioning activities have been completed, as that is the moment the Company is entitled to start receiving the lease payments. In the case of an operating lease, lease revenues and profits are recognized during the lease period, in effect more closely tracking cash receipts. Following the implementation of accounting standards IFRS 10 and 11 starting January 1, 2014, it has also become challenging to extract the Company's proportionate share of results. To address these accounting issues, the Company discloses Directional reporting in addition to its IFRS reporting. Directional reporting treats all lease contracts as operating leases and consolidates all co-owned investees related to lease contracts on a percentage of ownership basis. Under Directional, the accounting results more closely track cash flow generation and this is the basis used by the Management Board of the Company to monitor performance and for business planning. Reference is made to 4.3.2 Operating Segments and Directional Reporting for further detail on the main principles of Directional reporting.

As the Management Board, as chief operating decision maker, monitors the operating results of its operating segments primarily based on Directional reporting, the financial information in this section 4.1 Financial Review is presented both under Directional and IFRS while the financial information presented in note 4.3.2 Operating Segments and Directional Reporting is presented under Directional with a reconciliation to IFRS. For clarity, the remainder of the financial statements are presented solely under IFRS, except where expressly stated otherwise.

4.1.2 FINANCIAL HIGHLIGHTS

The main financial highlights of the year and their associated financial impact are reported in note 4.3.1 Financial Highlights.