



OFFSHORE

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ANNUAL REPORT 2021

4 FINANCIAL INFORMATION 2021

4.1 FINANCIAL REVIEW

4.1.1 FINANCIAL OVERVIEW

in US\$ million	Directional		IFRS	
	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
EBITDA¹	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.

4.1.3 FINANCIAL REVIEW DIRECTIONAL

in US\$ million	Directional	
	FY 2021	FY 2020
Revenue	2,242	2,368
Lease and Operate	1,509	1,699
Turnkey	733	669
Underlying Revenue	2,317	2,291
Lease and Operate	1,584	1,622
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Underlying EBITDA	931	944
Lease and Operate	989	1,031
Turnkey	19	(9)
Other	(76)	(78)
Profit/(loss) attributable to shareholders	121	38
Underlying profit attributable to shareholders	126	125

in US\$ billion	Directional	
	FY 2021	FY 2020
Backlog	29.5	21.6

UNDERLYING PERFORMANCE – DIRECTIONAL

Underlying Directional Revenue and EBITDA are adjusted for the non-recurring events during a financial period to enable comparison of normal business activities for the current period in relation to the comparative period.

During 2021 the Directional EBITDA and profit attributable to shareholders were impacted by US\$(8) million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.

In addition, the 2021 Underlying Directional Revenue and EBITDA includes US\$75 million related to final cash received over the period under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020. This amount was excluded from the Underlying 2020 Revenue and EBITDA. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the Underlying Directional gross margin and profit attributable to shareholders.

For reference, the difference between Directional profit attributable to shareholders and Underlying Directional profit attributable to shareholders was due to the following non-recurring items in 2020:

- A full impairment of US\$(57) million of the SBM Installer installation vessel;
- Other impairments of US\$(29) million (individually not significant) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

BACKLOG – DIRECTIONAL

Change in ownership scenarios and lease contract duration have the potential to significantly impact the Company's future cash flows, net debt balance as well as the profit and loss statement. The Company therefore provides a pro-forma Directional backlog based on the best available information regarding ownership scenarios and lease contract duration for the various projects.

The pro-forma Directional backlog at the end of 2021 reflects the following key assumptions:

- The *Liza Destiny* (FPSO) contract covers the basic contractual term of 10 years of lease and operate.
- The *Liza Unity* (FPSO) contract covers a maximum period of two years of lease and operate within which the unit will be purchased by the client. The impact of the sale of *Liza Unity* (FPSO) is reflected in the Turnkey backlog at the end of the maximum two year period.