



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

4 FINANCIAL STATEMENTS 2018

4.1 FINANCIAL REVIEW

4.1.1 FINANCIAL OVERVIEW

| in US\$ million | Directional | | IFRS | |
|---|--------------|--------------|--------------|--------------|
| | FY 2018 | FY 2017 | FY 2018 | FY 2017 |
| Revenue | 1,703 | 1,676 | 2,240 | 1,861 |
| Lease and Operate | 1,298 | 1,501 | 1,302 | 1,554 |
| Turnkey | 406 | 175 | 938 | 307 |
| EBITDA | 995 | 596 | 838 | 612 |
| Lease and Operate | 824 | 954 | 761 | 919 |
| Turnkey | 278 | 21 | 184 | 73 |
| Other | (107) | (380) | (107) | (380) |
| Underlying EBITDA | 784 | 806 | 844 | 823 |
| Lease and Operate | 824 | 954 | 761 | 919 |
| Turnkey | 24 | (86) | 147 | (34) |
| Other | (64) | (62) | (64) | (62) |
| Profit/(loss) attributable to shareholders | 301 | (203) | 212 | (155) |
| Underlying profit attributable to shareholders | 113 | 80 | 247 | 151 |

General

The Company's primary business segments are Lease and Operate and Turnkey plus 'Other' non-allocated corporate income and expense items. Revenue and EBITDA are analyzed by segment but it should be recognized that business activities are closely related.

The Company's most recently awarded lease contracts have a longer duration and 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 becomes cash generating 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 proportional 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.

4.1.2 FINANCIAL HIGHLIGHTS

The year was marked by the following financial highlights (please refer to note 4.3.1 Financial Highlights for further detail).