



OFFSHORE

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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).