



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

4 FINANCIAL STATEMENTS 2018

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

	31 December 2018		31 December 2017	
	IFRS	DIR	IFRS	DIR
Brazil	6,343	3,311	6,617	3,534
Angola	412	435	387	446
Canada	245	245	308	308
The United States of America	130	109	175	154
Malaysia	128	84	162	99
Equatorial Guinea	121	181	130	203
Guyana	-	530	-	116
Monaco	78	78	47	47
Other	184	174	96	102
Total	7,641	5,148	7,922	5,009

RELIANCE ON MAJOR CUSTOMERS

Under Directional, two customers each represent more than 10% of the consolidated revenue. Total revenue from these two major customers amounts to US\$ 673 million (US\$ 454 million and US\$ 219 million, respectively). In 2017 the revenue related to the two major customers was US\$ 834 million (US\$ 492 million and US\$ 342 million, respectively). In 2018 and 2017, the revenue of these major customers was predominantly related to the Lease and Operate segment.

Under IFRS, three customers each represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US\$ 1,254 million (US\$ 615 million, US\$ 334 million and US\$ 305 million respectively). In 2017 two customers accounted for more than 10% of the consolidated revenue (US\$ 1,273 million), respectively for US\$ 975 million and US\$ 298 million.

4.3.3 REVENUE

The Company's revenue mainly originates from construction contracts and Lease and Operate contracts. Revenue originating from construction contracts is presented in the Turnkey segment while revenue from Lease and Operate contracts is presented in the Lease and Operate segment. Around 60% of the Company's 2018 Lease and Operate revenue is made of charter rates related to lease contracts while the remaining amount originates from operating contracts.

The Company's policy regarding revenue recognition is described in further detail in note 4.2.7 B. Critical Accounting Policies – (e) Revenue. For the disaggregation of total revenue by country and by segment, please refer to Geographical Information under note 4.3.2 Operating Segments and Directional Reporting.

The Company recognizes most of its revenue over time. The Company's construction contracts can last for multiple years depending on the type of product, scope and complexity of the project while the Company's Lease and Operate contracts are generally multiple-year contracts. As a result, the Company has (partially) outstanding performance obligations to its clients (unsatisfied performance obligations) at December 31, 2018. These unsatisfied performance obligations relate to:

- Ongoing construction contracts, including the construction of vessels under finance lease that still need to be completed.
- Ongoing multiple-year operating contracts. Note that for the specific disclosure on unsatisfied performance obligations, the lease component of the Lease and Operate contracts is excluded (this component being described in further detail in notes 4.3.13 Property, Plant and Equipment and 4.3.15 Finance Lease Receivables).

The following table presents the unsatisfied performance obligations as at December 31, 2018 (in billions of US\$)

Unsatisfied performance obligations related to:	31 December 2018
- constructions contracts including finance leases	1.1
- operating contracts	5.7
Total	6.8

The unsatisfied performance obligations for the committed construction contracts relate mostly to three major construction contracts (one FPSO and two TMS). Revenue related to these construction contracts is expected to be recognized over the coming three years in line with the construction progress on these projects.

The unsatisfied performance obligations for the operating contracts relate to i) the Company's vessels leased to clients where the Company is the lessor (both operating and finance lease contracts) and ii) one operating contract for operating services on a vessel that is owned by the client. The operating contracts end between 2021 and 2036. The Company will recognize the unsatisfied performance obligation over this period in line with the work performed.

The Company can agree on various payment arrangements which generally reflect the progress of delivered performance obligations. However, if the Company's delivered performance obligation exceeds instalments invoiced to the client, a 'Construction work-in-progress' (contract asset) is recognized (see note 4.3.20 Construction Work-In-Progress). If the instalments invoiced to the client exceed the work performed, a contract liability is recognized (see note 4.3.27 Trade and Other Payables).

As result of various commercial discussions with clients, the Company recognized revenue amounting to US\$ 23 million in 2018 originating from performance obligations satisfied in previous periods.

4.3.4 OTHER OPERATING INCOME AND EXPENSE

	2018	2017
Insurance claim income	37	125
Gains from sale of financial participations, property, plant and equipment	0	0
Other operating income	3	5
Total other operating income	40	130
Settlement expenses	(45)	(238)
Impairment of goodwill	(25)	-
Restructuring expenses	(1)	(10)
Other operating expense	0	(121)
Total other operating expense	(70)	(369)
Total	(30)	(239)

In 2018 and 2017 the insurance claim income corresponds to the Company's estimated share of the Yme insurance claim settlement, net of the claim-related costs (please refer to note 4.3.1 Financial Highlights).

In 2018, impairment of goodwill relates to the full impairment of the goodwill related to the acquisition of Houston-based subsidiaries (please refer to note 4.3.1 Financial Highlights).

In 2018, the settlement expenses mainly relate to the additional provision of US\$ 43 million (200 million Brazilian Reais) for settlement with the Brazilian Federal Prosecutor's Office (Ministério Público Federal – 'MPF') (please refer to note 4.3.1 Financial Highlights).