SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2019

4.1 FINANCIAL REVIEW

4.1.1 FINANCIAL OVERVIEW

	Directional		IFRS	
in US$ million	FY 2019	FY 2018	FY 2019	FY 2018
Revenue	**2,171**	**1,703**	**3,391**	**2,240**
Lease and Operate	1,315	1,298	1,327	1,302
Turnkey	856	406	2,064	938
EBITDA[1]	**921**	**995**	**1,010**	**838**
Lease and Operate	842	824	783	761
Turnkey	53	278	290	184
Other	26	(107)	(63)	(107)
Underlying EBITDA	**832**	**784**	**1,010**	**844**
Lease and Operate	842	824	783	761
Turnkey	53	24	290	147
Other	(63)	(64)	(63)	(64)
Profit/(loss) attributable to shareholders	**235**	**301**	**366**	**212**
Underlying profit attributable to shareholders	**171**	**113**	**391**	**247**

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' 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.

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 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).

ExxonMobil awards Liza Unity contracts to SBM Offshore

On May 10, 2019, the Company announced that Esso Exploration and Production Guyana Limited (EEPGL), an affiliate of Exxon Mobil Corporation, has confirmed the award of contracts to the Company for the next phase of the Liza project in Guyana. Under these contracts, the Company will construct, install and thereafter lease and operate FPSO *Liza Unity* for a period of up to two years after which the ownership and operations will transfer to ExxonMobil. The FPSO *Liza Unity* design