SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2019

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

Geographical information (non-current assets by country)

	31 December 2019		31 December 2018	
	IFRS	DIR	IFRS	DIR
Brazil	6,050	3,656	6,343	3,311
Angola	242	323	412	435
Canada	182	182	245	245
The United States of America	87	65	130	109
Malaysia	93	61	128	84
Equatorial Guinea	106	160	121	181
Guyana	873	1,432	-	530
Monaco	66	67	78	78
Switzerland	49	50	-	-
Other	142	170	184	174
Total	**7,891**	**6,166**	**7,641**	**5,148**

RELIANCE ON MAJOR CUSTOMERS

Under Directional, three customers each represent more than 10% of the consolidated revenue. Total revenue from these three major customers amounts to US$1,339 million (US$703 million, US$385 million and US$250 million, respectively). In 2018 the revenue related to the two major customers was US$673 million (US$454 million and US$219 million, respectively). In 2019 and 2018, the revenue of these major customers was predominantly related to the Lease and Operate segment.

Under IFRS, two customers each represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$2,393 million (US$1,450 million and US$943 million respectively). In 2018 three customers accounted for more than 10% of the consolidated revenue (US$1,254 million), respectively for US$615 million, US$334 million and US$305 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 2019 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 (more than 95%) 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, 2019. 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, 2019 (in billions of US$):

Unsatisfied performance obligations related to:	2019	2018
- constructions contracts including finance leases	3.1	1.1
- operating contracts	7.4	5.7
Total	10.5	6.8

The unsatisfied performance obligations for the committed construction contracts relate mostly to four major construction contracts (three FPSO's and one 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 operator (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 a result of various commercial discussions with clients, the Company recognized revenue amounting to US$16 million in 2019 (2018: US$23 million) originating from performance obligations satisfied in previous periods.

Lease revenue recognized for leases where the Company is the lessor, for both operating and finance leases, relates to fixed and variable lease payments. Most of the Company's revenue from lease contracts is based on fixed day rates. However, some of the contracts consist of performance-based payments. These are variable lease payments that do not depend on an index or a rate, and are excluded from the measurement of the lease payments receivable. The amount of performance-related lease payments for 2019 was US$24 million (2018: US$47 million).

4.3.4 OTHER OPERATING INCOME AND EXPENSE

	2019	2018
Insurance claim income	5	37
Other operating income	2	3
Total other operating income	**7**	**40**
Settlement expenses	(2)	(45)
Impairment of goodwill	-	(25)
Restructuring expenses	(0)	(1)
Total other operating expense	**(2)**	**(70)**
Total	**5**	**(30)**

In 2019, the Company did not generate or incur any significant other operating income or expenses.

The previous year's insurance claim income corresponded to the Company's share of the Yme insurance claim settlement, net of the claim-related costs.

2018 other operating expenses related mainly to the full impairment of the goodwill which was recognized upon the acquisition of Houston-based subsidiaries and the additional provision of US$43 million (BRL200 million) for settlement with the Brazilian Federal Prosecutor's Office (Ministério Público Federal – 'MPF').