



OFFSHORE

ENERGY. COMMITTED.



ANNUAL REPORT 2019

4 FINANCIAL STATEMENTS 2019

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').