



**OFFSHORE**

ENERGY. COMMITTED.



# ANNUAL REPORT 2019

## 4 FINANCIAL STATEMENTS 2019

### 4.3.20 CONSTRUCTION WORK-IN-PROGRESS

The details regarding construction work-in-progress are included in the following table:

	Note	31 December 2019	31 December 2018
Recognized revenue		1,508	1,733
Instalments invoiced		(577)	(1,181)
Reclassification to contract liability	4.3.27	42	143
<b>Total construction work-in-progress</b>		<b>973</b>	<b>695</b>

The significant portion of the outstanding balance of construction work-in-progress as of December 31, 2019 relates to the FPSO *Liza Unity* and FPSO *Sepetiba* finance lease projects since the Company will receive most of the payments for the construction only during the lease period through bareboat charter payments.

Costs to fulfill the contract of FPSO *Liza Unity*, recognized in 2018 as part of construction work-in-progress for US\$13 million, were reclassified to project costs during 2019 after formally being awarded the FPSO *Liza Unity* contract in May 2019. The Company has not recognized any amortization or impairment related to this vessel in 2019 (2018: nil).

Contract liabilities of US\$42 million comprises the amounts of those individual contracts for which the total instalments invoiced exceed the total revenue recognized. Contract liabilities are reclassified to other current liabilities (see note 4.3.27 Trade and Other Payables).

Regarding information about expected credit losses recognized for construction work-in-progress, refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management.

### 4.3.21 DERIVATIVE FINANCIAL INSTRUMENTS

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivative instruments is included in note 4.3.29 Financial Instruments – Fair Values and Risk Management.

In the ordinary course of business and in accordance with its hedging policies as of December 31, 2019, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of interest rate financing exposure. The most important floating rate is the US\$ 3-month LIBOR. Details of interest percentages of the long-term debt are included in note 4.3.24 Borrowings and Lease Liabilities.

The fair value of the derivative financial instruments included in the statement of financial position is summarized as follows:

#### Derivative financial instruments

	31 December 2019			31 December 2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	8	166	(159)	6	42	(36)
Forward currency contracts cash flow hedge	14	48	(35)	18	41	(23)
Forward currency contracts fair value through profit and loss	22	27	(5)	22	32	(11)
<b>Total</b>	<b>43</b>	<b>241</b>	<b>(198)</b>	<b>46</b>	<b>116</b>	<b>(70)</b>
Non-current portion	5	156	(150)	12	41	(29)
Current portion	37	85	(48)	34	75	(41)

The ineffective portion recognized in the income statement (please refer to note 4.3.9 Net Financing Costs) arises from cash flow hedges which totaled less than a US\$3 million loss in 2019 (2018: US\$0 million loss). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.