SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

Diversity & Inclusion (D&I)
SBM Offshore aspires to being recognized for its organizational diversity and inclusive culture. The Company provides equal opportunity employment and does not tolerate discrimination. Recruiting, hiring, employing and promoting individuals is based solely on qualifications and professional skills, reflecting the Company's view that diversity is an integral part of creating value. A dedicated interdisciplinary taskforce analyzed the current D&I activities of the Group and compared them to best practices in other companies. SBM Offshore will introduce a corporate program which will include training on unconscious bias for all managers in 2021, while continuing to support local initiatives. As the Company extends its action on D&I, this Annual Report includes the Gender Pay Gap indicator reporting at 0.96, which means that the salary for female workers on average is at 96% of male workers. The global distribution in the workforce between male and female workers is 80%/20%. Further detail can be found in sections 4.9.4 and 4.10.3.

Data Quality & People Analytics
OSCAR – The Human Resource Information System for Operations Management was made accessible to all offshore personnel becoming the main source of data for reporting requests during the COVID-19 pandemic.The system is being upgraded to manage offshore pass deployment.

LUCY – The system for Company employee data has been upgraded to include a Payroll Interface, a re-designed global Compensation process, a Time-Off module and the integration of the Reward Campaign (STI, LTI, Merit Increase, Promotion).

Qualtrics – The deployment of this solution offers a diagnostic, deep dive engagement platform with powerful analytics and intelligent action planning combined with automated employee surveys. It allows SBM Offshore to measure 'moments that matter' in the employee lifecycle (i.e. candidate experience, onboarding, professional development, performance reviews).

FUTURE
Alongside the management of individual development plans, the Company will continue to conduct assessments and run Development Centers. In 2021, there will be a special focus on our Technical Experts with professional growth options. The Company will also ensure that younger potentials are known at Group level and leverage the HR community to develop their talents.

Numerous initiatives are in progress to optimize, transform, and innovate SBM Offshore's ways of working, with the people aspect of change being pivotal to successful deployment. The change management organization will support all transformation programs.

SBM Offshore continues evolve its talent management programs, investing in and developing its people, in line with changes in the Company and a transforming industry. The Company believes that satisfied and engaged employees will lead to increased productivity, as well as the desired entrepreneurial and ownership behaviors that the Company relies on.

2.1.5 ECONOMIC PERFORMANCE

MANAGEMENT APPROACH
The Company's primary business segments are: Lease and Operate and Turnkey. Although financial results are presented per segment, activities between business segments are closely related. In addition to reporting under International Financial Reporting Standards (IFRS) guidelines, the Company's Directional reporting methodology was introduced to reflect Management's view of the Company and how it monitors and assesses financial performance. This chapter of the Annual Report presents numbers based on Directional reporting.

The Company provides Directional Revenue and EBITDA guidance, which is updated in the event of material change, if any. Economic performance is a result of all Company activities, governed as per sections 3.1 and 3.2 and executed as per Management Approach sections in chapter 2.

2020 PERFORMANCE
Economic performance is measured through profitability, cashflow, backlog and the financial position of the Company.

Profitability
Full-year 2020 Directional revenue was US$2,291 million, an increase of 6% compared with 2019. This increase is mainly driven by the Lease and Operate activity with (i) *Liza Destiny* (FPSO) joining the fleet after achieving first oil at the end of 2019 and (ii) the Company's additional percentage of ownership in the Lease and Operate entities related to the five Brazilian FPSO's in which the Company purchased additional shares in the second half year of 2019. Directional Turnkey revenue decreased to US$669 million in 2020 compared with US$856 million in 2019. Despite a general ramp-up of Turnkey activities with three FPSO's under construction in 2020, the decrease is mostly attributable to the reduced level of activity on Turret EPC projects.

Adjusted for non-recurring items, Underlying Directional EBITDA increased to US$944 million in 2020 compared with US$832 million in 2019. This resulted from an increase of the Underlying Lease and Operate EBITDA by US$112 million supported by the same drivers as the increase in the Lease and Operate revenue. At the same time, the incremental costs from the implementation of additional safety measures linked to COVID-19 have been partially recharged to clients under reimbursable contracts. Underlying Directional Turnkey EBITDA decreased from US $53 million in the year-ago period to US$(9) million in the current year. While the reduced level of activity on Turret EPC projects and small product lines (Offshore Services/ Terminals) was nearly offset by ramp-up on *FPSO Sepetiba*, the Turnkey EBITDA was impacted by US$(40) million of restructuring costs during the current year. It should be noted that the ongoing construction works on *Liza Unity* (FPSO) and *Prosperity* (FPSO) did not contribute to Directional net income over the period. This is because the contracts are 100% owned by the Company and are classified as operating leases as per Directional accounting principles.

2020 Underlying Directional net income attributable to shareholders stood at US$125 million, a decrease of US$46 million compared with the previous year, mainly driven by restructuring costs expensed in 2020 to adapt the Company's business model to an environment of shorter oil price cycles and increased volatility.

The above Underlying figures exclude several non-recurring items described in 4.1.3. These items had a positive impact on the 2020 Directional Revenue and EBITDA for an amount of US$77 million, and a negative impact on net profit attributable to shareholders for US$(87) million. Including these items, total reported 2020 Directional EBITDA was US$1,021 million and net profit attributable to shareholders was US$38 million.

Cash Flow/Liquidities

Thanks to the strong contribution of the fleet, the Company generated US$696 million of net cash flows from operating activities over 2020, while cash and undrawn committed credit facilities amount to US$1,681million at December 31, 2020.

Backlog

The Directional backlog, which is presented on a pro-forma basis in note 4.1.3, grew to a total of US$21.6 billion at December 31, 2020, compared with US$20.7 billion at year-end 2018.

This significant year-on-year growth was mainly the result of (i) the awarded contracts for the next phase of the Payara development for the *Prosperity* (FPSO) project; (ii) the change in *Liza Destiny* (FPSO) assumptions to reflect the basic contractual term of 10 years of lease and operate and (iii) the five years' extension for the lease and operate contracts of the *FPSO Espirito Santo*. The Company's backlog provides cash flow visibility of 25 years, up to 2045.

Statement of Financial Position

The Company's financial position has remained strong as a result of the cash flow generated by the fleet and the successful adaptation of the Turnkey segment to a more competitive and unpredictable market.

Directional shareholders equity decreased from US$1,179 million to US$858 million. This was primarily due to the completion of the EUR150 million share repurchase program and the dividend distribution to the shareholders for an amount of US$150 million, while the net income of the year was reduced due to the restructuring costs and several non-recurring impairments described in 4.1.3.

Directional net debt increased by US$633 million to US$4,093 million at year-end 2020. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew under its existing credit facilities to fund continued investment in growth (three PFSOs under construction at December 31, 2020).

The majority of the Company's debt as of December 31, 2020 consisted of non-recourse project financing (US$3.1 billion) in special purpose investees. The remainder (US$1.3 billion) comprised of borrowings to support the construction of FPSO *Liza Unity* and *FPSO Sepetiba* and the loan related to the DSCV SBM Installer. The Company Revolving Credit Facility (RCF) was undrawn at year end and the net cash balance stood at US$383 million (December 31, 2019: US$458 million).

For a total overview of the Company's financials, please see section 4.2 of the Annual Report.