ANNUAL REPORT 2020

SBM OFFSHORE

ENERGY. COMMITTED.

NUMBER OF EMPLOYEES

Number of employees (by operating segment)

	2020		2019	
By operating segment:	Average	Year-end	Average	Year-end
Lease and Operate	1,714	1,772	1,596	1,656
Turnkey	1,790	1,796	1,620	1,783
Other	473	470	409	475
Total excluding employees working for JVs and associates	**3,976**	**4,038**	**3,624**	**3,914**
Employees working for JVs and associates	531	536	635	525
Total	**4,507**	**4,574**	**4,259**	**4,439**

Number of employees (by geographical area)

	2020		2019	
By geographical area:	Average	Year-end	Average	Year-end
the Netherlands	444	435	414	453
Worldwide	3,532	3,603	3,211	3,461
Total excluding employees working for JVs and associates	**3,976**	**4,038**	**3,624**	**3,914**
Employees working for JVs and associates	531	536	635	525
Total	**4,507**	**4,574**	**4,259**	**4,439**

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits. Despite the restructuring of the Company, the increase in headcount is due to the ramp-up of the center located in India, supporting the Company's Engineering, Procurement and Construction ('EPC') activities and fleet support for operations as well as an increase in onshore and offshore staff linked to *Liza Destiny* (FPSO). The departures linked to the 2020 restructuring of the Company were not all effective as per December 31, 2020.

4.3.7 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to US$(24) million (2019: US$(24) million) and mainly relate to the internal projects 'Digital FPSO' and Renewables development costs.

The amortization of development costs recognized in the statement of financial position is allocated to cost of sales when the developed technology is used through one or several projects. Otherwise, it is allocated to research and development expenses.

4.3.8 NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL AND CONTRACT ASSETS

In the context of the COVID-19 pandemic and low oil prices, during the year 2020 companies were experiencing conditions often associated with a general economic downturn. In a very short period of time, the credit ratings of various oil companies deteriorated and they announced significant cost reductions and other measures to preserve their liquidity. In response to this situation, the Company (i) reassessed whether there is a significant increase in credit risk related to its financial assets as of December 31, 2020, and (ii) updated estimates in terms of 'probability of default' and 'oss given default' in order to determine the expected credit losses.

Finance Lease Receivables

There was no payment default on any finance lease contracts over the period. In addition, despite the overall economic downturn, the Company concluded that the counterparties of the finance lease receivables still have a strong capacity to meet their contractual cash flow obligations based on existing contractual arrangements, which include parent company guarantees. Based on the available forward-looking information related to the oil price, it is also assumed that none of the assets leased under the Company's finance lease contracts would become un-economic to operate for its clients.

Therefore, the Company concludes that (i) the credit risk has not increased significantly since the initial recognition of the finance lease receivable, and (ii) the finance lease receivables still have a low credit risk as of December 31, 2020.