



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

4 CORPORATE STATEMENTS 2020

Demobilization

The provision for demobilization relates to the costs for demobilization of the vessels and floating equipment at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in the line item 'Financial expenses' of the consolidated income statement (please refer to note 4.3.9 Net Financing Costs).

The increase in the provision for demobilization related mainly to a reassessment of the expected demobilization, towing and green recycling costs of the Deep Panuke MOPU unit. The utilization of the provision over the year also relate to the decommissioning of this unit, which has commenced in 2020.

Expected outflow within one year is US\$23 million and amounts to US\$85 million between one and five years, and US\$24 million after five years.

Onerous contracts

The restructuring activities and the reallocation of activities and resources has led to vacating certain leased office buildings. This has resulted into a provision for onerous service facilities contracts for an amount of US\$3 million, of which US\$2 million is the current portion.

Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client. The increase of the warranty provision consists of new provisions accrued on projects under construction over the period.

Restructuring

For the year 2020, total restructuring costs provided for were US\$46 million. US\$25 million has been reclassified to payables as the company has reached settlement agreements with the terminated employees and which is still unpaid as at December 31, 2020. The restructuring of the Company leads to a reduction of approximately 600 positions compared with year-end 2019.

Other

Other provisions mainly relate to claims, regulatory fines related to operations and local content penalty on construction projects. The latter being the main driver of the increase in Other provisions during 2020.

4.3.27 TRADE AND OTHER PAYABLES

Trade and other payables (summary)

| | Notes | 31 December 2020 | 31 December 2019 |
|-------------------------------------|---------------|------------------|------------------|
| Trade payables | | 131 | 143 |
| Accruals on projects | | 468 | 288 |
| Accruals regarding delivered orders | | 53 | 110 |
| Other payables | | 109 | 68 |
| Contract liability | 4.3.20 | 69 | 42 |
| Pension taxation | | 7 | 10 |
| Taxation and social security costs | | 110 | 103 |
| Current portion of deferred income | | 6 | 57 |
| Other non-trade payables | | 80 | 75 |
| Total | 4.3.29 | 1,033 | 896 |

The total trade and other payables increased due to the higher construction activities during 2020.

Accruals on projects increased mainly relate to progress made on projects and MPF hulls not yet invoiced by construction yards.

Accruals regarding delivered orders decreased in 2020 compared to 2019 mainly in relation to the finalization of *Liza Destiny* (FPSO) following project completion in December 2019.

Increase of the contract liability is mainly due to the timing of invoicing in relation to Renewables EPC projects.

Current portion of deferred income is mainly related to the revenue of operating lease contracts which includes a decreasing day-rate schedule. As income is shown in the income statement on a straight-line basis with reference to IFRS 16 'Leases', the difference between the yearly straight-line revenue and the contractual day rates is included as deferred income. The deferral is released through the income statement over the remaining duration of the relevant operating lease contract. The decrease in deferred income of US\$51 million as per December 31, 2020 compared to prior year is mainly due to the sale of the *FPSO Espirito Santo*. Please refer to note 4.3.15 Finance Lease Receivables.

Other non-trade payables include mostly interest payable and the short-term portion of the outstanding payments related to the Leniency Agreement. The long-term portion of the liability for outstanding payments related to the Leniency Agreement and the settlement with Brazilian Federal Prosecutor's Office (Ministério Público Federal – 'MPF') is presented in the line item 'Other non-current liabilities' in the Company's statement of financial position.

The contractual maturity of the trade payables is as follows:

Trade and other payables (contractual maturity of the trade payables)

| | 31 December 2020 | 31 December 2019 |
|-----------------------------|------------------|------------------|
| Within 1 month | 131 | 136 |
| Between 1 and 3 months | 1 | 6 |
| Between 3 months and 1 year | 0 | 0 |
| More than one year | (0) | 0 |
| Total | 131 | 142 |

4.3.28 COMMITMENTS AND CONTINGENCIES

PARENT COMPANY GUARANTEES

SBM Offshore N.V., as the parent company, is committed to fulfill various types of obligations arising from customer contracts, such as full performance and warranty obligations.

In the past, the parent company has issued guarantees for contractual obligations in respect of several Group companies, including equity-accounted joint ventures, with respect to long-term lease and operate contracts. The few remaining guarantees still active as of December 31, 2020 relate to the Deep Panuke MOPU unit, *Thunder Hawk* semi-submersible platform and *FPSO Saxi Batuque*, and have all been signed prior to 2010.

BANK GUARANTEES

As of December 31, 2020, the Company has provided bank guarantees to unrelated third parties for an amount of US\$570 million (2019: US\$572 million). No liability is expected to arise under these guarantees.

The Company holds in its favor US\$640 million of bank guarantees from unrelated third parties. No withdrawal under these guarantees is expected to occur.

COMMITMENTS

As at December 31, 2020, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US\$990 million (December 31, 2019: US\$639 million). Investment commitments have increased principally due to the progress made on the construction of the *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba*.