OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

SBM OFFSHORE

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The following sections of this 2020 SBM Offshore Annual Report form the management report (“bestuursverslag”) within the meaning of section 2:391 of the Dutch Civil Code (and related Decrees): Chapter 1 Business Environment, Chapter 2 Performance Review & Impact, Chapter 3 Governance (with the exception of section 3.4 Remuneration Report) and the following sections of Chapter 4 Corporate Statements 2020: 4.1 Financial review and 4.10 Non-Financial Indicators. The Financial Statements in the meaning of the Dutch Civil Code are included in the following sections of Chapter 4 Corporate Statements 2020: 4.2 Consolidated Financial Statements, 4.3 Notes to the Consolidated Financial Statements, 4.4 Company Financial Statements and 4.5 Notes to the Company Financial Statements.

CHAPTER 4
CORPORATE STATEMENTS 2020

4 CORPORATE STATEMENTS 2020

4.1 FINANCIAL REVIEW

4.1.1 FINANCIAL OVERVIEW

	Directional		IFRS	
in US$ million	FY 2020	FY 2019	FY 2020	FY 2019
Revenue	**2,368**	**2,171**	**3,496**	**3,391**
Lease and Operate	1,699	1,315	1,761	1,327
Turnkey	669	856	1,735	2,064
Underlying Revenue	**2,291**	**2,171**	**3,419**	**3,391**
Lease and Operate	1,622	1,315	1,684	1,327
Turnkey	669	856	1,735	2,064
EBITDA[1]	**1,021**	**921**	**1,043**	**1,010**
Lease and Operate	1,108	842	1,007	783
Turnkey	(9)	53	114	290
Other	(78)	26	(78)	(63)
Underlying EBITDA	**944**	**832**	**966**	**1,010**
Lease and Operate	1,031	842	930	783
Turnkey	(9)	53	114	290
Other	(78)	(63)	(78)	(63)
Profit/(loss) attributable to shareholders	**38**	**235**	**191**	**366**
Underlying profit attributable to shareholders	**125**	**171**	**277**	**391**

1 EBITDA, earnings (profit attributable to shareholders) excluding net financing costs, income tax expense, depreciation, amortization and impairment as well as share of profit/(loss) of equity-accounted investees

General

The Company's primary business segments are 'Lease and Operate' and 'Turnkey'. Additionally, the Company discloses separately non-allocated corporate income and expense items presented in category 'Other'. Revenue and EBITDA are analyzed by segment, but it should be recognized that business activities are closely related.

During recent years the Company's awarded lease contracts were systematically classified under IFRS as finance leases for accounting purposes, whereby the fair value of the leased asset is recorded as a Turnkey 'sale' during construction. For the Turnkey segment, this accounting treatment results in the acceleration of recognition of lease revenues and profits into the construction phase of the asset, whereas the asset generates the cash mainly only after construction and commissioning activities have been completed, as that is the moment the Company is entitled to start receiving the lease payments. In the case of an operating lease, lease revenues and profits are recognized during the lease period, in effect more closely tracking cash receipts. Following the implementation of accounting standards IFRS 10 and 11 starting January 1, 2014, it has also become challenging to extract the Company's proportionate share of results. To address these accounting issues, the Company discloses Directional reporting in addition to its IFRS reporting. Directional reporting treats all lease contracts as operating leases and consolidates all co-owned investees related to lease contracts on a proportional basis. Under Directional, the accounting results more closely track cash flow generation and this is the basis used by the Management Board of the Company to monitor performance and for business planning. Reference is made to 4.3.2 Operating Segments and Directional Reporting for further detail on the main principles of Directional reporting.

As the Management Board, as chief operating decision maker, monitors the operating results of its operating segments primarily based on Directional reporting, the financial information in this section 4.1 Financial Review is presented both under Directional and IFRS while the financial information presented in note 4.3.2 Operating Segments and Directional Reporting is presented under Directional with a reconciliation to IFRS. For clarity, the remainder of the financial statements are presented solely under IFRS, except where expressly stated.

4.1.2 FINANCIAL HIGHLIGHTS

The main financial highlights of the year and their associated financial impact are reported in note 4.3.1 Financial Highlights.

4.1.3 FINANCIAL REVIEW DIRECTIONAL

in US$ million	Directional FY 2020	FY 2019
Revenue	**2,368**	**2,171**
Lease and Operate	1,699	1,315
Turnkey	669	856
EBITDA	**1,021**	**921**
Lease and Operate	1,108	842
Turnkey	(9)	53
Other	(78)	26
Underlying EBITDA	**944**	**832**
Lease and Operate	1,031	842
Turnkey	(9)	53
Other	(78)	(63)
Profit/(loss) attributable to shareholders	**38**	**235**
Underlying profit attributable to shareholders	**125**	**171**

in US$ billion	Directional FY 2020	FY 2019
Backlog	21.6	20.7

UNDERLYING PERFORMANCE – DIRECTIONAL

Non-recurring items in 2020 impacted the Directional profit attributable to shareholders by US$(87) million as follows:

- Accelerated Directional Revenue and EBITDA recognized for US$77 million following the early redelivery of the Deep Panuke MOPU and the final settlement signed with the client in July 2020, which triggered the end of the lease period of the unit. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the gross margin and the Directional profit attributable to shareholders.
- A full impairment of US$(57) million of the SBM Installer installation vessel.
- Other impairments of US$(29) million (individually not material) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

For additional information regarding impairments recognized refer to notes: 4.3.13 Property, Plant and Equipment and 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets.

For reference, non-recurring items for 2019 impacted the Directional profit attributable to shareholders by US$65 million as follows:

- A US$90 million impact on EBITDA related to the gain that arose on the acquisition of the minority ownership in five Brazilian FPSOs from Constellation on November 22, 2019. Refer to note 4.3.1 Financial Highlights for full detail on this transaction.
- A total impairment of US$(25) million relating to two, individually not material, impairments of property, plant and equipment.

BACKLOG – DIRECTIONAL

Change in ownership scenarios and lease contract duration have the potential to significantly impact the Company's future cash flows, net debt balance as well as the profit and loss statement. The Company therefore provides a pro-forma Directional backlog based on the best available information regarding ownership scenarios and lease contract duration for the various projects.

The pro-forma Directional backlog at the end of 2020 reflects the following key assumptions:

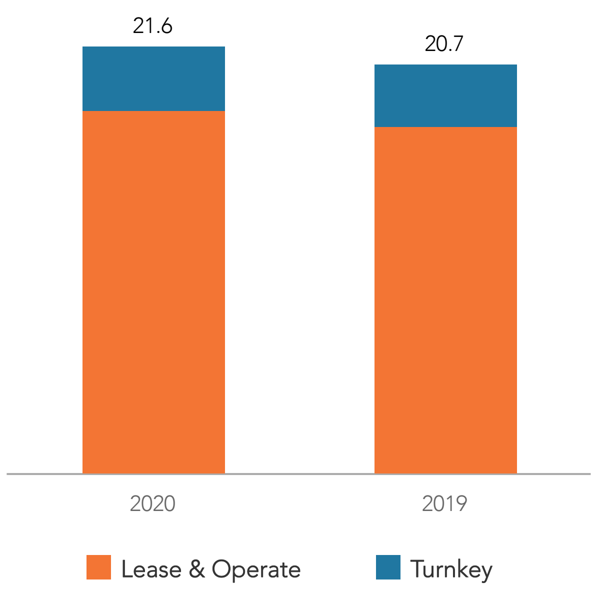
- The *Liza Destiny* (FPSO) contract covers 10 years of lease and operate. Based on previous discussions with the client, it was expected that the client would purchase the unit after a period of up to two years of operations, which as a result was reflected in previous pro-forma backlog at December 31, 2018 and 2019. Considering ongoing discussions with the client regarding lease and operations durations for FPSOs in Guyana, the current pro-forma backlog at December 31, 2020 was updated to reflect the basic contractual term of 10 years of lease and operate.

- The *Liza Unity* (FPSO) contract covers a maximum period of two years of lease and operate within which the unit will be purchased by the client. Normally, the Company would not yet take the operating and maintenance scope of this contract into account although it has been agreed in principle, pending a final work order. However, to be consistent with prior year and to better reflect the current reality, the pro-forma backlog set out below takes the operating and maintenance scope on *Liza Unity* (FPSO) into account. The impact of the sale of *Liza Unity* (FPSO) is reflected in the Turnkey backlog.
- The *FPSO Prosperity* contract awarded to the Company in October 2020 covers a period of up to two years, after which the FPSO ownership and operation will transfer to the client. The impact of the subsequent sale of *Prosperity* (FPSO) is reflected in the Turnkey backlog. Similar as for *Liza Unity* (FPSO), the operating and maintenance scope of this contract, which is pending a final work order, is taken into account in the pro-forma backlog. As reminder, the pro-forma backlog reported as at December 31, 2019, was limited to the value of the initial limited funds released to the Company to begin FEED activities and secure a Fast4Ward® hull.
- Discussions are ongoing with the client on the lease and operations durations for FPSOs in Guyana. The potential impact of these discussions has not been included in the backlog, as they have not yet been completed.

The pro-forma Directional backlog at the end of December 2020 increased by almost US$1 billion to a total of US$21.6 billion. This increase 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*. Turnover for the period consumed US$2.4 billion of backlog.

in billions of US$	Turnkey	Lease & Operate	Total
2021	0.5	1.5	2.0
2022	0.3	1.6	1.9
2023	0.1	1.6	1.7
Beyond 2023	2.4	13.6	16.0
Total Backlog	**3.3**	**18.3**	**21.6**

Pro-forma Directional Backlog (in billions of US$)

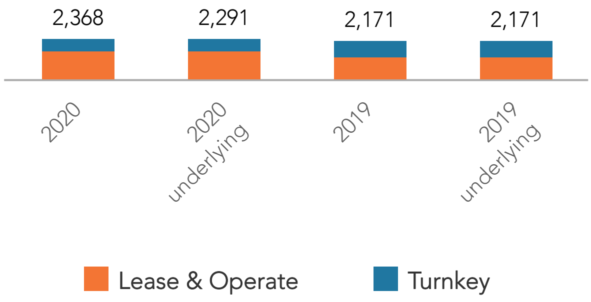


PROFITABILITY – DIRECTIONAL

Revenue

Total Directional revenue increased by 9% to US$2,368 million compared with US$2,171 million in 2019, with the increase primarily attributable to an improvement in the Lease and Operate segment. The 2020 Directional revenue figure includes non-recurring items of US$77 million, while there were no non-recurring items impacting 2019 Directional Revenue (refer to the paragraph on Underlying Performance in this same section).

Revenue Directional (in millions of US$)



Adjusted for this non-recurring item, underlying Directional revenue increased to US$ 2,291 million in 2020 compared with US$ 2,171 million in 2019. This variance is further detailed as follows by segment:

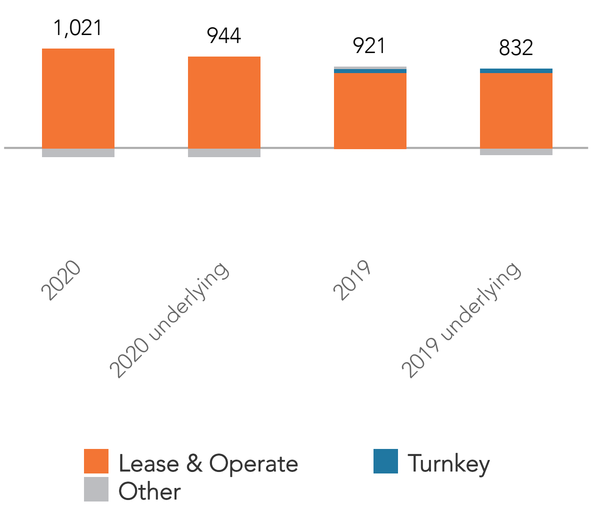
Underlying Directional Lease and Operate revenue was US$1,622 million, versus US$1,315 million in the prior period. This increase is mainly driven by (i) the *Liza Destiny* (FPSO) joining the fleet after achieving first oil at the end of 2019 and (ii) the Company's additional percentage of ownership 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. Lease and Operate revenue in 2020 represents 71% of total underlying Directional revenue contribution in 2020, up from a 61% contribution in 2019.

Underlying Directional Turnkey revenue decreased to US$669 million, representing 29% of total underlying 2020 revenue. This compares with US$856 million, or 39% of total revenue, 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 the Johan Castberg Turret Mooring System EPC project, which was nearing completion at the end of 2019. It should be noted that, under Directional reporting, the Liza Unity and Prosperity projects, which are 100% owned by the Company, are qualified as operating leases. As such, their contribution to the Turnkey revenue is limited to those upfront payments and variation orders directly paid by the client before the commencement of the lease.

EBITDA

Directional EBITDA amounted to US$1,021 million, representing an 11% increase compared with US$921 million in 2019. The 2020 EBITDA figure includes a non-recurring item of US$77 million, while 2019 Directional EBITDA includes non-recurring items totaling US$90 million (refer to the paragraph on Underlying Performance in this same section).

EBITDA Directional (in millions of US$)



4 CORPORATE STATEMENTS 2020

Adjusted for non-recurring items, Underlying Directional EBITDA increased to US$944 million in 2020 compared with US$832 million in 2019. This variance is further detailed as follows by segment:

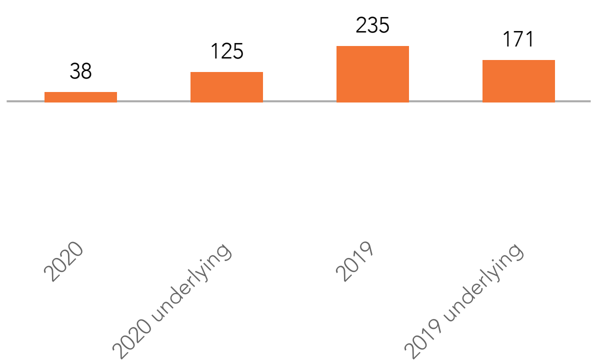
- Underlying Directional Lease and Operate EBITDA moved from US$842 million in the year-ago period to US$1,031 million in the current year period. This increase is supported by the same drivers as the increase in the Lease and Operate revenue. The incremental costs from the implementation of additional safety measures linked to COVID-19 have been partially recharged to clients under reimbursable contracts. Full year 2020 Underlying Directional Lease & Operate EBITDA margin remained stable at 64% (64% in 2019).
- Underlying Directional Turnkey EBITDA decreased from US$53 million in the year-ago period to US$(9) million in the current year. Although there was a high level of activity with three FPSO's under construction in 2020, this activity principally relates to Lease & Operate linked projects with therefore limited contribution to Turnkey EBITDA (as further explained below). While the reduced level of activity on the Johan Castberg Turret Mooring System EPC project was nearly offset by ramp-up on *FPSO Sepetiba*, the Turnkey EBITDA was impacted by US$(40) million of restructuring costs as well as lower contribution from smaller product lines (Offshore Services/Terminals) during the current year. The Underlying Directional Turnkey EBITDA margin expressed as a percentage of Turnkey revenue stood at -1%, compared to 6% the year-ago period. The level of activity was sufficient to absorb structural costs of the segment and most of the restructuring costs.
- The other non-allocated costs charged to EBITDA increased from US$(63) million in the year ago period to US$(78) million in the current year. This mainly resulted from one-off legal and tax expenses and investment in the Company's digital initiatives.

It should be noted that the ongoing EPC 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. The Company has determined that it is optimal from an operational and financial perspective to retain full ownership as opposed to partnering on these projects. Therefore, under the Company's Directional accounting policy, the revenue recognition on these projects is as follows:

- The Company does not recognize any revenue and margin during the Turnkey phase of the project unless defined invoicing (if any) to the client occurred during the construction phase to cover specific construction work and/or services performed before the commencement of the lease. These upfront payments are recognized as revenues and the costs associated with the related construction work and/or services are recognized as cost of sales with no margin during construction.
- The Company will book all revenue and margin associated to the lease and operate contracts for its 100% share in the Lease and Operate phase, in line with the cash flows, during the lease period.
- Upon transfer of the FPSO to the client, after reaching the end of the lease and operate period or upon exercising of the purchase option by the client, the Company will book all revenue and margin associated with the transfer in the Turnkey segment.

Net income

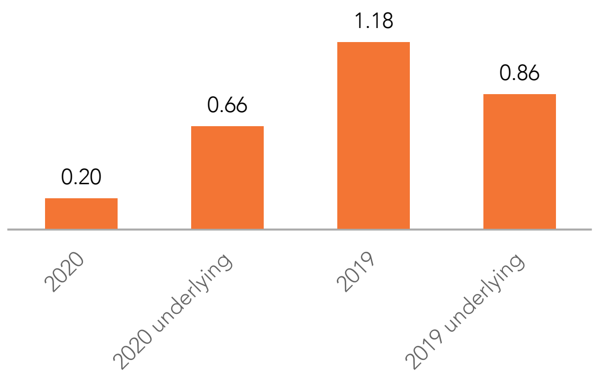
Net Income Directional (in millions of US$)



Underlying Directional depreciation, amortization and impairment increased by US$125 million year-on-year primarily due to a US$68 million *Liza Destiny* (FPSO) depreciation charge and US$35 million additional depreciation following the purchase of additional shares in five Brazilian FPSOs completed in the second half of 2019.

Directional net financing costs totaled US$(175) million in 2020, compared with US$(142) million in the year-ago period, mainly reflecting the additional interest generated by the *Liza Destiny* (FPSO) project loan as well as additional interests following the purchase of additional shares in five Brazilian FPSOs completed in the second half of 2019.

Weighted Average Earnings Per Share Directional (in US$)



The Directional effective tax rate increased to 53% versus 15% in the year-ago period mainly due various non-recurring items negatively impacting the decrease in profit before tax without having direct tax effects.

As a result, the Company recorded an Underlying Directional net profit of US$125 million, or US$0.66 per share, a 27% and 24% decrease respectively when compared with US$171 million, or US$0.86 per share, in the year-ago period. While the growth of the Lease and Operate segment was sufficient to absorb (i) the lower contribution from Turnkey projects, (ii) the higher investment in the Company's digital initiatives and (iii) the increased impairment in financial assets, this decrease of the Underlying Directional net profit mainly resulted from the US$(46) million restructuring severance costs expensed in 2020 to adapt the Company's business model to an environment of shorter oil price cycles and increased volatility.

STATEMENT OF FINANCIAL POSITION – DIRECTIONAL

in millions of US$	2020	2019
Total equity	858	1,179
Net debt[1]	4,093	3,460
Net cash	383	458
Total assets	7,894	7,414
Solvency ratio[2]	34.0	35.7

1 Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents.
2 Solvency ratio is calculated in accordance with the definition provided in section 4.3.24 Covenants

Shareholders' equity decreased by US$321 million from US$1,179 million at year-end 2019 to US$858 million at year-end 2020, mostly due to the following items:

- Completion of the EUR150 million (US$165 million) share repurchase program executed between February 13, 2020 and April 3, 2020;
- Dividend distributed to the shareholders for US$150 million;
- Decrease of the hedging reserves by US$58 million; and
- Positive net result of US$39 million in 2020.

The movement in hedging reserve is mainly caused by the decrease of the marked-to-market value of the interest rate swaps due to declining market interest rates during the year. This was partially offset by the increased marked-to-market value of forward currency contracts mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

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 the project loan facilities of *Liza Destiny* (FPSO) and *Liza Unity* (FPSO) as well as under the bridge loan secured for *FPSO Sepetiba* to fund continued investment in growth.

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 *Liza Unity* (FPSO) and *FPSO Sepetiba* and the loan related to the DSCV SBM Installer. The Company's 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). Lease liabilities totaled US$71 million (December 31, 2019: US$173 million).

Total assets increased to US$7.9 billion as of December 31, 2020, compared with US$7.4 billion at year-end 2019 with the investments in property, plant and equipment (mainly *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba*) and in Multi-purpose hulls presented within the inventories of the Company.

The relevant covenants (solvency ratio and interest cover ratio) applicable for the Company's RCF, undrawn as at year-end 2020, were all met at December 31, 2020. In line with previous years, the Company had no off-balance sheet financing.

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

CASH FLOW / LIQUIDITIES – DIRECTIONAL

Cash and undrawn committed credit facilities amount to US$1,681million at December 31, 2020, of which US$173 million is considered as pledged to specific project debt servicing or otherwise restricted in its utilization and US$298 million comprises a project loan dedicated to *Liza Unity* (FPSO).

The consolidated cash flow statement under Directional reporting is as follows:

in millions of US$	2020	2019
EBITDA	**1,021**	**921**
Adjustments for non-cash and investing items		
Addition/(release) provision	25	2
(Gain)/loss on disposal of property, plant and equipment	1	(0)
(Gain) / loss on acquisition of shares in investees	(1)	(90)[1]
Share-based payments	26	17
Changes in operating assets and liabilities		
(Increase)/Decrease in operating receivables	(227)	(130)
Movement in construction work-in-progress / contract liability	24	(50)
(Increase)/Decrease in inventories	(134)[2]	(3)
Increase/(Decrease) in operating liabilities	11	(230)[3]
Income taxes paid	(51)	(35)
Net cash flows from (used in) operating activities	**696**	**401**
Capital expenditures	(871)	(764)
(Addition) / repayments of funding loans	3	85
Cash receipts from sale of investments in joint-ventures	28[4]	-
Other investing activities	4	(118)[5]
Net cash flows from (used in) investing activities	**(837)**	**(796)**
Additions and repayments of borrowings and lease liabilities	534	627
Dividends paid to shareholders	(150)	(74)
Share repurchase program	(165)	(196)
Interest paid	(155)	(150)
Net cash flows from (used in) financing activities	**62**	**207**
Foreign currency variations	5	(10)
Net increase/(decrease) in cash and cash equivalents	**(74)**	**(198)**

1 The amount of US$90 million represents the gain on the purchase of shares in FPSO Cidade de Paraty, FPSO Cidade de Ilhabela, FPSO Cidade de Saquarema, FPSO Cidade de Marica and FPSO Capixaba.

2 Mainly includes investment in two Fast4Ward® hulls.

3 Includes (i) US$(21) million payment for the settlement with Brazilian authorities and Petrobras and (ii) US$(181) million payment to Repsol for shared insurance proceeds.

4 Relates to the transfer of shares to JV partners (refer to 4.3.32)

5 Includes US$149 million payment for the purchase of shares in FPSO Cidade de Paraty, FPSO Cidade de Ilhabela, FPSO Cidade de Saquarema, FPSO Cidade de Marica and FPSO Capixaba.

The strong operating cash flows and drawdowns on project and bridge loans have, together with some of the Company's existing cash, primarily been used to:

- Invest in the *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* projects;
- Return funds to the shareholders through dividend and the completed share repurchase program; and
- Serve the Company's non-recourse debt and interests in accordance with the respective repayment schedules.

As a result, cash and cash equivalents decreased from US$458 million at year end 2019 to US$383 million at year-end 2020.

4.1.4 FINANCIAL REVIEW IFRS

	IFRS	
in US$ million	FY 2020	FY 2019
Revenue	**3,496**	**3,391**
Lease and Operate	1,761	1,327
Turnkey	1,735	2,064
EBITDA	**1,043**	**1,010**
Lease and Operate	1,007	783
Turnkey	114	290
Other	(78)	(63)
Underlying EBITDA	**966**	**1,010**
Lease and Operate	930	783
Turnkey	114	290
Other	(78)	(63)
Profit/(loss) attributable to shareholders	**191**	**366**
Underlying profit attributable to shareholders	**277**	**391**

UNDERLYING PERFORMANCE

Note that, in 2020, all non-recurring items described in note 4.1.3 Financial Review Directional have the same impact on the profit attributable to shareholders under IFRS and Directional reporting: for a total of US$(87) million.

For reference, non-recurring items for 2019 impacted the IFRS profit attributable to shareholders by US$(25) million.

PROFITABILITY

Revenue

Total Underlying IFRS revenue increased by 1% to US$3,419 million compared with US$3,391 million in 2019.

This increase was driven by the Lease and Operate segment with (i) *Liza Destiny* (FPSO) joining the fleet after achieving first oil at the end of 2019 and (ii) the extension of the *FPSO Espirito Santo* lease contract for a period of 5 years from 2023 to 2028. As a result of the revised terms and conditions as per the new Time Charter and Operate & Maintenance agreements, the new agreements had to be accounted for as a finance lease, while the previous arrangements were accounted as an operating lease. Due to the finance lease classification, the Company has accounted for an amount of US$249 million in revenue. Please refer to note 4.3.15 Finance Lease Receivables.

Underlying IFRS Turnkey revenue decreased by 16% to US$1,735 million compared to US$2,064 million in the year-ago period. Despite three FPSO's under construction in 2020, the decrease is mostly attributable to: (i) reduced level of activity on Johan Castberg Turret Mooring System EPC project which was nearing completion at the end of 2019; (ii) the completion stage having been reached by the *Liza Destiny* (FPSO) in 2019; (iii) reduced level of activity on the Liza Unity project and (iv) lower contribution from smaller product lines. This was partially offset by the higher level of activity on the *FPSO Sepetiba* construction project.

EBITDA

Underlying EBITDA amounted to US$966 million, representing a 4% decrease compared with Underlying EBITDA of US$1,010 million in the year-ago period, mainly driven by an increase of the Lease and Operate segment offset by a decrease in the Turnkey segment both impacted by the same drivers as the changes in IFRS Revenue. Underlying EBITDA was also impacted by the following items:

- The Company entered in December 2020 into a new arrangement, accounted for as a finance lease under IFRS, with its client on the *FPSO Espirito Santo*. The impact of the transaction was an increase of US$123 million in the Company's EBITDA in the Lease & Operate segment. Please refer to note 4.3.15 Finance Lease Receivables;
- US$(46) million of severance costs during the current year associated with the restructuring plans completed over 2020.

Note that contrary to Directional Reporting, the Company's additional percentage of ownership in the Lease and Operate entities related to the five Brazilian FPSO's following the purchase of additional shares completed in the second half year of

2019 had no impact on IFRS revenue and EBITDA (these entities being subsidiaries consolidated using the full consolidation method as per IFRS 10).

In contrast to Directional, it should also be noted that the construction of *Liza Unity* (FPSO) contributed to both IFRS Turnkey revenue and gross margin over the period. This is because this contract is classified as finance lease as per IFRS 16 and is therefore accounted for as it were a sale under IFRS. The same treatment applied to the construction of *Prosperity* (FPSO) under IFRS, except that revenue recognition on this project was limited to cost incurred over the period given the Company policy of not recognizing margin before it could be estimated reliably thanks to substantial progress in engineering activity and the completion of an independent project review mitigating uncertainties related to the cost at completion. With respect to the construction of *FPSO Sepetiba*, it fully contributed to both IFRS Turnkey revenue and gross margin over the period. This is because this contract is classified as finance lease and is therefore accounted for as if it was a sale as per IFRS 16 while under directional only the portion of sale to partners in the special purpose entity is recognized.

Net income

Excluding non-recurring items, 2020 underlying consolidated IFRS net income attributable to shareholders stood at US$277 million, a decrease of US$114 million from the previous year. While the growth of the Lease and Operate segment was almost sufficient to absorb the lower contribution from Turnkey projects, the decrease of the Underlying IFRS net profit mainly resulted from (i) restructuring severance costs expensed in 2020 to adapt the Company's business model to an environment of shorter oil price cycles and increased volatility, (ii) reduced share profits in associates and (iii) higher investment in the Company's digital initiatives.

STATEMENT OF FINANCIAL POSITION

in millions of US$	2020	2019	2018	2017	2016
Total equity	3,462	3,613	3,612	3,559	3,513
Net debt[1]	5,209	4,416	3,818	4,613	5,216
Net cash	414	506	718	957	904
Total assets	11,085	10,287	9,992	11,007	11,488

1 Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents.

Total equity decreased from US$3,613 million at December 31, 2019 to US$3,462 million with the positive result over the current year period being more than offset by:

- The completion of the EUR150 million (US$165 million) share repurchase program executed between February 13, 2020 and April 3, 2020;
- Dividends distributed to the shareholders and non-controlling interests (US$233 million); and
- A decrease of the hedging reserves (US$98 million). The movement in hedging reserve is mainly caused by the decrease of the marked-to-market value of the interest rate swaps due to declining market interest rates during the year. This was partially offset by the increase of the marked-to-market value of forward currency contracts, mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

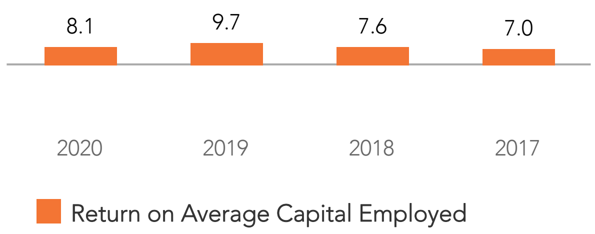
Net debt increased by US$793 million to US$5,209 million at year-end 2020. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew under the project loan facilities of *Liza Destiny* (FPSO) and *Liza Unity* (FPSO) as well as under the bridge loan secured for *FPSO Sepetiba* to fund continued investment in growth.

The majority of the Company's debt as of December 31, 2020 consisted of non-recourse project financing (US$4 billion) in special purpose investees. The remainder (US$1.5 billion) comprised of borrowings to support the construction of *Liza Unity* (FPSO) and *FPSO Sepetiba* as well as the loan related to the DSCV SBM Installer. The Revolving Credit Facility (RCF) was undrawn at year-end and the net cash balance stood at US$414 million (December 31, 2019: US$506 million). Lease liabilities totaled US$71 million as of December 31, 2020.

Total assets increased to US$11.1 billion as of December 31, 2020, compared with US$10.3 billion at year-end 2019 with the investments in *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* being partially offset by a reduction of the gross amount of the finance lease receivable in line with the repayment schedule as well as by regular depreciation and non recurring impairments of property, plant and equipment.

RETURN ON AVERAGE CAPITAL EMPLOYED

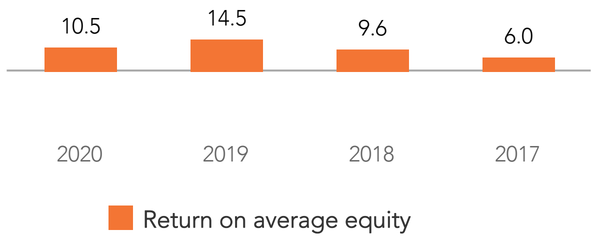
Return on average capital employed (ROACE) is a measure of the return generated on capital invested in the Company. The measure provides a guide for long-term value creation by the Company. ROACE is calculated as Underlying EBIT divided by the annual average of: i) total equity, ii) total borrowings and lease liabilities, iii) non-current provisions and iv) deferred tax liabilities minus the cash and cash equivalents.



2020 ROACE stood at 8.1%, which is in line with the past three-year average of 8.1%.

RETURN ON AVERAGE EQUITY

Return on average equity (ROAE) measures the performance of the Company based on the average equity attributable to the shareholders of the parent company. ROAE is calculated as Underlying profit attributable to shareholders divided by the annual average of equity attributable to shareholders of the parent company.



2020 ROAE stood at 10.5%, which is in line with the past three-year average of 10.0%.

4.1.5 OUTLOOK AND GUIDANCE

The challenges seen in 2020 will undoubtedly continue in 2021. Clients are restructuring and have cut their budgets significantly. However strong fundamentals of deepwater projects in quality resource areas allow these to rank favorably in capital allocation. The investments made over many years to transform the Company for the future underpinned by the cashflow foundation of the long-term backlog leave the company well positioned to deliver its strategy, notwithstanding the continued challenges associated with the pandemic.

The Company's 2021 Directional revenue guidance is around US$2.6 billion, of which around US$1.6 billion is expected from the Lease and Operate segment and around US$1 billion from the Turnkey segment. Directional 2021 EBITDA guidance is around US$900 million for the Company.

This guidance includes Directional revenues and EBITDA of US$77 million related to the expected cash receipts in 2021 from the Deep Panuke contract, which were both excluded from the 2020 outlook and underlying results. It also considers the currently foreseen COVID-19 impacts on projects and fleet operations. The Company highlights that the direct and indirect impact of the pandemic could continue to have a material impact on the Company's business and results and the realization of the guidance for 2021.

FINANCIAL STATEMENTS

4.2.1 CONSOLIDATED INCOME STATEMENT

in millions of US$	Notes	2020	2019
Revenue from contracts with customers		2,992	2,915
Interest revenue from finance lease calculated using the effective interest method		504	476
Total revenue	4.3.2 / 4.3.3	**3,496**	**3,391**
Cost of sales	4.3.5	(2,607)	(2,457)
Gross margin		**889**	**934**
Other operating income/(expense)	4.3.4 / 4.3.5	(53)	5
Selling and marketing expenses	4.3.5	(40)	(48)
General and administrative expenses	4.3.5	(143)	(128)
Research and development expenses	4.3.5 / 4.3.7	(24)	(24)
Net impairment gains/(losses) on financial and contract assets	4.3.5 / 4.3.8	(24)	3
Operating profit/(loss) (EBIT)		**605**	**742**
Financial income	4.3.9	9	31
Financial expenses	4.3.9	(265)	(274)
Net financing costs		**(257)**	**(243)**
Share of profit/(loss) of equity-accounted investees	4.3.31	17	43
Profit/(loss) before income tax		**366**	**542**
Income tax expense	4.3.10	(38)	(31)
Profit/(loss)		**327**	**511**
Attributable to shareholders of the parent company		191	366
Attributable to non-controlling interests	4.3.32	137	145
Profit/(loss)		**327**	**511**

Earnings/(loss) per share

	Notes	2020	2019
Weighted average number of shares outstanding	4.3.11	189,810,371	198,574,975
Basic earnings/(loss) per share in US$	4.3.11	1.00	1.84
Fully diluted earnings/(loss) per share in US$	4.3.11	1.00	1.84

4.2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of US$	2020	2019
Profit/(loss) for the period	**327**	**511**
Cash flow hedges	(98)	(142)
Deferred tax on cash flow hedges	-	-
Foreign currency variations	(7)	(23)
Items that are or may be reclassified to profit or loss	**(105)**	**(165)**
Remeasurements of defined benefit liabilities	(3)	1
Deferred tax on remeasurement of defined benefit liabilities	-	-
Items that will never be reclassified to profit or loss	**(3)**	**1**
Other comprehensive income/(expense) for the period, net of tax	**(107)**	**(164)**
Total comprehensive income/(expense) for the period, net of tax	**220**	**347**
Of which		
- on controlled entities	211	308
- on equity-accounted entities	9	39
Attributable to shareholders of the parent company	123	248
Attributable to non-controlling interests	97	98
Total comprehensive income/(expense) for the period, net of tax	**220**	**347**

4.2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of US$	Notes	31 December 2020	31 December 2019
ASSETS			
Property, plant and equipment	4.3.13	542	1,005
Intangible assets	4.3.14	50	23
Investment in associates and joint ventures	4.3.31	282	325
Finance lease receivables	4.3.15	6,171	6,407
Other financial assets	4.3.16	114	104
Deferred tax assets	4.3.17	46	22
Derivative financial instruments	4.3.21	38	5
Total non-current assets		**7,243**	**7,891**
Inventories	4.3.18	143	8
Finance lease receivables	4.3.15	317	287
Trade and other receivables	4.3.19	614	573
Income tax receivables		7	11
Construction work-in-progress	4.3.20	2,248	973
Derivative financial instruments	4.3.21	99	37
Cash and cash equivalents	4.3.22	414	506
Assets held for sale		0	1
Total current assets		**3,842**	**2,396**
TOTAL ASSETS		**11,085**	**10,287**
EQUITY AND LIABILITIES			
Issued share capital		58	56
Share premium reserve		1,034	1,034
Treasury shares		(51)	(46)
Retained earnings		1,811	1,942
Other reserves	4.3.23	(296)	(238)
Equity attributable to shareholders of the parent company		**2,556**	**2,748**
Non-controlling interests	4.3.32	905	865
Total Equity		**3,462**	**3,613**
Borrowings and lease liabilities	4.3.24	4,386	4,309
Provisions	4.3.26	248	165
Deferred income	4.3.25	0	150
Deferred tax liabilities	4.3.17	37	23
Derivative financial instruments	4.3.21	277	156
Other non-current liabilities	4.3.27	101	123
Total non-current liabilities		**5,050**	**4,926**
Borrowings and lease liabilities	4.3.24	1,236	612
Provisions	4.3.26	128	118
Trade and other payables	4.3.27	1,033	896
Income tax payables		43	37
Derivative financial instruments	4.3.21	134	85
Total current liabilities		**2,574**	**1,748**
TOTAL EQUITY AND LIABILITIES		**11,085**	**10,287**

4.2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of US$	Notes	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	**Attributable to shareholders**	Non-controlling interests	**Total Equity**
At 1 January 2020		**56**	**1,034**	**(46)**	**1,942**	**(238)**	**2,748**	**865**	**3,613**
Profit/(loss) for the period		-	-	-	191	-	**191**	137	**327**
Foreign currency translation		5	-	(10)	0	(2)	**(7)**	0	**(7)**
Remeasurements of defined benefit provisions		-	-	-	-	(3)	**(3)**	-	**(3)**
Cash flow hedges		-	-	-	-	(58)	**(58)**	(40)	**(98)**
Total comprehensive income for the period		5	-	(10)	191	(62)	**123**	97	**220**
IFRS 2 vesting cost of share based payments		-	-	-	-	20	**20**	-	**20**
Re-issuance treasury shares on the share based scheme		-	-	22	(4)	(16)	**3**	-	**3**
Purchase of treasury shares		-	-	(165)	-	-	**(165)**	-	**(165)**
Share cancellation	*4.3.23*	(3)	-	148	(145)	-	**0**	-	**0**
Cash dividend		-	-	-	(150)	-	**(150)**	(83)	**(233)**
Equity repayment	*4.3.32*	-	-	-	-	-	**-**	(23)	**(23)**
Transaction with non-controlling interests	*4.3.32*	-	-	-	(22)	-	**(22)**	51	**28**
At 31 December 2020		58	1,034	(51)	1,811	(296)	**2,556**	905	**3,462**

in millions of US$	Notes	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	**Attributable to shareholders**	Non-controlling interests	**Total Equity**
At 1 January 2019		59	1,163	(14)	1,533	(108)	**2,634**	978	**3,612**
Profit/(loss) for the period		-	-	-	366	-	**366**	145	**511**
Foreign currency translation		(1)	-	0	-	(22)	**(23)**	0	**(23)**
Remeasurements of defined benefit provisions		-	-	-	-	1	**1**	-	**1**
Cash flow hedges		-	-	-	-	(96)	**(96)**	(47)	**(142)**
Total comprehensive income for the period		(1)	-	0	366	(117)	**249**	98	**347**
IFRS 2 vesting cost of share based payments		-	-	-	-	17	**17**	-	**17**
Re-issuance treasury shares on the share based scheme		0	-	32	(4)	(21)	**7**	-	**7**
Purchase of treasury shares		-	-	(196)	-	-	**(196)**	-	**(196)**
Share cancellation		(2)	(130)	132	-	-	**-**	-	**-**
Cash dividend		-	-	-	(75)	-	**(75)**	(25)	**(100)**
Equity repayment		-	-	-	-	-	**-**	(13)	**(13)**
Transaction with non-controlling interests	*4.3.32 / 4.3.23*	(0)	-	-	120	(10)	**111**	(174)	**(63)**
Other		-	-	-	-	-	**-**	-	**-**
At 31 December 2019		56	1,034	(46)	1,942	(238)	**2,747**	865	**3,613**

4.2.5 CONSOLIDATED CASH FLOW STATEMENT

in millions of US$	Notes	2020	2019
Cash flow from operating activities			
Profit/(loss) before income tax		**366**	**542**
Adjustments to reconcile profit before taxation to net cash flows:			
Depreciation and amortization		320	243
Impairment		117	27
Net financing costs		258	254
Share net income of associates and joint ventures		(17)	(43)
Share based compensation		27	17
Other adjustments for non-cash items	4.3.15	(123)	-
(Increase)/Decrease in working capital:			
- (Increase)/Decrease Trade and other receivables		(166)	(39)
- (Increase)/Decrease Construction work in progress		(1,258)	(1,176)
- (Increase)/Decrease Inventories		(135)	(3)
- Increase/(Decrease) Trade and other payables		134	(46)
Increase/(Decrease) Other provisions	4.3.26	103	(165)
Reimbursement finance lease assets		288	197
Income taxes paid		(42)	(29)
Net cash flows from (used in) operating activities		**(128)**	**(220)**
Cash flow from investing activities			
Investment in property, plant and equipment	4.3.13	(41)	(30)
Investment in intangible assets	4.3.14	(29)	(9)
Additions to funding loans	4.3.16	(15)	(0)
Redemption of funding loans	4.3.16	20	175
Interest received		5	8
Dividends received from equity-accounted investees		44	139
Proceeds from disposal of financial assets and other assets		(0)	(0)
Net cash flows from (used in) investing activities		**(17)**	**282**
Cash flow from financing activities			
Equity repayment to partners	4.3.32	(23)	82
Additions to borrowings and loans	4.3.24	1,290	1,389
Repayments of borrowings and lease liabilities	4.3.24	(617)	(1,039)
Dividends paid to shareholders and non-controlling interests		(233)	(108)
Payments to non-controlling interests for change in ownership	4.3.32	28	(149)
Share repurchase program		(165)	(196)
Interest paid		(228)	(244)
Net cash flows from (used in) financing activities		**50**	**(264)**
Net increase/(decrease) in cash and cash equivalents		**(95)**	**(202)**
Net cash and cash equivalents as at 1 January		506	718
Net increase/(decrease) in net cash and cash equivalents		(95)	(202)
Foreign currency variations		5	(9)
Net cash and cash equivalents as at 31 December		**414**	**506**

The reconciliation of the net cash and cash equivalents as at 31 December with the corresponding amounts in the statement of financial position is as follows:

Reconciliation of net cash and cash equivalents as at 31 December

in millions of US$	31 December 2020	31 December 2019
Cash and cash equivalents	414	506
Net cash and cash equivalents	**414**	**506**

4.2.6 GENERAL INFORMATION

SBM Offshore N.V. has its registered office in Amsterdam, the Netherlands and is located at Evert van de Beekstraat 1-77, 1118 CL in Schiphol, the Netherlands. SBM Offshore N.V. is the holding company of a group of international marine technology-oriented companies. The Company globally serves the offshore energy industry by supplying engineered products, vessels and systems, as well as offshore energy production services.

The Company is registered at the Dutch Chamber of Commerce under number 24233482 and is listed on the Euronext Amsterdam stock exchange.

The consolidated financial statements for the year ended December 31, 2020 comprise the financial statements of SBM Offshore N.V., its subsidiaries and interests in associates and joint ventures (together referred to as 'the Company'). They are presented in millions of US dollars, except when otherwise indicated. Figures may not add up due to rounding.

The consolidated financial statements were authorized for issue by the Supervisory Board on February 10, 2021.

4.2.7 ACCOUNTING PRINCIPLES

A. ACCOUNTING FRAMEWORK

The consolidated financial statements of the Company have been prepared in accordance with, and comply with International Financial Reporting Standards ('IFRS') and interpretations adopted by the European Union, where effective, for financial years beginning January 1, 2020 and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The Company financial statements included in section 4.4 are part of the 2020 financial statements of SBM Offshore N.V.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS OF JANUARY 1, 2020

The Company has adopted the following new standards as of January 1, 2020:

- Amendments to IFRS 3 – 'Definition of a Business';
- Amendments to IFRS 7, IFRS 9 and IAS 39 – 'Interest Rate Benchmark Reform';
- Amendments to IAS 1 and IAS 8 – 'Definition of Material';
- Amendment to IFRS 16 Leases – 'COVID-19-Related Rent Concessions'; and
- Revised Conceptual Framework for Financial Reporting.

IFRS 3 – Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

The amendments had no impact on the consolidated financial statements of the Company for the year ended December 31, 2020.

IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform

The amendments to IFRS 7 – Financial Instruments: Disclosures, IFRS 9 – Financial Instruments and IAS 39 – Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The adoption of the amendments had no accounting impact on the financial statements for the year ended December 31, 2020.

IAS 1 and IAS 8 – Definition of Material

The amendments provide a new definition of material that states 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements for the year ended December 31, 2020.

IFRS 16 - COVID-19-Related Rent Concessions

The amendment to IFRS 16 permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

This amendment had no impact on the consolidated financial statements for the year ended December 31, 2020.

Revised Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board ('IASB') in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Company for the year ended December 31, 2020.

STANDARDS AND INTERPRETATIONS NOT MANDATORILY APPLICABLE TO THE COMPANY AS OF JANUARY 1, 2020

The following standards and amendments published by the IASB and endorsed by the European Union are not mandatorily applicable as of January 1, 2020:

- Amendments to IAS 1 – 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-current';
- Amendments to IFRS 3 – 'Reference to the Conceptual Framework for Financial Reporting';
- Amendments to IAS 16 – 'Property, Plant and Equipment - Proceeds before Intended Use';
- Amendments to IAS 37 – 'Onerous Contracts - Cost of Fulfilling a Contract';
- Annual Improvements to IFRS Standards 2018-2020.

The Company does not expect a significant effect on the financial statements due to adoption of these amendments. Other standards and amendments are not relevant to the Company.

B. CRITICAL ACCOUNTING POLICIES

Critical accounting policies involving a high degree of judgement or complexity, or areas where assumptions and estimates are material, are disclosed in the paragraphs below.

(a) Use of estimates and judgement

When preparing the financial statements, it is necessary for the Management of the Company to make estimates and certain assumptions that can influence the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and assumptions, due to changes in facts and circumstances. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Estimates:
Significant areas of estimation and uncertainty in applying accounting policies that have the most significant impact on amounts recognized in the financial statements are:

The measurement and recognition of revenues on construction contracts based on the input method:
Revenue of the Company is measured and recognized based on the input method (i.e. costs incurred). Costs and revenue at completion are reviewed periodically throughout the life of the contract. This requires a large number of estimates, especially of the total expected costs at completion, due to the complex nature of the Company's construction contracts. Judgement is also required for the accounting of contract modifications and claims from clients where negotiations or discussions are at a sufficiently advanced stage. Costs and revenue (and the resulting gross margin) at completion reflect, at each reporting period, the Management's current best estimate of the probable future benefits and obligations associated with the contract. The policy for measurement of transaction price including variable considerations (i.e. claims, performance-based incentives) is included below in the point (d) Revenue.
In case a contract meets the definition of an onerous contract as per IAS 37, provisions for anticipated losses are made in full in the period in which they become known.

Impairments:
Assumptions and estimates used in the discounted cash flow model and the adjusted net present value model to determine the value in use of assets or group of assets (e.g. discount rates, residual values and business plans) are subject to uncertainty. There is a possibility that changes in circumstances or in market conditions could impact the recoverable amount of the asset or group of assets.

The anticipated useful life of the leased facilities under an operating lease:
Management uses its experience to estimate the remaining useful life of an asset. The actual useful life of an asset may be impacted by an unexpected event that may result in an adjustment to the carrying amount of the asset.

Uncertain income tax treatment:
The Company is subject to income taxes in multiple jurisdictions. Significant judgement is required in determining the Company's overall income tax liability. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company takes into account the following considerations when determining the liabilities related to uncertain income tax treatment:
- When necessary the Company engages with local tax advisers which provide advice on the expected view of tax authorities on the treatment of judgmental areas of income tax;
- The Company considers any changes in tax legislation and knowledge built based on prior cases to make an estimate/ judgement on whether or not to provide for any tax payable; and
- The Company takes into account any dispute resolutions, case law and discussions between peer companies and the tax authorities on similar cases over an uncertain tax treatment.

The Company consistently monitors each issue around uncertain income tax treatments across the group in order to ensure that the Company applies sufficient judgement to the resolution of tax disputes that might arise from examination by relevant tax authorities of the Company's tax position.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The income tax liabilities include any penalties and interest that could be associated with a tax audit issue. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made.

The Company's exposure to litigation and non-compliance:
The Company identifies and provides analysis on a regular basis of current litigation and measures, when necessary, provisions based on its best estimate of the expenditure required to settle the obligations, taking into account information available and different possible outcomes at the reporting date.

The warranty provision:
A warranty provision is accrued during the construction phase of projects, based on historical warranty expenditure per product type. At the completion of a project, a warranty provision (depending on the nature of the project) is therefore provided for and reported as provision in the statement of financial position. Following the acceptance of a project the

warranty provision is released over the warranty period. For some specific claims formally notified by the customer and which can be reliably estimated, an amount is provided in full and without discounting. An overall review of the warranty provision is performed by Management at each reporting date. Nevertheless, considering the specificity of each asset, actual warranty expenditures could vary significantly from one project to another and therefore differ materially from initial statistical warranty provision provided at the completion of a said project.

The timing and estimated cost of demobilization:
The estimated future costs of demobilization are reviewed on a regular basis and adjusted when appropriate. Nevertheless, considering the long-term expiry date of the obligations, these costs are subject to uncertainty. Cost estimates can vary in response to many factors, including for example new demobilization techniques, the Company's own experience on demobilization operations, future changes in laws and regulations, and timing of demobilization operation.

Estimates and assumptions made in determining these obligations, can therefore lead to significant adjustments to the future financial results. Nevertheless, the cost of demobilization obligations at the reporting date represent Management's best estimate of the present value of the future costs required.

Significant estimates and judgements in the context of the COVID-19 pandemic:
During the 2020 financial year, the COVID-19 pandemic situation resulted in the Company reassessing significant estimates and judgments. The following key areas were identified as potentially affected by the COVID-19 pandemic:
- Key assumptions used in the impairment test of assets or group of assets;
- Expected credit losses; and
- Additional costs in order to satisfy the performance obligations on some of the construction contracts mainly due to expected limited delay in the project delivery following lockdown periods, international travel restrictions and remote working

The impact of COVID-19 on the impairment of the tangible assets is disclosed in note 4.3.13 Property, Plant and Equipment. Regarding the Company's considerations for estimation of expected credit losses, refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets. In relation to the impact of additional costs incurred due to COVID-19 when satisfying the Company's performance obligations we refer to note 4.3.3 Revenue.

Judgements:
In addition to the above estimates, the Management exercises the following judgements:

Lease classification as Lessor:
When the Company enters into a new lease arrangement, the terms and conditions of the contract are analyzed in order to assess whether or not the Company retains the significant risks and rewards of ownership of the asset subject of the lease contract. To identify whether risks and rewards are retained, the Company systematically considers, among others, all the examples and indicators listed by IFRS 16.63 on a contract-by-contract basis. By performing such analysis, the Company makes significant judgement to determine whether the arrangement results in a finance lease or an operating lease. This judgement can have a significant effect on the amounts recognized in the consolidated financial statements and its recognition of profits in the future. The most important judgement areas assessed by the Company are (i) determination of the fair value, (ii) determination of the useful life of the asset and (iii) the probability of the client exercising the purchase or termination option (if relevant).

(b) Leases: accounting by lessor
A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Under an operating lease, the asset is included in the statement of financial position as property, plant and equipment. Lease income is recognized over the term of the lease on a straight-line basis. This implies the recognition of deferred income when the contractual day rates are not constant during the initial term of the lease contract.

When assets are leased under a finance lease, the present value of the lease payments is recognized as a finance lease receivable. Under a finance lease, the difference between the gross receivable and the present value of the receivable is recognized as revenue during the lease phase. Lease income is, as of the commencement date of the lease contract, recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. During the construction phase of the facility, the contract is accounted for as a construction contract.

(c) Impairment of non-financial assets

Under certain circumstances, impairment tests must be performed. Assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's Cash Generating Unit's ('CGU') fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. An impairment loss is recognized for the amount by which the assets or CGU's carrying amount exceeds its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. The Company bases its future cash flows on detailed budgets and forecasts.

Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each statement of financial position date.

(d) Revenue

The Company provides design, supply, installation, operation, life extension and demobilization of Floating Production, Storage and Offloading (FPSO) vessels. The vessels are either owned and operated by SBM Offshore and leased to its clients (Lease and Operate arrangements) or supplied on a Turnkey sale basis (construction contracts). Even in the latter case, the vessels can be operated by the Company, under a separate operating and maintenance agreement, after transfer to the clients.

Other products of the Company include: semi-submersibles, Tension Leg Platforms ('TLP'), Liquefied Natural Gas FPSOs, Turret Mooring Systems ('TMS'), LNG Regasification to Power vessels, Floating Offshore Wind ('FOW'), brownfield and offshore (off)loading terminals. These products are mostly delivered as construction, lease or service type agreements.

Some contracts include multiple deliverables (such as Front-End Engineering Design ('FEED'), engineering, construction, procurement, installation, maintenance, operating services, demobilization). The Company assesses the level of integration between different deliverables and ability of the deliverable to be performed by another party. Based on this assessment the Company concludes whether the multiple deliverables are one, or separate, performance obligation(s).

The Company determines the transaction price for its performance obligations based on contractually agreed prices. The Company has various arrangements with its customers in terms of pricing, but in principle i) the construction contracts have agreed fixed pricing terms, including fixed lump sums and reimbursable type of contracts, ii) the majority of the Company's lease arrangements have fixed lease rates and iii) the operating and service type of contracts can be based on fixed lump sums or reimbursable type of contracts. The Lease and Operate contracts generally include a variable component for which the treatment is described below under 'Lease and Operate contracts'. In rare cases when the transaction prices are not directly observable from the contract, they are estimated based on expected cost plus margin (e.g. based on an operating service component in a lease arrangement).

The Company assesses for each performance obligation whether the revenue should be recognized over time or at a point in time, this is explained more in detail under the below sections 'Construction contracts' and 'Lease and Operate contracts'.

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).

Revenue policies related to specific arrangements with customers are described below.

Construction contracts:
The Company under its construction contracts usually provides Engineering, Procurement, Construction and Installation ('EPCI') of vessels. The Company assesses the contracts on an individual basis as per the policy described above. Based on the analysis performed for existing contracts:

- The construction contracts generally include one performance obligation due to significant integration of the activities involved; and
- Revenue is recognized over time as the Company has an enforceable right to payment for performance completed to date and the assets created have no direct alternative use.

Based on these requirements, the Company concludes that, in principle, construction contracts meet the criteria of revenue to be recognized over time. Revenue is recognized at each period based upon the advancement of the work, using the input method. The input method is based on the ratio of costs incurred to date to total estimated costs. Up to the moment that the Company can reasonably measure the outcome of the performance obligation, revenue is recognized to the extent of cost incurred.

Complex projects that present a high-risk profile due to technical novelty, complexity or pricing arrangements agreed with the client are subject to independent project reviews at advanced degrees of completion in engineering. An independent project review is an internal but independent review of the status of a project based upon an assessment of a range of project management and company factors. Until this point, and when other significant uncertainties related to the cost at completion are mitigated, revenue is recognized to the extent of cost incurred.

Due to the nature of the services performed, variation orders and claims are commonly billed to clients in the normal course of business. The variation orders and claims are modifications of contracts that are usually not distinct and are therefore normally considered as part of the existing performance obligation. When the contract modification (including claims) is initially approved by oral agreement or implied by customary business practice, the Company recognizes revenue only to the extent of contract costs incurred. Once contract modifications and claims are approved, the revenue is no longer capped at the level of costs and is recognized based on the input method.

Generally, the payments related to the construction contracts (under EPCI arrangements) are corresponding to the work completed to date, therefore the Company does not adjust any of the transaction prices for the time value of money. However the time value of money is assessed on a contract by contract basis and in case the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, the financing component is separated from other performance obligations.

Furthermore, finance lease arrangements under which the Company delivers a unit to a client are treated as direct sales (see also point (b) above), therefore revenue is recognized over time during the construction period as the lower of (i) the present value of the purchase option, or (ii) the present value of the lease payments accruing to the lessor, discounted using a market rate of interest. In order to determine the revenue to be recognized based on this policy, the Company determines discounting using a market rate of interest that takes into account among others: time value of money, financing structure and risk profile of a client and project.

Lease and Operate contracts:
The Company provides to its customers possibilities to lease the units under charter contracts. The charter contracts are multi-year contracts and some of them contain options to extend the term of the lease or terminate the lease earlier. Some of the contracts also contain purchase options that are exercisable throughout the lease term.

Charter rates
Charter rates received on long-term operating lease contracts are reported on a straight-line basis over the period of the contract once the facility has been brought into service. The difference between straight-line revenue and the contractual day-rates, which may not be constant throughout the charter, is accounted for as deferred income.

Revenue from finance lease contracts is, as of the commencement date of the lease contract, recognized over the term of the lease using the amortized cost method, which reflects a constant periodic rate of return.

Operating fees
Operating fees are received by the Company for facilitating receipt, processing and storage of petroleum services on board of the facilities which occur continuously through the term of the contract. As such, they are a series of services that are substantially the same and that have the same pattern of transfer to the customer. Revenue is recognized over time based on input methods by reference to the stage of completion of the service rendered either on a straight-line basis for lump sum contracts or in line with cost incurred on reimbursable contracts.

Bonuses/penalties
On some contracts the Company is entitled to receive bonuses (incentives) and incurs penalties depending on the level of interruption of production or processing of oil. Bonuses are recognized as revenue once it is highly probable that no significant reversal of revenue recognized will occur, which is generally the case only once the performance bonus is earned. Penalties are recognized as a deduction of revenue when they become probable. For estimation of bonuses and penalties the Company applies the 'most likely' method, where the Company assesses which single amount is the most likely in a range of possible outcomes.

Contract costs
The incremental costs of obtaining a contract with a customer (for example sales commissions) are recognized as an asset. The Company uses a practical expedient that permits to expense the costs to obtain a contract as incurred when the expected amortization period is one year or less. Costs of obtaining a contract that are not incremental are expensed as incurred unless those costs are explicitly chargeable to the customer. Bid, proposal, and selling and marketing costs, as well as legal costs incurred in connection with the pursuit of the contract, are not incremental, as the Company would have incurred those costs even if it did not obtain the contract.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another IFRS standard (e.g. IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset for the costs incurred to fulfill a contract only if those costs meet all of the following criteria:
- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

An asset recognized for contract costs is amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

(e) Operating segment information
As per IFRS 8, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose segmental operating results are regularly reviewed by the entity's chief operating decision maker, and for which distinct financial information is available.

The Management Board, as chief operating decision maker, monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, gross margin, EBIT and EBITDA, and prepared in accordance with Directional reporting. The Company has two reportable segments:
- The Lease and Operate segment includes all earned day-rates on operating lease and operate contracts.
- The Turnkey segment includes revenues from Turnkey supply contracts and after-sales services, which consist mainly of large production systems, large mooring systems, deep water export systems, fluid transfer systems, tanker loading and discharge terminals, design services and supply of special components and proprietary designs and equipment.

No operating segments have been aggregated to form the above reportable operating segments.

The Company's corporate overhead functions do not constitute an operating segment as defined by IFRS 8 'Operating segments' and are reported under the 'Other' section in note 4.3.2 Operating Segments and Directional Reporting.

Operating segment information is prepared and evaluated based on Directional reporting for which the main principles are explained in note 4.3.2 Operating Segments and Directional Reporting.

(f) Construction work-in-progress

Construction work-in-progress represents the Company's contract assets as defined in IFRS 15. Construction work-in-progress is the Company's right to consideration in exchange for goods and services that the Company has transferred to the customer. The Company's construction work-in-progress is measured as revenue recognizable to date, less invoiced instalments. The Company recognizes any losses from onerous contracts under provisions in line with IAS 37. Further, the impairment of construction work-in-progress is measured, presented and disclosed on the same basis as financial assets that are within the scope of IFRS 9. The Company applies the simplified approach in measuring expected credit losses for construction work-in-progress. In case of construction work-in-progress balances relating to the finance lease contracts, the Company applies the low credit risk simplification of IFRS 9 for the computation of the expected credit loss. The simplification is applied as the credit risk profile of these balances has been assessed as low.

Where instalments received from the customers exceed the value of the performance obligation delivered to the customer, the excess is included in 'Trade and other payables' as 'Contract liability'.

(g) Demobilization obligations

The demobilization obligations of the Company are either stated in the lease contract or derived from the international conventions and the specific legislation applied in the countries where the Company operates assets. Demobilization costs will be incurred by the Company at the end of the operating life of the Company's facilities.

For operating leases, the net present value of the future obligations is included in property, plant and equipment with a corresponding amount included in the provision for demobilization. As the remaining duration of each lease reduces, and the discounting effect on the provision unwinds, accrued interest is recognized as part of financial expenses and added to the provision. The subsequent updates of the measurement of the demobilization costs are recognized both impacting the provision and the asset.

In some cases, when the contract includes a demobilization bareboat fee that the Company invoices to the client during the demobilization phase, a receivable is recognized at the beginning of the lease phase for the discounted value of the fee. These receivables are subject to expected credit loss impairment which are analyzed together with the finance lease receivable using the same methodology.

For finance leases, demobilization obligations are analyzed as a component of the sale recognized under IFRS 15. It is determined whether the demobilization obligation should be defined as a separate performance obligation. In that case, because the demobilization operation is performed at a later stage, the related revenue is deferred until the demobilization operations occur. Subsequent updates of the measurement of the demobilization costs are recognized immediately through deferred revenue, for the present value of the change.

C. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

(a) Distinction between current and non-current assets and liabilities

The Company classifies its assets as current when it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle. Inventory and construction work-in-progress are classified as current while the time when these assets are sold or consumed might be longer than twelve months. Financial assets are classified as current when they are realized within twelve months. Liabilities are classified as current when they are expected to be settled within less than twelve months and the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All other assets and liabilities are classified as non-current.

(b) Consolidation

The Company's consolidated financial statements include the financial statements of all controlled subsidiaries.

In determining under IFRS 10 whether the Company controls an investee, the Company assesses whether it has i) power over the investee, ii) exposure or rights to variable returns from its involvement, and iii) the ability to use power over investees to affect the amount of return. To determine whether the Company has power over the investee, multiple contractual elements are analyzed, among which i) voting rights of the Company at the General Meeting, ii) voting rights of the Company at Board level and iii) the power of the Company to appoint, reassign or remove other key management personnel.

For investees whereby such contractual elements are not conclusive because all decisions about the relevant activities are taken on a mutual consent basis, the main deciding feature resides then in the deadlock clause existing in shareholders' agreements. In case a deadlock situation arises at the Board of Directors of an entity, whereby the Board is unable to conclude on a decision, the deadlock clause of the shareholders' agreements generally stipulates whether a substantive right is granted to the Company or to all the partners in the entity to buy its shares through a compensation mechanism that is fair enough for the Company or one of the partners to acquire these shares. In case such a substantive right resides with the Company, the entity will be defined under IFRS 10 as controlled by the Company. In case no such substantive right is held by any of the shareholders through the deadlock clause, the entity will be defined as a joint arrangement.

Subsidiaries:
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated using the full consolidation method.

All reciprocal transactions between two controlled subsidiaries, with no profit or loss impact at consolidation level, are fully eliminated for the preparation of the consolidated financial statements.

Interests in joint ventures:
The Company has applied IFRS 11 'Joint Arrangements' to all joint arrangements. Under IFRS 11 investment in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. In determining under IFRS 11 the classification of a joint arrangement, the Company assessed that all joint arrangements were structured through private limited liability companies incorporated in various jurisdictions. As a result, assets and liabilities held in these separate vehicles were those of the separate vehicles and not those of the shareholders of these limited liability companies. Shareholders had therefore no direct rights to the assets, nor primary obligations for liabilities of these vehicles. The Company has considered the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Investments in associates:
Associates are all entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control over those policies. Investments in associates are accounted for using the equity method.

When losses of an equity-accounted entity are greater than the value of the Company's net investment in that entity, these losses are not recognized unless the Company has a constructive obligation to fund the entity. The share of the negative net equity of these is first accounted for against the loans held by the owner towards the equity-accounted company that forms part of the net investment. Any excess is accounted for under provisions.

Reciprocal transactions carried out between a subsidiary and an equity-accounted entity, are not eliminated for the preparation of the consolidated financial statements. Only transactions leading to an internal profit (e.g. for dividends or internal margin on asset sale) are eliminated applying the percentage owned in the equity-accounted entity.

The financial statements of the subsidiaries, associates and joint ventures are prepared for the same reporting period as the Company and the accounting policies are in line with those of the Company.

(c) Non-derivative financial assets
The Company's financial assets consist of finance lease receivables, loans to joint ventures and associates and trade and other receivables. The accounting policy on trade and other receivables is described separately.

Finance lease receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market.

Loans to joint ventures and associates relate primarily to interest-bearing loans to joint ventures. These financial assets are initially measured at fair value plus transaction costs (if any) and subsequently measured at amortized cost.

The Company classifies its financial assets at amortized cost only if both of the following criteria are met:
- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(d) Borrowings (bank and other loans) and lease liabilities

Borrowings are recognized on settlement date, being the date on which cash is paid or received. They are initially recognized at fair value, net of transaction costs incurred (transaction price), subsequently measured at amortized cost and classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized into the cost of the asset in the period in which they are incurred. Otherwise, borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowings are derecognized when the Company either discharges the borrowing by paying the creditor or is legally released from primary responsibility for the borrowing either by process of law or by the creditor.

Lease liabilities, arising from lease contracts in which the Company is the lessee, are initially measured at the net present value of the following:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Each lease payment is allocated between the lease liability and finance cost. Finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(e) Foreign currency transactions and derivative financial instruments

Foreign currency transactions are translated into the functional currency, the US dollar, at the exchange rate applicable on the transaction date. At the closing date, monetary assets and liabilities stated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. Resulting exchange gains or losses are directly recorded in the income statement. At the closing date, non-monetary assets and liabilities stated in foreign currency remain translated into the functional currency using the exchange rate at the date of the transaction.

Translation of foreign currency income statements of subsidiaries (except for foreign operations in hyperinflationary economies) into US dollars is converted at the average exchange rate prevailing during the year. Statements of financial position are translated at the exchange rate at the closing date. Differences arising in the translation of financial statements of foreign subsidiaries are recorded in other comprehensive income as foreign currency translation reserve. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and borrowings of such investments, are taken to Company equity.

Derivative financial instruments held by the Company are aimed at hedging risks associated with market risk fluctuations. The Company uses primarily forward currency contracts and interest rate swaps to hedge foreign currency risk and interest rate risk. Further information about the financial risk management objectives and policies is included in note 4.3.29 Financial Instruments – Fair Values and Risk Management.

A derivative instrument (cash flow hedge) qualifies for hedge accounting when all relevant criteria are met. A cash flow hedge aims at reducing risks incurred by variations in the value of future cash flows that may impact net income. In order for a derivative to be eligible for hedge accounting, the following criteria must be met:

- There is an economic relationship between the hedging instrument and the hedged item.
- The effect of credit risk does not dominate the value changes resulting from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that used for risk management purposes.

All derivative instruments are recorded and disclosed in the statement of financial position at fair value. Purchases and sales of derivatives are accounted for at trade date. Where a portion of a financial derivative is expected to be realized within twelve months of the reporting date, that portion is presented as current; the remainder of the financial derivative as non-current.

Changes in fair value of derivatives designated as cash flow hedge relationships are recognized as follows:

- The effective portion of the gain or loss of the hedging instrument is recorded directly in other comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement. The gain or loss which is deferred in equity, is reclassified to the net income in the period(s) in which the specified hedged transaction affects the income statement.
- The changes in fair value of derivative financial instruments that do not qualify as hedging in accounting standards are directly recorded in the income statement.

The sources of hedge ineffectiveness are:

- The non-occurrence of the hedged item;
- The change in the principal terms of the hedged item;
- The severe deterioration of the credit risk of the Company and, or the derivative counterparty.

When measuring the fair value of a financial instrument, the Company uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. Further information about the fair value measurement of financial derivatives is included in note 4.3.29 Financial Instruments – Fair Values and Risk Management.

(f) Provisions

Provisions are recognized if and only if the following criteria are simultaneously met:

- The Company has an ongoing obligation (legal or constructive) as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- The amount of the obligation can be reliably estimated; provisions are measured according to the risk assessment or the exposed charge, based upon best-known facts.

Demobilization provisions relate to estimated costs for demobilization of leased facilities at the end of the respective lease period or operating life.

Warranty provisions relate to the Company's obligations to replace or repair defective items that become apparent within an agreed period starting from final acceptance of the delivered system. Such warranties are provided to customers on most Turnkey sales. These provisions are estimated on a statistical basis regarding the Company's past experience or on an individual basis in the case of any warranty claim already identified. These provisions are classified as current by nature as it coincides with the production cycle of the Company.

Restructuring provision is recognized by the Company when it has an obligation to restructure based upon a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The restructuring provision only includes the direct expenditures arising from the restructuring, which are those that are both necessarily incurred by the restructuring and not associated with the ongoing activities of the entity. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Other provisions include provisions like commercial claims, regulatory fines related to operations and local content penalty. In relation to local content penalty, Brazilian oil and gas contracts typically include local content requirements. These requirements are issued by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) to the winning concessionaire/consortia of auctioned Brazilian exploratory blocks or areas at the end of the bidding round, with the intention to strengthen the domestic Brazilian market and expand local employment. The owning concessionaire/consortia normally contractually passes such requirements on to, among other suppliers, the company delivering the FPSO. For the Company's Brazilian contracts, the Company assesses the execution strategy and may decide that execution of the project in locations other than Brazil is more beneficial. Such a decision takes into account factors such as optimization of overall cost of delivery, quality and timeliness. As a result, following the chosen execution strategy, the Company may expect to not meet entirely the agreed local content requirements. In such circumstances, the expected penalty to be paid, as a result of not meeting the local content requirements, is determined based on management's best estimate and recognized as provision during the construction period. The corresponding cost is expensed over the construction period of the asset.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of such items. The capital value of a facility to be leased and operated for a client is the sum of external costs (such as shipyards, subcontractors and suppliers), internal costs (design, engineering, construction supervision, etc.), third party financial costs including interest paid during construction and attributable overhead.

Subsequent costs are included in an assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The costs of assets include the initial estimate of costs of demobilization of the asset net of reimbursement expected to be received by the client. Costs related to major overhaul which meet the criteria for capitalization are included in the asset's carrying amount. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate line items of property, plant and equipment. The depreciation charge is calculated based on future anticipated economic benefits, e.g. based on the unit of production method or on a straight-line basis as follows:

- Converted tankers 10-20 years (included in vessels and floating equipment);
- Floating equipment 3-15 years (included in vessels and floating equipment);
- Buildings 30-50 years;
- Other assets 2-20 years;
- Land is not depreciated.

Useful lives and methods of depreciation are reviewed at least annually and adjusted if appropriate.

The assets' residual values are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains and losses arising on disposals or retirement of assets are determined by comparing any sales proceeds and the carrying amount of the asset. These are reflected in the income statement in the period that the asset is disposed of or retired.

Right-of-use assets related to the Company's lease contracts in which the Company is a lessee are included in Property, plant and equipment. Right-of-use assets and corresponding liabilities are recognized when the leased asset is available for use by the Company. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs; and
- Restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(h) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition, less accumulated impairment.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of the annual impairment testing.

Patents are recognized at historical cost and patents acquired in a business combination are recognized at fair value at the acquisition date when intangible assets criteria are met and amortized on a straight-line basis over their useful life, generally over fifteen years.

Research costs are expensed when incurred. In compliance with IAS 38, development costs are capitalized if all of the following criteria are met:

- The projects are clearly defined.
- The Company is able to reliably measure expenditures incurred by each project during its development.
- The Company is able to demonstrate the technical feasibility of the project.
- The Company has the financial and technical resources available to achieve the project.
- The Company can demonstrate its intention to complete, to use or to commercialize products resulting from the project.
- The Company is able to demonstrate the existence of a market for the output of the intangible asset, or, if it is used internally, the usefulness of the intangible asset.

When capitalized, development costs are carried at cost less any accumulated amortization. Amortization begins when the project is complete and available for use. It is amortized over the period of expected future benefit, which is generally between three and five years.

(i) Assets (or disposal groups) held for sale

The Company classifies assets or disposal groups as being held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

(j) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Inventories comprise semi-finished, finished products and the Company's Fast4Ward® Multi Purpose Floater ('MPF') valued at cost including attributable overheads and spare parts stated at the lower of purchase price or market value. MPFs under construction are accounted for as inventories until they are allocated to awarded projects.

(k) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a maximum of 90 days and are therefore all classified as current. Trade receivables are recognized initially at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The Company applies the simplified approach in measuring expected credit losses for trade receivables.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method. Interest income, together with gains and losses when the receivables are derecognized or impaired, is recognized in the income statement.

(l) Impairment of finance lease receivables

For finance lease receivables the Company assumes that the credit risk has not increased significantly since the initial recognition if the finance lease receivable is determined to have a low credit risk at the reporting date (i.e. the Company applies the low credit risk simplification). As a result, if the finance lease receivable is determined to have a low credit risk at the reporting date, the Company recognizes a 12-month expected credit loss.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and in hand fulfilling the following criteria: a maturity of usually less than three months, highly liquid, a fixed exchange value and an extremely low risk of loss of value.

(n) Share capital

Ordinary shares and protective preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(o) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the associated tax is also recognized in other comprehensive income or directly in equity.

Income tax expenses comprise corporate income tax due in countries of incorporation of the Company's main subsidiaries and levied on actual profits. Income tax expense also includes the corporate income taxes which are levied on a deemed profit basis and revenue basis (withholding taxes in the scope of IAS 12). This presentation adequately reflects the Company's global tax burden.

(p) Deferred income tax

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided for on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Employee benefits

Pension obligations: the Company operates various pension schemes that are generally funded through payments determined by periodic actuarial calculations to insurance companies or are defined as multi-employer plans. The Company has both defined benefit and defined contribution plans:

- A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
- A defined contribution plan is a pension plan under which the Company pays fixed contributions to public or private pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions to defined contribution plans and multi-employer plans are recognized as an expense in the income statement as incurred.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations.

The expense recognized within the EBIT comprises the current service cost and the effects of any change, reduction or winding up of the plan. The accretion impact on actuarial debt and interest income on plan assets are recognized under the net financing cost.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in comprehensive income.

Share-based payments: within the Company there are four types of share-based payment plans that qualify as equity settled:
- Restricted Share Unit (RSU);
- Short-term Incentive Program of Bonus Shares and Matching Shares;
- Value Creation Stake (VCS); and
- Ownership Shares.

The estimated total amount to be expensed over the vesting period related to share based payments is determined by (i) reference to the fair value of the instruments determined at the grant date, and (ii) non-market vesting conditions included in assumptions about the number of shares that the employee will ultimately receive. Main assumptions for estimates are revised at statement of financial position date. Total cost for the period is charged or credited to the income statement, with a corresponding adjustment to equity.

When equity instruments vest, the Company issues new shares, unless the Company has Treasury shares in stock.

Any cancellation of matching shares will lead to an accelerated expense recognition of the total fair value, with a corresponding adjustment to equity.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.3.1 FINANCIAL HIGHLIGHTS

Impact of COVID-19 pandemic

In 2020, the COVID-19 pandemic had an impact on the global economy and the demand for energy, with some offshore projects cancelled or deferred. However, during 2020, the Company has successfully navigated through this challenging period, having mitigated the COVID-19 impact on projects under construction and the fleet under operation.

Offshore energy industry

The Company globally serves the offshore energy industry by supplying engineered products, vessels and systems, as well as offshore energy production services. These construction and service activities are rendered based on long-term contracts. Consequently, SBM Offshore has a substantial proforma contractual backlog, which is not linked to the oil price, amounting to US$21.6 billion at December 31, 2020 (2019: US$20.7 billion). This provides the Company with 25 years cash flow visibility up to 2045. The pandemic and associated impact on the oil market has caused oil and gas companies to reassess their portfolios and investments. However, deep water projects in high quality resource basins rank very competitively, as illustrated by the award of contracts to the Company for an FPSO for the Payara development project located in the Stabroek block in Guyana in October 2020. In this context, the Company continues to anticipate FPSO market opportunities in 2021 and future years, while continuing to diversify its product offering through innovative solutions for the offshore gas and renewables markets.

Based on the strength and resilience of its business model, as it has demonstrated in the past, the Company has the ability to navigate through current uncertainties.

Operational activities

The Company was able to maintain the fleet's uptime at historical highs by minimizing the impact of a COVID-19 environment offshore. In order to achieve such results, specific measures were implemented by the Company such as: (i) optimization of crew rotations (in order to adjust to the impact of international travel restrictions), (ii) implementation of pre-screening protocols prior to offshore embarkation, (iii) creation of local secured quarantine facilities and (iv) development of internal Polymerase Chain Reaction (PCR) testing capability, which is now available in most operating locations. More generally, the Company's COVID-19 response strategy aims to prevent the occurrence of cases on board of the vessels and in onshore locations and to minimize impact on operations if and when cases were identified.

Construction activities were impacted during 2020 for SBM Offshore major projects. Nevertheless, the projects' progress was still achieved, although at a lower pace. SBM Offshore's project teams have worked together with clients and suppliers in order to mitigate impacts in terms of costs and delays. The ultimate delivery of major projectsis not considered at risk at the end of 2020, based on currently known circumstances.

Implications on 2020 Financial performance

Due to the COVID-19 pandemic, the Company incurred additional costs in order to satisfy its performance obligations on some of its Turnkey projects. This was mainly due to delay in project delivery following lockdown periods, subsequent acceleration programs negotiated with sub-contractors, international travel restrictions and remote working. These costs, which have been partially recharged to the Company's clients, contribute to the progress of transfer of control of the construction asset to the customer over the construction period and have therefore been considered as part of the revenue recognition over time. The related amount recognized as revenue during 2020 is less than 1% of the Company's total revenue for the year 2020.

On the Lease and Operate segment, the incremental costs from the implementation of additional safety measures linked to COVID-19 have been partially recharged to clients within the contractual terms of reimbursable contracts.

Financial risk management

In the context of the COVID-19 pandemic and the low oil price environment, in particular the Company focused on liquidity, credit and counterparty risks. The Company performed analyses on the credit and counterparty risks of its clients and financial partners. The analysis resulted in a limited impact materializing through a net impairment on financial and contract assets of US$24 million accounted over 2020. Please refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company conducted various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion was that the Company's lease portfolio and the existing financing facilities are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and that it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients the Company has considerable time under charters to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. To date, the Company has been able to manage the COVID-19 situation without the need to use such protection. As at December 31, 2020 the Company had a total liquidity position of US$1.7 billion, including US$1 billion under its undrawn Revolving Credit Facility.

Impairment of non-financial assets
During the year of 2020, due to the COVID-19 pandemic, the Company decided to put the SBM Installer installation vessel in lay-up for a period of three months (until July 2020) in order to protect the crew and reduce the costs in a context of low activity. Furthermore, the Company downgraded expectations regarding future economic benefits to be generated by the vessel given the expected slowdown of the offshore services business in the coming few years (which may create over-supply in offshore markets and therefore reduce the vessel utilization). As a result, an impairment charge of US$57 million was accounted for in the 2020 full year results.

The *Thunder Hawk* semi-submersible production facility in the US Gulf of Mexico is the only facility in the Company lease fleet portfolio for which revenue is dependent on volumes produced. Over the period, the facility was temporarily shut down for a period of 45 days upon the operator's request. In addition, the credit rating of the operator of the facility was downgraded by rating agencies. As a result of the impairment test, an impairment charge of US$10 million was accounted for in the 2020 full year results.

Share Repurchase Program
On April 3, 2020, the Company completed its EUR150 million share repurchase program. Between February 13, 2020 and April 3, 2020 a total of 12,094,623 common shares were repurchased, at an average price of EUR12.40 per share.

The repurchases were made under the EUR150 million share repurchase program announced on and effective from February 13, 2020. The objective of the program was to reduce share capital and, in addition, to provide shares for regular management and employee share programs.

Completion of US$600 million bridge loan for FPSO Sepetiba
The Company secured a US$600 million bridge loan facility for the financing of the construction of *FPSO Sepetiba*. The facility was secured by the special purpose company owning *FPSO Sepetiba* and was agreed with a consortium of four international banks. The Company is the majority owner of this special purpose company (with 64.5% equity ownership), together with Mitsubishi Corporation (20%) and Nippon Yusen Kabushiki Kaisha (15.5%).

The facility has been drawn in July 2020 to finance the ongoing construction of the *FPSO Sepetiba*. The tenor of the bridge loan is six months with an extension option which has been exercised for another six months ending in July 2021. The facility benefits from sponsor guarantees, which are to be released upon repayment.

Adaptation of the Business Model
The Company's strategy is set to adapt its products and business model to an environment of shorter oil price cycles and increased volatility. Consequently, the Company reorganized the allocation of activities in its centers in order to become more efficient. These measures will enable the Company to lower its break-even point and allow the Company to scale activities in line with market demand.

Compared with year-end 2019, the reorganization has led to a reduction of approximately 600 positions. The annualized cost of these positions is approximately US$100 million. Severance costs incurred in 2020 amounted to US$(46) million.

SBM Offshore prepares for sale DSCV SBM Installer

The Company was the long-term charterer of the diving support and construction vessel (DSCV) SBM Installer under a contract ending in 2026. The Company had 25% equity ownership in the entity holding the vessel, OS Installer Limited (OSI). The vessel operates in a non-core market for the Company. In order to gain the flexibility required to divest the vessel, the Company first acquired the remaining 75% equity ownership in OSI for a cash consideration of US$34 million on September 30, 2020. OSI's existing debt facility remains in place. Please refer to note 4.3.13 Property, Plant and Equipment.

SBM Offshore awarded contracts for ExxonMobil FPSO Prosperity

Esso Exploration and Production Guyana Limited (EEPGL), an affiliate of Exxon Mobil Corporation, confirmed the award of contracts for the next phase of the Payara development project located in the Stabroek block in Guyana. Under these contracts, the Company will construct, install and then lease and operate *Prosperity* (FPSO) for a period of up to two years, after which the FPSO ownership and operation will transfer to EEPGL.

The award follows completion of front-end engineering and design studies, completion of the multi-purpose hull, receipt of requisite government approvals and the final investment decision on the project by ExxonMobil and block co-venturers. The *Prosperity* (FPSO) will utilize a design that largely replicates the design of the *Liza Unity* (FPSO). As such, the design is based on the Company's industry leading Fast4Ward®program.

The contract qualifies and is accounted for as a finance lease under IFRS 16. The operating and maintenance scope of the FPSO, which is agreed in principle, is pending a final work order.

SBM Offshore awarded contracts for Floating Offshore Wind

The Company was awarded by EDF Renouvelables for the engineering, procurement, construction and installation of three floating units and its mooring system, for offshore wind turbines with a total capacity of 25.2 MW. The units will be deployed offshore Marseille for the project Provence Grand Large.

The contract is accounted for as construction contract under IFRS 15.

Redelivery of the Deep Panuke MOPU

The Deep Panuke MOPU, located offshore Nova Scotia, Canada, was safely redelivered by the client to the Company in July 2020. Under the final settlement signed with the client, the redelivery of the unit does not affect the contractually agreed amount and timing of the financial considerations to be received by the Company as per the initial charter contract. This includes the option for the client to continue payments until the end of the initial charter period or to elect for an early lump sum payment. As a result of the redelivery of the unit and the final settlement, the lease period of the unit, as per accounting requirements, ended and the Company (i) recognized the remaining contractual revenue in 2020 (US$122 million), which also includes the portion of the financial consideration to be received in 2021 in case no early lump sum payment is made (i.e. US $77 million), as well as (ii) fully depreciated the remaining value of the asset (US$123 million) in 2020, including the portion of depreciation that would have been recognized in 2021 as per initial depreciation schedule (i.e. US$78 million). As a consequence, the redelivery of the unit has led to accelerated revenue and EBITDA recognition of US$77 million in 2020, while the gross margin and net income (after depreciation) were negligibly impacted. Please refer to note 4.3.13 Property, Plant and Equipment.

Update on legacy

The Deferred Prosecution Agreement SBM Offshore signed with the United States Department of Justice on November 29, 2017 includes, among other things, an obligation to report on the status of the Company's compliance program. The Company confirms that this three-year period has now ended, without extension or other conditions.

In Switzerland, three of the Company's subsidiaries received a notification from the Bundesanwaltschaft (federal prosecutor's office) in Bern. It concerns a suspicion that from 2005 till 2012 these subsidiaries failed to take the necessary measures to prevent the execution of corrupt payments during said period. The notification refers to the legacy settlements the Company concluded in the Netherlands (2014) and Brazil (2018) as well as the Deferred Prosecution Agreement with the United States. The suspicion regarding the compliance controls shortcoming relate to payments covered by these agreements.

Update on lease and operate backlog

SBM Offshore signed an agreement with its client Shell for a five years' extension for the lease and operate contracts of the *FPSO Espirito Santo* located in Brazil. The end of the contractual lease and operate period was extended from December

2023 to December 2028. SBM Offshore is the majority owner of the lease and operating companies related to *FPSO Espirito Santo* with 51% equity ownership, together with MISC Berhad with 49% equity ownership. As a result of the revised terms and conditions, the new agreements had to be accounted for as a finance lease under IFRS, while the previous arrangements were accounted for as an operating lease. As a consequence, a revenue of US$249 million, and an associated Gross Margin of US$123 million, were accounted for in the 2020 full year results under IFRS. This transaction had no impact on the 2020 full year results under Directional, where the new agreements remain classified as an operating lease. Please refer to note 4.3.15 Finance Lease Receivables.

ExxonMobil affiliate Esso Exploration and Production Guyana Limited, has also initiated discussions with SBM Offshore on the lease and operations durations for FPSOs in Guyana.

4.3.2 OPERATING SEGMENTS AND DIRECTIONAL REPORTING

OPERATING SEGMENTS

The Company's reportable operating segments as defined by IFRS 8 'Operating segments' are:

- Lease and Operate;
- Turnkey
- Other.

DIRECTIONAL REPORTING

Strictly for the purposes of this note, the operating segments are measured under Directional reporting, which in essence follows IFRS, but deviates on two main points:

- All lease contracts are classified and accounted for as if they were operating lease contracts under IFRS 16. Some lease and operate contracts may provide for defined invoicing ('upfront payments') to the client occurring during the construction phase or at first-oil (beginning of the lease phase), to cover specific construction work and/or services performed during the construction phase. These 'upfront payments' are recognized as revenues and the costs associated with the construction work and/or services are recognized as 'Cost of sales' with no margin during the construction. As a consequence, these costs are not capitalized in the gross value of the assets under construction.
- All investees related to Lease and Operate contracts are accounted for at the Company's share as if they were classified as joint operations under IFRS 11, whereby all lines of the income statement, statement of financial position and cash flow statement are consolidated based on Company's percentage of ownership (hereafter referred to as 'proportionate consolidation'). Yards and installation vessel related joint ventures remain equity accounted.

In 2020, all other accounting principles remain unchanged compared with applicable IFRS standards.

The above differences to the consolidated financial statements between Directional reporting and IFRS are highlighted in the reconciliations provided in this note on revenue, gross margin, EBIT and EBITDA as required by IFRS 8 'Operating segments'. The Company also provides the reconciliation of the statement of financial position and cash flow statement under IFRS and Directional reporting. The statement of financial position and the cash flow statement under Directional reporting are evaluated regularly by the Management Board in assessing the financial position and cash generation of the Company. The Company believes that these disclosures should enable users of its financial statements to better evaluate the nature and financial effects of the business activities in which it engages, while facilitating the understanding of the Directional reporting by providing a straightforward reconciliation with IFRS for all key financial metrics.

SEGMENT HIGHLIGHTS

Over 2020 the Lease and Operate segment was impacted by non-recurring items mainly coming from:

- Accelerated Revenue and EBITDA recognised for US$77 million following the early redelivery of Deep Panuke MOPU and the final settlement signed with the client in July 2020 triggering the end of the lease period of the unit. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the gross margin and the profit attributable to shareholders;
- An aggregate impairment of US$(29) million (individually not material) relating to the impairment of two of the units (please refer to note 4.3.13 Property, Plant and Equipment); and the increased impairment loss on financial assets specifically regarding one of the unit's demobilization receivable (please refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets).

In 2020, the Lease and Operate Directional revenue and EBITDA increased versus the year ago period mainly driven by (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.

The Turnkey segment was impacted by the full impairment of US$(57) million relating to the SBM Installer installation vessel in 2020. The Turnkey Directional EBITDA decreased versus the year-ago period. While the reduced level of activity on Johan Castberg Turret Mooring System EPC project completed in 2020 was almost offset by ramp-up on *FPSO Sepetiba*, the Turnkey EBITDA was impacted by US$40 million of restructuring costs during the current year as well as a lower contribution from smaller product lines (Offshore Services/Terminals).

2020 operating segments (Directional)

	Lease and Operate	Turnkey	**Reported segments**	Other	**Total Directional reporting**
Third party revenue	**1,699**	**669**	**2,368**	-	**2,368**
Cost of sales	(1,207)	(622)	(1,829)	-	(1,829)
Gross margin	**492**	**48**	**539**	-	**540**
Other operating income/expense	(8)	(42)	(49)	(4)	**(53)**
Selling and marketing expenses	(1)	(39)	(40)	(0)	**(40)**
General and administrative expenses	(24)	(42)	(66)	(77)	**(142)**
Research and development expenses	(2)	(22)	(24)	(0)	**(24)**
Net impairment gains/(losses) on financial and contract assets	(20)	(3)	(23)	(2)	**(25)**
Operating profit/(loss) (EBIT)	**438**	**(100)**	**337**	**(83)**	**254**
Net financing costs					(175)
Share of profit of equity-accounted investees					1
Income tax expense					(42)
Profit/(Loss)					**39**
Operating profit/(loss) (EBIT)	438	(100)	337	(83)	**254**
Depreciation, amortization and impairment[1]	671	91	762	5	**767**
EBITDA	**1,108**	**(9)**	**1,099**	**(78)**	**1,021**
Other segment information :					
Impairment charge/(reversal)	20	61	81	0	**81**

1 Includes net impairment losses on financial and contract assets.

Reconciliation of 2020 operating segments (Directional to IFRS)

	Reported segments under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	1,699	(241)	303	1,761
Turnkey	669	1,050	16	1,735
Total revenue	**2,368**	809	319	**3,496**
Gross margin				
Lease and Operate	492	49	187	728
Turnkey	48	117	(5)	160
Total gross margin	**539**	167	183	**889**
EBITDA				
Lease and Operate	1,108	(303)	202	1,007
Turnkey	(9)	134	(11)	114
Other	(78)	-	(0)	(78)
Total EBITDA	**1,021**	(169)	191	**1,043**
EBIT				
Lease and Operate	438	55	186	678
Turnkey	(100)	113	(3)	10
Other	(83)	-	0	(83)
Total EBIT	**254**	168	183	**605**
Net financing costs	(175)	(31)	(51)	(257)
Share of profit of equity-accounted investees	1	-	15	17
Income tax expense	(42)	(3)	6	(38)
Profit/(loss)	**39**	134	154	327
Impairment charge/(reversal)	81	20	(8)	94

The reconciliation from Directional reporting to IFRS comprises two main steps:

- In the first step, those lease contracts that are classified and accounted for as finance lease contracts under IFRS are restated from an operating lease accounting treatment to a finance lease accounting treatment.
- In the second step, the consolidation method is changed i) from proportional consolidation to full consolidation for those Lease and Operate related subsidiaries over which the Company has control and ii) from proportional consolidation to the equity method for those Lease and Operate related investees that are classified as joint ventures in accordance with IFRS 11.

Impact of lease accounting treatment

For the Lease and Operate segment, the restatement from an operating to a finance lease accounting treatment has the main following impacts for the 2020 period:

- Revenue reduced by US$(241) million. This primarily resulted from the two following opposite effects:
  - A revenue of US$249 million was accounted for under IFRS following the signature of an agreement for a five years' extension for the lease and operate contracts of the *FPSO Espirito Santo* located in Brazil. This additional revenue, recognized only under IFRS is reported as US$127 million (the Company's ownership share) within the *'Impact of Lease accounting treatment'* and US$122 million (i.e. NCI ownership share) within the *'Impact of the consolidation method'* in the above reconciliation table; and
  - During the lease period, under IFRS, the revenue from finance leases is limited to that portion of charter rates that is recognized as interest using the interest effective method. Under Directional reporting, in accordance with the operating lease treatment, the full charter rate is recognized as revenue, on a straight-line basis.
- Gross margin is increased by US$49 million and EBIT is increased by US$55 million. This again resulted from two opposite effects:

- A Gross margin of US$123 million was accounted for under IFRS following the extension for the lease and operate contracts of the *FPSO Espirito Santo*. This additional Gross Margin, recognized only under IFRS, is reported as US$63 million (the company's ownership share) within the *'Impact of Lease accounting treatment'* and US$60 million (NCI ownership share) within the *'Impact of the consolidation method'* in the above reconciliation table; and
- The amount of the (declining) interest recognized under IFRS is lower than the linear gross margin recognized under Directional for the related vessels. Under IFRS, gross margin and EBIT from finance leases equal the recognized revenue, therefore following the declining profile of the interest recognized using the interest effective method. On the other side, under the operating lease treatment applied under Directional, the gross margin and the EBIT correspond to the revenue and depreciation of the recognized PP&E, both accounted for on a straight-line basis over the lease period.

For the Turnkey segment, the restatement from operating to finance lease accounting treatment had the following impacts over the 2020 period:

- Revenue and gross margin increased by US$1,050 million and US$117 million respectively, mainly due to the accounting treatment of *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* as finance leases under IFRS: Under IFRS, a finance lease is considered as if it was a sale of the asset leading to recognition of revenue during the construction of the asset corresponding to the present value of the future lease payments. This (mostly non-cash) revenue is recognized within the Turnkey segment.
- The basic impact on Turnkey EBIT and EBITDA is largely in line with the impact on gross margin.

As a result, the restatement from operating to finance lease accounting treatment results in an increase of net profit of US$134 million under IFRS when compared with Directional reporting.

Impact of consolidation methods

The impact of consolidation methods in the above table describes the net impact from:

- Proportionate consolidation to full consolidation for those Lease and Operate related subsidiaries over which the Company has control, resulting in an increase of revenue, gross margin, EBIT and EBITDA;
- Proportionate consolidation to the equity accounting method for those Lease and Operate related investees that are classified as joint ventures in accordance with IFRS 11, resulting in a decrease of revenue, gross margin, EBIT and EBITDA.

The impact of the changes in consolidation methods results in a net increase of revenue, gross margin, EBIT, EBITDA and net profit under IFRS when compared to Directional reporting. This reflects the fact that the majority of the Company's FPSOs, that are leased under finance lease contracts, are owned by subsidiaries over which the Company has control and which are consolidated using the full consolidation method under IFRS.

2019 operating segments (Directional)

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	**1,315**	**856**	**2,171**	**-**	**2,171**
Cost of sales	(921)	(726)	(1,647)	-	(1,647)
Gross margin	**394**	**130**	**524**	**-**	**524**
Other operating income/expense	1	6	6	88[1]	**94**
Selling and marketing expenses	(1)	(47)	(48)	(0)	**(48)**
General and administrative expenses	(19)	(45)	(64)	(64)	**(128)**
Research and development expenses	(3)	(22)	(24)	(0)	**(24)**
Net impairment gains/(losses) on financial and contract assets	(3)	3	0	(0)	**(0)**
Operating profit/(loss) (EBIT)	**369**	**25**	**395**	**23**	**418**
Net financing costs					(142)
Share of profit of equity-accounted investees					1
Income tax expense					(42)
Profit/(Loss)					**235**
Operating profit/(loss) (EBIT)	369	25	395	23	**418**
Depreciation, amortization and impairment	473	28	500	3	503
EBITDA	**842**	**53**	**895**	**26**	**921**
Other segment information :					
Impairment charge/(reversal)	25	-	25	(0)	**25**

1 Mainly includes a gain of US$90 million on the purchase of additional shares in Cidade de Paraty, Cidade de Ilhabela, Cidade de Marica, Cidade de Saquarema and Capixaba.

Reconciliation of 2019 operating segments (Directional to IFRS)

	Reported segments under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	1,315	(261)	273	1,327
Turnkey	856	1,202	6	2,064
Total revenue	**2,171**	941	279	**3,391**
Gross margin				
Lease and Operate	394	(4)	177	567
Turnkey	130	240	(3)	367
Total gross margin	**524**	236	174	**933**
EBITDA				
Lease and Operate	842	(257)	197	783
Turnkey	53	238	(1)	290
Other	26	-	(90)[1]	(63)
Total EBITDA	921	(18)	107	**1,010**
EBIT				
Lease and Operate	369	4	176	549
Turnkey	25	236	(2)	259
Other	23	-	(90)	(66)
Total EBIT	**418**	240	84	**742**
Net financing costs	(142)	(31)	(70)	(243)
Share of profit of equity-accounted investees	1	-	42	43
Income tax expense	(42)	6	5	(31)
Profit/(loss)	235	216	60	511
Impairment charge/(reversal)	25	2	1	28

1 Includes the removal of a gain of US$90 million on purchase of shares in Cidade de Paraty, Cidade de Ilhabela, Cidade de Marica, Cidade de Saquarema and Capixaba.

Reconciliation of 2020 statement of financial position (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment and Intangible assets[1]	6,133[2]	(5,539)	(2)	592
Investment in associates and joint ventures	4	0	278	282
Finance lease receivables	0	4,941	1,546	6,487
Other financial assets	307[3]	(209)	25	122
Construction work-in-progress	69	1,862	317	2,248
Trade receivables and other assets	860	(2)	(56)	802
Derivative financial instruments	137	-	(0)	137
Cash and cash equivalents	383	-	31	414
Assets held for sale	0	0	(0)	0
Total Assets	**7,894**	1,053	2,138	**11,085**
EQUITY AND LIABILITIES				
Equity attributable to parent company	858	1,694	4	2,556
Non-controlling interests	1	0	905	905
Equity	**858**	1,694	909	**3,462**
Borrowings and lease liabilities	4,476[4]	-	1,147	5,623
Provisions	549	(205)	32	376
Trade payable and other liabilities	1,290	(51)	(32)	1,207
Deferred income	395	(386)	(3)	6
Derivative financial instruments	327	-	84	411
Total Equity and Liabilities	**7,894**	1,053	2,138	**11,085**

1 Under Directional, the cost related to the Brazilian local content penalty is capitalized in line with construction progress of related assets and presented in the statement of financial position under 'Property, plant and equipment and Intangible assets'.

2 Includes US$1,759 million related to (i) units under construction (i.e. FPSOs Liza Unity, Prosperity and Sepetiba) and (ii) Gene tanker.

3 Includes US$273 million related to demobilization receivable.

4 Includes US$3,150 million non-recourse debt and US$71 million lease liability.

Consistent with the reconciliation of the key income statement line items, the above table details:

- The restatement from the operating lease accounting treatment to the finance lease accounting treatment for those lease contracts that are classified and accounted for as finance lease contracts under IFRS; and
- The change from proportional consolidation to either full consolidation or equity accounting for investees related to Lease and Operate contracts.

Impact of lease accounting treatment

For the statement of financial position, the main adjustments from Directional reporting to IFRS as of December 31, 2020 are:

- For those lease contracts that are classified and accounted for as finance lease contracts under IFRS, de-recognition of property, plant and equipment recognized under Directional reporting (US$(5,539) million) and subsequent recognition of (i) finance lease receivables (US$4,941 million) and (ii) construction work-in-progress (US$1,862 million) for those assets still under construction.
- For operating lease contracts with non-linear bareboat day rates, a deferred income provision is recognized to show linear revenues under Directional reporting. This balance (US$(386) million) is derecognized for the contracts that are classified and accounted for as finance lease contracts under IFRS.
- Restatement of the provisions for demobilization and associated non-current receivable assets, mainly impacting other financial assets (US$(209) million) and provisions (US$(205) million).

As a result, the restatement from operating to finance lease accounting treatment gives rise to an increase of equity of US $1,694 million under IFRS compared with Directional reporting. This primarily reflects the earlier margin recognition on finance lease contracts under IFRS compared to Directional reporting.

Impact of consolidation methods

The above table of statement of financial position also describes the net impact of moving from proportionate consolidation to either full consolidation, for those lease related investees in which the Company has control, or equity accounting, for those investees that are classified as joint ventures under IFRS 11. The two main impacts are:

- Full consolidation of asset specific entities that mainly comprise finance lease receivables (representing the net present value of the future lease payments to be received) and non-recourse project debts.
- Derecognition of the individual line items from the statement of financial positions for those entities that are equity accounted under IFRS, rolling up in the line item 'Investment in associates and joint ventures'.

Reconciliation of 2020 cash flow statement (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**1,021**	(169)	191	**1,043**
Adjustments for non-cash and investing items	52	4	(34)	23
Changes in operating assets and liabilities	(326)	(912)	(202)	(1,440)
Reimbursement finance lease assets	(0)	300	(13)	288
Income taxes paid	(51)	0	10	(42)
Net cash flows from (used in) operating activities	**696**	(777)	(48)	**(128)**
Capital expenditures	(871)	801	0	(70)
Other investing activities	34	4	15	53
Net cash flows from (used in) investing activities	**(837)**	805	15	**(17)**
Equity payment from/(repayment to) partners	-	-	(23)	(23)
Additions and repayments of borrowings and lease liabilities	534	0	139	673
Dividends paid to shareholders and non-controlling interests	(150)	-	(83)	(233)
Interest paid	(155)	(24)	(50)	(228)
Share repurchase program	(165)	-	-	(165)
Payments to non-controlling interests for change in ownership	(0)	-	28	28
Net cash flows from (used in) financing activities	**62**	(24)	12	**50**
Net cash and cash equivalents as at 1 January	458	-	48	506
Net increase/(decrease) in net cash and cash equivalents	(80)	0	(16)	(95)
Foreign currency variations	5	(0)	(0)	5
Net cash and cash equivalents as at 31 December	**383**	-	31	**414**

Impact of lease accounting treatment

At net cash level, the difference in lease accounting treatment is neutral. The impact of the different lease accounting treatment under Directional reporting versus IFRS is limited to reclassifications between cash flow activities.

A large part of the capital expenditures (US$801 million) are reclassified from investing activities under Directional, to net cash flows from operating activity under IFRS, where finance lease contracts are accounted for as construction contracts. Furthermore, the financing costs incurred during the construction of the FPSOs, which are capitalized under Directional as part of asset under construction (and therefore presented in investing activities) are reclassified to financing activities under IFRS.

The impact of the change of lease accounting treatment at EBITDA level is described in further detail in the earlier reconciliation of the Company's income statement.

Impact of consolidation methods

The impact of the consolidation method on the cash flow statement is in line with the impact described for the statement of financial position. The full consolidation of asset specific entities, mainly comprising finance lease receivables and the related non-recourse project debts, results in increased additions and repayments of borrowings under IFRS versus Directional.

Reconciliation of 2019 statement of financial position (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment and Intangible assets[1]	5,849[2]	(4,896)	76	1,028
Investment in associates and joint ventures	14	-	312	325
Finance lease receivables	(0)	5,214	1,481	6,694
Other financial assets	290	(180)	23	134
Construction work-in-progress	125	803	44	973
Trade receivables and other assets	633	(0)	(50)	583
Derivative financial instruments	43	-	(0)	43
Cash and cash equivalents	458	-	48	506
Assets held for sale	1	-	-	1
Total Assets	**7,414**	940	1,933	**10,287**
EQUITY AND LIABILITIES				
Equity attributable to parent company	1,179	1,532	36	2,748
Non-controlling interests	0	0	864	865
Equity	**1,179**	1,532	901	**3,613**
Loans and borrowings	3,918[3]	-	1,004	4,922
Provisions	428	(150)	5	283
Trade payable and other liabilities	1,213	(68)	(123)	1,022
Deferred income	486	(374)	95	207
Derivative financial instruments	190	-	51	241
Total Equity and Liabilities	**7,414**	940	1,933	**10,287**

1 Under Directional, the cost related to the Brazilian local content penalty is capitalized in line with construction progress of related assets and presented in the statement of financial position under 'Property, plant and equipment and Intangible assets'.

2 Includes US$1,537 million related to (i) Liza Destiny (FPSO) (ii) units under construction (i.e. FPSO Liza Unity, Prosperity and Sepetiba) and (iii) Gene tanker.

3 Includes US$2,851 million non-recourse debt and US$173 million lease liability

Reconciliation of 2019 cash flow statement (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**921**	(18)	107	**1,010**
Adjustments for non-cash and investing items	(71)[1]	21	87	37
Changes in operating assets and liabilities	(414)	(901)	(121)	(1,435)
Reimbursement finance lease assets	(0)	196	2	197
Income taxes paid	(35)	-	7	(29)
Net cash flows from (used in) operating activities	**401**	(703)	81	**(220)**
Capital expenditures	(764)	725	(0)	(39)
Acquisition of shares in co-owned entities	(125)[2]	-	125	(0)
Other investing activities	93	(0)	228	321
Net cash flows from (used in) investing activities	**(796)**	725	353	**282**
Equity payment from/repayment to partners	-	-	82	82
Additions and repayments of borrowings and loans	627	0	(276)	351
Dividends paid to shareholders non-controlling interests	(74)	-	(34)	(108)
Interest paid	(150)	(23)	(71)	(244)
Share repurchase program	(196)	-	-	(196)
Payments to non-controlling interests for change in ownership	(0)	-	(149)	(149)[3]
Net cash flows from (used in) financing activities	**207**	(23)	(448)	**(264)**
Net cash and cash equivalents as at 1 January	657	-	62	718
Net increase/(decrease) in net cash and cash equivalents	(189)	-	(13)	(202)
Foreign currency variations	(10)	-	1	(9)
Net cash and cash equivalents as at 31 December	**458**	-	48	**506**

1 Includes a gain of US$90 million on the purchase of additional shares in Cidade de Paraty, Cidade de Ilhabela, Cidade de Marica, Cidade de Saquarema and Capixaba.

2 Includes US$149 million for the purchase of shares in Cidade de Paraty, Cidade de Ilhabela, Cidade de Marica, Cidade de Saquarema and Capixaba net of acquired cash.

3 Includes US$149 million for the purchase of shares in Cidade de Paraty, Cidade de Ilhabela, Cidade de Marica, Cidade de Saquarema and Capixaba.

Deferred income (Directional)

	31 December 2020	31 December 2019
Within one year	82	98
Between 1 and 2 years	67	93
Between 2 and 5 years	133	188
More than 5 years	113	108
Balance at 31 December	**395**	**486**

The Directional deferred income is mainly related to the revenue of those lease contracts, which include a decreasing day-rate schedule. As revenue is recognized 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 will be released through the income statement over the remaining duration of the relevant lease contracts.

GEOGRAPHICAL INFORMATION

The classification by country is determined by the final destination of the product for both revenues and non-current assets.

The revenue by country is analyzed as follows:

2020 geographical information (revenue by country and segment)

	Directional			IFRS		
	Lease and Operate	Turnkey	**Reported segments**	Lease and Operate	Turnkey	**Reported segments**
Brazil	834	258	1,092	1,254	759	2,014
Guyana	209	141	350	135	701	836
Canada	224	2	227	224	2	227
Angola	195	7	202	0	10	10
Norway	-	114	114	-	114	114
Equatorial Guinea	97	8	105	88	8	96
Malaysia	81	9	91	1	11	12
China	-	33	33	-	33	33
The United States of America	33	2	35	33	2	35
Gabon	-	21	21	-	21	21
Korea	-	19	19	-	19	19
Nigeria	-	14	14	-	14	14
Other	25	42	67	25	42	67
Total revenue	**1,699**	**669**	**2,368**	**1,761**	**1,735**	**3,496**

2019 geographical information (revenue by country and segment)

	Directional			IFRS		
	Lease and Operate	Turnkey	**Reported segments**	Lease and Operate	Turnkey	**Reported segments**
Brazil	759	42	801	1,050	117	1,167
Guyana	8	293	300	5	1,417	1,422
Norway	-	246	246	-	246	246
Angola	178	8	186	0	13	13
Canada	135	1	136	135	1	136
The United States of America	41	71	112	41	71	112
Malaysia	85	18	103	0	22	22
China	-	95	95	-	95	95
Equatorial Guinea	88	1	89	74	0	75
Virgin Islands	-	13	13	-	13	13
Nigeria	-	23	23	-	23	23
Other	22	46	67	22	46	67
Total revenue	**1,315**	**856**	**2,171**	**1,327**	**2,064**	**3,391**

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

	31 December 2020		31 December 2019	
	IFRS	DIR	IFRS	DIR
Brazil	5,709	3,933	6,050	3,656
Guyana	791	1,817	873	1,432
Angola	257	269	242	323
Equatorial Guinea	87	138	106	160
Switzerland	66	79	49	50
Monaco	57	57	66	67
Malaysia	57	43	93	61
The United States of America	50	51	87	65
Canada	28	28	182	182
Other	141	114	142	170
Total	**7,243**	**6,528**	**7,891**	**6,166**

RELIANCE ON MAJOR CUSTOMERS

Under Directional, two customers each represent more than 10% of the consolidated revenue. Total revenue from these two major customers amounts to US$1,469 million (US$1,023 million and US$446 million, respectively). In 2019, the revenue related to the three major customers was US$1,339 million (US$703 million, US$385 million and US$250 million, respectively). In 2020 and 2019, the revenue of these major customers was predominantly related to the Lease and Operate segment.

Under IFRS, three customers each represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$2,879 million (US$1,661 million, US$867 million and US$352 million respectively). In 2019 two customers accounted for more than 10% of the consolidated revenue (US$2,393 million), respectively for US$1,450 million and US$943 million.

4.3.3 REVENUE

The Company's revenue mainly originates from construction contracts and lease and operate contracts. Revenue originating from construction contracts is presented in the Turnkey segment while revenue from lease and operate contracts is presented in the Lease and Operate segment. Around 65% of the Company's 2020 lease and operate revenue is made of charter rates related to lease contracts while the remaining amount originates from operating contracts. The Company recognizes most of its revenue (i.e. around 90%) over time.

The Company's policy regarding revenue recognition is described in further detail in note 4.2.7 B. Critical Accounting Policies – (d) Revenue. Due to COVID-19 pandemic, the Company incurred additional costs in order to satisfy its performance obligation on some of its construction contracts mainly due to limited delay in the project delivery following lockdown periods, international travel restrictions and remote working. Those additional costs contribute to the progress of transfer of control of the construction asset to the customer over the construction period and have therefore been considered as part of the revenue recognition over time. The related amount recognized as revenue in 2020 is less than 1% of total 2020 revenue. For the disaggregation of total revenue by country and by segment, please refer to Geographical Information under note 4.3.2 Operating Segments and Directional Reporting and 4.3.1 Financial Highlights.

The Company's construction contracts can last for multiple years depending on the type of product, scope and complexity of the project while the Company's Lease and Operate contracts are generally multiple-year contracts. As a result, the Company has (partially) outstanding performance obligations to its clients (unsatisfied performance obligations) at December 31, 2020. These unsatisfied performance obligations relate to:

- Ongoing construction contracts, including the construction of vessels under finance lease that still need to be completed;
- Ongoing multiple-year operating contracts. Note that for this specific disclosure on unsatisfied performance obligations, the lease component of the Lease and Operate contracts is excluded (this component being described in further detail in notes 4.3.13 Property, Plant and Equipment and 4.3.15 Finance Lease Receivables). As noted, some contracts include (performance) bonuses when earned or penalties incurred under the Company's Lease and Operate contracts. The

Company recognizes revenues for such items at a point in time. The amount of performance-related payments for 2020 was US$68 million (2019: US$88 million).

The following table presents the unsatisfied performance obligations as at December 31, 2020 (in billions of US$):

Unsatisfied performance obligations related to:	2020	2019
- constructions contracts including finance leases	3.0	3.1
- operating contracts	7.0	7.4
Total	10.0	10.5

The unsatisfied performance obligations for the committed construction contracts relate mostly to three major construction FPSO contracts. Revenue related to these construction contracts is expected to be recognized over the coming four 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 2022 and 2045. 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$28 million in 2020 (2019: US$16 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. To the extent that lease payments are dependent on an index or a rate, they are excluded from the initial recognition of the lease payments receivable.

4.3.4 OTHER OPERATING INCOME AND EXPENSE

	2020	2019
Insurance claim income	-	5
Gains from sale of financial participations, property, plant and equipment	(1)	0
Other operating income	5	2
Total other operating income	**4**	**7**
Other operating expenses	(1)	(2)
Impairment of other assets and onerous contracts	(10)	-
Restructuring expenses	(46)	(0)
Total other operating expense	**(57)**	**(2)**
Total	**(53)**	**5**

Restructuring of the Company

In 2020, the Company incurred restructuring expenses. The Company took action to reorganize the allocation of activities in centers in order to become more efficient. Compared with year-end 2019, the reorganization lead to a reduction of approximately 600 positions. The related restructuring severance costs expense totaled US$46 million in 2020. As a result of the restructuring, the Company also impaired right-of-use assets on buildings and recognized an onerous provision for a total amount of US$10 million.

Acquisition of 75% equity ownership in OS Installer Limited

The Company acquired the remaining 75% equity ownership in OS Installer Limited for a consideration of US$34 million on September 30, 2020. The net impact between (i) the financial consideration paid to acquire the 75% share in OS Installer Limited, (ii) the recognition of the acquired assets and liabilities and (iii) the derecognition of lease liability and previously held investment, has been recognized in the line item 'Other operating income' for US$3 million. Please refer to note 4.3.13 Property, Plant and Equipment.

4.3.5 EXPENSES BY NATURE

The table below sets out expenses by nature for all items included in EBIT for the years 2020 and 2019:

	Note	**2020**	2019
Expenses on construction contracts		(1,245)	(1,319)
Employee benefit expenses	*4.3.6*	(614)	(575)
Vessels operating costs		(378)	(312)
Depreciation, amortization and impairment		(439)	(268)
Selling expenses		(24)	(30)
Other costs		(189)	(153)
Total expenses		**(2,891)**	**(2,657)**

In 2020, expenses on construction contracts decreased by 6% reflecting the lower activity on Turnkey projects.

Vessel operating costs have increased as a result of *Liza Destiny* (FPSO) first oil at the end of 2019, additional maintenance costs and costs related to preventive measures implemented as a result of COVID-19.

Depreciation, amortization and impairment was impacted in 2020 by the following non-recurring items:
- The depreciation of US$(78) million for Deep Panuke MOPU following the end of the lease period;
- A full impairment of US$(57) million of the SBM Installer installation vessel; and
- Other impairments of US$(29) million (individually not material) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

Expenses related to short-term leases and leases of low value assets amounted to US$5 million in 2020 (2019: US$6 million).

The increase in Other costs is mainly driven by the impact of the 2020 restructuring severance costs of US$46 million.

4.3.6 EMPLOYEE BENEFIT EXPENSES

Information with respect to employee benefits expenses are detailed as follows:

	Note	**2020**	2019
Wages and salaries		(353)	(329)
Social security costs		(53)	(54)
Contributions to defined contribution plans		(35)	(33)
Contributions to defined benefit plans		(1)	(3)
Share-based payment cost		(27)	(17)
Contractors costs		(84)	(88)
Other employee benefits		(60)	(51)
Total employee benefits	*4.3.5*	**(614)**	**(575)**

Contractors costs include expenses related to contractor staff not on the Company's payroll. Other employee benefits mainly include commuting, training, expatriate and other non-wage compensation costs.

DEFINED CONTRIBUTION PLAN

The contributions to defined contribution plans includes the Company participation in the Merchant Navy Officers Pension Fund (MNOPF). The MNOPF is a defined benefit multi-employer plan, which is closed to new members. The fund is managed by a corporate Trustee, MNOPF Trustees Limited, and provides defined benefits for nearly 23,447 (2019: 25,688) Merchant Navy Officers and their dependents out of which approximately 29 (2019: 90) are SBM Offshore former employees.

The Trustee apportions its funding deficit between Participating Employers, based on the portions of the Fund's liabilities, which were originally accrued by members in service with each employer. When the Trustee determines that contributions are unlikely to be recovered from a Participating Employer, it can re-apportion the deficit contributions to other Participating Employers.

Entities participating in the MNOPF are exposed to the actuarial risk associated with the current and former employees of other entities through exposure to their share of the deficit those other entities default. As there is only a notional allocation of assets and liabilities to any employer, the Company is accounting for the MNOPF in its financial statements as if it was a defined contribution scheme. There are no contributions to the plan agreed at present.

DEFINED BENEFIT PLANS AND OTHER LONG-TERM BENEFITS

The employee benefits provisions recognized in accordance with accounting principles, relate to:

	Note	**2020**	2019
Pension plan		6	6
Lump sums on retirement		11	7
Defined benefit plans		**17**	**13**
Long-service awards		17	14
Other long-term benefits		**17**	**14**
Employee benefits provisions	*4.3.26*	**34**	**28**

The defined benefit plan provision is partially funded as follows:

Benefit asset/liability included in the statement of financial position

	31 December 2020			31 December 2019		
	Pension plans	**Lump sums on retirement**	**Total**	Pension plans	Lump sums on retirement	**Total**
Defined benefit obligation	39	11	50	38	7	**45**
Fair value of plan assets	(33)	-	(33)	(32)	-	**(32)**
Benefit (asset)/liability	**6**	**11**	**17**	**6**	**7**	**13**

The main assumptions used in determining employee benefit obligations for the Company's plans are shown below:

Main assumptions used in determining employee benefit obligations

in %	**2020**	2019
Discount rate	0.00-1.00	0.25 - 2.00
Inflation rate	1.75	1.00 - 1.75
Discount rate of return on plan assets during financial year	0.00	0.50
Future salary increases	1.00 - 3.00	1.00 - 3.00
Future pension increases	-	-

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL OF THE COMPANY

The remuneration of key management personnel of the Company paid during the year, including pension costs and performance related Short-Term Incentives (STI), amounted to US$19 million (2019: US$19 million). There are no loans outstanding to the members of the key management or guarantees given on behalf of members of the key management.

The performance-related part of the remuneration, comprising Value Creation Stake and STI components, was 68% (2019: 70%). The Management Board's remuneration (which is Euro denominated) increased in 2020 versus 2019, explained by an increase in remuneration for two members and a higher fair value of the Value Creation Stake.

The total remuneration and associated costs of the Management Board and other key management personnel (members of the Executive Committee) is specified as follows:

Remuneration key management personnel

in thousands of US$	Base salary	STI[1]	Sharebased compensation[2]	Other[3]	Pensions[4]	Total remuneration
Management Board Members						
2020	3,002	3,094	6,177	514	814	13,601
2019	2,651	2,532	6,513	439	713	12,848
Other key personnel[5]						
2020	2,514	427	1,492	564	204	5,201
2019	2,254	1,028	1,170	1,358	130	5,940
Total 2020	**5,516**	**3,522**	**7,669**	**1,078**	**1,018**	**18,803**
Total 2019	**4,905**	**3,560**	**7,683**	**1,798**	**842**	**18,789**

1 For the Management Board this represents the actual STI approved by the Supervisory Board, which has been accrued over the calendar year, payment of which will be made in the following year.
2 This share-based compensation represents the period expense of share-based payments in accordance with IFRS 2.
3 Consisting of social charges, lease car expenses, and other allowances.
4 This represents company contributions to defined contribution pension plans; in case of absence of a qualifying pension scheme such contribution is paid gross, withholding wage tax at source borne by the individuals.
5 The definition of 'Other key personnel' is aligned with the Executive Committee, as disclosed on the Company's website.

The table above represents the total remuneration in US dollar, being the reporting currency of the Company.

The following table represents the movements during 2020 of all unvested shares of (former) Management Board members (the total number of vested shares held by (former) Management Board members are reported in note 4.3.23 Equity Attributable to Shareholders). Unvested LTI shares in the columns Outstanding at the beginning and/or end of the year, are reported at the Target LTI numbers. The actual vesting hereof in the year is shown for the actual number as per the outcome of the performance criteria as per the Remuneration Policy. As at December 31, 2020 there are no share-based incentives outstanding:

Shared-based incentives	Outstanding at the beginning of period	Granted	Vested	Outstanding at the end of period
2020	247,689	-	247,689	-
2019	574,062	-	326,373	247,689

SHORT-TERM INCENTIVE PROGRAM OF THE MANAGEMENT BOARD

The Short-Term Incentive Program is based upon the short-term operational performance, which includes three sets of Performance Indicators as noted below:

- Profitability;
- Growth;
- Health, Safety, Social and Environment (HSSE).

The Supervisory Board may adjust the outcome of the STI down by 10%. Any such adjustment would be be reported in the Remuneration Report. No such reduction has been made for 2020 or 2019.

For 2020 (equal to 2019), the Supervisory Board concluded that the Company's performance indicators had outcomes ranging from below threshold to maximum. For the year 2020 a total of seven performance indicators were established (2019: seven). The Company's performance resulted in performance of 122% (2019: 115%) of salary for the CEO and 92% (2019: 86%) for the other Management Board members.

VALUE CREATION STAKE SHARES OF THE MANAGEMENT BOARD

Under the Remuneration Policy 2018, the members of the Management Board are entitled to a Value Creation Stake, being a number of shares determined by a four-year average share price (volume weighted). These shares vest immediately upon the award date, and must be retained for five years from the vesting date, or – in the event of retirement or termination – two years after such event.

Number of issued shares	2020	2019
Total 2020	324,875	320,330

The number of shares granted is based upon 175% of the individual's base salary and determined by the 4-year average volume-weighed share price (VWAP) over the years 2016 through 2019 (2019: 2015 through 2018), being EUR14.16 (2019: EUR12.92). The fair value of these shares upon issue was EUR16.74, being the opening share price of January 2, 2020 (2019: EUR 12.67). For the additional Value Creation Stake shares granted following the decision on the salary increase of two Management Board members the fair value upon issue was EUR15.65, being the opening share price of November 12, 2020.

RESTRICTED SHARE UNIT (RSU) PLANS

The number of shares granted under the RSU plan in 2020 was 638,780 (2019: 601,200), with the three year employment period starting on January 1, 2020 (2019: January 1, 2019).

The annual RSU award is based on individual performance. The RSU plans themselves have no performance condition, only a service condition, and will vest at the end of three years continuing service. The fair value is determined based on the share price at the grant dates, with an adjustment for the present value of the expected dividends during the vesting period.

	2020	2019
RSU grant date fair value per share	€ 10.41	€ 11.80

For RSUs, an average annual forfeiture percentage (based on expectations on for example the number of employees leaving the Company before the vesting date of their respective RSU plan) of 5% is assumed. The Company periodically reviews this estimate and aligns to the actual forfeitures.

OWNERSHIP SHARES

Ownership Shares is an annual award in shares to compensate the overall STI target reduction of 3-6% of annualized gross salary under the Company's 2019 STI plan awarded to employees based on seniority. The Ownership Shares have no performance conditions, only a service condition. The Ownership Shares are subject to a three-year holding requirement after the grant date. This means that a fixed population of onshore employees, based on seniority in the Company, are eligible to the Ownership Shares equal to 4-8% of annualized gross salary.

The total number of Ownership Shares that vested during 2020 was 95,681 shares (2019: 113,877). The fair value of the Ownership Shares is measured at the opening share price of April 1, 2020.

	2020	2019
Ownership Shares grant date fair value per share	€ 11.78	€ 14.08

MATCHING SHARES

Under the STI plans for the management and staff of the Company, 20% of the STI is or can be paid in shares. Subject to a vesting period of four years, an identical number of shares (matching shares) will be issued to participants, assuming a probability of 95%. The grant date fair value is measured indirectly based on the grant date price of the equity instrument, with an adjustment for the present value of the expected dividends during the vesting period.

The assumptions included in the calculation for the matching shares are:

	2020	2019
Matching shares grant date fair value per share	€ 10.75	€ 15.67

TOTAL SHARE-BASED PAYMENT COSTS

The amounts recognized in operating profit for all share-based payment transactions have been summarized by taking into account both the provisional awards for the current year and the additional awards related to prior years. Total share-based compensation has increased in comparison to 2019.

2020	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	15,288	4,780	**20,068**
Total expenses 2020	**15,288**	**4,780**	**20,068**

2019	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	13,211	2,050	**15,262**
Performance conditions	1,795	0	**1,795**
Total expenses 2019	**15,007**	**2,050**	**17,057**

Rules of conduct with regard to inside information are in place to ensure compliance with the act on financial supervision. For example these rules forbid the exercise of options or other financial instruments during certain periods, more specifically when an employee is in possession of price-sensitive information.

The movement in the outstanding number of shares which could potentially vest at a point in time under the Company share-based payment plans is illustrated in the following table.

in number of shares	2020	2019
Outstanding at 1 January	**1,991,476**	**2,406,331**
Granted	1,631,655	1,581,616
Vested	(955,922)	(1,935,761)
True-up at vesting		(11,755)
Cancelled or forfeited	(136,873)	(48,955)
Total movements	**538,860**	**(414,855)**
Outstanding at 31 December	**2,530,336**	**1,991,476**

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board amounted to EUR741,000 (2019: EUR778,000) and can be specified as follows:

	2020			2019		
in thousands of EUR	Basic remuneration	Committees	Total	Basic remuneration	Committees	Total
Total	**659**	**82**	**741**	**684**	**94**	**778**

There are no share-based incentives granted to the members of the Supervisory Board. Nor are there any loans outstanding to the members of the Supervisory Board or guarantees given on behalf of members of the Supervisory Board.

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.

Construction Work-in-Progress and Trade Receivables

As for the finance leases, there was no payment default (including overdue of more than 90 days) on any material trade receivables over the period. The Company performed as usual a detailed analysis of the credit risks associated with material trade receivables balances as at the reporting date. This did not result in any significant impairment losses over the period.

Other Financial Assets

Overall, the reassessment of the expected credit losses of other financial assets resulted in a limited impact, except for the impairment of one long-term receivable amounting to US$11 million. This was the result of a significant downgrade in the credit rating of the main producer of one of the units, resulting in a full impairment of the main producer's contribution to the long-term receivable.

Impairments of financial assets and contract assets which relate to credit risk as per IFRS 9 requirements are recognized in a dedicated line of the income statement: 'Net impairment losses on financial and contract assets'. Impairments resulting from commercial disputes and other business decisions are not included in this dedicated line of the income statement.

During the year, the following gains/(losses) related to credit risks were recognized:

	2020	2019
Impairment losses		
- Movement in loss allowance for trade receivables	(1)	3
- Movement in loss allowance for construction work-in-progress	(4)	0
- Movement in loss allowance for finance lease receivables	(1)	0
- Movement in loss allowance for other assets	(18)	(1)
Net impairment gains/(losses) on financial and contract assets	**(24)**	**3**

During the year 2020, the Company recognized US$(24) million net impairment loss on financial and contract assets.

The limited amount of loss allowance recognized by the Company over 2020 reflects the creditworthiness of the Company's client portfolio.

4.3.9 NET FINANCING COSTS

	2020	2019
Interest income on loans & receivables	3	10
Interest income on investments	3	10
Net foreign exchange gain	2	10
Other financial income	1	1
Financial income	**9**	**31**
Interest expenses on financial liabilities at amortized cost	(181)	(247)
Interest expenses on hedging derivatives	(76)	(17)
Interest expenses on lease liabilities	(5)	(6)
Interest addition to provisions	(1)	(2)
Net loss on financial instruments at fair value through profit and loss	0	(0)
Net cash flow hedges ineffectiveness	(3)	(3)
Net foreign exchange loss	0	0
Financial expenses	**(265)**	**(274)**
Net financing costs	**(257)**	**(243)**

The increase in net financing costs is mainly due to: (i) the decrease of interest income on investments due to lower interest rates (US$ LIBOR) in 2020; (ii) the decrease of interest income on loans and receivables resulting from the repayment of loans from Sonasing Xikomba Ltd (the entity that owns the *N'Goma FPSO*), following optimization of the non-recourse project loan in 2019 and; (iii) the decrease of the net foreign exchange gain related to the reduction of index-linked term deposits protecting the Company against Kwanza devaluation for its cash held in Angola.

As a result of the Company's hedging policy, the decrease of Libor 3M in 2020 had a limited impact on Financial expenses as it led both to a decrease of Interest expenses on financial liabilities at amortized costs and to an increase of interest expenses on hedging derivatives.

4.3.10 INCOME TAX EXPENSE

The relationship between the Company's income tax expense and profit before income tax (referred to as 'effective tax rate') can vary significantly from period to period considering, among other factors: (i) changes in the blend of income that is taxed based on revenues versus profit; (ii) the different statutory tax rates in the location of the Company's operations and (iii) the possibility to recognize deferred tax assets on tax losses to the extent that suitable future taxable profits will be available.

Some of the taxes are withholding taxes (paid on revenues). The assessment of whether the withholding tax is in scope of IAS 12 is judgmental; the Company performed this assessment in the past and some of the withholding taxes that the Company pays in certain countries qualify as income taxes as it creates an income tax credit or it is considered as deemed profit taxation.

Consequently, income tax expense does not change proportionally with profit before income taxes. Significant decreases in profit before income tax typically lead to a higher effective tax rate, while significant increases in profit before income taxes can lead to a lower effective tax rate, subject to the other factors impacting income tax expense noted above. Additionally, where a deferred tax asset is not recognized on a loss carry forward, the effective tax rate is impacted by the unrecognized tax loss.

The components of the Company's income taxes were as follows:

Income tax recognized in the consolidated Income Statement

	Note	2020	2019
Corporation tax on profits for the year		(47)	(38)
Adjustments in respect of prior years		(1)	(2)
Total current income tax		**(48)**	**(40)**
Deferred tax	*4.3.17*	10	9
Total		**(38)**	**(31)**

The Company's operational activities are subject to taxation at rates, which range up to 35% (2019: 35%).

For the year ended December 31, 2020, the respective tax rates, the change in the blend of income tax based on income withholding tax and deemed profit assessment versus income tax based on net profit, the unrecognized deferred tax asset on certain tax losses, tax-exempt profits and non-deductible costs resulted in an effective tax on continuing operations of 11% (2019: 6.2%).

The reconciliation of the effective tax rate is as follows:

Reconciliation of total income tax charge

	2020		2019	
	%		%	
Profit/(Loss) before income tax		**366**		**542**
Share of profit of equity-accounted investees		17		43
Profit/(Loss) before income tax and share of profit of equity-accounted investees		**349**		**500**
Income tax using the domestic corporation tax rate (25% for the Netherlands)	25%	(87)	25%	(125)
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other jurisdictions	(24%)	82	(10%)	52
Withholding taxes and taxes based on deemed profits	5%	(18)	4%	(21)
Non-deductible expenses	20%	(71)	2%	(10)
Non-taxable income	(25%)	87	(18%)	88
Adjustments related to prior years	0%	(1)	0%	(2)
Adjustments recognized in the current year in relation to deferred income tax of previous year	(3%)	9	(1%)	3
Effects of unrecognized and unused current tax losses not recognized as deferred tax assets	11%	(39)	3%	(16)
Movements in uncertain tax positions	0%	(1)	(0%)	0
Total tax effects	**(14%)**	**48**	**(19%)**	**94**
Total of tax charge on the Consolidated Income Statement	**11%**	**(38)**	**6%**	**(31)**

The 2020 effective tax rate of the Company was primarily impacted by additional tax in Canada due to the redelivery of the Deep Panuke platform and the lease and operation contracts in Guyana. Similar to last year, the effective tax was also impacted by unrecognized deferred tax assets concerning Brazil, USA, Switzerland, Luxembourg, Monaco and the Netherlands.

With respect to the annual effective tax rate calculation for the year 2020, the most significant portion of the current income tax expense of the Company was generated in countries in which income taxes are imposed on net profits including United Kingdom, Equatorial Guinea, Guyana and Canada.

Details of the withholding taxes and other taxes are as follows:

Withholding taxes per country

	2020	2019
Withholding Tax and Overseas Taxes (per location)	Withholding tax	Withholding tax
Angola	(1)	(1)
Brazil	(6)	(4)
Guyana	(9)	(15)
Other	(2)	(2)
Total withholding and overseas taxes	**(18)**	**(21)**

TAX RETURNS AND TAX CONTINGENCIES

The Company files federal and local tax returns in several jurisdictions throughout the world. Tax returns in the major jurisdictions in which the Company operates are generally subject to examination for periods ranging from three to six years. Tax authorities in certain jurisdictions are examining tax returns and in some cases have issued assessments. The Company believes there is a sound basis for its tax positions in those jurisdictions. The Company provides for taxes that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. While the Company cannot predict or provide assurance as to the final outcome of these proceedings, the Company does not expect the ultimate liability to have a material effect on its consolidated statement of financial position or results of operations, although it could have a signifcant adverse effect on its consolidated cash flows.

Each year management completes a detailed review of uncertain tax positions across the Company and makes provisions based on the probability of the liability arising. The principal risks that arise for the Company are in respect of permanent establishment, transfer pricing and other similar international tax issues. In common with other international groups, the difference in alignment between the Company's global operating model and the jurisdictional approach of tax authorities often leads to uncertainty on tax positions.

As a result of the above, in the period, the Company recorded a net tax increase of US$14 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. This amount is primarily in relation to uncertain tax positions concerning various taxes other than corporate income tax. However, it is possible that the ultimate resolution of the tax exposures could result in tax charges that are materially higher or lower than the amount provided.

The Company conducts operations through its various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, the Company may identify changes to previously evaluated tax positions that could result in adjustments to its recorded assets and liabilities. Although the Company is unable to predict the outcome of these changes, it does not expect the effect, if any, resulting from these adjustments to have a material effect on its consolidated statement of financial position, results of operations or cash flows.

4.3.11 EARNINGS/(LOSS) PER SHARE

The basic earnings per share for the year amounted to US$1.00 (2019: US$1.84); the fully diluted earnings per share amounted to US$1.00 (2019: US$1.84).

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive shares into ordinary shares.

The following reflects the share data used in the basic and diluted earnings per share computations:

Earnings per share

	2020	2019
Earnings attributable to shareholders (in thousands of US$)	190,641	365,896
Number of shares outstanding at January 1 (excluding treasury shares)	196,227,113	204,725,425
Average number of treasury shares transferred to employee share programs	914,487	1,421,227
Average number of shares repurchased / cancelled	(7,331,229)	(7,576,677)
Weighted average number of shares outstanding	**189,810,371**	**198,569,975**
Impact shares to be issued	-	5,000
Weighted average number of shares (for calculations basic earnings per share)	**189,810,371**	**198,574,975**
Potential dilutive shares from stock option scheme and other share-based payments	1,651,613	5,333
Weighted average number of shares (diluted)	**191,461,984**	**198,580,308**
Basic earnings per share in US$	1.00	1.84
Fully diluted earnings per share in US$	1.00	1.84

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for issuing of Value Creation Stake shares for the Management Board, Matching Shares and Ownership Shares for the Company's senior management (see note 4.3.6 Employee Benefit Expenses).

4.3.12 DIVIDENDS PAID AND PROPOSED

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company has concluded that the outlook for cash flow generation has improved given the increase in the quantum of the Lease and Operate backlog. Based on this, a dividend of US$165 million (which equals to US$0.89 per share, based on the number of shares outstanding less the number of treasury shares held at December 31, 2020), to be paid out of retained earnings, will be proposed at the Annual General Meeting on April 7, 2021. This represents an increase of 10% compared to the dividend paid in 2020.

4.3.13 PROPERTY, PLANT AND EQUIPMENT

The line item 'Property, plant and equipment' consists of property, plant and equipment owned by the Company and right-of-use assets:

Property, plant and equipment (summary)

	31 December 2020	31 December 2019
Property, plant and equipment excluding leases	490	890
Right-of-use assets	52	115
Total	**542**	**1,005**

PROPERTY, PLANT AND EQUIPMENT OWNED BY THE COMPANY

The movement of the Property, plant and equipment during the year 2020 is summarized as follows:

2020

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	57	3,299	82	22	**3,460**
Accumulated depreciation and impairment	(28)	(2,490)	(52)	-	**(2,570)**
Book value at 1 January	**29**	**809**	**30**	**22**	**890**
Additions	4	35	10	(3)	**46**
Disposals	-	(126)[1]	(0)	-	**(126)**
Depreciation	(5)	(279)	(10)	-	**(294)**
Impairment	-	(24)	-	(0)	**(24)**
Foreign currency variations	2	-	1	0	**3**
Other movements	1	-	2	(8)	**(5)**
Total movements	**2**	**(394)**	**3**	**(11)**	**(400)**
Cost	67	2,751	93	11	**2,921**
Accumulated depreciation and impairment	(35)	(2,335)	(61)	(0)	**(2,431)**
Book value at 31 December	**32**	**416**	**32**	**11**	**490**

1 The net disposal amount for FPSO Espirito Santo of US$126 million consists of historical cost of US$584 million less accumulated depreciation of US$458 million.

2019

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	58	3,266	75	11	**3,410**
Accumulated depreciation and impairment	(24)	(2,262)	(52)	-	**(2,337)**
Book value at 1 January	**34**	**1,004**	**23**	**11**	**1,072**
Additions	-	34	14	12	**59**
Depreciation	(5)	(203)	(7)	-	**(214)**
Impairment	-	(25)	-	-	**(25)**
Foreign currency variations	(1)	-	(0)	(0)	**(1)**
Other movements	-	-	(0)	(1)	**(1)**
Total movements	**(5)**	**(194)**	**6**	**10**	**(183)**
Cost	56	3,299	82	22	**3,459**
Accumulated depreciation and impairment	(28)	(2,490)	(52)	-	**(2,570)**
Book value at 31 December	**29**	**809**	**30**	**22**	**890**

During the 2020 period, the following main events occurred regarding owned property, plant and equipment:

- Additions mainly relate to the acquisition of the remaining 75% ownership in OS Installer Limited, resulting in the addition of the vessel at fair value of US$25 million;
- US$(294) million of annual depreciation charges, which includes the full depreciation of the net book value of the Deep Panuke MOPU at the ending date of the lease in July 2020 (US$123 million including US$78 million that would have been recognized as per initial depreciation schedule in 2021); and
- US$(24) million impairments recognized and details as follow: US$10 million related to the *Thunder Hawk* facility (see below), US$8 million related to the Deep Panuke MOPU unit (see below), and US$6 million related to other fixed assets (refer to section below 'Right of Use Assets').
- A decrease in net book value in Vessels and floating equipment of US$126 million due to the new signed agreements with the client on *FPSO Espirito Santo* on December 7, 2020 in relation to the extension of the lease and operate period from the year 2023 to the year 2028. As a result, this new contract has been classified as a finance lease as per IFRS 16. Please refer to note 4.3.15 Finance Lease Receivables.

SBM Offshore prepares for sale DSCV SBM Installer

The Company acquired the remaining 75% equity ownership in OS Installer Limited for a consideration of US$34 million on September 30, 2020. The transaction was classified as an asset acquisition that does not constitute a business as per IFRS 3 requirements. This mainly resulted in the following impacts:

- The recognition of the vessel (DSCV) (US$25 million) and the external debt (US$69 million) in the Company's financial statements;
- The existing lease liability related to the long-term charter was derecognized since the obligation became an intercompany liability to be eliminated in the group consolidated financial statements; the value of the lease liability at the acquisition date was US$87 million; please note that the related right-of-use asset was previously fully impaired as explained in the section below 'Right-of-Use' assets;
- The 25% investment in OSI (value of US$12 million at the acquisition date), which was accounted for at equity method prior to the transaction, was also derecognized. Please refer to note 4.3.31 Investment in Associates and Joint Ventures
- The net impact between (i) the financial consideration paid to acquire the 75% share in OSI (US$(34) million), (ii) the recognition of the acquired assets and liabilities (US$(38) million) and (iii) the derecognized lease liability (US$87 million) and previously held investment (US$(12) million), has been recognized as a gain (US$3 million) on the line items 'Other Operating Income and Expense'. Please refer to note 4.3.4 Other Operating Income and Expense.

This asset acquisition is included in the Company's cash flow statement on the line Investment in property, plant and equipment at US$(30) million, which is net of cash acquired.

Furthermore, since the vessel operates in a non-core market for the Company, the Company's intention is to dispose the vessel in 2021 after fulfilling existing contractual obligations related to services to be provided by the vessel to various clients. As a result, the SBM Installer has not been classified as asset held for sale as of December 31, 2020.

Impairment of Thunder Hawk

The *Thunder Hawk* semi-submersible production facility in the US Gulf of Mexico is the only facility in the Company lease fleet portfolio for which revenue is dependent on volumes produced. Over the period, the facility was temporarily shut down for a period of 45 days upon the operator's request. In addition, the credit rating of the operator of the facility was downgraded by rating agencies.

As a result of these triggering events, the Company prepared an updated value-in-use calculation considering a higher post-tax discount rate of 11.6% compared with the 6.1% used for the former impairment test of the facility performed in 2019 (the increase in the discount rate is caused by the higher credit risk of the operator). The Company also considered a more conservative production profile ending in 2025. As a result of the impairment test, an impairment charge of US$10 million is accounted for in the 2020 full year results. If the discount rate varies by +/- 1%, the impairment would vary by +/- US$1 million respectively. If the operations of the facility would continue beyond 2025, the impairment of the asset would decrease accordingly, depending on the extended period of operations and anticipated production volume.

Impairment of Deep Panuke

An impairment assessment of Deep Panuke MOPU was performed due to progress made on the decommissioning of the asset, leading to a reassessment of the expected demobilization, towing and green recycling costs. This resulted in adverse cash flows and an impairment of US$8 million was accounted for in the 2020 full year results. The impairment assessment was performed assuming that the client will continue to pay the contractual charter rate until the end of the initial lease period.

If the discount rate used in the impairment test would vary by +/- 1%, the impairment would change by +/- US$1 million. If towing and green recycling costs would vary by +/- US$1 million, the impairment would change by +/- US$1 million.

Property, plant and equipment at year-end comprises of:

- Two (2019: three) integrated floating production, storage and offloading systems (FPSOs) (namely *FPSO Capixaba* and *FPSO Cidade de Anchieta*) each consisting of a converted tanker, a processing plant and one mooring system. These two FPSOs are leased to third parties under an operating lease contract. As noted above, following the newly agreed terms and conditions for *FPSO Espirito Santo* the accounting treatment for this vessel is no longer an operating lease, but a finance lease;
- One second-hand tanker (2019: one);
- One semi-submersible production platform, the *Thunder Hawk* (2019: one), leased to third parties under an operating lease contract;
- One MOPU facility, the *Deep Panuke* (2019: one), under scrapping as of December 31, 2020; and
- One installation vessel, the SBM Installer (2019: nil), acquired by the Company on September 30, 2020.

The depreciation charge for the semi-submersible production facility *Thunder Hawk* is calculated based on its future anticipated economic benefits, resulting in a depreciation plan based on the unit of production method. All other property, plant and equipment is depreciated on a straight-line basis.

Company-owned property, plant and equipment with a carrying amount of US$282 million (2019: US$479 million) has been pledged as security for liabilities, mainly for external financing.

No interest has been capitalized during the financial year as part of the additions to property, plant and equipment (2019: nil).

RIGHT-OF-USE ASSETS

As of December 31, 2020, the Company leases buildings and cars. The movement of the right-of-use assets during the year 2020 is summarized as follows:

2020

	Buildings	Vessels and floating equipment	Other fixed assets	Total
Book value at 1 January	**59**	**55**	**1**	**115**
Additions	11	-	1	**12**
Depreciation	(14)	(4)	(1)	**(19)**
Impairment	(6)	(51)	-	**(57)**
Foreign currency variations	2	-	0	**2**
Other movements	0	-	(1)	**(1)**
Total movements	**(7)**	**(55)**	**(1)**	**(63)**
Cost	93	20	3	**116**
Accumulated depreciation and impairment	(41)	(20)	(2)	**(64)**
Book value at 31 December	**52**	**-**	**1**	**52**

2019

	Buildings	Vessels and floating equipment	Other fixed assets	Total
Book value at 1 January	**61**	**63**	**1**	**126**
Additions	13	-	1	**13**
Depreciation	(14)	(8)	(1)	**(23)**
Foreign currency variations	(1)	-	(0)	**(1)**
Total movements	**(2)**	**(8)**	**(0)**	**(11)**
Cost	84	71	3	**158**
Accumulated depreciation and impairment	(25)	(16)	(1)	**(43)**
Book value at 31 December	**59**	**55**	**1**	**115**

During the year 2020, the main movements regarding right-of-use assets related to (i) US$19 million of depreciation charges, (ii) US$51 million impairment of the SBM Installer right-of-use asset to nil and (iii) an impairment charge of US$6 million on right-of-use assets related to office buildings, which was a result of the Company's restructuring activities and the reallocation of activities and resources, which also led to certain leased office buildings being vacated.

Impairment of SBM Installer

The Company leased the SBM Installer installation vessel through a charter contract, which ends in 2026. The contract included the option for the Company to acquire the vessel during the charter period. During the year of 2020, due to the COVID-19 pandemic, the Company decided to put the vessel in lay-up for a period of three months (until July 2020) in order to protect the crew and reduce the costs in a context of low activity. Furthermore, the Company downgraded expectations regarding future economic benefits to be generated by the vessel given the expected slowdown of the offshore services business in the coming few years (which may create over-supply in offshore markets and therefore reduce the vessel utilization).

Based on the performed impairment test with a pre-tax discount rate of 11.6%, the Company concluded that the entire book value of the right-of-use asset had to be impaired for a total amount of US$51 million in the first half of 2020. As a part of this impairment assessment, the Company also fully impaired other fixed assets related to the SBM Installer with a book value of US$6 million. The total impairment related to the SBM Installer recognized for the period was US$57 million. If revenue were to be increased by 10% on the relevant period, this would result in US$6 million less impairment loss.

Subsequent to the impairment, the Company decided in September 2020 to acquire the remaining 75% ownership in OS Installer Limited. As a result, the installation vessel was added to property, plant and equipment and the fully impaired right-of-use asset was derecognized.

Office leases

The other significant contracts relate to the lease of offices. The contract periods of the Company's office rentals vary between one to ten years and most of the contracts include extension options between three to fifteen years. The extension options have been taken into account in the measurement of lease liabilities when the Company is reasonably certain to exercise these options. The lease agreements do not impose any covenants.

OPERATING LEASES AS A LESSOR

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements which terminate between 2022 and 2030. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the vessels and floating equipment

	31 December 2020	31 December 2019
Cost	2,683	3,257
Accumulated depreciation and impairment	(2,317)	(2,481)
Book value at 31 December	**367**	**777**

In December 2020, the Company entered into a new contract with the client on the *FPSO Espirito Santo* and agreed new terms and conditions including the extension of the contract from the year 2023 to 2028 and additional annual extension options up to 2033. As a result, this new contract has been classified as a finance lease as per IFRS 16 instead of an operating lease. Further, The Deep Panuke MOPU, located offshore Nova Scotia, Canada, was safely redelivered by the client to the Company in July 2020. As such, the Deep Panuke MOPU is not a leased facility anymore as of December 31, 2020. As a result, the book value of the leased facilities included in the vessels and floating equipment has decreased by US$410 million.

The nominal values of the future expected bareboat receipts (undiscounted lease payments) in respect of the remaining operating lease contracts are:

Nominal values of the future expected bareboat receipts

	31 December 2020	31 December 2019
Within 1 year	277	319
2 years	145	297
3 years	95	134
4 years	94	121
5 years	92	94
After 5 years	399	508
Total	**1,103**	**1,473**

A number of agreements have extension options, which have not been included in the above table.

Purchase and termination options in operating lease contracts

The operating lease contract of semi-submersible *Thunder Hawk* includes a call option for the client to purchase the underlying asset. The exercise of this call option would have resulted in a gain for the Company as of December 31, 2020.

4.3.14 INTANGIBLE ASSETS

2020

	Development costs	Goodwill	Software	Intangible assets under construction	Patents	**Total**
Cost	34	-	16	-	19	**69**
Accumulated amortization and impairment	(16)	-	(11)	-	(19)	**(46)**
Book value at 1 January	**18**	**-**	**5**	**-**	**0**	**23**
Additions	4	-	8	18	-	**30**
Amortization	(4)	-	(3)	-	-	**(7)**
Other movements	(9)	-	0	13	-	**4**
Total movements	**(9)**	**-**	**5**	**31**	**-**	**27**
Cost	29	-	24	31	19	**103**
Accumulated amortization and impairment	(20)	-	(14)	-	(19)	**(53)**
Book value at 31 December	**9**	**-**	**10**	**31**	**0**	**50**

2019

	Development costs	Goodwill	Software	Intangible assets under construction	Patents	**Total**
Cost	27	-	13	-	19	**60**
Accumulated amortization and impairment	(12)	-	(9)	-	(19)	**(41)**
Book value at 1 January	**15**	**-**	**4**	**-**	**0**	**19**
Additions	7	-	2	-	-	**9**
Amortization	(4)	-	(2)	-	-	**(6)**
Other movements	-	-	1	-	-	**1**
Total movements	**3**	**-**	**1**	**-**	**-**	**4**
Cost	34	-	16	-	19	**70**
Accumulated amortization and impairment	(16)	-	(11)	-	(19)	**(46)**
Book value at 31 December	**18**	**-**	**5**	**-**	**0**	**23**

The increase in Intangible Assets Under Construction mainly relates to costs capitalized relating to the internal project 'Digital FPSO', the capitalization of software licenses and other capital expenditures related to the IT infrastructure upgrade project.

In 2020, the Company did not recognize any impairment related to intangible assets.

Amortization of development costs is included in 'Research and development expenses' in the income statement in 2020 for US$(4) million (2019: US$4 million).

4.3.15 FINANCE LEASE RECEIVABLES

The reconciliation between the total gross investment in the lease and the net investment in the lease at the statement of financial position date is as follows:

Finance lease receivables (reconciliation gross/net investment)

	31 December 2020	31 December 2019
Gross receivable	10,511	11,209
Less: unearned finance income	(4,023)	(4,516)
Total	**6,488**	**6,694**
Of which		
Current portion	317	287
Non-current portion	6,171	6,407

As of December 31, 2020, finance lease receivables relate to the finance lease of:

- *Liza Destiny* (FPSO), which started production in December 2019 for a charter of 10 years;
- *FPSO Cidade de Marica*, which started production in February 2016 for a charter of 20 years;
- *FPSO Cidade de Saquarema*, which started production in July 2016 for a charter of 20 years;
- *FPSO Cidade de Ilhabela*, which started production in November 2014 for a charter of 20 years;
- *FPSO Cidade de Paraty*, which started production in June 2013 for a charter of 20 years;
- *FPSO Aseng*, which started production in November 2011 for a charter of 15 years;
- *FPSO Espirito Santo*, which started production in January 2009 for a charter of 15 years until December 2023, and which was extended in December 2020 until December 2028.

The decrease in finance lease receivable is driven by the redemptions as per the payment plans partially compensated by the recognition of the finance lease receivable of *FPSO Espirito Santo*.

Classification of the FPSO Espirito Santo lease contract as finance lease

In December 2020, the Company entered into a new contract with the client on the *FPSO Espirito Santo* and agreed with the client new terms and conditions including the extension of the contract from the year 2023 to 2028 and additional annual extension options up to 2033.

As a result of the revised terms and conditions as per the new Time Charter and Operate & Maintenance agreement, the Company has concluded that the new agreements need to be accounted for as a finance lease, while the previous arrangements were accounted for as an operating lease. This classification is mainly due to the extension of the contract and the related additional future cash flows to be received, which result in the present value of the lease payments amount to at least substantially all of the fair value of the leased asset.

Due to the finance lease classification, the Company has accounted for the transaction as if it was a sale of the vessel to the client as per IFRS 16 for an amount of US$249 million and a related finance lease receivable of US$249 million. In relation to the derecognition of the operating lease, the Company's property, plant and equipment has been derecognized for an amount of US$126 million based on the net book value of the vessel (please refer to note 4.3.13 Property, Plant and Equipment), which has been recorded as Cost of Sales. Further, deferred income on the previous operating lease contract of US$154 million has been reversed against the finance lease receivable of US$249 million, because it is seen as a direct repayment on this finance lease receivable leaving a net balance of US$95 million at the transaction date. The impact of the transaction has resulted in an increase of US$123 million in the Company's gross margin in the Lease & Operate segment.

As there was no exchange of cash in connection with transaction, the net gain of US$123 million has been adjusted as a non-cash adjustment to Profit before income tax on the line item 'Other adjustments for non-cash items' in the Company's 2020 cash flow statement.

Unguaranteed residual values

Included in the gross receivable is an amount related to unguaranteed residual values (i.e. scrap value of units). The total amount of unguaranteed residual values at the end of the lease term amounts to US$49 million as of December 31, 2020

(2019: US$69 million). Credit losses related to finance lease receivables based on an expected credit loss model are approximately US$1 million for 2020. The 2020 residual value assessment led to a US$14 million impairment on finance lease receivables.

As per the contractual terms, gross receivables should be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

	31 December 2020	31 December 2019
Less than 1 year	803	790
Between 1 and 2 years	802	788
Between 2 and 5 years	2,408	2,367
More than 5 years	6,498	7,264
Total Gross receivable	**10,511**	**11,209**

The following part of the net investment in the lease is included as part of the current assets within the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2020	31 December 2019
Gross receivable	803	790
Less: unearned finance income	(486)	(503)
Current portion of finance lease receivable	**317**	**287**

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables taking into account the risk of recoverability. The Company performed an assessment, which concluded that the credit risk for these receivables has not increased significantly since the initial recognition. The Company does not hold any collateral as security.

Purchase and termination options

The finance lease contracts of *FPSO Aseng* and *Liza Destiny* (FPSO), where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early. If the client would have exercised the purchase option for *FPSO Aseng* as of December 31, 2020 this would have resulted in a gain for the Company, while the exercise of the early termination option under which the Company would retain the vessel, would have resulted in a breakeven result. If the client would have exercised the purchase option for *Liza Destiny* (FPSO) as of December 31, 2020 this would have resulted in a breakeven result for the Company while the exercise of the early termination option under which the Company would retain the vessel would have resulted in a gain.

The finance lease contract of *FPSO Espirito Santo* includes a call option for the client to terminate the contract early without obtaining the underlying asset. The exercise of the early termination option would have resulted in a non-material loss for the Company as of December 31, 2020.

The finance lease contracts of *Liza Unity* (FPSO) and *Liza Prosperity* (FPSO) (both under construction as per December 31, 2020) contain options for the client to purchase the underlying asset or terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

4.3.16 OTHER FINANCIAL ASSETS

The breakdown of the non-current portion of other financial assets is as follows:

	31 December 2020	31 December 2019
Non-current portion of other receivables	80	76
Sublease receivable	2	4
Non-current portion of loans to joint ventures and associates	32	25
Total	**114**	**104**

The current portion of (i) sublease receivables, (ii) other receivables and (iii) loans to joint ventures and associates is included within the 'Trade and other receivables' in the statement of financial position.

In relation to the exposure to credit risk at the reporting date on the carrying amount of the interest-bearing loans, non-current portion of other receivables and sublease receivable, please refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets and note 4.3.29 Financial Instruments – Fair Values and Risk Management for the risk of recoverability (i.e. for expected credit losses). The Company does not hold any collateral as security.

The breakdown of loans to joint ventures and associates is presented below.

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2020	31 December 2019
Current portion of loans to joint ventures and associates	4.3.19	14	30
Non-current portion of loans to joint ventures and associates		32	25
Total	4.3.33	**46**	**55**

The decrease in the loans to joint ventures and associates is driven by the redemptions over the year 2020.

The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to joint ventures and associates, taking into account the risk of recoverability. The Company does not hold any collateral as security.

4.3.17 DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities and associated offsets are summarized as follows:

Deferred tax positions (summary)

	31 December 2020			31 December 2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	28	-	28	-	16	(16)
Tax losses	9	-	9	9	-	9
Other	9	37	(28)	12	7	6
Book value at 31 December	**46**	**37**	**9**	**22**	**23**	**(1)**

Movements in net deferred tax positions

		2020	2019
	Note	Net	Net
Deferred tax at 1 January		**(1)**	**(10)**
Deferred tax recognized in the income statement	4.3.10	10	9
Foreign currency variations		0	(0)
Total movements		**10**	**9**
Deferred tax at 31 December		**9**	**(1)**

Expected realization and settlement of deferred tax positions is within 8 years. The current portion of the net deferred tax position as of December 31, 2020 amounts to US$8 million. The deferred tax losses are expected to be recovered based on the anticipated profit in the applicable jurisdiction. The Company has US$39 million (2019: US$16 million) of deferred tax assets unrecognized in 2020 due to current tax losses not valued. The term in which these unrecognized deferred tax assets could be settled depends on the respective tax jurisdiction and ranges from five years to an unlimited period of time.

The non-current portion of deferred tax assets amounts to US$14 million (2019: US$8 million). On a cumulative basis a total amount of US$216 million at the end of 2020 (2019: US$197 million) corresponds to deferred tax assets basis unrecognized on temporary differences, unused tax losses and tax credits.

Deferred tax in connection with unused tax losses carried forward, temporary differences and tax credits:

	31 December 2020	31 December 2019
Unused tax losses carried forward, temporary differences and tax credits not recognised as a deferred tax asset	216	197
Unused tax losses carried forward, temporary differences and tax credits recognised as a deferred tax asset	46	22
Total	**262**	**218**

Expiry date on deferred tax assets unrecognized on temporary differences, unused tax losses and tax credits:

	31 December 2020	31 December 2019
Within one year	15	2
More than a year but less than 5 years	15	19
More than 5 years but less than 10 years	1	9
More than 10 years but less than 20 years	82	92
Unlimited period of time	103	76
Total	**216**	**197**

Deferred tax assets per location are as follows:

Deferred tax positions per location

	31 December 2020			31 December 2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Canada	28	24	4	12	16	(4)
Guyana	-	13	(13)	-	7	(7)
Monaco	4	-	4	5	-	5
Switzerland	9	-	9	1	-	1
the Netherlands	3	-	3	3	-	3
Brazil	2	-	2	1	-	1
Other	-	-	-	0	-	0
Book value at 31 December	**46**	**37**	**9**	**22**	**23**	**(1)**

4.3.18 INVENTORIES

	31 December 2020	31 December 2019
Materials and consumables	9	6
Goods for resale	4	2
Multi-purpose floaters under construction	129	0
Total	**143**	**8**

Multi-purpose floaters ('MPFs') under construction relate to the ongoing EPC phase of Fast4Ward® new-build hulls. The Fast4Ward® hulls remain in inventory until they are allocated to a specific FPSO contract. The Company has five multi-purpose hulls as of December 31, 2020 out of which three have been transferred to construction work-in-progress upon the award of the lease and operate contracts for *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba*. Construction has started for two multi-purpose floater hulls, which have not yet been allocated to a project and therefore accounted for under inventory at December 31, 2020.

4.3.19 TRADE AND OTHER RECEIVABLES

Trade and other receivables (summary)

	Note	31 December 2020	31 December 2019
Trade debtors		115	128
Other accrued income		280	140
Prepayments		64	115
Accrued income in respect of delivered orders		41	51
Other receivables		67	73
Taxes and social security		33	37
Current portion of loan to joint ventures and associates	4.3.16	14	30
Total		**614**	**573**

The increase in other accrued income is a result of the recognition of accrued income related to the *FPSO Capixaba* and the Deep Panuke MOPU.

At the request of the client, *FPSO Capixaba* was shut down in April 2020 enabling the Company to complete an extensive maintenance program. In agreement with the client, this shutdown was extended to a total duration of approximately four months. During this period, no charter payment was due. The period of approximately four months has been added to the charter contract at the end of the current lease period, leading to the recognition of an associated accrued income of approximately US$20 million to ensure the recognition of the unchanged remaining lease income on a straight-line basis over the new duration of the lease with reference to IFRS 16 'Leases'.

The Deep Panuke MOPU was safely redelivered by the client to the Company in July 2020. As a result of the redelivery of the unit and the final settlement, the lease period of the unit, as per accounting requirements, has ended and the Company (i) recognized the remaining contractual revenue (US$122 million), which also includes the portion of the financial consideration to be received in 2021 in case no early lump sum payment is made (i.e. US$77 million). Therefore, the amount of US$77 million is included in other accrued income as per December 31, 2020.

The decrease in prepayments of US$51 million is mainly related the progress made in 2020 on the construction of a new multi-purpose floater hull which has not yet been allocated to a project.

The carrying amounts of the Company's trade debtors are distributed in the following countries:

Trade debtors (countries where Company's trade debtors are distributed)

	31 December 2020	31 December 2019
Angola	37	25
Brazil	10	16
Guyana	12	23
Equatorial Guinea	3	13
The United States of America	9	6
Malaysia	2	11
Australia	0	3
China	5	5
Other	37	28
Total	**115**	**128**

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

Trade debtors (trade debtors balance)

	31 December 2020	31 December 2019
Nominal amount	118	130
Impairment allowance	(3)	(2)
Total	**115**	**128**

The allowance for impairment represents the Company's estimate of losses in respect of trade debtors. The allowance related to credit risk for significant trade debtors is built on specific expected loss components that relate to individual exposures. Furthermore, the Company uses historical credit loss experience as well as forward-looking information to determine a 1% expected credit loss rate on individually insignificant trade receivable balances. The creation and release for impaired trade debtors due to credit risk are reported in the line item 'Net impairment losses on financial and contract assets' of the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The ageing of the nominal amounts of the trade debtors are:

Trade debtors (ageing of the nominal amounts of the trade debtors)

	31 December 2020		31 December 2019	
	Nominal	Impairment	Nominal	Impairment
Not past due	69	(2)	67	1
Past due 0-30 days	5	(0)	27	-
Past due 31-120 days	15	(0)	22	-
Past due 121- 365 days	9	(0)	6	-
More than one year	21	(1)	8	-
Total	**118**	**(3)**	**130**	**1**

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of Company joint ventures and independent customers for whom there is no recent history of default, or the receivable amount can be offset by amounts included in current liabilities.

For the closing balance and movements during the year of allowances on trade receivables, please refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management.

4.3.20 CONSTRUCTION WORK-IN-PROGRESS

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

	Note	31 December 2020	31 December 2019
Recognized revenue		2,492	1,508
Instalments invoiced		(309)	(577)
Reclassification to contract liability	*4.3.27*	69	42
Net impairment losses on contract assets	*4.3.8*	(4)	(0)
Total construction work-in-progress		**2,248**	**973**

The significant portion of the outstanding balance of construction work-in-progress as of December 31, 2020 relates to the *Liza Unity* (FPSO), *FPSO Sepetiba* and *Prosperity* (FPSO) finance lease projects since the Company will receive most of the payments for the construction only during the lease period through bareboat charter payments. The increase in the construction work-in-progress is mainly driven by the progress made in 2020 on the *Liza Unity* (FPSO), *FPSO Sepetiba* and *Prosperity* (FPSO) projects.

Contract liabilities of US$69 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, 2020, 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 2020			31 December 2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	1	351	(351)	8	166	(159)
Forward currency contracts cash flow hedge	98	21	77	14	48	(35)
Forward currency contracts fair value through profit and loss	38	39	(1)	22	27	(5)
Total	**137**	**411**	**(274)**	**43**	**241**	**(198)**
Non-current portion	38	277	(240)	5	156	(150)
Current portion	99	134	(35)	37	85	(48)

The significant movement in the net balance of derivative assets and liabilities of US$76 million over the period is mostly related to the decreased marked-to-market value of interest rate swaps, which mainly arises from decreasing market interest rates, whereas the increased marked-to-market value of forward currency contracts is mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

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 2020 (2019: US$3 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.

No ineffectiveness was recognized due to the IBOR transition, refer to note 4.3.29 Financial Instruments – Fair Values and Risk Management.

4.3.22 NET CASH AND CASH EQUIVALENT

	31 December 2020	31 December 2019
Cash and bank balances	78	82
Short-term investments	336	424
Cash and cash equivalent	**414**	**506**
Net cash and cash equivalent	**414**	**506**

The cash and cash equivalents dedicated to debt and interest payments (and therefore restricted) amounted to US$215 million as per December 31, 2020 (2019: US$188 million). Short-term investment deposits are made for varying periods of up to one year, usually less than three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

The cash and cash equivalents held in countries with restrictions on currency outflow (Angola, Brazil, Equatorial Guinea, Ghana and Nigeria) amounted to US$28 million (2019: US$42 million). These restrictions do not limit the liquidity of the cash balances.

Further disclosure about the fair value measurement is included in note 4.3.29 Financial Instruments – Fair Values and Risk Management.

4.3.23 EQUITY ATTRIBUTABLE TO SHAREHOLDERS

For a consolidated overview of changes in equity reference is made to the Consolidated Statement of Changes in Equity.

ISSUED SHARE CAPITAL

The authorized share capital of the Company is two hundred million euros (EUR200,000,000). This share capital is divided into four hundred million (400,000,000) ordinary shares with a nominal value of twenty-five eurocents (EUR0.25) each and four hundred million (400,000,000) protective preference shares, with a nominal value of twenty-five euro cents (EUR0.25) each. The protective preference shares can be issued as a protective measure as described in note 3.2.8 Stichting Continuïteit SBM Offshore.

During the financial year the movements in the outstanding number of ordinary shares are as follows:

number of shares	2020	2019
Outstanding at 1 January	**198,671,305**	**205,671,305**
Treasury shares cancelled	(10,000,000)	(7,000,000)
Outstanding 31 December	**188,671,305**	**198,671,305**

TREASURY SHARES

The Company completed its share repurchase program under authorization granted by the AGM of the Company held on April 10, 2019. In the period between February 13, 2020 and April 3, 2020 a total number of 12,094,623 shares totaling EUR150 million (US$165 million) were repurchased. As a result, the Company decided to cancel 10,000,000 shares in 2020.

A total number of 3,356,563 treasury shares are still reported in the outstanding ordinary shares as at December 31, 2020 and held predominantly for employee share programs. During 2020, a total of 1,182,252 shares were transferred to employee share programs.

Within equity, an amount of US$1,304 million (2019: US$1,206 million) should be treated as legal reserve (please refer to note 4.5.5 Shareholders' Equity).

ORDINARY SHARES

Of the ordinary shares, 1,931,952 shares were held by members of Management Board, in office as at December 31, 2020 (December 31, 2019: 1,513,936) as detailed below:

Ordinary shares held in the Company by the Management Board

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2020	Total shares at 31 December 2019
Bruno Chabas	411,418	716,186	1,127,604	975,910
Philippe Barril	276,071	111,755	387,826	278,428
Erik Lagendijk	186,991	35,427	222,418	143,984
Douglas Wood	194,104	-	194,104	115,614
Total	**1,068,584**	**863,368**	**1,931,952**	**1,513,936**

Only one member of Supervisory Board member (Sietze Hepkema) holds shares in the Company (256,333 shares as at December 31, 2020), resulting from his previous position as member of the Management Board.

OTHER RESERVES

The other reserves comprises the hedging reserve, actuarial gains/losses, the foreign currency translation reserve and IFRS 2 reserves. The movement and breakdown of the other reserves can be stated as follows (all amounts are expressed net of deferred taxes):

	Hedging reserve Forward currency contracts	Hedging reserve Interest rate swaps	Actuarial gain/(loss) on defined benefit provisions	Foreign currency translation reserve	IFRS 2 Reserves	Total other reserves
Balance at 1 January 2019	**(19)**	**(33)**	**2**	**(79)**	**21**	**(108)**
Cash flow hedges						
Change in fair value	17	(79)	-	-	-	(62)
Transfer to financial income and expenses	3	3	-	-	-	6
Transfer to construction contracts and property, plant and equipment	(5)	-	-	-	-	(5)
Transfer to operating profit and loss	(34)	-	-	-	-	(34)
IFRS 2 share based payments						
IFRS 2 vesting costs for the year	-	-	-	-	17	17
IFRS 2 vested share based payments	-	-	-	-	(21)	(21)
Actuarial gain/(loss) on defined benefit provision						
Change in defined benefit provision due to changes in actuarial assumptions	-	-	1	-	-	1
Foreign currency variations						
Foreign currency variations	-	-	-	(22)	-	(22)
Mergers and acquisitions	-	(10)[1]	-		-	(10)
Balance at 31 December 2019	**(38)**	**(119)**	**3**	**(101)**	**17**	**(238)**
Cash flow hedges						
Change in fair value	53	(161)	-	-	-	(107)
Transfer to financial income and expenses	3	3	-	-	-	6
Transfer to construction contracts and property, plant and equipment	3	-	-	-	-	3
Transfer to operating profit and loss	41	-	-	-	-	41
IFRS 2 share based payments						
IFRS 2 vesting costs for the year	-	-	-	-	27	27
IFRS 2 vested share based payments	-	-	-	-	(16)	(16)
Actuarial gain/(loss) on defined benefit provision						
Change in defined benefit provision due to changes in actuarial assumptions	-	-	(3)	-	-	(3)
Foreign currency variations						
Foreign currency variations	-	-	-	(5)	-	(5)
Mergers and acquisitions	-	-	-			-
Balance at 31 December 2020	**62**	**(276)**	**0**	**(105)**	**25**	**(296)**

1 Includes US$10 million of acquired hedging reserve of the entities purchased from Constellation.

The hedging reserve consists of the effective portion of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of deferred taxes. The decreased marked-to-market value of interest rate swaps mainly arises from decreasing market interest rates whereas the increased marked-to-market value of forward currency contracts is mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies.

Actuarial gain/(loss) on defined benefits provisions includes the impact of the remeasurement of defined benefit provisions.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

4.3.24 BORROWINGS AND LEASE LIABILITIES

The line item 'Borrowings and lease liabilities' in the consolidated statement of financial position is further detailed as follows:

Borrowings and lease liabilities (summary)

	31 December 2020	31 December 2019
Borrowings	4,335	4,168
Lease liabilities	51	141
Total Non-current portion of Borrowings and lease liabilities	**4,386**	**4,309**
Borrowings	1,216	580
Lease liabilities	20	32
Total Current portion of Borrowings and lease liabilities	**1,236**	**612**

BORROWINGS

The movement in bank interest bearing borrowings is as follows:

	2020	2019
Non-current portion	4,168	3,856
Add: current portion	580	492
Remaining principal at 1 January	**4,749**	**4,348**
Additions	1,379	1,399
Redemptions	(589)	(1,011)
Transaction and amortized costs	12	13
Total movements	**802**	**401**
Remaining principal at 31 December	**5,551**	**4,749**
Less: Current portion	(1,216)	(580)
Non-current portion	**4,335**	**4,168**
Transaction and amortized costs	69	81
Remaining principal at 31 December (excluding transaction and amortized costs)	**5,621**	**4,830**
Less: Current portion	(1,230)	(596)
Non-current portion	**4,390**	**4,234**

The Company has no 'off-balance sheet' financing through special purpose entities. All long-term debt is included in the consolidated statement of financial position.

The increase in the total borrowings of US$1,379 million relates mainly to drawdowns on project finance facilities for *Liza Destiny* (FPSO), *Liza Unity* (FPSO), and the bridge loan facility for *FPSO Sepetiba*. The latter has been extended to July 12, 2021.

Further disclosures about the fair value measurement are included in note 4.3.29 Financial Instruments – Fair Values and Risk Management.

The borrowings, excluding transaction costs and amortized costs amounting to US$69 million (2019: US$81 million), have the following forecast repayment schedule:

	31 December 2020	31 December 2019
Within one year	1,230	596
Between 1 and 2 years	1,432	941
Between 2 and 5 years	1,454	1,599
More than 5 years	1,504	1,695
Balance at 31 December	**5,621**	**4,830**

The increase of the 'Total Current portion of Borrowings and lease liabilities' balance is mainly explained by the Sepetiba Bridge loan facility for US$600 million.

The borrowings by entity are as follows:

Loans and borrowings per entity

					Net book value at 31 December 2020			Net book value at 31 December 2019		
Entity name	Project name or nature of loan	% Ownership	% Interest[1]	Maturity	Non-current	Current	Total	Non-current	Current	Total
US$ Project Finance facilities drawn:										
SBM Deep Panuke SA	MOPU Deep Panuke	100.00	3.50%	15-Dec-21	-	70	70	70	67	137
Tupi Nordeste Sarl	FPSO Cidade de Paraty	63.13	5.30%	15-Jun-23	195	116	311	311	110	421
Guara Norte Sarl	FPSO Cidade de Ilhabela	75.00	5.10%	15-Oct-24	427	128	555	555	122	677
SBM Baleia Azul Sarl	FPSO Cidade de Anchieta	100.00	5.50%	15-Sep-27	239	35	274	274	33	307
Alfa Lula Alto Sarl	FPSO Cidade de Marica	61.00	5.30%	15-Dec-29	908	108	1,016	1,016	103	1,119
Beta Lula Central Sarl	FPSO Cidade de Saquarema	61.00	4.10%	15-Jun-30	1,018	91	1,109	1,109	86	1,195
Guyana Deep Water UK Limited	FPSO Liza Destiny	100.00	Libor + 1.65%	31-Oct-29	606	62	668	504	60	565
US$ Guaranteed project finance facilities drawn:										
Guyana Deep Water II UK Limited	FPSO Liza Unity[2]	100.00	3.70%	31-dec-21	840	-	840	331	-	331
Bridge loan facility										
Mero 2 Owning B.V.	FPSO Sepetiba	64.50	Libor + 1.44%	12-Jul-21	-	600	600	-	-	-
Revolving credit facility:										
SBM Holding Inc	Corporate Facility	100.00	Variable	16-Dec-21	(2)	(1)	(2)	(2)	(1)	(3)
Other:										
OS Installer Limited	SBM Installer	100.00	3.80%	29-Nov-26	58	7	65	-	-	-
Brazilian Deepwater Production B.V.	FPSO Espirito Santo	51.00	Libor + 1.05%	31-Jan-29	45	-	45			
Other		100.00			1	(0)	1	1	(0)	1
Net book value of loans and borrowings					**4,335**	**1,216**	**5,551**	**4,168**	**580**	**4,749**

1 % interest per annum on the remaining loan balance.

2 The Liza Unity Project finance facility maturity date is December 31, 2021 but can be extended in various ways, and up to the expiry date of the 2 years Charter Term provided that the vessel has been completed.

The Company acquired the remaining 75% equity ownership in OS Installer Limited on September 30, 2020. As a result, OS Installer Limited has been fully consolidated as from the acquisition date including the US$67 million loan borne by this subsidiary.

For the project finance facilities, the respective vessels are mortgaged to the banks or to note holders.

The Company has available borrowing facilities being the (i) undrawn revolving credit facility (RCF), (ii) the undrawn portions of *Liza Unity* (FPSO) project facilities and (iii) short-term credit lines.

Expiry date of the undrawn facilities and unused credit lines

	2020	2019
Expiring within one year	249	249
Expiring beyond one year	1,298	1,964
Total	**1,547**	**2,213**

The drawdowns in 2020 under the Liza Destiny and Liza Unity project finance facility lead to the decrease of available undrawn facilities and unsued credit lines.

The RCF in place as of December 31, 2020 has a maturity date of February 13, 2025, following the exercise of a one-year extension option on February 5, 2020. The US$1 billion facility was secured with a selected group of 11 core relationship banks and has an uncommitted option to increase the RCF by an additional US$500 million. On February 1, 2021, the lenders in the Company's US$1 billion Revolving Credit Facility (RCF) agreed to the Company's request to exercise the second one-year extension. The final maturity date of the RCF is thereby extended from February 12, 2025 to February 13, 2026. The Company does not have any other extension option remaining.

When needed, the RCF allows the Company to finance EPC activities / working capital, bridge any long-term financing needs, and/or finance general corporate purposes, when needed, in the following proportions:

- EPC activities / working capital – 100% of the facility;
- General Corporate Purposes – up to 50% of the facility;
- Refinancing project debt – 100% of the facility but limited to a period of 18 months

The pricing of the RCF is based on LIBOR and a margin adjusted in accordance with the applicable leverage ratio ranging from a minimum level of 0.50% p.a. to a maximum of 1.50% p.a. The margin also includes a Sustainability Adjustment Mechanism whereby the margin may increase or decrease by 0.05% based on the absolute change in the Company performance as measured and reported by Sustainalytics[1]. The Company's performance in 2020 allows the margin to remain stable for 2021.

COVENANTS

The following key financial covenants apply to the RCF as agreed with the respective lenders on February 11, 2020, and unless stated otherwise, relate to the Company's consolidated financial statements:

- **Solvency**: Consolidated IFRS Tangible Net Worth divided by Consolidated IFRS Tangible Assets must be > 25%;
- **Interest Cover Ratio**: Consolidated Directional Underlying EBITDA divided by Consolidated Directional Net Interest Payable must be > 4.0.

The **Lease Backlog Cover Ratio (LBCR)** is used to determine the **maximum funding availability** under the RCF. The maximum funding availability is determined by calculating the net present value of the future contracted net cash after debt service of a defined portfolio of operational offshore units in the directional backlog. The maximum theoretical amount available under the RCF is then determined by dividing this net present value by 1.5. The actual availability under the RCF will be the lower of this amount and the applicable Facility Amount. As at December 31, 2020 additional headroom above the US$1 billion capacity under the RCF exceeded US$0.9 billion. As of 12 February 2021, this will increase to more than US $1.1 billion following the inclusion of *Liza Destiny* (FPSO) in the calculation.

[1] Sustainalytics is a provider of Environmental, Social and Governance and Corporate Governance research and ratings.

For the purpose of covenants calculations, the following simplified definitions apply:

- **IFRS Tangible Net Worth:** Total equity (including non-controlling interests) of the Company in accordance with IFRS, excluding the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income, dividends declared, value of intangible assets and deferred taxes.
- **Consolidated IFRS Tangible Assets:** The Company total assets (excluding intangible assets) in accordance with the IFRS consolidated statement of financial position less the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income.
- **Consolidated Directional Underlying EBITDA:** Consolidated profit of the Company adjusted for net interest payable, tax and depreciation of assets and impairments, any exceptional or extraordinary items, and by adding back (i) the annualized production EBITDA for units which started operations during the financial year, and (ii) the acquisition annualized EBITDA for units acquired during the financial year.
- **Consolidated Directional Net Interest Payable:** All interest and other financing charges paid up, payable (other than capitalized interest during a construction period and interest paid or payable between wholly owned members of the Company) or incurred by the Company less all interest and other financing charges received or receivable by the Company, as per Directional reporting.

Covenants

	2020	2019
IFRS Tangible Net Worth	3,709	3,650
Consolidated IFRS Tangible Assets	10,896	10,221
Solvency ratio	34.0%	35.7%
Adjusted (Directional) Underlying EBITDA	948[1]	1,055[2]
Consolidated Directional Net Interest Payable	173	134
Interest cover ratio	5.5	7.9

1 Exceptional items restated from 2020 Consolidated Directional Underlying EBITDA are mainly related to the US$77M anticipated revenue recognition following the early redelivery of the Deep Panuke MOPU.

2 Exceptional items restated from 2019 Consolidated Directional Underlying EBITDA were mainly related to the US$90 million gain on the purchase of the minority shares in the entities related to FPSO's Cidade de Paraty, Cidade de Ilhabela, Cidade de Marica, Cidade de Saquarema and Capixaba. Consolidated Directional Underlying EBITDA included the annualized production EBITDA for Liza Destiny (FPSO) and the acquisition annualized EBITDA for the acquired minority shares in the above mentioned FPSO's companies.

None of the borrowings in the statement of financial position were in default as at the reporting date or at any time during the period.

LEASE LIABILITIES

The lease liabilities mostly relate to the leasing of office buildings as of December 31, 2020.

The movement in the lease liabilities is as follows:

	2020	2019
Principal recognized at 1 January	**173**	**189**
Additions	12	14
Redemptions	(28)	(28)
Foreign currency variations	3	(1)
Other	(87)	-
Total movements	**(101)**	**(16)**
Remaining principal at 31 December	**71**	**173**
Of which		
Current portion	20	32
Non-current portion	51	141

The Company was the long-term charterer of the diving support and construction vessel (DSCV) SBM Installer under a contract ending in 2026. The Company had 25% equity ownership in the entity holding the vessel, OS Installer Limited (OSI). The Company acquired the remaining 75% equity ownership in OSI on September 30, 2020. As a result, OSI has been fully consolidated as from such acquisition date and the existing lease liability related to the long-term charter was derecognized since the obligation became an intercompany liability eliminated in the group consolidated financial statements. The value of the lease liability at the acquisition date was US$87 million. Please refer to note 4.3.1 Financial Highlights.

Maturity of the lease liabilities is analyzed as follows:

	31 December 2020
Within one year	20
Between 1 and 2 years	18
Between 2 and 5 years	28
More than 5 years	6
Balance at 31 December	**71**

The total cash outflow for leases in 2020 was US$31 million, which includes redemptions of principal and interest payments.

4.3.25 DEFERRED INCOME

Deferred income is as follows:

	31 December 2020	31 December 2019
Deferred income on operating lease contracts	-	150
Total	**0**	**150**

The deferred income on operating lease contracts was mainly related to the revenue *FPSO Espirito Santo*, which reflected a decreasing day-rate schedule. As revenue 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 was included as deferred income as of December 31, 2019.

The decrease in deferred income of US$150 million compared with prior year is entirely due to the sale of the *FSPO Espirito Santo* following the newly negotiated contract with the client in December 2020, which resulted in a finance lease accounting treatment instead of an operating lease. We refer to note 4.3.15 Finance Lease Receivables.

4.3.26 PROVISIONS

The movement and type of provisions during the year 2020 are summarized as follows:

Provisions (movements)

	Demobilisation	Onerous contracts	Warranty	Employee benefits	Restructuring	Other	Total
Balance at 31 December 2019	**124**	**-**	**49**	**28**	**0**	**81**	**283**
Derecognition at 1 January following early application IFRS 16	-	-	-	-	-	-	-
Balance at 1 January 2020	**124**	**-**	**49**	**28**	**0**	**82**	**283**
Arising during the year	18	3	19	5	46	95	187
Unwinding of interest	7	-	-	0	-	-	7
Utilised	(13)	0	(1)	(1)	(16)	(5)	(35)
Released to profit	(0)	-	(30)	(3)	(0)	(12)	(46)
Other movement	0	-	(0)	5	(25)	1	(19)
Balance at 31 December 2020	135	3	37	34	6	161	377
of which :							
Non-current portion	111	1	-	34	-	102	248
Current portion	23	2	37	-	6	59	128

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*.

CONTINGENT LIABILITY

Update on legacy

The Deferred Prosecution Agreement SBM Offshore signed with the United States Department of Justice on November 29, 2017 includes, among other things, an obligation to report on the status of the Company's compliance program. The Company confirms that this three-year period has now ended, without extension or other conditions.

In Switzerland, three of the Company's subsidiaries received a notification from the Bundesanwaltschaft (federal prosecutor's office) in Bern. It concerns a suspicion that from 2005 till 2012 these subsidiaries failed to take the necessary measures to prevent the execution of corrupt payments during said period. The notification refers to the legacy settlements the Company concluded in the Netherlands (2014) and Brazil (2018) as well as the Deferred Prosecution Agreement with the United States. The suspicion regarding the compliance controls shortcoming relate to payments covered by these agreements.

There are no provisions or accrued liabilities accounted for as of December 31, 2020 related to the notification received from the Bundesanwaltschaft (federal prosecutor's office) in Bern.

4.3.29 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

This note presents information about the Company's exposure to risk resulting from its use of financial instruments, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the statement of financial position, which require disclosure of fair value measurements by level:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classification and fair values

			31 December 2020		31 December 2019	
	Notes	Fair value level	Total book value	Total fair value	Total book value	Total fair value
Financial assets measured at amortized cost						
Finance lease receivables	*4.3.15*	3	6,488	7,223	6,694	7,137
Loans to joint ventures and associates	*4.3.16*	3	46	43	55	49
Total			**6,534**	**7,265**	**6,749**	**7,186**
Financial liabilities measured at amortized cost						
US$ project finance facilities drawn	*4.3.24*	2	5,620	5,669	4,829	4,861
Revolving credit facility/Bilateral credit facilities	*4.3.24*	2	-	-	(0)	(0)
Lease liabilities		3	71	71	173	173
Other debt	*4.3.24*	2	1	1	1	1
Total			**5,692**	**5,741**	**5,003**	**5,035**

Additional information

- In the above table, the Company has disclosed the fair value of each class of financial assets and financial liabilities for which the book value is different than fair value in a way that permits the information to be compared with the carrying amounts.
- There are financial assets and financial liabilities measured at fair value, namely the interest rate swaps and forward currency contracts which are classified at a Level 2 on the fair value hierarchy. Level 2 is based on inputs other than quoted

prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The carrying amount for these financial assets and liabilities approximates the fair value as at December 31, 2020.

- The Company has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values as the impact of discounting is insignificant.
- Classes of financial instruments that are not used are not disclosed.
- No instruments were transferred between Level 1 and Level 2.
- No instruments were transferred between Level 2 and Level 3.
- None of the instruments of the Level 3 hierarchy are carried at fair value in the statement of financial position.
- No financial instruments were subject to offsetting as of December 31, 2020 and December 31, 2019.

The effects of the foreign currency related hedging instruments on the Company's financial position and performance including related information is included in the table below:

Effect of the foreign currency and interest swaps related hedging instruments

	2020	2019
Foreign currency forwards		
Carrying amount	77	(35)
Notional amount	(2,162)	(2,107)
Maturity date	4-9-2021	11-18-2020
Hedge ratio	100%	100%
Change in discounted spot value of outstanding hedging instruments since 1 January	112	(17)
Change in value hedged rate for the year (including forward points)	(112)	17
Interest rate swaps		
Carrying amount	(351)	(159)
Notional amount	5,649	5,481
Maturity date	13-6-2027	5-28-2028
Hedge ratio	93%	96%
Change in discounted spot value of outstanding hedging instruments since 1 January	(192)	(123)
Change in value hedged rate for the year (including forward points)	192	123

MEASUREMENT OF FAIR VALUES

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

	Level 2 and level 3 instruments	Level 3 instruments	
Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value			
Interest rate swaps	Income approach – Present value technique	Not applicable	Not applicable
Forward currency contracts	Income approach – Present value technique	Not applicable	Not applicable
Financial instrument not measured at fair value			
Loans to joint ventures and associates	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (1%-9%)	The estimated fair value would increase (decrease) if: ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Finance lease receivables	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (5%-9%)	The estimated fair value would increase (decrease) if: ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Loans and borrowings	Income approach – Present value technique	Not applicable	Not applicable
Other long-term debt	Income approach – Present value technique	Not applicable	Not applicable

DERIVATIVE ASSETS AND LIABILITIES DESIGNATED AS CASH FLOW HEDGES

The following table indicates the period in which the cash flows associated with the cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for interest rate swaps are estimated using the forward rates as at the reporting date.

Cash flows

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2020					
Interest rate swaps (USD LIBOR 3 Months)	(351)	(79)	(190)	(111)	(380)
Forward currency contracts	77	41	32	-	72
31 December 2019					
Interest rate swaps (USD LIBOR 3 Months)	(159)	(20)	(204)	54	(170)
Forward currency contracts	(35)	(28)	(34)	-	(62)

The following table indicates the period in which the cash flows hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

Expected profit or loss impact

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2020					
Interest rate swaps (USD LIBOR 3 Months)	(351)	(79)	(190)	(111)	(380)
Forward currency contracts	77	41	32	-	72
31 December 2019					
Interest rate swaps (USD LIBOR 3 Months)	(159)	(20)	(204)	54	(170)
Forward currency contracts	(35)	(28)	(34)	-	(62)

Interest rate swaps

Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the final repayment of the hedged items (please refer to note 4.3.23 Equity Attributable to Shareholders).

Forward currency contracts

Gains and losses recognized in the hedging reserve on forward currency contracts are recognized in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within twelve months from the statement of financial position date unless the gain or loss is included in the initial amount recognized in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset. If the gain or loss is included in the initial amount recognized in the carrying amount of the cost incurred on construction contracts then the recognition is over time.

LOSS ALLOWANCE ON FINANCIAL ASSETS AND CONSTRUCTION WORK-IN-PROGRESS

The movement of loss allowance during the year 2020 is summarized as follows:

	Finance lease receivable		Construction work-in-progress		Trade receivables		Other financial assets	
	2020	2019	2020	2019	2020	2019	2020	2019
Opening loss allowance as at 1 January	**0**	**0**	**(0)**	**(1)**	**(4)**	**(7)**	**(99)**	**(99)**
Increase in loss allowance recognized in profit or loss during the year	(1)	-	(4)	(0)	(3)	(1)	(15)	-
Receivables written off during the year as uncollectible	-	-	-	-	2	-	-	-
Unused amount reversed	0	-	0	1	2	4	0	-
At 31 December	**(1)**	**0**	**(4)**	**(0)**	**(3)**	**(4)**	**(114)**	**(99)**

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, market risks (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company buys and sells derivatives in the ordinary course of business and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set in the Company policy. Generally, the Company seeks to apply hedge accounting in order to manage volatility in the income statement and statement of comprehensive income. The purpose is to manage the interest rate and currency risk arising from the Company's operations and its sources of finance. Derivatives are only used to hedge closely correlated underlying business transactions.

The Company's principal financial instruments, other than derivatives, comprise trade debtors and creditors, bank loans and overdrafts, cash and cash equivalents (including short-term deposits) and financial guarantees. The main purpose of these financial instruments is to finance the Company's operations. Trade debtors and creditors result directly from the business operations of the Company.

Financial risk management is carried out by a central treasury department under policies approved by the Management Board. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries and the Chief Financial Officer (CFO) during the quarterly Asset and Liability Committee. The Management Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. It is, and has been throughout the year under review, the Company's policy that no speculation in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk.

During the year of 2020, the COVID-19 pandemic caused crises in many aspects of the worldwide economy. This, combined with demand and supply crises in the oil and gas market has required the Company to evolve and adapt to uncertain market conditions. In the light of this situation, the Company reviewed its financial risk management program and concluded that the existing procedures adequately addressed this challenging situation.

In the context of the COVID-19 pandemic and low oil price environment, the Company especially focused on liquidity, credit and counterparty risks:

- The Company conducted various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion was that the Company's lease portfolio and the existing financing facilities are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and it can sustain future growth plans;
- The Company performed analyses on the credit and counterparty risks of its clients and financial partners. The analysis resulted in no material impact (refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets); and
- The Company applied its policy on derivative financial instruments and cash and cash equivalents counterparty credit risk. Credit limits per individual counterparty were not exceeded during 2020.

In terms of hedging policy which addressed interest rates and foreign exchanges rates risks, the hedging instrument in place are effective with no material ineffectiveness (refer to note 4.3.9 Net Financing Costs). The Company did not identify a need to hedge any other financial risks in the COVID-19 context.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from transactional currency exposures, primarily with respect to the euro, Singapore dollar, and Brazilian real. The exposure arises from sales or purchases in currencies other than the Company's functional currency. The Company uses forward currency contracts to eliminate the currency exposure once the Company has entered into a firm commitment of a project contract.

For foreign currency risk, the principle terms of the forward currency contract (notional and settlement date) and the future expense or revenue (notional and expected cash flow date) are identical. The Company has established a hedge ratio of 1:1 for all its hedging relationships.

The main Company's exposure to foreign currency risk is as follows based on notional amounts:

Foreign exchange risk (summary)

	31 December 2020			31 December 2019		
in millions of local currency	EUR	SGD	BRL	EUR	SGD	BRL
Fixed assets	71	-	93	83	-	516
Current assets	93	6	554	89	1	868
Long-term liabilities	(28)	-	(43)	(48)	-	(235)
Current liabilities	(174)	(16)	(633)	(105)	(20)	(1,169)
Gross balance sheet exposure	**(38)**	**(10)**	**(29)**	**18**	**(19)**	**(21)**
Estimated forecast sales	78	-	-	65	-	-
Estimated forecast purchases	(1,079)	(525)	(1,073)	(1,175)	(276)	(888)
Gross exposure	**(1,039)**	**(535)**	**(1,102)**	**(1,092)**	**(295)**	**(909)**
Forward exchange contracts	1,055	528	1,121	1,086	293	1,111
Net exposure	**16**	**(8)**	**19**	**(6)**	**(1)**	**202**

The decrease of the BRL exposure during 2020 was mainly driven by the decrease of the loans to the Brazilian operations entities.

The estimated forecast purchases relate to project expenditure and overhead expenses for up to three years. The main currency exposures of overhead expenses and Brazilian operations are hedged at 100% for the coming year, between 66% and 100% for the year after, and between 33% and 100% for the subsequent year depending on internal review of the foreign exchange market conditions.

Foreign exchange risk (exchange rates applied)

	2020	2019	2020	2019
	Average rate		Closing rate	
EUR 1	1.1422	1.1195	1.2271	1.1234
SGD 1	0.7254	0.7330	0.7566	0.7434
BRL 1	0.1958	0.2540	0.1925	0.2488

The sensitivity on equity and the income statement resulting from a change of ten percent of the US dollar's value against the following currencies at December 31 would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2019.

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2020				
EUR	(1)	1	(124)	124
SGD	1	(1)	(40)	40
BRL	0	(0)	(21)	21
31 December 2019				
EUR	1	(1)	(125)	125
SGD	0	(0)	(21)	21
BRL	0	(0)	(27)	(27)

As set out above, by managing foreign currency risk the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in foreign currency rates would have an impact on consolidated earnings.

Interest rate risk

The Company's exposure to risk from changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. In respect of controlling interest rate risk, the floating interest rates of long-term loans are hedged by fixed rate swaps for the entire maturity period. The revolving credit facility is intended for the fluctuating needs of construction financing and bears interest at floating rates, which is also swapped for fixed rates when exposure is significant.

For interest rate risk, the principle terms of the interest rate swap (notional amortization, rate-set periods) and the financing (repayment schedule, rate-set periods) are identical. The Company has established a hedge ratio of 1:1, as the hedging layer component matches the nominal amount of the interest rate swap for all its hedging relationships.

Interest rate benchmark reform

The reform and replacement of benchmark interest rates such as USD LIBOR 3M and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. To transition existing contracts and agreements that reference USD LIBOR to Secured Overnight Financing Rate ('SOFR') as benchmark for US$ denominated derivatives and loans, adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

The Company's treasury department is managing SBM Offshore's IBOR transition plan with the support of the Company's Legal department. The greatest change will be amendments to the contractual terms of the USD LIBOR-referenced floating-rate debt and the associated interest rate swaps and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models.

Relief applied

The Company has applied the following reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in September 2019:

- When considering the 'highly probable' requirement, the Company has assumed that the USD LIBOR 3M interest rate on which the Company's hedged debt is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Company has assumed that the USD LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by LIBOR reform.
- The Company has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made
The counterparties to the Company's interest rate swaps are also counterparties to the floating loan they are hedging. It is then assumed that the result of the negotiations with external banks and the implementation of SOFR will not have material impacts on the Company's future financial results.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments (excluding transaction costs) was:

Interest rate risk (summary)

	2020	2019
Fixed rate instruments		
Financial assets	6,573	6,770
Financial liabilities	(347)	(448)
Total	**6,226**	**6,322**
Variable rate instruments (USD LIBOR 3 Months)		
Financial assets	46	55
Financial liabilities	(5,229)	(4,382)
Financial liabilities (future)	(1,271)	(1,879)
Total	**(6,454)**	**(6,206)**

Interest rate risk (exposure)

	2020	2019
Variable rate instruments (USD LIBOR 3 Months)	(6,454)	(6,206)
Less: Reimbursable items (USD LIBOR 3 Months)	668	565
Less: IRS contracts (USD LIBOR 3 Months)	5,649	5,481
Exposure	**(136)**	**(160)**

Interest rate risk (sensitivity)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2020				
Variable rate instruments (USD LIBOR 3 Months)	(1)	1	-	-
Interest rate swap	-	-	226	(226)
Sensitivity (net)	**(1)**	**1**	**226**	**(226)**
31 December 2019				
Variable rate instruments (USD LIBOR 3 Months)	(1)	1	-	-
Interest rate swap (USD LIBOR 3 Months)	0	(0)	240	(240)
Sensitivity (net)	**(1)**	**1**	**240**	**(240)**

The sensitivity on equity and the income statement resulting from a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2019.

At December 31, 2020, it is estimated that a general increase of 100 basis points in interest rates would decrease the Company's profit before tax for the year by approximately US$1 million (2019: decrease of US$1 million) mainly related to residual exposure on un-hedged financial liabilities.

As set out above, the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in interest rates could have an impact on consolidated earnings.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other financial assets, trade and other receivables (including committed transactions), derivative financial instruments and cash and cash equivalents.

Credit risk

	2020		2019	
Rating	Assets	Liabilities	Assets	Liabilities
AA	0	(10)	-	(4)
AA-	67	(171)	21	(89)
A+	66	(205)	20	(147)
A	3	(24)	-	(1)
BBB	-	(1)	1	-
Non-investment grade	-	-	1	-
Derivative financial instruments	**136**	**(411)**	**43**	**(241)**
AAA	111	-	120	-
AA	10	-	27	-
AA-	217	-	183	-
A+	53	-	131	-
A	3	-	11	-
A-	0	-	0	-
Non-investment grade	20	-	34	-
Cash and cash equivalents and bank overdrafts	**414**	**-**	**506**	**-**

The Company maintains and reviews its policy on cash investments and limits per individual counterparty are set to:

- BBB- to BBB+ rating: US$25 million or 10% of cash available.
- A- to A+ rating: US$75 million or 20% of cash available.
- AA- to AA+ rating: US$100 million or 20% of cash available.
- Above AA+ rating: no limit.

As per December 31, 2020, cash investments above AA+ rating do not exceed US$100 million per individual counterparty.

Cash held in banks rated AA- is mainly linked to cash pledged to loan reimbursements to those same banks. Cash held in banks rated below A- is mainly related to the Company's activities in Angola (US$13 million) and decreased since 2019 following cash repatriation.

For trade debtors the credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Bank or parent company guarantees are negotiated with customers. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management Board. At the date of the financial statements, there are no customers that have an outstanding balance with a percentage over 10% of the total of trade and other receivables. Reference is made to note 4.3.19 Trade and Other Receivables for information on the distribution of the receivables by country and an analysis of the ageing of the receivables. Furthermore, limited recourse project financing removes a significant portion of the credit risk on finance lease receivables.

For other financial assets, the credit quality of each counterpart is assessed taking into account its credit agency rating when available or a comparable proxy.

Regarding loans to joint ventures and associates, the maximum exposure to credit risk is the carrying amount of these instruments. As the counterparties of these instruments are joint ventures, the Company has visibility over the expected cash flows and can monitor and manage credit risk that mainly arises from the joint venture's final client.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company conducted various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion was that the Company's lease portfolio and the existing financing facilities are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients the Company has considerable time under charters in which to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. To date, the Company has been able to manage the COVID-19 situation without the need to use such protection.

Liquidity is monitored using rolling forecasts of the Company's liquidity reserves based on expected cash flows. Flexibility is secured by maintaining availability under committed credit lines.

The table below analyses the Company's non-derivative financial liabilities, derivative financial liabilities and derivative financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for borrowings and derivative financial instruments are based on the USD LIBOR 3-month rates as at the reporting date.

Liquidity risk 2020

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
31 December 2020					
Borrowings		1,336	3,148[1]	1,522	5,995
Lease liabilities		20	45	6	71
Derivative financial liabilities		133	193	111	437
Derivative financial assets		(97)	(33)	-	(130)
Trade and other payables	*4.3.27*	1,033	-	-	1,033
Total		**2,424**	**3,354**	**1,639**	**7,406**

1 includes the Liza Unity Project finance facility as disclosed in 4.3.24 Borrowings and Lease liabilities.

Liquidity risk 2019

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
31 December 2019					
Borrowings		766	3,043	1,944	5,753
Lease liabilities		32	102	39	173
Derivative financial liabilities		89	105	29	223
Derivative financial assets		(25)	(3)	-	(29)
Trade and other payables	*4.3.27*	911	-	-	911
Total		**1,772**	**3,246**	**2,012**	**7,030**

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain a capital structure which optimizes the Company's cost of capital while at the same time, ensures diversification of sources of external funds.

The Company generally uses its corporate revolving credit facility (RCF, US$1 billion) to bridge financing requirements on projects under construction prior to putting a dedicated project finance facility in place. When a project finance facility is arranged and draw-downs have started, the RCF is repaid and a corporate guarantee from the Company is put in place for the construction period. When the project facility is drawn in full and the associated FPSO is producing, the corporate guarantee is relinquished and the project finance becomes non-recourse debt.

As per December 31, 2020, all the debt associated with operating FPSOs is non-recourse.

The Company has limited appetite to decrease the existing debt in its structure, as this would involve breakage cost, through winding down the hedges and it would decrease the Company's return on equity. From time to time, it may decide to refinance existing facilities in order to increase and/or extend the tenor of leverage subject to sufficient charter tenor and income.

Given the non-recourse nature of a large part of its debt, the Company monitors its capital risk based on the Lease Backlog Cover Ratio, which is also used by the bank consortium supporting the Company's RCF. Generally, this ratio is calculated as the present value of the projected future net charter income, after deducting the project finance debt and interest payments, of a selected group of FPSO owning entities divided by the Company's corporate debt level (see note 4.3.24 Borrowings and Lease Liabilities).

The gearing ratios at December 31, 2020 and 2019 were as follows:

Capital risk management

	2020	2019
Total borrowings and lease liabilities	5,623	4,922
Less: net cash and cash equivalents	414	506
Net debt	**5,209**	**4,416**
Total equity	3,462	3,613
Total capital	**8,670**	**8,029**
Gearing ratio	60.1%	55.0%

Other risks
In respect of controlling political risk, the Company has a policy of thoroughly reviewing risks associated with contracts, whether Turnkey or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained.

4.3.30 LIST OF GROUP COMPANIES

In accordance with legal requirements a list of the Company's entities that are included in the consolidated financial statements of SBM Offshore N.V. has been deposited at the Chamber of Commerce in Amsterdam.

4.3.31 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The Company has several joint ventures and associates:

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2020 main reporting segment	Project name
Sonasing Xikomba Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO N'Goma
OPS-Serviços de Produção de Petróleos Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & Operate	Angola operations
OPS-Serviços de Produção de Petróleos Ltd. Branch	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Angola	Lease & Operate	Angola operations
Sonasing Sanha Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Sanha
Sonasing Kuito Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Kuito
Sonasing Mondo Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Mondo
Sonasing Saxi Batuque Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Saxi-Batuque
OPS Production Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & Operate	Angola operations
Anchor Storage Ltd.	Maersk group	Joint venture	49.00	Bermuda	Lease & Operate	Nkossa II FSO
Gas Management (Congo) Ltd.	Maersk group	Joint venture	49.00	Bahamas	Lease & Operate	Nkossa II FSO
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & Operate	FPSO Kikeh
Malaysia Deepwater Production Contractors Sdn Bhd	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & Operate	FPSO Kikeh
SNV Offshore Ltd.	Naval Ventures Corp (an entity of Synergy group)	Joint venture	50.00	Bermuda	Turnkey	Brazilian yard
Estaleiro Brasa Ltda.	SNV Offshore Limited (see information above)	Joint venture	50.00	Brazil	Turnkey	Brazilian yard
Brasil Superlift Serviços de Içamento Ltda.	SNV Offshore Limited (see information above)	Joint venture	50.00	Brazil	Turnkey	Brazilian yard
Pelican Assets S.à.r.l.	SNV Offshore Limited (see information above)	Joint venture	50.00	Luxembourg	Turnkey	Brazilian yard
Normand Installer S.A.	The Solstad group	Joint venture	49.90	Switzerland	Turnkey	Normand Installer

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2020 main reporting segment	Project name
SBM Ship Yard Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Daewoo Shipbuilding & Marine Engineering Co. Ltd.	Associate	33.33	Bermuda	Turnkey	Angolan yard
PAENAL - Porto Amboim Estaleiros Navais Ltda.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; SBM Shipyard	Associate	30.00	Angola	Turnkey	Angolan yard

The Company has no joint operation as per definition provided by IFRS 11 'Joint arrangements'.

The movements in investments in associates and joint ventures are as follows:

	Note	2020	2019
Investments in associates and joint ventures at 1 January		**325**	**421**
Share of profit of equity-accounted investees	*4.2.1*	17	44
Dividends		(44)	(137)
Cash flow hedges		(8)	(1)
Capital increase/(decrease)		(12)	2
Foreign currency variations		(0)	(3)
Share in negative net equity reclassification to loans to joint ventures and associates		-	(1)
Other		3	-
Investments in associates and joint ventures at 31 December		**282**	**325**

Acquisition of 75% equity ownership in OS Installer Limited

The Company acquired the remaining 75% equity ownership in OS Installer Limited for a consideration of US$34 million on September 30, 2020. As a result, the 25% investment in OS Installer Limited, which was accounted for at equity method prior to the transaction, was derecognized for an amount of US$12 million, as reported on the line item 'Capital increase/(decrease)' in the above reconciliation table. OS Installer Limited is fully consolidated as from the acquisition date. Please refer to note 4.3.13 Property, Plant and Equipment.

Purchase and termination options in finance lease contracts – Joint ventures and associates

The finance lease contracts of *FPSO N'Goma*, *FPSO Saxi Batuque* and *FPSO Mondo*, where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early. The finance lease contract of *FPSO Kikeh* also includes options for the client to purchase the underlying asset or to terminate the contract early, but it should be noted that the first option for the client to exercise the purchase option on *FPSO Kikeh* is early 2022.

The exercise of the purchase option on FPSOs *N'Goma*, *Saxi Batuque* and *Mondo* as per December 31, 2020 would have resulted in a gain for the Company or a near break-even result. The exercise of the option to terminate the contract early, in which case the Company retains ownership of the vessel, would result in a gain for *FPSO Kikeh*, break-even result for FPSOs *Saxi Batuque and Mondo*, while this would result in a non-material loss for the Company on *N'Goma FPSO*. The Company considers the likelihood of the client exercising the option to terminate the contract on this specific contract as remote.

The following tables present the figures at 100%.

Information on significant joint arrangements and associates - 2020

Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends paid	Revenue
FPSO N'Goma	Angola	930	683	98	386	387	99	-	73
Angola operations	Angola	118	1	2	23	18	99	-	166
FPSO Kikeh	Malaysia	117	9	8	-	5	17	88	67
Brazilian yard	Brazil	2	2	0	1	0	4	-	-
Angolan yard	Angola	72	0	47	511	511	32	-	(2)
Non material joint ventures/associates		83	68	7	169	161	9	-	10
Total at 100%		**1,323**	**763**	**163**	**1,090**	**1,083**	**260**	**88**	**314**

Information on significant joint arrangements and associates - 2019

Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends paid	Revenue
FPSO N'Goma	Angola	987	795	55	445	445	128	170	81
Angola operations	Angola	120	2	9	25	-	105	-	132
FPSO Kikeh	Malaysia	204	103	5	-	5	17	91	82
Brazilian yard	Brazil	2	2	(0)	0	-	2	-	0
Angolan yard	Angola	80	(0)	45	485	485	32	-	3
Non material joint ventures/associates		216	198	11	242	166	82	15	5
Total at 100%		**1,610**	**1,099**	**126**	**1,197**	**1,101**	**367**	**275**	**304**

The bank interest-bearing loans and other borrowings held by joint ventures and associates are as follows:

Information on loans and borrowings of joint ventures and associates

				Net book value at 31 December 2020			Net book value at 31 December 2019		
Entity name	% Ownership	% Interest	Maturity	Non-current	Current	Total	Non-current	Current	Total
US$ Project Finance facilities drawn:									
Sonasing Xikomba Ltd	50.00	4.00%	15-05-2026	325	62	386	386	59	445
Normand Installer SA	49.90	3.70%	23-02-2023	27	5	32	32	3	35
OS Installer Limited	25.00	3.80%	17-09-2026	-	-	-	66	7	73
Loans from subsidiaries of SBM Offshore N.V.[1]				339	8	347	314	25	339
Loans from other shareholders of the joint ventures and associates				314	-	314	297	-	297
Loans from other joint ventures[2]				247	5	251	248	6	254
Net book value of loans and borrowings				**1,251**	**80**	**1,331**	**1,343**	**100**	**1,443**

1 Please refer to note 4.3.16 'Loans to joint-ventures and associates' for presentation of the carrying amount of these loans in the Company's Consolidated Statement of financial position.

2 Mainly loans from the joint ventures SBM Shipyard Ltd to the JV PAENAL - Porto Amboim Estaleiros Navais Ltda.

The book value of the project finance facility related to the OS Installer Limited is not reported anymore at December 31, 2020, as this entity is not anymore a joint venture following the acquisition by the Company of 75% ownership in the entity in 2020. Please refer to note 4.1.2 Financial Highlights for more information.

Aggregated information on joint ventures and associates

	2020	2019
Net result at 100%	(2)	68

Reconciliation equity at 100 % with investment in associates and joint ventures

	2020	2019
Equity at 100%	(20)	142
Partner ownership	134	15
Share in negative net equity reclassification to loans to joint ventures and associates	168	168
Investments in associates and joint ventures	**282**	**325**

4.3.32 INFORMATION ON NON-CONTROLLING INTERESTS

The Company has several jointly owned subsidiaries:

Entity name	Partners	% of ownership	Country registration	2020 main reporting segment	Project name
Aseng Production Company Ltd.	GE Petrol	60.00	Cayman island	Lease & Operate	FPSO Aseng
Gepsing Ltd.	GE Petrol	60.00	Cayman island	Lease & Operate	FPSO Aseng / FPSO Serpentina
Gepsing Ltd - Equatorial Guinea Branch	GE Petrol	60.00	Equatorial Guinea	Lease & Operate	FPSO Aseng / FPSO Serpentina
Brazilian Deepwater Production Ltd.	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & Operate	FPSO Espirito Santo
Brazilian Deepwater Production Contractors Ltd.	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & Operate	FPSO Espirito Santo
Brazilian Deepwater Production B.V.	Malaysia International Shipping Corporation Behard	51.00	The Netherlands	Lease & Operate	FPSO Espirito Santo
Operações Marítimas em Mar Profundo Brasileiro Ltda	owned by Brazilian Deepwater Production Contractors (see information above)	51.00	Brazil	Lease & Operate	FPSO Espirito Santo
Alfa Lula Alto S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Luxembourg	Turnkey	FPSO Cidade de Marica
Alfa Lula Alto Holding Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Bermuda	Lease & Operate	FPSO Cidade de Marica
Alfa Lula Alto Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Marica
Alfa Lula Alto S.à r.l. (Brazilian branche)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Marica
Beta Lula Central S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Luxembourg	Turnkey	FPSO Cidade de Saquarema
Beta Lula Central Holding Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Bermuda	Lease & Operate	FPSO Cidade de Saquarema
Beta Lula Central Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Saquarema
Beta Lula Central S.à r.l. (Brazilian branche)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Saquarema
Tupi Nordeste S.à.r.l.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Luxembourg	Lease & Operate	FPSO Cidade de Paraty
Tupi Nordeste Operações Marítimas Ltda.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Brazil	Lease & Operate	FPSO Cidade de Paraty
Tupi Nordeste Holding Ltd.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Bermuda	Lease & Operate	FPSO Cidade de Paraty

Entity name	Partners	% of ownership	Country registration	2020 main reporting segment	Project name
Tupi Nordeste S.à r.l. (Brazilian branche)	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Bermuda	Lease & Operate	FPSO Cidade de Paraty
Guara Norte S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	75.00	Luxembourg	Lease & Operate	FPSO Cidade de Ilhabela
Guara Norte Holding Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	75.00	Bermuda	Lease & Operate	FPSO Cidade de Ilhabela
Guara Norte Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	75.00	Brazil	Lease & Operate	FPSO Cidade de Ilhabela
Guara Norte S.à r.l. (Brazilian branche)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	75.00	Brazil	Lease & Operate	FPSO Cidade de Ilhabela
FPSO Brasil Venture S.A.	MISC Berhad	51.00	Switzerland	Lease & Operate	FPSO Brazil
SBM Operações Ltda.	MISC Berhad	51.00	Brazil	Lease & Operate	FPSO Brazil
SBM Systems Inc.	MISC Berhad	51.00	Switzerland	Lease & Operate	FPSO Brazil
Mero 2 Operacoes Maritima Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	Brazil	Lease & Operate	FPSO Sepetiba
Mero 2 Operacoes Holding S.A.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	Switzerland	Lease & Operate	FPSO Sepetiba
Mero 2 Owning B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	The Netherlands	Lease & Operate	FPSO Sepetiba
Mero 2 B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	The Netherlands	Lease & Operate	FPSO Sepetiba
SBM Nauvata Private Limited	Nauvata Engineering Private Limited	51.00	India	Turnkey	Engineering services
South East Shipping Co. Ltd.	Mitsubishi Corporation	75.00	Bermuda	Lease & Operate	Yetagun

Receipts from non-controlling interests for change in ownership

The Company received US$28 million following the transfer of the shares towards the other JV shareholders as part of the Constellation transaction that occurred in 2019.

Equity repayment to non-controlling interests

The US$23 million reported in 4.2.4 Consolidated Statement of Changes in Equity relates to an equity repayment to the partners in the subsidiairy following the completion of the bridge loan for *FPSO Sepetiba*.

Information on non-controlling interests (NCI)

Included in the consolidated financial statements are the following items that represent the Company's interest in the revenues, assets and loans of the partially owned subsidiaries.

Figures are presented at 100% before elimination of intercompany transactions.

2020

Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends to NCI	Revenue
FPSO Aseng / FPSO Serpentina	Equatorial Guinea	147	87	15	0	0	29	8	88
FPSO Espirito Santo	Brazil	136	84	13	92	92	45	53	352
FPSO Cidade de Marica	Brazil	1,630	1,483	63	1,016	987	175	3	190
FPSO Cidade de Saquarema	Brazil	1,591	1,480	31	1,109	1,107	135	16	194
FPSO Cidade de Paraty	Brazil	1,070	968	26	311	200	160	-	147
FPSO Cidade de Ilhabela	Brazil	1,449	1,282	87	555	439	177	3	187
FPSO Sepetiba	Brazil	987	-	10	600	89	736	-	755
Non material NCI		26	0	4	-	-	1	0	1
Total 100%		**7,036**	**5,384**	**250**	**3,683**	**2,915**	**1,457**	**83**	**1,914**

2019

Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends to NCI	Revenue
FPSO Aseng / FPSO Serpentina	Equatorial Guinea	152	106	6	0	0	20	0	74
FPSO Espirito Santo	Brazil	231	181	19	-	150	94	12	107
FPSO Cidade de Marica	Brazil	1,684	1,540	61	1,119	1,069	158	2	200
FPSO Cidade de Saquarema	Brazil	1,651	1,532	37	1,195	1,155	123	8	202
FPSO Cidade de Paraty	Brazil	1,126	1,025	26	421	318	151	-	161
FPSO Cidade de Ilhabela	Brazil	1,503	1,336	87	677	562	168	-	197
FPSO Sepetiba	Brazil	415	-	3	-	13	136	-	121
Non material NCI		27	0	4	-	-	3	4	3
Total 100%		**6,790**	**5,721**	**243**	**3,411**	**3,267**	**854**	**25**	**1,065**

Reference is made to note 4.3.24 Borrowings and Lease Liabilities for a description of the bank interest-bearing loans and other borrowings per entity.

Included in the consolidated financial statements are the following items that represent the aggregate contribution of the partially owned subsidiaries to the Company consolidated financial statements:

Interest in non-controlling interest (summary)

	2020	2019
Net result	137	145
Accumulated amount of NCI	905	865

Reconciliation equity at 100 % with Non-controlling interests on partially owned subsidiaries

	2020	2019
Equity at 100%	2,664	2,670
Company ownership	(1,758)	(1,805)
Accumulated amount of NCI	**905**	**865**

4.3.33 RELATED PARTY TRANSACTIONS

During 2020, except for the acquisition of the remaining ownership in the SBM Installer, no major related party transactions requiring additional disclosure in the financial statements took place.

For relations with Supervisory Board members, Management Board members and other key personnel reference is made to note 4.3.6 Employee Benefit Expenses.

The Company has transactions with joint ventures and associates which are recognized as follows in the Company's consolidated financial statements:

Related party transactions

	Note	**2020**	2019
Revenue		10	19
Cost of sales		(14)	(13)
Loans to joint ventures and associates	*4.3.16*	46	55
Trade receivables		62	52
Trade payables		18	17
Lease liabilities		(0)	97

The decrease in lease liabilities in 2020 relates to the acquisition of the remaining 75% ownership in the SBM Installer. Please refer to note 4.3.13 Property, Plant and Equipment for more information.

The Company has provided loans to joint ventures and associates such as shareholder loans and funding loans at rates comparable to the commercial rates of interest.

During the period, the Company entered into trading transactions with joint ventures and associates on terms equivalent to those that prevail in arm's-length transactions.

Additional information regarding the joint ventures and associates is available in note 4.3.31 Investment in Associates and Joint Ventures.

4.3.34 INDEPENDENT AUDITOR'S FEES AND SERVICES

Fees included in other operating costs related to PwC, the 2020 and 2019 Company's external independent auditor, are summarized as follows:

in thousands of US$	**2020**	2019
Audit of financial statements	2,526	2,204
Out of which:		
- invoiced by PwC Accountants N.V.	1,522	1,488
- invoiced by PwC network firms	1,004	716
Tax advisory services by PwC network firms	50	59
Other assurance services	113	131
Total	**2,689**	**2,394**

In both 2020 and 2019, the other assurance services were mainly related to the review of the Company sustainability report.

4.3.35 EVENTS AFTER END OF REPORTING PERIOD

DIVIDEND

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company has concluded that the outlook for cash flow generation has improved given the increase in the quantum of the Lease and Operate backlog. Based on this, a dividend of US$165 million (which equals to US$0.89 per share, based on the number of shares outstanding less the number of treasury shares held at December 31, 2020), to be paid out of retained earnings, will be proposed at the Annual General Meeting on April 7, 2021. This represents an increase of 10% compared to the dividend paid in 2020.

RCF EXTENSION OPTION EXERCISED BY THE COMPANY

On February 1, 2021, the lenders in the Company's US$1 billion Revolving Credit Facility (RCF) agreed to the Company's request to exercise the second one-year extension. The final maturity date of the RCF is thereby extended from February 12, 2025 to February 13, 2026. The Company does not have any other extension option remaining.

SBM OFFSHORE PRICES US$850 MILLION SENIOR SECURED NOTES TRANSACTION

The Company announced on February 9, 2021 the successful pricing of an US$850 million non-recourse senior secured notes transaction in a 144A/Reg S offering by a subsidiary company. The issuer of the notes is Guara Norte S.à r.l. (Guara Norte), which owns the *FPSO Cidade de Ilhabela*. SBM Offshore owns 75% of the equity in Guara Norte and the remaining 25% equity is held by Mitsubishi Corporation. The transaction is expected to close on February 11, 2021 at which date the notes will be issued and settlement will occur. The notes are rated Ba1 (Moody's) and BB+ (Fitch) and were priced at 99.995% of par value with a 5.198% fixed coupon which is paid semi-annually. The notes are fully amortizing over the 13.5 years tenor. The notes will trade at the Singapore Stock Exchange. This is SBM Offshore's first issuance of a 144A/Reg S bond and as such this offering further diversifies its sourcing for project debt.

4.4 COMPANY FINANCIAL STATEMENTS

4.4.1 COMPANY BALANCE SHEET

Company balance sheet

Before appropriation of profit	Notes	31 December 2020	31 December 2019
ASSETS			
Investment in Group companies	4.5.1	2,574	2,745
Total financial fixed assets		**2,574**	**2,745**
Deferred tax asset	4.5.2	3	3
Total non-current assets		**2,578**	**2,748**
Other receivables	4.5.3	2	9
Cash and cash equivalents	4.5.4	1	1
Total current assets		**3**	**9**
TOTAL ASSETS		**2,581**	**2,758**
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		58	56
Share premium reserve		1,034	1,034
Treasury shares		(51)	(46)
Legal reserves	4.5.5	1,304	1,206
Retained earnings		21	132
Profit of the year		191	366
Shareholders' equity	4.5.5	**2,556**	**2,748**
Other current liabilities	4.5.6	26	10
Total current liabilities		**26**	**10**
TOTAL EQUITY AND LIABILITIES		**2,581**	**2,758**

4.4.2 COMPANY INCOME STATEMENT

Company income statement

For the years ended 31 December	Note	2020	2019
Revenue	4.5.7	6	6
General and administrative expenses	4.5.8	(38)	(28)
Operating profit/(loss) (EBIT)		**(30)**	**(22)**
Financial expenses	4.5.9	(0)	(1)
Net financing costs		**(0)**	**(1)**
Result of Group companies	4.5.1	221	389
Profit/(Loss) before income tax		**191**	**366**
Income tax (expense)/income		-	-
Profit/(Loss)		**191**	**366**

4.4.3 GENERAL

The Company financial statements are part of the 2020 financial statements of SBM Offshore N.V.

SBM Offshore N.V. costs mainly comprise of management activities and cost of the headquarters office at Schiphol of which part is recharged to Group companies.

PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

The stand-alone financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements of the 'Raad voor de Jaarverslaggeving'. SBM Offshore N.V. uses the option provided in section 2:362 (8) of the Dutch Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of SBM Offshore N.V. are the same as those applied for the consolidated financial statements. The consolidated financial statements are prepared according to the standards set by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to the notes to the consolidated financial statements ('4.2.7 Accounting Principles') for a description of these principles.

Investments in group companies, over which control is exercised, are stated on the basis of the net asset value.

Results on transactions, involving the transfer of assets and liabilities between SBM Offshore N.V. and its participating interests or between participating interests themselves, are not incorporated insofar as they are deemed to be unrealized.

4.5 NOTES TO THE COMPANY FINANCIAL STATEMENTS

4.5.1 INVESTMENT IN GROUP COMPANIES

The movements in the item Investment in Group companies are as follows:

Investment in Group companies

	2020	2019
Balance at 1 January	2,739	2,613
Loans issued to subsidiairy	6	44
Investments net value	**2,745**	**2,657**
Result of Group companies	221	389
Capital contributions	35	-
Divestments and capital repayments	-	(11)
Dividends received	(337)	(247)
Other changes[1]	(83)	17
Foreign currency variations	(7)	(23)
Movements	**(172)**	**125**
Balance at 31 December	2,567	2,739
Loans issued to subsidiairy	7	6
Investments net value at 31 December	**2,574**	**2,745**

1 Mainly relates to Cash flow hedges and transaction with non-controlling interests (please refer to note 4.2.4 'Company's Consolidated Statement of changes in equity).

An overview of the information on principal subsidiary undertakings required under articles 2: 379 of the Dutch Civil Code is given below. The subsidiaries of SBM Offshore N.V. are the following (all of which are 100% owned):

- SBM Offshore Holding B.V., Amsterdam, the Netherlands
- SBM Holding Inc. S.A., Marly, Switzerland
- SBM Holding Luxembourg S.à.r.l, Luxembourg, Luxembourg
- SBM Schiedam B.V., Rotterdam, the Netherlands
- Van der Giessen-de Noord N.V., Krimpen a/d IJssel, the Netherlands
- SBM Holland B.V., Rotterdam, the Netherlands
- FPSO Capixaba Holding B.V., 's-Gravenhage, the Netherlands
- XNK Industries B.V., Dongen, the Netherlands

4.5.2 DEFERRED TAX ASSET

SBM Offshore N.V. is head of a fiscal unity in which all Dutch entities are included, except for the entities that are held by SBM Holding Inc. S.A. and the joint venture entities. For more details refer to note 4.4.3 General.

A deferred tax asset is recognized for tax losses of the fiscal unity which can be carried forward and are expected to be recovered based on anticipated future taxable profits within the Dutch fiscal unity. The tax losses recognized for the years until 2019 can be carried forward for an unlimited period of time.

The deferred tax asset for tax losses brought forward from prior years amounts to US$3 million.

4.5.3 OTHER RECEIVABLES

	31 December 2020	31 December 2019
Trade receivables	0	5
Amounts owed by Group companies	1	3
Other debtors	1	1
Total	**2**	**9**

Other receivables fall due in less than one year. The fair value of the receivables reasonably approximates the book value, due to their short-term character.

4.5.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are at SBM Offshore N.V.'s free disposal.

4.5.5 SHAREHOLDERS' EQUITY

For an explanation of the shareholders' equity, reference is made to the Consolidated Statement of Changes in Equity and note 4.3.23 Equity Attributable to Shareholders.

Legal reserve

	31 December 2020	31 December 2019
Investees equity non-distributable	1,585	1,446
Capitalized development expenditure	39	18
Translation reserve	(105)	(101)
Cash flow hedges	(215)	(157)
Total	**1,304**	**1,206**

The 'Investees equity non-distributable' legal reserve relates mainly to non-distributable profits generated by the co-owned entities (refer to note 4.3.31 Investment in Associates and Joint Ventures and 4.3.32 Information on Non-controlling Interests). The agreed principle in the applicable shareholders' agreements is that the shareholders shall procure that any available reserves are distributable after paying any expenses due and taking into account co-owned entity and applicable legal requirements. However, as unanimous decision of shareholders agreements in most of the co-owned entities is required to distribute the profits generated, the equity of these entities is classified as a non-distributable reserve under Dutch guidelines for financial reporting. On a regular basis the Company ensures that dividends are approved by the partners and distributed accordingly to the shareholders.

PROPOSED APPROPRIATION OF RESULT

With the approval of the Supervisory Board, it is proposed that the result shown in SBM Offshore N.V. income statement be appropriated as follows (in US$):

Appropriation of result

	2020
Profit/(Loss) attributable to shareholders	191
In accordance with note 4.6.1 to be transferred to the 'Retained earnings'	191
At the disposal of the General Meeting of Shareholders	**-**

It is proposed that US$165 million of retained earnings is distributed among the shareholders.

4.5.6 OTHER CURRENT LIABILITIES

Current liabilities

	31 December 2020	31 December 2019
Trade payables	0	4
Amounts owed to Group companies	19	1
Taxation and social security costs	0	0
Other creditors	7	5
Total current liabilities	**26**	**10**

The other current liabilities fall due in less than one year. The fair value of other current liabilities approximates the book value, due to their short-term character.

4.5.7 REVENUE

The revenue comprises of management fees charged to Group company Single Buoy Moorings Inc. S.A. which is the main EPC contractor.

4.5.8 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Employee Benefits	(29)	(26)
Other costs	(10)	(2)
Total	**(38)**	**(28)**

The employee benefits include the Management Board remuneration, and recharge of other personnel costs at the headquarters, as well as share-based payments (IFRS 2 costs) for the entire Group. For further details on the Management Board remuneration, reference is made to note 4.3.6 Employee Benefit Expenses.

The other costs include audit fees, legal, compliance, corporate governance and investor relation costs. For the audit fees reference is made to note 4.3.34 Independent Auditor's Fees and Services.

4.5.9 FINANCIAL EXPENSES

The financial expenses relate mainly to foreign currency results and interest expenses charged by Group companies to SBM Offshore N.V.

4.5.10 COMMITMENTS AND CONTINGENCIES

COMPANY GUARANTEES

SBM Offshore N.V. has issued performance guarantees for contractual obligations to complete and deliver projects in respect of several Group companies, and fulfillment of obligations with respect to long-term lease/operate contracts. Furthermore, the Company has issued parent company guarantees in respect of several Group companies' financing arrangements. Please refer to note 4.3.28 Commitments and Contingencies.

FISCAL UNITY

SBM Offshore N.V. is head of a fiscal unity in which all Dutch entities are included, except for the entities that are held by SBM Holding Inc. S.A. and the joint venture entities. All tax liabilities and tax assets are transferred to the fiscal unity parent, however all members of the fiscal unity can be held liable for all tax liabilities concerning the fiscal unity.

Corporate income tax is levied at the head of the fiscal unity based on the fiscal results allocated by the members to SBM Offshore N.V., taking into account an allocation of the benefits of the fiscal unity to the different members. The settlement amount, if any, is equal to the corporate income tax charge included in the Company income statement.

SBM Offshore Amsterdam B.V. is an exception to this rule, as the entity is not entitled to the allocation of the benefits of the fiscal unity, whereby the tax charge is included in its statutory income statement.

4.5.11 DIRECTORS REMUNERATION

For further details on the Directors remuneration, reference is made to note 4.3.6 Employee Benefit Expenses of the consolidated financial statements.

4.5.12 NUMBER OF EMPLOYEES

The members of the Management Board are the only employees of SBM Offshore N.V.

4.5.13 INDEPENDENT AUDIT FEES

For the audit fees relating to the procedures applied to SBM Offshore N.V. and its consolidated group entities by accounting firms and external independent auditors, reference is made to note 4.3.34 Independent Auditor's Fees and Services of the consolidated financial statements.

4.5.14 EVENTS AFTER END OF REPORTING PERIOD

DIVIDEND

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company has concluded that the outlook for cash flow generation has improved given the increase in the quantum of the Lease and Operate backlog. Based on this, a dividend of US$165 million (which equals to US$0.89 per share, based on the number of shares outstanding less the number of treasury shares held at December 31, 2020), to be paid out of retained earnings, will be proposed at the Annual General Meeting on April 7, 2021. This represents an increase of 10% compared to the dividend paid in 2020.

RCF EXTENSION OPTION EXERCISED BY THE COMPANY

On February 1, 2021, the lenders in the Company's US$1 billion Revolving Credit Facility (RCF) agreed to the Company's request to exercise the second one-year extension. The final maturity date of the RCF is thereby extended from February 12, 2025 to February 13, 2026. The Company does not have any other extension option remaining.

SBM OFFSHORE PRICES US$850 MILLION SENIOR SECURED NOTES TRANSACTION

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Schiphol, the Netherlands
February 10, 2021

Management Board
Bruno Chabas, Chief Executive Officer
Phillippe Barril, Chief Operating Officer
Erik Lagendijk, Chief Governance and Compliance Officer
Douglas Wood, Chief Financial Officer

Supervisory Board
Roeland Baan, Chairman
Francis Gugen, Vice-Chairman
Bernard Bajolet
Sietze Hepkema
Laurence Mulliez
Cheryl Richard
Jaap van Wiechen

4.6 OTHER INFORMATION

4.6.1 APPROPRIATION OF RESULT

ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

With regard to the appropriation of result, article 29 of the Articles of Association states:

1. When drawing up the annual accounts, the Management Board shall charge such sums for the depreciation of SBM Offshore N.V.'s fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.
2. Any distribution of profits pursuant to the provisions of this article shall be made after the adoption of the annual accounts from which it appears that the same is permitted. SBM Offshore N.V. may make distributions to the shareholders and to other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law. A deficit may be offset against the statutory reserves only to the extent permitted by law.
3. a. The profit shall, if sufficient, be applied first in payment to the holders of protective preference shares of a percentage as specified in b. below of the compulsory amount due on these shares as at the commencement of the financial year for which the distribution is made.
   b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of twelve (12) months – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by two hundred (200) basis points.
   c. If in the course of the financial year for which the distribution is made the compulsory amount to be paid on the protective preference shares has been decreased or, pursuant to a resolution for additional payments, increased, then the distribution shall be decreased or, if possible, increased by an amount equal to the aforementioned percentage of the amount of the decrease or increase as the case may be, calculated from the date of the decrease or from the day when the additional payment became compulsory, as the case may be.
   d. If in the course of any financial year protective preference shares have been issued, the dividend on protective preference shares for that financial year shall be decreased proportionately.
   e. If the profit for a financial year is being determined and if in that financial year one or more protective preference shares have been cancelled with repayment or full repayment has taken place on protective preference shares, the persons who according to the shareholders' register referred to in article 12 at the time of such cancellation or repayment were recorded as the holders of these protective preference shares, shall have an inalienable right to a distribution of profit as described hereinafter. The profit which, if sufficient, shall be distributed to such a person shall be equal to the amount of the distribution to which he would be entitled pursuant to the provisions of this paragraph if at the time of the determination of the profits he had still been the holder of the protective preference shares referred to above, calculated on a time-proportionate basis for the period during which he held protective preference shares in that financial year, with a part of a month to be regarded as a full month. In respect of an amendment of the provisions laid down in this paragraph, the reservation referred to in section 2: 122 of the Dutch Civil Code is hereby explicitly made.
   f. If in any one financial year the profit referred to above in subparagraph a. is not sufficient to make the distributions referred to in this article, then the provisions of this paragraph and those laid down hereinafter in this article shall in the subsequent financial years not apply until the deficit has been made good.
   g. Further payment out of the profits on the protective preference shares shall not take place.
4. The Management Board is authorized, subject to the approval of the Supervisory Board, to determine each year what part of the profits shall be transferred to the reserves, after the provisions of the preceding paragraph have been applied.
5. The residue of the profit shall be at the disposal of the General Meeting.
6. The General Meeting may only resolve to distribute any reserves upon the proposal of the Management Board, subject to the approval of the Supervisory Board.

4.6.2 INDEPENDENT AUDITOR'S REPORT

To: the general meeting and the Supervisory Board of SBM Offshore N.V.

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of SBM Offshore N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the Company financial statements of SBM Offshore N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of SBM Offshore N.V., Amsterdam, as included in sections 4.2 to 4.5. The financial statements include the consolidated financial statements of the Group and the Company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the following statements for 2020: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement; and
- the notes, comprising significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the Company balance sheet as at 31 December 2020;
- the Company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the Company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of SBM Offshore N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

SBM Offshore N.V. serves the offshore oil and gas industry by supplying engineered products, vessels and systems, as well as offshore oil and gas production services. This includes the construction and the leasing and operating of large and complex offshore floating production, storage and offloading vessels (FPSOs). The Group is comprised of several components and, therefore, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

The COVID-19 pandemic and the related oil price volatility and global economic downturn characterized the year 2020. But due to its existing turnkey backlog, its portfolio of lease and operate assets and its continuing ability to obtain project financing (as demonstrated with the bridge loan on FPSO Sepetiba), the financial impact on the Group has been limited during the year as disclosed in section 4.3.1 of the financial statements.
Despite the challenges posed by the COVID-19 pandemic, the Group has continued the construction of its large projects in 2020, being the FPSOs Liza Unity, Sepetiba and Prosperity, and the Turret Mooring System for the Johan Castberg FPSO. In addition, the Group was awarded contracts for the next phase of the FPSO Prosperity construction, and was awarded its first Floating Offshore Wind project.

Due to the Group's large asset base, the valuation of the Group's assets remains an area of importance for the (consolidated) financial statements. Especially given the inherent uncertainties triggered by the COVID-19 pandemic and the potential effects of these on the profitability and valuation of these assets. We note however that the majority of the Group's assets are in fact backed with long-term lease and operate contracts with reputable oil and gas companies in the market.
Regardless, given the estimation uncertainty and the related higher risks in revenue recognition and valuation of construction work-in-progress, as well as the significant valuation uncertainty in property, plant and equipment, we considered these to be key audit matters as set out in the section 'Key audit matters' of this report.
Furthermore, we identified complex lease accounting as a key audit matter because the accounting treatment of two lease transactions during the year was considered to be very complex and judgemental. In December 2020, the Group has entered into a new contract, extending the lease for FPSO Espirito Santo, resulting in classifying the new contract as a finance lease, whereas the previous contract was an operating lease. In 2020, the Group also increased its ownership in OS Installer Limited (the entity holding the SBM Installer vessel) to full ownership, and applied IFRS3 guidance in respect of the definition of a business, determining that this was the purchase of an asset. Resulting in a lease arrangement ceasing to exist.
Other areas of focus, that were not considered to be key audit matters, were the lease classification of awarded contracts, valuation of finance lease receivables and other long-lived financial assets, segment reporting disclosures, accounting for uncertain tax, restructuring and other provisions. There were also internal control matters identified relating to the IT environment that required additional audit effort, but were these not considered key audit matters.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences that are needed for the audit of a Company providing floating production solutions to the offshore energy industry over the full product lifecycle. We included members with relevant industry-expertise and specialists in the areas of IT, corporate income tax, valuation and employee benefits, in our audit team. We also involved forensics specialists in our assessment of fraud risk factors.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: US$22 million.

Audit scope

- We conducted audit work in three locations on four components.
- Limited site visits were conducted due to COVID-19 related travel restrictions. We held virtual meetings instead and focused on Monaco and Switzerland.
- Audit coverage: 100% of consolidated revenue, 96% of consolidated total assets and 91% of consolidated profit before tax.

Key audit matters

- Estimates and judgements in construction contracts.
- Valuation of property, plant and equipment.
- Complex lease accounting.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	US$22 million (2019: US$27 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of profit before income tax.
Rationale for benchmark applied	We used this benchmark and the rule of thumb (%), based on our analysis of the common information needs of users of the financial statements, including factors such as the headroom on covenants and the financial position of the Group. On this basis, we believe that profit before income tax is an important metric for the financial performance of the Group.
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between US$15.5 million and US$18.5 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above US$10 million (2019: US$10 million) for balance sheet reclassifications and US$2.2 million for profit before tax impact (2019: US$2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

SBM Offshore N.V. is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of SBM Offshore N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit focused on two components in Monaco (Turnkey as well as Operations), the treasury shared service center in Marly, Switzerland and one other component (Group Corporate Departments) located in Amsterdam, the Netherlands. The Turnkey as well as Operations components in Monaco were subject to audits of their financial information as those components are individually significant to the Group.

The processes and financial statement line items managed by the treasury shared service center in Marly, Switzerland, were subject to specified audit procedures. For the Group Corporate Departments component in Amsterdam, the group engagement team performed audit work on specified balances to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	96%
Profit before tax	91%

None of the remaining components represented more than 1% of total group revenue or total group assets. For the remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.
For the components in Monaco and the treasury shared service center in Marly, Switzerland, we used component auditors who are familiar with the local laws and regulations to perform the audit work. The audit was largely performed remotely as a result of COVID-19, however for key meetings and procedures both the group and component engagement teams visited the client offices. For remote audit procedures we used video conferencing and digital sharing of screens and documents.

Where component auditors performed the work, we determined the level of involvement we needed to have to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included among others, our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

In prior years, the group engagement team visited the component teams and local management on a rotational basis. In 2020 the group audit team held virtual meetings instead of physical visits due to COVID-19 related travel restrictions. For these virtual meetings more time was taken and sufficient involvement was achieved. The group audit team met with both the Turnkey as well as Operations components in Monaco given the importance of these components to the consolidated financial statements as a whole and the judgements involved in the estimates in construction contracts (refer to the respective key audit matter). For the components in Monaco and the treasury shared service center in Marly, Switzerland, we remotely reviewed selected working papers of the respective component auditors.

In addition to the work on the Group Corporate Departments component, the group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex accounting matters at the head office. These included impairment assessments, accounting implication assessments of lease extensions and modifications as well as business combinations, share-based payments, taxes including deferred taxes and uncertain tax provisions and directional reporting as part of the segment reporting disclosures.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Our focus on the risk of fraud and non-compliance with laws and regulations

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Management Board, with oversight by the Supervisory Board. We refer to section 1.4 of the annual report where the Management Board reflects on its response to fraud risk.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We, together with our forensics specialists, evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud. We considered COVID-19 and the resulting economic downturn and how this could result in increased pressures on management to achieve results, and how the new working from home could result in increased opportunity for employees. These new potential fraud risk factors were assessed by us during the year.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Company. We identified provisions of those laws and regulations, generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as the financial reporting framework, tax and pension laws and regulations as well as environmental regulations.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matters 'Estimates and judgements in construction contracts' and 'Valuation of property, plant and equipment', and 'Complex lease accounting', that are examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

Our response to the risks identified

Besides the standard audit procedures required by the standards, we would like to highlight the following:

- On management's accounting estimates, we evaluated key estimates and judgements for bias, including retrospective reviews of prior year's estimates. With respect to estimates in revenue recognition we refer to the key audit matter 'Estimates and judgements in construction contracts'. Further, we have performed audit procedures over the various other revenue streams of the Group, such as the lease and operate revenues.
- Due to COVID-19 we performed more testing around the effectiveness of internal control measures, as well as having multiple discussions with management around potentially impacted areas and obtaining and assessing an accounting paper on that topic.
- Assessment of matters reported on the (Group's) whistleblowing and complaints procedures with the entity and results of management's investigation of such matters.
- With respect to the risk of bribery and corruption across various countries, we evaluated the Group's controls and procedures such as due diligence procedures on third parties. We considered the possibility of fraudulent or corrupt payments made through third parties including agents and conducted detailed testing on third-party vendors in high-risk jurisdictions.
- We evaluated the procedures in place regarding the follow-up of phishing attempts.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements.
- As to the other laws and regulations, we inquired with the Management Board and/or the Supervisory Board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Management Board made important judgements. We also considered significant accounting estimates that involved making assumptions and consideration of future events that are inherently uncertain. In section 4.2.7 subsection 'Use of estimates and judgement' of the financial statements, the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty.

As a result of the magnitude of the current projects undertaken by the Group, the Group's significant asset base and inherent estimation uncertainty we continue to consider 'Estimates and judgements in construction contracts' and 'Valuation of property, plant and equipment' to be key audit matters. In addition, the Group entered into contracts that had a significant impact on its statement of financial position and income statement from a lease accounting perspective, for which the standards do not provide prescriptive authoritative guidance, which therefore requires judgment from management. We therefore consider 'Complex lease accounting' to be a key audit matter as well.

Key audit matter	*Our audit work and observations*
Estimates and judgements in construction contracts *Note* 4.2.7, 4.3.3 *and* 4.3.20 *to the consolidated financial statements* The accounting for contracts with customers under IFRS 15 'Revenue from contracts with customers' is complex and dependent on the specific arrangements between the Group and its clients as agreed upon in the contracts. Given the unique nature of each separate project and contract, management performed a contract analysis on a case-by-case basis to determine the applicable accounting and revenue recognition. Significant management judgement is applied in identifying the performance obligations and determining whether they are distinct, the method of revenue recognition as either point in time or over time, contract modifications and variable consideration, since these areas are complex and subjective. Based on our risk assessment the most critical and judgmental estimates to determine satisfaction of the performance obligations over time is the estimate of the cost to complete and the measurement of progress towards complete satisfaction of the performance obligation, including the subjectivity and estimation uncertainty in the assessment of remaining risks and contingencies that a project is or could be facing. Due to the COVID-19 pandemic, construction activities were impacted during 2020 for the Group's major projects. Nevertheless, the projects' progress was still achieved, although at a lower pace. Also, the Company incurred additional costs in order to satisfy its performance obligations on some of its Turnkey projects. Given the magnitude of the amounts involved (US$1,735 million of turnkey revenue and US$2,248 million of construction work-in-progress), the complex nature of the Group's construction contracts and the significant judgements and estimates, these areas were particularly subject to the risk of misstatement related to either error or fraud. Based on the above considerations we considered this area to be a key audit matter.	For every FPSO contract awarded, management prepares an accounting paper on how to account for it. We evaluate these papers and have read the relevant contracts. Based on our reading of the contracts, we considered whether the judgements made by management on the accounting treatment were appropriate. This includes the corresponding identification of performance obligations, including whether they are distinct. Furthermore, we assessed whether the satisfaction of the performance obligations to be recognized as revenue recognition should be as either point in time or over time. We performed look-back procedures as part of our risk assessment procedures by comparing the estimates included in the current projects with past projects of similar nature as this provides insight in the ability of management to provide reliable estimates. Based on the look-back procedures we have not identified any additional risks. We gained an understanding of process, evaluated and tested the relevant controls the Group designed and implemented within its process to record costs and revenues relating to construction contracts. This includes project forecasting, measurement of the progress towards complete satisfaction of the performance obligation to determine the timing of revenue recognition and the Group's internal project reviews. We found the controls to be designed, implemented and operating effectively for the purpose of our audit. With respect to the satisfaction of the performance obligations over time we examined project documentation on the status, progress and forecasts of projects under construction and discussed and challenged those with management, finance and technical staff of the Group. We evaluated and substantiated the outcome of these discussions by examining modifications of contracts such as claims and variation orders between the Group, subcontractors and clients and responses thereto, performing procedures such as a detailed evaluation of forecasts and ongoing assessment of management's judgement on issues,

Key audit matter	*Our audit work and observations*
	evaluation of budget variances and obtaining corroborating evidence, evaluation of project contingencies and milestones and recalculation of the progress towards complete satisfaction of the performance obligation. In addition, we evaluated indications of possible management bias. As part of our audit over 2020 we paid specific attention to the effects of COVID-19. Our audit procedures did not indicate material findings with respect to the estimates and judgements in construction contracts.
Valuation of property, plant and equipment *Notes* 4.2.7 *and* 4.3.13 *to the consolidated financial statements* Property, plant and equipment are subject to an impairment test when triggering events are identified, such as developments in the discount rates or market circumstances. Impairments are recognized when the carrying value is higher than the recoverable amounts. The recoverable amounts of the cash-generating units ('CGUs') have been determined based on value-in-use calculations based on expected future cash flows from those CGUs. Based on its triggering event analysis, management identified several triggering events for impairment. As a result, the Thunder Hawk semi-submersible production unit, right of use assets related to several office floors and the SBM Installer vessel were tested for impairment. Management prepared a value-in-use calculation for these assets. One calculation was prepared for the Thunder Hawk semi-submersible production unit, led to an impairment charge of US$10 million in the current year following an update of the unit's production lifetime and discount rate (Thunder Hawk is the only facility in the Group lease fleet portfolio for which revenues are linked to volumes produced). The impairment calculation management prepared for the SBM Installer vessel right of use asset, resulted in an impairment of US$57 million. Another calculation was also prepared by management related to the right of use assets for certain leased office floors, which resulted in an impairment of US$6 million. The estimate of value in use, is subject to high estimation uncertainty relating to significant assumptions on the discount rate and future expected cash flows. We determined the valuation of property, plant and equipment to be a key audit matter, due to the financial significance of these assets and because in case of a triggering event, management's determination of the recoverable amounts includes a variety of significant assumptions that are sensitive to management assumptions.The most significant assumptions are internal and external factors with respect to the future level and results of the business and the discount rates applied to the forecasted cash flows. Therefore, this area is particularly subject to the risk of misstatement either due to error or fraud. Based on the above considerations we considered this area to be a key audit matter.	We have discussed and challenged the triggering event analysis of management. We evaluated whether management's triggering event analysis identified all relevant CGUs and the appropriateness of factors included in the analysis. These included among others contractual arrangements, operational performance, financial performance and changes in discount rates. We challenged these factors and with the assistance of our valuation experts we independently calculated the discount rates. In calculating the discount rates, the key inputs used were independently sourced from market data and comparable companies. We compared the discount rates determined by management to our independently calculated rates. Based on the sensitivity analysis, we found the discount rates used by management to be within an acceptable range. We also focused on the impact of COVID-19 in identifying impairment triggers, for instance when indications exist that discount rates would have increased. In relation to the determination of the recoverable value of the impaired assets, we considered the prior year forecast to determine whether this forecast included assumptions that, with hindsight, had been too optimistic. We performed audit procedures on management's data and assumptions such as prospective financial information based on the approved budget, externally sourced production profile forecasts, contractually agreed rates and operating costs. We have re-performed calculations and compared the impairment models with generally accepted valuation techniques. We further evaluated the adequacy of the disclosure of the significant assumptions and sensitivities underlying the tests, as well as indications of potential management bias. Our audit procedures did not indicate material findings with respect to the valuation of PP&E.

Key audit matter	*Our audit work and observations*
Complex lease accounting *Note* 4.2.7, 4.3.3, *and* 4.3.15 *to the consolidated financial statements* The accounting for contracts with customers under IFRS 16 'Leases' is dependent on the specific arrangements between the Group and its clients as agreed upon in the contracts. The guidance provided by IFRS 16 however, is mainly from a lessee perspective, and provides less guidance from a lessor perspective, which is the majority of the Groups portfolio. In case of contract extensions or modifications the implications of these on the (lessor) lease accounting requires significant management judgement, to a large extent due to the absence of detailed lessor guidance. In 2020 transactions took place where lease accounting played an important role. For one, the lease extension on FPSO Espirito Santo, resulting in classifying the new contract as a finance lease, whereas the previous contract was an operating lease. And also, the acquisition of the 75% additional share in SBM Installer and how this impacted the lease that ceased to exist in the consolidated financial statements. The Group intends to sell the SBM Installer in 2021, after fulfilling existing contractual obligations related to services to be provided by the vessel. To enable the Group to do so the Group bought the remaining 75% of the Joint venture in which the asset was leased out to the Group. We considered this area to be a key audit matter given the magnitude of the amounts involved, the complex nature of these transactions and the significant judgements in the application of lease accounting from a lessor perspective. Specifically, the accounting of the previously existing deferred income balance and effects of the lease modification in the consolidated income statement were examined. This results in US$95 million of Finance lease receivables and US$249 million Lease & Operate revenue, with US$123 million impact on Gross margin. With respect to the SBM Installer this results in US$25 million addition to property plant and equipment. Based on the above considerations we considered this area to be a key audit matter.	We focused our work on assessing whether the accounting treatment is in line with IFRS with support of our lease accounting specialists. For Espirito Santo we evaluated the lease modification resulting in a new finance lease. We also evaluated the accounting for the already built up deferred income related to the previous operating lease (US$154 million), this was accounted for as a day-1 payment on the Finance lease receivable. The last key element we evaluated was the presentation in the financial statements and specifically the accounting in the income statement in accordance with IAS 16 instead of IFRS16. In relation to the acquisition of additional share in SBM Installer we evaluated the accounting treatment of the total transaction in line with IAS 16 and IFRS 16. In addition, we paid specific attention to the valuation of the vessel, considering that the related right of use asset had already been fully impaired in the second quarter in 2020. The lease ceased to exist from a consolidated perspective since it became an intercompany lease due to the acquisition of the 75% additional share. Because of various possible interpretations of the specified standards, additional time was spent on determining the appropriate approach in reflecting the substance of this transaction. Our audit procedures did not indicate material findings with respect to the estimates and judgements made in the interpretation and accounting for these contract changes and modifications.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report comprising of chapters '1 Business Environment', '2 Performance Review & Impact', '3 Governance' (with the exception of section 3.4 Remuneration Report), '4.1 Financial Review', and '4.10 Non-Financial Indicators' of the annual report;
- the other information pursuant to article 392.1 Part 9 of Book 2 of the Dutch Civil Code as included in section 4.6.1 of the annual report;
- the remuneration report included in chapter '3.4 Remuneration Report';
- the sections '4.7' to 4.12 (with the exception of section 4.10 Non-Financial Indicators) and '5 Additional Information' of the annual report.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Report on the other information included in the annual report

The Management Board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were nominated as auditors of SBM Offshore N.V. on 13 November 2013 by the Supervisory Board and appointed through the passing of a resolution by the shareholders at the annual meeting held on 17 April 2014. Our appointment has been renewed on 11 April 2018 for a period of three years by the shareholders. Our appointment represents a total period of uninterrupted engagement of seven years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding the statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 4.3.34 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 10 February 2021
PricewaterhouseCoopers Accountants N.V.

M. de Ridder RA

Appendix to our auditor's report on the financial statements 2020 of SBM Offshore N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional skepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding the statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

4 CORPORATE STATEMENTS 2020

4.7 KEY FIGURES

Key IFRS financial figures

	2020	2019	2018	2017	2016
Turnover (US$ million)	**3,496**	3,391	2,240	1,861	2,272
Results (US$ million)					
Net profit/(loss) (continuing operations)	**327**	511	344	(1)	247
Dividend[1]	**165**	150	75	51	46
Operating profit (EBIT)	**605**	742	603	358	564
EBITDA	**1,043**	1,010	838	611	772
Underlying Operating profit (EBIT)	**692**	767	607	608	617
Underlying profit attributable to shareholders	**277**	391	247	151	308
Shareholders' equity at 31 December	**2,556**	2,748	2,634	2,501	2,516
Capital employed	**8,956**	8,217	7,617	8,430	8,997
Net debt	**5,209**	4,416	3,818	4,613	5,216
Capital expenditure	**75**	68	40	53	15
Depreciation, amortization and impairment	**439**	268	235	253	208
Number of employees (average)	**4,507**	4,259	4,103	4,150	5,237
Employee benefits	**614**	575	519	514	512
Ratios (%)					
Shareholders' equity / (total assets -/- current liabilities)	**30**	32	32	29	26
Current ratio (current assets / current liabilities)	**149**	137	128	123	112
Return on average capital employed	**8.1**	9.7	7.6	7.0	6.9
Return on average shareholders' equity	**10.5**	14.5	9.6	6.0	12.3
Operating profit (EBIT) / net turnover	**17.3**	21.9	26.9	19.2	24.8
Net profit/(loss) / net turnover	**9.4**	15.1	15.3	0.0	10.9
Net debt / shareholders' equity	**150**	122	106	130	148
Enterprise value / EBITDA	**9.3**	8.9	9.4	15.2	12.4
Information per Share (US$)					
Net profit/(loss)[2]	**1.00**	1.84	1.04	-0.76	0.87
Dividend[3]	**0.89**	0.76	0.37	0.25	0.23
Shareholders' equity at 31 December	**13.55**	13.83	12.81	12.16	11.79
Share price (EUR)[4]					
- 31 December	**15.57**	16.59	12.93	14.67	14.92
- highest close	**17.30**	18.35	17.12	16.12	15.20
- lowest close	**10.35**	12.80	10.14	12.88	9.59
Price / earnings ratio	**18.9**	10.1	14.4	-23.3	18.4
Number of shares outstanding (x 1,000)	**188,671**	198,671	205,671	205,671	213,471
Market capitalization (US$ million)	**3,604**	3,703	3,044	3,619	3,357
Volume of traded shares (x 1,000)	**231,004**	223,570	269,134	295,385	379,108
New shares issued in the year (x 1,000)	**-**	-	-	-	1,776

1 The dividend that will be proposed to the Annual General Meeting to be paid out
2 Calculated based on weighted average shares outstanding
3 Based on the number of shares outstanding less the number of treasury shares held at year-end
4 Source: Euronext data on share prices, market capitalization and volume of traded shares

Key Directional financial figures

	2020	2019	2018	2017	2016
Turnover (US$ million)	**2,368**	2,171	1,703	1,676	2,013
Lease and Operate	**1,699**	1,315	1,298	1,501	1,310
Turnkey	**669**	856	406	175	702
EBIT (US$ million)	**254**	418	533	117	290
Lease and Operate	**438**	369	418	487	398
Turnkey	**(100)**	25	225	11	(22)
Other	**(83)**	23	(109)	(381)	(86)
EBITDA (US$ million)	**1,021**	921	995	596	725
Net Profit (US$ million)	**39**	235	301	(203)	(5)

4.8 SCOPE OF NON-FINANCIAL INFORMATION

4.8.1 REPORTING ABOUT NON-FINANCIAL INFORMATION

This Annual Report has been prepared in accordance with the GRI standards : Core option. The Company has used the GRI Standards to determine material aspects for this year's Annual Report .

4.8.2 MATERIALITY METHODOLOGY

SBM Offshore conducts materiality analysis according to the GRI Standards in order to include the topics in the Annual Report that can reasonably be considered important for reflecting the organization's economic, environmental, and social impacts, or influencing the decisions of stakeholders.

For the Company it is critical to understand the interest our stakeholders take and the impact SBM Offshore has on them. This understanding is raised through continuous dialogue and through our Materiality Analysis. This process delivers insight into which topics are considered a) most important to our stakeholders and b) to have the highest impact on the business context. Insight is obtained through materiality interviews, which aim to validate the Company's strategy and derive an updated overview of topics with high stakeholder and business impact (Material Topics).

UPDATE MATERIAL TOPICS

SBM Offshore conducted the following steps to assess the material topics in order to ensure the Report contains the level of information required by stakeholders.

- Step 1: Stakeholder Map & Long Listing of Topics
- Step 2: Short Listing of Topics with SBM Offshore Stakeholder Group Owners
- Step 3: Stakeholder Interviews & Surveys
- Step 4: Analysis & Reporting
- Step 5: Action for Strategy & Planning

As part of Step 1 the Company considered frameworks like GRI and SASB and looked at peers, clients and best practice. Above includes Management Board approval process as part of Step 4.

2020 MATERIAL TOPICS

In 2020, SBM Offshore applied a forced ranking approach in order to ensure only the most important topics were labeled as 'material'. This method also allowed for deeper engagements on the material topics selected. Topics were selected from a long list based on industry standards, market assessments and external expert views. From a long list of 40 topics, 20 were selected by SBM Offshore's stakeholder group owners as being the most relevant. These 20 topics are considered as key to company long-term value creation. The 20 topics formed a basis for engagement with our stakeholders resulting in 10 Material Topics, which are explained in section 1.2.2 in the Materiality Matrix. These topics enjoy the highest stakeholder interest with impact on the business context and therefore the ability to create and sustain value over time. The other 10 topics can be considered as key topics.

Details on how the matrix corresponds to GRI and reporting boundaries can be found in section 4.11.

MATERIAL TOPICS DEFINITIONS

Digitalization	Develop secure digital applications to generate new business, improve operational excellence and reduce cost base through process redefinition, IT integration, IT infrastructure and development of digital services.
Economic performance	Economic value generated by considering total life cycle and operating costs in order to be able to distribute to stakeholders including employees, shareholders and capital providers.
Emissions	Manage scope 1, 2 and 3 emissions (GHG and Non-GHG emissions, like methane, NOx, SOx emissions, etc.) to reduce as much as possible.
Employee health, safety and security	Providing a safe, secure and reliable work environment for all employees, promoting good health, adequately protecting from infection diseases and providing a secure work environment.
Energy transition	Maintain leading market position throughout the energy transition through portfolio management, sustainable development and adaptation to external trends.
Ethics and compliance	Being a trustworthy organisation by complying to rules, regulations and our code of conduct, including anti-corruption policy, procedures and mechanisms.
Innovation	Development of new technologies, particularly low and non-carbon technologies to maintain a leading position and support the energy transition.
Market positioning	Our position in the market and global presence, engaging in emerging markets, adapt to present and future market developments and product differentiation.
Operational excellence and quality	Achieving operational excellence and deliver projects and operations safely, on time and of high quality in all areas of the Company's business and it's supply chain.
Retaining and developing employees	Providing a healthy work environment for employees, provide training and education, regular performance feedback and enable them to grow through the company with meaningful employment.

4.8.3 STAKEHOLDER ENGAGEMENT

The Company maintains open and active engagement with its external stakeholders through regular business interactions, including the Annual General Meeting, analyst and investor road shows/meetings, analyst webcast presentations, press releases, website updates, surveys and desktop research.

The feedback obtained during the Materiality Analysis explained in section 1.2 forms a key element of the backbone of the Company's stakeholder engagement program. The program is complemented by other interactions with stakeholders, in order to validate findings and the feedback received feeds into management's approach to Materiality and long-term value creation.

Would you like to participate in SBM Offshore's 2021 Stakeholder Engagement or provide feedback for the 2021 Stakeholder Engagement? Please write to us at sustainability@sbmoffshore.com.

4.8.4 TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

MANAGEMENT APPROACH

Mitigating the impacts of climate change while meeting the needs of the future by facilitating the energy transition are key for SBM Offshore. The Climate Change Risk & Opportunity assessment is embedded in the portfolios of the CEO and CGCO. The Global Sustainability Manager (CEO) prepares Climate Change scenarios whereas the Group Risk Manager (CGCO) facilitates expert sessions to identify Risks & Opportunities for each scenario. This has been done with risk management professionals and the Company's Group Strategy team first, followed by validation with business owners and the Risk Assurance Committee.

Frameworks from the TCFD have been used to structure the assessment, more specifically the TCFD's Technical Supplement. The Company has applied the following steps:

1. Ensuring Governance to integrate Climate Change Scenario analysis into Strategic planning and Enterprise Risk Management (ERM)
2. Assessment of the Materiality of Climate Change related risks & opportunities with business- and functional experts
3. Identification and definition of range of Climate Change scenarios
4. Evaluation of business impact per scenario together with business owners
5. Identification of potential responses

6. Documentation in a Climate Action report and embedding in the Company's ERM system as well as Disclosure as per this Annual Report and internal presentations

The outcome is used to future proof the current strategy against Physical & Transitional Climate Change related Risks and Opportunities. Identified risks & opportunities are embedded in the Company's Risk Management approach explained in section 3.6 and the Company's Strategic Planning processes.

RISK MANAGEMENT

Climate change risks & opportunities are inherently identified and assessed against our strategy in our risk breakdown structure as deployed throughout the Company. When relevant, these risks are included in the detailed risk review and analysis is done for all tenders, projects and FPSO (asset) fleet operations which are part of the Company's portfolio. The Group Risk Manager facilitates the process of bottom-up Climate Change risk reporting into the Risk Assurance Committee (RAC) for consolidation purposes. The outcome of the review in the RAC results in heat-maps of risks which are presented in in a quarterly Risk report. This covers proposal, projects and fleet individual risks, as well as Group Functions and Execution Centers, and includes actions and managing measures in place to mitigate risk. The report provides an overview to the Management Board and Supervisory Board with the measurement SBM Offshore's Risk Appetite Statements and the latest Risk profile.

SCENARIO PLANNING

SBM Offshore defined two climate change scenarios to future proof current strategy and take subsequent action based on. IEA and IPCC data :

1. A **Steady** Climate Change Scenario based on IEA's Stated Policy Scenario (STEPS) and IPCC's Representative Concentration Pathway (RCP) 4.5 and 6.0. This scenario reflects the impact of announced country policies across the globe. This trajectory is said to have positive impact on climate change, however to fall short of meeting Paris Agreement goals.
2. A **Bold** Climate Action Scenario based on IEA's Sustainable Development Scenario (SDS) and IPCC's RCP 1.9 and 2.6. This scenario reflects a trajectory consistent with countries' shared sustainable energy goals. The trajectory provides for strong commitment towards targets as per Paris Agreement.

4.9 REPORTING BOUNDARIES

SBM Offshore not only reports on impacts it causes, but also on impacts it contributes to, and impacts that are linked to its activities. In each of the following paragraphs we elaborate in detail on the boundaries of our material topics. The boundary of a material topic relates to the parts of the organization and supply chain covered in the figures.

4.9.1 HEALTH, SAFETY AND SECURITY REPORTING

The HSS performance indicators boundaries take into account :

- Employees, which include all direct hires, part-time employees, locally-hired agency staff ('direct contractors') in the fabrication sites, offices and offshore workers, i.e. all people working for the Company
- Contractors which include any person employed by a contractor or contractor's subcontractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore

SBM Offshore implements consultation and participation in accordance with the applicable rules and regulations, and with the ISM onboard offshore units in the form of joint committee. The committee meets with the management team at an agreed frequency to address health and welfare and safety concerns of the employees.

All employees are provided HSSE trainings to familiarize themselves with the Company's health, safety, and security rules and regulations. As part of the training content, individuals attend internal classroom training, attend external training, practice on hands-on training or perform e-learning. The training topics are based on the hazards identified through the structured identification process as well as the regulatory requirements and includes Company standard training package such as security, Life Saving Rules, display screen equipment, site hazard awareness etc.

HSS incidents are reported and managed through the Company centralized incident management tool (SRS – Single Reporting System) which is a web-based reporting system that is used to collect data on all incidents occurring in all locations where the Company operates. The system records safety, environmental, security incidents, loss of containments, equipment failure and damage only incidents.

SBM Offshore reports on all incidents classified as fatalities, injuries and high consequence injuries - work-related injuries that results in a fatality or in an injury from which the worker is not expected to recover from within six months. Safety incidents are reported based on the incident classifications as defined by the IOGP Report 2019s – September 2020. Health incidents are reported based on the occupational illnesses classification given in IOGP Report Number 393 – 2007. The main-type of work-related injury categories are related to slips, trips and falls –walking at same level & stairs – (18%) as well as manual handling related injuries (40%).

All incidents with an actual or a potential consequence for the Health, Safety and Security of personnel and/or impact on the environment arising out of Company's activities are investigated. Investigations, based on the type, criticality and severity of the event, are performed by specifically identified personnel using methods among which TapRoot® and 5 Why. The Company also reports incident data from contractor's construction facilities if the incident is related to an SBM Offshore project.

The Company uses records of exposure hours and SRS data to calculate Health and Safety performance indicators set by SBM Offshore. The data are tracked daily, consolidated monthly, and disclosed on an annual basis. Results are recorded and reported in accordance with the GRI Standards and IOGP guidelines. The results are compared to previous years, as well as benchmarked against the IOGP averages.

4.9.2 ENVIRONMENTAL REPORTING

OFFSHORE

In accordance with the IOGP and IPIECA guidelines, SBM Offshore reports on offshore units using the following reporting boundaries :

- Units in the Company's fleet producing and/or storing hydrocarbons under Lease and Operate contracts
- Units in which the Company exercises full operational management control. This view is complemented with an equity share view for the same scope on total offshore scope 1 emissions. Through this approach SBM Offshore accounts for offshore emissions according to its share of equity in the assets under operational control. The share reported is determined as the equity share held by SBM Offshore in the JV that itself owns the vessel

SBM Offshore considers 'operational management control' as: having full authority to introduce and implement operating policies at the operation, in line with the IPIECA definition.

The environmental and process safety performance of the Company is reported by region or management area: Brazil, Angola, North America & Equatorial Guinea. Based on the criteria stated above, SBM Offshore reports on the environmental and process safety performance for the following 13 units :

- Brazil – *FPSO Espirito Santo*, *FPSO Capixaba*, *FPSO Cidade de Paraty*, *FPSO Cidade de Anchieta*, *FPSO Cidade de Ilhabela*, *FPSO Cidade de Marica*, *FPSO Cidade de Saquarema*
- Guyana – *Liza Destiny* (FPSO)
- Angola – *FPSO Mondo*, *FPSO Saxi Batuque* and *N'Goma FPSO*
- North America & Equatorial Guinea – *FPSO Aseng*
- Asia – *FPSO Kikeh*

The environmental offshore performance reporting methodology was chosen according to the performance indicators relative to GRI Standards and IOGP guidelines. This includes:

- Greenhouse Gases, referred to as GHG which are N_2O (Nitrous Oxide), CH_4 (Methane) and CO_2 (Carbon Dioxide)
- GHG emissions per hydrocarbon production from flaring and energy generation
- Non Greenhouse Gases which are CO (Carbon Monoxide), NOx (Nitrogen Oxides), SO_2 (Sulphur Dioxide) and VOCs (Volatile Organic Compounds)
- Gas flared per hydrocarbon production, including gas flared on SBM Offshore account
- Energy consumption per hydrocarbon production
- Oil in Produced Water per hydrocarbon production

SBM Offshore reports some of its indicators as a weighted average, calculated pro rata over the volume of hydrocarbon production per region. This is in line with the IOGP Environmental Performance Indicators.

ONSHORE

SBM Offshore reports on its onshore scope 1, 2 and 3 emissions[2]. As indicated in the 2019 Annual Report, efforts have been made in 2020 to further mature onshore emissions reporting to extend the reporting scope to include all locations in operational control by SBM Offshore. In 2020, the reporting scope includes all locations where the headcount is over 10 and yards over which the Company has full operational control. The Company can now report onshore emissions on more locations. There is no revision of the 2018 data however, as there was no data for the locations added in the scope in 2019.

Next to this, the Company reports both the 'location-based approach' as well as the 'market-based approach' for its scope 2 emissions. This is related to the SDG target on percentage of renewable energy used in the offices set in place for 2019. SBM Offshore reports onshore emissions data for the following locations: Amsterdam, Houston, Kuala Lumpur, Marly, Monaco, Rio de Janeiro, Schiedam, Shanghai, Carros lab, Georgetown, Bangalore, Brazil Shorebases, Canada Shorebase, Luanda Shorebase and Malabo Shorebase. The Singapore office is excluded as we have no visibility on energy breakdown usages as the energy is included in the lease.

The Company reports on scope 3 emissions related to business flights. This consists of all flights invoiced and paid for via our standard travel system in 2020 and the data covers all operating companies. The GHG emissions relating to business flights are based on third-party documentation on distances, the conversion to CO_2-equivalent is based on CO2emissiefactoren.nl.

For the onshore electricity usage, the Company uses the World Resources Institute Greenhouse Gas Protocol (GHG Protocol) method and conversion factors to calculate CO_2 equivalents. For fuels the Company uses conversion factors published by the UK government's Department for Environment Food & Rural Affairs (DEFRA). CO_2 equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO_2 that would have the same global warming potential (GWP), when measured over a specified timescale (generally, 100 years).

ATMOSPHERIC EMISSIONS

The calculation of air emissions from offshore operations units uses the method as described in the EEMS-Atmospheric Emissions Calculations (Issue 1.810a) recommended by Oil & Gas UK. SBM Offshore uses the GHG Global Warming Potentials from the Fourth Assessment Report issued by the IPCC.

Emissions reported in the Company records include :

- GHG emissions for the production of energy. Records of GHG emissions from steam boilers, gas turbines and diesel engines used by the operating units.
- GHG emissions from gas flared. Flaring events accountability is split into either client or SBM Offshore: 'SBM Offshore Account' is flaring resulting from unplanned events. Whereas client account is flaring resulting from events caused by the client or planned by SBM Offshore in agreement with the client.
- GHG emissions from flights. Scope 3 emissions are calculated using distances and third-party emissions factors.
- GHG emissions for onshore operations are reported using the market-based and location-based approaches.

Identifying the causes of flaring for which SBM Offshore is responsible and acting on these events is part of the continuous improvement process.

OFFSHORE ENERGY CONSUMPTION

The energy used to produce oil and gas covers a range of activities, including :

- Driving pumps producing the hydrocarbons or re-injecting produced water
- Heating produced oil for separation
- Producing steam
- Powering compressors to re-inject produced gas
- Driving turbines to generate electricity needed for operational activities

The main source of energy consumption of offshore units is Fuel Gas and Marine Gas Oil.

[2] The World Resources institute GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

OIL IN PRODUCED WATER DISCHARGES

Produced water is a high volume liquid discharge generated during the production of oil and gas. After extraction, produced water is separated and treated (de-oiled) before discharge to surface water. The quality of produced water is most widely expressed in terms of its oil content. Limits are imposed on the concentration of oil in the effluent discharge stream (generally expressed in the range of 15-30 ppm) or discharge is limited where re-injection is permitted back into the reservoir. The overall efficiency of the oil in water treatment and as applicable reinjection can be expressed as tonnes of oil discharged per million tonnes of hydrocarbon produced.

Incidental environmental releases to air, water or land from the offshore operations units are reported using the data recorded in the SRS database. SBM Offshore has embedded a methodology for calculating the estimated discharge and subsequent classification within the SRS tool.

CHANGES IN REPORTING

DATA REVISIONS

The offshore environmental data has been revised due to an improved process methodology in 2020. The following elements have been updated in 2020 which had an impact on the overall emissions KPIs :

- Gas Production figures have been further aligned with IOGP definition (updated to include only Fuel Gas, Gas Flared and Gas Exported). This update has an impact on the overall Hydrocarbon production (sum of oil and gas produced) which decreased compared to what was initially reported. This therefore also affected the different ratios per production such as: gas flared, GHG emissions, Energy Consumption, Oil in water per production. These ratios increased.
- Conversion factors for Gas volumes have been updated to reflect Standard conditions (15.5 deg). This update slightly affected the volumes of gas considered for the vessels where this conversion factor applied. The gas volumes produced (tonnes) considered slightly decreased. This therefore had an impact on the parameters using the volumes of gas such as (gas flaring, GHG emissions from Flaring and Energy generation – as power generation emissions are also based on amounts of Fuel Gas).

These updates have been made to improve data and calculations accuracy and ensure consistency in the way our KPIs are produced. To ensure proper comparison of trends with previous year's reported data, 2019 figures have been presented using the new methodology.

Revised Data for 2019

	2019 Annual Report	Revised 2019 Annual Report
Number of offshore units (vessels)	12	**12**
SBM Offshore Production		
Hydrocarbon Production (tonnes)	53,442,908	**47,492,381**
Energy Consumption		
Offshore Energy Consumption[1]	61,368,370	**60,720,811**
Offshore Energy Consumption per Production[2]	1.15	**1.28**
Emissions – Offshore		
Carbon dioxide (CO_2) in tonnes	5,239,388	**5,100,732**
Methane (CH_4) in tonnes	12,332	**11,818**
Nitrous oxide (N_2O) in tonnes	311	**304**
Flaring		
Total Gas Flared per production[3]	11.87	**12.77**
Gas Flared on SBM Offshore account per production[3]	3.95	**4.30**
Proportion of Gas Flared on SBM Offshore account	33%	**34%**
Other/Air Pollution – Non Greenhouse Gas Emissions		
Carbon monoxide (CO) in tonnes	7,335	**7,095**
Nitrogen oxides (NOx) in tonnes	7,534	**7,384**
Sulphur dioxides (SO_2) in tonnes	138	**137**
Volatile organic compounds (VOCs) in tonnes	1,315	**1,259**
GHG Emissions		
Offshore GHG emissions[4]	5,640,476	**5,486,881**
Offshore GHG emission per Production	105.54	**115.53**
Discharges		
Quantity of oil in produced water discharges in tonnes per million tonnes of hydrocarbon production[5]	5.13	**5.77**

1 GJ = gigajoule, energy from fuel gas and marine gas oil
2 gigajoule per tonnes of hydrocarbon production
3 tonnes of gas flared per thousand tonnes of hydrocarbon production
4 in tonnes of CO2 equivalent
5 tonnes of oil discharged to sea per million tonnes of hydrocarbon production

4.9.3 PROCESS SAFETY REPORTING

A Loss of Primary Containment (LOPC) is defined as an unplanned or uncontrolled release of any material from primary containment, including non-toxic and non-flammable materials (e.g. steam, hot condensate, nitrogen, compressed CO_2 or compressed air).

A Tier 1 or Tier 2 PSE is defined as an LOPC from a process system that meets criteria defined in API RP 754.

LOPC events are reported in the Company's Single Reporting System as highlighted in sections 2.1.2 and 4.10.1. This system includes a built-in calculation tool to assist the user in determining the release quantity of LOPC events. All LOPCs are analysed to identify those considered to be PSEs as per API RP 754. Process Safety KPIs used by the Company include the number of Tier 1 and the number of Tier 2 PSEs.

4.9.4 HUMAN RESOURCES REPORTING

The Company's Human Resources (HR) data covers the global workforce and is broken down by region (continents) and employment type. The performance indicators report on the workforce status at year-end December 31, 2020. They include all staff assigned on unlimited or fixed-term contracts, employee new hires and departures, total number of locally-employed staff from agencies, and all crew working on board the offshore operations units and shore bases.

HEADCOUNT, TURNOVER, TRAININGS, EQUAL REMUNERATION & NATIONALIZATION

Human Resources considers :

- 'Direct Hire' employees as a staff member holding a labor contract for either an unlimited or a defined period (or an offer letter for an unlimited period in the USA). Direct hires are recorded on the payroll, directly paid by one entity of the SBM Offshore Group.
- 'Contractors' as an individual performing work for or on behalf of SBM Offshore, but not recognized as an employee under national law or practice (not part of SBM Offshore companies payroll, they issue invoices for services rendered).
- 'Subcontractors' are not considered as staff in the HR headcount breakdown structure. This population is managed as temporary service and are not covered by HR processes policies.

SBM Offshore includes the BRASA Yard in Brazil and the PAENAL Yard in Angola in its reporting scope based on partial ownership and operational control including human resource activities and social responsibility for the employees.

In principle, reporting on headcount, turnover, training and collective bargaining covers all SBM Offshore, including construction yards. For the reporting on Appraisals and Equal Remuneration construction yard employees are not included, due to the limits on influence and impact that SBM Offshore has on JV partners in the PAENAL and BRASA yards.

SBM Offshore reports its HR data in all the regions (Africa, Asia, Europe, North America, South America) it is located.

Turnover has been calculated as the number of employees who have left the Company in 2020 (between January 1 and the December 30, 2020) compared with the aggregate of the headcount on December 31, 2019 and December 31, 2020; divided by 2, with the result multiplied by 100. In the past 5 years, turnover was calculated differently: the number of employees who have left the Company in the year (January 1 to December 30) compared with the Headcount on December 31 of the year + the number of newcomers in the year. As part of our continuous improvements strategy, we believe that this new method will provide more accurate data on turnover for the years to come even though the old method was not erroneous.

For fleet operations, engagement and development of the local workforce is the main indicator for successful local content development. In this perspective, SBM Offshore monitors the percentage of local workforce – % of nationalization per regions (included below for Brazil, Angola and Guyana as they represent most of our population offshore) – and invests in training to increase or maintain the targeted level. For example, specific programs in below countries focus on education and training of nationals to facilitate them entering the workforce with the required level of qualifications and knowledge.

- 88% of Brazilian direct hire workforce consists of Brazilian nationals
- 81% of Angolan direct hire workforce consists of Angolan nationals
- 49% of Guyanese direct hire workforce consists of Guyana nationals

PERFORMANCE MANAGEMENT

In order to ensure personal development and optimal management of performance within the Company, SBM Offshore conducts annual performance reviews for all employees. Globally, the Company uses a common system to rate and evaluate all employees.

COLLECTIVE BARGAINING

Collective bargaining is a process of negotiation between employers and a group of employees aimed at agreements to regulate working salaries, working conditions, benefits, and other aspects of workers' compensation and rights for workers. Within SBM Offshore, it is considered as collective bargaining: all the employees of which the interests are commonly represented by external or internal representatives of a trade union to which the employees belong. Given the COVID-19 pandemic, Labor Agreement in Brazil could not have been updated because they were not able to assembly. Nevertheless they have done a voluntary increase to cover the inflation. They will negotiate a New Agreement once it will be allowed for the employee to vote in person. Given the above circumstances we agreed to consider Brazil to be still under Labor Agreement.

HUMAN RIGHTS

SBM Offshore considers all contracts with qualified vendors as significant investment agreements, therefore the Company included human rights clauses in the Supply Chain Charter signed by our vendors.

4.9.5 COMPLIANCE REPORTING

SBM Offshore reports on significant fines paid by SBM Offshore and all affiliate companies. To define a significant fine the following thresholds are considered (subject to final assessment by Management Board on a case by case basis) :

1. **Operational fines of a regulatory and/or administrative nature which exceed US$500,000**

   1 significant operational fine had to be paid by an affiliated company in 2020, amounting approximately US$950k – of which 50% is attributable to SBM Offshore

2. **Legal and compliance fines of a criminal nature which exceed US$50,000**

   No significant legal and compliance fines had to be paid in 2020.

4.10 NON-FINANCIAL INDICATORS

4.10.1 HEALTH, SAFETY & SECURITY

Health, Safety & Security

	Year to Year		2020 – By Operating Segment	
	2020	2019	Offshore	Onshore
Exposure hours				
Employee[1]	13,964,697	13,926,255	7,902,851	6,061,846
Contractor[2]	21,198,552	20,652,056	0	21,198,552
Total Exposure hours	35,163,249	34,578,311	7,902,851	27,260,398
Fatalities (work related)				
Employee	0	0	0	0
Contractor	0	1	0	0
Total Fatalities	0	1	0	0
Fatality Rate (Total)[3]	0	0.01	0	0
Injuries				
High-consequence work-related Injury Employee[4]	0	0	0	0
High-consequence work-related Injury Contractor[5]	0	0	0	0
High-consequence work-related Injury Rate Employee[6]	0	0	0	0
High-consequence work-related Injury Rate Contractor[6]	0	0	0	0
High-consequence Work-related Injury Rate (Total)[7]	0	0	0	0
Total Recordable Injury **Employee**	10	16	8	2
Total Recordable Injury **Contractor**	7	6	0	7
Total Recordable Injury Rate **Employee**[8]	0.14	0.23	0.20	0.07
Total Recordable Injury Rate **Contractor**[8]	0.07	0.06	0	0.07
Total Recordable Injury Frequency Rate (Total)[8]	0.10	0.13	0.20	0.07
Occupational Illness				
Employee	2	1	2	0
Contractor	0	0	0	0
Total Recordable Occupational Illness Frequency Rate (Employees only)[9]	0.03	0.01	0.05	0

1 Direct hires, part-time employees, locally hired agency staff ('direct contractors') in the fabrication sites, offices and offshore workers, i.e. all people working for the Company.
2 Any person employed by a contractor or contractor's sub-contractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.
3 Fatalities per 200,000 exposure hours.
4 Work-related injury that results in an injury from which the Employee cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months, excluding fatality.
5 Work-related injury that results in an injury from which the Contractor cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months, excluding fatality.
6 High-consequence work-related injuries per 200,000 exposure hours.
7 Total high-consequence work-related injuries per 200,000 exposure hours.
8 Recordable injuries per 200,000 exposure hours.
9 Occupational illnesses per 200,000 exposure hours.

Process Safety

	Year to Year		2020 – Regional Breakdown			
	2020	2019	Brazil	Angola	Africa/ North America	Asia
API 754 Classified Materials (by TIER)						
Tier 1 incidents (number)	**3**	2	1	2		
Tier 2 incidents (number)	**4**	3		1	3	

4.10.2 ENVIRONMENT

	Year to Year		2020 - Regional Breakdown				
	2020	2019 (revised)	Brazil	Angola	North America & Carribean	Asia & Equatorial Guinea	Europe
Number of offshore units (vessels)	**13**	12	7	3	1	2	-
SBM Offshore Production							
Hydrocarbon Production (tonnes)	**46,987,495**	47,492,381	33,431,698	6,825,727	4,114,800	2,615,269	-
Energy Consumption							
Total Energy Consumption[1]	**63,161,957**	60,762,908	39,216,434	12,733,608	3,645,868	7,551,095	14,953
Offshore Energy Consumption	**63,133,658**	60,720,811	39,215,603	12,733,252	3,636,908	7,547,894	-
Onshore Energy Consumption	**28,300**	42,097	831	355	8,960	3,201	14,953
Offshore Energy consumption per production[2]	**1.34**	1.28	1.17	1.87	0.88	2.89	-
Emissions – Offshore							
GHG Scope 1							
Carbon dioxide (CO_2 in tonnes)	**5,248,326**	5,100,732	2,372,705	1,247,923	947,604	680,095	-
Methane (CH_4 in tonnes)	**12,844**	11,818	2,104	3,725	5,221	1,793	-
Nitrous oxide (N_2O in tonnes)	**311**	304	169	69	33	40	-
Emissions – Onshore							
GHG Scope 1[3]	**165**	233			0.7		164
GHG Scope 2 (location based)[3]	**2,516**	3,429	32	39	1,200	530	715
GHG Scope 2 (market based)	**588**	510	32	39	49	446	23
GHG Scope 3 - Air travel[4]	**8,231**	27,742	2,851	n.a.[5]	426	198	4,755
Flaring							
Total Gas Flared per production[6]	**14.08**	12.77	2.48	28.82	70.09	35.71	-
Gas Flared on SBM Offshore account per production[6]	**6.32**	4.30	1.99	7.96	40.53	3.69	-
Proportion of Gas Flared on SBM Offshore account	**44.9%**	33.7%	80.1%	27.6%	57.8%	10.3%	-
Other/Air Pollution – Non Greenhouse Gas Emissions							
Carbon monoxide (CO in tonnes)	**7,601**	7,095	2,606	1,938	2,041	1,016	-
Nitrogen oxides (NOx in tonnes)	**7,710**	7,384	4,473	1,571	639	1,027	-
Sulphur dioxides (SO_2 in tonnes)	**142**	137	56	17	25	43	-
Volatile organic compounds (VOCs in tonnes)	**1,372**	1,259	195	402	580	195	-
Emissions – (Offshore+Onshore)							
Volume of GHG (CO_2 eq. in tonnes)	**5,671,147**	5,515,367	2,478,549	1,361,803	1,088,514	737,337	4,942
Offshore GHG emissions (operational control)	**5,662,163**	5,486,881	2,475,667	1,361,765	1,088,038	736,694	-
Offshore GHG emissions (equity share in tonnes)[7]	**3,864,477**	3,301,828	1,705,433	680,882	1,088,038	390,122	-
Onshore GHG emissions (offices + airtravel in tonnes)	**8,984**	28,486	2,883	39	476	644	4,942
Offshore GHG emissions per production[8]	**120.50**	115.53	74.05	199.50	264.42	281.69	-
Discharges							
Quantity of oil in produced water discharges[9]	**5.09**	5.77	0.76	12.34	0.47	48.88	-

1 GJ = gigajoule, energy from fuel gas and marine gas oil
2 Gigajoule per tonnes of hydrocarbon production
3 Tonnes of CO_2 equivalents
4 Split per region is based on Travel agencies
5 Emisions related to flights are reported in the other regions
6 Tonnes of gas flared per thousand tonnes of hydrocarbon production
7 Equity share of operational control scope
8 Tonnes of GHG emissions per thousand tonnes of HC production
9 Tonnes of oil discharged to sea per million tonnes of hydrocarbon production

4.10.3 HUMAN RESOURCES

Headcount by Direct Hire and by Contractor

Headcount by Direct Hire and by Contractor

	Total			Ratios
	Grand Total	Direct Hire	Contractor	% of Contractor Employees
Africa	819	633	186	23%
Asia	1204	792	412	34%
Europe	1650	1516	134	8%
North America	104	103	1	1%
South America	1750	1530	220	13%
Grand Total	**5527**	**4574**	**953**	**17%**

Headcount by employee contract and employee type

Direct Hire by employee contract and employee type

	Permanent Male Employees	Permanent Female Employees	Temporary Male Employees	Temporary Female Employees	Part-Time Male Employees	Part-Time Female Employees	% of Part-Time Employees
Africa	534	94	3	2	0	0	0%
Asia	582	135	68	7	0	0	0%
Europe	1057	380	51	28	36	66	7%
North America	80	22	1	0	0	0	0%
South America	1263	208	32	27	14	12	2%
Sum:	**3516**	**839**	**155**	**64**	**50**	**78**	**3%**

Direct Hires New Joiners Headcount

	Total New Hires	
	Total New Hire Headcount	New Hire Ratio
Africa	48	7%
Asia	251	30%
Europe	99	6%
North America	8	3%
South America	230	14%
Grand Total	**636**	**13%**

Direct Hires Turnover Headcount

Direct Hire Turnover Headcount

	Total Turnover	
	Total Turnover Headcount	Total Turnover Rate
Africa	23	4%
Asia	84	12%
Europe	146	10%
North America	188	95%
South America	127	9%
Grand Total	**568**	**13%**

Direct Hires Performance Appraisals

Direct Hires Performance Appraisals

	Male %	Female %	Total % [1]
Performance Appraisals Completed - Onshore (2019)	98%	98%	98%
Performance Appraisals Completed - Offshore (2019)	95%	97%	95%

1 An appraisal is considered completed when it has been given a rating

Direct Hires Collective Bargaining

Collective Bargaining

	%
Percentage of Employees covered by Collective Bargaining Agreements	82% [1]

1 The rights of expatriate population are supported by internal policies, as agreed in the employment contract and with reference to the offshore and onshore manuals. Accordingly, they are considered by SBM Offshore to be qualified for collective bargaining.

Direct Hires Equal Remuneration

Gender Pay Gap

	# Male	# Female	Pay Gap
Junior Management Level	725	171	0.84 [1]
Middle Management Level	371	63	0.97
Top Management Level	30	4	1.22
Non-Management Level	645	473	0.82
Global Pay Gap Average	**1771**	**711**	**0.96**

1 The Pay Gap calculation is obtained doing: average Female Salary over average Male Salary. The population in scope for this Annual Report is limited to only "Permanent" and "Temporary" employees.

4.10.4 5-YEAR KEY SUSTAINABILITY FIGURES

	2020	2019	2018	2017	2016
Health, Safety and Security					
TRIFR (rate)	0.1	0.13	0.18	0.19	0.31
High consequence Injury rate	0	0	0	0	0
Fatalities work related (number)	0	1	1	0	0
Total consolidated exposure hours[1]	35.16	34.58	27.32	13.38	14.63
Environment					
Total GHG Emissions Offshore (operational control)[2]	5,662	5,486	5,681	6,185	8,444
Total GHG Emissions Offshore per production[3]	120.50	115.53	116.59	118.18	202.11
Flaring per production	14.08	12.77	12.66	13.74	27.76
Flaring on SBM Offshore account per production	6.32	4.30	4.40	6.67	2.95
Offshore energy consumption[4]	63,133,658	60,720,811	62,044,614	67,089,628	59,698,576
Human Resources[5]					
Total Employees[6]	5,527	5,530	4,740	4,810	4,748
Total Direct Hires[6]	4,574	4,439	4,079	4,126	4,174
Total Contractors[6]	953	1,091	661	684	574
Contractors / Direct Hires Ratio[6]	17%	20%	14%	14%	12%
Total of Females in Direct Hire Workforce	20%	22%	19%	18%	20%
Part-time Workforce	3%	2%	3%	4%	4%
Employee Rates[5]					
Turnover	13%	13%	10%	10%	19%
Appraisals					
Performance Appraisals Completed	97%	93%	96%	94%	94%

1 in million hours
2 thousand tonnes of CO_2 equivalents
3 tonnes of GHG emissions per thousand tonnes of hydrocarbon production
4 GJ = gigajoule, energy from fuel gas and marine gas oi
5 does not include construction yards except if specified otherwise
6 including construction yards

4.11 GRI CONTENT INDEX

This report has been prepared in accordance with the Global Reporting Initiative standards: Core option (General Disclosures and information linked to our Material Topics from version 2016 of the GRI standards.

Standard	Disclosure	Reference /direct answer
1. Organizational profile		
102-1	Name of the organization	SBM Offshore N.V
102-2	Activities, brands, products, and services	1.2
102-3	Location of the organization's headquarters	5.2
102-4	Location of operations	1.2
102-5	Ownership and legal form	3.2
102-6	Markets served	1.2
102-7	Scale of the organization	1.2, 2.2
102-8	Information on employees and other workers	2.1.4, 4.10
102-9	Supply chain	2.1.3
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary Principle or approach	Sustainability policy
102-12	External initiatives	2.2
102-13	Memberships of associations	2.1.2.1
2. Strategy		
102-14	Statement from senior decision-maker	1.1.1
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	1.3.1, 3.6.2, 3.8.2
4. Governance		
102-18	Governance structure	3.2
5. Stakeholder Engagement		
102-40	List of stakeholder groups	1.2
102-41	Collective bargaining agreements	4.9.4, 4.10.3
102-42	Identifying and selecting stakeholders	1.2, 4.8
102-43	Approach to stakeholder engagement	1.2, 4.8
102-44	Key topics and concerns raised	1.2
6. Reporting practise		
102-45	Entities included in the consolidated financial statements	4.3.30
102-46	Defining report content and topic Boundaries	4.9
102-47	List of material topics	1.2, 4.8
102-48	Restatements of information	n/a
102-49	Changes in reporting	4.9
102-50	Reporting period	calendar year 2020
102-51	Date of most recent report	February 11, 2021
102-52	Reporting cycle	annual
102-53	Contact point for questions regarding the report	5.2
102-54	Claims of reporting in accordance with the GRI Standards	2.2 , 4.8.1
102-55	GRI content index	4.11
102-56	External assurance	4.13

MATERIAL TOPICS

Reporting standard	Disclosure	Reference/omission
1. Material topic: *Energy Transition*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.9, 4.8.4
	103-2 The management approach and its components	2.1.9, 4.8.4
	103-3 Evaluation of the management approach	2.1.9, 4.8.4
Own Indicator	% of R&D investments in non-carbon technologies	2.1.9
2. Material topic: *Ethics & Compliance*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.1, 3.6.2
	103-2 The management approach and its components	2.1.1, 3.6.2
	103-3 Evaluation of the management approach	2.1.1, 3.6.2
Own Indicator	Training on-corruption policies and procedures	2.1.1
GRI 205-3: Anti-corruption	Confirmed incidents of corruption and actions taken	2.1.1
GRI 419-1: Socioeconomic Compliance	Non-compliance with laws and regulations in the social and economic area	2.1.1
3. Material topic: *Employee Health, Safety* and *Security* (incl. content re. Human Rights)		
GRI 103: Management approach (for HSSE & Human Rights)	103-1 Explanation of the material topic and its Boundary	2.1.2
	103-2 The management approach and its components	2.1.2
	103-3 Evaluation of the management approach	2.1.2
GRI 403-9 Occupational Health and Safety	Work-related Injuries	2.1.2
Own Indicator	Number of process safety events by business activity	2.1.2
GRI 412-3 Human Rights Assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	2.1.2
4. Material topic: *Economic Performance*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.5
	103-2 The management approach and its components	2.1.5
	103-3 Evaluation of the management approach	2.1.5
GRI 201-1: Economic Performance	Direct economic value generated or distributed (Cash Flow/ EBITDA %)	2.1.5
5. *Operational Excellence & Quality*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.3
	103-2 The management approach and its components	2.1.3
	103-3 Evaluation of the management approach	2.1.3
Own Indicator	Certification and classification performance on; ISO 9001, ISO 14001, OHSAS 18001 & ISM	2.1.3, 4.12
6. Material topic: *Market Positioning* (incl. content re partnerships & retaining/developing employees)		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.10
	103-2 The management approach and its components	2.1.10
	103-3 Evaluation of the management approach	2.1.10
Own Indicator	Sustainability Benchmarking	2.1.10
102-7 or Own Indicator	# of Projects Under Development (construction)	2.1.10

Reporting standard	Disclosure	Reference/omission
7. Material topic: *Emissions*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.6
	103-2 The management approach and its components	2.1.6
	103-3 Evaluation of the management approach	2.1.6
GRI 305-1 Emissions	Direct greenhouse gas (GHG) emissions (Scope 1)	2.1.6, 4.9.2
GRI 305-2 Emissions	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	2.1.6, 4.9.2
GRI 305-7 Emissions	and other significant air emissions	2.1.6, 4.9.2
Own Indicator	Volume of flared and vented hydrocarbon	2.1.6, 4.9.2
8. Material topics: *Innovation*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.8
	103-2 The management approach and its components	2.1.8
	103-3 Evaluation of the management approach	2.1.8
Own Indicator	TRL Progress (Market Readiness – TRL 4)	2.1.8
9. Material topics: *Digitalization*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.7
	103-2 The management approach and its components	2.1.7
	103-3 Evaluation of the management approach	2.1.7
Own Indicator	# of signals captured & percentage increase y-o-y	2.1.7
10. Material topics: *Retaining & Developing Employees*		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	2.1.4
	103-2 The management approach and its components	2.1.4
	103-3 Evaluation of the management approach	2.1.4
GRI 404-3 Training and Education	Percentage of employees receiving regular performance and career development reviews	2.1.4
Own Indicator	Employee Turnover rate	4.10.3

4.12 CERTIFICATION AND CLASSIFICATION TABLES

Complementing sections 2.1.3 and 3.8, the below tables map the compliance and certification of SBM Offshore entities and (onshore and offshore) sites with the following international certification standards and codes :

- ISO 9001:2015 related to Quality Management Systems
- ISO 14001:2015 related to Environmental Management Systems
- ISO 45001:2018 related to Occupational Health & Safety Management Systems (transitioning from OHSAS 18001)
- 'Class' – Marine Certification by Classification Societies (e.g. ABS – American Bureau of Shipping)
- ISM – International Safety Management Code (from IMO – International Maritime Organization)
- ISPS – International Ship & Port Facility Security Code (from IMO)

OFFICES & WORKSITES	ISO 9001	ISO 14001	ISO 45001	ISM
Corporate Offices				
Amsterdam (Netherlands)	Certified			
Monaco	Certified			
Locations				
Houston (United States)	Certified			
Rio de Janeiro (Brazil)	Certified			
Monaco	Certified			
Schiedam (Netherlands)	Certified			
Kuala Lumpur (Malaysia)	Certified			
Shanghai (China)	Certified			
SBM Nauvata JV				
Bengaluru (India)	Certified			
Imodco				
Monaco	Certified			
Construction Sites				
PAENAL (Angola)	Certified		Certified	
Operations Offices				
Monaco (Management Office)	Certified	Compliant	Compliant	Certified
Angola		Compliant	Compliant	Certified
Brazil		Compliant	Compliant	Certified
Equatorial Guinea		Compliant	Compliant	Certified
Guyana		(ongoing)	(ongoing)	Certified
Malaysia		Compliant	Compliant	Certified

Certified : certified by accredited 3rd Party
Compliant : verified as compliant by independent, qualified 3rd Party
Classed : certified by classification society

OFFSHORE PRODUCTION FLEET	ISO 14001	ISO 45001	CLASS	ISM	ISPS
Angola					
FPSO Mondo	Compliant	Compliant	Classed	Certified	Certified
FPSO Saxi Batuque	Compliant	Compliant	Classed	Certified	Certified
N'Goma FPSO	Compliant	Compliant	Classed	Certified	Certified
Brazil					
FPSO Capixaba	Compliant	Compliant	Classed	Certified	Certified
FPSO Espirito Santo	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Anchieta	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Paraty	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Ilhabela	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Maricá	Compliant	Compliant	Classed	Certified	Certified
FPSO Cidade de Saquarema	Compliant	Compliant	Classed	Certified	Certified
FPSO Sepetiba	(ongoing)	(ongoing)	(ongoing)	(ongoing)	(ongoing)
Equatorial Guinea					
FPSO Aseng	Compliant	Compliant	Classed	Certified	Certified
FPSO Serpentina	Compliant	Compliant	Classed	Certified	Certified
Guyana					
Liza Destiny (FPSO)	(ongoing)	(ongoing)	Classed	Certified	Certified
Liza Unity (FPSO)	(ongoing)	(ongoing)	(ongoing)	(ongoing)	(ongoing)
Prosperity (FPSO)	(ongoing)	(ongoing)	(ongoing)	(ongoing)	(ongoing)
Malaysia					
FPSO Kikeh	Certified	Compliant	Classed	Certified	Certified

OFFSHORE INSTALLATION FLEET	ISO 9001	ISO 14001	OHSAS 18001	CLASS	ISM	ISPS
SBM Installer	Certified	Certified	Certified	Classed	Certified	Certified
Normand Installer	Certified	Certified	Certified	Classed	Certified	Certified

Certified : certified by accredited 3rd Party
Compliant : verified as compliant by independent, qualified 3rd Party
Classed : certified by classification society

4.13 ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: the Management Board and Supervisory Board of SBM Offshore N.V.

Assurance report on the sustainability information 2020

Our conclusion

Based on our procedures performed, nothing has come to our attention that causes us to believe that the sustainability information included in the annual report 2020 of SBM Offshore N.V. does not present, in all material respects, a reliable and adequate view of:
- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2020

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as included in the section 'reporting criteria'.

What we have reviewed

We have reviewed the sustainability information included in the annual report for the year ended 31 December 2020, as included in the following sections in the annual report (hereafter 'the sustainability information'):

- Chapter 1: Business Environment;
- Chapter 2: Performance Review & Impact;
- Chapter 4.8: Scope of Non-financial Information;
- Chapter 4.9: Reporting Boundaries;
- Chapter 4.10: Non-financial Indicators;
- Chapter 4.11: GRI Content Index; and
- Chapter 4.12: Certification and Classification Tables.

The sustainability information comprises a representation of the policy and business operations of SBM Offshore N.V., Amsterdam with regard to sustainability and the thereto related business operations, events and achievements for the year ended 31 December 2020.

The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('*Assurance engagements on corporate social responsibility reports*'), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This review is aimed at obtaining a limited level of assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of this assurance report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of SBM Offshore N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The sustainability information needs to be read and understood in conjunction with the reporting criteria. The Management Board of SBM Offshore N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria, as disclosed in the sections 4.8 Scope of Non-Financial Information and 4.9 Reporting Boundaries of the Annual Report. The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans, estimates and risk assessments. Inherently, the actual results are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the sustainability information.

The links to external sources or websites included in the sustainability information are not part of the sustainability information itself, reviewed by us. We do not provide assurance over the information outside of this annual report.

Responsibilities for the sustainability information and the review

Responsibilities of the Management Board and Supervisory Board

The Management Board of SBM Offshore N.V. is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in the section 'reporting criteria', including the identification of stakeholders and the definition of material matters. The choices made by the Management Board regarding the scope of the sustainability information and the reporting policy are summarized in the sections 4.8 Scope of Non-Financial Information and 4.9 Reporting Boundaries of the Annual Report. The Management Board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Management Board is also responsible for such internal control as the Management Board determines necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing SBM Offshore N.V.'s reporting process on the sustainability information.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:
- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues, relevant laws and regulations and the characteristics of SBM Offshore N.V.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Management Board.
- Obtaining and understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management and relevant staff at corporate and business level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and locations to visit. The visit to the head office in the Netherlands is aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures;
  - Obtaining assurance evidence that the sustainability information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.
- Reconciling the relevant financial information with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information;
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Amsterdam, 10 February 2021

PricewaterhouseCoopers Accountants N.V.

A.A. Meijer RA