SBM OFFSHORE

ENERGY. COMMITTED.

2021 HALF YEAR EARNINGS

TABLE OF CONTENTS

HALF YEAR MANAGEMENT REPORT

All three of the Company's value platforms: Ocean Infrastructure, Growing the Core and New Energies show good performance in line with its vision and commitment for providing safe, sustainable and affordable energy.

The Company's staff and contractor teams continue to perform very well despite the challenging conditions from the continuing pandemic. It maintained fleet uptime of 99%. The Company's projects under construction continue to progress well despite the various challenges that COVID-19 continues to pose to project teams.

In addition, the Company has successfully secured significant backlog growth. The backlog of the Ocean Infrastructure Platform is approaching a record-breaking US$30 billion. This contracted backlog allows the Company to deliver sustainable and resilient sector-leading value to its stakeholders including shareholder returns. Today’s announcement of a EUR150 million share repurchase demonstrates the Company's commitment to this.

The Company's Growing the Core platform delivered two new awards in the first half. The Company now has five Fast4Ward® FPSOs under construction. The latest awards have an emission intensity of 8 to 11.5 kg CO_2e/boe[1], well below current industry average. The Company will further improve on this through its emissionZERO™ program.

New Energies is set to provide further growth and value. The Company is establishing a strategic position in the fast-developing floating offshore wind market. The Company intends to play a role in project co-development in order to enhance the positioning of its technology in the market. The participation in the 200 MW Llŷr Project in the UK marks a first step. The EPC activities for the deployment of the Company's first project in France in 2022 remain on track.

The Company is delivering value to its stakeholders: helping its clients to transition towards lower carbon oil production at affordable cost, providing new renewable and energy transition solutions and growing shareholder returns.

[1] Carbon intensity (in greenhouse gas equivalent units of CO_2 emissions) calculated based on nameplate capacity.

HIGHLIGHTS AND HALF YEAR EARNINGS

Highlights

- Financial results in line with management expectations
- Record-level US$29.5 billion proforma backlog, up by c. US$8 billion
- Launch of EUR150 million (c. US$180 million) share repurchase program
- Scaling-up renewables: 200 MW floating offshore wind development
- 2021 Directional[2] revenue guidance maintained at around US$2.6 billion
- 2021 Directional EBITDA guidance maintained at around US$900 million

Overview

	YTD Directional (Unaudited)		
in US$ million	1H 2021	1H 2020	% Change
Revenue	**1,072**	**1,179**	-9%
Lease and Operate	752	829	-9%
Turnkey	321	351	-9%
Underlying Revenue	**1,147**	**1,179**	-3%
Lease and Operate	827	829	0%
Turnkey	321	351	-9%
EBITDA	**426**	**523**	-19%
Lease and Operate	456	538	-15%
Turnkey	9	25	-62%
Other	(40)	(40)	0%
Underlying EBITDA	**501**	**523**	-4%
Lease and Operate	531	538	-1%
Turnkey	9	25	-62%
Other	(40)	(40)	0%
Profit attributable to shareholders	**64**	**38**	69%
Underlying profit attributable to shareholders	**61**	**94**	-36%
Earnings per share	**0.34**	**0.20**	72%
Underlying Earnings per share	**0.32**	**0.50**	-35%

	Directional		
in US$ billion	1H 2021 (Unaudited)	FY 2020	% Change
Pro-Forma Backlog	29.5	21.6	37%
Net Debt	4.6	4.1	12%

[2] Directional view, presented in the Financial Statements is explained in Note 8 Operating segments and Directional reporting

Underlying Directional revenue for the first half of 2021 came in at US$1,147 million, broadly in line with 2020. Underlying Directional revenue from Lease and Operate was similar to last year's figure with US$827 million recognized in the first half of 2021 against US$829 million in the year-ago period, reflecting the stability of the fleet. Directional Turnkey revenue reduced by 9% year on year to a total of US$321 million for the period. Despite the major growth phase in Turnkey, the balance of activities continues to be more weighted to projects to be transferred to the Lease and Operate portfolio with therefore lower contribution to Turnkey revenue. Three out of four FPSOs under construction were 100% owned by SBM Offshore during the period. As such, the decrease is mostly attributable to the comparative impact of the Johan Castberg turret project delivery which contributed to the first half year 2020 revenue.

Underlying Directional EBITDA for the first half 2021 totaled US$501 million, representing a 4% reduction compared with the prior period. Underlying Directional Lease and Operate EBITDA came in at US$531 million in the first half year of 2021, in line with the prior year period, despite the incremental costs from the additional measures linked to the safe management of the impacts from the COVID-19 pandemic.

Underlying Directional Turnkey EBITDA decreased by US$16 million to a total of US$9 million, mainly reflecting the same drivers as the decrease in the Turnkey revenue. The Other non-allocated cost was in line with the previous year and stood at US$(40) million and continues to include the Company's investment in digital initiatives.

The increased level of activity in the construction of new FPSOs did not significantly contribute to EBITDA in 2021 under Directional reporting because the FPSO *Liza Unity* project and the FPSO *Prosperity* project are 100% owned by the Company and classified as operating lease as per Directional accounting policies. As such, these projects do not contribute to the Company's net result before first oil. FPSO *Almirante Tamandaré* is also 100% owned by SBM Offshore; the planned partial divestment is subject to finalization of the shareholder agreement and various approvals by the Company and its prospective partners.

The first half of 2021 Underlying Directional Revenue and EBITDA includes US$75 million related to final cash received during the period under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020. These expected cash receipts in 2021 were excluded from the Underlying 2020 Revenue and EBITDA as reported in the 2020 Annual Report. Considering the associated depreciation of the vessel, this non-recurring item only negligibly impacted the Underlying profit attributable to shareholders.

Funding and Directional Net Debt

As a direct result of investment in growth, Directional net debt increased by US$510 million to US$4.6 billion compared with year-end. This includes capital expenditures associated with the FPSO projects *Liza Unity, Sepetiba*, *Prosperity* and *Almirante Tamandaré* and the expenditures on the Fast4Ward® multi-purpose floater (MPF) hulls. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew under the project loan facility of *Liza Unity* (FPSO) and the Revolving Credit Facility (RCF) to fund continued investment in growth during the first half-year 2021. The first drawdown on the US$1.05 billion project loan facility of *Prosperity* (FPSO) closed on June 25, 2021, occurred in July 2021 and allowed full RCF repayment.

The majority of the Company's debt at half year consisted of non-recourse project financing (US$3.1 billion) in special purpose companies. The remainder (US$1.7 billion) comprised mainly of borrowings to support the construction of *Liza Unity* (FPSO) and FPSO *Sepetiba,* the loan related to diving support and construction vessel SBM Installer and the Company's RCF which was drawn for c. US$290 million as at June 30, 2021. The net cash balance stood at US$310 million and lease liabilities totaled c. US$61 million.

Directional Pro-Forma Backlog

Change in ownership percentages and lease contract durations 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 backlog on the basis of the most likely ownership scenarios and lease contract durations for the various projects.

The pro-forma Directional backlog increased by US$7.9 billion to a total of US$29.5 billion compared with the position at December 31, 2020. The increase was mainly the result of the awarded contract for the FPSO *Almirante Tamandaré* and the signed Letter of Intent for FPSO *Alexandre de Gusmão*.

in US$ billion	Turnkey	Lease & Operate	Total
2H 2021	0.5	0.8	1.3
2022	1.2	1.6	2.7
2023	0.7	1.6	2.3
Beyond 2023	2.6	20.5	23.2
Total Backlog	5.0	24.5	29.5

The pro-forma Directional backlog at June 30, 2021 reflects the following key assumptions:

- The *Liza Destiny* (FPSO) contract covers 10 years of lease and operate.
- The *Liza Unity* (FPSO) and *Prosperity* (FPSO) contracts cover a maximum period of two years of lease and operate within which period the units will be purchased by the client. The impact of the sale is reflected in the Turnkey backlog, assumed at the end of the contractual lease and operate period.
- FPSO *Almirante Tamandaré* and FPSO *Alexandre de Gusmão* are added to the backlog based on the initially targeted SBM Offshore ownership share (55%) in the lease and operate contracts. The partial divestment to partners (45%), which remains subject to finalization of the shareholder agreement and various other approvals, was included in the Turnkey backlog.

Project Review

Project	Client/country	Contract	SBM Share	Capacity, Size	Percentage of Completion	Expected First Oil
Liza Unity	ExxonMobil Guyana	2 year Build, Operate, Transfer	100%	220,000 bpd	>75%	2022
Sepetiba	Petrobras Brazil	22.5 year Lease & Operate	64.5%	180,000 bpd	>50% <75%	2023
Prosperity	ExxonMobil Guyana	2 year Build, Operate, Transfer	100%	220,000 bpd	>25% <50%	2024
Almirante Tamandaré	Petrobras Brazil	26.25 year Lease & Operate	100%	225,000 bpd	<25%	2024
Alexandre de Gusmão	Petrobras Brazil	22.5 year Lease & Operate	100%	180,000 bpd	<25%	2025

The Company's construction activities continue to face challenges related to the COVID-19 pandemic with difficulties posed by remote working, travel restrictions and effects on yards capacity. Project teams are working closely with client teams and contractors to mitigate impacts on project execution and an update on individual projects schedule is provided below considering latest known circumstances.

Liza Destiny (FPSO)

The flash gas compression system on *Liza Destiny* (FPSO) is now operating. Approximately 96% of the gas produced is being consumed and reinjected, and production levels are at 120-125,000 bpd. The team continues to perform maintenance and optimization activities to minimize flaring until the arrival of the redesigned third stage flash gas compression system, still expected to be installed around the end of the year.

Liza Unity (FPSO)

The topsides integration phase is completed and the onshore commissioning campaign is making significant progress. The crew is currently mobilizing for the vessel departure from Singapore planned in the third quarter of this year. The project continues to target first oil in 2022 in line with client schedule.

FPSO Sepetiba

The Fast4Ward® MPF hull was successfully delivered and arrived safely in the integration yard allowing the commencement of the topside modules lifting campaign. The project's planned preliminary acceptance is at the end of 2022 with planned first oil in 2023.

Prosperity (FPSO)

The Fast4Ward® MPF hull has arrived safely in Singapore where the topsides fabrication phase is ongoing. The project is progressing in line with schedule with a planned completion in 2024.

FPSO Almirante Tamandaré

The FPSO construction is progressing as per plan with the expected first oil in the second half of 2024.

Fast4Ward® MPF hulls

Under the Company's Fast4Ward® program, the total number of MPF hulls ordered to date stands at six, five of which have been allocated to FPSOs *Liza Unity, Sepetiba, Prosperity, Almirante Tamandaré* and *Alexandre de Gusmão*. The Company currently has one remaining MPF hull supporting its tendering activity.

Operational Update

Despite the ongoing challenging circumstances due to the COVID-19 pandemic, the Company demonstrated operational resilience. The fleet uptime in the first half of the year was 99.1%, in line with the fleet's lifetime historical average.

Sustainability and HSSE

The Company's Total Recordable Injury Frequency Rate stands at 0.10, compared with the full year 2021 target of below 0.18.

New Energies

Floating Offshore Wind

The Company has taken a position as co-developer in floating offshore wind projects with the establishment of the joint venture Floventis Energy, a newly established joint venture between the Company and Cierco Ltd. Floventis Energy seeks to secure seabed rights and relevant permits, to develop and implement state-of-the-art technologies for floating offshore wind activities.

Floventis Energy is working on its first project, the Llŷr project, which covers the lease of two 100 MW floating wind test and demonstration sites in the Celtic Sea, for which the Crown Estate confirmed an intention to move forward with the lease process. The formal award will be subject to a Habitats Regulations Assessment, following which, the project will progress with environmental assessments and surveys in line with the regulatory consent processes.

The Company's ambition as project co-developer is to enhance the positioning of its technology in the market. As such it is also targeting rights in various other regions of the world. The current opportunities for the floating offshore wind market amount to at least 6 GW for the next decade; this is expected to grow significantly over the next few years. The ambition is to co-develop or participate as a technology or turnkey provider in 2 GW of this existing global pipeline. Total associated development expenditure over the next 7 to 8 years is estimated to be c. US$150 to 200 million. The investments will be generally phased so that significant de-risking of returns has occurred before the final investment decision, committing most of the expenditure, is taken.

Through the further development and optimization of its technology, focusing on obtaining cost benefits from enhanced design and scale-up, the Company is on the pathway towards a competitive levelized cost of electricity.

Provence Grand Large

The Company is providing and installing 3 floaters and mooring systems for this 25 MW project. Assembly of first sub-components has started as planned for the floating substructures to be ready for load-out and installation at the end of 2022. This project is on track to be the first floating offshore wind project worldwide installed with tensioned leg platform technology.

Capital allocation and Shareholder Returns

After having reviewed the current liquidity position including the incremental net cash proceeds from the FPSO *Cidade de Ilhabela* bond issuance in the first quarter 2021 and taking into account the progress with project financing and the capital requirements for growing the company business, the Company has determined that it currently has the capacity to repurchase shares. Consequently, on August 5, 2021 the Company will commence a EUR150 million (c. US$180 million) share repurchase program with the objective to be completed in the year. More details can be found in the Company's press release announcing the share repurchase on August 5, 2021.

Financial Risk Management

All aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the period ended December 31, 2020. In the Company's view, financial market, treasury and liquidity risks remain largely covered by the Company's hedging policy and any resulting volatility is not considered material in the overall financial context.

Outlook and Guidance

The Company's 2021 Directional revenue guidance remains 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. 2021 Directional EBITDA guidance remains around US$900 million for the Company.

This guidance includes Directional revenues and EBITDA of US$75 million related to the 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 REVIEW

FINANCIAL REVIEW DIRECTIONAL

DIRECTIONAL REPORTING

Since 2014 the Company has disclosed Directional reporting in addition to its IFRS reporting. In summary, Directional reporting differs from IFRS reporting in terms of treatment of all lease contracts as operating leases and consolidates all co-owned investees related to lease contracts on a proportionate basis. Under Directional, the accounting results more closely track cash flow generation and Directional reporting is the method used by the Management Board of the Company to monitor performance and for business planning.

The Management Board, as chief operating decision maker, monitors the operating results of the Company primarily based on Directional reporting. The financial review is presented both under Directional and IFRS. As far as the half-year financial statements are concerned, the financial information provided in note 8 Operating Segments and Directional Reporting is presented under Directional with a reconciliation to IFRS, while the remainder of the numbers in the half-year financial statements are presented solely under IFRS.

PROFITABILITY

	Directional (Unaudited)	
in US$ million	1H 2021	1H 2020
Revenue	**1,072**	**1,179**
Lease and Operate	752	829
Turnkey	321	351
Underlying Revenue	**1,147**	**1,179**
Lease and Operate	827	829
Turnkey	321	351
EBITDA[1]	**426**	**523**
Lease and Operate	456	538
Turnkey	9	25
Other	(40)	(40)
Underlying EBITDA	**501**	**523**
Lease and Operate	531	538
Turnkey	9	25
Other	(40)	(40)
Profit attributable to shareholders	**64**	**38**
Underlying profit attributable to shareholders	**61**	**94**

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.

Underlying Performance

The first half-year of 2021 Underlying Directional Revenue and EBITDA includes US$75 million related to final cash received for the period under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020. These expected cash receipts in 2021 were excluded from the Underlying 2020 Revenue and EBITDA as reported in the 2020 Annual Report. Considering the associated depreciation of the vessel, this non-recurring item only negligibly impacted the Underlying gross margin and the Underlying Directional profit attributable to shareholders.
One non-recurring item for the first half-year of 2020 impacted the Directional profit attributable to shareholders by US$(57) million, which related to a full impairment of the SBM Installer installation vessel and was excluded from the Underlying Directional profit attributable to shareholders.

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 June 30, 2021 reflects the following key assumptions:

- The *Liza Destiny* (FPSO) contract covers 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 at the end of maximum two year period.
- The *Prosperity* (FPSO) contract awarded to the Company in October 2020 covers a maximum period of lease and operate of two years, within 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 at the end of the maximum two year period. 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.
- The pro-forma backlog of FPSO *Almirante Tamandaré* takes into account the initially targeted Company ownership share (55%) in the 26.25 years lease and operate contracts. As a consequence, this targeted share was added to the Lease and Operate backlog and the partial divestment to partners (45%), which remains subject to finalization of the shareholder agreement and various approvals, was added to the Turnkey backlog.
- The pro-forma backlog also includes the FPSO *Alexandre de Gusmão* contracts for which the Company has signed a Letter of Intent (LOI) together with Petróleo Brasileiro S.A. (Petrobras) on August 3, 2021. As for FPSO *Almirante Tamandaré*, the pro-forma backlog of FPSO *Alexandre de Gusmão* takes into account the initially targeted Company ownership share (55%) in the 22.5 years lease and operate contracts which remain subject to finalization of the shareholder agreement and various approvals.

The pro-forma Directional backlog at the end of June 2021 increased by almost US$8 billion to a total of US$29.5 billion. This increase was mainly the result of (i) the awarded contracts for the FPSO *Almirante Tamandaré* project; and (ii) the signing of the LOI for the FPSO *Alexandre de Gusmão* project announced on August 3, 2021. Turnover for the period consumed US $1.1 billion of backlog

in US$ billion	Turnkey	Lease & Operate	Total
2H 2021	0.5	0.8	1.3
2022	1.2	1.6	2.7
2023	0.7	1.6	2.3
Beyond 2023	2.6	20.5	23.2
Total Backlog	5.0	24.5	29.5

Revenue

Directional revenue for the first half-year of 2021 came in at US$1.072 million, a decrease of 9% when compared with the same period in 2020. Adjusted for the non-recurring item of US$75 million (see paragraph 'Underlying Performance' above), Underlying Directional revenue decreased to US$1.147 million compared with US$1.179 million for the same period in 2020 (there were no non-recurring items impacting the first half-year 2020 Directional revenue). This variance is further detailed as follows by segment:

- Underlying Directional Lease and Operate revenue for the first half-year of 2021 was US$827 million, stable compared with the same period prior year. This reflects the stability of the Fleet over the period, with the exception of Deep Panuke MOPU early redelivery in 2020, but for which Underlying Directional Revenue has been anyway adjusted.
- Underlying Directional Turnkey revenue decreased to US$321 million, representing 28% of total first half 2021 Underlying Directional revenue. This compares with US$351 million, or 30% of total Underlying Directional revenue, in the year-ago period. Despite a general ramp-up of Turnkey activities with four FPSOs under construction in the first half-year 2021, the decrease is mostly attributable to the comparative impact of the Johan Castberg turret project delivery which contributed to the first half-year 2020 revenue. It should be noted that, under Directional reporting, the *Liza Unity* (FPSO), *Prosperity* (FPSO) and FPSO *Almirante Tamandaré* which are currently 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 clients before or at the commencement of the lease.

EBITDA

Directional EBITDA for the first half-year of 2021 came in at US$426 million, a decrease of 19% when compared with the same period in 2020. Adjusted for the non-recurring item of US$75 million (see paragraph 'Underlying Performance' above), Underlying Directional EBITDA decreased to US$501 million compared with US$523 million for the same period in 2020. This variance is further detailed as follows by segment:

- Underlying Directional Lease and Operate EBITDA came in at US$531 million in the first half-year of 2021, in line with the prior year period, despite the incremental costs from the additional measures linked to the safe management of the impacts from the COVID-19 pandemic.
- Underlying Directional Turnkey EBITDA decreased from US$25 million in the year-ago period to US$9 million, which is caused by the same drivers as the decrease in the Turnkey revenue.
- The other non-allocated costs charged to EBITDA amount to US$40 million in the first half-year of 2021 in line with the US $40 million in the year-ago period.

It should be noted that under Directional, the construction activities on FPSOs had limited contribution to gross margin in the first half of 2021 for the following reasons:

- The *Liza Unity* (FPSO) and the *Prosperity* (FPSO) projects are 100% owned by the Company and classified as operating lease as per Directional accounting policies. As such, these projects do not contribute to the Company's net result before first oil.
- Since FPSO *Almirante Tamandaré* has not yet reached the gate progress of completion allowing margin recognition under the Company's policy (this gate being formalized by independent project review mitigating uncertainties related to the cost at completion), revenue is recognized only to the extent of costs incurred. In addition, this project is currently 100% owned by the Company subject to finalization of the shareholder agreement and various approvals before partial divestment to partners.

Net income

Underlying Directional depreciation, amortization and impairment slightly decreased by US$7 million year-on-year, primarily due to some individually not material impairments recognized in the first half-year of 2020.

Directional net financing costs were US$89 million for the first half of 2021, stable compared with the prior year period. The underlying effective tax rate over the first half-year of 2021 increased to 35%, compared with 15% for the first six months of 2020, primarily driven by higher taxes paid in relation to Brazilian fleet caused by the change in the tax rules applied on charter revenues.

As a result, the Company recorded an Underlying Directional net profit of US$61 million, or US$0.32 per share, for the first half-year of 2021, down from US$94 million, or US$0.50 per share, in the year-ago period.

STATEMENT OF FINANCIAL POSITION

	Directional	
in US$ million	**2021 (Unaudited)**	2020
Equity	807	858
Net Debt	4,603	4,093
Net Cash	310	383
Total Assets	8,102	7,894

Shareholder's equity decreased from US$858 million at year end 2020 to US$807 million at June 30, 2021, due to the dividend distributed to the shareholders of US$165 million, which was partially offset by the increase of the hedging reserves of US$28 million and the positive net result of the period of US$64 million.
The movement in hedging reserve was mainly caused by the positive impact of the marked-to-market value of the interest rate swaps due to increasing market interest rates.

Net debt increased by US$510 million to US$4,603 million as of June 30, 2021. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew under the project loan facility of *Liza Unity* (FPSO) and the Revolving Credit Facility (RCF) to fund continued investment in growth during the first half-year 2021. The first drawdown on the US$1.05 billion project loan facility of *Prosperity* (FPSO) which closed on June 25, 2021, occurred in July 2021 only.

The majority of the Company's debt as of June 30, 2021 consisted of non-recourse project financing (US$3.1 billion) in special purpose investees. The remainder (US$1.7 billion) comprised of (i) borrowings to support the construction of *Liza Unity* (FPSO) and FPSO *Sepetiba*, (ii) the portion of loan related to the diving support and construction vessel SBM Installer (iii) the Company's RCF which was drawn for c. US$290 million as at June 30,2021, and (iv) other short term credit facilities. The net cash balance stood at US$310 million and lease liabilities totaled c. US$61 million.

Total assets remained stable at US$8.1 billion as of June 30, 2021, compared with US$ 7.9 billion at year end 2020.

Cash from operating activities for the period was positive at US$188 million, which includes cash investments in the multi-purpose floater hulls. This primarily reflected strong cash flows generated by the Lease and Operate segment, partially offset by negative turnkey cash flow due to lower turnkey revenue generated with third parties (with three out of four FPSOs under construction being 100% owned by SBM over the period).

FINANCIAL REVIEW IFRS

PROFITABILITY

in US$ million	IFRS (Unaudited) 1H 2021	1H 2020
Revenue	**1,555**	**1,592**
Lease and Operate	631	735
Turnkey	924	857
Underlying Revenue	**1,630**	**1,592**
Lease and Operate	706	735
Turnkey	924	857
EBITDA	**411**	**489**
Lease and Operate	323	436
Turnkey	129	93
Other	(40)	(40)
Underlying EBITDA	**486**	**489**
Lease and Operate	398	436
Turnkey	129	93
Other	(40)	(40)
Profit attributable to shareholders	**148**	**98**
Underlying profit attributable to shareholders	**145**	**155**

Underlying Performance

The first half-year of 2021 IFRS Underlying Revenue and EBITDA includes US$75 million related to final cash received over the period under the final settlement signed with the client following redelivery of the Deep Panuke MOPU in July 2020. These expected cash receipts in 2021 were excluded from the Underlying 2020 Revenue and EBITDA as reported in the 2020 Annual Report. Considering the associated depreciation of the vessel, this non-recurring item only negligibly impacted the IFRS Underlying gross margin and the IFRS Underlying profit attributable to shareholders.

One non-recurring item for the first half-year of 2020 impacted the IFRS profit attributable to shareholders by US$(57) million, which related to a full impairment of the SBM Installer installation vessel and was excluded from the Underlying IFRS profit attributable to shareholders.

Revenue

IFRS Underlying revenue for the first half-year of 2021 increased by 2% to US$1,630 million versus US$1,592 million in the first half-year of 2020.

The increase was mainly driven by the Turnkey segment with four FPSOs under construction qualifying for finance lease accounting in the first half-year of 2021. This was partially offset by the higher contribution of the Johan Castberg turret project in the year-ago period.

IFRS Underlying Lease and Operate revenue for the first half-year of 2021 decreased by 4% to US$706 million versus US$735 million in the same period prior year. This decrease is mainly explained by the extension of the *FPSO Espirito Santo* lease contract at the end of 2020 which resulted in the classification of extended lease arrangement as a finance lease while the previous arrangement was accounted for as an operating lease. Due to the finance lease classification, a significant portion of the transaction was recognized as revenue in 2020 as if it was a direct sale to the client. The remaining revenue to be recognized over the new lease term contract is limited to the interest revenue from finance lease calculated using the effective interest method.

EBITDA

IFRS Underlying EBITDA amounted to US$486 million, which remained stable when compared with the same period in prior year.

IFRS Underlying Lease and Operate EBITDA for the first half-year of 2021 decreased by 9% to US$398 million versus US$436 million in the same period prior year. In line with the decrease for IFRS Underlying Lease and Operate revenue, this is mainly explained by the extension of the FPSO *Espirito Santo* lease contract at the end of 2020 which resulted in the classification of extended lease arrangement as a finance lease.

Underlying IFRS Turnkey EBITDA increased from US$93 million in the year-ago period to US$129 million, which is supported by the same drivers as the increase in the IFRS Turnkey revenue.

In contrast to Directional, it should be noted that the construction of *Liza Unity (FPSO)* and *Prosperity (FPSO)* contributed to both IFRS Turnkey revenue and gross margin over the period. This is because these contracts are classified as finance leases as per IFRS 16 and are therefore accounted for as a direct sale under IFRS. The same treatment applies to the construction of FPSO *Almirante Tamandaré* under IFRS, except that revenue recognition on this project was limited to cost incurred over the period as it has not yet reached the gate progress of completion allowing margin recognition under the Company policy (this gate being formalized by 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 given this contract is classified as finance lease. Under Directional, the contribution to Turnkey revenue and gross margin is limited to the portion of the sale to partners in the special purpose entity (i.e. 35%).

Net income

Underlying IFRS Profit attributable to shareholders for the first half-year of 2021 came in at US$145 million compared with US $155 million for the year-ago period, the increase in Underlying Directional EBITDA being offset by the higher net financing costs and tax contribution.

STATEMENT OF FINANCIAL POSITION

	IFRS	
in US$ million	**2021 (Unaudited)**	2020
Equity	3,562	3,462
Net Cash	310	414
Total Assets	11,571	11,085
Net Debt	5,772	5,209

Total equity increased from US$3,462 million at year end 2020 to US$3,562 million at June 30, 2021, with the positive result over the first half-year of 2021 and the increase of the hedging reserves being partially offset by the dividend distributed to the shareholders. The movement in hedging reserve was mainly caused by the positive impact of the marked-to-market value of the interest rate swaps due to increasing market interest rates.

Net debt increased by US$563 million to US$ 5,772 million at June 30, 2021. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew under the project loan facility of *Liza Unity* (FPSO) and the Revolving Credit Facility (RCF), to fund continued investment in growth during the first half-year 2021.

The majority of the Company's debt as of June 30, 2021 consisted of non-recourse project financing (US$4.0 billion) in special purpose investees. The remainder (US$1.9 billion) comprised of (i) borrowings to support the construction of *Liza Unity* (FPSO) and FPSO *Sepetiba*, (ii) the portion of loan related to the diving support and construction vessel SBM Installer (iii) the Company's RCF which was drawn for c. US$290 million as at June 30,2021, and (iv) other short term credit facilities. The net cash balance stood at US$310 million and lease liabilities totaled c. US$61 million.

RELATED PARTY TRANSACTIONS

During 2021, no major related party transactions requiring additional disclosure in the condensed consolidated half-year financial statements took place.

The Company has transactions with joint ventures and associates recognized as follows in the Company's condensed consolidated half-year financial statements:

	Note	2021	2020
Revenue		8	6
Cost of sales		(6)	(5)
Loans to joint ventures and associates	17	49	46
Trade receivables		60	62
Trade payables		23	18

For the avoidance of doubt, revenue and cost of sales are presented for the six months ended June 30 whereas financial positions are presented as of June 30, 2021 and December 31, 2020.

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.

DECLARATION MANAGEMENT BOARD

The Management Board of the Company declares, to the best of its knowledge that:

- The condensed consolidated half-year financial statements as of and for the six months ended June 30, 2021 as presented under IAS 34, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the undertakings included in the consolidation taken as a whole;
- The half-year Management Report gives a fair view of the information required pursuant to section 5.25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht).

The information in the condensed consolidated half-year financial statements is unaudited.

Management Board

Bruno Chabas, Chief Executive Officer

Philippe Barril, Chief Operating Officer

Erik Lagendijk, Chief Governance and Compliance Officer

Douglas Wood, Chief Financial Officer

SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED HALF YEAR IFRS FINANCIAL STATEMENTS (UNAUDITED)

The Notes 1 to 25 are an integral part of these condensed consolidated half-year IFRS financial statements.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	Notes	2021	2020
Revenue from contracts with customers		1,311	1,339
Interest revenue from finance leases calculated using the effective interest method		244	253
Total revenue	9	**1,555**	**1,592**
Cost of sales		(1,091)	(1,187)
Gross margin		**464**	**405**
Other operating income/(expense)		2	(3)
Selling and marketing expenses		(18)	(23)
General and administrative expenses		(78)	(77)
Research and development expenses		(17)	(11)
Net impairment gain/(losses) on financial and contract assets	10	7	(13)
Operating profit/(loss) (EBIT)		**361**	**278**
Financial income		3	10
Financial expenses		(149)	(133)
Net financing costs	11	**(147)**	**(123)**
Share of profit/(loss) of equity-accounted investees		21	19
Profit/(loss) before tax		**235**	**173**
Income tax expense	12	(36)	(15)
Profit/(loss)		**198**	**157**
Attributable to shareholders of the parent company		148	98
Attributable to non-controlling interests		50	59
Profit/(loss)		**198**	**157**

Earnings/(loss) per share

	Notes	2021	2020
Weighted average number of shares outstanding	13	186,451,257	189,962,435
Basic earnings/(loss) per share	13	US$ 0.79	US$ 0.52
Fully diluted earnings/(loss) per share	13	US$ 0.79	US$ 0.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	2021	2020
Profit/(loss) for the period	**198**	**157**
Cash flow hedges	47	(290)
Deferred tax on cash flow hedges	-	-
Foreign currency variations	(1)	(8)
Items that are or may be reclassified to profit or loss	**46**	**(299)**
Remeasurements of defined benefit liabilities	4	(1)
Deferred tax on remeasurement of defined benefit liabilities	-	-
Items that will never be reclassified to profit or loss	**4**	**(1)**
Other comprehensive income/(expense) for the period, net of tax	**50**	**(299)**
Total comprehensive income/(expense) for the period, net of tax	**248**	**(141)**
Of which		
- on controlled entities	224	(151)
- on equity-accounted entities	24	9
Attributable to shareholders of the parent company	172	(152)
Attributable to non-controlling interests	75	12
Total comprehensive income/(expense) for the period, net of tax	**248**	**(141)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

in millions of US$	Notes	30 June 2021	31 December 2020
ASSETS			
Property, plant and equipment	*14*	465	542
Intangible assets		68	50
Investment in associates and joint ventures		292	282
Finance lease receivables	*15*	6,007	6,171
Other financial assets	*17*	111	114
Deferred tax assets	*12*	17	46
Derivative financial instruments	*22*	19	38
Total non-current assets		**6,978**	**7,243**
Inventories	*18*	209	143
Finance lease receivables	*15*	328	317
Trade and other receivables	*16*	583	614
Income tax receivables		8	7
Construction work-in-progress	*19*	3,071	2,248
Derivative financial instruments	*22*	83	99
Cash and cash equivalents		310	414
Total current assets		**4,593**	**3,842**
TOTAL ASSETS		**11,571**	**11,085**
EQUITY AND LIABILITIES			
Issued share capital		56	58
Share premium reserve		1,034	1,034
Treasury shares		(30)	(51)
Retained earnings		1,799	1,811
Other reserves		(277)	(296)
Equity attributable to shareholders of the parent company		**2,582**	**2,556**
Non-controlling interests		980	905
Total Equity	*20*	**3,562**	**3,462**
Borrowings and lease liabilities	*21*	4,643	4,386
Provisions	*23*	252	248
Deferred tax liabilities	*12*	16	37
Derivative financial instruments	*22*	217	277
Other non-current liabilities		101	101
Total non-current liabilities		**5,229**	**5,050**
Borrowings and lease liabilities	*21*	1,440	1,236
Provisions	*23*	123	128
Trade and other payables	*16*	1,101	1,033
Income tax payables		48	43
Derivative financial instruments	*22*	69	134
Total current liabilities		**2,780**	**2,574**
TOTAL EQUITY AND LIABILITIES		**11,571**	**11,085**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

in millions of US$	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	**Attributable to shareholders**	Non-controlling interests	**Total Equity**
At 1 January 2021	**58**	**1,034**	**(51)**	**1,811**	**(296)**	**2,556**	**905**	**3,462**
Profit/(loss) for the period	-	.	-	148	-	**148**	50	**198**
Foreign currency translation	(2)	-	1	-	(1)	**(1)**	(0)	**(1)**
Remeasurements of defined benefit provisions	-	-	-	-	4	**4**	-	**4**
Cash flow hedges	-	-	-	-	22	**22**	25	**47**
Comprehensive income for the period	**(2)**	**-**	**1**	**148**	**25**	**172**	**75**	**248**
IFRS 2 Vesting cost of share based payments	-	-	-	-	14	**14**	-	**14**
Re-issuance treasury shares on the share based scheme	-	-	20	5	(20)	**4**	-	**4**
Cash dividend	-	-	-	(165)	-	**(165)**	(96)	**(261)**
Equity funding	-	-	-	0	-	**0**	96	**96**
At 30 June 2021	56	1,034	(30)	1,800	(277)	**2,582**	980	**3,562**

in millions of US$	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)**	**2,747**	**865**	**3,613**
Profit/(loss) for the period	-	-	-	99	-	**99**	59	**158**
Foreign currency translation	(0)	0	(2)	(0)	(5)	**(8)**	0	**(8)**
Remeasurements of defined benefit provisions	-	-	-	-	(1)	**(1)**	-	**(1)**
Cash flow hedges	-	-	-	-	(243)	**(243)**	(47)	**(290)**
Comprehensive income for the period	**(0)**	**0**	**(2)**	**99**	**(249)**	**(152)**	**12**	**(141)**
IFRS 2 Vesting cost of share based payments	-	-	-	-	12	**12**	-	**12**
Re-issuance treasury shares on the share based scheme	-	-	20	(4)	(14)	**2**	-	**2**
Purchase of treasury shares	-	-	(165)	-	-	**(165)**	-	**(165)**
Cash dividend	-	-	-	(150)	-	**(150)**	(15)	**(165)**
Equity funding							95	**95**
At 30 June 2020	56	1,034	(193)	1,888	(488)	**2,296**	956	**3,252**

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	2021	2020
Cash flow from operating activities		
Profit/(loss) before income tax	**235**	**173**
Adjustments to reconcile profit before taxation to net cash flows:		
Depreciation and amortization	58	124
Impairment/(impairment reversal)	(8)	88
Net financing costs	149	127
Share net income of associates and joint ventures	(21)	(19)
Share based compensation	17	12
Net gain on sale of Property, Plant and Equipment	(2)	(0)
(Increase)/Decrease in working capital:		
- (Increase)/Decrease Trade and other receivables	72	(102)
- (Increase)/Decrease Construction work-in-progress	(816)	(561)
- (Increase)/Decrease Inventories	(66)	(30)
- Increase/(Decrease) Trade and other payables	3	32
Increase/(Decrease) Other provisions	(3)	22
Reimbursement finance lease assets	153	140
Income taxes paid	(26)	(18)
Net cash flows from (used in) operating activities	**(255)**	**(11)**
Cash flow from investing activities		
Investment in property, plant and equipment	(0)	(10)
Investment in intangible assets	(19)	(7)
Investments in JVs and associates	(2)	-
Proceeds from disposal of assets	25	1
Dividends received from equity-accounted investees	21	22
Other investing activities	(0)	(3)
Net cash flows from (used in) investing activities	**23**	**4**
Cash flow from financing activities		
Equity funding from / (repayment to) partners	95	95
Additions to borrowings and loans	1,309	496
Repayments of borrowings and lease liabilities	(862)	(302)
Dividends paid to shareholders and non-controlling interests	(261)	(165)
Share repurchase program	-	(165)
Interest paid	(156)	(114)
Net cash flows from (used in) financing activities	**124**	**(155)**
Net increase/(decrease) in cash and cash equivalents	**(106)**	**(163)**
Net cash and cash equivalents as at 1 January	414	506
Net increase/(decrease) in net cash and cash equivalents	(106)	(163)
Foreign currency variations	3	(3)
Net cash and cash equivalents end of period	**310**	**339**

NOTES

1 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 oil and gas industry by supplying engineered products, vessels and systems, as well as offshore oil and gas 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 condensed consolidated half-year financial statements as of and for the six months ended June 30, 2021 comprise the half-year 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 condensed consolidated half-year financial statements were authorized for issue by the Supervisory Board on August 4, 2021, and have not been audited.

2 BASIS FOR PREPARATION

The condensed consolidated half year financial statements as at and for the six months ended June 30, 2021 have been prepared in accordance with IAS 34 'Interim financial reporting'. The half-year financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, as the same policies apply except for the new IFRS standards and interpretations adopted by the European Union as at June 30, 2021, where effective, for the financial year beginning January 1, 2021.

The consolidated financial statements of the Company for the year ended December 31, 2020 are available upon request or can be downloaded on the Company's website.

The condensed consolidated half-year financial statements are not materially impacted by seasonality.

3 ACCOUNTING PRINCIPLES

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS OF JANUARY 1, 2021

The Company has adopted the following new standards with a date of initial application of January 1, 2021:

IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 – Interest Rate Benchmark Reform Phase 2

The Phase 2 amendments that were published in August 2020 address issues that arise during the reform of an interest rate benchmark rate when the replacement of IBOR with an alternative one is necessary. The key reliefs provided by the Phase 2 amendments are as follow:

- When changing the reference rate used to determine contractual cash flows for financial assets and liabilities (including lease liabilities), the relief has the effect that changes in the reference rate will not result in immediate gains and losses in the income statement.
- The hedge accounting reliefs will allow most hedge relationships that are directly affected by the reform to continue. However, additional hedge ineffectiveness could possibly arise.

On the Interest rate benchmark reform, the Company is managing its IBOR transition plan. All impacted contracts and financial instruments have been identified. New financial instruments being issued already include wordings to address the transition to alternative benchmark rates.

As the counterparties to the Company's interest rate swaps are also counterparties to the floating loans which are being hedged, it is expected that the result of the negotiations with external banks and the implementation of Secured Overnight Financing Rate (SOFR) will not have material impacts on the Company's future financial results.

This amendment had no impact on the condensed consolidated half-year financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable. As of June 30, 2021 the Company has not amended any of the contracts in terms of IBOR Reform Phase 2, outstanding book value of borrowings are disclosed in the note 21 Borrowings and Lease Liabilities.

There will however be operational impacts affecting systems, processes and potentially risk and valuation models. To limit those, the Company is studying best practices and feedback from banks and peers in the market who are facing the same challenges.

STANDARDS AND INTERPRETATIONS NOT MANDATORILY APPLICABLE TO THE COMPANY AS OF JANUARY 1, 2021

Other new standards and amendments have been published by the IASB but have not been endorsed yet by the European Commission. Early adoption is not possible until European Commission endorsement. Those which may be relevant to the Company are set out below:

- Amendments to IFRS 3 - 'Reference to the Conceptual Framework for Financial Reporting';
- Amendments to IFRS 16 - 'IFRS 16 and COVID-19 beyond 30 June 2021';
- Amendments to IAS 1 - 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-current';
- Amendments to IAS 8 - 'Definition of Accounting Estimates';
- Amendments to IAS 12 - 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction';
- Amendments to IAS 16 - 'Property, Plant and Equipment - Proceeds before Intended Use';
- Amendments to IAS 37 - 'Onerous Contracts - Cost of Fulfilling a Contract'; and
- Annual Improvements 2018-2020.

The Company is continuously assessing the impact of the amendments issued.
As at June 30, 2021 the Company identified that the amendments to IAS 12 Income Taxes are applicable to the Company's transactions and should be analyzed in detail. The Company is in the process of assessing the impact of these amendments. Based on initial understanding, the amendments will have no material impact on the Company's Consolidated Income Statements or Equity. However, it may have limited impact on the Consolidated Statement of Financial Position due to the recognition of additional deferred tax assets and liabilities. The Company will disclose the quantitative impact of the amendments once the assessment is finalized. The Amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2023.
Furthermore, regarding the remaining amendments, the Company does not expect a material impact on the financial statements due to their adoption.

4 USE OF ESTIMATES AND JUDGMENT

When preparing the condensed consolidated half-year financial statements, it is necessary for the Management Board 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 judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The significant areas of estimation and judgment made by the management in applying the Company's accounting policies, and the key sources of estimation and assumptions were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2020 and disclosed in section 4.2.7 Accounting Principles of the Company's 2020 Annual Report.

5 FAIR VALUE MEASUREMENT

The Company measures some financial instruments, such as derivatives, at fair value at each balance sheet date. Also fair values of financial instruments measured at amortized cost are disclosed in note 22 Accounting Classifications and Fair Values of Financial Instruments.

The valuation methods and inputs used in valuation of financial instruments are disclosed in note 4.3.29 Financial Instruments - Fair Values and Risk Management in the Annual Report 2020.

6 FINANCIAL RISK MANAGEMENT

The Company’s overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company’s financial performance. As per the information disclosed in the Company's 2020 Annual Report, the following financial risks are identified and monitored by the Company: market, liquidity, interest, foreign exchange, credit and capital management risk. For the description, exposure and policies related to these risks, please refer to note 4.3.29 Financial instruments - fair values and risk management of the Company's 2020 Annual Report.

As mentioned in the Annual Report 2020, the COVID-19 pandemic led the Company to review its financial risk management program and conclude that the existing procedures adequately addressed this challenging situation. During the first half of 2021 the same procedures were applied, with no material impact to report on any of the risks monitored.

7 FINANCIAL HIGHLIGHTS

Impact of COVID-19 pandemic

In 2020, the COVID-19 pandemic has emerged and impacted the global economy and the demand for energy. During 2021, the challenges for and impact on many areas of the global economy due to the pandemic have persisted. Despite this, the Company has been able to continue to navigate through the challenges.

Offshore energy industry

The Company serves the offshore energy industry on global basis 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, the Company has a substantial proforma contractual backlog, which is not linked to the oil price, amounting to US$ 29.5 billion at June 30, 2021 (2020: US$21.6 billion). This provides the Company with 29 years cash flow visibility up to 2050. 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 recent awards of contracts to the Company for *Prosperity* (FPSO) (awarded in October 2020), FPSO *Almirante Tamandaré* (awarded in February 2021) and FPSO *Alexandre de Gusmão* (Letter of Intent signed in August 2021). In this context, the Company continues to anticipate FPSO market opportunities, while continuing to diversify its product offering through innovative solutions for the offshore gas and renewable 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 the 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 all 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 are identified.

Construction activities were impacted during 2021 for the Company's major projects. Nevertheless, project 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 projects is not considered at risk as of June 30, 2021, based on currently known circumstances.

Implications on 2021 half year 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. The costs contribute to the progress of transfer of control of the construction asset to the customer over the construction period. When the costs are partially recharged to the Company's clients, it is considered as part of the total consideration for the project which is recognized as revenue over time. The related amount recognized as revenue during first half year 2021 is less than 1% of the Company's Turnkey revenue in this period.

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

Financial risk management

The Company is anticipating challenges caused by the COVID-19 pandemic. As part of this anticipation, the Company regularly assesses 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 no significant impact which is reflected in a US$7 million net impairment reversal on financial and contract assets over the period. This is caused by improving credit ratings of the Company's clients comparing to last year.

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 regularly conducts various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion is 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. As at June 30, 2021 the Company had a total of US$ 1.9 billion undrawn credit facilities, which includes US$710 million under its Revolving Credit Facility.

Impairment of non-financial assets

The Company assessed impairment triggers in 2020 and performed a number of impairment tests that resulted in impairment of (i) SBM Installer installation vessel (US$ 57 million), and (ii) Thunder Hawk semi-submersible production facility (US$10 million). In first half year 2021, despite of the COVID-19 pandemic, the Company concluded that there are no impairment triggers that would result in recognition of any additional impairment charges on the top of those already recognized in 2020 financial year.

Award for FPSO Almirante Tamandaré project

On February 24, 2021, the Company signed a Letter of Intent (LOI) together with Petróleo Brasileiro S.A. (Petrobras) for a 26.25 years lease and operate contract for the FPSO *Almirante Tamandaré*, to be deployed at the Búzios field in the Santos Basin approximately 180 kilometers offshore Rio de Janeiro in Brazil. Subsequently in July 2021, the Company has signed the contracts in line with the terms agreed in the LOI.

Under the contract, the Company is responsible for the engineering, procurement, construction, installation and operation of the FPSO. The Company will design and construct the FPSO *Almirante Tamandaré* using its industry leading Fast4Ward® program as it incorporates the Company's new build, Multi-Purpose Floater (MPF) hull combined with several standardized topsides modules. SBM Offshore's fourth Fast4Ward® MPF hull has been allocated to this project.

The FPSO *Almirante Tamandaré* is expected to be deployed in 2024. The contract is classified as finance lease in accordance with IFRS 16 at inception of the lease.

Successful pricing of US$850 million senior secured notes

The Company announced on February 9, 2021 the successful pricing of a 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*. The Company owns 75% of the equity in Guara Norte and the remaining 25% equity is held by Mitsubishi Corporation.

The transaction was closed on February 11, 2021 at which date the notes were issued and settlement occurred. 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 trade on the Singapore Stock Exchange. This is the Company's first issuance of a 144A/Reg S bond and as such this offering further diversifies its sourcing for project debt.

Deep Panuke

During the first quarter of 2021 the Company received notification, effective as of April 1, 2021, from the client of the Deep Panuke project of their election, as per final agreement signed in 2020, to pay the contractually agreed lump sum amount replacing the initial contractual charter payments up to fourth quarter 2021. The lump-sum payment (c. US$55 million) was received in April. Adding the monthly contractual payments received over the first quarter of 2021, total final cash consideration received by the Company over the period amounted to US$ 75 million. These expected 2021 cash payments where already recognized as accrued income in the statement of financial position as at December 31, 2020.

The cash balance in the debt service account combined with part of the lump-sum payment was used to redeem the outstanding debt held by the noteholders who opted for early repayment, for an amount of c. US$50 million. The noteholders owning the remainder of the debt (c. US$20 million) opted to retain the notes until expiry in December 2021.

SBM Offshore completes US$1.05 billion financing of Prosperity

The Company has completed the project financing of *Prosperity* (FPSO) for a total of US$1.05 billion on June 25, 2021.

The project financing was secured by a consortium of 11 international banks. The Company expects to draw the loan in full, phased over the construction period of the FPSO. The financing will become non-recourse once the FPSO is completed and the pre-completion guarantee has been released. The project loan has a tenor of two years post completion, in line with the duration of the charter, and carries a variable interest rate plus 1.60%.

The first drawdown on the project loan facility occurred in July 2021.

8 OPERATING SEGMENTS AND DIRECTIONAL REPORTING

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

- Lease and Operate;
- Turnkey.

For the purposes of this note, the operating segments are measured under Directional reporting accounting principles, as described under the section 4.3.2 Operating Segments and Directional Reporting of the Company's 2020 Annual Report. A reconciliation of the Directional operating segments to IFRS is then provided for each applicable reporting period.

The Management Board of the Company, as chief operating decision maker, uses the Earnings Before Interest, Taxes, Depreciation and Amortization, 'EBITDA' (prepared in accordance with Directional reporting principles), as a measure to assess the performance of the segments.

Net financing costs and income tax expenses are not allocated to segments as these are corporate level expenses which are managed by the central treasury and tax functions.

SEGMENT HIGHLIGHTS

Despite a general ramp-up of Turnkey activities with four FPSOs under construction in the first half year 2021, the Turnkey revenue decrease is mostly attributable to the comparative impact of the Johan Castberg turret project delivery in the first half-year 2020.

The Lease and Operate Revenue and EBITDA decreased versus the year ago period mainly driven by the Deep Panuke MOPU redelivery in July 2020, meaning that unit has fully contributed to positive results of the Lease and Operate during the first half-year 2020, while not contributing to the results in 2021.

2021 operating segments

For the six months ended June 30	Lease and Operate	Turnkey	**Reported segments**	Other	**Total Directional reporting**
Third party revenue	**752**	**321**	**1,072**	-	**1,072**
Cost of sales	(509)	(271)	(779)	0	(779)
Gross margin	**243**	**50**	**293**	-	**293**
Other operating income/expense	2	0	2	(0)	**2**
Selling and marketing expenses	(1)	(17)	(17)	(0)	**(18)**
General and administrative expenses	(16)	(21)	(37)	(41)	**(78)**
Research and development expenses	(3)	(14)	(17)	(0)	**(17)**
Net impairment gain/(losses) on financial and contract assets	3	2	4	1	**5**
Operating profit/(loss) (EBIT)	**228**	**(0)**	**228**	**(41)**	**187**
Net financing costs					(89)
Share of profit of equity-accounted investees					(1)
Income tax expense					(34)
Profit/(loss)					**64**
Operating profit/(loss) (EBIT)	228	(0)	228	(41)	**187**
Depreciation, amortization and impairment	228	9	238	0	**238**
EBITDA	**456**	**9**	**466**	**(40)**	**426**
Other segment information:					
Impairment (charge)/reversal of property, plant and equipment	0	(0)	0	(0)	**0**

Reconciliation of 2021 operating segments (Directional to IFRS)

For the six months ended June 30	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	752	(197)	76	631
Turnkey	321	595	8	924
Total revenue	**1,072**	399	84	**1,555**
Gross margin				
Lease and Operate	243	(13)	63	292
Turnkey	50	126	(4)	172
Total gross margin	**293**	113	58	**464**
EBITDA				
Lease and Operate	456	(195)	62	323
Turnkey	9	123	(4)	129
Other	(40)	-	-	(40)
Total EBITDA	**426**	**(72)**	**58**	**411**
EBIT				
Lease and Operate	228	(8)	62	282
Turnkey	(0)	123	(4)	119
Other	(41)	(0)	0	(41)
Total EBIT	**187**	**115**	**59**	**361**
Net financing costs	(89)	(28)	(30)	(147)
Share of profit of equity-accounted investees	(1)	-	22	21
Income tax expense	(34)	(1)	(2)	(36)
Profit/(loss)	**64**	**86**	**48**	**198**

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 proportionate consolidation to full consolidation for those Lease and Operate related subsidiaries over which the Company has control and ii) from proportionate 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 following main impacts for the period:

- Revenue is reduced by US$197 million. 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 effective interest method. Under Directional reporting, in accordance with the operating lease treatment, the full charter rate is recognized as revenue, on a straight-line basis. Lease and Operate EBITDA is similarly impacted (reduction of US$195 million) for the same reasons.
- Gross margin is reduced by US$13 million. As the current Company's finance lease fleet is still relatively young, the amount of the (declining) interests recognized under IFRS is in line with the linear gross margin recognized under Directional (which includes depreciation) 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 effective interest method. On the other side, under the operating lease treatment applied under Directional, the gross margin and the EBIT correspond to the revenue less depreciation of the recognized property, plant and equipment, 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 period:

- Revenue and gross margin increased by US$595 million and US$126 million respectively, mainly due to the accounting treatment of *Liza Unity* (FPSO), *Prosperity* (FPSO), FPSO *Sepetiba* and FPSO *Almirante Tamandaré* 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$86 million under IFRS when compared with Directional reporting.

Impact of consolidation methods

The impact of the consolidation methods, as shown in the table *Reconciliation of 2021 operating segments (Directional to IFRS)*, 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 with 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.

2020 operating segments

For the six months ended June 30	Lease and Operate	Turnkey	**Reported segments**	Other	**Total Directional reporting**
Third party revenue	**829**	**351**	**1,179**	**-**	**1,179**
Cost of sales	(569)	(341)	(910)	0	**(910)**
Gross margin	**260**	**10**	**269**	**-**	**270**
Other operating income/expense	(0)	(3)	(3)	(0)	**(3)**
Selling and marketing expenses	(0)	(22)	(23)	(0)	**(23)**
General and administrative expenses	(13)	(22)	(35)	(41)	**(77)**
Research and development expenses	(1)	(10)	(11)	(0)	**(11)**
Net impairment gain/(losses) on financial and contract assets	(12)	(2)	(13)	(0)	**(14)**
Operating profit/(loss) (EBIT)	**233**	**(49)**	**184**	**(42)**	**142**
Net financing costs					(89)
Share of profit of equity-accounted investees					2
Income tax expense					(17)
Profit/(loss)					**38**
Operating profit/(loss) (EBIT)	233	(49)	184	(42)	**142**
Depreciation, amortization and impairment	304	74	379	2	**380**
EBITDA	**538**	**25**	**563**	**(40)**	**523**
Other segment information:					
Impairment (charge)/reversal of property, plant and equipment	(18)	(57)	(75)	-	**(75)**

Reconciliation of 2020 operating segments (Directional to IFRS)

For the six months ended June 30	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	829	(180)	86	735
Turnkey	351	497	10	857
Total revenue	**1,179**	317	96	**1,592**
Gross margin				
Lease and Operate	260	(3)	68	325
Turnkey	10	70	(0)	80
Total gross margin	**270**	67	68	**405**
EBITDA				
Lease and Operate	538	(178)	76	436
Turnkey	25	68	0	93
Other	(40)	-	(0)	(40)
Total EBITDA	**523**	(110)	76	**489**
EBIT				
Lease and Operate	233	(1)	68	300
Turnkey	(49)	68	0	19
Other	(42)	-	(0)	(42)
Total EBIT	**142**	67	68	**278**
Net financing costs	(89)	(10)	(24)	(123)
Share of profit of equity-accounted investees	2	-	17	19
Income tax expense	(17)	(1)	3	(15)
Profit/(loss)	38	56	64	158

Reconciliation of statement of financial position as at June 30, 2021 (Directional to IFRS)

	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment; Intangible assets and Other assets[1]	6,393[2]	(5,859)	(1)	533
Investment in associates and joint ventures	10	0	281	292
Finance lease receivables	0	4,782	1,552	6,334
Other financial assets	311[3]	(212)	26	125
Construction work-in-progress	88	2,528	455	3,071
Trade receivables and other assets	887	(0)	(83)	804
Derivative financial instruments	102	-	0	102
Cash and cash equivalents	310	-	0	310
Assets held for sale	0	-	-	0
Total Assets	**8,102**	1,240	2,230	**11,571**
EQUITY AND LIABILITIES				
Equity attributable to parent company	806	1,798	(22)	2,582
Non-controlling interests	1	0	980	980
Equity	**807**	1,798	958	**3,562**
Borrowings and lease liabilities	4,913[4]	-	1,170	6,083
Provisions	546	(209)	38	375
Trade payable and other liabilities	1,254	(2)	9	1,261
Deferred income	354	(348)	(3)	4
Derivative financial instruments	228	-	57	286
Total Equity and Liabilities	**8,102**	1,240	2,230	**11,571**

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

2 Includes US$2,234 million related to units under construction (i.e. FPSOs Liza Unity, Prosperity, Sepetiba, Almirante Tamandaré).

3 Includes US$279 million related to demobilization receivable.

4 Includes US$3,126 million non-recourse debt and US$61 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 proportionate 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 June 30, 2021 are:

- For those lease contracts that are classified and accounted for as finance lease contracts under IFRS, derecognition of property, plant and equipment recognized under Directional reporting (US$5,859 million) and subsequent recognition of (i) finance lease receivables (US$4,782 million) and (ii) construction work-in-progress (US$2,528 million) for those assets still under construction.
- For operating lease contracts with non-linear bareboat day rates, a deferred income is recognized to show linear revenues under Directional reporting. This balance (US$348 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$212 million) and provisions (US$209 million).

As a result, the restatement from operating to finance lease accounting treatment gives rise to an increase of equity of US $1,798 million under IFRS compared with Directional reporting. This primarily reflects the earlier margin recognition on finance lease contracts under IFRS compared with Directional reporting.

Impact of consolidation methods

The reconciliation 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).
- Derecognition of the individual line items from the statement of financial positions for those entities that are equity accounted under IFRS, rolling up into the line item 'Investment in associates and joint ventures'.

Reconciliation of 2021 cash flow statement (Directional to IFRS)

For the six months ended June 30	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**426**	(72)	58	**411**
Adjustments for non-cash and investing items	3	13	6	22
Changes in operating assets and liabilities	(213)[1]	(504)	(99)	(816)
Reimbursement finance lease assets	(0)	159	(5)	153
Income taxes paid	(27)	-	1	(26)
Net cash flows from (used in) operating activities	**188**	(403)	(40)	**(255)**
Capital expenditures	(451)	431	-	(20)
Other investing activities	22	(1)	22	43
Net cash flows from (used in) investing activities	**(429)**	430	22	**23**
Equity funding from / (repayment to) partners	-	-	96	96
Addition and repayments of borrowings and lease liabilities	425	-	21	447
Dividends paid to shareholders and non-controlling interests	(165)	-	(96)	(261)
Interest paid	(95)	(27)	(35)	(156)
Net cash flows from (used in) financing activities	**166**	(27)	(14)	**124**
Net cash and cash equivalents as at 1 January	383	-	31	414
Net increase/(decrease) in net cash and cash equivalents	(75)	-	(31)	(106)
Foreign currency variations	2	-	0	3
Net cash and cash equivalents as at 30 June	**310**	-	0	**310**

1 Includes US$91 million invested in Multi-purpose hulls under construction and not yet allocated to awarded projects.

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.

'Capital expenditures' are reclassified from investing activities under Directional to net cash flows from operating activity under IFRS, whereas finance lease contracts are accounted for as construction contracts. Furthermore the interest expense which is capitalized under Directional as part of assets under construction (and therefore presented in investing activities) is 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 project debts, results in increased repayments of borrowings under IFRS versus Directional.

Reconciliation of statement of financial position as at December 31, 2020 (Directional to IFRS)

	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment; Intangible assets and Other 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 penalties is capitalized in line with construction progress of related assets and presented in the statement of financial position under 'Property, plant and equipment; Intangible assets and Other 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.

Reconciliation of 2020 cash flow statement (Directional to IFRS)

For the six months ended June 30	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**523**	(110)	76	**489**
Adjustments for non-cash and investing items	2	25	8	35
Changes in operating assets and liabilities	(166)	(376)	(116)	(658)
Reimbursement finance lease assets	(0)	146	(6)	140
Income taxes paid	(22)	(0)	4	(18)
Net cash flows from (used in) operating activities	**337**	(314)	(34)	**(11)**
Capital expenditures	(346)	329	0	(16)
Other investing activities	1	(1)	20	20
Net cash flows from (used in) investing activities	**(345)**	328	20	**4**
Equity repayment to partners	-	-	95	95
Addition and repayments of borrowings and lease liabilities	253	-	(59)	194
Dividends paid to shareholders and non-controlling interests	(150)	-	(15)	(165)
Interest paid	(74)	(14)	(26)	(114)
Share repurchase program	(165)	-	-	(165)
Payments to non-controlling interests for change in ownership	(0)	-	0	0
Net cash flows from (used in) financing activities	**(136)**	(14)	(4)	**(155)**
Net cash and cash equivalents as at 1 January	458	-	48	506
Net increase/(decrease) in net cash and cash equivalents	(144)	-	(19)	(163)
Foreign currency variations	(4)	-	1	(3)
Net cash and cash equivalents as at 30 June	**309**	-	30	**339**

Deferred income (Directional)

	30 June 2021	31 December 2020
Within one year	75	82
Between 1 and 2 years	60	67
Between 2 and 5 years	126	133
More than 5 years	92	113
Total	**354**	**395**

The Directional deferred income is mainly related to the revenue of those lease contracts which include a decreasing day rate schedule. As revenue from lease contracts with customers 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 is 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.

2021 geographical information (revenue by country and segment)

	Directional			IFRS		
For the six months ended June 30	Lease and Operate	Turnkey	Reported segments	Lease and Operate	Turnkey	Reported segments
Brazil	423	137	560	486	456	942
Guyana	117	111	228	79	392	471
Angola	104	3	107	0	5	5
Equatorial Guinea	52	(0)	51	49	(1)	48
Malaysia	39	1	40	0	2	2
The United States of America	17	3	20	17	3	20
France	-	20	20	-	20	20
Mozambique	-	9	9	-	9	9
Nigeria	-	8	8	-	8	8
Other	0	29	29	0	29	29
Total revenue	**752**	**321**	**1,072**	**631**	**924**	**1,555**

2020 geographical information (revenue by country and segment)

	Directional			IFRS		
For the six months ended June 30	Lease and Operate	Turnkey	Reported segments	Lease and Operate	Turnkey	Reported segments
Brazil	418	93	511	509	285	793
Norway	-	96	96	-	96	96
Angola	102	5	108	0	7	7
Canada	89	1	91	89	1	91
Guyana	101	73	174	65	386	451
The United States of America	16	1	17	16	1	17
China	-	22	22	-	22	22
Malaysia	40	3	43	-	4	4
Equatorial Guinea	46	1	46	39	1	40
Korea	-	15	15	-	15	15
Gabon	-	14	14	-	14	14
Nigeria	-	13	13	-	13	13
Other	16	12	29	16	13	29
Total revenue	**829**	**351**	**1,179**	**735**	**857**	**1,592**

9 REVENUE INFORMATION

The Company's revenue mainly originates from goods and services transferred over time. Approximately 51% of Lease and Operate half-year 2021 (half-year 2020: 55%) revenue of the Company is made of charter rates related to lease contracts.

For the disaggregation of total revenue by country and by segment, please refer to Geographical Information under note 8 Operating Segments and Directional Reporting.

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

In the context of recovering oil and gas market, the Company's clients credit ratings generally have significantly improved comparing to half-year of 2020 despite the remaining uncertainties regarding the COVID-19 pandemic. As part of the regular update of 'Impairment gains/(losses) on financial and contract assets' performed as at June 30, 2021, the Company has recognized an overall net impairment gain of US$7 million (June 30, 2020: loss of US$13 million). As mentioned, the result was mainly driven by a significant improvement of the credit ratings of the Company's clients over the period. The Company has not identified any specific significant increase in credit risks related to its outstanding financial assets and contract assets as at June 30, 2021.

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

	2021	2020
Impairment losses		
- Movement in loss allowance for trade receivables	0	(0)
- Movement in loss allowance for construction work-in-progress	3	(1)
- Movement in loss allowance for finance lease receivables	1	(0)
- Movement in loss allowance for other assets	3	(12)
Net impairment gains/(losses) on financial and contract assets	**7**	**(13)**

11 NET FINANCING COSTS

For the six months ended June 30	2021	2020
Interest income on loans & receivables	1	2
Interest income on investments	0	2
Net foreign exchange gain	1	5
Other financial income	0	1
Financial income	**3**	**10**
Interest expenses on financial liabilities at amortized cost	(99)	(105)
Interest expenses on hedging derivatives	(50)	(25)
Interest expenses on lease liabilities	(1)	-
Interest addition to provisions	(0)	(1)
Net cash flow hedges ineffectiveness	-	(2)
Financial expenses	**(149)**	**(133)**
Net financing costs	**(147)**	**(123)**

The Company has increased its debt (see note 21 Borrowings and Lease Liabilities) in order to finance its ongoing construction projects for *Liza Unity* (FPSO) and FPSO *Sepetiba*. Therefore the increase in net financing costs reflects interest costs related to this additional external financing provided for projects under construction, as well as the refinancing of the FPSO *Cidade de Ilhabela* project through issuance of US$850 million senior secured notes on February 11, 2021.

12 INCOME TAX

The effective tax rate, excluding the share of profit, or loss, of equity-accounted investees, is 17% in the first half-year of 2021, compared with 11% for the full year 2020. The increase in the effective tax rate of 2021 compared with 2020 is mainly explained by the higher taxes paid in relation to Brazilian fleet caused by the change in the tax rules applied on charter revenues.

Regarding deferred tax positions, the Company has fully released deferred tax positions related to the Deep Panuke MOPU (deferred tax asset of US$28 million, deferred tax liability of US$24 million) over the period, following the cash settlement of lease agreement with the client in April 2021. This release also contributed to the increase of the effective tax rate for the half-year 2021.

13 EARNINGS / (LOSS) PER SHARE

The basic earnings per share for the period amounts to US$0.79 (for the six months ended June 30, 2020: US$0.52). The fully diluted earnings per share amounts to US$0.79 (for the six months ended June 30, 2020: US$0.51).

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

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 period 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 table reflects the share data used in the basic and diluted earnings per share computations:

Earnings per share

	30 June 2021	30 June 2020
Earnings attributable to shareholders (in thousands of US$)	147,773	98,404
Number of shares outstanding at January 1 (excluding treasury shares)	185,314,742	196,227,113
Average number of new shares repurchased	-	(6,966,040)
Average number of treasury shares transferred to employee share programs	1,136,515	701,032
Weighted average number of shares outstanding	**186,451,257**	**189,962,105**
Impact of shares to be issued	0	330
Weighted average number of shares (for basic earnings per share calculation)	**186,451,257**	**189,962,435**
Potential dilutive shares from stock option scheme and other share-based payments	1,587,880	1,331,456
Weighted average number of shares (diluted)	**188,039,137**	**191,293,891**
Basic earnings per share	US$ 0.79	US$ 0.52
Fully diluted earnings per share	US$ 0.79	US$ 0.51

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of publication of these half-year financial statements, except for the transfer of shares as reported in the line 'Impact of shares to be issued'.

14 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)

	30 June 2021	31 December 2020
Property, plant, equipment excluding leases	420	490
Right of use of assets	45	52
Total	**465**	**542**

PROPERTY, PLANT AND EQUIPMENT OWNED BY THE COMPANY

The movement of the property, plant and equipment excluding right-of-use assets is summarized as follows:

Property, plant and equipment (movements)

	30 June 2021	31 December 2020
Cost	2,921	3,460
Accumulated depreciation and impairment	(2,431)	(2,570)
Book value at 1 January	**490**	**890**
Additions	2	46
Disposals	(23)	(126)
Depreciation	(46)	(294)
(Impairment)/impairment reversal	-	(24)
Foreign currency variations	(1)	3
Other movements	(0)	(5)
Movements during the period	**(70)**	**(400)**
Cost	1,941	2,921
Accumulated depreciation and impairment	(1,521)	(2,431)
Book value at end of period	**420**	**490**

During the half-year 2021 the following main events occurred regarding owned property, plant and equipment:

- US$46 million of depreciation charges; and
- US$23 million derecognition of the Gene tanker, due to disposal which resulted in immaterial gain recognized in 'Other operating income/(expense)'.

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 June 30, 2021.

RIGHT-OF-USE ASSETS

During the half-year 2021, the main movements regarding right-of-use assets related to US$6 million of depreciation charges.

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)

	30 June 2021	31 December 2020
Gross receivable	10,230	10,511
Less: Unearned finance income	(3,896)	(4,023)
Total	**6,335**	**6,488**
Of which		
Current portion	328	317
Non-current portion	6,007	6,171

As of June 30, 2021, 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 redemptions as per the payment plans.

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 June 30, 2021 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 June 30, 2021 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. The exercise of the early termination option would have resulted in a non-material loss for the Company as of June 30, 2021.

The finance lease contracts of *Liza Unity* (FPSO) and *Prosperity* (FPSO) (both under construction as per June 30, 2021) contain call options for the client to purchase the underlying asset or to terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

16 TRADE RECEIVABLES AND PAYABLES

The decrease of 'Trade and other receivables' during the period of first half-year 2021 is mainly due to the final settlement paid by the client for Deep Panuke MOPU lease in April 2021, for which an accrued income has been recognized as at December 31, 2020.

On the other hand, the increase of 'Trade and other payables' is mainly related to higher Turnkey project activities during first half-year 2021 following award of FPSO *Almirante Tamandaré* and award of next phase of project for *Prosperity* (FPSO).

17 OTHER FINANCIAL ASSETS

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

	30 June 2021	31 December 2020
Non-current portion of other receivables	74	80
Sublease receivable	3	2
Non-current portion of loans to joint ventures and associates	34	32
Total	**111**	**114**

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the interest-bearing loans taking into account the risk of recoverability. The Company does not hold any collateral as security.

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

LOANS TO JOINT VENTURES AND ASSOCIATES

	30 June 2021	31 December 2020
Current portion of loans to joint ventures and associates	14	14
Non-current portion of loans to joint ventures and associates	34	32
Total	**48**	**46**

18 INVENTORIES

	30 June 2021	31 December 2020
Materials and consumables	9	9
Goods for resale	7	4
Multi-purpose hulls under construction	193	129
Total	**209**	**143**

Multi-purpose hulls under construction relates 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. Upon award of FPSO *Almirante Tamandaré* in the first half-year 2021, one of the multi-purpose hulls has been assigned to the project and transferred to construction work-in-progress. The remaining inventory balance as at June 30, 2021 relates to two unallocated multi-purpose hulls which are currently under construction.

19 CONSTRUCTION WORK-IN-PROGRESS

During the period ended June 30, 2021, the balance of construction work-in-progress increased by US$823 million mainly due to the progress made during the period on the construction of *Liza Unity* (FPSO), FPSO *Sepetiba*, *Prospertity (FPSO)* and the initial progress retaled to FPSO *Almirante Tamandaré*.

20 EQUITY ATTRIBUTABLE TO SHAREHOLDERS

The authorized share capital of the Company is two hundred million euro (€200,000,000). This share capital is divided into four hundred million (400,000,000) Ordinary Shares with a nominal value of twenty-five eurocents (€0.25) each and four hundred million (400,000,000) Protective Preference Shares, with a nominal value of twenty-five eurocents (€0.25) each.

The total number of ordinary shares outstanding at June 30, 2021 was 188,671,305 (December 31, 2020: 188,671,305).

DIVIDENDS PAID

The Company paid dividends of US$165 million on May 6, 2021, which represents an increase of 10% compared to last year. It resulted in a pay out of US$0.8854 or €0.7439 per ordinary share.

TREASURY SHARES

A total number of 2,062,486[1] treasury shares are reported in the outstanding ordinary shares as at June 30, 2021. During the six months ending June 30, 2021, 1,325,917 shares were transferred to management and employee share programs.

CASH FLOW HEDGE RESERVE

The equity attributable to shareholders includes the cash flow hedge reserve for a negative balance of US$193 million as of June 30, 2021. The cash flow hedge reserve relates to the net position of forward currency contracts and interest rate swaps for which fair value movement is explained further in note 22 Accounting Classifications and Fair Values of Financial Instruments.

21 BORROWINGS AND LEASE LIABILITIES

The breakdown of line item 'Borrowings and lease liabilities' is presented below:

[1] As per the Dutch Act on Conversion of bearer shares, all bearer shares still outstanding at December 31, 2020 have been converted into registered shares (31,840) held by the Company as per January 1, 2021 and accordingly the aforementioned shares are currently reported as part of the Treasury shares. Until January 1, 2026 and upon request of a holder of a certificate of a bearer share, the Company will provide the holder of such a valid certificate of a bearer share, with a registered share as a replacement of the bearer share.

Borrowings and lease liabilities (summary)

	30 June 2021	31 December 2020
Borrowings	4,602	4,335
Lease liabilities	41	51
Total Non-current portion of Borrowings and lease liabilities	**4,643**	**4,386**
Borrowings	1,420	1,216
Lease liabilities	19	20
Total Current portion of Borrowings and lease liabilities	**1,440**	**1,236**

BANK INTEREST-BEARING BORROWINGS

The movement in the bank interest bearing borrowings is as follows:

	30 June 2021	31 December 2020
Non-current portion	4,335	4,168
Add: current portion	1,216	580
Remaining principal at the beginning of period	**5,551**	**4,749**
Additions	1,318	1,379
Redemptions	(852)	(589)
Transaction and amortized costs	5	12
Movements during the period	**471**	**802**
Remaining principal at end of period	**6,022**	**5,551**
Less: Current portion	(1,420)	(1,216)
Non-current portion	**4,602**	**4,335**
Transaction and amortized costs	65	69
Remaining principal at end of period (excluding transaction and amortized costs)	**6,087**	**5,621**
Less: Current portion	(1,435)	(1,230)
Non-current portion	**4,651**	**4,390**

The additions of the total borrowings of US$1,318 million relates mainly to (i) drawdowns on project finance facility for *Liza Unity* (FPSO), (ii) the senior secured notes issuance on FPSO *Cidade de Ilhabela* and (iii) drawdowns on the Company's RCF.

The Company announced the completion of the project financing for *Prosperity* (FPSO) for a total of US$ 1.05 billion on June 25, 2021. The first drawdown on this project loan facility occurred in July 2021.

On February 11, 2021 the Company issued senior secured notes for the amount of US$850 million. The notes are traded on the Singapore Stock Exchange and are priced at 99.995% of par value with a 5.198% coupon rate which is paid semi-annually. The funding obtained through the issuance was partially used to settle the outstanding project loan which amounted to US $535 at settlement date (included in the redemptions for the period of US$852 million).

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.

Revolving Credit Facility

The Company has available short-term credit lines and borrowing facilities resulting from the undrawn part of the RCF.

The RCF in place as of June 30, 2021 has a maturity date of February 13, 2026, following the exercise of a one-year extension option on February 1, 2021. The Company does not have any other extension option remaining. 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.

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, 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[2].

Covenants

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

- **Solvency Ratio**: 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 backlog. The maximum theoretical amount available under the RCF is then determined by dividing the 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 June 30, 2021 additional headroom above the amount of RCF maximum funding availability under the RCF exceeded US$1 billion.

The **Leverage ratio** based on reported Directional figures, is used to determine the pricing only.

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

22 ACCOUNTING CLASSIFICATIONS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table shows the financial instruments carried at amortized cost with a significant difference between the book value and fair value, stating the classification of the instruments, the fair value, and the applicable level within the fair value hierarchy.

Accounting classification and fair values as at June 30, 2021

			30 June 2021		31 December 2020	
	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	*15*	3	6,335	7,160	6,488	7,223
Loans to joint ventures and associates	*17*	3	48	46	46	43
Total			**6,383**	**7,205**	**6,534**	**7,265**
Financial liabilities measured at amortized cost						
US$ project finance facilities drawn	*21*	2	5,694	5,821	5,620	5,669
Other debt	*21*	2	47	47	1	1
Total			**5,742**	**5,868**	**5,621**	**5,670**

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

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. For all other classes of financial assets and financial liabilities the book value approximates the fair value.
- 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 June 30, 2021.
- 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 June 30, 2021 and December 31, 2020.

Derivative Financial Instruments

The derivative financial instruments relate to the forward currency contracts and interest rate swaps. The significant movement in the net balance of derivative assets and liabilities of US$90 million over the period is due to (i) increased marked-to-market value of interest rate swaps comparing with year end 2020, which mainly arises from increasing market interest rates, (ii) the settlement of interest rate swap due to repayment of project related financing of FPSO *Cidade de Ilhabela*, (iii) the depreciation of the US$ exchange rate versus some hedged currencies such as the BRL. Those movements are partially offset by the decreased marked-to-market value of forward currency contracts caused mainly by the appreciation of the US$ exchange rate versus the hedged currencies (especially for EUR forward contracts).

Most of the Company's debt consist of non-recourse project loans. The hedged interest rate of these project loans has been incorporated in the pricing of the contracts with the clients. Therefore the hedged interest rates are in line with the targeted profitability of the Company's contracts.

	30 June 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	15	245	(230)	1	351	(351)
Forward currency contracts cash flow hedge	58	21	36	98	21	77
Forward currency contracts fair value through profit and loss	29	19	10	38	39	(1)
Total	**102**	**286**	**(184)**	**137**	**411**	**(274)**
Non-current portion	19	217	(198)	38	277	(240)
Current portion	83	69	15	99	134	(35)

23 PROVISIONS

The current and non-current portion of provisions consist of the following types of provisions:

Provisions (summary)

	30 June 2021	31 December 2020
Demobilization	126	135
Onerous contracts	5	3
Warranty	41	37
Employee benefits	29	34
Other	174	167
Total	**375**	**377**
of which :		
Non-current portion	252	248
Current portion	123	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 financial expenses (see note 11 Net Financing Costs).

The decrease in the provision for demobilization mainly relates to the progress in the recycling activities of Deep Panuke MOPU unit during the first half-year 2021.

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 which was partially offset by the regular consumption of existing warranty provisions over the applicable warranty period.

Other

The remaining provisions mainly relate to claims, regulatory fines related to operations and Brazilian local content penalties on construction projects.

24 OTHER INFORMATION

24.1 FINANCIAL INFORMATION RELATED TO EQUITY-ACCOUNTED INVESTEES

The total revenue of the joint ventures accounted for under the equity method (at 100%) represents US$161 million for the six months ended June 30, 2021 (for the six months ended June 30, 2020 US$173 million).

24.2 COMMITMENTS

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 June 30, 2021 relate to the Deep Panuke MOPU, Thunder Hawk semi-submersible platform and FPSO *Saxi Batuque*, and have all been signed prior to 2010.

Commitments

As at June 30, 2021, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$1.1 billion (December 31, 2020: US$990 million). Investment commitments have increased principally due to ongoing activities on the construction of the *Liza Unity* (FPSO), FPSO *Sepetiba*, *Prosperity* (FPSO) and starting up the construction of newly awarded project FPSO *Almirante Tamandaré*.

Contingent Liabilities

In 2020, three of the Company's Swiss 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 June 30, 2021 related to this notification.

24.3 RELATED PARTY TRANSACTIONS

During first half-year 2021, no major related party transactions requiring additional disclosure in the condensed consolidated half-year financial statements took place.

The Company has transactions with joint ventures and associates recognized as follows in the Company's condensed consolidated half-year financial statements:

	Note	2021	2020
Revenue		8	6
Cost of sales		(6)	(5)
Loans to joint ventures and associates	17	49	46
Trade receivables		60	62
Trade payables		23	18

For the avoidance of doubt, revenue and cost of sales are presented for the six months ended June 30 whereas financial positions are presented as of June 30, 2021 and December 31, 2020.

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.

25 EVENTS AFTER THE END OF THE REPORTING PERIOD

SBM Offshore signed Letter of Intent for FPSO Alexandre de Gusmão lease and operate contracts

The Company announced on August 3, 2021, that it has signed with Petróleo Brasileiro S.A. (Petrobras) the Letter of Intent for a 22.5 years lease and operate contracts of FPSO *Alexandre de Gusmão*. The unit will be deployed at the Mero field in the Santos Basin offshore Brazil, approximately 160 kilometers from Arraial do Cabo, Rio de Janeiro state, in Brazil.

The Libra block, where the Mero field is located, is under a Production Sharing Agreement to a Consortium comprised of Petrobras with 40 percent, Shell Brasil with 20 percent, Total Energies with 20 percent, CNODC and CNOOC with 10 percent each and the state-owned company Pré-Sal Petróleo SA as manager of the Production Sharing Contract.

The Company will design and construct the FPSO A*lexandre de Gusmão* using its industry leading Fast4Ward® program as it incorporates the Company's new build Multi-Purpose Floater (MPF) hull combined with several standardized topside modules. The Company's fifth MPF hull has been allocated to this project. Completion of the FPSO is expected in 2024.

The FPSO will be designed to produce 180,000 barrels of oil per day and treat 12 million standard cubic meters of gas per day. Furthermore, the unit will have a water injection capacity of 250,000 barrels per day and a minimum storage capacity of 1.4 million barrels of crude oil. The unit will be spread moored in approximately 1,900 meters water depth.

Capital allocation and Shareholder Returns

After having reviewed the current liquidity position including the incremental net cash proceeds from the FPSO *Cidade de Ilhabela* bond issuance in the first quarter 2021 and taking into account the progress with project financing and the capital requirements for growing the company business, the Company has determined that it currently has the capacity to repurchase shares. Consequently, on August 5, 2021 the Company will commence a EUR150 million (c. US$180 million) share repurchase program with the objective to be completed in the year.