

# HALF YEAR 2020 EARNINGS UPDATE

August 6, 2020



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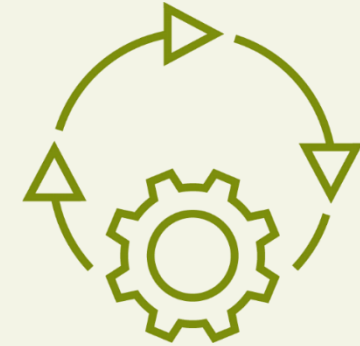
# Highlights



Effective response



Resilient model



Adapting the Company

# Effective response

## Health & Safety



## Business continuity



## Mitigating impact





# HSSE & ESG

The Market

Our Strategy

HY 2020 Financials

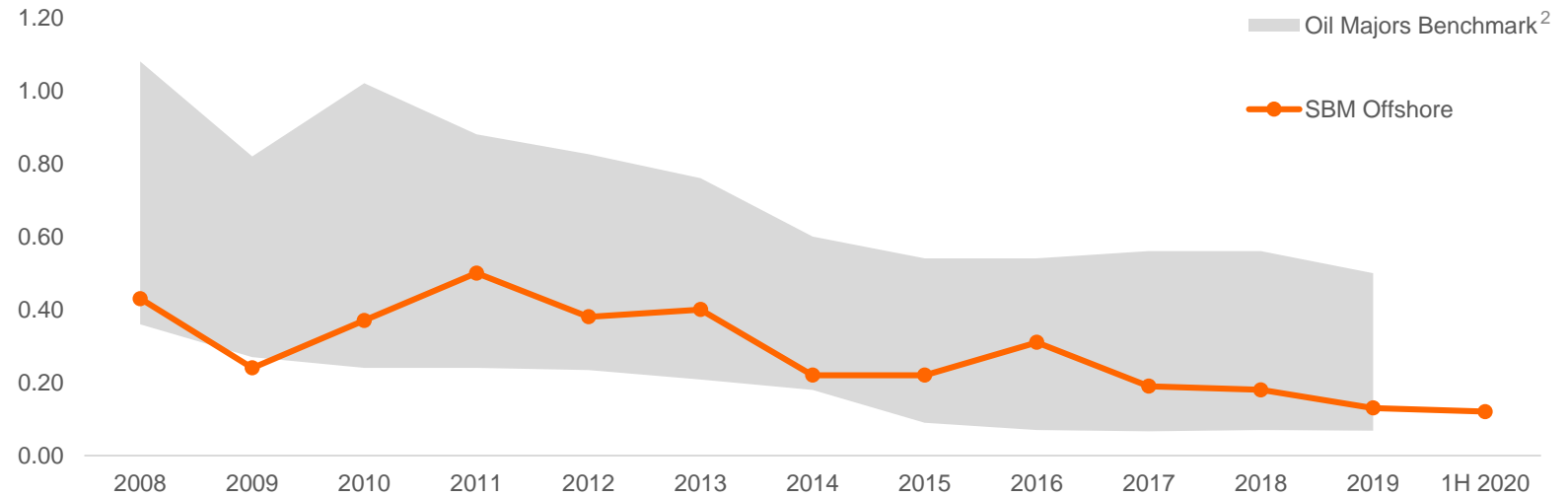
Outlook

# HSSE / License to operate



## Safety

### Total Recordable Injury Frequency Rate<sup>1</sup>



Stayed the course in a challenging environment

(1) Per 200k man-hours  
(2) Includes Shell, BP, Total, Chevron, Woodside, ExxonMobil, ENI, Equinor (based on available data)

# ESG – Prioritizing reduction of GHG emissions

## Transparent and measurable



Key targets linked to SDGs

**>40 metrics related to ESG performance**

## Ratings



DJSI Europe:  
**92<sup>nd</sup> percentile**<sup>1</sup>



Relative position:  
**#1 amongst peers**<sup>2</sup>



Rating:  
**A**<sup>3</sup>



Rating:  
**C**<sup>4</sup>

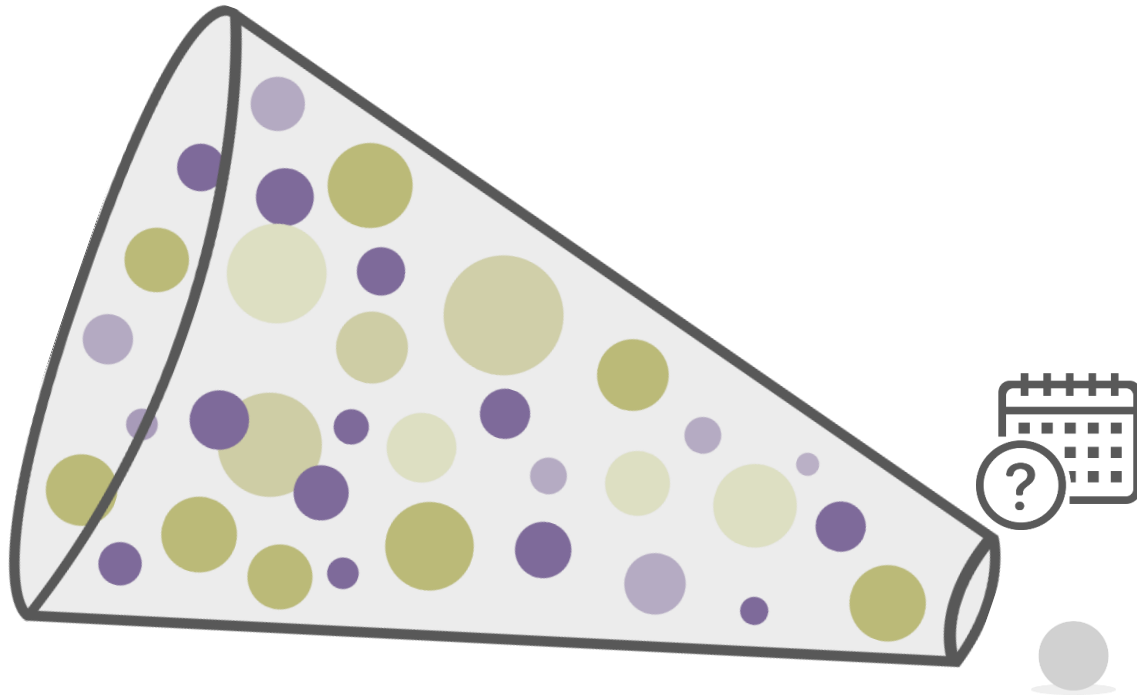
- (1) Maximum score: 100
- (2) Based on market capitalization / industry
- (3) Maximum score: AAA
- (4) Maximum score: A+



HSSE & ESG  
**The Market**  
Our Strategy  
HY 2020 Financials  
Outlook



# ■ FPSO market - Potential awards 2020-2022



- Potential FPSO awards within target market
- Other potential FPSO awards
- FPSO awards 1H 2020



Unconventional cycle



Uncertain market outlook



World-class deepwater resilient



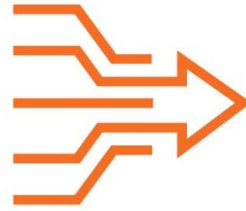
Remaining disciplined and selective



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OPTIMIZE



TRANSFORM



INNOVATE

“SBM Offshore believes the oceans will provide the world with safe, sustainable and affordable energy for generations to come.

We share our experience to make it happen.”

# Adapting the business model

## Energy industry trends



Frequent and short cycles  
Lower oil price



Energy transition  
ESG and carbon footprint

## SBM Offshore response



Lower gross cost-base  
by c. US\$100 million



Enhance flexibility  
Maintain capacity



Fast4Ward®  
emissionZERO™



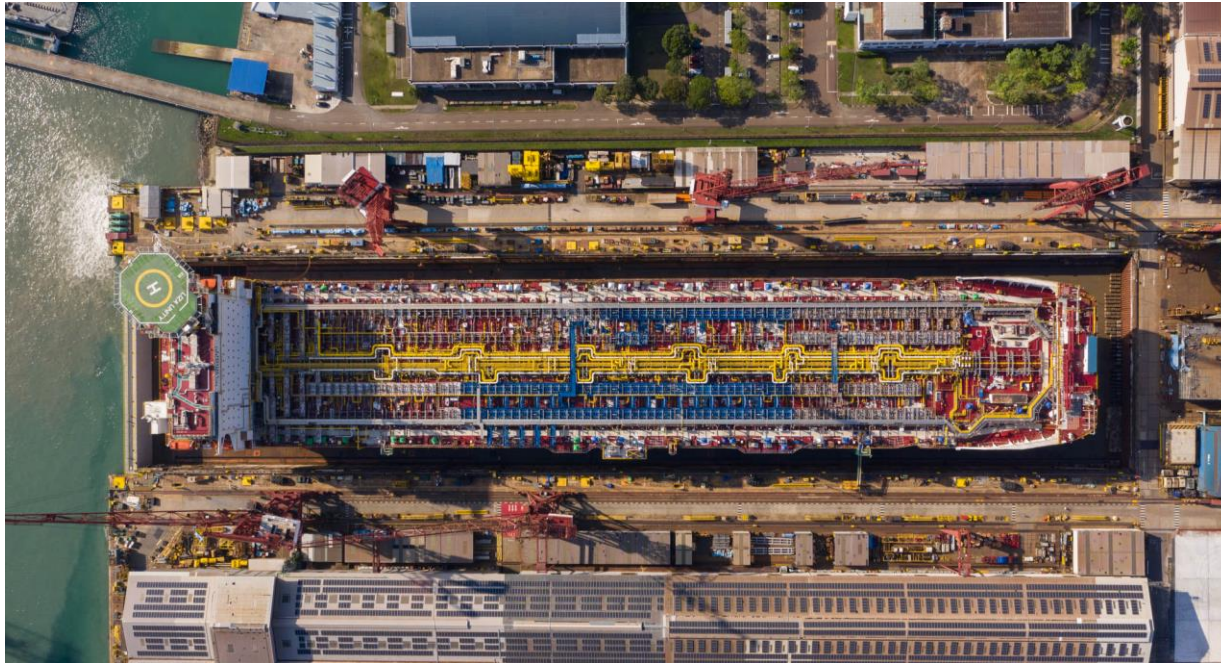
Premium ESG partner  
Invest in energy future

# Optimize

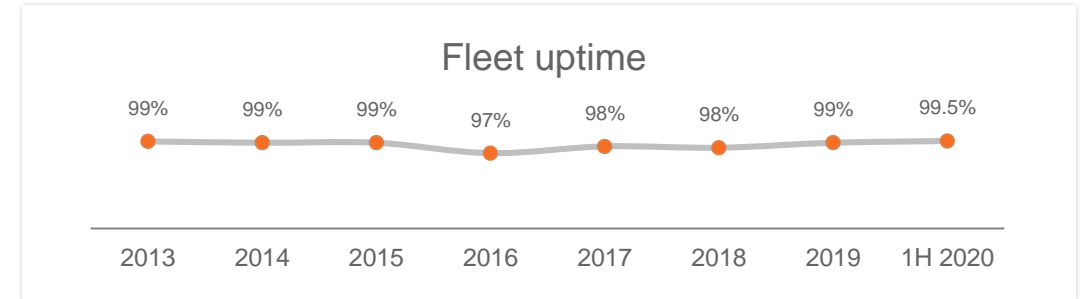
## Projects update

**FAST 4 WARD**® FPSO *Liza Unity* **ExxonMobil**  Completion > 50% < 75%

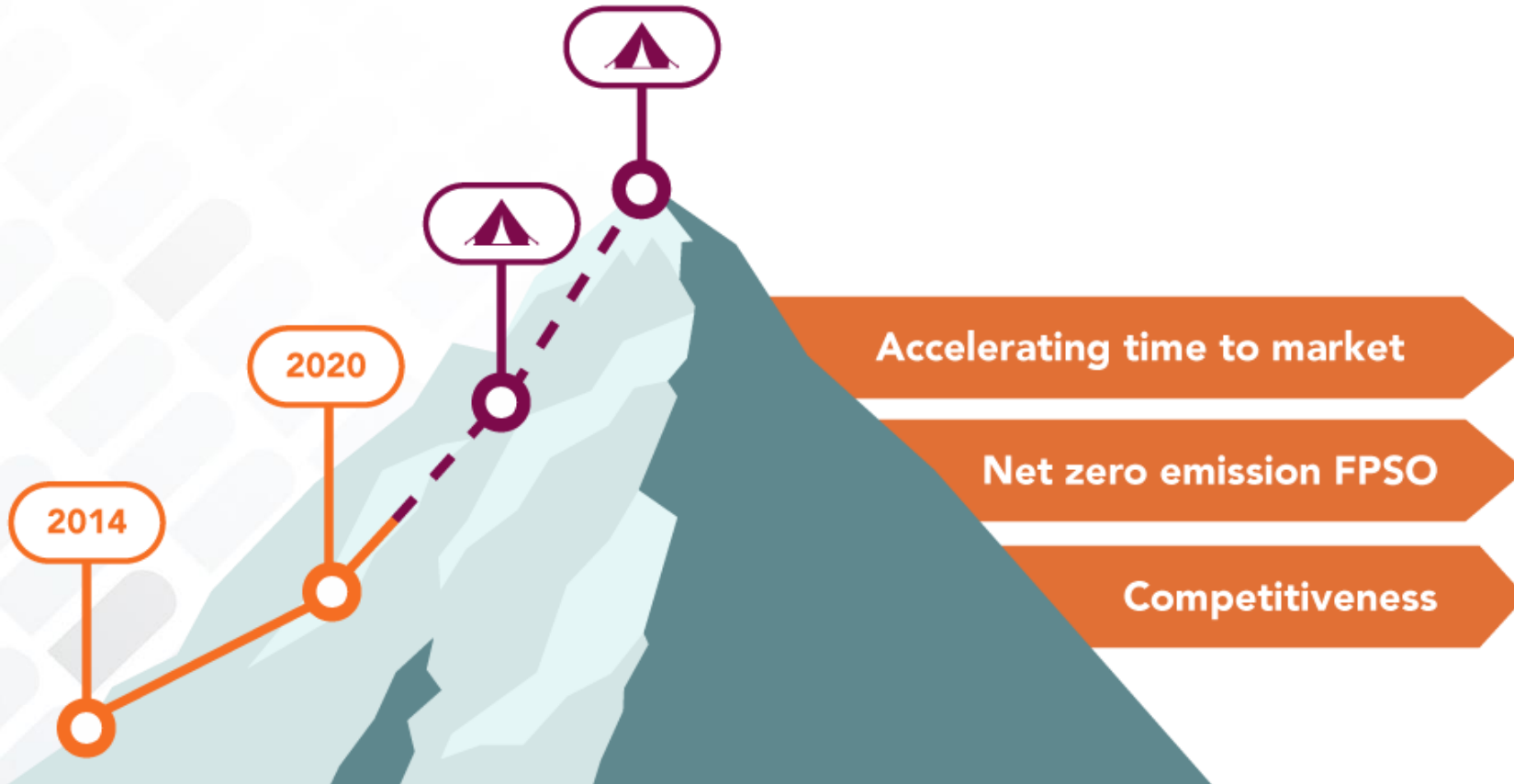
**FAST 4 WARD**® FPSO *Sepetiba* **BR PETROBRAS**  Completion < 25%



## Operational performance



# Transform – Continuous improvement



# Innovate – Ambition 2030

25% of revenues from Gas & Renewables by 2030



LNG2WIRE



Tower Loading Unit



Floating Offshore Wind



Wave Energy Converter



FLNG



Signing (pre-)FEEDs

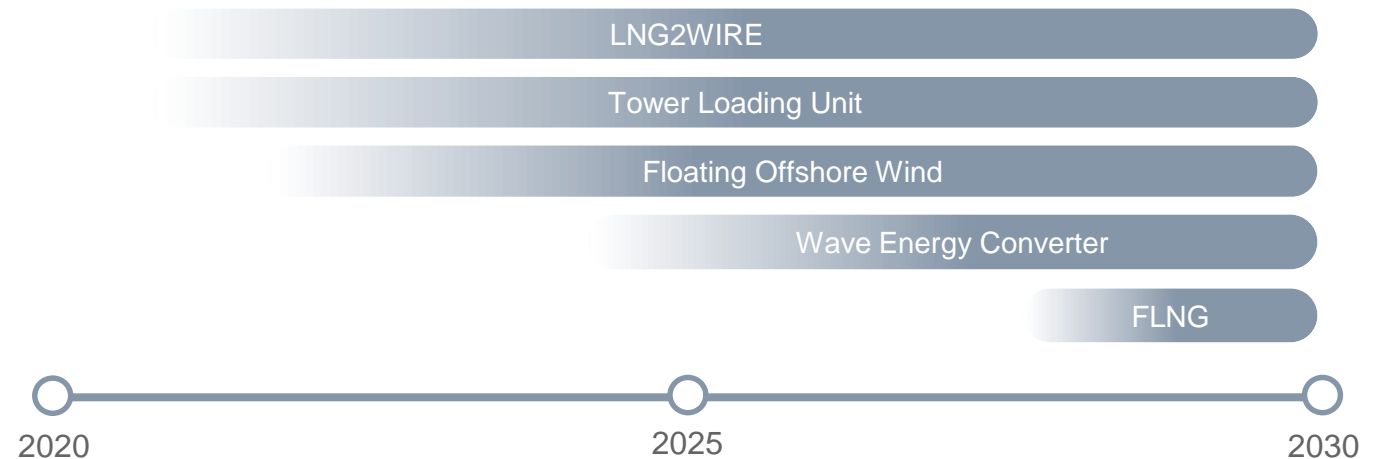


Establishing strategic partnerships



Developing technology for evolving markets

## Contribution



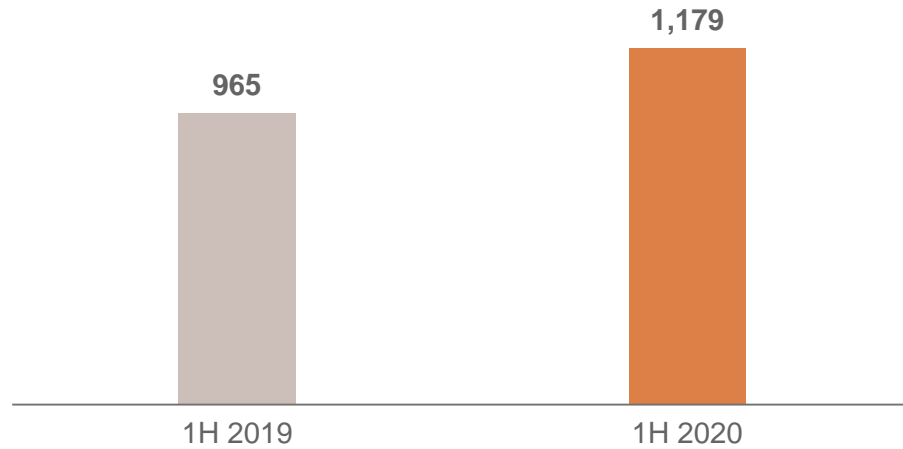
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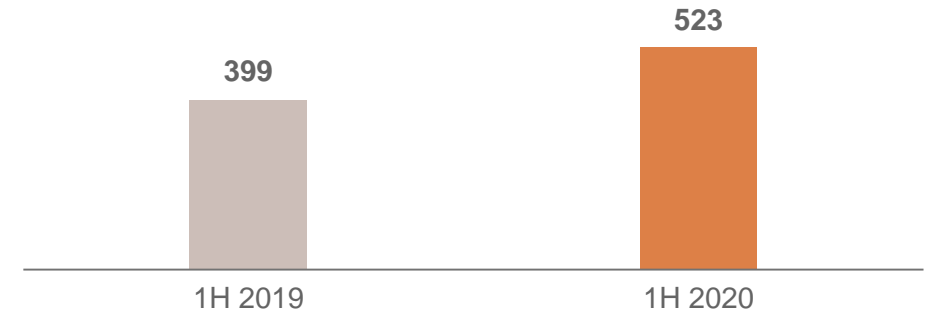


# Directional overview<sup>1</sup>

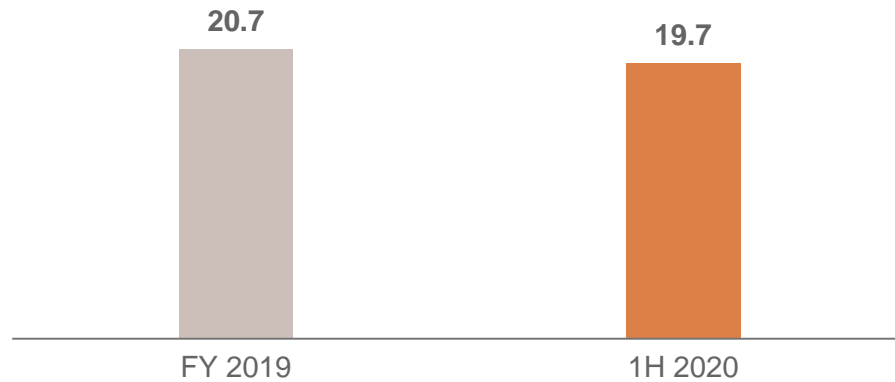
Revenue (US\$ millions)



EBITDA (US\$ millions)



Pro-forma backlog (US\$ billions)



Net debt (US\$ billions)



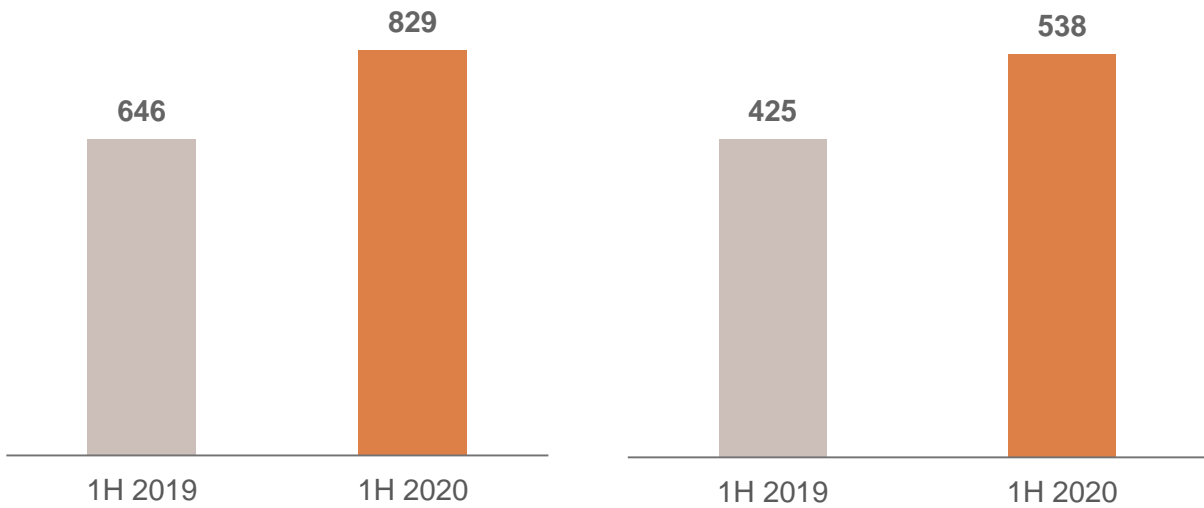
(1) Directional view, presented in the Financial Statements under Operating segments and Directional reporting, represents a pro-forma accounting policy, which assumes all lease contracts are classified as operating leases and all vessel investees are proportionally consolidated. This explanatory note relates to all Directional reporting in this document.

# Financial performance per segment *Directional, US\$ millions*

## Lease and Operate

Revenue

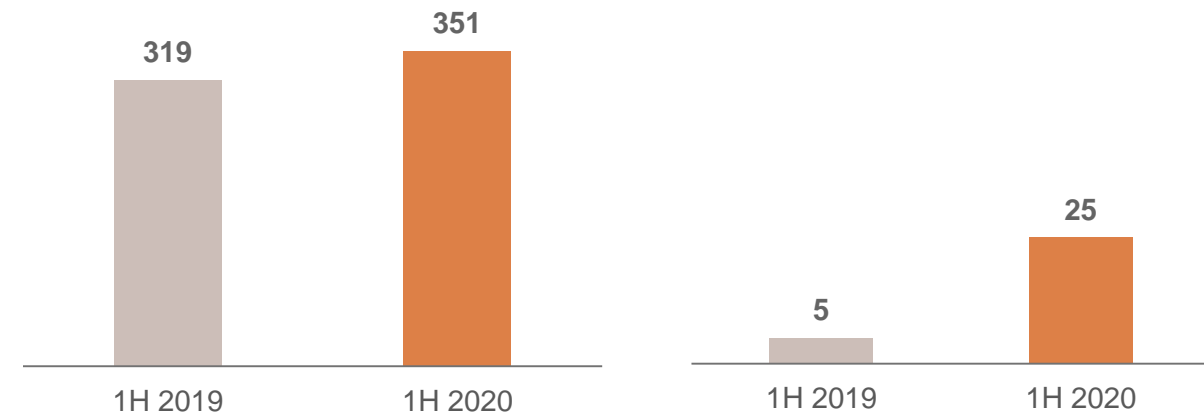
EBITDA



## Turnkey

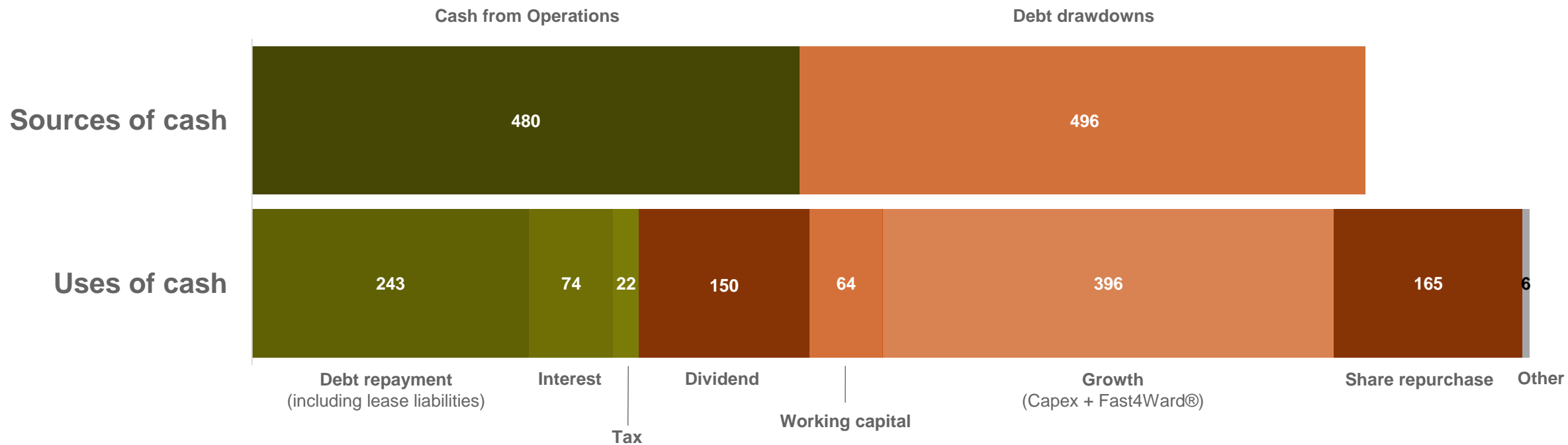
Revenue

EBITDA



“Other” EBITDA 1H 2020 US\$(40) million vs 1H 2019 US\$(30) million

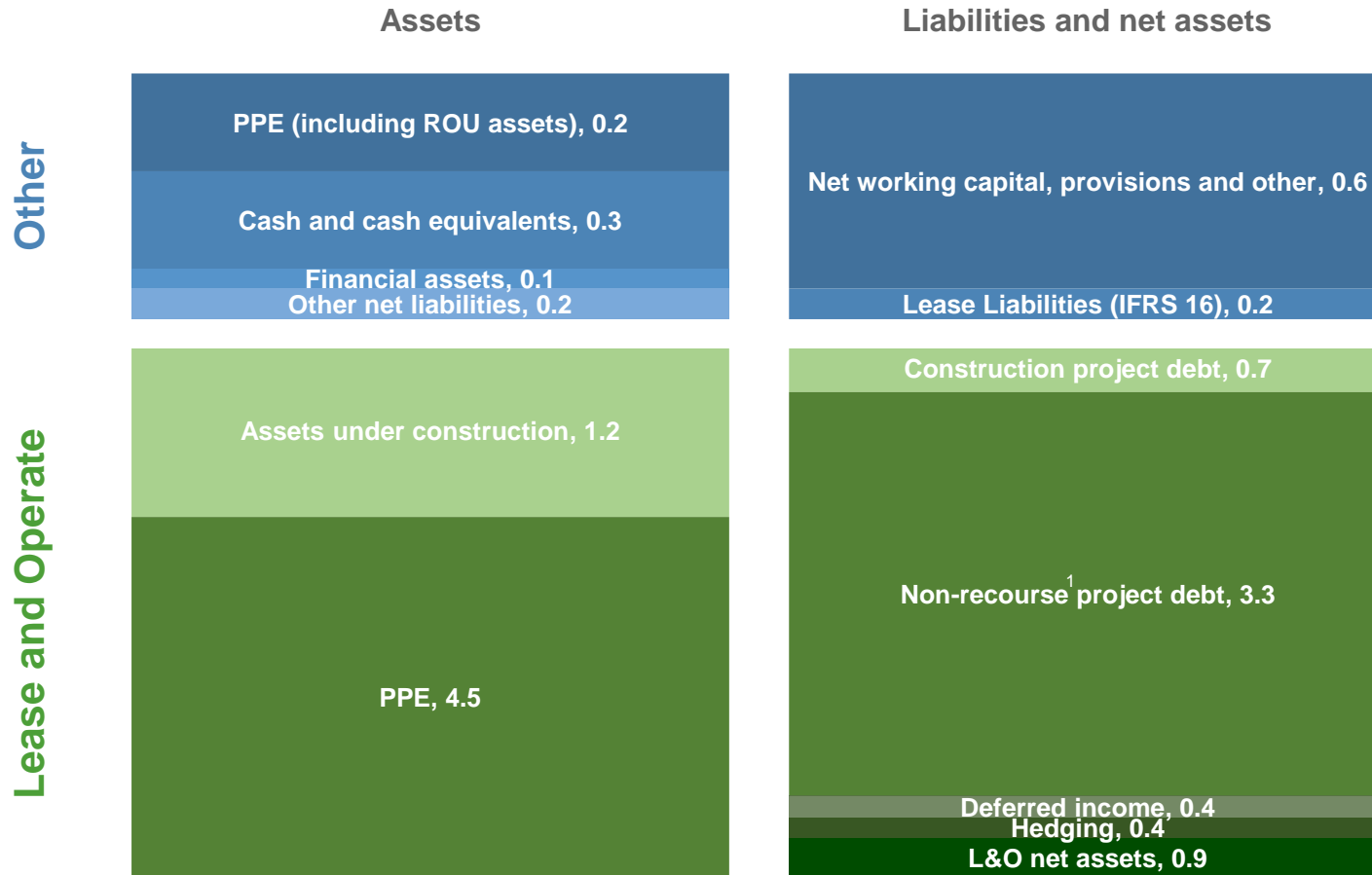
# 1H 2020 Sources and uses of cash *Directional, US\$ millions*



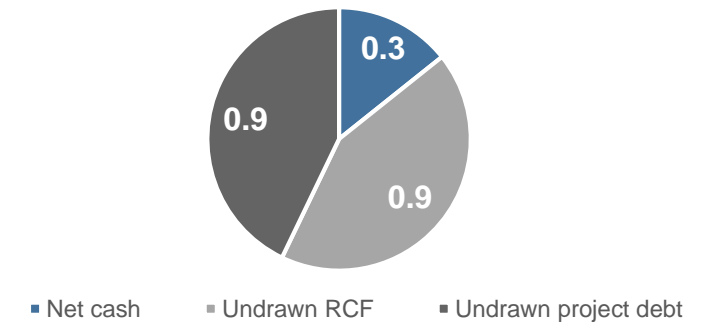
Cash December 2019	458
Cash variation <sup>1</sup>	(148)
Cash June 2020	309

(1) Includes foreign currency impact of US\$ (4) million

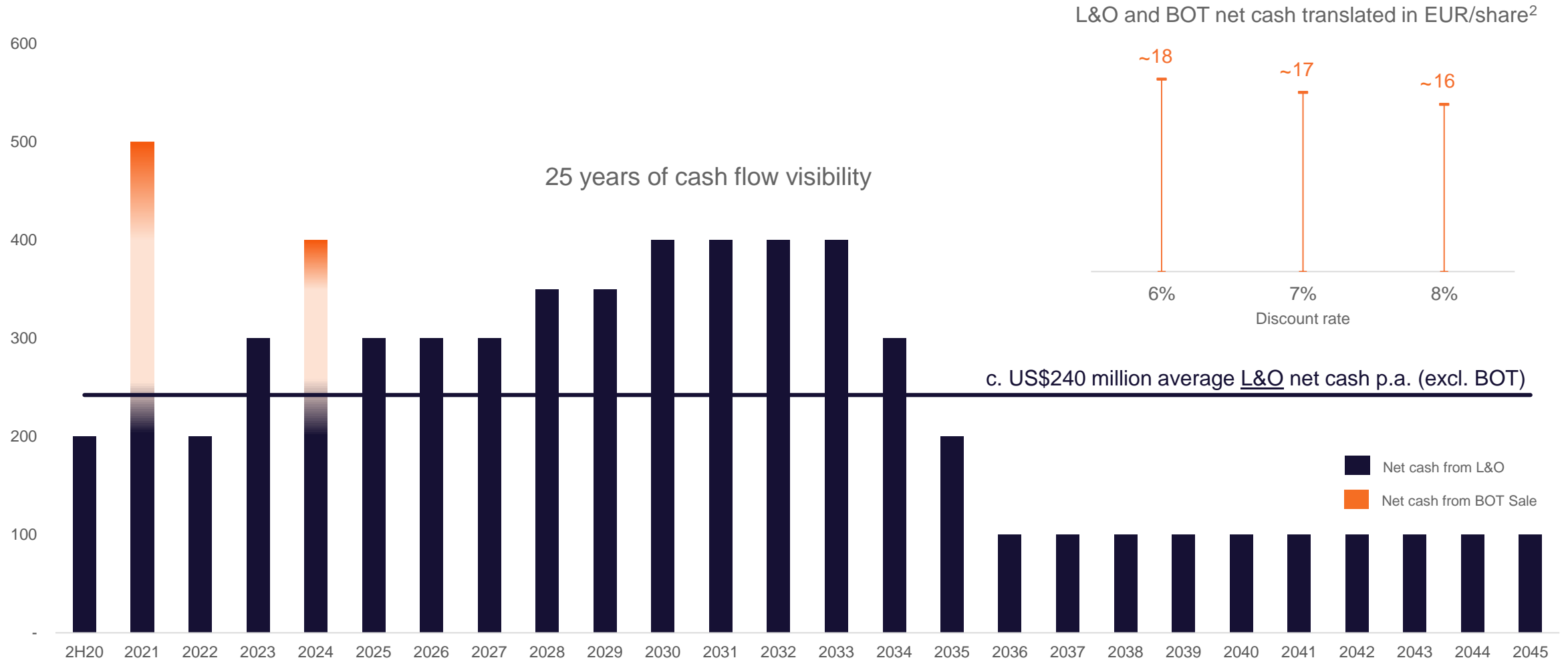
# All debt supporting L&O projects *Directional, US\$ billions*



Group liquidity



# Pro-forma net cash flow<sup>1</sup> from L&O and BOT *Directional, US\$ millions*



(1) Company estimates based on pro-forma backlog and a variety of other long term assumptions which are subject to change. The pro-forma Directional backlog at half year 2020 reflects assumptions which are in line with full year 2019 assumptions. For more details, refer to 2020 Half Year Management Report. Rounding applied to nearest hundred million in the L&O and BOT sale net cash flow which includes pro-forma backlog, operational expenses, debt redemptions, interests, does not include construction costs and tax.

(2) EUR/share calculation based on Net Present Value of L&O and BOT sale pro-forma net cash flow discounted at rates commonly used by the financial community. Considering 0.9 US\$/EUR exchange rate (YTD average) and 188,671,305 outstanding shares (assuming cancellation of 10 million shares). Value excludes future awards, potential contract extensions and Prosperity project cash flow.

A photograph of two workers in safety gear (hard hats, high-visibility vests) inspecting a large, cylindrical industrial structure, likely a wind turbine tower. The worker on the left is wearing a white shirt with the SBM Offshore logo and an UAE flag patch. The worker on the right is wearing a yellow high-visibility vest and safety glasses. The background is a clear blue sky.

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The Market  
Our Strategy  
HY 2020 Financials  
**Outlook**

# 2020 Guidance

Directional EBITDA <sup>1</sup>	above	900	mIn US\$
Directional Revenues	around	2.3	bn US\$
Lease & Operate	around	1.6	bn US\$
Turnkey	around	0.7	bn US\$



# Appendix






# Translating SDGs into targets and actions

**3 GOOD HEALTH AND WELL-BEING** 

**Health**  
Introduce SBM Offshore best practice Health Check Program\*

**5**

\*in a number of key countries

**7 AFFORDABLE AND CLEAN ENERGY** 


**Gas Flaring**  
Reduction in gas flared under SBM Offshore account

**25%**

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**Certification**  
Project offices to have a local sustainability certification

**60%**

**8 DECENT WORK AND ECONOMIC GROWTH** 

**Supply Chain**  
Include Human Rights screening in the Vendor Qualification Process\*


**90%**

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**Safety**  
Total recordable injury frequency rate

**<0.2**

\*of key vendors from the sample

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE** 


**Non-Carbon**  
2020 R&D budget allocated to non-carbon technologies

**30%**

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**Product Development**  
FPSO EPC proposals contain recording carbon emission planned over asset life

**100%**

**13 CLIMATE ACTION** 

**Air Travel**  
Introduce targets for CO<sub>2</sub> related to air travel

**Q3 2020**

**14 LIFE BELOW WATER** 

**Plastic waste**  
Reduction of offshore plastic waste

**10%**

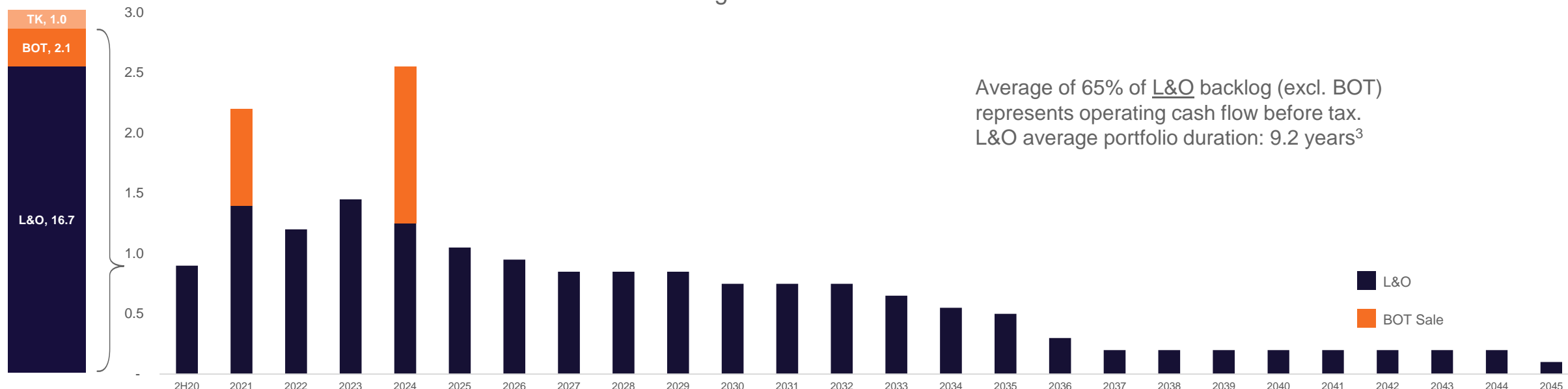
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**Oil spills**  
Volume of oil spills

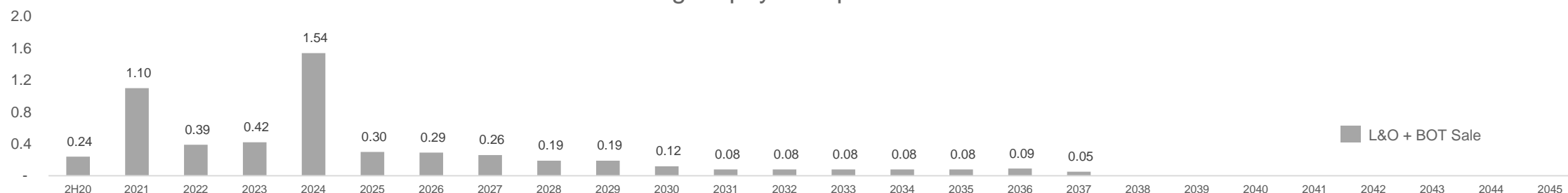
**0**

# Pro-forma Backlog<sup>1</sup> and borrowings repayment Directional, US\$ billions<sup>2</sup>

## Pro-forma Directional L&O and BOT backlog



## Pro-forma Directional L&O and BOT borrowings repayment profile<sup>4</sup>



- (1) Backlog is the undiscounted revenue over the confirmed portion of the contract. The pro-forma Directional backlog at half year 2020 reflects assumptions which are in line with full year 2019 assumptions. For more details, refer to 2020 Half Year Management Report.
- (2) Rounding applied to nearest hundred million in backlog figures and then adjusted from 2023 onwards to reconcile with reported backlog; rounding applied to nearest ten million in the debt redemption profile.
- (3) Assumes the exercise of all lease extensions and transfer of FPSO *Liza Destiny* and *Liza Unity* after a period of two years of operations.
- (4) The difference between current borrowings and the borrowings repayment profile are attributable to capitalized transaction costs, undrawn portion of FPSO *Liza Unity* and FPSO *Sepetiba* project loan assumptions.

# Group P&L and underlying items *Directional, US\$ millions*

## Group P&L

US\$ millions	1H 2019	1H 2020	Variance
<b>Revenue</b>	965	1,179	215
Gross Margin	241	270	28
Overheads	(96)	(110)	(14)
Other operating income / (expense)	5	(3)	(8)
Net impairment gain / (loss)	1	(14)	(15)
EBIT	151	142	(9)
Depreciation, amortization and impairment	(248)	(380)	(132)
EBITDA	399	523	123
<b>EBITDA</b>	399	523	123
Net financing costs	(76)	(89)	(13)
Share of profit of equity-accounted investees	2	2	0
Income tax expense	(17)	(17)	0
Net Income attributable to shareholders	61	38	(23)
<b>Underlying net income attributable to shareholders</b>	61	94	33

## Directional underlying items

US\$ millions	1H 2019	1H 2020	Impact P&L
<i>SBM Installer impairment</i>	0	(57)	<i>Depreciation &amp; Impairment</i>
<b>Subtotal other impact</b>	0	(57)	

# Turnkey and L&O P&L *Directional, US\$ millions*

## Turnkey

US\$ millions	1H 2019	1H 2020	Variance
Revenue	319	351	32
Gross Margin	40	10	(31)
EBIT	(7)	(49)	(42)
Depreciation, amortization and impairment	(12)	(74)	(62)
EBITDA	5	25	20

## Lease & Operate

US\$ millions	1H 2019	1H 2020	Variance
Revenue	646	829	183
Gross Margin	201	260	59
EBIT	191	233	42
Depreciation, amortization and impairment	(234)	(304)	(70)
EBITDA	425	538	113

## Comments

Ongoing Projects	Liza Unity, Sepetiba, limited scope Prosperity, Johan Castberg and Liuhua turret mooring systems, multiple FEEDs and other various business
D, A & I	SBM Installer impairment in 2020 of US\$(57) million
EBITDA	General ramp-up of Turnkey activities and discipline in project execution

## Comments

Vessels In	FPSO <i>Liza Destiny</i> joining the fleet at the end of 2019
EBITDA	FPSO <i>Liza Destiny</i> joining the fleet after achieving first oil at the end of 2019 and additional percentage of ownership in the Lease and Operate entities related to the five Brazilian FPSO's in which the Company purchased additional shares in the second half year of 2019
EBITDA Margin	1H 2020: 64.9% 1H 2019: 65.8%

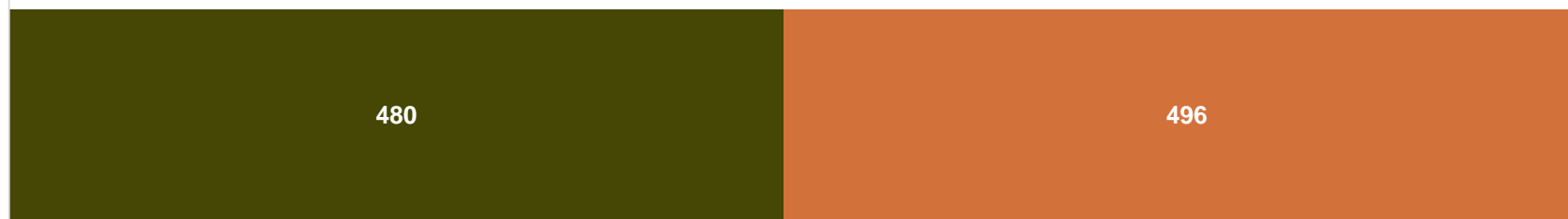
# 1H 2020 Sources and uses of cash *Directional, US\$ millions*

L&O	538
Turnkey	25
Other	(40)
<b>EBITDA</b>	<b>523</b>
Deferred income	(43)

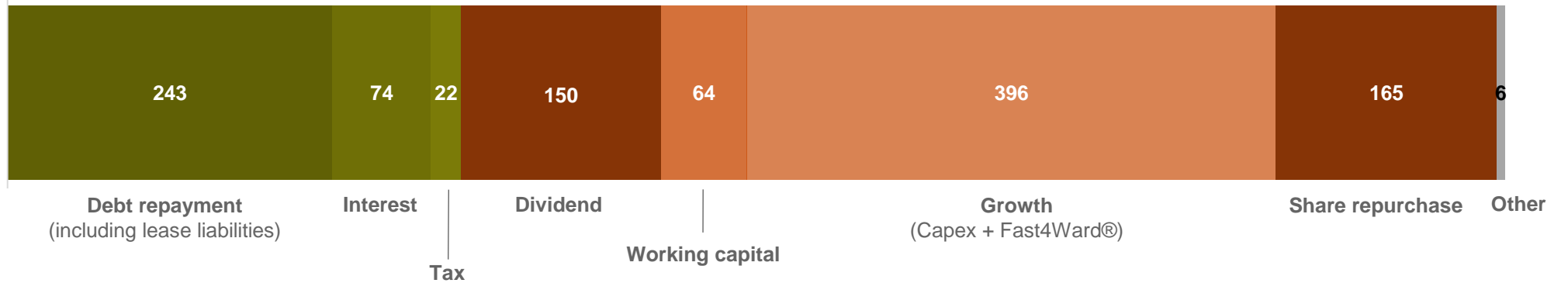
Cash from Operations

Debt drawdowns

Sources of cash



Uses of cash



Cash December 2019	458
Cash variation <sup>1</sup>	(148)
Cash June 2020	309

(1) Includes foreign currency impact of US\$ (4) million

# Cash Flow Statement *Directional, US\$ millions*

US\$ millions	1H 2020
<b>EBITDA</b>	<b>523</b>
Changes in operating assets and liabilities	(164)
Income taxes paid	(22)
<b>Net cash flows from (used in) operating activities</b>	<b>337</b>
Capital expenditures	(346)
Other investing activities	1
<b>Net cash flows from (used in) investing activities</b>	<b>(345)</b>
Addition and repayments of borrowings and lease liabilities	253
Share repurchase and dividend	(315)
Interests paid	(74)
<b>Net cash flows from (used in) financing activities</b>	<b>(136)</b>
<b>Foreign currency variations</b>	<b>(4)</b>
<b>Net increase/(decrease) in net cash and cash equivalents</b>	<b>(148)</b>
<b>Net cash and cash equivalents as at 31 December 2019</b>	<b>458</b>
<b>Net cash and cash equivalents as at 30 June 2020</b>	<b>309</b>

# Balance Sheet *Directional, US\$ millions*

US\$ millions	FY 2019	1H 2020	Variance
Property, plant & equipment and Intangibles	5,849	5,936	87
Investment in associates and other financial assets	304	302	(2)
Construction contracts	125	74	(51)
Trade and other assets	677	771	94
Cash and cash equivalents	458	309	(148)
<b>Total assets</b>	<b>7,414</b>	<b>7,392</b>	<b>(22)</b>
Total equity	1,179	666	(513)
Borrowings and lease liabilities	3,918	4,188	270
Provisions	428	456	28
Trade payables and derivatives liabilities	1,403	1,639	193
Deferred income	486	443	(43)
<b>Total equity and liabilities</b>	<b>7,414</b>	<b>7,392</b>	<b>(22)</b>

## Comments on variation

FPSO *Liza Unity*, *Prosperity* and *Sepetiba* partially offset by depreciation and impairments

Milestone payments invoiced for Turret projects

Investment in non-allocated MPFs and increase receivables for FPSO *Liza Destiny* joining lease fleet

See cash flow statement

Net income offset by dividends paid, share repurchase program and decrease of hedging reserves

FPSO *Liza Destiny*, *Liza Unity* and RCF

Provision for local content penalty related to construction of one FPSO

Hedging instruments (IRS and FX forwards) Marked-to-Market decrease

Release of deferred income on lease contracts with declining bareboat profile

# Lease qualification and consolidation methods IFRS 10 & 11

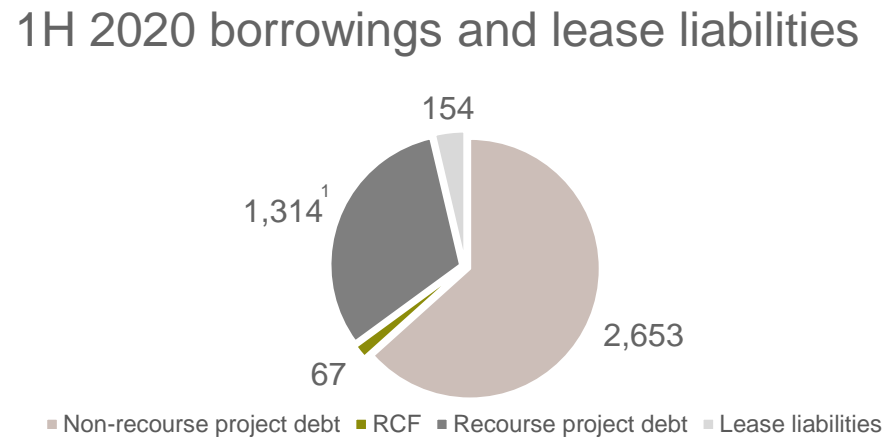
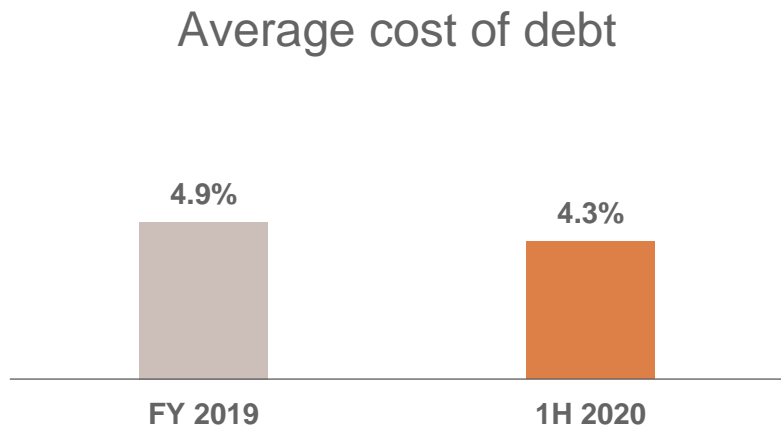
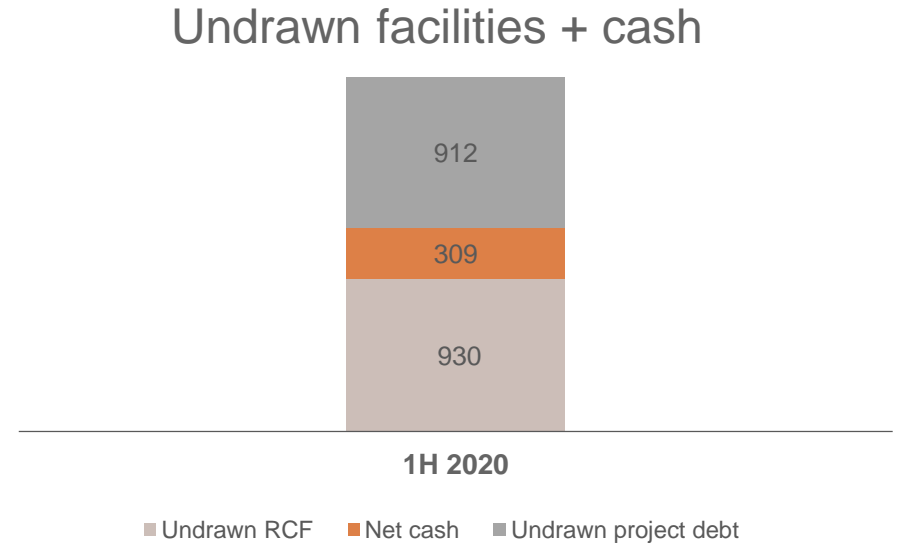
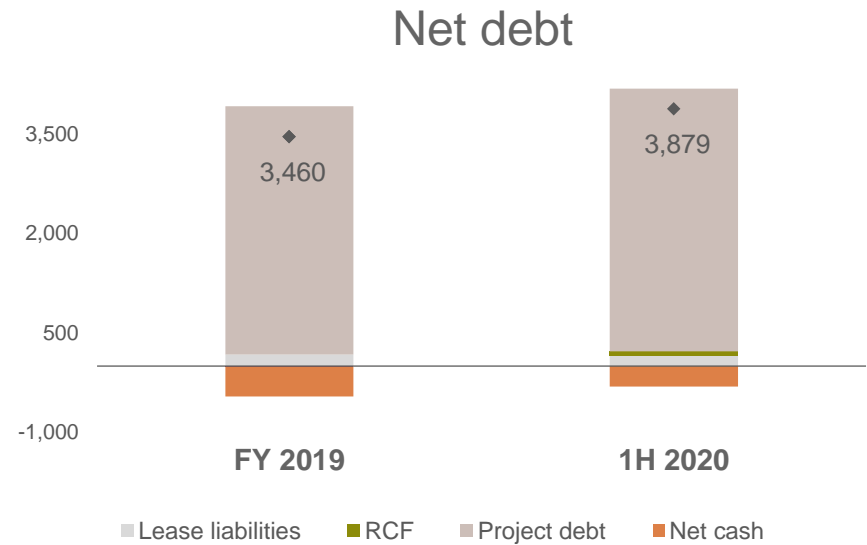
Joint Ventures	Lease Contract Type	SBM Share %	Directional	IFRS
FPSO N'Goma	FL	50%	Proportional	Equity
FPSO Saxi Batuque	FL	50%	Proportional	Equity
FPSO Mondo	FL	50%	Proportional	Equity
FPSO Cidade de Ilhabela	FL	75%	Proportional	Full consolidation
FPSO Cidade de Maricá	FL	61%	Proportional	Full consolidation
FPSO Aseng	FL	60%	Proportional	Full consolidation
FPSO Cidade de Paraty	FL	63.13%	Proportional	Full consolidation
FPSO Cidade de Saquarema	FL	61%	Proportional	Full consolidation
FPSO Kikeh	FL	49%	Proportional	Equity
FPSO Sepetiba	FL	64.50%	Proportional	Full consolidation
FPSO Espirito Santo	OL	51%	Proportional	Full consolidation
FPSO Capixaba	OL	100%	100%	Full consolidation
Deep Panuke <sup>1</sup>	OL	100%	100%	Full consolidation
Thunder Hawk	OL	100%	100%	Full consolidation
FPSO Cidade de Anchieta	OL	100%	100%	Full consolidation
FPSO Liza Destiny	FL	100%	100%	Full consolidation
FPSO Liza Unity	FL	100%	100%	Full consolidation
FPSO Serpentina	-	60%	Proportional	Full consolidation
Brasa Yard	-	50%	Equity	Equity
PAENAL Yard	-	30%	Equity	Equity
Normand Installer	-	49.9%	Equity	Equity
SBM Installer	-	25%	Equity	Equity



# Loans and borrowings *Directional, US\$ millions*

Net book value as of June 30, 2020	Full Amount	IFRS	Directional
<b>PROJECT FINANCE FACILITIES DRAWN</b>			
<i>FPSO Cidade de Paraty</i>	367	367	232
<i>MOPU Deep Panuke</i>	104	104	104
<i>FPSO Cidade de Anchieta</i>	291	291	291
<i>FPSO Cidade de Ilhabela</i>	617	617	463
<i>FPSO N'Goma</i>	416	0	208
<i>Normand Installer</i>	34	0	0
<i>SBM Installer</i>	70	0	0
<i>FPSO Cidade de Maricá</i>	1,068	1,068	652
<i>FPSO Cidade de Saquarema</i>	1,152	1,152	703
<i>FPSO Liza Destiny</i>	699	699	699
<i>FPSO Liza Unity</i>	615	615	615
<b>REVOLVING CREDIT FACILITY</b>			
Revolving credit facility	67	67	67
<b>OTHER</b>			
Lease liabilities	154	154	154
<b>NET BOOK VALUE OF LOANS AND BORROWINGS</b>	<b>5,655</b>	<b>5,135</b>	<b>4,188</b>

# Group net debt and borrowings *Directional, US\$ millions*



(1) Includes c. US\$700 million related to FPSO *Liza Destiny* remaining project debt which has become non-recourse as of July 31, 2020

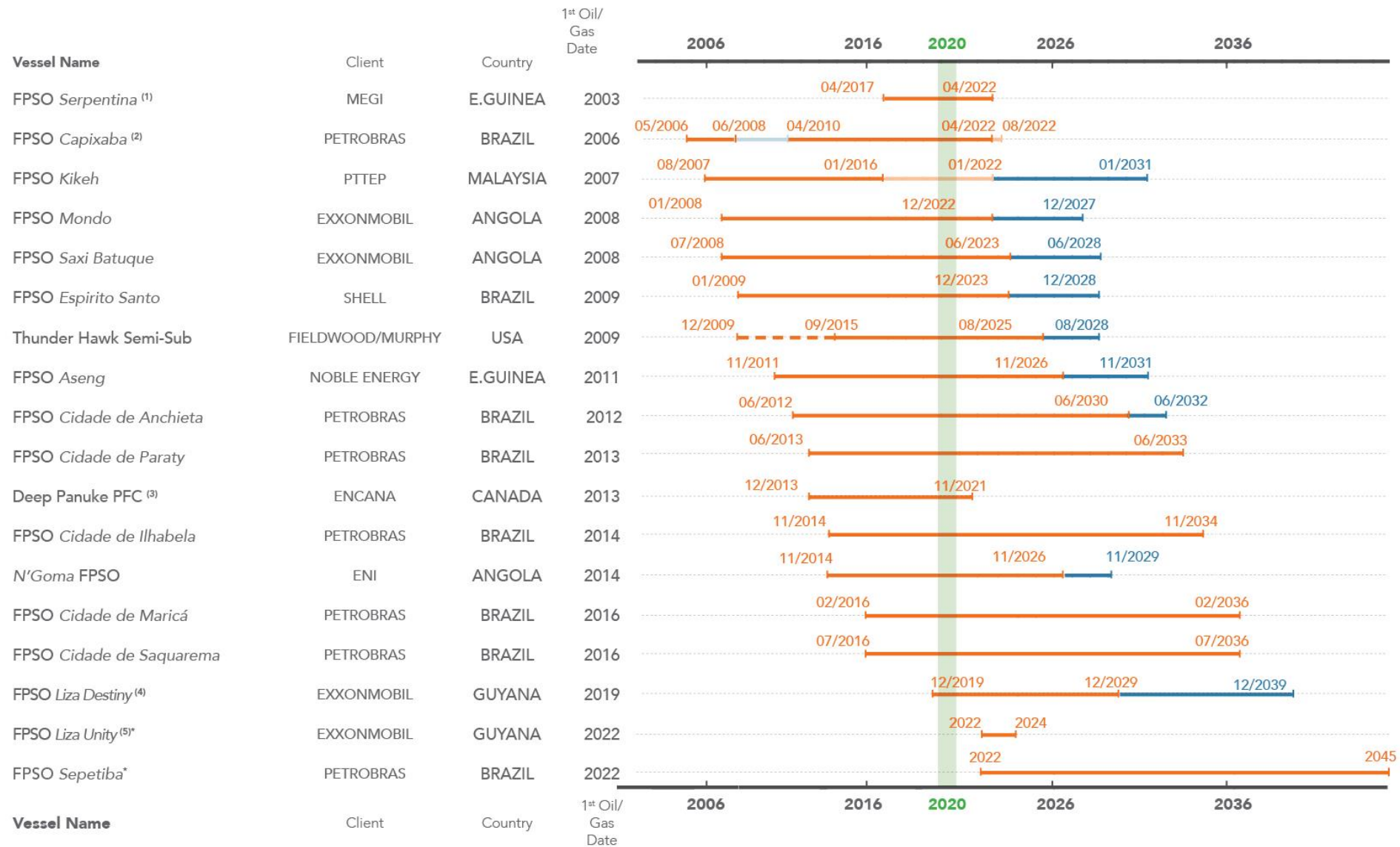
# RCF Covenants

Key financial covenant	Target	1H 2020	Definition <sup>1</sup>
Solvency ratio	> 25%	✓ 36%	IFRS Tangible net worth divided by total tangible IFRS assets
Interest cover ratio	> 4.0	✓ 7.5	Directional Underlying EBITDA divided by net interest payable
Lease backlog cover ratio	N/A	✓ US\$ 1.9bn	Represents maximum theoretical lending capacity, calculated as net present value of lease backlog divided by 1.5

✓ All covenants are satisfied

(1) Further explanation on definitions and covenant calculations can be found in the Company's Annual Report 2019 section 4.3.24 borrowings and lease liabilities

# Lease and Operate portfolio



(1) FPSO *Serpentina* is owned by the client and is operated by Gepsing – a subsidiary between SBM Offshore (60%) and GEPetrol (40%).

(2) In agreement with the client, the unit was shut-down for approximately four months starting in April 2020. The period has been added to the charter contract at the end of the current lease period.

(3) Unit redelivered to SBM Offshore, under the final settlement signed with the client, the redelivery does not affect the contractually agreed amount and timing of the financial considerations to be received by the Company as per the initial charter contract ending in November 2021.

(4) Expectation is that the client will purchase the unit after a period of up to two years of operations.

(5) Under these contracts, SBM Offshore will construct, install and thereafter lease and operate the unit for a period of up to two years.

\* Under construction.

ENERGY. COMMITTED.

