



EXPERIENCE **MATTERS**  
**2017**  
HALF-YEAR RESULTS



# TABLE OF CONTENTS

<b>Financial Review</b>	<b>4</b>
Financial Performance	4
IFRS Statement of Financial Position	6
<b>Compliance Statement</b>	<b>7</b>
<b>SBM Offshore N.V. - Condensed Consolidated Interim IFRS Financial Statements (unaudited)</b>	<b>8</b>
Consolidated Financial Statements (unaudited)	9
Notes	14

# FINANCIAL REVIEW

## FINANCIAL PERFORMANCE

in US\$ million	Directional (Unaudited)		IFRS (Unaudited)	
	1H 2016	1H 2017	1H 2016	1H 2017
<b>Revenue</b>	<b>939</b>	<b>835</b>	<b>1,066</b>	<b>862</b>
Lease and Operate	600	745	562	767
Turnkey	338	90	504	95
<b>EBIT</b>	<b>124</b>	<b>193</b>	<b>213</b>	<b>349</b>
Lease and Operate	170	250	207	379
Turnkey	2	(28)	54	(1)
Other	(48)	(29)	(48)	(29)
<b>EBITDA</b>	<b>327</b>	<b>431</b>	<b>322</b>	<b>453</b>
Lease and Operate	368	482	311	477
Turnkey	6	(23)	59	4
Other	(47)	(29)	(47)	(29)
<b>Profit attributable to Shareholders</b>	<b>38</b>	<b>68</b>	<b>117</b>	<b>92</b>

### DIRECTIONAL<sup>1</sup> PERFORMANCE

Directional revenue decreased by 11% to US\$ 835 million compared to US\$ 939 million in the year ago period reflecting the finalization of major turnkey projects in 2016 and lack of significant order intake over the prior periods. This was not fully offset by increased revenue from the start-up of the completed vessels in the lease and operate segment. Directional revenue by segment was as follows:

- Directional Lease and Operate revenue increased by 24% to US\$ 745 million, representing 89% of total Directional revenue over the first half year of 2017, up from the 64% contribution in the year-ago period. The increase in segment revenue is attributable to the start-up of FPSOs *Cidade de Maricá* in February 2016 and *Cidade de Saquarema* and *Turritella* during the second half of 2016, while no vessel has been decommissioned since the year-ago period.
- Third-party Directional Turnkey revenue came down 73% year-on-year to US\$ 90 million, representing only 11% of total first half 2017 revenue. This compares to US\$ 338 million, or 36% of total revenue, in the year-ago period. The decrease is mostly attributable to the completion stage reached in the course of 2016 on the FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*, the decrease of offshore services activities as well as the low order intake in 2014, 2015 and 2016 as a result of the market downturn.

Directional Earnings Before Interest, Taxes Depreciation and Amortization (EBITDA) for the first half year of 2017 was US\$ 431 million, an increase of 32% compared to the EBITDA of US\$ 327 million in the year-ago period. This variance was primarily thanks to:

- An increase in Directional Lease and Operate EBITDA from US\$ 368 million in the year-ago period to US\$ 482 million in the first half year of 2017 driven by the full half-year contribution of the three FPSOs that came into production during 2016. First half year 2017 Directional Lease & Operate EBITDA margin came in at 65% compared to 61% during the first half year of 2016, also reflecting the positive contribution of the three FPSOs joining the fleet.
- Directional Turnkey EBITDA decreased by US\$ 29 million due to the decline of Turnkey activity year-on-year, mitigated by positive close outs on projects finalization, under-recovery monitoring, significant saving on Turnkey overheads and the one-off nature of restructuring costs in 2016. Directional Turnkey gross

<sup>1</sup> Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

margin expressed as percentage of Turnkey revenue came in at 28%, almost stable compared to 29% in the previous period.

- A reduction of US\$ 18 million in other non-allocated costs charged to EBITDA driven principally by the update of the provision for contemplated settlement with Brazilian authorities and Petrobras booked on the first half of 2016 for US\$ 22 million.

For the first half-year of 2017, Directional EBIT increased to US\$ 193 million, compared to US\$ 124 million in 2016. EBIT variations per segment are the same as for the EBITDA, the increase of Lease and Operate EBITDA (US\$ 114 million) being however partially offset by an increase of depreciation charges (US\$ 35 million) related to the three new FPSOs that came into production in 2016.

Directional net financing costs totaled US\$ 112 million in the first half of 2017, up from US\$ 86 million in the year-ago period. The increase was primarily due to the full half-year impact of interest costs related to the project financing of the three vessels that came into operation during 2016.

The effective tax rate is stable year-on-year with an effective tax rate of 6.5% over the first half year of 2017, compared to 7% in the year-ago period.

The Company recorded a Directional consolidated net income of US\$ 68 million, or US\$ 0.33 per share, for the first half year of 2017, up from US\$ 38 million, or US\$ 0.18 per share, in the year-ago period.

## IFRS PERFORMANCE

Reported first half-year 2017 IFRS revenue decreased by 19% to US\$ 862 million versus US\$ 1,066 million in the first half year of 2016. The decrease is driven by the slowdown of Turnkey construction and offshore services activities despite a 36% year-on-year increase of revenue in the Lease and Operate segment.

IFRS EBITDA amounted to US\$ 453 million, representing a 40% increase driven by the Lease and Operate segment compared to US\$ 322 million in the year-ago period.

IFRS EBIT increased to US\$ 349 million, representing a 64% increase compared to US\$ 213 million in 2016.

IFRS net income attributable to shareholders for the first half year of 2017 came in at US\$ 92 million compared to US\$ 117 million for the year-ago period.

# FINANCIAL REVIEW

## IFRS STATEMENT OF FINANCIAL POSITION

Total assets under IFRS decreased by US\$ 0.3 billion to US\$ 11.2 billion as of June 30, 2017 compared to US\$ 11.5 billion at year-end 2016. This decrease reflects the regular periodic unwinding of finance lease receivables, regular depreciation on fixed assets and a lower cash position.

IFRS Shareholder's equity increased from US\$ 2,516 million at year end 2016 to US\$ 2,641 million at June 30, 2017 mostly thanks to the positive net result over the first half-year of 2017 and a significant increase in the fair value of forward currency contracts as a result of the currency appreciation of hedged currencies against the US\$, partially offset by the dividend paid over 2016.

IFRS net debt decreased by US\$ 191 million to US\$ 5,025 million at June 30, 2017, coming down from US\$ 5,216 million at year end 2016. The decrease in net debt is as a result of strong operating cash-flow generation, partially offset by increased net financing cost and payment of the 2016 cash dividend. Cash and cash equivalent balances came in at US\$ 824 million at June 30, 2017 compared to US\$ 904 million at December 31, 2016 while total loans and borrowings came down from US\$ 6,120 million at year end 2016 to US\$ 5,849 million.

IFRS cash from operating activities for the period was positive US\$ 396 million compared to US\$ 166 million during the first half of 2016. This primarily reflects the cash generated by the three new FPSOs that came into production in 2016.

The relevant banking covenants (Solvency, Net Debt/Adjusted EBITDA, Interest Cover) were all met at June 30, 2017. As in previous years, the Company has no off-balance sheet financing.

Further financial information is provided in the Condensed Consolidated Interim Financial Statements.

# COMPLIANCE STATEMENT

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

- The condensed consolidated interim financial statements as of and for the six months ended June 30, 2017 as presented under IAS 34, and supplemented by essential non-IFRS disclosures (Directional Reporting), give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company, and the undertakings included in the consolidation taken as a whole;
- The interim financial statements and the Management Board report as presented in the press release dated August 9, 2017, give 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).

## Management Board

B.Y.R. Chabas, Chief Executive Officer

P. Barril, Chief Operating Officer

E. Legendijk, Chief Governance and Compliance Officer

D.H.M. Wood, Chief Financial Officer

## SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

	<b>Consolidated Financial Statements (unaudited)</b> .....	<b>9</b>
	Consolidated Income Statement (unaudited).....	9
	Consolidated Statement of Comprehensive Income (unaudited).....	10
	Consolidated Statement of Financial Position (unaudited).....	11
	Consolidated Statement of Changes in Equity (unaudited).....	12
	Consolidated Cash Flow Statement (unaudited).....	13
	<b>Notes</b> .....	<b>14</b>
1	General Information.....	14
2	Basis for Preparation.....	14
3	Accounting Principles.....	14
4	Use of Estimates.....	16
5	Fair Value Measurement.....	16
6	Financial Risk Management.....	17
7	Highlights.....	18
8	Operating Segments.....	18
9	Other Operating Income and Expense.....	21
10	Net Financing Costs.....	21
11	Income Tax.....	21
12	Earnings / (Loss) per Share.....	21
13	Property, Plant and Equipment.....	22
14	Finance Lease Receivables.....	23
15	Other Financial Assets.....	23
16	Equity Attributable to Shareholders.....	24
17	Loans and Borrowings.....	24
18	Accounting Classifications and Fair Values of Financial Instruments.....	25
	Accounting classifications and fair values.....	25
	Measurement of fair values.....	30
19	Provisions.....	31
20	Other Information.....	32
20.1	Financial information related to equity-accounted investees.....	32
20.2	Commitments.....	32
20.3	Contingencies.....	32
20.4	Related party transactions.....	33
21	Events after the end of the Reporting Period.....	33



The Notes 1 to 21 are an integral part of these condensed interim 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	2017	2016
Revenue	8	862	1,066
Cost of sales		(418)	(696)
<b>Gross margin</b>	8	<b>444</b>	<b>370</b>
Other operating income/(expense)	9	1	(51)
Selling and marketing expenses		(18)	(19)
General and administrative expenses		(62)	(72)
Research and development expenses		(15)	(15)
<b>Operating profit/(loss) (EBIT)</b>		<b>349</b>	<b>213</b>
Financial income		15	14
Financial expenses		(177)	(128)
<b>Net financing costs</b>	10	<b>(162)</b>	<b>(115)</b>
Share of profit of equity-accounted investees		4	40
<b>Profit/(Loss) before tax</b>		<b>191</b>	<b>138</b>
Income tax expense	11	(12)	(7)
<b>Profit/(Loss)</b>		<b>179</b>	<b>131</b>
Attributable to shareholders of the parent company		92	117
Attributable to non-controlling interests		87	14
<b>Profit/(Loss)</b>		<b>179</b>	<b>131</b>

#### Earnings/(loss) per share

	Notes	2017	2016
Weighted average number of shares outstanding	12	202,276,669	212,153,004
Basic earnings/(loss) per share	12	US\$ 0.45	US\$ 0.55
Fully diluted earnings/(loss) per share	12	US\$ 0.45	US\$ 0.55

# SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US\$

	2017	2016
<b>Profit/(Loss) for the period</b>	<b>179</b>	<b>131</b>
Cash flow hedges	91	(170)
Deferred tax on cash flow hedges	-	(5)
Foreign currency variations	(18)	(26)
<b>Items that are or may be reclassified to profit or loss</b>	<b>73</b>	<b>(201)</b>
Remeasurements of defined benefit liabilities	(3)	(6)
Deferred tax on remeasurement of defined benefit liabilities	0	0
<b>Items that will never be reclassified to profit or loss</b>	<b>(3)</b>	<b>(6)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>70</b>	<b>(207)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>250</b>	<b>(76)</b>
Of which		
- on controlled entities	246	(66)
- on equity-accounted entities	4	(10)
Attributable to shareholders of the parent company	166	5
Attributable to non-controlling interests	84	(81)
<b>Total comprehensive income for the period, net of tax</b>	<b>250</b>	<b>(76)</b>

To minimize foreign currency risk, expenditures in currencies other than US\$ are hedged with forward currency contracts. The significant fair value increase of the forward currency contracts compared to December 31, 2016 is triggered by the currency appreciation of the hedged currencies against the US\$ (the Euro increased by c. 8% and the Malaysian Ringgit and the Great Britain Pound increased by c. 5% against the US\$).

Consequently, the negative hedging reserve linked to the forward currency contracts designated as cash flow hedges decreased by US\$ 91 million in the period ended June 30, 2017. Compared to the period ended June 30, 2016, the fair value of the Company's interest rate swaps is relatively stable following limited variation of interest rates in the first half year of 2017.

Due to the above mentioned hedging strategy, the effect on the fair values and hedging reserve of the change in foreign currency exchange rates will not have a material impact on the future cash flows, or on covenant ratios.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US\$

Notes

30 June 2017

31 December 2016

### ASSETS

Property, plant and equipment	13	1,396	1,474
Intangible assets		45	46
Investment in associates and joint ventures		463	484
Finance lease receivables	14	7,059	7,232
Other financial assets	15	178	249
Deferred tax assets		34	29
Derivative financial instruments	18	12	8

<b>Total non-current assets</b>		<b>9,186</b>	<b>9,522</b>
---------------------------------	--	--------------	--------------

Inventories		4	5
Finance lease receivables	14	343	328
Trade and other receivables		766	681
Income tax receivables		8	-
Construction work-in-progress		23	15
Derivative financial instruments	18	66	30
Cash and cash equivalents		824	904
Assets held for sale	13	17	1

<b>Total current assets</b>		<b>2,051</b>	<b>1,965</b>
-----------------------------	--	--------------	--------------

<b>TOTAL ASSETS</b>		<b>11,238</b>	<b>11,488</b>
---------------------	--	---------------	---------------

### EQUITY AND LIABILITIES

Issued share capital		59	56
Share premium reserve		1,163	1,163
Treasury shares		(46)	(166)
Retained earnings		1,632	1,697
Other reserves		(167)	(235)

<b>Equity attributable to shareholders of the parent company</b>		<b>2,641</b>	<b>2,516</b>
--	--	--------------	--------------

Non-controlling interests		1,026	996
---------------------------	--	-------	-----

<b>Total Equity</b>	16	<b>3,667</b>	<b>3,513</b>
---------------------	----	--------------	--------------

Loans and borrowings	17	5,278	5,564
Provisions	19	259	257
Deferred income		264	263
Deferred tax liabilities		16	10
Derivative financial instruments	18	128	122

<b>Total non-current liabilities</b>		<b>5,945</b>	<b>6,215</b>
--------------------------------------	--	--------------	--------------

Loans and borrowings	17	570	557
Provisions	19	346	347
Trade and other payables		608	706
Income tax payables		34	35
Derivative financial instruments	18	67	114

<b>Total current liabilities</b>		<b>1,626</b>	<b>1,760</b>
----------------------------------	--	--------------	--------------

<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,238</b>	<b>11,488</b>
-------------------------------------	--	---------------	---------------

# SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

in millions of US\$	Outstanding number of shares	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
<b>At 1 January 2017</b>	<b>213,471,305</b>	<b>56</b>	<b>1,163</b>	<b>(166)</b>	<b>1,697</b>	<b>(235)</b>	<b>2,516</b>	<b>996</b>	<b>3,513</b>
Profit/(Loss) for the period		-	.	-	92	-	92	87	179
Foreign currency translation		5	-	-	-	(23)	(18)	1	(18)
Remeasurements of defined benefit provisions		-	-	-	-	(3)	(3)	-	(3)
Cash flow hedges/net investment hedges		-	-	-	-	95	95	(4)	91
<b>Comprehensive income for the period</b>		<b>5</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>69</b>	<b>166</b>	<b>84</b>	<b>250</b>
IFRS 2 Vesting cost of Share based payments		-	-	-	6	(1)	5	-	5
Re-issuance treasury shares on the share based scheme		-	-	9	(8)	-	1	-	1
Share cancellation	(7,800,000)	(2)	-	111	(109)	-	-	-	-
Cash dividend		-	-	-	(47)	-	(47)	(27)	(74)
Equity repayment <sup>1</sup>		-	-	-	-	-	-	(27)	(27)
<b>At 30 June 2017</b>	<b>205,671,305</b>	<b>59</b>	<b>1,163</b>	<b>(46)</b>	<b>1,632</b>	<b>(167)</b>	<b>2,641</b>	<b>1,026</b>	<b>3,667</b>

1 mainly equity repayment from SBM Stones S.à r.l. and Alfa Lula Alto S.à r.l following shareholders resolution.

in millions of US\$	Outstanding number of shares	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
<b>At 1 January 2016</b>	<b>211,694,950</b>	<b>58</b>	<b>1,162</b>	<b>-</b>	<b>1,532</b>	<b>(255)</b>	<b>2,496</b>	<b>970</b>	<b>3,465</b>
Profit/(Loss) for the period		-	.	-	117	-	117	14	131
Foreign currency translation		1	-	-	-	(32)	(31)	4	(26)
Remeasurements of defined benefit provisions		-	-	-	-	(6)	(6)	-	(6)
Cash flow hedges/net investment hedges		-	-	-	-	(76)	(76)	(99)	(175)
<b>Comprehensive income for the period</b>		<b>1</b>	<b>-</b>	<b>-</b>	<b>117</b>	<b>(113)</b>	<b>5</b>	<b>(81)</b>	<b>(76)</b>
IFRS 2 Vesting cost of Share based payments		-	-	-	-	8	8	-	8
Issuance of shares on the share based scheme	781,036	0	2	-	15	(15)	2	-	2
Cash dividend		-	-	-	(45)	-	(45)	(4)	(49)
Equity funding <sup>1</sup>		-	-	-	-	-	-	94	94
Equity repayment <sup>2</sup>		-	-	-	-	-	-	(72)	(72)
<b>At 30 June 2016</b>	<b>212,475,986</b>	<b>59</b>	<b>1,164</b>	<b>-</b>	<b>1,620</b>	<b>(376)</b>	<b>2,466</b>	<b>906</b>	<b>3,372</b>

1 equity contribution into Alfa Lula Alto S.à r.l., Beta Lula Central S.à r.l. and SBM Stones S.à r.l. following shareholders resolution.

2 mainly equity repayment from Alfa Lula Alto S.à r.l. following shareholders resolution.

## CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US\$

	2017	2016
<b>Cash flow from operating activities</b>		
Receipts from customers	981	926
Payments for finance lease construction	-	(51)
Payments to suppliers and employees	(572)	(698)
Income tax received/(paid)	(13)	(10)
<b>Net cash from operating activities</b>	<b>396</b>	<b>166</b>
<b>Cash flow from investing activities</b>		
Investment in property, plant and equipment	(34)	(7)
Investment in intangible assets	(1)	(5)
Additions to funding loans	(1)	(44)
Redemption of funding loans	39	34
Interest received	11	7
Dividends received from equity-accounted investees	33	19
Net proceeds from disposal of property, plant and equipment	5	0
Net proceed from disposal of financial assets	-	(19)
<b>Net cash used in investing activities</b>	<b>52</b>	<b>(15)</b>
<b>Cash flow from financing activities</b>		
Net equity funding from partners	(27)	22
Additions to borrowings and loans	-	1,050
Repayments of borrowings and loans	(282)	(547)
Dividends paid to shareholders and non-controlling interests	(74)	(49)
Interest paid	(145)	(95)
<b>Net cash from financing activities</b>	<b>(528)</b>	<b>381</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(81)</b>	<b>533</b>
Net cash and cash equivalents as at 1 January	904	515
Net increase/(decrease) in net cash and cash equivalents	(81)	532
Foreign currency variations	1	(8)
<b>Net cash and cash equivalents end of period</b>	<b>824</b>	<b>1,039</b>

# SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

## NOTES

### 1 GENERAL INFORMATION

SBM Offshore N.V. is a company domiciled in Amsterdam, 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 listed on the Euronext Amsterdam stock exchange.

The condensed consolidated interim financial statements as of and for the six months ended June 30, 2017 comprise the interim 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 interim financial statements were authorised for issue by the Supervisory Board on August 8, 2017, and have not been audited.

### 2 BASIS FOR PREPARATION

The condensed consolidated interim financial statements as at and for the six months ended June 30, 2017 have been prepared in accordance with IAS 34 "Interim financial reporting". The interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, as the same policies apply except for the new IFRS standards and interpretations adopted by the European Union as at June 30, 2017, where effective, for financial years beginning January 1, 2017.

The consolidated financial statements of the Company as at end for the year ended December 31, 2016 are available upon request or can be downloaded on the Company's website.

The condensed consolidated interim financial statements are not materially impacted by seasonality.

### 3 ACCOUNTING PRINCIPLES

#### NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS OF JANUARY 1, 2017

The Company has adopted the following new standards with a date of initial application of January 1, 2017:

- IAS 7 Amendment 'Disclosure Initiative';
- IAS 12 Amendment 'Recognition of Deferred Tax Assets for Unrealised Losses';
- Annual Improvements to IFRSs 2014-2016 (Amendments to IFRS 12)

The adoption of the interpretations, amendments and annual improvements had no significant effect on the financial statements for earlier periods and on the interim financial statements for the period ended June 30, 2017. The Company does not expect the mentioned changes to have a significant effect on the financial statements for the financial year ending December 31, 2017.

## **STANDARDS AND INTERPRETATIONS NOT MANDATORY APPLICABLE TO THE COMPANY AS OF JANUARY 1, 2017**

The Company has decided not to early adopt standards and amendments published by the IASB and endorsed by the European Commission, but not mandatory applicable as of January 1, 2017. 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:

### **IFRS 9 – Financial Instruments**

This standard includes requirements for the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard will be mandatory as of January 1, 2018.

The Company has further analyzed the possible impacts and practical consequences of the standard's future application. Based on the analyses performed, the preliminary conclusions are the following:

- New rules for hedge accounting are not expected to generate significant changes in the Company's current accounting policy;
- The new impairment model whereby impairment of financial assets is based on a current expected credit loss model is expected to have very limited impact on the Company's finance lease receivables which should qualify as low credit risk financial instruments.

The Company will further investigate the possible impacts of the new impairment model on its other categories of financial assets during the second half of 2017.

### **IFRS 15 – Revenue Recognition**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

This standard specifies how and when an IFRS reporter recognizes revenue and requires such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principle-based five-step model to be applied to contracts with customers to provide goods or services in the ordinary course of business. This standard will be mandatory as of January 1, 2018.

The Company has analyzed the possible impacts and practical consequences of the standard's future application. The preliminary analysis of the existing contracts demonstrates that the Company's usual construction contracts represent one performance obligation and the progress-based measurement of revenue should remain the main method used by the Company for revenue recognition.

The lease contracts are specifically excluded from the scope of IFRS as they are covered by IFRS 16. For the operating and maintenance contracts no major changes are anticipated.

The Company expects to use the retrospective implementation method in 2018, with restatement of comparative figures for 2017. The impact is expected to be not material.

### **IFRS 16 – Leases**

IFRS 16 was issued in January 2016 and will be mandatory as of January 1, 2019. This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12

## **SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)**

months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard will be mandatory as of January 1, 2019.

In accounting for contracts where the Company is the lessor, the main potential impact is expected to be related to the variable lease payments (when applicable), which have to be included in the net investment in finance lease at the commencement date, whereas such contingent rents are explicitly excluded from the minimum lease payments used to determine the net investment in the lease under IAS 17. Based on the preliminary analysis that has been performed, the impact of including variable payments into the net investment in the finance lease is not expected to be material for the Company.

The Company has a number of lease contracts for land and buildings and instalment vessels that are currently accounted for under IAS 17 as operating leases. The impacts for these contracts where the Company is the lessee are expected to be the following, upon transition to IFRS 16:

- Assets and liabilities are expected to increase by an amount close to the net present value of future lease payments.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) will increase as the lease payments are presented as depreciation and finance cost rather than operating expenses.
- Operating cash flows will increase and investing and financing cash flows will decrease as the lease payments are no longer considered as operational.

The Company continues to analyze the impacts and practical consequences of the standard's future application.

Other new or revised accounting standards are not considered to have a material impact on the Company's consolidated financial statements.

### **4 USE OF ESTIMATES**

When preparing the condensed consolidated interim financial statements, it is necessary for the Management of the Company to make estimates and certain assumptions that can influence the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and assumptions, due to changes in facts and circumstances. Estimates and 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 judgments 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, 2016.

### **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 amortised cost are disclosed in Note 18 Accounting Classifications and Fair Values of Financial Instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:



- In the principal market for the asset or liability;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Information regarding the fair value of all financial assets and liabilities is included in Note 18 Accounting Classifications and Fair Values of Financial Instruments.

## **6 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, 2016.

In the Company's view, financial market, treasury and liquidity risks remain largely covered by the Company's full hedging policy and resulting volatility is not considered material in the overall financial context.

# SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

## 7 HIGHLIGHTS

### Awarded Turnkey and Lease and Operate Contracts for the ExxonMobil Liza FPSO

On June 22, 2017 the Company announced that ExxonMobil has formally confirmed the award of contracts for the next phase of the Liza project in Guyana. Under these contracts, SBM Offshore will construct, install and lease a floating production, storage and offloading vessel (FPSO). This follows completion of front-end engineering studies and the final investment decision on the project by ExxonMobil. The operating and maintenance scope is pending a final work order.

The FPSO is designed to produce up to 120,000 barrels of oil per day, will have associated gas treatment capacity of circa 170 million cubic feet per day and water injection capacity of circa 200,000 barrels per day. The converted VLCC FPSO will be spread moored in water depth of 1,525 meters and will be able to store 1.6 million barrels of crude oil.

The lease contract is classified as a finance lease contract under IAS 17.

### Provision for Brazil settlement in Brazil

On July 15, 2016, the Company signed a Leniency Agreement with the Ministry of Transparency, Oversight and Control (Ministério da Transparência, Fiscalização e Controle – 'MTFC'), the Public Prosecutor's Office (Ministério Público Federal – 'MPF'), the Attorney General's Office (Advocacia-Geral da União – 'AGU') and Petrobras. Discussions with the Brazilian authorities and Petrobras regarding this Leniency Agreement are ongoing, following the decision by the Brazilian Fifth Chamber not to approve the agreement and to send the agreement back to the Public Prosecutor for adjustments. The Company remains committed to engage with all relevant authorities until the Leniency Agreement is final, approved and has become effective. Until then, the Company is not under any obligation to make payments under the Leniency Agreement. The Leniency Agreement is also subject to review by the Federal Court of Accounts (Tribunal de Contas da União - TCU).

Although the Fifth Chamber of the Brazilian Federal Prosecutor Service has not approved the leniency agreement signed by Brazilian authorities, Petrobras and SBM Offshore on July 15, 2016, the terms of this agreement remain the Company's best estimate for an eventual settlement. As a result, the provision booked in the year ended December 31, 2016 consolidated financial statements has been maintained and updated during the first half of 2017, up to the amount of the present value of the financial terms of the leniency agreement being US\$ 292 million, impacting the line 'Net financing costs' of the consolidated income statement by US\$ 11 million reflecting the unwinding of the discounting impact of future settlement.

## 8 OPERATING SEGMENTS

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 Section 5.2.7.C(e) "Significant Accounting policies" of the consolidated financial statements as of and for the year ended December 31, 2016. A reconciliation of the Directional operating segments to IFRS is then provided for each applicable reporting period .

## 2017 operating segments

For the six months ended June 30	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
<b>Third party revenue</b>	<b>745</b>	<b>90</b>	<b>835</b>	-	<b>835</b>
<b>Gross margin</b>	<b>262</b>	<b>25</b>	<b>288</b>	-	<b>288</b>
Other operating income/expense	(2)	3	1	0	1
Selling and marketing expenses	(1)	(17)	(18)	0	(18)
General and administrative expenses	(9)	(24)	(33)	(29)	(62)
Research and development expenses	(1)	(15)	(15)	0	(15)
<b>Operating profit/(loss) (EBIT)</b>	<b>250</b>	<b>(28)</b>	<b>222</b>	<b>(29)</b>	<b>193</b>
Net financing costs					(112)
Share of profit of equity-accounted investees					(8)
Income tax expense					(5)
<b>Profit/(Loss)</b>					<b>68</b>
Operating profit/(loss) (EBIT)	250	(28)	222	(29)	193
Depreciation, amortisation and impairment	233	5	238	0	238
<b>EBITDA</b>	<b>482</b>	<b>(23)</b>	<b>460</b>	<b>(29)</b>	<b>431</b>
Other segment information :					
Impairment charge/(reversal)	(10)	-	(10)	-	(10)

## Reconciliation of 2017 operating segments

For the six months ended June 30	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of Other <sup>1</sup>	Total Consolidated IFRS
<b>Revenue</b>					
Lease and Operate	745	152	(130)	-	767
Turnkey	90	2	3	-	95
<b>Total revenue</b>	<b>835</b>	<b>154</b>	<b>(127)</b>	-	<b>862</b>
<b>Gross margin</b>					
Lease and Operate	262	112	17	-	392
Turnkey	25	12	15	-	52
<b>Total gross margin</b>	<b>288</b>	<b>124</b>	<b>32</b>	-	<b>444</b>
<b>EBIT</b>					
Lease and Operate	250	112	17	-	379
Turnkey	(28)	12	15	-	(1)
Other	-	0	0	(29)	(29)
<b>Total EBIT</b>	<b>222</b>	<b>124</b>	<b>32</b>	<b>(29)</b>	<b>349</b>
<b>EBITDA</b>					
Lease and Operate	482	125	(130)	-	477
Turnkey	(23)	12	15	-	4
Other	-	-	-	(29)	(29)
<b>Total EBITDA</b>	<b>460</b>	<b>136</b>	<b>(115)</b>	<b>(29)</b>	<b>453</b>

<sup>1</sup> Impact of business segment that does not meet the definition of an operating segment

# SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

## 2016 operating segments

For the six months ended June 30	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
<b>Third party revenue</b>	<b>600</b>	<b>338</b>	<b>939</b>	-	<b>939</b>
<b>Gross margin</b>	<b>183</b>	<b>98</b>	<b>281</b>	-	<b>281</b>
Other operating income/expense	0	(29)	(29)	(22)	(51)
Selling and marketing expenses	(1)	(18)	(19)	0	(19)
General and administrative expenses	(12)	(35)	(46)	(26)	(72)
Research and development expenses	0	(15)	(15)	0	(15)
<b>Operating profit/(loss) (EBIT)</b>	<b>170</b>	<b>2</b>	<b>172</b>	<b>(48)</b>	<b>124</b>
Net financing costs					(86)
Share of profit of equity-accounted investees					3
Income tax expense					(3)
<b>Profit/(Loss)</b>					<b>38</b>
Operating profit/(loss) (EBIT)	170	2	172	(48)	<b>124</b>
Depreciation, amortisation and impairment	198	5	203	1	<b>203</b>
<b>EBITDA</b>	<b>368</b>	<b>6</b>	<b>375</b>	<b>(47)</b>	<b>327</b>
Other segment information :					
Impairment charge/(reversal)	(5)	-	(5)	-	<b>(5)</b>

## Reconciliation of 2016 operating segments

For the six months ended June 30	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of Other <sup>1</sup>	Total Consolidated IFRS
<b>Revenue</b>					
Lease and Operate	600	51	(89)	-	562
Turnkey	338	(12)	178	-	504
<b>Total revenue</b>	<b>939</b>	<b>39</b>	<b>89</b>	-	<b>1,066</b>
<b>Gross margin</b>					
Lease and Operate	183	19	17	-	219
Turnkey	98	(16)	69	-	151
<b>Total gross margin</b>	<b>281</b>	<b>3</b>	<b>86</b>	-	<b>370</b>
<b>EBIT</b>					
Lease and Operate	170	19	18	-	207
Turnkey	2	(16)	68	-	54
Other	-	0	0	(48)	(48)
<b>Total EBIT</b>	<b>172</b>	<b>3</b>	<b>86</b>	<b>(48)</b>	<b>213</b>
<b>EBITDA</b>					
Lease and Operate	368	31	(88)	-	311
Turnkey	6	(16)	68	-	59
Other	-	-	-	(47)	(47)
<b>Total EBITDA</b>	<b>375</b>	<b>15</b>	<b>(20)</b>	<b>(47)</b>	<b>322</b>

<sup>1</sup> Impact of business segment that does not meet the definition of an operating segment

## 9 OTHER OPERATING INCOME AND EXPENSE

For the six months ended June 30	2017	2016
Restructuring expenses	(5)	(31)
Settlement expenses	-	(22)
Other operating income	5	2
<b>Total</b>	<b>1</b>	<b>(51)</b>

In 2017, the other operating income and expense mainly include other operating income from the sale of patent rights for US\$ 3.6 million and an additional provision for onerous contracts related to long-term offices rental contracts for US\$ 3.2 million, classified as restructuring expenses.

## 10 NET FINANCING COSTS

For the six months ended June 30	2017	2016
Interest income on loans & receivables	5	12
Interest income on investments	6	-
Interest income on Held-to-Maturity investments	-	0
Net gain on financial instruments at fair value through profit and loss	1	-
Net foreign exchange gain	2	-
Other financial income	1	1
<b>Financial income</b>	<b>15</b>	<b>14</b>
Interest expenses on financial liabilities at amortised cost	(113)	(75)
Interest expenses on hedging derivatives	(48)	(40)
Interest addition to provisions	(13)	(7)
Net loss on financial instruments at fair value through profit and loss	-	(1)
Net cash flow hedges ineffectiveness	(2)	-
Net foreign exchange loss	0	(5)
<b>Financial expenses</b>	<b>(177)</b>	<b>(128)</b>
<b>Net financing costs</b>	<b>(162)</b>	<b>(115)</b>

The increase in Net financing cost is mainly due to the interest expenses related to FPSO Cidade de Marica (on hire as of February 7, 2016), FPSO Cidade de Saquarema (on hire as of July 8, 2016) and FPSO Turritella (on hire as of September 2, 2016).

## 11 INCOME TAX

The effective tax rate, excluding the income from companies accounted for under the equity method, is 6.5% in the first half of 2017, compared to 9.6% for the full year 2016.

## 12 EARNINGS / (LOSS) PER SHARE

The basic earnings per share for the period amounts to US\$ 0.45 (for the six months ended June 30, 2016: US \$ 0.55).

The fully diluted earnings per share amounts to US\$ 0.45 (for the six months ended June 30, 2016: US\$ 0.55).

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.

## SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

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 2017	30 June 2016
Earnings attributable to shareholders (in thousands of US\$)	91,882	117,485
Number of shares outstanding at January 1	202,042,126	211,694,950
Average number of new shares issued	-	458,054
Average number of treasury shares transferred to employee share programs	234,543	-
<b>Weighted average number of shares outstanding</b>	<b>202,276,669</b>	<b>212,153,004</b>
Potential dilutive shares from stock option scheme and other share-based payments	-	137,634
<b>Weighted average number of shares (diluted)</b>	<b>202,276,669</b>	<b>212,290,638</b>
Basic earnings per share	US\$ 0.45	US\$ 0.55
Fully diluted earnings per share	US\$ 0.45	US\$ 0.55

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for the issue of matching shares to the Management Board and other senior management.

## 13 PROPERTY, PLANT AND EQUIPMENT

The movement of the property, plant and equipment is summarized as follows:

	30 June 2017	31 December 2016
Cost	3,694	3,709
Accumulated depreciation and impairment	(2,220)	(2,023)
<b>Book value at 1 January</b>	<b>1,474</b>	<b>1,686</b>
Additions	34	9
Disposals	0	(1)
Depreciation	(111)	(216)
(Impairment)/impairment reversal	10	8
Exchange rate differences	4	(1)
Other movements	(15)	(11)
<b>Movements during the period</b>	<b>(78)</b>	<b>(212)</b>
Cost	3,424	3,694
Accumulated depreciation and impairment	(2,028)	(2,220)
<b>Net book value at end of period</b>	<b>1,396</b>	<b>1,474</b>

Additions during the period mainly relate to the purchase of a double VLCC hull tanker. "Other movements" for the period relate to Marlim Sul, which was laid up in 2016 and will be recycled for a purchase price of US \$ 15 million, resulting in the impairment reversal of US\$ 10 million in the lease and operate segment and classification as "Asset held for sale" on the statement of financial position as at June 30, 2017.

## 14 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 2017	31 December 2016
Gross receivable	13,409	13,878
Less: Unearned finance income	(6,007)	(6,318)
<b>Total</b>	<b>7,402</b>	<b>7,560</b>
Of which		
Current portion	343	328
Non-current portion	7,059	7,232

As of June 30, 2017, finance lease receivables relate to the finance lease of:

- 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 *Turitella*, which started production in September 2016 for a charter of 10 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 20 years;
- FSO *Yetagun* life extension started in May 2015 for a charter of 3 years.

The decrease in finance lease receivable is driven by the redemptions as per the payment plans.

## 15 OTHER FINANCIAL ASSETS

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

	30 June 2017	31 December 2016
Non-current portion of other receivables	64	60
Non-current portion of loans to joint ventures and associates	114	189
<b>Total</b>	<b>178</b>	<b>249</b>

The current portion of other receivables and 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.

### LOANS TO JOINT VENTURES AND ASSOCIATES

	30 June 2017	31 December 2016
Current portion of loans to joint ventures and associates	55	25
Non-current portion of loans to joint ventures and associates	114	189
<b>Total</b>	<b>169</b>	<b>215</b>

As of June 30, 2017 the decrease in loans to joint ventures mainly represents the redemptions of loans.

## SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

The carrying amount for the net investment, including shareholder loans, in the Joint Venture owning the Paenal construction yard operating in Angola has been impaired by US\$ 59 million in the second half of 2016 and remains impaired. The impairment was determined based on the net investment position considered as the loans plus the share in losses of the associates.

### 16 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 eurocent (€ 0.25) each and four hundred million (400,000,000) Protective Preference Shares, with a nominal value of twenty-five eurocent (€ 0.25) each.

During the period up to and including June 30, 2017, 7,800,000 treasury shares were cancelled. The total number of ordinary shares outstanding at June 30, 2017 was 205,671,305 (December 31, 2016: 213,471,305).

#### TREASURY SHARES

A total number of 3,020,509 treasury shares are still reported in the outstanding ordinary shares as at June 30, 2017 and held predominantly for employee share programs. During the six months ending June 30, 2017, 608,670 shares were transferred to employee share programs.

### 17 LOANS AND BORROWINGS

#### BANK INTEREST-BEARING LOANS AND OTHER BORROWINGS

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

	30 June 2017	31 December 2016
Non-current portion	5,564	4,959
Add: current portion	557	763
<b>Remaining principal at the beginning of period</b>	<b>6,120</b>	<b>5,722</b>
Additions	-	1,157
Redemptions	(282)	(780)
Transaction and amortised costs	11	21
Other movements	-	0
<b>Movements during the period</b>	<b>(271)</b>	<b>398</b>
<b>Remaining principal at end of period</b>	<b>5,849</b>	<b>6,120</b>
Less: Current portion	(570)	(557)
<b>Non-current portion</b>	<b>5,278</b>	<b>5,564</b>
Transaction and amortised costs	127	137
<b>Remaining principal at end of period (excluding transaction and amortised costs)</b>	<b>5,975</b>	<b>6,258</b>
Less: Current portion	(589)	(576)
<b>Non-current portion</b>	<b>5,386</b>	<b>5,682</b>

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 Revolving Credit Facility (RCF).

The Revolving Credit Facility (RCF) was renewed on December 16, 2014 and will mature on December 16, 2021 after the last one-year extension option was exercised in December 2016. The US\$ 1 billion facility was secured with a select group of 13 core relationship banks and replaces the previous facility of US\$ 750 million. In the last year of its term (from December 17, 2020 to December 16, 2021) the RCF is reduced by US\$ 50 million. The RCF can be increased by US\$ 250 million on three occasions up to a total amount of US\$ 1,250 million (US\$ 1,200 million in the last year), subject to the approval of the RCF lenders. The RCF commercial conditions are based on LIBOR and a Margin adjusted in accordance with the applicable Leverage Ratio ranging from a bottom level of 0.50% p.a. to a maximum of 1.90% p.a.

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:** Tangible Net Worth divided by Total Tangible Assets > 25%
- **Leverage Ratio:** Consolidated Net Borrowings divided by adjusted EBITDA < 4.5 in June 2017, 4.25 in December 2017 and 3.75 thereafter
- **Interest Cover Ratio:** Adjusted EBITDA divided by Net Interest Payable > 4.0

Simplified definitions used for the purpose of covenants calculations are described under Section 5.3.24 "Loans and Borrowings" of the consolidated financial statements as of and for the year ended December 31, 2016.

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

## 18 ACCOUNTING CLASSIFICATIONS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

### ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

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

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

## SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

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

### Accounting classification and fair values as at June, 30 2017

	Notes	Carrying amount				Financial liabilities at amortised cost	Total
		Fair Value through profit or loss	Fair value - hedging instruments	Loans and receivables	IAS 17 Leases		
<b>Financial assets measured at fair value</b>							
Interest rate swaps		-	3	-	-	-	3
Forward currency contracts		23	52	-	-	-	75
<b>Total</b>		<b>23</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79</b>
<b>Financial assets not measured at fair value</b>							
Trade and other receivables		-	-	711	-	-	711
Finance lease receivables	14	-	-	-	7,402	-	7,402
Loans to joint ventures and associates	15	-	-	169	-	-	169
<b>Total</b>		<b>-</b>	<b>-</b>	<b>881</b>	<b>7,402</b>	<b>-</b>	<b>8,282</b>
<b>Financial liabilities measured at fair value</b>							
Interest rate swaps		-	159	-	-	-	159
Forward currency contracts		35	1	-	-	-	36
<b>Total</b>		<b>35</b>	<b>160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195</b>
<b>Financial liabilities not measured at fair value</b>							
US\$ project finance facilities drawn	17	-	-	-	-	5,798	5,798
Revolving credit facility/Bilateral credit facilities	17	-	-	-	-	(3)	(3)
Other debt	17	-	-	-	-	53	53
Trade and other payables/Other non-current liabilities		-	-	-	-	608	608
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,457</b>	<b>6,457</b>

## Fair value levels 2017

	Notes	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>					
Interest rate swaps		-	3	-	3
Forward currency contracts		-	75	-	75
Corporate securities		-	-	-	-
<b>Total</b>		<b>-</b>	<b>79</b>	<b>-</b>	<b>79</b>
<b>Financial assets not measured at fair value</b>					
Finance lease receivables	14	-	-	7,640	7,640
Loans to joint ventures and associates	15	-	-	167	167
<b>Total</b>		<b>-</b>	<b>-</b>	<b>7,807</b>	<b>7,807</b>
<b>Financial liabilities measured at fair value</b>					
Interest rate swaps		-	159	-	159
Forward currency contracts		-	36	-	36
<b>Total</b>		<b>-</b>	<b>195</b>	<b>-</b>	<b>195</b>
<b>Financial liabilities not measured at fair value</b>					
US\$ project finance facilities drawn	17	-	5,802	-	5,802
Revolving credit facility/Bilateral credit facilities	17	-	(3)	-	(3)
Other debt	17	-	-	54	54
<b>Total</b>		<b>-</b>	<b>5,800</b>	<b>54</b>	<b>5,854</b>

### Additional information

- In the table above, the Company has disclosed the fair value of each class of financial assets and financial liabilities in a way that permits the information to be compared with the carrying amounts
- Classes of financial instruments that are not used are not disclosed
- 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
- No instruments were transferred between Level 1 and Level 2
- 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, 2017 and December 31, 2016. Financial Derivatives amounting to a fair value of US\$ 6 million (2016: US\$ 6 million) were subject to enforceable master netting arrangements or similar arrangements but were not offset as the IAS 32 'Financial Instruments – Presentation' criteria were not met. The impact of offsetting would result in a reduction of both assets and liabilities by US\$ 6 million (2016: US\$ 6 million)

# SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

Accounting classification and fair values as at December 31, 2016

	Carrying amount						
	Notes	Fair Value through profit or loss	Fair value - hedging instruments	Loans and receivables	IAS 17 Leases	Financial liabilities at amortised cost	Total
<b>Financial assets measured at fair value</b>							
Interest rate swaps		-	6	-	-	-	6
Forward currency contracts		26	7	-	-	-	33
<b>Total</b>		<b>26</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39</b>
<b>Financial assets not measured at fair value</b>							
Trade and other receivables		-	-	656	-	-	656
Finance lease receivables	14	-	-	-	7,560	-	7,560
Loans to joint ventures and associates	15	-	-	215	-	-	215
<b>Total</b>		<b>-</b>	<b>-</b>	<b>870</b>	<b>7,560</b>	<b>-</b>	<b>8,430</b>
<b>Financial liabilities measured at fair value</b>							
Interest rate swaps		-	170	-	-	-	170
Forward currency contracts		12	54	-	-	-	66
<b>Total</b>		<b>12</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>236</b>
<b>Financial liabilities not measured at fair value</b>							
US\$ project finance facilities drawn	17	-	-	-	-	4,624	4,624
US\$ guaranteed project finance facilities drawn	17	-	-	-	-	1,426	1,426
Revolving credit facility/Bilateral credit facilities	17	-	-	-	-	(3)	(3)
Other debt	17	-	-	-	-	73	73
Trade and other payables/Other non-current liabilities		-	-	-	-	706	706
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,826</b>	<b>6,826</b>

## Fair value levels 2016

	Notes	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>					
Interest rate swaps		-	6	-	6
Forward currency contracts		-	33	-	33
<b>Total</b>		-	<b>39</b>	-	<b>39</b>
<b>Financial assets not measured at fair value</b>					
Finance lease receivables	14	-	-	7,476	7,476
Loans to joint ventures and associates	15	-	-	197	197
<b>Total</b>		-	-	<b>7,673</b>	<b>7,673</b>
<b>Financial liabilities measured at fair value</b>					
Interest rate swaps		-	170	-	170
Forward currency contracts		-	66	-	66
<b>Total</b>		-	<b>236</b>	-	<b>236</b>
<b>Financial liabilities not measured at fair value</b>					
US\$ project finance facilities drawn	17	-	4,634	-	4,634
US\$ guaranteed project finance facilities drawn	17	-	1,426	-	1,426
Revolving credit facility/Bilateral credit facilities	17	-	(3)	-	(3)
Other debt	17	-	-	75	75
<b>Total</b>		-	<b>6,057</b>	<b>75</b>	<b>6,132</b>

# SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

## MEASUREMENT OF FAIR VALUES

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

Type	Level 2 and level 3 instruments		Level 3 instruments
	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<b>Financial instrument measured at fair value</b>			
Interest rate swaps	Income approach – Present value technique	Not applicable	Not applicable
Forward currency contracts	Income approach – Present value technique	Not applicable	Not applicable
Commodity contracts	Income approach – Present value technique	Not applicable	Not applicable
<b>Financial instrument not measured at fair value</b>			
Loans to joint ventures and associates	Income approach – Present value technique	<ul style="list-style-type: none"> <li>▪ Forecast revenues</li> <li>▪ Risk-adjusted discount rate (7%-8%)</li> </ul>	The estimated fair value would increase (decrease) if : <ul style="list-style-type: none"> <li>▪ the revenue was higher (lower)</li> <li>▪ the risk-adjusted discount rate was lower (higher)</li> </ul>
Finance lease receivables	Income approach – Present value technique	<ul style="list-style-type: none"> <li>▪ Forecast revenues</li> <li>▪ Risk-adjusted discount rate (6%-8%)</li> </ul>	The estimated fair value would increase (decrease) if : <ul style="list-style-type: none"> <li>▪ the revenue was higher (lower)</li> <li>▪ the risk-adjusted discount rate was lower (higher)</li> </ul>
Loans and borrowings	Income approach – Present value technique	Not applicable	Not applicable
Other long term debt	Income approach – Present value technique	<ul style="list-style-type: none"> <li>▪ Forecast revenues</li> <li>▪ Risk-adjusted discount rate (7%-8%)</li> </ul>	The estimated fair value would increase (decrease) if : <ul style="list-style-type: none"> <li>▪ the revenue was higher (lower)</li> <li>▪ the risk-adjusted discount rate was lower (higher)</li> </ul>
Corporate debt securities	Market approach	Not applicable	Not applicable

## 19 PROVISIONS

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

### Provisions (summary)

	30 June 2017	31 December 2016
Demobilisation	105	103
Onerous contracts	40	42
Warranty	92	104
Employee benefits	32	26
Other	337	330
<b>Total</b>	<b>605</b>	<b>604</b>
of which :		
Non-current portion	259	257
Current portion	346	347

### 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 10 Net Financing Costs).

### Onerous contracts

The Company has a long-term charter contract with the Diving Support and Construction Vessel (DSCV) SBM Installer. Due to the ongoing downturn which has created significant over-supply in offshore markets, the costs of the long-term chartering contract exceed the economic benefits expected to be received by the Company through the utilization of the vessel.

In light of previous years' restructuring programs, the Company has overcapacity in rented office space in various Regional Centers. The obligation for the discounted future unavoidable costs related to long-term offices rental contracts has been provided for through a provision for onerous contracts.

### 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.

### Other

The increase of Other provision during the period mainly relates to the unwinding effect of the non-recurring provision for potential contemplated settlement with Brazilian authorities and Petrobras.

# SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)

## 20 OTHER INFORMATION

### 20.1 FINANCIAL INFORMATION RELATED TO EQUITY-ACCOUNTED INVESTEEES

The total revenue of the joint-ventures accounted for under the equity method (at 100%) represents US\$ 236 million for the six months ended June, 30 2017 (for the six months ended June, 30 2016: US\$ 317 million).

### 20.2 COMMITMENTS

#### Parent Company Guarantees

In the ordinary course of business, the Company is committed to fulfil various types of obligations arising from customer contracts (among which full performance and warranty obligations).

As such, the Company has issued Parent Company Guarantees for contractual obligations in respect of several group companies, including equity-accounted joint ventures, with respect to long-term lease and operate contracts.

#### Commitments

As at June 30, 2017, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US\$ 80 million (December 31, 2016: US\$ 2 million). Investment commitments have increased due to the commencement of Liza FPSO project.

#### Purchase Options in Lease Contracts

Some of the lease contracts where the Company is the lessor include call options for the client to purchase the assets or to terminate the contracts early for convenience.

### 20.3 CONTINGENCIES

#### Contingent Liabilities

At the end of January 2016, the United States Department of Justice (DoJ) informed the Company that it has re-opened its past inquiry of the Company in relation to the alleged improper sales practices over the period 2007 to 2011 and has made information requests in connection with that inquiry.

During the period, the Company has also cooperated with the DoJ for its inquiry into Unaoil, a company that SBM Offshore had engaged as agent prior to 2012.

The Company remains committed to close out discussions on this legacy issue which the Company self-reported to the authorities in 2012 and for which it reached a settlement with the Dutch Public Prosecutor in 2014.

Discussions have been advancing with the DoJ during the period. However, pending finalisation of these discussions, the Company cannot provide further clarity or assurance as to the outcome or timing thereof.

#### Contingent Asset

On July 17, 2017, the Company announced that it has agreed Heads of Terms of settlement with a 73.6% majority group of the US\$ 500 million primary insurance layer for the settling of insurers' shares of the Company's insurance claim relating to the YME project (please refer to note 21 Events after the end of the Reporting Period).



The Company continues to pursue its claim against all remaining insurers including the two excess layers, the trial of which is scheduled to commence October 2018 to recover losses incurred in connection with the Yme development. Under the terms of the settlement agreement with Talisman, all pending and future claim recoveries (after expenses and legal costs) relating to the Yme development project under the relevant construction all risks insured shall be shared 50/50 between the Company and Repsol.

## 20.4 RELATED PARTY TRANSACTIONS

During 2017, no major related party transactions requiring additional disclosure in the financial statements took place.

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

	<i>Note</i>	<b>2017</b>	<b>2016</b>
Revenue		8	7
Cost of sales		(16)	(77)
Loans to joint ventures and associates	15	169	215
Trade receivables		220	164
Trade payables		45	78

Revenue and cost of sales are presented for the six months ended June 30 whereas financial positions are presented as of June 30, 2017 and December 31, 2016.

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. The decrease of cost of sales is mainly driven by lower transactions with the Brasa yard.

## 21 EVENTS AFTER THE END OF THE REPORTING PERIOD

### FPSO Turritella Purchase Option Exercised by Shell

On July 11, 2017 the Company announced that Shell E&P Offshore Services B.V. (Shell) notified the Company of the fact that Shell is exercising its right under the charter agreement to purchase the FPSO Turritella. The purchase allows a Shell affiliate to assume operatorship of the Stones development in its entirety, creating additional efficiencies through integration of sub-sea to surface operations and allowing leverage of its optimized Gulf of Mexico organization and infrastructure. The transaction is expected to close in early 2018, which provides for a transition window ensuring a safe and controlled handover of operations.

The company selling the asset is a joint-venture owned by SBM Offshore with 55% interest, Mitsubishi Corporation with 30% interest and Nippon Yusen Kabushiki Kaisha (NYK Line) with 15% interest.

The transaction is expected to comprise a total cash consideration to the Joint-venture of approximately US \$ 1 billion. The net divestment proceeds, after taking into account the unwinding of the commitments to the partners in Joint-venture, will primarily be used for project finance redemption and as such will decrease the Company's net debt position.

## **SBM OFFSHORE N.V. - CONDENSED CONSOLIDATED INTERIM IFRS FINANCIAL STATEMENTS (UNAUDITED)**

In accordance with IAS 10, this event that occurred after the end of the period ended June 2017 is a non-adjusting event.

The financial impact of the transaction and the timing of its recognition in the Company's consolidated financial statements will depend on the effective purchase option closing date, which is currently expected early 2018.

The transaction will ultimately lead to recognition in the consolidated income statement of:

- A gain or loss on disposal to be calculated as the difference between the sale (net of the costs related to the transaction which include the effect of the unwinding of the commitments to the partners in Joint-venture) and the carrying amount of the asset (being the net investment in the lease reported as a Finance Lease Receivable under IFRS and the net book value of the Property, Plant and Equipment under Directional);
- The impact of the hedge accounting discontinuance of the Interest Rate Swap and amortization of the transaction costs related to the project loan to be repaid.

The total impact on the result attributable to the Company is estimated to be a loss of approximately US\$ 130 million under IFRS and a gain of approximately US\$ 120 million under Directional.

### **Agreed Heads of Terms for Settlement with a Majority Group of Primary Layer Insurers on the Yme Insurance Claim**

On July 17, 2017 the Company announced that it has agreed Heads of Terms for settlement with a 73.6% majority group of the US\$ 500 million primary insurance layer for the settling of insurers' shares of the Company's insurance claim relating to the Yme project.

The final agreement, which remains subject to contract, is expected to be formalized in the third quarter of 2017. In accordance with IAS 10, this event that occurred after the end of the period ended June 2017 is a non-adjusting event.

Pursuant to the settlement, the Company will receive a cash payment of approximately US\$ 247 million in full and final settlement of its claim against the settling insurers. Following reimbursement first of legal fees and other claim related expenses incurred to date (most of which being incurred by the Company), the balance of the settlement monies will be shared equally between the Company and Repsol in accordance with the terms of their Settlement Agreement of March 11, 2013 which concluded the Yme project.

The impact on the result attributable to the Company will be recognized as an insurance income in the consolidated income statement for the year ended December 31, 2017 and is expected to exceed US\$ 100 million.

The Company continues to pursue its claim against all remaining insurers including the two excess layers, the trial of which is scheduled to commence October 2018.