

2018

HALF YEAR RESULTS



EBI
OFFSHORE

EXPERIENCE MATTERS

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INTERIM MANAGEMENT REPORT

FASTER FORWARD

The Company continues to deliver solid results. Turnkey is ramping up on the back of recent order wins in a market where recovery is gaining momentum. Both major projects in Turnkey, the Castberg turret mooring system and FPSO *Liza 1*, are progressing according to client schedule. The Company was awarded the Front End Engineering and Design (FEED) study for FPSO *Liza 2*. The next phase for this major project will represent the Company's first Fast4Ward™ project, subject to final authorizations. FPSO *Liza 2* will be the largest capacity FPSO the Company has ever delivered, at the same time following an accelerated time schedule.

Post period, the Company signed a Leniency Agreement with authorities in Brazil and Petrobras, with payment amounts in line with its provision. The agreement marks a key milestone towards a closure of the Company's legacy issues in Brazil, allowing the pursuit of new Petrobras tenders.

The market outlook shows signs of a cycle turning following years-long under-investment in oil and gas production infrastructure. The Company has positioned itself over the last five years to benefit from this, retaining experience and investing in Fast4Ward™. This program enables the Company to deliver larger capacity FPSOs faster, on a de-risked schedule using a standard new-build hull with a number of standardized topsides modules.

Bruno Chabas, CEO of the Company, commented:

"Building on our long history and experience, we are entering a new phase. Our Lease and Operate business has helped stabilize the Company through one of the longest and deepest oil and gas services crises in living memory and is continuing its record of strong operational performance and cash flow delivery. During the downturn, we invested in the industry-changing Fast4Ward™ concept, capitalizing on the Company's unique experience in project delivery and offshore operations. Our first Fast4Ward™ based contract and the level of client endorsement demonstrate that the concept is winning the confidence of the industry. We intend to apply the Fast4Ward™ philosophy to our overall offering of products and services leveraging also the investments we are making in digitalization. Today, with full access to all markets, SBM Offshore is looking forward with confidence on the basis of increased demand, its strong strategic position and its uniquely experienced work force."

HIGHLIGHTS AND HALF YEAR EARNINGS

HIGHLIGHTS

- Underlying¹ year-to-date Directional² revenue of US\$ 808 million and Directional EBITDA of US\$ 414 million in line with the same period last year, with strong operational performance compensating for the impacts from FPSO *Turritella* leaving the fleet
- An additional US\$ 233 million EBITDA realized from the sale of FPSO *Turritella* and the net impact of an additional settlement for the YME insurance claim
- Underlying Directional profit attributable to shareholders³ increased by 17% to US\$ 81 million compared with first half of 2017, resulting in Underlying Directional EPS of US\$ 0.40 per share
- Directional net debt decreased by US\$ 0.3 billion, despite the recognition of lease liabilities of US\$ 0.2 billion following early adoption of IFRS 16
- Confirmed award for FPSO *Liza 2* contracts by ExxonMobil, representing the Company's largest and first Fast4Ward™ FPSO, next phase contracts (construction and installation) subject to authorizations
- Leniency Agreement signed with authorities in Brazil (CGU, AGU)⁴ and Petrobras on July 26, 2018; enabling the Company to compete in new tenders for Petrobras in Brazil
- 2018 Directional revenue guidance adjusted to around US\$ 1.7 billion with US\$ 1.3 billion from Lease and Operate and around US\$ 400 million from Turnkey due to a revised assumption of FPSO *Liza 1* remaining fully Company-owned
- Underlying 2018 Directional EBITDA guidance maintained at around US\$ 750 million, excluding positive effects from the sale of FPSO *Turritella* and an additional YME settlement but including the effect of early adoption of IFRS 16

OVERVIEW

in US\$ million	YTD Directional (Unaudited)		
	1H 2018	1H 2017	% Change
Revenue	808	835	-3%
Lease and Operate	654	745	-12%
Turnkey	154	90	71%
EBITDA	647	431	50%
Lease and Operate	427	482	-11%
Turnkey	250	(23)	
Other	(30)	(29)	3%
Underlying EBITDA	414	431	-4%
Lease and Operate	427	482	-11%
Turnkey	17	(23)	
Other	(30)	(29)	3%
Profit attributable to Shareholders	314	59¹	
Underlying profit attributable to Shareholders	81	69¹	17%
Earnings per share	1.54	0.29¹	
Underlying Earnings per share	0.40	0.34¹	18%

¹ 1H17 Directional earnings restated to reflect updated Directional tax computation methodology.

in US\$ billion	Directional		
	1H 2018 (Unaudited)	FY 2017	% Change
Pro-Forma Backlog	16.1	16.8	-4%

¹ Underlying 1H18 EBITDA excludes the one off positive effects from the sale of FPSO *Turritella* (US\$ 217 million) and additional settlement relating to the Yme insurance case (US\$ 16 million); Underlying net profit 1H18 is adjusted for the same items, 1H17 was adjusted for US\$ 11 million related to the unwinding effect on the net present value of future payments (instalments and bonus reductions) related to the Leniency Agreement, in financing cost.

² Directional view, presented under IFRS 8 Segment reporting, represents a pro-forma accounting policy, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated. This explanatory note relates to any Directional in this document.

³ 1H17 Directional earnings restated to reflect updated Directional tax computation methodology.

⁴ CGU (Ministério da Transparência e Controladoria-Geral da União), AGU (Advocacia Geral da União).

INTERIM MANAGEMENT REPORT

PERIOD REVIEW

Directional revenue was stable, decreasing by 3% to US\$ 808 million for the first half of 2018. This was due to lower Lease and Operate revenues, mainly as a result of FPSO *Turritella* leaving the fleet in January 2018 and planned maintenance. This decrease was partly offset by increased Turnkey activity which, compared to the same period last year, resulted in an increase in revenues by US\$ 64 million to a total of US\$ 154 million at mid-year 2018.

The Company's Underlying Directional EBITDA for the first half of 2018 decreased by 4% compared with the same period last year to a total of US\$ 414 million. Lease and Operate EBITDA for the first half of 2018 was US\$ 427 million, 11% lower than the first half of 2017, driven by the same factors as revenue. Turnkey saw a reduction in overheads compared with the same period last year and similarly benefited from successful project close-out with clients and suppliers, bringing the Underlying EBITDA to US\$ 17 million for the first half of this year.

Underlying EBITDA excludes positive one-off effects from the realized gain on the sale of FPSO *Turritella* (US\$ 217 million) and an additional settlement relating to the YME insurance case (US\$ 16 million, net of claim-related cost for the period). To ensure consistency with future reporting, Underlying EBITDA includes impacts from the early adoption of IFRS 16 where over the first half year of 2018 rental expenses amounting to US\$ 15 million are replaced by US\$ 13 million additional depreciation and financing cost.

For mid-year 2018 the Company reports Underlying Profit attributable to Shareholders of US\$ 81 million, representing an increase of 17% compared with the same period in 2017.

PROJECT REVIEW AND OPERATIONAL UPDATE

Project	Contract	SBM Share	Capacity, Size	POC	Expected Delivery	Notes
Liza 1, FPSO	10 year finance lease	100%	120,000 bpd		2020	On schedule, first dry dock session completed, topsides' module fabrication advancing
Castberg, Turret	Turnkey sale	100%	c. 190,000 bpd		2020	On schedule

Legend, Percentage of Completion (POC)



Fast4Ward™

The Company's first standard, multi-purpose hull is progressing well and according to schedule. This hull is reserved and planned to be allocated to the FPSO *Liza 2* project, subject to authorizations.

FPSO Liza 1

The major project FPSO *Liza 1* is making good progress to the satisfaction of our client. After finishing the first dry dock session, the project has entered an important phase with concurrent activities in hull conversion, module fabrication and package delivery. In Guyana, work is underway with respect to operations readiness while reviewing ways to maximize local content.

Castberg Turret Mooring System

The complex turret mooring system is making good progress in Dubai, after passing the milestone of the first steel cut. The project is on track to meet delivery early 2020, in-line with client schedule.

Operational Update

The Lease and Operate fleet uptime performance year-to-date was 97.0% which takes into account planned maintenance and life-time extension activities on FPSO *Capixaba*, a vessel with more than eight years in operation. Excluding this unit, the fleet's year-to-date uptime is 99.2%. The multi-year historical uptime remains constant at 99%.

FSO *Yetagun* was decommissioned and will be sold and transferred off balance sheet in 3Q18 for recycling, in line with the Company's policies and in accordance with the Hong Kong convention.

CORPORATE SOCIAL RESPONSIBILITY

While ramping up on two major projects entering construction, the Company continued to build on its safety performance operating at a level better than its 2018 Total Recordable Injury Frequency Rate (TRIFR) target of 0.26 as of mid-year 2018. On May 15, 2018, the Company organized its fifth Life Day across all the Company's vessels and locations, involving all of the Company's staff and other stakeholders, emphasizing process safety, human rights and wellbeing at work. The Company continued its focus on safety awareness through its company-wide monthly campaigns, which included sessions on the 12 lifesaving rules and a focus on process safety monitoring.

Regarding environmental impact, the Company maintained its year-to-date 2017 performance in the areas of air emissions and energy consumption. Oil released in produced water showed a 28% increase compared to the solid performance reported last year. Despite this increase, year-to-date 2018 performance remained better than target.

In the area of sustainability, the Company has selected seven sustainable development goals (SDG) for which there is an ongoing process for defining goals and creating action plans with associated performance monitoring and reporting. The Company continues to further embed sustainability in its processes and culture commensurate with HSSE and compliance.

YME INSURANCE CLAIM

In addition to last year's announced binding settlement with a group of the primary insurers relating to the Company's insurance claim arising from the YME project, the Company has settled with the remaining primary insurers, as well as some additional insurers. The Company's share in this additional settlement is for US\$ 16 million, net of claim related expenses. Under the terms of the settlement agreement with Repsol, all insurance claim recoveries after expenses and legal costs are to be shared equally between the Company and Repsol. The gross total recovery to be shared currently stands at around US\$ 340 million.

The Company continues to pursue its claim against the last remaining insurers. Unless settlement with these remaining insurers is reached, trial is scheduled to commence in October 2018.

DIRECTIONAL BACKLOG

The Company provides a pro-forma Directional backlog⁵ overview, which provides a normalized outlook of the existing leases. The pro-forma Directional backlog at the end of June 2018 decreased by c. US\$ 0.7 billion to a total of US\$ 16.1 billion. This decrease was mostly caused by the US\$ 0.8 billion turnover for the period mainly coming from Lease and Operate. Various new orders in Turnkey more than offset other adjustments and caused a net increase in the backlog by c. US\$ 100 million.

With respect to FPSO *Liza 1*, as disclosed on July 3, 2018 discussions with the client are underway regarding a potential accelerated transfer of ownership using the purchase option in the ten year lease contract. The outcomes of these discussions are expected to lead to a transfer of the FPSO ownership and operation after a period of up to two years after startup. This however is not final as such and will be reflected in the backlog if and when this has become final.

in US\$ billion	Turnkey	Lease & Operate	Total
2H 2018	0.2	0.7	0.9
2019	0.4	1.3	1.7
2020	0.1	1.5	1.6
Beyond 2020	0.1	11.9	11.9
Total Backlog	0.7	15.4	16.1

⁵ Normally the backlog would not yet reflect the agreed FPSO *Liza 1* operating and maintenance scope, which is pending a final work order. However, for the purpose of the pro-forma backlog represented in the backlog table, the FPSO *Liza 1* operating and maintenance scope has been taken into account.

INTERIM MANAGEMENT REPORT

FUNDING

At the end of June 2018, the Company had Directional cash and undrawn committed credit facilities totaling US\$ 1,842 million compared to US\$ 1,878 million at year-end 2017. Strong Directional cash flow from operations driven by Lease and Operate, combined with the net proceeds from Turritella and YME, was sufficient to fund investments in FPSO *Liza 1* and the Fast4Ward™ hull construction, pay interest and redeem project loans as well as pay dividend.

COMPLIANCE

The Company entered into a Leniency Agreement with the CGU, the AGU and Petrobras, as reported on July 26, 2018. The agreement marks a key milestone towards a closure of the Company's legacy issues in Brazil, supporting the continuation of a long-lasting relationship with Petrobras and allowing the pursuit of new Petrobras tenders.

The payment amounts agreed upon in the Leniency Agreement are in line with the provision maintained by the Company (for further details see Note 7 Financial Highlights).

The MPF⁶ is not a party to the Leniency Agreement. The lawsuit brought by the MPF under the Brazilian Improbability Law against various SBM Group companies, and the requested associated provisional measure, are still pending, as reported on July 5, 2018. The Company has subsequently re-engaged with the MPF to discuss the impact of the Leniency Agreement on this lawsuit and the request for provisional measures.

RELATED PARTY TRANSACTIONS

During the period, no major related party transactions requiring additional disclosure in the Company's 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:

	2018	2017
Revenue	8	8
Cost of sales	(10)	(16)
Loans to joint ventures and associates	97	110
Trade receivables	140	139
Trade payables	59	61
Lease liabilities ¹	115	-

¹ DSCV SBM Installer charter lease contract

For the avoidance of doubt, the above numbers describe the impact of related party transactions on the Company's financial statements prepared in accordance with IFRS.

Revenue and cost of sales are presented for the six months ended June 30 whereas financial positions are presented as of June 30, 2018 and December 31, 2017.

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.

OUTLOOK AND GUIDANCE

The recovery in the oil and gas sector continues to progress. Increasingly, deep water developments demonstrate competitive break-even pricing on the basis of supply-chain efficiency gains. Industry sources are predicting an increased risk of a significant energy supply gap occurring in the mid-2020s, exacerbated by many years of under-

⁶ MPF (Ministério Público Federal).

investment in new projects. For clients who are moving forward with investments in major deep water projects, this trend has the potential to bring substantial upside to already attractive original project economics.

The oil and gas services industry has structurally lost significant capacity which, combined with continued demand growth should create opportunity for selected players. The Company's strategic position combined with its Fast4Ward™ philosophy places the Company "in the right place, at the right time, with the right product offering". The Company will remain disciplined around tendering activities, evaluating risk and reward when selecting its opportunities. For the long term, considering a diverse range of third-party scenarios, the Company maintains its optimism about the role of deep water oil and gas in the energy mix of the future and continues to position itself to benefit from the anticipated energy transition towards more gas developments and renewable energy sources.

Subject to final outcome of the discussion with the client relating to the potential acquisition of the FPSO *Liza 1*, the Company has determined that it is optimal from an operational and financial perspective to retain full ownership as opposed to partnering and is changing its assumptions for 2018 guidance accordingly. As a consequence, under the Company's Directional accounting policy, the Company will not book revenue and margin deriving from partner contributions during the Turnkey phase of the project. The Company will instead book increased amounts related to the full 100% share in the Lease and Operate phase in line with the cash flow. The Company is therefore adjusting the guidance for Turnkey revenues for 2018 to around US\$ 0.4 billion. The guidance for Lease and Operate revenues is maintained at around US\$ 1.3 billion, meaning that the overall guidance for revenues now becomes around US\$ 1.7 billion in aggregate.

2018 Underlying EBITDA guidance is maintained at around US\$ 750 million. To ensure consistency for future reporting, this now includes the positive effect from early adoption of IFRS 16 in relation to which a total of c. US\$ 30 million has moved from rental cost in EBITDA to depreciation and financing costs. This effect partially offsets the change in the assumption of partnering for Liza 1. One-off effects from the sale of Turritella (US\$ 217 million) and the additional YME insurance case settlement (US\$ 16 million) are reported over and above the Underlying guidance.

INTERIM MANAGEMENT REPORT

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 that it treats all lease contracts as operating leases and consolidates all co-owned investees related to lease contracts on a proportional basis. Under Directional, the accounting results more closely track cash flow generation and Directional reporting is the basis used by the Management of the Company to monitor performance and for business planning.

As 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 while the financial information presented in Note 8 Operating Segments and Directional Reporting is presented under Directional with a reconciliation to IFRS. For clarity, the remainder of the numbers in the Interim Financial Statements are presented solely under IFRS.

PROFITABILITY

in US\$ million	Directional (Unaudited)	
	1H 2018	1H 2017
Revenue	808	835
Lease and Operate	654	745
Turnkey	154	90
EBITDA	647	431
Lease and Operate	427	482
Turnkey	250	(23)
Other	(30)	(29)
Underlying EBITDA	414	431
Lease and Operate	427	482
Turnkey	17	(23)
Other	(30)	(29)
Profit attributable to Shareholders	314	59¹
Underlying profit attributable to Shareholders	81	69¹

¹ Restated for comparison purpose, please refer to note 8

Underlying performance

Several non-recurring items impact the 2018 half year Directional profit attributable to shareholders for a total of US\$ 233 million. These non-recurring items are described as follows:

- The realized gain on disposal of FPSO *Turritella* after acquisition of the vessel by Shell on January 16, 2018. Since the sales price received from the client was higher than the remaining net book value of the vessel, a gain on disposal of US\$ 217 million was recognized during the period, impacting reported Directional EBITDA and Directional Profit attributable to Shareholders for the same amount.
- During the period the Company has entered into additional settlements relating to the Company's insurance claim arising from the YME project. This impacted the reported EBITDA and Directional Profit attributable to Shareholders for an amount of US\$ 16 million, net of claim-related costs incurred over the period. The Company continues to pursue its claim against the last remaining insurers. Unless settlement with these remaining insurers is reached, trial is scheduled to commence in October 2018.

For reference, non-recurring items for half year 2017 were impacting the Directional Profit attributable to Shareholders by US\$ (11) million. The US\$ (11) million related to net financing costs for the unwinding of discount on the provision for settlement with Brazilian authorities and Petrobras.

Revenue

Directional revenue for the first half year of 2018 came in at US\$ 808 million, a decrease of 3% when compared with the same period in the prior year. The ramp-up of Turnkey activity, started in the second half of 2017, is fully offset by a decreased contribution from the Lease and Operate segment. Directional revenue variance by segment is detailed as follows:

- Directional Lease and Operate revenue decreased by 12% to US\$ 654 million, representing 81% of total Directional revenue over the first half year of 2018. The decrease in the Lease and Operate segment revenue is mainly driven by FPSO *Turritella* leaving the fleet after successful handover of the vessel to Shell in mid-January 2018.
- Directional Turnkey revenue increased by 71% year-on-year to US\$ 154 million, representing 19% of total first half 2018 revenue. This compares with US\$ 90 million, or 11% of total revenue, in the year-ago period. The increase is mostly attributable to the progress made on the Johan Castberg Turret Mooring System EPC project awarded December 6, 2017.

EBITDA

Underlying Directional Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) for the first half year of 2018 was US\$ 414 million, a decrease of 4% when compared to Underlying EBITDA of US\$ 431 million in the year-ago period. Following the early adoption of IFRS 16 as per January 1, 2018, lease payments that were previously presented as rental cost are now presented as depreciation and finance cost. This change in classification has a positive impact of US\$ 15 million on the Company's reported Directional EBITDA in the first half year of 2018 and resulted in an increase of depreciation and net financing cost for a total amount of US\$ 13 million.

The variance in Underlying EBITDA by segment is further detailed as follows:

- A decrease in Underlying Directional Lease and Operate EBITDA from US\$ 482 million in the year-ago period to US\$ 427 million in the first half year of 2018, mainly driven by FPSO *Turritella* leaving the fleet and planned maintenance. First half year 2018 Underlying Directional Lease & Operate EBITDA margin stood at 65%, stable compared to the first half year of 2017.
- Underlying Directional Turnkey EBITDA increased by US\$ 40 million due to the gradual ramp-up of Turnkey activity year-on-year, positive project close outs and realized savings on overhead cost. Underlying Directional Turnkey EBITDA margin expressed as percentage of Turnkey revenue came in at 11%, compared to (25)% in the previous period. The increased level of activity during the first half year of 2018 was sufficient to absorb structural cost.
- The other non-allocated costs charged to EBITDA stood at US\$ 30 million, stable when compared to the year-ago period.

It should be noted that the construction of the FPSO *Liza* did not contribute to Directional revenue and gross margin over the period. This is because the contract is 100% owned by the Company and classified as operating lease as per Directional accounting policies.

Net income

Directional net financing costs totaled US\$ 74 million in the first half of 2018, down from US\$ 112 million in the year-ago period. The decrease is primarily due to the decrease in the Company's net debt, including the repayment of the project loan related to FPSO *Turritella*.

The effective tax rate decreased to 6.6% over the first half year of 2018, compared to 17.4% in the year-ago period. Note that the prior year effective tax rate is restated for comparison purposes (please refer to Note 8 Operating Segments and Directional Reporting).

As a result, the Company recorded an Underlying Directional net profit of US\$ 81 million, or US\$ 0.40 per share, for the first half year of 2018, up from US\$ 69 million, or US\$ 0.34 per share, in the year-ago period.

INTERIM MANAGEMENT REPORT

STATEMENT OF FINANCIAL POSITION

in US\$ million	Directional	
	1H 2018 (Unaudited)	FY 2017
Equity	1,360	1,097
Net Debt ¹	2,349	2,687
Net Cash	842	878
Total Assets	6,756	6,915
Cash from operating activities	289	707

¹ Net debt at June 30, 2018 is calculated as total borrowings (including the short-term part of the long-term debt, bank overdrafts and lease liability recognized for an amount of US\$ 202 million following the early adoption of IFRS 16) less cash and cash equivalents.

Shareholder's equity increased from US\$ 1,097 million at year-end 2017 to US\$ 1,360 million at June 30, 2018, mostly due to the positive net result over the first half year of 2018, partially offset by dividends paid to shareholders.

Net debt decreased by US\$ 338 million to US\$ 2,349 million at June 30, 2018, despite the recognition of lease liabilities of US\$ 202 million following early adoption of IFRS 16. The decrease in net debt is mainly the result of Turritella net divestment proceeds and strong operating cash flow generated by the Lease and Operate segment. Cash and cash equivalent balances came in at US\$ 842 million at June 30, 2018 compared to US\$ 878 million at December 31, 2017, while total borrowings and lease liabilities came down from US\$ 3,565 million at year-end 2017 to US\$ 3,191 million.

Total assets decreased by US\$ 0.1 billion to US\$ 6.8 billion as of June 30, 2018, compared with US\$ 6.9 billion at year-end 2017. This primarily results from the disposal of FPSO *Turritella*, previously classified as asset held for sale, and regular depreciation over the period of property, plant and equipment. The decrease is only partly offset by the recognition of right of use assets in accordance with IFRS 16 application, CAPEX additions related to FPSO *Liza* and increased trade receivables balance as a result of the increased Turnkey activity.

Cash from operating activities for the period was positive US\$ 289 million, primary reflecting strong cash flows generated by the Lease and Operate segment.

FINANCIAL REVIEW IFRS

PROFITABILITY

in US\$ million	IFRS (Unaudited)	
	1H 2018	1H 2017
Revenue	1,023	862
Lease and Operate	643	767
Turnkey	380	95
EBITDA	433	453
Lease and Operate	385	477
Turnkey	77	4
Other	(30)	(29)
Underlying EBITDA	417	453
Lease and Operate	385	477
Turnkey	62	4
Other	(30)	(29)
Profit attributable to Shareholders	147	92
Underlying profit attributable to Shareholders	131	102

Underlying Performance

Profit attributable to Shareholders under IFRS is only impacted by US\$ 16 million resulting from the additional settlement relating to the Company's insurance claim arising from the YME project. Under IFRS, the financial impact of the transfer of FPSO *Turritella* to Shell on Profit attributable to Shareholders of the Company was already fully recognized in 2017.

For reference, non-recurring items for half year 2017 were impacting the IFRS Profit attributable to Shareholders by US\$ (11) million. The US\$ (11) million related to net financing costs for the unwinding of discount on the provision for settlement with Brazilian authorities and Petrobras.

Revenue

Reported first half year 2018 IFRS revenue increased by 19% to US\$ 1,023 million versus US\$ 862 million in the first half year of 2017. The increase is driven by the Turnkey segment with construction activities related to FPSO *Liza* and the Johan Castberg Turret Mooring System EPC, both starting during the second half of 2017. The positive contribution of the Turnkey segment is partly offset by the decreasing revenue of the Lease and Operate segment mainly due to FPSO *Turritella* leaving the fleet during the first half of 2018.

EBITDA

IFRS Underlying EBITDA amounted to US\$ 417 million, representing an 8% decrease when compared to the same period in the prior year. This resulted from the decrease of the Underlying EBITDA of the Lease and Operate segment with FPSO *Turritella* leaving the fleet, only partly offset by the improved Turnkey segment contribution.

Net income

Underlying IFRS Profit attributable to Shareholders for the first half year of 2018 came in at US\$ 131 million compared to US\$ 102 million for the year-ago period.

INTERIM MANAGEMENT REPORT

STATEMENT OF FINANCIAL POSITION

	IFRS	
in US\$ million	1H 2018 (Unaudited)	FY 2017
Equity	3,590	3,559
Net Debt ¹	3,881	4,613
Net Cash	910	957
Total Assets	10,177	11,007
Cash from operating activities	1,297	955

¹ Net debt at 30 June, 2018 is calculated as total borrowings (including the short-term part of the long-term debt, bank overdrafts and lease liability of US\$ 202 million following the early adoption of IFRS 16) less cash and cash equivalents.

Total equity increased from US\$ 3,559 million at year-end 2017 to US\$ 3,590 million at June 30, 2018, with the positive result over the first half year of 2018 being largely offset by equity repayment to non-controlling interests and dividends paid to shareholders.

Net debt decreased by US\$ 732 million to US\$ 3,881 million at June 30, 2018, despite the recognition of lease liabilities of US\$ 202 million following early adoption of IFRS 16. The decrease in net debt is mainly the result of Turritella net divestment proceeds. Cash and cash equivalent balances came in at US\$ 910 million at June 30, 2018, compared to US\$ 957 million at December 31, 2017, while total borrowings and lease liabilities came down from US\$ 5,570 million at year end 2017 to US\$ 4,791 million at June 30, 2018.

Total assets decreased by US\$ 0.8 billion to US\$ 10.2 billion as of June 30, 2018, compared with US\$ 11 billion at year-end 2017. The decrease mainly results from the proceeds of FPSO *Turritella* disposal received during the period leading to full redemption of the finance lease receivable.

Cash from operating activities for the period was positive US\$ 1,297 million compared to US\$ 396 million during the first half of 2017. This primary reflects the proceeds received on FPSO *Turritella* divestment as well as strong cash flow generation of the Lease and Operate segment.

The relevant banking covenants (Solvency, Net Debt/Adjusted EBITDA, Interest Cover) were all met at June 30, 2018. As in previous years, the Company has no off-balance sheet financing.

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

DECLARATION MANAGEMENT BOARD

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, 2018 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 Interim 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).

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)

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The Notes 1 to 24 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	2018	2017
Revenue	9	772	553
Interest revenue from finance leases		251	309
Total revenue		1,023	862
Cost of sales		(636)	(418)
Gross margin	8	387	444
Other operating income/(expense)	10	16	1
Selling and marketing expenses		(15)	(18)
General and administrative expenses		(60)	(62)
Research and development expenses		(12)	(15)
Operating profit/(loss) (EBIT)		316	349
Financial income		29	15
Financial expenses		(137)	(177)
Net financing costs	11	(108)	(162)
Share of profit of equity-accounted investees		19	4
Profit/(loss) before tax		228	191
Income tax expense	12	(19)	(12)
Profit/(loss)		209	179
Attributable to shareholders of the parent company		147	92
Attributable to non-controlling interests		61	87
Profit/(loss)		209	179

Earnings/(loss) per share

	Notes	2018	2017
Weighted average number of shares outstanding	13	203,816,977	202,276,669
Basic earnings/(loss) per share	13	US\$ 0.72	US\$ 0.45
Fully diluted earnings/(loss) per share	13	US\$ 0.72	US\$ 0.45

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\$

	2018	2017
Profit/(loss) for the period	209	179
Cash flow hedges	48	91
Deferred tax on cash flow hedges	-	-
Foreign currency variations	(5)	(18)
Items that are or may be reclassified to profit or loss	43	73
Remeasurements of defined benefit liabilities	1	(3)
Deferred tax on remeasurement of defined benefit liabilities	-	0
Items that will never be reclassified to profit or loss	1	(3)
Other comprehensive income for the period, net of tax	44	70
Total comprehensive income for the period, net of tax	253	250
Of which		
- on controlled entities	230	246
- on equity-accounted entities	23	4
Attributable to shareholders of the parent company	141	166
Attributable to non-controlling interests	111	84
Total comprehensive income for the period, net of tax	253	250

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

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

Notes

30 June 2018

31 December 2017

		30 June 2018	31 December 2017
ASSETS			
Property, plant and equipment	14	1,295	1,243
Intangible assets		41	42
Investment in associates and joint ventures		452	457
Finance lease receivables	15	5,850	5,945
Other financial assets	16	169	201
Deferred tax assets		27	27
Derivative financial instruments	21	27	8
Total non-current assets		7,861	7,922
Inventories	17	42	10
Finance lease receivables	15	222	1,252
Trade and other receivables	18	706	635
Income tax receivables		11	10
Construction work-in-progress		366	134
Derivative financial instruments	21	57	85
Cash and cash equivalents		910	957
Assets held for sale		2	2
Total current assets		2,315	3,085
TOTAL ASSETS		10,177	11,007
EQUITY AND LIABILITIES			
Issued share capital		60	62
Share premium reserve		1,163	1,163
Treasury shares		(18)	(35)
Retained earnings		1,464	1,376
Other reserves		(69)	(65)
Equity attributable to shareholders of the parent company		2,600	2,501
Non-controlling interests		991	1,058
Total Equity	19	3,590	3,559
Borrowings and lease liabilities	20	4,273	4,347
Provisions	22	215	242
Deferred income		249	249
Deferred tax liabilities		18	16
Derivative financial instruments	21	27	80
Total non-current liabilities		4,783	4,935
Borrowings and lease liabilities	20	518	1,223
Provisions	22	456	588
Trade and other payables	18	715	596
Income tax payables		37	33
Derivative financial instruments	21	78	73
Total current liabilities		1,804	2,514
TOTAL EQUITY AND LIABILITIES		10,177	11,007

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
At 31 December 2017	205,671,305	62	1,163	(35)	1,376	(65)	2,501	1,058	3,559
Change in accounting policy - IFRS 9		-	-	-	(4)	-	(4)	(1)	(5)
At 1 January 2018¹	205,671,305	62	1,163	(35)	1,372	(65)	2,497	1,057	3,554
Profit/(loss) for the period		-	-	-	147	-	147	61	209
Foreign currency translation		(2)	-	0	-	(7)	(8)	4	(4)
Remeasurements of defined benefit provisions		-	-	-	-	1	1	-	1
Cash flow hedges/net investment hedges		-	-	-	-	2	2	46	48
Comprehensive income for the period		(2)	-	0	147	(5)	142	111	253
IFRS 2 Vesting cost of Share based payments		-	-	-	-	8	8	-	8
Re-issuance treasury shares on the share based scheme		-	-	17	(6)	(9)	2	-	2
Cash dividend		-	-	-	(51)	-	(51)	(20)	(71)
Equity repayment ²		-	-	-	-	-	-	(152)	(152)
Transaction with non-controlling interests		-	-	-	1	-	1	(6)	(5)
At 30 June 2018	205,671,305	60	1,163	(18)	1,463	(69)	2,599	991	3,590

1 Restated

2 Equity repayment from SBM Stones S.à r.l., Alfa Lula Alto S.à r.l, Beta Lula Central S.à r.l. and Guara Norte 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
At 1 January 2017	213,471,305	56	1,163	(166)	1,697	(235)	2,516	996	3,513
Profit/(loss) for the period		-	-	-	92	-	92	87	179
Foreign currency translation		5	-	-	0	(23)	(18)	1	(18)
Remeasurements of defined benefit provisions		-	-	-	-	(3)	(3)	-	(3)
Cash flow hedges/net investment hedges		-	-	-	-	95	95	(4)	91
Comprehensive income for the period		5	-	-	92	69	166	84	250
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 ¹		-	-	0	-	0	-	(27)	(27)
At 30 June 2017	205,671,305	59	1,163	(46)	1,632	(167)	2,641	1,026	3,667

1 Mainly equity repayment from SBM Stones S.à r.l. and 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\$

	2018	2017
Cash flow from operating activities		
Receipts from customers	2,022 ¹	981
Payments for finance lease construction	(119)	-
Payments to suppliers and employees	(589) ²	(572)
Income tax paid	(16)	(13)
Net cash from operating activities	1,297	396
Cash flow from investing activities		
Investment in property, plant and equipment	(26)	(34)
Investment in intangible assets	(1)	(1)
Additions to funding loans	(15)	(1)
Redemption of funding loans	27	39
Interest received	13	11
Dividends received from equity-accounted investees	27	33
Net proceeds from disposal of property, plant and equipment	0	5
Net cash used in investing activities	27	52
Cash flow from financing activities		
Equity repayment to partners	(152)	(27)
Additions to borrowings and lease liabilities	(9)	-
Repayments of borrowings and lease liabilities	(995) ³	(282)
Dividends paid to shareholders and non-controlling interests	(71)	(74)
Payments to non-controlling interests for change in ownership	(5)	-
Interest paid	(135)	(145)
Net cash from financing activities	(1,367)	(528)
Net increase/(decrease) in cash and cash equivalents	(43)	(81)
Net cash and cash equivalents as at 1 January	957	904
Net increase/(decrease) in net cash and cash equivalents	(43)	(81)
Foreign currency variations	(4)	1
Net cash and cash equivalents end of period	910	824

1 Includes US\$ 987 million purchase price acquisition of FPSO Turritella by Shell

2 Includes US\$ (80) million compensation paid to the partners in the investee owning the FPSO Turritella before acquisition by Shell

3 Includes US\$ (723) million redemption of FPSO Turritella project financing loan

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 (KvK number 24233482). 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, 2018 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 authorized for issue by the Supervisory Board on August 8, 2018, 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, 2018 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, 2017, as the same policies apply except for the new IFRS standards and interpretations adopted by the European Union as at June 30, 2018, where effective, for financial years beginning January 1, 2018.

The consolidated financial statements of the Company for the year ended December 31, 2017 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, 2018

The Company has adopted the following new standards with a date of initial application of January 1, 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- IFRS 2 Amendment 'Share-based Payment'
- IAS 40 Amendment 'Investment Property'
- IFRIC 22 'Foreign Currency Transactions and Advance Considerations'
- Annual Improvements to IFRS Standards 2014-2016 Cycle

IFRS 9 – Financial Instruments

IFRS 9 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 is mandatory as of January 1, 2018. The adoption of IFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements of the Company as follows.

Classification and measurement

IFRS 9 includes amended guidance for the classification and measurement of financial assets by introducing a new category to classify and measure certain debt instruments: fair value through other comprehensive income. The classification under IFRS 9 for financial assets is driven by the entity's business model for managing financial assets and their contractual cash flow characteristics. The Company has assessed the business models that apply to its financial assets and concluded that the adoption of IFRS 9 has no impact on the classification and measurement of the existing financial instruments of the Company.

Hedge accounting

The foreign currency forwards and interest rate swaps in place as at December 31, 2017 qualify as cash flow hedges under IFRS 9 and the Company's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9. The existing hedging relationships are therefore treated as continuing hedging relationships. As a consequence, the Company concludes that the adoption of IFRS 9 has no impact on the Company's hedge accounting. Furthermore, new rules for hedge accounting do not generate significant changes in the Company's accounting policy.

Impairment of financial assets

IFRS 9 introduces an impairment model based on "the expected credit losses" (ECL), whereas its predecessor IAS 39 referred to incurred losses. The Company mainly has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables;
- construction work-in progress;
- finance lease receivables;
- funding loans.

The Company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

Construction work-in-progress (excluding finance lease related) and Trade receivables

The Company applies the simplified approach in measuring expected credit losses using a lifetime expected loss allowance for trade receivables and construction work-in-progress. The construction work-in-progress relates to unbilled work-in-progress and has substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the construction work-in progress. To measure the expected credit losses, for significant trade receivables and construction work-in-progress the company uses the credit risk of individual debtors and the days past due. Furthermore, the Company used historical credit loss experience to determine a 1% expected credit loss rate on individually insignificant trade receivables and construction work-in-progress balances. Trade receivables and construction work-in-progress are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to make contractual payments on time and to engage in a repayment plan with the Company.

Finance lease receivable (including related construction work-in-progress)

Based on the Company's historical and forward-looking analyses it is concluded that i) the Company's finance lease receivables have a low credit risk profile, as illustrated by the lack of a case of default over the past five years, ii) the counterparties of the finance lease receivables have a strong capacity to meet their contractual cash flow obligations based on existing contractual arrangements, which include parent company guarantees and iii) for the majority of the Company's finance lease receivables, exposure is reduced by the related non-recourse debt. Given the low credit risk associated with them, the Company applies the low credit risk simplification of IFRS 9 for the computation of the expected credit loss on its finance lease receivables. The Company defines a default as a late (i.e. later than 90 days after the due date) or non payment of receivables, in line with the guidance in IFRS 9 B5.5.37.

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Funding loans

To determine the impairment requirement for funding loans, the Company follows the 'general approach' of IFRS 9 in determining whether there has been a significant risk since initial recognition. In case of a significant increase since initial recognition, a lifetime expected credit loss is recognized, if not, a 12-month expected credit loss is recognized.

The Company did not restate the comparative figures of 2017 based on the adoption rules of IFRS 9. The adjustments arising from the new impairment rules are therefore not reflected in the comparative balance sheet as at December 31, 2017, but they are recognized in the opening balance sheet on January 1, 2018.

The total impact of IFRS 9 adoption on the Company's consolidated equity as at January 1, 2018 is as follows:

	Equity attributable to shareholder ¹	Non-controlling interests	Total Equity
Closing disclosed at 31 December 2017 under IAS 39	2,501	1,058	3,559
Increase in provision for trade receivables and construction work-in-progress (excluding finance lease related)	(3)	0	(4)
Increase in provision for finance lease receivables (including construction work-in-progress related)	0	0	0
Increase in provision for funding loans	0	-	0
Impact of IFRS 9 adoption by associates and joint ventures	(1)	-	(1)
Adjustment from adoption of IFRS 9 on 1 January 2018	(4)	(1)	(5)
Opening at 1 January 2018 under IFRS 9	2,497	1,057	3,554

¹ Impacting the Retained earnings

According to IFRS 9, when a net impairment loss is significant, it has to be recognized in the separate line item of the income statement "Net impairment losses on financial assets and construction work-in-progress". There were no such material impairment losses on financial assets and construction work-in-progress in the first half year of 2018 and 2017.

IFRS 15 – Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This standard replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. IFRS 15 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 is mandatory as of January 1, 2018.

The Company has analyzed the possible impacts and practical consequences of the standard's application. The Company's analysis has been focused on two specific steps in the five-step model being i) the potential unbundling of existing contracts into multiple performance obligations and to a lesser extent on the potential bundling of separate contracts into one performance obligation and ii) the recognition of the transaction price over time or at a certain point in time. The analysis of the existing Company's construction contracts demonstrates the following:

- The Company's usual construction contracts represent one performance obligation, given the significant level of integration and interrelation of the various components of each of the Company's products; and
- The progress-based measurement of revenue should remain the method used by the Company for revenue recognition. This is because (i) the Company delivers customized products, specific to identified clients, and without alternative use to the Company and (ii) usual construction contracts provide the Company with an enforceable right of payment for performance completed to date.

For the operating and maintenance contracts, there is no change in revenue recognition due to applying the new standard. Based on the above analysis the Company's accounting policies applied for revenue recognition did not change due to adoption of IFRS 15.

The Company opted to apply the retrospective implementation as of January 1, 2018, with restatement of comparative figures for 2017. Based on the Company's analysis it is concluded that the retrospective implementation of IFRS 15 as per January 1, 2018 has no impact on the figures reported in the Company's 2017 financial statements. The Company did not analyze nor restate contracts that are completed at the beginning of the earliest period presented.

The Company's lease contracts are specifically excluded from the scope of IFRS 15 as they are covered by IFRS 16.

IFRS 16 – Leases

IFRS 16 was issued in January 2016 and is mandatory as of January 1, 2019. SBM elected to early adopt IFRS 16 as of January 1, 2018. The standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases, unless the lease term is 12 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.

SBM as lessor

The implementation of IFRS 16 has no impact on the measurement and recognition of lease contracts with customers where the Company is the lessor.

SBM as lessee

The Company has a number of lease contracts for land and buildings, cars and an installation vessel. For these contracts, IFRS 16 is applied retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at the date of initial application. The impact of the initial adoption of IFRS 16 on the opening balance of equity as of January 1, 2018 was nil. The Company recognized lease liabilities amounting to US\$ 218 million and recognized right of use of assets equal to the lease liabilities adjusted for (i) onerous contract provisions of US\$ 63 million, (ii) derecognition of right of use of assets related to subleases of US\$ 5 million and (iii) derecognition of outstanding balances related to prepaid or accrued rent of US\$ 4 million at December 31, 2017.

In the transition to IFRS 16, the Company adopted the following practical expedients:

- The Company elected to not apply IFRS 16 to contracts that were not previously identified as containing a lease when applying IAS 17 and IFRIC 4;
- For those lease contracts that were identified as being onerous at the date of transition, the right of use assets recognized as of January 1, 2018 were adjusted with the amount of provision for onerous lease contracts recognized in the statement of financial position as of December 31, 2017;
- SBM applied a single discount rate for those leases with reasonably similar characteristics; the average discount rate applied was 3.2%;
- The lease contracts ending in 2018 are accounted for as short-term leases;
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application;
- The Company used hindsight in determining the lease terms as per the date of initial application.

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A reconciliation of the operating lease commitments at December 31, 2017, disclosed in the Company's 2017 financial statements, to the lease liabilities recognized in the statement of financial position at January 1, 2018 is provided below:

Lease Liabilities 2018

Operating lease commitments disclosed as at 31 December 2017	231
(Less): short-term leases recognized on a straight-line basis as expense	(1)
(Less): low-value leases recognized on a straight-line basis as expense	0
(Less): contracts reassessed as service agreements	(9)
Add/(less): adjustments as a result of a different treatment of extension and termination options	26
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	1
Discounting using the Company's incremental borrowing rate	(29)
Lease liabilities recognized as at 1 January 2018	218

Other standards, interpretations and amendments

The adoption of the remaining standards, interpretations and amendments had no effect on the financial statements for earlier periods and on the interim financial statements for the period ended June 30, 2018. The Company does not expect the mentioned changes to have a significant effect on the financial statements for the financial year ending December 31, 2018.

STANDARDS AND INTERPRETATIONS NOT MANDATORILY APPLICABLE TO THE COMPANY AS OF JANUARY 1, 2018

The Company has decided not to early adopt standards and amendments published by the IASB and endorsed by the European Commission, but not mandatorily applicable as of January 1, 2018:

- IFRS 9 Amendments 'Prepayment Features with Negative Compensation';

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:

- IFRIC 23 'Uncertainty over Income Tax Treatments';
- IAS 28 Amendment 'Long-term Interests in Associates and Joint Ventures';
- 'Annual Improvements to IFRS Standards 2015-2017 Cycle';
- IAS 19 Amendment 'Plan Amendment, Curtailment or Settlement';
- Conceptual Framework 'Amendment to References to the Conceptual Framework in IFRS Standards'.

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

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 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, 2017 and disclosed in section 4.2.7 "Accounting policies" of the Company's 2017 Annual Report.

Main estimates included in these half year 2018 condensed consolidated interim financial statements are disclosed in Notes 7 Financial Highlights and 23.3 Contingencies.

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 21 Accounting Classifications and Fair Values of Financial Instruments.

Fair value is the price that would be received to sell an asset or pay 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Information regarding the fair value of all financial assets and liabilities is included in Note 21 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, 2017.

In the Company's view, financial market, treasury and liquidity risks remain largely covered by the Company's 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 FINANCIAL HIGHLIGHTS

Leniency Agreement Signed Between SBM Offshore, Brazilian Authorities and Petrobras

On July 26, 2018 SBM Offshore N.V. and SBM Holding Inc. S.A. signed a leniency agreement with the Brazilian Ministry of Transparency and Comptroller's General Office (Ministério da Transparência e Controladoria-Geral da União – "CGU"), the General Counsel for the Republic (Advocacia Geral da União – "AGU") and Petróleo Brasileiro S.A. ("Petrobras") (the "Leniency Agreement").

The agreement is to a large extent comparable to the agreement which was reached in July 2016 with CGU, AGU and Petrobras and which also included the Brazilian Federal Prosecutor's Office (Ministério Público Federal - "MPF") as reported on July 16, 2016. This agreement was however ultimately not approved by the Fifth Chamber of the MPF, as reported on September 2, 2016.

The Leniency Agreement provides for:

- A cash payment by SBM Offshore to Petrobras totaling BRL 549 million (Brazilian Reais), of which BRL 264 million is a civil fine and BRL 285 million is compensation for alleged damages. The total amount is to be paid within 90 days; and
- A reduction of 95% in future performance bonus payments related to FPSOs *Cidade de Anchieta* and *Capixaba* lease and operate contracts, representing an agreed nominal value of approximately US\$ 180 million over the period 2016 to 2030, of which an amount of US\$ 41 million relating to historical bonus payments (2016 to signature date) is to be paid within 90 days of the signing of the Leniency Agreement. The future bonus payments (from signature date to 2030) represent a net present value of approximately US\$ 112 million, as further compensation for alleged damages.

The Leniency Agreement is immediately effective and legally binding as of the signature date. As reported on December 22, 2017, the Federal Court of Accounts (Tribunal de Contas da União – "TCU") has allowed CGU, AGU and Petrobras to proceed with the signing of the Leniency Agreement. CGU and AGU have informed SBM Offshore that no further TCU approval of the Leniency Agreement is required. Furthermore, the Leniency Agreement is not subject to approval by the Fifth Chamber of the MPF.

The signature of the new leniency agreement qualifies as an adjusting subsequent event in accordance with IAS 10. Therefore the provision recognized as per December 31, 2017, which was based on the terms of the previous Leniency reached in July 2016, has to be adjusted based on the financial terms of the new legally-binding Leniency Agreement signed on July 26, 2018.

While both agreements are comparable to a large extent, some specific financial terms as well as legal terms and conditions vary. In particular there are changes in applicable currencies (civil fine and cash payment compensation for alleged damages being nominated in Brazilian Real in the new Leniency Agreement) as well as interest applied to historical bonus payments. However, using the hedged exchange rate applicable to the payment to be made within 90 days and updated escalation assumptions for future bonuses, the updated estimate of the total financial considerations equals to US\$ 299 million in line with the provision booked for the same amount as at December 2017. The provision has therefore been maintained as such in the Statement of financial position as of June 30, 2018, without any impact on the consolidated income statement for the period ended June 30, 2018.

Please refer to Note 23.3 Contingencies for further detail regarding the claim filed by the MPF with the Federal Court in Rio de Janeiro against the Company.

FPSO *Turritella* Purchase Option

After an operational transition period, SBM Offshore and Shell E&P Offshore Services B.V. (Shell) have completed the transaction related to the sale of FPSO *Turritella* on January 16, 2018. At the transaction date, the Company owned 55% of the investee that owned the FPSO *Turritella*. Nippon Yusen owned another 15% and Mitsubishi Corporation

the remaining 30%. The transaction comprised a total cash consideration to the investee of US\$ 987 million primary used for the repayment of the project financing loan of US\$ 723 million.

The financial impacts on the first half year of 2018 consolidated interim financial statements are the following:

- Under Directional reporting, the gain on the disposal of the vessel has been recognized for US\$ 217 million under the line item "Other operating income" of the consolidated income statement for the period ended June 30, 2018. This corresponds to the difference between the Company's 55% share in the proceeds from the sale (US\$ 544 million) and the net book value of the vessel accounted for as asset held for sale in the Directional statement of financial position as of December 31, 2017 (US\$ 327 million). After payment of the US\$ 80 million compensation to the partners in the investee according to the guarantee provided by the Company in the joint venture agreements in case of early termination of the lease contract, the transaction resulted in a reduction of the Company's Directional net debt by US\$ 463 million compared to 2017 year-end.
- Under IFRS reporting, the net book value of the finance lease receivable accounted for in the statement of financial position as of December 31, 2017 has been fully recovered through the receipt of the selling price of US\$ 987 million at transaction date, without any additional impact on the IFRS consolidated income statement for the period ended June 30, 2018. After payment to the partners in the investee of the US\$ 80 million compensation, dividends and equity repayment, the transaction resulted in a reduction of the Company's IFRS net debt by US\$ 764 million compared to 2017 year-end.

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 consolidated financial statements as of and for the year ended December 31, 2017. 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 accounting 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 type of activities are driven by the central treasury and tax functions.

Until December 31, 2016, the income tax expense reported under Directional reporting, but not allocated by segment, was determined by applying the IFRS effective tax rate of the relevant period to the Directional profit before tax. In order to align Directional reporting as much as possible to IFRS standards, starting from the period ending December 31, 2017, the Company decided to discontinue this practical expedient and to strictly apply IAS 12 for the computation of the income tax to be accounted for under Directional reporting. The comparative data related to the period ending June 30, 2017 and presented in this note has therefore been restated for comparison purposes, resulting in an additional tax charge of US\$ 9 million. As a result, the previously reported Directional income tax charge for the half year period ended June 30, 2017 of US\$ 5 million is restated to a Directional income tax charge of US\$ 14 million.

SEGMENT HIGHLIGHTS

For the period ending June 30, 2018, the Turnkey segment is mainly impacted by the net gain on disposal of the FPSO *Turritella* amounting to US\$ 217 million (please refer to Note 7 Financial Highlights) and an additional settlement reached with insurers related to the Company's insurance claim arising from the YME project with a net impact of US\$ 16 million (please refer to Note 10 Other Operating Income and Expense).

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2018 operating segments

For the six months ended June 30	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	654	154	808	-	808
Gross margin	218	51	269	-	268
Other operating income/expense	0	233 ¹	232	0	232
Selling and marketing expenses	0	(15)	(15)	0	(15)
General and administrative expenses	(7)	(22)	(29)	(31)	(60)
Research and development expenses	(3)	(10)	(12)	0	(12)
Operating profit/(loss) (EBIT)	208	238	445	(31)	414
Net financing costs					(74)
Share of profit of equity-accounted investees					(4)
Income tax expense					(22)
Profit/(loss)					314
Operating profit/(loss) (EBIT)	208	238	445	(31)	414
Depreciation, amortization and impairment	219	12	232	1	233
EBITDA	427	250	676	(30)	647

¹ Mainly includes net gain on disposal of FPSO Turritella for US\$ 217 million and net impact of additional settlement reached with insurers on YME project claim for US\$ 16 million

Reconciliation of 2018 operating segments

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	654	(126)	115	643
Turnkey	154	226	1	380
Total revenue	808	99	115	1,023
Gross margin				
Lease and Operate	218	3	70	292
Turnkey	51	46	(1)	96
Total gross margin	268	50	69	387
EBITDA				
Lease and Operate	427	(125)	84	385
Turnkey	250	(170)	(2)	77
Other	(30)	-	-	(30)
Total EBITDA	647	(296)	81	433
EBIT				
Lease and Operate	208	4	71	283
Turnkey	238	(170)	(2)	65
Other	(31)	0	0	(31)
Total EBIT	414	(166)	69	317
Net financing costs	(74)	0	(34)	(108)
Share of profit of equity-accounted investees	(4)	-	23	19
Income tax expense	(22)	2	1	(19)
Profit/(loss)	314	(164)	59	209

2017 operating segments

For the six months ended June 30	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	745	90	835	-	835
Gross margin	262	25	288	-	288
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)
Operating profit/(loss) (EBIT)	250	(28)	222	(29)	193
Net financing costs					(112)
Share of profit of equity-accounted investees					(8)
Income tax expense ¹					(14)
Profit/(loss)					59
Operating profit/(loss) (EBIT)	250	(28)	222	(29)	193
Depreciation, amortization and impairment	233	5	238	0	238
EBITDA	482	(23)	460	(29)	431
Impairment charge/(reversal)	(10)	-	(10)	-	(10)

¹ Restated for comparison purpose

Reconciliation of 2017 operating segments

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	745	(130)	152	767
Turnkey	90	3	2	95
Total revenue	835	(127)	154	862
Gross margin				
Lease and Operate	262	17	112	392
Turnkey	25	15	12	52
Total gross margin	288	32	124	444
EBITDA				
Lease and Operate	482	(130)	125	477
Turnkey	(23)	15	12	4
Other	(29)	0	0	(29)
Total EBITDA	431	(115)	136	453
EBIT				
Lease and Operate	250	17	112	379
Turnkey	(28)	15	12	(1)
Other	(29)	0	0	(29)
Total EBIT	222	32	124	349
Net financing costs	(112)	0	(50)	(162)
Share of profit of equity-accounted investees	(8)	-	13	4
Income tax expense	(14)	(2)	4	(12)
Profit/(loss)	59	30	90	179

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Reconciliation of statement of financial position as at June 30, 2018 (Directional to IFRS)

	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment and Intangible assets	4,792	(3,585)	129	1,335
Investment in associates and joint ventures	30	0	422	452
Finance lease receivables	0	4,106	1,966	6,072
Other financial assets	270	(137)	94	228
Construction work-in-progress	34	332	0	366
Trade receivables and other assets	712	0	15	728
Derivative financial instruments	72	-	13	84
Cash and cash equivalents	842	-	68	910
Assets held for sale	4	(2)	-	2
Total Assets	6,756	714	2,707	10,177
EQUITY AND LIABILITIES				
Equity attributable to parent company	1,360	1,260	(20)	2,600
Non-controlling interests	0	0	991	991
Equity	1,360	1,295	970	3,590
Borrowings and lease liabilities	3,191	-	1,599	4,791
Provisions	813	(141)	(1)	671
Trade payable and other liabilities	721	(1)	45	766
Deferred income	576	(439)	116	253
Derivative financial instruments	94	-	12	105
Total Equity and Liabilities	6,756	714	2,743	10,177

Reconciliation of 2018 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	647	(296)	81	433
Adjustments for non-cash and investing items	(218) ¹	218	(2)	(1)
Changes in operating assets and liabilities	(121) ²	(159)	39	(241)
Reimbursement finance lease assets	0	661	462	1,124
Income taxes paid	(19)	0	3	(16)
Net cash flows from (used in) operating activities	289	424	584	1,297
Capital expenditures	(141)	119	(4)	(26)
Other investing activities	561 ³	(543)	35	53
Net cash flows from (used in) investing activities	419	(424)	32	27
Equity repayment to partners	-	-	(152)	(152)
Addition and repayments of borrowings and lease liabilities	(595) ⁴	-	(409)	(1,004)
Dividends paid to shareholders non-controlling interests	(51)	-	(20)	(71)
Payments to non-controlling interests for change in ownership	-	-	(5)	(5)
Interest paid	(93)	-	(42)	(135)
Net cash flows from (used in) financing activities	(739)	-	(628)	(1,367)
Net cash and cash equivalents as at 1 January	878	-	79	957
Net increase/(decrease) in net cash and cash equivalents	(31)	-	(12)	(43)
Foreign currency variations	(6)	-	2	(4)
Net cash and cash equivalents as at 30 June	842	-	68	910

1 Mainly includes net gain on disposal of FPSO Turritella for US\$ (217) million

2 Includes US\$ (80) million compensation paid to the partners in the investee owning the FPSO Turritella before acquisition by Shell

3 Mainly includes the Company 55% share in the proceeds from the sale of FPSO Turritella of US\$ 544 million

4 Includes the Company 55% share in the redemption of FPSO Turritella project financing loan for US\$ (398) million

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Reconciliation of statement of financial position as at December 31, 2017 (Directional to IFRS)

	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment and Intangible assets	4,692	(3,545)	138	1,285
Investment in associates and joint ventures	36	-	421	457
Finance lease receivables	-	4,767	2,429	7,196
Other financial assets	268	(134)	100	234
Construction work-in-progress	18	116	0	134
Trade receivables and other assets	599	0	51	649
Derivative financial instruments	92	-	0	92
Cash and cash equivalents	878	-	79	957
Assets held for sale	332	(330)	-	2
Total Assets	6,915	875	3,217	11,007
EQUITY AND LIABILITIES				
Equity attributable to parent company	1,097	1,424	(19)	2,501
Non-controlling interests	0	0	1,057	1,058
Equity	1,097	1,424	1,038	3,559
Borrowings and lease liabilities	3,565	-	2,005	5,571
Provisions	971	(142)	1	830
Trade payable and other liabilities	584	37	15	636
Deferred income	587	(443)	114	257
Derivative financial instruments	110	-	43	154
Total Equity and Liabilities	6,915	875	3,217	11,007

9 REVENUE INFORMATION

The breakdown of the revenue per region is as follows:

	2018			2017		
	Lease and Operate	Turnkey	Reported segments	Lease and Operate	Turnkey	Reported segments
Brazil	500	1	501	528	1	529
America	99	286	385	178	30	208
Asia	4	18	22	5	11	15
Africa	38	35	73	46	28	74
Other	2	41	42	10	25	35
Total revenue	643	380	1,023	767	95	862

The Company's revenue mainly originates from goods and services transferred over time. Approximately 60% of lease and operate half year 2018 revenue of the Company is made of charter rates related to lease contracts.

10 OTHER OPERATING INCOME AND EXPENSE

For the six months ended June 30	2018	2017
Restructuring expenses	0	(5)
Insurance claim payouts	16	-
Other operating income	1	5
Total	16	1

In 2018, the insurance claim payouts correspond to the Company's share in additional settlement reached with insurers and related to the Company's insurance claim arising from the YME project.

11 NET FINANCING COSTS

For the six months ended June 30	2018	2017
Interest income on loans & receivables	4	5
Interest income on investments	9	6
Net gain on financial instruments at fair value through profit and loss	-	1
Net foreign exchange gain	15	2
Other financial income	0	1
Financial income	29	15
Interest expenses on financial liabilities at amortized cost	(112)	(113)
Interest expenses on hedging derivatives	(21)	(48)
Interest addition to provisions	(4)	(13)
Net cash flow hedges ineffectiveness	-	(2)
Financial expenses	(137)	(177)
Net financing costs	(108)	(162)

The decrease in net financing cost is mainly due to the reduction of interest expenses related to FPSO *Turritella* project loan including hedging derivatives. The loan was repaid on January 16, 2018 after the receipt of the purchase price from Shell.

The increase in net foreign exchange gain is resulting from index-linked term deposit protecting the Company against Kwanza devaluation for its cash held in Angola.

12 INCOME TAX

The effective tax rate, excluding the income from companies accounted for under the equity method, is 9.0% in the first half of 2018, compared to 97% for the full year 2017 which was impacted by material non-recurring expenses without tax deduction in the profit and loss account.

13 EARNINGS / (LOSS) PER SHARE

The basic earnings per share for the period amounts to US\$ 0.72 (for the six months ended June 30, 2017: US\$ 0.45). The fully diluted earnings per share amounts to US\$ 0.72 (for the six months ended June 30, 2017: US\$ 0.45).

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.

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

Earnings per share

	30 June 2018	30 June 2017
Earnings attributable to shareholders (in thousands of US\$)	147,464	91,882
Number of shares outstanding at January 1	203,417,031	202,042,126
Average number of treasury shares transferred to employee share programs	399,946	234,543
Weighted average number of shares outstanding	203,816,977	202,276,669
Potential dilutive shares from stock option scheme and other share-based payments	35,943	-
Weighted average number of shares (diluted)	203,852,920	202,276,669
Basic earnings per share	US\$ 0.72	US\$ 0.45
Fully diluted earnings per share	US\$ 0.72	US\$ 0.45

The average number of treasury shares transferred to employees in the first half of 2018 was higher than in the year ago period as a result of the adoption by the Annual General Meeting of Shareholders of the new Remuneration Policy 2018.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these interim financial statements, except for the issue of RSU (Restricted Share Unit) shares to other senior management.

14 PROPERTY, PLANT AND EQUIPMENT

The line items 'Property, plant and equipment' shows the following amount related to right of use of assets following early application of IFRS 16:

Property, plant and equipment (summary)

	30 June 2018	1 January 2018
Property, plant, equipment excluding leases	1,162	1,243
Right of use of assets	133	146
Total	1,295	1,388

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

Property, plant and equipment (movements)

	30 June 2018	31 December 2017
Cost	3,402	3,694
Accumulated depreciation and impairment	(2,160)	(2,220)
Book value at 1 January	1,243	1,474
Additions	25	51
Disposals	0	0
Depreciation	(103)	(223)
(Impairment)/impairment reversal	-	10
Foreign currency variations	(2)	7
Other movements	0	(76)
Movements during the period	(81)	(231)
Cost	3,418	3,402
Accumulated depreciation and impairment	(2,257)	(2,160)
Book value at end of period	1,162	1,243

Additions during the half year 2018 mainly relate to the capitalization of major overhaul expenditures related to FPSO *Capixaba* according to the component approach method.

Purchase Options in Operating Lease Contracts

The main category of property, plant and equipment is 'Vessels and floating equipment' which relates mostly to facilities leased to third parties under various operating lease agreements. The operating lease contracts of FPSO *Espirito Santo*, *MOPU Deep Panuke* and semi-submersible *Thunder Hawk*, where the Company is the lessor, include call options for the client to i) purchase the underlying asset or ii) to terminate the contract early without obtaining the underlying asset.

The exercise of any of the purchase options would have resulted in a gain for the Company as of June 30, 2018 while the exercise of any of the options for early termination as of June 30, 2018 would have resulted in a gain or, in one case, a break-even result for the Company.

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 2018	31 December 2017
Gross receivable	11,044	12,420
Less: Unearned finance income	(4,971)	(5,224)
Total	6,072	7,196
Of which		
Current portion	222	1,252
Non-current portion	5,850	5,945

As of June 30, 2018, 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 *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, ended in May 2018, for which residual value will be recovered after the demobilization of the vessel.

The decrease in finance lease receivable is driven by FPSO *Turritella* purchase price payment of US\$ 987 million received from Shell on January 16, 2018 (please refer to Note 7 Financial Highlights) and redemptions of other finance lease receivables as per the payment plans.

Purchase Options in Finance Lease Contracts

The finance lease contracts of the FPSO *Aseng* and FPSO *Liza 1* (the latter being still under construction) where the Company is the lessor, include a call option for the client to purchase the underlying asset or to terminate the contract early.

The exercise of the purchase option for FPSO *Aseng* as of June 30, 2018 would have resulted in a gain for the Company while the exercise of the early termination option, in which case the Company would retain the vessel, would have resulted in an insignificant loss.

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16 OTHER FINANCIAL ASSETS

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

	30 June 2018	31 December 2017
Non-current portion of sublease and other receivables	131	124
Non-current portion of loans to joint ventures and associates	39	77
Total	169	201

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 2018	31 December 2017
Current portion of loans to joint ventures and associates	58	33
Non-current portion of loans to joint ventures and associates	39	77
Total	97	110

As of June 30, 2018 the decrease in loans to joint ventures mainly represents the redemptions of loans.

17 INVENTORIES

	30 June 2018	31 December 2017
Materials and consumables	4	3
Goods for resale	38	7
Total	42	10

Goods for resale mainly relates to the ongoing EPC phase of the Fast4Ward™ new-build, multi-purpose hull construction contract signed with China Shipbuilding Trading Company, Ltd. and the shipyard of Shanghai Waigaoqiao Shipbuilding and Offshore Co., Ltd. in June 2017. The Fast4Ward™ hull will remain in inventories until it will be used in the first award of a new-build FPSO.

18 TRADE RECEIVABLES AND PAYABLES

The increase of "Trade and other receivables" and "Trade and other payables" is mainly related to higher Turnkey project activities during first half year 2018.

19 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.

The total number of ordinary shares outstanding at June 30, 2018 was 205,671,305 (December 31, 2017: 205,671,305).

TREASURY SHARES

A total number of 1,178,283 treasury shares are still reported in the outstanding ordinary shares as at June 30, 2018 and held predominantly for employee share programs. During the six months ending June 30, 2018, 1,075,991 shares were transferred to employee share programs.

20 BORROWINGS AND LEASE LIABILITIES

The line items 'Borrowings and lease liabilities' shows the following amount related to leases following early application of IFRS 16:

Borrowings and lease liabilities (summary)

	30 June 2018	1 January 2018
Borrowings	4,588	5,571
Lease liabilities	202	218
Total Borrowings and lease liabilities	4,791	5,789

BANK INTEREST-BEARING BORROWINGS

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

	30 June 2018	31 December 2017
Non-current portion	4,347	5,564
Add: current portion	1,223	557
Remaining principal at the beginning of period	5,571	6,120
Additions	0	-
Redemptions	(982)	(576)
Transaction and amortized costs	0	26
Movements during the period	(982)	(550)
Remaining principal at end of period	4,588	5,571
Less: Current portion	(490)	(1,223)
Non-current portion	4,098	4,347
Transaction and amortized costs	112	112
Remaining principal at end of period (excluding transaction and amortized costs)	4,700	5,682
Less: Current portion	(507)	(1,240)
Non-current portion	4,193	4,442

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

The redemptions of borrowings during the first half year 2018 includes the repayment of US\$ 723 million of FPSO *Turritella* project financing loan.

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.

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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 < 3.75
- **Interest Cover Ratio:** Adjusted EBITDA divided by Net Interest Payable > 4.0

Simplified definitions used for the purpose of covenants calculations are described under the section 4.3.24 " Loans and borrowings " of the consolidated financial statements as of and for the year ended December 31, 2017.

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. Note that, in accordance with the RCF agreement, the covenants calculation is made applying IFRS standards in force at the date of the RCF agreement. As such, (early) adopting IFRS 16 did not impact the result of the covenants calculation.

21 ACCOUNTING CLASSIFICATIONS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table shows the financial instruments carried at fair value per line item and those 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 2018

				Carrying amount					
	Notes	Fair value level	Fair Value through profit or loss	Fair value - hedging instruments	Loans and receivables	IFRS 16 Leases	Financial liabilities at amortised cost	Total book value	Total fair value
Financial assets measured at fair value									
Interest rate swaps		2	-	32	-	-	-	32	32
Forward currency contracts		2	40	13	-	-	-	53	53
Total			40	44	-	-	-	84	84
Financial assets not measured at fair value									
Finance lease receivables	15	3	-	-	-	6,072	-	6,072	5,712
Loans to joint ventures and associates	16	3	-	-	97	-	-	97	83
Total			-	-	97	6,072	-	6,169	5,795
Financial liabilities measured at fair value									
Interest rate swaps		2	-	31	-	-	-	31	31
Forward currency contracts		2	23	51	-	-	-	74	74
Total			23	82	-	-	-	105	105
Financial liabilities not measured at fair value									
US\$ project finance facilities drawn	20	2	-	-	-	-	4,578	4,578	4,565
Revolving credit facility/Bilateral credit facilities	20	2	-	-	-	-	(2)	(2)	(2)
Other debt	20	3	-	-	-	-	12	12	12
Total			-	-	-	-	4,588	4,588	4,575

Additional information

- There has not been any change in valuation techniques applied to financial instruments carried at fair value compared with those disclosed in the financial statements of December 31, 2017
- 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
- No financial instruments were subject to offsetting as of June 30, 2018 and December 31, 2017. Financial Derivatives amounting to a fair value of US\$ 1 million (2017: US\$ 2 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\$ 1 million (2017: US\$ 2 million)

Accounting classification and fair values as at December 31, 2017

		Carrying amount							
	Notes	Fair value level	Fair Value through profit or loss	Fair value - hedging instruments	Loans and receivables	IFRS 16 Leases	Financial liabilities at amortised cost	Total book value	Total fair value
Financial assets measured at fair value									
Forward currency contracts		2	23	69	-	-	-	92	92
Total			23	69	-	-	-	92	92
Financial assets not measured at fair value									
Finance lease receivables	15	3	-	-	-	7,196	-	7,196	7,351
Loans to joint ventures and associates	16	3	-	-	110	-	-	110	102
Total			-	-	110	7,196	-	7,306	7,453
Financial liabilities measured at fair value									
Interest rate swaps		2	-	109	-	-	-	109	109
Forward currency contracts		2	39	5	-	-	-	44	44
Total			39	114	-	-	-	154	154
Financial liabilities not measured at fair value									
US\$ project finance facilities drawn	20	2	-	-	-	-	5,539	5,539	5,565
Revolving credit facility/Bilateral credit facilities	20	2	-	-	-	-	(2)	(2)	(2)
Other debt	20	3	-	-	-	-	33	33	33
Total			-	-	-	-	5,570	5,570	5,570

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22 PROVISIONS

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

Provisions (summary)

	30 June 2018	31 December 2017
Demobilization	94	93
Onerous contracts	-	63
Warranty	41	68
Employee benefits	22	23
Other	514	584
Total	671	830
of which :		
Non-current portion	215	242
Current portion	456	588

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).

Onerous contracts

Onerous contract provisions related to lease contracts were derecognized following adoption of IFRS 16 on January 1, 2018 (see Note 3 Accounting Principles). As of adoption of IFRS 16, leased assets will be subject to impairment, if applicable.

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 decrease of the warranty provision consists of warranty costs effectively incurred over the period as well as a release of the provision following the signature of an agreement relating to warranty issues with one customer.

Other

The decrease of 'Other' provisions during the period mainly relates to the US\$ 80 million repayment of the compensation payable to the partners in the investee owning FPSO *Turritella* due to early termination of the lease contract (see Note 7 Financial Highlights).

The balance of 'Other' provisions as of June 30, 2018 includes a US\$ 299 million provision related to the Leniency Agreement signed with Brazilian authorities and Petrobras on July 26, 2018 (see Note 7 Financial Highlights).

23 OTHER INFORMATION

23.1 FINANCIAL INFORMATION RELATED TO EQUITY-ACCOUNTED INVESTEEES

The total revenue of the joint-ventures accounted for under the equity method (at 100%) represents US\$ 215 million for the six months ended June, 30 2018 (for the six months ended June, 30 2017: US\$ 236 million).

23.2 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, 2018, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and finance leases amounted to US\$ 236 million (December 31, 2017: US\$ 296 million). Investment commitments are principally related to investment commitments entered into for FPSO *Liza* project.

23.3 CONTINGENCIES

Contingent Asset

In Q3 2017, the Company announced that it had entered into a binding settlements with an 83.6% majority group of the US\$ 500 million primary insurance layer relating to the Company's insurance claim arising from the YME project.

Since then the Company has settled with the remaining primary insurance layer insurers, as well as some additional insurers. Under the terms of the settlement agreement with Repsol, all insurance claim recoveries (after expenses and legal costs) relating to the Yme development project shall be shared equally between the Company and Repsol. The gross total recovery to be shared currently stands at around US\$ 340 million as of June 30, 2018.

The Company continues to pursue its claim against the last remaining insurers. Unless settlement with these remaining insurers is reached, a trial is scheduled to commence in October 2018.

Contingent Liability

As announced by the Company on December 22, 2017 and July 5, 2018, the Brazilian Federal Prosecutor's Office (Ministério Público Federal - "MPF") has filed a claim based on the Improbability Law with the Federal Court in Rio de Janeiro against the Company.

The claim relates to the alleged improper sales practices before 2012 that are also the subject of the Leniency Agreement signed on July 26, 2018 (Please refer to Note 7 Financial Highlights). In the context of this lawsuit, MPF asked the court to impose a provisional measure as a means to secure payment of damages potentially awarded.

On July 4, 2018, the Company became aware of an interim decision by the judge handling the case. The judge has partially granted the request for a provisional measure. The provisional measure aims to order Petrobras to start withholding a percentage of monthly payments due to the Company's subsidiaries under certain charter contracts in escrow as collateral in respect of the Improbability Lawsuit and up to an amount equaling to:

- A civil fine of US\$ 793m for damage done to Petrobras;
- A civil fine of US\$ 100m for paying bribes;
- Additional disgorgement of excessive profits related to the contracts object of the litigation, assuming by default an economic advantage corresponding to 8% over the cumulative revenue of related contracts. The Company is requested to provide financial information related to these contracts in order to show what profit has effectively been made.

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The decision references the fact that SBM Offshore is headquartered overseas and that recovery from the Company of any damages may depend on international legal cooperation and (un)availability of assets in the future.

Before taking a decision on the amounts to be withheld, the judge requested more information from Petrobras and the Company. SBM Offshore's Brazilian subsidiary subsequently filed a Motion for Clarification, since certain elements of the interim decision are unclear. The Company strongly disagrees with the interim decision.

In the Leniency Agreement signed on July 26, 2018, CGU, AGU and Petrobras confirm that the amount the Company commits to pay under the Leniency Agreement is considered to be an adequate compensation given the facts covered in the Leniency Agreement. The parties to the Leniency Agreement shall defend the existence, terms and validity of this Leniency Agreement towards any third parties, including authorities, and in court. Furthermore, Petrobras stated that it will not become a plaintiff in the Improbability lawsuit.

The Company cannot provide further clarity or assurance as to the outcome or timing of such lawsuit, but is taking all appropriate measures to defend its interests.

23.4 RELATED PARTY TRANSACTIONS

During 2018, 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>	2018	2017
Revenue		8	8
Cost of sales		(10)	(16)
Loans to joint ventures and associates	<i>16</i>	97	110
Trade receivables		140	139
Trade payables		59	61
Lease liabilities ¹		115	-

¹ DSCV SBM Installer charter lease contract

Revenue and cost of sales are presented for the six months ended June 30 whereas financial positions are presented as of June 30, 2018 and December 31, 2017.

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.

24 EVENTS AFTER THE END OF THE REPORTING PERIOD

Awarded contracts for ExxonMobil's Second Liza FPSO

On July 2, 2018, ExxonMobil has awarded the Company contracts to perform Front End Engineering and Design (FEED) for a second Floating Production, Storage and Offloading vessel (FPSO) for the Liza development located in the Stabroek block in Guyana. Following the FEED and subject to requisite government approvals, project sanction and authorization to proceed with the next phase, SBM Offshore will construct, install and then lease and operate the FPSO for a period of up to 2 years, after which the FPSO ownership and operation will transfer to ExxonMobil.

Leniency agreement reached with Brazilian authorities and Petrobras

On July 26, 2018 the Company signed a Leniency Agreement with Brazilian authorities and Petrobras (see Note 7 Financial Highlights).

