SBM OFFSHORE

ENERGY. COMMITTED.

HALF YEAR RESULTS 2019

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HALF YEAR MANAGEMENT REPORT

SBM Offshore's financial results are trending ahead of expectation for the year as it enters a period of significant growth. Developments of deep water reservoirs continue to rank favorably in client project portfolios. This is because these developments benefit from large scale production facilities. The Company's Fast4Ward® program brings scale combined with a reliable execution schedule and shorter cycle time to first oil. The program also enables the Company to increase productivity and resource flexibility. Demand growth and limited FPSO contractor capacity mean that the Company will remain selective in its contract choices.

With the six billion increase in order backlog, the Company is going through a disciplined growth phase. The Company maintains flexibility to adapt to market dynamics. The Company is currently working on four major projects. Following successful integration of its topsides, FPSO *Liza Destiny* left Singapore quay side and set course for Guyana on July 18, 2019. The Johan Castberg turret mooring system continues to make good progress in Dubai. FPSO *Liza Unity's* hull recently came out of dry dock, representing the Company's first Fast4Ward® multipurpose floater. The Company recently won the Mero 2 award in Brazil, also on the basis of Fast4Ward®. This award demonstrates the Company's ability to win new work for Petrobras in Brazil again.

The Company continues to expand on its flexible outsourcing model, including the cooperation with Nauvata in India. Fast4Ward® brings additional resource flexibility and efficiency from repetition and standardization. This effect is visible not only in execution, but also in tendering and in onboarding new staff in the new ways of working. SBM Offshore's teams remain focused on executing our portfolio of major projects and on delivering the Company's strategy.

HIGHLIGHTS AND HALF YEAR EARNINGS

HIGHLIGHTS

- US$ 6.3 billion order intake year-to-date, driving a 36% backlog increase;
- Contracted cash flow from Lease and Operate fleet provides visibility up to 2045;
- Four major projects under execution in Turnkey, including three FPSOs, of which two based on Fast4Ward®;
- 2019 Directional revenue guidance increased to 'above US$ 2 billion' due to Turnkey growth;
- 2019 Directional EBITDA guidance increased to 'above US$ 750 million';
- Year-to-date Directional revenue US$ 965 million; Directional EBITDA US$ 399 million, in line with expectation;
- Returned US$ 272 million to shareholders via completed share repurchase program and dividend.

OVERVIEW

	YTD Directional (Unaudited)		
in US$ million	1H 2019	1H 2018	% Change
Revenue	**965**	**808**	19%
Lease and Operate	646	654	-1%
Turnkey	319	154	107%
EBITDA	**399**	**647**	-38%
Lease and Operate	425	427	0%
Turnkey	5	250	-98%
Other	(30)	(30)	0%
Underlying EBITDA	**399**	**414**	-4%
Lease and Operate	425	427	0%
Turnkey	5	17	-71%
Other	(30)	(30)	0%
Profit attributable to shareholders	**61**	**314**	-81%
Underlying profit attributable to shareholders	**61**	**81**	-25%
Earnings per share	**0.30**	**1.54**	-81%
Underlying Earnings per share	**0.30**	**0.40**	-25%

	Directional		
in US$ billion	1H 2019 (Unaudited)	FY 2018	% Change
Pro-Forma Backlog	20.1	14.8	36%

PERIOD REVIEW

Directional revenue as of June 30, 2019 totaled US$ 965 million, representing an increase of US$ 157 million or 19% compared with the same period last year. This increase was driven by a higher activity level in Turnkey on various projects. The Company did not report adjustments for the period and, as such, reported EBITDA is the same as Underlying EBITDA. Directional EBITDA for the period was US$ 399 million, US$ 15 million below the Underlying EBITDA for the same period last year. This 4% decrease was primarily caused by the one-off nature of a number of positive close-out items for Turnkey projects during the first half of 2018.

Under Directional, the significant activity in Turnkey related to FPSO *Liza Destiny,* as well as FPSO *Liza Unity,* is not reflected in revenues or EBITDA for the period as these are treated as operating leases and hence are booked in capital expenditure on the balance sheet. These projects will generate revenues, margin and cash flow in Lease and Operate starting at first oil. The sale to the client, which is anticipated after a period of up to two years of operations on both vessels, will be booked in Turnkey. See the section on backlog for more information.

FUNDING AND DIRECTIONAL NET DEBT

Net debt increased by US$ 0.6 billion to US$ 3 billion at June 30, 2019. While the Lease and Operate segment generated strong operating cash flow in line with expectation, the increase of the net debt mainly reflected significant capital expenditures over the period (c. US$ 320 million, including investment in the 3 Fast4Ward® hulls), the payment to Repsol of their share of Yme insurance proceeds (c. US$ 180 million of a total of US$ 390 million), shareholder returns (c. US$ 270 million), as well as the expected unwinding of a large portion of working capital in the Turnkey segment (significant milestone payments invoiced and received as of December 31, 2018).

At mid-year, the Company had undrawn credit facilities of US$ 1.3 billion comprising of US$ 0.6 billion available under the US$ 1 billion Revolving Credit Facility (RCF) and the Liza Destiny project financing for US$ 0.7 billion, currently available for drawdown. With respect to the foreseen Liza Unity project financing, commitments have been received from financial institutions in excess of the targeted financing amount. These latter two, when drawn, will reinstate capacity under the RCF.

With respect to Mero 2, the Company is in discussion with prospective partners for a divestment of a minority stake in the companies owning the FPSO. At present, the Company targets to divest 35% of the FPSO owning and operating entities. Following the signature of the Letter of Intent, the Company has started discussions with prospective lenders and Export Credit Agencies to put in place the target financial structure for the project, which is expected to be completed in 2020.

CANCELLATION OF SHARES

Upon completion of the 2019 share repurchase program, in line with its reported objectives, the Company is planning to cancel 7 million shares currently held in Treasury. This represents c. 67% of the total shares repurchased. The cancellation is expected to take place before year end.

DIRECTIONAL BACKLOG

As ownership and change of ownership scenarios have the potential to significantly impact future cash flows, net debt balance as well as the profit and loss statement, the Company provides a pro-forma backlog on the basis of the most likely ownership scenarios for the various projects. The pro-forma Directional backlog increased by c. US$ 5.3 billion to a total of US$ 20.1 billion during the first six months of the year. This increase was mainly the result of the order wins for FPSO *Liza Unity* for ExxonMobil in Guyana and FPSO *Mero 2* for Petrobras in Brazil. Turnover for the period consumed US$ 1 billion of backlog.

The pro-forma backlog reflects the following key assumptions:

- The Lease and Operate backlog includes the FPSOs *Liza Destiny* and *Liza Unity* operating and maintenance scope, for which the FPSO *Liza Unity* is pending a final work order.

- For both FPSO *Liza Destiny* and FPSO *Liza Unity*, two years of operations are added to the Lease and Operate backlog. The Liza Destiny contract covers 10 years of lease and operate but based on discussion with the client, it is expected that the client will purchase the unit after a period of up to two years of operations. The Liza Unity contract covers a maximum period of two years of lease and operate within which the unit will be purchased by the client. The subsequent sales are added to the Turnkey backlog for both FPSOs.
- The pro-forma backlog of FPSO *Mero 2* takes into account the initially targeted Company ownership share (65%) in the 22.5 year lease and operate contracts. As a consequence, this targeted share was added to the Lease and Operate backlog and the partial divestment to partners (35%), which remains subject to finalization of the shareholder agreement and various approvals, was added to the Turnkey backlog.

in US$ billion	Turnkey	Lease & Operate	Total
2H 2019	0.3	0.7	1.0
2020	0.4	1.5	2.0
2021	1.1	1.4	2.5
Beyond 2021	1.3	13.4	14.7
Total Backlog	3.1	17.0	20.1

PROJECT REVIEW AND OPERATIONAL UPDATE

Project	Client/country	Contract	SBM Share	Capacity, Size	POC	Expected Delivery	Notes
Liza Destiny, FPSO	ExxonMobil Guyana	10 year lease & operate	100%	120,000 bpd		2020	Sailing to Guyana for hook-up and installation
Castberg, Turret	Equinor Norway	Turnkey sale	100%	c. 190,000 bpd		2020	On schedule
Liza Unity, FPSO	ExxonMobil Guyana	2 year Build, Operate, Transfer	100%	220,000 bpd		2022	Multipurpose hull launched from dry dock
Mero 2, FPSO	Petrobras Brazil	22.5 year lease & operate	100%	180,000 bpd		2022	First steel cut in July 2019

Legend, Percentage of Completion (POC)

< 25% | 25% < 50% | 50% < 75% | > 75% | 100%

Notes: in cases of a consortium, client refers to the operator. Mero 2 ownership reflects current contractual situation. Regarding FPSO Liza Destiny it is expected that the client will purchase the unit after a period of up to two years of operations.

Fast4Ward®

The Company currently has three standard, multipurpose hulls under construction. The first hull left dry dock in the yard of SWS (Shanghai Waigaoqiao Shipbuilding and Offshore Co., Ltd.) on June 8, 2019. The hull is allocated to the FPSO *Liza Unity*. Good progress is being made on the second hull in the yard of CMIH (China Merchants Industry Holdings). This hull is allocated to the FPSO *Mero 2*. Construction on the third hull recently started in SWS. The Company is confident that this hull will be allocated to an identified opportunity.

FPSO Liza Destiny

The major project FPSO *Liza Destiny* continues to progress in line with schedule. After successful topsides integration and pre-commissioning activities, the vessel left Singapore on July 18, 2019 and is on its way to its mooring location in Guyana, where it is scheduled to arrive in the third quarter of 2019. In Guyana, work is continuing with respect to operations readiness, setting up the shore base and delivering on local content commitments.

FPSO Liza Unity

The major project FPSO *Liza Unity* is progressing according to schedule. The standard multipurpose hull was recently launched from the dry dock in China. The engineering is progressing as planned, benefiting from the Fast4Ward® module catalogue.

FPSO Mero 2

The Letter of Intent for the major project FPSO *Mero 2* was signed on June 10, 2019. Its standard multipurpose hull is currently under construction, passing the first steel cut milestone in July and progressing in line with project schedule.

Castberg Turret Mooring System

Fabrication of the complex turret mooring system for the FPSO *Johan Castberg* continues to progress well, in line with client schedule, to meet delivery early in 2020.

Operational Update

The Lease and Operate fleet uptime as at June 30, 2019 stood at 99.1%.

HSSE

The Company's safety performance continued to be strong during the first half year in 2019. The Total Recordable Injury Frequency Rate (TRIFR) of 0.13 represents in line performance as compared with 2018 and 2017.

The Company has selected three Sustainable Development Goals (SDG) for which it has developed measurable and challenging targets for 2019 and started to monitor progress. Going forward, the Company intends to establish targets linked to a further four SDGs, which will be integrated with the first phase of the program.

The Company entered into its first interest rate swap transaction in the first half of 2019, which incorporates a link to the Company's sustainability performance in the pricing mechanism. This builds on the same principle applied in the Company's Sustainable Revolving Credit Facility.

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, 2018.

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

RELATED PARTY TRANSACTIONS

During 2019, no major related party transactions requiring additional disclosure in the condensed consolidated half year financial statements took place.

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

	Note	2019	2018
Revenue		9	8
Cost of sales		(6)	(10)
Loans to joint ventures and associates	15	212	234
Trade receivables		102	99
Trade payables		58	56
Lease liabilities[1]		103	109

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, 2019 and December 31, 2018.

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.

BRAZIL UPDATE

After the approval by the Brazilian Fifth Chamber for Coordination and Review and Anti-corruption of the Leniency Agreement with the Brazilian Federal Prosecutor's Office ('MPF') the next and final step remains the formal withdrawal by the MPF of the lawsuit that it initiated in December 2017. Upon this withdrawal, the Leniency Agreement with the MPF, signed on September 1, 2018 will become fully effective, after which the Company will pay the agreed fine of BRL 200 million to Petrobras. In this closing procedure, a federal judge declined the request by the MPF to approve the agreement, considering that despite the conclusion that the agreement suffices, the redress for damages agreed by the parties appear to deviate by BRL 194 million (c. US$ 50 million) from a number in an earlier calculation. The MPF and the Company both filed motions to address this concern. This matter has no impact on the Leniency Agreement signed by the Company on July 26, 2018 with other Brazilian Authorities and Petrobras that allowed the Company to resume normal business activities with Petrobras.

OUTLOOK AND GUIDANCE

Management continues to have a positive outlook for the Company. As a result of growth in Turnkey, the Company's 2019 Directional revenue guidance is increased to 'above US$ 2.0 billion' from 'around US$ 2.0 billion', of which US$ 1.3 billion is expected from Lease and Operate segment and more than US$ 700 million from the Turnkey segment.

2019 Directional EBITDA guidance is increased to 'above US$ 750 million' from 'around US$ 750 million'.

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 proportionate 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.

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

PROFITABILITY

	Directional (Unaudited)	
in US$ million	1H 2019	1H 2018
Revenue	**965**	**808**
Lease and Operate	646	654
Turnkey	319	154
EBITDA	**399**	**647**
Lease and Operate	425	427
Turnkey	5	250
Other	(30)	(30)
Underlying EBITDA	**399**	**414**
Lease and Operate	425	427
Turnkey	5	17
Other	(30)	(30)
Profit attributable to shareholders	**61**	**314**
Underlying profit attributable to shareholders	**61**	**81**

Underlying performance

There are no non-recurring items that have a material impact on the 2019 half year Directional profit.

For reference, non-recurring items for half year 2018 impacted the Directional profit attributable to shareholders by US$ 233 million. The US$ 233 million related to the realized gain on disposal of *Turritella* (FPSO) after acquisition of the vessel by Shell for US$ 217 million and the additional settlements relating to the insurance claim arising from the Yme project for US$ 16 million, both reported within EBITDA.

Revenue

Directional revenue for the first half year of 2019 came in at US$ 965 million, an increase of 19% when compared with the same period in the prior year. Directional revenue variance by segment is detailed as follows:

- Directional Lease and Operate remained almost stable at US$ 646 million versus US$ 654 million in the same period prior year despite several vessels leaving the fleet during 2018 (*Turritella* (FPSO), FSO *Yetagun* and FSO *N'Kossa II*).
- Directional Turnkey revenue more than doubled year-on-year to US$ 319 million, representing 33% of total first half 2019 revenue. This compares with US$ 154 million, or 19% of total revenue, in the year-ago period. This increase is mostly attributable to the progress made on the Johan Castberg Turret Mooring System EPC project.

EBITDA

Underlying Directional Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) for the first half year of 2019 was US$ 399 million, almost stable when compared with an Underlying EBITDA of US$ 414 million in the year-ago period.

Underlying EBITDA is analyzed by segment as follows:

- Underlying Directional Lease and Operate EBITDA moved from US$ 427 million in the year-ago period to US$ 425 million in the first half year of 2019, stable year-on-year. The impact of vessels that left the fleet during 2018 (*Turritella* (FPSO), FSO *Yetagun* and FSO *N'Kossa II*) was largely offset by a reduction in planned maintenance and an overall improvement in performance of the fleet.
- Underlying Directional Turnkey EBITDA decreased from US$ 17 million in the year-ago period to US$ 5 million. On a comparative basis, the positive impact of the contribution of the Johan Castberg Turret Mooring System EPC on the first half year 2019 was more than offset by the positive impact of project close outs in prior year. The level of activity during the first half year of 2019 was sufficient to absorb structural cost.
- The other non-allocated costs charged to EBITDA stood at US$ 30 million, stable when compared with the year-ago period.

It is important to note that the construction of both the FPSO *Liza Destiny* and FPSO *Liza Unity* did not contribute to Directional revenue and EBITDA over the period. This is because the contracts are 100% owned by the Company and classified as operating lease as per Directional accounting policies.

Net income

Directional depreciation, amortization and impairment increased by US$ 15 million year-on-year, primarily due to a US$ 16 million impairment charge accounted for in the first half year of 2019 related to the Thunderhawk semi-submersible production facility following an update of the unit's production profile.

Directional net financing costs totaled US$ 76 million in the first half of 2019, stable when compared with US$ 74 million in the year-ago period. The effective tax rate over the first half year of 2019 was in line with the year-ago period at approximately 22%.

As a result, the Company recorded an Underlying Directional net profit of US$ 61 million, or US$ 0.30 per share, for the first half year of 2019, down from US$ 81 million, or US$ 0.40 per share, in the year-ago period.

STATEMENT OF FINANCIAL POSITION

	Directional	
in US$ million	1H 2019 (Unaudited)	FY 2018
Equity	1,025	1,317
Net Debt	3,028	2,353
Net Cash	220	657
Total Assets	6,303	6,535

Shareholder's equity decreased from US$ 1,317 million at year-end 2018 to US$ 1,025 million at June 30, 2019, mostly due to completion of the EUR 175 million share repurchase program executed between February 14, 2019 and May 20, 2019, dividend distributed to the shareholders and a decrease of the hedging reserves, partly offset by the positive net result for the first half year of 2019.

Net debt increased by US$ 675 million to US$ 3,028 million at June 30, 2019. While the Lease and Operate segment generated strong operating cash flow in line with expectation, the increase of the net debt mainly reflected significant capital expenditures over the period, the payment of the agreed part of the Yme insurance proceeds (net of legal fees and other claim-related expenses) to Repsol, the return of funds to the shareholders through dividend and the completed share repurchase program, as well as the expected unwinding of a large portion of working capital in the Turnkey segment (significant milestone payments invoiced and received as of December 31, 2018) .

Net cash and cash equivalent balances were US$ 220 million at June 30, 2019 compared with US$ 657 million at December 31, 2018, while total borrowings and lease liabilities increased from US$ 3,010 million at year-end 2018 to US$ 3,248 million.

Total assets decreased by US$ 0.2 billion to US$ 6.3 billion as of June 30, 2019, compared with US$ 6.5 billion at year-end 2018. This was primarily the result of the decrease of the net cash position over the period.

Cash from operating activities for the period, excluding the one-off payment of the shared Yme insurance proceeds (net of legal fees and other claim-related expenses) to Repsol, was positive at US$ 108 million, including investments in the multipurpose floater hulls, primarily reflecting strong cash flows generated by the Lease and Operate segment partially offset by the expected unwinding of working capital in the Turnkey segment.

FINANCIAL REVIEW IFRS

PROFITABILITY

in US$ million	IFRS (Unaudited) 1H 2019	1H 2018
Revenue	**1,491**	**1,023**
Lease and Operate	648	643
Turnkey	843	380
EBITDA	**447**	**433**
Lease and Operate	400	385
Turnkey	77	77
Other	(30)	(30)
Underlying EBITDA	**447**	**417**
Lease and Operate	400	385
Turnkey	77	62
Other	(30)	(30)
Profit attributable to shareholders	**127**	**147**
Underlying profit attributable to shareholders	**127**	**131**

Underlying Performance

There are no non-recurring items that have a material impact on the 2019 half year IFRS profit.

For reference, non-recurring items for half year 2018 impacted the IFRS profit attributable to shareholders by US $ 16 million. The US$ 16 million related to the additional settlement in respect of the Company's insurance claim arising from the Yme project. Under IFRS, the financial impact of the transfer of *Turritella* (FPSO) to Shell on profit attributable to shareholders of the Company was already fully recognized in 2017.

Revenue

IFRS revenue for the first half year of 2019 increased by 46% to US$ 1,491 million versus US$ 1,023 million in the first half year of 2018. The increase was driven by the Turnkey segment with the start of construction activities on FPSO *Liza Unity* and FPSO *Mero 2* as well as ongoing construction activities on FPSO *Liza Destiny* and Johan Castberg Turret Mooring System EPC.

In contrast to Directional, it should be noted that the construction of FPSOs *Liza Destiny*, *Liza Unity* and *Mero 2* did contribute to IFRS revenue over the period. This is because these contracts are classified as finance lease as per IFRS 16 and are therefore accounted for as virtual direct sales under IFRS.

EBITDA

IFRS Underlying EBITDA amounted to US$ 447 million, representing a 7% increase when compared with the same period in prior year, in line with the increased Turnkey activity. It is noted that for complex projects that present a high risk profile, until the moment of performing an internal but independent review and until the moment that other significant uncertainties related to the cost at completion of these projects are mitigated, revenue is recognized to the extent of cost incurred.

Net income

Underlying IFRS Profit attributable to shareholders for the first half year of 2019 came in at US$ 127 million compared with US$ 131 million for the year-ago period.

STATEMENT OF FINANCIAL POSITION

	IFRS	
in US$ million	1H 2019 (Unaudited)	FY 2018
Equity	3,393	3,612
Net Debt	4,417	3,818
Net Cash	296	718
Total Assets	9,833	9,992

Total equity decreased from US$ 3,612 million year-end 2018 to US$ 3,393 million at June 30, 2019, with the positive result over the first half year of 2019 being more than offset by the completion of the EUR 175 million share repurchase program executed between February 14, 2019 and May 20, 2019, dividend distributed to the shareholders and a decrease of the hedging reserves.

Net debt increased by US$ 599 million to US$ 4,417 million at June 30, 2019. While the Lease and Operate segment generated strong operating cash flow in line with expectation, the increase of the net debt mainly reflected significant capital expenditures over the period, the payment of the agreed part of the Yme insurance proceeds (net of legal fees and other claim-related expenses) to Repsol, the return of funds to the shareholders through dividend and the completed share repurchase program, as well as the expected unwinding of a large portion of working capital in the Turnkey segment (significant milestone payments invoiced and received as of December 31, 2018).

DECLARATION MANAGEMENT BOARD

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

- The condensed consolidated half year financial statements as of and for the six months ended June 30, 2019 as presented under IAS 34, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the undertakings included in the consolidation taken as a whole;
- The Half Year Management Report gives a fair view of the information required pursuant to section 5.25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht).

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

Management Board
Bruno Chabas, Chief Executive Officer

Philippe Barril, Chief Operating Officer

Erik Lagendijk, Chief Governance and Compliance Officer

Douglas Wood, Chief Financial Officer

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

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The Notes 1 to 23 are an integral part of these condensed consolidated half year IFRS financial statements.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	Notes	2019	2018
Revenue from contracts with customers		1,253	772
Interest revenue from finance leases calculated using the effective interest method		238	251
Total revenue	9	**1,491**	**1,023**
Cost of sales		(1,088)	(636)
Gross margin	8	**403**	**387**
Other operating income/(expense)		5	16
Selling and marketing expenses		(25)	(15)
General and administrative expenses		(60)	(60)
Research and development expenses		(11)	(12)
Net impairment gain/(losses) on financial and contract assets		2	-
Operating profit/(loss) (EBIT)		**313**	**316**
Financial income		17	29
Financial expenses		(132)	(137)
Net financing costs	10	**(115)**	**(108)**
Share of profit/(loss) of equity-accounted investees		22	19
Profit/(loss) before tax		**220**	**228**
Income tax expense	11	(19)	(19)
Profit/(loss)		**200**	**209**
Attributable to shareholders of the parent company		127	147
Attributable to non-controlling interests		74	61
Profit/(loss)		**200**	**209**

Earnings/(loss) per share

	Notes	2019	2018
Weighted average number of shares outstanding	12	200,968,294	203,816,977
Basic earnings/(loss) per share	12	US$ 0.63	US$ 0.72
Fully diluted earnings/(loss) per share	12	US$ 0.63	US$ 0.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	2019	2018
Profit/(loss) for the period	**200**	**209**
Cash flow hedges	(130)	48
Deferred tax on cash flow hedges	-	-
Foreign currency variations	(1)	(5)
Items that are or may be reclassified to profit or loss	**(131)**	**43**
Remeasurements of defined benefit liabilities	(3)	1
Deferred tax on remeasurement of defined benefit liabilities	-	-
Items that will never be reclassified to profit or loss	**(3)**	**1**
Other comprehensive income/(expense) for the period, net of tax	**(135)**	**44**
Total comprehensive income/(expense) for the period, net of tax	**66**	**253**
Of which		
- on controlled entities	44	230
- on equity-accounted entities	22	23
Attributable to shareholders of the parent company	40	141
Attributable to non-controlling interests	27	111
Total comprehensive income/(expense) for the period, net of tax	**66**	**253**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

in millions of US$	Notes	30 June 2019	31 December 2018
ASSETS			
Property, plant and equipment	13	1,082	1,198
Intangible assets		20	19
Investment in associates and joint ventures		420	421
Finance lease receivables	14	5,649	5,753
Other financial assets	15	228	211
Deferred tax assets		25	26
Derivative financial instruments		11	12
Total non-current assets		**7,434**	**7,641**
Inventories	16	58	101
Finance lease receivables	14	204	195
Trade and other receivables	17	538	596
Income tax receivables		11	11
Construction work-in-progress		1,250	695
Derivative financial instruments		37	34
Cash and cash equivalents		300	718
Assets held for sale		2	2
Total current assets		**2,399**	**2,351**
TOTAL ASSETS		**9,833**	**9,992**
EQUITY AND LIABILITIES			
Issued share capital		59	59
Share premium reserve		1,163	1,163
Treasury shares		(193)	(14)
Retained earnings		1,573	1,533
Other reserves		(195)	(108)
Equity attributable to shareholders of the parent company		**2,408**	**2,634**
Non-controlling interests		985	978
Total Equity	18	**3,393**	**3,612**
Borrowings and lease liabilities	19	4,138	4,017
Provisions	21	155	150
Deferred income		175	200
Deferred tax liabilities		31	36
Derivative financial instruments		144	41
Other non-current liabilities		117	100
Total non-current liabilities		**4,760**	**4,545**
Borrowings and lease liabilities	19	575	519
Provisions	21	139	317
Trade and other payables	17	853	899
Income tax payables		35	25
Bank overdrafts		4	-
Derivative financial instruments		75	75
Total current liabilities		**1,681**	**1,835**
TOTAL EQUITY AND LIABILITIES		**9,833**	**9,992**

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 1 January 2019	**205,671,305**	**59**	**1,163**	**(14)**	**1,533**	**(108)**	**2,634**	**978**	**3,612**
Profit/(loss) for the period		-	.	-	127	-	127	74	200
Foreign currency translation		(0)	-	(1)	-	0	(1)	0	(1)
Remeasurements of defined benefit provisions		-	-	-	-	(3)	(3)	-	(3)
Cash flow hedges/net investment hedges		-	-	-	0	(83)	(83)	(47)	(130)
Comprehensive income for the period		**(0)**	**-**	**(1)**	**127**	**(86)**	**40**	**27**	**66**
IFRS 2 Vesting cost of share based payments		-	-	-	-	10	10	-	10
Re-issuance treasury shares on the share based scheme		(0)	0	20	(2)	(11)	7	-	7
Purchase of treasury shares		-	-	(198)	-	-	(198)	-	(198)
Cash dividend		-	-	-	(75)	-	(75)	(7)	(82)
Equity repayment		-	-	-	(0)	-	(0)	(13)	(13)
Transaction with non-controlling interests		-	-	-	(10)	-	(10)	(0)	(10)
At 30 June 2019	**205,671,305**	**59**	**1,163**	**(193)**	**1,573**	**(195)**	**2,408**	**985**	**3,393**

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 2018	**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		-	-	-	-	-	-	(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**

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	2019	2018
Cash flow from operating activities		
Receipts from customers	869	2,022[1]
Payments for finance lease construction	(245)	(119)
Payments to suppliers and employees	(644)	(589)[2]
Yme proceeds shared with Repsol	(181)	-
Income tax paid	(11)	(16)
Net cash from operating activities	**(212)**	**1,297**
Cash flow from investing activities		
Investment in property, plant and equipment	(14)	(26)
Investment in intangible assets	(2)	(1)
Additions to funding loans	(5)	(15)
Redemption of funding loans	26	27
Interest received	13	13
Dividends received from equity-accounted investees	24	27
Net proceeds from disposal of property, plant and equipment	(0)	0
Net cash used in investing activities	**42**	**27**
Cash flow from financing activities		
Equity repayment to partners	(13)	(152)
Additions to borrowings	426	(9)
Repayments of borrowings and lease liabilities	(263)	(995)[3]
Dividends paid to shareholders and non-controlling interests	(84)	(71)
Payments to non-controlling interests for change in ownership	-	(5)
Share repurchase program	(198)	-
Interest paid	(119)	(135)
Net cash from financing activities	**(250)**	**(1,367)**
Net increase/(decrease) in cash and cash equivalents	**(421)**	**(43)**
Net cash and cash equivalents as at 1 January	718	957
Net increase/(decrease) in net cash and cash equivalents	(421)	(43)
Foreign currency variations	(2)	(4)
Net cash and cash equivalents end of period	**296**[4]	**910**

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
4 Net cash and cash equivalents includes US$ 4 million bank overdraft

NOTES

1 GENERAL INFORMATION

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

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

The condensed consolidated half year financial statements as of and for the six months ended June 30, 2019 comprise the half year financial statements of SBM Offshore N.V., its subsidiaries and interests in associates and joint ventures (together referred to as 'the Company'). They are presented in millions of US dollars, except when otherwise indicated. Figures may not add up due to rounding.

The condensed consolidated half year financial statements were authorized for issue by the Supervisory Board on August 7, 2019, and have not been audited.

2 BASIS FOR PREPARATION

The condensed consolidated half year financial statements as at and for the six months ended June 30, 2019 have been prepared in accordance with IAS 34 'Interim financial reporting'. The half year financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018, as the same policies apply except for the new IFRS standards and interpretations adopted by the European Union as at June 30, 2019, where effective, for financial years beginning January 1, 2019.

The consolidated financial statements of the Company for the year ended December 31, 2018 are available upon request or can be downloaded on the Company's website.

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

3 ACCOUNTING PRINCIPLES

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS OF JANUARY 1, 2019

The Company has adopted the following new standards with a date of initial application of January 1, 2019:

- IFRIC 23 - 'Uncertainty over Income Tax Treatments';
- Amendments to IFRS 9 - 'Prepayment Features with Negative Compensation';
- Amendments to IAS 19 - 'Plan Amendment, Curtailment or Settlement'; and
- Annual Improvements 2015-2017 Cycle.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 provides a framework to consider, recognize and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty.

An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

The adoption of this interpretation has no significant effect on the financial statements for earlier periods and the half year financial statements for the period ended June 30, 2019.

IFRS 9 – Prepayment Features with Negative Compensation

The IASB has issued a narrow-scope amendment to IFRS 9. The amendment covers two issues:

- What financial assets may be measured at amortized cost. The amendment permits more assets to be measured at amortized cost than under the previous version of IFRS 9, in particular some prepayable financial assets.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 and will affect entities that have renegotiated borrowings.

The adoption of this amendment has no significant effect on the financial statements for earlier periods and the half year financial statements for the period ended June 30, 2019.

IAS 19 - Plan Amendment, Curtailment or Settlement

The IASB issued amendments to the guidance in IAS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity:

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- To recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

The adoption of this amendment has no significant effect on the financial statements for earlier periods and half year financial statements for the period ended June 30, 2019.

Annual Improvements 2015-2017 Cycle

The IFRS amendments included in the annual improvements 2015-2017 cycle have a negligible impact on the Company's consolidated half year financial statements.

STANDARDS AND INTERPRETATIONS NOT MANDATORILY APPLICABLE TO THE COMPANY AS OF JANUARY 1, 2019

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

- Amendments to IAS 1 and IAS 8 - 'Definition of material'; and,
- Amendments to IFRS 3 - 'Business Combinations'.

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

4 USE OF ESTIMATES AND JUDGMENT

When preparing the condensed consolidated half year 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, 2018 and disclosed in section 4.2.7 Accounting Principles of the Company's 2018 Annual Report.

5 FAIR VALUE MEASUREMENT

The Company measures some financial instruments, such as derivatives, at fair value at each balance sheet date. Also fair values of financial instruments measured at amortized cost are disclosed in Note 20 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 is 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 20 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, 2018.

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

7 FINANCIAL HIGHLIGHTS

Exxon awards Liza Unity contract to SBM Offshore

On May 10, 2019, Esso Exploration and Production Guyana Limited (EEPGL), an affiliate of Exxon Mobil Corporation, has confirmed the award of contracts to the Company for the next phase of the Liza project in Guyana. Under these contracts, SBM Offshore will construct, install and thereafter lease and operate FPSO *Liza Unity* for a period of up to two years after which the ownership and operations will transfer to ExxonMobil. This follows completion of front-end engineering studies, receipt of requisite government approvals and the final investment decision on the project by ExxonMobil and block co-venturers.

The FPSO *Liza Unity* design is based on SBM Offshore's industry leading Fast4Ward® program as it incorporates the Company's new build, multipurpose hull combined with several standardized topsides modules.

The contract is qualified and accounted for as a finance lease under IFRS 16. Delivery of the FPSO is expected in 2022. The operating and maintenance scope of the FPSO, which is agreed in principle, is pending a final work order.

Share Repurchase Program

On May 20, 2019 the Company completed its EUR 175 million share repurchase program. Between February 14, 2019 and May 20, 2019 a total of 10,422,259 common shares were repurchased, at an average price of EUR 16.79 per share.

The repurchases were made under the EUR 175 million share repurchase program announced on and effective from February 14, 2019. The objective of the program was to reduce equity and, in addition, to provide shares for regular management and employee share programs.

Petrobas awards Letter of Intent for FPSO Mero 2 lease and operate contracts to SBM Offshore

On June 11, 2019, the Company signed a Letter of Intent (LOI) together with Petróleo Brasileiro S.A. (Petrobras) for a 22.5 year lease and operate contract of FPSO *Mero 2*, to be deployed at the Mero field in the Santos Basin offshore Brazil, 180 kilometers offshore Rio de Janeiro.

The Company will design and construct the FPSO *Mero 2* using the Fast4Ward® program as it incorporates the Company's new build, multipurpose hull combined with several standardized topsides modules. This means that two Fast4Ward® hulls currently under construction have now formally been allocated to projects.

The contract is qualified and accounted for as a finance lease under IFRS 16. Delivery of the FPSO is expected in 2022.

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, 2018. 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.

SEGMENT HIGHLIGHTS

For the period ending June 30, 2019, the Turnkey segment revenue is mainly impacted by the ongoing construction activities on the Johan Castberg Turret Mooring System EPC.

It should be noted that under Directional, the construction activities on FPSOs *Liza Destiny* and *Liza Unity* will not contribute to revenue and/or gross margin in 2019, and such accounting will remain the case until the completion of the construction phase of the project, as the contracts are 100% owned by the Company. The FPSO *Liza Destiny* contract covers 10 years of lease and operate but based on discussion with the client, it is expected that the client will purchase the unit after a period of up to two years of operations. The FPSO *Liza Unity* contract covers a maximum period of two years of lease and operate after which the unit will be purchased by the client. After the delivery of the vessel to the field, revenue and margin will be recognized i) during the Lease and Operate phase, in line with the operating cash flow generation and ii) at the moment of sale to the client in the Turnkey segment. The same accounting treatment is applied to FPSO *Mero 2* contract under Directional, as the contract was still 100% owned by the Company as of June 30, 2019.

2019 operating segments

For the six months ended June 30	Lease and Operate	Turnkey	**Reported segments**	Other	**Total Directional reporting**
Third party revenue	**646**	**319**	**965**	**-**	**965**
Cost of sales	(445)	(278)	(723)	(0)	(723)
Gross margin	**201**	**40**	**241**	**-**	**241**
Other operating income/expense	0	5	5	(0)	**5**
Selling and marketing expenses	(1)	(24)	(25)	(0)	**(25)**
General and administrative expenses	(8)	(21)	(29)	(31)	**(60)**
Research and development expenses	(2)	(9)	(11)	(0)	**(11)**
Net impairment gain/(losses) on financial and contract assets	-	1	1	-	**1**
Operating profit/(loss) (EBIT)	**191**	**(7)**	**183**	**(32)**	**151**
Net financing costs					(76)
Share of profit of equity-accounted investees					2
Income tax expense					(17)
Profit/(loss)					**61**
Operating profit/(loss) (EBIT)	191	(7)	183	(32)	**151**
Depreciation, amortization and impairment	234	12	246	1	**248**
EBITDA	**425**	**5**	**430**	**(30)**	**399**

Reconciliation of 2019 operating segments (Directional to IFRS)

For the six months ended June 30	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	646	(126)	128	648
Turnkey	319	524	0	843
Total revenue	**965**	**398**	**128**	**1,491**
Gross margin				
Lease and Operate	201	0	89	290
Turnkey	40	74	(2)	113
Total gross margin	**241**	**74**	**87**	**403**
EBITDA				
Lease and Operate	425	(124)	99	400
Turnkey	5	72	0	77
Other	(30)	-	-	(30)
Total EBITDA	**399**	**(52)**	**100**	**447**
EBIT				
Lease and Operate	191	2	88	281
Turnkey	(7)	71	(0)	64
Other	(32)	0	(0)	(32)
Total EBIT	**151**	**74**	**87**	**313**
Net financing costs	(76)	(7)	(32)	(115)
Share of profit of equity-accounted investees	2	1	18	22
Income tax expense	(17)	(7)	4	(19)
Profit/(loss)	**61**	**62**	**78**	**200**

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

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

Impact of lease accounting treatment

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

- Revenue is reduced by US$ 126 million. During the lease period, under IFRS, the revenue from finance leases is limited to that portion of charter rates that is recognized as interest using the interest effective method. Under Directional reporting, in accordance with the operating lease treatment, the full charter rate is recognized as revenue, on a straight-line basis. Lease and Operate EBITDA is similarly impacted (reduction of US$ 124 million) for the same reasons.
- Gross margin is neutral. As the current Company's finance lease fleet is still relatively young, the amount of the (declining) interests recognized under IFRS is the same as the linear gross margin recognized under Directional (which includes depreciation) for the related vessels. Under IFRS, gross margin and EBIT from finance leases equal the recognized revenue, therefore following the declining profile of the interest recognized using the interest effective method. On the other side, under the operating lease treatment

applied under Directional, the gross margin and the EBIT correspond to the revenue and depreciation of the recognized PP&E, both accounted for on a straight-line basis over the lease period.

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

- Revenue and gross margin increased by US$ 524 million and US$ 74 million respectively, mainly due to the accounting treatment of FPSOs *Liza Destiny*, *Liza Unity* and *Mero 2* as finance leases under IFRS. Under IFRS, a finance lease is considered as a virtual sale of the asset leading to recognition of revenue during the construction of the asset corresponding to the present value of the future lease payments. This (non-cash) revenue is recognized within the Turnkey segment.
- The basic impact on Turnkey EBIT and EBITDA is largely in line with the impact on gross margin.

As a result, the restatement from operating to finance lease accounting treatment results in an increase of net profit of US$ 62 million under IFRS when compared with Directional reporting.

Impact of consolidation methods

The impact of the consolidation methods, as shown in the table on the previous page, describes the net impact from:

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

The impact of the changes in consolidation methods results in a net increase of revenue, gross margin, EBIT, EBITDA and net profit under IFRS when compared with Directional reporting. This reflects the fact that the majority of the Company's FPSOs, that are leased under finance lease contracts, are owned by subsidiaries over which the Company has control and which are consolidated using the full consolidation method under IFRS. Note that the net profit impact of changes in consolidation methods (increase of US$ 78 million) largely equals the amount of 'Profit attributable to non-controlling interests', as reported in the half year 2019 IFRS Consolidated Income Statement.

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**
Cost of sales	(437)	(103)	(541)	(1)	**(541)**
Gross margin	**218**	**51**	**269**	**-**	**268**
Other operating income/expense	(0)	233	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**

Reconciliation of 2018 operating segments (Directional to IFRS)

For the six months ended June 30	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	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)	0	(0)	(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

Reconciliation of statement of financial position as at June 30, 2019 (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	5,044	(4,049)	106	1,101
Investment in associates and joint ventures	11	-	408	420
Finance lease receivables	0	3,900	1,953	5,853
Other financial assets	329	(129)	91	291
Construction work-in-progress	61	1,189	(0)	1,250
Trade receivables and other assets	584	(0)	(15)	569
Derivative financial instruments	47	-	-	47
Cash and cash equivalents	224	-	76	300
Assets held for sale	2	-	-	2
Total Assets	**6,303**	912	2,619	**9,833**
EQUITY AND LIABILITIES				
Equity attributable to parent company	1,025	1,396	(13)	2,408
Non-controlling interests	0	(0)	985	985
Equity	**1,025**	1,396	971	**3,393**
Borrowings and lease liabilities	3,248	(0)	1,464	4,712
Provisions	412	(128)	9	294
Trade payable and other liabilities	932	45	4	981
Deferred income	524	(402)	109	231
Bank overdrafts	4	-	-	4
Derivative financial instruments	158	-	62	219
Total Equity and Liabilities	**6,303**	912	2,619	**9,833**

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

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

Impact of lease accounting treatment

For the statement of financial position, the main adjustments from Directional reporting to IFRS as of June 30, 2019 are:

- For those lease contracts that are classified and accounted for as finance lease contracts under IFRS, derecognition of property, plant and equipment recognized under Directional reporting (US$ 4,049 million) and subsequent recognition of (i) finance lease receivables (US$ 3,900 million) and (ii) construction work-in-progress (US$ 1,189 million) for those assets still under construction.
- For operating lease contracts with non-linear bareboat day rates, a deferred income is recognized to show linear revenues under Directional reporting. This balance (US$ 402 million) is derecognized for the contracts that are classified and accounted for as finance lease contracts under IFRS.
- Restatement of the provisions for demobilization and associated non-current receivable assets, mainly impacting other financial assets (US$ 129 million) and provisions (US$ 128 million).

As a result, the restatement from operating to finance lease accounting treatment gives rise to an increase of equity of US$ 1,396 million under IFRS compared with Directional reporting. This primarily reflects the earlier margin recognition on finance lease contracts under IFRS compared with Directional reporting.

Impact of consolidation methods

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

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

The net impact of the changes in consolidation methods at equity level (increase of US$ 971 million as of June 30, 2019) largely equals the equity attributable to non-controlling interests (US$ 985 million) as reported in the 2019 half year IFRS Statement of Financial Position.

Reconciliation of 2019 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	**399**	(52)	100	**447**
Adjustments for non-cash and investing items	15	0	(3)	13
Changes in operating assets and liabilities	(474)	(283)	2	(755)
Reimbursement finance lease assets	-	93	1	94
Income taxes paid	(13)	-	2	(11)
Net cash flows from (used in) operating activities	**(73)**	(242)	102	**(212)**
Capital expenditures	(263)	246	(0)	(17)
Other investing activities	26	(4)	37	58
Net cash flows from (used in) investing activities	**(237)**	242	37	**42**
Equity repayment to partners	-	-	(13)	(13)
Addition and repayments of borrowings and lease liabilities	229	-	(66)	164
Dividends paid to shareholders non-controlling interests	(75)	-	(9)	(84)
Share repurchase program	(198)	-	-	(198)
Interest paid	(82)	-	(38)	(119)
Net cash flows from (used in) financing activities	**(125)**	-	(125)	**(250)**
Net cash and cash equivalents as at 1 January	657	-	62	718
Net increase/(decrease) in net cash and cash equivalents	(434)	-	14	(421)
Foreign currency variations	(2)	-	0	(2)
Net cash and cash equivalents as at 30 June	**220**	-	76	**296**

Impact of lease accounting treatment

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

'Capital expenditures' and proceeds from the disposal of finance leases reported as 'Other investing activities' (US$ 242 million) are reclassified from investing activities under Directional to net cash flows from operating activity under IFRS, where finance lease contracts are accounted for as construction contracts.

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

Impact of consolidation methods

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

Reconciliation of statement of financial position as at December 31, 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	4,799	(3,699)	117	1,217
Investment in associates and joint ventures	10	(0)	411	421
Finance lease receivables	0	3,993	1,954	5,947
Other financial assets	356	(146)	102	312
Construction work-in-progress	43	652	(0)	695
Trade receivables and other assets	626	(0)	7	633
Derivative financial instruments	44	-	2	46
Cash and cash equivalents	657	-	62	718
Assets held for sale	2	(0)	-	2
Total Assets	**6,535**	800	2,656	**9,992**
EQUITY AND LIABILITIES				
Equity attributable to parent company	1,317	1,334	(17)	2,634
Non-controlling interests	0	(0)	978	978
Equity	1,317	1,334	961	3,612
Borrowings and lease liabilities	3,010	-	1,527	4,536
Provisions	601	(145)	11	467
Trade payable and other liabilities	935	45	18	998
Deferred income	575	(433)	121	263
Derivative financial instruments	98	-	18	116
Total Equity and Liabilities	**6,535**	800	2,656	**9,992**

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)	218	(2)	(1)
Changes in operating assets and liabilities	(121)	(159)	39	(241)
Reimbursement finance lease assets	-	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	(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)	-	(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**

Deferred income (Directional)

	30 June 2019	31 December 2018
Within one year	96	100
Between 1 and 2 years	93	94
Between 2 and 5 years	212	241
More than 5 years	123	140
Total	**524**	**575**

The Directional deferred income is mainly related to the revenue of those lease contracts which include a decreasing dayrate schedule. As income is shown in the income statement on a straight-line basis with reference to IFRS 16 'Leases', the difference between the yearly straight-line revenue and the contractual day rates is included as deferred income. The deferral will be released through the income statement over the remaining duration of the relevant lease contracts.

Borrowings and lease liabilities (Directional)

The table below shows the breakdown of borrowings and lease liabilities between non-recourse debt related to the Company's vessels and Corporate debt, which mostly consist of outstanding debt for RCF plus lease liabilities.

	30 June 2019	31 December 2018
Non-recourse debt	2,645	2,821
Corporate debt and lease liabilities	604	189
Total	**3,248**	**3,010**

GEOGRAPHICAL INFORMATION

The classification by country is determined by the final destination of the product.

2019 geographical information (revenue by country and segment)

	Directional			IFRS		
For the six months ended June 30	Lease and Operate	Turnkey	**Reported segments**	Lease and Operate	Turnkey	**Reported segments**
Brazil	365	2	367	514	13	527
Norway	-	127	127	-	127	127
Angola	97	3	100	0	6	6
Canada	67	(0)	67	67	(0)	67
Guyana	-	62	62	-	570	570
The United States of America	19	43	62	19	43	62
China	-	49	49	-	49	49
Malaysia	43	6	49	0	8	8
Equatorial Guinea	44	0	44	37	-	37
Virgin Islands	-	9	9	-	9	9
Other	11	18	29	11	17	27
Total revenue	**646**	**319**	**965**	**648**	**843**	**1,491**

2018 geographical information (revenue by country and segment)

	Directional			IFRS		
For the six months ended June 30	Lease and Operate	Turnkey	**Reported segments**	Lease and Operate	Turnkey	**Reported segments**
Brazil	351	3	354	500	1	501
Angola	104	3	107	0	6	6
Canada	62	2	64	62	2	64
The United States of America	35	15	50	37	15	52
Equatorial Guinea	43	0	44	38	-	38
Malaysia	40	3	43	0	3	3
Guyana	-	37	37	-	263	263
Nigeria	-	21	21	-	21	21
Norway	-	20	20	-	20	20
Myanmar	11	0	11	4	0	4
Congo	6	3	10	-	3	3
Australia	-	8	8	-	8	8
Other	2	39	41	2	39	40
Total revenue	**654**	**154**	**808**	**643**	**380**	**1,023**

9 REVENUE INFORMATION

The Company's revenue mainly originates from goods and services transferred over time. Approximately 61% of Lease and Operate half year 2019 revenue of the Company is made of charter rates related to lease contracts.

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

10 NET FINANCING COSTS

For the six months ended June 30	2019	2018
Interest income on loans & receivables	7	4
Interest income on investments	6	9
Net foreign exchange gain	4	15
Financial income	**17**	**29**
Interest expenses on financial liabilities at amortized cost	(125)	(112)
Interest expenses on hedging derivatives	(4)	(21)
Interest addition to provisions	(1)	(4)
Net cash flow hedges ineffectiveness	(2)	-
Financial expenses	**(132)**	**(137)**
Net financing costs	**(115)**	**(108)**

The increase in net financing costs is mainly due to the decrease in net foreign exchange gain compared to 2018. The 2018 gain resulted from an index-linked term deposit protecting the Company against Kwanza devaluation for its cash held in Angola.

11 INCOME TAX

The effective tax rate, excluding the share of profit, or loss, of equity-accounted investees, is 9.6% in the first half of 2019, compared to 10.7% for the full year 2018.

12 EARNINGS / (LOSS) PER SHARE

The basic earnings per share for the period amounts to US$ 0.63 (for the six months ended June 30, 2018: US$ 0.72).
The fully diluted earnings per share amounts to US$ 0.63 (for the six months ended June 30, 2018: US$ 0.72).

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

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

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

Earnings per share

	30 June 2019	30 June 2018
Earnings attributable to shareholders (in thousands of US$)	126,906	147,464
Number of shares outstanding at January 1 (excluding treasury shares)	204,725,425	203,417,031
Average number of new shares repurchased	(4,683,930)	-
Average number of treasury shares transferred to employee share programs	926,799	399,946
Weighted average number of shares outstanding	**200,968,294**	**203,816,977**
Potential dilutive shares from stock option scheme and other share-based payments	5,209	35,943
Weighted average number of shares (diluted)	**200,973,503**	**203,852,920**
Basic earnings per share	US$ 0.63	US$ 0.72
Fully diluted earnings per share	US$ 0.63	US$ 0.72

The average number of treasury shares transferred to employees in the first half of 2019 was higher than in the year ago period as a result of the adoption by the 2018 Annual General Meeting of Shareholders of the 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 half year financial statements, except for the issue of RSU (Restricted Share Unit) shares to senior management.

13 PROPERTY, PLANT AND EQUIPMENT

The line item 'Property, plant and equipment' includes right of use of assets following the adoption of IFRS 16:

Property, plant and equipment (summary)

	30 June 2019	31 December 2018
Property, plant, equipment excluding leases	963	1,072
Right of use of assets	118	126
Total	**1,082**	**1,198**

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

Property, plant and equipment (movements)

	30 June 2019	31 December 2018
Cost	3,410	3,402
Accumulated depreciation and impairment	(2,337)	(2,160)
Book value at 1 January	**1,072**	**1,243**
Additions	14	34
Disposals	-	(0)
Depreciation	(106)	(212)
(Impairment)/impairment reversal	(16)	11
Foreign currency variations	(0)	(3)
Other movements	(1)	0
Movements during the period	**(109)**	**(170)**
Cost	3,423	3,410
Accumulated depreciation and impairment	(2,459)	(2,337)
Book value at end of period	**963**	**1,072**

During the half year 2019 the following main events occurred:

- Additions to property, plant and equipment regarding the capitalization of dry dock and other capital expenditures related to the IT infrastructure upgrade project.
- The Thunder Hawk semi-submersible production facility in the US Gulf of Mexico is the only facility in the Company lease fleet portfolio for which revenues are linked to volumes produced. During the routine review in the first half of 2019, the Company received an update of the long term production profile from the current reserves. Based on this, the revised estimates of future deliverable volumes, and associated cash flows, will be insufficient to sustain the asset's current book value. During the period, an updated value-in-use calculation was prepared using the revised production profile and a discount rate of 6%. As a result, an impairment charge of US$ 16 million has been accounted for in the 2019 half year results. If the revenue, which is based on production, varies by +/- 5% the impairment would vary by +/- US$ 4 million respectively. If the discount rate varies by +/- 1% the impairment would vary by +/- US$ 2 million respectively.
- US$ 106 million of depreciation charges.

Purchase and termination options in operating lease contracts

The operating lease contracts of FPSO *Espirito Santo* and MOPU Deep Panuke, where the Company is the lessor, include call options for the client to (i) purchase the underlying asset or (ii) terminate the contract early without obtaining the underlying asset. The operating lease contract of semi-submersible Thunder Hawk includes a call option for the client to purchase the underlying asset. If a client would have exercised a purchase option as of June 30, 2019, this would have resulted in a gain for the Company on all contracts. If a client would have exercised an option for early termination as of June 30, 2019 this would have resulted in a gain or a near break-even result for the Company.

14 FINANCE LEASE RECEIVABLES

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

Finance lease receivables (reconciliation gross / net investment)

	30 June 2019	31 December 2018
Gross receivable	10,347	10,680
Less: Unearned finance income	(4,494)	(4,732)
Total	**5,853**	**5,947**
Of which		
Current portion	204	195
Non-current portion	5,649	5,753

As of June 30, 2019, 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 15 years.

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

Purchase and termination options

The finance lease contract of FPSO *Aseng*, where the Company is the lessor, includes call options for the client to purchase the underlying asset or to terminate the contract early. If the client would have exercised the purchase option for FPSO *Aseng* as of June 30, 2019 this 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 a breakeven result.

The finance lease contracts of FPSOs *Liza Destiny* and *Liza Unity* (both under construction as per June 30, 2019) also contain call options for the client to purchase the underlying asset or to terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

15 OTHER FINANCIAL ASSETS

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

	30 June 2019	31 December 2018
Non-current portion of sublease and other receivables	80	79
Non-current portion of loans to joint ventures and associates	148	133
Total	**228**	**211**

The current portion of (i) sublease and other receivables and (ii) 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 2019	31 December 2018
Current portion of loans to joint ventures and associates	63	101
Non-current portion of loans to joint ventures and associates	148	133
Total	**212**	**234**

As of June 30, 2019 the decrease in loans to joint ventures mainly represents the redemptions of loans.

16 INVENTORIES

	30 June 2019	31 December 2018
Materials and consumables	5	3
Goods for resale	-	2
Multipurpose hulls under construction	54	96
Total	**58**	**101**

Multipurpose hulls under construction relates to the ongoing EPC phase of a Fast4Ward® new-build hulls. Three multipurpose hulls are under construction as of June 30, 2019 out of which two of them have been transferred to construction work-in-progress upon the award of the *Liza Unity* contract and the LOI for the *Mero 2* contract respectively. One multipurpose hull has not yet been allocated to a project and is therefore accounted for under inventory at June 30, 2019.

17 TRADE RECEIVABLES AND PAYABLES

The decrease in 'Trade and other receivables' is primarily due to redemption of the current portion of loans to joint ventures and associates.

The decrease in 'Trade and other payables' is mainly related to expected unwinding of creditor work-in-progress of EPC turrets projects, for which significant milestones were invoiced and paid as of December 31, 2018.

18 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, 2019 was 205,671,305 (December 31, 2018: 205,671,305).

TREASURY SHARES

Following the completion of the share repurchase program on May 20, 2019 (repurchase of 10,422,259 shares, totaling EUR 175 million) a total number of 10,086,374 treasury shares are reported in the outstanding ordinary shares as at June 30, 2019. The objective of the program was to reduce share capital and, in addition, to provide shares for regular management and employee share programs. During the six months ending June 30, 2019, 1,281,765 shares were transferred to management and employee share programs.

CASH FLOW HEDGE RESERVE

The movement in cash flow hedge reserve is mainly caused by the declining market interest rates during the first half year 2019.

19 BORROWINGS AND LEASE LIABILITIES

The line items 'Borrowings and lease liabilities' shows the following amount related to leases:

Borrowings and lease liabilities (summary)

	30 June 2019	31 December 2018
Borrowings	3,988	3,856
Lease liabilities	150	161
Total Non-current portion of Borrowings and lease liabilities	**4,138**	**4,017**
Borrowings	546	492
Lease liabilities	28	27
Total Current portion of Borrowings and lease liabilities	**575**	**519**

BANK INTEREST-BEARING BORROWINGS

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

	30 June 2019	31 December 2018
Non-current portion	3,856	4,347
Add: current portion	492	1,223
Remaining principal at the beginning of period	**4,348**	**5,571**
Additions	430	1
Redemptions	(249)	(1,241)
Transaction and amortized costs	5	17
Movements during the period	**187**	**(1,223)**
Remaining principal at end of period	**4,534**	**4,348**
Less: Current portion	(546)	(492)
Non-current portion	**3,988**	**3,856**
Transaction and amortized costs	89	94
Remaining principal at end of period (excluding transaction and amortized costs)	**4,623**	**4,442**
Less: Current portion	(562)	(508)
Non-current portion	**4,061**	**3,934**

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

Revolving Credit Facility

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

The Company signed a RCF agreement with the respective lenders on February 13, 2019, and the previous RCF has been canceled with no financial impact. The RCF will mature in February 2024 and has two one-year extension options. The US$ 1 billion facility can be increased by an additional US$ 500 million through an uncommitted option.

When needed, the RCF allows the Company to finance EPC activities/working capital, bridge any long-term financing needs, and/or finance general corporate purposes, in the following proportions:
- EPC activities/working capital – 100% of the facility;
- General corporate purposes – up to 50% of the facility;
- Refinancing project debt – 100% of the facility but limited to a period of 18 months.

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

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

The **Lease Backlog Cover Ratio (LBCR)** is used to determine the **maximum funding availability** under the RCF. The maximum funding availability is determined by calculating the net present value of the future contracted net cash after debt service of a defined portfolio of operational offshore units in the backlog. The maximum theoretical amount available under the RCF is then determined by dividing the net present value by 1.5. The actual availability under the RCF will be the lower of this amount and the then applicable Facility Amount. As at June 30, 2019 headroom on actual availability under the RCF exceeded US$ 0.5 billion.

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

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

20 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.

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

Accounting classification and fair values as at June, 30 2019

	Notes	Fair value level	30 June 2019 Total book value	30 June 2019 Total fair value	31 December 2018 Total book value	31 December 2018 Total fair value
Financial assets measured at amortized cost						
Finance lease receivables	14	3	5,853	6,116	5,947	5,712
Loans to joint ventures and associates	15	3	212	209	234	220
Total			**6,065**	**6,325**	**6,181**	**5,932**
Financial liabilities measured at amortized cost						
US$ project finance facilities drawn	19	2	4,108	4,144	4,348	4,351
Revolving credit facility/ Bilateral credit facilities	19	2	386	386	(1)	(1)
Lease liabilities	19	3	178	181	189	184
Other debt	19	2	40	40	1	1
Total			**4,712**	**4,751**	**4,537**	**4,535**

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 as of December 31, 2018.
- 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, or between Level 2 and Level 3.
- No financial instruments were subject to offsetting as of June 30, 2019 and December 31, 2018.
- There are financial assets and financial liabilities measured at fair value, namely the interest rate swaps and forward currency contracts which are classified at a Level 2 on the fair value hierarchy. Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The carrying amount for these financial assets and liabilities approximates the fair value as at June 30, 2019.

21 PROVISIONS

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

Provisions (summary)

	30 June 2019	31 December 2018
Demobilization	95	96
Warranty	39	34
Employee benefits	31	26
Other	128	310
Total	**294**	**467**
of which :		
Non-current portion	155	150
Current portion	139	317

Demobilization

The provision for demobilization relates to the costs for demobilization of the vessels and floating equipment at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in financial expenses (see Note 10 Net Financing Costs).

Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client.

The increase of the warranty provision consists of new provisions accrued on projects under construction over the period.

Other

The decrease of 'Other' provisions during the period mainly relates to the insurance income shared with Repsol in relation to the Yme insurance claim. During the first half of the year 2019, the Company paid the full amount due to Repsol.

The balance of 'Other' provisions as of June 30, 2019 includes a BRL 200 million (which is discounted at a present value of US$ 50 million) provision related to the agreement signed between the Company and the Brazilian Prosecutor ('MPF') in 2018. The remainder of 'Other' provisions relate to commercial claims and regulatory fines related to operations.

22 OTHER INFORMATION

22.1 FINANCIAL INFORMATION RELATED TO EQUITY-ACCOUNTED INVESTEES

The total revenue of the joint-ventures accounted for under the equity method (at 100%) represents US$ 177 million for the six months ended June, 30 2019 (for the six months ended June, 30 2018: US$ 215 million).

22.2 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, 2019, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$ 672 million (December 31, 2018:135 million). Investment commitments are principally related to investment commitments entered into for FPSO *Liza Destiny,* FPSO *Liza Unity* and FPSO *Mero 2* projects.

Contingent Liabilities

After the approval by the Brazilian Fifth Chamber for Coordination and Review and Anti-corruption of the Leniency Agreement with the Brazilian Federal Prosecutor's Office ('MPF') the next and final step remains the formal withdrawal by the MPF of the lawsuit that it initiated in December 2017. Upon this withdrawal, the Leniency Agreement with the MPF, signed on September 1, 2018 will become fully effective, after which the Company will pay the agreed fine of BRL 200 million to Petrobras. In this closing procedure, a federal judge declined the request by the MPF to approve the agreement, considering that despite the conclusion that the agreement suffices, the redress for damages agreed by the parties appear to deviate by BRL 194 million (c. US$ 50 million) from a number in an earlier calculation. The MPF and the Company both filed motions to address this concern. This matter has no impact on the Leniency Agreement signed by the Company on July 26, 2018 with other Brazilian Authorities and Petrobras that allowed the Company to resume normal business activities with Petrobras.

22.3 RELATED PARTY TRANSACTIONS

During 2019, no major related party transactions requiring additional disclosure in the condensed consolidated half year financial statements took place.

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

	Note	2019	2018
Revenue		9	8
Cost of sales		(6)	(10)
Loans to joint ventures and associates	*15*	212	234
Trade receivables		102	99
Trade payables		58	56
Lease liabilities[1]		103	109

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, 2019 and December 31, 2018.

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.

23 EVENTS AFTER THE END OF THE REPORTING PERIOD

Brazil update

On July 12, 2019 a federal judge declined the request by the MPF to approve the agreement signed between the Company and the Brazilian Federal Prosecutor's Office on September 1, 2018. For further details, please refer to Note 22.2 Commitments.