2020 HALF YEAR RESULTS

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HALF YEAR MANAGEMENT REPORT

Over the last six months, SBM Offshore has successfully navigated a challenging period, having mitigated the COVID-19 crisis at construction projects, in the fleet and through remote working. The Company's Lease and Operate team has not only kept the fleet's uptime at historical highs but also created a COVID-19-free environment offshore. The Company's project teams in Turnkey are working together with client and supplier teams in order to mitigate impacts.

The financial results during the period and full-year guidance remain in line with management expectation, which demonstrates the robustness of the Company's business model and its effective response. At the same time, the COVID-19 crisis is having a profound impact on the energy industry, not only in the short term but expected also for the longer-term future.

In today's environment, clients require faster, lower carbon intensive and lower cost oil production. The Company's emissionZERO™ program and current technology offering bring lower carbon intensity and cost efficient solutions to the Company's clients. Industry cycles are expected to become even shorter. In response to this reality, the Company is adapting its organization to ensure flexibility, performance and competitiveness, regardless of the phase in the cycle. Specialized centers will create local content and build on the Company's experience while decreasing emissions and increasing cost competitiveness through standardization brought by the Fast4Ward® program.

The Company will continue to adapt while the energy market transforms. The Company is committed to delivering solutions to clients in order to make the energy transition a reality and to reduce the carbon intensity of the Company's business.

HIGHLIGHTS AND HALF YEAR EARNINGS

Highlights

- Effective response to COVID-19 and oil price crises;
- Successfully maintaining focus on health and safety of staff and business continuity;
- Adapting the organization to ensure flexibility, performance and competitiveness;
- Financial results in line with expectation;
- 2020 Directional EBITDA guidance increased from 'around' to 'above' US$900 million; and
- 2020 Directional revenue guidance maintained at 'around' US$2.3 billion.

Overview

	YTD Directional (Unaudited)		
in US$ million	1H 2020	1H 2019	% Change
Revenue	**1,179**	**965**	22%
Lease and Operate	829	646	28%
Turnkey	351	319	10%
EBITDA	**523**	**399**	31%
Lease and Operate	538	425	27%
Turnkey	25	5	366%
Other	(40)	(30)	-32%
Underlying EBITDA	**523**	**399**	31%
Lease and Operate	538	425	27%
Turnkey	25	5	364%
Other	(40)	(30)	-32%
Profit attributable to shareholders	**38**	**61**	-38%
Underlying profit attributable to shareholders	**94**	**61**	55%
Earnings per share	**0.20**	**0.30**	-36%
Underlying Earnings per share	**0.50**	**0.30**	64%

	Directional		
in US$ billion	1H 2020 (Unaudited)	FY 2019	% Change
Pro-Forma Backlog	19.7	20.7	-5%

Directional revenue for the first half year of 2020 came in at US$1,179 million, an increase of 22% compared with the same period in 2019, mainly driven by the Lease and Operate segment. Year-to-date Directional revenue from Lease and Operate was US$829 million compared with US$646 for the first half of 2019. The increase in Directional revenue from Lease and Operate mainly resulted from FPSO *Liza Destiny* joining the fleet after achieving first oil at the end of 2019 and the Company's increased ownership in the Lease and Operate entities related to the five Brazilian FPSOs purchased by the Company in the second half of 2019. Directional Turnkey revenue increased by 10% to a total of US$351 million for the period.

Directional EBITDA for the first half year of 2020 totaled US$523 million, representing a 31% or US$123 million increase compared with the year-ago period. Directional Lease and Operate EBITDA increased by 27% or US$113 million to a total of US$538 million compared with first half of 2019. This increase is caused by the same drivers as the increase in Lease and Operate revenue. The incremental costs from the implementation of additional safety measures linked to COVID-19 have been partially recharged to clients under reimbursable contracts. The Company was able to mitigate most of the remaining net cost by improved operational performance. Directional Turnkey EBITDA increased by US$20 million to a total of US$25 million, mainly reflecting the growth in Turnkey activities and discipline in project execution. Compared with the first half of 2019, Other cost increased by US$10 million to US$40 million. This increase mainly resulted from one-off legal and tax expenses and investment in the Company's digital initiatives.

The construction activities on FPSOs did not significantly contribute to gross margin in the first half of 2020 under Directional reporting because FPSO *Sepetiba* has not yet reached the gate progress of completion allowing margin recognition under the Company's policy. As such, revenue is recognized only to the extent of cost incurred. In addition, the Liza Unity project and the limited scope from the Prosperity project are 100% owned by the Company and classified as operating lease as per Directional accounting policies. As such, these projects do not contribute to the Company's net result before first oil. For more details, refer to the Company's Directional accounting principles in chapter 4.3.2 of the Company's 2019 Annual Report.

Underlying Directional net profit for the first half year of 2020 totaled US$94 million, or US$0.50 per share, an increase of 55% compared with the same period last year. Underlying Directional net profit is adjusted for the non-recurring impairment of US $57 million related to the SBM Installer.

Impairment Review

In light of the significantly deteriorated outlook in the offshore support vessel market, the Company has impaired the remaining book value of the right-of-use asset and other related fixed assets associated with the SBM Installer vessel for a total of US$57 million.

An additional aggregate US$31 million of impairments, individually not material, was recognized relating to partial impairment of two units and increased impairment loss on certain financial assets. For more details, refer to notes 10 Net Impairment Gains / (Losses) on Financial Assets and Contractual Assets and 14 Property, Plant and Equipment.

Adapting the Business Model

The Company's strategy is set to adapt its products and business model to an environment of shorter oil price cycles and increased volatility. Consequently, the Company is taking action to reorganize the allocation of activities in its centers in order to become more efficient, building on Fast4Ward® and emissionZERO™ programs. The capacity of center located in India, supporting the Company's EPC (engineering, procurement and construction) activities and fleet support for operations, will be increased. These measures will enable the Company to lower its break-even point and allow the Company to scale activities in line with market demand.

Unfortunately, the need to lower the Company's cost base will lead to job losses. Compared with year-end 2019, the reorganization is expected to lead to a reduction of c. 600 positions[1]. The annualized cost of these positions is c. US$100 million. Restructuring costs are expected to be c. US$50-60 million, mainly booked in the second half of 2020.

The Company is maintaining its ability to win two to three FPSO orders per year. Investments into the energy of the future (e.g. gas and renewables) continue as planned.

[1] This reduction includes the earlier announed reduction of c. 300 positions in the First Quarter 2020 Trading Update.

Funding and Directional Net Debt

Directional net debt increased by US$419 million to US$3,879 million as of June 30, 2020. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew under the project loan facilities of FPSO *Liza Destiny* and FPSO *Liza Unity* to fund the continued investment in growth.

The majority of the Company's debt as of June 30, 2020 consisted of non-recourse project financing (US$2.7 billion). Under the Liza Unity and Destiny projects, a total of US$1.3 billion of debt was drawn. The Company's Revolving Credit Facility (RCF) was drawn for c. US$70 million and the net cash balance stood at c. US$300 million. Lease liabilities totaled c. US$150 million. The pre-completion parent company guarantee related to the US$720 million Liza Destiny project loan was released on July 31, 2020. The project loan in the related special purpose company has become non-recourse.

At June 30, 2020 the average interest rate for the Company's debt stood at 4.3%, compared with 4.9% at year-end 2019.

During the period, a US$600 million bridge loan facility was secured by the special purpose company owning FPSO *Sepetiba* to finance its ongoing construction. Repayment is expected to take place upon closure and first drawdown of the project loan for which negotiations continue to progress.

As at June 30, 2020 the Company had a total liquidity position of US$2.1 billion. This consisted of available balances under the RCF (US$0.9 billion) and undrawn loans (c. US$0.4 billion for the SBM share in the bridge loan for the Sepetiba project and c. $0.5 billion under the loan for project Liza Unity) and the net cash balance of c. US$0.3 billion. Post period in July, the bridge loan for the Sepetiba project was drawn in full in order to continue to fund the FPSO construction.

Cancellation of Shares

Upon completion of the 2020 share repurchase program, in line with its reported objectives, the Company is planning to cancel 10 million shares currently held in Treasury. This represents c. 80% of the total shares repurchased. The cancellation is expected to take place before year-end.

Directional Pro-Forma Backlog

Changes in ownership scenarios and lease contract durations have the potential to significantly impact the Company's future cash flows, net debt balance as well as the profit and loss statement. The Company therefore provides a pro-forma backlog on the basis of the most likely ownership scenarios and lease contract duration for the various projects.

The pro-forma backlog at June 30, 2020 reflects the following key assumptions:

- The *Liza Destiny* contract covers 10 years of Lease and Operate but the expectation is that the client will purchase the unit after a period of up to two years of operations. As a result, the pro-forma backlog as of June 30, 2020 has been adjusted to reflect a shortened Lease and Operate period of two years for FPSO *Liza Destiny*, consistently with the pro-forma backlog reported at December 31, 2018 and 2019. The impact of the subsequent sale of FPSO *Liza Destiny* is reflected in the Turnkey backlog.
- The *Liza Unity* contract covers a maximum lease and operate period of two years within which the unit will be purchased by the client. Normally the Company would not yet take the operating and maintenance scope of this contract into account, although it has been agreed in principle, pending a final work order. However, to be consistent with prior year and to better reflect the current reality, the pro-forma backlog set out below takes the operating and maintenance scope on FPSO *Liza Unity* into account. The impact of the subsequent sale of FPSO *Liza Unity* is reflected in the Turnkey backlog.
- With respect to FPSO *Prosperity*, for which the full Lease and Operate contract award is subject to necessary government approvals and a final work order from the client, the amount included in the pro-forma backlog is limited to the value of the initial limited funds released to the Company to begin FEED activities and secure a Fast4Ward® hull.
- With reference to the acquisition of the minority stakes in five Brazilian FPSO's announced on November 22, 2019 (refer to note 4.3.1 Financial Highlights of the Company's 2019 Annual Report), the Company included the acquired backlog, with the exception of a 7% ownership in one FPSO which has been transferred to current partners on July 28, 2020. This transaction was already anticipated in 2019 and taken into account in the pro-forma backlog reported at December 31, 2019.

The pro-forma Directional backlog at the end of June 30, 2020 decreased by US$1 billion to a total of US$19.7 billion, compared with US$20.7 billion at December 31, 2019. The decrease was mainly the result of turnover of US$1.2 billion in the first half year of 2020 consuming backlog.

in US$ billion	Turnkey	Lease & Operate	Total
2H 2020	0.3	0.9	1.1
2021	1.2	1.5	2.7
2022	0.3	1.2	1.4
Beyond 2022	1.3	13.1	14.4
Total Backlog	3.1	16.7	19.7

Project Review

Project	Client/country	Contract	SBM Share	Capacity, Size	POC*	Expected Delivery
***Liza Unity*, FPSO**	ExxonMobil Guyana	2 year Build, Operate, Transfer	100%	220,000 bpd	>50% <75%	2022
***Sepetiba*, FPSO**	Petrobras Brazil	22.5 year lease & operate	64.5%	180,000 bpd	< 25%	2022

**Percentage of completion*

The Company's construction activities rely on global supply chains, which face challenges to varying degrees from the pandemic. Some suppliers experience difficulty delivering equipment on time, have capacity issues or are facing the consequences of international travel restrictions. Project teams are working closely with client teams and contractors to mitigate impacts on and create alternatives for execution planning. Impacts on cost and schedule are regularly assessed. An update on individual projects is provided below.

FPSO Liza Unity
After the temporary closure of the yards in Singapore due to COVID-19, the yards have re-opened and are currently ramping up again. With the vessel in dry-dock, work is progressing on the integration of the mooring system and the preparation for the lifting and integration of the first topside modules. The project continues to target first oil in 2022.

FPSO Sepetiba
The project is progressing, with the project team working with yards and suppliers on mitigating the delays caused by the ongoing COVID-19 crisis. The Fast4Ward® multipurpose floater (MPF) hull is currently being constructed at the yard in China, where the yard is back at full capacity after reopening at the end of the first quarter in 2020. The fabrication of topside modules started in Brazil and China in the second quarter of this year.

FPSO Liza Destiny
In December 2019 FPSO *Liza Destiny* reached the milestone of first oil. During the final commissioning phase the FPSO encountered some challenges with the FPSO's gas handling system. The Company is working together with its client and suppliers in order to expedite resolution. Once the system is commissioned, it will ramp up to full capacity (120,000 barrels of oil per day) while the unit is expected to achieve flare-out. Both the safety of the staff on board the FPSO and the efforts to minimize flaring are key priorities for the Company.

Fast4Ward® MPFhulls
Under the Company's Fast4Ward® program the total number of MPF hulls ordered to date stands at five. Three MPF hulls are allocated to FPSOs *Liza Unity*, *Sepetiba* and *Prosperity*.

The construction of the Prosperity MPF hull is progressing in accordance with schedule. The Prosperity project remains subject to government approvals, project sanction and an authorization to proceed with the next phase. There are potential delays to the schedule. The Company continues to look for opportunities to mitigate cost and schedule impacts.

Regarding the MPF hulls not allocated to projects, MPF hulls number four and five, construction of the fourth MPF hull commenced and is making progress in line with the Company's execution plan. Construction of the fifth MPF hull has not started.

Johan Castberg Turret Mooring System (TMS)
With the final modules of the Johan Castberg TMS safely shipped from the yard in Dubai, the project is entering its integration and commissioning phase. The main EPC activities have been completed. The Company is working with the client on the integration of the TMS into the FPSO. This last phase represents less than 10% of the original project scope.

Operational Update
The Company's fleet uptime during the first half of 2020 was 99.5%, in line with the fleet's lifetime historical average.

Due to COVID-19, business continuity protocols remain in place at shore bases as well as offshore in the Company's fleet. To date, the Company's response has been effective as evidenced by the uptime. The Company's COVID-19 response strategy aims to prevent the occurrence of cases on board vessels and in onshore locations and to minimize impact on operations if and when cases are identified.

FPSO Capixaba
FPSO *Capixaba*, held by an entity without debt financing, of which the Company is the 100% owner, was shut down in April in consultation with the client, enabling the Company to complete an extensive maintenance program. In agreement with the client, this shutdown was extended to a total duration of approximately four months. During this period, no charter payment is due. The period of approximately four months has been added to the charter contract at the end of the current lease period. The shutdown enables the Company to bring forward and optimize structural maintenance activities originally planned for future years.

Deep Panuke MOPU
The Deep Panuke platform was safely de-installed from the offshore field in July 2020. During the next phase of the project, the platform will be prepared for transport to a recycling yard. The yard selection is planned for second half of this year. A prerequisite for awarding the contract to the yard will be an audit to confirm the yard's ability to operate within the Company's policy and meet the relevant external guidelines.

Semi-Sub Thunder Hawk
The Thunder Hawk production facility, owned 100% by the Company, was temporarily shut down in April of this year upon operator request. After a period of 45 days, the unit restarted production in June. The Thunder Hawk contract is the only lease contract in the Company's lease portfolio for which revenue is dependent on production.

Sustainability and HSSE
The Company's approach is to translate its Environmental, Social and Governance (ESG) efforts into transparent and measurable metrics. The Company has reported ESG related metrics for more than a decade. Since then, the number of ESG related metrics reported has increased to more than 40. Since 2019, the Company uses the United Nations' (UN) Sustainable Development Goals (SDG) framework to set annual quantifiable targets reflecting ESG priorities. Progress is reported at year-end. To date, the Company selected six SDGs for which it set 10 targets. Using its experience obtained over recent years, the Company will by 2021 create long-term targets with an outlook to 2030, which matches the agenda of the United Nations' SDG goals.

Extending the Company's ambition to reduce carbon emissions, the Company announced its emissionZERO™ program at the start of this year. The program's objective is to be able to offer clients an FPSO with near-zero emissions. To date, the Company has started 23 individual projects supporting this goal of an emissionZERO™ FPSO. These projects focus on the two main sources of greenhouse gas emissions from an FPSO: energy generation and flaring. The projects include among others, investigating a carbon capture and storage solution, electrification of the FPSO to reduce emissions from the power generators and application of digital solutions for the purpose of gathering and analyzing data to increase operational reliability and predictability.

During the first half of 2020, the Company engaged with more than 30 of its key stakeholders to further improve its understanding of stakeholder interests, especially in relation to the Company's strategy and approach to sustainability. These

stakeholders included clients, banks, investors and employees. The conclusions from the discussions support the approach to prioritize energy transition and reduction of carbon emissions. The Company will expand this initiative to other stakeholder groups. The Company is planning to maintain a continuous dialogue with its stakeholders.

COVID-19: supporting local communities
From the start of the COVID-19 pandemic, the Company reached out to local communities in order to provide support. For instance, the Company's office in China donated COVID-19 prevention equipment to the Disease Control Office of the Changing District in Shanghai through the Shanghai Charity Foundation. In Guyana the Company set up a global operation to supply 30,000 pieces of protective equipment to the country.

Total Recordable Injury Frequency Rate (TRIFR)
As at June 30, 2020, the Company's TRIFR was 0.12 over the first half of 2020, compared with the full year 2020 target of 0.20.

financial risk management
The Company's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. As per the information disclosed in the Company's Annual Report 2019, the following financial risks are identified and monitored by the Company: market, liquidity, interest, foreign exchange, credit and capital management risk. For the description, exposure and policies related to these risks, please refer to note 4.3.29 Financial instruments - fair values and risk management of the Company's 2019 Annual Report.

During the first half year of 2020, the COVID-19 pandemic caused crises in many aspects of the worldwide economy. This, combined with demand and supply crises in the oil and gas market has required the Company to evolve and adapt to uncertain market conditions. In the light of this situation, the Company reviewed its financial risk management program and concluded that the existing procedures adequately addressed this challenging situation. Therefore, the financial management risks and policies remained consistent with the disclosures included at year end December 31, 2019.

In the context of the COVID-19 pandemic and low oil price environment, the Company especially focused on liquidity, credit and counterparty risks. The Company performed analyses on the credit and counterparty risks of its clients and financial partners. The analysis resulted in no material impact (refer to note 10 Net Impairment Gains / (Losses) on Financial Assets and Contractual Assets). The Company applied its policy on derivative financial instruments and cash and cash equivalents counterparty credit risk. Limits per individual counterparty were respected.

The Company monitors its liquidity using rolling forecasts of its liquidity reserves on the basis of expected cash flows. Thus, the Company conducted various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion was that the Company's lease portfolio and the existing financing facilities are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients the Company has considerable time under charters in which to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. To date, the Company has been able to manage the COVID-19 situation without the need to use such protection.

Lastly, in terms of hedging policy which addresses interest rates and foreign exchange rates risks, the hedging instruments in place are effective, with no material inefficiency (refer to note 11 Net Financing Costs). The Company did not identify a need to hedge any other financial risks.

Outlook and guidance
The outlook for the number and timing of new projects coming to the market remains uncertain. The Company's US$19.7 billion Directional backlog uniquely positions the Company in navigating the current challenges and future uncertainties. Underpinned by 'in hand' activities from the backlog, and benefiting from good performance on close out of projects and other commercial items, 2020 Directional EBITDA guidance is increased from 'around' US$900 million to 'above' US$900 million. 2020 Directional revenue guidance is maintained at 'around' US$2.3 billion of revenue, with around US$1.6 billion coming from Lease and Operate and around US$0.7 billion from the Turnkey segment.

This guidance excludes the exceptional positive impacts on Revenue and EBITDA resulting from redelivery of the Deep Panuke platform.

The Directional EBITDA and revenue guidance considers the currently foreseen COVID-19 impacts on projects and fleet operations. The Company highlights that the direct and indirect impact of the crises could have a material impact on the Company's business and results. Further updates on the status of the outlook and guidance for 2020 financials will be provided as usual on a quarterly basis.

FINANCIAL REVIEW

FINANCIAL REVIEW DIRECTIONAL

DIRECTIONAL REPORTING

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

The Management Board, as chief operating decision maker, monitors the operating results of the Company primarily based on Directional reporting. The financial review is presented both under Directional and IFRS. As far as the half year financial statements are concerned, the financial information 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 2020	1H 2019
Revenue	**1,179**	**965**
Lease and Operate	829	646
Turnkey	351	319
EBITDA[1]	**523**	**399**
Lease and Operate	538	425
Turnkey	25	5
Other	(40)	(30)
Underlying EBITDA	**523**	**399**
Lease and Operate	538	425
Turnkey	25	5
Other	(40)	(30)
Profit attributable to shareholders	**38**	**61**
Underlying profit attributable to shareholders	**94**	**61**

1 EBITDA, earnings (profit attributable to shareholders) excluding net financing costs, income tax expense, depreciation, amortization and impairment as well as share of profit/(loss) of equity-accounted investees.

Underlying performance

Non-recurring item for the first half year of 2020 impacted the Directional profit attributable to shareholders by US$(57) million, which related to an impairment of the SBM Installer installation vessel (please refer to note 14 Property, Plant and Equipment).
For reference, there were no non-recurring items that had a material impact on the 2019 half year Directional profit.

Revenue

Directional revenue for the first half year of 2020 came in at US$1,179 million, an increase of 22% when compared with the same period in 2019. Directional revenue variance by segment is detailed as follows:

- Directional Lease and Operate revenue for the first half year of 2020 was US$829 million versus US$646 million in the same period prior year. This increase is mainly driven by (i) FPSO *Liza Destiny* joining the fleet after achieving first oil at the end of 2019 and (ii) the Company's additional percentage of ownership in the Lease and Operate entities related to the five Brazilian FPSO's in which the Company purchased additional shares in the second half year of 2019.
- Directional Turnkey revenue increased to US$351 million, representing 30% of total first half 2020 revenue. This compares with US$319 million, or 33% of total revenue, in the year-ago period. This increase is attributable to a general ramp-up of Turnkey activities which includes the construction activities on FPSO *Sepetiba*, which started to contribute to Directional revenue in the second half of 2019 due to the disposal of the minority share of 20% to Mitsubishi Corporation (MC) and 15.5% to Nippon Yusen Kabushiki Kaisha (NYK).

EBITDA

Underlying Directional Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) for the first half year of 2020 amounted to US$523 million, representing a 31% increase compared with an Underlying EBITDA of US$399 million in the year-ago period.

Underlying EBITDA is analyzed by segment as follows:

- Underlying Directional Lease and Operate EBITDA moved from US$425 million in the year-ago period to US$538 million in the first half year of 2020. This increase is supported by the same drivers as the increase in the Directional Lease and Operate revenue. The incremental costs from the implementation of additional safety measures linked to COVID-19 have been partially recharged to clients under reimbursable contracts. The Company was able to mitigate most of the remaining net cost by improved operational performance.
- Underlying Directional Turnkey EBITDA increased from US$5 million in the year-ago period to US$25 million, mainly reflecting the general ramp-up of Turnkey activities and discipline in project execution.
- The other non-allocated costs charged to EBITDA increased from US$30 million in the year ago period to US$40 million in the first half year of 2020. This mainly resulted from one-off legal and tax expenses and investment in the Company's digital initiatives.

It should be noted that under Directional, the construction activities on FPSOs did not contribute to gross margin in the first half of 2020 for the following reasons:

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

Net income

Underlying Directional depreciation, amortization and impairment increased by US$75 million year-on-year, primarily due to a US$35 million FPSO *Liza Destiny* depreciation charge, US$31 million of impairments (individually not material) relating to partial impairment of two units and increased impairment losses on financial assets plus US$19 million additional depreciation following the purchase of additional shares in five Brazilian FPSOs completed in the second half year of 2019.

Directional net financing costs totaled US$89 million in the first half of 2020, compared with US$76 million in the year-ago period, mainly reflecting the additional interest generated by the *Liza Destiny* project loan. The effective tax rate over the first half year of 2020 increased to 32%, compared to 22% for the first six months of 2019.

As a result, the Company recorded an Underlying Directional net profit of US$94 million, or US$0.50 per share, for the first half year of 2020, up from US$61 million, or US$0.30 per share, in the year-ago period.

STATEMENT OF FINANCIAL POSITION

	Directional	
in US$ million	**2020 (Unaudited)**	2019
Equity	666	1,179
Net Debt	3,879	3,460
Net Cash	309	458
Total Assets	7,392	7,414

Shareholder's equity decreased from US$1,179 million at year end 2019 to US$666 million at June 30, 2020, mostly due to the following items:

- Completion of the share repurchase program executed between February 13, 2020 and April 3, 2020 for US$165 million;
- Dividend distributed to the shareholders for US$150 million;
- Decrease of the hedging reserves by US$243 million; and
- Partial offset of the positive net result of US$38 million for the first half year of 2020.

The movement in hedging reserve was mainly caused by the impact of (i) the marked-to-market value of the interest rate swaps due to declining market interest rates and (ii) the depreciation of the hedged currencies against the US Dollar over the period (especially BRL).

Net debt increased by US$419 million to US$3,879 million as of June 30, 2020. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew under the project loan facilities of FPSO *Liza Destiny* and FPSO *Liza Unity* to fund continued investment in growth.

The majority of the Company's debt as of June 30, 2020 consisted of non-recourse project financing (US$2.7 billion). Under the Liza Unity and Destiny projects, a total of US$1.3 billion of debt was drawn. The Company's Revolving Credit Facility (RCF) was drawn for c. US$70 million and the net cash balance stood at US$309 million (December 31, 2019: US$458 milion). Lease liabilities totaled c. US$150 million. The pre-completion company guarantee related to the US$720 million Liza Destiny project loan was released on July 31, 2020. The project loan in the related special purpose company has become non-recourse.

Total assets remained stable at US$7.4 billion as of June 30, 2020, compared with US$7.4 billion at year end 2019.

Cash from operating activities for the period was positive at US$337 million, including investments in the multipurpose floater hulls, primarily reflecting strong cash flows generated by the Lease and Operate segment.

FINANCIAL REVIEW IFRS

PROFITABILITY

in US$ million	IFRS (Unaudited) 1H 2020	1H 2019
Revenue	**1,592**	**1,491**
Lease and Operate	735	648
Turnkey	857	843
EBITDA	**489**	**447**
Lease and Operate	436	400
Turnkey	93	77
Other	(40)	(30)
Underlying EBITDA	**489**	**447**
Lease and Operate	436	400
Turnkey	93	77
Other	(40)	(30)
Profit attributable to shareholders	**98**	**127**
Underlying profit attributable to shareholders	**155**	**127**

Underlying Performance

Non-recurring item for the first half year of 2020 impacted the IFRS profit attributable to shareholders by US$(57) million, which related to an impairment of the SBM Installer installation vessel (please refer to note 14 Property, Plant and Equipment).

For reference, there were no non-recurring items that had a material impact on the 2019 half year IFRS profit.

Revenue

IFRS revenue for the first half year of 2020 increased by 7% to US$1,592 million versus US$1,491 million in the first half year of 2019.

The increase was mainly driven by the Lease and Operate segment with FPSO *Liza Destiny* joining the fleet after achieving first oil at the end of 2019.

IFRS Turnkey revenue for the first half year of 2020 was US$857 million versus US$843 million in the same period prior year.

EBITDA

IFRS Underlying EBITDA amounted to US$489 million, representing a 10% increase when compared with the same period in prior year, in line with the increased Lease and Operate activity.

Note that contrary to Directional Reporting, the Company's additional percentage of ownership in the Lease and Operate entities related to the five Brazilian FPSO's following the purchase of additional shares completed in the second half year of 2019 has no impact on IFRS revenue and EBITDA (these entities being subsidiaries consolidated using the full consolidation method as per IFRS 10).

In contrast to Directional, it should also be noted that the construction of FPSO *Liza Unity* contributed to both IFRS Turnkey revenue and gross margin over the period. This is because this contract is classified as finance lease as per IFRS 16 and is therefore accounted for as a virtual direct sale under IFRS. The same treatment applied to the construction of FPSO *Sepetiba* and the limited scope of FPSO *Prosperity* under IFRS, except that revenue recognition on these projects was limited to cost incurred over the period as they have not yet reached the gate progress of completion allowing margin recognition under the Company policy (this gate being formalized by an independent project review mitigating uncertainties related to the cost at completion).

Net income

Underlying IFRS Profit attributable to shareholders for the first half year of 2020 came in at US$155 million compared with US $127 million for the year-ago period. The net income under IFRS similarly to Directional, was impacted by US$31 million

impairments (individually not material) relating to the partial impairment of two units and increased impairment loss on financial assets.

STATEMENT OF FINANCIAL POSITION

in US$ million	IFRS 2020 (Unaudited)	2019
Equity	3,252	3,613
Net Debt	4,797	4,416
Net Cash	339	506
Total Assets	10,415	10,287

Total equity decreased from US$3,613 million at year end 2019 to US$3,251 million at June 30, 2020, with the positive result over the first half year of 2020 being more than offset by the completion of the share repurchase program executed between February 13, 2020 and April 3, 2020, dividend distributed to the shareholders and a decrease of the hedging reserves. The movement in hedging reserve was mainly caused by the impact of (i) the marked-to-market value of the interest rate swaps due to declining market interest rates and (ii) the increased marked-to-market value of forward currency contracts caused mainly by the appreciation of the US$ exchange rate versus the hedged currencies (especially BRL).

Net debt increased by US$381 million to US$4,797 million at June 30, 2020. While the Lease and Operate segment continues to generate strong operating cash flow, the Company is drew under the project loan facilities of FPSO *Liza Destiny* and FPSO *Liza Unity* and on the Company's Revolving Credit Facility for continued investment in growth.

The majority of the Company's debt as of June 30, 2020 consisted of non-recourse project financing on special purpose investees (US$3.6 billion). The remainder comprised of borrowings to support the construction of FPSO *Liza Unity* and FPSO *Sepetiba*, the project loan for FPSO *Liza Destiny* and lease liabilities (US$1.5 billion). The pre-completion company guarantee related to the US$720 million Liza Destiny project loan was released on July 31, 2020. The project loan in the related special purpose company has become non-recourse.

RELATED PARTY TRANSACTIONS

During 2020, no major related party transactions requiring additional disclosure in the condensed consolidated half year financial statements took place.

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

	Note	**2020**	2019
Revenue		6	9
Cost of sales		(5)	(6)
Loans to joint ventures and associates	*16*	59	55
Trade receivables		59	52
Trade payables		15	17
Lease liabilities[1]		90	97

1 DSCV SBM Installer charter lease contract.

For the avoidance of doubt, revenue and cost of sales are presented for the six months ended June 30 whereas financial positions are presented as of June 30, 2020 and December 31, 2019.

The Company has provided loans to joint ventures and associates such as shareholder loans and funding loans at rates comparable to the commercial rates of interest.

During the period, the Company entered into trading transactions with joint ventures and associates on terms equivalent to those that prevail in arm's-length transactions.

DECLARATION MANAGEMENT BOARD

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

- The condensed consolidated half year financial statements as of and for the six months ended June 30, 2020 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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CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	Notes	2020	2019
Revenue from contracts with customers		1,339	1,253
Interest revenue from finance leases calculated using the effective interest method		253	238
Total revenue	9	**1,592**	**1,491**
Cost of sales		(1,187)	(1,088)
Gross margin		**405**	**403**
Other operating income/(expense)		(3)	5
Selling and marketing expenses		(23)	(25)
General and administrative expenses		(77)	(60)
Research and development expenses		(11)	(11)
Net impairment gain/(losses) on financial and contract assets	10	(13)	2
Operating profit/(loss) (EBIT)		**278**	**313**
Financial income		10	17
Financial expenses		(133)	(132)
Net financing costs	11	**(123)**	**(115)**
Share of profit/(loss) of equity-accounted investees		19	22
Profit/(loss) before tax		**173**	**220**
Income tax expense	12	(15)	(19)
Profit/(loss)		**157**	**200**
Attributable to shareholders of the parent company		98	127
Attributable to non-controlling interests		59	74
Profit/(loss)		**157**	**200**

Earnings/(loss) per share

	Notes	2020	2019
Weighted average number of shares outstanding	13	189,962,435	200,968,294
Basic earnings/(loss) per share	13	US$ 0.52	US$ 0.63
Fully diluted earnings/(loss) per share	13	US$ 0.51	US$ 0.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	2020	2019
Profit/(loss) for the period	**157**	**200**
Cash flow hedges	(290)	(130)
Deferred tax on cash flow hedges	-	-
Foreign currency variations	(8)	(1)
Items that are or may be reclassified to profit or loss	**(299)**	**(131)**
Remeasurements of defined benefit liabilities	(1)	(3)
Deferred tax on remeasurement of defined benefit liabilities	-	-
Items that will never be reclassified to profit or loss	**(1)**	**(3)**
Other comprehensive income/(expense) for the period, net of tax	**(299)**	**(135)**
Total comprehensive income/(expense) for the period, net of tax	**(141)**	**66**
Of which		
- on controlled entities	(151)	44
- on equity-accounted entities	9	22
Attributable to shareholders of the parent company	(152)	40
Attributable to non-controlling interests	12	27
Total comprehensive income/(expense) for the period, net of tax	**(141)**	**66**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

in millions of US$	Notes	30 June 2020	31 December 2019
ASSETS			
Property, plant and equipment	14	813	1,005
Intangible assets		38	23
Investment in associates and joint ventures		315	325
Finance lease receivables	15	6,258	6,407
Other financial assets	16	105	104
Deferred tax assets		24	22
Derivative financial instruments	21	3	5
Total non-current assets		**7,556**	**7,891**
Inventories	17	38	8
Finance lease receivables	15	295	287
Trade and other receivables		611	573
Income tax receivables		8	11
Construction work-in-progress	18	1,526	973
Derivative financial instruments	21	41	37
Cash and cash equivalents		339	506
Assets held for sale		1	1
Total current assets		**2,859**	**2,396**
TOTAL ASSETS		**10,415**	**10,287**
EQUITY AND LIABILITIES			
Issued share capital		56	56
Share premium reserve		1,034	1,034
Treasury shares		(193)	(46)
Retained earnings		1,888	1,942
Other reserves		(488)	(238)
Equity attributable to shareholders of the parent company		**2,296**	**2,748**
Non-controlling interests		956	865
Total Equity	19	**3,252**	**3,613**
Borrowings and lease liabilities	20	4,443	4,309
Provisions	22	208	165
Deferred income		125	150
Deferred tax liabilities		17	23
Derivative financial instruments	21	320	156
Other non-current liabilities		115	123
Total non-current liabilities		**5,228**	**4,926**
Borrowings and lease liabilities	20	693	612
Provisions	22	108	118
Trade and other payables		876	896
Income tax payables		42	37
Derivative financial instruments	21	216	85
Total current liabilities		**1,935**	**1,749**
TOTAL EQUITY AND LIABILITIES		**10,415**	**10,287**

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 2020	**198,671,305**	**56**	**1,034**	**(46)**	**1,942**	**(238)**	**2,747**	**865**	**3,613**
Profit/(loss) for the period		-	.	-	99	-	99	59	158
Foreign currency translation		(0)	-	(2)	-	(5)	(8)	0	(8)
Remeasurements of defined benefit provisions		-	-	-	-	(1)	(1)	-	(1)
Cash flow hedges/net investment hedges		-	-	-	-	(243)	(243)	(47)	(290)
Comprehensive income for the period		**(0)**	**-**	**(2)**	**99**	**(249)**	**(152)**	**12**	**(141)**
IFRS 2 Vesting cost of share based payments		-	-	-	-	12	12	-	12
Re-issuance treasury shares on the share based scheme		-	-	20	(4)	(14)	2	-	2
Purchase of treasury shares		-	-	(165)	-	-	(165)	-	(165)
Cash dividend		-	-	-	(150)	-	(150)	(15)	(165)
Equity funding		-	-	-	0	-	0	95	95
Equity repayment		-	-	-	(0)	-	(0)	(0)	(0)
Transaction with non-controlling interests		-	-	-	0	-	0	(0)	(0)
At 30 June 2020	**198,671,305**	**56**	**1,034**	**(193)**	**1,888**	**(488)**	**2,296**	**956**	**3,252**

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)	0	(1)	(0)	0	(1)	0	(1)
Remeasurements of defined benefit provisions		-	-	-	0	(3)	(3)	-	(3)
Cash flow hedges/net investment hedges		-	-	-	0	(83)	(83)	(47)	(130)
Comprehensive income for the period	**-**	**(0)**	**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	(0)	7
Purchase of treasury shares		-	-	(198)	-	-	(198)	-	(198)
Cash dividend		-	-	-	(75)	-	(75)	(7)	(82)
Equity repayment		-	(0)	-	(0)	-	(0)	(13)	(13)
Transaction with non-controlling interests		-	0	-	(10)	-	(10)	(0)	(10)
At 30 June 2019	**205,671,305**	**59**	**1,163**	**(193)**	**1,573**	**(195)**	**2,408**	**985**	**3,393**

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the six months ended June 30, 2020, figures are expressed in millions of US$	Notes	2020	2019
Cash flow from operating activities			
Profit/(loss) before income tax		**173**	**220**
Adjustments to reconcile profit before taxation to net cash flows:			
Depreciation and amortization		124	119
Impairment	14	88	14
Net financing costs		127	115
Share net income of associates and joint ventures		(19)	(22)
Share based compensation		12	10
(Increase)/Decrease in working capital:			
- (Increase)/Decrease Trade and other receivables		(102)	(38)
- (Increase)/Decrease Construction work-in-progress		(561)	(432)
- (Increase)/Decrease Inventories		(30)	(53)
- Increase/(Decrease) Trade and other payables		32	(49)
Increase/(Decrease) Other provisions		22	(180)
Reimbursement finance lease assets		140	94
Income taxes paid		(18)	(11)
Net cash flows from (used in) operating activities		**(11)**	**(212)**
Cash flow from investing activities			
Investment in property, plant and equipment		(10)	(14)
Investment in intangible assets		(7)	(2)
Additions to funding loans		(6)	(5)
Redemption of funding loans		2	26
Interest received		0	13
Dividends received from equity-accounted investees		22	24
Proceeds from disposal of financial assets and other assets		0	(0)
Net cash flows from (used in) investing activities		**4**	**42**
Cash flow from financing activities			
Equity funding from / (repayment to) partners		95	(13)
Additions to borrowings and loans		496	426
Repayments of borrowings and lease liabilities		(302)	(263)
Dividends paid to shareholders and non-controlling interests		(165)	(84)
Share repurchase program		(165)	(198)
Interest paid		(114)	(119)
Net cash flows from (used in) financing activities		**(155)**	**(250)**
Net increase/(decrease) in cash and cash equivalents		**(163)**	**(421)**
Net cash and cash equivalents as at 1 January		506	718
Net increase/(decrease) in net cash and cash equivalents		(163)	(421)
Foreign currency variations		(3)	(2)
Net cash and cash equivalents end of period		**339**	**296**[1]

1 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, 2020 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 5, 2020, 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, 2020 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, 2019, as the same policies apply except for the new IFRS standards and interpretations adopted by the European Union as at June 30, 2020, where effective, for the financial year beginning January 1, 2020.

The consolidated financial statements of the Company for the year ended December 31, 2019 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, 2020

The Company has adopted the following new standards with a date of initial application of January 1, 2020:

- Amendments to IFRS 3 - 'Definition of a Business';
- Amendments to IFRS 7, IFRS 9 and IAS 39 - 'Interest Rate Benchmark Reform';
- Amendments to IAS 1 and IAS 8 - 'Definition of Material'; and
- Conceptual Framework for Financial Reporting.

IFRS 3 – Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the current consolidated financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform

The amendments to IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.
The adoption of this amendment has no impact on the financial statements for earlier periods and the half year financial statements for the period ended June 30, 2020.

IAS 1 and IAS 8 - Definition of Material

The amendments provide a new definition of material that states 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'
The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.
This amendment had no impact on the consolidated financial statements for the period ended June 30, 2020.

Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Company.

STANDARDS AND INTERPRETATIONS NOT MANDATORILY APPLICABLE TO THE COMPANY AS OF JANUARY 1, 2020

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 - 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-current';
- Amendments to IFRS 3 - 'Reference to the Conceptual Framework for Financial Reporting';
- Amendments to IAS 16 - 'Property, Plant and Equipment - Proceeds before Intended Use';
- Amendments to IAS 37 - 'Onerous Contracts - Cost of Fulfilling a Contract';
- Amendments to IFRS 16 - 'IFRS 16 and COVID-19'; and
- Annual Improvements 2018-2020.

The Company does not expect a material impact 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 Board of the Company to make estimates and certain assumptions that can influence the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and assumptions, due to changes in facts and circumstances. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The significant areas of estimation and judgment made by the management in applying the Company's accounting policies, and the key sources of estimation and assumptions were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2019 and disclosed in section 4.2.7 Accounting Principles of the Company's 2019 Annual Report.

Furthermore during the first half of financial year 2020, global COVID-19 situation resulted in the Company reassessing significant estimates and judgments. The following key areas were identified as potentially significantly affected by COVID-19 pandemic:

- Key assumptions used in the impairment tests of assets or group of assets; and
- Expected credit losses (IFRS 9).

Regarding the Company's considerations for estimation of expected credit losses, refer to note 10 Net Impairment Gains / (Losses) on Financial Assets and Contractual Assets. The impact of COVID-19 on the impairment of the tangible assets is disclosed in note 14 Property, Plant and Equipment.

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 is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

6 FINANCIAL RISK MANAGEMENT

The Company's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. As per the information disclosed in the Company's Annual Report 2019, the following financial risks are identified and monitored by the Company: market, liquidity, interest, foreign exchange, credit and capital management risk. For the description, exposure and policies related to these risks, please refer to note 4.3.29 Financial instruments - fair values and risk management of the Company's 2019 Annual Report.

During the first half year of 2020, the COVID-19 pandemic caused crises in many aspects of the worldwide economy. This, combined with demand and supply crises in the oil and gas market has required the Company to evolve and adapt to uncertain market conditions. In the light of this situation, the Company reviewed its financial risk management program and concluded that the existing procedures adequately addressed this challenging situation. Therefore, the financial management risks and policies remained consistent with the disclosures included at year end December 31, 2019.

In the context of the COVID-19 pandemic and low oil price environment, the Company especially focused on liquidity, credit and counterparty risks. The Company performed analyses on the credit and counterparty risks of its clients and financial partners. The analysis resulted in no material impact (refer to note 10 Net Impairment Gains / (Losses) on Financial Assets and Contractual Assets). The Company applied its policy on derivative financial instruments and cash and cash equivalents counterparty credit risk. Limits per individual counterparty were respected.

The Company monitors its liquidity using rolling forecasts of its liquidity reserves on the basis of expected cash flows. Thus, the Company conducted various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion was that the Company's lease portfolio and the existing financing facilities are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients the Company has considerable time under charters in which to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. To date, the Company has been able to manage the COVID-19 situation without the need to use such protection.

Lastly, in terms of hedging policy which addresses interest rates and foreign exchange rates risks, the hedging instruments in place are effective, with no material inefficiency (refer to note 11 Net Financing Costs). The Company did not identify a need to hedge any other financial risks.

7 FINANCIAL HIGHLIGHTS

Share Repurchase Program

On April 3, 2020, the Company completed its EUR150 million share repurchase program. Between February 13, 2020 and April 3, 2020 a total of 12,094,623 common shares were repurchased, at an average price of EUR12.40 per share.

The repurchases were made under the EUR150 million share repurchase program announced on and effective from February 13, 2020. The objective of the program was to reduce share capital and, in addition, to provide shares for regular management and employee share programs.

Completion of US$600 million bridge loan for FPSO Sepetiba

The Company secured a US$600 million bridge loan facility for the financing of the construction of FPSO *Sepetiba*. The facility was secured by the special purpose company owning FPSO *Sepetiba* and was agreed with a consortium of four international banks. The Company is the majority owner of this special purpose company (with 64.5% equity ownership), together with Mitsubishi Corporation (20%) and Nippon Yusen Kabushiki Kaisha (15.5%).

The facility has been drawn in July 2020 to finance the ongoing construction of the FPSO *Sepetiba*. The tenor of the bridge loan is six months with an extension option for another six months. The facility benefits from sponsor guarantees, which are to be released upon repayment.

8 OPERATING SEGMENTS AND DIRECTIONAL REPORTING

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

- Lease and Operate;
- Turnkey.

For the purposes of this note, the operating segments are measured under Directional reporting accounting principles, as described under the section 4.3.2 Operating Segments and Directional Reporting of the Company's 2019 Annual Report. A reconciliation of the Directional operating segments to IFRS is then provided for each applicable reporting period.

The Management Board of the Company, as chief operating decision maker, uses the Earnings Before Interest, Taxes, Depreciation and Amortization, 'EBITDA' (prepared in accordance with Directional reporting 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 are corporate level expenses which are managed by the central treasury and tax functions.

SEGMENT HIGHLIGHTS

The Turnkey revenue benefited from a general ramp-up of project related activities which includes mainly the construction activities on FPSO *Sepetiba*, which started to contribute to Directional revenue in the second half year of 2019 due to the disposal of the minority share of 20% to Mitsubishi Corporation (MC) and 15.5% to Nippon Yusen Kabushiki Kaisha (NYK).

The Turnkey segment was impacted by the full impairment of US$(57) million relating to the SBM Installer installation vessel (please refer to note 14 Property, Plant and Equipment) in the first half year of 2020.

The Lease and Operate Revenue and EBITDA increased versus the year ago period mainly driven by (i) *Liza Destiny* joining the fleet after achieving first oil at the end of 2019 and (ii) the Company additional percentage of ownership in the lease and operate entities related to the five Brazilian FPSO's in which it purchased additional shares in the second half year of 2019.

Furthermore, the Lease and Operate net result was impacted by an aggregate impairment of US$(29) million (individually not material) in the first half year of 2020 relating to: (i) impairment of two of the units (please refer to note 14 Property, Plant and Equipment), and (ii) increased impairment loss on financial assets specifically regarding one of the unit's demobilization receivable (please refer to note 10 Net Impairment Gains / (Losses) on Financial Assets and Contractual Assets).

2020 operating segments

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

Reconciliation of 2020 operating segments (Directional to IFRS)

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

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$180 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$178 million) for the same reasons.
- Gross margin is reduced by US$3 million. As the current Company's finance lease fleet is still relatively young, the amount of the (declining) interests recognized under IFRS is in line with the linear gross margin recognized under Directional (which includes depreciation) for the related vessels. Under IFRS, gross margin and EBIT from finance leases equal the recognized revenue, therefore following the declining profile of the interest recognized using the 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 less depreciation of the recognized property, plant and equipment, both accounted for on a straight-line basis over the lease period.

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

- Revenue and gross margin increased by US$497 million and US$70 million respectively, mainly due to the accounting treatment of FPSO *Liza Unity* and FPSO *Sepetiba* as finance leases under IFRS and the awarded limited scope for the FPSO *Prosperity* project. 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 (mostly non-cash) revenue is recognized within the Turnkey segment.
- The basic impact on Turnkey EBIT and EBITDA is largely in line with the impact on gross margin.

As a result, the restatement from operating to finance lease accounting treatment results in an increase of net profit of US$56 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.

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)	0	-	(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

Reconciliation of statement of financial position as at June 30, 2020 (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[1]	5,936[2]	(5,153)	67	851
Investment in associates and joint ventures	16	-	299	315
Finance lease receivables	(0)	5,067	1,486	6,553
Other financial assets	286[3]	(151)	(7)	128
Construction work-in-progress	74	1,306	146	1,526
Trade receivables and other assets	725	(3)	(65)	657
Derivative financial instruments	44	-	-	44
Cash and cash equivalents	309	-	30	339
Assets held for sale	1	0	-	1
Total Assets	**7,392**	1,065	1,957	**10,415**
EQUITY AND LIABILITIES				
Equity attributable to parent company	666	1,622	8	2,296
Non-controlling interests	0	0	956	956
Equity	**666**	1,622	964	**3,252**
Borrowings and lease liabilities	4,188[4]	-	948	5,135
Provisions	456	(153)	13	316
Trade payable and other liabilities	1,192	(61)	(139)	992
Deferred income	443	(342)	82	184
Derivative financial instruments	446	-	90	536
Total Equity and Liabilities	**7,392**	1,065	1,957	**10,415**

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

2 Includes US$1,259 million related to (i) units under construction (i.e. FPSOs Liza Unity , Prosperity and Sepetiba) and (ii) Gene tanker.

3 Includes US$215 million related to demobilization receivable.

4 Includes US$2,652 million non-recourse debt and US$154 million lease liability.

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

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

Impact of lease accounting treatment

For the statement of financial position, the main adjustments from Directional reporting to IFRS as of June 30, 2020 are:

- For those lease contracts that are classified and accounted for as finance lease contracts under IFRS, derecognition of property, plant and equipment recognized under Directional reporting (US$5,153 million) and subsequent recognition of (i) finance lease receivables (US$5,067 million) and (ii) construction work-in-progress (US$1,306 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$342 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$151 million) and provisions (US$153 million).

As a result, the restatement from operating to finance lease accounting treatment gives rise to an increase of equity of US $1,622 million under IFRS compared with Directional reporting. This primarily reflects the earlier margin recognition on finance lease contracts under IFRS compared with Directional reporting.

Impact of consolidation methods

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

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

Reconciliation of 2020 cash flow statement (Directional to IFRS)

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

Impact of lease accounting treatment

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

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

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

Impact of consolidation methods

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

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

Reconciliation of statement of financial position as at December 31, 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	5,849	(4,896)	76	1,028
Investment in associates and joint ventures	14	-	312	325
Finance lease receivables	(0)	5,214	1,481	6,694
Other financial assets	290	(180)	23	134
Construction work-in-progress	125	803	44	973
Trade receivables and other assets	633	(0)	(50)	583
Derivative financial instruments	43	-	(0)	43
Cash and cash equivalents	458	-	48	506
Assets held for sale	1	(0)	(0)	1
Total Assets	**7,414**	940	1,933	**10,287**
EQUITY AND LIABILITIES				
Equity attributable to parent company	1,179	1,532	36	2,748
Non-controlling interests	0	0	864	865
Equity	**1,179**	1,532	901	**3,613**
Borrowings and lease liabilities	3,918	-	1,004	4,922
Provisions	428	(150)	5	283
Trade payable and other liabilities	1,213	(68)	(123)	1,022
Deferred income	486	(374)	95	207
Derivative financial instruments	190	-	51	241
Total Equity and Liabilities	**7,414**	940	1,933	**10,287**

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	(0)	93	1	94
Income taxes paid	(13)	0	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 and 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**

Deferred income (Directional)

	30 June 2020	31 December 2019
Within one year	100	98
Between 1 and 2 years	164	93
Between 2 and 5 years	110	188
More than 5 years	68	108
Total	**442**	**486**

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

GEOGRAPHICAL INFORMATION

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

2020 geographical information (revenue by country and segment)

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

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**

9 REVENUE INFORMATION

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

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

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

In the context of COVID-19 pandemic, during the first half year of 2020 companies were experiencing conditions often associated with a general economic downturn. In a very short period of time, the credit ratings of various oil companies

deteriorated and they announced significant cost reduction and other measures to retain their liquidity. In response to this situation, the Company (i) reassessed whether there is a significant increase in credit risk related to its financial assets as of June 30, 2020, and (ii) updated estimates in terms of 'probability of default' and 'loss given default' in order to determine the expected credit losses.

Finance Lease Receivables

There was no payment default on any finance lease contracts over the period. In addition, despite the overall economic downturn, the Company concluded that the counterparties of the finance lease receivables still have a strong capacity to meet their contractual cash flow obligations based on existing contractual arrangements, which include parent company guarantees. Based on the available forward looking information related to the oil price, it is also assumed that none of the assets leased under the Company's finance lease contracts would become un-economic to operate for its clients.

As a consequence, the Company concludes that (i) the credit risk has not increased significantly since the initial recognition of the finance lease receivable, and (ii) the finance lease receivables still have a low credit risk as of June 30, 2020.

Construction Work-in-Progress and Trade Receivables

As for the finance leases, there was no payment default (including overdue of more than 90 days) on any material trade receivables over the period. The Company performed as usual a detailed analysis of the credit risks associated with material trade receivables balances as at the reporting date. This did not result in any significant impairment losses over the period.

Other Financial Assets

Overall the reassessment of the expected credit losses of other financial assets resulted in a very limited impact, except for the impairment of one long term receivable amounting to US$11 million. This was the result of a significant downgrade in the credit rating of the main producer of one of the units, resulting in a full impairment of the main producer's contribution to the long term receivable.

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

	2020	2019
Impairment losses		
- Movement in loss allowance for trade receivables	(0)	2
- Movement in loss allowance for construction work-in-progress	(1)	-
- Movement in loss allowance for finance lease receivables	(0)	-
- Movement in loss allowance for other assets	(12)	-
Net impairment gains/(losses) on financial and contract assets	**(13)**	**2**

11 NET FINANCING COSTS

For the six months ended June 30	2020	2019
Interest income on loans & receivables	2	7
Interest income on investments	2	6
Net foreign exchange gain	5	4
Other financial income	1	0
Financial income	**10**	**17**
Interest expenses on financial liabilities at amortized cost	(105)	(125)
Interest expenses on hedging derivatives	(25)	(4)
Interest addition to provisions	(1)	(1)
Net cash flow hedges ineffectiveness	(2)	(2)
Financial expenses	**(133)**	**(132)**
Net financing costs	**(123)**	**(115)**

The increase in net financing costs is mainly due to the (i) decreased interest income due to lower interest rates in 2020 and (ii) less interest received mainly because of a loan to a joint venture that was fully repaid at the end of 2019.

12 INCOME TAX

The effective tax rate, excluding the share of profit, or loss, of equity-accounted investees, is 10% in the first half year of 2020, compared with 6% for the full year 2019. The increase in the effective tax rate of 2020 compared with 2019 is mainly caused by the higher level of activities for lease and construction contracts in Guyana in 2020.

13 EARNINGS / (LOSS) PER SHARE

The basic earnings per share for the period amounts to US$0.52 (for the six months ended June 30, 2019: US$0.63). The fully diluted earnings per share amounts to US$0.51 (for the six months ended June 30, 2019: US$0.63).

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 2020	30 June 2019
Earnings attributable to shareholders (in thousands of US$)	98,404	126,906
Number of shares outstanding at January 1 (excluding treasury shares)	196,227,113	204,725,425
Average number of new shares repurchased	(6,966,040)	(4,683,930)
Average number of treasury shares transferred to employee share programs	701,032	926,799
Weighted average number of shares outstanding	**189,962,105**	**200,968,294**
Impact of shares to be issued	330	-
Weighted average number of shares (for basic earnings per share calculation)	**189,962,435**	**200,968,294**
Potential dilutive shares from stock option scheme and other share-based payments	1,331,456	5,209
Weighted average number of shares (diluted)	**191,293,891**	**200,973,503**
Basic earnings per share	US$ 0.52	US$ 0.63
Fully diluted earnings per share	US$ 0.51	US$ 0.63

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

14 PROPERTY, PLANT AND EQUIPMENT

The line item 'Property, plant and equipment' consists of property, plant and equipment owned by the Company and right-of-use assets:

Property, plant and equipment (summary)

	30 June 2020	31 December 2019
Property, plant, equipment excluding leases	762	890
Right of use of assets	51	115
Total	**813**	**1,005**

PROPERTY, PLANT AND EQUIPMENT OWNED BY THE COMPANY

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

Property, plant and equipment (movements)

	30 June 2020	31 December 2019
Cost	3,459	3,410
Accumulated depreciation and impairment	(2,570)	(2,337)
Book value at 1 January	**890**	**1,072**
Additions	17	59
Depreciation	(108)	(214)
(Impairment)/impairment reversal	(24)	(25)
Foreign currency variations	(2)	(1)
Other movements	(11)	(1)
Movements during the period	**(128)**	**(183)**
Cost	3,462	3,459
Accumulated depreciation and impairment	(2,700)	(2,570)
Book value at end of period	**762**	**890**

During the half year 2020 the following main events occurred regarding owned property, plant and equipment:

- Additions to property, plant and equipment regarding the capitalization of software licences and other capital expenditures related to the IT infrastructure upgrade project;
- US$108 million of depreciation charges; and
- US$24 million impairment (US$10 million related to the Thunder Hawk facility (see below), US$8 million related to the Deep Panuke MOPU unit (see below), and US$5 million related to other fixed assets (refer to section below 'Impairment of SBM Installer')).

Impairment of Thunder Hawk

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 revenue is dependent on volumes produced. Over the period, the facility was temporarily shut down for a period of 45 days upon the operator's request. In addition, the credit rating of the operator of the facility was downgraded by rating agencies.

As a result of these triggering events, the Company prepared an updated value-in-use calculation considering a higher pre-tax discount rate of 11.6% compared with the 6.1% used for the former impairment test of the facility performed in 2019 (the increase in the discount rate is caused by the higher credit risk of the operator). The Company also considered a more conservative production profile ending in 2025. As a result of the impairment test, an impairment charge of US$10 million is accounted for in the 2020 half year results. If the discount rate varies by +/- 1%, the impairment would vary by +/- US$1 million respectively. If the operations of the facility would continue beyond 2025, the impairment of the asset would decrease accordingly, depending on the extended period of operations and anticipated production volume.

Impairment of Deep Panuke

An impairment assessment of Deep Panuke MOPU was performed due to progress made on the decommissioning of the asset, leading to a reassessment on the expected demobilization, towing and green recycling costs. This resulted in adverse cash flows related to the unit and in consequence an impairment of US$8 million is accounted for in the 2020 half year results. The impairment assessment was performed assuming that the client will continue to pay the contractual charter rate until the end of the initial lease period. The impact of an early termination is disclosed below in the section 'Purchase and termination options in operating lease contracts'.

If the discount rate used in the impairment test would vary by +/- 1%, the impairment would change by +/- US$1 million. If towing and green recycling costs would vary by +/- US$1 million, the impairment would change by +/- US$1 million.

Purchase and termination options in operating lease contracts

The operating lease contracts of FPSO *Espirito Santo* and Deep Panuke MOPU, 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, 2020, 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, 2020 this would have resulted in a gain or a near break-even result for the Company.

RIGHT-OF-USE ASSETS

During the half year 2020, the main movements regarding right-of-use assets related to (i) US$12 million of depreciation charges, and (ii) US$51.3 million impairment of the SBM Installer right-of-use asset (see below).

Impairment of SBM Installer

The Company leases the SBM Installer installation vessel through a charter contract which ends in 2026. The contract includes the option for the Company to acquire the vessel during the charter period. During the first half year of 2020, due to COVID-19 pandemic, the Company decided to put the vessel in lay-up for a period of three months (until July 2020) in order to protect the crew and reduce the costs in a context of low activity. Furthermore, the Company downgraded expectations regarding future economic benefits to be generated by the vessel given the expected slowdown of the offshore services business in the coming few years (which may create over-supply in offshore markets and therefore reduce the vessel utilization).

Based on the performed impairment test with a pre-tax discount rate of 11.6%, the Company concluded that the entire book value of the right-of-use asset should be impaired for a total amount of US$51 million. As a part of this impairment assessment, the Company also fully impaired other fixed assets related to the SBM Installer with a book value of US$5 million. The total impairment related to the SBM Installer recognized for the period was US$57 million. If revenue were to be increased by 10% on the relevant period, this would result in US$6 million less impairment loss.

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 2020	31 December 2019
Gross receivable	10,812	11,209
Less: Unearned finance income	(4,260)	(4,516)
Total	**6,553**	**6,694**
Of which		
Current portion	295	287
Non-current portion	6,258	6,407

As of June 30, 2020, finance lease receivables relate to the finance lease of:

- FPSO *Liza Destiny*, which started production in December 2019 for a charter of 10 years with the expectation of a purchase option to be exercised by the client after a period of up to 2 years of operations;
- 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 contracts of FPSO *Aseng* and FPSO *Liza Destiny*, 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, 2020 this would have resulted in a gain for the Company while the exercise of the early termination option, under which the Company would retain the vessel, would have resulted in a breakeven result. If the client would have exercised the purchase option for FPSO *Liza Destiny* as of June 30, 2020 this would have resulted in a breakeven result for the Company while the exercise of the early termination option, under which the Company would retain the vessel, would have resulted in a gain.

The finance lease contract of FPSO *Liza Unity* (still being under construction as per June 30, 2020) also contains call options for the client to purchase the underlying asset or to terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

16 OTHER FINANCIAL ASSETS

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

	30 June 2020	31 December 2019
Non-current portion of other receivables	79	76
Sublease receivable	3	4
Non-current portion of loans to joint ventures and associates	23	25
Total	**105**	**104**

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.

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

LOANS TO JOINT VENTURES AND ASSOCIATES

	30 June 2020	31 December 2019
Current portion of loans to joint ventures and associates	37	30
Non-current portion of loans to joint ventures and associates	23	25
Total	**59**	**55**

17 INVENTORIES

	30 June 2020	31 December 2019
Materials and consumables	7	6
Goods for resale	4	2
Multipurpose hulls under construction	27	0
Total	**38**	**8**

Multipurpose hulls under construction relates to the ongoing EPC phase of Fast4Ward® new-build hulls. The Fast4Ward® hulls remain in inventory until they are allocated to a specific FPSO contract. As of June 30, 2020, three multi-purpose hulls have been transferred to construction work-in-progress upon the award of the FPSO *Liza Unity* and FPSO *Sepetiba* and the awarded initial limited scope for the FPSO *Prosperity* project. Construction has started for one multipurpose hull which has not yet been allocated to a project and is therefore accounted for under inventory at June 30, 2020. Finally, the Company has also signed a contract for the construction of a fifth multi-purpose hulls for which the construction has not yet started as of June 30, 2020.

18 CONSTRUCTION WORK-IN-PROGRESS

During the period ended June 30, 2020, the balance of construction work-in-progress increased by US$553 million mainly due to the progress made during the period on the construction of FPSO *Liza Unity*, FPSO *Sepetiba* and the initial limited scope for the FPSO *Prosperity*.

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, 2020 was 198,671,305 (December 31, 2019: 198,671,305).

TREASURY SHARES

Following the completion of the share repurchase program on April 3, 2020 (repurchase of 12,094,623 shares, totaling EUR 150 million) a total number of 13,442,880 treasury shares are reported in the outstanding ordinary shares as at June 30, 2020. 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, 2020, 1,095,935 shares were transferred to management and employee share programs.

CASH FLOW HEDGE RESERVE

The equity attributable to shareholders includes cash flow hedge reserve for a negative balance of US$400 million as of June 30, 2020. The cash flow hedge reserve relates to the forward currency contracts and interest rate swaps for which fair value movement is explained further in note 21 Accounting Classifications and Fair Values of Financial Instruments.

20 BORROWINGS AND LEASE LIABILITIES

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

Borrowings and lease liabilities (summary)

	30 June 2020	31 December 2019
Borrowings	4,318	4,168
Lease liabilities	125	141
Total Non-current portion of Borrowings and lease liabilities	**4,443**	**4,309**
Borrowings	664	580
Lease liabilities	29	32
Total Current portion of Borrowings and lease liabilities	**693**	**612**

BANK INTEREST-BEARING BORROWINGS

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

	30 June 2020	31 December 2019
Non-current portion	4,168	3,856
Add: current portion	580	492
Remaining principal at the beginning of period	**4,749**	**4,348**
Additions	509	1,399
Redemptions	(284)	(1,011)
Transaction and amortized costs	8	13
Movements during the period	**233**	**401**
Remaining principal at end of period	**4,981**	**4,749**
Less: Current portion	(664)	(580)
Non-current portion	**4,318**	**4,168**
Transaction and amortized costs	73	81
Remaining principal at end of period (excluding transaction and amortized costs)	**5,055**	**4,830**
Less: Current portion	(678)	(596)
Non-current portion	**4,376**	**4,234**

The additions of the total borrowings of US$509 million relates mainly to drawdowns on project finance facilities for FPSO *Liza Destiny* and FPSO *Liza Unity* and drawdowns made on the Company's RCF, the latter being fully redeemed on July 10, 2020.

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 RCF in place as of June 30, 2020 has a maturity date of February 13, 2025, following the exercise of a one-year extension option on February 5, 2020. The US$1 billion facility was secured with a selected group of 11 core relationship banks and has an uncommitted option to increase the RCF by an additional US$500 million.

When needed, the RCF allows the Company to finance EPC activities/working capital, bridge any long-term financing needs, and/or finance general corporate purposes, in the following proportions:

- EPC activities/working capital – 100% of the facility;
- General corporate purposes – up to 50% of the facility;
- Refinancing project debt – 100% of the facility but limited to a period of 18 months.

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

Covenants

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

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

The **Lease Backlog Cover Ratio (LBCR)** is used to determine the **maximum funding availability** under the RCF. The maximum funding availability is determined by calculating the net present value of the future contracted net cash after debt service of a defined portfolio of operational offshore units in the backlog. The maximum theoretical amount available under the RCF is then determined by dividing the net present value by 1.5. The actual availability under the RCF will be the lower of this amount and the applicable Facility Amount. As at June 30, 2020 additional headroom above actual availability under the RCF exceeded US$0.9 billion. This headroom excludes backlog of FPSO *Liza Destiny*.

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.

21 ACCOUNTING CLASSIFICATIONS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

[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 2020

			30 June 2020		31 December 2019	
	Notes	Fair value level	Total book value	Total fair value	Total book value	Total fair value
Financial assets measured at amortized cost						
Finance lease receivables	*15*	3	6,553	7,278	6,694	7,137
Loans to joint ventures and associates	*16*	3	59	58	55	49
Total			**6,612**	**7,336**	**6,749**	**7,186**
Financial liabilities measured at amortized cost						
US$ project finance facilities drawn	*20*	2	4,984	5,003	4,829	4,861
Revolving credit facility/ Bilateral credit facilities	*20*	2	70	70	(0)	(0)
Other debt	*20*	2	1	1	1	1
Total			**5,055**	**5,074**	**4,830**	**4,862**

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, 2019.
- 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, 2020 and December 31, 2019.
- 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, 2020.

Derivative Financial Instruments

The derivative financial instruments relate to the forward currency contracts and interest rate swaps. The significant movement in the net balance of derivative assets and liabilities of US$294 million over the period is mostly due to (i) decreased marked-to-market value of interest rate swaps, which mainly arises from decreasing market interest rates, and (ii) the decreased marked-to-market value of forward currency contracts caused mainly by the appreciation of the US$ exchange rate versus the hedged currencies (especially BRL).

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

	30 June 2020			31 December 2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	0	381	(381)	8	166	(159)
Forward currency contracts cash flow hedge	6	82	(76)	14	48	(35)
Forward currency contracts fair value through profit and loss	38	73	(35)	22	27	(5)
Total	**44**	**536**	**(492)**	**43**	**241**	**(198)**
Non-current portion	3	320	(317)	5	156	(150)
Current portion	41	216	(175)	37	85	(48)

22 PROVISIONS

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

Provisions (summary)

	30 June 2020	31 December 2019
Demobilization	134	124
Warranty	51	49
Employee benefits	29	28
Other	102	82
Total	**316**	**283**
of which :		
Non-current portion	208	165
Current portion	108	118

Demobilization

The provision for demobilization relates to the costs for demobilization of the vessels and floating equipment at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in financial expenses (see note 11 Net Financing Costs).

The increase in the provision for demobilization relates mainly to progress made on the decommissioning of the Deep Panuke MOPU unit leading to a reassessment of the expected demobilization, towing and green recycling costs. This resulted in an increase of US$7 million of the demobilization provision.

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 balance of 'Other' provisions as of June 30, 2020 relate to commercial claims, regulatory fines related to operations and local content penalty.

23 OTHER INFORMATION

23.1 FINANCIAL INFORMATION RELATED TO EQUITY-ACCOUNTED INVESTEES

The total revenue of the joint ventures accounted for under the equity method (at 100%) represents US$173 million for the six months ended June, 30 2020 (for the six months ended June, 30 2019: US$177 million).

23.2 COMMITMENTS

Parent Company Guarantees

SBM Offshore N.V., as the parent company, is committed to fulfill various types of obligations arising from customer contracts, such as full performance and warranty obligations.

In the past, the parent company has issued guarantees for contractual obligations in respect of several Group companies, including equity-accounted joint ventures, with respect to long-term Lease and Operate contracts. The few remaining guarantees still active as of June 30, 2020 relate to the Deep Panuke MOPU, Thunder Hawk semi-submersible platform and FPSO *Saxi Batuque*, and have all been signed prior to 2010.

Commitments

As at June 30, 2020, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$532 million (December 31, 2019: US$639 million). Investment commitments have decreased principally due to progress made on the construction of the FPSO *Liza Unity*, FPSO *Sepetiba*, and the initial limited scope commenced for FPSO *Prosperity*.

Contingent Liabilities

The Company has no significant contingent liabilities or assets to be disclosed for the half year ended June 30, 2020.

23.3 RELATED PARTY TRANSACTIONS

During 2020, no major related party transactions requiring additional disclosure in the condensed consolidated half year financial statements took place.

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

	Note	**2020**	2019
Revenue		6	9
Cost of sales		(5)	(6)
Loans to joint ventures and associates	*16*	59	55
Trade receivables		59	52
Trade payables		15	17
Lease liabilities[1]		90	97

1 DSCV SBM Installer charter lease contract.

For the avoidance of doubt, revenue and cost of sales are presented for the six months ended June 30 whereas financial positions are presented as of June 30, 2020 and December 31, 2019.

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

Transfer of shares in one of the units to Nippon Yusen Kabushiki Kaisha (NYK) and Itochu Corporation

With reference to the acquisition of the minority stakes in five Brazilian FPSO's announced on November 22, 2019, the Company sold to the current partners 7% of the shares in the lease and operating companies related to one of the units on July 28, 2020 for a consideration of US$28 million (the same price that the Company paid for these shares in 2019). As a result of the transaction the Company still retains its control over the subsidiaries and therefore the impact will be reflected within the equity resulting in the transfer of the portion of the shareholder's equity to non-controlling interest.

Redelivery of the Deep Panuke MOPU

The Deep Panuke MOPU, located offshore Nova Scotia, Canada, was safely redelivered by the client to the Company in July 2020. Under the final settlement signed with the client, the demobilization of the unit does not affect the contractually agreed amount and timing of the financial considerations to be received by the Company as per the initial charter contract. This includes the option for the client to continue payments until the end of the initial charter period or to elect for an early lump sum payment.

As a result of the redelivery of the unit and the final settlement, the lease period of the unit, as per accounting requirements, has ended and the Company will (i) recognize the remaining revenue in the second half year of 2020 (US$122 million), which also includes the portion of the financial consideration to be received in 2021 in case no early lump sum payment is made (i.e. US$79 million), as well as (ii) fully depreciate the remaining value of the asset (US$123 million) in the second half year of 2020, including the portion of depreciation that would have been recognized as per initial depreciation schedule in 2021 (i.e. US$78 million). As a consequence, the redelivery of the unit will lead to an additional revenue and EBITDA recognition of US $79 million in the second half of 2020, while the gross margin and net income (after depreciation) will be barely impacted.

Restructuring

The Company's strategy is set to adapt its products and business model to an environment of shorter oil price cycles and increased volatility. Consequently, the Company is taking action to reorganize the allocation of activities in centers in order to become more efficient, building on Fast4Ward® and Emission zero programs.

In that context, the Company needs to lower the cost-base, which will lead to job losses. Compared to year-end 2019, the reorganization is expected to lead to a reduction of c. 600 positions. Restructuring costs are expected to be c. US$50-60 million, mainly recognized in the second half of 2020, when it is expected that they will meet the recognition criteria of IAS 37.