SBM OFFSHORE

ENERGY. COMMITTED.

2022 HALF YEAR EARNINGS

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The Company's teams continue to deliver solid results, despite the challenging environment. On the overall project portfolio, strategic mitigating measures against inflation have been proving effective on controlling cost and protecting schedule on. Nevertheless, parts of the portfolio remain sensitive to the pressure in the global supply chain and impact from COVID-19 pandemic. The overall profitability of the project portfolio remains robust. The Company revised its full year EBITDA and revenue guidance.

With the award of the *ONE GUYANA FPSO* project, the Company's order book has increased to a new record level of US $31.1 billion. The Company expects to deliver around US$9 billion net cash flow from its Lease and Operate backlog during the period which gives a unique visibility on cash flow for the next 28 years. The Company's market outlook for new FPSOs remains positive as the world requires energy which is not only sustainable, but also affordable and reliable. This is what the Company is delivering through its competitive Fast4Ward® FPSOs which are also characterized by low emissions intensity. The Company has therefore ordered its seventh Fast4Ward® MPF hull.

The Lease and Operate division continues to deliver good results. *Liza Unity* (FPSO) has been successfully ramped up in industry-leading time, the compression system for *Liza Destiny* (FPSO) was successfully upgraded and *FPSO Cidade de Anchieta* is progressing towards a safe restart.

To achieve its goal of net-zero by 2050 the Company has established the following intermediate targets: by 2030, a target net-zero scope 1 and 2 emissions[1], a 50% reduction in scope 3 GHG intensity[2] and zero routine flaring[3] in its fleet. The Company is also seeing good progress under its emissionZERO® program with the aim to have a near-zero emissions FPSO available to the market by 2025.

In New Energies and Services, the Company is developing new products and services compatible with its net-zero roadmap. The Company has co-developer positions in the USA, the UK and continue to position itself in selected developments in order to accelerate its technology as well as monitor and benefit from developments in this market. The 25MW floating offshore wind project in the south of France is making good progress, aiming at delivery in 2023.

The orderly transition from fossil to renewable energy will require companies to design and develop innovative solutions combined with the capability to reliably execute, finance and operate them. At the same time, it will require maintaining discipline in providing value to all stakeholders with a particular focus on profitability and appropriate risk allocation. As an energy transition company, the Company is well positioned to support, make a difference and benefit from multiple pathways in the growing energy transition market.

[1] Aiming for 100% sourcing of green energy by 2030 and considering investments in certified projects to balance any residual GHG emissions from Scope 1 & 2 towards – reaching a 'net-zero' level on total GHG emissions.
[2] Reduce GHG intensity of Scope 3 downstream leased assets by 50% by 2030, from 2016 as a base year.
[3] Routine flaring of gas considered as flaring during normal oil production operations in the absence of sufficient facilities or amenable geology to re-inject the produced gas, utilize it on-site, or dispatch it to a market. Applies to GHG emissions from Scope-3 downstream leased assets.

HALF YEAR MANAGEMENT REPORT

HIGHLIGHTS AND HALF YEAR EARNINGS

Highlights

- 2022 Directional EBITDA guidance increased from around US$900 million to above US$950 million
- 2022 Directional revenue guidance increased from above US$3.1 billion to around US$3.2 billion
- Record-level US$31.1 billion pro-forma order book, providing cash flow visibility until 2050
- Record-level US$8.8 billion pro-forma net cash flow from Lease and Operate backlog corresponding to US$315 million average annual net cash flow until 2050
- Seventh Fast4Ward® Multi-Purpose Floater (MPF) hull ordered
- New 2030 intermediate greenhouse gas (GHG) related targets, creating pathway to net-zero by 2050

Overview

	YTD Directional (Unaudited)		
in US$ million	1H 2022	1H 2021	% Change
Revenue	**1,763**	**1,072**	64%
Lease and Operate	854	752	14%
Turnkey	909	321	184%
Underlying Revenue	**1,763**	**1,147**	54%
Lease and Operate	854	827	3%
Turnkey	909	321	184%
EBITDA	**500**	**426**	17%
Lease and Operate	527	456	16%
Turnkey	16	9	69%
Other	(43)	(40)	8%
Underlying EBITDA	**500**	**501**	0%
Lease and Operate	527	531	-1%
Turnkey	16	9	69%
Other	(43)	(40)	8%
Profit attributable to shareholders	**103**	**64**	63%
Underlying profit attributable to shareholders	**103**	**61**	71%
Earnings per share	**0.58**	**0.34**	71%
Underlying Earnings per share	**0.58**	**0.32**	79%

	Directional		
in US$ billion	1H 2022 (Unaudited)	FY 2021	% Change
Pro-forma Backlog	31.1	29.5	5%
Net Debt	5.3	5.4	-1%

Underlying Directional Revenue increased to US$1,763 million compared with US$1,147 million for the same period in 2021. The 54% growth is driven by Turnkey revenue which increased to US$909 million compared with US$321 million in the year-ago period.

This resulted from a ramp-up of Turnkey activities with five FPSOs under construction and the completion of *Liza Unity* (FPSO) in the first half-year of 2022. Furthermore, the earlier announced partial divestment on FPSOs *Almirante Tamandaré* and *Alexandre de Gusmão* at the beginning of 2022 allowed the Company to recognize revenue for all the EPCI related work performed to date on these projects to the extent of the partners' ownership in lessor related SPV's.

Underlying Directional Lease and Operate revenue for the first half-year of 2022 stands at US$854 million, an increase of US $27 million compared with the same period prior year. This mainly reflects *Liza Unity* (FPSO) successfully joining the fleet partially offset by the end of the Deep Panuke MOPU and *FPSO Capixaba* lease contracts and the *FPSO Kikeh* Lease and Operate contract extension which lowered the average straight-lined day rate.

The shutdown of operations of *FPSO Cidade de Anchieta* had only a limited impact on revenue over the period due to the integration of the extension of the contract corresponding to the period of shutdown beyond the original end date of the lease. As a consequence, the total contractual lease revenue remains unchanged, whereas the revenue of the period, recognized on a straight-line basis over the full updated lease period, has been minimally impacted.

Underlying Directional EBITDA remained stable at US$500 million compared with US$501 million for the same period in 2021.

Although the Company recorded a significant increase in revenue related to projects under construction, there was not a commensurate impact on Directional Turnkey EBITDA which increased from US$9 million in the year-ago period to US$16 million. FPSOs *Liza Unity*, *Prosperity* and *ONE GUYANA* are 100% owned by the Company. In accordance with the Company policy for Directional reporting, the direct payments received during construction for these units are therefore recognized as revenue without contribution to gross margin. *FPSO Alexandre de Gusmão* did not contribute to margin during the period as it just reached the requisite gate of completion allowing margin recognition at the end of half-year 2022. Further, parts of the portfolio remain sensitive to the pressure in the global supply chain and impact from COVID-19 pandemic and the degree to which this can be mitigated varies from project to project.

Underlying Directional Lease and Operate EBITDA came in at US$527 million in the first half-year of 2022, in line with the prior year period. This trend resulted from the same drivers as for the Underlying Lease and Operate revenue.

The other non-allocated costs was in line with the previous year and stood at US$(43) million.

After reduced depreciation and net financing costs, Underlying Directional net profit for first half 2022 increased to a total of US$103 million, or US$0.58 per share.

The first half-year of 2021 Underlying Directional Revenue and EBITDA includes US$75 million related to final cash received during the period under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020.

Funding and Directional Net Debt

Despite the continued investment in growth, net debt slightly decreased from US$5.4 billion to US$5.3 billion as of June 30, 2022. This primarily resulted from the strong operating cash flow generation and the derecognition, to the extent of partners' ownership, of the net debt related to FPSOs *Almirante Tamandaré* and *Alexandre de Gusmão* over the period following the partial divestment of the two units.

The majority of the Company's debt at half-year consisted of non-recourse project financing (US$3.9 billion or 67% of total debt) in special purpose companies. This non-recourse balance includes the project loan related to *Liza Unity* (FPSO) for which the pre-completion company guarantee was released in June 2022. The remainder (US$1.9 billion) comprised of borrowings to support the on-going FPSO construction program which will become non-recourse following project execution finalization and release of the related parent company guarantee.

As of June 30, 2022, the net cash balance stood at US$478 million, lease liabilities totaled c. US$47 million and the Company's Revolving Credit Facility was undrawn.

Directional Pro-Forma Backlog

Change in ownership scenarios and lease contract duration 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 Directional backlog based on the best available information regarding ownership scenarios and lease contract duration for the various projects.

The pro-forma Directional backlog increased by almost US$1.6 billion compared with the position at December 31, 2021 to a total of US$31.1 billion. The increase was mainly the result of the awarded contract for the *ONE GUYANA FPSO* project which was offset partially by turnover for the period which consumed approximately US$1.8 billion of backlog.

in US$ billion	Turnkey	Lease & Operate	Total
2H 2022	0.5	0.9	1.4
2023	0.9	1.8	2.7
2024	1.7	1.8	3.5
Beyond 2024	3.3	20.2	23.5
Total Backlog	6.4	24.7	31.1

The pro-forma Directional backlog at June 30, 2022 reflects the following key assumptions:

- The *Liza Destiny* (FPSO) contract covers 10 years of lease and operate.
- The *Liza Unity* (FPSO), *Prosperity* (FPSO) and *ONE GUYANA FPSO* contracts cover a maximum period of two years of lease and operate within which period the units will be purchased by the client. The impact of the sale is reflected in the Turnkey backlog, assumed at the end of the contractual lease and operate period.
- The 13.5% equity divestment in *FPSO Sepetiba* to CMFL has not yet been reflected in the backlog as the transaction remains subject to various approvals.

Project Review

Project	Client/country	Contract	SBM Share[8]	Capacity, Size	Percentage of Completion	Expected First Oil
Sepetiba	Petrobras Brazil	22.5 year Lease & Operate	64.5%	180,000 bpd	>75%	2023
Prosperity	ExxonMobil Guyana	2 year Build, Operate, Transfer	100%	220,000 bpd	>50% <75%	2023
Almirante Tamandaré	Petrobras Brazil	26.25 year Lease & Operate	55%	225,000 bpd	>25% <50%	2024
Alexandre de Gusmão	Petrobras Brazil	22.5 year Lease & Operate	55%	180,000 bpd	>25% <50%	2025
ONE GUYANA	ExxonMobil Guyana	2 year Build, Operate, Transfer	100%	250,000 bpd	<25%	2025

The continuing effects from the COVID-19 pandemic and the indirect impacts from the war between Russia and Ukraine and related pressure in the global supply chain continue to create challenges in the Company's project execution. Project teams are closely monitoring the situation and are working to mitigate possible impacts in close cooperation with the Company's suppliers and clients. The weighted average portfolio percentage of completion stands approximately at 40% as of June 30, 2022. An update on individual projects schedule is provided below considering latest known circumstances.

FPSO Sepetiba

Work is progressing on integration and commissioning. The project targets first oil in 2023.

FPSO Prosperity
Both the topsides fabrication and the module lifting campaign have safely and successfully been completed allowing for the commencement of the integration and commissioning phase. First oil is likely to occur before year-end 2023.

FPSO Almirante Tamandaré
The topsides fabrication and the Fast4Ward® Multi-Purpose Floater (MPF) hull construction continue to progress in line with plan. The project targets first oil in the second half of 2024.

FPSO Alexandre de Gusmão
Site construction activities are progressing in fabrication yards, the MPF hull construction has restarted following yard shutdown. First oil is expected in 2025.

ONE GUYANA FPSO
Engineering is progressing in line with plan and the project is progressing according to schedule. First oil is expected in 2025.

Fast4Ward® MPF hulls
Under the Fast4Ward® program, the Company has ordered a seventh MPF hull which is expected to be delivered in 2024.

SBM Nauvata
In order to further enhance and align its project engineering capabilities, the Company intends to acquire the 49% equity ownership currently held by its partner in the SBM Nauvata engineering center located in Bangalore, India. The acquisition is expected to be completed in 2023.

Fleet operational Update

FPSO Cidade de Anchieta
The unit has been shutdown since January 22, following the observation of oil near the vessel. Immediately anti-pollution measures were deployed which were effective and production was shut down. The estimated volume of oil released in relation to the incident stands at 191 m3 which were reported to local authorities. While the Company regrets this incident, management commends client and SBM Offshore staff who ensured that the FPSO remained safe and under control as well as minimizing the impact to the environment. The unit remains in shutdown as inspection, cleaning and repair work is progressing. The Company is working together with client, authorities and class towards safely resuming production in the second half of 2022.

Liza Destiny (FPSO)
The upgraded flash gas compressor was successfully installed and is performing as planned.

Fleet Uptime
In addition to the impact from the *FPSO Cidade de Anchieta* shutdown, the implementation of upgrades to safety systems on another asset impacted the fleet uptime which stood at 90% during the first half of 2022. The fleet's underlying performance was 97% excluding *FPSO Cidade de Anchieta*. The Company expects to be back to historical performance numbers in the second half of the year.

Contract extensions
The Company has agreed two contract extensions related to the operation of *FPSO Serpentina* (extension to August 2022) and lease and operation of *FPSO Mondo* (extension to December 2023). The combined impact of these extensions is limited.

Demobilization
FPSO Capixaba - Following the contractual planning to shutdown production in May 2022 of *FPSO Capixaba*, the Company has started to prepare for the vessel's demobilization.

New Energies

Provence Grand Large

The Company is progressing on the construction of its first pilot project in floating offshore wind, which remains scheduled for commissioning in 2023. The construction and installation of three floaters for the Provence Grand Large project, jointly owned by EDF Renewables and Maple Power, will account for approximately 10% of the globally installed floating wind electricity generation capacity in 2023. This is the first floating offshore wind project under construction in France and will be the first project worldwide to be installed using the tension leg mooring technology which has minimal motion and seabed footprint. The technology enhances electricity generation and reduces maintenance costs. It is also the first floating wind project to be financed by commercial banks. Lessons learned have been integrated into the Company's Float4Wind® concept which is optimized for mass production and competitiveness for large offshore floating wind farms.

Environment, Social and Governance

Safety

The Company's Total Recordable Injury Frequency Rate year to date was 0.10, compared with the full year 2022 target of below 0.15. The Company's priority remains the health and safety of its staff, contractors and their families, along with ensuring safe operations across all the Company's activities.

Climate Change (GHG emissions reduction) – intermediate targets to support net-zero by 2050

As announced in 2021, SBM Offshore has the ambition to achieve net-zero by no later than 2050, including scope 1, scope 2 and scope 3 downstream leased assets, the latter covering the emissions from its FPSO fleet. In support of its 2050 net-zero ambition, SBM Offshore created intermediate targets, using a science-based approach[4] as follows:

- Reduce GHG intensity of Scope 3 downstream leased assets by 50% by 2030, from 2016 as a base year
- Offer the market emissionZERO®, leading to a near-zero[5] FPSO at latest by 2025
- Achieve more than 2GW floating offshore wind installed or under development by 2030
- Reach net-zero emissions on scope 1 and 2 by no later than 2025
- Achieve Zero routine flare by 2030

ESG Index

As of May 12, 2022, the Company was included in the AEX ESG index. The index identifies the 25 companies that demonstrate the best ESG practices from the 50 constituents of the AEX and AMX indices.

Outlook and Guidance

The Company's 2022 Directional revenue guidance is upgraded from above US$3.1 billion to around US$3.2 billion, of which around US$1.7 billion is expected from the Lease and Operate segment and above US$1.5 billion from the Turnkey segment. 2022 Directional EBITDA guidance is increased from around US$900 million to above US$950 million for the Company. This revision is mainly a result of the fact that it has been possible to mitigate some of the potential risks foreseen at the beginning of the year, for example confirmation of the extension to the *FPSO Cidade de Anchieta* contract commensurate with the period of shutdown with associated revenue and margin recognized on a straight-line basis over the full updated lease period.

This guidance considers the currently foreseen impacts from both the pandemic and the war between Russia and Ukraine on projects and fleet operations. The Company highlights that the direct and indirect effects of these events could continue to have a material impact on the Company's business and results and the realization of the guidance for 2022.

[4] The Company looks to apply a science-based approach, using key frameworks such as or of equivalent performance: Task Force on Climate-Related Financial Disclosures (TCFD), Science-based initiative, Greenhouse gas Protocol, EU Taxonomy, CDP benchmark.
[5] An emissionZERO® FPSO including closed flare, combined cycle power generation and carbon capture storage or of equivalent performance

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 two ways: i) all lease contracts are treated as operating leases; ii) all co-owned investees related to lease contracts are consolidated on a percentage of ownership 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 provided 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 2022	1H 2021	% Change
Revenue	**1,763**	**1,072**	64%
Lease and Operate	854	752	14%
Turnkey	909	321	184%
Underlying Revenue	**1,763**	**1,147**	54%
Lease and Operate	854	827	3%
Turnkey	909	321	184%
EBITDA[1]	**500**	**426**	17%
Lease and Operate	527	456	16%
Turnkey	16	9	69%
Other	(43)	(40)	8%
Underlying EBITDA	**500**	**501**	0%
Lease and Operate	527	531	-1%
Turnkey	16	9	69%
Other	(43)	(40)	8%
Profit attributable to shareholders	**103**	**64**	63%
Underlying profit attributable to shareholders	**103**	**61**	71%

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

Underlying Directional Revenue and EBITDA are adjusted for the non-recurring events during a financial period to enable comparison of normal business activities for the current period in relation to the comparative period.
The first half-year of 2022 Underlying Directional Revenue and EBITDA is not adjusted for any non-recurring transactions. The first half-year of 2021 Underlying Directional Revenue and EBITDA includes US$75 million related to final cash received over the period under the final settlement signed with the client following redelivery of the Deep Panuke MOPU in July 2020. These cash receipts in 2021 were excluded from the Underlying 2020 Revenue and EBITDA as reported in the 2020 Annual Report. Considering the associated depreciation of the vessel, this non-recurring item only negligibly impacted the Underlying net profit for the first half-year of 2021.

Backlog – Directional

Change in ownership scenarios and lease contract duration 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 Directional backlog based on the best available information regarding ownership scenarios and lease contract duration for the various projects.

The pro-forma Directional backlog at June 30, 2022 reflects the following key assumptions:

- The *Liza Destiny* (FPSO) contract covers the basic contractual term of 10 years of lease and operate.
- The *Liza Unity* (FPSO) and *Prosperity* (FPSO) contracts covers a maximum period of lease and operate of two years, within which the FPSO ownership and operation will transfer to the client.
- The *ONE GUYANA FPSO* contract awarded to the Company in April 2022 covers a maximum period of lease and operate of two years, within which the FPSO ownership and operation will transfer to the client.
- For both *ONE GUYANA FPSO* and *Prosperity* (FPSO) the pro-forma backlog set out below takes the operating and maintenance scope into account as it has been agreed in principle, pending a final work order. This affords consistency with prior years and betters reflect the current reality.
- The impact of the subsequent sale of *Liza Unity* (FPSO), *Prosperity* (FPSO) and *ONE GUYANA FPSO* is reflected in the Turnkey backlog at the end of the maximum two year period.
- The 13.5% equity divestment in *FPSO Sepetiba* to CMFL has not yet been reflected in the backlog as the transaction remains subject to various approvals.

The pro-forma Directional backlog at the end of June 2022 increased by almost US$1.6 billion to a total of US$31.1 billion. This increase was mainly the result of the awarded contract for the *ONE GUYANA FPSO* project which was offset partially by turnover for the period which consumed approximately US$1.8 billion of backlog. The partial divestments related to projects *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* (see note 7 Financial Highlights) had no impact on the pro-forma backlog as they were already taken into account as per December 31, 2021.

in US$ billion	Turnkey	Lease & Operate	Total
2H 2022	0.5	0.9	1.4
2023	0.9	1.8	2.7
2024	1.7	1.8	3.5
Beyond 2024	3.3	20.2	23.5
Total Backlog	6.4	24.7	31.1

Revenue

Directional revenue for the first half-year of 2022 came in at US$1,763 million, an increase of 64% when compared with the same period in 2021. Underlying Directional revenue increased to US$1,763 million compared with US$1,147 million for the same period in 2021 (which was adjusted for the non-recurring item of US$75 million, see paragraph 'Underlying Performance' above). This increase is further detailed as follows by segment:

- Underlying Directional Turnkey revenue increased to US$909 million, representing 52% of total first half 2022 Underlying Directional revenue. This compares with US$321 million, or 28% of total Underlying Directional revenue, in the year-ago period. This resulted from a ramp-up of Turnkey activities with five FPSOs under construction (and completion of *Liza Unity* (FPSO)) in the first half-year 2022. Furthermore the partial divestment on two projects at the beginning of 2022 (*FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão)* allowed the Company to recognize revenue for all the EPCI related work performed on these projects so far to the extent of the partners' ownership in lessor related SPV's.
  It should be noted that, under Directional reporting, the *Liza Unity* (FPSO), *Prosperity* (FPSO) and *ONE GUYANA FPSO* where lessor related entities are 100% owned by the Company, are qualified as operating leases. Therefore, their contribution to the Turnkey revenue is limited to those upfront payments and variation orders directly paid by the clients before or at the commencement of the lease.
- Underlying Directional, Lease and Operate revenue for the first half-year of 2022 is US$854 million, an increase of US$27 million compared with the same period prior year. This reflects mainly the following events: (i) *Liza Unity* (FPSO) joining the fleet upon successful delivery of the EPCI project during the first quarter 2022, (ii) increased operating service scope for *Liza Destiny* (FPSO), partially offset by (iii) end of *Deep Panuke* MOPU lease contract (as the last payments from the client contributed to the Underlying Revenue of previous year), (iv) the end of the *FPSO Capixaba* lease contracts in the first half year of 2022, and finally (v) lower average straight-lined day rate of *FPSO Kikeh* lease after extension at the end of 2021.

The shutdown of operations of *FPSO Cidade de Anchieta* only had limited impact on revenue over the period due to the extension of the contract (corresponding to the period of shutdown) beyond the original end date of the lease. As a consequence, the total contractual lease revenue remains unchanged, whereas the revenue of the period, recognized on a straight line basis over the full updated lease period, has been minimally impacted.

EBITDA

Directional EBITDA for the first half-year of 2022 came in at US$500 million, an increase of 17% when compared with the same period in 2021. Underlying Directional EBITDA remained stable at US$500 million compared with US$501 million for the same period in 2021 (which was adjusted for the non-recurring item of US$75 million, see paragraph 'Underlying Performance' above). This variance is further detailed as follows by segment:

- Underlying Directional Turnkey EBITDA increased from US$9 million in the year-ago period to US$16 million. Although the Company recorded a significant increase in revenue related to projects under construction, there was not a commensurate impact on EBITDA:
  - (i) *Liza Unity* (FPSO), *Prosperity* (FPSO) and *ONE GUYANA FPSO* are 100% owned by the Company. In accordance with the Company policy for Directional reporting, the direct payments received during construction for these units are therefore recognized as revenue but without contribution to gross margin;
  - (ii) *FPSO Alexandre de Gusmão* did not contribute to margin during the period as it just reached the requisite gate of completion allowing margin recognition at the end of half year 2022 (this gate being formalized by independent project review mitigating uncertainties related to the cost at completion);
  - (iii) On the Company's overall project portfolio, strategic mitigation measures against inflation have been proving effective on controlling cost and protecting schedule. Nevertheless, parts of the portfolio remain sensitive to the pressure in the global supply chain as a result of the war between Russia and Ukraine and the continuing impact from the COVID-19 pandemic.
- Underlying Directional Lease and Operate EBITDA came in at US$527 million in the first half-year of 2022, stable compared with US$531 million in the prior year period. This trend resulted from the same drivers as for the Underlying Lease and Operate revenue: The additional contribution from *Liza Unity* (FPSO) was offset by the end of *Deep Panuke* MOPU and *FPSO Capixaba lease* contracts, as well as the lower average straight-lined lease day rate of *FPSO Kikeh.*
- The other non-allocated costs charged to EBITDA amounted to US$43 million in the first half-year of 2022 a US$3 million increase comparing with the US$40 million in the year-ago period.

Net income

Underlying Directional depreciation, amortization and impairment decreased by US$65 million year-on-year, primarily due to (i) *FPSO Capixaba* and *Deep Panuke* MOPU leaving the fleet, (ii) *FPSO Kikeh*'s lease extension which resulted in a lower depreciation charge for the current period, and (iii) a net reversal of impairment on receivables over the period. These factors were only partially offset by *Liza Unity* (FPSO) joining the operating fleet in February 2022, which marked the beginning of the depreciation of the Unit.

Directional net financing costs came in at US$85 million for the first half of 2022, a decrease of 4% compared with the prior year period.

The underlying effective tax rate over the first half-year of 2022 increased to 38%, compared with 35% for the first six months of 2021, primarily driven by taxes applied to charter revenues of *Liza Unity* (FPSO).

As a result, the Company recorded an Underlying Directional net profit of US$103 million, or US$0.58 per share, for the first half-year of 2022, up from US$61 million, or US$0.32 per share, in the year-ago period.

STATEMENT OF FINANCIAL POSITION

	Directional	
in US$ million	**2022 (Unaudited)**	2021
Equity	758	604
Net Debt	5,349	5,401
Net Cash	478	1,059
Total Assets	9,722	9,690

Shareholder's equity increased from US$604 million at year end 2021 to US$758 million at June 30, 2022, notwithstanding the dividend distributed to shareholders of approximately US$178 million. This mainly resulted from the positive net result of US $103 million over the period and an increase in the hedging reserves of US$201 million.

The movement in hedging reserve was mainly caused by the positive impact of the marked-to-market value of the interest rate swaps due to increasing market interest rates partially offset by the decreased marked-to-market value of forward currency contracts, mainly driven by the appreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

Despite the continued investment in growth, net debt decreased from US$5,401 million to US$5,349 million as of June 30, 2022. This primary resulted from (i) the strong operating cash flow generation and (ii) the partial divestments of *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* over the period. The latter resulted in the derecognition of the net debt related to the two units to the extent of partners' ownership.

The majority of the Company's debt as of June 30, 2022 consisted of non-recourse project financing (US$3.9 billion) in special purpose investees. This non-recourse balance includes the project loan related to *Liza Unity* (FPSO) for which the pre-completion company guarantee was released on June 2, 2022.The remainder (US$1.9 billion) comprised of borrowings to support the on-going construction of FPSOs which will become non-recourse following project execution finalization and release of the related parent company guarantee. The net cash balance stood at US$478 million and lease liabilities totalled c. US$47 million as of 30 June 2022.

Total assets remained stable, US$9.7 billion as of June 30, 2022, compared with US$9.7 billion at year end 2021. During the period the significant progress on the construction of the units resulted in an increase of total assets, offset by the partial divestments of *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*.

Cash from operating activities for the period was positive at US$501 million. This reflected strong cash flows generated by the Lease and Operate segment, as well as the positive contribution of the turnkey activities.

FINANCIAL REVIEW IFRS

PROFITABILITY

in US$ million	IFRS (Unaudited) 1H 2022	1H 2021	% Change
Revenue	**2,406**	**1,555**	55%
Lease and Operate	694	631	10%
Turnkey	1,712	924	85%
Underlying Revenue	**2,406**	**1,630**	48%
Lease and Operate	694	706	-2%
Turnkey	1,712	924	85%
EBITDA	**581**	**411**	41%
Lease and Operate	342	323	6%
Turnkey	283	129	120%
Other	(43)	(40)	8%
Underlying EBITDA	**581**	**486**	20%
Lease and Operate	342	398	-14%
Turnkey	283	129	120%
Other	(43)	(40)	8%
Profit attributable to shareholders	**296**	**148**	100%
Underlying profit attributable to shareholders	**296**	**145**	105%

Underlying Performance

The first half-year 2022 Underlying IFRS Revenue and EBITDA is not adjusted for any non-recurring transactions. The comparative first half-year of 2021 IFRS Underlying Revenue and EBITDA includes US$75 million related to final cash received over the period under the final settlement signed with the client following redelivery of the Deep Panuke MOPU in July 2020. Considering the associated depreciation of the vessel, this non-recurring item only negligibly impacted the IFRS Underlying net profit for the first half-year of 2021.

Revenue

IFRS Underlying revenue for the first half-year of 2022 increased by 48% to US$2,406 million versus US$1,630 million in the first half-year of 2021.

- The increase was mainly driven by the Turnkey segment with five FPSOs under construction (and completion of *Liza Unity* (FPSO)) qualifying for finance lease accounting in the first half-year of 2022.
- IFRS Underlying Lease and Operate revenue for the first half-year of 2022 decreased by 2% to US$694 million versus US $706 million in the same period prior year, mostly driven by (i) end of *Deep Panuke* MOPU lease contract (since the last payments from the client contributed to the Underlying IFRS Revenue of previous year), (ii) end of *FPSO Capixaba* contracts in 2022 and (iii) regular declining profile of interest revenue from finance leases partially offset by (i) *Liza Unity* (FPSO) joining the fleet upon successful delivery of EPCI project during the first quarter 2022 and (ii) increased operating service scope for *Liza Destiny* (FPSO).

EBITDA

IFRS Underlying EBITDA amounted to US$581 million, an increase of 20% when compared with the same period in prior year.

- Underlying IFRS Turnkey EBITDA increased from US$129 million in the year-ago period to US$283 million, supported by the same drivers as the increase in the IFRS Turnkey revenue. The Underlying IFRS Turnkey EBITDA margin stood at 16% of Turnkey revenue despite (i) the negative effects of the pandemic and the Russia Ukraine war on construction activities and (ii) the fact that *FPSO Alexandre de Gusmão* and *ONE GUYANA FPSO* projects made a limited contribution to gross margin during the period as they just (for the first) or did not (for the later) reach the requisite gate of completion allowing margin recognition as at June 30, 2022. This performance primarily reflects the successful close out of the construction activities of *Liza Unity* (FPSO), delivered over the first quarter of 2022.

- IFRS Underlying Lease and Operate EBITDA for the first half-year of 2022 decreased by 14% to US$342 million versus US $398 million in the same period prior year. This resulted from the same drivers as the decrease in IFRS Lease and Operate Revenue.

In contrast to Directional, it should be noted that the construction of *Liza Unity (FPSO)* and *Prosperity (FPSO)* contributed to both IFRS Turnkey revenue and gross margin over the period, and *ONE GUYANA FPSO* project contributed only to revenue as it did not reach the requisite gate of completion allowing margin recognition under the Company's policy (this gate being formalized by an independent project review mitigating uncertainties related to the cost at completion). This is because these contracts are classified as finance leases as per IFRS 16 and are therefore accounted for as a direct sale under IFRS.

With respect to the construction of *FPSO Sepetiba, FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, these three projects contributed in full to both IFRS Turnkey revenue and gross margin over the period given these contracts are classified as finance lease. However the contribution of *FPSO Alexandre de Gusmão* to gross margin was very limited as the project just reached the requisite gate of completion allowing margin recognition at the end of half year 2022.

Under Directional, the contribution to Turnkey revenue and gross margin for these projects is limited to the portion of the sale to partners in the special purpose entity owning the units.

Net income

Underlying IFRS depreciation, amortization and impairment decreased by US$86 million year-on-year, primarily due to (i) *FPSO Capixaba* and *Deep Panuke* MOPU leaving the fleet and (ii) a net reversal of impairment on financial assets over the period.

IFRS net financing costs came in at US$156 million for the first half of 2022, an increase of 6% compared with the prior year period.

The underlying effective tax rate over the first half-year of 2022 increased to 15%, compared with 17% for the first six months of 2021. The decrease is mainly explained by the increased profit realized for vessels under construction with a limited tax impact on these profits.

As a result, Underlying IFRS Profit attributable to shareholders for the first half-year of 2022 came in at US$296 million compared with US$145 million for the year-ago period.

STATEMENT OF FINANCIAL POSITION

	IFRS	
in US$ million	2022 (Unaudited)	2021
Equity	4,196	3,537
Net Cash	605	1,021
Total Assets	14,207	13,211
Net Debt	6,976	6,681

Total equity increased from US$3,537 million at year end 2021 to US$4,196 million at June 30, 2022, notwithstanding the dividend distributed to the shareholders of approximately US$178 million. This mainly resulted from (i) the positive result over the first half-year of 2022, (ii) capital contribution from non-controlling interest and (iii) the increase of the hedging reserves.

The movement in hedging reserve was mainly caused by the positive impact of the marked-to-market value of the interest rate swaps due to increasing market interest rates, partially offset by the decreased marked-to-market value of forward currency contracts, largely driven by the appreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

Net debt increased by US$295 million to US$6,976 million at June 30, 2022. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew on the project finance and bridge loan facilities to fund the continued investment in growth.

The majority of the Company's debt as of June 30, 2022 consisted of non-recourse project financing (US$4.7billion). This non-recourse balance includes the project loan related to *Liza Unity* (FPSO) for which the pre-completion company guarantee was released on June 2, 2022. The remainder (US$2.8 billion) comprised of borrowings to support the on-going construction of FPSOs which will become non-recourse following project execution finalization and release of the related parent company guarantee. The net cash balance stood at US$605 million and lease liabilities totalled US$46 million.

RELATED PARTY TRANSACTIONS

During first half-year 2022, the Company made equity contributions towards investees related to *FPSO Almirante Tamandaré* and *FPSO Sepetiba* (combined US$306 million) projects. There were no other 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	2022	2021
Revenue		4	8
Cost of sales		(10)	(6)
Loans to joint ventures and associates	17	57	51
Trade receivables		63	41
Trade payables		14	16

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, 2022 and December 31, 2021.

The Company 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, 2022 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 Transition Officer (until August 31, 2022)

Øivind Tangen, Chief Operating Officer

Douglas Wood, Chief Financial Officer

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

The Notes 1 to 25 are an integral part of these condensed consolidated half-year IFRS financial statements.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	Notes	2022	2021
Revenue from contracts with customers		2,143	1,311
Interest revenue from finance leases calculated using the effective interest method		263	244
Total revenue	9	**2,406**	**1,555**
Cost of sales		(1,784)	(1,091)
Gross margin		**622**	**464**
Other operating income/(expense)		7	2
Selling and marketing expenses		(5)	(18)
General and administrative expenses		(78)	(78)
Research and development expenses		(19)	(17)
Net impairment gain/(losses) on financial and contract assets	10	12	7
Operating profit/(loss) (EBIT)		**539**	**361**
Financial income		8	3
Financial expenses		(164)	(149)
Net financing costs	11	**(156)**	**(147)**
Share of profit/(loss) of equity-accounted investees		(0)	21
Profit/(loss) before tax		**383**	**235**
Income tax expense	12	(57)	(36)
Profit/(loss)		**326**	**198**
Attributable to shareholders of the parent company		296	148
Attributable to non-controlling interests		30	50
Profit/(loss)		**326**	**198**

Earnings/(loss) per share

	Notes	2022	2021
Weighted average number of shares outstanding	13	177,808,500	186,451,257
Basic earnings/(loss) per share	13	US$ 1.67	US$ 0.79
Fully diluted earnings/(loss) per share	13	US$ 1.65	US$ 0.79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	2022	2021
Profit/(loss) for the period	**326**	**198**
Cash flow hedges	301	47
Deferred tax on cash flow hedges	-	-
Foreign currency variations	(2)	(1)
Items that are or may be reclassified to profit or loss	**299**	**46**
Remeasurements of defined benefit liabilities	7	4
Deferred tax on remeasurement of defined benefit liabilities	-	-
Items that will never be reclassified to profit or loss	**7**	**4**
Other comprehensive income/(expense) for the period, net of tax	**306**	**50**
Total comprehensive income/(expense) for the period, net of tax	**632**	**248**
Of which		
- on controlled entities	625	224
- on equity-accounted entities	7	24
Attributable to shareholders of the parent company	503	172
Attributable to non-controlling interests	128	75
Total comprehensive income/(expense) for the period, net of tax	**632**	**248**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

in millions of US$	Notes	30 June 2022	31 December 2021
ASSETS			
Property, plant and equipment	14	385	396
Intangible assets		102	86
Investment in associates and joint ventures		280	361
Finance lease receivables	15	6,968	5,843
Other financial assets	17	125	82
Deferred tax assets	12	12	13
Derivative financial instruments	22	246	14
Total non-current assets		**8,118**	**6,795**
Inventories	18	15	14
Finance lease receivables	15	466	339
Trade and other receivables	16	669	839
Income tax receivables		9	7
Contract assets	19	4,209	4,140
Derivative financial instruments	22	116	32
Cash and cash equivalents		605	1,021
Assets held for sale	14	0	25
Total current assets		**6,088**	**6,416**
TOTAL ASSETS		**14,207**	**13,211**
EQUITY AND LIABILITIES			
Issued share capital		47	51
Share premium reserve		1,034	1,034
Treasury shares		(41)	(69)
Retained earnings		2,033	1,910
Other reserves		(146)	(347)
Equity attributable to shareholders of the parent company		**2,926**	**2,579**
Non-controlling interests		1,270	957
Total Equity	20	**4,196**	**3,537**
Borrowings and lease liabilities	21	5,659	5,928
Provisions	23	260	235
Deferred tax liabilities	12	24	19
Derivative financial instruments	22	133	162
Other non-current liabilities		135	132
Total non-current liabilities		**6,212**	**6,476**
Borrowings and lease liabilities	21	1,921	1,773
Provisions	23	176	149
Trade and other payables	16	1,456	1,111
Income tax payables		44	40
Derivative financial instruments	22	204	126
Total current liabilities		**3,799**	**3,198**
TOTAL EQUITY AND LIABILITIES		**14,207**	**13,211**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

in millions of US$	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	**Attributable to shareholders**	Non-controlling interests	**Total Equity**
At 1 January 2022	**51**	**1,034**	**(69)**	**1,910**	**(347)**	**2,579**	**957**	**3,537**
Profit/(loss) for the period	-	.	-	296	-	**296**	30	**326**
Foreign currency translation	(4)	-	5	-	(3)	**(2)**	(0)	**(2)**
Remeasurements of defined benefit provisions	-	-	-	-	7	**7**	-	**7**
Cash flow hedges	-	-	-	-	201	**201**	100	**301**
Comprehensive income for the period	**(4)**	**-**	**5**	**296**	**205**	**502**	**129**	**632**
IFRS 2 Vesting cost of share based payments	-	-	-	-	15	**15**	-	**15**
Re-issuance treasury shares on the share based scheme	-	-	22	1	(19)	**4**	-	**4**
Cash dividend	-	-	-	(178)	-	**(178)**	(16)	**(194)**
Equity funding	-	-	-	2	-	**2**	199	**200**
At 30 June 2022	47	1,034	(41)	2,033	(146)	**2,926**	1,270	**4,196**

in millions of US$	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	**Attributable to shareholders**	Non-controlling interests	**Total Equity**
At 1 January 2021	**58**	**1,034**	**(51)**	**1,811**	**(296)**	**2,556**	**905**	**3,462**
Profit/(loss) for the period	-	-	-	148	-	**148**	50	**198**
Foreign currency translation	(2)	-	1	0	(1)	**(1)**	(0)	**(1)**
Remeasurements of defined benefit provisions	-	-	-	-	4	**4**	-	**4**
Cash flow hedges	-	-	-	-	22	**22**	25	**47**
Comprehensive income for the period	**(2)**	**-**	**1**	**148**	**25**	**172**	**75**	**248**
IFRS 2 Vesting cost of share based payments	-	-	-	-	14	**14**	-	**14**
Re-issuance treasury shares on the share based scheme	-	-	20	5	(20)	**4**	-	**4**
Cash dividend	-	-	-	(165)	-	**(165)**	(96)	**(261)**
Equity funding	-	-	-	-	-	**-**	96	**96**
At 30 June 2021	56	1,034	(30)	1,800	(277)	**2,582**	980	**3,562**

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended June 30, figures are expressed in millions of US$	Notes	2022	2021
Cash flow from operating activities			
Profit/(loss) before income tax		**383**	**235**
Adjustments to reconcile profit before taxation to net cash flows:			
Depreciation and amortization		48	58
Impairment/(impairment reversal)	10	(3)	(8)
Net financing costs	11	158	149
Share net income of associates and joint ventures		0	(21)
Share based compensation		18	17
Net gain on sale of Property, Plant and Equipment		(9)	(2)
(Increase)/Decrease in working capital:			
- (Increase)/Decrease Trade and other receivables		173	72
- (Increase)/Decrease Contract assets		(1,545)	(816)
- (Increase)/Decrease Inventories	18	(1)	(66)
- Increase/(Decrease) Trade and other payables		329	3
Increase/(Decrease) Other provisions	23	57	(3)
Reimbursement finance lease assets		208	153
Income taxes paid		(48)	(26)
Net cash flows from (used in) operating activities		**(233)**	**(255)**
Cash flow from investing activities			
Investment in property, plant and equipment	14	(15)	(0)
Investment in intangible assets		(20)	(19)
Investments in JVs and associates		(0)	(2)
Proceeds from disposal of assets		33	25
Dividends received from equity-accounted investees		83	21
Other investing activities		11	(0)
Net cash flows from (used in) investing activities		**93**	**23**
Cash flow from financing activities			
Equity funding from / (repayment to) partners		200	95
Additions to borrowings and loans	21	381	1,309
Repayments of borrowings and lease liabilities	21	(531)	(862)
Dividends paid to shareholders and non-controlling interests		(194)	(261)
Share repurchase program		-	-
Interest paid		(130)	(156)
Net cash flows from (used in) financing activities		**(275)**	**124**
Net increase/(decrease) in cash and cash equivalents		**(414)**	**(106)**
Net cash and cash equivalents as at 1 January		1,021	414
Net increase/(decrease) in net cash and cash equivalents		(414)	(106)
Foreign currency variations		(2)	3
Net cash and cash equivalents end of period		**605**	**310**

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 provides services in the field of the offshore oil and gas industry and renewable energy sources.

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, 2022 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 3, 2022, 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, 2022 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, 2021, as the same policies apply except for the new IFRS standards and interpretations adopted by the European Union as at June 30, 2022, where effective, for the financial year beginning January 1, 2022.

The consolidated financial statements of the Company for the year ended December 31, 2021 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, 2022

The Company has adopted the following new standards with a date of initial application of January 1, 2022:

- 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'; and
- Annual Improvements to IFRS Standards 2018-2020 (IFRS 1, IFRS 9 and IAS 41).

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the condensed consolidated half-year financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
These amendments had no impact on the interim condensed consolidated financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the condensed consolidated half-year financial statements of the Company.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
These amendments had no impact on the condensed consolidated half-year financial statements of the Company as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.
These amendments had no impact on the condensed consolidated half-year financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.
These amendments had no impact on the condensed consolidated half-year financial statements of the Company as it does not have assets in scope of IAS 41.

STANDARDS AND INTERPRETATIONS NOT MANDATORILY APPLICABLE TO THE COMPANY AS OF JANUARY 1, 2022

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 IAS 1 – 'Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies';
- Amendments to IAS 8 - 'Definition of Accounting Estimates'; and
- Amendments to IAS 12 - 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction';

The Company continued its evaluation of the impact of the IAS 12 Income Taxes amendment which was issued in May 2021 and is effective 1 January 2023. Balances affected by the amendment are the deferred tax assets and liabilities recognized in respect of right-of-use assets, lease liabilities and demobilization provision.

In prior financial periods, the use of the initial recognition exemption was allowed and as of 1 January 2023 this will no longer be possible. The analysis performed would result in recognition of additional deferred tax assets and deferred liabilities on the balance sheet of US$ 11 million each with an insignificant impact on the opening retained earning balance of less than USD1 million. This assessment is performed based on the balance sheet positions affected by the amendment as per June 30, 2022 and current tax legislations. The impact of the amendment might change due to transactions that may occur before the application date as well as changes to the tax rules.

Regarding the remaining amendments, the Company does not expect a material impact on the financial statements due to their future adoption.

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, 2021 and disclosed in section 4.2.7 Accounting Principles of the Company's 2021 Annual Report.

5 FAIR VALUE MEASUREMENT

The Company measures some financial instruments, such as derivatives, at fair value at each balance sheet date. Also fair values of financial instruments measured at amortized cost are disclosed in note 22 Accounting Classifications and Fair Values of Financial Instruments.

The valuation methods and inputs used in valuation of financial instruments are disclosed in note 4.3.28 Financial Instruments - Fair Values and Risk Management in the Annual Report 2021.

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 2021 Annual Report, the following financial risks are identified and monitored by the Company: Market, liquidity, interest, foreign exchange, credit and capital management risk. The Company manages its exposure to commodity risk through hedge contracts, during the first half-year 2022 this mainly related to the risk regarding increase in fuel prices. For the description, exposure and policies related to these risks, please refer to note 4.3.28 Financial instruments - fair values and risk management of the Company's 2021 Annual Report.

As mentioned in the Annual Report 2021, the COVID-19 pandemic led the Company to review its financial risk management program and conclude that the existing procedures adequately addressed this challenging situation. During the first half of 2022 the same procedures were applied, with no material impact to report on any of the risks monitored.

7 FINANCIAL HIGHLIGHTS

Impact of COVID-19 pandemic and Ukraine and Russia war

During the first half of 2022 construction activities for the Company's major projects has continued to be impacted by the effects of the pandemic and in particular response measures in China.

Even though the Company does not have any significant business activity in Ukraine nor Russia, the current war between these two nations also added pressure on price inflation and the global supply chain, notably from (i) rising prices and/or shortage of certain materials, and services, and (ii) delays in logistics.

Project teams are working closely with both client teams and suppliers to mitigate the impacts on projects' execution. The degree to which these challenges can be mitigated varies from project to project. As at the date of the condensed consolidated financial statement, the ultimate delivery of major projects is not considered at risk, based on currently known circumstances.

Regarding the operation of the fleet, despite the continued challenges brought by the pandemic, the underlying fleet uptime, excluding *FPSO Cidade de Anchieta*, remained in line with expectation taking into account the implementation of upgrades to safety systems on one other asset. In order to achieve such results, the Company continued to implement specific measures aiming to prevent the occurrence of COVID-19 cases and minimize the impact on operations if and when cases are identified.

Implications on 2022 half year financial performance

Due to the COVID-19 pandemic and the Russia Ukraine war, the Company incurred additional costs in order to satisfy its performance obligations on some of its Turnkey projects. This was mainly due to the overall pressure on the global supply chain, delay in project following lockdown periods, subsequent acceleration programs negotiated with sub-contractors, international travel restrictions and remote working. The costs contributed to the progress of transfer of control of the construction asset to the client over the construction period. When the costs are partially recharged to the Company's clients, it is considered as part of the total consideration for the project which is recognized as revenue over time.The related amount recognized as revenue during first half year 2022 is 1% of the Company's Turnkey revenue in this period.

On the Lease and Operate segment, the incremental costs from the implementation of additional measures linked to the safe management of the impacts from the COVID-19 pandemic have been partially recharged to clients within the contractual terms of reimbursable contracts. The Company, to a certain extent, has inflation adjustment clauses which additionally mitigate the costs linked to overall cost inflation.

Divestment of minority interest in FPSO Almirante Tamandaré project

Following the announcement on July 27, 2021 with respect to the signature of the contracts for the *FPSO Almirante Tamandaré*, the Company announced that it has entered into a shareholder agreement with its long standing business partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK).

MC and NYK have acquired a respective 25% and 20% ownership interest in the special purpose companies related to the lease and operation of the *FPSO Almirante Tamandaré*. The Company is the operator and will remain the majority shareholder with 55% ownership interest.

FPSO Almirante Tamandaré is currently under construction. The FPSO will be deployed at the Búzios field in the Santos Basin approximately 180 kilometers offshore Rio de Janeiro in Brazil, under a 26.25 year lease and operate contract with Petróleo Brasileiro S.A. (Petrobras). First oil is expected in the second half of 2024. Petrobras is operating the Búzios field in partnership with CNODC and CNOOC.

Liza Unity producing and on hire

Liza Unity (FPSO) has produced first oil as of February 11, 2022 and is formally on hire.

Liza Unity (FPSO) is the first unit with a design based on the Company's industry leading Fast4Ward® program which incorporates the Company's new build, multi-purpose floater hull combined with several standardized topsides modules.

The FPSO is installed at the Liza field, which is located circa 200 kilometers offshore Guyana in the Stabroek block. ExxonMobil's subsidiary Esso Exploration and Production Guyana Limited is operator and holds 45 percent interest in the Stabroek Block. Hess Guyana Exploration Ltd. holds 30 percent interest and CNOOC Petroleum Guyana Limited, a wholly owned subsidiary of CNOOC Limited, holds 25 percent interest.

Divestment of minority interest in FPSO Alexandre de Gusmão project

Following the announcement on November 30 2021, with respect to the signature of the contracts for *FPSO Alexandre de Gusmão*, the Company has entered into a shareholder agreement with its long standing business partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK).

MC and NYK have acquired a respective 25% and 20% ownership interest in the special purpose companies related to the lease and operation of the *FPSO Alexandre de Gusmão*. SBM Offshore is operator and will remain the majority shareholder with 55% ownership interest.

FPSO Alexandre de Gusmão is currently under construction. The FPSO will be deployed at the Mero field in the Santos Basin offshore Brazil, 160 kilometers offshore Rio de Janeiro, under a 22.5-year lease and operate contract with Petróleo Brasileiro S.A. (Petrobras). The Mero Unitized field is operated by Petrobras (38,6%) in partnership with Shell Brasil (19,3%), TotalEnergies (19,3%), CNPC (9,65%), CNOOC Limited (9,65%), and Pré-sal Petróleo S.A. – PPSA (3,5%) as the Federal Union representative in non-contracted area.

Award of contracts for ExxonMobil ONE GUYANA FPSO

Esso Exploration and Production Guyana Limited (EEPGL), an affiliate of Exxon Mobil Corporation, confirmed the award of contracts for the Yellowtail development project located in the Stabroek Block in Guyana in April, 2022. Under these contracts, the Company will construct, install and then lease and operate the *ONE GUYANA FPSO* for a period of up to two years, after which the FPSO ownership and operation will transfer to EEPGL. The award follows completion of front-end engineering and design studies, receipt of requisite government approvals and the final investment decision on the project by ExxonMobil and block co-venturers.

The Yellowtail development is the fourth development within the Stabroek block, circa 200 kilometers offshore Guyana. EEPGL is the operator and holds a 45 percent interest in the Stabroek block, Hess Guyana Exploration Ltd. holds a 30 percent interest and CNOOC Petroleum Guyana Limited, a wholly owned subsidiary of CNOOC Limited, holds a 25 percent interest.

The *ONE GUYANA FPSO*'s design is based on the Company's industry leading Fast4Ward® program that incorporates the Company's new build, multi-purpose floater hull combined with several standardized topsides modules. The FPSO will be designed to produce 250,000 barrels of oil per day, will have associated gas treatment capacity of 450 million cubic feet per day and water injection capacity of 300,000 barrels per day. The FPSO will be spread moored in water depth of about 1,800 meters and will be able to store around 2 million barrels of crude oil.

The Company is committed to work with Guyanese companies for work to be performed in Guyana and is preparing to further recruit and employ Guyanese engineers into the *ONE GUYANA* project team.

The turnkey phase of the project is executed by a special purpose company (SPC) established by SBM Offshore and McDermott. SBM Offshore holds 70% and McDermott holds 30% equity ownership in this SPC. The FPSO will be fully owned by the Company.

FPSO Cidade de Anchieta

The unit has been shut down since January 22, 2022 following the observation of oil near the vessel. Immediately anti-pollution measures were deployed which were effective and production was shut down. The estimated volume of oil released in relation to the incident stands at 191 m3 which was reported to local authorities. While the Company regrets this incident, management commends client and Company staff who ensured that the FPSO remained safe and under control as well as minimizing the impact to the environment. The unit remains in shutdown as inspection, cleaning and repair work is progressing. The Company is working together with client, authorities and class towards safely resuming production in the second half of 2022.

In accordance with the contract, the lease period will be extended by the number of days from 8 February 2022 up to the end of the shutdown. As a reminder, the contract is qualified as an operating lease under IFRS 16.

The extension of the lease period is considered as a lease reassessment as per IFRS 16. This leads to an update of the linearized revenue up to the new end date of the contract, as well as a revision of the depreciation plan of the vessel. As at June 30, 2022 the update of the linearized revenue led to the recognition of an accrued income of US$ 36 million.

Most of the costs of repair of the unit qualifies for capitalization as per IAS 16, as major overhaul.

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 2021 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 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

As a result of significant ramp-up of Turnkey activities in the first half-year 2022 and the partial divestment on two projects beginning of 2022 (i.e. FPSO *Almirante Tamandaré* and FPSO *Alexandre de Gusmão*), the Turnkey revenue has significantly increased from US$321 million to US$909 million. There was not a commensurate impact on EBITDA due to the following factors:

- (i) *Liza Unity* (FPSO), *Prosperity* (FPSO) and *ONE GUYANA FPSO* are 100% owned by the Company. In accordance with the Company policy for Directional reporting, the direct payments received during construction for these units are therefore recognized as revenue but without contribution to gross margin;
- (ii) *FPSO Alexandre de Gusmão* did not contribute to margin during the period as it just reached the requisite gate of completion allowing margin recognition at half year 2022 (this gate being formalized by independent project review mitigating uncertainties related to the cost at completion), and;
- (iii) Parts of the Company's portfolio remain sensitive to the pressure in the global supply chain as a result of the war between Russia and Ukraine and the continuing impacts of the pandemic.

The Lease and Operate revenue for the first half-year of 2022 increased to US$854 million from US$752 million in the year ago. This reflects mainly: (i) *Liza Unity* (FPSO) joining the fleet upon successful delivery of EPCI project during the first quarter 2022, (ii) increased operating service scope for *Liza Destiny* (FPSO), offset by (iii) end of *FPSO Capixaba* contracts in 2022, and (iv) lower average straight-lined day rate of *FPSO Kikeh* lease after extension at the end of 2021. The increase of the Lease and Operate EBITDA year on year is largely driven by the same items.

2022 operating segments

For the six months ended June 30	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	**854**	**909**	**1,763**	**-**	**1,763**
Cost of sales	(568)	(865)	(1,432)	0	(1,432)
Gross margin	**286**	**44**	**330**	**-**	**330**
Other operating income/expense	(0)	9	9	(3)	**7**
Selling and marketing expenses	0	(5)	(5)	(0)	**(5)**
General and administrative expenses	(11)	(26)	(37)	(41)	**(78)**
Research and development expenses	(2)	(17)	(19)	-	**(19)**
Net impairment gain/(losses) on financial and contract assets	12	1	13	0	**13**
Operating profit/(loss) (EBIT)	**285**	**7**	**292**	**(44)**	**248**
Net financing costs					(85)
Share of profit of equity-accounted investees					3
Income tax expense					(62)
Profit/(loss)					**104**
Operating profit/(loss) (EBIT)	285	7	292	(44)	**248**
Depreciation, amortization and impairment	242	9	251	1	**252**
EBITDA	**527**	**16**	**543**	**(43)**	**500**
Other segment information					
Impairment (charge)/reversal of property, plant and equipment	(7)	-	(7)	-	**(7)**

Reconciliation of 2022 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	854	(229)	69	694
Turnkey	909	746	57	1,712
Total revenue	**1,763**	517	126	**2,406**
Gross margin				
Lease and Operate	286	(21)	45	310
Turnkey	44	250	18	312
Total gross margin	**330**	228	63	**622**
EBITDA				
Lease and Operate	527	(229)	44	342
Turnkey	16	248	19	283
Other	(43)	-	-	(43)
Total EBITDA	**500**	**20**	**62**	**581**
EBIT				
Lease and Operate	285	(20)	44	310
Turnkey	7	248	19	274
Other	(44)	0	(0)	(44)
Total EBIT	**248**	**228**	**63**	**539**
Net financing costs	(85)	(33)	(37)	(156)
Share of profit of equity-accounted investees	3	-	(3)	(0)
Income tax expense	(62)	(4)	8	(57)
Profit/(loss)	**104**	**191**	**31**	**326**

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 percentage of ownership consolidation to full consolidation for those Lease and Operate related subsidiaries over which the Company has control and ii) from percentage of ownership 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$(229) million. During the lease period, under IFRS, the revenue from finance leases is limited to that portion of charter rates that is recognized as interest using the effective interest method. Under Directional reporting, in accordance with the operating lease treatment, the full charter rate is recognized as revenue, on a straight-line basis. Lease and Operate EBITDA is similarly impacted (reduction of US$(229) million) for the same reasons.
- Gross margin is reduced by US$(21) million. As the current Company's finance lease fleet is still relatively young, the amount of the (declining) interests recognized under IFRS is globally 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 effective interest 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$746 million and US$250 million respectively, mainly due to the accounting treatment of the Company's FPSO's which are currently under construction and accounted for as finance leases under IFRS. Under IFRS, a finance lease is considered as if it was a 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 not-yet-cash) revenue is recognized within the Turnkey segment.
- The 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 $191 million under IFRS when compared with Directional reporting.

Impact of consolidation methods

The impact of the consolidation methods, as shown in the above table, describes the net impact from:

- Percentage of ownership 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;
- Percentage of ownership 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.

For the Lease and Operate segment, 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.

2021 operating segments

For the six months ended June 30	Lease and Operate	Turnkey	**Reported segments**	Other	**Total Directional reporting**
Third party revenue	**752**	**321**	**1,072**	-	**1,072**
Cost of sales	(509)	(271)	(779)	0	**(779)**
Gross margin	**243**	**50**	**293**	-	**293**
Other operating income/expense	2	0	2	(0)	**2**
Selling and marketing expenses	(1)	(17)	(17)	(0)	**(18)**
General and administrative expenses	(16)	(21)	(37)	(41)	**(78)**
Research and development expenses	(3)	(14)	(17)	(0)	**(17)**
Net impairment gain/(losses) on financial and contract assets	3	2	4	1	**5**
Operating profit/(loss) (EBIT)	**228**	**(0)**	**228**	**(41)**	**187**
Net financing costs					(89)
Share of profit of equity-accounted investees					(1)
Income tax expense					(34)
Profit/(loss)					**64**
Operating profit/(loss) (EBIT)	228	(0)	228	(41)	**187**
Depreciation, amortization and impairment	228	9	238	0	**238**
EBITDA	**456**	**9**	**466**	**(40)**	**426**
Other segment information:					
Impairment (charge)/reversal of property, plant and equipment	0	(0)	0	(0)	**0**

Reconciliation of 2021 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	752	(197)	76	631
Turnkey	321	595	8	924
Total revenue	**1,072**	399	84	**1,555**
Gross margin				
Lease and Operate	243	(13)	63	292
Turnkey	50	126	(4)	172
Total gross margin	**293**	113	58	**464**
EBITDA				
Lease and Operate	456	(195)	62	323
Turnkey	9	123	(4)	129
Other	(40)	-	0	(40)
Total EBITDA	**426**	(72)	58	**411**
EBIT				
Lease and Operate	228	(8)	62	282
Turnkey	(0)	123	(4)	119
Other	(41)	-	0	(41)
Total EBIT	**187**	115	58	**361**
Net financing costs	(88)	(28)	(30)	(147)
Share of profit of equity-accounted investees	(1)	-	22	21
Income tax expense	(34)	(1)	(2)	(36)
Profit/(loss)	64	86	48	198

Reconciliation of statement of financial position as at June 30, 2022 (Directional to IFRS)

	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment; Intangible assets and Other assets[1]	7,574[2]	(7,086)	(1)	487
Investment in associates and joint ventures	9	-	272	280
Finance lease receivables	0	5,967	1,467	7,433
Other financial assets	299[3]	(208)	4	96
Contract assets	199	2,769	1,240	4,209
Trade receivables and other assets	846	5	(117)	734
Derivative financial instruments	316	-	46	363
Cash and cash equivalents	478	-	127	605
Total Assets	**9,722**	1,447	3,038	**14,207**
EQUITY AND LIABILITIES				
Equity attributable to parent company	755	2,161	10	2,926
Non-controlling interests	3	0	1,267	1,270
Equity	**758**	2,161	1,277	**4,196**
Borrowings and lease liabilities	5,827[4]	-	1,752	7,579
Provisions	608	(213)	41	436
Trade payable and other liabilities	1,909	(224)	(30)	1,655
Deferred income	285	(277)	(5)	3
Derivative financial instruments	335	-	2	337
Total Equity and Liabilities	**9,722**	1,447	3,038	**14,207**

1 Under Directional, the cost related to the Brazilian local content penalty is capitalized in line with construction progress of related assets and presented in the Directional statement of financial position under 'Property, plant and equipment and Intangible assets'. Under IFRS the same cost is directly recognized as cost of sales in the IFRS consolidated income statement.

2 Includes US$2,747 million related to units under construction (i.e. FPSOs, Prosperity, Sepetiba, Almirante Tamandaré, ONE GUYANA and Alexandre de Gusmao).

3 Includes US$250 million related to demobilization receivable.

4 Includes US$3,861 million non-recourse debt and US$47 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 percentage of ownership 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, 2022 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$(7,086) million) and subsequent recognition of (i) finance lease receivables (US$5,967 million) and (ii) contract assets (US$2,769 million) for those assets still under construction.
- For operating lease contracts with non-linear bareboat day rates, a deferred income is recognized to show linear revenues under Directional reporting. This balance (US$(277) 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$(208) million) and provisions (US$(213) million).

As a result, the restatement from operating to finance lease accounting treatment gives rise to an increase of equity of US $2,161 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 percentage of ownership 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'.

Due to the partial divestment of minority interests in *FPSO Almirante Tamandaré and FPSO Alexandre de Gusmão* the Company consolidated the vessels based on its new percentage of ownership under Directional, being at 55%. This resulted in a total decrease of Property, Plant and Equipment balance of US$258 million and a decrease in Borrowings of US$565 million for both units under Directional. Under IFRS, the entities continued to be fully consolidated due to the retention of control with an increase in non-controlling interest within equity.

Reconciliation of 2022 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	**500**	20	62	**581**
Adjustments for non-cash and investing items	31	18	19	68
Changes in operating assets and liabilities	18	(636)	(424)	(1,042)
Reimbursement finance lease assets	0	199	9	208
Income taxes paid	(49)	-	1	(48)
Net cash flows from (used in) operating activities	**501**	(400)	(334)	**(233)**
Capital expenditures	(471)	441	(5)	(35)
Other investing activities	(271)	(6)	404	127
Net cash flows from (used in) investing activities	**(741)**	434	400	**93**
Equity funding from / (repayment to) partners	-	-	200	200
Addition and repayments of borrowings and lease liabilities	(89)	(3)	(57)	(149)
Dividends paid to shareholders and non-controlling interests	(178)	-	(16)	(194)
Interest paid	(69)	(33)	(28)	(130)
Net cash flows from (used in) financing activities	**(338)**	(36)	99	**(275)**
Net cash and cash equivalents as at 1 January	1,059	-	(38)	1,021
Net increase/(decrease) in net cash and cash equivalents	(579)	-	165	(414)
Foreign currency variations	(2)	-	0	(2)
Net cash and cash equivalents as at 30 June	**478**	-	127	**605**

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, whereas 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.

Reconciliation of statement of financial position as at December 31, 2021 (Directional to IFRS)

	Total Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment; Intangible assets and Other assets[1]	7,234[2]	(6,750)	(2)	482
Investment in associates and joint ventures	10	-	351	361
Finance lease receivables	0	4,706	1,475	6,182
Other financial assets	281[3]	(209)	19	91
Contract assets	109	3,532	498	4,140
Trade receivables and other assets	926	1	(63)	864
Derivative financial instruments	47	-	-	47
Cash and cash equivalents	1,059	-	(38)	1,021
Assets held for sale	25	-	-	25
Total Assets	**9,690**	1,281	2,241	**13,211**
EQUITY AND LIABILITIES				
Equity attributable to parent company	603	1,969	7	2,579
Non-controlling interests	2	0	956	957
Equity	**604**	1,969	963	**3,537**
Borrowings and lease liabilities	6,460[4]	-	1,241	7,701
Provisions	590	(213)	6	383
Trade payable and other liabilities	1,479	(168)	(15)	1,295
Deferred income	316	(308)	(2)	7
Derivative financial instruments	240	-	48	288
Total Equity and Liabilities	**9,690**	1,281	2,241	**13,211**

1 Under Directional, the cost related to the Brazilian local content penalty is capitalized in line with construction progress of related assets and presented in the Directional statement of financial position under 'Property, plant and equipment and Intangible assets'. Under IFRS the same cost is directly recognized as cost of sales in the IFRS consolidated income statement

2 Includes US$3,310 million related to units under construction (i.e. FPSOs Liza Unity, Prosperity, Sepetiba, Almirante Tamandaré).

3 Includes US$246 million related to demobilization receivable.

4 Includes US$2,928 million non-recourse debt and US$57 million lease liability.

Reconciliation of 2021 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	**426**	(72)	58	**411**
Adjustments for non-cash and investing items	3	13	6	22
Changes in operating assets and liabilities	(213)[1]	(504)	(99)	(816)
Reimbursement finance lease assets	0	159	(5)	153
Income taxes paid	(27)	-	1	(26)
Net cash flows from (used in) operating activities	**188**	(403)	(40)	**(255)**
Capital expenditures	(451)	431	-	(20)
Other investing activities	22	(1)	22	43
Net cash flows from (used in) investing activities	**(429)**	430	22	**23**
Equity repayment to partners	-	-	96	96
Addition and repayments of borrowings and lease liabilities	425	-	21	447
Dividends paid to shareholders and non-controlling interests	(165)	-	(96)	(261)
Interest paid	(95)	(27)	(35)	(156)
Payments to non-controlling interests for change in ownership	0	-	(0)	0
Net cash flows from (used in) financing activities	**166**	(27)	(14)	**124**
Net cash and cash equivalents as at 1 January	383	-	31	414
Net increase/(decrease) in net cash and cash equivalents	(75)	(0)	(31)	(106)
Foreign currency variations	2	0	0	3
Net cash and cash equivalents as at 30 June	**310**	-	-	**310**

1 Includes US$91 million invested in Multi-purpose hulls under construction and not yet allocated to awarded projects.

Deferred income (Directional)

	30 June 2022	31 December 2021
Within one year	62	70
Between 1 and 2 years	44	48
Between 2 and 5 years	104	122
More than 5 years	74	77
Total	**284**	**316**

The Directional deferred income is mainly related to the revenue of those lease contracts which include a decreasing day rate schedule. As revenue from lease contracts with customers 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.

2022 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	414	686	1,100	467	1,105	1,573
Guyana	246	166	412	164	548	712
Angola	104	2	106	0	3	3
Equatorial Guinea	50	0	50	46	(0)	46
Malaysia	23	1	24	0	2	2
The United States of America	17	0	17	17	0	17
Mozambique	-	19	19	-	19	19
Other	0	35	35	0	35	35
Total revenue	**854**	**909**	**1,763**	**694**	**1,712**	**2,406**

2021 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	423	137	560	486	456	942
Guyana	117	111	228	79	392	471
Angola	104	3	107	0	5	5
Equatorial Guinea	52	(0)	51	49	(1)	48
Malaysia	39	1	40	0	2	2
The United States of America	17	3	20	17	3	20
France	-	20	20	-	20	20
Mozambique	-	9	9	-	9	9
Nigeria	-	8	8	-	8	8
Other	0	29	29	0	29	29
Total revenue	**752**	**321**	**1,072**	**631**	**924**	**1,555**

9 REVENUE INFORMATION

The Company's revenue mainly originates from goods and services transferred over time. Approximately 47% of Lease and Operate half-year 2022 (half-year 2021: 51%) 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 CONTRACT ASSETS

As part of the regular update of 'Impairment gains/(losses) on financial and contract assets' performed as at June 30, 2022, the Company has recognized an overall net impairment gain of US$12 million (June 30, 2021: gain of US$7 million). This gain is mainly attributable to the reversal of impairment which was previously recognized for funding loan provided to the equity accounted entities.

The Company has not identified any specific significant increase in credit risks related to its outstanding financial assets and contract assets as at June 30, 2022.

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

	2022	2021
Impairment losses		
- Movement in loss allowance for trade receivables	(0)	0
- Movement in loss allowance for contract assets	2	3
- Movement in loss allowance for finance lease receivables	0	1
(Impairment)/impairment reversal losses on financial lease receivables	12	0
- Movement in loss allowance for other assets	(1)	3
Net impairment gains/(losses) on financial and contract assets	**12**	**7**

11 NET FINANCING COSTS

For the six months ended June 30	2022	2021
Interest income on loans & receivables	0	1
Interest income on investments	2	0
Net foreign exchange gain	5	1
Other financial income	1	0
Financial income	**8**	**3**
Interest expenses on financial liabilities at amortized cost	(126)	(99)
Interest expenses on hedging derivatives	(34)	(50)
Interest expenses on lease liabilities	(1)	-
Interest addition to provisions	(0)	(0)
Net loss on financial instruments at fair value through profit and loss	(1)	1
Impairment of financial assets	(3)	0
Other financial expenses	1	(1)
Financial expenses	**(164)**	**(149)**
Net financing costs	**(156)**	**(147)**

The increase in net financing costs is mainly due to higher interest expenses as a result of the Company's project financing obtained for projects under construction, namely project financing of *FPSO Sepetiba* and *Prosperity* (FPSO) and bridge loans for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*.

12 INCOME TAX

The effective tax rate, excluding the share of profit, or loss, of equity-accounted investees, is 15% in the first half-year of 2022, compared with 16% for the full year 2021. The decrease in the effective tax rate of 2022 compared with 2021 is mainly explained by the increased profit realized for vessels under construction with a limited tax impact on these profits.

13 EARNINGS / (LOSS) PER SHARE

The basic earnings per share for the period amounted to US$ 1.67 (for the six months ended June 30, 2021: US$0.79). The fully diluted earnings per share amounted to US$ 1.65 (for the six months ended June 30, 2021: US$0.79).

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 2022	30 June 2021
Earnings attributable to shareholders (in thousands of US$)	296,295	147,773
Number of shares outstanding at January 1 (excluding treasury shares)	176,622,557	185,314,742
Average number of new shares repurchased	-	-
Average number of treasury shares transferred to employee share programs	1,185,943	1,136,515
Weighted average number of shares outstanding	**177,808,500**	**186,451,257**
Impact of shares to be issued	-	-
Weighted average number of shares (for basic earnings per share calculation)	**177,808,500**	**186,451,257**
Potential dilutive shares from stock option scheme and other share-based payments	1,753,806	1,587,880
Weighted average number of shares (diluted)	**179,562,306**	**188,039,137**
Basic earnings per share	US$ 1.67	US$ 0.79
Fully diluted earnings per share	US$ 1.65	US$ 0.79

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.

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 2022	31 December 2021
Property, plant, equipment excluding leases	346	351
Right of use of assets	39	45
Total	**385**	**396**

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 2022	31 December 2021
Cost	1,891	2,921
Accumulated depreciation and impairment	(1,540)	(2,431)
Book value at 1 January	**351**	**490**
Additions	43	4
Disposals	(0)	(24)
Depreciation	(39)	(91)
(Impairment)/impairment reversal	(7)	(0)
Foreign currency variations	(3)	(4)
Other movements	(0)	(25)
Movements during the period	**(5)**	**(139)**
Cost	1,918	1,891
Accumulated depreciation and impairment	(1,572)	(1,540)
Book value at end of period	**346**	**351**

During the half-year 2022 the following main events occurred regarding owned property, plant and equipment:

- US$(39) million of depreciation charges, following the normal depreciation schedules;
- US$ 43 million additions mainly related to capitalized major overhaul costs related to repair work performed on *FPSO Cidade de Anchieta* as well as additional capitalization of costs related to decommissioning of *FPSO Capixaba*;
- US$(7)million impairment charge as explained below.

Impairment of FPSO Capixaba

An impairment assessment of *FPSO Capixaba* was performed due to progress made on the decommissioning of the asset, leading to an increase of the expected demobilization costs. This was largely driven by an increased consumption of marine diesel to carry out the decommissioning activities. This resulted in adverse cash flows and an impairment of US$7 million accounted for in the first half year 2022 results. The impairment test is not significantly impacted by the discount rate used in the impairment test due to short term nature of cash flows. The impairment would change by +/- US$1 million, if decommissioning costs vary by +/- US$1 million.

Purchase and termination options in operating lease contracts

The operating lease contract of semi-submersible Thunder Hawk includes a call option for the client to purchase the underlying asset. The exercise of this call option would have resulted in a gain for the Company as of June 30, 2022.

RIGHT-OF-USE ASSETS

During the half-year 2022, the main movements regarding right-of-use assets related to US$6 million of depreciation charges.

ASSETS HELD FOR SALE

At the end of the prior year, the SBM Installer was classified as an asset held for sale with a carrying amount of US$25 million. This classification was the result of an highly anticipated sale to an identified buyer. The SBM Installer was sold to the buyer on January 19, 2022 for an amount of US$34 million resulting in a gain on disposal of US$9 million. The gain on disposal has been recognized in the line item "Other operating income" of the consolidated income statement for the first half-year 2022.

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 2022	31 December 2021
Gross receivable	10,230	9,729
Less: Unearned finance income	(3,896)	(3,547)
Total	**7,433**	**6,182**
Of which		
Current portion	466	339
Non-current portion	6,968	5,843

As of June 30, 2022, finance lease receivables relate to the finance lease of:

- *Liza Unity* (FPSO), which started production in February, 2022 for a charter of 2 years;
- *Liza Destiny* (FPSO), which started production in December 2019 for a charter of 10 years;
- *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;
- *FPSO Espirito Santo*, which started production in January 2009 for a charter of 15 years until December 2023, and which was extended in December 2020 until December 2028.

The increase in finance lease receivable is driven by *Liza* Unity (FPSO) which started production in February 2022 partially offset by redemptions as per the payment plans.

Purchase and termination options

The finance lease contracts of *FPSO Aseng*, *Liza Destiny* (FPSO) and *Liza Unity* (FPSO), where the Company is the lessor, include 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, 2022 this would have resulted in a gain for the Company. 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 *Liza Destiny* (FPSO) or *Liza Unity* (FPSO) as of June 30, 2022 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 Espirito Santo* includes a call option for the client to terminate the contract early. The exercise of the early termination option would have resulted in a non-material loss for the Company as of June 30, 2022.

The finance lease contract of *Prosperity* (FPSO) and *ONE GUYANA FPSO* (under construction as per June 30, 2022) contain a call option for the client to purchase the underlying asset or to terminate the contract early. This option is exercisable at any time starting from the delivery date of the vessel.

16 TRADE RECEIVABLES AND PAYABLES

The decrease of 'Trade and other receivables' during the period of first half-year 2022 is mainly due to the collection upfront payment for *ONE GUYANA FPSO*.

On the other hand, the increase of 'Trade and other payables' was mainly related to higher Turnkey project activities during the first half-year of 2022.

17 OTHER FINANCIAL ASSETS

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

	30 June 2022	31 December 2021
Non-current portion of other receivables	75	38
Sublease receivable	1	2
Non-current portion of loans to joint ventures and associates	49	42
Total	**125**	**82**

The increase in non-current portion of other receivables relate to the extension of the lease period for *FPSO Cidade de Anchieta* which is considered as a lease reassessment as per IFRS 16. This leads to an update of the linearized revenue up to the new end date of the contract which led to the recognition of an accrued income of US$ 36 million.

The current portion of (i) other receivables, (ii) sublease and (iii) 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 2022	31 December 2021
Current portion of loans to joint ventures and associates	8	9
Non-current portion of loans to joint ventures and associates	49	42
Total	**57**	**51**

18 INVENTORIES

	30 June 2022	31 December 2021
Materials and consumables	11	11
Goods for resale	4	3
Total	**15**	**14**

As per June 30, 2022, the Company maintains mainly its inventory of materials and consumables used in the normal course of business.

Generally, inventories include Multi-purpose hulls under construction which relate to the ongoing EPC phase of Fast4Ward® new-build hulls. These hulls remain in inventory until they are allocated to a specific FPSO contract. The Company currently has no unallocated multi-purpose hull under construction, however a slot has been reserved in order to start construction of a new Multi-purpose hull during the second half of 2022.

19 CONTRACT ASSETS

During the period ended June 30, 2022, the Company completed construction of *Liza Unity* (FPSO) marking first oil date on February 11, 2022. As of that date the lease of *Liza Unity* (FPSO) commenced and the contract asset related to this unit was reclassified to finance lease receivables (refer to notes 7 Financial Highlights and 15 Finance Lease Receivables).
As a result, the contract asset balance decreased in relation to *Liza Unity* (FPSO) which is offset by increase in contract assets related to progress made during the period on the construction of *FPSO Sepetiba*, *Prospertity* (FPSO)*, FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and *ONE GUYANA FPSO*.

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

The total number of ordinary shares outstanding at June 30, 2022 was 180,671,305 (December 31, 2021: 180,671,305).

DIVIDENDS PAID

The Company paid dividends of US$178 million on May 4, 2022, which represents an increase of 8% compared to last year. It resulted in a pay out of US$1 or €0.9137 per ordinary share.

TREASURY SHARES

A total number of 2,609,028[1] treasury shares are reported in the outstanding ordinary shares as at June 30, 2022. During the six months ending June 30, 2022, 1,376,040 shares were transferred to management and employee share programs.

CASH FLOW HEDGE RESERVE

The equity attributable to shareholders includes the cash flow hedge reserve for a negative balance of US$65 million as of June 30, 2022. The cash flow hedge reserve relates to the net position of forward currency contracts, interest rate swaps and commodity swaps for which fair value movement is explained further in note 22 Accounting Classifications and Fair Values of Financial Instruments.

21 BORROWINGS AND LEASE LIABILITIES

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

Borrowings and lease liabilities (summary)

	30 June 2022	31 December 2021
Borrowings	5,627	5,891
Lease liabilities	31	37
Total Non-current portion of Borrowings and lease liabilities	**5,658**	**5,928**
Borrowings	1,906	1,754
Lease liabilities	15	19
Total Current portion of Borrowings and lease liabilities	**1,921**	**1,773**

[1] As per the Dutch Act on Conversion of bearer shares, all bearer shares still outstanding at December 31, 2020 have been converted into registered shares held by the Company as per January 1, 2021 and accordingly the aforementioned shares are currently reported as part of the Treasury shares. Until January 1, 2026 and upon request of a holder of a certificate of a bearer share, the Company will provide the holder of such a valid certificate of a bearer share, with a registered share as a replacement of the bearer share.

BANK INTEREST-BEARING BORROWINGS

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

Borrowings and lease liabilities (movement)

	30 June 2022	31 December 2021
Non-current portion	5,891	4,335
Add: current portion	1,754	1,216
Remaining principal at the beginning of period	**7,645**	**5,551**
Additions	402	3,941
Redemptions	(520)	(1,711)
Transaction and amortized costs	7	(137)
Movements during the period	**(111)**	**2,094**
Remaining principal at end of period	**7,534**	**7,645**
Less: Current portion	(1,906)	(1,754)
Non-current portion	**5,627**	**5,891**
Transaction and amortized costs	199	207
Remaining principal at end of period (excluding transaction and amortized costs)	**7,733**	**7,851**
Less: Current portion	(1,948)	(1,790)
Non-current portion	**5,785**	**6,061**

The additions of the total borrowings of US$402 million relates mainly to drawdowns on project finance facility for *Liza Unity* (FPSO) and *FPSO Sepetiba*. The redemptions are mostly related to the non-recourse debt repayment schedules.

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 RCF.

The RCF in place as of June 30, 2022 has a maturity date of February 13, 2026. The US$1 billion facility was secured with a selected group of 11 core relationship banks and includes an uncommitted option to increase the RCF by an additional US $500 million. The Company does not have any further extension option remaining.

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. On December 23, 2021 the RCF was amended by means of an amendment and restatement agreement to reflect a dedicated green funding tranche. By creating this green tranche, US$50 million of the RCF may only be used to fund activities that comply with the Green Loan Principles (primarily activities related to renewable energy projects) and the remaining US$950 million can be used 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 it includes provisions for the replacement of LIBOR with a compounded reference rate. The margin is adjusted in accordance with the applicable leverage ratio ranging from a minimum level of 0.50% p.a. (0.40% for the green tranche) to a maximum of 1.50% p.a. (1.40% for the green tranche). 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[2].

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

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, 2022 significant headroom above the amount of RCF maximum funding was available.

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

During the period, as a function of the length of the shutdown on *FPSO Cidade de Anchieta*, an event of default occurred under the related non-recourse project financing. This is continuing as at the reporting date. The Company is working together with client, authorities and class towards safely resuming production in the second half of 2022. The Lenders have not enforced any of their rights. None of the remaining loans and borrowings in the statement of financial position were in default as at the reporting date.

22 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.

Accounting classification and fair values as at June 30, 2022

			30 June 2022		31 December 2021	
	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	7,433	7,456	6,182	6,586
Loans to joint ventures and associates	*17*	3	53	51	51	49
Total			**7,486**	**7,507**	**6,233**	**6,635**
Financial liabilities measured at amortized cost						
US$ project finance facilities drawn	*21*	2	7,685	7,501	7,850	7,825
Other debt	*21*	2	48	48	2	2
Total			**7,733**	**7,549**	**7,851**	**7,827**

Additional information

- In the above table, the Company has disclosed the fair value of each class of financial assets and financial liabilities for which the book value is different than fair value in a way that permits the information to be compared with the carrying amounts. For all other classes of financial assets and financial liabilities the book value approximates the fair value.
- 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, 2022.
- 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.
- Classes of financial instruments that are not used are not disclosed.

- No instruments were transferred between Level 1 and Level 2.
- No instruments were transferred between Level 2 and Level 3.
- None of the instruments of the Level 3 hierarchy are carried at fair value in the statement of financial position.
- No financial instruments were subject to offsetting as of June 30, 2022 and December 31, 2021.

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$267 million over the period is due to (i) increased marked-to-market value of interest rate swaps comparing with year-end 2021, which mainly arose from increasing US market interest rates, offset by (ii) the decreased marked-to-market value of forward currency contracts caused by the appreciation of the US$ exchange rate versus the hedged currencies (especially for EUR forward contracts).

The majority 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 2022			31 December 2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	255	13	242	13	157	(144)
Forward currency contracts cash flow hedge	31	220	(189)	14	94	(80)
Forward currency contracts fair value through profit and loss	65	104	(39)	19	37	(18)
Commodity contracts cash flow hedge	11	-	11	-	-	-
Total	**363**	**337**	**25**	**47**	**288**	**(242)**
Non-current portion	246	133	113	14	162	(148)
Current portion	116	204	(88)	32	126	(94)

23 PROVISIONS

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

Provisions (summary)

	30 June 2022	31 December 2021
Demobilization	128	122
Onerous contracts	2	3
Warranty	72	54
Employee benefits	16	26
Other	218	179
Total	**436**	**384**
of which :		
Non-current portion	260	235
Current portion	176	149

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 related mainly to a reassessment of the costs on the ongoing demobilization of *FPSO Capixaba*.

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 which was partially offset by the regular consumption of existing warranty provisions over the applicable warranty period.

Other

The remaining provisions mainly relate to claims, regulatory fines related to operations and Brazilian local content penalties on construction projects. The latter was the main driver of the increase in other provisions over the period.

24 OTHER INFORMATION

24.1 FINANCIAL INFORMATION RELATED TO EQUITY-ACCOUNTED INVESTEES

The total revenue of the joint ventures accounted for under the equity method (at 100%) represents US$162 million for the six months ended June 30, 2022 (US$161 million for the six months ended June 30, 2021).

24.2 COMMITMENTS

Parent Company Guarantees

SBM Offshore N.V., as the parent company, is committed to fulfil 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, 2022 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, 2022, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$2.3 billion (December 31, 2021: US$1.6 billion). Investment commitments mainly relate to ongoing activities on the construction of *Prosperity* (FPSO), *ONE GUYANA FPSO*, *FPSO* Almirante Tamandaré and *FPSO* Alexandre de Gusmão.

Contingent Liabilities

As at June 30, 2022 the Company did not identify any contingent liabilities.

24.3 RELATED PARTY TRANSACTIONS

During first half-year 2022, the Company made equity contributions towards investees related to *FPSO Almirante Tamandaré* and *FPSO Sepetiba* (combined US$306 million) projects. There were no other 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	2022	2021
Revenue		4	8
Cost of sales		(10)	(6)
Loans to joint ventures and associates	17	57	51
Trade receivables		63	41
Trade payables		14	16

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, 2022 and December 31, 2021.

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.

25 EVENTS AFTER THE END OF THE REPORTING PERIOD

SBM Offshore completes US$1.75 billion financing of ONE GUYANA FPSO

On July 21, 2022 the Company announced that the project financing was secured by a consortium of 15 international banks. The Company expects to draw the loan in full, phased over the construction period of the FPSO. The financing will become non-recourse once the FPSO is completed and the pre-completion guarantee has been released. The project loan is in line with the duration of the charter hence a two-year tenor post-completion and carries a variable interest rate based on SOFR plus 2.2% margin.

AFM appeal of court decision

On June 21, 2022, the district court in Rotterdam delivered its decision in the case between the Company and the AFM (Dutch Authority for the Financial Markets) relating to certain public disclosures made by the Company in the period from 2012-2014. The court has honoured the position of the Company in relation to two disclosures which were at the heart of the case and reduced the fine to US$1 million. On 1 August 2022, the AFM lodged a pro-forma appeal against the decision of the district court. The Company is awaiting further details of the nature and basis of the appeal, following which it will determine its response.