SBM OFFSHORE

Press Release

SBM Offshore Half Year 2020 Earnings

On target despite global disruption

August 6, 2020

Highlights

- Effective response to COVID-19 and oil price crises
- Successfully maintaining focus on health and safety of staff and business continuity
- Adapting the organization to ensure flexibility, performance and competitiveness
- Financial results in line with expectation
- 2020 Directional[1] EBITDA guidance increased from “around” to “above” US$900 million
- 2020 Directional revenue guidance maintained at “around” US$2.3 billion

The 2020 Half Year Results and Interim Financial Statements are published on the Company’s website under https://www.sbmoffshore.com/investor-relations-centre/financial-information/financial-results/half-year-results/.

Bruno Chabas, CEO of SBM Offshore, commented:

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

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

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

SBM Offshore will continue to adapt while the energy market transforms. We are committed to delivering solutions to clients in order to make the energy transition a reality and to reduce the carbon intensity of our business.”

[1] Directional view, presented in the Financial Statements under Operating segments and Directional reporting, represents a pro-forma accounting policy, which assumes all lease contracts are classified as operating leases and all vessel investees are proportionally consolidated. This explanatory note relates to all Directional reporting in this document.

Financial Overview

in US$ million	Directional 1H 2020	Directional 1H 2019	Directional % Change	IFRS 1H 2020	IFRS 1H 2019	IFRS % Change
Revenue	1,179	965	*22%*	1,592	1,491	*7%*
Lease and Operate	829	646	*28%*	735	648	*13%*
Turnkey	351	319	*10%*	857	843	*2%*
EBITDA	523	399	*31%*	489	447	*9%*
Lease and Operate	538	425	*27%*	436	400	*9%*
Turnkey	25	5	*366%*	93	77	*21%*
Other	(40)	(30)	*-32%*	(40)	(30)	*-32%*
Profit attributable to Shareholders	38	61	*-38%*	98	127	*-23%*
Underlying Profit attributable to Shareholders	94	61	*55%*	155	127	*22%*
Earnings per share [US$ per share]	0.20	0.30	*-36%*	0.52	0.63	*-17%*
Underlying earnings per share [US$ per share]	0.50	0.30	*64%*	0.82	0.63	*30%*

in US$ million	Directional 1H 2020	Directional 1H 2019	IFRS 1H 2020	IFRS 1H 2019
Non-recurring items impacting Profit				
SBM Installer impairment	(57)	-	(57)	-

in US$ billion	Directional Jun-30-20	Directional Dec-31-19	Directional % Change	IFRS Jun-30-20	IFRS Dec-31-19	IFRS % Change
Pro-Forma Backlog[2]	19.7	20.7	*-5%*	N/A	N/A	*N/A*
Net Debt	3.9	3.5	*12%*	4.8	4.4	*9%*

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

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

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

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

[2] The pro-forma backlog at June 30, 2020 reflects assumptions which are in line with year-end 2019 pro-forma backlog assumptions, for more details, refer to the 2020 Half Year Management Report.

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Impairment Review

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

An additional aggregate US$31 million of impairments, individually not material, was recognized relating to partial impairment of two units and increased impairment loss on certain financial assets. For more details, refer to the 2020 Half Year Interim Financial Statements.

Adapting the Business Model

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

Unfortunately, the need to lower our cost base will lead to job losses. Compared with year-end 2019, the reorganization is expected to lead to a reduction of c. 600 positions[3]. The annualized cost of these positions is c. US$100 million. Restructuring costs are expected to be c. US$50-60 million, mainly booked in the second half of 2020.

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

Funding and Directional Net Debt

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

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

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

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

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

Cancellation of Shares

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

[3] This includes reduction of c. 300 positions as announced in First Quarter 2020 Trading Update.

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Directional Pro-Forma Backlog

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

The pro-forma backlog at June 30, 2020 reflects assumptions, which are in line with year-end 2019 pro-forma backlog assumptions, for more details, refer to the 2020 Half Year Management Report.

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

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

Project Review

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

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

FPSO Liza Unity

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

FPSO Sepetiba

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

FPSO Liza Destiny

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

Fast4Ward® MPF hulls

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

The construction of the Prosperity MPF hull is progressing in accordance with schedule. The Prosperity project remains subject to government approvals, project sanction and an authorization to proceed with the next phase. There are potential delays to the schedule. The Company continues to look for opportunities to mitigate cost and schedule impacts.
Regarding the MPF hulls not allocated to projects, MPF hulls number four and five, construction of the fourth MPF hull commenced and is making progress in line with SBM Offshore's execution plan. Construction of the fifth MPF hull has not started.

Johan Castberg Turret Mooring System (TMS)

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

Operational Update

SBM Offshore's fleet uptime during the first half of 2020 was 99.5%, in line with the fleet's lifetime historical average.

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

FPSO Capixaba

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

MOPU Deep Panuke

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

Semi-Sub Thunder Hawk

The Thunder Hawk production facility, owned 100% by SBM Offshore, was temporarily shut down in April of this year upon operator request. After a period of 45 days, the unit restarted production in June. The Thunder Hawk contract is the only lease contract in the SBM Offshore lease portfolio for which revenues are dependent on production.

Post-Period Events

With reference to the acquisition of the minority stakes in five Brazilian FPSOs announced on November 22, 2019, the Company sold to the current partners 7% of the shares in the lease and operating companies related to one of the units on July 28, 2020 for a consideration of US$28 million. This transaction was anticipated upon completion of the acquisition and was taken into account in the relevant financials, including the pro-forma backlog reported at December 31, 2019.

Following the Deep Panuke MOPU redelivery, under the final settlement signed with the client, the redelivery of the unit does not affect the contractually agreed amount and timing of the financial considerations to be received by the Company as per the initial charter contract. This includes the option for the client to continue payments until the end of the initial charter period or to elect for an early lump sum payment.

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

Sustainability and HSSE

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

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

During the first half of 2020, the Company engaged with more than 30 of its key stakeholders to further improve its understanding of stakeholder interests, especially in relation to the Company's strategy and approach to sustainability. These stakeholders included clients, banks, investors and employees. The conclusions from the discussions support the approach to prioritize energy transition and reduction of carbon emissions. The Company will expand this initiative to other stakeholder groups. SBM Offshore is planning to maintain a continuous dialogue with its stakeholders.

COVID-19: supporting local communities

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

Total Recordable Injury Frequency Rate (TRIFR)

As at June 30, 2020, the Company's TRIFR was 0.12 over the first half of 2020, compared with the full year 2020 target of 0.20.

Outlook and Guidance

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

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

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

Analyst Presentation & Conference Call

SBM Offshore has scheduled a conference call together with a webcast, which will be followed by a Q&A session, to discuss the Half Year 2020 Earnings release.

The event is scheduled for Thursday, August 6, 2020 at 10.00 AM (CEST) and will be hosted by Bruno Chabas (CEO), Douglas Wood (CFO), Philippe Barril (COO) and Erik Lagendijk (CGCO).

Interested parties are invited to register prior to the call using the registration link: https://www.kpneventcall.nl/EventRegistration/3495cba8-0232-4aec-bded-1afe5bb6bbf8

Please note that the conference call can only be accessed with a personal identification code, which is sent to you by email after completion of the registration. This process is different compared with previous SBM Offshore conference calls.

The live webcast will be available at: https://channel.royalcast.com/webcast/sbmoffshoreinvestors/20200806_1/

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Corporate Profile

The Company's main activities are the design, supply, installation, operation and the life extension of floating production solutions for the offshore energy industry over the full lifecycle. The Company is market leading in leased floating production systems, with multiple units currently in operation.

As of December 31, 2019, the Company employed approximately 4,450 people worldwide spread over offices in our key markets, operational shore bases and the offshore fleet of vessels.

SBM Offshore N.V. is a listed holding company headquartered in Amsterdam, the Netherlands. It holds direct and indirect interests in other companies.

Where references are made to SBM Offshore N.V. and /or its subsidiaries in general, or where no useful purpose is served by identifying the particular company or companies "SBM Offshore" or "the Company" are sometimes used for convenience.

For further information, please visit our website at www.sbmoffshore.com.

The Management Board
Amsterdam, the Netherlands, August 6, 2020

Financial Calendar	**Date**	**Year**
Trading Update 3Q 2020 – Press Release	November 12	2020
Full Year 2020 Earnings – Press Release	February 11	2021
Annual General Meeting of Shareholders	April 7	2021
Trading Update 1Q 2021 – Press Release	May 12	2021
Half Year 2021 Earnings – Press Release	August 5	2021
Trading Update 3Q 2021 – Press Release	November 11	2021

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