OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

The reconciliation of the net cash and cash equivalents as at December 31, 2021 with the corresponding amounts in the statement of financial position is as follows:

Reconciliation of net cash and cash equivalents as at 31 December

in millions of US$	31 December 2021	31 December 2020
Cash and cash equivalents	1,021	414
Net cash and cash equivalents	**1,021**	**414**

4.2.6 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, Schiphol, the Netherlands. SBM Offshore N.V. is the holding company of a group of international marine technology-oriented companies. The Company globally serves the offshore energy industry by supplying engineered products, vessels and systems, as well as offshore energy production services.

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

The consolidated financial statements for the year ended December 31, 2021 comprise the 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 consolidated financial statements were authorized for issue by the Supervisory Board on February 9, 2022.

4.2.7 ACCOUNTING PRINCIPLES

A. ACCOUNTING FRAMEWORK

The consolidated financial statements of the Company have been prepared in accordance with, and comply with International Financial Reporting Standards ('IFRS') and interpretations adopted by the European Union, where effective, for financial years beginning January 1, 2021 and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The Company financial statements included in section 4.4 are part of the 2021 financial statements of SBM Offshore N.V.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS OF JANUARY 1, 2021

The Company has adopted the following new standards as of January 1, 2021:
- Amendments to IFRS 7, IFRS 9 and IAS 39 – 'Interest Rate Benchmark Reform Phase 2';
- Amendment to IFRS 16 Leases – 'COVID-19-Related Rent Concessions' including 'IFRS 16 and COVID-19 beyond 30 June 2021';
- IFRIC Interpretation of IAS 19 Employee Benefits – 'Attributing Benefit to Periods of Service'

IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform Phase 2

The Phase 2 amendments that were published in August 2020 address issues that arise during the reform of an interest rate benchmark when the replacement of IBOR with an alternative one is necessary. The key reliefs provided by the Phase 2 amendments are as follows:
- When changing the reference rate used to determine contractual cash flows for financial assets and liabilities (including lease liabilities), the relief has the effect that changes in the reference rate will not result in immediate gains and losses in the income statement.
- The hedge accounting reliefs will allow most hedge relationships that are directly affected by the reform to continue. However, additional hedge ineffectiveness could possibly arise.

On the Interest rate benchmark reform, the Company is managing its IBOR transition plan. All impacted contracts and financial instruments have been identified. As of December 31, 2021 the Company has amended all contracts referring to the USD LIBOR 1 Week and 2 Months, outstanding book value of borrowings are disclosed in the note 24 Borrowings and Lease Liabilities.

New financial instruments being issued already include wordings to address the transition to alternative benchmark rates. As the counterparties to the Company's interest rate swaps are also counterparties to the floating loans which are being hedged, it is expected that the result of the negotiations with external banks and the implementation of Secured Overnight Financing Rate (SOFR) will not have material impacts on the Company's future financial results.

The adoption of the amendments did not have a material accounting impact on the financial statements for the year ended December 31, 2021. The Company intends to use the practical expedients in future periods if they become applicable.

There will however be operational impacts affecting systems, processes and potentially risk and valuation models. To limit those, the Company is studying best practices and feedback from banks and peers in the market who are facing the same challenges.

IFRS 16 - COVID-19-Related Rent Concessions

The amendment to IFRS 16 permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

This amendment had no impact on the consolidated financial statements for the year ended December 31, 2021.

IAS 19 Employee Benefits – 'Attributing Benefit to Periods of Service'

During May 2021 the IFRIC received a request to clarify the accounting treatment of attributing the defined benefit cost in relation to the periods of service. The request focused on the attribution of defined benefit cost when (i) employees are entitled to a lump sum payment when they reach a specified retirement age provided they are employed by the entity when they reach that retirement age, and (ii) the amount of the retirement benefit to which an employee is entitled depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service.

The Committee concluded that the current standard provides sufficient guidance regarding the appropriate treatment. This clarification did not have a material impact on the consolidated financial statements for the year ended December 31, 2021.

STANDARDS AND INTERPRETATIONS NOT MANDATORILY APPLICABLE TO THE COMPANY AS OF JANUARY 1, 2021

The following standards and amendments published by the IASB and endorsed by the European Union are not mandatorily applicable as of January 1, 2021:

- 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.

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';

Regarding the IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction', the Company determined that amendment could have possible implications related to the demobilization provisions, right-of-use assets and related lease liabilities. During 2021, the Company performed an assessment regarding the impact of this amendment. The Company determined that the impact on the statement of financial position and retained earnings is not material due to the fact that currently enacted tax rates are low in the jurisdictions where the related balances are recognized.
The IAS 12 amendment is effective as of 1 January 2023 and the Company will continue to monitor the impact of the amendment during the preceding financial periods in order to assess whether the expected impact could change due to assumptions such as the enacted tax rates and accounting treatment per location identified.

The Company does not expect a significant effect on the financial statements due to the adoption of the remaining amendments. Other standards and amendments are not relevant to the Company.

B. CRITICAL ACCOUNTING POLICIES

Critical accounting policies involving a high degree of judgement or complexity, or areas where assumptions and estimates are material, are disclosed in the paragraphs below.

(a) Use of estimates and judgement

When preparing the financial statements, it is necessary for the Management of the Company to make estimates and certain assumptions that can influence the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and assumptions, due to changes in facts and circumstances. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Estimates:

Significant areas of estimation and uncertainty in applying accounting policies that have the most significant impact on amounts recognized in the financial statements are:

The measurement and recognition of revenues on construction contracts based on the input method:

Revenue of the Company is measured and recognized based on the input method (i.e. costs incurred). Costs and revenue at completion are reviewed periodically throughout the life of the contract. This requires a large number of estimates, especially of the total expected costs at completion, due to the complex nature of the Company's construction contracts. Judgement is also required for the accounting of contract modifications and claims from clients where negotiations or discussions are at a sufficiently advanced stage. Costs and revenue (and the resulting gross margin) at completion reflect, at each reporting period, the Management's current best estimate of the probable future benefits and obligations associated with the contract. The policy for measurement of transaction price including variable considerations (i.e. claims, performance-based incentives) is included below in the point (d) Revenue.

In case a contract meets the definition of an onerous contract as per IAS 37, provisions for anticipated losses are made in full in the period in which they become known.

Impairments:

Assumptions and estimates used in the discounted cash flow model and the adjusted net present value model to determine the value in use of assets or group of assets (e.g. discount rates, residual values and business plans) are subject to uncertainty. There is a possibility that changes in circumstances or in market conditions could impact the recoverable amount of the asset or group of assets.

The anticipated useful life of the leased facilities under an operating lease:

Management uses its experience to estimate the remaining useful life of an asset. The actual useful life of an asset may be impacted by an unexpected event that may result in an adjustment to the carrying amount of the asset.

Uncertain income tax treatment:

The Company is subject to income taxes in multiple jurisdictions. Significant judgement is required in determining the Company's overall income tax liability. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company takes into account the following considerations when determining the liabilities related to uncertain income tax treatment:

- When necessary the Company engages with local tax advisers which provide advice on the expected view of tax authorities on the treatment of judgmental areas of income tax;
- The Company considers any changes in tax legislation and knowledge built based on prior cases to make an estimate/ judgement on whether or not to provide for any tax payable; and
- The Company takes into account any dispute resolutions, case law and discussions between peer companies and the tax authorities on similar cases over an uncertain tax treatment.

The Company consistently monitors each issue around uncertain income tax treatments across the group in order to ensure that the Company applies sufficient judgement to the resolution of tax disputes that might arise from examination by relevant tax authorities of the Company's tax position.