ANNUAL REPORT 2021

ENERGY. COMMITTED.

ENERGY. COMMITTED.

NOTES TO THE READER

DISCLAIMER

This document is the printed/pdf or 'website version' and is not the official annual financial reporting, including the audited financial statements thereto pursuant to article 2:361 of the Dutch Civil Code. The official annual financial reporting, including the audited financial statements and the auditor's report thereto, are included in the single report package ('ESEF package') which can be found in the download center of the 2021 Annual Report website. In case of any discrepancies between this document and the ESEF package, the latter prevails. Note that the auditor's opinion included in this document does not relate to this document but only to the ESEF package. No rights can be derived from using this document, including the unofficial copy of the auditor's report. Our auditors did not determine (nor do they need to) that the website version is identical to the official version.

MANAGEMENT REPORT

The management report ('bestuursverslag') within the meaning of section 2:391 of the Dutch Civil Code comprises of the Chapters Business Environment up to and including Governance (excluding the Report of the Supervisory Board and the Remuneration Report), section 4.1 of the Chapter Financial Information 2021, and section 5.3 of the Chapter Non-Financial Information.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this report that are not historical facts are statements of future expectations and other forward-looking statements based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those in such statements. These statements may be identified by words such as 'expect', 'should', 'could', 'shall' and similar expressions. Such forward-looking statements are subject to various risks and uncertainties. The principal risks which could affect the future operations of SBM Offshore N.V. are described in the 'Risk Management' section of this 2021 Annual Report.
Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results and performance of the Company's business may vary materially and adversely from the forward looking statements described in this report. SBM Offshore N.V. does not intend and does not assume any obligation to update any industry information or forward-looking statements set forth in this report to reflect new information, subsequent events or otherwise.

CHAPTER 4

FINANCIAL INFORMATION 2021

4 FINANCIAL INFORMATION 2021

4.1 Financial Review....114
4.1.1 Financial Overview....114
4.1.2 Financial Highlights....114
4.1.3 Financial Review Directional....115
4.1.4 Financial Review IFRS....123
4.1.5 Outlook and Guidance....126

4.2 Consolidated Financial Statements....127
4.2.1 Consolidated Income Statement....127
4.2.2 Consolidated Statement of Comprehensive Income....128
4.2.3 Consolidated Statement of Financial Position....129
4.2.4 Consolidated Statement of Changes in Equity....130
4.2.5 Consolidated Cash Flow Statement....131
4.2.6 General Information....132
4.2.7 Accounting Principles....132
A. Accounting Framework....132
B. Critical Accounting Policies....134
C. Significant Accounting Policies....139

4.3 Notes to the Consolidated Financial Statements....147
4.3.1 Financial Highlights....147
4.3.2 Operating Segments and Directional Reporting....151
4.3.3 Revenue....162
4.3.4 Other Operating Income and Expense....163
4.3.5 Expenses by Nature....164
4.3.6 Employee Benefit Expenses....164
Ownership Shares....167
4.3.7 Research and Development Expenses....169
4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets....169
4.3.9 Net Financing Costs....170
4.3.10 Income Tax Expense....170
4.3.11 Earnings/(Loss) Per Share....172
4.3.12 Dividends Paid and Proposed....173
4.3.13 Property, Plant and Equipment....173
4.3.14 Intangible Assets....177
4.3.15 Finance Lease Receivables....178
4.3.16 Other Financial Assets....179
4.3.17 Deferred Tax Assets and Liabilities....180
4.3.18 Inventories....181
4.3.19 Trade and Other Receivables....181
4.3.20 Construction Work-In-Progress....183
4.3.21 Derivative Financial Instruments....183
4.3.22 Net Cash and Cash Equivalents....184
4.3.23 Equity Attributable to Shareholders....184
4.3.24 Borrowings and Lease Liabilities....187
4.3.25 Provisions....192
4.3.26 Trade and Other Payables....193
4.3.27 Commitments and Contingencies....193
4.3.28 Financial Instruments – Fair Values and Risk Management....194
4.3.29 List of Group Companies....205
4.3.30 Investment in Associates and Joint Ventures....206
4.3.31 Information on Non-controlling Interests....209
4.3.32 Related Party Transactions....212
4.3.33 Independent Auditor's Fees and Services....212
4.3.34 Events After End of Reporting Period....213

4.4 Company Financial Statements....214
4.4.1 Company Balance Sheet....214
4.4.2 Company Income Statement....215
4.4.3 General....216

4.5 Notes to the Company Financial Statements........ 217
4.5.1 Investment in Group Companies........ 217
4.5.2 Deferred Tax Asset........ 217
4.5.3 Other Receivables........ 218
4.5.4 Cash and Cash Equivalents........ 218
4.5.5 Shareholders' Equity........ 218
4.5.6 Other Current Liabilities........ 219
4.5.7 Revenue........ 219
4.5.8 General and Administrative Expenses........ 219
4.5.9 Financial Expenses........ 219
4.5.10 Commitments and Contingencies........ 220
4.5.11 Directors Remuneration........ 220
4.5.12 Number of Employees........ 220
4.5.13 Independent Audit Fees........ 220
4.5.14 Events After End of Reporting Period........ 221

4.6 Other information........ 222
4.6.1 Appropriation of Result........ 222
4.6.2 Call option granted to Stichting Continuïteit SBM Offshore (the Foundation)........ 222
4.6.3 Independent Auditor's Report........ 223

4.7 Key Figures........ 235

4 FINANCIAL INFORMATION 2021

4.1 FINANCIAL REVIEW

4.1.1 FINANCIAL OVERVIEW

	Directional		IFRS	
in US$ million	FY 2021	FY 2020	FY 2021	FY 2020
Revenue	**2,242**	**2,368**	**3,747**	**3,496**
Lease and Operate	1,509	1,699	1,270	1,761
Turnkey	733	669	2,477	1,735
Underlying Revenue	**2,317**	**2,291**	**3,822**	**3,419**
Lease and Operate	1,584	1,622	1,345	1,684
Turnkey	733	669	2,477	1,735
EBITDA[1]	**849**	**1,021**	**823**	**1,043**
Lease and Operate	914	1,108	636	1,007
Turnkey	19	(9)	271	114
Other	(84)	(78)	(84)	(78)
Underlying EBITDA	**931**	**944**	**906**	**966**
Lease and Operate	989	1,031	711	930
Turnkey	19	(9)	271	114
Other	(76)	(78)	(76)	(78)
Profit/(loss) attributable to shareholders	**121**	**38**	**400**	**191**
Underlying profit attributable to shareholders	**126**	**125**	**405**	**277**

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

General

The Company's primary business segments are 'Lease and Operate' and 'Turnkey'. Additionally, the Company discloses separately non-allocated corporate income and expense items presented in the category 'Other'. Revenue and EBITDA are analyzed by segment, but it should be recognized that business activities are closely related.

During recent years the Company's awarded lease contracts were systematically classified under IFRS as finance leases for accounting purposes, whereby the fair value of the leased asset is recorded as a Turnkey 'sale' during construction. For the Turnkey segment, this accounting treatment results in the acceleration of recognition of lease revenues and profits into the construction phase of the asset, whereas the asset generates the cash mainly only after construction and commissioning activities have been completed, as that is the moment the Company is entitled to start receiving the lease payments. In the case of an operating lease, lease revenues and profits are recognized during the lease period, in effect more closely tracking cash receipts. Following the implementation of accounting standards IFRS 10 and 11 starting January 1, 2014, it has also become challenging to extract the Company's proportionate share of results. To address these accounting issues, the Company discloses Directional reporting in addition to its IFRS reporting. Directional reporting treats all lease contracts as operating leases and consolidates all co-owned investees related to lease contracts on a percentage of ownership basis. Under Directional, the accounting results more closely track cash flow generation and this is the basis used by the Management Board of the Company to monitor performance and for business planning. Reference is made to 4.3.2 Operating Segments and Directional Reporting for further detail on the main principles of Directional reporting.

As the Management Board, as chief operating decision maker, monitors the operating results of its operating segments primarily based on Directional reporting, the financial information in this section 4.1 Financial Review is presented both under Directional and IFRS while the financial information presented in note 4.3.2 Operating Segments and Directional Reporting is presented under Directional with a reconciliation to IFRS. For clarity, the remainder of the financial statements are presented solely under IFRS, except where expressly stated otherwise.

4.1.2 FINANCIAL HIGHLIGHTS

The main financial highlights of the year and their associated financial impact are reported in note 4.3.1 Financial Highlights.

4.1.3 FINANCIAL REVIEW DIRECTIONAL

in US$ million	Directional FY 2021	FY 2020
Revenue	**2,242**	**2,368**
Lease and Operate	1,509	1,699
Turnkey	733	669
Underlying Revenue	**2,317**	**2,291**
Lease and Operate	1,584	1,622
Turnkey	733	669
EBITDA	**849**	**1,021**
Lease and Operate	914	1,108
Turnkey	19	(9)
Other	(84)	(78)
Underlying EBITDA	**931**	**944**
Lease and Operate	989	1,031
Turnkey	19	(9)
Other	(76)	(78)
Profit/(loss) attributable to shareholders	**121**	**38**
Underlying profit attributable to shareholders	**126**	**125**

in US$ billion	Directional FY 2021	FY 2020
Backlog	29.5	21.6

UNDERLYING PERFORMANCE – DIRECTIONAL

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.
During 2021 the Directional EBITDA and profit attributable to shareholders were impacted by US$(8) million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.
In addition, the 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 the redelivery of the Deep Panuke MOPU in July 2020. This amount was excluded from the Underlying 2020 Revenue and EBITDA. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the Underlying Directional gross margin and profit attributable to shareholders.

For reference, the difference between Directional profit attributable to shareholders and Underlying Directional profit attributable to shareholders was due to the following non-recurring items in 2020:

- A full impairment of US$(57) million of the SBM Installer installation vessel;
- Other impairments of US$(29) million (individually not significant) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

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 the end of 2021 reflects the following key assumptions:

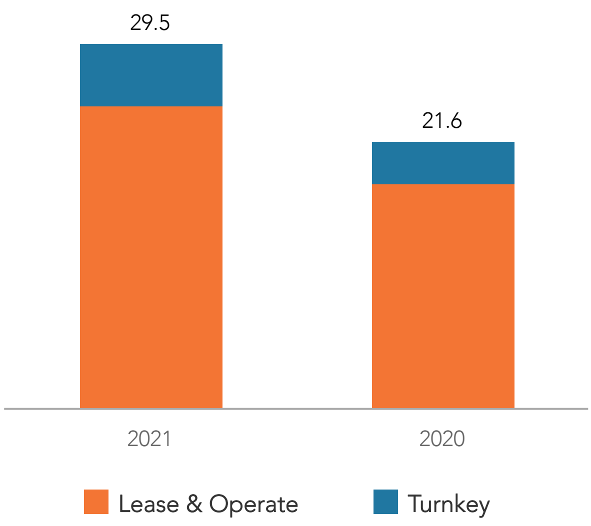
- The *Liza Destiny* (FPSO) contract covers the basic contractual term of 10 years of lease and operate.
- The *Liza Unity* (FPSO) contract covers a maximum period of two years of lease and operate within which the unit will be purchased by the client. The impact of the sale of *Liza Unity* (FPSO) is reflected in the Turnkey backlog at the end of the maximum two year period.

- The *Prosperity* (FPSO) contract awarded to the Company in October 2020 covers a maximum period of lease and operate of two years, within which the FPSO ownership and operation will transfer to the client. The impact of the subsequent sale of *Prosperity* (FPSO) is reflected in the Turnkey backlog at the end of the maximum two year period. Normally, the Company would not yet take the operating and maintenance scope of this contract into account although it has been agreed in principle, pending a final work order. However, to be consistent with the prior year and to better reflect the current reality, the pro-forma backlog set out below takes the operating and maintenance scope on *Prosperity* (FPSO) into account.
- With respect to FPSO for the Yellowtail development project, for which the full lease and operate contract award is subject to necessary government approvals and final work order to be received from the client, the amount included in the pro-forma backlog is limited to the value of the initial limited release of funds to the Company to begin FEED activities and secure a Fast4Ward® hull.
- On December 20, 2021, the Company signed an agreement with China Merchants Financial Leasing (Hong Kong) Holding Co., Limited (CMFL) regarding the future divestment of 13.5% equity ownership in the Sepetiba special purpose companies. This transaction has not yet been reflected in the backlog as it remains subject to various approvals, which include the consent from co-owners, lenders and export credit agencies.
- The *FPSO Almirante Tamandaré* partial divestment to partners (45%) was concluded after the reporting period on January 25, 2022. As a consequence, the ownership share (55%) in the 26.25 years lease and operate contracts was added to the Lease and Operate backlog and the partial divestment to partners (45%) was added to the Turnkey backlog
- The pro-forma backlog of *FPSO Alexandre de Gusmão* takes into account the initially targeted Company ownership share (55%) in the 22.5 years lease and operate contracts. As a consequence, this targeted share was added to the the Lease and Operate backlog whereas the partial divestment to partners (45%), which remains subject to finalization of the shareholder agreement and various approvals, was added to the Turnkey backlog.

The pro-forma Directional backlog at the end of December 2021 increased by almost US$7.9 billion to a total of US$29.5 billion. This increase was mainly the result of (i) the awarded contracts for the *FPSO Almirante Tamandaré* project and the *FPSO Alexandre de Gusmão* project and (ii) the awarded initial scope to begin FEED activities and secure a Fast4Ward® hull for the FPSO for the Yellowtail development project less turnover for the period consumed of US$2.2 billion.

in billions of US$	Turnkey	Lease & Operate	Total
2022	1.5	1.6	3.1
2023	0.8	1.6	2.4
2024	1.5	1.8	3.3
Beyond 2024	1.2	19.5	20.7
Total Backlog	**5.0**	**24.5**	**29.5**

Pro-forma Directional Backlog (in billions of US$)



PROFITABILITY – DIRECTIONAL

Preliminary remark

It should be noted that the ongoing EPC works on *FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão, Liza Unity* (FPSO), *Prosperity* (FPSO) and the FPSO for the Yellowtail development project did not contribute to Directional net income over the period. This is because the contracts were 100% owned by the Company as of December 31, 2021 and are classified as operating leases as per Directional accounting principles.

As far as *Liza Unity* (FPSO), *Prosperity* (FPSO) and the FPSO for the Yellowtail development project are concerned, the Company has determined that it is optimal from an operational and financial perspective to retain full ownership as opposed to partnering on these projects. Therefore, under the Company's Directional accounting policy, the revenue recognition on these three FPSO projects is as follows:

- The Company does not recognize any revenue and margin during the Turnkey phase of the project unless defined invoicing (if any) to the client occurred during the construction phase to cover specific construction work and/or services performed before the commencement of the lease. These upfront payments are recognized as revenues and the costs associated with the related construction work and/or services are recognized as cost of sales with no margin during construction.
- The Company will book all revenue and margin associated with the lease and operate contracts related to its 100% share during the lease phase, in line with the cash flows.
- Upon transfer of the FPSO to the client, after reaching the end of the lease period or upon exercising of the purchase option by the client, the Company will book all revenue and margin associated with the transfer in the Turnkey segment.

With respect to *FPSO Almirante Tamandaré,* the partial divestment to partners (45%) was concluded on 25 January 2022. For *FPSO Alexandre de Gusmão*, a similar transaction (involvind a divestment of 45%) is expected to materialize in the course of 2022. Therefore, under the Company's Directional accounting policy, the revenue recognition on these two FPSO projects is as follows:

- Until the partial divestment dates, the Company does not recognize any revenue and margin unless defined invoicing (if any) to the client occurred during the construction phase to cover specific construction work and/or services performed before the commencement of the lease. These upfront payments are recognized as revenues and the costs associated with the related construction work and/or services are recognized as cost of sales with no margin.
- Upon partial divestments to partners, the Company will book revenue and (once the gate progress of completion is reached) margin associated with the EPC works to the extent of the portion of the sale to partners in the special purpose entity (e.g. 45% of EPC works).

4 FINANCIAL INFORMATION 2021

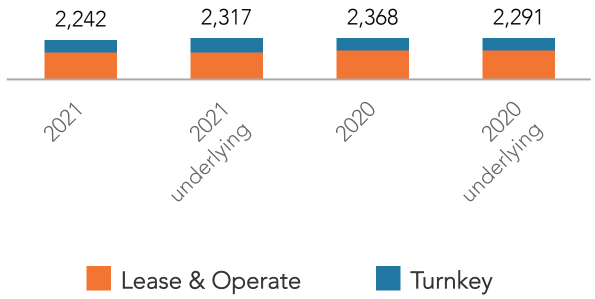
- The Company will book its share (estimated at 55%) in revenue and margin associated to the lease and operate contracts during the lease phase.

Therefore, the contribution of these five FPSO projects to the Directional profit and loss will largely materialize in the coming years, in line with the operating cash flows.

Revenue

Total Directional revenue decreased by 5% to US$2,242 million compared with US$2,368 million in 2020, with the decrease primarily attributable to the Lease and Operate segment. Adjusted for the non-recurring item of US$75 million (refer to paragraph 'Underlying Performance'), Underlying Directional revenue increased to US$2,317 million compared with US$2,291 million for the same period in 2020.

Revenue Directional (in millions of US$)



This variance of the Underlying Directional revenue is further detailed by segment as follows:

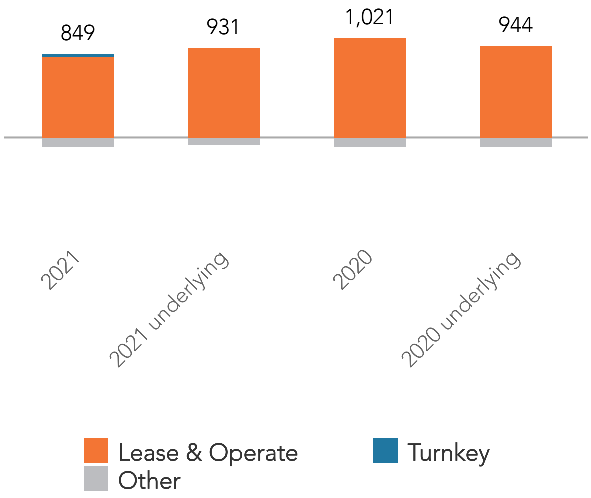
Underlying Directional Lease and Operate revenue was US$1,584 million, a slight decrease versus US$1,622 million in the prior period. This reflects the stability of the Fleet over the period. The slight decrease is mainly explained by Deep Panuke MOPU decommissioning activities which contributed to the 2020 revenue only. It is worth mentioning that the Deep Panuke MOPU lease revenue is almost stable considering that the Underlying Directional Revenue has been adjusted for the lease payments received in 2021 under the final settlement signed with the client following the early redelivery in 2020. Lease and Operate revenue in 2021 represents 68% of total underlying Directional revenue contribution in 2021, down from a 71% contribution in 2020.

Underlying Directional Turnkey revenue increased to US$733 million, representing 32% of total underlying 2021 revenue. This compares with US$669 million, or 28% of total revenue, in 2020. This increase is mostly attributable to the general ramp-up of Turnkey activities with five FPSOs under construction in 2021, the awarded limited scope for the FPSO for the Yellowtail development project and the higher contribution from the renewable and offshore services product lines. The revenue increase from this general ramp-up more than offsets the year-on-year decrease resulting from the Johan Castberg Turret Mooring System EPC project delivery in 2020.

EBITDA

Directional EBITDA amounted to US$849 million, representing a 17% decrease compared with US$1,021 million in 2020. Adjusted for the non-recurring items (see paragraph 'Underlying Performance' in the same section), Underlying Directional EBITDA amounted to US$931 million in 2021, almost stable compared with US$944 million in 2020.

EBITDA Directional (in millions of US$)

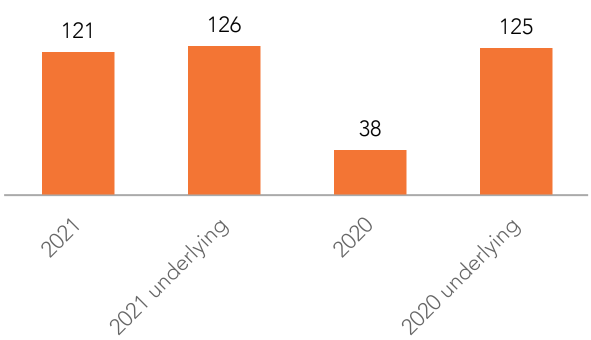


The variance of Underlying Directional EBITDA is further detailed by segment as follows:

- Underlying Directional Lease and Operate EBITDA moved from US$1,031 million in the year-ago period to US$989 million in the current year period. This decrease is mainly explained by (i) the net incremental costs from the implementation of additional safety measures linked to COVID-19, (ii) repair costs incurred in 2021 on damaged mooring lines on one unit (for which compensation from insurance is not yet secured) and (iii) higher maintenance and repair activities, including maintenance campaigns postponed to 2021 due to the COVID-19 new pandemic context in 2020. The 2020 EBITDA also benefited from the contribution of the Deep Panuke MOPU decommissioning activities. As a result, full year 2021 Underlying Directional Lease & Operate EBITDA margin decreased to 62% (64% in 2020).
- Underlying Directional Turnkey EBITDA increased from US$(9) million in the year-ago period to US$19 million in the current year. The reduced level of EPC activity in the Turret and Mooring product line, following the Johan Castberg Turret Mooring System project delivery was nearly offset by the general ramp up of other Turnkey activities (including higher contribution from Offshore Services). In addition, the Turnkey EBITDA benefits from positive project and risk close out in 2021, while it was impacted by US$(40) million of restructuring costs in 2020. The Underlying Directional Turnkey EBITDA margin, expressed as a percentage of Turnkey revenue, therefore increased to 3%, compared with -1% the year-ago period.
- The other non-allocated costs charged to EBITDA are almost stable moving from US$(78) million in the year ago period to US$(76) million in the current year. These costs include continuing investment in the Company's digital initiatives in line with the prior periods.

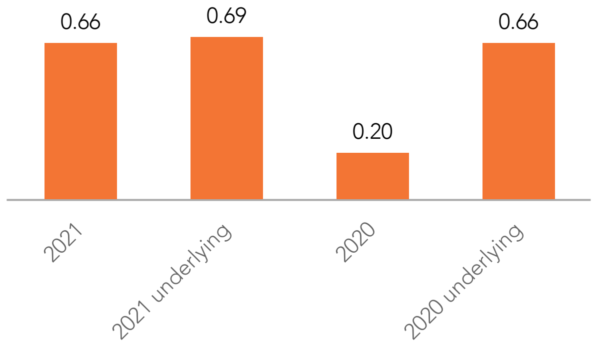
Net income

Net Income Directional (in millions of US$)



4 FINANCIAL INFORMATION 2021

Weighted Average Earnings Per Share Directional (in US$)



Underlying Directional depreciation, amortization and impairment decreased by US$42 million year-on-year. This primarily resulted from a lower depreciation on *FPSO Espirito Santo,* following the five years' extension of the lease and operate contracts of this unit signed in 2020, and a net release of impairment on financial assets due to the Company's clients credit ratings improvement compared with 2020.

Directional net financing costs totaled US$(171) million in 2021 and are almost stable compared with US$(175) million in the year-ago period.

The Underlying Directional effective tax rate increased to 36% versus 25% in the year-ago period mainly explained by higher taxes paid in relation to the Brazilian and Guyanese fleets.

As a result, the Company recorded an Underlying Directional net profit of US$126 million, or US$0.69 per share, a 1% and 4% increase respectively when compared with US$125 million, or US$0.66 per share, in the year-ago period.

STATEMENT OF FINANCIAL POSITION – DIRECTIONAL

in millions of US$	2021	2020
Total equity	604	858
Net debt[1]	5,401	4,093
Net cash	1,059	383
Total assets	9,690	7,894
Solvency ratio[2]	28.9	34.0

1 Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents.
2 Solvency ratio is calculated in accordance with the definition provided in section 4.3.24 Covenants

Shareholders' equity decreased by US$254 million from US$858 million at year-end 2020 to US$604 million at year-end 2021, mostly due to the following items:
- Completion of the EUR150 million (US$178 million) share repurchase program executed between August 5, 2021 and October 11, 2021;
- Dividend distributed to the shareholders for US$165 million;
- Decrease of the hedging reserves by US$54 million; and
- Positive net result of US$121 million in 2021.

The movement in hedging reserve is mainly caused by the increase of the marked-to-market value of the interest rate swaps due to increasing market interest rates during the year. This was 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).

It should be noted that under Directional policy, the contribution to profit and equity of the substantial FPSOs program under construction will largely materialize in the coming years, subject to project execution performance, in line with the generation of associated operating cash flows.

Net debt increased by US$1,308 million to US$5,401 million at year-end 2021. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew (i) on project finance facilities for *Liza Unity* (FPSO), *Prosperity* (FPSO) and the *FPSO Sepetiba* and (ii) on the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* to fund continued investment in growth.

Almost half of the Company's debt as of December 31, 2021 consisted of non-recourse project financing (US$2.9billion) in special purpose investees. The remainder (US$3.5 billion) comprised of (i) borrowings to support the on-going construction of five FPSOs which will become non-recourse following project execution finalization and release of the Parent Company Guarantee and (ii) the loan related to the DSCV SBM Installer. The Company's Revolving Credit Facility (RCF) was undrawn at year-end and the net cash balance stood at US$1,059 million (December 31, 2020: US$383 million). The year-end cash balance includes significant residual proceeds from the aggregate US$1,255 million bridge loans for the *FPSOs Almirante Tamandaré and Alexandre de Gusmão* which were both fully drawn in 2021. Lease liabilities totaled US$57 million (December 31, 2020: US$71 million).

Total assets increased to US$9.7 billion as of December 31, 2021, compared with US$7.9 billion at year-end 2020. This resulted from the substantial investments in property, plant and equipment (mainly *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba*, *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and awarded limited scope for the FPSO for the Yellowtail development project) and the increase in the net cash balance following the full drawdown of the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*.

The relevant covenants (solvency ratio and interest cover ratio) applicable for the Company's RCF, undrawn as at year-end 2021, were all met at December 31, 2021. In line with previous years, the Company had no off-balance sheet financing.

The Company's financial position has remained strong as a result of the cash flow generated by the fleet and the successful adaptation of the Turnkey segment to a more competitive and unpredictable market.

CASH FLOW / LIQUIDITIES – DIRECTIONAL

Cash and undrawn committed credit facilities amount to US$2,984 million at December 31, 2021, of which US$1,069 million is considered as pledged to specific project debts servicing related to *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* or otherwise restricted in its utilization.

The consolidated cash flow statement under Directional reporting is as follows:

in millions of US$	2021	2020
EBITDA	**849**	**1,021**
Adjustments for non-cash and investing items		
Addition/(release) provision	14	25
(Gain)/loss on disposal of property, plant and equipment	(1)	1
(Gain) / loss on acquisition of shares in investees	0	(1)
Share-based payments	27	26
Changes in operating assets and liabilities		
(Increase)/Decrease in operating receivables	17	(227)
Movement in construction work-in-progress / contract liability	(42)	24
(Increase)/Decrease in inventories	(1)	(134)
Increase/(Decrease) in operating liabilities	(82)	11
Income taxes paid	(66)	(51)
Net cash flows from (used in) operating activities	**715**	**696**
Capital expenditures	(1,483)	(871)
(Addition) / repayments of funding loans	(6)	3
Cash receipts from sale of investments in joint ventures	53	28
Other investing activities	20	4
Net cash flows from (used in) investing activities	**(1,415)**	**(837)**
Additions and repayments of borrowings and lease liabilities	1,945	534
Dividends paid to shareholders	(165)	(150)
Share repurchase program	(178)	(165)
Interest paid	(224)	(155)
Net cash flows from (used in) financing activities	**1,377**	**62**
Foreign currency variations	(2)	5
Net increase/(decrease) in cash and cash equivalents	**676**	**(74)**

Significant cash has been generated in 2021. The (i) strong operating cash flows, (ii) drawdowns on project financings and bridge loans and (iii) net proceed from the issuance of the senior secure notes on *FPSO Cidade de Ilhabela* were partially used to:

- Invest in the five FPSOs under construction and the limited scope for the FPSO for the Yellowtail development project;
- Return funds to the shareholders through dividends and the share repurchase program; and
- Service the Company's non-recourse debt and interest in accordance with the respective repayment schedules.

The fact that the bridge loans related to *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* were drawn in full during the last quarter of 2021 for a total amount of US$1,255 million generated a significant excess of financing cash flow compared with actual investments to date on these two units (approximately US$800 million as of December 31, 2021). As a result, cash and cash equivalents increased from US$383 million at year-end 2020 to US$1,059 million at year-end 2021.

4.1.4 FINANCIAL REVIEW IFRS

in US$ million	IFRS FY 2021	IFRS FY 2020
Revenue	**3,747**	**3,496**
Lease and Operate	1,270	1,761
Turnkey	2,477	1,735
Underlying Revenue	**3,822**	**3,419**
Lease and Operate	1,345	1,684
Turnkey	2,477	1,735
EBITDA	**823**	**1,043**
Lease and Operate	636	1,007
Turnkey	271	114
Other	(84)	(78)
Underlying EBITDA	**906**	**966**
Lease and Operate	711	930
Turnkey	271	114
Other	(76)	(78)
Profit/(loss) attributable to shareholders	**400**	**191**
Underlying profit attributable to shareholders	**405**	**277**

UNDERLYING PERFORMANCE

Underlying IFRS 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.
During 2021 the IFRS EBITDA and profit attributable to shareholders is impacted by US$(8) million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.
In addition, the 2021 Underlying IFRS Revenue and EBITDA includes US$75 million related to final cash received for the period under the final settlement signed with the client following the redelivery of the Deep Panuke MOPU in July 2020. This amount was excluded from the Underlying 2020 Revenue and EBITDA. Considering the associated depreciation of the vessel, this transaction only negligibly impacted the Underlying IFRS gross margin and the profit attributable to shareholders.

For reference, the difference between profit attributable to shareholders and Underlying IFRS profit attributable to shareholders was due to the following non-recurring items in 2020:

- A full impairment of US$(57) million of the SBM Installer installation vessel.
- Other impairments of US$(29) million (individually not significant) relating to: (i) partial impairment of two units and (ii) increased impairment loss on financial assets.

PROFITABILITY

Preliminary remark

In contrast to Directional, the construction of *Liza Unity* (FPSO) and *Prosperity* (FPSO) contributed to both IFRS Turnkey revenue and gross margin over the period. 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.

The same treatment applied to the construction of *FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão* and the FPSO for the Yellowtail development project under IFRS, except that revenue recognition on these projects was limited to cost incurred over the period as they have not yet reached the gate progress of completion allowing margin recognition under the Company policy (this gate being formalized by an independent project review mitigating uncertainties related to the cost at completion).

With respect to the construction of *FPSO Sepetiba*, it fully contributed to both IFRS Turnkey revenue and gross margin over the period given this contract is classified as finance lease (versus a contribution to Directional Turnkey revenue and gross margin limited to the portion of the sale to partners in the special purpose entity, i.e 35.5%).

4 FINANCIAL INFORMATION 2021

Revenue

Total Underlying IFRS revenue increased by 12% to US$3,822 million compared with US$3,419 million in 2020.

This increase was driven by the Turnkey segment with the progress of construction activity on the FPSO projects and, to a lower extent, the higher contribution from the renewables and offshore services product lines. This growth in revenue more than offsets the year-on-year decrease resulting from the Johan Castberg Turret Mooring System EPC project delivery in 2020.

Underlying IFRS Lease and Operate revenue decreased by 20% to US$1,345 million compared with US$1,684 million in the year-ago period. This decrease is mainly explained by the extension of the *FPSO Espirito Santo* lease contract at the end of 2020 which resulted in the classification of the extended lease arrangement as a finance lease, while the previous arrangement was accounted as an operating lease. Due to the finance lease classification, a significant portion of the transaction was recognized as revenue in 2020 for an amount of US$249 million, as if it was a direct sale to the client. Over the rest of the Fleet, the underlying revenue slightly decreased due to the Deep Panuke MOPU decommissioning activities which contributed to the 2020 revenue only.

EBITDA

Underlying EBITDA amounted to US$906 million, representing a 6% decrease compared with Underlying EBITDA of US$966 million in the year-ago period. This resulted from the decreased contribution of the Lease and Operate segment, partially offset by the increased contribution of the Turnkey segment, both impacted by the same drivers as the changes in IFRS revenue. The variation of Underlying EBITDA by segment also resulted from the following items:

- On the Lease and Operate segment (i) an increase in the net incremental costs from the implementation of additional safety measures linked to COVID-19, (ii) some repair costs incurred in 2021 on damaged mooring lines on one Unit (for which compensation from insurance is not yet secured) and (iii) higher maintenance and repair activities, including maintenance campaigns postponed to 2021 due to the COVID-19 new pandemic context in 2020;
- US$(40) million of restructuring costs which impacted the Underlying 2020 Turnkey EBITDA.

Net income

2021 underlying consolidated IFRS net income attributable to shareholders stood at US$405 million, an increase of US$128 million from the previous year. The decrease in the Underlying IFRS EBITDA was more than offset by:

- A decrease in the Underlying IFRS depreciation, amortization and impairment primarily due to (i) the requalification of the *FPSO Espirito Santo contract* as finance lease following the extension of the contract late 2020 and (ii) the release of impairment on financial assets due to lower credit and counterparty risks;
- An increase in share of profits in associates mainly driven by the additional six years' extension for the lease and operate contracts of the *FPSO Kikeh*. As a result of the revised terms and conditions, the lease contract of *FPSO Kikeh* remained classified as a finance lease under IFRS and the Company recognized a profit of US$76 million corresponding to its share of the increase in the discounted value of future lease payments.

STATEMENT OF FINANCIAL POSITION

in millions of US$	2021	2020	2019	2018	2017
Total equity	3,537	3,462	3,613	3,612	3,559
Net debt[1]	6,681	5,209	4,416	3,818	4,613
Net cash	1,021	414	506	718	957
Total assets	13,211	11,085	10,287	9,992	11,007

1 Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents.

Total equity increased from US$3,462 million at December 31, 2020 to US$3,537 million, with the positive result over the current year period and the equity injection from non-controlling interest in special purpose entities being partially offset by:

- The completion of the EUR150 million (US$178 million) share repurchase program executed between April 5, 2021 and October 11, 2021;
- Dividends distributed to the shareholders and non-controlling interests (US$292 million); and
- A decrease of the hedging reserves (US$18 million). The movement in hedging reserve was mainly caused by the increase of the marked-to-market value of the interest rate swaps due to declining market interest rates during the year. This was

partially offset by the decrease of the marked-to-market value of forward currency contracts, mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

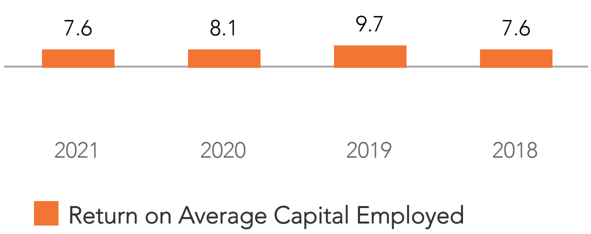
Net debt increased by US$1,472 million to US$6,681 million at year-end 2021. While the Lease and Operate segment continues to generate strong operating cash flow, the Company drew on project finance and bridge loan facilities to fund the continued investment in growth.

Half of the Company's debt as of December 31, 2021 consisted of non-recourse project financing (US$3.8 billion) in special purpose investees. The remainder (US$3.8 billion) comprised of (i) borrowings to support the ongoing construction of five FPSOs which will become non-recourse following project execution finalization and release of the related Parent Company Guarantee and (ii) the loan related to the DSCV SBM Installer. The Revolving Credit Facility (RCF) was undrawn at year-end and the net cash balance stood at US$ 1,021 million (December 31, 2020: US$414 million). The bridge loans related to *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* were drawn in full during the last quarter of 2021 for a total amount of US$1,255 million. This generated a significant excess of financing cash flow compared with actual investments to date on these two units (approximately US$800 million as of December 31, 2021). Lease liabilities totaled US$56 million as of December 31, 2021.

Total assets increased to US$13.2 billion as of December 31, 2021, compared with US$11.1 billion at year-end 2020. This primarily resulted from (i) the increase of work-in-progress related to the FPSO projects under construction, and (ii) the increase in the net cash balance. These variations were partially offset by a reduction of the gross amount of the finance lease receivables, in line with the repayment schedules, as well as regular depreciation of PP&E.

RETURN ON AVERAGE CAPITAL EMPLOYED

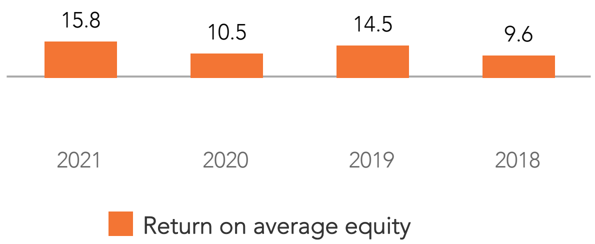
Return on average capital employed (ROACE) is a measure of the return generated on capital invested in the Company. The measure provides a guide for long-term value creation by the Company. ROACE is calculated as Underlying EBIT divided by the annual average of: i) total equity, ii) total borrowings and lease liabilities, iii) non-current provisions and iv) deferred tax liabilities minus the cash and cash equivalents.



2021 ROACE stood at 7.6%, which is below the past three-year average of 8.5%. This is mainly explained by a significant increase in the Capital Employed in 2021 on projects under construction which have yet to fully contribute to earnings, as three FPSO projects under construction have not yet reached the gate progress of completion allowing margin recognition under the Company policy.

RETURN ON AVERAGE EQUITY

Return on average equity (ROAE) measures the performance of the Company based on the average equity attributable to the shareholders of the parent company. ROAE is calculated as Underlying profit attributable to shareholders divided by the annual average of equity attributable to shareholders of the parent company.



2021 ROAE stood at 15.8%,above the past three-year average of 11.5%. This is driven by a higher underlying profit attributable to shareholders, mainly explained by the increase in the Turnkey activity.

4.1.5 OUTLOOK AND GUIDANCE

The pandemic and associated impact on the oil market has caused oil and gas companies to reassess their portfolios and investments. However, large capacity deep water developments, continue to be preferentially selected by customers thanks to their cost and carbon efficient characteristics. The Company remains disciplined in the selection of its opportunities and prioritizes these large capacity projects. In addition, the Company continues to invest in its positioning in the floating offshore wind market.

The Company's 2022 Directional revenue guidance is above US$3.1 billion, of which around US$1.6 billion is expected from the Lease and Operate segment and above US$1.5 billion from the Turnkey segment. 2022 Directional EBITDA guidance is around US$900 million for the Company.

This guidance considers the currently foreseen COVID-19 impacts on projects and fleet operations, including supply chain effects. The Company highlights that the direct and indirect impact of the pandemic could continue to have a material impact on the Company's business and results and the realization of the guidance for 2022.

4.2 CONSOLIDATED FINANCIAL STATEMENTS

4.2.1 CONSOLIDATED INCOME STATEMENT

in millions of US$	Notes	2021	2020
Revenue from contracts with customers		3,262	2,992
Interest revenue from finance lease calculated using the effective interest method		486	504
Total revenue	4.3.2 / 4.3.3	**3,747**	**3,496**
Cost of sales	4.3.5	(2,826)	(2,607)
Gross margin		**922**	**889**
Other operating income/(expense)	4.3.4 / 4.3.5	6	(53)
Selling and marketing expenses	4.3.5	(31)	(40)
General and administrative expenses	4.3.5	(146)	(143)
Research and development expenses	4.3.5 / 4.3.7	(29)	(24)
Net impairment gains/(losses) on financial and contract assets	4.3.5 / 4.3.8	12	(24)
Operating profit/(loss) (EBIT)		**734**	**605**
Financial income	4.3.9	3	9
Financial expenses	4.3.9	(304)	(265)
Net financing costs		**(301)**	**(257)**
Share of profit/(loss) of equity-accounted investees	4.3.30	110	17
Profit/(loss) before income tax		**543**	**366**
Income tax expense	4.3.10	(71)	(38)
Profit/(loss)		**472**	**327**
Attributable to shareholders of the parent company		400	191
Attributable to non-controlling interests	4.3.31	72	137
Profit/(loss)		**472**	**327**

Earnings/(loss) per share

	Notes	2021	2020
Weighted average number of shares outstanding	4.3.11	183,717,155	189,810,371
Basic earnings/(loss) per share in US$	4.3.11	2.18	1.00
Fully diluted earnings/(loss) per share in US$	4.3.11	2.16	1.00

4.2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of US$	2021	2020
Profit/(loss) for the period	**472**	**327**
Cash flow hedges	(18)	(98)
Foreign currency variations	(2)	(7)
Items that are or may be reclassified to profit or loss	**(21)**	**(105)**
Remeasurements of defined benefit liabilities	7	(3)
Items that will never be reclassified to profit or loss	**7**	**(3)**
Other comprehensive income/(expense) for the period, net of tax	**(14)**	**(107)**
Total comprehensive income/(expense) for the period, net of tax	**459**	**220**
Of which		
- on controlled entities	342	211
- on equity-accounted entities	116	9
Attributable to shareholders of the parent company	349	123
Attributable to non-controlling interests	110	97
Total comprehensive income/(expense) for the period, net of tax	**459**	**220**

4.2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of US$	Notes	31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	4.3.13	396	542
Intangible assets	4.3.14	86	50
Investment in associates and joint ventures	4.3.30	361	282
Finance lease receivables	4.3.15	5,843	6,171
Other financial assets	4.3.16	82	114
Deferred tax assets	4.3.17	13	46
Derivative financial instruments	4.3.21	14	38
Total non-current assets		**6,795**	**7,243**
Inventories	4.3.18	14	143
Finance lease receivables	4.3.15	339	317
Trade and other receivables	4.3.19	839	614
Income tax receivables		7	7
Construction work-in-progress	4.3.20	4,140	2,248
Derivative financial instruments	4.3.21	32	99
Cash and cash equivalents	4.3.22	1,021	414
Assets held for sale	4.3.13	25	0
Total current assets		**6,416**	**3,842**
TOTAL ASSETS		**13,211**	**11,085**
EQUITY AND LIABILITIES			
Issued share capital		51	58
Share premium reserve		1,034	1,034
Treasury shares		(69)	(51)
Retained earnings		1,910	1,811
Other reserves		(347)	(296)
Equity attributable to shareholders of the parent company	4.3.23	**2,579**	**2,556**
Non-controlling interests	4.3.31	957	905
Total Equity		**3,537**	**3,462**
Borrowings and lease liabilities	4.3.24	5,928	4,386
Provisions	4.3.25	235	248
Deferred tax liabilities	4.3.17	19	37
Derivative financial instruments	4.3.21	162	277
Other non-current liabilities	4.3.26	132	101
Total non-current liabilities		**6,476**	**5,050**
Borrowings and lease liabilities	4.3.24	1,773	1,236
Provisions	4.3.25	149	128
Trade and other payables	4.3.26	1,111	1,033
Income tax payables		40	43
Derivative financial instruments	4.3.21	126	134
Total current liabilities		**3,198**	**2,574**
TOTAL EQUITY AND LIABILITIES		**13,211**	**11,085**

4.2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of US$	Notes	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		-	-	-	400	-	**400**	72	**472**
Foreign currency translation		(5)	-	5	0	(2)	**(2)**	0	**(2)**
Remeasurements of defined benefit provisions		-	-	-	-	7	**7**	-	**7**
Cash flow hedges		-	-	-	-	(57)	**(57)**	38	**(18)**
Total comprehensive income for the period		**(5)**	**-**	**5**	**400**	**(52)**	**349**	**110**	**459**
IFRS 2 vesting cost of share based payments		-	-	-	-	20	**20**	-	**20**
Re-issuance treasury shares on the share based scheme		-	-	20	5	(20)	**5**	-	**5**
Purchase of treasury shares		-	-	(178)	-	-	**(178)**	-	**(178)**
Share cancellation	*4.3.23*	(2)	-	136	(134)	-	**0**	-	**0**
Cash dividend		-	-	-	(165)	-	**(165)**	(126)	**(291)**
Transaction with non-controlling interests	*4.3.31*	-	-	-	(8)	-	**(8)**	68	**60**
At 31 December 2021		51	1,034	(69)	1,910	(347)	**2,579**	957	**3,537**

in millions of US$	Notes	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
At 1 January 2020		**56**	**1,034**	**(46)**	**1,942**	**(238)**	**2,748**	**865**	**3,613**
Profit/(loss) for the period		-	-	-	191	-	**191**	137	**327**
Foreign currency translation		5	-	(10)	-	(2)	**(7)**	0	**(7)**
Remeasurements of defined benefit provisions		-	-	-	-	(3)	**(3)**	-	**(3)**
Cash flow hedges		-	-	-	-	(58)	**(58)**	(40)	**(98)**
Total comprehensive income for the period		**5**	**-**	**(10)**	**191**	**(62)**	**123**	**97**	**220**
IFRS 2 vesting cost of share based payments		-	-	-	-	20	**20**	-	**20**
Re-issuance treasury shares on the share based scheme		-	-	22	(4)	(16)	**3**	-	**3**
Purchase of treasury shares		-	-	(165)	-	-	**(165)**	-	**(165)**
Share cancellation		(3)	-	148	(145)	-	**0**	-	**-**
Cash dividend		-	-	-	(150)	-	**(150)**	(83)	**(233)**
Equity repayment		-	-	-	-	-	**-**	(23)	**(23)**
Transaction with non-controlling interests	*4.3.31 / 4.3.23*	0	-	-	(22)	-	**(22)**	51	**28**
At 31 December 2020		58	1,034	(51)	1,811	(296)	**2,556**	905	**3,462**

4.2.5 CONSOLIDATED CASH FLOW STATEMENT

in millions of US$	Notes	2021	2020
Cash flow from operating activities			
Profit/(loss) before income tax		**543**	**366**
Adjustments to reconcile profit before taxation to net cash flows:			
Depreciation and amortization		112	320
Impairment		(23)	117
Net financing costs		302	258
Share net income of associates and joint ventures		(110)	(17)
Share based compensation		27	27
Other adjustments for non-cash items	*4.3.15*	-	(123)
Net gain on sale of Property, Plant and Equipment		(1)	1
(Increase)/Decrease in working capital:			
- (Increase)/Decrease Trade and other receivables		(139)	(166)
- (Increase)/Decrease Construction work in progress		(1,887)	(1,258)
- (Increase)/Decrease Inventories		128	(135)
- Increase/(Decrease) Trade and other payables		13	134
Increase/(Decrease) Other provisions	*4.3.25*	24	103
Reimbursement finance lease assets		316	288
Income taxes paid		(62)	(42)
Net cash flows from (used in) operating activities		**(755)**	**(128)**
Cash flow from investing activities			
Investment in property, plant and equipment		(14)	(41)
Investment in intangible assets	*4.3.14*	(47)	(29)
Additions to funding loans	*4.3.16*	(3)	(15)
Redemption of funding loans	*4.3.16*	5	20
Interest received		1	5
Dividends received from equity-accounted investees		43	44
Proceeds from disposal of property, plant and equipment	*4.3.13*	25	-
Purchase of interests in equity-accounted investees		(6)	(0)
Net cash flows from (used in) investing activities		**5**	**(17)**
Cash flow from financing activities			
Equity funding from/repayment to non-controlling interests	*4.3.31*	80	(23)
Additions to borrowings and loans	*4.3.24*	3,765	1,290
Repayments of borrowings and lease liabilities	*4.3.24*	(1,730)	(617)
Dividends paid to shareholders and non-controlling interests		(292)	(233)
Payments from/to non-controlling interests for change in ownership	*4.3.31*	(0)	28
Share repurchase program		(178)	(165)
Increase in other non-current financial liabilities		52	-
Interest paid		(340)	(228)
Net cash flows from (used in) financing activities		**1,359**	**50**
Net increase/(decrease) in cash and cash equivalents		**609**	**(95)**
Net cash and cash equivalents as at 1 January		414	506
Net increase/(decrease) in net cash and cash equivalents		609	(95)
Foreign currency variations		(2)	5
Net cash and cash equivalents as at 31 December		**1,021**	**414**

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.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The income tax liabilities include any penalties and interest that could be associated with a tax audit issue. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made.

The Company's exposure to litigation and non-compliance:
The Company identifies and provides analysis on a regular basis of current litigation and measures, when necessary, provisions based on its best estimate of the expenditure required to settle the obligations, taking into account information available and different possible outcomes at the reporting date.

The warranty provision:
A warranty provision is accrued during the construction phase of projects, based on historical warranty expenditure per product type. At the completion of a project, a warranty provision (depending on the nature of the project) is therefore provided for and reported as provision in the statement of financial position. Following the acceptance of a project the warranty provision is released over the warranty period. For some specific claims formally notified by the customer and which can be reliably estimated, an amount is provided in full and without discounting. An overall review of the warranty provision is performed by Management at each reporting date. Nevertheless, considering the specificity of each asset, actual warranty expenditures could vary significantly from one project to another and therefore differ materially from initial statistical warranty provision provided at the completion of a said project.

The timing and estimated cost of demobilization:
The estimated future costs of demobilization are reviewed on a regular basis and adjusted when appropriate. Nevertheless, considering the long-term expiry date of the obligations, these costs are subject to uncertainty. Cost estimates can vary in response to many factors, including for example new demobilization techniques, the Company's own experience on demobilization operations, future changes in laws and regulations, and timing of demobilization operation.

Estimates and assumptions made in determining these obligations, can therefore lead to significant adjustments to the future financial results. Nevertheless, the cost of demobilization obligations at the reporting date represent Management's best estimate of the present value of the future costs required.

Significant estimates and judgements in the context of the COVID-19 pandemic:
During the 2021 financial year, the COVID-19 pandemic situation resulted in the Company reassessing significant estimates and judgments. The following key areas were identified as potentially affected by the COVID-19 pandemic:

- Key assumptions used in the impairment test of assets or group of assets;
- Expected credit losses; and
- Additional costs in order to satisfy the performance obligations on some of the construction contracts mainly due to expected delay in the project delivery following lockdown periods, international travel restrictions and remote working

The impact of COVID-19 on the impairment of the tangible assets is disclosed in note 4.3.13 Property, Plant and Equipment. Regarding the Company's considerations for estimation of expected credit losses, refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets. In relation to the impact of additional costs incurred due to COVID-19 when satisfying the Company's performance obligations we refer to note 4.3.3 Revenue.

Judgements:
In addition to the above estimates, the Management exercises the following judgements:

Lease classification as Lessor:
When the Company enters into a new lease arrangement, the terms and conditions of the contract are analyzed in order to assess whether or not the Company retains the significant risks and rewards of ownership of the asset subject of the lease contract. To identify whether risks and rewards are retained, the Company systematically considers, among others, all the examples and indicators listed by IFRS 16.63 on a contract-by-contract basis. By performing such analysis, the Company makes significant judgement to determine whether the arrangement results in a finance lease or an operating lease. This judgement can have a significant effect on the amounts recognized in the consolidated financial statements and its recognition of profits in the future. The most important judgement areas assessed by the Company are (i) determination of

the fair value, (ii) determination of the useful life of the asset and (iii) the probability of the client exercising the purchase or termination option (if relevant).

(b) Leases: accounting by lessor

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Under an operating lease, the asset is included in the statement of financial position as property, plant and equipment. Lease income is recognized over the term of the lease on a straight-line basis. This implies the recognition of deferred income when the contractual day rates are not constant during the initial term of the lease contract.

When assets are leased under a finance lease, the present value of the lease payments is recognized as a finance lease receivable. Under a finance lease, the difference between the gross receivable and the present value of the receivable is recognized as revenue during the lease phase. Lease income is, as of the commencement date of the lease contract, recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. During the construction phase of the facility, the contract is accounted for as a construction contract.

(c) Impairment of non-financial assets

Under certain circumstances, impairment tests must be performed. Assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's Cash Generating Unit's ('CGU') fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. An impairment loss is recognized for the amount by which the assets or CGU's carrying amount exceeds its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. The Company bases its future cash flows on detailed budgets and forecasts.

Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each statement of financial position date.

(d) Revenue

The Company provides design, supply, installation, operation, life extension and demobilization of Floating Production, Storage and Offloading (FPSO) vessels. The vessels are either owned and operated by SBM Offshore and leased to its clients (Lease and Operate arrangements) or supplied on a Turnkey sale basis (construction contracts). Even in the latter case, the vessels can be operated by the Company, under a separate operating and maintenance agreement, after transfer to the clients.

Other products of the Company include: semi-submersibles, Tension-Leg Platforms ('TLP'), Liquefied Natural Gas FPSOs, Turret Mooring Systems ('TMS'), LNG Regasification to Power vessels, Floating Offshore Wind ('FOW'), brownfield and offshore (off)loading terminals. These products are mostly delivered as construction, lease or service type agreements.

Some contracts include multiple deliverables (such as Front-End Engineering Design ('FEED'), engineering, construction, procurement, installation, maintenance, operating services, demobilization). The Company assesses the level of integration between different deliverables and ability of the deliverable to be performed by another party. Based on this assessment the Company concludes whether the multiple deliverables are one, or separate, performance obligation(s).

The Company determines the transaction price for its performance obligations based on contractually agreed prices. The Company has various arrangements with its customers in terms of pricing, but in principle i) the construction contracts have agreed fixed pricing terms, including fixed lump sums and reimbursable type of contracts, ii) the majority of the Company's lease arrangements have fixed lease rates and iii) the operating and service type of contracts can be based on fixed lump sums or reimbursable type of contracts. The Lease and Operate contracts generally include a variable component for which the treatment is described below under 'Lease and Operate contracts'. In rare cases when the transaction prices are not directly observable from the contract, they are estimated based on expected cost plus margin (e.g. based on an operating service component in a lease arrangement).

The Company assesses for each performance obligation whether the revenue should be recognized over time or at a point in time, this is explained more in detail under the below sections 'Construction contracts' and 'Lease and Operate contracts'.

The Company can agree on various payment arrangements which generally reflect the progress of delivered performance obligations. However, if the Company's delivered performance obligation exceeds instalments invoiced to the client, a 'Construction work-in-progress' (contract asset) is recognized (see note 4.3.20 Construction Work-In-Progress). If the instalments invoiced to the client exceed the work performed, a contract liability is recognized (see note 4.3.26 Trade and Other Payables).

Revenue policies related to specific arrangements with customers are described below.

Construction contracts:
The Company under its construction contracts usually provides Engineering, Procurement, Construction and Installation ('EPCI') of vessels. The Company assesses the contracts on an individual basis as per the policy described above. Based on the analysis performed for existing contracts:
- The construction contracts generally include one performance obligation due to significant integration of the activities involved; and
- Revenue is recognized over time as the Company has an enforceable right to payment for performance completed to date and the assets created have no direct alternative use.

Based on these requirements, the Company concludes that, in principle, construction contracts meet the criteria of revenue to be recognized over time. Revenue is recognized at each period based upon the advancement of the work, using the input method. The input method is based on the ratio of costs incurred to date to total estimated costs. Up to the moment that the Company can reasonably measure the outcome of the performance obligation, revenue is recognized to the extent of cost incurred.

Complex projects that present a high-risk profile due to technical novelty, complexity or pricing arrangements agreed with the client are subject to independent project reviews at advanced degrees of completion in engineering. An independent project review is an internal but independent review of the status of a project based upon an assessment of a range of project management and company factors. Until this point, and when other significant uncertainties related to the cost at completion are mitigated, revenue is recognized to the extent of cost incurred.

Due to the nature of the services performed, variation orders and claims are commonly billed to clients in the normal course of business. The variation orders and claims are modifications of contracts that are usually not distinct and are therefore normally considered as part of the existing performance obligation. When the contract modification (including claims) is initially approved by oral agreement or implied by customary business practice, the Company recognizes revenue only to the extent of contract costs incurred. Once contract modifications and claims are approved, the revenue is no longer capped at the level of costs and is recognized based on the input method.

Generally, the payments related to the construction contracts (under EPCI arrangements) are corresponding to the work completed to date, therefore the Company does not adjust any of the transaction prices for the time value of money. However the time value of money is assessed on a contract by contract basis and in case the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, the transaction price is adjusted for the identified and quantified financing component.

Furthermore, finance lease arrangements under which the Company delivers a unit to a client are treated as direct sales (see also point (b) above), therefore revenue is recognized over time during the construction period as the present value of the lease payments accruing to the lessor, discounted using a market rate of interest. In order to determine the revenue to be recognized based on this policy, the Company determines discounting using a market rate of interest that takes into account among others: time value of money, financing structure and risk profile of a client and project.

Lease and Operate contracts:

The Company provides to its customers possibilities to lease the units under charter contracts. The charter contracts are multi-year contracts and some of them contain options to extend the term of the lease or terminate the lease earlier. Some of the contracts also contain purchase options that are exercisable throughout the lease term.

Charter rates

Charter rates received on long-term operating lease contracts are reported on a straight-line basis over the period of the contract once the facility has been brought into service. The difference between straight-line revenue and the contractual day-rates, which may not be constant throughout the charter, is accounted for as deferred income.

Revenue from finance lease contracts is, as of the commencement date of the lease contract, recognized over the term of the lease using the amortized cost method, which reflects a constant periodic rate of return.

Operating fees

Operating fees are received by the Company for facilitating receipt, processing and storage of petroleum services on board of the facilities which occur continuously through the term of the contract. As such, they are a series of services that are substantially the same and that have the same pattern of transfer to the customer. Revenue is recognized over time based on input methods by reference to the stage of completion of the service rendered either on a straight-line basis for lump sum contracts or in line with cost incurred on reimbursable contracts.

Bonuses/penalties

On some contracts the Company is entitled to receive bonuses (incentives) and incurs penalties depending on the level of interruption of production or processing of oil. Bonuses are recognized as revenue once it is highly probable that no significant reversal of revenue recognized will occur, which is generally the case only once the performance bonus is earned. Penalties are recognized as a deduction of revenue when they become probable. For estimation of bonuses and penalties the Company applies the 'most likely' method, where the Company assesses which single amount is the most likely in a range of possible outcomes.

Contract costs

The incremental costs of obtaining a contract with a customer (for example sales commissions) are recognized as an asset. The Company uses a practical expedient that permits to expense the costs to obtain a contract as incurred when the expected amortization period is one year or less. Costs of obtaining a contract that are not incremental are expensed as incurred unless those costs are explicitly chargeable to the customer. Bid, proposal, and selling and marketing costs, as well as legal costs incurred in connection with the pursuit of the contract, are not incremental, as the Company would have incurred those costs even if it did not obtain the contract.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another IFRS standard (e.g. IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset for the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

An asset recognized for contract costs is amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

(e) Operating segment information

As per IFRS 8, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose segmental operating results are regularly reviewed by the entity's chief operating decision maker, and for which distinct financial information is available.

The Management Board, as chief operating decision maker, monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, gross margin, EBIT and EBITDA, and prepared in accordance with Directional reporting. The Company has two reportable segments:

- The Lease and Operate segment includes all earned day-rates on operating lease and operate contracts.
- The Turnkey segment includes revenues from Turnkey supply contracts and after-sales services, which consist mainly of large production systems, large mooring systems, deep water export systems, fluid transfer systems, tanker loading and discharge terminals, design services and supply of special components and proprietary designs and equipment.

No operating segments have been aggregated to form the above reportable operating segments.

The Company's corporate overhead functions do not constitute an operating segment as defined by IFRS 8 'Operating segments' and are reported under the 'Other' section in note 4.3.2 Operating Segments and Directional Reporting.

Operating segment information is prepared and evaluated based on Directional reporting for which the main principles are explained in note 4.3.2 Operating Segments and Directional Reporting.

(f) Construction work-in-progress

Construction work-in-progress represents the Company's contract assets as defined in IFRS 15. Construction work-in-progress is the Company's right to consideration in exchange for goods and services that the Company has transferred to the customer. The Company's construction work-in-progress is measured as revenue recognizable to date, less invoiced instalments. The Company recognizes any losses from onerous contracts under provisions in line with IAS 37. Further, the impairment of construction work-in-progress is measured, presented and disclosed on the same basis as financial assets that are within the scope of IFRS 9. The Company applies the simplified approach in measuring expected credit losses for construction work-in-progress. In case of construction work-in-progress balances relating to the finance lease contracts, the Company applies the low credit risk simplification of IFRS 9 for the computation of the expected credit loss. The simplification is applied as the credit risk profile of these balances has been assessed as low.

The Company recognizes a contract liability (included in 'Trade and other payables') where installments are received in advance of satisfying the performance obligation towards the customer.

(g) Demobilization obligations

The demobilization obligations of the Company are either stated in the lease contract or derived from the international conventions and the specific legislation applied in the countries where the Company operates assets. Demobilization costs will be incurred by the Company at the end of the operating life of the Company's facilities.

For operating leases, the net present value of the future obligations is included in property, plant and equipment with a corresponding amount included in the provision for demobilization. As the remaining duration of each lease reduces, and the discounting effect on the provision unwinds, accrued interest is recognized as part of financial expenses and added to the provision. The subsequent updates of the measurement of the demobilization costs are recognized both impacting the provision and the asset.

In some cases, when the contract includes a demobilization bareboat fee that the Company invoices to the client during the demobilization phase, a receivable is recognized at the beginning of the lease phase for the discounted value of the fee. These receivables are subject to expected credit loss impairment which are analyzed together with the finance lease receivable using the same methodology.

For finance leases, demobilization obligations are analyzed as a component of the sale recognized under IFRS 15. It is determined whether the demobilization obligation should be defined as a separate performance obligation. In that case, because the demobilization operation is performed at a later stage, the related revenue is deferred until the demobilization operations occur. Subsequent updates of the measurement of the demobilization costs are recognized immediately through deferred revenue, for the present value of the change.

C. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

(a) Distinction between current and non-current assets and liabilities

The Company classifies its assets as current when it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle. Inventory and construction work-in-progress are classified as current while the time when these assets are sold or consumed might be longer than twelve months. Financial assets are classified as current when they are realized within twelve months. Liabilities are classified as current when they are expected to be settled within less than twelve months and the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All other assets and liabilities are classified as non-current.

(b) Consolidation

The Company's consolidated financial statements include the financial statements of all controlled subsidiaries.

In determining under IFRS 10 whether the Company controls an investee, the Company assesses whether it has i) power over the investee, ii) exposure or rights to variable returns from its involvement, and iii) the ability to use power over investees to affect the amount of return. To determine whether the Company has power over the investee, multiple contractual elements are analyzed, among which i) voting rights of the Company at the General Meeting, ii) voting rights of the Company at Board level and iii) the power of the Company to appoint, reassign or remove other key management personnel.

For investees whereby such contractual elements are not conclusive because all decisions about the relevant activities are taken on a mutual consent basis, the main deciding feature resides then in the deadlock clause existing in shareholders' agreements. In case a deadlock situation arises at the Board of Directors of an entity, whereby the Board is unable to conclude on a decision, the deadlock clause of the shareholders' agreements generally stipulates whether a substantive right is granted to the Company or to all the partners in the entity to buy its shares through a compensation mechanism that is fair enough for the Company or one of the partners to acquire these shares. In case such a substantive right resides with the Company, the entity will be defined under IFRS 10 as controlled by the Company. In case no such substantive right is held by any of the shareholders through the deadlock clause, the entity will be defined as a joint arrangement.

Subsidiaries:

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated using the full consolidation method.

All reciprocal transactions between two controlled subsidiaries, with no profit or loss impact at consolidation level, are fully eliminated for the preparation of the consolidated financial statements.

Interests in joint ventures:

The Company has applied IFRS 11 'Joint Arrangements' to all joint arrangements. Under IFRS 11 investment in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. In determining under IFRS 11 the classification of a joint arrangement, the Company assessed that all joint arrangements were structured through private limited liability companies incorporated in various jurisdictions. As a result, assets and liabilities held in these separate vehicles were those of the separate vehicles and not those of the shareholders of these limited liability companies. Shareholders had therefore no direct rights to the assets, nor primary obligations for liabilities of these vehicles. As a result the Company has determined its joint arrangements to be joint ventures. Joint ventures are accounted for using the equity method.

Investments in associates:

Associates are all entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control over those policies. Investments in associates are accounted for using the equity method.

When losses of an equity-accounted entity are greater than the value of the Company's net investment in that entity, these losses are not recognized unless the Company has a constructive obligation to fund the entity. The share of the negative net equity of these is first accounted for against the loans held by the owner towards the equity-accounted company that forms part of the net investment. Any excess is accounted for under provisions.

Reciprocal transactions carried out between a subsidiary and an equity-accounted entity, are not eliminated for the preparation of the consolidated financial statements. Only transactions leading to an internal profit (e.g. for dividends or internal margin on asset sale) are eliminated applying the percentage owned in the equity-accounted entity.

The financial statements of the subsidiaries, associates and joint ventures are prepared for the same reporting period as the Company and the accounting policies are in line with those of the Company.

(c) Non-derivative financial assets

The Company's financial assets consist of finance lease receivables, loans to joint ventures and associates and trade and other receivables. The accounting policy on trade and other receivables is described separately.

Finance lease receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market.

Loans to joint ventures and associates relate primarily to interest-bearing loans to joint ventures. These financial assets are initially measured at fair value plus transaction costs (if any) and subsequently measured at amortized cost.

The Company classifies its financial assets at amortized cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(d) Borrowings (bank and other loans) and lease liabilities

Borrowings are recognized on settlement date, being the date on which cash is paid or received. They are initially recognized at fair value, net of transaction costs incurred (transaction price), subsequently measured at amortized cost and classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized into the cost of the asset in the period in which they are incurred. Otherwise, borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowings are derecognized when the Company either discharges the borrowing by paying the creditor or is legally released from primary responsibility for the borrowing either by process of law or by the creditor.

Lease liabilities, arising from lease contracts in which the Company is the lessee, are initially measured at the net present value of the following:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Each lease payment is allocated between the lease liability and finance cost. Finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(e) Foreign currency transactions and derivative financial instruments

Foreign currency transactions are translated into the functional currency, the US dollar, at the exchange rate applicable on the transaction date. At the closing date, monetary assets and liabilities stated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. Resulting exchange gains or losses are directly recorded in the income statement. At the closing date, non-monetary assets and liabilities stated in foreign currency remain translated into the functional currency using the exchange rate at the date of the transaction.

Translation of foreign currency income statements of subsidiaries (except for foreign operations in hyperinflationary economies) into US dollars is converted at the average exchange rate prevailing during the year. Statements of financial position are translated at the exchange rate at the closing date. Differences arising in the translation of financial statements of foreign subsidiaries are recorded in other comprehensive income as foreign currency translation reserve. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and borrowings of such investments, are taken to Company equity.

Derivative financial instruments held by the Company are aimed at hedging risks associated with market risk fluctuations. The Company uses primarily forward currency contracts and interest rate swaps to hedge foreign currency risk and interest rate risk. Further information about the financial risk management objectives and policies is included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

A derivative instrument (cash flow hedge) qualifies for hedge accounting when all relevant criteria are met. A cash flow hedge aims at reducing risks incurred by variations in the value of future cash flows that may impact net income. In order for a derivative to be eligible for hedge accounting, the following criteria must be met:

- There is an economic relationship between the hedging instrument and the hedged item.
- The effect of credit risk does not dominate the value changes resulting from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that used for risk management purposes.

All derivative instruments are recorded and disclosed in the statement of financial position at fair value. Purchases and sales of derivatives are accounted for at trade date. Where a portion of a financial derivative is expected to be realized within twelve months of the reporting date, that portion is presented as current; the remainder of the financial derivative as non-current.

Changes in fair value of derivatives designated as cash flow hedge relationships are recognized as follows:

- The effective portion of the gain or loss of the hedging instrument is recorded directly in other comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement. The gain or loss which is deferred in equity, is reclassified to the net income in the period(s) in which the specified hedged transaction affects the income statement.
- The changes in fair value of derivative financial instruments that do not qualify as hedging in accounting standards are directly recorded in the income statement.

The sources of hedge ineffectiveness are:

- The non-occurrence of the hedged item;
- The change in the principal terms of the hedged item;
- The severe deterioration of the credit risk of the Company and, or the derivative counterparty.

When measuring the fair value of a financial instrument, the Company uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. Further information about the fair value measurement of financial derivatives is included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

(f) Provisions

Provisions are recognized if and only if the following criteria are simultaneously met:

- The Company has an ongoing obligation (legal or constructive) as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- The amount of the obligation can be reliably estimated; provisions are measured according to the risk assessment or the exposed charge, based upon best-known facts.

Demobilization provisions relate to estimated costs for demobilization of leased facilities at the end of the respective lease period or operating life.

Warranty provisions relate to the Company's obligations to replace or repair defective items that become apparent within an agreed period starting from final acceptance of the delivered system. These assurance-type warranties are provided to customers on most Turnkey sales. These provisions are estimated on a statistical basis regarding the Company's past experience or on an individual basis in the case of any warranty claim already identified. These provisions are classified as current by nature as it coincides with the production cycle of the Company.

Restructuring provision is recognized by the Company when it has an obligation to restructure based upon a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The restructuring provision only includes the direct expenditures arising from the restructuring, which are those that are both necessarily incurred by the restructuring and not associated with the ongoing activities of the entity. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Other provisions include provisions like commercial claims, regulatory fines related to operations and local content penalty. In relation to local content penalty, Brazilian oil and gas contracts typically include local content requirements. These requirements are issued by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) to the winning concessionaire/consortia of auctioned Brazilian exploratory blocks or areas at the end of the bidding round, with the intention to strengthen the domestic Brazilian market and expand local employment. The owning concessionaire/consortia normally contractually passes such requirements on to, among other suppliers, the company delivering the FPSO. For the Company's Brazilian contracts, the Company assesses the execution strategy and may decide that execution of the project in locations other than Brazil is more beneficial. Such a decision takes into account factors such as optimization of overall cost of delivery, quality and timeliness. As a result, following the chosen execution strategy, the Company may expect to not meet entirely the agreed local content requirements. In such circumstances, the expected penalty to be paid, as a result of not meeting the local content requirements, is determined based on management's best estimate and recognized as provision during the construction period. The corresponding cost is expensed over the construction period of the asset.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of such items. The capital value of a facility to be leased and operated for a client is the sum of external costs (such as shipyards, subcontractors and suppliers), internal costs (design, engineering, construction supervision, etc.), third party financial costs including interest paid during construction and attributable overhead.

Subsequent costs are included in an assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The costs of assets include the initial estimate of costs of demobilization of the asset net of reimbursement expected to be received by the client. Costs related to major overhaul which meet the criteria for capitalization are included in the asset's carrying amount. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate line items of property, plant and equipment. The depreciation charge is calculated based on future anticipated economic benefits, e.g. based on the unit of production method or on a straight-line basis as follows:

- New build Fast4Ward® FPSO up to 30 years (included in vessels and floating equipment);
- Converted tankers FPSO 10-20 years (included in vessels and floating equipment);
- Floating equipment 3-15 years (included in vessels and floating equipment);
- Buildings 30-50 years;
- Other assets 2-20 years;
- Land is not depreciated.

Regarding useful lives for vessels in operation, they are usually aligned with the lease period. Useful lives and methods of depreciation are reviewed at least annually and adjusted if appropriate.

The assets' residual values are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains and losses arising on disposals or retirement of assets are determined by comparing any sales proceeds and the carrying amount of the asset. These are reflected in the income statement in the period that the asset is disposed of or retired.

Right-of-use assets related to the Company's lease contracts in which the Company is a lessee are included in Property, plant and equipment. Right-of-use assets and corresponding liabilities are recognized when the leased asset is available for use by the Company. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs; and
- Restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(h) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition, less accumulated impairment.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of the annual impairment testing.

Patents are recognized at historical cost and patents acquired in a business combination are recognized at fair value at the acquisition date when intangible assets criteria are met and amortized on a straight-line basis over their useful life, generally over 15 years.

Software is recognized at historical cost and is amortized on a straight-line basis over its useful life. The useful life of software is generally between 3 and 5 year, dependent on the type of software.

Research costs are expensed when incurred. In compliance with IAS 38, development costs are capitalized if all of the following criteria are met:

- The projects are clearly defined.
- The Company is able to reliably measure expenditures incurred by each project during its development.
- The Company is able to demonstrate the technical feasibility of the project.
- The Company has the financial and technical resources available to achieve the project.
- The Company can demonstrate its intention to complete, to use or to commercialize products resulting from the project.
- The Company is able to demonstrate the existence of a market for the output of the intangible asset, or, if it is used internally, the usefulness of the intangible asset.

When capitalized, development costs are carried at cost less any accumulated amortization. Amortization begins when the project is complete and available for use. It is amortized over the period of expected future benefit, which is generally between 3 and 5 years.

(i) Assets (or disposal groups) held for sale

The Company classifies assets or disposal groups as being held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

(j) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Inventories comprise semi-finished, finished products and the Company's Fast4Ward® Multi Purpose

Floater ('MPF') valued at cost including attributable overheads and spare parts stated at the lower of purchase price or market value. MPFs under construction are accounted for as inventories until they are allocated to awarded projects.

(k) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a maximum of 90 days and are therefore all classified as current. Trade receivables are recognized initially at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The Company applies the simplified approach in measuring expected credit losses for trade receivables.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method. Interest income, together with gains and losses when the receivables are derecognized or impaired, is recognized in the income statement.

(l) Impairment of finance lease receivables

For finance lease receivables the Company assumes that the credit risk has not increased significantly since the initial recognition if the finance lease receivable is determined to have a low credit risk at the reporting date (i.e. the Company applies the low credit risk simplification). As a result, if the finance lease receivable is determined to have a low credit risk at the reporting date, the Company recognizes a 12-month expected credit loss.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and in hand fulfilling the following criteria: a maturity of usually less than three months, highly liquid, a fixed exchange value and an extremely low risk of loss of value.

(n) Share capital

Ordinary shares and protective preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(o) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the associated tax is also recognized in other comprehensive income or directly in equity.

Income tax expenses comprise corporate income tax due in countries of incorporation of the Company's main subsidiaries and levied on actual profits. Income tax expense also includes the corporate income taxes which are levied on a deemed profit basis and revenue basis (withholding taxes in the scope of IAS 12). This presentation adequately reflects the Company's global tax burden.

(p) Deferred income tax

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided for on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Employee benefits

Pension obligations: the Company operates various pension schemes that are generally funded through payments determined by periodic actuarial calculations to insurance companies or are defined as multi-employer plans. The Company has both defined benefit and defined contribution plans:

- A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

- A defined contribution plan is a pension plan under which the Company pays fixed contributions to public or private pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions to defined contribution plans and multi-employer plans are recognized as an expense in the income statement as incurred.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations.

The expense recognized within the EBIT comprises the current service cost and the effects of any change, reduction or winding up of the plan. The accretion impact on actuarial debt and interest income on plan assets are recognized under the net financing cost.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in comprehensive income.

Share-based payments: within the Company there are four types of share-based payment plans that qualify as equity settled:
- Restricted Share Unit (RSU);
- Short-term Incentive Program of Bonus Shares and Matching Shares;
- Value Creation Stake (VCS); and
- Ownership Shares.

The estimated total amount to be expensed over the vesting period related to share-based payments is determined by (i) reference to the fair value of the instruments determined at the grant date, and (ii) non-market vesting conditions included in assumptions about the number of shares that the employee will ultimately receive. Main assumptions for estimates are revised at statement of financial position date. Total cost for the period is charged or credited to the income statement, with a corresponding adjustment to equity.

When equity instruments vest, the Company issues new shares, unless the Company has Treasury shares in stock.

Any cancellation of matching shares will lead to an accelerated expense recognition of the total fair value, with a corresponding adjustment to equity.

(r) Trade payables
Trade payables are amounts due to suppliers for goods sold or services received in the ordinary course of business. They are generally due for settlement within a maximum of 90 days and are therefore classified as current. Trade payables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.3.1 FINANCIAL HIGHLIGHTS

Impact of COVID-19 pandemic
The COVID-19 pandemic has emerged in 2020 and impacted the global economy and the demand for energy. During 2021, the challenges for and impact on many areas of the global economy due to the pandemic have persisted. Despite this, the Company has been able to continue to manage these challenges.

Offshore energy industry
The Company serves the offshore energy industry on a global basis by supplying engineered products, vessels and systems, as well as offshore energy production services. These construction and service activities are rendered based on long-term contracts. Despite of uncertainties of the global pandemic, in 2021 the Company reached a record-breaking backlog demonstrating market confidence in the Company. Consequently, the Company has a substantial proforma contractual backlog, which is not linked to the oil price, amounting to US$29.5 billion at December 31, 2021 (2020: US$21.6 billion). This provides the Company with 29 years cash flow visibility up to 2050. The pandemic and associated impact on the oil market has caused oil and gas companies to reassess their portfolios and investments. However, deep water projects in high quality resource basins rank very competitively, as illustrated by the recent several awards of contracts to the Company for *Prosperity* (FPSO) (awarded in October 2020), *FPSO Almirante Tamandaré* (awarded in February 2021), *FPSO Alexandre de Gusmão* (contract awarded November 2021), and limited scope award related to the FPSO for the Yellowtail development project. In this context, the Company continues to foresee further FPSO market opportunities, while continuing to diversify its product offering through innovative solutions for the offshore gas and renewable markets.

Based on the strength and resilience of its business model, as it has demonstrated in the past and since the beginning of the pandemic, the Company has the ability to navigate through the current uncertainties.

Operational activities
The Company was able to maintain the fleet's uptime at historical highs by minimizing the impact of COVID-19 environment on the offshore environment. In order to achieve such results, specific measures were implemented by the Company such as: (i) optimization of crew rotations (in order to adjust to the impact of international travel restrictions), (ii) implementation of prescreening protocols prior to offshore embarkation, (iii) creation of local secured quarantine facilities and (iv) development of internal Polymerase Chain Reaction (PCR) testing capability, which is now available in all operating locations. More generally, the Company's COVID-19 response strategy aims to prevent the occurrence of cases on board of the vessels and in onshore locations and to minimize impact on operations if and when cases are identified.

Construction activities were impacted during 2021 for the Company's major projects. These include travel and logistical restrictions, price inflation of materials and services, yard closures and yard and supplier capacity constraints. Project teams have continued to work closely with client teams and contractors to mitigate the impacts on projects' execution. The degree to which these challenges can be mitigated going forward varies from project to project. Based on currently known circumstances, the ultimate delivery of major projects is not considered at risk as of December 31, 2021.

Implications on 2021 Financial performance
Due to the COVID-19 pandemic, the Company incurred additional costs in order to satisfy its performance obligations on some of its Turnkey projects. This was mainly due to delay in project delivery following lockdown periods, subsequent acceleration programs negotiated with sub-contractors, international travel restrictions and remote working. The costs contribute to the progress of transfer of control of the construction asset to the customer 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.

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

Financial risk management
The Company is proactively monitoring challenges caused by the COVID-19 pandemic. As part of this, the Company regularly assesses liquidity, credit and counterparty risks. The Company performed analyses on the credit and counterparty

risks of its clients and financial partners. The analysis resulted in an assessment of no significant impact which is reflected in the US$12 million net impairment reversal on financial and contract assets over the period. This is caused by improving credit ratings of the Company's clients compared with last year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company regularly conducts various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion is that the Company's lease portfolio and the existing financing facilities and overall financing capacity are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and that it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients, the Company has considerable time under charters to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. As at December 31, 2021 the Company had a total of US$2.4 billion undrawn credit facilities and unused credit lines, which includes US$1.0 billion under its Revolving Credit Facility.

Impairment of non-financial assets

The Company assessed impairment triggers in 2021 and concluded that there were no triggers that have resulted in impairment charges of non-financial assets in 2021 result.

Successful pricing of US$850 million senior secured notes

The Company announced on February 9, 2021 the successful pricing of a US$850 million non-recourse senior secured notes transaction in a 144A/Reg S offering by a subsidiary company. The issuer of the notes is Guara Norte S.à r.l. (Guara Norte), which owns the *FPSO Cidade de Ilhabela*. The Company owns 75% of the equity in Guara Norte and the remaining 25% equity is held by Mitsubishi Corporation.

The transaction was closed on February 11, 2021 at which date the notes were issued and settlement occurred. The notes are rated Ba1 (Moody's) and BB+ (Fitch) and were priced at 99.995% of par value with a 5.198% fixed coupon which is paid semiannually. The notes are fully amortizing over the 13.5 years tenor. The notes trade on the Singapore Stock Exchange. This is the Company's first issuance of a 144A/Reg S bond and as such this offering further diversifies its sourcing for project debt.

Award for FPSO Almirante Tamandaré lease and operate contracts

On February 25, 2021, the Company announced that it has signed a Letter of Intent (LOI) together with Petróleo Brasileiro S.A. (Petrobras) for a 26.25 years lease and operate contracts for the *FPSO Almirante Tamandaré*, to be deployed at the Búzios field in the Santos Basin approximately 180 kilometers offshore Rio de Janeiro in Brazil. Subsequently in July 2021, the Company has signed the contracts in line with the terms agreed in the LOI.

Under the contract, the Company is responsible for the engineering, procurement, construction, installation and operation of the FPSO. The Company will design and construct the *FPSO Almirante Tamandaré* using its industry leading Fast4Ward® program as it incorporates the Company's new build, Multi-Purpose Floater (MPF) hull combined with several standardized topsides modules. SBM Offshore's fourth Fast4Ward® MPF hull has been allocated to this project.

The *FPSO Almirante Tamandaré* is expected to be deployed in 2024. The contract is classified as finance lease in accordance with IFRS 16 at inception of the lease.

Deep Panuke

During the first quarter of 2021 the Company received notification, effective as of April 1, 2021, from the client of the Deep Panuke project of their election, as per the final agreement signed in 2020, to pay the contractually agreed lump sum amount replacing the initial contractual charter payments up to fourth quarter 2021. The lump-sum payment (c. US$55 million) was received in April 2021. Adding the monthly contractual payments received over the first quarter of 2021, total final cash consideration received by the Company over the period amounted to US$75 million. These cash receipts were already recognized as accrued income in the statement of financial position as at December 31, 2020.

The cash balance in the debt service account combined with part of the lump-sum payment was used to redeem the outstanding debt held by the noteholders for an amount of c. US$70 million.

US$1.05 billion financing of Prosperity (FPSO)

The Company has completed the project financing of *Prosperity* (FPSO) for a total of US$1.05 billion on June 25, 2021.

The project financing was secured by a consortium of 11 international banks. The first drawdown on the project loan facility occurred in July 2021. The financing will become non-recourse once the FPSO is completed and the pre-completion guarantee has been released. The project loan has a tenor of two years post completion, in line with the duration of the charter, and carries a variable interest rate plus 1.60%.

Award of FPSO Alexandre de Gusmão lease and operate contracts

On August 3, 2021, the Company announced that it has signed with Petróleo Brasileiro S.A. (Petrobras) the Letter of Intent for a 22.5 years lease and operate contracts of *FPSO Alexandre de Gusmão*. Following this letter of intent, the Company announced on November 30, 2021 that the contracts were awarded. The unit will be deployed at the Mero field in the Santos Basin offshore Brazil, approximately 160 kilometers from Arraial do Cabo, Rio de Janeiro state, in Brazil.

The Company will design and construct the *FPSO Alexandre de Gusmão* using its industry leading Fast4Ward® program as it incorporates the Company's new build Multi-Purpose Floater (MPF) hull combined with several standardized topsides modules. The Company's fifth MPF hull has been allocated to this project. Completion of the FPSO is expected in 2024.

The contract is classified as finance lease in accordance with IFRS 16 at inception of the lease.

Completion of US$1.6 billion financing for FPSO Sepetiba

On September 16, 2021, the Company completed the project financing of *FPSO Sepetiba* for a total of US$1.6 billion, its largest ever such financing. The project financing was secured by a consortium of 13 international banks with insurance cover from Export Credit Agencies (ECA). The Company is the majority owner of this special purpose company (with 64.5% equity ownership), together with Mitsubishi Corporation (20%) and Nippon Yusen Kabushiki Kaisha (15.5%).

The facility is composed of four separate tranches with a 4.3% weighted average cost of debt, a fourteen-year post-completion maturity for the ECA covered tranches and a fifteen-year post-completion maturity on the uncovered tranches. The financing will become non-recourse once the FPSO is completed and the pre-completion guarantee has been released.

Completion of US$635 million bridge loan for FPSO Almirante Tamandaré

On the 23rd of September, the Company secured a US$635 million bridge loan facility for the financing of the construction of *FPSO Almirante Tamandaré*. The facility was secured by the special purpose company which will own *FPSO Almirante Tamandaré*. The Company was the sole owner of this special purpose company in 2021, however a divestment of 45% of the equity ownership to partners was completed on January 24, 2022.

The facility has been fully drawn over the last quarter of 2021. The tenor of the bridge loan is twelve months with an extension option for another six months. Repayment is expected to take place upon closure and first drawdown of the project loan.

Share Repurchase Program

On October 11, 2021, the Company completed its EUR150 million (US$178 million) share repurchase program. Between August 5, 2021 and October 11, 2021 a total of 9,958,318 common shares were repurchased, at an average price of EUR15.06 per share.

The repurchases were made under the EUR150 million (US$178 million) share repurchase program announced on and effective from August 5, 2021. The objective of the program was to reduce share capital and, in addition, to provide shares for regular management and employee share programs.

Award of contracts for the FPSO for the Yellowtail development project

On November 17, 2021, the Company announced that it has been awarded contracts to perform Front End Engineering and Design (FEED) for a Floating Production, Storage and Offloading vessel (FPSO) for the Yellowtail development project. The

FEED contract award triggers the initial release of funds by ExxonMobil's subsidiary Esso Exploration and Production Guyana Limited (EEPGL) to begin FEED activities and secure a Fast4Ward® hull.

Following FEED and subject to government approvals in Guyana of the development plan, project sanction including final investment decision by ExxonMobil, and EEPGL's release of the second phase of work, the Company will construct, install and then lease the FPSO and operate it for a period of up to 2 years. First oil is expected in 2025. The Company will design and construct the FPSO using its industry leading Fast4Ward® program allocating the Company's sixth new build, Multi-Purpose Hull combined with several standardized topsides modules.

In order to strengthen its execution model given the current challenging market environment, the Company established a Special Purpose Company (SPC) with McDermott for the execution of the turnkey phase of the project. This SPC will benefit from the combined engineering and fabrication capacity as well as the experience of both companies in delivering EPC solutions to the energy industry. The Company will hold 70% and McDermott will hold 30% equity ownership in this SPC. The FPSO will be fully owned by the Company.

The contract is classified as finance lease in accordance with IFRS 16 at inception of the lease.

Conclusion of legacy issue in Switzerland

In November 2020, the Company communicated that three of the Company's subsidiaries in Switzerland received a notification from the Bundesanwaltschaft (federal prosecutor's office) in Bern. It concerned a suspicion that from 2005 till 2012 these subsidiaries failed to take all reasonable and necessary organizational measures to prevent the commission of acts of active bribery of foreign public officials during said period.

On this matter, the Swiss public prosecutor has issued an investigation termination order and a criminal penalty order against the three Swiss subsidiaries, amounting to US$7.6 million.

The fact pattern and compliance shortcomings prior to 2012 that led to the Swiss penalty were also covered by the legacy resolutions the Company concluded in the Netherlands (2014), the United States (2017), and Brazil (2018). The termination of the investigation and penalty also closed this issue in Switzerland on a full and final basis.

Since 2012, the Company has implemented substantial measures to ensure that it operates with integrity and fully in line with laws, regulations and with its compliance standards. These measures were also recognized by the Swiss Public Prosecutor Office.

Contract extension for FPSO Kikeh

The Company's investee signed an agreement with its client PTTEP for an additional 6 years' extension for the lease and operate contracts of the *FPSO Kikeh* located in Malaysia. The end of the contractual lease and operate period was extended from January 2022 to January 2028. The Company is the minority owner of the lease and operating companies related to *FPSO Kikeh* with 49% equity ownership, together with MISC with 51% equity ownership. As a result of the revised terms and conditions, the contract remains classified as a Finance lease under IFRS and the Company recognized a profit of US$76 million corresponding to its share of the increase in the discounted value of future lease payment. This profit is presented in the line item 'Share of profit/(loss) of equity-accounted investees' of the 2021 consolidated Income Statement.

Under Directional segment reporting, the extended lease contract remains classified as operating lease and will follow linear revenue recognition over the extended period of lease.

Completion of US$620 million bridge loan for FPSO Alexandre de Gusmão

On December 17, 2021, the Company announced the securing of a US$620 million bridge loan facility for the financing of the construction of *FPSO Alexandre de Gusmão.*

The facility was secured by the special purpose company which will own *FPSO Alexandre de Gusmão*. Currently, SBM Offshore is the sole owner of this special purpose company. Discussions around the divestment of 45% of the equity ownership to partners continue to progress.

The facility was fully drawn in December 2021. The tenor of the bridge loan is twelve months with an extension option for another six months. Repayment is expected to take place upon closure and first drawdown of the project loan.

4.3.2 OPERATING SEGMENTS AND DIRECTIONAL REPORTING

OPERATING SEGMENTS

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

- Lease and Operate;
- Turnkey
- Other.

DIRECTIONAL REPORTING

Strictly for the purposes of this note, the operating segments are measured under Directional reporting, which in essence follows IFRS, but deviates on two main points:

- All lease contracts are classified and accounted for as if they were operating lease contracts under IFRS 16. Some lease and operate contracts may provide for defined invoicing ('upfront payments') to the client occurring during the construction phase or at first-oil (beginning of the lease phase), to cover specific construction work and/or services performed during the construction phase. These 'upfront payments' are recognized as revenues and the costs associated with the construction work and/or services are recognized as 'Cost of sales' with no margin during the construction. As a consequence, these costs are not capitalized in the gross value of the assets under construction.
- All investees related to Lease and Operate contracts are accounted for at the Company's share as if they were classified as joint operations under IFRS 11, whereby all lines of the income statement, statement of financial position and cash flow statement are consolidated based on Company's percentage of ownership (hereafter referred to as 'percentage of ownership consolidation'). Yards and installation vessel related joint ventures remain equity accounted.

In 2021, all other accounting principles remain unchanged compared with applicable IFRS standards.

The above differences to the consolidated financial statements between Directional reporting and IFRS are highlighted in the reconciliations provided in this note on revenue, gross margin, EBIT and EBITDA as required by IFRS 8 'Operating segments'. The Company also provides the reconciliation of the statement of financial position and cash flow statement under IFRS and Directional reporting. The statement of financial position and the cash flow statement under Directional reporting are evaluated regularly by the Management Board in assessing the financial position and cash generation of the Company. The Company believes that these disclosures should enable users of its financial statements to better evaluate the nature and financial effects of the business activities in which it engages, while facilitating the understanding of the Directional reporting by providing a straightforward reconciliation with IFRS for all key financial metrics.

SEGMENT HIGHLIGHTS

The Lease and Operate Directional Revenue and EBITDA decreased versus the year ago period mainly driven by the Deep Panuke MOPU early redelivery in July 2020. That unit has fully contributed to positive results of the Lease and Operate during the year 2020, including (i) accelerated Revenue and EBITDA recognized for US$77 million following the final settlement signed with the client and (ii) additional one-off contributions from the demobilization activities, while not contributing to the results in 2021.

The Turnkey Directional Revenue and EBITDA increased versus the year ago period, reflecting the general ramp-up of Turnkey activities with (i) five FPSO's under construction, (ii) the awarded limited scope for the FPSO for the Yellowtail development project and (iii) the increase in Offshore services business in 2021. The 2020 Turnkey EBTIDA was also impacted by US$40 million of restructuring costs following the company decision to reorganize the allocation of activities between centers to become more efficient.

2021 operating segments (Directional)

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	**1,509**	**733**	**2,242**	-	**2,242**
Cost of sales	(1,032)	(640)	(1,672)	-	(1,672)
Gross margin	**477**	**93**	**570**	-	**570**
Other operating income/expense	12	(2)	10	(10)	**1**
Selling and marketing expenses	(1)	(29)	(31)	(0)	**(31)**
General and administrative expenses	(29)	(41)	(70)	(76)	**(146)**
Research and development expenses	(5)	(24)	(29)	(0)	**(29)**
Net impairment gains/(losses) on financial and contract assets	(1)	1	0	2	**2**
Operating profit/(loss) (EBIT)	**452**	**(1)**	**451**	**(85)**	**366**
Net financing costs					(171)
Share of profit of equity-accounted investees					(1)
Income tax expense					(72)
Profit/(Loss)					**122**
Operating profit/(loss) (EBIT)	452	(1)	451	(85)	**366**
Depreciation, amortization and impairment	462	20	482	0	**483**
EBITDA	**914**	**19**	**933**	**(84)**	**849**
Other segment information :					
Impairment charge/(reversal)	(0)	(1)	(1)	0	**(1)**

Reconciliation of 2021 operating segments (Directional to IFRS)

	Reported segments under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	1,509	(327)	88	1,270
Turnkey	733	1,786	(42)	2,477
Total revenue	**2,242**	1,459	46	**3,747**
Gross margin				
Lease and Operate	477	48	35	560
Turnkey	93	289	(21)	362
Total gross margin	**570**	337	14	**922**
EBITDA				
Lease and Operate	914	(320)	42	636
Turnkey	19	271	(18)	271
Other	(84)	-	(0)	(84)
Total EBITDA	**849**	(49)	23	**823**
EBIT				
Lease and Operate	452	55	50	557
Turnkey	(1)	282	(20)	261
Other	(85)	-	1	(84)
Total EBIT	**366**	338	30	**734**
Net financing costs	(171)	(68)	(63)	(301)
Share of profit of equity-accounted investees	(1)	-	111	110
Income tax expense	(72)	(1)	3	(71)
Profit/(loss)	**121**	268	82	472
Impairment charge/(reversal)	(1)	(14)	4	(11)

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 main following impacts for the 2021 period:

- Revenue reduced by US$(327) million. This primarily resulted from the two following opposite effects:
  - During the lease period, under IFRS, the revenue from finance leases is limited to that portion of charter rates that is recognized as interest using the interest effective method. Under Directional reporting, in accordance with the operating lease treatment, the full charter rate is recognized as revenue, on a straight-line basis. This resulted in a difference of US$(406) million in 2021.
  - A revenue of US$155 million (at 100%) was accounted under IFRS following the signature of an agreement for a six years extension for the lease and operate contracts of the *FPSO Kikeh* located in Malaysia. This additional revenue resulted from the qualification of the lease as a finance lease under IFRS and is reported as US$76 million (the Company's ownership share) within the '*Impact of Lease accounting treatment*' and entirely reclassified to the line item Share of profit/(loss) of equity-accounted investees' within the '*Impact of the consolidation method*' (the *FPSO Kikeh*

being accounted as per equity method under IFRS). The one-shot impact related to the extension is thus recognized at the Company's ownership share through 'Share of profit/(loss) of equity-accounted investees' under IFRS only.

- Gross margin increased by US$48 million and EBIT increased by US$55 million. This again resulted mainly from two opposite effects:
  - Under IFRS, gross margin and EBIT from finance leases equal to the recognized revenue, following the declining profile of the interest recognized using the interest effective method. On the other side, under the operating lease treatment applied under Directional, the gross margin and the EBIT correspond to the revenue and depreciation of the recognized PP&E, both accounted for on a straight-line basis over the lease period. This resulted in a difference of US $(28) million in 2021.
  - As mentioned above, *FPSO Kikeh* had a positive impact on the IFRS Gross Margin following the extension of the lease and operate contracts, to the same extent as for revenue. This additional Gross margin amounting US$76 million, recognized only under IFRS, is reported within the '*Impact of lease accounting treatment*' and entirely reclassified to the line item 'Share of profit/(loss) of equity-accounted investees' within the '*Impact of the consolidation method*'.

For the Turnkey segment, the restatement from operating to finance lease accounting treatment had the following impacts over the 2021 period:

- Revenue and gross margin increased by US$1,786 million and US$289 million respectively, mainly due to the accounting treatment of *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba, FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão* and the initial limited scope for the FPSO for the Yellowtail development project 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 non-cash) revenue is recognized within the Turnkey segment.
- The basic impact on Turnkey EBIT is largely in line with the impact on gross margin. EBITDA impact is lower than for EBIT and gross margin due to the exclusion from EBITDA of the impact of the reassessment of residual value of finance lease receivable leading to a reversal of impairment in 2021.

As a result, the restatement from operating to finance lease accounting treatment results in an increase of net profit of US$268 million under IFRS when compared with Directional reporting.

Impact of consolidation methods

The impact of consolidation methods 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.

For the Turnkey segment, the impact of the changes in consolidation methods is limited, reflecting the fact that most of the turnkey activities are performed by subsidiaries fully owned by the Company.

2020 operating segments (Directional)

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	**1,699**	**669**	**2,368**	**-**	**2,368**
Cost of sales	(1,207)	(622)	(1,829)	-	(1,829)
Gross margin	**492**	**48**	**539**	**-**	**540**
Other operating income/expense	(8)	(42)	(49)	(4)	**(53)**
Selling and marketing expenses	(1)	(39)	(40)	(0)	**(40)**
General and administrative expenses	(24)	(42)	(66)	(77)	**(142)**
Research and development expenses	(2)	(22)	(24)	(0)	**(24)**
Net impairment gains/(losses) on financial and contract assets	(20)	(3)	(23)	(2)	**(25)**
Operating profit/(loss) (EBIT)	**438**	**(100)**	**337**	**(83)**	**254**
Net financing costs					(175)
Share of profit of equity-accounted investees					1
Income tax expense					(42)
Profit/(Loss)					**39**
Operating profit/(loss) (EBIT)	438	(100)	337	(83)	**254**
Depreciation, amortization and impairment[1]	671	91	762	5	767
EBITDA	**1,108**	**(9)**	**1,099**	**(78)**	**1,021**
Other segment information					
Impairment charge/(reversal)	20	61	81	0	**81**

1 Includes net impairment losses on financial and contract assets.

Reconciliation of 2020 operating segments (Directional to IFRS)

	Reported segments under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	1,699	(241)	303	1,761
Turnkey	669	1,050	16	1,735
Total revenue	**2,368**	809	319	**3,496**
Gross margin				
Lease and Operate	492	49	187	728
Turnkey	48	117	(5)	160
Total gross margin	**539**	167	183	**889**
EBITDA				
Lease and Operate	1,108	(303)	202	1,007
Turnkey	(9)	134	(11)	114
Other	(78)	-	(0)	(78)
Total EBITDA	1,021	(169)	191	**1,043**
EBIT				
Lease and Operate	438	55	186	678
Turnkey	(100)	113	(3)	10
Other	(83)	-	0	(83)
Total EBIT	**254**	168	183	**605**
Net financing costs	(175)	(31)	(51)	(257)
Share of profit of equity-accounted investees	1	-	15	17
Income tax expense	(42)	(3)	6	(38)
Profit/(loss)	39	134	154	327
Impairment charge/(reversal)	81	20	(8)	94

Reconciliation of 2021 statement of financial position (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment and Intangible 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
Construction work-in-progress	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.

3 Includes US$246 million related to demobilization receivable.

4 Includes US$2,928 million non-recourse debt and US$57 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 December 31, 2021 are:

- For those lease contracts that are classified and accounted for as finance lease contracts under IFRS, de-recognition of property, plant and equipment recognized under Directional reporting (US$(6,750) million) and subsequent recognition of (i) finance lease receivables (US$4,706 million) and (ii) construction work-in-progress (US$3,532 million) for those assets still under construction.
- For operating lease contracts with non-linear bareboat day rates, a deferred income provision is recognized to show linear revenues under Directional reporting. The part of the balance (US$(308) 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$(209) million) and provisions (US$(213) million).

As a result, the restatement from operating to finance lease accounting treatment gives rise to an increase of equity of US $1,969 million under IFRS compared with Directional reporting. This primarily reflects the earlier margin recognition on finance lease contracts under IFRS compared to Directional reporting.

Impact of consolidation methods

The above 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) and non-recourse project debts.
- Derecognition of the individual line items from the statement of financial positions for those entities that are equity accounted under IFRS, rolling up in the line item 'Investment in associates and joint ventures'.

Reconciliation of 2021 cash flow statement (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**849**	(49)	23	**823**
Adjustments for non-cash and investing items	41	(28)	51	64
Changes in operating assets and liabilities	(109)	(1,626)	(161)	(1,896)
Reimbursement finance lease assets	(0)	330	(14)	316
Income taxes paid	(66)	(0)	4	(62)
Net cash flows from (used in) operating activities	**715**	(1,373)	(98)	**(755)**
Capital expenditures	(1,483)	1,422	-	(61)
Other investing activities	68	2	(4)	66
Net cash flows from (used in) investing activities	**(1,415)**	1,424	(4)	**5**
Equity payment from/(repayment to) partners	-	-	80	80
Additions and repayments of borrowings and lease liabilities	1,945	-	90	2,035
Dividends paid to shareholders and non-controlling interests	(165)	-	(127)	(292)
Interest paid	(224)	(51)	(64)	(340)
Share repurchase program	(178)	-	-	(178)
Payments from non-controlling interests for change in ownership	0	0	53	53
Net cash flows from (used in) financing activities	**1,377**	(51)	32	**1,359**
Net cash and cash equivalents as at 1 January	383	-	31	414
Net increase/(decrease) in net cash and cash equivalents	678	-	(69)	609
Foreign currency variations	(2)	-	(0)	(2)
Net cash and cash equivalents as at 31 December	**1,059**	-	(38)	**1,021**

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.

A large part of the capital expenditures (US$1,422 million) are reclassified from investing activities under Directional, to net cash flows from operating activity under IFRS, where finance lease contracts are accounted for as construction contracts. Furthermore, the financing costs incurred during the construction of the FPSOs, which are capitalized under Directional as part of asset under construction (and therefore presented in investing activities) are 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 non-recourse project debts, results in increased additions and repayments of borrowings under IFRS versus Directional.

Reconciliation of 2020 statement of financial position (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment and Intangible assets[1]	6,133[2]	(5,539)	(2)	592
Investment in associates and joint ventures	4	0	278	282
Finance lease receivables	0	4,941	1,546	6,487
Other financial assets	307[3]	(209)	25	122
Construction work-in-progress	69	1,862	317	2,248
Trade receivables and other assets	860	(2)	(56)	802
Derivative financial instruments	137	-	(0)	137
Cash and cash equivalents	383	-	31	414
Assets held for sale	0	-	-	0
Total Assets	**7,894**	1,053	2,138	**11,085**
EQUITY AND LIABILITIES				
Equity attributable to parent company	858	1,694	4	2,556
Non-controlling interests	1	0	905	905
Equity	**858**	1,694	909	**3,462**
Loans and borrowings	4,476[4]	-	1,147	5,623
Provisions	549	(205)	32	376
Trade payable and other liabilities	1,290	(51)	(32)	1,207
Deferred income	395	(386)	(3)	6
Derivative financial instruments	327	-	84	411
Total Equity and Liabilities	**7,894**	1,053	2,138	**11,085**

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$1,759 million related to (i) units under construction (i.e. FPSOs Liza Unity, Prosperity and Sepetiba) and (ii) Gene tanker.

3 Includes US$273 million related to demobilization receivable.

4 Includes US$3,150 million non-recourse debt and US$71 million lease liability.

Reconciliation of 2020 cash flow statement (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**1,021**	(169)	191	**1,043**
Adjustments for non-cash and investing items	52	4	(34)	23
Changes in operating assets and liabilities	(326)	(912)	(202)	(1,440)
Reimbursement finance lease assets	(0)	300	(13)	288
Income taxes paid	(51)	0	10	(42)
Net cash flows from (used in) operating activities	**696**	(777)	(48)	**(128)**
Capital expenditures	(871)	801	0	(70)
Acquisition of shares in co-owned entities	2	(0)	(2)	0
Other investing activities	33	4	16	53
Net cash flows from (used in) investing activities	**(837)**	805	15	**(17)**
Equity payment from/repayment to partners	-	-	(23)	(23)
Additions and repayments of borrowings and loans	534	0	139	673
Dividends paid to shareholders non-controlling interests	(150)	-	(83)	(233)
Interest paid	(155)	(24)	(50)	(228)
Share repurchase program	(165)	-	-	(165)
Payments to non-controlling interests for change in ownership	(0)	-	28	28
Net cash flows from (used in) financing activities	**62**	(24)	12	**50**
Net cash and cash equivalents as at 1 January	458	-	48	506
Net increase/(decrease) in net cash and cash equivalents	(80)	0	(16)	(95)
Foreign currency variations	5	(0)	(0)	5
Net cash and cash equivalents as at 31 December	**383**	-	31	**414**

Deferred income (Directional)

	31 December 2021	31 December 2020
Within one year	70	82
Between 1 and 2 years	48	67
Between 2 and 5 years	122	133
More than 5 years	77	113
Balance at 31 December	**316**	**395**

The Directional deferred income is mainly related to the revenue of those lease contracts, which include a decreasing day-rate schedule. As revenue is recognized in the income statement on a straight-line basis with reference to IFRS 16 'Leases', the difference between the yearly straight-line revenue and the contractual day rates is included as deferred income. The deferral will be 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 for both revenues and non-current assets.

The revenue by country is analyzed as follows:

2021 geographical information (revenue by country and segment)

	Directional			IFRS		
	Lease and Operate	Turnkey	Reported segments	Lease and Operate	Turnkey	Reported segments
Brazil	858	246	1,104	983	1,067	2,049
Guyana	237	300	537	159	1,217	1,377
Angola	201	4	205	0	7	8
Equatorial Guinea	102	10	113	96	10	106
Malaysia	79	2	81	1	5	5
The United States of America	31	3	34	31	3	34
France	-	37	37	-	37	37
Mozambique	-	31	31	-	31	31
Nigeria	-	32	32	-	32	32
Norway	-	12	12	-	12	12
Gabon	-	14	14	-	14	14
China	-	11	11	-	11	11
Other	0	32	32	0	32	33
Total revenue	**1,509**	**733**	**2,242**	**1,270**	**2,477**	**3,747**

2020 geographical information (revenue by country and segment)

	Directional			IFRS		
	Lease and Operate	Turnkey	Reported segments	Lease and Operate	Turnkey	Reported segments
Brazil	834	258	1,092	1,254	759	2,014
Guyana	209	141	350	135	701	836
Canada	224	2	227	224	2	227
Angola	195	7	202	0	10	10
Norway	-	114	114	-	114	114
Equatorial Guinea	97	8	105	88	8	96
Malaysia	81	9	91	1	11	12
China	-	33	33	-	33	33
The United States of America	33	2	35	33	2	35
Gabon	-	21	21	-	21	21
Korea	-	19	19	-	19	19
Nigeria	-	14	14	-	14	14
Other	25	42	67	25	42	67
Total revenue	**1,699**	**669**	**2,368**	**1,761**	**1,735**	**3,496**

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

	31 December 2021		31 December 2020	
	IFRS	DIR	IFRS	DIR
Brazil	5,364	4,526	5,709	3,933
Guyana	716	2,427	791	1,817
Angola	303	211	257	269
Equatorial Guinea	75	115	87	138
Switzerland	40	79	66	79
Monaco	40	40	57	57
Malaysia	92	11	57	43
The United States of America	36	36	50	51
Netherlands	15	15	28	28
Other	113	89	141	114
Total	**6,795**	**7,550**	**7,243**	**6,528**

RELIANCE ON MAJOR CUSTOMERS

Under Directional, two customers each represent more than 10% of the consolidated revenue. Total revenue from these two major customers amounts to US$1,476 million (US$842 million and US$634 million, respectively). In 2020, the revenue related to the two major customers was US$1,469 million (US$1,023 million and US$446 million, respectively). In 2021 and 2020, the revenue of these major customers was mainly related to the Lease and Operate segment.

Under IFRS, two customers each represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$3,406 million (US$1,998 million, US$1,408 million respectively). In 2020, three customers accounted for more than 10% of the consolidated revenue (US$2,879 million), respectively for US$1,661 million, US$867 million and US$352 million.

4.3.3 REVENUE

The Company's revenue mainly originates from construction contracts and lease and operate contracts. Revenue originating from construction contracts is presented in the Turnkey segment while revenue from lease and operate contracts is presented in the Lease and Operate segment. Around 51% of the Company's 2021 lease and operate revenue is made of charter rates related to lease contracts while the remaining amount originates from operating contracts. The Company recognizes most of its revenue (i.e. more than 95%) over time.

The Company's policy regarding revenue recognition is described in further detail in note 4.2.7 B. Critical Accounting Policies – (d) Revenue. For the disaggregation of total revenue by country and by segment, please refer to Geographical Information under note 4.3.2 Operating Segments and Directional Reporting .

The Company's construction contracts can last for multiple years depending on the type of product, scope and complexity of the project while the Company's Lease and Operate contracts are generally multiple-year contracts. As a result, the Company has (partially) outstanding performance obligations to its clients (unsatisfied performance obligations) at December 31, 2021. These unsatisfied performance obligations relate to:

- Ongoing construction contracts, including the construction of vessels under finance leases that still need to be completed;
- Ongoing multiple-year operating contracts. Note that for this specific disclosure on unsatisfied performance obligations, the lease component of the Lease and Operate contracts is excluded (this component being described in further detail in notes 4.3.13 Property, Plant and Equipment and 4.3.15 Finance Lease Receivables). As noted, some contracts include (performance) bonuses when earned or penalties incurred under the Company's Lease and Operate contracts. The amount of performance-related payments for 2021 was US$101 million (2020: US$68 million).

The following table presents the unsatisfied performance obligations as at December 31, 2021 (in billions of US$):

Unsatisfied performance obligations related to:	2021	2020
- constructions contracts including finance leases	6.0	3.0
- operating contracts	10.0	7.0
Total	16.0	10.0

The unsatisfied performance obligations for the committed construction contracts relate mostly to five major construction FPSO contracts as well as the remaining work to be performed on the award of limited scope on the FPSO for the Yellowtail development project. Revenue related to these construction contracts is expected to be recognized over the coming three years in line with the construction progress on these projects.

The unsatisfied performance obligations for the operating contracts relate to i) the Company's vessels leased to clients where the Company is the operator (both operating and finance lease contracts) and ii) one operating contract for operating services on a vessel that is owned by the client. The operating contracts end between 2022 and 2050. The Company will recognize the unsatisfied performance obligation over this period in line with the work performed.

The Company can agree on various payment arrangements which generally reflect the progress of delivered performance obligations. However, if the Company's delivered performance obligation exceeds instalments invoiced to the client, a 'Construction work-in-progress' (contract asset) is recognized (see note 4.3.20 Construction Work-In-Progress). If the instalments invoiced to the client exceed the work performed, a contract liability is recognized (see note 4.3.26 Trade and Other Payables).

As a result of various commercial discussions with clients, the Company recognized revenue amounting to US$6 million in 2021 (2020: US$28 million) originating from performance obligations satisfied in previous periods.

Lease revenue recognized for leases where the Company is the lessor, for both operating and finance leases, relates to fixed and variable lease payments. Most of the Company's revenue from lease contracts is based on fixed day rates. To the extent that lease payments are dependent on an index or a rate, they are excluded from the initial recognition of the lease payments receivable. The impact related to a change in index or a rate is recognized in the consolidated income statement when a change occurs.

4.3.4 OTHER OPERATING INCOME AND EXPENSE

	2021	2020
Insurance claim income	16	-
Gains from sale of financial participations, property, plant and equipment	2	(1)
Other operating income	1	5
Total other operating income	**19**	**4**
Other operating expenses	(12)	(1)
Impairment of other assets and onerous contracts	-	(10)
Restructuring expenses	(1)	(46)
Total other operating expense	**(13)**	**(57)**
Total	**7**	**(53)**

In 2021, the other operating income mainly included an insurance recovery of US$16 million related to the reimbursement in respect of damage on one of the Brazilian units that occurred in January 2016. The other operating expense mainly included the US$7.6 million penalty order against the Company issued by the Swiss public prosecutor in November 2021 (refer to section 4.3.1 Financial Highlights).

The decrease in expenses compared with the prior period is mainly due to restructuring expenses recognized in 2020.

4.3.5 EXPENSES BY NATURE

The table below sets out expenses by nature for all items included in EBIT for the years 2021 and 2020:

	Note	2021	2020
Expenses on construction contracts		(1,732)	(1,245)
Employee benefit expenses	4.3.6	(669)	(614)
Vessels operating costs		(413)	(378)
Depreciation, amortization and impairment		(88)	(439)
Selling expenses		(16)	(24)
Other costs		(114)	(189)
Total expenses		**(3,032)**	**(2,891)**

In 2021, expenses on construction contracts significantly increased as a result of the further ramp-up of the activity on Turnkey projects since the Company has five FPSO's under construction and FEED activities on the FPSO for the Yellowtail development project.

Vessel operating costs have increased mainly as a result of (i) an increase in the net incremental costs from the implementation of additional safety measures linked to COVID-19, (ii) some repair costs incurred in 2021 on damaged mooring lines on one Unit (for which compensation from insurance is not yet secured) and (iii) higher maintenance and repair activities, including maintenance campaigns postponed to 2021 due to the COVID-19 new pandemic context in 2020;

The significant decrease of depreciation, amortization and impairment in 2021 in comparison to 2020 mainly relates to the previous year specific events being (i) the full depreciation of Deep Panuke MOPU due to the redelivery of the unit, (ii) the requalification as finance lease of the *FPSO Espirito Santo* following lease contract extension and (iii) some impairments on one installation vessel and two units of the Company's fleet.
Expenses related to short-term leases and leases of low value assets amounted to US$4 million in 2021 (2020: US$5 million).

The decrease in Other costs is mainly driven by the prior year impact of restructuring costs of US$46 million.

4.3.6 EMPLOYEE BENEFIT EXPENSES

Information with respect to employee benefits expenses are detailed as follows:

	Note	2021	2020
Wages and salaries		(353)	(353)
Social security costs		(49)	(53)
Contributions to defined contribution plans		(35)	(35)
Contributions to defined benefit plans		(2)	(1)
Share-based payment cost		(27)	(27)
Contractors costs		(139)	(84)
Other employee benefits		(64)	(60)
Total employee benefits	4.3.5	**(669)**	**(614)**

Contractors costs include expenses related to contractor staff not on the Company's payroll. The increase in contractors' costs compared with previous year reflects the general ramp-up of Turnkey activities and the Company's strategy aiming to maintain flexibility in its workforce monitoring. Other employee benefits mainly include commuting, training, expatriate and other non-wage compensation costs.

DEFINED CONTRIBUTION PLAN

The contributions to defined contribution plans includes the Company participation in the Merchant Navy Officers Pension Fund (MNOPF). The MNOPF is a defined benefit multi-employer plan, which is closed to new members. The fund is managed by a corporate Trustee, MNOPF Trustees Limited, and provides defined benefits for nearly 22,830 (2020: 23,447) Merchant Navy Officers and their dependents out of which approximately 29 (2020: 29) are SBM Offshore former employees.

The Trustee apportions its funding deficit between Participating Employers, based on the portions of the Fund's liabilities, which were originally accrued by members in service with each employer. When the Trustee determines that contributions are unlikely to be recovered from a Participating Employer, it can re-apportion the deficit contributions to other Participating Employers.

Entities participating in the MNOPF are exposed to the actuarial risk associated with the current and former employees of other entities through exposure to their share of the deficit those other entities default. As there is only a notional allocation of assets and liabilities to any employer, the Company is accounting for the MNOPF in its financial statements as if it was a defined contribution scheme. There are no contributions to the plan agreed at present.

DEFINED BENEFIT PLANS AND OTHER LONG-TERM BENEFITS

The employee benefits provisions recognized in accordance with accounting principles, relate to:

	Note	2021	2020
Pension plan		2	6
Lump sums on retirement		9	11
Defined benefit plans		**11**	**17**
Long-service awards		16	17
Other long-term benefits		**16**	**17**
Employee benefits provisions	4.3.25	**26**	**34**

The defined benefit plan provision is partially funded as follows:

Benefit asset/liability included in the statement of financial position

	31 December 2021			31 December 2020		
	Pension plans	Lump sums on retirement	Total	Pension plans	Lump sums on retirement	Total
Defined benefit obligation	33	9	42	39	11	**50**
Fair value of plan assets	(31)	-	(31)	(33)	-	**(33)**
Benefit (asset)/liability	**2**	**9**	**11**	**6**	**11**	**17**

The main assumptions used in determining employee benefit obligations for the Company's plans are shown below:

Main assumptions used in determining employee benefit obligations

in %	2021	2020
Discount rate	0.25-1.25	0.00-1.00
Inflation rate	2.00	1.75
Discount rate of return on plan assets during financial year	0.25	0.00
Future salary increases	1.00 - 3.00	1.00 - 3.00
Future pension increases	-	-

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL OF THE COMPANY

The remuneration of key management personnel of the Company paid during the year, including pension costs and performance related Short-Term Incentives (STI), amounted to US$20 million (2020: US$19 million). There are no loans outstanding to the members of the key management or guarantees given on behalf of members of the key management.

The performance-related part of the remuneration of the Management Board, comprising Value Creation Stake and STI components, was 67% (2020: 68%). The Management Board's remuneration (which is Euro denominated) decreased in 2021 versus 2020, explained by a lower valuation of the Value Creation Stake mainly offset by a higher STI. The Management Board's remuneration in US$ increased by US$282 thousand due to the change in foreign currency conversion.

The increased remuneration of other key personnel is mainly related to the addition of an additional member of the Executive Committee, it now has 7 members (2020: 6).

The total remuneration and associated costs of the Management Board and other key management personnel (members of the Executive Committee) is specified as follows:

Remuneration key management personnel

in thousands of US$	Base salary	STI[1]	Sharebased compensation[2]	Other[3]	Pensions[4]	Total remuneration
Management Board Members						
2021	3,109	3,486	5,818	630	840	13,883
2020	3,002	3,094	6,177	514	814	13,601
Other key personnel[5]						
2021	2,757	836	1,637	601	368	6,198
2020	2,514	427	1,492	564	204	5,201
Total 2021	**5,866**	**4,341**	**7,455**	**1,231**	**1,209**	**20,082**
Total 2020	**5,516**	**3,522**	**7,669**	**1,078**	**1,018**	**18,803**

1 For the Management Board this represents the actual STI approved by the Supervisory Board, which has been accrued over the calendar year, payment of which will be made in the following year.

2 This share-based compensation represents the period expense of share-based payments in accordance with IFRS 2.

3 Consisting of social charges, lease car expenses, and other allowances.

4 This represents company contributions to defined contribution pension plans; in case of absence of a qualifying pension scheme such contribution is paid gross, withholding wage tax at source borne by the individuals.

5 The definition of 'Other key personnel' is aligned with the Executive Committee, as disclosed on the Company's website.

The table above represents the total remuneration in US dollar, being the reporting currency of the Company.

The following table represents the movements during 2021 of all unvested shares of (former) Management Board members (the total number of vested shares held by (former) Management Board members are reported in note 4.3.23 Equity Attributable to Shareholders). As at December 31, 2021 there are no share-based incentives outstanding:

Shared-based incentives	Outstanding at the beginning of period	Granted	Vested	Outstanding at the end of period
2021	-	-	-	-
2020	247,689	-	247,689	-

SHORT-TERM INCENTIVE PROGRAM OF THE MANAGEMENT BOARD

The Short-Term Incentive Program is based upon the short-term operational performance, which includes three sets of Performance Indicators as noted below:

- Profitability;
- Growth;
- Sustainability Performance.

The Supervisory Board may adjust the outcome of the STI down by 10%. Any such adjustment would be reported in the Remuneration Report. No such reduction has been made for 2021 or 2020.

For 2021 (equal to 2020), the Supervisory Board concluded that the Company's performance indicators had outcomes ranging from threshold to maximum. For the year 2021 a total of seven performance indicators were established (2020: seven). The Company's performance resulted in performance of 133% (2020: 122%) of salary for the CEO and 100% (2020: 92%) for the other Management Board members.

VALUE CREATION STAKE SHARES OF THE MANAGEMENT BOARD

Under the Remuneration Policy 2018, the members of the Management Board are entitled to a Value Creation Stake, being a number of shares determined by a four-year average share price (volume weighted). These shares vest immediately upon the award date, and must be retained for five years from the vesting date, or – in the event of retirement or termination – two years after such event.

Number of issued shares	2021	2020
Total	313,239	324,875

The number of shares granted is based upon 175% of the individual's base salary and determined by the 4-year average volume-weighed share price (VWAP) over the years 2017 through 2020 (2020: 2016 through 2019), being EUR14.69 (2020: EUR14.16). The grant date fair value of these shares upon issue was EUR15.71, being the opening share price of January 3, 2021 (2020: EUR16.74).

RESTRICTED SHARE UNIT (RSU) PLANS

The number of shares granted under the RSU plan in 2021 was 754,450 (2020: 638,780), with the three year employment period starting on January 1, 2021 (2020: January 1, 2020).

The annual RSU award is based on individual performance. The RSU plans themselves have no performance condition, only a service condition, and will vest at the end of three years' continuing service. The fair value is determined based on the share price at the grant dates, with an adjustment for the present value of the expected dividends during the vesting period.

	2021	2020
RSU grant date fair value per share	€ 11.89	€ 10.41

For RSUs, a vesting probability (based on expectations on for example the number of employees leaving the Company before the vesting date of their respective RSU plan) of 5% is assumed. The Company periodically reviews this estimate and aligns to the actual forfeitures.

OWNERSHIP SHARES

Ownership Shares is an annual award in shares to compensate the overall STI target reduction of 3-6% of annualized gross salary under the Company's 2019 STI plan awarded to employees based on seniority. The Ownership Shares have no performance conditions, only a service condition. The Ownership Shares are subject to a three-year holding requirement after the grant date. This means that a fixed population of onshore employees, based on seniority in the Company, are eligible to the Ownership Shares equal to 4-8% of annualized gross salary.

The total number of Ownership Shares that vested during 2021 was 90,189 shares (2020: 95,681). The fair value of the Ownership Shares is measured at the opening share price of February 1, 2021.

	2021	2020
Ownership Shares grant date fair value per share	€ 14.21	€ 11.78

MATCHING SHARES

Under the STI plans for the management and staff of the Company, 20% of the STI is or can be paid in shares. Subject to a vesting period of four years, an identical number of shares (matching shares) will be issued to participants, assuming a probability of 95%. The Company periodically reviews this estimate and aligns to the actual forfeitures. The grant date fair value is measured indirectly based on the grant date price of the equity instrument, with an adjustment for the present value of the expected dividends during the vesting period.

The assumptions included in the calculation for the matching shares are:

	2021	2020
Matching shares grant date fair value per share	€ 13.40	€ 10.75

TOTAL SHARE-BASED PAYMENT COSTS

The amounts recognized in operating profit for all share-based payment transactions have been summarized by taking into account both the provisional awards for the current year and the additional awards related to prior years. Total share-based compensation has slightly decreased in comparison to 2020.

2021	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	15,153	4,523	**19,676**
Total expenses 2021	**15,153**	**4,523**	**19,676**

2020	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	15,288	4,780	**20,068**
Total expenses 2020	**15,288**	**4,780**	**20,068**

Rules of conduct with regard to inside information are in place to ensure compliance with the act on financial supervision. For example these rules forbid the exercise of options or other financial instruments during certain periods, more specifically when an employee is in possession of price-sensitive information.

The movement in the outstanding number of shares which could potentially vest at a point in time under the Company share-based payment plans is illustrated in the following table.

in number of shares	2021	2020
Outstanding at 1 January	**2,530,336**	**1,991,476**
Granted	1,734,267	1,631,655
Vested	(1,090,015)	(955,922)
True-up at vesting		
Cancelled or forfeited	(263,863)	(136,873)
Total movements	**380,389**	**538,860**
Outstanding at 31 December	**2,910,725**	**2,530,336**

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board amounted to EUR656,000 (2020: EUR741,000) and can be specified as follows:

	2021			2020		
in thousands of EUR	Basic remuneration	Committees	Total	Basic remuneration	Committees	Total
Total	**579**	**77**	**656**	**659**	**82**	**741**

There are no share-based incentives granted to the members of the Supervisory Board. Nor are there any loans outstanding to the members of the Supervisory Board or guarantees given on behalf of members of the Supervisory Board.

NUMBER OF EMPLOYEES

Number of employees (by operating segment)

	2021		2020	
By operating segment:	Average	Year-end	Average	Year-end
Lease and Operate	1,872	1,971	1,714	1,772
Turnkey	1,898	1,999	1,790	1,796
Other	496	522	473	470
Total excluding employees working for JVs and associates	**4,265**	**4,492**	**3,976**	**4,038**
Employees working for JVs and associates	532	527	531	536
Total	**4,797**	**5,019**	**4,507**	**4,574**

Number of employees (by geographical area)

	2021		2020	
By geographical area:	Average	Year-end	Average	Year-end
the Netherlands	430	424	444	435
Worldwide	3,836	4,068	3,532	3,603
Total excluding employees working for JVs and associates	**4,265**	**4,492**	**3,976**	**4,038**
Employees working for JVs and associates	532	527	531	536
Total	**4,797**	**5,019**	**4,507**	**4,574**

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits. The increase in headcount is primary due to the further ramp-up of the activity on Turnkey projects since the Company has five FPSO's under construction and FEED activities on the FPSO for the Yellowtail development project.

4.3.7 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to US$29 million (2020: US$24 million) and mainly relate to the internal projects 'Digital FPSO' and Renewables development costs.

The amortization of development costs recognized in the statement of financial position is allocated to cost of sales when the developed technology is used through one or several projects. Otherwise, it is allocated to research and development expenses.

4.3.8 NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL AND CONTRACT ASSETS

In the context of recovering oil and gas market and raising oil price, the Company's clients' credit ratings generally have significantly improved comparing to 2020 despite the remaining uncertainties regarding the COVID-19 pandemic. As part of the regular update of 'Impairment gains/(losses) on financial and contract assets', the Company has therefore recognized an overall net impairment gain of US$12 million (December, 2020: loss of US$(24) million).

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

	2021	2020
Impairment losses		
- Movement in loss allowance for trade receivables	0	(1)
- Movement in loss allowance for construction work-in-progress	3	(4)
- Movement in loss allowance for finance lease receivables	1	(1)
- Movement in loss allowance for other assets	2	(18)
(Impairment)/impairment reversal losses on other financial assets	7	-
Net impairment gains/(losses) on financial and contract assets	**12**	**(24)**

During the year 2021, the Company recognized a partial impairment reversal of a funding loan provided to an equity accounted joint venture. The impairment reversal of US$7 million was recognized based on updated forecasted cash available at the level of the joint venture.

4.3.9 NET FINANCING COSTS

	2021	2020
Interest income on loans & receivables	1	3
Interest income on investments	1	3
Net foreign exchange gain	-	2
Other financial income	1	1
Financial income	**3**	**9**
Interest expenses on financial liabilities at amortized cost	(202)	(181)
Interest expenses on hedging derivatives	(99)	(76)
Interest expenses on lease liabilities	(2)	(5)
Interest addition to provisions	(1)	(1)
Net cash flow hedges ineffectiveness	-	(3)
Other financial expenses	0	(0)
Financial expenses	**(304)**	**(265)**
Net financing costs	**(301)**	**(257)**

The increase in net financing costs is mainly due to: (i) higher interest expenses as a result of the Company's new project financing obtained for projects under construction, namely project financing of *FPSO Sepetiba* and *Prosperity* (FPSO), as well as bridge loan for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, and (ii) refinancing of *FPSO Cidade de Ilhabela* through non-recourse senior secured notes transaction. Additionally the Company incurred in 2021 one-off additional financial expenses mostly related to *FPSO Cidade de Ilhabela* refinancing.

4.3.10 INCOME TAX EXPENSE

The relationship between the Company's income tax expense and profit before income tax (referred to as 'effective tax rate') can vary significantly from period to period considering, among other factors: (i) changes in the blend of income that is taxed based on revenues versus profit; (ii) the different statutory tax rates in the location of the Company's operations and (iii) the possibility to recognize deferred tax assets on tax losses to the extent that suitable future taxable profits will be available.

Some of the taxes are withholding taxes (paid on revenues). The assessment of whether the withholding tax is in scope of IAS 12 is judgmental; the Company performed this assessment in the past and some of the withholding taxes that the Company pays in certain countries qualify as income taxes as it creates an income tax credit or it is considered as deemed profit taxation.

Consequently, income tax expense does not change proportionally with profit before income taxes. Significant decreases in profit before income tax typically lead to a higher effective tax rate, while significant increases in profit before income taxes can lead to a lower effective tax rate, subject to the other factors impacting income tax expense noted above. Additionally, where a deferred tax asset is not recognized on a loss carry forward, the effective tax rate is impacted by the unrecognized tax loss.

The components of the Company's income taxes were as follows:

Income tax recognized in the consolidated Income Statement

	Note	2021	2020
Corporation tax on profits for the year		(73)	(47)
Adjustments in respect of prior years		14	(1)
Movements in uncertain tax positions		3	-
Total current income tax		**(56)**	**(48)**
Deferred tax	*4.3.17*	(14)	10
Total		**(71)**	**(38)**

The Company's operational activities are subject to taxation at rates, which range up to 35% (2020: 35%).

For the year ended December 31, 2021, the respective tax rates, the change in the blend of income tax based on income withholding tax and deemed profit assessment versus income tax based on net profit, the unrecognized deferred tax asset on certain tax losses, tax-exempt profits and non-deductible costs resulted in an effective tax on continuing operations of 16% (2020: 11%).

The reconciliation of the effective tax rate is as follows:

Reconciliation of total income tax charge

	2021		2020	
	%		%	
Profit/(Loss) before income tax		**543**		**366**
Share of profit of equity-accounted investees		110		17
Profit/(Loss) before income tax and share of profit of equity-accounted investees		**433**		**349**
Income tax using the domestic corporation tax rate (25% for the Netherlands)	25%	(108)	25%	(87)
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other jurisdictions	(8%)	34	(24%)	82
Withholding taxes and taxes based on deemed profits	10%	(45)	5%	(18)
Non-deductible expenses	7%	(30)	20%	(71)
Non-taxable income	(21%)	91	(25%)	87
Adjustments related to prior years	(3%)	14	0%	(1)
Adjustments recognized in the current year in relation to deferred income tax of previous year	2%	(11)	(3%)	9
Effects of unrecognized and unused current tax losses not recognized as deferred tax assets	4%	(18)	11%	(39)
Movements in uncertain tax positions	(1%)	3	0%	(1)
Total tax effects	**(9%)**	**38**	**(14%)**	**48**
Total of tax charge on the Consolidated Income Statement	**16%**	**(71)**	**11%**	**(38)**

The 2021 effective tax rate of the Company was primarily impacted by the higher taxes paid in relation to Brazilian fleet, caused by the change in the tax rules applied on charter revenues. For reference, in 2020 the corporate income tax charge was also positively impacted by deferred tax recognition in Canada and Switzerland. Similar to last year, the effective tax was also impacted by unrecognized deferred tax assets concerning Brazil, USA, Switzerland, Luxembourg, Monaco and the Netherlands.

Details of the withholding taxes and other taxes are as follows:

Withholding taxes per country

	2021	2020
Withholding Tax and Overseas Taxes (per location)	Withholding tax	Withholding tax
Angola	-	(1)
Brazil	(23)	(6)
Guyana	(20)	(9)
Other	(2)	(2)
Total withholding and overseas taxes	**(45)**	**(18)**

Brazil withholding tax

The Company incurred a higher withholding tax charge in 2021 in relation to its Brazilian fleet time charter revenue. This is a consequence of change of Brazilian tax law that applied in late December 2020. Four more units are now subject to this taxation with an impact of US$17 million of additional corporate income tax charge in 2021.

Guyana withholding tax

The Company's construction and lease activities are subject of Guyanese withholding tax. The increase of the withholding tax charge in 2021 compared with 2020 relates mainly to the level of construction activities. In 2021, the Company provided specific construction and engineering work subject of the Guyanese withholding tax related mainly to *Liza Unity* (FPSO) approaching finalization of the project (e.g. readiness for operation), while the Company did not incur similar level of activities subject of the withholding tax in 2020.

TAX RETURNS AND TAX CONTINGENCIES

The Company files federal and local tax returns in several jurisdictions throughout the world. Tax returns in the major jurisdictions in which the Company operates are generally subject to examination for periods ranging from three to six years. Tax authorities in certain jurisdictions are examining tax returns and in some cases have issued assessments. The Company believes there is a sound basis for its tax positions in those jurisdictions. The Company provides for taxes that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. While the Company cannot predict or provide assurance as to the final outcome of these proceedings, the Company does not expect the ultimate liability to have a material effect on its consolidated statement of financial position or results of operations, although it could have a significant adverse effect on its consolidated cash flows.

Each year management completes a detailed review of uncertain tax positions across the Company and makes provisions based on the probability of the liability arising. The principal risks that arise for the Company are in respect of permanent establishment, transfer pricing and other similar international tax issues. In common with other international groups, the difference in alignment between the Company's global operating model and the jurisdictional approach of tax authorities often leads to uncertainty on tax positions.

As a result of the above, in the period, the Company recorded a net tax decrease of US$33 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. This decrease is primarily in relation to uncertain tax positions other than corporate income tax. However it is possible that the ultimate resolution of the tax exposures could result in tax charges that are materially higher or lower than the amount provided.

The Company conducts operations through its various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, the Company may identify changes to previously evaluated tax positions that could result in adjustments to its recorded assets and liabilities. Although the Company is unable to predict the outcome of these changes, it does not expect the effect, if any, resulting from these adjustments to have a material effect on its consolidated statement of financial position, results of operations or cash flows.

4.3.11 EARNINGS/(LOSS) PER SHARE

The basic earnings per share for the year amounted to US$2.18 (2020: US$1.00); the fully diluted earnings per share amounted to US$2.16 (2020: US$1.00).

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

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 year 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 reflects the share data used in the basic and diluted earnings per share computations:

Earnings per share

	2021	2020
Earnings attributable to shareholders (in thousands of US$)	400,297	190,641
Number of shares outstanding at January 1 (excluding treasury shares)	185,314,742	196,227,113
Average number of treasury shares transferred to employee share programs	1,247,857	914,487
Average number of shares repurchased / cancelled	(2,845,444)	(7,331,229)
Weighted average number of shares outstanding	**183,717,155**	**189,810,371**
Impact shares to be issued	-	-
Weighted average number of shares (for calculations basic earnings per share)	**183,717,155**	**189,810,371**
Potential dilutive shares from stock option scheme and other share-based payments	1,927,813	1,651,613
Weighted average number of shares (diluted)	**185,644,968**	**191,461,984**
Basic earnings per share in US$	2.18	1.00
Fully diluted earnings per share in US$	2.16	1.00

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for the issuance of Value Creation Stake shares for the Management Board, Ownership Shares for the Company's senior management and the Matching Shares and RSUs that have vested on January 1, 2022 (see note 4.3.6 Employee Benefit Expenses).

4.3.12 DIVIDENDS PAID AND PROPOSED

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company proposes to pay out a dividend of US$1 per share, equivalent to c.US$180[1]million, to be paid out of retained earnings. This dividend will be proposed at the Annual General Meeting on April 6, 2022. This represents an increase of 13% compared to the US$0.8854 dividend per share paid in 2021.

4.3.13 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)

	31 December 2021	31 December 2020
Property, plant and equipment excluding leases	351	490
Right-of-use assets	45	52
Total	**396**	**542**

[1] Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date. The amount disclosed is based on the number of shares outstanding less the treasury shares held at December 31, 2021.

PROPERTY, PLANT AND EQUIPMENT OWNED BY THE COMPANY

The movement of the Property, plant and equipment during the year 2021 is summarized as follows:

2021

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	67	2,751	93	11	**2,922**
Accumulated depreciation and impairment	(35)	(2,335)	(61)	(0)	**(2,431)**
Book value at 1 January	**32**	**416**	**32**	**11**	**490**
Additions	0	0	4	(0)	**4**
Disposals	0	(23)[1]	0	0	**(23)**
Depreciation	(6)	(74)	(11)	-	**(91)**
Impairment	-	(0)	-	0	**0**
Foreign currency variations	(2)	(0)	(2)	0	**(3)**
Other movements	1	(23)[2]	4	(6)	**(24)**
Total movements	**(6)**	**(121)**	**(4)**	**(6)**	**(138)**
Cost	63	1,741	83	4	**1,891**
Accumulated depreciation and impairment	(38)	(1,446)	(55)	-	**(1,540)**
Book value at 31 December	**25**	**295**	**28**	**4**	**351**

1 Disposals mainly relate to the sale of the Gene vessel

2 Other movements mainly relate to the reclassification of the DSCV Installer as Asset Held For Sale

2020

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	57	3,299	82	22	**3,460**
Accumulated depreciation and impairment	(28)	(2,490)	(52)	-	**(2,570)**
Book value at 1 January	**29**	**809**	**30**	**22**	**890**
Additions	4	35	10	(3)	**46**
Disposals	-	(126)[1]	(0)	-	**(126)**
Depreciation	(5)	(279)	(10)	-	**(294)**
Impairment	-	(24)	-	(0)	**(24)**
Foreign currency variations	2	-	1	0	**3**
Other movements	1	-	2	(8)	**(5)**
Total movements	**2**	**(394)**	**3**	**(11)**	**(400)**
Cost	67	2,751	93	11	**2,921**
Accumulated depreciation and impairment	(35)	(2,335)	(61)	(0)	**(2,431)**
Book value at 31 December	**32**	**416**	**32**	**11**	**490**

1 The net disposal amount for FPSO Espirito Santo of US$126 million consists of historical cost of US$584 million less accumulated depreciation of US$458 million.

During the 2021 period, the following main events occurred regarding owned property, plant and equipment:

- US$91 million of annual depreciation charges, following the normal depreciation schedule;
- A decrease in net book value in Vessels and floating equipment of US$23 million due to the disposal of the Gene vessel;
- A reclassification of US$25 million due to the recognition of DSCV SBM Installer as asset held for sale. As announced on August 21, 2020, the Company had the intention to sell DSCV SBM Installer. Following this announcement, the Company successfully signed a memorandum of understanding with a suitable buyer on November 12, 2021. As agreed upon with the buyer the vessel had to undergo maintenance prior to the handover, which occurred in January 2022. The Company sold the vessel for US$34 million (net of costs to sell) and related gain on sale of US$8 million shall be recognized in 2022.

Property, plant and equipment at year-end comprises of:

- Two (2020: two) integrated floating production, storage and offloading systems (FPSOs) (namely *FPSO Capixaba* and *FPSO Cidade de Anchieta*) each consisting of a converted tanker, a processing plant and one mooring system. These two FPSOs are leased to third parties under an operating lease contract;
- One semi-submersible production platform, the *Thunder Hawk* (2020: one), leased to third parties under an operating lease contract;

The depreciation charge for the semi-submersible production facility *Thunder Hawk* is calculated based on its future anticipated economic benefits, resulting in a depreciation plan based on the unit of production method. All other property, plant and equipment is depreciated on a straight-line basis.

Company-owned property, plant and equipment with a carrying amount of US$253 million (2020: US$282 million) has been pledged as security for liabilities, mainly for external financing.

No interest has been capitalized during the financial year as part of the additions to property, plant and equipment (2020: nil).

RIGHT-OF-USE ASSETS

As of December 31, 2021, the Company leases buildings and cars. The movement of the right-of-use assets during the year 2021 is summarized as follows:

2021

	Buildings	Other fixed assets	Total
Book value at 1 January	**52**	**1**	**52**
Additions	9	1	**10**
Disposals	(1)	0	**(1)**
Depreciation	(12)	(1)	**(12)**
Impairment	(0)	-	**(0)**
Foreign currency variations	(3)	(0)	**(3)**
Other movements	(1)	-	**(1)**
Total movements	**(8)**	**0**	**(8)**
Cost	86	2	**88**
Accumulated depreciation and impairment	(42)	(1)	**(43)**
Book value at 31 December	**44**	**1**	**45**

2020

	Buildings	Vessels and floating equipment	Other fixed assets	Total
Book value at 1 January	**59**	**55**	**1**	**115**
Additions	11	-	1	**12**
Depreciation	(14)	(4)	(1)	**(19)**
(Impairment)/impairment reversal	(6)	(51)	-	**(57)**
Foreign currency variations	2	-	0	**2**
Other movements	0	-	(1)	**(1)**
Total movements	**(7)**	**(55)**	**(1)**	**(63)**
Cost	93	20	3	**116**
Accumulated depreciation and impairment	(41)	(20)	(2)	**(64)**
Book value at 31 December	**52**	**-**	**1**	**52**

During the year 2021, the main movements regarding right-of-use assets related to US$12 million of depreciation charges.

Office leases

Significant contracts under buildings relate to the lease of offices. The remaining contract periods of the Company's office rentals vary between one to ten years and most of the contracts include extension options between three to five years. The extension options have been taken into account in the measurement of lease liabilities when the Company is reasonably certain to exercise these options. The lease agreements do not impose any covenants.

OPERATING LEASES AS A LESSOR

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements which terminate between 2022 and 2030. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the vessels and floating equipment

	31 December 2021	31 December 2020
Cost	1,741	2,683
Accumulated depreciation and impairment	(1,447)	(2,317)
Book value at 31 December	**294**	**367**

In December 2021, the units included under leased facilities are *FPSO Capixaba*, *FPSO Cidade de Anchieta* and the semi-sumersible production facility *Thunder Hawk*. The book value of the leased facilities included in the vessels and floating equipment has decreased by US$73 million mainly due to depreciation.

The nominal values of the future expected bareboat receipts (undiscounted lease payments) in respect of the remaining operating lease contracts are:

Nominal values of the future expected bareboat receipts

	31 December 2021	31 December 2020
Within 1 year	146	277
2 years	109	145
3 years	107	95
4 years	100	94
5 years	90	92
After 5 years	313	399
Total	**865**	**1,103**

A number of agreements have extension options, which have not been included in the above table.

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 December 31, 2021.

4.3.14 INTANGIBLE ASSETS

2021

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	29	24	31	19	**103**
Accumulated amortization and impairment	(20)	(14)	-	(19)	**(54)**
Book value at 1 January	**8**	**10**	**31**	**0**	**50**
Additions	5	4	36	-	**46**
Amortization	(5)	(4)	-	-	**(9)**
Total movements	**0**	**(0)**	**35**	**-**	**36**
Cost	34	25	67	19	**145**
Accumulated amortization and impairment	(25)	(15)	-	(19)	**(59)**
Book value at 31 December	**9**	**11**	**67**	**0**	**86**

2020

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	34	16	-	19	**69**
Accumulated amortization and impairment	(16)	(11)	-	(19)	**(46)**
Book value at 1 January	**18**	**5**	**-**	**0**	**23**
Additions	4	8	18	-	**30**
Amortization	(4)	(3)	-	-	**(7)**
Other movements	(9)	0	13	-	**4**
Total movements	**(9)**	**5**	**31**	**-**	**27**
Cost	29	24	31	19	**103**
Accumulated amortization and impairment	(20)	(14)	-	(19)	**(53)**
Book value at 31 December	**9**	**10**	**31**	**0**	**50**

The increase in Intangible Assets Under Construction mainly relates to costs capitalized relating to the design and implementation of the migration to the new global ERP system, the capitalization of software licenses and other capital expenditures related to the IT infrastructure upgrade project.

In 2021, the Company did not recognize any impairment related to intangible assets.

Amortization of development costs is included in 'Research and development expenses' in the income statement in 2021 for US$5 million (2020: US$4 million).

Amortization of software is included in 'General and administrative expenses' in the income statement in 2021 for US$4 million (2020: US$3 million).

4.3.15 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)

	31 December 2021	31 December 2020
Gross receivable	9,729	10,511
Less: unearned finance income	(3,547)	(4,023)
Total	**6,182**	**6,488**
Of which		
Current portion	339	317
Non-current portion	5,843	6,171

As of December 31, 2021, finance lease receivables relate to the finance lease of:

- *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 decrease in finance lease receivable is driven by the regular redemptions as per the payment plans of lease contracts.

Unguaranteed residual values

Included in the gross receivable is an amount related to unguaranteed residual values (i.e. scrap value of units). The total amount of unguaranteed residual values at the end of the lease term amounts to US$69 million as of December 31, 2021 (2020: US$49 million). The 2021 reassessment of unguaranteed residual values resulted in an impairment reversal of US$10 million due to the increase of scrap value of units.

As per the contractual terms, gross receivables should be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

	31 December 2021	31 December 2020
Less than 1 year	802	803
Between 1 and 2 years	802	802
Between 2 and 5 years	2,415	2,408
More than 5 years	5,711	6,498
Total Gross receivable	**9,729**	**10,511**

The following part of the net investment in the lease is included as part of the current assets within the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2021	31 December 2020
Gross receivable	802	803
Less: unearned finance income	(463)	(486)
Current portion of finance lease receivable	**339**	**317**

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables taking into account the risk of recoverability. The Company performed an assessment, which concluded that the credit risk for these receivables has not increased significantly since the initial recognition. The Company does not hold any collateral as security.

Purchase and termination options

The finance lease contracts of *FPSO Aseng* and *Liza Destiny* (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 December 31, 2021 this would have resulted in a gain for the Company, while the exercise of the early termination option under which the Company would retain the vessel, would have resulted in a near breakeven result. If the client would have exercised the purchase option for *Liza Destiny* (FPSO) as of December 31, 2021 this would have resulted in a near 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 without obtaining the underlying asset. The exercise of the early termination option would have resulted in a non-significant loss for the Company as of December 31, 2021.

The finance lease contracts of *Liza Unity* (FPSO), *Prosperity* (FPSO) (all under construction as per December 31, 2021) contain options for the client to purchase the underlying asset or terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

4.3.16 OTHER FINANCIAL ASSETS

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

	31 December 2021	31 December 2020
Non-current portion of other receivables	38	80
Sublease receivables	2	2
Non-current portion of loans to joint ventures and associates	42	32
Total	**82**	**114**

The decrease in the Non-current portion of other receivables mainly related to the reclassification as current other receivables of the receivable associated with the demobilization of *FPSO Capixaba* expected in 2022.

The current portion of (i) other receivables and sublease receivables and (ii) loans to joint ventures and associates is included within the 'Trade and other receivables' in the statement of financial position.

In relation to the exposure to credit risk at the reporting date on the carrying amount of the interest-bearing loans, non-current portion of other receivables and sublease receivable, please refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets and note 4.3.28 Financial Instruments – Fair Values and Risk Management for the risk of recoverability (i.e. for expected credit losses). The Company does not hold any collateral as security.

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

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2021	31 December 2020
Current portion of loans to joint ventures and associates	*4.3.19*	9	14
Non-current portion of loans to joint ventures and associates		42	32
Total	*4.3.32*	**51**	**46**

The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to joint ventures and associates, taking into account the risk of recoverability. The Company does not hold any collateral as security.

4.3.17 DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities and associated net positions are summarized as follows:

Deferred tax positions (summary)

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	-	-	28	-	28
Tax losses	6	-	6	9	-	9
Other	7	18	(11)	9	37	(28)
Book value at 31 December	**13**	**18**	**(5)**	**46**	**37**	**9**

Movements in net deferred tax positions

		2021	2020
	Note	Net	Net
Deferred tax at 1 January		**9**	**(1)**
Deferred tax recognized in the income statement	*4.3.10*	(14)	10
Foreign currency variations		(1)	0
Total movements		**(15)**	**10**
Deferred tax at 31 December		**(5)**	**9**

Expected realization and settlement of deferred tax positions is within 8 years. The current portion of the net deferred tax position as of December 31, 2021 amounts to US$3 million. The deferred tax losses are expected to be recovered based on the anticipated profit in the applicable jurisdiction. The Company has US$18 million (2020: US$39 million) of deferred tax assets unrecognized in 2021 due to current tax losses not valued. The term in which these unrecognized deferred tax assets could be settled depends on the respective tax jurisdiction and ranges from five years to an unlimited period of time.

The non-current portion of deferred tax assets amounts to US$10 million (2020: US$14 million). On a cumulative basis a total amount of US$257 million at the end of 2021 (2020: US$216 million) corresponds to deferred tax assets basis unrecognized on temporary differences, unused tax losses and tax credits.

In 2021, the Company fully released deferred tax positions related to the Deep Panuke MOPU which was located in Canada (deferred tax asset of US$28 million, deferred tax liability of US$24 million) due to the final cash settlement of lease agreement by the client (see below the table 'Deferred tax positions per location', specifically Canada).

Deferred tax in connection with unused tax losses carried forward, temporary differences and tax credits:

	31 December 2021	31 December 2020
Unused tax losses carried forward, temporary differences and tax credits not recognised as a deferred tax asset	257	216
Unused tax losses carried forward, temporary differences and tax credits recognised as a deferred tax asset	13	46
Total	**270**	**262**

Expiry date on deferred tax assets unrecognized on temporary differences, unused tax losses and tax credits:

	31 December 2021	31 December 2020
Within one year	21	15
More than a year but less than 5 years	12	15
More than 5 years but less than 10 years	3	1
More than 10 years but less than 20 years	60	82
Unlimited period of time	161	103
Total	**257**	**216**

Deferred tax assets per location are as follows:

Deferred tax positions per location

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Canada	-	-	-	28	24	4
Guyana	-	18	(18)	-	13	(13)
Monaco	3	-	3	4	-	4
Switzerland	7	-	7	9	-	9
the Netherlands	3	-	3	3	-	3
Brazil	-	-	-	2	-	2
Other	-	-	-	-	-	-
Book value at 31 December	**13**	**18**	**(5)**	**46**	**37**	**9**

4.3.18 INVENTORIES

	31 December 2021	31 December 2020
Materials and consumables	11	9
Goods for resale	3	4
Multi-purpose floaters under construction	-	129
Total	**14**	**143**

Multi-purpose floaters ('MPFs') under construction relate to the ongoing EPC phase of Fast4Ward® new-build hulls. The Fast4Ward® hulls remain in inventory until they are allocated to a specific FPSO contract.

The decrease of the inventory balance at year-end 2021 relates to the allocation of the multi-purpose hulls to the FPSO's awarded in 2021 namely *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, as well as the awarded initial limited scope for the FPSO for the Yellowtail development project. As per December 31, 2021, the Company has no unallocated multi-purpose floater under construction.

4.3.19 TRADE AND OTHER RECEIVABLES

Trade and other receivables (summary)

	Note	31 December 2021	31 December 2020
Trade debtors		407	115
Other accrued income		187	280
Prepayments		138	64
Accrued income in respect of delivered orders		12	41
Other receivables		51	67
Taxes and social security		36	33
Current portion of loan to joint ventures and associates	*4.3.16*	9	14
Total		**839**	**614**

The increase in 'Trade debtors' of US$292 million is due to the ramp-up of the Turnkey activities, especially the newly awarded preliminary scope on the FPSO for the Yellowtail development project.

The decrease in other accrued income is mainly due to the final settlement paid by the client for Deep Panuke MOPU lease for which an accrued income of US$77 million had been recognized as at December 31, 2020.

The increase in prepayments of US$74 million is mainly related to advance payments to yards related to the multi-purpose floater (MPF) hulls allocated to the newly awarded *FPSO Alexandre de Gusmão*.

The carrying amounts of the Company's trade debtors are distributed in the following countries:

Trade debtors (countries where Company's trade debtors are distributed)

	31 December 2021	31 December 2020
Angola	27	37
Brazil	64	10
Guyana	279	12
Equatorial Guinea	16	3
The United States of America	3	9
Malaysia	2	2
Australia	2	0
China	-	5
Other	15	37
Total	**407**	**115**

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

Trade debtors (trade debtors balance)

	31 December 2021	31 December 2020
Nominal amount	412	118
Impairment allowance	(5)	(3)
Total	**407**	**115**

The allowance for impairment represents the Company's estimate of losses in respect of trade debtors. The allowance related to credit risk for significant trade debtors is built on specific expected loss components that relate to individual exposures. Furthermore, the Company uses historical credit loss experience as well as forward-looking information to determine a 1% expected credit loss rate on individually insignificant trade receivable balances. The creation and release for impaired trade debtors due to credit risk are reported in the line item 'Net impairment losses on financial and contract assets' of the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The ageing of the nominal amounts of the trade debtors are:

Trade debtors (ageing of the nominal amounts of the trade debtors)

	31 December 2021		31 December 2020	
	Nominal	Impairment	Nominal	Impairment
Not past due	352	(5)	69	(2)
Past due 0-30 days	27	(0)	5	(0)
Past due 31-120 days	11	(0)	15	(0)
Past due 121- 365 days	13	(0)	9	(0)
More than one year	11	(0)	21	(1)
Total	**413**	**(5)**	**118**	**(3)**

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of Company joint ventures and independent customers for whom there is no recent history of default, or the receivable amount can be offset by amounts included in current liabilities.

For the closing balance and movements during the year of allowances on trade receivables, please refer to note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.20 CONSTRUCTION WORK-IN-PROGRESS

The significant portion of the outstanding balance of construction work-in-progress as of December 31, 2021 (US$ 4,140 million) relates to the *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba, FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and initial limited scope of the FPSO for the Yellowtail development project finance lease projects since the Company will receive most of the payments for the construction of these assets only during the lease period through bareboat charter payments. The increase compared with the previous period balance (2020: US$2,248 million) in the construction work-in-progress is mainly driven by the progress made in 2021 on these projects.

Contract liabilities of US$64 million comprises the amounts of those individual contracts for which the total instalments invoiced exceed the total revenue recognized. Contract liabilities are reclassified to other current liabilities (see note 4.3.26 Trade and Other Payables).

Regarding information about expected credit losses recognized for construction work-in-progress, refer to note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.21 DERIVATIVE FINANCIAL INSTRUMENTS

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivative instruments is included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

In the ordinary course of business and in accordance with its hedging policies as of December 31, 2021, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of interest rate financing exposure. The most important floating rate is the US$ 3-month LIBOR. Details of interest percentages of the long-term debt are included in note 4.3.24 Borrowings and Lease Liabilities.

The fair value of the derivative financial instruments included in the statement of financial position is summarized as follows:

Derivative financial instruments

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	13	157	(144)	1	351	(351)
Forward currency contracts cash flow hedge	14	94	(80)	98	21	77
Forward currency contracts fair value through profit and loss	19	37	(18)	38	39	(1)
Total	**47**	**288**	**(242)**	**137**	**411**	**(274)**
Non-current portion	14	162	(148)	38	277	(240)
Current portion	32	126	(94)	99	134	(35)

The movement in the net balance of derivative assets and liabilities of US$31 million over the period is mostly related to (i) the significant increased marked-to-market value of interest rate swaps, which mainly arises from increasing US market interest rates and the settlements of interest rate swaps related to the financing of *FPSO Cidade de Ilhabela* and *FPSO Sepetiba* and (ii) the decreased marked-to-market value of forward currency contracts, which is mainly driven by the appreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

No ineffective portion arising from cash flow hedges was recognized in the income statement in 2021 (2020: US$3 million loss, refer to note 4.3.9 Net Financing Costs). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

No ineffectiveness was recognized due to the IBOR transition, refer to note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.22 NET CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash and bank balances	662	78
Short-term investments	358	336
Cash and cash equivalent	**1,021**	**414**
Net cash and cash equivalent	**1,021**	**414**

The increase of the Cash and bank balances mainly relates to the significant residual proceeds from the aggregate US$1,255 million bridge loans for the financing of the construction of *FPSO Alimarante Tamandaré* and *FPSO Alexandre de Gusmão* which were both fully drawn before year-end 2021. This generated a significant excess of financing cash flow compared with actual investments to date on these two units (approximately US$800 million as of December 31, 2021).

The cash and cash equivalents dedicated to debt and interest payments (and therefore restricted) amounted to US$152 million as per December 31, 2021 (2020: US$215 million). Short-term investment deposits are made for varying periods of up to one year, usually less than three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

The cash and cash equivalents held in countries with restrictions on currency outflow (Angola, Brazil, Equatorial Guinea, Ghana and Nigeria) amounted to US$23 million (2020: US$28 million). These restrictions do not limit the liquidity of the cash balances.

Further disclosure about the fair value measurement is included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.23 EQUITY ATTRIBUTABLE TO SHAREHOLDERS

For a consolidated overview of changes in equity reference is made to the Consolidated Statement of Changes in Equity.

ISSUED SHARE CAPITAL

The authorized share capital of the Company is two hundred million euros (EUR200,000,000). This share capital is divided into four hundred million (400,000,000) ordinary shares with a nominal value of twenty-five eurocents (EUR0.25) each and four hundred million (400,000,000) protective preference shares, with a nominal value of twenty-five euro cents (EUR0.25) each. The protective preference shares can be issued as a protective measure as described in note 3.2.8 Stichting Continuïteit SBM Offshore.

During the financial year the movements in the outstanding number of ordinary shares are as follows:

number of shares	2021	2020
Outstanding at 1 January	**188,671,305**	**198,671,305**
Treasury shares cancelled	(8,000,000)	(10,000,000)
Outstanding 31 December	**180,671,305**	**188,671,305**

All outstanding shares have been fully paid.

TREASURY SHARES

The Company completed its share repurchase program under authorization granted by the AGM of the Company held on April 7, 2021. In the period between August 5, 2021 and October 11, 2021 a total number of 9,958,318 shares totaling EUR150 million (US$178 million) were repurchased. As a result, the Company decided to cancel 8,000,000 shares in 2021.

A total number of 4,016,908 treasury shares are still reported in the outstanding ordinary shares as at December 31, 2021 and are held predominantly for employee share programs. During 2021, a total of 1,329,813 shares were transferred to employee share programs.

Within equity, an amount of US$1,211 million (2020: US$1,304 million) should be treated as legal reserve (refer to note 4.5.5 Shareholders' Equity).

ORDINARY SHARES

In terms of ordinary shares, 1,993,978 shares were held by members of Management Board, in office as at December 31, 2021 (December 31, 2020: 1,931,952) as detailed below:

Ordinary shares held in the Company by the Management Board

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2021	Total shares at 31 December 2020
Bruno Chabas	366,605	824,465	1,191,070	1,127,604
Philippe Barril	263,184	54,778	317,962	387,826
Erik Lagendijk	179,081	77,549	256,630	222,418
Douglas Wood	181,460	46,856	228,316	194,104
Total	**990,330**	**1,003,648**	**1,993,978**	**1,931,952**

Only one member of the Supervisory Board (Sietze Hepkema) holds shares in the Company (256,333 shares as at December 31, 2021), resulting from his previous position as member of the Management Board.

OTHER RESERVES

The other reserves comprises the hedging reserve, actuarial gains/losses, the foreign currency translation reserve and IFRS 2 reserves. The movement and breakdown of the other reserves can be stated as follows (all amounts are expressed net of deferred taxes):

	Hedging reserve Forward currency contracts	Hedging reserve Interest rate swaps	Actuarial gain/(loss) on defined benefit provisions	Foreign currency translation reserve	IFRS 2 Reserves	Total other reserves
Balance at 1 January 2020	**(38)**	**(119)**	**3**	**(101)**	**17**	**(238)**
Cash flow hedges						
Change in fair value	53	(161)	-	-	-	(107)
Transfer to financial income and expenses	3	3	-	-	-	6
Transfer to construction contracts and property, plant and equipment	3	-	-	-	-	3
Transfer to operating profit and loss	41	-	-	-	-	41
IFRS 2 share-based payments						
IFRS 2 vesting costs for the year	-	-	-	-	27	27
IFRS 2 vested share-based payments	-	-	-	-	(16)	(16)
Actuarial gain/(loss) on defined benefit provision						
Change in defined benefit provision due to changes in actuarial assumptions	-	-	(3)	-	-	(3)
Foreign currency variations						
Foreign currency variations	-	-	-	(5)	-	(5)
Mergers and acquisitions	-	-	-		-	-
Balance at 31 December 2020	**62**	**(276)**	**-**	**(105)**	**25**	**(296)**
Cash flow hedges						
Change in fair value	(173)	101	-	-	-	(72)
Transfer to financial income and expenses	(0)	9	-	-	-	8
Transfer to construction contracts and property, plant and equipment	(8)	-	-	-	-	(8)
Transfer to operating profit and loss	15	-	-	-	-	15
IFRS 2 share-based payments						
IFRS 2 vesting costs for the year	-	-	-	-	20	20
IFRS 2 vested share-based payments	-	-	-	-	(20)	(20)
Actuarial gain/(loss) on defined benefit provision						
Change in defined benefit provision due to changes in actuarial assumptions	-	-	7	-	-	7
Foreign currency variations						
Foreign currency variations	-	-	-	(2)	(3)	(5)
Mergers and acquisitions	-	-	-	3		3
Balance at 31 December 2021	**(104)**	**(167)**	**7**	**(105)**	**22**	**(347)**

The hedging reserve consists of the effective portion of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of deferred taxes. The increased fair value of interest rate swaps mainly arises from increasing market interest rates whereas the decreased fair value of forward currency contracts is mainly driven by the variation of the US$ exchange rate versus the hedged currencies.

Actuarial gain/(loss) on defined benefits provisions includes the impact of the remeasurement of defined benefit provisions.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

4.3.24 BORROWINGS AND LEASE LIABILITIES

The line item 'Borrowings and lease liabilities' in the consolidated statement of financial position is further detailed as follows:

Borrowings and lease liabilities (summary)

	31 December 2021	31 December 2020
Borrowings	5,891	4,335
Lease liabilities	37	51
Total Non-current portion of Borrowings and lease liabilities	**5,928**	**4,386**
Borrowings	1,754	1,216
Lease liabilities	19	20
Total Current portion of Borrowings and lease liabilities	**1,773**	**1,236**

BORROWINGS

The movement in bank interest bearing borrowings is as follows:

	2021	2020
Non-current portion	4,335	4,168
Add: current portion	1,216	580
Remaining principal at 1 January	**5,551**	**4,749**
Additions	3,941	1,379
Redemptions	(1,711)	(589)
Transaction and amortized costs	(137)	12
Total movements	**2,094**	**802**
Remaining principal at 31 December	**7,645**	**5,551**
Less: Current portion	(1,754)	(1,216)
Non-current portion	**5,891**	**4,335**
Transaction and amortized costs	207	69
Remaining principal at 31 December (excluding transaction and amortized costs)	**7,851**	**5,621**
Less: Current portion	(1,790)	(1,230)
Non-current portion	**6,061**	**4,390**

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.

The additions of US$3,941 million relates mainly to drawdowns on (i) project finance facilities for *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba,* (ii) the senior secured notes issuance on *FPSO Cidade de Ilhabela,* and (iii) the bridge loan facility for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*.

The increase in redemptions is mainly due the full repayment of the outstanding debt related to *FPSO Cidade de Ilhabela* of US$535 million following the issuance of senior secured notes.

On February 11, 2021 the Company issued senior secured notes for the amount of US$850 million. The notes are traded on the Singapore Stock Exchange and are priced at 99.995% of par value with a 5.198% coupon rate which is paid semi-annually. The funding obtained through the issuance was partially used to settle the outstanding project loan which amounted to US535 million at settlement date.

Further disclosures about the fair value measurement are included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

The borrowings, excluding the amount of transaction and amortized costs, have the following forecast repayment schedule:

	31 December 2021	31 December 2020
Within one year	1,790	1,230
Between 1 and 2 years	1,429	1,432
Between 2 and 5 years	1,903	1,454
More than 5 years	2,729	1,504
Balance at 31 December	**7,851**	**5,621**

The increase of the 'Total Current portion of Borrowings and lease liabilities' balance is mainly explained by the addition of the bridge loan facility for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, partially offset by the repayment of the *FPSO Sepetiba* bridge loan facility following the completion of the project financing for this project.

The borrowings by entity are as follows:

Loans and borrowings per entity

Entity name	Project name or nature of loan	% Ownership	% Interest[1]	Maturity	Net book value at 31 December 2021 Non-current	Current	Total	Net book value at 31 December 2020 Non-current	Current	Total
Project Finance facilities drawn:										
SBM Deep Panuke SA	MOPU Deep Panuke	100.00	3.50%	15-Dec-21	-	-	-	-	70	70
Tupi Nordeste Sarl	FPSO Cidade de Paraty	63.13	5.30%	15-Jun-23	72	123	195	195	116	311
SBM Baleia Azul Sarl	FPSO Cidade de Anchieta	100.00	5.50%	15-Sep-27	202	37	239	239	35	274
Alfa Lula Alto Sarl	FPSO Cidade de Marica	61.00	5.25%	15-Dec-29	793	114	908	908	108	1,016
Beta Lula Central Sarl	FPSO Cidade de Saquarema	61.00	4.15%	15-Jun-30	922	96	1,018	1,018	91	1,109
Guyana Deep Water UK Limited	Liza Destiny (FPSO)	100.00	Libor + 1.65%	31-Oct-29	541	65	606	606	62	668
Senior secured notes										
Guara Norte Sarl	FPSO Cidade de Ilhabela[2]	75.00	5.20%	15-Jun-34	764	40	805	427	128	555
Guaranteed project finance facilities drawn:										
Guyana Deep Water II UK Limited	Liza Unity (FPSO)[3]	100.00	Libor + 1.70%	31-Aug-22	972	(6)	966	840	-	840
Guyana Deep Water III UK Limited	Prosperity (FPSO)	100.00	2.20%	29-Aug-25	619	(4)	615	-	-	-
Mero 2 Owning B.V.	FPSO Sepetiba	64.50	3.90%	15-Mar-38	959	(15)	944	-	600	600
Bridge loan facility										
Tamandare Owning B.V.	FPSO Almirante Tamandaré	100.00	Libor + 0.6%	29-sep-22	-	635	635	-	-	-
Mero 4 Owning B.V.	FPSO Alexandre de Gusmão	100.00	Libor + 0.75%	23-Dec-22	-	620	620	-	-	-
Revolving credit facility:										
SBM Holding Inc	Corporate Facility	100.00	Variable	13-Feb-26	(1)	(1)	(2)	(2)	(1)	(2)
Other:										
OS Installer Limited	SBM Installer	100.00	3.20%	19-Jan-22	0	48	48	58	7	65
Brazilian Deepwater Production B.V.	FPSO Espirito Santo	51.00	Libor + 1.05%	31-Jan-29	46	-	46	45	-	45
Other		100.00			2	-	2	1	-	1
Net book value of loans and borrowings					**5,891**	**1,754**	**7,645**	**4,335**	**1,216**	**5,551**

1 % interest per annum on the remaining loan balance.

2 The project finance facility (in 2020) has been replaced by senior secured notes (in 2021) on the Cidade de Ilhabela FPSO.

3 The Liza Unity Project finance facility maturity date is August 31, 2022 but can be extended in various ways, and up to the expiry date of the 2 years Charter Term provided that the vessel has been completed.

For the project finance facilities, the respective vessels are mortgaged to the banks or to note holders.

The Company has available borrowing facilities being the (i) undrawn revolving credit facility (RCF), (ii) the undrawn portions of *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* project facilities and (iii) short-term credit lines.

Expiry date of the undrawn facilities and unused credit lines

	2021	2020
Expiring within one year	249	249
Expiring beyond one year	2,113	1,298
Total	**2,362**	**1,547**

The increase in undrawn facilities and unused credit lines compared with the previous year is primary driven by the undrawn facilities on the new project facilities for *FPSO Sepetiba and Prosperity* (FPSO) completed over the period partially offset by the 2021 drawdowns under the *Liza Unity* (FPSO) project facility.

The RCF in place as of December 31, 2021 has a maturity date of February 13, 2026, following the exercise of a one-year extension option on February 1, 2021. The US$1 billion facility was secured with a selected group of 11 core relationship banks, increasing to 13 banks in 2021, and has an uncommitted option to increase the RCF by an additional US$500 million. The Company does not have any other 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 currently 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]. The Company's Sustainability performance in 2021 allows the 0.05% margin decrease to remain applicable for 2022.

COVENANTS

The following key financial covenants apply to the RCF as agreed with the respective lenders on February 13, 2019, and unless stated otherwise, relate to the Company's consolidated financial statements:

- **Solvency**: 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 directional backlog. The maximum theoretical amount available under the RCF is then determined by dividing this 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 December 31, 2021 additional headroom above the US$1 billion capacity under the RCF exceeded US$1.1 billion.

For the purpose of covenants calculations, the following simplified definitions apply:

- **IFRS Tangible Net Worth:** Total equity (including non-controlling interests) of the Company in accordance with IFRS, excluding the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income, dividends declared, value of intangible assets and deferred taxes.
- **Consolidated IFRS Tangible Assets:** The Company's total assets (excluding intangible assets) in accordance with the IFRS consolidated statement of financial position less the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income.

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

- **Consolidated Directional Underlying EBITDA:** Consolidated profit of the Company adjusted for net interest payable, tax and depreciation of assets and impairments, any exceptional or extraordinary items, and by adding back (i) the annualized production EBITDA for units which started operations during the financial year, and (ii) the acquisition annualized EBITDA for units acquired during the financial year.
- **Consolidated Directional Net Interest Payable:** All interest and other financing charges paid up, payable (other than capitalized interest during a construction period and interest paid or payable between wholly owned members of the Company) or incurred by the Company less all interest and other financing charges received or receivable by the Company, as per Directional reporting.

Covenants

	2021	2020
IFRS Tangible Net Worth	3,780	3,709
Consolidated IFRS Tangible Assets	13,079	10,896
Solvency ratio	28.9%	34.0%
Adjusted (Directional) Underlying EBITDA	935[1]	948
Consolidated Directional Net Interest Payable	170	173
Interest cover ratio	5.5	5.5

1 Exceptional items restated from 2020 to 2021 Consolidated Directional Underlying EBITDA are mainly related to the US$77 million anticipated revenue recognition following the early redelivery of the Deep Panuke MOPU. This has been excluded from the 2020 Consolidated Directional Underlying EBITDA and added back in the 2021 Consolidated Directional Underlying EBITDA, in line with effective cash receipts. In addition, the 2021 Consolidated Directional Underlying EBITDA does not include the US$ 8 million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.

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

LEASE LIABILITIES

The lease liabilities mostly relate to the leasing of office buildings as of December 31, 2021.

The movement in the lease liabilities is as follows:

	2021	2020
Principal recognized at 1 January	**71**	**173**
Additions	10	12
Redemptions	(20)	(28)
Foreign currency variations	(4)	3
Other	-	(87)
Total movements	**(15)**	**(101)**
Remaining principal at 31 December	**56**	**71**
Of which		
Current portion	19	20
Non-current portion	37	51

The movements in lease liabilities over the period were mainly related to regular redemptions and foreign currency variations. In 2020, the other movements related to the derecognition of the lease liability related to the DSCV Installer.

Maturity of the lease liabilities is analyzed in section 4.3.28 financial instruments - fair values and risk management (paragraph dedicated to liquidity risk).

The total cash outflow for leases in 2021 was US$22 million, which includes redemptions of principal and interest payments. Total interest for the period amounted to US$2 million.

4.3.25 PROVISIONS

The movement and type of provisions during the year 2021 are summarized as follows:

Provisions (movements)

	Demobilisation	Onerous contracts	Warranty	Employee benefits	Other	Total
Balance at 1 January 2021	**134**	**3**	**37**	**34**	**167**	**376**
Arising during the year	(0)	(1)	23	1	30	53
Unwinding of interest	1	-	-	0	-	2
Utilised	(10)	(3)	(0)	(1)	(12)	(26)
Released to profit	(5)	(3)	(6)	0	(1)	(15)
Other movement	0	6	(0)	(9)	(4)	(7)
Balance at 31 December 2021	121	3	54	26	179	383
of which :						
Non-current portion	78	-	-	26	131	235
Current portion	43	3	54	-	49	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 the line item 'Financial expenses' of the consolidated income statement (refer to note 4.3.9 Net Financing Costs).

The decrease in the provision for demobilization mainly relates to the progress in the recycling activities of Deep Panuke MOPU unit during the year 2021.

Expected outflow within one year is US$43 million and amounts to US$53 million between one and five years, and US$25 million after five years.

Onerous contracts

The Company recognized individually immaterial onerous contract provisions for insignificant contracts with clients for a total amount of US$6 million.

Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client. The increase of the warranty provision consists of new provisions accrued on projects under construction over the period.

Other

Other provisions mainly relate to claims, regulatory fines related to operations and local content penalty on construction projects. The latter was the main driver of the increase in Other provisions during 2021.

4.3.26 TRADE AND OTHER PAYABLES

Trade and other payables (summary)

	Notes	31 December 2021	31 December 2020
Trade payables		151	131
Accruals on projects		593	468
Accruals regarding delivered orders		27	53
Other payables		91	109
Contract liability	4.3.20	64	69
Pension taxation		8	7
Taxation and social security costs		76	110
Current portion of deferred income		6	6
Other non-trade payables		95	80
Total	4.3.28	**1,111**	**1,033**

The 'trade payables' and 'accruals on projects' together increased due to the higher Turnkey projects activities during 2021 following award of *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and the awarded initial limited scope for the FPSO for the Yellowtail development project.

'Accruals regarding delivered orders' decreased in 2021 mainly due to successful finalization of discussion with the client regarding long-term outstanding position on a delivered FPSO.

The 'Contract liability' relates mainly to one of the Company's renewable projects and other minor construction projects. The Company recognized revenue of US$53 million during the period, which was included in the contract liability as per December 31, 2020.

Payables related to 'Taxation and social security' concerns uncertain tax positions related mainly to various taxes other than corporate income tax. The decrease in the balance relates mainly to (i) the release of the positions for which the statute of limitations has been reached, and (ii) the reassessment of other positions based on the discussions with tax authority and tax experts engaged by the Company.

'Other non-trade payables' include mostly interest payable and the short-term portion of the outstanding payments related to the Leniency Agreement and the settlement with Brazilian Federal Prosecutor's Office (Ministério Público Federal – 'MPF'). The long-term portion of the outstanding payments related to these agreements is presented in the line item 'Other non-current liabilities' in the Company's statement of financial position.

The line item 'Other non-current liabilities' in the Company's statement of financial position also includes a prepayment of US$52 million relating to the future potential participation of partners to charter contracts.

The contractual maturity of the trade payables is analyzed in the liquidity risk section in 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.27 COMMITMENTS AND CONTINGENCIES

PARENT COMPANY GUARANTEES

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

In the past, the parent company has issued guarantees for contractual obligations in respect of several Group companies, including equity-accounted joint ventures, with respect to long-term lease and operate contracts. The few remaining guarantees still active as of December 31, 2021 relate to the Deep Panuke MOPU unit, *Thunder Hawk* semi-submersible platform and *FPSO Saxi Batuque*. These have been signed prior to 2010.

BANK GUARANTEES

As of December 31, 2021, the Company has provided bank guarantees to unrelated third parties for an amount of US$348million (2020: US$570 million). No liability is expected to arise under these guarantees.

The Company holds in its favor US$599 million of bank guarantees from unrelated third parties. No withdrawal under these guarantees is expected to occur.

COMMITMENTS

As at December 31, 2021, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$1,600 million (December 31, 2020: US$990million). Investment commitments have increased principally due to the progress made on the construction of the *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba, FPSO Alexandre de Gusmão, FPSO Almirante Tamandaré* and limited scope award of the FPSO for the Yellowtail development project.

CONTINGENT LIABILITY

Following the close out of the legacy issue in Switzerland, there are no remaining identified contingent liabilities. Refer to section 4.3.1 Financial highlights for further information on the close out of the legacy issue in Switzerland.

4.3.28 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

This note presents information about the Company's exposure to risk resulting from its use of financial instruments, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the statement of financial position, which require disclosure of fair value measurements by level:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classification and fair values

			31 December 2021		31 December 2020	
	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	*4.3.15*	3	6,182	6,586	6,488	7,223
Demobilization receivables	*4.3.16*	3	-	-	-	-
Loans to joint ventures and associates	*4.3.16*	3	51	49	46	43
Total			**6,233**	**6,635**	**6,534**	**7,265**
Financial liabilities measured at amortized cost						
US$ project finance facilities drawn	*4.3.24*	2	7,850	7,825	5,620	5,669
Revolving credit facility/Bilateral credit facilities	*4.3.24*	2	-	-	-	-
Lease liabilities		3	56	56	71	71
Other debt	*4.3.24*	2	2	2	1	1
Total			**7,908**	**7,883**	**5,692**	**5,741**

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.
- 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 December 31, 2021.
- 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 December 31, 2021 and December 31, 2020.

The effects of the foreign currency related hedging instruments on the Company's financial position and performance including related information is included in the table below:

Effect of the foreign currency and interest swaps related hedging instruments

	2021	2020
Foreign currency forwards		
Carrying amount	(80)	77
Notional amount	(2,845)	(2,162)
Maturity date	2-8-2024	4-9-2021
Hedge ratio	100%	100%
Change in discounted spot value of outstanding hedging instruments since 1 January	(158)	112
Change in value hedged rate for the year (including forward points)	158	(112)
Interest rate swaps		
Carrying amount	(144)	(351)
Notional amount	5,715	5,649
Maturity date	12-4-2033	13-6-2027
Hedge ratio	92%	93%
Change in discounted spot value of outstanding hedging instruments since 1 January	207	(192)
Change in value hedged rate for the year (including forward points)	(207)	192

MEASUREMENT OF FAIR VALUES

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

	Level 2 and level 3 instruments	Level 3 instruments	
Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value			
Interest rate swaps	Income approach – Present value technique	Not applicable	Not applicable
Forward currency contracts	Income approach – Present value technique	Not applicable	Not applicable
Financial instrument not measured at fair value			
Loans to joint ventures and associates	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (1%-7%)	The estimated fair value would increase (decrease) if: ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Finance lease receivables	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (5%-9%)	The estimated fair value would increase (decrease) if: ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Loans and borrowings	Income approach – Present value technique	Not applicable	Not applicable
Other long-term debt	Income approach – Present value technique	Not applicable	Not applicable

DERIVATIVE ASSETS AND LIABILITIES DESIGNATED AS CASH FLOW HEDGES

The following table indicates the period in which the cash flows associated with the cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for interest rate swaps are estimated using the forward rates as at the reporting date.

Cash flows

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2021					
Interest rate swaps (USD LIBOR 3 Months)	(144)	(48)	(73)	(40)	(162)
Forward currency contracts	(80)	(24)	(16)	-	(41)
31 December 2020					
Interest rate swaps (USD LIBOR 3 Months)	(351)	(79)	(190)	(111)	(380)
Forward currency contracts	77	41	32	-	72

The following table indicates the period in which the cash flows hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

Expected profit or loss impact

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2021					
Interest rate swaps (USD LIBOR 3 Months)	(144)	(48)	(73)	(40)	(162)
Forward currency contracts	(80)	(24)	(16)	-	(41)
31 December 2020					
Interest rate swaps (USD LIBOR 3 Months)	(351)	(79)	(190)	(111)	(380)
Forward currency contracts	77	41	32	-	72

Interest rate swaps

Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the final repayment of the hedged items (please refer to note 4.3.23 Equity Attributable to Shareholders).

Forward currency contracts

Gains and losses recognized in the hedging reserve on forward currency contracts are recognized in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within twelve months from the statement of financial position date unless the gain or loss is included in the initial amount recognized in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset. If the gain or loss is included in the initial amount recognized in the carrying amount of the cost incurred on construction contracts then the recognition is over time.

LOSS ALLOWANCE ON FINANCIAL ASSETS AND CONSTRUCTION WORK-IN-PROGRESS

The movement of loss allowance during the year 2021 is summarized as follows:

	Finance lease receivable		Construction work-in-progress		Trade receivables		Other financial assets	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Opening loss allowance as at 1 January	**(1)**	**0**	**(4)**	**(0)**	**(3)**	**(4)**	**(114)**	**(99)**
Increase in loss allowance recognized in profit or loss during the year	(0)	(1)	(2)	(4)	(4)	(3)	(3)	(15)
Receivables written off during the year as uncollectible	-	-	-	-	-	2	-	-
Unused amount reversed	1	0	5	0	4	2	9	0
At 31 December	**(0)**	**(1)**	**(1)**	**(4)**	**(3)**	**(3)**	**(108)**	**(114)**

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, market risks (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company buys and sells derivatives in the ordinary course of business and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set in the Company policy. Generally, the Company seeks to apply hedge accounting in order to manage volatility in the income statement and statement of comprehensive income. The purpose is to manage the interest rate and currency risk arising from the Company's operations and its sources of finance. Derivatives are only used to hedge closely correlated underlying business transactions.

The Company's principal financial instruments, other than derivatives, comprise trade debtors and creditors, bank loans and overdrafts, cash and cash equivalents (including short-term deposits) and financial guarantees. The main purpose of these financial instruments is to finance the Company's operations. Trade debtors and creditors result directly from the business operations of the Company.

Financial risk management is carried out by a central treasury department under policies approved by the Management Board. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries and the Chief Financial Officer (CFO) during the quarterly Asset and Liability Committee. The Management Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. It is, and has been throughout the year under review, the Company's policy that no speculation in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from transactional currency exposures, primarily with respect to the euro, Singapore dollar, and Brazilian real. The exposure arises from sales or purchases in currencies other than the Company's functional currency. The Company uses forward currency contracts to eliminate the currency exposure once the Company has entered into a firm commitment of a project contract.

For foreign currency risk, the principle terms of the forward currency contract (notional and settlement date) and the future expense or revenue (notional and expected cash flow date) are identical. The Company has established a hedge ratio of 1:1 for all its hedging relationships.

The main Company's exposure to foreign currency risk is as follows based on notional amounts:

Foreign exchange risk (summary)

	31 December 2021			31 December 2020		
in millions of local currency	EUR	SGD	BRL	EUR	SGD	BRL
Fixed assets	57	-	84	71	-	93
Current assets	82	3	398	93	6	554
Long-term liabilities	(19)	-	(577)	(28)	-	(43)
Current liabilities	(166)	(6)	(743)	(174)	(16)	(633)
Gross balance sheet exposure	**(46)**	**(3)**	**(837)**	**(38)**	**(10)**	**(29)**
Estimated forecast sales	40	-	-	78	-	-
Estimated forecast purchases	(977)	(237)	(2,542)	(1,079)	(525)	(1,073)
Gross exposure	**(983)**	**(240)**	**(3,379)**	**(1,039)**	**(535)**	**(1,102)**
Forward exchange contracts	1,000	241	3,281	1,055	528	1,121
Net exposure	**17**	**1**	**(97)**	**16**	**(8)**	**19**

The increase of the BRL exposure results from *FPSO Sepetiba*, *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* under construction in 2021.

The estimated forecast purchases relate to project expenditure and overhead expenses for up to three years. The main currency exposures of overhead expenses and Brazilian operations are hedged at 100% for the coming year, between 66% and 100% for the year after, and between 33% and 100% for the subsequent year depending on internal review of the foreign exchange market conditions.

Foreign exchange risk (exchange rates applied)

	2021	2020	2021	2020
	Average rate		Closing rate	
EUR 1	1.1827	1.1422	1.1326	1.2271
SGD 1	0.7442	0.7254	0.7413	0.7566
BRL 1	0.1856	0.1958	0.1795	0.1925

The sensitivity on equity and the income statement resulting from a change of ten percent of the US dollar's value against the following currencies at December 31 would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2020.

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2021				
EUR	0	(0)	(108)	108
SGD	(0)	0	(18)	18
BRL	(0)	0	(43)	43
31 December 2020				
EUR	(1)	1	(124)	124
SGD	1	(1)	(40)	40
BRL	0	(0)	(21)	21

As set out above, by managing foreign currency risk the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in foreign currency rates would have an impact on consolidated earnings.

Interest rate risk

The Company's exposure to risk from changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. In respect of controlling interest rate risk, the floating interest rates of long-term loans are hedged by fixed rate swaps for the entire maturity period. The revolving credit facility is intended for the fluctuating needs of construction financing and bears interest at floating rates, which is also swapped for fixed rates when exposure is significant.

For interest rate risk, the principle terms of the interest rate swap (notional amortization, rate-set periods) and the financing (repayment schedule, rate-set periods) are identical. The Company has established a hedge ratio of 1:1, as the hedging layer component matches the nominal amount of the interest rate swap for all its hedging relationships.

Interest rate benchmark reform

The reform and replacement of benchmark interest rates such as USD LIBOR 3M and other interbank offered rates ('IBORs') has become a priority for global regulators. On 5 March 2021, LIBOR's administrator (IBA) set out clear end-dates for new use of USD LIBOR and its cessation as a representative rate:

- December 31, 2021: Cessation of USD LIBOR 1W and 2M tenors; deadline for most of new contract to use USD LIBOR as sole reference;
- June 30, 2023: Cessation of remaining USD LIBOR tenors.

To transition existing contracts and agreements that reference USD LIBOR to Secured Overnight Financing Rate ('SOFR') as the benchmark for US$ denominated derivatives and loans, adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

The Company's Treasury department is managing SBM Offshore's IBOR transition plan with the support of the Company's Legal department. The greatest change will be amendments to the contractual terms of the USD LIBOR-referenced floating-rate debt and the associated interest rate swaps and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models.

Any contract referring to USD LIBOR 1W and 2M tenors has been successfully amended by the Company prior to December 31, 2021 in order to no longer use these LIBOR settings. These amendments did not have material impact on the consolidated financial statements.

In addition, in 2021 the Company has started hedging future debt interest rate risk with SOFR interest rate derivatives. For the Prosperity financing (maturing beyond 30 June 2023), IBOR transition to SOFR principles have been agreed with lenders.

Relief applied

The Company has applied the following reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in September 2019:

- When considering the 'highly probable' requirement, the Company has assumed that the USD LIBOR 3M interest rate on which the Company's hedged debt is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Company has assumed that the USD LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by LIBOR reform.
- The Company has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made

The counterparties to the Company's interest rate swaps are also counterparties to the floating loan they are hedging. It is then assumed that the result of the negotiations with external banks and the implementation of SOFR will not have material impacts on the Company's future financial results.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments (excluding transaction costs) was:

Interest rate risk (summary)

	2021	2020
Fixed rate instruments		
Financial assets	6,233	6,573
Financial liabilities	(1,058)	(347)
Total	**5,174**	**6,226**
Variable rate instruments (USD LIBOR 3 Months)		
Financial assets	51	46
Financial liabilities (USD LIBOR 3 Months)	(6,793)	(5,229)
Financial liabilities (future) (USD LIBOR 3 Months)	(1,788)	(1,271)
Financial liabilities (future) (SOFR)	(730)	-
Total	**(9,259)**	**(6,454)**

Interest rate risk (exposure)

	2021	2020
Variable rate instruments (USD LIBOR 3 Months)	(8,529)	(6,454)
Variable rate instruments (SOFR)	(730)	-
Less: Reimbursable items (USD LIBOR 3 Months)	1,746	668
Less: IRS contracts (USD LIBOR 3 Months)	4,985	5,649
Less: IRS contracts (SOFR)	730	-
Exposure	**(1,798)**	**(136)**

Interest rate risk (sensitivity)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2021				
Variable rate instruments (USD LIBOR 3 Months)	(18)	18	-	-
Variable rate instruments (SOFR)	-	-	-	-
Interest rate swap (USD LIBOR 3 Months)	-	-	270	(270)
Interest rate swap (SOFR)	-	-	54	(54)
Sensitivity (net)	**(18)**	**18**	**324**	**(324)**
31 December 2020				
Variable rate instruments (USD LIBOR 3 Months)	(1)	1	-	-
Interest rate swap (USD LIBOR 3 Months)	-	-	226	(226)
Sensitivity (net)	**(1)**	**1**	**226**	**(226)**

The exposure of US$1,798 million is primarily related to un-hedged current financial liabilities, namely the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* secured in 2021. The interest rate exposure arising from the bridge loans is mainly offset by the Cash and Cash Equivalent at December 31, 2021.

The sensitivity on equity and the income statement resulting from a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2020.

At December 31, 2021, it is estimated that a general increase of 100 basis points in interest rates would decrease the Company's profit before tax for the year by approximately US$18 million (2020: decrease of US$1 million) mainly related to the exposure on the bridge loan facilities for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* and the residual exposure on un-hedged financial liabilities.

As set out above, the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in interest rates could have an impact on consolidated earnings.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other financial assets, trade and other receivables (including committed transactions), derivative financial instruments and cash and cash equivalents.

Credit risk

	2021		2020	
Rating	Assets	Liabilities	Assets	Liabilities
AA	2	(33)	0	(10)
AA-	21	(95)	67	(171)
A+	16	(142)	66	(205)
A	2	(13)	3	(24)
BBB	-	(1)	-	(1)
Non-investment grade	0	(0)	-	-
Derivative financial instruments	**40**	**(283)**	**136**	**(411)**
AAA	223		111	-
AA	5		10	-
AA-	187		217	-
A+	534		53	-
A	50		3	-
A-	0		0	-
Non-investment grade	22		20	-
Cash and cash equivalents and bank overdrafts	**1,020**	**-**	**414**	**-**

The Company maintains and reviews its policy on cash investments and limits per individual counterparty are set to:
- BBB- to BBB+ rating: US$25 million or 10% of cash available.
- A- to A+ rating: US$75 million or 20% of cash available.
- AA- to AA+ rating: US$100 million or 20% of cash available.
- Above AA+ rating: no limit.

As per December 31, 2021, cash investments above AA+ rating do not exceed US$100 million per individual counterparty. Cash held in banks rated A+ has been diversified in cash investments above AA+ rating since year-end.

Cash held in banks rated AA- is mainly linked to cash pledged to loan reimbursements to those same banks. Cash held in banks rated below A- is mainly related to the Company's activities in Angola and Brazil (US$16 million) and has decreased since 2020 following cash repatriation.

For trade debtors the credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Bank or parent company guarantees are negotiated with customers. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management Board. At the date of the financial statements, there are two customers that have an outstanding balance with a percentage over 10% of the total of trade and other receivables. Reference is made to note 4.3.19 Trade and Other Receivables for information on the distribution of the receivables by country and an analysis of the ageing of the receivables. Furthermore, limited recourse project financing removes a significant portion of the credit risk on finance lease receivables.

For other financial assets, the credit quality of each counterpart is assessed taking into account its credit agency rating when available or a comparable proxy.

Regarding loans to joint ventures and associates, the maximum exposure to credit risk is the carrying amount of these instruments. As the counterparties of these instruments are joint ventures, the Company has visibility over the expected cash flows and can monitor and manage credit risk that mainly arises from the joint venture's final client.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In 2021 the Company again conducted various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion remained that the Company's lease portfolio and the existing financing facilities and overall financing capacity are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients the Company has considerable time under charters in which to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. To date, the Company has been able to manage the COVID-19 situation without the need to use such protection.

Liquidity is monitored using rolling forecasts of the Company's liquidity reserves based on expected cash flows. Flexibility is secured by maintaining availability under committed credit lines.

The table below analyses the Company's non-derivative financial liabilities, derivative financial liabilities and derivative financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for borrowings and derivative financial instruments are based on the USD LIBOR/SOFR 3-month rates as at the reporting date.

Liquidity risk 2021

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
31 December 2021					
Borrowings		1,017	4,648	3,156	8,821
Lease liabilities		19	34	4	56
Derivative financial liabilities		121	107	40	268
Derivative financial assets		(34)	(16)		(50)
Trade and other payables	*4.3.26*	1,111	-	-	1,111
Total		**2,234**	**4,772**	**3,200**	**10,207**

Liquidity risk 2020

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
31 December 2020					
Borrowings		1,336	3,148[1]	1,522	5,995
Lease liabilities		20	45	6	71
Derivative financial liabilities		133	193	111	437
Derivative financial assets		(97)	(33)	-	(130)
Trade and other payables	*4.3.26*	1,033	-	-	1,033
Total		**2,424**	**3,354**	**1,639**	**7,406**

1 includes the Liza Unity Project finance facility as disclosed in 4.3.24 Borrowings and Lease liabilities.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain a capital structure which optimizes the Company's cost of capital while at the same time ensuring diversification of sources of external funds.

The Company generally uses its corporate revolving credit facility (RCF, US$1 billion) to bridge financing requirements on projects under construction prior to putting a dedicated project finance facility in place. When a project finance facility is arranged and draw-downs have started, the RCF is repaid and a corporate guarantee from the Company is put in place for the construction period. When the project facility is drawn in full and the associated FPSO is producing, the corporate guarantee is recovered and the project finance becomes non-recourse debt.

As per December 31, 2021, all the debt associated with operating FPSOs is non-recourse.

The Company has limited appetite to decrease the existing debt in its structure, as this would involve breakage cost, through winding down the hedges and it would decrease the Company's return on equity. From time to time, it may decide to refinance existing facilities in order to increase and/or extend the tenor of leverage subject to sufficient charter tenor and income.

Given the non-recourse nature of a large part of its debt, the Company monitors its capital risk based on the Lease Backlog Cover Ratio, which is also used by the bank consortium supporting the Company's RCF. Generally, this ratio is calculated as the present value of the projected future net charter income, after deducting the project finance debt and interest payments, of a selected group of FPSO owning entities divided by the Company's corporate debt level (see note 4.3.24 Borrowings and Lease Liabilities).

The gearing ratios at December 31, 2021 and 2020 were as follows:

Capital risk management

	2021	2020
Total borrowings and lease liabilities	7,701	5,623
Less: net cash and cash equivalents	1,021	414
Net debt	**6,681**	**5,209**
Total equity	3,537	3,462
Total capital	**10,217**	**8,670**
Gearing ratio	65.4%	60.1%

Climate related risks

The Company has adopted two climate change scenarios to future-proof current strategy and take appropriate action. The scenarios are based on the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) data, as explained in section 5.1.4 Taskforce for Climate-related Disclosure (TCFD):

- A Steady Climate Change Scenario with a positive impact on climate change, but which falls short of meeting the Paris Agreement goals.
- A Bold Climate Action Scenario providing for strong commitment towards targets, as per the Paris Agreement.

Through its strategy process the Company tests the resilience of its portfolio and business model against each of these scenarios. Refer to section 1.4.3 Climate Change Risk & Opportunity for a detailed presentation of these scenarios and the risks associated to each of them.

Although climate related risks are key drivers of the Company strategy, budgeting exercise, capital allocation and prospects selection, the Company did not experience any impact on the financial result of the period. The risks will however remain key points of attention for areas such as impairment testing, estimation of remaining useful life, expected credit losses and provisions for future periods.

Other risks

In respect of controlling political risk, the Company has a policy of thoroughly reviewing risks associated with contracts, whether Turnkey or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained.

4.3.29 LIST OF GROUP COMPANIES

In accordance with legal requirements a list of the Company's entities that are included in the consolidated financial statements of SBM Offshore N.V. has been deposited at the Chamber of Commerce in Amsterdam.

4.3.30 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The Company has several joint ventures and associates:

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2021 main reporting segment	Project name
Sonasing Xikomba Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO N'Goma
OPS-Serviços de Produção de Petróleos Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & Operate	Angola operations
OPS-Serviços de Produção de Petróleos Ltd. Branch	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Angola	Lease & Operate	Angola operations
Sonasing Sanha Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Sanha
Sonasing Kuito Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Kuito
Sonasing Mondo Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Mondo
Sonasing Saxi Batuque Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	FPSO Saxi-Batuque
OPS Production Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & Operate	Angola operations
Anchor Storage Ltd.	Maersk group	Joint venture	49.00	Bermuda	Lease & Operate	Nkossa II FSO
Gas Management (Congo) Ltd.	Maersk group	Joint venture	49.00	Bahamas	Lease & Operate	Nkossa II FSO
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & Operate	FPSO Kikeh
Malaysia Deepwater Production Contractors Sdn Bhd	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & Operate	FPSO Kikeh
Floventis Energy Limited	CIERCO LTD.	Joint venture	50.00	United Kingdom	Turnkey	Cierco
Llŷr Floating Wind Limited	CIERCO LTD.	Joint venture	50.00	Scotland	Turnkey	Cierco
CADEMO Corporation	CIERCO LTD.	Joint venture	50.00	United states of America	Turnkey	Cierco
Normand Installer S.A.	The Solstad group	Joint venture	49.90	Switzerland	Turnkey	Normand Installer
SBM Ship Yard Ltd.	Sociedad Nacional de Combustiveis de Angola	Associate	33.33	Bermuda	Turnkey	Angolan yard

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2021 main reporting segment	Project name
	Empresa Publica -Sonangol E.P.; Daewoo Shipbuilding & Marine Engineering Co. Ltd.					
PAENAL - Porto Amboim Estaleiros Navais Ltda.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; SBM Shipyard	Associate	30.00	Angola	Turnkey	Angolan yard

The Company has no joint operation as per definition provided by IFRS 11 'Joint arrangements'.

The movements in investments in associates and joint ventures are as follows:

	Note	2021	2020
Investments in associates and joint ventures at 1 January		**282**	**325**
Share of profit of equity-accounted investees	4.2.1	110	17
Dividends		(43)	(44)
Cash flow hedges		6	(8)
Capital increase/(decrease)		6	(12)
Foreign currency variations		0	(0)
Share in negative net equity reclassification to loans to joint ventures and associates		-	-
Other		-	3
Investments in associates and joint ventures at 31 December		**361**	**282**

Share of profit in equity-accounted investees

The significant increase in share of profit of equity-accounted investees is mainly explained by the extension of the lease and operate contracts of the *FPSO Kikeh* located in Malaysia (US$76 million).

The Company's investee signed an agreement with its client PTTEP for an additional 6 years' extension for the lease and operate contracts of the *FPSO Kikeh* located in Malaysia. The end of the contractual lease and operate period was extended from January 2022 to January 2028. The Company is the minority owner of the lease and operating companies related to *FPSO Kikeh* with 49% equity ownership, together with MISC with 51% equity ownership. As a result of the revised terms and conditions, the contract remains classified as a Finance lease under IFRS and the Company recognized a profit of US$76 million corresponding to its share of the increase in the discounted value of future lease payment.

Purchase and termination options in finance lease contracts – Joint ventures and associates

The finance lease contracts of *FPSO N'Goma*, *FPSO Saxi Batuque* and *FPSO Mondo*, where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early.

The exercise of the purchase option on FPSOs *N'Goma*, *Saxi Batuque* and *Mondo* as per December 31, 2021 would have resulted in a gain for the Company or a near breakeven result. The exercise of the option to terminate the contract early, in which case the Company retains ownership of the vessel, would result in a break-even result for FPSOs *N'Goma*, *Saxi Batuque* and *Mondo*.

4 FINANCIAL INFORMATION 2021

The following tables present the figures at 100%.

Information on significant joint arrangements and associates - 2021

Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends paid	Revenue
FPSO N'Goma	Angola	909	570	182	325	307	83	-	64
Angola operations	Angola	127	4	14	28	28	104	-	179
FPSO Kikeh	Malaysia	208	144	7	-	5	32	88	212
Angolan yard	Angola	74	0	53	539	539	38	-	4
Non material joint ventures/associates		92	75	7	168	163	8	-	1
Total at 100%		**1,410**	**794**	**263**	**1,059**	**1,041**	**265**	**88**	**460**

Information on significant joint arrangements and associates - 2020

Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends paid	Revenue
FPSO N'Goma	Angola	930	683	98	386	387	99	-	73
Angola operations	Angola	118	1	2	23	18	99	-	166
FPSO Kikeh	Malaysia	117	9	8	-	5	17	88	67
Brazilian yard	Brazil	2	2	0	1	0	4	-	-
Angolan yard	Angola	72	0	47	511	511	32	-	(2)
Non material joint ventures/associates		83	68	7	169	161	9	-	10
Total at 100%		**1,323**	**763**	**163**	**1,090**	**1,083**	**260**	**88**	**314**

The bank interest-bearing loans and other borrowings held by joint ventures and associates are as follows:

Information on loans and borrowings of joint ventures and associates

				Net book value at 31 December 2021			Net book value at 31 December 2020		
Entity name	% Ownership	% Interest	Maturity	Non-current	Current	Total	Non-current	Current	Total
US$ Project Finance facilities drawn:									
Sonasing Xikomba Ltd	50.00	4.00%	15-05-2026	259	65	325	325	62	386
Normand Installer SA	49.90	3.70%	23-02-2023	22	5	27	27	5	32
Loans from subsidiaries of SBM Offshore N.V.[1]				358	-	358	339	8	347
Loans from other shareholders of the joint ventures and associates				333	-	333	314	-	314
Loans from other joint ventures[2]				245	-	245	247	5	251
Net book value of loans and borrowings				**1,217**	**70**	**1,288**	**1,251**	**80**	**1,331**

1 Please refer to note 4.3.16 'Loans to joint-ventures and associates' for presentation of the carrying amount of these loans in the Company's Consolidated Statement of financial position.

2 Mainly loans from the joint ventures SBM Shipyard Ltd to the JV PAENAL - Porto Amboim Estaleiros Navais Ltda.

Aggregated information on joint ventures and associates

	2021	2020
Net result at 100%	187	(2)

Reconciliation equity at 100 % with investment in associates and joint ventures

	2021	2020
Equity at 100%	104	(20)
Partner ownership	88	134
Share in negative net equity reclassification to loans to joint ventures and associates	168	168
Investments in associates and joint ventures	**361**	**282**

4.3.31 INFORMATION ON NON-CONTROLLING INTERESTS

The Company has several jointly owned subsidiaries:

Entity name	Partners	% of ownership	Country registration	2021 main reporting segment	Project name
Aseng Production Company Ltd.	GE Petrol	60.00	Cayman island	Lease & Operate	FPSO Aseng
Gepsing Ltd.	GE Petrol	60.00	Cayman island	Lease & Operate	FPSO Aseng / FPSO Serpentina
Gepsing Ltd - Equatorial Guinea Branch	GE Petrol	60.00	Equatorial Guinea	Lease & Operate	FPSO Aseng / FPSO Serpentina
Brazilian Deepwater Production Ltd.	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & Operate	FPSO Espirito Santo
Brazilian Deepwater Production Contractors Ltd.	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & Operate	FPSO Espirito Santo
Brazilian Deepwater Production B.V.	Malaysia International Shipping Corporation Behard	51.00	The Netherlands	Lease & Operate	FPSO Espirito Santo
Operações Marítimas em Mar Profundo Brasileiro Ltda	owned by Brazilian Deepwater Production Contractors (see information above)	51.00	Brazil	Lease & Operate	FPSO Espirito Santo
Alfa Lula Alto S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Luxembourg	Turnkey	FPSO Cidade de Marica
Alfa Lula Alto Holding Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Bermuda	Lease & Operate	FPSO Cidade de Marica
Alfa Lula Alto Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Marica
Alfa Lula Alto S.à r.l. (Brazilian branche)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Marica
Beta Lula Central S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Luxembourg	Turnkey	FPSO Cidade de Saquarema
Beta Lula Central Holding Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Bermuda	Lease & Operate	FPSO Cidade de Saquarema
Beta Lula Central Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Saquarema
Beta Lula Central S.à r.l. (Brazilian branche)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	FPSO Cidade de Saquarema
Tupi Nordeste S.à.r.l.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Luxembourg	Lease & Operate	FPSO Cidade de Paraty
Tupi Nordeste Operações Marítimas Ltda.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Brazil	Lease & Operate	FPSO Cidade de Paraty
Tupi Nordeste Holding Ltd.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Bermuda	Lease & Operate	FPSO Cidade de Paraty
Tupi Nordeste S.à r.l. (Brazilian branche)	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Bermuda	Lease & Operate	FPSO Cidade de Paraty

Entity name	Partners	% of ownership	Country registration	2021 main reporting segment	Project name
Guara Norte S.à.r.l.	Mitsubishi Corporation	75.00	Luxembourg	Lease & Operate	FPSO Cidade de Ilhabela
Guara Norte Holding Ltd.	Mitsubishi Corporation	75.00	Bermuda	Lease & Operate	FPSO Cidade de Ilhabela
Guara Norte Operações Marítimas Ltda.	Mitsubishi Corporation	75.00	Brazil	Lease & Operate	FPSO Cidade de Ilhabela
Guara Norte S.à r.l. (Brazilian branche)	Mitsubishi Corporation	75.00	Brazil	Lease & Operate	FPSO Cidade de Ilhabela
Mero 2 Operacoes Maritima Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	Brazil	Lease & Operate	FPSO Sepetiba
Mero 2 Operacoes Holding S.A.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	Switzerland	Lease & Operate	FPSO Sepetiba
Mero 2 Owning B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	The Netherlands	Lease & Operate	FPSO Sepetiba
Mero 2 B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	The Netherlands	Lease & Operate	FPSO Sepetiba
YTSM JV S.A.	CB&I Nederland B.V.	70.00	Switzerland	Lease & Operate	FPSO Yellow Tail
SBM Nauvata Private Limited	Nauvata Engineering Private Limited	51.00	India	Turnkey	Engineering services
South East Shipping Co. Ltd.	Mitsubishi Corporation	75.00	Bermuda	Lease & Operate	Yetagun

Transaction with non-controlling interests

The US$68 million reported in 4.2.4 Consolidated Statement of Changes in Equity mainly relates to multiple equity contributions from the partners in the subsidiairy Mero 2 Owning B.V. related to *FPSO Sepetiba*.

Information on non-controlling interests (NCI)

Included in the consolidated financial statements are the following items that represent the Company's interest in the revenues, assets and loans of the partially owned subsidiaries.

Figures are presented at 100% before elimination of intercompany transactions.

2021

Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends to NCI	Revenue
FPSO Aseng / FPSO Serpentina	Equatorial Guinea	140	75	3	0	-	33	11	97
FPSO Espirito Santo	Brazil	131	76	9	93	94	48	-	51
FPSO Cidade de Marica	Brazil	1,603	1,435	61	907	839	176	11	200
FPSO Cidade de Saquarema	Brazil	1,555	1,430	25	1,018	962	136	13	198
FPSO Cidade de Paraty	Brazil	1,079	965	27	215	93	158	-	145
FPSO Cidade de Ilhabela	Brazil	1,387	1,247	29	804	764	73	91	191
FPSO Sepetiba	Brazil	1,644	-	24	944	1,066	267	-	484
Non material NCI		38	27	5	5	4	5	0	(0)
Total 100%		**7,578**	**5,255**	**183**	**3,986**	**3,821**	**897**	**127**	**1,367**

2020

Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends to NCI	Revenue
FPSO Aseng / FPSO Serpentina	Equatorial Guinea	147	87	15	0	0	29	8	88
FPSO Espirito Santo	Brazil	136	84	13	92	92	45	53	352
FPSO Cidade de Marica	Brazil	1,630	1,483	63	1,016	987	175	3	190
FPSO Cidade de Saquarema	Brazil	1,591	1,480	31	1,109	1,107	135	16	194
FPSO Cidade de Paraty	Brazil	1,070	968	26	311	200	160	-	147
FPSO Cidade de Ilhabela	Brazil	1,449	1,282	87	555	439	177	3	187
FPSO Sepetiba	Brazil	987	-	10	600	89	736	-	755
Non material NCI		26	0	4	-	-	1	0	1
Total 100%		**7,036**	**5,384**	**250**	**3,683**	**2,915**	**1,457**	**83**	**1,914**

Reference is made to note 4.3.24 Borrowings and Lease Liabilities for a description of the bank interest-bearing loans and other borrowings per entity.

The risks associated with interests in subsidiaries, join ventures and associated are described in section 4.3.28 Financial Instruments - Fair Values and Risk Management. The risks identified are deemed to be inherent to the operations of the Company as a whole and includes the risk profiles of interests in other entities.

Included in the consolidated financial statements are the following items that represent the aggregate contribution of the partially owned subsidiaries to the Company consolidated financial statements:

Interest in non-controlling interest (summary)

	2021	2020
Net result	72	137
Accumulated amount of NCI	957	905

Reconciliation equity at 100 % with Non-controlling interests on partially owned subsidiaries

	2021	2020
Equity at 100%	2,860	2,664
Company ownership	(1,902)	(1,758)
Accumulated amount of NCI	**957**	**905**

4.3.32 RELATED PARTY TRANSACTIONS

During 2021 no major related party transactions requiring additional disclosure in the financial statements took place.

For relations with Supervisory Board members, Management Board members and other key personnel reference is made to note 4.3.6 Employee Benefit Expenses.

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

Related party transactions

	Note	2021	2020
Revenue		12	10
Cost of sales		(16)	(14)
Loans to joint ventures and associates	*4.3.16*	51	46
Trade receivables		41	62
Trade payables		16	18
Lease liabilities		(0)	(0)

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.

Additional information regarding the joint ventures and associates is available in note 4.3.30 Investment in Associates and Joint Ventures.

4.3.33 INDEPENDENT AUDITOR'S FEES AND SERVICES

Fees included in other operating costs related to PwC, the 2021 and 2020 Company's external independent auditor, are summarized as follows:

in thousands of US$	2021	2020
Audit of financial statements	2,768	2,526
Out of which:		
- invoiced by PwC Accountants N.V.	1,822	1,522
- invoiced by PwC network firms	946	1,004
Tax advisory services by PwC network firms	33	50
Other assurance services	136	113
Total	**2,937**	**2,689**

In both 2021 and 2020, the other assurance services were mainly related to the review of the Company sustainability report.

4.3.34 EVENTS AFTER END OF REPORTING PERIOD

DIVIDEND

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company proposes to pay out a dividend of US$1 per share, equivalent to c.US$180[3]million, to be paid out of retained earnings. This dividend will be proposed at the Annual General Meeting on April 6, 2022. This represents an increase of 13% compared to the US$0.8854 dividend per share paid in 2021.

SALE OF SBM INSTALLER

As at December 31, 2021 the SBM Installer was classified as an asset held for sale with a carrying amount of US$ 25 million. This 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$8 million. The gain on disposal will be recognized in the consolidated income statement during 2022.

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 on January 25, 2022 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 CIDADE DE ANCHIETA

FPSO *Cidade de Anchieta* has been shut down from January 22, 2022 following the observation of oil near the vessel. Adequate anti-pollution measures were immediately deployed and were effective. The situation is under control with two temporary repairs to the hull implemented. The FPSO will restart when an agreed action plan is approved by the authorities.

[3] Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date. The amount disclosed is based on the number of shares outstanding less the treasury shares held at December 31, 2021.

4.4 COMPANY FINANCIAL STATEMENTS

4.4.1 COMPANY BALANCE SHEET

Company balance sheet

Before appropriation of profit	Notes	31 December 2021	31 December 2020
ASSETS			
Investment in Group companies	4.5.1	2,582	2,574
Total financial fixed assets		**2,582**	**2,574**
Deferred tax asset	4.5.2	3	3
Total non-current assets		**2,585**	**2,578**
Other receivables	4.5.3	4	2
Cash and cash equivalents	4.5.4	1	1
Total current assets		**5**	**3**
TOTAL ASSETS		**2,590**	**2,581**
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		51	58
Share premium reserve		1,034	1,034
Treasury shares		(69)	(51)
Legal reserves	4.5.5	1,211	1,304
Retained earnings		(48)	21
Profit of the year		400	191
Shareholders' equity	4.5.5	**2,579**	**2,556**
Other current liabilities	4.5.6	11	26
Total current liabilities		**11**	**26**
TOTAL EQUITY AND LIABILITIES		**2,590**	**2,581**

4.4.2 COMPANY INCOME STATEMENT

Company income statement

For the years ended 31 December	Note	2021	2020
Revenue	4.5.7	7	6
General and administrative expenses	4.5.8	(36)	(38)
Operating profit/(loss) (EBIT)		**(29)**	**(30)**
Financial expenses	4.5.9	(0)	(0)
Profit/(Loss) before income tax		**(29)**	**(30)**
Income tax (expense)/income		-	-
Result of Group companies	4.5.1	429	221
Profit/(Loss) after income tax		**400**	**191**

4.4.3 GENERAL

The Company financial statements are part of the 2021 financial statements of SBM Offshore N.V. Reference is made to section 4.2.6 General Information for additional details on the Company.

SBM Offshore N.V. costs mainly comprise of management activities and cost of the headquarters office at Schiphol of which part is recharged to Group companies.

PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

The stand-alone financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements of the 'Raad voor de Jaarverslaggeving'. SBM Offshore N.V. uses the option provided in section 2:362 (8) of the Dutch Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of SBM Offshore N.V. are the same as those applied for the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. The consolidated financial statements are prepared according to the standards set by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to the notes to the consolidated financial statements ('4.2.7 Accounting Principles') for a description of these principles.

Investments in group companies, over which control is exercised, are stated on the basis of the net asset value.

Results on transactions, involving the transfer of assets and liabilities between SBM Offshore N.V. and its participating interests or between participating interests themselves, are not incorporated insofar as they are deemed to be unrealized.

4.5 NOTES TO THE COMPANY FINANCIAL STATEMENTS

4.5.1 INVESTMENT IN GROUP COMPANIES

The movements in the item Investment in Group companies are as follows:

	2021	2020
Balance at 1 January	2,567	2,739
Loans issued to subsidiairy	7	6
Investments net value	**2,574**	**2,745**
Result of Group companies	429	221
Capital contributions	5	35
Dividends received	(373)	(337)
Other changes[1]	(53)	(83)
Foreign currency variations	0	(7)
Movements	**8**	**(172)**
Balance at 31 December	2,582	2,567
Loans issued to subsidiairy	0	7
Investments net value at 31 December	**2,582**	**2,574**

1 Mainly relates to Cash flow hedges and transaction with non-controlling interests (please refer to note 4.2.4 'Company's Consolidated Statement of changes in equity).

An overview of the information on principal subsidiary undertakings required under articles 2: 379 of the Dutch Civil Code is given below. The subsidiaries of SBM Offshore N.V. are the following (all of which are 100% owned):

- SBM Offshore Holding B.V., Amsterdam, the Netherlands
- SBM Holding Inc. S.A., Marly, Switzerland
- SBM Holding Luxembourg S.à.r.l, Luxembourg, Luxembourg
- SBM Schiedam B.V., Rotterdam, the Netherlands
- Van der Giessen-de Noord N.V., Krimpen a/d IJssel, the Netherlands (liquidated)
- SBM Holland B.V., Rotterdam, the Netherlands
- FPSO Capixaba Holding B.V., 's-Gravenhage, the Netherlands
- XNK Industries B.V., Dongen, the Netherlands (liquidated)

4.5.2 DEFERRED TAX ASSET

SBM Offshore N.V. is head of a fiscal unity in which all Dutch entities are included, except for the entities that are held by SBM Holding Inc. S.A. and the joint venture entities. For more details refer to note 4.4.3 General.

A deferred tax asset is recognized for tax losses of the fiscal unity which can be carried forward and are expected to be recovered based on anticipated future taxable profits within the Dutch fiscal unity. Due to a change in tax legislation, as of 2022, the tax losses of the fiscal unity incurred between 2014-2018 can be carried forward indefinitely. Commercially this has not resulted in a different valuation, the deferred tax asset for tax losses brought forward from prior years amounts to US$3 million (2020: US$3 million).

4.5.3 OTHER RECEIVABLES

	31 December 2021	31 December 2020
Trade receivables	0	0
Amounts owed by Group companies	3	1
Other debtors	1	1
Total	**4**	**2**

Other receivables fall due in less than one year. The fair value of the receivables reasonably approximates the book value, due to their short-term character.

Intercompany receivable from group companies are free of interest, therefore no interest is imputed. In respect of repayment, no formal agreements have been made.

4.5.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are at SBM Offshore N.V.'s free disposal.

4.5.5 SHAREHOLDERS' EQUITY

For an explanation of the shareholders' equity, reference is made to the Consolidated Statement of Changes in Equity and note 4.3.23 Equity Attributable to Shareholders.

Legal reserve

	31 December 2021	31 December 2020
Investees equity non-distributable	1,511	1,585
Capitalized development expenditure	75	39
Translation reserve	(105)	(105)
Cash flow hedges	(270)	(215)
Total	**1,211**	**1,304**

The 'Investees equity non-distributable' legal reserve relates mainly to non-distributable profits generated by the co-owned entities (refer to note 4.3.30 Investment in Associates and Joint Ventures and 4.3.31 Information on Non-controlling Interests). The agreed principle in the applicable shareholders' agreements is that the shareholders shall procure that any available reserves are distributable after paying any expenses due and taking into account co-owned entity and applicable legal requirements. However, as unanimous decision of shareholders agreements in most of the co-owned entities is required to distribute the profits generated, the equity of these entities is classified as a non-distributable reserve under Dutch guidelines for financial reporting. On a regular basis the Company ensures that dividends are approved by the partners and distributed accordingly to the shareholders.

PROPOSED APPROPRIATION OF RESULT

With the approval of the Supervisory Board, it is proposed that the result shown in SBM Offshore N.V. income statement be appropriated as follows (in US$):

Appropriation of result

	2021
Profit/(Loss) attributable to shareholders	400
In accordance with note 4.6.1 to be transferred to the 'Retained earnings'	400
At the disposal of the General Meeting of Shareholders	**-**

It is proposed that US$1 per share out of retained earnings is distributed among the shareholders. Please refer to note 4.5.14 Events After End of Reporting Period.

4.5.6 OTHER CURRENT LIABILITIES

	31 December 2021	31 December 2020
Trade payables	1	0
Amounts owed to Group companies	2	19
Taxation and social security costs	0	0
Other liabilities	8	7
Total current liabilities	**11**	**26**

The other current liabilities fall due in less than one year. The fair value of other current liabilities approximates the book value, due to their short-term character.

As per year-end 2021, the Company has a payable due to SBM Holding Inc. S.A. (the cash pool leader of SBM Group) amounting to US$2 million (2020: US$19 million). The lending conditions applied to the outstanding amounts between the cash pool leader and the Company are as follows:

- Fixed fee: the cash pool leader charges a handling fee of 0.075% to the Company;
- Interest rate: the cash pool leader charges an interest of 0.25% (2020: 0.5%) to the Company.

Intercompany payable from group companies outside of the cash pool are free of interest, therefore no interest is imputed. In respect of repayment, no formal agreements have been made.

4.5.7 REVENUE

The revenue comprises of management fees charged to Group company Single Buoy Moorings Inc. S.A. which is the main EPC contractor.

4.5.8 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Employee Benefits	(28)	(29)
Other costs	(8)	(10)
Total	**(36)**	**(38)**

The employee benefits include the Management Board remuneration, and recharge of other personnel costs at the headquarters, as well as share-based payments for the entire Group. For further details on the Management Board remuneration, reference is made to note 4.3.6 Employee Benefit Expenses.

The other costs include audit fees, legal, compliance, corporate governance and investor relation costs. For the audit fees reference is made to note 4.3.33 Independent Auditor's Fees and Services.

4.5.9 FINANCIAL EXPENSES

The financial expenses relate mainly to foreign currency results and interest expenses charged by Group companies to SBM Offshore N.V.

4.5.10 COMMITMENTS AND CONTINGENCIES

COMPANY GUARANTEES

SBM Offshore N.V. has issued performance guarantees for contractual obligations to complete and deliver projects in respect of several Group companies, and fulfillment of obligations with respect to long-term lease/operate contracts. Furthermore, the Company has issued parent company guarantees in respect of several Group companies' financing arrangements. Please refer to note 4.3.27 Commitments and Contingencies.

FISCAL UNITY

SBM Offshore N.V. is head of a fiscal unity in which all Dutch entities are included, except for the entities that are held by SBM Holding Inc. S.A. and the joint venture entities. All tax liabilities and tax assets are transferred to the fiscal unity parent, however all members of the fiscal unity can be held liable for all tax liabilities concerning the fiscal unity.

Corporate income tax is levied at the head of the fiscal unity based on the fiscal results allocated by the members to SBM Offshore N.V., taking into account an allocation of the benefits of the fiscal unity to the different members. The settlement amount, if any, is equal to the corporate income tax charge included in the Company income statement.

SBM Offshore Amsterdam B.V. is an exception to this rule, as the entity is not entitled to the allocation of the benefits of the fiscal unity, whereby the tax charge is included in its statutory income statement.

4.5.11 DIRECTORS REMUNERATION

For further details on the Directors remuneration, reference is made to note 4.3.6 Employee Benefit Expenses of the consolidated financial statements.

4.5.12 NUMBER OF EMPLOYEES

The members of the Management Board are the only employees of SBM Offshore N.V.

4.5.13 INDEPENDENT AUDIT FEES

For the audit fees relating to the procedures applied to SBM Offshore N.V. and its consolidated group entities by accounting firms and external independent auditors, reference is made to note 4.3.33 Independent Auditor's Fees and Services of the consolidated financial statements.

4.5.14 EVENTS AFTER END OF REPORTING PERIOD

DIVIDEND

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company proposes to pay out a dividend of US$1 per share, equivalent to c.US$180[4]million, to be paid out of retained earnings. This dividend will be proposed at the Annual General Meeting on April 6, 2022. This represents an increase of 13% compared to the US$0.8854 dividend per share paid in 2021.

SALE OF SBM INSTALLER

As at December 31, 2021 the SBM Installer was classified as an asset held for sale with a carrying amount of US$ 25 million. This 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$8 million. The gain on disposal will be recognized in the consolidated income statement during 2022.

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 on January 25, 2022 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 CIDADE DE ANCHIETA

FPSO *Cidade de Anchieta* has been shut down from January 22, 2022 following the observation of oil near the vessel. Adequate anti-pollution measures were immediately deployed and were effective. The situation is under control with two temporary repairs to the hull implemented. The FPSO will restart when an agreed action plan is approved by the authorities.

Schiphol, the Netherlands
February 9, 2022

Management Board
Bruno Chabas, Chief Executive Officer
Phillippe Barril, Chief Operating Officer
Erik Lagendijk, Chief Governance and Compliance Officer
Douglas Wood, Chief Financial Officer

Supervisory Board
Roeland Baan, Chairman
Francis Gugen, Vice-Chairman
Ingelise Arntsen
Bernard Bajolet
Sietze Hepkema
Cheryl Richard
Jaap van Wiechen

[4] Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date. The amount disclosed is based on the number of shares outstanding less the treasury shares held at December 31, 2021.

4.6 OTHER INFORMATION

4.6.1 APPROPRIATION OF RESULT

ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

With regard to the appropriation of result, article 29 of the Articles of Association states:

1. When drawing up the annual accounts, the Management Board shall charge such sums for the depreciation of SBM Offshore N.V.'s fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.
2. Any distribution of profits pursuant to the provisions of this article shall be made after the adoption of the annual accounts from which it appears that the same is permitted. SBM Offshore N.V. may make distributions to the shareholders and to other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law. A deficit may be offset against the statutory reserves only to the extent permitted by law.
3. a. The profit shall, if sufficient, be applied first in payment to the holders of protective preference shares of a percentage as specified in b. below of the compulsory amount due on these shares as at the commencement of the financial year for which the distribution is made.
   b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of twelve (12) months – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by two hundred (200) basis points.
   c. If in the course of the financial year for which the distribution is made the compulsory amount to be paid on the protective preference shares has been decreased or, pursuant to a resolution for additional payments, increased, then the distribution shall be decreased or, if possible, increased by an amount equal to the aforementioned percentage of the amount of the decrease or increase as the case may be, calculated from the date of the decrease or from the day when the additional payment became compulsory, as the case may be.
   d. If in the course of any financial year protective preference shares have been issued, the dividend on protective preference shares for that financial year shall be decreased proportionately.
   e. If the profit for a financial year is being determined and if in that financial year one or more protective preference shares have been cancelled with repayment or full repayment has taken place on protective preference shares, the persons who according to the shareholders' register referred to in article 12 at the time of such cancellation or repayment were recorded as the holders of these protective preference shares, shall have an inalienable right to a distribution of profit as described hereinafter. The profit which, if sufficient, shall be distributed to such a person shall be equal to the amount of the distribution to which he would be entitled pursuant to the provisions of this paragraph if at the time of the determination of the profits he had still been the holder of the protective preference shares referred to above, calculated on a time-proportionate basis for the period during which he held protective preference shares in that financial year, with a part of a month to be regarded as a full month. In respect of an amendment of the provisions laid down in this paragraph, the reservation referred to in section 2: 122 of the Dutch Civil Code is hereby explicitly made.
   f. If in any one financial year the profit referred to above in subparagraph a. is not sufficient to make the distributions referred to in this article, then the provisions of this paragraph and those laid down hereinafter in this article shall in the subsequent financial years not apply until the deficit has been made good.
   g. Further payment out of the profits on the protective preference shares shall not take place.
4. The Management Board is authorized, subject to the approval of the Supervisory Board, to determine each year what part of the profits shall be transferred to the reserves, after the provisions of the preceding paragraph have been applied.
5. The residue of the profit shall be at the disposal of the General Meeting.
6. The General Meeting may only resolve to distribute any reserves upon the proposal of the Management Board, subject to the approval of the Supervisory Board.

4.6.2 CALL OPTION GRANTED TO STICHTING CONTINUÏTEIT SBM OFFSHORE (THE FOUNDATION)

The Management Board, with the approval of the Supervisory Board, has granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital. The protective preference shares can be issued as a protective measure as described in note 3.2.8 Stichting Continuïteit SBM Offshore.

4.6.3 INDEPENDENT AUDITOR'S REPORT

To: the general meeting and the Supervisory Board of SBM Offshore N.V.

Report on the financial statements 2021

Our opinion

In our opinion:

- the consolidated financial statements of SBM Offshore N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2021 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the Company financial statements of SBM Offshore N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of SBM Offshore N.V., Amsterdam as included in sections 4.2 up to and including 4.5. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the following statements for 2021: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement; and
- the notes, comprising significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the Company balance sheet as at 31 December 2021;
- the Company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the Company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of SBM Offshore N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

We designed our audit procedures in the context of our audit of the financial statements as a whole. Our comments and observations regarding individual key audit matters, our audit approach regarding fraud risks and our audit approach regarding going concern should be read in this context and not as a separate opinion or conclusion on these matters.

SBM Offshore N.V serves the offshore oil and gas industry by supplying engineered products, vessels and systems, as well as offshore oil and gas production services. This includes the construction and the leasing and operating of large and complex offshore floating production, storage and offloading vessels (FPSOs). The Group is comprised of several components and, therefore, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition impacts of climate-related risks.

In paragraph 4.2.7 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. We identified complex lease accounting as a key audit matter because the accounting treatment of lease transactions during the year was considered to be complex and judgemental as set out in the section 'Key audit matters' of this report. Furthermore, given the significant estimation uncertainty and the related higher inherent risks of material misstatement in construction contracts, we considered this as key audit matter as well.

SBM Offshore N.V. assessed the possible effects of climate change and its plans to meet the emissionZERO® commitments on its financial position. In paragraph 1.4.3 of the annual report and 4.3.28 of the consolidated financial statements, the Management Board reflects on climate-related risk and opportunities. We discussed management's assessment and governance thereof and evaluated the potential impact on the financial position including underlying assumptions and estimates. Management concluded that the climate change has no impact on the carrying amounts of assets and liabilities as of December 31, 2021. It is management's assessment that the future estimates and judgements underlying the carrying amounts of assets or liabilities will be influenced by its response to and assessment of climate related risks. During the audit we involved our sustainability specialists to assess the climate related risks. The impact of climate change is not considered to impact our key audit matters.

Other areas of focus, that were not considered to be key audit matters, were the lease classification of awarded contracts, valuation of finance lease receivables, segment reporting disclosure and accounting for uncertain tax positions. There were also internal control matters identified relating to the IT environment that required additional audit effort but these were not considered key audit matters.

We ensured that the audit teams both at group and at component level included the appropriate skills and competences that are needed for the audit of a Company providing floating production solutions to the offshore energy industry over the full product lifecycle. We included members with relevant industry-expertise and specialists in the areas of IT, corporate income tax, valuation, sustainability and employee benefits in our audit team. We also involved forensics specialists in our assessment of fraud risk factors.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: US$27 million

Audit scope

- We conducted audit work in three locations on four components.
- Limited site visits were conducted due to COVID-19 related travel restrictions. We held virtual meetings instead.
- Audit coverage: 100% of consolidated revenue, 99% of consolidated total assets and 89% of consolidated profit before tax.

Key audit matters

- Complex lease accounting
- Estimates and judgements in construction contracts

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	US$27 million (2020: US$22 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of *profit before income tax*.
Rationale for benchmark applied	We used this benchmark and the rule of thumb (%), based on our analysis of the common information needs of users of the financial statements, including factors such as the headroom on covenants and the financial position of the Group. On this basis, we believe that profit before income tax is an important metric for the financial performance of the Group.
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between US$15 million and US$20 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them any misstatement identified during our audit above US $10 million (2020: US$10 million) for balance sheet reclassifications and US$2.2 million for profit before tax impact (2020: US $2.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

SBM Offshore N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of SBM Offshore N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit focused on two components in Monaco (Turnkey as well as Operations), the treasury shared service center in Marly, Switzerland and one other component (Group Corporate Departments) located in Amsterdam, the Netherlands. The Turnkey as well as Operations components in Monaco were subject to audits of their financial information as those components are individually significant to the Group.

The processes and financial statement line items managed by the treasury shared service center in Marly, Switzerland, were subject to specified audit procedures. For the Group Corporate Departments component in Amsterdam, the group engagement team performed audit work on specified balances to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	99%
Profit before tax	89%

None of the remaining components represented more than 1% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the components in Monaco and the treasury shared service center in Marly, Switzerland, we used component auditors who are familiar with the local laws and regulations to perform the audit work. The audit was largely performed remotely as a result of COVID-19, however for key meetings and audit procedures both the group and component engagement teams visited the client offices. For remote audit procedures we used video conferencing and digital sharing of screens and documents.

Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and the scope of the work. We explained to the component audit teams the structure of the Group, the main developments that were relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams both during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, that could be of relevance for the consolidated financial statements.

In 2021, the group audit team held virtual meetings instead of physical visits due to COVID-19 related travel restrictions. For these virtual meetings more time was taken, and sufficient involvement was achieved. The group audit team met with both the Turnkey as well as Operations components in Monaco given the importance of these components to the consolidated financial statements as a whole and the judgements involved in the estimates in construction contracts (refer to the respective key audit matter). For the components in Monaco and the treasury shared service center in Marly, Switzerland, we remotely reviewed selected working papers of the respective component auditors.

In addition to the work on the Group Corporate Departments component, the group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex accounting matters at the head office. These included impairment assessments, accounting implication assessments of lease extensions and modifications as well as business combinations, share-based payments, taxes including deferred taxes and uncertain tax provisions and directional reporting as part of the segment reporting disclosures.

By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 1.4, 2.1.1 and 3.6 of the annual report where the Management Board reflects on its response to fraud risk.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we, in co-operation with our forensic specialists, evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	*Our audit work and observations*
Management override of controls	
In all our audits we pay attention to the risk of management override of controls, including the risk of potential misstatements as a result of fraud based on an analysis of interests of management. In this context we paid specific attention to this risk at the transaction level of revenue and construction contracts given the estimates and judgements involved. We paid attention to the impact of COVID-19 on the effectiveness of internal controls.	Where relevant to our audit, we evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and assessed the effectiveness of the measures in the processes generating journal entries, making estimates, and monitoring projects. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. Due to COVID-19 we performed specific testing around the effectiveness of internal control measures, as well as having multiple discussions with management around potentially impacted areas. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. We performed journal entry testing procedures on the following criteria: unexpected account combinations, unusual words and unexpected users. With respect to journal entries, we also tested transactions outside of the ordinary course of business where applicable. In addition, we also tested manual consolidation adjustments.

Identified fraud risks	*Our audit work and observations*
	With regard to management's accounting estimates, we evaluated key estimates and judgements for bias, including retrospective reviews of prior year's estimates. We performed substantive audit procedures for the estimates in revenue and construction contracts. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of internal controls.
Risk of fraud in revenue recognition – construction contracts	
Given the listed status of SBM Offshore N.V., the significant shareholdings of management in SBM Offshore N.V. as a result of share-based payment plans and financial targets for management, the complex nature of the Company's construction contracts and the significant judgements and estimates, the revenue recognition of construction contracts was particularly subject to the risk of a material misstatement due to fraud. The determination of the turnkey result based on over time recognition is an exercise requiring significant judgement and management could use this estimate in order to manipulate the figures to shift results to upcoming year(s). Due to this, we deem the risk significant for the cut-off assertion for revenue.	Where relevant to our audit, we assessed the design of the internal control measures and the effectiveness of these measures in the processes for recording costs and revenues relating to construction contracts. This includes project forecasting, measurement of the progress towards complete satisfaction of the performance obligation to determine the timing of revenue recognition and the Company's internal project reviews. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. With respect to the satisfaction of the performance obligations over time and the cut-off for individual projects under construction we examined, discussed, and challenged project documentation on the status, progress and forecasts with those charged with governance, management, finance and technical staff of the Company. We evaluated and substantiated the outcome of these discussions by examining modifications of contracts such as claims and variation orders between the Company, subcontractors and clients and responses thereto. In addition, we performed substantive procedures such as a detailed evaluation of forecasts and ongoing assessment of management's judgement on issues, evaluation of budget variances and obtaining corroborating evidence, evaluation of project contingencies and milestones and recalculation of the progress towards complete satisfaction of the performance obligation. In addition, we evaluated indications of possible management bias. We performed look-back procedures as part of our risk assessment procedures by comparing the estimates included in the current projects with past projects of similar nature as this provides insight in the ability of management to provide reliable estimates. Based on the look-back procedures we did not identify any additional risks. In addition, at the end of the year, we conducted specific substantive audit procedures regarding the cut-off of construction contracts to determine that there were no shifts in results per individual project and/or between the current and next financial year. Finally, we selected journal entries based on specific risk criteria and performed substantive audit procedures during which we also paid attention to significant transactions outside the normal course of business. Our audit procedures did not identify any material misstatements in the information provided by management in the financial statements and the management report compared with the financial statements. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of internal controls.

Identified fraud risks	*Our audit work and observations*
Risk of fraud in revenue recognition – lease and operate	
Although the lease contracts and many of the operate contracts itself specify specific day-rates per vessel and periodic operating fees (and therefore the revenue is very predictable and relatively certain) there are elements in which management could manipulate the lease and operate revenue, such as the recognition of maluses. We consider accuracy, existence and occurrence as assertions relevant for the risk of fraud in revenue recognition for lease & operate revenues.	Where relevant to our audit, we assessed the design of the internal control measures and the effectiveness of these measures in the processes for recording costs and revenues relating to the lease and operate contracts. This includes gaining an understanding of the underlying contracts, malus arrangements and key performance indicators like up- and downtime to determine the possible impact on the revenue recognition. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. With respect to the satisfaction of the performance obligations for individual contracts, we examined, discussed, and challenged SBM Offshore N.V. on the recognition of maluses with management, finance, and technical staff of the Company. We evaluated and substantiated the outcome of these discussions by examining recognized claims and maluses by the Company and responses thereto, performing substantive procedures such as obtaining corroborating evidence, evaluation of vessels report. In addition, as part of our substantive audit procedures we evaluated indications of possible management bias. Finally, we selected journal entries based on specific risk criteria and performed substantive audit procedures in which we also paid attention to significant transactions outside the normal course of business. Our audit procedures did not identify any material misstatement in the information provided by management in the financial statements and the management report compared with the financial statements. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of internal controls.
Risk of bribery and corruption	
The company operates in countries with a higher risk of corruption based on the Corruption Perception Index of Transparency International. For this reason, we paid particular attention to the risk of the payment of bribes by and at the initiative of agents in transactions concluded using agents.	Where relevant to our audit, we assessed the design and effectiveness of the internal control measures with respect to contracts with clients and agents and the review of the work by agents. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. We held various meetings with management and other SBM Offshore N.V. staff to discuss the risk of bribery and corruption. Amongst others we spoke to the group compliance and legal director, internal audit director, CFO, CGCO and CEO. We assessed that no new contracts with agents have been agreed in 2021. Amongst others we performed the following procedures: ▪ Where applicable, we evaluated minutes of meetings held to validate transactions with agents and by agents itself; ▪ We assessed whether the commission is calculated correctly, paid correctly and completely to a bank account held by the agent as well as whether the transactions are at arm's length; ▪ Evaluated internal audit reports and internal reporting's to the audit committee;

Identified fraud risks	*Our audit work and observations*
	▪ Reviewed whistleblower notifications and follow up procedures by management. Finally, we selected journal entries based on specific risk criteria and performed substantive audit procedures in which we also paid attention to significant transactions outside the normal course of business. Our audit procedures did not identify any material misstatement in the information provided by management in the financial statements and the management report compared with the financial statements. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the risk of bribery and corruption.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

Audit approach going concern

Management prepared the financial statements based on the assumption that the Company is a going concern and that it will continue its operations for the foreseeable future. Refer to paragraph 4.3.28 in the financial statements.

Our procedures to evaluate management's going concern assessment include, amongst others:

- Considerations whether management's going concern assessment includes all relevant information of which we are aware as a result of our audit, inquiry with management and whether management has identified any events or conditions that may cast a significant doubt on the Company's ability to continue as a going concern (hereafter: going concern risks);
- Analysing the financial position per balance sheet date compared to prior year as well as the liquidity scenarios, financial stress tests and sensitivity analysis, including the assessment of financing facilities of the company, to assess whether events or circumstances exist that may lead to a going concern risk;
- Evaluating management's current operating plan including cash flows in comparison with last year, current developments in the industry and all relevant information of which we are aware as a result of our audit;
- Inquiry with management as to their knowledge of going concern risks beyond the period of management's assessment.

Our procedures did not result in outcomes contrary to management's assumptions and judgments used in the application of the going concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Management Board made important judgements. We also considered significant accounting estimates that involved making assumptions and consideration of future events that are inherently uncertain. In paragraph 4.2.7 subsection 'Use of estimates and judgement' of the financial statements, the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty.

The Group entered into contracts that had a significant impact on its statement of financial position and income statement from a lease accounting perspective which therefore requires judgment from management. We therefore consider 'Complex lease accounting' to be a key audit matter. In addition, as a result of the magnitude of the current projects undertaken by the Group and the inherent estimation uncertainty we continue to consider 'Estimates and judgements in construction contracts' to be a key audit matter as well.

Key audit matter	*Our audit work and observations*
Complex lease accounting *Note 4.2.7, 4.3.2, and 4.3.3 to the consolidated financial statements* The Company entered into 3 new significant contracts for FPSO's. The accounting for of these contracts with customers under IFRS 16 'Leases' requires a detailed analysis and are dependent on the specific arrangements between the Group and its clients as agreed upon in the contracts. The guidance provided by IFRS 16 however, is mainly from a lessee perspective, and provides less guidance from a lessor perspective, which is the majority of the Groups portfolio. In case of contract extensions or modifications the implications of these on the (lessor) lease accounting requires significant management judgement, to a large extent due to the absence of detailed lessor guidance. In 2021 transactions took place where lease accounting played an important role. The lease extension on FPSO Kikeh and as mentioned the 3 new awarded FPSO contracts. We considered this area to be a key audit matter given the magnitude of the amounts involved, the complex nature of these transactions and the significant judgements in the application of lease accounting from a lessor perspective.	For every FPSO contract awarded, management prepares an accounting paper on how to account for it. We evaluate these papers and read the relevant contracts. Based on our reading of the contracts, we considered whether the judgements made by management on the accounting treatment were appropriate. This includes the corresponding identification of performance obligations, including whether they are distinct. Furthermore, we assessed whether the satisfaction of the performance obligations to be recognized as revenue recognition should be as either point in time or over time. We focused our work on assessing whether the accounting treatment is in line with IFRS with support of our lease accounting specialists. In 2021 the Company signed a 6 year extension for FPSO Kikeh located in Malaysia. We evaluated the contract terms and agree with the accounting of the extension as a lease modification. Our audit procedures did not indicate material findings with respect to the estimates and judgements made in the interpretation and accounting for these contract changes and modifications.
Estimates and judgements in construction contracts *Note 4.2.7, 4.3.3 and 4.3.20 to the consolidated financial statements* The accounting for contracts with customers under IFRS 15 'Revenue from contracts with customers' is complex and dependent on the specific arrangements between the Group and its clients as agreed upon in the contracts. Given the unique nature of each separate project and contract, management performed a contract analysis on a case-by-case basis to determine the applicable accounting and revenue recognition. Significant management judgement is applied in identifying the performance obligations and determining whether they are distinct, the method of revenue recognition as either point in time or over time, contract modifications and variable consideration, since these areas are complex and subjective. Based on our risk assessment the most critical and judgmental estimates to determine satisfaction of the performance obligations over time is the estimate of the cost to complete and the measurement of progress towards complete satisfaction of the performance obligation, including the subjectivity and estimation uncertainty in the assessment of remaining risks and contingencies that a project is or could be facing. In 2021 the Company continued to face COVID-19 and operational challenges. These include travel and logistical restrictions, price inflation of materials and services, yard closures and yard and supplier capacity constraints. The degree to which these challenges influenced the cost to complete varied from project to project and can be significant.	We assessed whether the satisfaction of the performance obligations to be recognized as revenue recognition should be as either point in time or over time. We performed look-back procedures as part of our risk assessment procedures by comparing the estimates included in the current projects with past projects of similar nature as this provides insight in the ability of management to provide reliable estimates. Based on the look-back procedures we did not identify any additional risks. We gained an understanding of processes, evaluated and tested the relevant controls the Group designed and implemented within its process to record costs and revenues relating to construction contracts. This includes project forecasting, measurement of the progress towards complete satisfaction of the performance obligation to determine the timing of revenue recognition and the Group's internal project reviews. We found the controls to be designed, implemented and operating effectively for the purpose of our audit. With respect to the satisfaction of the performance obligations over time we examined project documentation on the status, progress and forecasts of projects under construction and discussed and challenged those with management, finance and technical staff of the Group. We evaluated and substantiated the outcome of these discussions by examining modifications of contracts such as claims and variation orders between the Group, subcontractors and clients and responses thereto. In addition, we performed procedures such as a detailed evaluation of forecasts and ongoing assessment of management's judgement on issues, evaluation of budget

Key audit matter	*Our audit work and observations*
Given the magnitude of the amounts involved (US$ 2,477 million of turnkey revenue and US$4,140 million of construction work-in-progress), the complex nature of the Group's construction contracts and the significant judgements and estimates, these areas were particularly subject to the risk of misstatement related to either error or fraud. Based on the above considerations we considered this area to be a key audit matter.	variances and obtaining corroborating evidence, evaluation of project contingencies and milestones and recalculation of the progress towards complete satisfaction of the performance obligation. In addition, we evaluated indications of possible management bias. Our audit procedures did not indicate material findings with respect to the estimates and judgements in construction contracts.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The management board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were nominated as auditors of SBM Offshore N.V. on 13 November 2013 by the Supervisory Board and appointed through the passing of a resolution by the shareholders at the annual meeting held on 17 April 2014. Our appointment has been renewed on 7 April 2021 for a period of three years by the shareholders. Our appointment represents a total period of uninterrupted engagement of eight years.

European Single Electronic Format (ESEF)

SBM Offshore N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially tagged consolidated financial statements as included in the reporting package by SBM Offshore N.V., has been prepared in all material respects in accordance with the RTS on ESEF.

The Management Board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Management Board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package, is in accordance with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the Company's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required tagging's have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company or its controlled entities, for the period to which our statutory audit relates, are disclosed in note 4.3.33 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going-concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The Management Board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 9 February 2022
PricewaterhouseCoopers Accountants N.V.

Original signed by

A.A. Meijer RA

Appendix to our auditor's report on the financial statements 2021 of SBM Offshore N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

4.7 KEY FIGURES

Key IFRS financial figures

	2021	2020	2019	2018	2017
Turnover (US$ million)	**3,747**	3,496	3,391	2,240	1,861
Results (US$ million)					
Net profit/(loss) (continuing operations)	**472**	327	511	344	(1)
Dividend	**177**[1]	165	150	75	51
Operating profit (EBIT)	**734**	605	742	603	358
EBITDA	**823**	1,043	1,010	838	611
Underlying Operating profit (EBIT)	**739**	692	767	607	608
Underlying profit attributable to shareholders	**405**	277	391	247	151
Shareholders’ equity at 31 December	**2,579**	2,556	2,748	2,634	2,501
Capital employed	**10,470**	8,956	8,217	7,617	8,430
Net debt	**6,681**	5,209	4,416	3,818	4,613
Capital expenditure	**49**	75	68	40	53
Depreciation, amortization and impairment	**88**	439	268	235	253
Number of employees (average)	**4,797**	4,507	4,259	4,103	4,150
Employee benefits	**669**	614	575	519	514
Ratios (%)					
Shareholders' equity / (total assets -/- current liabilities)	**26**	30	32	32	29
Current ratio (current assets / current liabilities)	**201**	149	137	128	123
Return on average capital employed	**7.6**	8.1	9.7	7.6	7.0
Return on average shareholders' equity	**15.8**	10.5	14.5	9.6	6.0
Operating profit (EBIT) / net turnover	**19.6**	17.3	21.9	26.9	19.2
Net profit/(loss) / net turnover	**12.6**	9.4	15.1	15.3	0.0
Net debt / shareholders' equity	**189**	150	122	106	130
Enterprise value / EBITDA	**12.5**	9.3	8.9	9.4	15.2
Information per Share (US$)					
Net profit/(loss)[2]	**2.18**	1.00	1.84	1.04	-0.76
Dividend	**1.00**[3]	0.89	0.81	0.37	0.25
Shareholders' equity at 31 December	**14.28**	13.55	13.83	12.81	12.16
Share price (EUR)[4]					
- 31 December	**13.10**	15.57	16.59	12.93	14.67
- highest close	**16.33**	17.30	18.35	16.81	16.04
- lowest close	**11.85**	10.35	12.80	10.72	13.11
Price / earnings ratio	**6.7**	18.9	10.1	14.4	-23.3
Number of shares outstanding (x 1,000)	**180,671**	188,671	198,671	205,671	205,671
Market capitalization (US$ million)	**2,680**	3,604	3,703	3,044	3,619
Volume of traded shares (x 1,000)	**172,550**	231,004	223,570	269,134	295,385
New shares issued in the year (x 1,000)	**-**	-	-	-	-

1 Based on the number of shares outstanding less the number of treasury shares held at year-end times the dividend per share. Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date.

2 Calculated based on weighted average shares outstanding

3 The dividend that will be proposed to the Annual General Meeting to be paid out in 2022

4 Source: Euronext data on share prices, market capitalization and volume of traded shares

4 FINANCIAL INFORMATION 2021

Key Directional financial figures

	2021	2020	2019	2018	2017
Turnover (US$ million)	**2,242**	2,368	2,171	1,703	1,676
Lease and Operate	**1,509**	1,699	1,315	1,298	1,501
Turnkey	**733**	669	856	406	175
EBIT (US$ million)	**366**	254	418	533	117
Lease and Operate	**452**	438	369	418	487
Turnkey	**(1)**	(100)	25	225	11
Other	**(85)**	(83)	23	(109)	(381)
EBITDA (US$ million)	**849**	1,021	921	995	596
Net Profit (US$ million)	**122**	39	235	301	(203)