



OFFSHORE

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ANNUAL REPORT 2019

4 FINANCIAL STATEMENTS 2019

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 2019	31 December 2018
Borrowings	4,168	3,856
Lease liabilities	141	161
Total Non-current portion of Borrowings and lease liabilities	4,309	4,017
Borrowings	580	492
Lease liabilities	32	27
Total Current portion of Borrowings and lease liabilities	612	519

BORROWINGS

The movement in borrowings is as follows:

	2019	2018
Non-current portion	3,856	4,347
Add: current portion	492	1,223
Remaining principal at 1 January	4,348	5,571
Additions	1,399	1
Redemptions	(1,011)	(1,241)
Transaction and amortized costs	13	17
Total movements	401	(1,223)
Remaining principal at 31 December	4,749	4,348
Less: Current portion	(580)	(492)
Non-current portion	4,168	3,856
Transaction and amortized costs	81	94
Remaining principal at 31 December (excluding transaction and amortized costs)	4,830	4,442
Less: Current portion	(596)	(508)
Non-current portion	4,234	3,934

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 the total borrowings of US\$1,399 million relates mainly to drawdowns on project finance facilities for FPSO *Liza Destiny* and FPSO *Liza Unity* and drawdowns made on the Company's RCF, the latter being fully redeemed as of December 31, 2019.

Further disclosures about the fair value measurement are included in note 4.3.29 Financial Instruments – Fair Values and Risk Management.

The borrowings, excluding transaction costs and amortized costs amounting to US\$81 million (2018: US\$94 million), have the following forecast repayment schedule:

	31 December 2019	31 December 2018
Within one year	596	508
Between 1 and 2 years	941	535
Between 2 and 5 years	1,599	1,567
More than 5 years	1,695	1,831
Balance at 31 December	4,830	4,442

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 2019			Net book value at 31 December 2018		
					Non-current	Current	Total	Non-current	Current	Total
US\$ Project Finance facilities drawn:										
SBM Deep Panuke SA	MOPU Deep Panuke	100.00	3.50%	15-Dec-21	70	67	137	137	65	202
Tupi Nordeste Sarl	FPSO Cidade de Paraty	70.50	5.30%	15-Jun-23	311	110	421	421	103	524
Guara Norte Sarl	FPSO Cidade de Ilhabela	75.00	5.10%	15-Oct-24	555	122	677	677	115	792
SBM Baleia Azul Sarl	FPSO Cidade de Anchieta	100.00	5.50%	15-Sep-27	274	33	307	307	31	339
Alfa Lula Alto Sarl	FPSO Cidade de Marica	61.00	5.30%	15-Dec-29	1,016	103	1,119	1,119	97	1,216
Beta Lula Central Sarl	FPSO Cidade de Saquarema	61.00	4.10%	15-Jun-30	1,109	86	1,195	1,195	81	1,276
US\$ Guaranteed project finance facilities drawn:										
Guyana Deep Water UK Limited	FPSO Liza Destiny	100.00	Libor + 1.65%	31-Oct-29	504	60	565	-	-	-
Guyana Deep Water II UK Limited	FPSO Liza Unity	100.00	3.50%	30-Dec-21	331	-	331	-	-	-
Revolving credit facility:										
SBM Offshore Finance Sarl	Corporate Facility	100.00	Variable	16-Dec-21	(2)	(1)	(3)	-	(1)	(1)
Other:										
Other		100.00			1	(0)	1	1	(0)	1
Net book value of loans and borrowings					4,168	580	4,749	3,856	492	4,348

¹ % interest per annum on the remaining loan balance.

The 'Other debt' mainly includes loans received from partners in subsidiaries.

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 FPSO *Liza Destiny* and FPSO *Liza Unity* project facilities and (iii) short-term credit lines.

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The expiry date of the undrawn facilities and unused credit lines are:

Expiry date of the undrawn facilities and unused credit lines

	2019	2018
Expiring within one year	249	100
Expiring beyond one year	1,964	1,720
Total	2,213	1,820

The revolving credit facility (RCF) in place as of December 31, 2019 has a maturity date of February 13, 2024. The US\$1 billion facility was secured with a selected group of 11 core relationship banks and has uncommitted option to increase the RCF by an additional US\$500 million. The RCF allows the Company to finance EPC activities / working capital, bridge any long-term financing needs, and/or finance general corporate purposes, when needed, in the following proportions:

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

The pricing of the RCF is based on LIBOR and a margin adjusted in accordance with the applicable leverage ratio ranging from a minimum level of 0.50% p.a. to a maximum of 1.50% p.a. The margin also includes a Sustainability Adjustment Mechanism whereby the margin may increase or decrease by 0.05% based on the absolute change in the Company performance as measured and reported by Sustainalytics¹. The Company's performance in 2019 allows for a 0.05% decrease in margin for 2020.

On February 5, 2020, the Company has exercised a one-year extension option with regards to the RCF, refer to note 4.3.35 Events After End of Reporting Period for further details.

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 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 then applicable Facility Amount. As at December 31, 2019 headroom on actual availability under the RCF exceeded US\$0.5 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 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.
- **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.

¹ Sustainalytics is a provider of Environmental, Social and Governance and Corporate Governance research and ratings.

Covenants

	2019	2018 ¹
IFRS Tangible Net Worth	3,650	3,585
Consolidated IFRS Tangible Assets	10,221	9,927
Solvency ratio	35.7%	36.1%
Adjusted (Directional) Underlying EBITDA	1,055 ²	870 ³
Consolidated Directional Net Interest Payable	134	134
Interest cover ratio	7.9	6.5

1 Information based on RCF facility in place until February 13, 2019, ratios are determined based on the definitions as included in the Annual Report 2018

2 Exceptional items restated from 2019 Consolidated Directional Underlying EBITDA are mainly related to the US\$90 million gain on the purchase of the minority shares in the entities related to FPSO's Cidade de Paraty, Cidade de Ilhabela, Cidade de Marica, Cidade de Saquarema and Capixaba. Consolidated Directional Underlying EBITDA includes the annualized production EBITDA for FPSO Liza Destiny and the acquisition annualized EBITDA for the acquired minority shares in the above mentioned FPSO's companies.

3 Exceptional items restated from 2018 Adjusted EBITDA are mainly related to the settlement with the Brazilian Federal Prosecutor's Office (Ministério Público Federal - 'MPF'), the impact of IFRS 16 early adoption and the estimated insurance income related to the Yme insurance claim (net of claim related expenses incurred up to December 31, 2018) and restructuring costs.

None of the borrowings in the statement of financial position were in default as at the reporting date.

LEASE LIABILITIES

The lease liabilities mostly relate to the leasing of the SBM Installer installation vessel as well as the leasing of office buildings.

The movement in the lease liabilities is as follows:

	2019	2018
Principal recognized at 1 January	189	217
Additions	14	3
Redemptions	(28)	(28)
Foreign currency variations	(1)	(4)
Total movements	(16)	(29)
Remaining principal at 31 December	173	189
Of which		
Current portion	32	27
Non-current portion	141	161

Maturity of the lease liabilities is analyzed as follows:

	31 December 2019
Within one year	32
Between 1 and 2 years	30
Between 2 and 5 years	72
More than 5 years	39
Balance at 31 December	173

The total cash outflow for leases in 2019 was US\$35 million, which includes redemptions of principal and interest payments.