



OFFSHORE

ENERGY. COMMITTED.



ANNUAL REPORT 2019

As per December 31, 2019, all the debt associated with operating FPSOs is non-recourse, with the exception of the FPSO *Liza Destiny*, where the Company is currently going through the process of releasing the corporate guarantee (the FPSO *Liza Destiny* is producing since late December 2019).

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 increase leverage on existing facilities in case of sufficient tenor, charter income and relatively low remaining debt balances.

Given the non-recourse nature of its debt, SBM Offshore 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, 2019 and 2018 were as follows:

Capital risk management

	2019	2018
Total borrowings and lease liabilities	4,922	4,536
Less: net cash and cash equivalents	506	718
Net debt	4,416	3,818
Total equity	3,613	3,612
Total capital	8,029	7,430
Gearing ratio	55.0%	51.4%

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.

4.3.30 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.