



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

4 FINANCIAL STATEMENTS 2018

result of the Leniency Agreement, dividends distributed, repayment of the Company's non-recourse debt in accordance with the respective repayment schedules and interest paid on this non-recourse debt, was offset by the Company's strong operating cash flow and the proceeds from the Yme insurance claim and the *Turritella* (FPSO) disposal.

4.1.4 FINANCIAL REVIEW IFRS

in US\$ million	IFRS	
	FY 2018	FY 2017
Revenue	2,240	1,861
Lease and Operate	1,302	1,554
Turnkey	938	307
EBITDA	838	612
Lease and Operate	761	919
Turnkey	184	73
Other	(107)	(380)
Underlying EBITDA	844	823
Lease and Operate	761	919
Turnkey	147	(34)
Other	(64)	(62)
Profit/(loss) attributable to shareholders	212	(155)
Underlying profit attributable to shareholders	247	151

UNDERLYING PERFORMANCE

The 2018 non-recurring items described in note 4.1.3 Financial Review Directional have the same impact under IFRS and Directional reporting, with the exception of i) the disposal of *Turritella* (FPSO) which was already fully recognized in 2017 under IFRS and ii) a different value for the reversal of impairment on a loan to one of the Angolan joint ventures (US\$ 15 million under IFRS compared with US\$ 21 million under Directional reporting). As a result, the total impact of non-recurring items for 2018 on IFRS profit attributable to shareholders is US\$ (35) million.

For reference, total non-recurring items for 2017 underlying performance impacted the IFRS profit attributable to shareholders by US\$ (306) million.

PROFITABILITY

Revenue

Total IFRS revenue increased by 20% to US\$ 2,240 million compared with US\$ 1,861 million in 2017. This increase was driven by the Turnkey segment with full-year construction activities related to FPSO *Liza Destiny* and the *Johan Castberg* Turret Mooring System EPC, both starting during the second half of 2017, as well as the general ramp-up of other Turnkey activities such as Offshore Terminals and Offshore Contracting. The positive contribution of the Turnkey segment was partly offset by a decrease in revenue of the Lease and Operate segment mainly due to *Turritella* (FPSO) leaving the fleet, planned maintenance, and declining profile of interest revenue from finance leases.

EBITDA

IFRS EBITDA amounted to US\$ 838 million, representing a 37% increase, largely driven by non-recurring items, compared with US\$ 612 million in 2017.

Adjusted for non-recurring items, 2018 underlying IFRS EBITDA was broadly stable at US\$ 844 million compared with US\$ 823 million in 2017. This resulted from a decrease of the Underlying EBITDA of the Lease and Operate segment, mainly due to *Turritella* (FPSO) leaving the fleet, planned maintenance and declining profile of interest revenue from finance leases, more than offset by an improvement in the Turnkey segment with the full year

contribution of FPSO *Liza Destiny*, the general ramp-up of Turnkey activity, the implementation of IFRS 16 and realized savings on overhead costs.

Net income

Excluding non-recurring items, 2018 underlying consolidated IFRS net income attributable to shareholders stood at US\$ 247 million, an increase of US\$ 96 million from the previous year.

STATEMENT OF FINANCIAL POSITION

in millions of US\$	2018	2017	2016	2015	2014
Total equity	3,612	3,559	3,513	3,465	3,149
Net debt ¹	3,818	4,613	5,216	5,208	4,775
Net cash	718	957	904	515	475
Total assets	9,992	11,007	11,488	11,340	11,118

¹ Net debt at December 31, 2018 is calculated as total borrowings (including lease liabilities) less cash and cash equivalents.

Total equity increased from US\$ 3,559 million to US\$ 3,612 million as a result of the profit over the financial year, partially offset by (i) dividends paid to shareholders and (ii) equity repayment and dividends paid to non-controlling interests.

IFRS net debt stood at US\$ 3,818 million at year-end 2018 compared with US\$ 4,613 million in 2017 despite (i) significant investments in FPSO *Liza Destiny* and two Fast4Ward™ hulls over the period and (ii) recognition of lease liabilities due to IFRS 16 implementation. This has been possible as a result of the strong operating cash flow from the Lease and Operate segment, while the net proceeds from the Yme insurance claim and the *Turritella* (FPSO) disposal offset to a large extent the payment of the non-recurring penalties as a result of the Leniency Agreement.

Excluding the lease liabilities recognized following the early adoption of IFRS 16 (at a net book value of US\$ 189 million at December 31, 2018), all of the Company's debt consisted of non-recourse project financing in special purpose investees with no borrowing at corporate level as of December 31, 2018.

Total assets decreased to US\$ 10.0 billion as of December 31, 2018 compared with US\$ 11.0 billion at year-end 2017. This decrease is mainly attributable to finance lease redemptions, in particular the redemption of the *Turritella* (FPSO) finance lease receivable, and capex depreciation over the period, whereas the investments in FPSO *Liza Destiny* and inventory (two Fast4Ward™ hulls), financed by the use of the cash available at Corporate level, were offset by a consequent decrease of the net cash position.

4.1.5 OUTLOOK AND GUIDANCE

Management confirms its continued positive outlook for the Company. The recovery may not be industry-wide, however the recovery is visible within the area of large-size FPSOs with expected multiple awards for the coming years. SBM Offshore, as an industry leader with its game changing Fast4Ward™ program, is well positioned to be one of the key players to benefit from the upturn in the market.

The Company's 2019 Directional revenue guidance is around US\$2.0 billion, of which US\$1.3 billion is expected from the cash generating Lease and Operate segment and around US\$700 million from the Turnkey segment. Directional EBITDA guidance is around US\$750 million for the Group.