SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

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.