SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

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

Impairments of financial assets and contract assets which relate to credit risk as per IFRS 9 requirements are recognized in a dedicated line of the income statement: 'Net impairment losses on financial and contract assets'. Impairments resulting from commercial disputes and other business decisions are not included in this dedicated line of the income statement.

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

	2018	2017
Impairment losses		
- Individually impaired receivables (previous accounting policy)	-	-
- Movement in loss allowance for trade receivables	(3)	(1)
- Movement in loss allowance for construction work-in-progress		
(Impairment)/impairment reversal losses on financial lease receivables	-	-
(Impairment)/impairment reversal losses on other financial assets	15	-
Net impairment gains/(losses) on financial and contract assets	**13**	**(1)**

During the year 2018, the Company recognized a partial impairment reversal of a funding loan provided to an Angolan joint venture. This impairment reversal of US$ 15 million was recognized based on an updated cash flow forecast which included additional cash available at the level of the joint venture.

4.3.9 NET FINANCING COSTS

	2018	2017
Interest income on loans & receivables	10	9
Interest income on investments	19	13
Net foreign exchange gain	17	3
Other financial income	0	2
Financial income	**46**	**27**
Interest expenses on financial liabilities at amortized cost	(223)	(231)
Interest expenses on hedging derivatives	(36)	(88)
Interest expenses on lease liabilities	(7)	-
Interest addition to provisions	(14)	(23)
Net loss on financial instruments at fair value through profit and loss	0	-
Net cash flow hedges ineffectiveness	-	(17)
Net foreign exchange loss	0	0
Impairment of financial assets	0	0
Other financial expenses	-	-
Financial expenses	**(279)**	**(358)**
Net financing costs	**(233)**	**(331)**

The increase in net foreign exchange gain results from an index-linked term deposit protecting the Company against Kwanza devaluation for its cash held in Angola.

The decrease in net financing costs is mainly due to the reduction of interest expenses related to the *Turritella* (FPSO) project loan, including hedging derivatives. The loan was repaid on January 16, 2018 after the receipt of the purchase price from Shell.