



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

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4.3.31 INTEREST IN JOINT VENTURES AND ASSOCIATES

The Company has several joint ventures and associates:

| Entity name | Partners | Joint venture/ Associate | % of ownership | Country registration | 2018 main reporting segment | Project name |
|---|---|-----------------------------|-------------------|-------------------------|-----------------------------------|-------------------|
| Sonasing Xikomba Ltd. | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada | Joint venture | 50.00 | Bermuda | Lease & Operate | FPSO N'Goma |
| OPS-Serviços de Produção de Petróleos Ltd. | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P. | Joint venture | 50.00 | Bermuda | Lease & Operate | Angola operations |
| OPS-Serviços de Produção de Petróleos Ltd. Branch | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P. | Joint venture | 50.00 | Angola | Lease & Operate | Angola operations |
| OPS Production Ltd. | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P. | Joint venture | 50.00 | Bermuda | Lease & Operate | Angola operations |
| Malaysia Deepwater Floating Terminal (Kikeh) Ltd. | Malaysia International Shipping Corporation Behard | Joint venture | 49.00 | Malaysia | Lease & Operate | FPSO Kikeh |
| Malaysia Deepwater Production Contractors Sdn Bhd | Malaysia International Shipping Corporation Behard | Joint venture | 49.00 | Malaysia | Lease & Operate | FPSO Kikeh |
| Anchor Storage Ltd. | Maersk group | Joint venture | 49.00 | Bermuda | Lease & Operate | Nkossa II FSO |
| Gas Management (Congo) Ltd. | Maersk group | Joint venture | 49.00 | Bahamas | Lease & Operate | Nkossa II FSO |
| Solgaz S.A. | Deepwater Enterprises A/S (an entity of Maersk group) | Joint venture | 49.00 | France | Lease & Operate | Nkossa II FSO |
| Sonasing Sanha Ltd. | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada | Joint venture | 50.00 | Bermuda | Lease & Operate | FPSO Sanha |
| Sonasing Kuito Ltd. | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada | Joint venture | 50.00 | Bermuda | Lease & Operate | FPSO Kuito |
| Sonasing Saxi Batuque Ltd. | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada | Joint venture | 50.00 | Bermuda | Lease & Operate | FPSO Saxi-Batuque |
| Sonasing Mondo Ltd. | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada | Joint venture | 50.00 | Bermuda | Lease & Operate | FPSO Mondo |
| SNV Offshore Ltd. | Naval Ventures Corp (an entity of Synergy group) | Joint venture | 50.00 | Bermuda | Turnkey | Brazilian yard |
| Pelican Assets S.à.r.l. | SNV Offshore Limited (see information above) | Joint venture | 50.00 | Luxembourg | Turnkey | Brazilian yard |
| Estaleiro Brasa Ltda. | SNV Offshore Limited (see information above) | Joint venture | 50.00 | Brazil | Turnkey | Brazilian yard |
| Brasil Superlift Serviços Içamento Ltda. | SNV Offshore Limited (see information above) | Joint venture | 50.00 | Brazil | Turnkey | Brazilian yard |

| Entity name | Partners | Joint venture/ Associate | % of ownership | Country registration | 2018 main reporting segment | Project name |
|---|---|-----------------------------|-------------------|-------------------------|-----------------------------------|-------------------|
| Normand Installer S.A. | The Solstad group | Joint venture | 49.90 | Switzerland | Turnkey | Normand Installer |
| OS Installer AS | Ocean Yield AS | Associate | 25.00 | Norway | Turnkey | SBM Installer |
| OS Installer Limited | Ocean Yield Malta Ltd | Associate | 25.00 | Malta | Turnkey | SBM Installer |
| SBM Ship Yard Ltd. | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Daewoo Shipbuilding & Marine Engineering Co. Ltd. | Associate | 33.33 | Bermuda | Turnkey | Angolan yard |
| PAENAL - Porto Amboim Estaleiros Navais Ltda. | Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; SBM Shipyard | Associate | 30.00 | Angola | Turnkey | Angolan yard |

The Company has no joint operation as per definition provided by IFRS 11 'Joint arrangements'.

The movements in investments in associates and joint ventures are as follows:

| | 2018 | 2017 |
|---|------------|------------|
| Investments in associates and joint ventures at 1 January | 457 | 484 |
| Share of profit of equity-accounted investees | 13 | 33 |
| Dividends | (59) | (76) |
| Cash flow hedges | 2 | 3 |
| Capital increase/(decrease) | 3 | 4 |
| Foreign currency variations | 1 | (1) |
| Share in negative net equity reclassification to loans to joint ventures and associates | 2 | 10 |
| Other | 3 | - |
| Investments in associates and joint ventures at 31 December | 421 | 457 |

Impairment of the Brazilian yard

Brazil is a key market for SBM Offshore where a number of opportunities are being actively pursued. However, given the lead time for opportunities to mature in terms of construction activities, combined with the uncertainties around local content regulations, SBM Offshore together with joint venture partners, decided to take steps to close the BRASA construction yard for at least the coming few years. This decision resulted in the impairment of the assets of the joint venture (50% owned by the Company) of US\$ 19 million. Because this investment is accounted for using the equity method, this impairment has been recognized on the line item 'Share of profit of equity-accounted investees' of the consolidated income statement for the period ended December 31, 2018 bringing the value of the net investment in the joint venture to nil.

The recoverable amount of the net investment is determined based on a value-in-use calculation which requires the use of assumptions. The cash flow projections used for the value-in-use calculation, as approved by the Management Board of the Company, use a horizon of five years. In the event (i) the yard is reopened (ii) and SBM Offshore will be successful on the ongoing Brazilian FPSO bids, with local content requirements reaching the higher end of the scale, justifying the reopening of the BRASA construction yard, the impairment could be (partly) reversed in the future.

Purchase and termination options in finance lease contracts - Joint ventures and associates

The finance lease contracts of FPSO *N'Goma*, FPSO *Saxi* and FPSO *Mondo*, where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early. The finance lease contract of FPSO *Kikeh* also includes options for the client to purchase the underlying asset or to terminate the contract early, but it should be noted that the first option for the client to exercise the purchase option on FPSO *Kikeh* is early 2022.

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The exercise of the purchase option on FPSOs *N'Goma*, *Saxi* and *Mondo* as per December 31, 2018 would have resulted in a gain for the Company or a near break-even result. The exercise of the option to terminate the contract early, in which case the Company retains ownership of the vessel, would result in a break-even result for FPSOs *Saxi* and *Mondo* while this would result in a loss for the Company on FPSOs *N'Goma* and *Kikeh*. The Company considers the likelihood of the client exercising the option to terminate the contract on these two specific contracts as remote.

Hyperinflation Angola

The Company applies hyperinflation accounting in line with the requirements of IAS 29 for its local branch in Angola (OPS-Serviços de Produção de Petróleos Ltd.). The effects of this hyperinflation accounting on the consolidated financial figures of the Company are limited. The results of the Angolan branch represent an insignificant part of the Company's total assets or results. The results and the financial position of the Angolan branch are translated from Kwanza to US dollars based on the closing exchange rate of December 31, 2018.

The following tables present the figures at 100%.

Information on significant joint arrangements and associates - 2018

| Project name | Place of the business | Total assets | Non-current assets | Cash | Loans | Non-current liabilities | Current liabilities | Dividends paid | Revenue |
|--|-----------------------|--------------|--------------------|------------|--------------|-------------------------|---------------------|----------------|------------|
| FPSO N'Goma | Angola | 1,055 | 892 | 35 | 414 | 339 | 190 | - | 89 |
| Angola operations | Angola | 210 | 3 | 9 | 40 | 0 | 194 | - | 175 |
| FPSO Kikeh | Malaysia | 280 | 181 | 11 | - | 5 | 21 | 104 | 87 |
| Brazilian yard | Brazil | 13 | 7 | 1 | 0 | - | 9 | - | 12 |
| Angolan yard | Angola | 94 | 0 | 49 | 460 | 460 | 36 | - | 8 |
| Non material joint ventures/associates | | 231 | 200 | 15 | 245 | 193 | 64 | 20 | 38 |
| Total at 100% | | 1,883 | 1,282 | 119 | 1,159 | 997 | 514 | 124 | 408 |

Information on significant joint arrangements and associates - 2017

| Project name | Place of the business | Total assets | Non-current assets | Cash | Loans | Non-current liabilities | Current liabilities | Dividends paid | Revenue |
|--|-----------------------|--------------|--------------------|------------|--------------|-------------------------|---------------------|----------------|------------|
| FPSO N'Goma | Angola | 1,130 | 981 | 27 | 432 | 386 | 291 | - | 101 |
| Angola operations | Angola | 225 | 1 | 22 | - | - | 180 | 10 | 156 |
| FPSO Kikeh | Malaysia | 350 | 253 | 5 | - | 4 | 17 | 107 | 111 |
| Brazilian yard | Brazil | 49 | 37 | 1 | - | - | 6 | - | 11 |
| Angolan yard | Angola | 130 | 0 | 77 | 437 | 437 | 62 | - | 13 |
| Non material joint ventures/associates | | 255 | 211 | 21 | 252 | 236 | 51 | 41 | 44 |
| Total at 100% | | 2,140 | 1,483 | 154 | 1,121 | 1,063 | 605 | 158 | 436 |

The bank interest-bearing loans and other borrowings held by joint ventures and associates are as follows:

Information on loans and borrowings of joint ventures and associates

| | | | | Net book value at 31 December 2018 | | | Net book value at 31 December 2017 | | |
|---|----------------|---------------|-----------|---------------------------------------|---------|-------|---------------------------------------|---------|-------|
| Entity name | % Ownership | % Interest | Maturity | Non- current | Current | Total | Non- current | Current | Total |
| US\$ Project Finance facilities drawn: | | | | | | | | | |
| Sonasing Xikomba Ltd | 50.00 | 4.77% | 16-Aug-21 | 166 | 90 | 256 | 256 | 85 | 342 |
| Normand Installer SA | 49.90 | 4.99% | 15-Feb-19 | - | 35 | 35 | 35 | 8 | 43 |
| OS Installer Limited | 25.00 | 4.18% | 16-Dec-19 | 73 | 7 | 80 | 80 | 7 | 88 |
| Loans from subsidiaries of SBM Offshore N.V. ¹ | | | | 408 | 93 | 501 | 355 | 33 | 387 |
| Loans from other shareholders of the joint ventures and associates | | | | 275 | 5 | 280 | 261 | - | 261 |
| Loans from other joint ventures ² | | | | 258 | 3 | 261 | 252 | 1 | 253 |
| Net book value of loans and borrowings | | | | 1,181 | 234 | 1,415 | 1,240 | 134 | 1,374 |

¹ Please refer to note 4.3.16 'Loans to joint-ventures and associates' for presentation of the carrying amount of these loans in Company's Consolidated Statement of financial position.

² Mainly loans from the joint ventures SBM Shipyard Ltd to the JV PAENAL - Porto Amboim Estaleiros Navais Ltda.

Aggregated information on joint ventures and associates

| | 2018 | 2017 |
|---------------------|------|------|
| Net result at 100 % | 29 | (33) |

Reconciliation equity at 100 % with investment in associates and joint ventures

| | 2018 | 2017 |
|---|------------|------------|
| Equity at 100% | 372 | 472 |
| Partner ownership | (120) | (181) |
| Share in negative net equity reclassification to loans to joint ventures and associates | 168 | 166 |
| Investments in associates and joint ventures | 421 | 457 |

4.3.32 INFORMATION ON NON-CONTROLLING INTERESTS

The Company has several jointly owned subsidiaries:

| Entity name | Partners | % of ownership | Country registration | 2018 main reporting segment | Project name |
|---|---|---------------------|----------------------|-----------------------------|------------------------------|
| Aseng Production Company Ltd. | GE Petrol | 60.00 | Cayman island | Lease & Operate | FPSO Aseng |
| Gepsing Ltd. | GE Petrol | 60.00 | Cayman island | Lease & Operate | FPSO Aseng / FPSO Serpentina |
| Gepsing Ltd - Equatorial Guinea Branch | GE Petrol | 60.00 | Equatorial Guinea | Lease & Operate | FPSO Aseng / FPSO Serpentina |
| Brazilian Deepwater Floating Terminals Ltd. | Malaysia International Shipping Corporation Behard | 51.00 | Bermuda | Lease & Operate | FPSO Espirito Santo |
| Brazilian Deepwater Production Ltd. | Malaysia International Shipping Corporation Behard | 51.00 | Bermuda | Lease & Operate | FPSO Espirito Santo |
| Brazilian Deepwater Production Contractors Ltd. | Malaysia International Shipping Corporation Behard | 51.00 | Bermuda | Lease & Operate | FPSO Espirito Santo |
| Operações Marítimas em Mar Profundo Brasileiro Ltda | owned by Brazilian Deepwater Production Contractors (see information above) | 51.00 | Brazil | Lease & Operate | FPSO Espirito Santo |
| SBM Stones S.à r.l. | Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha | 100.00 ¹ | Luxembourg | Turnkey | FPSO Turritella |