



**OFFSHORE**

ENERGY. COMMITTED.

# ANNUAL REPORT 2018

## 4 FINANCIAL STATEMENTS 2018

### 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.	Sociedade 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.	Sociedade 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	Sociedade Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Angola	Lease & Operate	Angola operations
OPS Production Ltd.	Sociedade 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.	Sociedade 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.	Sociedade 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.	Sociedade 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.	Sociedade 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.	Sociedade 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.	Sociedade 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
<b>Investments in associates and joint ventures at 1 January</b>	<b>457</b>	<b>484</b>
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	-
<b>Investments in associates and joint ventures at 31 December</b>	<b>421</b>	<b>457</b>

### 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.

## 4 FINANCIAL STATEMENTS 2018

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
<b>Total at 100%</b>		<b>1,883</b>	<b>1,282</b>	<b>119</b>	<b>1,159</b>	<b>997</b>	<b>514</b>	<b>124</b>	<b>408</b>

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
<b>Total at 100%</b>		<b>2,140</b>	<b>1,483</b>	<b>154</b>	<b>1,121</b>	<b>1,063</b>	<b>605</b>	<b>158</b>	<b>436</b>

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

Entity name	% Ownership	% Interest	Maturity	Net book value at 31 December 2018			Net book value at 31 December 2017		
				Non-current	Current	Total	Non-current	Current	Total
<b>US\$ Project Finance facilities drawn:</b>									
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
<b>Loans from subsidiaries of SBM Offshore N.V.<sup>1</sup></b>				408	93	501	355	33	387
<b>Loans from other shareholders of the joint ventures and associates</b>				275	5	280	261	-	261
<b>Loans from other joint ventures<sup>2</sup></b>				258	3	261	252	1	253
<b>Net book value of loans and borrowings</b>				<b>1,181</b>	<b>234</b>	<b>1,415</b>	<b>1,240</b>	<b>134</b>	<b>1,374</b>

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
<b>Investments in associates and joint ventures</b>	<b>421</b>	<b>457</b>

## 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 <sup>1</sup>	Luxembourg	Turnkey	FPSO Turritella