

# FULL YEAR 2019 EARNINGS UPDATE

February 13, 2020



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## Highlights



Doubling  
dividend



Fast4Ward<sup>®</sup>  
momentum



Ambition  
2030

An aerial photograph of a large offshore supply vessel, likely an FPSO or similar, operating in a body of water. The vessel is white with orange and green accents. It features a prominent yellow crane on the deck, a helipad with a green and yellow 'H' marking, and various industrial structures. Several smaller support boats are visible around the vessel. The water is dark blue, and the sky is clear.

# HSSE & ESG

The Market

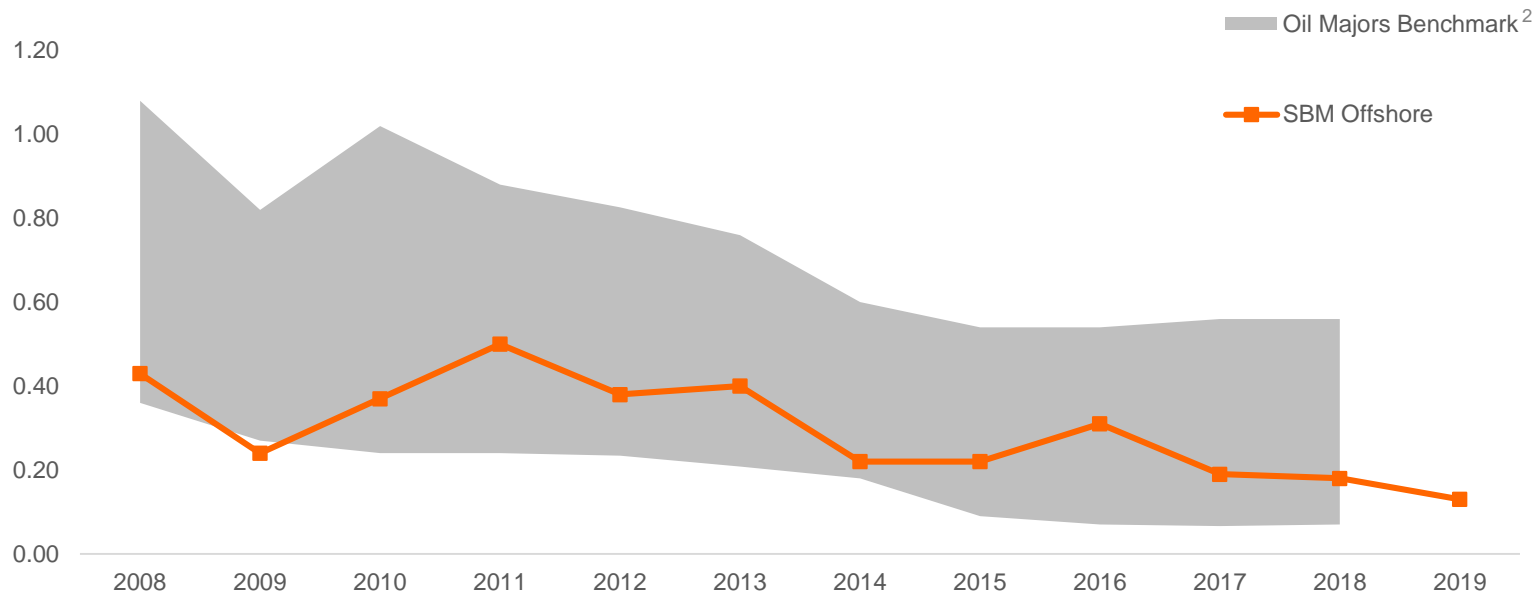
Our Strategy

FY 2019 Financials

Outlook

## Safety

### Total Recordable Injury Frequency Rate<sup>1</sup>



## Target Excellence

**NO HARM, NO DEFECTS, NO LEAKS**



PROTECTING LIFE AND THE ENVIRONMENT




RIGHT FIRST TIME

(1) Per 200k man-hours


(2) Includes Shell, BP, Total, Chevron, Woodside, ExxonMobil, ENI, Equinor

# Translating SDGs into targets and action

**7 AFFORDABLE AND CLEAN ENERGY** 

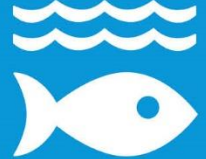
**Gas flaring** TARGET 20%  
Reduction in gas flared under SBM Offshore account  
ACTUAL 1%

**Green energy** TARGET 25%  
Energy in SBM Offshore offices from green providers  
ACTUAL 91%

**8 DECENT WORK AND ECONOMIC GROWTH** 

**Supply chain** TARGET 100%  
Qualified vendors sign Supply Chain Charter  
ACTUAL 99%

**Safety** TARGET <0,29  
Total recordable injury frequency rate  
ACTUAL 0,13

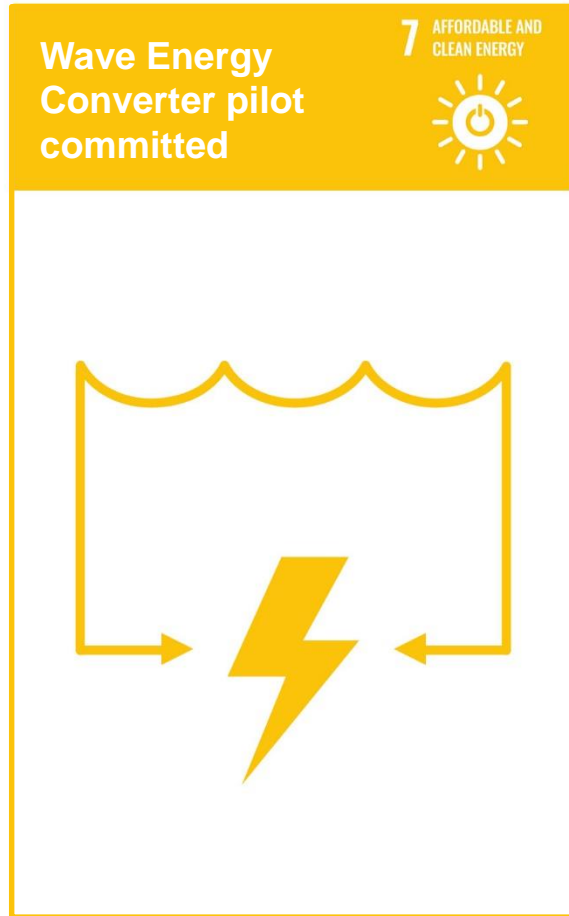
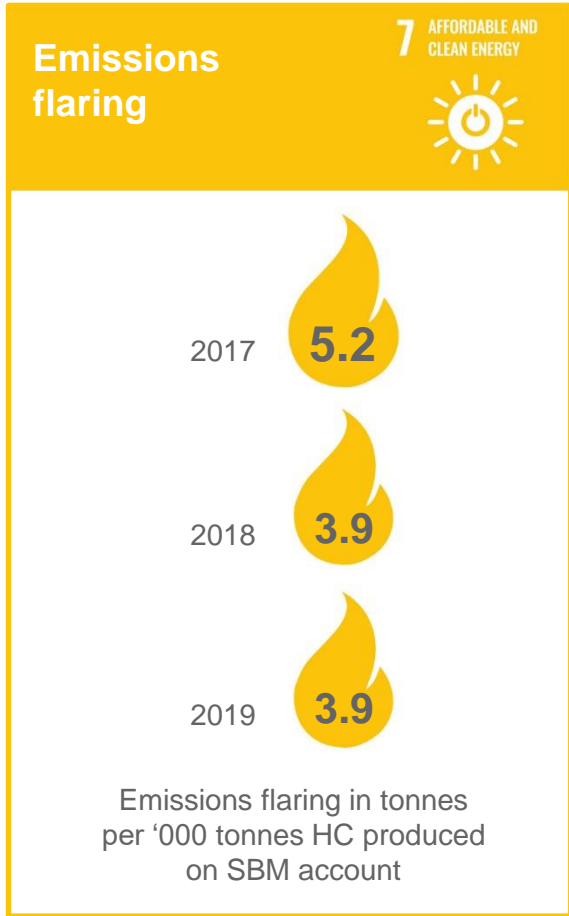
**14 LIFE BELOW WATER** 

**Plastic waste** TARGET 40%  
Reduction of offshore plastic waste  
ACTUAL 22%

**Recycling** TARGET 100%  
Recycling program in SBM Offshore offices  
ACTUAL 100%

**Oil spills** TARGET 0m<sup>3</sup>  
Volume of oil spills  
ACTUAL 0,04m<sup>3</sup>

# Sustainable initiatives



Relative position: 'Outperformer' #1 amongst peers<sup>1</sup>



(1) Based on market capitalization / industry

# Raising the ambition in 2020





HSSE & ESG

# The Market

Our Strategy

FY 2019 Financials

Outlook



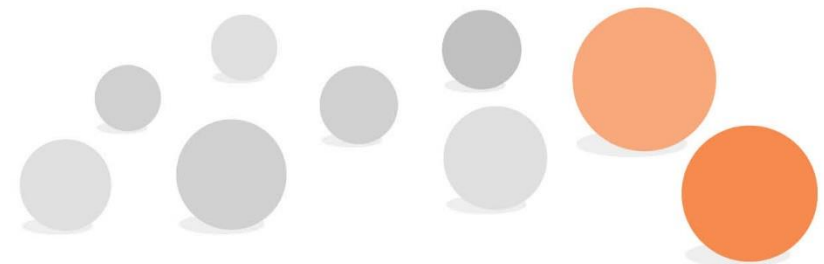
# ■ FPSO market - potential awards 2020-2022



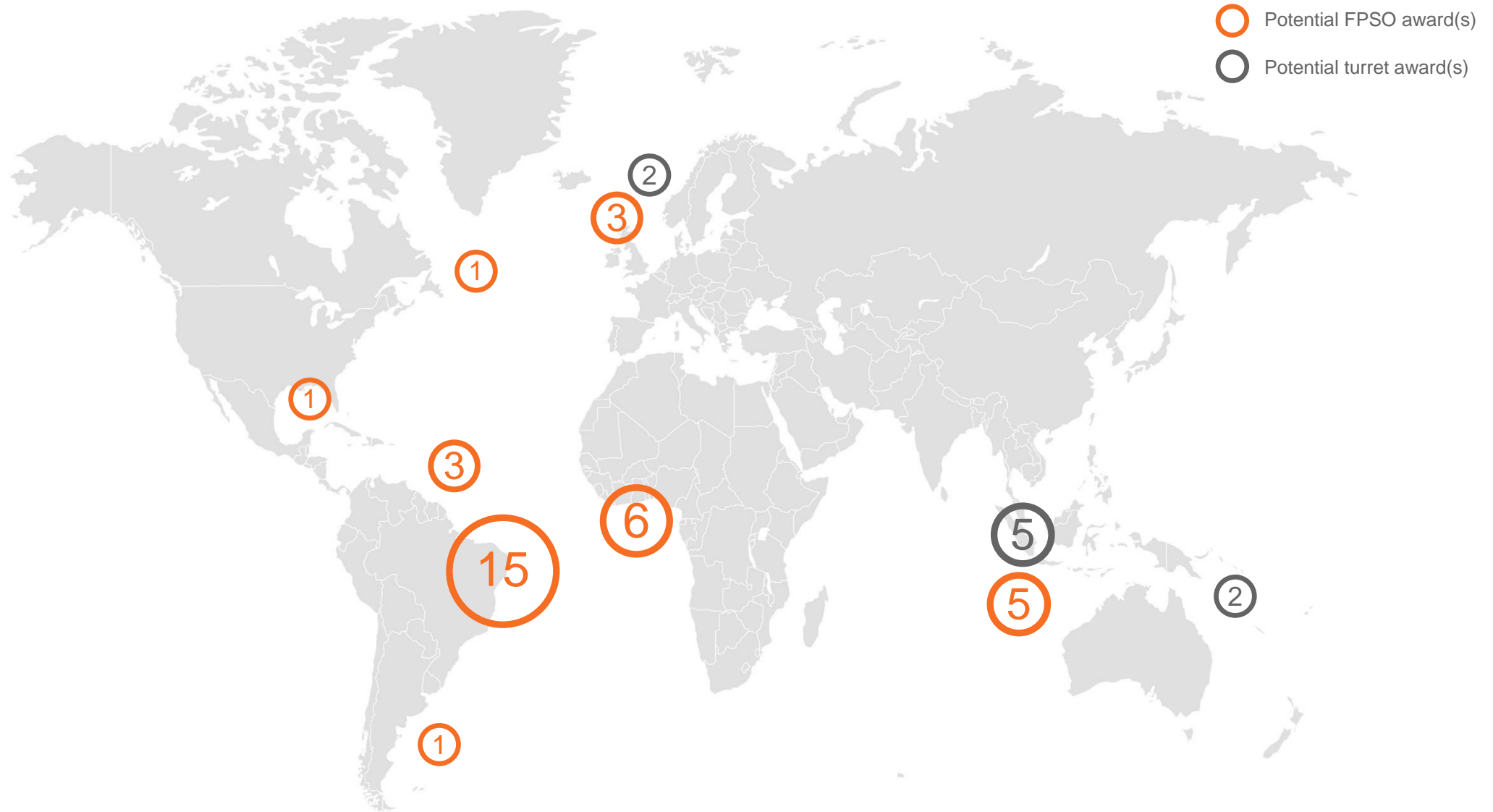
## SBM Offshore capacity

2+ FPSO projects per year

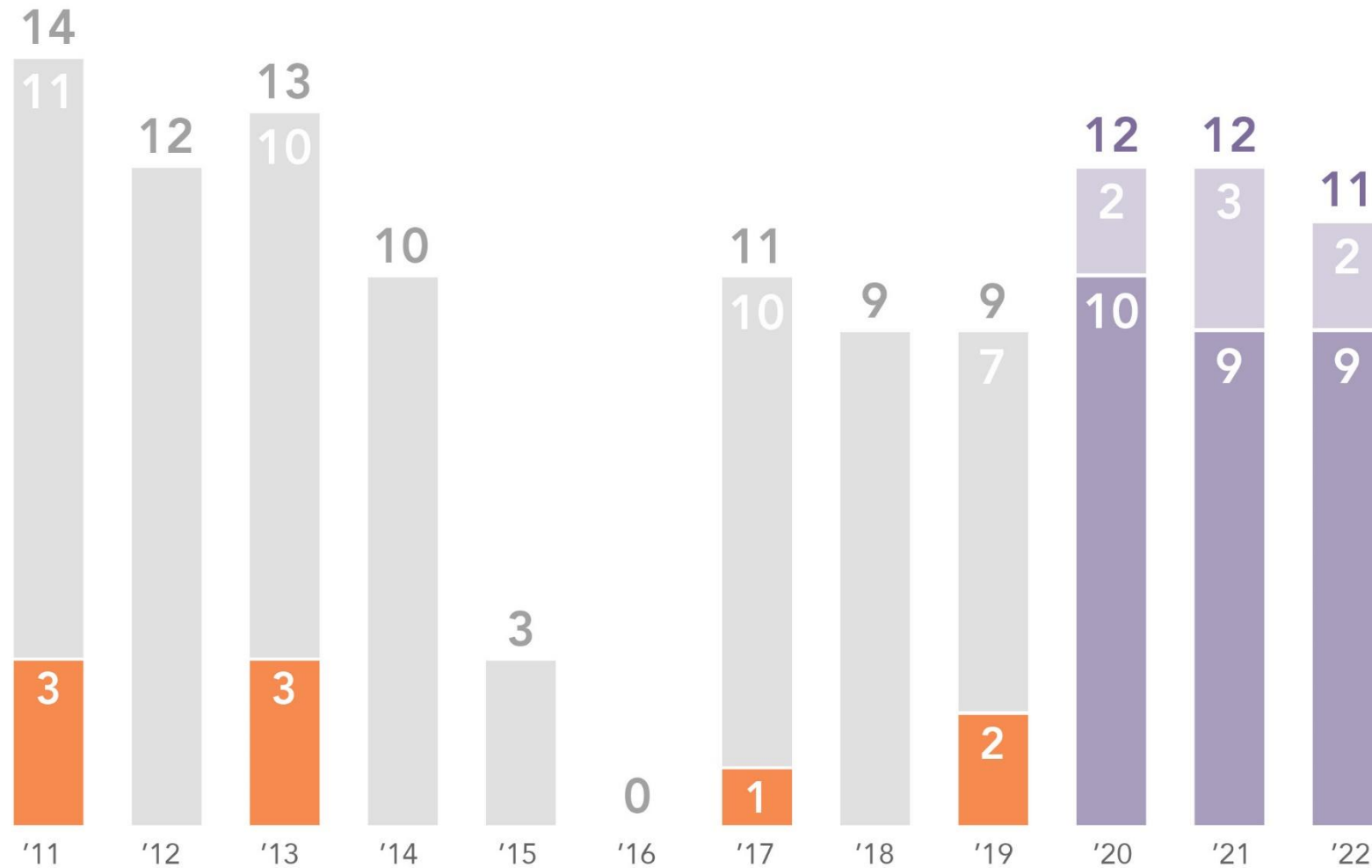
- Potential awards FPSO within target market
- Other potential FPSO awards
- SBM FPSO awards 2019
- Other FPSO awards 2019



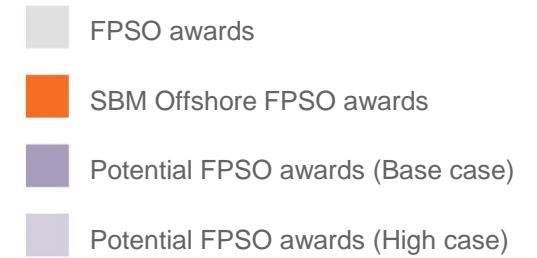
# Potential award areas 2020-2022



# Total FPSO market awards



## SBM Offshore capacity 2+ FPSO projects per year



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The Market

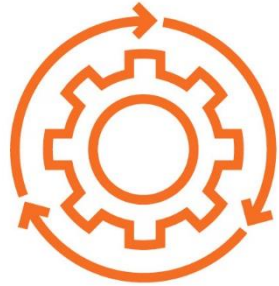
# Our Strategy

FY 2019 Financials

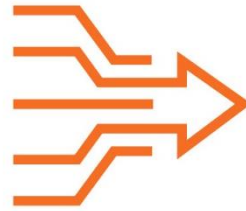
Outlook



## ■ Vision to strategy



OPTIMIZE



TRANSFORM



INNOVATE

“SBM Offshore believes the oceans will provide the world with safe, sustainable and affordable energy for generations to come.

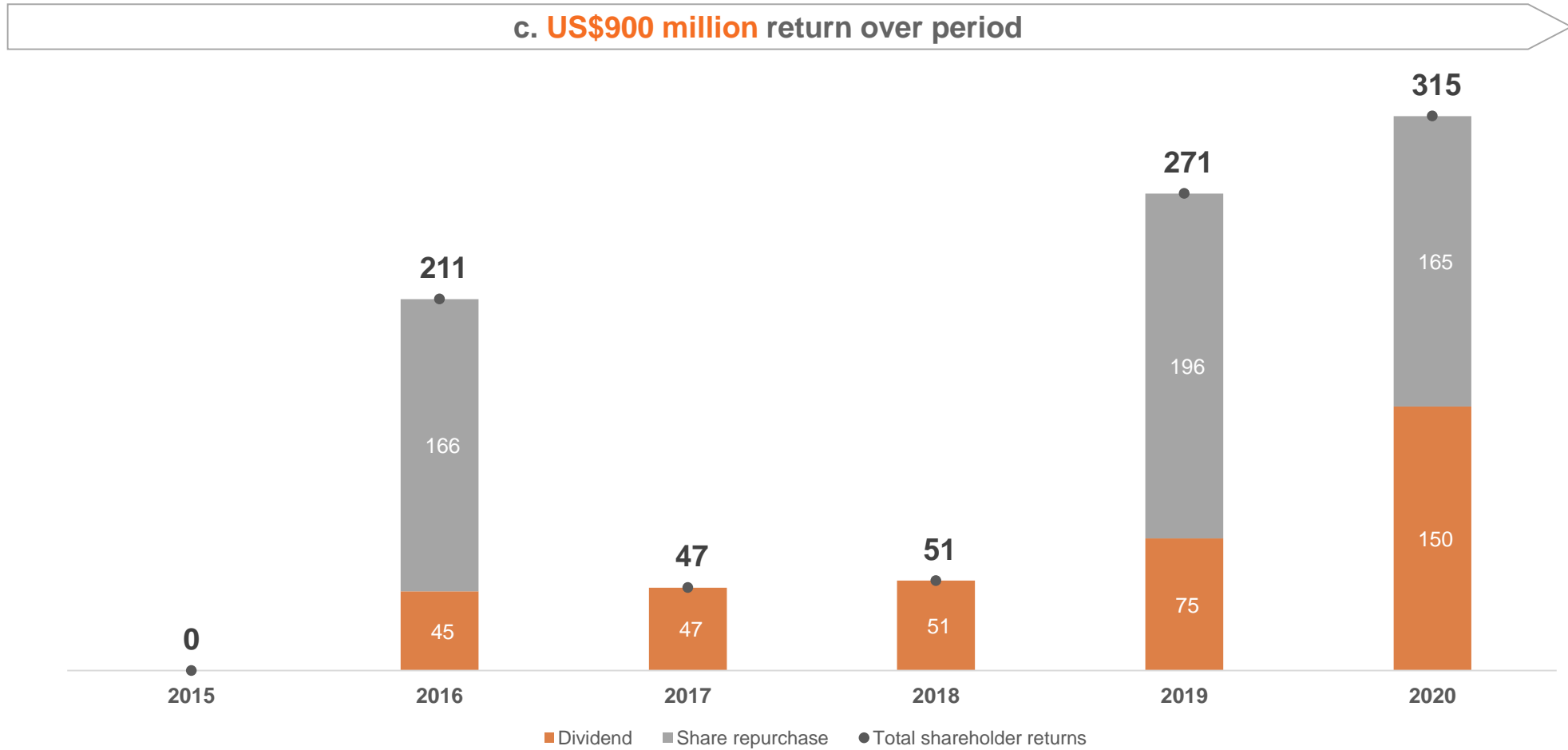
We share our experience to make it happen.”

## Disciplined

Delivering value to our stakeholders



# Optimize | Delivering value to shareholders *US\$ millions*

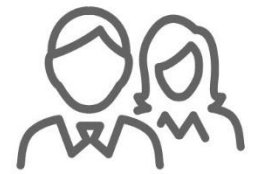




# Transform | Fast4Ward® - all 5 hulls on track



CLIENT FIRST



STANDARDIZATION



FLAWLESS EXECUTION



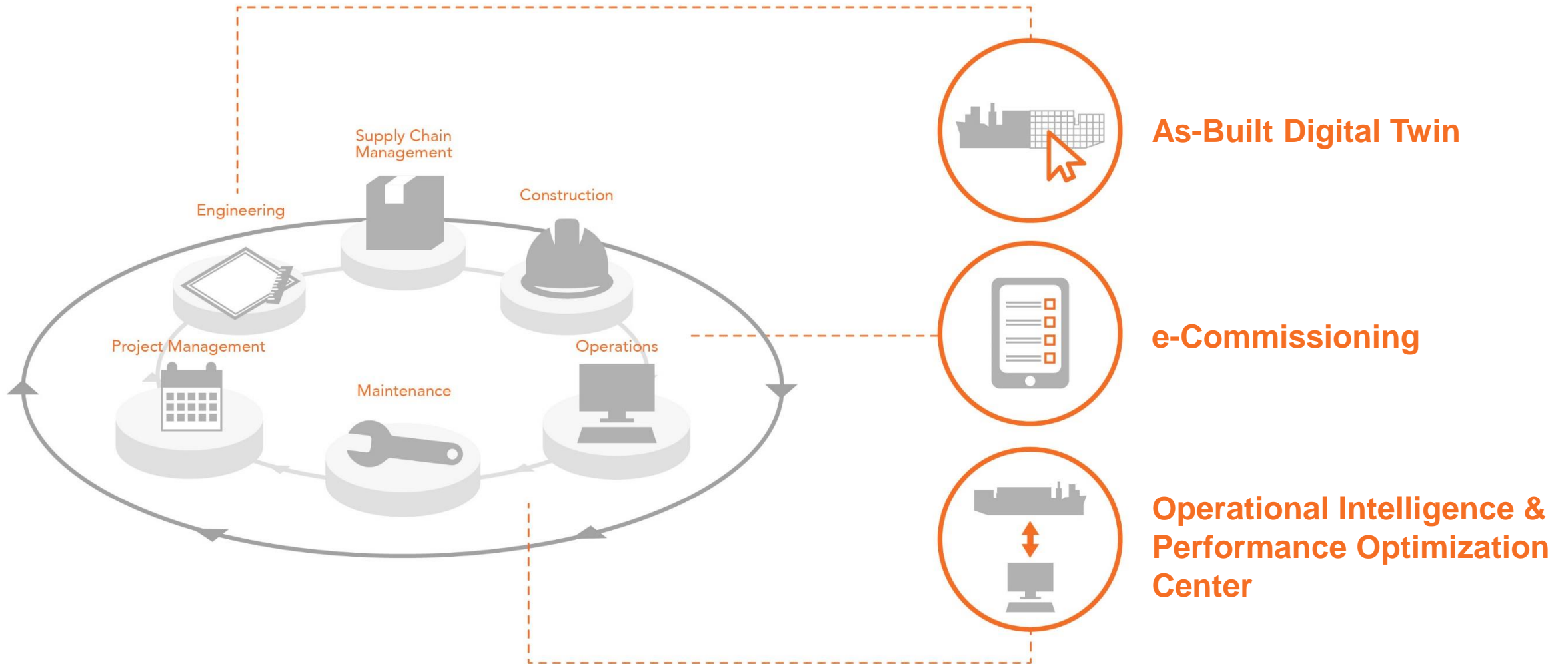
INTEGRATED SUPPLY CHAIN



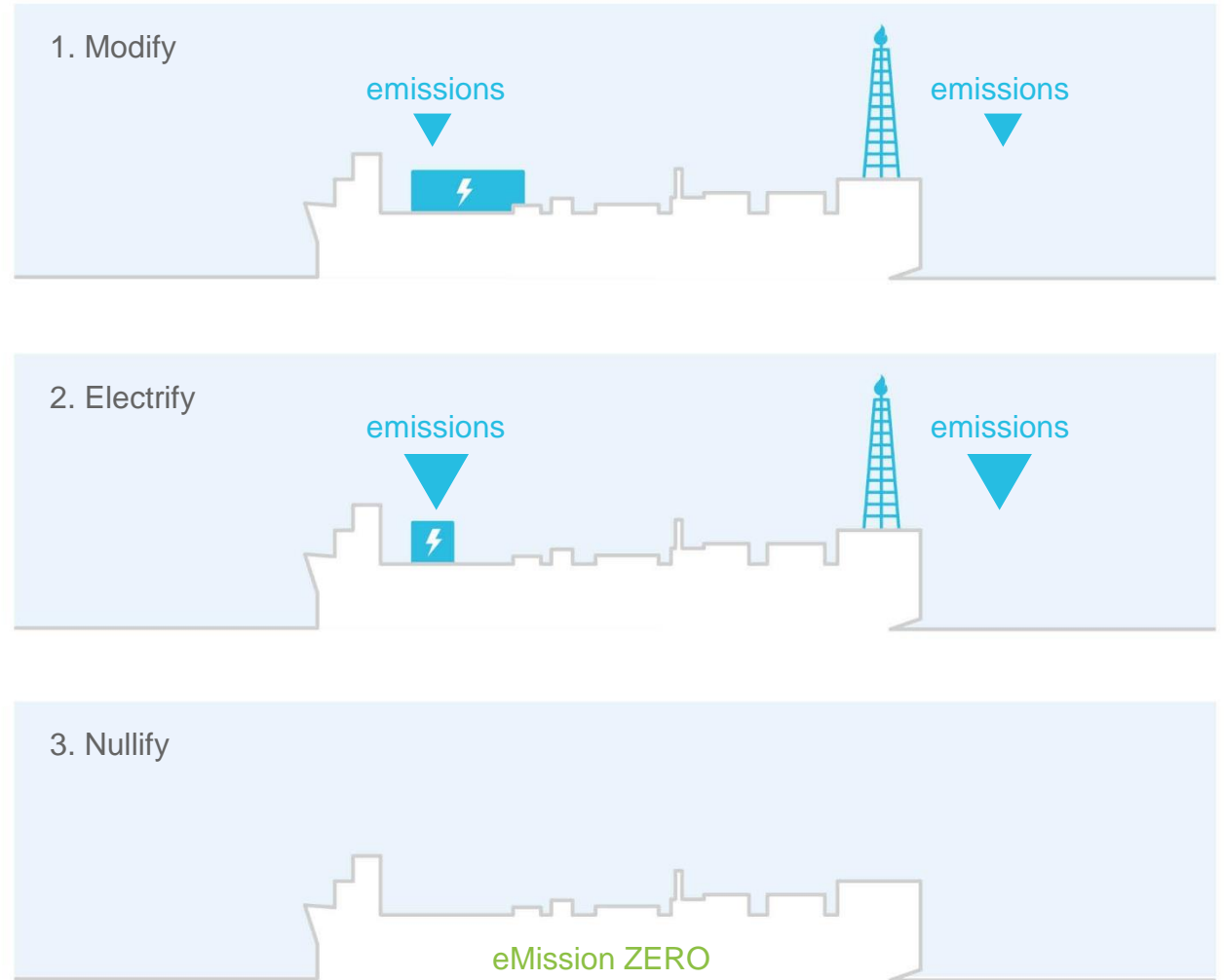
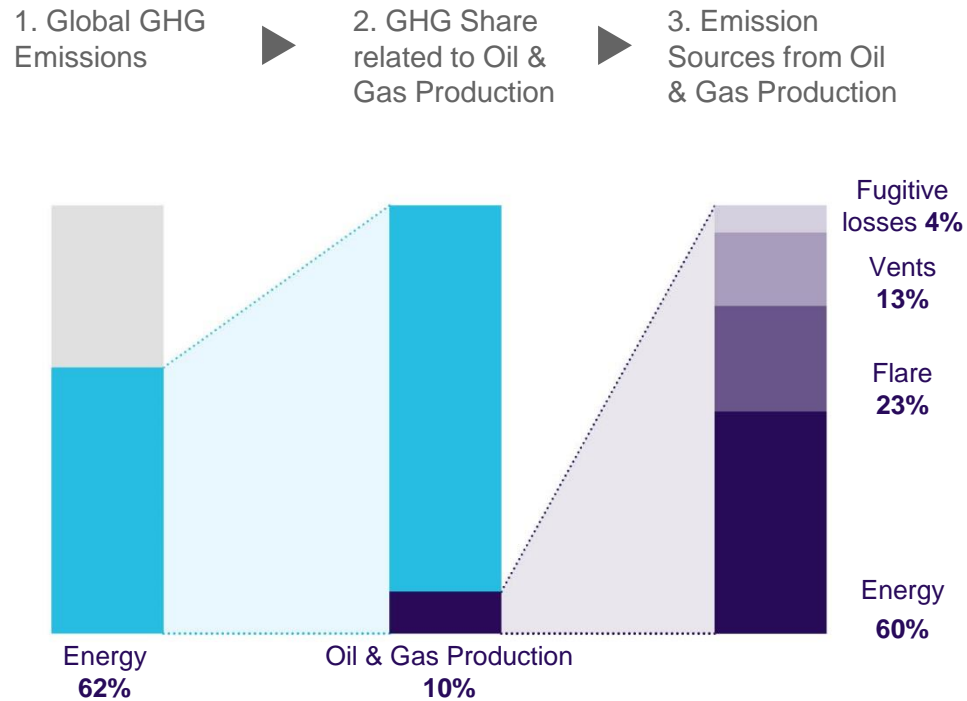
DIGITAL SOLUTIONS



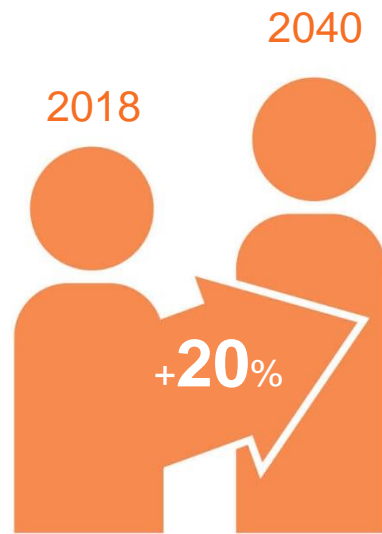
# Transform | Digital transformation throughout the lifecycle



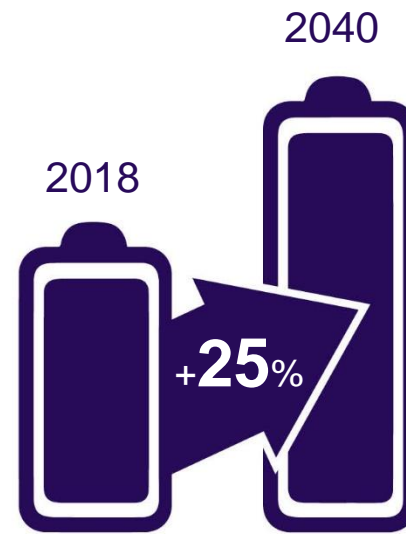
## Global Greenhouse Gas Emissions related to Oil & Gas Production



## 25% of SBM Offshore revenues to come from Gas & Renewables by 2030



Global population



Global energy demand



HSSE & ESG

The Market

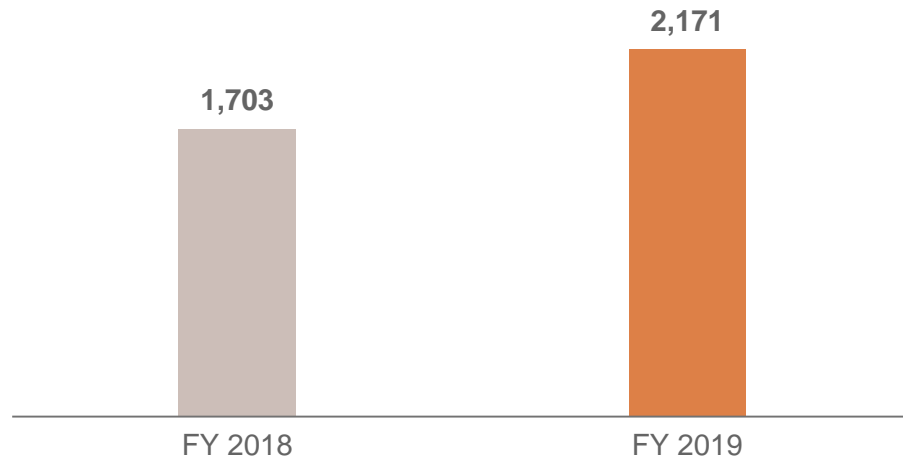
Our Strategy

# FY 2019 Financials

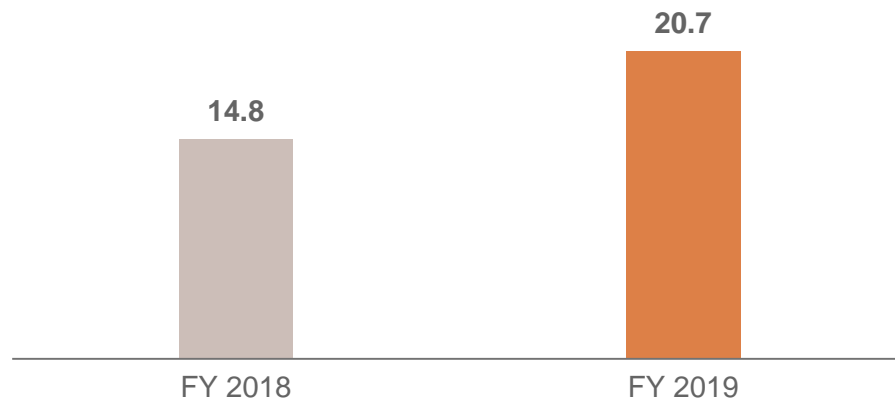
Outlook

# Directional overview<sup>1</sup>

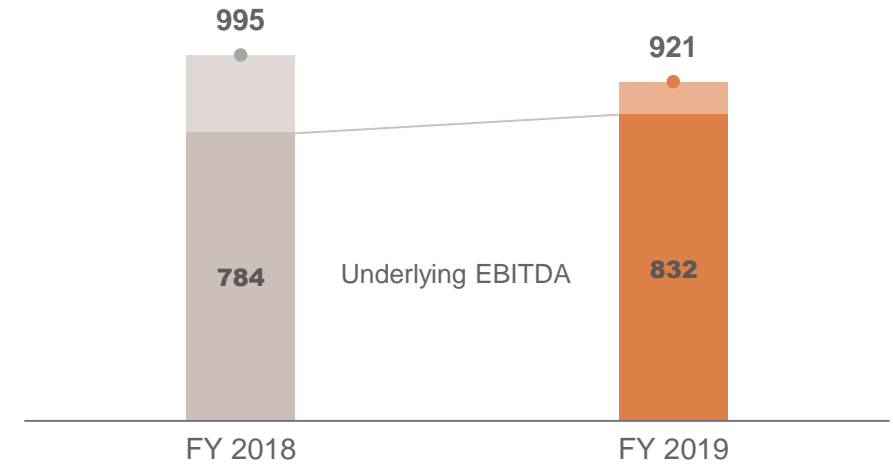
Revenue (US\$ millions)



Pro-forma backlog (US\$ billions)



EBITDA (US\$ millions)



Net debt (US\$ billions)



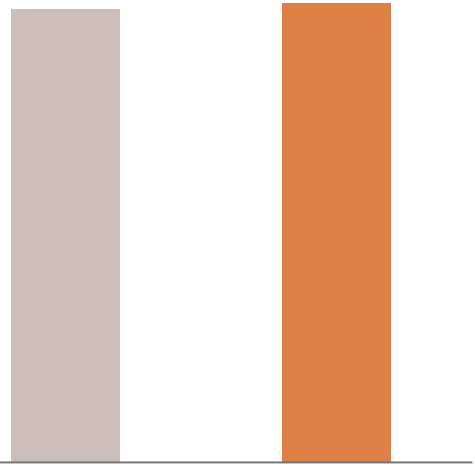
(1) Directional view, presented in the Financial Statements under Operating segments and Directional reporting, represents a pro-forma accounting policy, which assumes all lease contracts are classified as operating leases and all vessel investees are proportionally consolidated. This explanatory note relates to all Directional reporting in this document.

# Financial performance per segment *Directional, US\$ millions*

## Lease and Operate

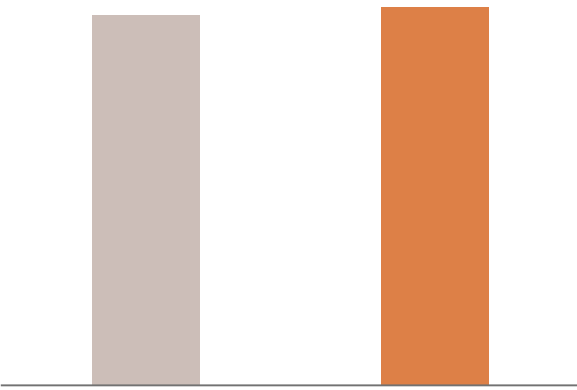
Revenue

1,298      1,315



Underlying EBITDA

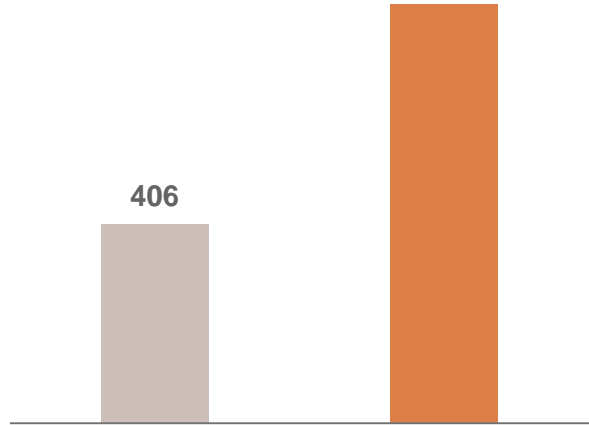
824      842



## Turnkey

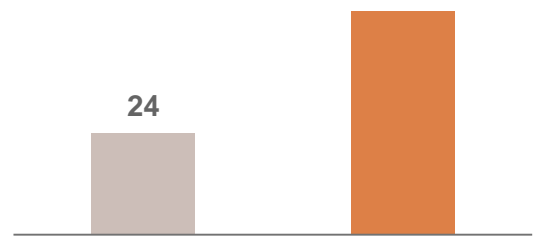
Revenue

406      856



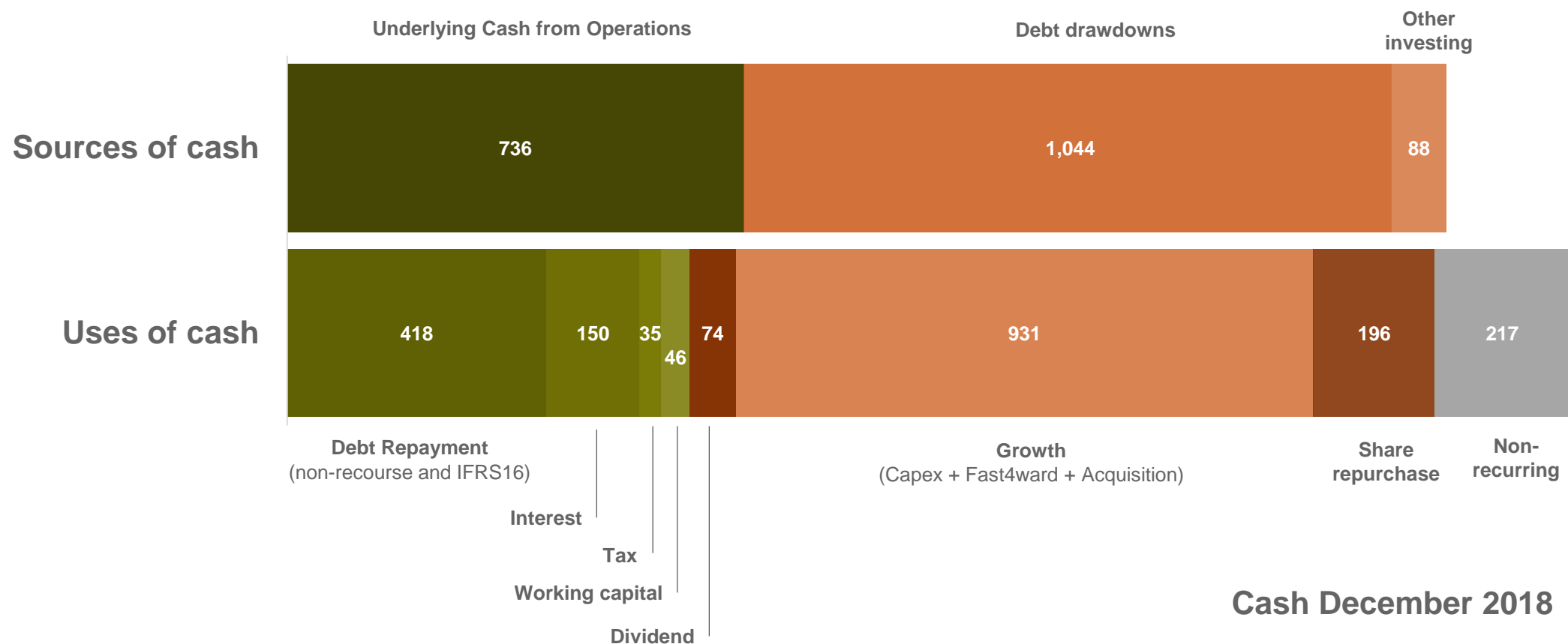
Underlying EBITDA

24      53



“Other” Underlying EBITDA FY 2019 US\$(63) million vs FY 2018 US\$(64) million

# 2019 Sources and use of cash *Directional, US\$ millions*

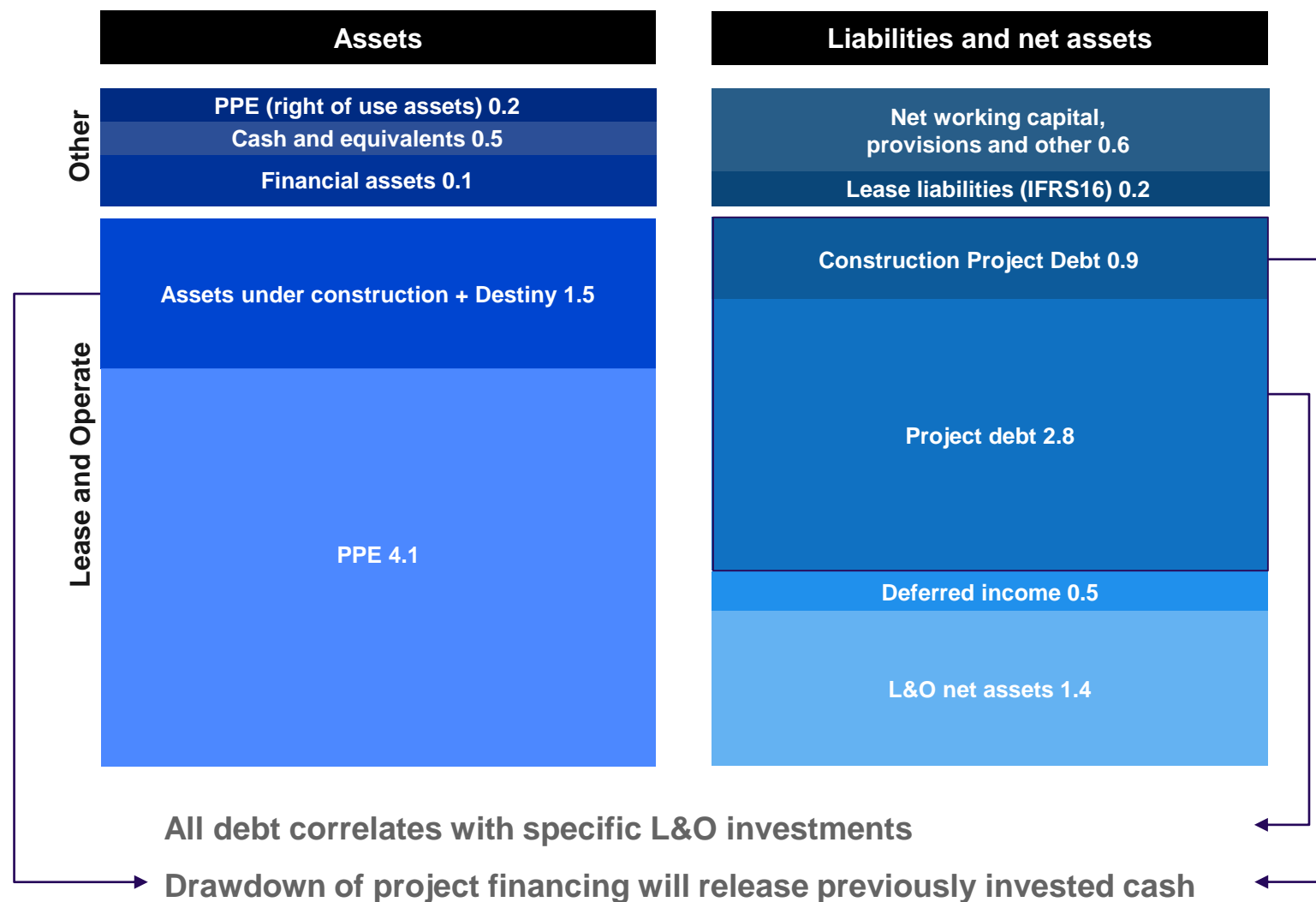


Cash December 2018	657
Cash variation	(199) <sup>1</sup>
Cash December 2019	458

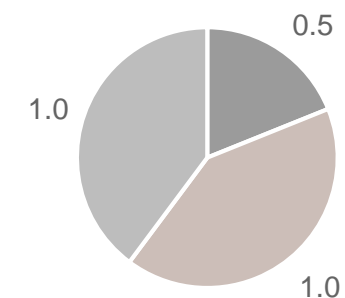


# Balance sheet overview *Directional, US\$ billions*

## Balance sheet is orientated to L&O<sup>1</sup>



## Group Liquidity



- Directional net cash
- Undrawn RCF
- Undrawn project facilities

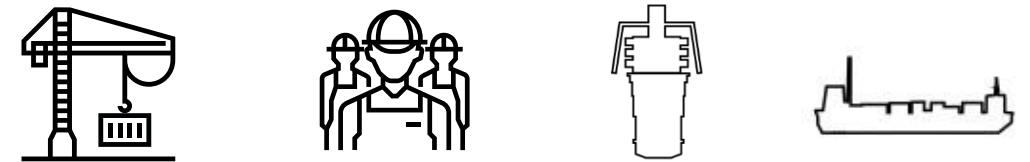
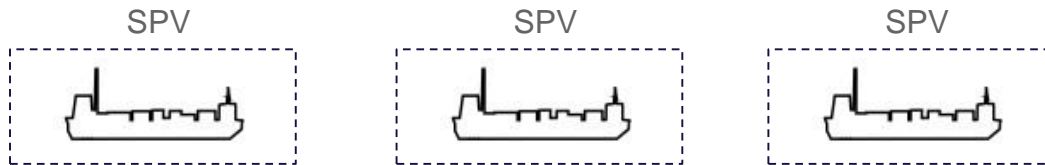
(1) Simplified balance sheet to highlight L&O orientation, not to scale

# Business model

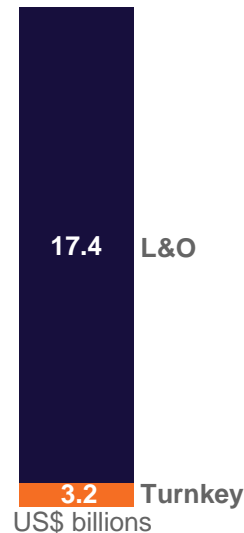


**Lease and Operate:**  
stable free cash flow generator

**Turnkey:**  
growth facilitator, cash flow upside



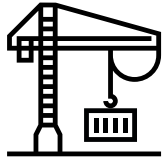
Total pro-forma backlog  
20.7



- 100% Non-recourse debt
- Firm cash flow visibility to 2045
- L&O backlog cash flow after debt service until 2045:  
avg c. US\$240 million p.a.

- Flexible resourcing model, Asset light
- Turnkey backlog secures > 3 year breakeven
- High leverage to growth

# Financing model



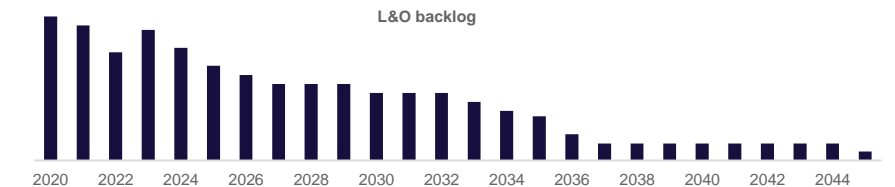
Minimal equity contribution required to finance FPSO construction



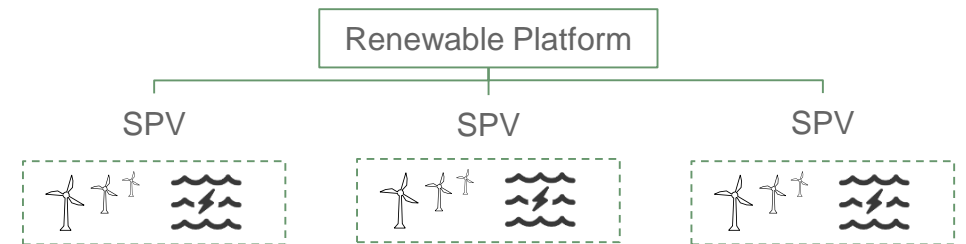
Equity / RCF efficient use to bridge Financing



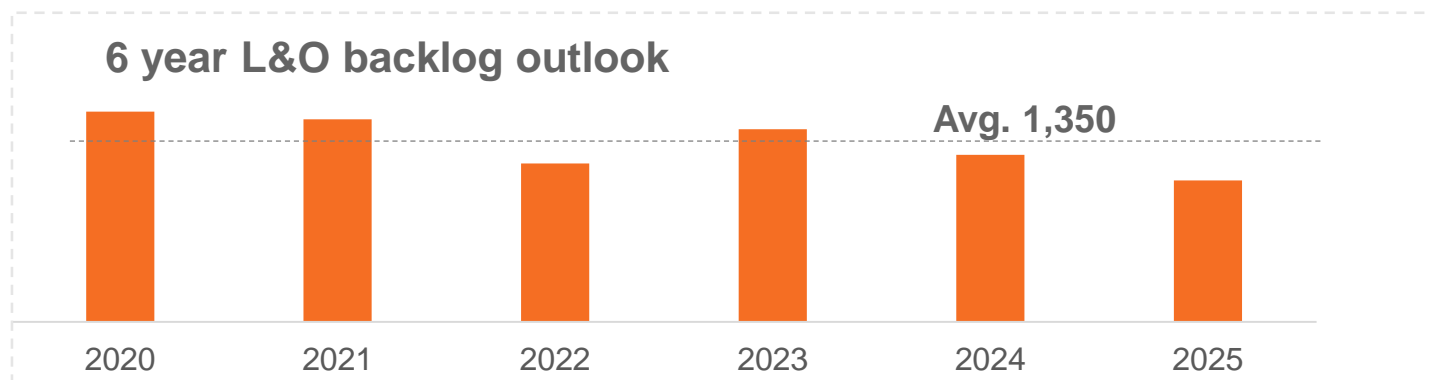
Leveraging backlog to accelerate cash for investment



Developing separate renewable financing strategy



# Pro-forma “in-hand” cash analysis *Directional, US\$ millions*



6 year L&O operating cash flow conversion<sup>1</sup>: ~ 61%

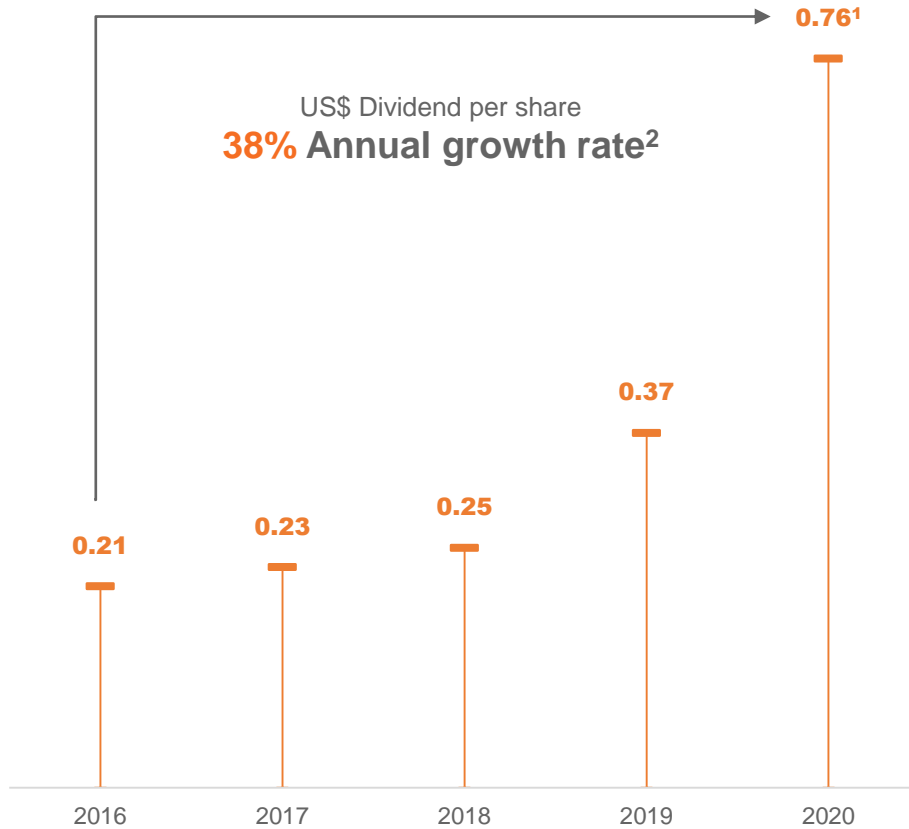
Cash flow – including <i>Liza Destiny &amp; Unity</i> <sup>2</sup>		Average amount
	Operating Cash from L&O	~820
	Backlog Debt Redemptions	~(415)
	Interest	~(130)
	<b>L&amp;O Cash Contribution</b>	<b>~275</b>
	Corporate Overheads & Tax <sup>3</sup>	~(100)
<b>Average Net Cash generation</b>		<b>~175</b>

(1) Lifetime average conversion rate is 65% before L&O tax

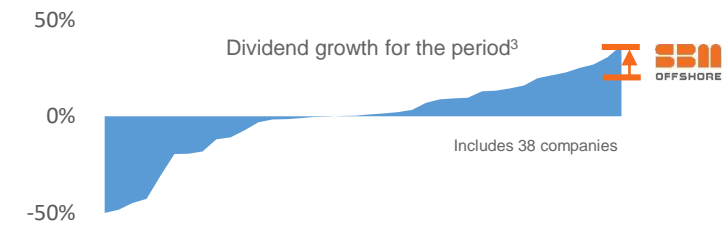
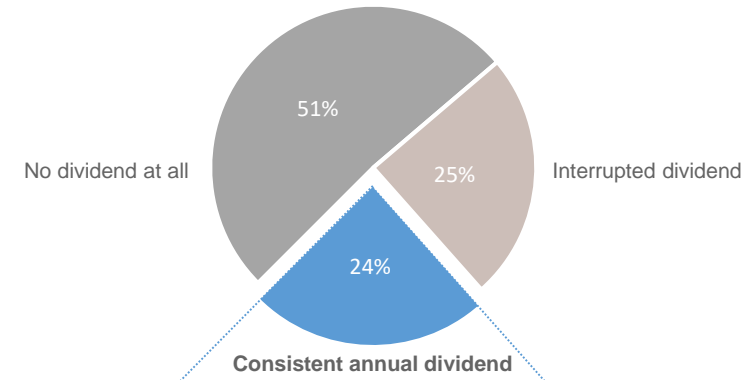
(2) Includes interest payment and debt redemption profile for operational period of up to 2 years. Loan payoff at date of purchase not included as considered in Turnkey with sales proceeds

(3) Total Company tax including L&O tax; 2019 used as a proxy

# Building track-record of stable and growing dividends



Oil Equipment and Services – Dividend payments for period 2016-2019  
Total companies included: 158



Backlog in Years [backlog/annual revenue]  
Top 14 - based on (limited) disclosure by companies >\$2Bn market cap



- (1) Dividend over 2019, to be paid in 2020 is subject to AGM approval and assumes 198.7 million eligible shares (YE19 position). Final pay-out per share will be pending progress in the share repurchase program
- (2) Growth rate calculated as compounded annual growth rate (CAGR) of dividend per share
- (3) CAGR, based on absolute level of dividend (not dividend per share)

Source: Internal analysis

A low-angle photograph of two workers in safety gear (hard hats, safety glasses, earplugs) looking at each other on an offshore platform. The background shows the complex metal structure of the platform against a clear blue sky. A large vertical pipe and a red metal cage are visible in the center. The letters 'DB' are visible on a yellow structure in the upper right.

HSSE & ESG  
The Market  
Our Strategy  
FY 2019 Financials  
**Outlook**

## ■ Guidance

- Directional revenues above US\$2.3 billion, of which:
  - Lease and Operate around US\$1.6 billion
  - Turnkey around US\$ 0.7 billion
  
- Directional EBITDA around US\$900 million

# Energy. Committed.



Doubling  
dividend



Fast4Ward®  
momentum



Ambition  
2030



# Appendix



# Pro-forma Backlog<sup>1</sup> and borrowings repayment Directional, US\$ billions<sup>4</sup>

Turnkey backlog	
2020	0.6
2021	1.2
2022	0.2
Beyond 2022	1.3
<b>Total</b>	<b>3.2</b>



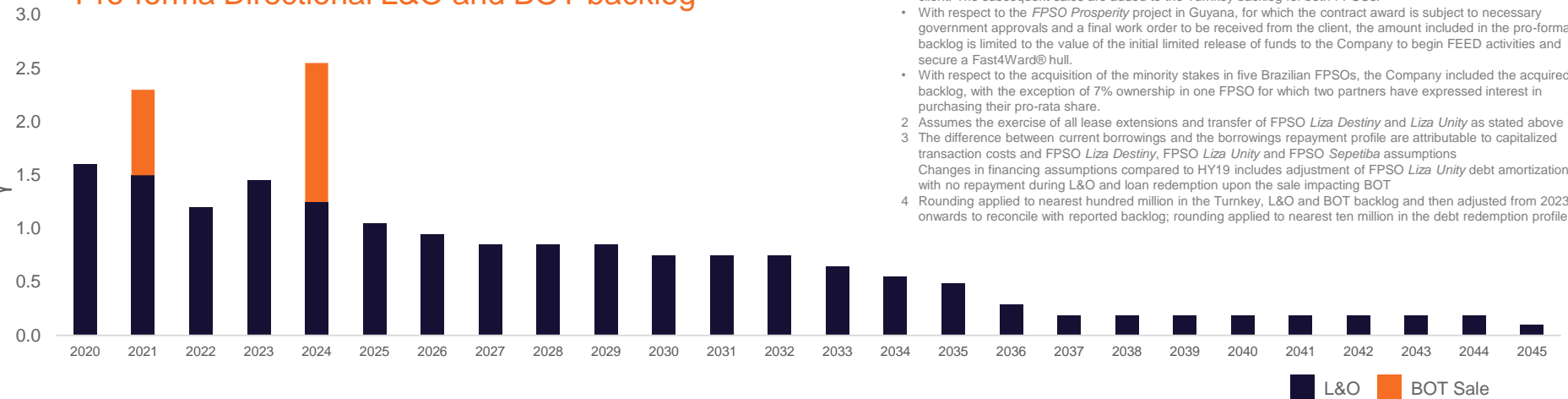
Average of 65% of L&O backlog (excl. BOT) represents operating cash flow before tax.

L&O average portfolio duration: 9.6 years<sup>2</sup>

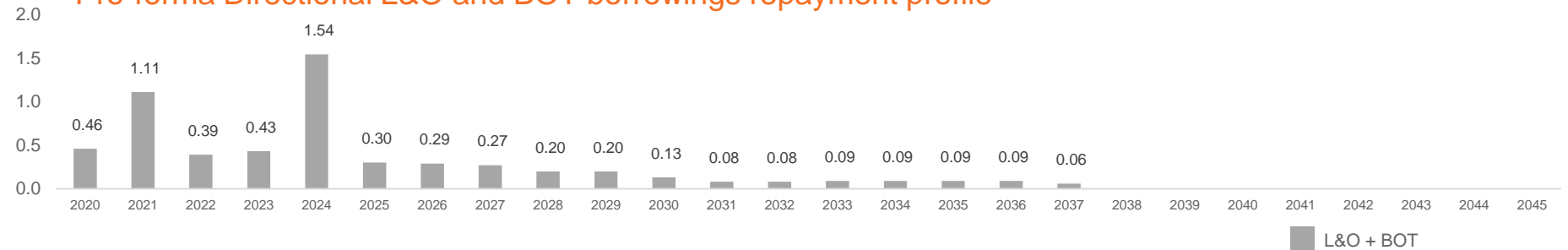
## Notes:

- 1 Backlog is the undiscounted revenue over the confirmed portion of the contract. The pro-forma Directional backlog as of December 31, 2019 includes following assumptions:
  - The Lease and Operate backlog includes FPSO *Liza Unity* operating and maintenance scope, which is pending a final work order.
  - For both FPSO *Liza Destiny* and FPSO *Liza Unity*, two years of operations are added to the Lease and Operate backlog. The *Liza Destiny* contract covers 10 years of lease and operate but based on discussion with the client, it is expected that the client will purchase the unit after a period of up to two years of operations. The *Liza Unity* contract covers a maximum lease and operate period of two years of within which the unit will be purchased by the client. The subsequent sales are added to the Turnkey backlog for both FPSOs.
  - With respect to the *FPSO Prosperity* project in Guyana, for which the contract award is subject to necessary government approvals and a final work order to be received from the client, the amount included in the pro-forma backlog is limited to the value of the initial limited release of funds to the Company to begin FEED activities and secure a Fast4Ward@hull.
  - With respect to the acquisition of the minority stakes in five Brazilian FPSOs, the Company included the acquired backlog, with the exception of 7% ownership in one FPSO for which two partners have expressed interest in purchasing their pro-rata share.
- 2 Assumes the exercise of all lease extensions and transfer of FPSO *Liza Destiny* and *Liza Unity* as stated above
- 3 The difference between current borrowings and the borrowings repayment profile are attributable to capitalized transaction costs and FPSO *Liza Destiny*, FPSO *Liza Unity* and FPSO *Sepetiba* assumptions. Changes in financing assumptions compared to HY19 includes adjustment of FPSO *Liza Unity* debt amortization with no repayment during L&O and loan redemption upon the sale impacting BOT
- 4 Rounding applied to nearest hundred million in the Turnkey, L&O and BOT backlog and then adjusted from 2023 onwards to reconcile with reported backlog; rounding applied to nearest ten million in the debt redemption profile

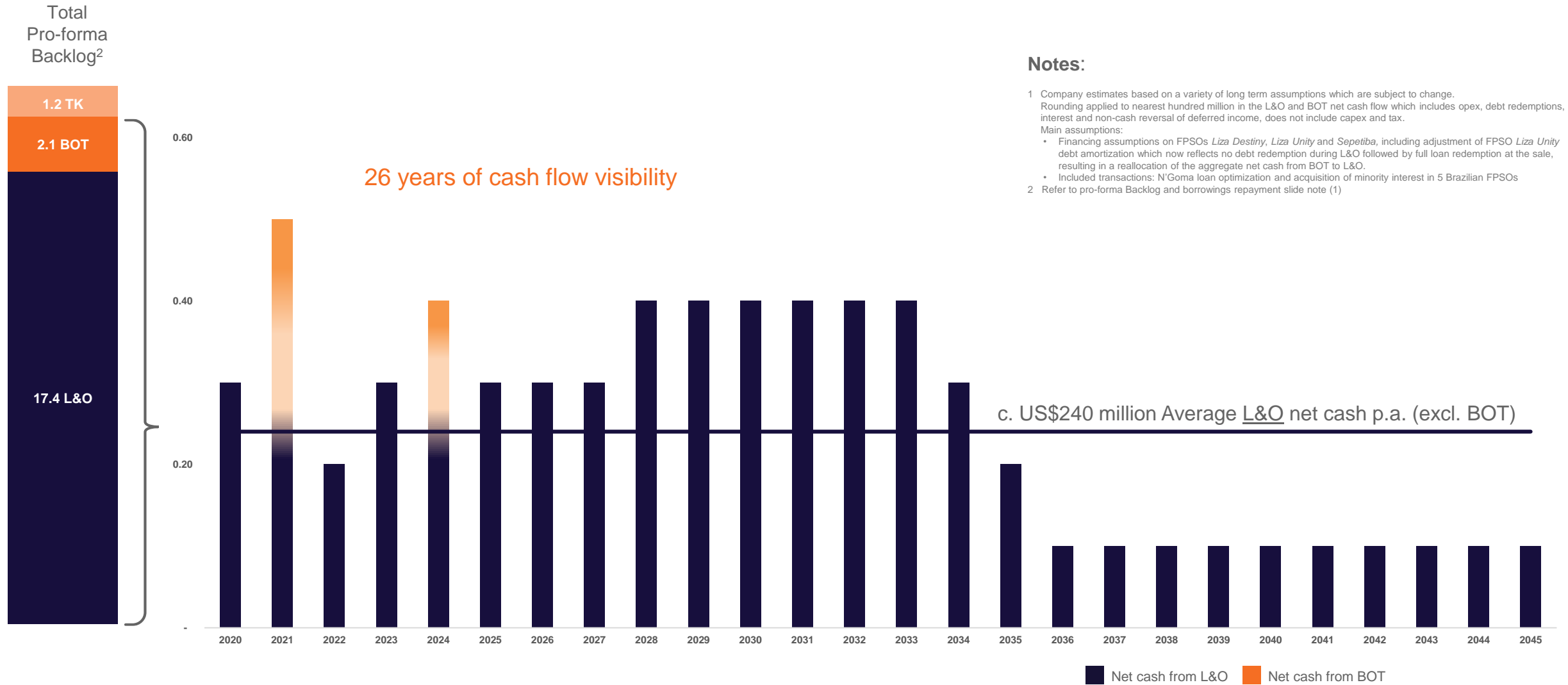
### Pro-forma Directional L&O and BOT backlog



### Pro-forma Directional L&O and BOT borrowings repayment profile<sup>3</sup>



# Pro-forma net cash flow<sup>1</sup> from L&O and BOT *Directional, US\$ billions*



## P&L: underlying items *Directional, US\$ millions*

	Directional underlying items			Segment
	FY 2018	FY 2019	Impact P&L	
<b>Total underlying items</b>	<b>188</b>	<b>65</b>		
Turritella gain on disposal	217	-	Other Operating income	Turnkey
Yme insurance claim	37	-	Other Operating income	Turnkey
MPF settlement	(43)	-	Other Operating income	Other
Gain on acquisition		90	Other Operating income	Other
<b>Subtotal EBITDA impact</b>	<b>211</b>	<b>90</b>		
Unwinding provision Brazil settlement	(13)	-	Net Financing Costs	
Brasa impairment	(19)	-	SPA	
Houston impairment	(25)	-	Depreciation & Impairment	
Deep Panuke impairment	11	(9)	Depreciation & Impairment	
Reversal impairment funding loan	21	-	Depreciation & Impairment	
Thunder Hawk impairment	-	(16)	Depreciation & Impairment	
<b>Subtotal other impact</b>	<b>(23)</b>	<b>(25)</b>		

## Lease and Operate P&L *Directional, US\$ millions*

	FY 2018	FY 2019	Variance
<b>Revenue</b>	<b>1,298</b>	<b>1,315</b>	<b>17</b>
Gross Margin	413	394	(19)
EBIT	418	369	(48)
Depreciation, amortization and impairment	(406)	(473)	(66)
EBITDA	<b>824</b>	<b>842</b>	<b>18</b>
<b>Underlying EBITDA</b>	<b>824</b>	<b>842</b>	<b>18</b>

### Comments

Vessels In	Liza Destiny
Vessels Out	Turritella, Yetagun, N'Kossa II
D, A & I	Thunder Hawk impairment in 2019 of US\$(16) million, Deep Panuke impairment in 2019 of US\$(9) million vs reversal in 2018 US\$11 million
Underlying EBITDA	Improved performance offset by vessels leaving the fleet
EBITDA Margin	FY 2019: 64.0% FY 2018: 63.5%

# Turnkey P&L *Directional, US\$ millions*

	FY 2018	FY 2019	Variance
<b>Revenue</b>	<b>406</b>	<b>856</b>	<b>451</b>
Gross Margin	93	130	38
EBIT	225	25	(200)
Depreciation, amortization and impairment	(54)	(28)	26
EBITDA	278	53	(226)
<b>Underlying EBITDA</b>	<b>24</b>	<b>53</b>	<b>29</b>

## Comments

Ongoing Projects	Liza Destiny, Liza Unity, Sepetiba, Castberg and Liuhua turret mooring systems, multiple FEEDs and other various business
Underlying EBITDA	Ramp-up of Turnkey activity offset by higher presales activity and FY 2018 positive project close out items

# Group P&L *Directional, US\$ millions*

	<b>FY 2018</b>	<b>FY 2019</b>	<b>Variance</b>
<b>Revenue</b>	<b>1,703</b>	<b>2,171</b>	<b>468</b>
Gross Margin	506	524	18
Overheads	(181)	(200)	(19)
Other operating income / (expense)	189	94	(94)
Net impairment gain / (loss)	19	-	(19)
<b>EBIT</b>	<b>533</b>	<b>418</b>	<b>(115)</b>
Depreciation, amortization and impairment	(463)	(503)	(41)
<b>EBITDA</b>	<b>995</b>	<b>921</b>	<b>(74)</b>
<b>Underlying EBITDA</b>	<b>784</b>	<b>832</b>	<b>48</b>
Net financing costs	(166)	(142)	23
Share of profit of equity-accounted investees	(26)	1	27
Income tax expense	(40)	(42)	(2)
<b>Net Income attributable to shareholders</b>	<b>301</b>	<b>235</b>	<b>(66)</b>
<b>Underlying net income attributable to shareholders</b>	<b>113</b>	<b>171</b>	<b>57</b>

# 2019 Sources and use of cash *Directional, US\$ millions*

L&O	842
Turnkey	53
Other	(63)
<b>Underlying EBITDA</b>	<b>832</b>
Deferred income	(96)

Underlying Cash from Operations

Debt drawdowns<sup>2</sup>

Other investing

Sources of cash



Uses of cash



Debt Repayment<sup>2</sup>  
(non-recourse and IFRS16)

Growth  
(Capex + Fast4ward + Acquisition)

Share repurchase

Non-recurring<sup>3</sup>

Interest

Tax

Working capital

Dividend

Cash December 2018 657

Cash variation (199)<sup>1</sup>

Cash December 2019 458

(1) Includes foreign currency effect of US\$(10)million

(2) Excluding RCF drawdown fully repaid over the period

(3) Payments in relation to partners share in YME insurance claim and Brazilian leniency agreements



# Cash flow statement *Directional, US\$ millions*

	<b>FY 2019</b>
<b>EBITDA</b>	921
Addition/(release) provision and non-cash items	(71) <sup>1</sup>
Changes in operating assets and liabilities	(414)
Income taxes paid	(35)
<b>Net cash flows from (used in) operating activities</b>	<b>401</b>
Capital expenditures	(764)
Other investing activities	93
Acquisition of shares in co-owned entities	(125) <sup>2</sup>
<b>Net cash flows from (used in) investing activities</b>	<b>(796)</b>
Addition and repayments of borrowings and lease liabilities	627
Share repurchase and dividend	(270)
Interests paid and other	(150)
<b>Net cash flows from (used in) financing activities</b>	<b>207</b>
Foreign currency variations	(10)
<b>Net increase/(decrease) in net cash and cash equivalents</b>	<b>(199)</b>
<b>Net cash and cash equivalents as at 31 December 2018</b>	<b>657</b>
<b>Net cash and cash equivalents as at 31 December 2019</b>	<b>458</b>

(1) Includes a gain of US\$90 million on the acquisition of minority stakes in five Brazilian FPSOs

(2) Includes US\$149 million purchase price for the acquisition of minority stakes in five Brazilian FPSOs

# Balance Sheet *Directional, US\$ millions*

	Dec-31-18	Dec-31-19	Variance	Comment on variation
Property, plant & equipment and Intangibles	4,799	5,849 <sup>1</sup>	1,050	FPSO <i>Liza Destiny</i> , <i>Liza Unity</i> and <i>Sepetiba</i> and share acquisition <sup>3</sup>
Investment in associates and other financial assets	366	304	(62)	Repayment of funding loan to JVs
Construction contracts	43	125	82	Turnkey activity increase, mainly from Turrets
Trade and other assets	668	676	8	
Cash and cash equivalents	657	458	(199)	See Cash Flow statement
Assets held for sale	2	1	(1)	
<b>Total assets</b>	<b>6,535</b>	<b>7,414</b>	<b>879</b>	
Total equity	1,317	1,179	(138)	Group results offset by dividends paid, SBB program and decrease of hedging reserves
Borrowings and lease liabilities	3,010	3,918 <sup>2</sup>	908	FPSO <i>Liza Destiny</i> and <i>Liza Unity</i> and share acquisition <sup>3</sup>
Provisions	601	428	(173)	YME settlement
Trade payables, deferred income and derivatives liabilities	1,607	1,889	282	Turnkey project activities and IRS Marked-to-Market decrease
<b>Total equity and liabilities</b>	<b>6,535</b>	<b>7,414</b>	<b>879</b>	

(1) Includes US\$1,537 million related to (i) FPSO *Liza Destiny* (ii) units under construction i.e. FPSO *Liza Unity*, *Prosperity* and *Sepetiba* and (iii) Gene tanker

(2) Includes US\$2,852 million non-recourse debt and US\$173 million lease liability

(3) Acquisition of minority stakes in five Brazilian FPSOs

## Lease qualification and consolidation methods IFRS 10 & 11

Joint Ventures	Lease Contract Type	SBM Share %	Directional	IFRS
FPSO N'Goma	FL	50%	Proportional	Equity
FPSO Saxi Batuque	FL	50%	Proportional	Equity
FPSO Mondo	FL	50%	Proportional	Equity
FPSO Cidade de Ilhabela	FL	75%	Proportional	Full consolidation
FPSO Cidade de Maricá	FL	61%	Proportional	Full consolidation
FPSO Aseng	FL	60%	Proportional	Full consolidation
FPSO Cidade de Paraty	FL	63.13%	Proportional	Full consolidation
FPSO Cidade de Saquarema	FL	61%	Proportional	Full consolidation
FPSO Kikeh	FL	49%	Proportional	Equity
FPSO Sepetiba	FL	64.50%	Proportional	Full consolidation
FPSO Espirito Santo	OL	51%	Proportional	Full consolidation
FPSO Capixaba	OL	100%	100%	Full consolidation
Deep Panuke	OL	100%	100%	Full consolidation
Thunder Hawk	OL	100%	100%	Full consolidation
FPSO Cidade de Anchieta	OL	100%	100%	Full consolidation
FPSO Liza Destiny	FL	100%	100%	Full consolidation
FPSO Liza Unity	FL	100%	100%	Full consolidation
FPSO Serpentina	-	60%	Proportional	Full consolidation
Brasa Yard	-	50%	Equity	Equity
PAENAL Yard	-	30%	Equity	Equity
Normand Installer	-	49.9%	Equity	Equity
OS Installer	-	25%	Equity	Equity

Note: Yetagun and N'Kossa II left the fleet in 2018

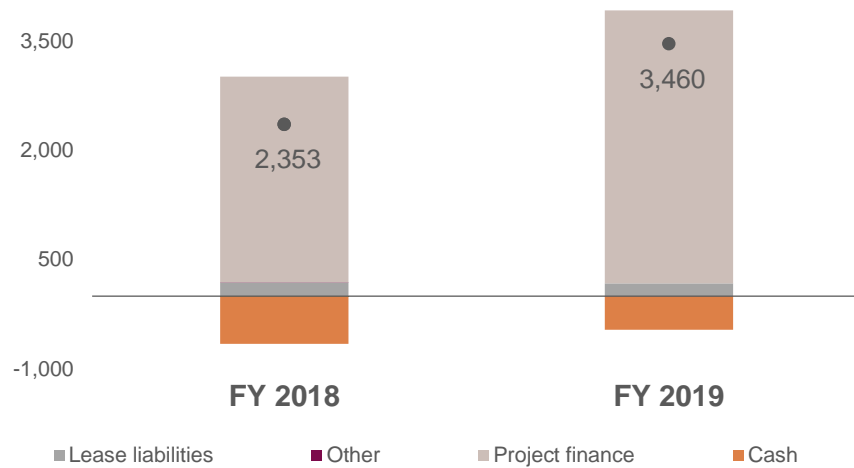
# Loans and borrowings *Directional, US\$ millions*

Net book value as of December 31, 2019

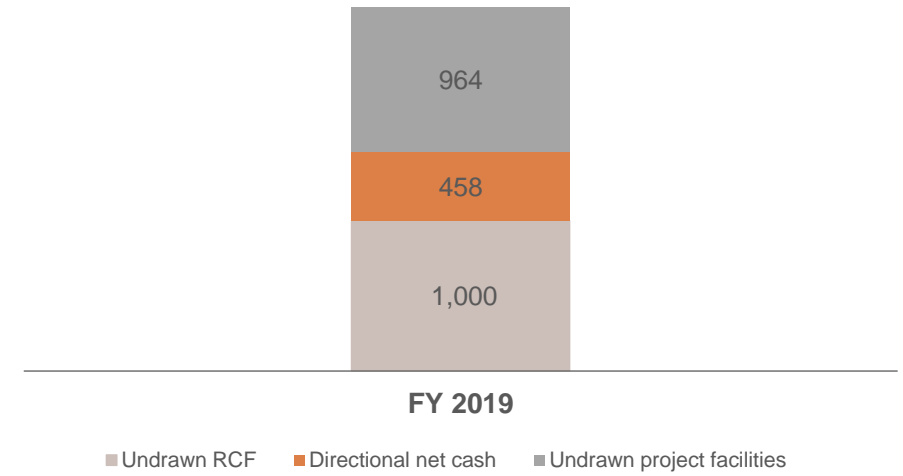
	Full Amount	IFRS	Directional
<b>PROJECT FINANCE FACILITIES DRAWN</b>			
FPSO <i>Cidade de Paraty</i>	421	421	266
MOPU Deep Panuke	137	137	137
FPSO <i>Cidade de Anchieta</i>	307	307	307
FPSO <i>Cidade de Ilhabela</i>	677	677	508
FPSO <i>N'Goma</i>	446	0	223
Normand Installer	35	0	0
OS Installer	73	0	0
FPSO <i>Cidade de Maricá</i>	1,119	1,119	682
FPSO <i>Cidade de Saquarema</i>	1,195	1,195	729
FPSO <i>Liza Destiny</i>	565	565	565
FPSO <i>Liza Unity</i>	331	331	331
<b>REVOLVING CREDIT FACILITY</b>			
Revolving credit facility	(3)	(3)	(3)
<b>OTHER</b>			
Lease Liabilities	173	173	173
<b>NET BOOK VALUE OF LOANS AND BORROWINGS</b>	<b>5,476</b>	<b>4,922</b>	<b>3,918</b>

# Group net debt and borrowings *Directional, US\$ millions*

## Net debt



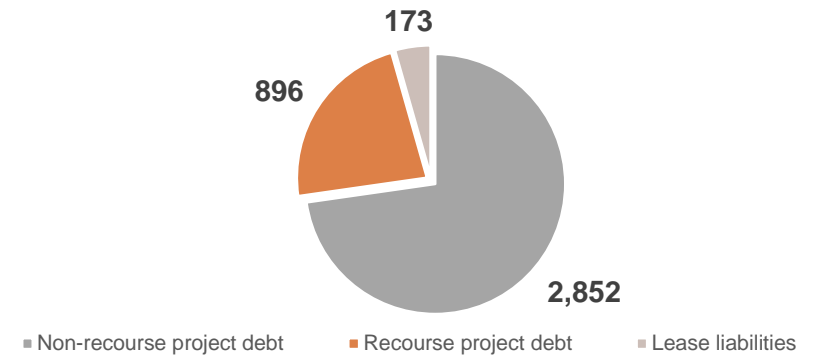
## Undrawn facilities + cash



## Average cost of debt



## FY 2019 Directional borrowings and lease liabilities



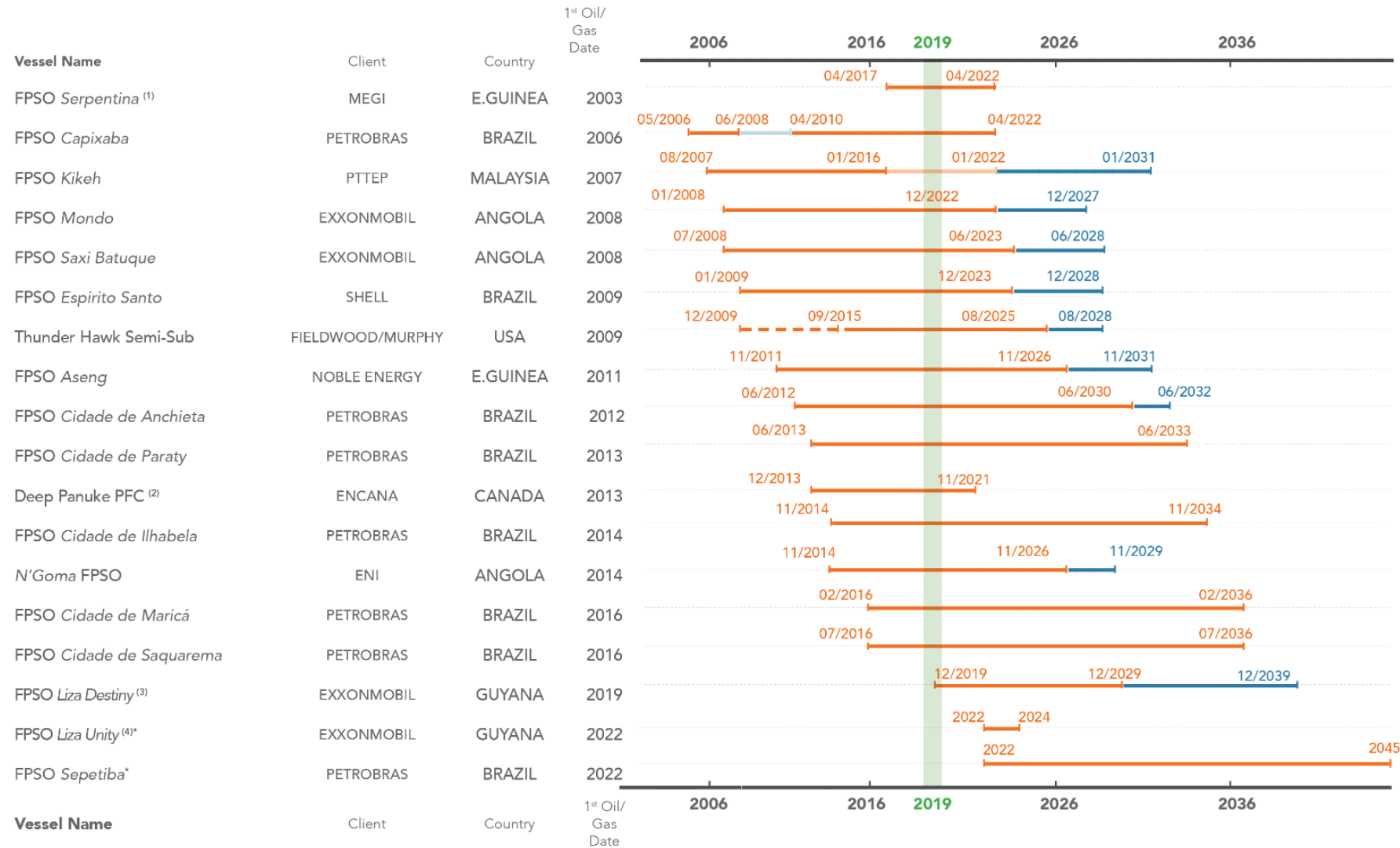
# RCF Covenants

Key financial covenant	Target	FY 2019	Definition
Solvency ratio	> 25%	✓ 35.7%	● Tangible net worth <sup>1</sup> divided by total tangible assets <sup>2</sup>
Interest cover ratio	> 4.0	✓ 7.9	● Underlying EBITDA <sup>3</sup> divided by net interest payable <sup>4</sup>
Lease backlog cover ratio	N/A	✓ US\$ 1.9bn	● Represents maximum theoretical lending capacity, calculated as net present value of lease backlog <sup>5</sup> divided by 1.5 <sup>6</sup>

✓ All covenants are satisfied

- (1) Total IFRS Equity, including non-controlling interests. Excluding, amongst others, the hedging reserves related to valuation of currency and interest derivatives undertaken for hedging purposes.
- (2) Consolidated IFRS Total Assets excluding consolidated intangible assets and mark to market valuation of currency and interest derivatives undertaken for hedging purposes.
- (3) Underlying Directional earnings before interest, tax and depreciation of assets and impairments adjusted for any exceptional or extraordinary items. EBITDA related to any unit that is in the first year of a charter and acquired assets during the year may be annualized for the purpose of determining the Underlying EBITDA.
- (4) Directional Net interest: all interest and other financing charges (excluding intra-group charges and capitalized interest during a construction period) less interest and other financing charges received.
- (5) The net present value of the projected free cash flow (contractual cash flow minus expenses and debt service) of each borrowing base asset.
- (6) Assures minimum headroom as agreed with RCF banks

# Lease and Operate portfolio



(1) FPSO *Serpentina* is owned by the client and is operated by Gepsing – a subsidiary between SBM Offshore (60%) and GEPetrol (40%)

(2) Unit under decommissioning. The charter contract with client until November 2021 remains in place

(3) Discussions with the client are ongoing regarding a potential accelerated transfer of ownership using the purchase option in the 10 year lease contract. The outcomes of these discussions are expected to lead to a transfer of the FPSO ownership and operation after a period of up to 2 years

(4) Under these contracts, SBM Offshore will construct, install and thereafter lease and operate for up to two years the FPSO *Liza Unity*

\* Under construction.

ENERGY. COMMITTED.

