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# ANNUAL REPORT 2021

## 4.3.24 BORROWINGS AND LEASE LIABILITIES

The line item 'Borrowings and lease liabilities' in the consolidated statement of financial position is further detailed as follows:

Borrowings and lease liabilities (summary)

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Borrowings | 5,891 | 4,335 |
| Lease liabilities | 37 | 51 |
| **Total Non-current portion of Borrowings and lease liabilities** | **5,928** | **4,386** |
| Borrowings | 1,754 | 1,216 |
| Lease liabilities | 19 | 20 |
| **Total Current portion of Borrowings and lease liabilities** | **1,773** | **1,236** |

### BORROWINGS

The movement in bank interest bearing borrowings is as follows:

| | 2021 | 2020 |
|---|---|---|
| Non-current portion | 4,335 | 4,168 |
| Add: current portion | 1,216 | 580 |
| **Remaining principal at 1 January** | **5,551** | **4,749** |
| Additions | 3,941 | 1,379 |
| Redemptions | (1,711) | (589) |
| Transaction and amortized costs | (137) | 12 |
| **Total movements** | **2,094** | **802** |
| **Remaining principal at 31 December** | **7,645** | **5,551** |
| Less: Current portion | (1,754) | (1,216) |
| **Non-current portion** | **5,891** | **4,335** |
| | | |
| Transaction and amortized costs | 207 | 69 |
| **Remaining principal at 31 December (excluding transaction and amortized costs)** | **7,851** | **5,621** |
| Less: Current portion | (1,790) | (1,230) |
| **Non-current portion** | **6,061** | **4,390** |

The Company has no 'off-balance sheet' financing through special purpose entities. All long-term debt is included in the consolidated statement of financial position.

The additions of US$3,941 million relates mainly to drawdowns on (i) project finance facilities for *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba,* (ii) the senior secured notes issuance on *FPSO Cidade de Ilhabela,* and (iii) the bridge loan facility for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*.

The increase in redemptions is mainly due the full repayment of the outstanding debt related to *FPSO Cidade de Ilhabela* of US$535 million following the issuance of senior secured notes.

On February 11, 2021 the Company issued senior secured notes for the amount of US$850 million. The notes are traded on the Singapore Stock Exchange and are priced at 99.995% of par value with a 5.198% coupon rate which is paid semi-annually. The funding obtained through the issuance was partially used to settle the outstanding project loan which amounted to US535 million at settlement date.

Further disclosures about the fair value measurement are included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

The borrowings, excluding the amount of transaction and amortized costs, have the following forecast repayment schedule:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Within one year | 1,790 | 1,230 |
| Between 1 and 2 years | 1,429 | 1,432 |
| Between 2 and 5 years | 1,903 | 1,454 |
| More than 5 years | 2,729 | 1,504 |
| **Balance at 31 December** | **7,851** | **5,621** |

The increase of the 'Total Current portion of Borrowings and lease liabilities' balance is mainly explained by the addition of the bridge loan facility for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, partially offset by the repayment of the *FPSO Sepetiba* bridge loan facility following the completion of the project financing for this project.

The borrowings by entity are as follows:

Loans and borrowings per entity

| Entity name | Project name or nature of loan | % Ownership | % Interest[1] | Maturity | Net book value at 31 December 2021 Non-current | Current | Total | Net book value at 31 December 2020 Non-current | Current | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Project Finance facilities drawn:** | | | | | | | | | | |
| SBM Deep Panuke SA | MOPU Deep Panuke | 100.00 | 3.50% | 15-Dec-21 | - | - | - | - | 70 | 70 |
| Tupi Nordeste Sarl | FPSO Cidade de Paraty | 63.13 | 5.30% | 15-Jun-23 | 72 | 123 | 195 | 195 | 116 | 311 |
| SBM Baleia Azul Sarl | FPSO Cidade de Anchieta | 100.00 | 5.50% | 15-Sep-27 | 202 | 37 | 239 | 239 | 35 | 274 |
| Alfa Lula Alto Sarl | FPSO Cidade de Marica | 61.00 | 5.25% | 15-Dec-29 | 793 | 114 | 908 | 908 | 108 | 1,016 |
| Beta Lula Central Sarl | FPSO Cidade de Saquarema | 61.00 | 4.15% | 15-Jun-30 | 922 | 96 | 1,018 | 1,018 | 91 | 1,109 |
| Guyana Deep Water UK Limited | Liza Destiny (FPSO) | 100.00 | Libor + 1.65% | 31-Oct-29 | 541 | 65 | 606 | 606 | 62 | 668 |
| **Senior secured notes** | | | | | | | | | | |
| Guara Norte Sarl | FPSO Cidade de Ilhabela[2] | 75.00 | 5.20% | 15-Jun-34 | 764 | 40 | 805 | 427 | 128 | 555 |
| **Guaranteed project finance facilities drawn:** | | | | | | | | | | |
| Guyana Deep Water II UK Limited | Liza Unity (FPSO)[3] | 100.00 | Libor + 1.70% | 31-Aug-22 | 972 | (6) | 966 | 840 | - | 840 |
| Guyana Deep Water III UK Limited | Prosperity (FPSO) | 100.00 | 2.20% | 29-Aug-25 | 619 | (4) | 615 | - | - | - |
| Mero 2 Owning B.V. | FPSO Sepetiba | 64.50 | 3.90% | 15-Mar-38 | 959 | (15) | 944 | - | 600 | 600 |
| **Bridge loan facility** | | | | | | | | | | |
| Tamandare Owning B.V. | FPSO Almirante Tamandaré | 100.00 | Libor + 0.6% | 29-sep-22 | - | 635 | 635 | - | - | - |
| Mero 4 Owning B.V. | FPSO Alexandre de Gusmão | 100.00 | Libor + 0.75% | 23-Dec-22 | - | 620 | 620 | - | - | - |
| **Revolving credit facility:** | | | | | | | | | | |
| SBM Holding Inc | Corporate Facility | 100.00 | Variable | 13-Feb-26 | (1) | (1) | (2) | (2) | (1) | (2) |
| **Other:** | | | | | | | | | | |
| OS Installer Limited | SBM Installer | 100.00 | 3.20% | 19-Jan-22 | 0 | 48 | 48 | 58 | 7 | 65 |
| Brazilian Deepwater Production B.V. | FPSO Espirito Santo | 51.00 | Libor + 1.05% | 31-Jan-29 | 46 | - | 46 | 45 | - | 45 |
| Other | | 100.00 | | | 2 | - | 2 | 1 | - | 1 |
| **Net book value of loans and borrowings** | | | | | **5,891** | **1,754** | **7,645** | **4,335** | **1,216** | **5,551** |

1 % interest per annum on the remaining loan balance.

2 The project finance facility (in 2020) has been replaced by senior secured notes (in 2021) on the Cidade de Ilhabela FPSO.

3 The Liza Unity Project finance facility maturity date is August 31, 2022 but can be extended in various ways, and up to the expiry date of the 2 years Charter Term provided that the vessel has been completed.

For the project finance facilities, the respective vessels are mortgaged to the banks or to note holders.

The Company has available borrowing facilities being the (i) undrawn revolving credit facility (RCF), (ii) the undrawn portions of *Liza Unity* (FPSO), *Prosperity* (FPSO) and *FPSO Sepetiba* project facilities and (iii) short-term credit lines.

Expiry date of the undrawn facilities and unused credit lines

| | 2021 | 2020 |
|---|---|---|
| Expiring within one year | 249 | 249 |
| Expiring beyond one year | 2,113 | 1,298 |
| **Total** | **2,362** | **1,547** |

The increase in undrawn facilities and unused credit lines compared with the previous year is primary driven by the undrawn facilities on the new project facilities for *FPSO Sepetiba and Prosperity* (FPSO) completed over the period partially offset by the 2021 drawdowns under the *Liza Unity* (FPSO) project facility.

The RCF in place as of December 31, 2021 has a maturity date of February 13, 2026, following the exercise of a one-year extension option on February 1, 2021. The US$1 billion facility was secured with a selected group of 11 core relationship banks, increasing to 13 banks in 2021, and has an uncommitted option to increase the RCF by an additional US$500 million. The Company does not have any other extension option remaining.

When needed, the RCF allows the Company to finance EPC activities / working capital, bridge any long-term financing needs, and/or finance general corporate purposes. On December 23, 2021 the RCF was amended by means of an amendment and restatement agreement to reflect a dedicated green funding tranche. By creating this green tranche, US$50 million of the RCF may only be used to fund activities that comply with the Green Loan Principles (primarily activities related to renewable energy projects) and the remaining US$950 million can be used in the following proportions:
- EPC activities / working capital – 100% of the facility;
- General Corporate Purposes – up to 50% of the facility;
- Refinancing project debt – 100% of the facility but limited to a period of 18 months

The pricing of the RCF is currently based on LIBOR, and it includes provisions for the replacement of LIBOR with a compounded reference rate. The margin is adjusted in accordance with the applicable leverage ratio ranging from a minimum level of 0.50% p.a. (0.40% for the green tranche) to a maximum of 1.50% p.a. (1.40% for the green tranche). The margin also includes a Sustainability Adjustment Mechanism whereby the margin may increase or decrease by 0.05% based on the absolute change in the Company performance as measured and reported by Sustainalytics[2]. The Company's Sustainability performance in 2021 allows the 0.05% margin decrease to remain applicable for 2022.

## COVENANTS

The following key financial covenants apply to the RCF as agreed with the respective lenders on February 13, 2019, and unless stated otherwise, relate to the Company's consolidated financial statements:
- **Solvency**: Consolidated IFRS Tangible Net Worth divided by Consolidated IFRS Tangible Assets must be > 25%;
- **Interest Cover Ratio**: Consolidated Directional Underlying EBITDA divided by Consolidated Directional Net Interest Payable must be > 4.0.

The **Lease Backlog Cover Ratio (LBCR)** is used to determine the **maximum funding availability** under the RCF. The maximum funding availability is determined by calculating the net present value of the future contracted net cash after debt service of a defined portfolio of operational offshore units in the directional backlog. The maximum theoretical amount available under the RCF is then determined by dividing this net present value by 1.5. The actual availability under the RCF will be the lower of this amount and the applicable Facility Amount. As at December 31, 2021 additional headroom above the US$1 billion capacity under the RCF exceeded US$1.1 billion.

For the purpose of covenants calculations, the following simplified definitions apply:
- **IFRS Tangible Net Worth:** Total equity (including non-controlling interests) of the Company in accordance with IFRS, excluding the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income, dividends declared, value of intangible assets and deferred taxes.
- **Consolidated IFRS Tangible Assets:** The Company's total assets (excluding intangible assets) in accordance with the IFRS consolidated statement of financial position less the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income.

[2] Sustainalytics is a provider of Environmental, Social and Governance and Corporate Governance research and ratings.

- **Consolidated Directional Underlying EBITDA:** Consolidated profit of the Company adjusted for net interest payable, tax and depreciation of assets and impairments, any exceptional or extraordinary items, and by adding back (i) the annualized production EBITDA for units which started operations during the financial year, and (ii) the acquisition annualized EBITDA for units acquired during the financial year.
- **Consolidated Directional Net Interest Payable:** All interest and other financing charges paid up, payable (other than capitalized interest during a construction period and interest paid or payable between wholly owned members of the Company) or incurred by the Company less all interest and other financing charges received or receivable by the Company, as per Directional reporting.

**Covenants**

| | 2021 | 2020 |
|---|---|---|
| IFRS Tangible Net Worth | 3,780 | 3,709 |
| Consolidated IFRS Tangible Assets | 13,079 | 10,896 |
| Solvency ratio | 28.9% | 34.0% |
| Adjusted (Directional) Underlying EBITDA | 935[1] | 948 |
| Consolidated Directional Net Interest Payable | 170 | 173 |
| Interest cover ratio | 5.5 | 5.5 |

1 Exceptional items restated from 2020 to 2021 Consolidated Directional Underlying EBITDA are mainly related to the US$77 million anticipated revenue recognition following the early redelivery of the Deep Panuke MOPU. This has been excluded from the 2020 Consolidated Directional Underlying EBITDA and added back in the 2021 Consolidated Directional Underlying EBITDA, in line with effective cash receipts. In addition, the 2021 Consolidated Directional Underlying EBITDA does not include the US$ 8 million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.

None of the borrowings in the statement of financial position were in default as at the reporting date or at any time during the period.

## LEASE LIABILITIES

The lease liabilities mostly relate to the leasing of office buildings as of December 31, 2021.

The movement in the lease liabilities is as follows:

| | 2021 | 2020 |
|---|---|---|
| **Principal recognized at 1 January** | **71** | **173** |
| Additions | 10 | 12 |
| Redemptions | (20) | (28) |
| Foreign currency variations | (4) | 3 |
| Other | - | (87) |
| **Total movements** | **(15)** | **(101)** |
| **Remaining principal at 31 December** | **56** | **71** |
| Of which | | |
| Current portion | 19 | 20 |
| Non-current portion | 37 | 51 |

The movements in lease liabilities over the period were mainly related to regular redemptions and foreign currency variations. In 2020, the other movements related to the derecognition of the lease liability related to the DSCV Installer.

Maturity of the lease liabilities is analyzed in section 4.3.28 financial instruments - fair values and risk management (paragraph dedicated to liquidity risk).

The total cash outflow for leases in 2021 was US$22 million, which includes redemptions of principal and interest payments. Total interest for the period amounted to US$2 million.

## 4.3.25 PROVISIONS

The movement and type of provisions during the year 2021 are summarized as follows:

Provisions (movements)

| | Demobilisation | Onerous contracts | Warranty | Employee benefits | Other | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2021** | **134** | **3** | **37** | **34** | **167** | **376** |
| Arising during the year | (0) | (1) | 23 | 1 | 30 | 53 |
| Unwinding of interest | 1 | - | - | 0 | - | 2 |
| Utilised | (10) | (3) | (0) | (1) | (12) | (26) |
| Released to profit | (5) | (3) | (6) | 0 | (1) | (15) |
| Other movement | 0 | 6 | (0) | (9) | (4) | (7) |
| **Balance at 31 December 2021** | 121 | 3 | 54 | 26 | 179 | 383 |
| of which : | | | | | | |
| Non-current portion | 78 | - | - | 26 | 131 | 235 |
| Current portion | 43 | 3 | 54 | - | 49 | 149 |

### Demobilization

The provision for demobilization relates to the costs for demobilization of the vessels and floating equipment at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in the line item 'Financial expenses' of the consolidated income statement (refer to note 4.3.9 Net Financing Costs).

The decrease in the provision for demobilization mainly relates to the progress in the recycling activities of Deep Panuke MOPU unit during the year 2021.

Expected outflow within one year is US$43 million and amounts to US$53 million between one and five years, and US$25 million after five years.

### Onerous contracts

The Company recognized individually immaterial onerous contract provisions for insignificant contracts with clients for a total amount of US$6 million.

### Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client. The increase of the warranty provision consists of new provisions accrued on projects under construction over the period.

### Other

Other provisions mainly relate to claims, regulatory fines related to operations and local content penalty on construction projects. The latter was the main driver of the increase in Other provisions during 2021.