



OFFSHORE

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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 US\$535 million at settlement date.

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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

					Net book value at 31 December 2021			Net book value at 31 December 2020		
Entity name	Project name or nature of loan	% Ownership	% Interest ¹	Maturity	Non- current	Current	Total	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.

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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 Sustainalytics². 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.