

2017

ANNUAL REPORT



EXPERIENCE MATTERS

4 FINANCIAL STATEMENTS 2017

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	2017 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
Normand Installer S.A.	The Solstad group	Joint venture	49.90	Switzerland	Turnkey	Normand Installer

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2017 main reporting segment	Project name
OS Installer AS	Ocean Yield AS	Associate	25.00	Norway	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 Brazilian market continues to face a downturn related to economic and political factors. The adverse changes in the economic environment in the market to which the Brazilian yard is dedicated is considered as a triggering event and thus an impairment test of Company's net investment in the joint ventures owning the Brazilian yard has been carried out as of December 31, 2017.

The recoverable amount of the net investment in the Brazilian yard is determined based on value-in-use calculations which require the use of assumptions, including future market conditions, which are by essence subject to uncertainty. The key assumptions to calculate the value-in-use are as follows:

- The calculations use cash flow projections approved by the Management Board of the Company for the next eight years, including expectations of the market development and award perspective on the FPSO and brownfield market. Management expects to see a gradual recovery of the market within the next five years.
- The terminal value is based on the average of the 2021-2025 period (with no expected growth), the low level of activity expected on the 2018-2020 being not considered as normative.
- The discount rate used is pre-tax and reflects the specific country and industry risk (9.4%).

As a result of the impairment test performed, the determined value-in-use is higher than the carrying amount of the net investment in the Brazilian yard as of December 31, 2017 (US\$ 24 million) and no impairment has therefore been recognized.

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:

	2017	2016
Investments in associates and joint ventures at 1 January	484	460
Share of profit of equity-accounted investees	33	45
Dividends	(76)	(45)
Cash flow hedges	3	3
Capital increase/(decrease)	4	12
Foreign currency variations	(1)	(7)
Share in negative net equity reclassification to loans to joint ventures and associates	10	17
Investments in associates and joint ventures at 31 December	457	484

The following tables present the figures at 100%.

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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

Information on significant joint arrangements and associates - 2016

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	1,215	1,061	25	564	554	269	-	105
Angola operations	Angola	230	2	36	-	0	168	-	175
FPSO Kikeh	Malaysia	426	328	(3)	0	20	23	90	108
Brazilian yard	Brazil	76	49	3	-	-	9	-	78
Angolan yard	Angola	490	324	67	639	639	102	-	40
Non material joint ventures/associates		304	226	40	271	209	96	4	36
Total at 100%		2,740	1,989	169	1,474	1,422	668	94	543

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 2017			Net book value at 31 December 2016		
				Non-current	Current	Total	Non-current	Current	Total
US\$ Project Finance facilities drawn:									
Sonasing Xikomba Ltd	50.00	4.77%	16-Aug-21	256	85	342	342	81	423
Normand Installer SA	49.90	4.99%	15-Feb-19	35	8	43	-	50	50
OS Installer AS	25.00	4.18%	16-Dec-19	80	7	88	88	7	95
Loans from subsidiaries of SBM Offshore N.V.¹				355	33	387	416	20	437
Loans from other shareholders of the joint ventures and associates				261	-	261	246	-	246
Loans from other joint ventures²				252	1	253	250	-	250
Net book value of loans and borrowings				1,240	134	1,374	1,343	158	1,501

¹ Please refer to note 4.3.15 'Loans to joint-ventures and associates' for presentation of the carrying amount of these loans in Company's Consolidated Statement of financial position.

² Loans from the joint ventures SBM Shipyard Ltd to the JV Paenal - Porto Amboim Estaleiros Navais Ltda.

Aggregated information on joint ventures and associates

	2017	2016
Net result at 100 %	(33)	38

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

	2017	2016
Equity at 100%	472	650
Partner ownership	(181)	(294)
Share in negative net equity reclassification to loans to joint ventures and associates	166	127
Investments in associates and joint ventures	457	484