SBM OFFSHORE

EXPERIENCE MATTERS

2016

ANNUAL REPORT

5.3.14 FINANCE LEASE RECEIVABLES

The reconciliation between the total gross investment in the lease and the net investment in the lease at the statement of financial position date is as follows:

Finance lease receivables (reconciliation gross / net_investment)

	31 December 2016	31 December 2015
Gross receivable	13,878	5,972
Less: Unearned finance income	(6,318)	(2,788)
Total	**7,560**	**3,184**
Of which		
Current portion	328	164
Non-current portion	7,232	3,020

As of December 31, 2016, finance lease receivables relate to the finance lease of:

- FPSO *Cidade de Marica*, which started production in February 2016 for a charter of 20 years;
- FPSO *Cidade de Saquarema*, which started production in July 2016 for a charter of 20 years;
- FPSO *Turitella*, which started production in September 2016 for a charter of 10 years;
- FPSO *Cidade de Ilhabela*, which started production in November 2014 for a charter of 20 years;
- FPSO *Cidade de Paraty*, which started production in June 2013 for a charter of 20 years;
- FPSO *Aseng*, which started production in November 2011 for a charter of 20 years;
- FSO *Yetagun* life extension started in May 2015 for a charter of 3 years.

The increase in finance lease receivable is driven by the recognition of the finance lease receivable of FPSOs *Cidade de Marica*, *Cidade de Saquarema* and *Turitella*, less the redemptions as per the payment plans.

Included in the gross receivable is an amount related to unguaranteed residual values. The total amount of unguaranteed residual values at the end of the lease term amounts to US$ 48 million as of December 31, 2016. Allowances for uncollectible minimum lease payments are nil.

Gross receivables are expected to be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

	31 December 2016	31 December 2015
Within 1 year	942	426
Between 1 and 5 years	3,459	1,487
After 5 years	9,477	4,059
Total Gross receivable	**13,878**	**5,972**

The following part of the net investment in the lease is included as part of the current assets within the 'trade and other receivables' of the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2016	31 December 2015
Gross receivable	942	426
Less: Unearned finance income	(614)	(262)
Current portion of finance lease receivable	**328**	**164**

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables taking into account the risk of recoverability. The Company does not hold any collateral as security.

5.3.15 OTHER FINANCIAL ASSETS

The breakdown of the non-current portion of other financial assets is as follows:

	31 December 2016	31 December 2015
Non-current portion of other receivables	60	58
Corporate securities	-	30
Non-current portion of loans to joint ventures and associates	189	233
Total	**249**	**321**

The maximum exposure to credit risk at the reporting date is the carrying amount of the interest-bearing loans taking into account the risk of recoverability. The Company does not hold any collateral as security.

CORPORATE SECURITIES

The reduction of Corporate securities follows the discontinuation of a pension plan that existed for certain Offshore employees and for which the risks and ownership were transferred to an external party at fair value.

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2016	31 December 2015
Current portion of loans to joint ventures and associates	*5.3.18*	25	66
Non-current portion of loans to joint ventures and associates		189	233
Total	*5.3.33*	**215**	**299**

The activity outlook for the Company's investment (30% ownership) in the Joint Venture owning the Paenal construction yard operating in Angola has deteriorated. As a result, the Company's carrying amount for the net investment, including shareholder loans, in this entity has been impaired by US$ 59 million on the second half of 2016. Because this investment is consolidated using the equity method, this non-cash impairment is recognized in the Company's Consolidated Income Statement on the line item 'Share of profit of equity-accounted investees'.

The impairment recognized in 2016 has been determined based on the net investment position considered as the loans plus the shares in losses into the associates.

The recoverable amount of the net investment is determined based on value-in-use calculations which require the use of assumptions. 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 5 years, including expectations of market development and award perspective on brownfield and integration work;
- Terminal value after the 5 years financial projection is based on same assumptions as the 2020-2021 period with no expected growth;
- The discount rate used is pre-tax and reflect specific country and industry risk (10.5%).

The impact of possible changes in key assumptions is as follows:

- If the gross margin used in the value-in-use calculation varies by +/- 5%, the impact on the impairment of the net investment would be in a range of +/- US$ 5 million;