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The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

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 2020	31 December 2019
Borrowings	4,335	4,168
Lease liabilities	51	141
Total Non-current portion of Borrowings and lease liabilities	4,386	4,309
Borrowings	1,216	580
Lease liabilities	20	32
Total Current portion of Borrowings and lease liabilities	1,236	612

BORROWINGS

The movement in bank interest bearing borrowings is as follows:

	2020	2019
Non-current portion	4,168	3,856
Add: current portion	580	492
Remaining principal at 1 January	4,749	4,348
Additions	1,379	1,399
Redemptions	(589)	(1,011)
Transaction and amortized costs	12	13
Total movements	802	401
Remaining principal at 31 December	5,551	4,749
Less: Current portion	(1,216)	(580)
Non-current portion	4,335	4,168
Transaction and amortized costs	69	81
Remaining principal at 31 December (excluding transaction and amortized costs)	5,621	4,830
Less: Current portion	(1,230)	(596)
Non-current portion	4,390	4,234

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 increase in the total borrowings of US\$1,379 million relates mainly to drawdowns on project finance facilities for *Liza Destiny* (FPSO), *Liza Unity* (FPSO), and the bridge loan facility for *FPSO Sepetiba*. The latter has been extended to July 12, 2021.

Further disclosures about the fair value measurement are included in note 4.3.29 Financial Instruments – Fair Values and Risk Management.

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The borrowings, excluding transaction costs and amortized costs amounting to US\$69 million (2019: US\$81 million), have the following forecast repayment schedule:

	31 December 2020	31 December 2019
Within one year	1,230	596
Between 1 and 2 years	1,432	941
Between 2 and 5 years	1,454	1,599
More than 5 years	1,504	1,695
Balance at 31 December	5,621	4,830

The increase of the 'Total Current portion of Borrowings and lease liabilities' balance is mainly explained by the Sepetiba Bridge loan facility for US\$600 million.

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 2020			Net book value at 31 December 2019		
					Non-current	Current	Total	Non-current	Current	Total
US\$ Project Finance facilities drawn:										
SBM Deep Panuke SA	MOPU Deep Panuke	100.00	3.50%	15-Dec-21	-	70	70	70	67	137
Tupi Nordeste Sarl	FPSO Cidade de Paraty	63.13	5.30%	15-Jun-23	195	116	311	311	110	421
Guara Norte Sarl	FPSO Cidade de Ilhabela	75.00	5.10%	15-Oct-24	427	128	555	555	122	677
SBM Baleia Azul Sarl	FPSO Cidade de Anchieta	100.00	5.50%	15-Sep-27	239	35	274	274	33	307
Alfa Lula Alto Sarl	FPSO Cidade de Marica	61.00	5.30%	15-Dec-29	908	108	1,016	1,016	103	1,119
Beta Lula Central Sarl	FPSO Cidade de Saquarema	61.00	4.10%	15-Jun-30	1,018	91	1,109	1,109	86	1,195
Guyana Deep Water UK Limited	FPSO Liza Destiny	100.00	Libor + 1.65%	31-Oct-29	606	62	668	504	60	565
US\$ Guaranteed project finance facilities drawn:										
Guyana Deep Water II UK Limited	FPSO Liza Unity ²	100.00	3.70%	31-dec-21	840	-	840	331	-	331
Bridge loan facility										
Mero 2 Owning B.V.	FPSO Sepetiba	64.50	Libor + 1.44%	12-Jul-21	-	600	600	-	-	-
Revolving credit facility:										
SBM Holding Inc	Corporate Facility	100.00	Variable	16-Dec-21	(2)	(1)	(2)	(2)	(1)	(3)
Other:										
OS Installer Limited	SBM Installer	100.00	3.80%	29-Nov-26	58	7	65	-	-	-
Brazilian Deepwater Production B.V.	FPSO Espirito Santo	51.00	Libor + 1.05%	31-Jan-29	45	-	45	-	-	-
Other		100.00			1	(0)	1	1	(0)	1
Net book value of loans and borrowings					4,335	1,216	5,551	4,168	580	4,749

¹ % interest per annum on the remaining loan balance.

² The Liza Unity Project finance facility maturity date is December 31, 2021 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.

The Company acquired the remaining 75% equity ownership in OS Installer Limited on September 30, 2020. As a result, OS Installer Limited has been fully consolidated as from the acquisition date including the US\$67 million loan borne by this subsidiary.

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) project facilities and (iii) short-term credit lines.

Expiry date of the undrawn facilities and unused credit lines

	2020	2019
Expiring within one year	249	249
Expiring beyond one year	1,298	1,964
Total	1,547	2,213

The drawdowns in 2020 under the Liza Destiny and Liza Unity project finance facility lead to the decrease of available undrawn facilities and unused credit lines.

The RCF in place as of December 31, 2020 has a maturity date of February 13, 2025, following the exercise of a one-year extension option on February 5, 2020. The US\$1 billion facility was secured with a selected group of 11 core relationship banks and has an uncommitted option to increase the RCF by an additional US\$500 million. On February 1, 2021, the lenders in the Company's US\$1 billion Revolving Credit Facility (RCF) agreed to the Company's request to exercise the second one-year extension. The final maturity date of the RCF is thereby extended from February 12, 2025 to February 13, 2026. 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, when needed, 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 based on LIBOR and a margin adjusted in accordance with the applicable leverage ratio ranging from a minimum level of 0.50% p.a. to a maximum of 1.50% p.a. 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 Sustainalytics¹. The Company's performance in 2020 allows the margin to remain stable for 2021.

COVENANTS

The following key financial covenants apply to the RCF as agreed with the respective lenders on February 11, 2020, 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, 2020 additional headroom above the US\$1 billion capacity under the RCF exceeded US\$0.9 billion. As of 12 February 2021, this will increase to more than US\$1.1 billion following the inclusion of *Liza Destiny* (FPSO) in the calculation.

¹ Sustainalytics is a provider of Environmental, Social and Governance and Corporate Governance research and ratings.

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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 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.
- **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

	2020	2019
IFRS Tangible Net Worth	3,709	3,650
Consolidated IFRS Tangible Assets	10,896	10,221
Solvency ratio	34.0%	35.7%
Adjusted (Directional) Underlying EBITDA	948 ¹	1,055 ²
Consolidated Directional Net Interest Payable	173	134
Interest cover ratio	5.5	7.9

1 Exceptional items restated from 2020 Consolidated Directional Underlying EBITDA are mainly related to the US\$77M anticipated revenue recognition following the early redelivery of the Deep Panuke MOPU.

2 Exceptional items restated from 2019 Consolidated Directional Underlying EBITDA were mainly related to the US\$90 million gain on the purchase of the minority shares in the entities related to FPSO's Cidade de Paraty, Cidade de Ilhabela, Cidade de Marica, Cidade de Saquarema and Capixaba. Consolidated Directional Underlying EBITDA included the annualized production EBITDA for Liza Destiny (FPSO) and the acquisition annualized EBITDA for the acquired minority shares in the above mentioned FPSO's companies.

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, 2020.

The movement in the lease liabilities is as follows:

	2020	2019
Principal recognized at 1 January	173	189
Additions	12	14
Redemptions	(28)	(28)
Foreign currency variations	3	(1)
Other	(87)	-
Total movements	(101)	(16)
Remaining principal at 31 December	71	173
Of which		
Current portion	20	32
Non-current portion	51	141

The Company was the long-term charterer of the diving support and construction vessel (DSCV) SBM Installer under a contract ending in 2026. The Company had 25% equity ownership in the entity holding the vessel, OS Installer Limited (OSI). The Company acquired the remaining 75% equity ownership in OSI on September 30, 2020. As a result, OSI has been fully consolidated as from such acquisition date and the existing lease liability related to the long-term charter was derecognized

since the obligation became an intercompany liability eliminated in the group consolidated financial statements. The value of the lease liability at the acquisition date was US\$87 million. Please refer to note 4.3.1 Financial Highlights.

Maturity of the lease liabilities is analyzed as follows:

	31 December 2020
Within one year	20
Between 1 and 2 years	18
Between 2 and 5 years	28
More than 5 years	6
Balance at 31 December	71

The total cash outflow for leases in 2020 was US\$31 million, which includes redemptions of principal and interest payments.

4.3.25 DEFERRED INCOME

Deferred income is as follows:

	31 December 2020	31 December 2019
Deferred income on operating lease contracts	-	150
Total	0	150

The deferred income on operating lease contracts was mainly related to the revenue *FPSO Espirito Santo*, which reflected a decreasing day-rate schedule. As revenue is shown in the income statement on a straight-line basis with reference to IFRS 16 'Leases', the difference between the yearly straight-line revenue and the contractual day rates was included as deferred income as of December 31, 2019.

The decrease in deferred income of US\$150 million compared with prior year is entirely due to the sale of the *FPSO Espirito Santo* following the newly negotiated contract with the client in December 2020, which resulted in a finance lease accounting treatment instead of an operating lease. We refer to note 4.3.15 Finance Lease Receivables.

4.3.26 PROVISIONS

The movement and type of provisions during the year 2020 are summarized as follows:

Provisions (movements)

	Demobilisation	Onerous contracts	Warranty	Employee benefits	Restructuring	Other	Total
Balance at 31 December 2019	124	-	49	28	0	81	283
Derecognition at 1 January following early application IFRS 16	-	-	-	-	-	-	-
Balance at 1 January 2020	124	-	49	28	0	82	283
Arising during the year	18	3	19	5	46	95	187
Unwinding of interest	7	-	-	0	-	-	7
Utilised	(13)	0	(1)	(1)	(16)	(5)	(35)
Released to profit	(0)	-	(30)	(3)	(0)	(12)	(46)
Other movement	0	-	(0)	5	(25)	1	(19)
Balance at 31 December 2020	135	3	37	34	6	161	377
of which :							
Non-current portion	111	1	-	34	-	102	248
Current portion	23	2	37	-	6	59	128