

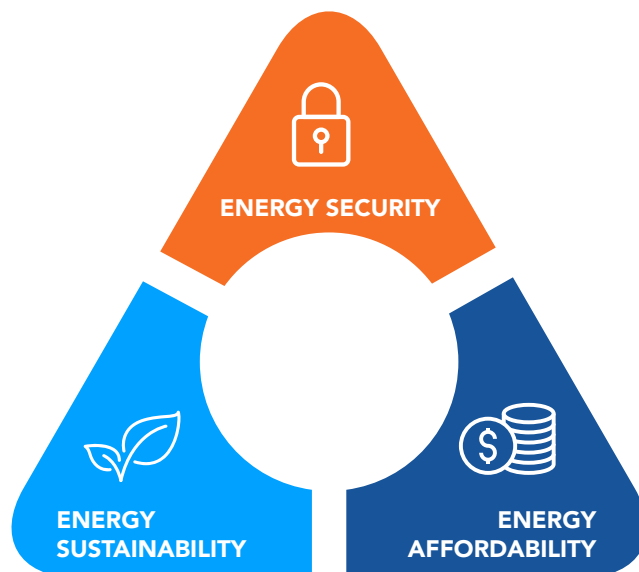


# 2023 ANNUAL REPORT

**BM**  
**OFFSHORE**



## THE ENERGY TRILEMMA



### 1.3.3 VALUE CREATION

Supplying safe, sustainable and affordable energy from the oceans is the basis for long-term stakeholder value, which is supported by the 12 material topics, forming the basis for sustained value creation. Value is defined by the results achieved on the material topics, the associated benefits for SBM Offshore's stakeholders and the impact. The value is delivered through SBM Offshore's value platforms, defined below, and by assigning resources to activities along the project lifecycle (business model). The outputs from the business model create value for stakeholders and have SDG contributions. For detail on the value created and preserved, and the impacts potentially leading to value erosion, refer to sections 1.4.2, 1.4.3 and chapter 2.

#### VALUE PLATFORMS

At SBM Offshore, there is a belief that there is a value-premium for investing in the future. Business activities are organized to maximize financial and societal value, benefiting SBM Offshore's stakeholders.

SBM Offshore sustains value through value platforms. SBM Offshore has simplified its approach by consolidating two former platforms 'Transition the Core' and 'New Energies' into one, 'Transition', to facilitate a singular focus on the energy transition. This leaves two platforms, Ocean Infrastructure and Transition.

- The Ocean Infrastructure value platform covers SBM Offshore's existing operations and assets under construction. Supported by lifecycle learning and digital tools, the operating fleet has become increasingly

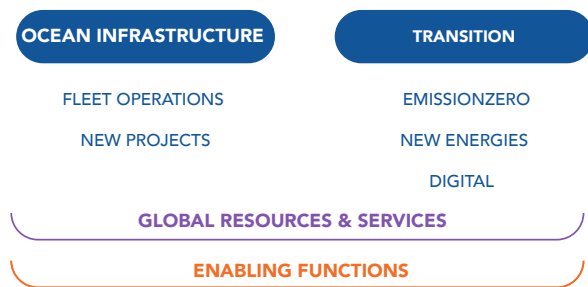
efficient, with a lower carbon footprint, and a leading uptime and safety track record. This platform is based around the contractual backlog, which provides cash-flow visibility up to 2050. It is evolving, with new generations of lower emission products set to be added.

- The Transition value platform is dedicated to further enablement of the energy transition and business transformation. SBM Offshore seeks to be a leading supplier and operator of floating energy solutions with a focus on competitiveness through Fast4Ward® and reducing the carbon footprint of future assets through emissionZERO®. This platform aims to deliver new and improved value propositions to market. As such, SBM Offshore is investing in alternative energy technology development, especially in floating offshore wind, energy storage, alternative energy sources (e.g. hydrogen, ammonia) and in facilitating the Carbon Capture and Storage value chain. Transition also covers activities that leverage SBM Offshore's operational data, digital solutions, and expertise to continue to deliver value to its customers.

SBM Offshore's business model is structured around the above value platforms to ensure safety, cost optimization, product transformation and growth.

# 1 BUSINESS ENVIRONMENT

## ORGANIZATION MODEL AIMED AT VALUE CREATION



### LIFECYCLE VALUE

SBM Offshore adds value along the full lifecycle of clients' ocean infrastructure projects, including operations and maintenance services. SBM Offshore also provides energy distribution solutions, such as CALM terminals and digital solutions, through its Smart Digital Services offering.

### R&D and Business Development

SBM Offshore engages in Research and Development (R&D). Business Development works on early market opportunities and Product Development on further improvement of SBM Offshore's solutions and the commercial management of prospects. After commercial success, the Project Execution phase begins, during which SBM Offshore executes Engineering, Procurement, Construction and Installation (EPCI). Specific to the renewable energy business is the co-development of Floating Offshore Wind projects and securing seabed rights and relevant permits in cooperation with the client.

### EPCI

Engineering and design delivers conceptual studies, basic design and detailed design through in-house resources. Procurement of equipment and services represents a substantial part of the total cost of constructing a floating production system. SBM Offshore has an integrated supply chain, in line with its Fast4Ward® principles, partnering with suppliers to execute projects.

While maintaining responsibility for delivery and project management, SBM Offshore outsources most construction activities and has agreements in place with yards that allow delivery of floating production systems through different execution models and local content requirements. The installation of floating facilities is carried out using specialized installation vessels and requires specific engineering expertise and project management skills.

### Operations

SBM Offshore provides operation and maintenance services for its clients. This activity creates value for clients, as the uptime performance of the facility directly impacts the amount of energy produced. For FPSOs, these services can be based on fixed-lump-sum or reimbursable contracts.

### Decommissioning and Recycling

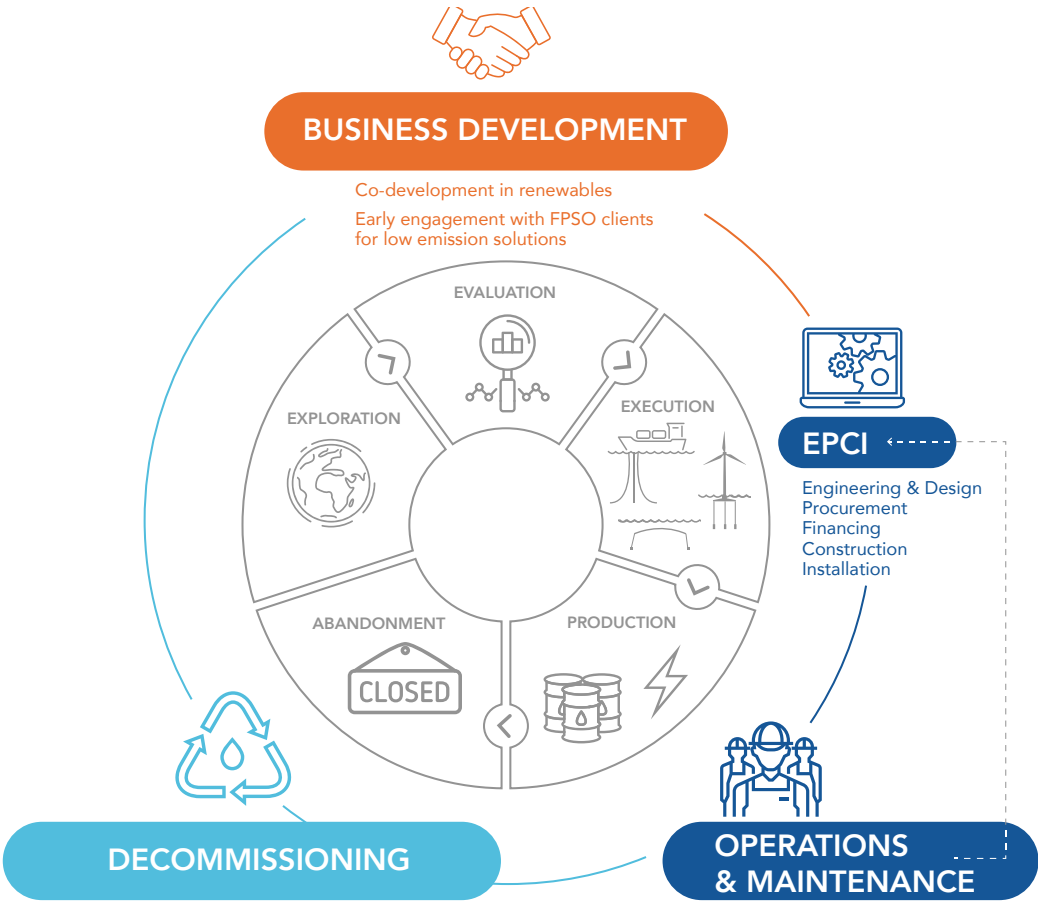
At the end of the lifecycle, facilities are decommissioned and recycled. For FPSOs, SBM Offshore applies the Hong Kong Convention rules and the principles of the EU Ship Recycling Regulation – or equivalent standards should EU Ship Recycling Regulation not be applicable – to recycle its units, using certified and regularly audited recycling yards.

### Financing

SBM Offshore ensures optimum results for clients by offering various financing models:

- Under a Lease and Operate contract, the facility is sold to asset-specific companies to charter the asset for the client throughout its lifecycle. The project debt-financing is arranged at the asset-specific company level, based on the facility's contract and value (which is based on construction costs and a margin). SBM Offshore's Revolving Credit Facility is generally used to cover working capital requirements during construction, in addition to periodic drawdowns under the project debt-financing. SBM Offshore tends to optimize debt-financing in asset-specific companies on a 'non-recourse' basis, in order to optimize return on equity and achieve an appropriate balance of risk allocation. Upon acceptance of the facility by the client, generally upon start of production, the parent guarantee is released and the project debt becomes non-recourse to the parent.
- Under a direct sale, the construction is financed by the client, and a margin is generated from the turnkey sale.
- Under a hybrid of the two above, such as the build-transfer-operate (BTO) model, SBM Offshore builds and commissions the unit and operates it during a defined period (the crucial start-up phase). The transfer of ownership to the client then occurs at the end of the construction period.

SBM OFFSHORE’S BUSINESS MODEL





# VALUE CREATION MODEL

