



**2023** ANNUAL REPORT



## 2 PERFORMANCE REVIEW AND IMPACT

### 2.1.6 ECONOMIC IMPACT

#### MANAGEMENT APPROACH

SBM Offshore's primary business segments are: Lease and Operate; and Turnkey. Although financial results are presented per segment, activities between business segments are closely related. In addition to reporting under International Financial Reporting Standards (IFRS) guidelines, SBM Offshore's Directional reporting methodology was introduced to reflect Management's view of SBM Offshore and how it monitors and assesses financial performance. This chapter of the Annual Report presents numbers based on directional reporting.

SBM Offshore provides Directional Revenue and Directional EBITDA guidance, which is updated in the event of material change, if any. Economic performance is a result of all company activities, governed as per sections 3.1 and executed as per the Management Approach sections in chapter 2.

#### 2023 PERFORMANCE

Economic performance is measured through profitability, cashflow, backlog and the financial position of SBM Offshore.

##### Profitability – Directional

Directional revenue for full-year 2023 came in at US\$4,532 million, an increase of 38% compared with 2022. This increase is mainly driven by the Turnkey segment increasing to US\$2,578 million (US\$1,525 million in 2022) mostly due to the sale of FPSO *Liza Unity*, completed in November 2023 and the start of FPSO FEED work for the Whiptail development project partially offset by the partial divestment on two projects at the beginning of 2022 (*FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*), which allowed SBM Offshore to recognize Directional revenue for all the EPCI related work performed on these projects up to divestment date in the year 2022 to the extent of the partners' ownership in lessor related SPVs and the completion of FPSO *Liza Unity* project in February 2022. Directional Lease and Operate revenue was US\$1,954 million an increase versus US\$1,763 million in the prior period. This reflects mainly FPSO *Prosperity* joining the fleet upon successful delivery of the EPCI project during the last quarter 2023, an increase in reimbursable scopes and an improved performance of the fleet, partially offset by *FPSO Capixaba*, which finished production in 2022.

Directional EBITDA amounted to US\$1,319 million in 2023 compared with US\$1,010 million in 2022. This increase is driven by the Turnkey segment with the sale of FPSO *Liza Unity* (completed in November 2023 with recognition of associated margin on the asset sale) partially offset by:

- (i) some prior-period positive one-off impacts;
- (ii) the completion of FPSO *Liza Unity* project in February 2022;
- (iii) a reduced level of progress on *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* during the current year, consistent with the commencement of topsides' integration; and
- (iv) impacts linked to pressure on the global supply chain and the consequences of the pandemic.

As a result, Directional Turnkey EBITDA increased from US\$7 million in the year-ago period to US\$296 million in the current year

Directional Lease and Operate EBITDA increased from US\$1,080 million in 2022 to US\$1,124 million in 2023 mostly explained by the same drivers as for the Directional Lease and Operate revenue, partially offset by additional non-recurring maintenance costs on the fleet under operation and some prior-period positive one-off impacts including some insurance recoveries.

The other non-allocated costs charged to Directional EBITDA amounted to US\$(101) million in 2023, a US\$(24) million increase compared with the US\$(77) million in the year-ago period, which is mainly explained by the implementation of an optimization plan related to the SBM Offshore's support functions' activities (including US\$11 million of restructuring costs), and continuing investment in the SBM Offshore's digital initiatives.

2023 Directional net income attributable to shareholders stood at US\$524 million, an increase compared with US\$115 million in the previous year mainly driven by the strong operating performance translated in the increase of Directional EBITDA.

##### Directional Cash Flow/Liquidities

Thanks to the strong contribution of the fleet and the proceeds received from FPSO *Liza Unity* sale, SBM Offshore generated US\$1,616 million of Directional net cash flows from operating activities over 2023.

These operating cash flows, drawdowns on project financing, the RCF, the MPF RCF hull financing, the settlements of interest rate swaps related to the financing of *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, the funding loan agreement received from CMFL in relation to *FPSO Cidade de Ilhabela*, together with some of the SBM Offshore's existing cash was primarily used to: (i) invest in the five FPSOs under construction over the period, and some initial scope for the FPSO for the Whiptail development project and the two Fast4Ward® new build multi-purpose hulls, (ii) repay the project loan following the FPSO *Liza Unity* sale, (iii) pay dividends to shareholders;

and (iv) service the SBM Offshore's non-recourse debt and interest in accordance with the respective repayment schedules.

As a result, Directional cash and cash equivalents decreased from US\$615 million at year-end 2022 to US\$563 million at year-end 2023.

### Pro-forma Directional Backlog

The Pro-forma Directional backlog, which is presented on a pro-forma basis in section 4.1.4, slightly decreased to US\$30.3 billion at December 31, 2023, compared with US\$30.5 billion at year-end 2022.

This slight decrease was mainly the result of (i) the signed 10-year OMEA for the Guyana FPSO fleet and (ii) the awarded initial scope to begin FEED activities and secure a Fast4Ward® hull for the FPSO for the Whiptail development project partially offset by the turnover for the period, which consumed US\$4.5 billion of backlog. SBM Offshore's pro-forma Directional backlog provides cash flow visibility of 27 years, up to 2050.

### Statement of Financial Position – Directional

SBM Offshore's Directional financial position has remained strong as a result of the cash flow generated by the fleet and the successful adaptation of the Turnkey segment to a more competitive and unpredictable market.

Directional shareholders equity increased from US\$1,078 million at year-end 2022 to US\$1,448 million at year-end 2023. This was primarily due to (i) a positive net result of US\$524 million in 2023; (ii) an increase of the hedging reserves; partially offset by (iii) dividends distributed to the shareholders decreasing equity by US\$197 million.

It should be noted that under Directional policy, the contribution to profit and equity of the substantial FPSO program under construction will largely materialize in the coming years, subject to project execution performance, in line with the generation of associated operating cash flows.

Directional net debt increased to US\$6,654 million from US\$6,082 million at year-end 2022. While the Lease and Operate segment continues to generate strong operating cash flow together with the net cash proceeds from the sale of FPSO *Liza Unity*, SBM Offshore drew on project financing, the Revolving Credit Facility RCF, and the new Revolving Credit Facility for MPF hull financing to fund continued investments in growth.

Almost half of SBM Offshore's debt as of December 31, 2023 consisted of non-recourse project financing (US\$3.3 billion) in special purpose investees. The remainder (US\$3.8 billion) mainly comprised of (i) borrowings to support the

on-going construction of four FPSOs, which will become non-recourse following project execution finalization and release of the Parent Company Guarantee, (ii) SBM Offshore's Revolving Credit Facility (RCF) which was drawn for c.US\$550 million as at December 31, 2023, and (iii) the new US\$210 million Revolving Credit Facility for MPF hull financing, completed and fully drawn in December 2023. Cash and undrawn committed credit facilities amount to US\$2,276 million at December 31, 2023.

To diversify its sources of debt and equity funding and to accelerate equity cash flow from the backlog, the Company finalized the funding loan agreement with CMFL and received US\$125 million in relation to *FPSO Cidade de Ilhabela*.

For a total overview of SBM Offshore's financials under IFRS, please refer to section 4.2 Consolidated Financial Statements of the Annual Report.

## 2.1.7 EMISSIONS

### MANAGEMENT APPROACH

SBM Offshore is committed to a strategy and actions compatible with its ambition to achieve net zero by no later than 2050, including emissions in scope 1, scope 2 and scope 3 – downstream leased assets. SBM Offshore's Sustainability Policy is explicit about a path towards zero emissions. Associated targets and transition levers are explained in section 1.4.3.

The topic of emissions is dealt with in various parts of the organization, as explained under the HSSE and Environmental Reporting approaches in sections 2.1.2, 5.2.1 and 5.2.2.

Emissions management and the mission to structurally bring emissions down builds on years of action. For example, gas flaring intensity in 2023 is 14% lower than in 2019, mainly due to target-setting and increased production efficiency and 55% lower compared to 2016. As in previous years, in 2023 SBM Offshore set annual targets to reduce flare emissions on its activities, continue to develop low- and non-carbon solutions and aim to have zero oil spills.