2023 ANNUAL REPORT

SBM OFFSHORE

Prosperity partially offset by the higher progress of FPSO *ONE GUYANA* and newly awarded FPSO FEED work for the Whiptail development project.

'Employee benefit expenses' increased due to higher man-hour-related activities in Turnkey projects and the ramp-up of operations on the fleet in operation.

'Vessel operating costs' increased, mainly as a result of a higher scope of work in several vessels and the operational start of FPSO *Prosperity* during the last quarter of 2023, which was partially offset by the impact of *FPSO Capixaba* leaving the fleet. FPSO *Liza Unity,* despite the sale of the unit during 2023, continues to be operated by the Company through the OMEA signed with the client in 2023.

The decrease of 'Depreciation, amortization and impairment' mainly relates to the prior year impairment of US$92 million on *FPSO Cidade de Anchieta* due to the additional costs required for tank repairs, following the shutdown in 2022 and the capitalization of associated tank repair costs, and *FPSO Capixaba,* which finished production in 2022.

Expenses related to short-term leases and leases of low-value assets amounted to US$6 million (2022: US$1 million).

The increase of 'Other costs' is mainly driven by the overall ramp-up of digital activities, with impact on consultancy and software fees, business travel costs and currency exchange differences.

4.3.6 EMPLOYEE BENEFIT EXPENSES

Information with respect to employee benefits expenses are detailed as follows:

	Note	**2023**	2022
Wages and salaries		(420)	(370)
Social security costs		(57)	(48)
Contributions to defined contribution plans		(39)	(33)
Contributions to defined benefit plans		(2)	1
Share-based payment cost		(26)	(24)
Contractors' costs		(197)	(178)
Other employee benefits		(100)	(88)
Total employee benefits	*4.3.5*	**(842)**	**(740)**

Wages and salaries increased, due to FPSO *Prosperity* joining the fleet, full ramp-up on *FPSO Sepetiba* before producing and on hire on January 2, 2024, and the increased activity in projects under construction. This was partially offset by *FPSO Capixaba* leaving the fleet (now under decommissioning).

Contractors' costs include expenses related to contractor staff not on the Company's payroll, linked to the Company's strategy of aiming to maintain flexibility in its workforce management. Other employee benefits mainly include commuting, training, expatriate and other non-wage compensation costs.

DEFINED CONTRIBUTION PLAN

The contributions to defined contribution plans includes Company participation in the Merchant Navy Officers Pension Fund (MNOPF). The MNOPF is a defined benefit multi-employer plan, which is closed to new members. The fund is managed by a corporate Trustee, MNOPF Trustees Limited, and provides defined benefits for nearly 21,936 (2022: 22,440) Merchant Navy Officers and their dependents, out of which approximately 29 (2022: 29) are SBM Offshore former employees.

The Trustee apportions its funding deficit between Participating Employers, based on the portions of the Fund's liabilities, which were originally accrued by members in service with each employer. When the Trustee determines that contributions are unlikely to be recovered from a Participating Employer, it can re-apportion the deficit contributions to other Participating Employers.

Entities participating in the MNOPF are exposed to the actuarial risk associated with the current and former employees of other entities through exposure to their share of the deficit of those other entities' default. As there is only a notional allocation of assets and liabilities to any employer, the Company is accounting for the MNOPF in its financial statements as if it was a defined contribution scheme. There are no contributions to the plan agreed at present.

DEFINED BENEFIT PLANS AND OTHER LONG-TERM BENEFITS

The employee benefits provisions recognized relate to:

	Note	2023	2022
Pension plan		(0)	(3)
Lump sums on retirement		8	6
Defined benefit plans		**7**	**3**
Long-service awards		14	12
Other long-term benefits		**14**	**12**
Employee benefits provisions	*4.3.24*	**21**	**15**

The defined benefit plan provision is partially funded as follows:

Benefit asset/liability included in the statement of financial position

	31 December 2023			31 December 2022		
	Pension plans	Lump sums on retirement	Total	Pension plans	Lump sums on retirement	Total
Defined benefit obligation	22	8	30	22	6	**29**
Fair value of plan assets	(22)	-	(22)	(25)	-	**(25)**
Benefit (asset)/liability	**(0)**	**8**	**7**	**(3)**	**6**	**3**

The main assumptions used in determining employee benefit obligations for the Company's plans are shown below:

Main assumptions used in determining employee benefit obligations

in %	2023	2022
Discount rate	1.50 - 3.40	2.50 - 4.25
Inflation rate	2.00	2.00
Discount rate of return on plan assets during financial year	1.50	2.50
Future salary increases	1.00 - 3.00	1.00 - 3.00
Future pension increases	0 - 2.00	-

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL OF THE COMPANY

The remuneration of the key management personnel of the Company paid during the year, including pension costs and performance-related Short-Term Incentives (STI), amounted to US$14 million (2022: US$15 million). There are no loans outstanding to members of the key management or guarantees given on behalf of members of the key management.

The performance-related part of the remuneration of the Management Board, comprising Value Creation Stake and STI components, was 66% (2022: 60%). The Management Board's remuneration decreased in 2023 versus 2022, mainly explained by the decrease to three members in the overall year-by-year comparison.

The total remuneration and associated costs of the Management Board and other key management personnel (members of the Executive Committee) is specified as follows:

Remuneration key management personnel

in thousands of US$	Base salary	STI[1]	Share-based compensation[2]	Other[3]	Pensions[4]	Total remuneration
Management Board Members						
2023	2,186	2,279	3,866	457	585	9,373
2022	3,036	1,864	4,634	546	728	10,808
Other key personnel[5]						
2023	2,021	562	1,292	442	442	4,759
2022	2,124	517	1,075	379	336	4,430
Total 2023	**4,207**	**2,841**	**5,158**	**899**	**1,027**	**14,132**
Total 2022	**5,159**	**2,382**	**5,709**	**925**	**1,064**	**15,238**

1 For the Management Board this represents the actual STI approved by the Supervisory Board, which has been accrued over the calendar year, payment of which will be made in the following year.

2 This share-based compensation represents the period expense of share-based payments in accordance with IFRS 2.

3 Consisting of social charges, lease car expenses, and other allowances.

4 This represents company contributions to defined contribution pension plans; in case of absence of a qualifying pension scheme such contribution is paid gross, withholding wage tax at source borne by the individuals.

5 The definition of 'Other key personnel' is aligned with the Executive Committee, as disclosed on the Company's website.

The table above represents the total remuneration in US dollars, being the reporting currency of the Company.

As at December 31, 2023, there are no unvested shares of current and former Management Board members. The total number of vested shares held by current Management Board members are reported in note 4.3.22 Equity Attributable to Shareholders.

SHORT-TERM INCENTIVE PROGRAM OF THE MANAGEMENT BOARD

The Short-Term Incentive Program is based upon short-term operational performance, which includes three sets of performance indicators, as noted below:

- Profitability;
- Growth;
- Sustainability.

The Supervisory Board may adjust the outcome of the STI down by 10%. Any such adjustment would be reported in the Remuneration Report. No such reduction has been made for 2023 or 2022.

For 2023 (equal to 2022), the Supervisory Board concluded that the Company's performance indicators had outcomes ranging from threshold to maximum. For the year 2023, a total of ten performance indicators were established (2022: seven). The Company's performance resulted in performance of 120% (2022: 85%) of salary for the CEO and 90% (2022: 64%) for the other Management Board members.

VALUE CREATION STAKE SHARES OF THE MANAGEMENT BOARD

Under the Remuneration Policy 2022, the members of the Management Board are entitled to a Value Creation Stake, being a number of shares determined by a four-year average share price (volume weighted). These shares vest immediately upon the award date, and must be retained for five years from the vesting date, or, in the event of retirement or termination, two years.

Number of issued shares	2023	2022
Total	242,375	317,510

The number of shares granted is based upon 175% of the individual's base salary and determined by the 4-year average volume-weighed share price (VWAP) over the years 2019 through 2022 (2022: 2018 through 2021), being EUR14.60 (2022: EUR14.61). The grant date fair value of these shares upon issue was EUR14.75, being the opening share price of January 2, 2023 (2022: EUR13.15).

RESTRICTED SHARE UNIT (RSU) PLANS

The number of shares granted under the RSU plan in 2023 was 812,950 (2022: 803,320), with the three-year employment period starting on January 1, 2023 (2022: January 1, 2022).

The annual RSU award is based on individual potential. The RSU plans themselves have no performance condition, only a service condition, and will vest at the end of three years' continuing service. The fair value is determined based on the share price at the grant dates, with an adjustment for the present value of the expected dividends during the vesting period.

	2023	2022
RSU grant date fair value per share	€ 10.85	€ 11.44

For RSUs, a vesting probability (based on expectations on, for example, the number of employees leaving the Company before the vesting date of their respective RSU plan) of 5% is assumed. The Company periodically reviews this estimate and aligns to the actual forfeitures.

OWNERSHIP SHARES

Ownership Shares is an annual award in shares to compensate the overall STI target reduction of 3-6% of annualized gross salary under the Company's 2019 STI plan awarded to employees based on seniority. The Ownership Shares have no performance conditions, only a service condition. The Ownership Shares are subject to a three-year holding requirement after the grant date. This means that a fixed population of onshore employees, based on seniority in the Company, are eligible to the Ownership Shares equal to 4-8% of annualized gross salary.

The total number of Ownership Shares that vested during 2023 was 76,485 shares (2022: 96,333). The fair value of the Ownership Shares is measured at the opening share price of January 2, 2023.

	2023	2022
Ownership Shares grant date fair value per share	€ 14.75	€ 13.15

MATCHING SHARES

Under the STI plans for the management and staff of the Company, 20% of the STI is or can be paid in shares. Subject to a vesting period of three years, an identical number of shares (matching shares) will be issued to participants, assuming a probability of 95%. The Company periodically reviews this estimate and aligns to the actual forfeitures. The grant date fair value is measured indirectly, based on the grant date price of the equity instrument, with an adjustment for the present value of the expected dividends during the vesting period.

The assumptions included in the calculation for the matching shares are:

	2023	2022
Matching shares grant date fair value per share	€ 10.74	€ 11.75

TOTAL SHARE-BASED PAYMENT COSTS

The amounts recognized in operating profit for all share-based payment transactions have been summarized by taking into account both the provisional awards for the current year and the additional awards related to prior years. Total share-based compensation has slightly increased in comparison to 2022.

2023 (in thousands of US$)	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	14,424	5,087	**19,511**
Total expenses 2023	**14,424**	**5,087**	**19,511**

2022 (in thousands of US$)	Performance shares and RSU/Value Creation Stake	Matching shares	Total
Instruments granted	13,327	5,840	**19,167**
Total expenses 2022	**13,327**	**5,840**	**19,167**

Rules of conduct with regard to inside information are in place to ensure compliance with the Act on Financial Supervision. For example, these rules forbid the exercise of options or other financial instruments during certain periods, more specifically when an employee is in possession of price-sensitive information.

The movement in the outstanding number of shares which could potentially vest at a point in time under the Company share-based payment plans is illustrated in the following table.

in number of shares	2023	2022
Outstanding at 1 January	**3,064,079**	**2,910,725**
Granted	1,686,474	1,629,422
Vested	(1,064,211)	(1,125,632)
True-up at vesting	-	-
Cancelled or forfeited	(350,106)	(350,436)
Total movements	**272,157**	**153,354**
Outstanding at 31 December	**3,336,236**	**3,064,079**

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board amounted to EUR601 thousand (2022: EUR658 thousand) and can be specified as follows:

	2023			2022		
in thousands of EUR	Basic remuneration	Committees	Total	Basic remuneration	Committees	Total
Total	**521**	**78**	**599**	**580**	**78**	**658**

There are no share-based incentives granted to the members of the Supervisory Board. Nor are there any loans outstanding to the members of the Supervisory Board or guarantees given on behalf of members of the Supervisory Board. In 2023, the number of Supervisory Board members decreased from 7 to 6.

NUMBER OF EMPLOYEES

Number of employees (by operating segment)

	2023		2022	
By operating segment:	Average	Year-end	Average	Year-end
Lease and Operate	2,420	2,667	2,072	2,172
Turnkey	2,129	2,036	2,110	2,221
Other	639	701	549	576
Total excluding employees working for JVs and associates	**5,187**	**5,404**	**4,731**	**4,969**
Employees working for JVs and associates	531	531	529	530
Total	**5,717**	**5,935**	**5,259**	**5,499**

Number of employees (by geographical area)

	2023		2022	
By geographical area:	Average	Year-end	Average	Year-end
the Netherlands	507	496	471	518
Worldwide	4,680	4,908	4,260	4,451
Total excluding employees working for JVs and associates	**5,187**	**5,404**	**4,731**	**4,969**
Employees working for JVs and associates	531	531	529	530
Total	**5,717**	**5,935**	**5,259**	**5,499**

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within 'other employee benefits'. The increase of Lease and Operate average headcount is primarily due to FPSO *Prosperity* joining the fleet during the current year and full ramp up on *FPSO Sepetiba* before producing and on hire on January 2nd, 2024, resulting as well in the reduction of the Turnkey segment at year end. The increase in 'Other' is mainly due to temporary headcount transition following the implementation of an optimization plan related to the Company's support functions' activities and a continuing investment in the Company's digital initiatives.

4.3.7 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to US$37 million (2022: US$35 million) and mainly relate to the internal projects for Renewables development costs and energy transition costs related to emissionZERO® and 'Digital FPSO'.

The amortization of development costs recognized in the statement of financial position is allocated to cost of sales when the developed technology is used through one or several projects. Otherwise, it is allocated to research and development expenses.

4.3.8 NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL AND CONTRACT ASSETS

In the context of the current economic and geopolitical environment, during 2023, the Company anticipated a range of possible impacts that could arise from the general economic downturn, the pressure on price inflation, the energy market pressure, increasing interest rates and other governmental actions as a consequence of the geopolitical environment. In response to these effects, the Company (i) reassessed whether there is a significant increase in credit risk related to its financial assets as of December 31, 2023, and (ii) updated estimates in terms of 'probability of default' and 'loss given default' in order to determine the expected credit losses.

Finance Lease Receivables

There was no payment default on any finance lease contract over the period. In addition, despite the overall economic downturn, the Company concluded that the counterparties of the finance lease receivables still have a strong capacity to meet their contractual cash flow obligations, based on existing contractual arrangements, which include parent company guarantees. Based on the available forward-looking information related to the oil price, it is also assumed that none of the assets leased under the Company's finance lease contracts would become uneconomical to operate for clients.

Therefore, the Company concludes that (i) the credit risk has not increased significantly since the initial recognition of the finance lease receivable, and (ii) the finance lease receivables still have a low credit risk as of December 31, 2023. As a result, the Company recognizes a 12-month expected credit loss.

Contract assets and Trade Receivables

As for the finance leases, there was no payment default (including overdue of more than 90 days) on any significant trade receivables over the period. The Company performed, as usual, a detailed analysis of the credit risks associated with significant trade receivables balances as at the reporting date. This did not result in any specific significant increase in credit risks related to its outstanding contract assets and trade receivables.

Other Financial Assets

Overall, the reassessment of the expected credit losses of other financial assets resulted in a limited impact.

During the year, the following gains/(losses) related to credit risks were recognized:

	2023	2022
Impairment losses		
- Movement in loss allowance for trade receivables	(1)	1
- Movement in loss allowance for contract assets	0	0
- Movement in loss allowance for finance lease receivables	0	(0)
(Impairment)/impairment reversal losses on financial lease receivables	-	-
(Impairment)/impairment reversal losses on other financial assets	(20)	14
Net impairment gains/(losses) on financial and contract assets	**(21)**	**15**

During the year 2023, the Company recognized a US$(21) million net impairment loss on financial and contract assets (December 31, 2022: gain of US$15 million attributable to the reversal of an impairment which was previously recognized for a funding loan provided to an equity accounted entity).