



2023 ANNUAL REPORT

EBM
OFFSHORE



4 FINANCIAL INFORMATION 2023

4.3.9 NET FINANCING COSTS

	2023	2022
Interest income on loans & receivables	3	0
Interest income on investments	21	10
Net foreign exchange gain	-	-
Other financial income	1	2
Financial income	25	12
Interest expenses on financial liabilities at amortized cost	(731)	(352)
Interest income / (expenses) on hedging derivatives	139	(28)
Interest expenses on lease liabilities	(5)	(2)
Interest addition to provisions	(1)	(1)
Net cash flow hedges ineffectiveness	-	(1)
Net foreign exchange loss	(3)	(1)
Financial expenses	(601)	(385)
Net financing costs	(575)	(373)

The Company has increased its debt (see note 4.3.23 Borrowings and Lease Liabilities) in order to finance its ongoing construction program of five FPSOs during the period.

The increase in net financing costs is mainly due to (i) increased project financing to fund continued investment in growth on the five FPSOs under construction during the period, (ii) additional interest expense on FPSO *Liza Destiny* and FPSO *Liza Unity* variable rate project loans and (iii) interest expense on the US\$125 million funding loan agreement secured in 2023 with CMFL in relation to FPSO *Cidade de Ilhabela*, in line with the Company aim to diversify its sources of debt funding and to accelerate equity cash flow from the backlog, partially offset by (iv) the scheduled amortization of project loans.

4.3.10 INCOME TAX EXPENSE

The relationship between the Company's income tax expense and profit before income tax (referred to as 'effective tax rate') can vary significantly from period to period considering among other factors: (i) changes in the blend of income that is taxed based on revenues versus profit, (ii) the different statutory tax rates in the location of the Company's operations and (iii) the possibility to recognize deferred tax assets on tax losses to the extent that suitable future taxable profits will be available.

Some of the taxes are withholding taxes (paid on revenues). The assessment of whether the withholding tax is in scope of IAS 12 is judgmental; the Company has performed this assessment in the past and some of the withholding taxes that the Company pays in certain countries qualify as income taxes, as it creates an income tax credit or it is considered as deemed profit taxation.

Consequently, income tax expense does not change proportionally with profit before income taxes. Significant decreases in profit before income tax typically lead to a higher effective tax rate, while significant increases in profit before income taxes can lead to a lower effective tax rate, subject to the other factors impacting income tax expense, noted above. Additionally, where a deferred tax asset is not recognized on a loss carry forward, the effective tax rate is impacted by the unrecognized tax loss.

The components of the Company's income taxes are:

Income tax recognized in the consolidated Income Statement

	Note	2023	2022
Corporation tax on profits for the year		(129)	(85)
Adjustments in respect of prior years		(1)	(1)
Movements in uncertain tax positions		(2)	3
Total current income tax		(131)	(83)
Deferred tax	4.3.17	156	(20)
Total		25	(104)

The Company's operational activities are subject to taxation at rates which range up to 35% (2022: 35%).

For the year ended December 31, 2023, the respective tax rates, the change in the blend of income tax based on income withholding tax and deemed profit assessment versus income tax based on net profit, the unrecognized deferred tax asset on certain tax losses, tax-exempt profits and non-deductible costs resulted in an effective tax on continuing operations of (4)% (2022: 16%).

The reconciliation of the effective tax rate is as follows:

Reconciliation of total income tax charge

		2023		2022
		%		%
Profit/(Loss) before income tax		589		660
Share of profit of equity-accounted investees		19		12
Profit/(Loss) before income tax and share of profit of equity-accounted investees		570		648
Income tax using the domestic corporation tax rate (25,8% for the Netherlands)	25,8%	(147)	25,8%	(167)
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other jurisdictions	(5%)	29	(9%)	57
Withholding taxes and taxes based on deemed profits	8%	(46)	5%	(33)
Non-deductible expenses	10%	(55)	10%	(64)
Non-taxable income	(17%)	98	(19%)	125
Adjustments related to prior years	0%	(1)	0%	(1)
Tax effect originating from current year timing differences and unused tax losses for which no deferred tax is recognized	(26%)	150	4%	(24)
Movements in uncertain tax positions	0%	(2)	(0%)	3
Total tax effects		(30%) 172		(10%) 63
Total of tax charge on the Consolidated Income Statement		(4%) 25		16% (104)

The effective tax rate was impacted in 2023 by the recognition of a deferred tax asset on a tax goodwill in Switzerland for a net amount of US\$141 million (absent this deferred tax asset, the effective tax rate would stand at 20%), for more detailed information refer to note 4.3.17 Deferred Tax Assets and Liabilities.

Similar to last year, the effective tax was also impacted by unrecognized deferred tax assets concerning Brazil, USA, Switzerland, Luxembourg, Monaco and the Netherlands.

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Details of the withholding taxes and other taxes are as follows:

Withholding taxes per country

	2023	2022
Withholding Tax and Overseas Taxes (per location)	Withholding tax	Withholding tax
Brazil	(22)	(20)
Guyana	(22)	(12)
Other	(2)	(1)
Total withholding and overseas taxes	(46)	(33)

Guyana and other withholding tax

The Company's construction and lease activities related to Guyana are subject to Guyanese withholding tax.

TAX RETURNS AND TAX CONTINGENCIES

The Company files federal and local tax returns in several jurisdictions throughout the world. Tax returns in the major jurisdictions in which the Company operates are generally subject to examination for periods ranging from three to six years. Tax authorities in certain jurisdictions are examining tax returns and in some cases have issued assessments. The Company believes there is a sound basis for its tax positions in those jurisdictions. The Company provides for taxes that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. While the Company cannot predict or provide assurance as to the final outcome of these proceedings, the Company does not expect the ultimate liability to have a material effect on its consolidated statement of financial position or results of operations, although it could have a significant adverse effect on its consolidated cash flows.

Each year management completes a detailed review of uncertain tax positions across the Company and makes provisions based on the probability of the liability arising. The principal risks that arise for the Company are in respect of permanent establishment, transfer pricing and other similar international tax issues. In common with other international groups, the difference in alignment between the Company's global operating model and the jurisdictional approach of tax authorities often leads to uncertainty on tax positions.

As a result of the above, in the period, the Company recorded a net tax decrease of US\$5 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. This decrease is primarily in relation to uncertain tax positions on tax other than corporate income tax. However it is possible that the ultimate resolution of the tax exposures could result in tax charges that are materially higher or lower than the amount provided.

The Company has recognized a deferred tax asset for a gross amount of US\$2,184 million in relation to a tax goodwill in Switzerland (refer to note 4.3.17 Deferred Tax Assets and Liabilities). In determining the taxable profits, the Company performed an extensive assessment and modeling to determine that an amount of US\$2,043 million could possibly be unrecoverable, which is driven by the assessment of profitability and commercial uncertainties (i.e. future awards) impacting future profits. Based on the uncertainty of recovering this tax asset in future years, in light of applicable enacted Swiss tax regulations, the Company determined the expected value based on a range of possible outcomes. As a result, the Company as of December 31, 2023, recognized a deferred tax asset related to the tax goodwill in Switzerland net of US\$141 million in accordance with IAS 12 and IFRIC23.

The Company conducts operations through its various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, the Company may identify changes to previously evaluated tax positions that could result in adjustments to its recorded assets and liabilities. Although the Company is unable to predict the outcome of these changes, it does not expect the effect, if any, resulting from these adjustments to have a material effect on its consolidated statement of financial position, results of operations or cash flows.

IMPACT OF THE GLOBE PILLAR TWO MODEL RULES

In December 2021, the OECD released the GloBE Pillar Two model rules, also referred to as the 'Global Anti-Base Erosion' or 'GloBE' rules, which subsequently led to the issuance of the draft proposal for a GloBE Directive by the European Commission. These rules aim to ensure large multinational enterprises (MNEs) pay a minimum amount of tax on income

arising in each jurisdiction in which they operate through introducing a global minimum corporate income tax rate set at 15%. The GloBE rules are intended to be implemented as part of an agreed-upon common approach, introduced via domestic tax law and expected to be effective as from January 1, 2024.

The Company is assessing its exposure to Pillar Two legislation in the jurisdictions in which it operates and acknowledges that:

- Pillar Two represents a significant additional layer of tax calculation and reporting to what is already a very complex tax compliance process for most MNEs. It will ultimately require a new global tax calculation in every jurisdiction in which the Company operates.
- There will likely be divergence in rules as countries adopt slightly different versions in domestic legislation, which will add to the complexity of these calculations.
- The tax base that Pillar Two is determined upon is entirely new and calculations will need to be based, in part, on data that the Company currently does not structurally gather within its tax compliance processes.

As indicated above, the assessment process is complex and is based on legislation which is in various degrees of enactment and subject to further interpretation. Taking this into account, the Company has performed a preliminary assessment which uses assumptions on the specific adjustments envisaged in the Pillar Two legislation. Based on the results for the year 2023, the Company estimated that the potential impact would represent between 0.4% and 0.6% on the effective tax rate. For 2023 this impact primarily concerns entities within the jurisdictions of Bermuda and the Cayman Islands. The Company highlights that the disclosed impact is on the basis of certain assumptions, which eventually might deviate from the actual impact due to differences in interpretation, divergence in rules between jurisdictions and further guidance to be issued.

As the situation is still evolving, it leads to uncertainties of the financial impact in periods in which legislation will be in effect. The Company has been reviewing Pillar Two features providing for simplification and/or relief for multinational enterprises that have genuine economic activities in different jurisdictions. The 2021 transition in Swiss tax regimes applicable to Swiss companies of the Company notably has a positive impact in respect of Pillar Two, as bringing those companies firmly within the scope of Swiss taxation. Therefore, the Company continues to monitor the implementation of the Pillar Two model rules in each jurisdiction's legislation and will implement processes and governance for reporting on the financial impact related to Pillar Two in 2024.

4.3.11 EARNINGS/(LOSS) PER SHARE

The basic earnings per share for the year amounts to US\$2.74 (2022: US\$2.53), and the fully diluted earnings per share amounts to US\$2.70 (2022: US\$2.50). Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive shares into ordinary shares.