2023 ANNUAL REPORT

SBM OFFSHORE

Financial and Contract Assets and note 4.3.27 Financial Instruments – Fair Values and Risk Management for the risk of recoverability (i.e. for expected credit losses). The Company does not hold any collateral as security.

The breakdown of loans to joint ventures and associates is presented below.

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2023	31 December 2022
Current portion of loans to joint ventures and associates	4.3.19	3	7
Non-current portion of loans to joint ventures and associates		38	45
Total	4.3.31	**41**	**52**

The balance of loans to joint ventures and associates has decreased compared with the year-ago period due to the impairment of a funding loan provided to some equity accounted entities.

The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to joint ventures and associates, taking into account the risk of recoverability. The Company does not hold any collateral as security.

4.3.17 DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities and associated net positions are summarized as follows:

Deferred tax positions (summary)

	31 December 2023			31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	0	-	0	0	-	0
Tax losses	2	-	2	6	-	6
Other	245	173	72	6	38	(32)
Book value at 31 December	**247**	**173**	**74**	**12**	**38**	**(26)**

Deferred tax assets increased by US$234 million during the year of 2023, mainly due to deferred tax recognized in relation to a tax goodwill in Switzerland. Within the frame of the Company's periodical review of its tax positions, the Company had previously identified the need for an evolution of its Swiss structure to bring it in line with shifts in tax paradigms that occurred over the past decade. Accordingly, the Company ceased to apply its decade's-old Swiss tax rulings, initiating a transition process under Swiss law which has resulted in a tax goodwill for a transitory period of time.

The increase in deferred tax liabilities is mainly due to the recognition of tax for the Brazilian and Guyana units under construction in 2023 and on unrealized profits on hedging instruments booked in other comprehensive income for which a total deferred tax liability was recognized in 2023 for an amount of US$59 million (without impact in the income tax charge).

As explained in note 4.3.10 Income Tax Expense, no deferred taxes were recognized for the year ended in December 31, 2023, in relation to the potential impacts of top-up taxes arising from Pillar Two Model Rules.

Movements in net deferred tax positions

		2023	2022
	Note	Net	Net
Deferred tax at 1 January		**(26)**	**(5)**
Deferred tax recognized in the income statement	4.3.10	156	(20)
Deferred tax recognized in other comprehensive income		(57)	-
Other		-	-
Foreign currency variations		-	(1)
Total movements		**100**	**(21)**
Deferred tax at 31 December		**74**	**(26)**

Expected realization and settlement of deferred tax positions is within 20 years. The current portion of the net deferred tax position as of December 31, 2023 amounts to US$70 million. The deferred tax losses are expected to be recovered, based on the anticipated profit in the applicable jurisdiction. The Company has US$48 million (2022: US$27 million) of deferred tax assets unrecognized in 2023, due to current tax losses not valued. The term in which these unrecognized deferred tax assets could be settled depends on the respective tax jurisdiction and ranges from five years to an unlimited period of time.

The non-current portion of deferred tax assets amounts to US$157 million (2022: US$9 million). On a cumulative basis, a total amount of US$2,307 million at the end of 2023 (2022: US$220 million) corresponds to deferred tax assets basis unrecognized on temporary differences, unused tax losses and tax credits.

Deferred tax in connection with unused tax losses carried forward, temporary differences and tax credits:

	31 December 2023	31 December 2022
Unused tax losses carried forward, temporary differences and tax credits not recognized as a deferred tax asset	2,306	220
Unused tax losses carried forward, temporary differences and tax credits recognized as a deferred tax asset	247	12
Total	**2,553**	**232**

The material increase of 'Unused tax losses carried forward, temporary differences and tax credit not recognized as a deferred tax asset' is primarily related to the recognition of tax goodwill in Switzerland.

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. 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 IFRIC 23.

Expiry date on deferred tax assets unrecognized on temporary differences, unused tax losses and tax credits:

	31 December 2023	31 December 2022
Within one year	12	24
More than a year but less than 5 years	17	11
More than 5 years but less than 10 years	38	8
More than 10 years but less than 20 years	2,079	22
Unlimited period of time	160	156
Total	**2,306**	**220**

Deferred tax assets per location are as follows:

Deferred tax positions per location

	31 December 2023			31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Guyana	2	70	(69)	-	36	(36)
Monaco	14	12	2	2	-	2
Switzerland	221	84	136	7	-	7
the Netherlands	0	1	(0)	3	-	3
Other	9	5	4	0	2	(2)
Book value at 31 December	**247**	**173**	**74**	**12**	**38**	**(26)**