2023 ANNUAL REPORT

SBM OFFSHORE

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
31 December 2023				
EUR	(0)	0	(139)	139
SGD	(0)	0	(17)	17
BRL	(0)	0	(50)	50
CNY	(0)	0	(26)	26
31 December 2022				
EUR	(0)	0	(189)	189
SGD	(0)	0	(29)	29
BRL	(0)	0	(33)	33
CNY	(0)	0	(20)	20

As set out above, by managing foreign currency risk, the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in foreign currency rates would have an impact on consolidated earnings.

Interest rate risk

The Company's exposure to risk from changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. In respect of controlling interest rate risk, the floating interest rates of long-term loans are hedged by fixed rate swaps for the entire maturity period. The revolving credit facility is intended for the fluctuating needs of construction financing and bears interest at floating rates, which is also swapped for fixed rates when exposure is significant.

For interest rate risk, the principal terms of the interest rate swap (notional amortization, rate-set periods) and the financing (repayment schedule, rate-set periods) are identical. The Company has established a hedge ratio of 1:1, as the hedging layer component matches the nominal amount of the interest rate swap for all its hedging relationships.

Interest rate benchmark reform

The reform and replacement of benchmark interest rates such as USD LIBOR 3M and other interbank offered rates ('IBORs') has become a priority for global regulators. On March 5, 2021, LIBOR's administrator (IBA) set out clear end-dates for new use of USD LIBOR and its cessation as a representative rate:

- December 31, 2021: cessation of USD LIBOR 1W and 2M tenors; deadline for most of new contract to use USD LIBOR as sole reference;
- June 30, 2023: cessation of remaining USD LIBOR tenors.

To transition existing contracts and agreements that reference USD LIBOR to Secured Overnight Financing Rate ('SOFR'), as the benchmark for US$ denominated derivatives and loans, adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

Relief applied

The Company has applied the following reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in September 2019:

- When considering the 'highly probable' requirement, the Company has assumed that the USD LIBOR 3M interest rate on which the Company's hedged debt is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Company has assumed that the USD LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based, is not altered by LIBOR reform.
- The Company has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in August 2020 are applied once amendments to financial contracts become effective:

- Changes in the basis for determining contractual cash flows of financial assets and financial liabilities have been reviewed and reflected in updated effective interest rate, once they become effective.
- The Company amended the formal designation of a hedging relationship to reflect the changes that are required by the reform. The reform did not result in a discontinuation of the hedge or designation of a new hedging relationship. When the interest rate benchmark on which the hedged future cash flows had been based is changed, as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognized in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows is based.

In 2021 the Company has started hedging future debt interest rate risk with SOFR interest rate derivatives. For the FPSO *Prosperity* financing, IBOR transition to SOFR principles have been agreed with lenders as of March 31, 2023.

For the FPSO *ONE GUYANA* financing (announced on July 21, 2022), *FPSO Almirante Tamandaré* financing (announced on March 31, 2023) and *FPSO Alexandre de Gusmão* financing (announced on June 20, 2023), the project loans carry a variable interest rate based on SOFR plus margin. No amendments of loan agreements and hedges due to IBOR reform are required.

The Company's Treasury department has completed SBM Offshore's IBOR transition with the support of the Company's Legal department. The amendments to the contractual terms of the USD LIBOR-referenced floating-rate debt and the associated interest rate swaps and the corresponding update of the hedge designation was completed by mid-year 2023. The result of the negotiations with external banks and the implementation of SOFR did not have material impacts on the Company's financial results. The changed reference rate has also been effected in the treasury management system, processes, risk and valuation models.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments (excluding transaction costs) was:

Interest rate risk (summary)

	2023	2022
Fixed rate instruments		
Financial assets	6,856	7,232
Financial liabilities	(891)	(985)
Total	**5,964**	**6,247**
Variable rate instruments (USD LIBOR 3 Months)		
Financial assets	12	12
Financial liabilities (USD LIBOR 3 Months)	-	(6,317)
Financial liabilities (SOFR)	(8,777)	(1,432)
Financial liabilities (future) (USD LIBOR 3 Months)	-	(652)
Financial liabilities (future) (SOFR)	(1,670)	(1,368)
Total	**(10,435)**	**(9,757)**

Interest rate risk (exposure)

	2023	2022
Variable rate instruments (USD LIBOR 3 Months)	-	(6,957)
Variable rate instruments (SOFR)	(10,435)	(2,800)
Less: Reimbursable items (USD LIBOR 3 Months)	-	1,681
Less: Reimbursable items (SOFR)	1,524	321
Less: IRS contracts (USD LIBOR 3 Months)	-	4,774
Less: IRS contracts (SOFR)	8,043	2,479
Exposure	**(867)**	**(502)**

Interest rate risk (sensitivity)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2023				
Variable rate instruments (USD LIBOR 3 Months)	(9)	9	-	-
Variable rate instruments (SOFR)	-	-	-	-
Interest rate swap (USD LIBOR 3 Months)	-	-	-	-
Interest rate swap (SOFR)	-	-	404	(404)
Sensitivity (net)	**(9)**	**9**	**404**	**(404)**
31 December 2022				
Variable rate instruments (USD LIBOR 3 Months)	(5)	5	-	-
Variable rate instruments (SOFR)	-	-	-	-
Interest rate swap (USD LIBOR 3 Months)	-	-	211	(211)
Interest rate swap (SOFR)	-	-	95	(95)
Sensitivity (net)	**(5)**	**5**	**306**	**(306)**

The exposure of US$867 million is primarily arising from (i) the Company's RCF being partially hedged; (ii) the new Fast4Ward® hull financing, which is unhedged, and (iii) the residual exposure on the unhedged portion of project loan facilities for *FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão* and FPSO *ONE GUYANA*. The interest rate exposure arising from these loans is mainly offset by the Cash and Cash Equivalents at December 31, 2023.

The sensitivity on equity and the income statement resulting from a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis as for 2022.

At December 31, 2023, it is estimated that a general increase of 100 basis points in interest rates would decrease the Company's profit before tax for the year by approximately US$8 million (2022: decrease of US$5 million), mainly related to the residual interest rate exposure.

As set out above, the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in interest rates could have an impact on consolidated earnings.

Commodity risk

Commodity exposure is defined by the Company as the risk of realizing adverse effects on operating cash flows and future earnings resulting from movement in commodity prices. The Company establishes hedge strategies in order to limit their commodity risk exposure in the following:

- Oil exposure is mostly associated to transportation fuels connected with the Company's prospective contract awards, construction contracts, and future decommissioning.
- Aluminum, steel, copper and iron ore exposures arise from the construction, refurbishment, repair of the products embedded in the Company's prospective contract awards, construction contracts and operation contracts.

Incoming lease payments following the Company's contractual arrangements with its clients are not impacted by the oil price.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other financial assets, trade and other receivables (including committed transactions), derivative financial instruments and cash and cash equivalents.