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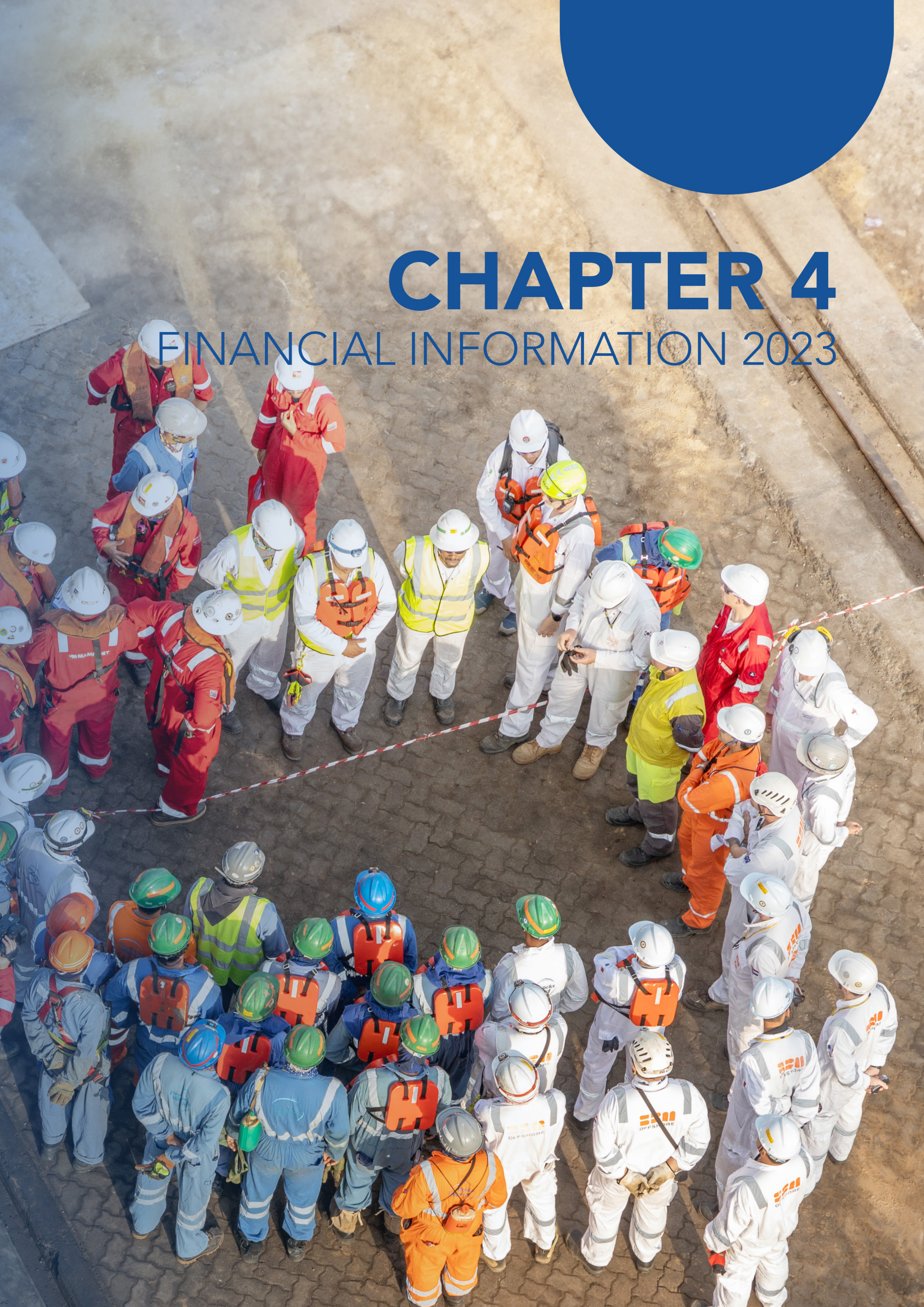
CHAPTER 4

FINANCIAL INFORMATION 2023



4 FINANCIAL INFORMATION 2023

4 FINANCIAL INFORMATION 2023

4.1 FINANCIAL REVIEW

4.1.1 FINANCIAL OVERVIEW

in US$ million	FY 2023	FY 2022
IFRS figures		
Revenue	**4,963**	**4,913**
Lease and Operate revenue	1,563	1,414
Turnkey revenue	3,400	3,499
EBITDA[1]	**1,239**	**1,209**
Lease and Operate EBITDA	695	719
Turnkey EBITDA	646	569
Other	(101)	(80)
Profit/(loss) attributable to shareholders	**491**	**450**
Directional figures		
Directional Revenue	**4,532**	**3,288**
Directional Lease and Operate revenue	1,954	1,763
Directional Turnkey revenue	2,578	1,525
Directional EBITDA[2]	**1,319**	**1,010**
Directional Lease and Operate EBITDA	1,124	1,080
Directional Turnkey EBITDA	296	7
Other	(101)	(77)
Directional Profit/(loss) attributable to shareholders	**524**	**115**

1 EBITDA - Profit/(loss) excluding net financing costs, income tax expense, depreciation, amortization and impairment as well as share of profit/(loss) of equity-accounted investees. For a reconciliation to the consolidated income statement, refer to section 4.1.3 Financial Review IFRS.

2 Directional EBITDA - Directional Profit/(loss) excluding Directional net financing costs, Directional income tax expense, Directional depreciation, amortization and impairment as well as Directional share of profit/(loss) of equity-accounted investees. For a reconciliation to IFRS figures, refer to section 4.3.2 Operating segments and Directional reporting.

General

The Company's primary business segments are 'Lease and Operate' and 'Turnkey'. Additionally, the Company discloses separately non-allocated corporate income and expense items presented in the category 'Other'. Revenue and EBITDA are analyzed by segment, but it should be recognized that business activities are closely related.

During recent years, the Company's awarded lease contracts were systematically classified under IFRS as finance leases for accounting purposes, whereby the fair value of the leased asset is recorded as a Turnkey 'sale' during construction. For the Turnkey segment, this accounting treatment results in the acceleration of recognition of lease revenues and profits into the construction phase of the asset, whereas the asset generates the cash mainly only after construction and commissioning activities have been completed, as that is the moment the Company is entitled to start receiving the lease payments. In the case of an operating lease, lease revenues and profits are recognized during the lease period, in effect more closely tracking cash receipts. Following the implementation of accounting standards IFRS 10 and 11 starting January 1, 2014, it has also become challenging to extract the Company's proportionate share of results. To address these accounting issues, the Company discloses Directional reporting in addition to its IFRS reporting. Directional reporting treats all lease contracts as operating leases and consolidates all co-owned investees related to lease contracts on a percentage of ownership basis. Under Directional, the accounting results more closely track cash-flow generation and this is the basis used by the Management Board of the Company to monitor performance and for business planning. Reference is made to 4.3.2 Operating Segments and Directional Reporting for further detail on the main principles of Directional reporting.

The Management Board, as chief operating decision maker, monitors the operating results of the Company primarily based on Directional reporting. The financial information in this section 4.1 Financial Review is presented both under Directional and IFRS while the financial information presented in note 4.3.2 Operating Segments and Directional Reporting is presented under Directional with a reconciliation to IFRS. For clarity, the remainder of the financial statements are presented solely under IFRS, except where expressly stated otherwise.

4.1.2 FINANCIAL HIGHLIGHTS

The main financial highlights of the year and their associated financial impact are reported in note 4.3.1 Financial Highlights.

4.1.3 FINANCIAL REVIEW IFRS

	IFRS	
in US$ million	FY 2023	FY 2022
Revenue	**4,963**	**4,913**
Lease and Operate	1,563	1,414
Turnkey	3,400	3,499
EBITDA	**1,239**	**1,209**
Lease and Operate	695	719
Turnkey	646	569
Other	(101)	(80)
Profit/(loss) attributable to shareholders	**491**	**450**

PROFITABILITY

Accounting treatment of projects under construction

As stated, Directional reporting differs from IFRS. Under IFRS, the construction of FPSO *ONE GUYANA* and finalized EPC works on FPSO *Prosperity* contributed to both Turnkey revenue and gross margin over the period. This is because these contracts are classified as finance leases as per IFRS 16 and are therefore accounted for as a direct sale under IFRS.

The same treatment applied to the construction of *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão and FPSO Sepetiba*, which fully contributed to both Turnkey revenue and gross margin over the period, given these contracts are classified as finance leases. Under Directional, the contribution to Turnkey revenue and gross margin for these projects is limited to the portion of the sale to partners in the special purpose entity owning the units (i.e. respectively 35.5%, 45% and 45%).

With regards to the FPSO for the Whiptail development project and expected award of construction and installation agreements (subject to necessary government approvals and final work order to be received from the client), these align with Directional. As such, the full revenue and margin will be recognized during the construction period as the FPSO's ownership is expected to be transferred to the client at the end of the construction period and before start of operations in Guyana. It will be recognized as a construction contract falling in the scope of IFRS 15.

Finally, contrary to Directional, the FPSO *Liza Unity* sale did not contribute to revenue and margin in the current year as finance lease arrangements are treated as direct sales under IFRS and therefore revenue and margin are recognized over time during the construction period for the present value of the future lease payments, which include the contractual sale price.

Revenue

Total revenue increased by 1% to US$4,963 million compared with US$4,913 million in 2022.

This increase has driven the Lease and Operate segment. Lease and Operate revenue increased by 11% to US$1,563 million, compared with US$1,414 million in the year-ago period. This reflects mainly the following events: (i) FPSO *Prosperity* joining the fleet upon successful delivery of the EPCI project during the last quarter of 2023 and (ii) an increase in reimbursable scopes and an improved performance of the fleet, partially offset by (iii) *FPSO Capixaba,* which finished production in 2022 (no contribution to revenue in 2023, in the decommissioning phase), (iv) the remeasurement of future demobilization costs in finance lease contracts leading to the recognition of a reduction of revenue, for the present value of the change and (v) a regular declining profile of interest revenue from finance leases.

Turnkey revenue decreased by 3% to US$3,400 million, compared with US$3,499 million in the year-ago period, mainly explained by (i) the completion of the FPSO *Liza Unity* project during the first quarter of 2022, (ii) a reduced level of progress on *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* during 2023 compared to the prior-year period, consistent with the commencement of topsides integration, and (iii) reduced level of activity on FPSO *Prosperity,* which was in a preparation phase for its first oil in November 2023. This was partially offset by (iv) the higher level of activity on FPSO *ONE GUYANA* during the period and the start of FPSO FEED work for the Whiptail development project and (v) additional variation orders on FPSO *Prosperity* (including the variation orders for the compensation of costs incurred by the Company after topside readiness, before the commencement of the charter at first-oil).

EBITDA

EBITDA based on IFRS accounting policies amounted to US$1,239 million, representing a 2% increase compared with US$1,209 million in the year-ago period.

- Turnkey EBITDA increased to US$646 million in the current year, compared with US$569 million, as a result of (i) the successful close-out of the construction activities of FPSO *Prosperity*, delivered over the last quarter of 2023 and (ii) increase in margin contribution from FPSO *ONE GUYANA*, given that the project only reached the requisite 'stage of completion' to allow margin recognition at the very end of 2022. These positive impacts were partially offset by the same elements impacting the decrease in IFRS Turnkey revenue.
- The Turnkey EBITDA margin was at a robust level of 19% of Turnkey revenue, despite some impacts from macro-environment and associated inflation impacts.
- Lease and Operate EBITDA for the current period decreased by 3% to US$695 million versus US$719 million in the same period prior year. The positive impact from the same drivers as the increase in IFRS Lease and Operate Revenue was offset by additional non-recurring maintenance costs for the fleet under operation and the comparative impact of a number of prior-period positive one-offs, including some insurance recoveries. In relation to *FPSO Cidade de Anchieta*, repair costs of the asset incurred in 2023 did not impact the Lease and Operate EBITDA as they met the criteria of capitalization under IAS 16 and therefore have been recognized as an increase in the property, plant and equipment value of *FPSO Cidade de Anchieta*.

The other non-allocated costs charged to EBITDA amounted to US$(101) million in 2023, a US$(21) million increase, compared with the US$(80) million in the year-ago period, which is mainly explained by the implementation of an optimization plan related to the Company's support functions' activities (including US$11 million of restructuring costs), and continuing investment in the Company's digital initiatives.

EBITDA is reconciled to the consolidated income statement as follows:

in US$ million	*Notes*	FY 2023	FY 2022
Profit/(loss)		**614**	**555**
Add: Income tax expense	*4.3.10*	(25)	104
Less: Share of profit/(loss) of equity accounted investees	*4.3.29*	(19)	(12)
Add: Net financing costs	*4.3.9*	575	373
Operating profit/(loss) (EBIT)		**1,145**	**1,020**
Add: Depreciation, amortization and impairment	*4.3.5*	94	189
EBITDA		**1,239**	**1,209**

Net income

Depreciation, amortization and impairment decreased by US$95 million year-on-year, primarily due to: (i) the US$92 million *FPSO Cidade de Anchieta* impairment booked in the prior year, following the shutdown of the vessel and the capitalization of associated tank repair costs (refer to section 4.3.13 Property Plant and equipment) and (ii) *FPSO Capixaba*, which finished production in 2022.

Net financing costs totalled US$(575) million in 2023, compared with US$(373) million in the year-ago period, an increase of 54% compared with the prior year period, mostly explained by (i) increased project financing to fund continued investment in growth of the five FPSOs under construction during the period, (ii) additional interest expense on FPSO Liza Destiny and FPSO *Liza Unity* project loans and (iii) interest 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 and equity funding and to accelerate equity cash flow from the backlog, partially offset by (iv) the scheduled amortization of project loans.

The effective tax rate over 2023 decreased to (4)%, compared with 16% for the prior year period. The decrease is primarily driven in 2023 by the recognition of a deferred tax asset on a tax goodwill in Switzerland (absent this deferred tax asset, the effective tax rate would stand at 20%).

As a result, 2023 consolidated net income attributable to shareholders stood at US$491million, an increase of US$41 million from the previous year.

STATEMENT OF FINANCIAL POSITION

in millions of US$	2023	2022	2021	2020	2019
Total equity	5,531	4,914	3,537	3,462	3,613
Net debt[1]	8,748	7,881	6,681	5,209	4,416
Cash and cash equivalents	543	683	1,021	414	506
Total assets	17,176	15,889	13,211	11,085	10,287

1 Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents.

Total equity increased from US$4,914 million at December 31, 2022 to US$5,531 million. Notwithstanding the dividend distributed to the shareholders of US$197 million, this increase mainly resulted from (i) the positive result over the current period, (ii) capital contributions from non-controlling interests in special purpose entities and (iii) the increase of the hedging reserves. The movement in hedging reserve is mainly caused by (i) the increase in marked-to-market value of forward currency contracts, mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR and BRL), partially offset by (ii) the decrease in marked-to-market value of the interest rate swaps, due to decreasing US$ market interest rates during the year.

Net debt increased by US$867 million to US$8,748 million at year-end 2023. While the Company's net debt was positively impacted by (i) the amount of the net cash proceeds of the sale of FPSO *Liza Unity* (with a cash consideration of US$1,259 million received, primarily used for the full repayment of the US$1,140 million project financing), (ii) the settlements of interest rate swaps related to the financing of *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* of US$154 million and (iii) the Lease and Operate segment's strong operating cash flow, as, in order to fund continued investment growth, the Company drew on project finance facilities for FPSO *Prosperity*, FPSO *ONE GUYANA*, *FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão*, the Revolving Credit Facility RCF and the new Revolving Credit Facility for MPF hull financing.

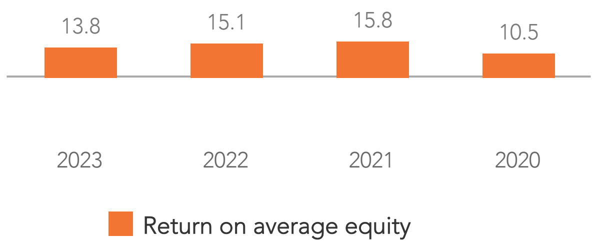
In line with its aim to diversify its sources of debt and equity funding and to accelerate equity cash flow from the backlog, in 2023, the Company finalized the funding loan agreement and received US$125 million from CMFL in relation to *FPSO Cidade de Ilhabela*.

Almost half of the Company's debt, as of December 31, 2023, consisted of non-recourse project financing (US$4 billion) in special purpose investees. The remainder (US$5.2 billion) comprised (i) borrowings to support the on-going construction of FPSO *ONE GUYANA*, *FPSO Almirante Tamandaré*, *FPSO* A*lexandre de Gusmão,* which will become non-recourse following project execution finalization and release of the related parent company guarantee, (ii) a project loan on *FPSO Sepetiba* (the Company is currently going through the process of releasing the corporate guarantee, after which this project loan will become non-recourse), (iii) the Company's RCF,which was drawn for US$550 million as at December 31, 2023, and (iv) the new US$210 million Revolving Credit Facility for MPF hull financing, completed and fully drawn in December 2023. Cash and cash equivalents amounted to US$543 million (December 31, 2022: US$683 million). Lease liabilities totaled US$85 million as of December 31, 2023.

Total assets increased to US$17.2 billion as of December 31, 2023, compared with US$15.9 billion at year end 2022. This primarily resulted from (i) the increase of contract assets related to the FPSO projects under construction at the end of the year, (ii) the increase in inventory balance for the new multipurpose hull for use on a future FPSO project and (iii) the increase of finance lease receivables following first oil of FPSO *Prosperity* during the current period partially offset by (iv) the decrease of finance lease receivables following the sale of FPSO *Liza Unity* during the current period and (v) a reduction of the gross amount of the finance lease receivables, in line with the repayment schedules.

Return On Average Equity

Return on average equity (ROAE) measures the performance of the Company based on the average equity attributable to the shareholders of the parent company. ROAE is calculated as (underlying) profit attributable to shareholders divided by the annual average of equity attributable to shareholders of the parent company.



2023 ROAE stood at 13.8%, in line with the past three-year average of 13.8%.

4.1.4 FINANCIAL REVIEW DIRECTIONAL

	Directional	
in US$ million	FY 2023	FY 2022
Directional Revenue	**4,532**	**3,288**
Directional Lease and Operate revenue	1,954	1,763
Directional Turnkey revenue	2,578	1,525
Directional EBITDA	**1,319**	**1,010**
Directional Lease and Operate EBITDA	1,124	1,080
Directional Turnkey EBITDA	296	7
Other	(101)	(77)
Directional Profit/(loss) attributable to shareholders	**524**	**115**

	Directional	
in US$ billion	FY 2023	FY 2022
Pro-forma Directional backlog	30.3	30.5

BACKLOG – DIRECTIONAL

Change in ownership scenarios and lease contract duration have the potential to significantly impact the Company's future cash flows, net debt balance as well as the profit and loss statement. The Company therefore provides a pro-forma Directional backlog based on the best available information regarding ownership scenarios and lease contract duration for the various projects.

The pro-forma Directional backlog at the end of 2023 reflects the following key assumptions:

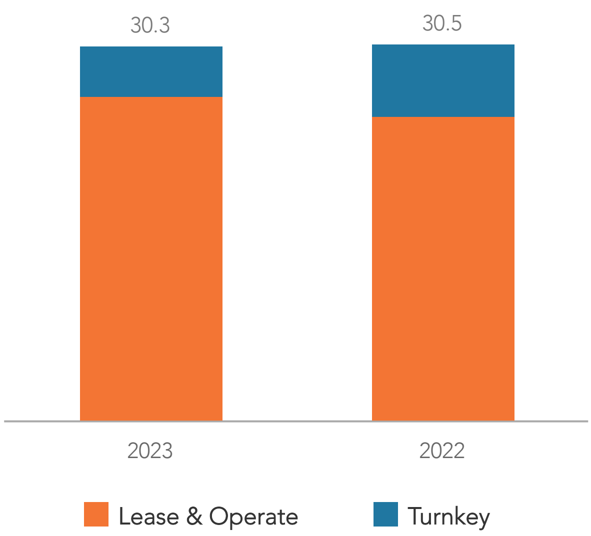
- The FPSO *Liza Destiny* contract covers the basic contractual term of 10 years of lease.
- The FPSOs *Prosperity* and *ONE GUYANA* contracts covers a maximum period of lease of two years, within which the FPSO ownership will transfer to the client.
- 10 years of operations and maintenance is considered for FPSOs *Liza Destiny*, *Liza Unity*, *Prosperity* and *ONE GUYANA* following signature of the Operations and Maintenance Enabling Agreement ('OMEA') in 2023.
- The impact of the subsequent sale of FPSOs *Prosperity* and *ONE GUYANA* is reflected in the Turnkey backlog at the end of the maximum two-year period.
- With respect to FPSO for the Whiptail development project, for which the full construction, installation and operations contracts award is subject to necessary government approvals and final work order to be received from the client, the amount included in the pro-forma backlog is limited to the value of the initial limited release of funds to the Company to begin FEED activities and secure a Fast4Ward® hull.
- The 13.5% equity divestment in *FPSO Sepetiba* to CMFL has not yet been reflected in the backlog as the transaction remains subject to various approvals, which include the consent from co-owners, lenders and export credit agencies.

The pro-forma Directional backlog at the end of December 2023 slightly decreased by US$0.2 billion to a total of US$30.3 billion. This 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, offset by turnover for the period which consumed approximately US$4.5 billion of backlog (including the sale of FPSO *Liza Unity* completed in

November 2023, a few months ahead of the end of the maximum lease term in February 2024). The Company's backlog provides cash flow visibility up to 2050.

in billions of US$	Turnkey	Lease & Operate	Total
2024	0.5	2.2	2.7
2025	1.3	2.5	3.8
2026	0.1	2.6	2.7
Beyond 2026	2.1	19.0	21.1
Total pro-forma Directional backlog	**4.0**	**26.3**	**30.3**

Pro-forma Directional backlog (in billions of US$)



PROFITABILITY – DIRECTIONAL

Accounting treatment of projects under construction

It should be noted that the ongoing EPC works on the FPSO *ONE GUYANA* and finalized EPC works on FPSO *Prosperity* did not contribute to Directional net income over the period. This is because the contracts were 100% owned by the Company as of December 31, 2023 and are classified as operating leases as per Directional accounting principles.

The Company has determined that it is optimal from an operational and financial perspective to retain full ownership of the FPSO-owning entity as opposed to partnering on these projects. Therefore, under the Company's Directional accounting policy, the revenue and margin recognition on these two FPSO projects is as follows:

- The Company does not recognize any revenue and margin during the Turnkey phase of the project unless defined invoicing (if any) to the client occurred during the construction phase to cover specific construction work and/or services performed before the commencement of the lease. The upfront payments and variation orders directly paid by the clients are recognized as revenues and the cost of sales associated with the related construction work and/or services are recognized as costs with no margin during construction.
- The Company will book all revenue and margin associated with the lease and operate contracts related to its 100% share during the lease phase, in line with the cash flows.
- Upon transfer of the FPSO to the client, after reaching the end of the lease period or upon an early exercise of the purchase option by the client, the Company will book all revenue and margin associated with the transfer in the Turnkey segment.

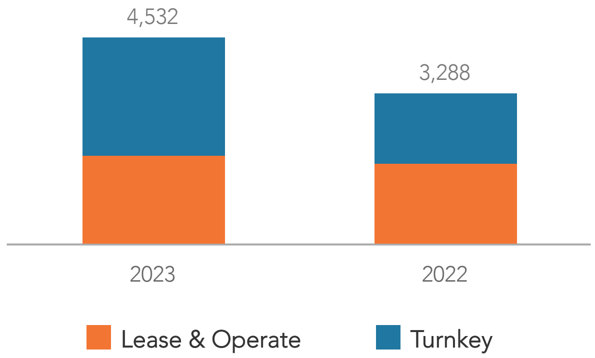
Therefore, the contribution of the FPSO *ONE GUYANA* project to the Directional profit and loss will largely materialize in the coming years following start of production, in line with the operating cash flows. This has been the case for FPSO *Liza Unity* and FPSO *Prosperity*, which started contributing to Directional net income under the Lease and Operate segment following their start of production in 2022 and November 14, 2023 respectively. With regards to the sale of FPSO *Liza Unity*, completed in November 2023, all associated revenue and margin was recognized over the period under the Turnkey segment.

With regards to the FPSO for the Whiptail development project and expected award of construction and installation agreements (subject to necessary government approvals and final work order to be received from the client), the full revenue and margin will be recognized during the construction period. Contrary to other FPSOs in Guyana, the contracts will not be classified as operating leases as per Directional accounting principles as the FPSO's ownership is expected to be transferred to the client at the end of the construction period and before start of operations in Guyana. It will be recognized as a construction contract falling in the scope of IFRS 15.

Directional Revenue

Total Directional revenue increased by 38% to US$4,532 million compared with US$3,288 million in 2022, with the increase primarily attributable to the Turnkey segment.

Directional Revenue (in millions of US$)



This variance of the Directional revenue is further detailed by segment as follows:

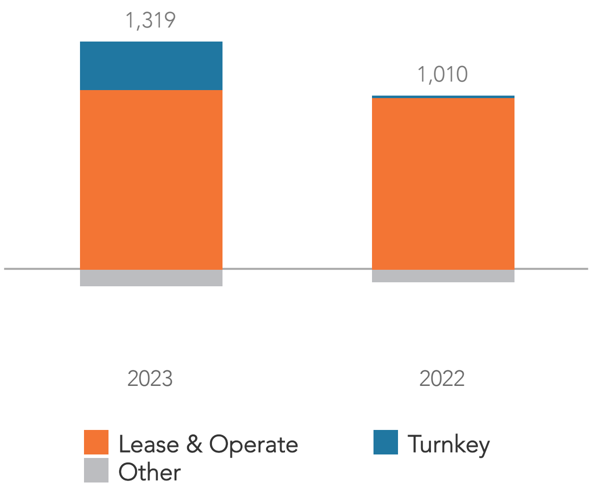
Directional Lease and Operate revenue came in at US$1,954 million, an increase versus US$1,763 million in the prior period. This reflects mainly the following items: (i) FPSO *Prosperity* joining the fleet upon successful delivery of the EPCI project during the last quarter 2023 and (ii) an increase in reimbursable scopes and an improved performance of the fleet, partially offset by (iii) *FPSO Capixaba,* which finished production in 2022 (no contribution to Directional revenue in 2023, vessel now in the decommissioning phase).

Directional Turnkey revenue increased to US$2,578 million, representing 57% of total 2023 Directional revenue. This compares with US$1,525 million, or 46% of total Directional revenue in 2022. This increase was mainly driven by the sale of FPSO *Liza Unity*, completed in November 2023. Turnkey revenue was additionally positively impacted by (i) the start of FPSO FEED work for the Whiptail development project and (ii) additional variation orders on FPSO *Prosperity* (including the variation orders for the compensation of costs incurred by the Company after topside readiness, before the commencement of the charter at first-oil). The increase in Directional turnkey revenue was partially offset by (i) the partial divestment on two projects at the beginning of 2022 (*FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*), which allowed the Company to recognize 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, (ii) the completion of FPSO *Liza Unity* project in February 2022 and (iii) a reduced level of progress during the period compared with the year-ago period on *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão,* consistent with the commencement of topsides' integration.

Directional EBITDA

Directional EBITDA amounted to US$1,319 million, representing a 31% increase compared with US$1,010 million in 2022 with the increase mostly attributable to the Turnkey segment.

Directional EBITDA (in millions of US$)



The variance of Directional EBITDA is further detailed by segment as follows:

- Directional Turnkey EBITDA increased from US$7 million in the year-ago period to US$296 million in the current year, mainly driven by the sale of FPSO *Liza Unity* (completed in November 2023 with recognition of associated margin on the asset sale). This increase was partially offset by:
  - (i) some prior-period positive one-off impacts, including a US$9 million gain recognized in the year-ago period from the disposal of the SBM Installer;
  - (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.

It should be noted that, although the Company recorded a significant decrease in revenue linked to the partial divestment of a 45% interest in *FPSO Alexandre de Gusmão* and *FPSO Almirante Tamandaré* in 2022, there was no comparative impact on Directional EBITDA related to the divestment. This is because the projects had not reached the requisite 'stage of completion' to allow margin to be booked at the time of divestment. With respect to the awarded limited scope for the FPSO for the Whiptail development project that contributed to the revenue during the period, no contribution to Directional EBITDA was recognized as the projects had not reached the requisite 'stage of completion' to allow margin to be recognized at the end of the current year.

Finally, FPSO *Prosperity* and FPSO *ONE GUYANA* are 100% owned by the Company. Despite the increase of activity it has a limited impact on the Directional EBITDA performance on those projects as, during the current period, the direct payments received during construction and before first oil of these units are recognized as revenue but without contribution to gross margin, in accordance with the Company policy for Directional reporting.

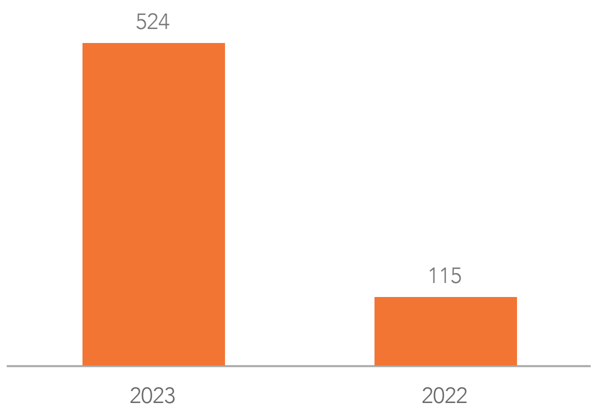
- Directional Lease and Operate EBITDA moved from US$1,080 million in the year-ago period to US$1,124 million in the current year period. This increase resulted from the same drivers as for the Lease and Operate revenue, partially offset by additional non-recurring maintenance costs on the fleet under operation and some prior-period positive one-off impacts including some insurance recoveries. In relation to *FPSO Cidade de Anchieta*, repair costs of the asset incurred in 2023 did not impact the Directional Lease and Operate EBITDA as they met the criteria for capitalization under IAS 16 and therefore have been recognized as an increase in the Property, Plant and equipment value of the *FPSO Cidade de Anchieta*.

- Regarding the FPSO *Liza Unity* sale, whereas the sale of the asset has ended the associated charter agreement contribution to Directional EBITDA, the vessel will continue to be operated and to contribute to Directional L&O EBITDA in the future through the OMEA signed with ExxonMobil Guyana in 2023.

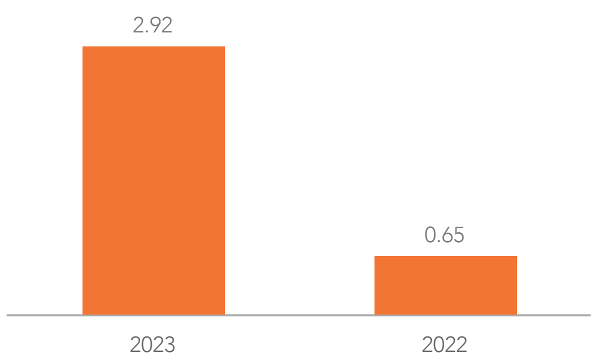
The other non-allocated costs charged to Directional EBITDA amounted to US$(101) million in 2023, a US$(24) million increase compared with the US$(77) million in the year-ago period, which is mainly explained by the implementation of an optimization plan related to the Company's support functions' activities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

Directional Net income

Directional Net income (in millions of US$)



Weighted Average Earnings Per Share Directional (in US$)



Directional depreciation, amortization and impairment decreased by US$(96) million year-on-year. This primarily resulted from (i) US$92 million *FPSO Cidade de Anchieta* impairment booked in the prior year following the shutdown of the vessel and the capitalization of associated tank repair costs (refer to section 4.3.13 Property Plant and equipment), (ii) *FPSO Capixaba,* which finished production in 2022, partially offset by (iii) FPSO *Prosperity* joining the operating fleet in the last quarter of 2023, which marked the beginning of the depreciation of the unit.

Directional net financing costs totaled US$(238) million in 2023, compared with US$(188) million in the year-ago period, an increase of 27% compared with the prior year period, mainly reflecting (i) additional interest expense on FPSO *Liza Destiny* and FPSO *Liza Unity* project loans, (ii) interest expense on FPSO *Prosperity* joining the operating fleet in November 2023 and (iii) interest expense on the US$125 million funding loan agreement secured in 2023 with China Merchant Financial Leasing Ltd ('CMFL') in relation to *FPSO Cidade de Ilhabela,* in line with the Company aim to diversify its sources of debt and equity funding and to accelerate equity cash flow from the backlog, partially offset by (iv) the scheduled amortization of project loans.

The Directional effective tax rate decreased to 5% versus 45% in the year-ago period, primarily driven in 2023 by the recognition of a deferred tax asset on a tax goodwill in Switzerland (absent this deferred tax asset, the effective tax rate would stand at 22%).

As a result, the Company recorded a Directional net profit of US$524 million, or US$2.92 per share, a 355% and 351% increase respectively when compared with the Directional net profit of US$115 million, or US$0.65 per share, in the year-ago period.

STATEMENT OF FINANCIAL POSITION – DIRECTIONAL

in millions of US$	2023	2022
Directional total equity	1,448	1,078
Directional net debt[1]	6,654	6,082
Directional cash and cash equivalents	563	615
Directional total assets	11,214	10,769
Solvency ratio[2]	29.9	29.6

1 Directional net debt is calculated as Directional total borrowings (including lease liabilities) less Directional cash and cash equivalents.

2 Solvency ratio is calculated in accordance with the definition provided in section 4.3.23 Borrowings and lease liabilities - Covenants

Directional shareholders' equity increased by US$370 million from US$1,078 million at year-end 2022 to US$1,448 million at year-end 2023, mostly due to the following items:

- A positive Directional net income of US$524 million in 2023;
- An increase of the hedging reserve net of deferred tax of US$23 million; and
- Partially offset by dividends distributed to the shareholders, decreasing equity by US$197 million.

The movement in the hedging reserve is mainly caused by (i) the increase in marked-to-market value of forward currency contracts, mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR and BRL), partially offset by (ii) the decrease in marked-to-market value of the interest rate swaps, due to decreasing US$ market interest rates during the year.

It should be noted that, under Directional policy, given the Company's substantial aggregate ownership share in the FPSOs under construction, the contribution to profit and equity from these will largely materialize in the coming years at the Company's ownership share in lessor-related SPVs, subject to project execution performance, in line with the generation of associated operating cash flows.

Directional net debt increased by US$572 million to US$6,654 million at year-end 2023. While the Company's net debt was positively impacted by (i) the amount of net cash proceeds from the sale of FPSO *Liza Unity* (with a cash consideration of US$1,259 million received primarily used for the full repayment of the US$1,140 million project financing), (ii) the settlements of interest rate swaps related to the financing of *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* of US$154 million and (iii) the Lease and Operate segment's strong operating cash flow, as, in order to fund continued investment growth, the Company drew on project finance facilities for FPSO *Prosperity*, FPSO *ONE GUYANA*, *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão*, the Revolving Credit Facility (RCF) and the new Revolving Credit Facility for MPF hull financing.

In line with its aim to diversify its sources of debt and equity funding and to accelerate equity cash flow from the backlog, in 2023, the Company finalized the funding loan agreement and received US$125 million from CMFL in relation to *FPSO Cidade de Ilhabela*.

Almost half of the Company's debt, as at December 31, 2023, consisted of non-recourse project financing (US$3.3 billion) in special purpose investees. The remainder of the Company's debt (US$3.8 billion) comprised (i) borrowings to support the ongoing construction of FPSO *ONE GUYANA*, *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão,* which will become non-recourse following project execution finalization and release of the related parent company guarantee, (ii) project loan on *FPSO Sepetiba* (the Company is currently going through the process of releasing the corporate guarantee, after which this project loan will become non-recourse), (iii) the Company's RCF, which was drawn for US$550 million as at December 31, 2023, and (iv) the new US$210 million Revolving Credit Facility for MPF hull financing, completed and fully drawn in

December 2023. The cash and cash equivalents aounted to US$563 million (December 31, 2022: US$615 million) and lease liabilities totaled US$85 million (December 31, 2022: US$47 million).

Directional net debt is reconciled to IFRS figures as follows:

	Notes	31 December 2023	31 December 2022
Total borrowings and lease liabilities	4.3.23	9,291	8,564
Less: Cash and cash equivalents	4.3.21	(543)	(683)
Net debt	4.3.27	**8,748**	**7,881**
Impact of lease accounting treatment	4.3.2	-	-
Impact of consolidation methods	4.3.2	(2,094)	(1,799)
Directional net debt		**6,654**	**6,082**

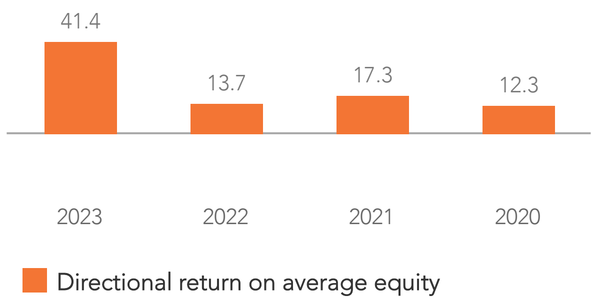
Directional total assets increased to US$11.2 billion as at December 31, 2023, compared with US$10.8 billion at year-end 2022. This resulted from the substantial investments in property, plant and equipment (mainly FPSO *Prosperity*, *FPSO Sepetiba*, *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão*, FPSO *ONE GUYANA* and awarded limited scope for the FPSO for the Whiptail development project).

The relevant covenants (solvency ratio and interest cover ratio) applicable for the Company's RCF, drawn for c.US$550 million as at year-end 2023, and the new Revolving Credit Facility for MPF hull financing, drawn for c. US$210 million as at year-end 2023, were all met at December 31, 2023. For more detailed information on convenants, please refer to section 4.3.23 Borrowings and Lease Liabilities. In line with previous years, the Company had no off-balance sheet financing.

The Company's Directional financial position has remained strong as a result of the cash flow generated by the fleet, as well as the positive contribution of the turnkey activities.

Directional Return On Average Equity

Directional return on average equity measures the performance of the Company based on the average directional equity attributable to the shareholders of the parent company. Directional retun on average is equity is calculated as directional (underlying) profit attributable to shareholders divided by the annual average of directional equity attributable to shareholders of the parent company.



2023 Directional return on average equity stood at 41.4%, above the past three-year average of 14.4%. This is mainly the result of the sale of FPSO *Liza Unity.*

CASH FLOW / LIQUIDITIES – DIRECTIONAL

Directional cash and undrawn committed credit facilities amount to US$2,276 million at December 31, 2023, of which US$1,208 million is considered as pledged to specific project debt servicing related to FPSO *ONE GUYANA*, *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão,* or otherwise restricted in its utilization.

The consolidated cash flow statement under Directional reporting is as follows:

in millions of US$	2023	2022
Directional EBITDA	**1,319**	**1,010**
Adjustments for non-cash and investing items		
Directional Addition/(release) provision	51	46
Directional Effect of disposal of property, plant and equipment	902	(9)
Directional (Gain) / loss on acquisition of shares in investees	(0)	(2)
Directional Share-based payments	20	19
Changes in operating assets and liabilities		
Directional (Increase)/Decrease in operating receivables	(211)	(156)
Directional Movement in contract assets	(153)	(115)
Directional (Increase)/Decrease in inventories	(124)	(10)
Directional Increase/(Decrease) in operating liabilities	(84)	117
Directional Income taxes paid	(104)	(100)
Directional Net cash flows from (used in) operating activities	**1,616**	**799**
Directional Capital expenditures	(1,658)	(1,342)
Directional (Addition) / repayments of funding loans	(4)	6
Directional Cash flows from changes in interests of subsidiaries	0	(307)
Directional Cash receipts from sale of investments in joint ventures	(0)	0
Directional Other investing activities	23	44
Directional Net cash flows from (used in) investing activities	**(1,639)**	**(1,600)**
Directional Additions and repayments of borrowings and lease liabilities	287	717
Directional Dividends paid to shareholders	(197)	(178)
Directional Share repurchase program	(5)	-
Directional Payments from/to non-controlling interests for change in ownership	(21)	-
Directional Proceeds from settlement of interest rate swaps	154	-
Directional Interest paid	(248)	(181)
Directional Net cash flows from (used in) financing activities	**(29)**	**359**
Directional Foreign currency variations	0	(3)
Directional Net increase/(decrease) in cash and cash equivalents	**(52)**	**(444)**

The Company generated strong Directional operating cash flows mainly as a result of the cash flow from the fleet under operations and the proceeds received from FPSO *Liza Unity* sale.

Cash generated from the strong Directional operating cash flows, drawdowns on project financings, the RCF, the Revolving Credit Facility for MPF hull financing, the settlements of interest rate swaps related to the financing of *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* of US$154 million, the US$125 million funding loan agreement received from CMFL in relation to *FPSO Cidade de Ilhabela*, together with some of the Company's existing cash was primarily used to:

- 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.
- Repayment of the project loan following the FPSO *Liza Unity* sale;
- Pay dividends to shareholders; and
- Service the Company'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.

4.1.5 OUTLOOK AND GUIDANCE

The Company's 2024 Directional revenue guidance is around US$3.5 billion, of which around US$2.2 billion is expected from the Lease and Operate segment and around US$1.3 billion from the Turnkey segment.

2024 Directional EBITDA guidance is around US$1.2 billion for the Company.

4.2 CONSOLIDATED FINANCIAL STATEMENTS

4.2.1 CONSOLIDATED INCOME STATEMENT

in millions of US$	Notes	2023	2022
Revenue from contracts with customers		4,452	4,383
Interest revenue from finance lease calculated using the effective interest method		510	530
Total revenue	4.3.2/4.3.3	**4,963**	**4,913**
Cost of sales	4.3.5	(3,543)	(3,731)
Gross margin		**1,420**	**1,182**
Other operating income/(expense)	4.3.4/4.3.5	(11)	28
Selling and marketing expenses	4.3.5	(22)	(16)
General and administrative expenses	4.3.5	(183)	(154)
Research and development expenses	4.3.5/4.3.7	(37)	(35)
Net impairment gains/(losses) on financial and contract assets	4.3.5/4.3.8	(21)	15
Operating profit/(loss) (EBIT)		**1,145**	**1,020**
Financial income	4.3.9	25	12
Financial expenses	4.3.9	(601)	(385)
Net financing costs		**(575)**	**(373)**
Share of profit/(loss) of equity-accounted investees	4.3.29	19	12
Profit/(loss) before income tax		**589**	**660**
Income tax expense	4.3.10	25	(104)
Profit/(loss)		**614**	**555**
Attributable to shareholders of the parent company		491	450
Attributable to non-controlling interests	4.3.30	123	105
Profit/(loss)		**614**	**555**

Earnings/(loss) per share

	Notes	2023	2022
Weighted average number of shares outstanding	4.3.11	179,235,116	177,906,466
Basic earnings/(loss) per share in US$	4.3.11	2.74	2.53
Fully diluted earnings/(loss) per share in US$	4.3.11	2.70	2.50

4.2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of US$	2023	2022
Profit/(loss) for the period	**614**	**555**
Cash flow hedges	62	654
Deferred tax on cash flow hedges	(57)	-
Foreign currency variations	(2)	2
Items that are or may be reclassified to profit or loss	**4**	**656**
Remeasurements of defined benefit liabilities	(4)	7
Items that will never be reclassified to profit or loss	**(4)**	**7**
Other comprehensive income/(expense) for the period, net of tax	**1**	**664**
Total comprehensive income/(expense) for the period, net of tax	**615**	**1,219**
Of which		
- on controlled entities	599	1,197
- on equity-accounted entities	15	22
Attributable to shareholders of the parent company	509	976
Attributable to non-controlling interests	106	243
Total comprehensive income/(expense) for the period, net of tax	**615**	**1,219**

4.2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of US$	Notes	31 December 2023	31 December 2022
ASSETS			
Property, plant and equipment	4.3.13	384	314
Intangible assets	4.3.14	153	117
Investment in associates and joint ventures	4.3.29	288	290
Finance lease receivables	4.3.15	6,276	5,468
Other financial assets	4.3.16	151	151
Deferred tax assets	4.3.17	247	12
Derivative financial instruments	4.3.20	258	465
Total non-current assets		**7,757**	**6,818**
Inventories	4.3.18	149	25
Finance lease receivables	4.3.15	526	1,725
Trade and other receivables	4.3.19	901	795
Income tax receivables		7	18
Contract assets	4.3.3	7,134	5,681
Derivative financial instruments	4.3.20	158	145
Cash and cash equivalents	4.3.21	543	683
Total current assets		**9,419**	**9,071**
TOTAL ASSETS		**17,176**	**15,889**
EQUITY AND LIABILITIES			
Issued share capital		50	48
Share premium reserve		1,007	1,007
Treasury shares		(26)	(42)
Retained earnings		2,478	2,179
Other reserves		224	204
Equity attributable to shareholders of the parent company	4.3.22	**3,733**	**3,397**
Non-controlling interests	4.3.30	1,797	1,517
Total Equity		**5,531**	**4,914**
Borrowings and lease liabilities	4.3.23	8,186	6,873
Provisions	4.3.24	383	309
Deferred tax liabilities	4.3.17	173	38
Derivative financial instruments	4.3.20	8	25
Other non-current liabilities	4.3.25	95	127
Total non-current liabilities		**8,845**	**7,371**
Borrowings and lease liabilities	4.3.23	1,105	1,691
Provisions	4.3.24	203	178
Trade and other payables	4.3.25	1,347	1,501
Income tax payables		57	41
Derivative financial instruments	4.3.20	89	192
Total current liabilities		**2,800**	**3,603**
TOTAL EQUITY AND LIABILITIES		**17,176**	**15,889**

4.2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of US$	Notes	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
At 1 January 2023		**48**	**1,007**	**(42)**	**2,179**	**204**	**3,397**	**1,517**	**4,914**
Profit/(loss) for the period		-	-	-	491	-	**491**	123	**614**
Foreign currency translation		2	-	(1)	-	(2)	**(1)**	(1)	**(2)**
Remeasurements of defined benefit provisions		-	-	-	-	(4)	**(4)**	-	**(4)**
Cash flow hedges		-	-	-	-	23	**23**	(17)	**6**
Total comprehensive income for the period		**2**	**-**	**(1)**	**491**	**17**	**509**	**106**	**615**
IFRS 2 vesting cost of share based payments		-	-	-	-	20	**20**	-	**20**
Re-issuance treasury shares on the share based scheme		-	-	21	(2)	(16)	**4**	-	**4**
Purchase of treasury shares		-	-	(5)	-	-	**(5)**	-	**(5)**
Cash dividend		-	-	-	(197)	-	**(197)**	(81)	**(278)**
Transaction with non-controlling interests	4.3.25 / 4.3.30	-	-	-	6	-	**6**	255	**261**
At 31 December 2023		**50**	**1,007**	**(26)**	**2,478**	**224**	**3,733**	**1,797**	**5,531**

in millions of US$	Notes	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
At 1 January 2022		**51**	**1,034**	**(69)**	**1,910**	**(347)**	**2,579**	**957**	**3,537**
Profit/(loss) for the period		-	-	-	450	-	**450**	105	**555**
Foreign currency translation		(3)	-	4	-	1	**2**	(0)	**2**
Remeasurements of defined benefit provisions		-	-	-	-	7	**7**	-	**7**
Cash flow hedges		-	-	-	-	516	**516**	139	**654**
Total comprehensive income for the period		**(3)**	**-**	**4**	**450**	**524**	**976**	**243**	**1,219**
IFRS 2 vesting cost of share based payments		-	-	-	-	19	**19**	-	**19**
Re-issuance treasury shares on the share based scheme		(0)	-	22	1	(19)	**4**	-	**4**
Purchase of treasury shares		-	-	-	-	-	**-**	-	**-**
Cash dividend		-	-	-	(178)	-	**(178)**	(40)	**(218)**
Transaction with non-controlling interests	4.3.30	-	-	-	(4)	-	**(4)**	357	**353**
Other	4.3.22	-	(26)	-	-	26	**-**	-	**-**
At 31 December 2022		48	1,007	(42)	2,179	204	**3,397**	1,517	**4,914**

4.2.5 CONSOLIDATED CASH FLOW STATEMENT

in millions of US$	Notes	2023	2022
Cash flow from operating activities			
Profit/(loss) before income tax		**589**	**660**
Adjustments to reconcile profit before taxation to net cash flows:			
Depreciation and amortization		65	85
Impairment		31	105
Net financing costs		573	373
Share net income of associates and joint ventures		(19)	(12)
Share based compensation		20	19
Net gain on sale of Property, Plant and Equipment		(0)	(9)
(Increase)/Decrease in working capital:			
- (Increase)/Decrease Trade and other receivables		(58)	(25)
- (Increase)/Decrease Contract assets		(2,774)	(3,023)
- (Increase)/Decrease Inventories		(124)	(10)
- Increase/(Decrease) Trade and other payables		(226)	303
Increase/(Decrease) Other provisions		112	142
Reimbursement finance lease assets		1,743	439
Income taxes paid		(101)	(96)
Net cash flows from (used in) operating activities		**(169)**	**(1,049)**
Cash flow from investing activities			
Investment in property, plant and equipment		(128)	(41)
Investment in intangible assets	*4.3.14*	(45)	(41)
Additions to funding loans	*4.3.16*	(11)	(13)
Redemption of funding loans	*4.3.16*	1	27
Interest received		24	9
Dividends received from equity-accounted investees		17	92
Proceeds from disposal of property, plant and equipment	*4.3.13*	0	34
Purchase of interests in equity-accounted investees		(1)	(0)
Net cash flows from (used in) investing activities		**(142)**	**67**
Cash flow from financing activities			
Equity funding from/repayment to non-controlling interests	*4.3.30*	235	357
Additions to borrowings and loans	*4.3.23*	3,440	1,536
Repayments of borrowings and lease liabilities	*4.3.23*	(2,988)	(779)
Dividends paid to shareholders and non-controlling interests		(279)	(217)
Payments from/to non-controlling interests for change in ownership	*4.3.30*	(21)	0
Share repurchase program		(5)	-
Proceeds from settlement of interest rate swaps	*4.3.20*	154	-
Interest paid		(366)	(252)
Net cash flows from (used in) financing activities		**170**	**646**
Net increase/(decrease) in cash and cash equivalents		**(141)**	**(335)**
Net cash and cash equivalents as at 1 January		683	1,021
Net increase/(decrease) in net cash and cash equivalents		(141)	(335)
Foreign currency variations		1	(3)
Net cash and cash equivalents as at 31 December		**543**	**683**

The reconciliation of the net cash and cash equivalents as at December 31, 2023, with the corresponding amounts in the statement of financial position, is as follows:

Reconciliation of net cash and cash equivalents as at 31 December

in millions of US$	31 December 2023	31 December 2022
Cash and cash equivalents	543	683
Net cash and cash equivalents	**543**	**683**

4.2.6 GENERAL INFORMATION

SBM Offshore N.V. has its registered office in Amsterdam, the Netherlands, and is located at Evert van de Beekstraat 1-77, 1118 CL, Schiphol, the Netherlands. SBM Offshore N.V. is the holding company of a group of international marine technology-oriented companies. The Company globally provides services in the offshore oil and gas industry and alternative energy sources.

The Company is registered at the Dutch Chamber of Commerce under number 24233482 and is listed on the Euronext Amsterdam stock exchange.

The consolidated financial statements for the year ended December 31, 2023 comprise the financial statements of SBM Offshore N.V., its subsidiaries and interests in associates and joint ventures (together referred to as 'the Company'). They are presented in millions of US dollars, except when otherwise indicated. Figures may not add up due to rounding.

The consolidated financial statements were authorized for issue by the Supervisory Board on February 28, 2024.

4.2.7 ACCOUNTING PRINCIPLES

A. ACCOUNTING FRAMEWORK

The consolidated financial statements of the Company have been prepared in accordance with, and comply with, International Financial Reporting Standards ('IFRS') and interpretations adopted by the European Union, which were effective for the financial year beginning January 1, 2023, and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The Company financial statements included in section 4.4 are part of the 2023 financial statements of SBM Offshore N.V.

New Standards, Amendments and Interpretations applicable as of January 1, 2023

The Company has adopted the following new standards as of January 1, 2023:

- IFRS 17 – 'Insurance Contracts';
- Amendments to IAS 8 – 'Definition of Accounting Estimates';
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies';
- Amendments to IAS 12 – 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'; and
- Amendments to IAS 12 – 'International Tax Reform – Pillar Two Model Rules'.

IFRS 17 Insurance Contracts

IFRS 17 is the new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. This standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The Company has made a thorough assessment of its transactions against the scope of IFRS 17 and concluded that, despite the fact it does have some transactions that may fall within the scope of IFRS 17, those transactions are either scoped out (such as warranties provided to its customers) or an accounting policy choice is available (e.g., fixed-fee service contracts). The Company has decided to apply the accounting policy option to not apply IFRS 17 where permitted.

Therefore, this new standard had no impact on the consolidated financial statements of the Company.

Definition of Accounting Estimates – Amendments to IAS 8

This amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors in IAS 8. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendment had no impact on the consolidated financial statements of the Company.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

These amendments provide guidance and examples to help entities applying materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful, by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had a minor impact on the consolidated financial statements of the Company. The Company has performed a reassessment of its accounting policy disclosures against the amended guidance, which resulted in minor changes to the section on accounting policies.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

This amendment aims to narrow the scope of the initial recognition exception ('IRE') provided in IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities.

The impact of the application of this amendment to IAS 12 relates to lease transactions in which the Company is the lessee, and for which the Company applied the initial recognition exemption.

This amendment resulted in the recognition of additional deferred tax assets and deferred tax liabilities on the balance sheet at January 1, 2023, of US$11 million and US$10 million respectively, with an insignificant net impact of less than US$1 million. Considering the materiality, the Company has recognized the impact fully in 2023.

Amendments to IAS 12 – 'International Tax Reform – Pillar Two Model Rules'

With regards to the amendments to IAS 12 on International Tax Reform – Pillar Two Model Rules the amendment:

- Provide a mandatory temporary exception to the requirements in IAS 12 to recognize and disclose information about deferred tax assets and liabilities arising from Pillar Two Model Rules.

The Company has been monitoring the accounting discussion around the recognition of deferred taxes arising from Pillar Two Model Rules and, following the amendment requirements, the Company did not recognize any deferred taxes in its financial statements 2023 related to potential impacts of top-up taxes arising from such legislation. The mandatory temporary exception applies immediately.

- Introduce new disclosure requirements, which are only applicable to annual financial statements commencing on or after January 1, 2023.

As the Company is within the scope of the Pillar Two legislation, the Company is in the process of assessing the applicable regulations and understanding the requirements. The EU has published the Directive (EU) 2022/2523, in the Official Journal of the EU, on December 22, 2022, aiming to ensure a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the EU, based on a system of two interlocked rules, together referred to also as the 'GloBE rules', through which an additional amount of tax (so-called 'Top-up Tax') should be collected when the effective tax rate in a given jurisdiction is below 15%. Following the EU Directive, the Dutch government issued its draft proposal of the Minimum Taxation Act 2024 in October 2022 for consultation, while on December 15, 2022, the Council of the European Union formally adopted the directive implementing the minimum taxation at EU level. On December 19, 2023 the Dutch Senate approved the Minimum Tax Act 2024. The measures are considered to be substantively enacted for financial statements ending after 19 December 2023. The main rule of the Minimum Tax Act 2024 (so-called Income Inclusion Rule or IIR) will become effective on or after December 31, 2023 with the backstop rule (so-called Undertaxed Profits Rule or UTPR) becoming effective on or after December 31, 2024. On top of the IIR and UTPR, the jurisdictions that will implement an IIR are generally expected to also implement a Qualifying Domestic Minimum Top-up Tax or QDMTT.

The Company will be impacted by the GloBE rules, the result of the assessment of the expected impact is disclosed under 4.3.10 Income Tax Expense as per requirements of the issued IAS 12 amendment.

Standards and Interpretations not mandatorily applicable to the Company as of January 1, 2023

Standards and amendments published by the IASB and endorsed by the European Union
The following standards and amendments published by the IASB and endorsed by the European Union are not mandatorily applicable as of January 1, 2023:
- Amendments to IFRS 16 – 'Lease Liability in a Sale and Leaseback'; and
- Amendments to IAS 1 – 'Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants'.

The Company is currently assessing the impact of amendments issued, however the Company does not expect a material impact on the financial statements due to their future adoption.

Standards and amendments published by the IASB and not yet endorsed by the European Union
Other new standards and amendments have been published by the IASB but have not been endorsed yet by the European Commission. Early adoption is not possible until European Commission endorsement. Those which may be relevant to the Company are set out below:
- Amendments to IAS 7 and IFRS 7 – 'Disclosures: Supplier Finance Arrangements'; and
- Amendments to IAS 21 - Lack of exchangeability.

The Company does not expect a significant effect on the financial statements due to the adoption of the remaining amendments. Other standards and amendments are not relevant to the Company.

B. CRITICAL ACCOUNTING POLICIES

Critical accounting policies that involve a high degree of judgment or complexity, or areas where assumptions and estimates are material, are disclosed in the paragraphs below.

(a) Use of estimates and judgment
When preparing the financial statements, it is necessary for the Management of the Company to make estimates and certain assumptions that can influence the valuation of the assets and liabilities and the outcome in the income statement. The actual outcome may differ from these estimates and assumptions due to changes in facts and circumstances. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Estimates:
Significant areas of estimation and uncertainty in applying accounting policies that have the most significant impact on amounts recognized in the financial statements are:

The measurement and recognition of revenues on construction contracts based on the input method:
Revenue of the Company is measured and recognized, based on the input method (i.e. costs incurred). Costs and revenue at completion are reviewed periodically throughout the life of the contract. This requires a large number of estimates, especially of the total expected costs at completion, due to the complex nature of the Company's construction contracts. Judgment is also required for the accounting of contract modifications and claims from clients where negotiations or discussions are at a sufficiently advanced stage. Costs and revenue (and the resulting gross margin) at completion reflect, at each reporting period, the Management's current best estimate of the probable future benefits and obligations associated with the contract. The policy for measurement of transaction price, including variable considerations (i.e. claims, performance-based incentives), is included below in the point (d) Revenue.

In case a contract meets the definition of an onerous contract as per IAS 37, provisions for anticipated losses are made in full in the period in which they become known.

Impairments:
Assumptions and estimates used in the discounted cash flow model and the adjusted net present value model to determine the value in use of assets or group of assets (e.g. discount rates, residual values and business plans) are subject to uncertainty. There is a possibility that changes in circumstances or in market conditions could impact the recoverable amount of the asset or group of assets.

The anticipated useful life of the leased facilities under an operating lease:
Management uses its experience to estimate the remaining useful life of an asset. The actual useful life of an asset may be impacted by an unexpected event that may result in an adjustment to the carrying amount of the asset.

Uncertain income tax treatment:
The Company is subject to income taxes in multiple jurisdictions. Significant judgment is required in determining the Company's overall income tax liability. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company takes into account the following considerations when determining the liabilities related to uncertain income tax treatment:

- When necessary, the Company engages with local tax advisers, which provide advice on the expected view of tax authorities on the treatment of judgmental areas of income tax;
- The Company considers any changes in tax legislation, and knowledge built based on prior cases, to make an estimate/judgment on whether or not to provide for any tax payable; and
- The Company takes into account any dispute resolutions, case law and discussions between peer companies and the tax authorities on similar cases over an uncertain tax treatment.

The Company consistently monitors each issue around uncertain income tax treatments across the group in order to ensure that the Company applies sufficient judgment to the resolution of tax disputes that might arise from examination of the Company's tax position by relevant tax authorities.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The income tax liabilities include any penalties and interest that could be associated with a tax audit issue. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made.

The Company's exposure to litigation and non-compliance:
The Company identifies and provides analysis on a regular basis of current litigation and measures, when necessary, provisions based on its best estimate of the expenditure required to settle the obligations, taking into account information available and different possible outcomes at the reporting date.

The warranty provision:
A warranty provision is accrued during the construction phase of projects, based on historical warranty expenditure per product type. At the completion of a project, a warranty provision (depending on the nature of the project) is therefore provided for and reported as provision in the statement of financial position. Following the acceptance of a project, the warranty provision is released over the warranty period. For some specific claims formally notified by the customer and which can be reliably estimated, an amount is provided in full and without discounting. An overall review of the warranty provision is performed by Management at each reporting date. Nevertheless, considering the specificity of each asset, actual warranty expenditures could vary significantly from one project to another and therefore differ materially from initial statistical warranty provision provided at the completion of a said project.

The timing and estimated cost of demobilization:
The estimated future costs of demobilization are reviewed on a regular basis and adjusted when appropriate. Nevertheless, considering the long-term expiry date of the obligations, these costs are subject to uncertainty. Cost estimates can vary in response to many factors, including, for example, new demobilization techniques, the Company's own experience on demobilization operations, future changes in laws and regulations, and the timing of demobilization operations.

Estimates and assumptions made in determining these obligations can therefore lead to significant adjustments to the future financial results. Nevertheless, the cost of demobilization obligations at the reporting date represents Management's best estimate of the present value of the future costs required.

Significant estimates and judgments in the context of current economic and geopolitical environment
During the 2023 financial year, there was significant commodity price volatility, high inflation, rising interest rates and increasing energy prices that increased the current economic and geopolitical uncertainty. Accordingly, the Company reassessed its significant estimates and judgments. The following main areas identified by the Company as potentially affected by the current global circumstances are:

- Key assumptions used in the impairment test of assets, or group of assets;
- Expected credit losses; and
- Additional costs in order to satisfy the performance obligations on some of the construction contracts, mainly due to expected delay in the project delivery following lockdown periods in China, international travel restrictions, remote working, pressure on the supply chain and a general increase in global inflation.

The impact of the current economic and geopolitical environment on the impairment of the tangible assets is disclosed in note 4.3.13 Property, Plant and Equipment. Regarding the Company's considerations for estimation of expected credit losses, refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets. In relation to the impact of additional costs incurred due to these current macroeconomic circumstances when satisfying the Company's performance obligations, refer to note 4.3.3 Revenue.

Following the assessments, the Company does not expect any significant impact in other areas.

Judgments:
In addition to the above estimates, the Management exercises the following judgments:

Lease classification as Lessor:
When the Company enters into a new lease arrangement, the terms and conditions of the contract are analyzed in order to assess whether or not the Company retains the significant risks and rewards of ownership of the asset subject of the lease contract. To identify whether risks and rewards are retained, the Company systematically considers, among others, all the examples and indicators listed by IFRS 16.63, on a contract-by-contract basis. By performing such an analysis, the Company makes a significant judgment to determine whether the arrangement results in a finance lease or an operating lease. This judgment can have a significant effect on the amounts recognized in the consolidated financial statements and its recognition of profits in the future. The most important judgment areas assessed by the Company are (i) determination of the fair value, (ii) determination of the useful life of the asset, (iii) the highly specialized nature of an FPSO constructed on behalf of the client and (iv) the probability of the client exercising the purchase or termination option (if relevant).

(b) Leases: accounting by lessor
A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Under an operating lease, the asset is included in the statement of financial position as property, plant and equipment. Lease income is recognized over the term of the lease on a straight-line basis. This implies the recognition of deferred income when the contractual day rates are not constant during the initial term of the lease contract.

When assets are leased under a finance lease, the present value of the lease payments is recognized as a finance lease receivable. Under a finance lease, the difference between the gross receivable and the present value of the receivable is recognized as revenue during the lease phase. Lease income is, as of the commencement date of the lease contract, recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The discount rate used to measure the net investment in the lease is the interest rate implicit in the lease. During the construction phase, revenue is recognized over time, as per IFRS 15, due to the fact the Company is acting as manufacturer lessor (refer to accounting policy (d) Revenue).

(c) Impairment of non-financial assets
Under certain circumstances, impairment tests must be performed. Assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's Cash Generating Unit's ('CGU') fair value, less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. An impairment loss is recognized for the amount by which the assets, or CGU's carrying amount, exceeds its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. The Company bases its future cash flows on detailed budgets and forecasts.

Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal at financial position date, when circumstances which caused the initial impairment have improved or no longer exist.

(d) Revenue

The Company provides design, supply, installation, operation, life extension and demobilization of Floating Production, Storage and Offloading (FPSO) vessels. The vessels are either owned and operated by SBM Offshore and leased to its clients (Lease and Operate arrangements) or supplied on a Turnkey sale basis (construction contracts). Even in the latter case, the vessels can be operated by the Company, under a separate operating and maintenance agreement, after transfer to the clients.

Other products of the Company include: Turret Mooring Systems ('TMS'), Floating Offshore Wind ('FOW') and brownfield and offshore (off)loading terminals. These products are mostly delivered as construction, lease or service type agreements.

Some contracts include multiple deliverables (such as Front-End Engineering Design ('FEED'), engineering, construction, procurement, installation, maintenance, operating services, demobilization). The Company assesses the level of integration between different deliverables and the ability of the deliverable to be performed by another party. Based on this assessment, the Company ascertains whether the multiple deliverables are one, or separate, performance obligation(s).

The Company determines the transaction price for its performance obligations based on contractually agreed prices. The Company has various arrangements with its customers in terms of pricing, but, in principle (i) the construction contracts have agreed fixed pricing terms, including fixed lump sums and reimbursable type of contracts, (ii) the majority of the Company's lease arrangements have fixed lease rates and (iii) the operating and service type of contracts can be based on fixed lump sums or reimbursable type of contracts. The Lease and Operate contracts generally include a variable component for which the treatment is described below under 'Lease and Operate contracts'. In rare cases when the transaction prices are not directly observable from the contract, they are estimated based on expected cost plus margin (e.g. based on an operating service component in a lease arrangement).

The Company assesses, for each performance obligation, whether the revenue should be recognized over time or at a point in time. This is explained more in detail under the below sections 'Construction contracts' and 'Lease and Operate contracts'.

The Company can agree on various payment arrangements that generally reflect the progress of delivered performance obligations. However, if the Company's delivered performance obligation exceeds installments invoiced to the client, a contract asset is recognized (see note 4.3.3 Revenue). If the installments invoiced to the client exceed the work performed, a contract liability is recognized (see note 4.3.25 Trade and Other Payables).

Revenue policies related to specific arrangements with customers are described below.

Construction contracts:

The Company, under its construction contracts, usually provides Engineering, Procurement, Construction and Installation ('EPCI') of vessels. The Company assesses the contracts on an individual basis as per the policy described above. Based on the analysis performed for existing contracts:

- The construction contracts generally include one performance obligation due to significant integration of the activities involved; and
- Revenue is recognized over time as the Company has an enforceable right to payment for performance completed to date and the assets created have no direct alternative use.

Based on these requirements, the Company concludes that, in principle, construction contracts meet the criteria of revenue to be recognized over time. Revenue is recognized at each period based upon the advancement of the work, using the input method. The input method is based on the ratio of costs incurred to date to total estimated costs. Up to the moment that the Company can reasonably measure the outcome of the performance obligation, revenue is recognized to the extent of cost incurred.

Complex projects that present a high-risk profile due to technical novelty, complexity or pricing arrangements agreed with the client are subject to independent project reviews at advanced degrees of completion in engineering. An independent project review is an internal, but independent, review of the status of a project, based upon an assessment of a range of project management and company factors. Until this point, and when other significant uncertainties related to the cost at completion are mitigated, revenue is recognized to the extent of cost incurred.

Due to the nature of the services performed, variation orders and claims are commonly billed to clients in the normal course of business. The variation orders and claims are modifications of contracts that are usually not distinct and are therefore normally considered as part of the existing performance obligation. When the contract modification (including claims) is initially approved by oral agreement or implied by customary business practice, the Company recognizes revenue only to the extent of contract costs incurred. Once contract modifications and claims are approved, the revenue is no longer capped at the level of costs and is recognized based on the input method.

Generally, the payments related to the construction contracts (under EPCI arrangements) are corresponding to the work completed to date, therefore the Company does not adjust any of the transaction prices for the time value of money. However the time value of money is assessed on a contract-by-contract basis and in case the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, the transaction price is adjusted for the identified and quantified financing component.

Furthermore, finance lease arrangements under which the Company delivers a unit to a client are treated as direct sales (see also point (b) above), therefore revenue is recognized over time during the construction period as the present value of the lease payments accruing to the lessor, discounted using a market rate of interest. In order to determine the revenue to be recognized, based on this policy, the Company determines the applicable discount rate using a market rate of interest that takes into account, among others: time value of money, financing structure and risk profile of a client and project.

Lease and Operate contracts:
The Company provides, to its customers, possibilities to lease the units under charter contracts. Charter contracts are multi-year contracts and some of them contain options to extend the term of the lease or terminate the lease earlier. Some of the contracts also contain purchase options that are exercisable throughout the lease term.

Charter rates
Charter rates received on long-term operating lease contracts are reported on a straight-line basis over the period of the contract once the facility has been brought into service. The difference between straight-line revenue and the contractual day-rates, which may not be constant throughout the charter, is accounted for as deferred income.

Revenue from finance lease contracts is, as of the commencement date of the lease contract, recognized over the term of the lease using the amortized cost method, which reflects a constant periodic rate of return.

Operating fees
Operating fees are received by the Company for facilitating receipt, processing and storage of petroleum services on board the facilities which occur continuously through the term of the contract. As such, they are a series of services that are substantially the same and that have the same pattern of transfer to the customer. Revenue is recognized over time, based on input methods by reference to the stage of completion of the service rendered, either on a straight-line basis for lump sum contracts or in line with cost incurred on reimbursable contracts.

Bonuses/penalties
On some contracts, the Company is entitled to receive bonuses (incentives) or incurs penalties, depending on the level of interruption of production or processing of oil. Bonuses are recognized as revenue once it is highly probable that no significant reversal of revenue recognized will occur, which is generally the case only once the performance bonus is earned.

Penalties are recognized as a deduction of revenue when they become probable. For estimation of bonuses and penalties, the Company applies the 'most likely' method, where the Company assesses which single amount is the most likely in a range of possible outcomes.

Contract costs
The incremental costs of obtaining a contract with a customer are recognized as an asset when the costs are expected to be recovered. The Company uses a practical expedient that permits the costs to be expensed to obtain a contract as incurred when the expected amortization period is one year or less. The costs of obtaining a contract that are not incremental are expensed as incurred, unless those costs are explicitly chargeable to the customer. Bid, proposal, and selling and marketing costs, as well as legal costs incurred in connection with the pursuit of the contract, are not incremental, as the Company would have incurred those costs even if it did not obtain the contract.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another IFRS standard (e.g. IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset for the costs incurred to fulfill a contract only if those costs meet all of the following criteria:
- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

An asset recognized for contract costs is amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Contract assets
Contract assets, as defined in IFRS 15, represent the Company's construction work-in-progress. Construction work-in-progress is the Company's right to consideration in exchange for goods and services that the Company has transferred to the customer. The Company's contract assets are measured as accumulated revenue, recognized over time, based on progress of the project, net of installments invoiced to date. The invoiced installments represent the contractually agreed unconditional milestone payments during the construction period and these amounts are classified as trade receivables until the amount is paid. The Company recognizes any losses from onerous contracts under provisions, in line with IAS 37. Further, the impairment of contract assets is measured, presented and disclosed on the same basis as financial assets that are within the scope of IFRS 9. The Company applies the simplified approach in measuring expected credit losses for contract assets. In case of contract asset balances relating to the finance lease contracts, the Company applies the low credit risk simplification of IFRS 9 for the computation of the expected credit loss. The simplification is applied as the credit risk profile of these balances has been assessed as low.

In prior consolidated financial statements, the Company has presented contract assets as Construction work-in-progress in the consolidated statement of financial position, as well as the notes to the consolidated financial statements.

Contract liabilities
The Company recognizes a contract liability (see note 4.3.25 Trade and Other Payables) where installments are received in advance of satisfying the performance obligation towards the customer.

(e) Operating segment information
As per IFRS 8, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose segmental operating results are regularly reviewed by the entity's chief operating decision maker, and for which distinct financial information is available.

The Management Board, as chief operating decision maker, monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, gross margin, EBIT and EBITDA, and prepared in accordance with Directional reporting. The Company has two reportable segments:
- The Lease and Operate segment includes all earned day-rates on operating lease and operate contracts.

- The Turnkey segment includes revenues from Turnkey supply contracts and after-sales services, which consist mainly of large production systems, large mooring systems, deepwater export systems, fluid transfer systems, tanker loading and discharge terminals, design services and supply of special components and proprietary designs and equipment. The new energy business, which mainly relates to floating offshore wind solutions, also forms part of the Turnkey segment.

No operating segments have been aggregated to form the above reportable segments.

The Company's corporate overhead functions do not constitute an operating segment as defined by IFRS 8 'Operating segments' and are reported under the 'Other' section in note 4.3.2 Operating Segments and Directional Reporting.

Operating segment information is prepared and evaluated based on Directional reporting, for which the main principles are explained in note 4.3.2 Operating Segments and Directional Reporting.

(f) Demobilization obligations

The demobilization obligations of the Company are either stated in the lease contract or derived from the international conventions and the specific legislation applied in the countries where the Company operates assets. Demobilization costs will be incurred by the Company at the end of the operating life of the Company's facilities.

For operating leases, the net present value of the future obligations is included in property, plant and equipment, with a corresponding amount included in the provision for demobilization. As the remaining duration of each lease reduces, and the discounting effect on the provision unwinds, accrued interest is recognized as part of financial expenses and added to the provision. The subsequent updates of the measurement of the demobilization costs are recognized, both impacting the provision and the asset.

In some cases, when the contract includes a demobilization bareboat fee that the Company invoices to the client during the demobilization phase, a receivable is recognized at the beginning of the lease phase for the discounted value of the fee. When the receivable is recognized, it is limited to the amount of the corresponding demobilization obligation. These receivables are subject to expected credit loss impairment, which are analyzed together with the finance lease receivable using the same methodology.

For finance leases, demobilization obligations are analyzed as a component of the sale recognized under IFRS 15. It is determined whether the demobilization obligation should be defined as a separate performance obligation. In that case, because the demobilization operation is performed at a later stage, the related revenue is deferred until the demobilization operations occur. Subsequent updates of the measurement of the demobilization costs are recognized immediately through the contract liability, for the present value of the change.

C. OTHER MATERIAL ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

(a) Distinction between current and non-current assets and liabilities

The Company classifies its assets as current when it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle. Inventory and contract balances are classified as current while the time when these assets are sold or consumed might be longer than twelve months. In the context of Company's operations it is considered that its operating cycle begins with the construction of the vessels up to the moment of sale or transfer to finance lease receivable. Financial assets are classified as current when they are realized within twelve months. Liabilities are classified as current when they are expected to be settled within less than twelve months and the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All other assets and liabilities are classified as non-current.

(b) Consolidation

The Company's consolidated financial statements include the financial statements of all controlled subsidiaries.

In determining, under IFRS 10, whether the Company controls an investee, the Company assesses whether it has (i) power over the investee, (ii) exposure or rights to variable returns from its involvement, and (iii) the ability to use power over investees to affect the amount of return. To determine whether the Company has power over the investee, multiple contractual elements are analyzed, among which (i) voting rights of the Company at the General Meeting, (ii) voting rights of the Company at Board level and (iii) the power of the Company to appoint, reassign or remove other key management personnel.

For investees, whereby such contractual elements are not conclusive because all decisions about the relevant activities are taken on a mutual consent basis, the main deciding feature resides then in the deadlock clause existing in shareholders' agreements. In case a deadlock situation arises at the Board of Directors of an entity, whereby the Board is unable to conclude a decision, the deadlock clause of the shareholders' agreements generally stipulates whether a substantive right is granted to the Company or to all the partners in the entity to buy its shares through a compensation mechanism that is fair enough for the Company or one of the partners to acquire these shares. In case such a substantive right resides with the Company, the entity will be defined under IFRS 10 as controlled by the Company. In case no such substantive right is held by any of the shareholders through the deadlock clause, the entity will be defined as a joint arrangement.

Subsidiaries:
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated using the full consolidation method.

All reciprocal transactions between two controlled subsidiaries, with no profit or loss impact at consolidation level, are fully eliminated for the preparation of the consolidated financial statements.

Interests in joint ventures:
The Company has applied IFRS 11 'Joint Arrangements' to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. In determining, under IFRS 11, the classification of a joint arrangement, the Company assesses that all joint arrangements are structured through private limited liability companies incorporated in various jurisdictions. As a result, assets and liabilities held in these separate vehicles are those of the separate vehicles and not those of the shareholders of these limited liability companies. Shareholders have no direct rights to the assets, nor primary obligations for liabilities of these vehicles. As a result, the Company classifies its joint arrangements to be joint ventures. Joint ventures are accounted for using the equity method.

Investments in associates:
Associates are all entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control over those policies. Investments in associates are accounted for using the equity method.

When losses of an equity-accounted entity are greater than the value of the Company's net investment in that entity, these losses are not recognized unless the Company has a constructive obligation to fund the entity. The share of the negative net equity of these is first accounted for against the loans held by the owner towards the equity-accounted company that forms part of the net investment. Any excess is accounted for under provisions.

Reciprocal transactions carried out between a subsidiary and an equity-accounted entity are not eliminated for the preparation of the consolidated financial statements. Only transactions leading to an internal profit (e.g. for dividends or internal margin on asset sale) are eliminated, applying the percentage owned in the equity-accounted entity.

The financial statements of the subsidiaries, associates and joint ventures are prepared for the same reporting period as the Company and the accounting policies are in line with those of the Company.

(c) Non-derivative financial assets

The Company's financial assets consist of finance lease receivables, loans to joint ventures and associates and trade and other receivables. The accounting policy on trade and other receivables is described separately.

Finance lease receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market.

Loans to joint ventures and associates relate primarily to interest-bearing loans to joint ventures. These financial assets are initially measured at fair value plus transaction costs (if any) and subsequently measured at amortized cost.

The Company classifies its financial assets at amortized cost only if both of the following criteria are met:
- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(d) Borrowings (bank and other loans) and lease liabilities

Borrowings are recognized on settlement date, being the date on which cash is paid or received. They are initially recognized at fair value, net of transaction costs incurred (transaction price), subsequently measured at amortized cost and classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized into the cost of the asset in the period in which they are incurred. Otherwise, borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowings are derecognized when the Company either discharges the borrowing by paying the creditor or is legally released from primary responsibility for the borrowing, either by process of law or by the creditor.

Lease liabilities, arising from lease contracts in which the Company is the lessee, are initially measured at the net present value of the following:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option, if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Each lease payment is allocated between the lease liability and finance cost. Finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(e) Foreign currency transactions and derivative financial instruments

Foreign currency transactions are translated into the functional currency, the US dollar, at the exchange rate applicable on the transaction date. At the closing date, monetary assets and liabilities stated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. Resulting exchange gains or losses are directly recorded in the income statement. At the closing date, non-monetary assets and liabilities stated in foreign currency remain translated into the functional currency using the exchange rate at the date of the transaction.

Translation of foreign currency income statements of foreign operations (except for foreign operations in hyper-inflationary economies) into US dollars is converted at the average exchange rate prevailing during the year. Statements of financial position are translated at the exchange rate at the closing date. Differences arising in the translation of financial statements of foreign operations are recorded in other comprehensive income as foreign currency translation reserve. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and borrowings of such investments, are taken to Company equity. On disposal or partial disposal of a foreign operation, any corresponding cumulative exchange differences are transferred from equity to profit or loss.

Derivative financial instruments held by the Company are aimed at hedging risks associated with market risk fluctuations. The Company uses primarily forward currency contracts, interest rate swaps and commodity contracts to hedge foreign currency risk, interest rate risk and commodity price risk. Further information about the financial risk management objectives and policies is included in note 4.3.27 Financial Instruments – Fair Values and Risk Management.

A derivative instrument (cash-flow hedge) qualifies for hedge accounting when all relevant criteria are met. A cash-flow hedge aims at reducing risks incurred by variations in the value of future cash flows that may impact net income. In order for a derivative to be eligible for hedge accounting, the following criteria must be met:
- There is an economic relationship between the hedging instrument and the hedged item.
- The effect of credit risk does not dominate the value changes resulting from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that used for risk management purposes.

All derivative instruments are recorded and disclosed in the statement of financial position at fair value. Purchases and sales of derivatives are accounted for at trade date. Where a portion of a financial derivative is expected to be realized within twelve months of the reporting date, that portion is presented as current; the remainder of the financial derivative as non-current.

Changes in fair value of derivatives designated as cash-flow hedge relationships are recognized as follows:
- The effective portion of the gain or loss of the hedging instrument is recorded directly in other comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement. The gain or loss which is deferred in equity, is reclassified to the net income in the period(s) in which the specified hedged transaction affects the income statement.
- The changes in fair value of derivative financial instruments that do not qualify as hedging in accounting standards are directly recorded in the income statement.

The sources of hedge ineffectiveness are:
- The non-occurrence of the hedged item;
- The change in the principal terms of the hedged item;
- The severe change of the credit risk of the Company and, or the derivative counterparty.

When measuring the fair value of a financial instrument, the Company uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy, based on the inputs used in the valuation techniques. Further information about the fair value measurement of financial derivatives is included in note 4.3.27 Financial Instruments – Fair Values and Risk Management.

(f) Provisions
Provisions are recognized if, and only if, the following criteria are simultaneously met:
- The Company has an ongoing obligation (legal or constructive) as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- The amount of the obligation can be reliably estimated; provisions are measured according to the risk assessment or the exposed charge, based upon best-known facts.

Demobilization provisions relate to estimated costs for demobilization of leased facilities at the end of the respective lease period or operating life.

Warranty provisions relate to the Company's obligations to replace or repair defective items that become apparent within an agreed period, starting from final acceptance of the delivered system. These assurance-type warranties are provided to customers on most Turnkey sales. These provisions are estimated on a statistical basis regarding the Company's past experience or on an individual basis in the case of any warranty claim already identified. These provisions are classified as current by nature as it coincides with the production cycle of the Company.

Other provisions include provisions like commercial claims, regulatory fines related to operations and local content penalty. In relation to local content penalty, Brazilian oil and gas contracts typically include local content requirements. These requirements are issued by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) to the winning concessionaire/consortia of auctioned Brazilian exploratory blocks or areas at the end of the bidding round, with the intention to strengthen the domestic Brazilian market and expand local employment. The owning concessionaire/consortia normally contractually passes such requirements on to, among other suppliers, the company delivering the FPSO. For the

Company's Brazilian contracts, the Company assesses the execution strategy and may decide that execution of the project in locations other than Brazil is more beneficial. Such a decision takes into account factors such as optimization of overall cost of delivery, quality and timeliness. As a result, following the chosen execution strategy, the Company may expect to not meet entirely the agreed local content requirements. In such circumstances, the expected penalty to be paid, as a result of not meeting the local content requirements, is determined, based on management's best estimate and recognized as provision during the construction period. The corresponding cost is expensed over the construction period of the asset.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of such items. The capital value of a facility to be leased and operated for a client is the sum of external costs (such as shipyards, subcontractors and suppliers), internal costs (design, engineering, construction supervision, etc.), third-party financial costs including interest paid during construction and attributable overhead.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The costs of assets include the initial estimate of costs of demobilization of the asset net of reimbursement expected to be received by the client.

Costs related to major overhaul, which meet the criteria for capitalization, are included in the asset's carrying amount. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate line items of property, plant and equipment. The depreciation charge is calculated, based on future anticipated economic benefits, e.g. based on the unit of production method or on a straight-line basis as follows:
- New build Fast4Ward® FPSO up to 30 years (included in vessels and floating equipment);
- Converted tankers FPSO 10-20 years (included in vessels and floating equipment);
- Floating equipment 3-15 years (included in vessels and floating equipment);
- Buildings 30-50 years;
- Other assets 2-20 years;
- Land is not depreciated.

Regarding useful lives for vessels in operation, they are usually aligned with the lease period. Useful lives and methods of depreciation are reviewed at least annually and adjusted if appropriate.

The assets' residual values are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains and losses arising on disposals or retirement of assets are determined by comparing any sales proceeds and the carrying amount of the asset. These are reflected in the income statement in the period that the asset is disposed of or retired.

Right-of-use assets related to the Company's lease contracts in which the Company is a lessee are included in Property, plant and equipment. Right-of-use assets and corresponding liabilities are recognized when the leased asset is available for use by the Company. Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs; and
- Restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term, on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized, on a straight-line basis, as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and accumulated impairment losses.

Software is recognized at historical cost and is amortized, on a straight-line basis, over its useful life. The useful life of software is generally between 3 and 5 years, dependent on the type of software.

Research costs are expensed when incurred. In compliance with IAS 38, development costs are capitalized if all of the following criteria are met:

- The projects are clearly defined.
- The Company is able to reliably measure expenditures incurred by each project during its development.
- The Company is able to demonstrate the technical feasibility of the project.
- The Company has the financial and technical resources available to achieve the project.
- The Company can demonstrate its intention to complete, to use or to commercialize products resulting from the project.
- The Company is able to demonstrate the existence of a market for the output of the intangible asset, or, if it is used internally, the usefulness of the intangible asset.

When capitalized, development costs are carried at cost, less any accumulated amortization and impairment losses. Amortization begins when the project is complete and available for use. It is amortized over the period of expected future benefit, which is generally between 3 and 5 years.

(i) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Inventories comprise semi-finished, finished products and the Company's Fast4Ward® Multi Purpose Floater ('MPF') valued at cost, including attributable overheads and spare parts stated at the lower of purchase price or market value. MPFs under construction are accounted for as inventories until they are allocated to awarded projects and then reclassified from inventories to contract assets.

(j) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a maximum of 90 days and are therefore all classified as current. Trade receivables are recognized initially at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost, using the effective interest method. The Company applies the simplified approach in measuring expected credit losses for trade receivables.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method. Interest income, together with gains and losses when the receivables are derecognized or impaired, is recognized in the income statement.

(k) Impairment of finance lease receivables

For finance lease receivables, the Company assumes that the credit risk has not increased significantly since the initial recognition if the finance lease receivable is determined to have a low credit risk at the reporting date (i.e. the Company applies the low credit risk simplification). As a result, if the finance lease receivable is determined to have a low credit risk at the reporting date, the Company recognizes a 12-month expected credit loss.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and in hand fulfilling the following criteria: a maturity of usually less than three months, highly liquid, a fixed exchange value and an extremely low risk of loss of value.

(m) Share capital

Ordinary shares and protective preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(n) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the associated tax is also recognized in other comprehensive income or directly in equity.

Income tax expenses comprise corporate income tax due in countries of incorporation of the Company's main subsidiaries and levied on actual profits. Income tax expense also includes the corporate income taxes which are levied on a deemed profit basis and revenue basis (withholding taxes in the scope of IAS 12). This presentation adequately reflects the Company's global tax burden.

(o) Deferred tax

Deferred tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided for on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Employee benefits

Pension obligations: the Company operates various pension schemes that are generally funded through payments determined by periodic actuarial calculations to insurance companies or are defined as multi-employer plans. The Company has both defined benefit and defined contribution plans:

- A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
- A defined contribution plan is a pension plan under which the Company pays fixed contributions to public or private pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions to defined contribution plans and multi-employer plans are recognized as an expense in the income statement as incurred.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date, less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high-quality corporate bonds that have maturity dates approximating to the terms of the Company's obligations.

The expense recognized within the EBIT comprises the current service cost and the effects of any change, reduction or winding up of the plan. The accretion impact on actuarial debt and interest income on plan assets are recognized under the net financing cost.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in comprehensive income.

Share-based payments: within the Company there are four types of share-based payment plans that qualify as equity settled:

- Restricted Share Unit (RSU);
- Short-term Incentive Program of Bonus Shares and Matching Shares;
- Value Creation Stake (VCS); and
- Ownership Shares.

The estimated total amount to be expensed over the vesting period related to share-based payments is determined by (i) reference to the fair value of the instruments determined at the grant date, and (ii) non-market vesting conditions included in assumptions about the number of shares that the employee will ultimately receive. Main assumptions for estimates are revised at statement of financial position date. Total cost for the period is charged or credited to the income statement, with a corresponding adjustment to equity.

When equity instruments vest, the Company issues new shares, unless the Company has Treasury shares in stock.

Any cancellation of matching shares will lead to an accelerated expense recognition of the total fair value, with a corresponding adjustment to equity.

(q) Trade payables

Trade payables are amounts due to suppliers for goods sold or services received in the ordinary course of business. They are generally due for settlement within a maximum of 90 days and are therefore classified as current. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.3.1 FINANCIAL HIGHLIGHTS

Impact of current economic and geopolitical environment
During 2023, uncertainty and volatility in geopolitics and markets has continued.

Construction activities for the Company's major projects were impacted in early 2023 by the effects of the COVID-19 pandemic and, in particular, response measures in China during the first months of 2023. Since then, the impact of the COVID-19 pandemic has normalized.

Despite the fact that the Company does not have any significant business activity in Ukraine or Russia, the Russia-Ukraine war has added pressure on price inflation and the global supply chain, notably from (i) rising prices and/or shortage of certain materials and services and (ii) delays in logistics.

Further, in 2023, U.S.-China tensions, and latterly the Israel-Gaza war, have accelerated geopolitical pressures that have adversely impacted the macroeconomic environment, in terms of high inflation, energy market pressure and increasing interest rates. While the Company does not have any material business activity in the Middle East region, it has significant activities in China related to construction projects. In that context, the Company is closely monitoring and assessing those macroeconomic and geopolitical risks on a regular basis, especially in regards to potential exposure with its Chinese suppliers. So far, the Company assessment is that the current risk is considered as moderate.

In order to mitigate the impact of the above events, project teams are working closely, with both client teams and suppliers, to mitigate any impact on project execution. The degree to which these challenges can be mitigated varies from project to project. The Company has demonstrated its ability, and agility, to navigate through this challenging environment with FPSO *Prosperity* and *FPSO Sepetiba* producing and on hire, respectively in November 2023 and early January 2024. As at the date of the 2023 consolidated financial statement, the ultimate delivery of major projects still under construction is not considered at risk, based on currently known circumstances.

Regarding the operation of the fleet, challenges brought by the pandemic have been properly handled, thanks to specific measures implemented over the last three years, which have so far demonstrated their efficacy. The Company achieved a solid performance and the fleet uptime stood at 98.2%[1], in line with historical performance.

Due to the pandemic and the current economic and geopolitical environment, the Company incurred additional costs in satisfying its performance obligations on some of its Turnkey projects. This was mainly due to the overall pressure on the global supply chain, delay in projects following lock-down periods in China, subsequent acceleration programs negotiated with sub-contractors, international travel restrictions and remote working and a general increase in commodity prices. The costs contributed to the progress of the transfer of control of the construction asset to the client over the construction period. When the costs are partially recharged to the Company's clients, it is considered as part of the total consideration for the project, which is recognized as revenue over time.

For the operational costs, incremental costs from the implementation of specific measures linked to the safe management of the impacts from the COVID-19 pandemic have been minimal during 2023. The Company, to a large extent, has inflation adjustment clauses in its Lease & Operate contracts, which additionally mitigate the costs linked to overall cost inflation.

In order to mitigate the impact of increasing interest rates on its financing, the Company manages its exposure through upfront interest rate swaps upon contract award or through reimbursed contract clauses with its clients. The hedge ratio of the floating-rate debt and the associated interest rate swaps is above 90%.

SBM Offshore, given its involvement in Guyana, maintains a regular oversight of the evolving geopolitical landscape in the region in collaboration with its partners, clients and local authorities. The company operations were not impacted in 2023 and no disruptions to the ongoing operations are expected. However, based on the current situation, SBM Offshore is continuously evaluating risk factors and potential evolution of the geopolitical situation which could impact its current or future operations in the region.

[1] Fleet uptime without FPSO Mondo.

Completion of US$1.63 billion financing of FPSO Almirante Tamandaré

On March 31, 2023, the Company announced the completion of the project financing of *FPSO Almirante Tamandaré* for a total of US$1.63 billion.

The project financing is provided by a consortium of 13 international banks, with insurance cover from four international Export Credit Agencies (ECA). The financing is composed of five separate facilities with a c. 6.3% weighted average cost of debt and a 14-year post-completion maturity for both the ECA-covered facilities and the uncovered facility.

The FPSO's design incorporates SBM Offshore's industry-leading Fast4Ward® new build, multi-purpose hull. It will be the largest oil-producing unit in Brazil, with a processing capacity of 225,000 barrels of oil and 12 million m^3 of gas per day. The FPSO will have an estimated greenhouse gas (GHG) emission intensity below 10 $kgCO_2e$/boe and will benefit from emission-reduction technologies, such as closed-flare technology which increases gas utilization, preventing it from being burnt into the atmosphere.

FPSO Almirante Tamandaré is owned and operated by a special-purpose company owned by affiliated companies of SBM Offshore (55%) and its partners (45%). The FPSO will be deployed at the Búzios field in the Santos Basin, approximately 180 kilometers offshore Rio de Janeiro in Brazil, under a 26.25-year lease-and-operate contract with Petróleo Brasileiro S.A. (Petrobras). Petrobras is operating the Búzios field in partnership with CNODC and CNOOC.

Signing of 10-year Operations and Maintenance Enabling Agreement for Guyana FPSO fleet with ExxonMobil Guyana

On May 2, 2023, the Company announced it had signed a 10-year Operations and Maintenance Enabling Agreement with Esso Exploration & Production Guyana Ltd ('ExxonMobil Guyana') for the Operations and Maintenance of FPSOs *Liza Destiny*, *Liza Unity*, *Prosperity* and *ONE GUYANA*. This framework agreement establishes new terms related to the operations of the Guyana FPSO fleet for a period of 10 years up to 2033. The lease terms and durations remain the same for all units, with a 10-year lease for FPSO *Liza Destiny* and up to two years lease for FPSOs *Prosperity* and *ONE GUYANA*, after which the FPSOs' ownership will transfer to the client. This contract supports SBM Offshore's long-term business vision in Guyana, enabling the Company to perform local and sustainable investments in people and infrastructure, as well as to deploy its digital and operational technologies to the Guyana fleet. The estimated impact on the revenue backlog is around US$3 billion, based on various operating and maintenance assumptions.

SBM Offshore will operate the units through an Integrated Operation Model, which encompasses an organization model including seconding ExxonMobil Guyana employees in some key onshore and offshore positions. This model will combine SBM Offshore and ExxonMobil Guyana's experience and resources to increase team efficiency and foster synergies between the two companies.

Completion of US$1.615 billion financing of FPSO Alexandre de Gusmão

On June 20, 2023, the Company announced the completion of the project financing of *FPSO Alexandre de Gusmão* for a total of US$1.615 billion.

The project financing is provided by a consortium of 12 international banks with insurance cover from three international Export Credit Agencies (ECA). The financing is composed of four separate facilities with a ca. 6.6% weighted average cost of debt and a 14-year post-completion maturity for both the ECA-covered facilities and the uncovered facility.

The FPSO's design incorporates SBM Offshore's industry-leading Fast4Ward® new build, multi-purpose hull. It will have a processing capacity of 180,000 barrels of oil and 12 million m^3 of gas per day. The FPSO will have an estimated greenhouse gas (GHG) emission intensity within the range of 8-12 $kgCO_2e$/boe for the Company's new build FPSOs, benefiting from proprietary emission reduction technologies.

FPSO Alexandre de Gusmão is owned and operated by special-purpose companies owned by affiliated companies of SBM Offshore (55%) and its partners (45%). The FPSO will be deployed at the Mero unitized field, located in the Santos Basin approximately 160 kilometers offshore Rio de Janeiro in Brazil, under a 22.5-year lease-and-operate contract with Petróleo Brasileiro S.A. (Petrobras). The Mero unitized field is operated by Petrobras (38.6%), in partnership with Shell Brasil (19.3%), TotalEnergies (19.3%), CNPC (9.65%), CNOOC (9.65%) and Pré-sal Petróleo S.A. – PPSA (3.5%), representing the Government in the non-contracted area.

Partnership Agreement for FPSO CO_2-Capture Solution

On September 15, 2023, the Company and Mitsubishi Heavy Industries Ltd. (MHI) announced the signing of a Partnership Agreement that will offer a CO_2-capture solution for Floating Production Storage and Offloading vessels (FPSO) as they are producing oil and gas from offshore reservoirs. The agreement follows a successful engineering and design study between the companies, demonstrating the technical feasibility and commercial readiness of CO_2-capture technology offshore.

- The CO_2-capture solution will apply MHI's proprietary 'Advanced KM CDR Process™' technology, jointly developed with The Kansai Electric Power Co., Inc.
- The technology enables significant greenhouse gas emissions reductions from FPSOs, by capturing CO_2 from onboard gas turbines.
- It is estimated that the CO_2-capture technology can reduce CO_2 emissions from overall FPSO operations by up to 70%.
- The solution is being developed as part of SBM Offshore's emissionZERO® program and is based on a combination of MHI's proprietary CO_2-capture technology and SBM Offshore's industry-leading Fast4Ward® principles.
- Demand for decarbonization of FPSO operations is expected to increase rapidly. Through this collaboration, the companies will aim to open the door to development of offshore CO_2 capture and storage, making a concrete contribution to carbon neutrality efforts.

Award of FEED contracts for Whiptail project in Guyana

On October 13, 2023, the Company announced it had been awarded contracts to perform Front End Engineering and Design (FEED) for a Floating Production, Storage and Offloading vessel (FPSO) for the Whiptail development project in Guyana.

Following FEED and subject to government approvals in Guyana of the development plan, project sanction, including final investment decision by ExxonMobil Guyana Limited, an affiliate of ExxonMobil Corporation, to release the second phase of work, SBM Offshore will construct and install the FPSO. The FEED contract award triggers the initial release of funds by ExxonMobil Guyana Limited to begin FEED activities, and commits a Fast4Ward® hull for the execution of the Whiptail development project in Guyana.

Under the contracts, the FPSO's ownership is expected to be transferred to the client at the end of the construction period and before start of operations in Guyana. The construction costs are expected to be partially funded by senior loans which will be repaid at the time of the FPSO's transfer to the client.

SBM Offshore is expected to operate the FPSO through its integrated operations and maintenance model, combining SBM Offshore and ExxonMobil's expertise and experience, leveraging key learning and the operational excellence of the units currently deployed in Guyana.

The contract is classified as a construction contract falling in the scope of IFRS 15.

FPSO Liza Unity Purchase by ExxonMobil Completed

On November 9, the Company announced that it and ExxonMobil Guyana Limited, an affiliate of ExxonMobil Corporation, have completed the transaction related to the purchase of FPSO *Liza Unity*, a few months ahead of the end of the maximum lease term, in February 2024. The purchase allows ExxonMobil Guyana to assume ownership of the unit while SBM Offshore will continue to operate and maintain the FPSO up to 2033.

The transaction comprises a total cash consideration of US$1,259 million. The net cash proceeds will primarily be used for the full repayment of the US$1.14 billion project financing and as such will decrease SBM Offshore's net debt position.

The FPSO *Liza Unity* has been on hire since February 2022 and, since 2023, has been operated through the integrated operations and maintenance model, combining SBM Offshore and ExxonMobil's expertise and experience delivering outstanding operational performance.

Under IFRS reporting, the exercise of the purchase option received from ExxonMobil, in the amount of US$1,259 million, which was included in the finance lease receivable, led to a derecognition of the finance lease receivable against the payment received by the Company, with no impact on the net result.

Under Directional reporting, the net book value of the FPSO *Liza Unity*, at US$902 million, was derecognized as cost of sales, and the consideration received of US$1,259 million was recognized as Revenue, with a positive impact in profit or loss, of US$357 million.

FPSO Prosperity producing and on hire

On November 14, the Company announced that FPSO *Prosperity* produced first oil as of November 14, 2023, and is formally on hire.

The FPSO *Prosperity* utilizes a design that largely replicates the design of the FPSO *Liza Unity*. As such, the design is based on SBM Offshore's industry-leading Fast4Ward® program that incorporates the Company's new build, multi-purpose hull combined with several standardized topsides modules. The FPSO is designed to produce 220,000 barrels of oil per day, will have associated gas treatment capacity of 400 million cubic feet per day and water injection capacity of 250,000 barrels per day. The FPSO is spread-moored in a water depth of about 1,900 meters and will be able to store around 2 million barrels of crude oil.

The FPSO is part of the Payara development, which is the third development in the Stabroek block, circa 200 kilometers offshore Guyana. ExxonMobil Guyana Limited, an affiliate of ExxonMobil Corporation, is the operator and holds a 45 percent interest in the Stabroek block, Hess Guyana Exploration Ltd. holds a 30 percent interest and CNOOC Petroleum Guyana Limited holds a 25 percent interest.

Raising of new US$210 million Revolving Credit Facility for MPF hull financing

On December 15, 2023, the company announced to have secured a US$210 million Revolving Credit Facility for the financing of the construction of Fast4Ward® Multi-Purpose Floater (MPF) hulls. The tenor of the Revolving Credit Facility is eighteen months, with an extension option for another six months. Repayment is expected to take place upon sale of the MPF hulls or upon drawdown of the relevant project loan.

Under the Company's industry-leading Fast4Ward® program, eight standardized MPF hulls have been ordered to date, with seven allocated to projects and one supporting tendering activities.

Impact of business re-alignment on deferred taxes and future impact of Pillar Two on financial statement disclosures

As part of various business developments including the effects of Pillar Two, a business re-alignment under the existing Swiss tax regime applicable to Swiss companies of the Company took place. This notably has had a positive impact in respect of Pillar Two, based on the implementing measures as they currently stand (refer to 4.3.10 Income Tax Expense). The re-alignments resulted in the recognition of a deferred tax asset for a net amount of US$141 million in relation to a tax goodwill in Switzerland (refer to note 4.3.17 Deferred Tax Assets and Liabilities and 4.3.10 Income Tax Expense).

The SBM Offshore group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the Netherlands, the jurisdiction in which the company is incorporated, and will come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure (refer to 4.2.7 Accounting Principles). The Company will be impacted by the GloBE rules, and the result of the assessment of the expected impact is disclosed under 4.3.10 Income Tax Expense as per the requirements of the issued IAS 12 amendment.

4.3.2 OPERATING SEGMENTS AND DIRECTIONAL REPORTING

OPERATING SEGMENTS

The Company's reportable operating segments as defined by IFRS 8 'Operating segments' are:

- Lease and Operate;
- Turnkey;
- Other.

DIRECTIONAL REPORTING

Strictly for the purposes of this note, the operating segments are measured under Directional reporting, which in essence follows IFRS, but with two main exceptions:

- All lease contracts are classified and accounted for as if they were operating lease contracts under IFRS 16. Some lease and operate contracts may provide for defined invoicing ('upfront payments') to the client occurring during the construction phase or at first-oil (beginning of the lease phase), to cover specific construction work and/or services performed during the construction phase. These 'upfront payments' are recognized as revenues and the costs associated with the construction work and/or services are recognized as 'Cost of sales' with no margin during the construction. As a consequence, these costs are not capitalized in the gross value of the assets under construction.
- All investees related to Lease and Operate contracts are accounted for at the Company's share as if they were classified as joint operations under IFRS 11, whereby all lines of the income statement, statement of financial position and cash flow statement are consolidated, based on the Company's percentage of ownership (hereafter referred to as 'percentage of ownership consolidation'). All joint ventures and associates within the Turnkey segment (such as yards and installation vessel) remain equity accounted. Therefore, when the Company has partners in the lessor-related SPV owning the lease contract with the client, the Company recognizes revenue as well as margin associated with the EPC works to the extent of the partners' shares in the lessor SPV. In situations where the Company reduces its percentage of ownership after award date of the contract, due to a disposal of shares to a partner, the relevant portion of the assets and liabilities already accounted at transaction date are derecognized. This derecognition is accounted against (i) the recognition of the fair value of any consideration received and associated revenue and (ii) the recognition of cost of sales, from contract award to transaction date and to the extent of the ownership divested.
- All deferred tax impacts generated by intragroup elimination are not recognized.

In 2023, all other accounting principles remain unchanged compared with applicable IFRS standards.

The above differences to the consolidated financial statements between Directional reporting and IFRS are highlighted in the reconciliations provided in this note on revenue, gross margin, EBIT and EBITDA as required by IFRS 8 'Operating segments'. The Company also provides the reconciliation of the statement of financial position and cash flow statement under IFRS and Directional reporting. The statement of financial position and the cash flow statement under Directional reporting are evaluated regularly by the Management Board in assessing the financial position and cash generation of the Company. The Company believes that these disclosures should enable users of its financial statements to better evaluate the nature and financial effects of the business activities in which it engages, while facilitating the understanding of the Directional reporting by providing a straightforward reconciliation with IFRS for all key financial metrics.

SEGMENT HIGHLIGHTS

The Directional Lease and Operate Revenue and Directional EBITDA increased versus the year-ago period, mainly driven by (i) FPSO *Prosperity* joining the fleet upon successful delivery of the EPCI project during the last quarter 2023 (ii) an increase in reimbursable scopes and an improved performance of the fleet, partially offset by (iii) *FPSO Capixaba,* which finished production in 2022 (no contribution to Directional revenue in 2023, now in the decommissioning phase).

The Directional Turnkey Revenue and Directional EBITDA increased versus the year-ago period. This increase was mainly driven by the sale of FPSO *Liza Unity* in 2023. Directional Turnkey revenue was additionally positively impacted by (i) the awarded limited scope for the FPSO for the Whiptail development project and (ii) additional variation orders on FPSO *Prosperity* (including the variation orders for the compensation of costs incurred by the Company after topside readiness, before the commencement of the charter at first-oil). The increase in Directional Turnkey revenue was partially offset by (i) the partial divestment on *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* in 2022, which allowed the Company to recognize revenue for all the EPCI related work performed on these projects up to divestment date, to the extent of the partners' ownership in lessor-related SPVs, (ii) the completion of FPSO *Liza Unity* project in February 2022, and (iii) a reduced level of progress during the period, compared with the year-ago period, on *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, consistent with the commencement of topsides' integration.

2023 operating segments (Directional)

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Directional revenue	**1,954**	**2,578**	**4,532**	-	**4,532**
Directional Cost of sales	(1,285)	(2,185)	(3,469)	-	(3,469)
Directional Gross margin	**669**	**394**	**1,063**	-	**1,062**
Directional Other operating income/ expense	0	0	0	(11)	**(11)**
Directional Selling and marketing expenses	(0)	(22)	(22)	(0)	**(22)**
Directional General and administrative expenses	(30)	(62)	(92)	(91)	**(183)**
Directional Research and development expenses	(7)	(30)	(37)	(0)	**(37)**
Directional Net impairment gains/(losses) on financial and contract assets	1	(21)	(20)	(2)	**(22)**
Directional Operating profit/(loss) (EBIT)	**633**	**259**	**892**	**(104)**	**788**
Directional Net financing costs					(238)
Directional Share of profit of equity-accounted investees					4
Directional Income tax expense					(30)
Directional Profit/(Loss)					**524**
Directional Operating profit/(loss) (EBIT)	633	259	892	(104)	**788**
Directional Depreciation, amortization and impairment	492	37	529	3	**532**
Directional EBITDA	**1,124**	**296**	**1,421**	**(101)**	**1,319**
Other segment information :					
Directional Impairment charge/(reversal)	6	-	6	-	**6**

Reconciliation of 2023 operating segments (Directional to IFRS)

	Reported segments under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	1,954	(529)	139	1,563
Turnkey	2,578	707	115	3,400
Total revenue	**4,532**	177	253	**4,963**
Gross margin				
Lease and Operate	669	(94)	97	671
Turnkey	394	290	64	748
Total gross margin	**1,063**	196	161	**1,420**
EBITDA				
Lease and Operate	1,124	(527)	98	695
Turnkey	296	284	65	646
Other	(101)	-	(0)	(101)
Total EBITDA	**1,319**	(243)	163	**1,239**
EBIT				
Lease and Operate	633	(91)	96	638
Turnkey	259	287	66	612
Other	(104)	-	0	(104)
Total EBIT	**788**	196	162	**1,145**
Net financing costs	(238)	(218)	(119)	(575)
Share of profit of equity-accounted investees	4	-	15	19
Income tax expense	(30)	(2)	57	25
Profit/(loss)	**524**	(24)	114	614
Impairment charge/(reversal)	6	0	2	8

The reconciliation from Directional reporting to IFRS comprises two main steps:

- In the first step, those lease contracts that are classified and accounted for as finance lease contracts under IFRS are restated from an operating lease accounting treatment to a finance lease accounting treatment.
- In the second step, the consolidation method is changed (i) from percentage of ownership consolidation to full consolidation for those Lease and Operate-related subsidiaries over which the Company has control, and (ii) from percentage of ownership consolidation to the equity method for those Lease and Operate-related investees that are classified as joint ventures, in accordance with IFRS 11.

Impact of lease accounting treatment

For the Lease and Operate segment, the restatement from an operating to a finance lease accounting treatment has the main following impacts for the 2023 period:

- Revenue reduced by US$(529) million. During the lease period, under IFRS, the revenue from finance leases is limited to that portion of charter rates that is recognized as interest, using the interest effective method. Under Directional reporting, in accordance with the operating lease treatment, the full charter rate is recognized as revenue, on a straight-line basis. Directional Lease and Operate EBITDA is similarly impacted (reduction of US$(527) million) for the same reasons.
- Gross margin is reduced by US$(94) million. Under IFRS, gross margin and EBIT from finance leases equal the recognized revenue, following the declining profile of the interest recognized using the effective interest method. On the other side, under the operating lease treatment applied under Directional, the gross margin and the EBIT correspond to the revenue, less depreciation of the recognized property, plant and equipment, both accounted for on a straight-line basis over the lease period.

For the Turnkey segment, the restatement from operating to finance lease accounting treatment had the following impacts over the 2023 period:

- Revenue and gross margin increased by US$707 million and US$290 million respectively. This primarily resulted from the two following opposite effects:
  - An increase, mainly due to the accounting treatment of the Company's FPSOs, which were under construction during the period (FPSO *Prosperity, FPSO Sepetiba, FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão*, FPSO *ONE GUYANA)* and accounted for as finance leases under IFRS. Under IFRS, a finance lease is considered as if it were a sale of the asset, leading to recognition of revenue during the construction of the asset corresponding to the present value of the future lease payments. This (mostly not-yet-cash) revenue is recognized within the Turnkey segment.
  - Partially offset by the FPSO *Liza Unity* sale, where the consideration received in the amount of US$1,259 million was recognized as Directional Revenue and the net book value in the amount of US$902 million was derecognized as Directional cost of sales, generating a positive impact in Directional profit or loss in the amount of US$357 million under Directional reporting. Under IFRS reporting, the consideration received was already included in the finance lease receivable and led to a derecognition of the finance lease receivable against the payment received by the Company, with no impact on the net result.
- The impact on Turnkey EBIT and EBITDA is largely in line with the impact on gross margin.

Net financing costs increased by US$(218) million. During construction, interest on project loans are expensed under IFRS while they are capitalized in the vessel under construction under Directional. As a result of the above elements, restatement from operating to finance lease accounting treatment results in an aggregate decrease of net profit of US$(24) million under IFRS when compared with Directional reporting.

Impact of consolidation methods

The impact of consolidation methods in the above table describes the net impact from:

- Percentage of ownership consolidation to full consolidation for those Lease and Operate-related subsidiaries over which the Company has control, resulting in an increase of revenue, gross margin, EBIT and EBITDA;
- Percentage of ownership consolidation to the equity accounting method for those Lease and Operate-related investees that are classified as joint ventures, in accordance with IFRS 11, resulting in a decrease of revenue, gross margin, EBIT and EBITDA.

For the Lease and Operate segment, the impact of the changes in consolidation methods results in a net increase of revenue, gross margin, EBIT, EBITDA and net profit under IFRS when compared with Directional reporting. This reflects the fact that the majority of the Company's FPSOs that are leased under finance lease contracts, are owned by subsidiaries over which the Company has control and which are consolidated using the full consolidation method under IFRS.

For the Turnkey segment, the impact of the changes in consolidation methods results in a net increase of revenue, gross margin, EBIT and EBITDA. This reflects the fact that under IFRS reporting the Company recognizes the full revenue, gross margin, EBIT and EBITDA in the subsidiaries that are not totally owned by the Company, but over which the Company has the control.

As a result of the above elements, the restatement of the impact of consolidation methods results in an aggregate increase of net profit of US$114 million under IFRS when compared with Directional reporting.

2022 operating segments (Directional)

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Directional revenue	**1,763**	**1,525**	**3,288**	**-**	**3,288**
Directional Cost of sales	(1,272)	(1,452)	(2,723)	-	(2,724)
Directional Gross margin	**492**	**73**	**565**	**-**	**564**
Directional Other operating income/ expense	16	8	24	(3)	**20**
Directional Selling and marketing expenses	0	(16)	(16)	(0)	**(16)**
Directional General and administrative expenses	(28)	(50)	(78)	(75)	**(154)**
Directional Research and development expenses	(5)	(30)	(35)	-	**(35)**
Directional Net impairment gains/(losses) on financial and contract assets	11	2	13	(1)	**12**
Directional Operating profit/(loss) (EBIT)	**484**	**(12)**	**471**	**(80)**	**392**
Directional Net financing costs					(188)
Directional Share of profit of equity-accounted investees					0
Directional Income tax expense					(88)
Directional Profit/(Loss)					**115**
Directional Operating profit/(loss) (EBIT)	484	(12)	471	(80)	**392**
Directional Depreciation, amortization and impairment	596	19	615	3	618
Directional EBITDA	**1,080**	**7**	**1,087**	**(77)**	**1,010**
Other segment information					
Directional Impairment charge/(reversal)	109	1	110	0	**110**

Reconciliation of 2022 operating segments (Directional to IFRS)

	Reported segments under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
Revenue				
Lease and Operate	1,763	(482)	133	1,414
Turnkey	1,525	1,854	120	3,499
Total revenue	**3,288**	1,372	253	**4,913**
Gross margin				
Lease and Operate	492	(52)	111	551
Turnkey	73	500	59	632
Total gross margin	**565**	449	169	**1,182**
EBITDA				
Lease and Operate	1,080	(479)	118	719
Turnkey	7	506	57	569
Other	(77)	-	(2)	(80)
Total EBITDA	1,010	26	173	**1,209**
EBIT				
Lease and Operate	484	(42)	120	562
Turnkey	(12)	494	59	540
Other	(80)	-	(2)	(82)
Total EBIT	**392**	451	177	**1,020**
Net financing costs	(188)	(91)	(93)	(373)
Share of profit of equity-accounted investees	0	(0)	12	12
Income tax expense	(88)	(14)	(2)	(104)
Profit/(loss)	115	346	94	555
Impairment charge/(reversal)	110	12	(3)	119

Reconciliation of 2023 statement of financial position (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment and Intangible assets[1]	8,515[2]	(7,977)	(0)	538
Investment in associates and joint ventures	10	-	278	288
Finance lease receivables	0	5,373	1,428	6,801
Other financial assets	244[3]	(167)	18	95
Contract assets	282	4,706	2,146	7,134
Trade receivables and other assets	1,275	40	46	1,361
Derivative financial instruments	326	-	90	416
Cash and cash equivalents	563	-	(20)	543
Assets held for sale	0	-	-	0
Total Assets	**11,214**	1,975	3,986	**17,176**
EQUITY AND LIABILITIES				
Equity attributable to parent company	1,450	2,280	3	3,733
Non-controlling interests	(2)	13	1,786	1,797
Equity	**1,448**	2,293	1,790	**5,530**
Borrowings and lease liabilities	7,218[4]	-	2,072	9,290
Provisions	682	(188)	92	586
Trade payable and other liabilities	1,570	56	19	1,646
Deferred income	211	(187)	2	27
Derivative financial instruments	86	-	11	97
Total Equity and Liabilities	**11,214**	1,975	3,986	**17,176**

1 Under Directional, the cost related to the Brazilian local content penalty is capitalized in line with construction progress of related assets and presented in the Directional statement of financial position under 'Property, plant and equipment and Intangible assets'. Under IFRS the same cost is directly recognized as cost of sales in the IFRS consolidated income statement

2 Includes US$4,346 million related to units under construction (i.e. FPSOs Sepetiba, Almirante Tamandaré, ONE GUYANA and Alexandre de Gusmao).

3 Includes US$220 million related to demobilization receivable

4 Includes US$3.3 billion non-recourse debt and US$85 million lease liability.

Consistent with the reconciliation of the key income statement line items, the above table details:

- The restatement from the operating lease accounting treatment to the finance lease accounting treatment for those lease contracts that are classified and accounted for as finance lease contracts under IFRS; and
- The change from percentage of ownership consolidation to either full consolidation or equity, accounting for investees related to Lease and Operate contracts.

Impact of lease accounting treatment

For the statement of financial position, the main adjustments from Directional reporting to IFRS as of December 31, 2023 are:

- For those lease contracts that are classified and accounted for as finance lease contracts under IFRS, derecognition of property, plant and equipment recognized under Directional reporting (US$(7,977) million) and subsequent recognition of (i) finance lease receivables (US$5,373 million) and (ii) contract assets (US$4,706 million) for those assets still under construction.
- For operating lease contracts with non-linear bareboat day rates, a deferred income provision is recognized to show linear revenues under Directional reporting. The part of the balance (US$(187) million) is derecognized for the contracts that are classified and accounted for as finance lease contracts under IFRS.
- Restatement of the provisions for demobilization and associated non-current receivable assets, mainly impacting other financial assets (US$(167) million) and provisions (US$(188) million).

As a result, the restatement from operating to finance lease accounting treatment gives rise to an aggregate increase of equity of US$2,293 million under IFRS when compared with Directional reporting. This primarily reflects the earlier margin recognition on finance lease contracts under IFRS when compared with Directional reporting.

Impact of consolidation methods

The above table of statement of financial position also describes the net impact of moving from percentage of ownership consolidation to either full consolidation, for those lease related investees in which the Company has control, or equity accounting, for those investees that are classified as joint ventures under IFRS 11. The two main impacts are:

- Full consolidation of asset-specific entities that mainly comprise finance lease receivables (representing the net present value of the future lease payments to be received) and non-recourse project debts.
- Derecognition of the individual line items from the statement of financial positions for those entities that are equity-accounted under IFRS, rolling up in the line item 'Investment in associates and joint ventures'.

As a result, the restatement of the impact of consolidation methods gives rise to an aggregate increase of equity of US$1,790 million under IFRS when compared with Directional reporting.

Reconciliation of 2023 cash flow statement (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**1,319**	(243)	163	**1,239**
Adjustments for non-cash and investing items	972	(859)	29	142
Changes in operating assets and liabilities	(571)	(2,050)	(572)	(3,193)
Reimbursement finance lease assets	0	1,718	24	1,743
Income taxes paid	(104)	(0)	4	(101)
Net cash flows from (used in) operating activities	**1,616**	(1,433)	(352)	**(169)**
Capital expenditures	(1,658)	1,486	(1)	(173)
Other investing activities	19	1	11	31
Net cash flows from (used in) investing activities	**(1,639)**	1,487	10	**(142)**
Equity payment from/(repayment to) partners	-	-	235	235
Additions and repayments of borrowings and lease liabilities	287	0	165	452
Dividends paid to shareholders and non-controlling interests	(197)	-	(82)	(279)
Interest paid	(248)	(54)	(64)	(366)
Share repurchase program	(5)	-	-	(5)
Proceeds from settlement of interest rate swaps	155	-	0	155
Net cash flows from (used in) financing activities	**(29)**	(54)	254	**171**
Net cash and cash equivalents as at 1 January	615	-	68	683
Net increase/(decrease) in net cash and cash equivalents	(52)	(0)	(89)	(141)
Foreign currency variations	0	0	0	1
Net cash and cash equivalents as at 31 December	**563**	-	(20)	**543**

Impact of lease accounting treatment

At net cash level, the difference in lease accounting treatment is neutral. The impact of the different lease accounting treatment under Directional reporting versus IFRS is limited to reclassifications between cash-flow activities.

Following the announcement that ExxonMobil Guyana Limited exercised the purchase option for FPSO *Liza Unity* (refer to note 4.3.1 Financial Highlights), the Company received the proceeds of the purchase in the amount of US$1,259 million, which is presented under IFRS reporting as inflow within cash flows from operating activities in the line 'Reimbursement finance lease assets'. Under Directional, the proceeds are also presented within cash flows from operating activities under EBITDA which should be considered together with 'Adjustments for non-cash and investing items' where the net book value of the FPSO *Liza Unity* in the amount of US$902 million recognized as cost of sales was cancelled.

A large part of the capital expenditures (US$1,486 million) are reclassified from investing activities under Directional to net cash flows from operating activity under IFRS, where finance lease contracts are accounted for as construction contracts. Furthermore, the financing costs incurred during the construction of the FPSOs, which are capitalized under Directional as part of asset under construction (and therefore presented in investing activities), are reclassified to financing activities under IFRS.

The impact of the change of lease accounting treatment at EBITDA level is described in further detail in the earlier reconciliation of the Company's income statement.

Impact of consolidation methods

The impact of the consolidation method on the cash flow statement is in line with the impact described for the statement of financial position. The full consolidation of asset specific entities, mainly comprising finance lease receivables and the related non-recourse project debts, results in increased additions and repayments of borrowings under IFRS versus Directional.

Reconciliation of 2022 statement of financial position (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
ASSETS				
Property, plant and equipment and Intangible assets[1]	8,196[2]	(7,763)	(2)	432
Investment in associates and joint ventures	6	0	284	289
Finance lease receivables	0	5,739	1,454	7,193
Other financial assets	294[3]	(217)	13	90
Contract assets	170	3,927	1,583	5,681
Trade receivables and other assets	964	(1)	(52)	912
Derivative financial instruments	524	-	86	610
Cash and cash equivalents	615	-	68	683
Assets held for sale	0	0	(0)	0
Total Assets	**10,769**	1,685	3,434	**15,889**
EQUITY AND LIABILITIES				
Equity attributable to parent company	1,080	2,313	4	3,397
Non-controlling interests	(2)	4	1,515	1,517
Equity	**1,078**	2,317	1,519	**4,914**
Borrowings and lease liabilities	6,697[4]	-	1,867	8,564
Provisions	644	(219)	62	487
Trade payable and other liabilities	1,868	(155)	(11)	1,703
Deferred income	265	(258)	(3)	4
Derivative financial instruments	217	-	0	217
Total Equity and Liabilities	**10,769**	1,685	3,434	**15,889**

1 Under Directional, the cost related to the Brazilian local content penalty is capitalized in line with construction progress of related assets and presented in the Directional statement of financial position under 'Property, plant and equipment and Intangible assets'. Under IFRS the same cost is directly recognized as cost of sales in the IFRS consolidated income statement

2 Includes US$3,650 million related to units under construction (i.e. FPSOs, Prosperity, Sepetiba, Almirante Tamandaré, ONE GUYANA and Alexandre de Gusmao).

3 Includes US$254 million related to demobilization receivable

4 Includes US$3,706 million non-recourse debt and US$47 million lease liability.

Reconciliation of 2022 cash flow statement (Directional to IFRS)

	Reported under Directional reporting	Impact of lease accounting treatment	Impact of consolidation methods	Total Consolidated IFRS
EBITDA	**1,010**	26	173	**1,209**
Adjustments for non-cash and investing items	54	67	43	163
Changes in operating assets and liabilities	(164)	(1,755)	(846)	(2,764)
Reimbursement finance lease assets	(0)	421	18	439
Income taxes paid	(100)	0	4	(96)
Net cash flows from (used in) operating activities	**799**	(1,242)	(607)	**(1,049)**
Capital expenditures	(1,342)	1,260	(0)	(82)
Other investing activities	(257)	1	406	149
Net cash flows from (used in) investing activities	**(1,600)**	1,261	406	**67**
Equity payment from/repayment to partners	-	-	358	358
Additions and repayments of borrowings and lease liabilities	717	(0)	40	757
Dividends paid to shareholders and non-controlling interests	(178)	-	(39)	(217)
Interest paid	(181)	(20)	(52)	(252)
Share repurchase program	-	-	-	-
Payments to non-controlling interests for change in ownership	0	0	(1)	(0)
Net cash flows from (used in) financing activities	**359**	(20)	306	**646**
Net cash and cash equivalents as at 1 January	1,059	-	(38)	1,021
Net increase/(decrease) in net cash and cash equivalents	(441)	0	106	(335)
Foreign currency variations	(3)	(0)	0	(3)
Net cash and cash equivalents as at 31 December	**615**	-	68	**683**

Deferred income (Directional)

	31 December 2023	31 December 2022
Within one year	52	61
Between 1 and 2 years	44	46
Between 2 and 5 years	59	87
More than 5 years	56	70
Balance at 31 December	**211**	**265**

The Directional deferred income is mainly related to the revenue of those lease contracts, which include a decreasing day-rate schedule. As revenue from lease contract with customers is recognized in the income statement on a straight-line basis with reference to IFRS 16 'Leases', the difference between the yearly straight-line revenue and the contractual day rates is included as deferred income. The deferral will be released through the income statement over the remaining duration of the relevant lease contracts.

GEOGRAPHICAL INFORMATION

The classification by country is determined by the final destination of the product for both revenues and non-current assets.

The revenue by country is analyzed as follows:

2023 geographical information (revenue by country and segment)

	Directional			IFRS		
	Lease and Operate	Turnkey	**Reported segments**	Lease and Operate	Turnkey	**Reported segments**
Brazil	832	572	1,405	940	1,505	2,445
Guyana	688	1,826	2,514	485	1,694	2,179
Angola	247	19	266	4	38	43
Equatorial Guinea	108	1	109	104	0	104
Malaysia	49	3	51	0	5	6
The United States of America	28	2	30	28	2	30
France	-	43	43	-	43	43
Nigeria	-	22	22	-	22	22
Norway	-	25	25	-	25	25
Other	2	65	67	2	65	67
Total revenue	**1,954**	**2,578**	**4,532**	**1,563**	**3,400**	**4,963**

2022 geographical information (revenue by country and segment)

	Directional			IFRS		
	Lease and Operate	Turnkey	**Reported segments**	Lease and Operate	Turnkey	**Reported segments**
Brazil	807	1,063	1,871	922	2,113	3,035
Guyana	541	338	878	360	1,256	1,615
Angola	230	6	236	3	9	12
Equatorial Guinea	101	1	101	92	(0)	92
Malaysia	47	3	50	0	5	5
The United States of America	33	1	34	33	1	34
France	-	25	25	-	25	25
Mozambique	-	19	19	-	19	19
Nigeria	-	14	14	-	14	14
Norway	-	18	18	-	18	18
Other	4	39	43	4	39	43
Total revenue	**1,763**	**1,525**	**3,288**	**1,414**	**3,499**	**4,913**

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

	31 December 2023		31 December 2022	
	IFRS	DIR	IFRS	DIR
Brazil	5,276	6,115	5,331	5,351
Guyana	1,753	2,468	628	2,857
Angola	252	132	242	178
Switzerland	93	93	264	270
Monaco	77	77	25	25
Malaysia	64	13	79	9
Equatorial Guinea	41	70	57	93
The United States of America	19	19	27	27
France	12	12	12	12
Netherlands	6	6	13	13
Other	163	138	140	115
Total	**7,757**	**9,143**	**6,818**	**8,951**

RELIANCE ON MAJOR CUSTOMERS

Under Directional, two customers each represent more than 10% of the consolidated revenue. Total revenue from these two major customers amounts to US$3,979 million (US$2,643 million and US$1,335 million, respectively). In 2022, the revenue related to the two major customers was US$2,825 million (US$1,823 million and US$1,002 million, respectively). In both 2023 and 2022, the revenue of these major customers were mainly related to the Lease and Operate segment.

Under IFRS, two customers each represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$4,598 million (US$2,213 million and US$2,386 million respectively). In 2022, two customers accounted for more than 10% of the consolidated revenue (US$4,635 million), US$2,988 and US$1,647 million respectively.

4.3.3 REVENUE

The Company's revenue mainly originates from construction contracts and lease and operate contracts. Revenue originating from construction contracts is presented in the Turnkey segment while revenue from lease and operate contracts is presented in the Lease and Operate segment. Around 46% of the Company's 2023 Lease and Operate revenue is made of charter rates related to lease contracts, while the remaining amount originates from operating contracts. The Company recognizes most of its revenue (i.e. more than 97%) over time.

The Company's policy regarding revenue recognition is described in further detail in note 4.2.7 B. Critical Accounting Policies – (d) Revenue. For the disaggregation of total revenue by country and by segment, please refer to Geographical Information under note 4.3.2 Operating Segments and Directional Reporting.

The Company's construction contracts can last for several years, depending on the type of product, scope and complexity of the project, while the Company's Lease and Operate contracts are generally multiple-year contracts. As a result, the Company has (partially) outstanding performance obligations to its clients (unsatisfied performance obligations) at December 31, 2023. These unsatisfied performance obligations relate to:

- Ongoing construction contracts, including the construction of vessels under finance leases that still need to be completed;
- Ongoing multiple-year operating contracts. Note that for this specific disclosure on unsatisfied performance obligations, the lease component of the Lease and Operate contracts is excluded (this component being described in further detail in notes 4.3.13 Property, Plant and Equipment and 4.3.15 Finance Lease Receivables). As noted, some contracts include (performance) bonuses when earned or penalties incurred under the Company's Lease and Operate contracts. The net amount of performance-related payments for 2023 increased to US$132 million (2022: US$(3) million). This increase is mostly related to the shutdown of *FPSO Cidade de Anchieta* in the year-ago period.

The following table presents the unsatisfied performance obligations as at December 31, 2023 (in billions of US$):

Unsatisfied performance obligations related to:	2023	2022
- constructions contracts including finance leases	2.4	5.8
- operating contracts	13.4	10.6
Total	15.8	16.4

The unsatisfied performance obligations for the committed construction contracts mostly relate to four major construction FPSO contracts. Revenue related to these construction contracts is expected to be recognized over the coming two years in line with the construction progress on these projects.

The unsatisfied performance obligations for the operating contracts relate to i) the Company's vessels leased to clients where the Company is the operator (both operating and finance lease contracts) and ii) one operating contract for operating services on a vessel that is owned by the client. The operating contracts end between 2024 and 2050. The Company will recognize the unsatisfied performance obligation over this period in line with the work performed.

The Company can agree on various payment arrangements which generally reflect the progress of delivered performance obligations. However, if the Company's delivered performance obligation exceeds installments invoiced to the client, a contract asset is recognized. If the installments invoiced to the client exceed the work performed, a contract liability is recognized.

As a result of various commercial discussions with clients, the Company recognized revenue amounting to US$7 million in 2023 (2022: US$27 million) originating from performance obligations satisfied in previous periods.

Lease revenue recognized for leases where the Company is the lessor, for both operating and finance leases, relates to fixed and variable lease payments. Most of the Company's revenue from lease contracts is based on fixed day-rates. To the extent that lease payments are dependent on an index or a rate, they are excluded from the initial recognition of the lease payments receivable. The impact related to a change in index or a rate is recognized in the consolidated income statement when a change occurs.

CONTRACT BALANCES

The table below sets out the contract balances for the years 2023 and 2022:

	Notes	31 December 2023	31 December 2022
Current contract liability	*4.3.25*	74	42
Non-current contract liability	*4.3.25*	22	-
Total contract liabilities		**97**	42
Current contract assets		7,134	5,681
Total contract assets		**7,134**	5,681

Contract assets

During the period ended December 31, 2023, the Company completed construction of FPSO *Prosperity,* marking first oil date on November 14, 2023. As of this date, the lease of FPSO *Prosperity* commenced and the contract asset related to this unit was reclassified to finance lease receivables (refer to notes 4.3.1 Financial Highlights and 4.3.15 Finance Lease Receivables).

As a result, the contract asset balance as at December 31, 2023 of US$7,134 million (2022: US$5,681 million) increased in relation to progress made during the period on the construction of *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão*, *FPSO Sepetiba*, FPSO *ONE GUYANA* and initial limited scope for the FPSO for the Whiptail development project, partly offset by the finalization of the FPSO *Prosperity* construction.

Regarding information about expected credit losses recognized for contract assets, refer to note 4.3.27 Financial Instruments – Fair Values and Risk Management.

Contract liabilities

Current contract liabilities of US$74 million (2022: US$42 million) comprise the amounts of those individual contracts for which the total installments invoiced exceed the revenue recognized over time. Contract liabilities are reported in trade an other payables (see note 4.3.25 Trade and Other Payables).

As at December 31, 2023, current contract liabilities relate to one of the Company's renewable projects and other minor construction projects.

Non-current contract liabilities of US$22 million (2022: nil) have been recognized as at December 31, 2023, following the reassessment of the demobilization performance obligations and associated remeasurement of future demobilization costs in finance lease contracts. This reassessment triggered an increase in the contract liability for demobilization costs. Therefore, as explained in B. Critical Accounting Policies – (f) Demobilization obligations, these future obligations have been recognized during the period through contract liability, for the present value of the change.

The Company recognized revenue of US$31 million during the period, which was included in the contract liabilities as per December 31, 2022.

4.3.4 OTHER OPERATING INCOME AND EXPENSE

	2023	2022
Gains from sale of financial participations, property, plant and equipment	0	9
Other operating income	3	28
Total other operating income	**3**	**37**
Other operating expenses	(2)	(6)
Impairment of other assets and onerous contracts	-	(2)
Restructuring expenses	(11)	0
Total other operating expense	**(13)**	**(8)**
Total	**(10)**	**28**

In 2023, the total other operating income and expense mainly includes a restructuring expense in the amount of US$11 million corresponding to severance costs relating to the implementation of an optimization plan for the Company's support functions' activities, aiming to improve the global performance and cost efficiency. The restructuring impacted approximately 106 employees.

For comparison, in 2022, the total other operating income and expense mainly included US$9 million gain realized from the disposal of the SBM Installer and an insurance recovery of US$27 million in respect of one of the Brazilian units.

4.3.5 EXPENSES BY NATURE

The table below sets out expenses by nature for all items included in EBIT for the years 2023 and 2022:

	Note	2023	2022
Expenses on construction contracts		(2,130)	(2,367)
Employee benefit expenses	*4.3.6*	(842)	(740)
Vessels operating costs		(512)	(412)
Depreciation, amortization and impairment		(94)	(189)
Selling expenses		(10)	(4)
Other costs		(232)	(218)
Total expenses		**(3,820)**	**(3,930)**

In 2023 'Expenses on construction contracts' slightly decreased compared to the previous year. Despite having five FPSO's under construction during the period and the start of FPSO FEED work for the Whiptail development project (compared to five FPSO's in 2022), the reduction is a result of lower progress on Turnkey Brazilian projects and the completion of FPSO

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).

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.

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.

The following reflects the share data used in the basic and diluted earnings per share computations:

Earnings per share

	2023	2022
Earnings attributable to shareholders (in thousands of US$)	490,821	450,137
Number of shares outstanding at January 1 (excluding treasury shares)	178,054,655	176,622,557
Average number of treasury shares transferred to employee share programs	1,225,505	1,283,909
Average number of shares repurchased / cancelled	(45,044)	-
Weighted average number of shares outstanding	**179,235,116**	**177,906,466**
Impact shares to be issued	-	-
Weighted average number of shares (for calculations basic earnings per share)	**179,235,116**	**177,906,466**
Potential dilutive shares from stock option scheme and other share-based payments	2,269,314	1,965,043
Weighted average number of shares (diluted)	**181,504,430**	**179,871,509**
Basic earnings per share in US$	2.74	2.53
Fully diluted earnings per share in US$	2.70	2.50

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for the issuance of Value Creation Stake shares for the Management Board, Ownership Shares for the Company's senior management and the Matching Shares and RSUs that have vested on January 1, 2024 (see note 4.3.6 Employee Benefit Expenses).

4.3.12 DIVIDENDS PAID AND PROPOSED AND SHARE REPURCHASE PROGRAM

The Company is evolving its shareholder return policy as follows: "The Company's shareholders return policy is to maintain a stable annual cash return to shareholders which grows over time, with flexibility for the Company to make such cash return in the form of a cash dividend and the repurchase of shares. Determination of the annual cash return is based on the Company's assessment of its underlying cash flow position. The Company prioritizes a stable cash distribution to shareholders and funding of growth projects, with the option to apply surplus capital towards incremental cash returns to shareholders." The policy will be presented for discussion at the Annual General Meeting on April 12, 2024.

As a result, following review of its cash flow position and forecast, the Company intends to pay a total cash return to shareholders of US$220 million in 2024. This represents an increase of 12% compared with the dividend paid in 2023. The cash return is to be composed of a proposed dividend of US$150 million (equivalent to c. US$0.83 per share[2]) combined with a EUR65 million (US$70 million equivalent[3]) share repurchase program. Shares repurchased as part of the cash return will be cancelled. The share repurchase program will be launched on March 1, 2024 and the dividend will be proposed at the Annual General Meeting on April 12, 2024. Going forward, the Company intends to maintain a material level of dividend as part of the annual cash return with US$150 million as a base level.

4.3.13 PROPERTY, PLANT AND EQUIPMENT

The line item 'Property, plant and equipment' consists of property, plant and equipment owned by the Company and right-of-use assets:

Property, plant and equipment (summary)

	31 December 2023	31 December 2022
Property, plant and equipment excluding leases	308	274
Right-of-use assets	77	40
Total	**384**	**314**

[2] Based on the number of shares outstanding at December 31, 2023. Dividend amount per share depends on number of shares entitled to dividend. The proposed ex-dividend date is April 16, 2024.
[3] Based on the foreign exchange rate on February 22, 2024.

PROPERTY, PLANT AND EQUIPMENT OWNED BY THE COMPANY

The movement of the Property, plant and equipment during the year 2023 is summarized as follows:

2023

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	**Total**
Cost	60	1,813	78	16	**1,967**
Accumulated depreciation and impairment	(41)	(1,596)	(56)	-	**(1,693)**
Book value at 1 January	**19**	**217**	**23**	**16**	**274**
Additions	0	3	6	70	**79**
Disposals	(0)	-	(0)	-	**(0)**
Depreciation	(2)	(30)	(9)	-	**(41)**
Impairment	-	(6)	-	-	**(6)**
Foreign currency variations	0	(0)	1	0	**1**
Other movements	5	(0)	1	(6)	**0**
Total movements	**3**	**(32)**	**(2)**	**65**	**34**
Cost	67	1,821	82	81	**2,051**
Accumulated depreciation and impairment	(45)	(1,637)	(62)	-	**(1,744)**
Book value at 31 December	**22**	**185**	**21**	**81**	**308**

2022

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	**Total**
Cost	63	1,741	83	4	**1,891**
Accumulated depreciation and impairment	(38)	(1,446)	(55)	-	**(1,540)**
Book value at 1 January	**25**	**295**	**28**	**4**	**351**
Additions	0	13	5	79	**97**
Disposals	-	(0)	(0)	(0)	**(0)**
Depreciation	(5)	(47)	(11)	-	**(63)**
Impairment	-	(108)	-	-	**(108)**
Foreign currency variations	(1)	0	(1)	(0)	**(2)**
Other movements	0	65	2	(67)	**(0)**
Total movements	**(6)**	**(78)**	**(5)**	**12**	**(77)**
Cost	60	1,813	78	16	**1,967**
Accumulated depreciation and impairment	(41)	(1,596)	(56)	-	**(1,693)**
Book value at 31 December	**19**	**217**	**23**	**16**	**274**

During the 2023 period, the following main events occurred regarding owned property, plant and equipment:

- US$41 million of annual depreciation charges, following the normal depreciation schedule;
- US$79 million additions mainly related to capitalized major overhaul costs related to repair work performed on *FPSO Cidade de Anchieta*.
- US$(6) million impairment of *FPSO Capixaba* residual value due to the reassessment of the expected towing and green recycling costs of the unit following the final selection of a scrapping yard in Denmark.

Property, plant and equipment at year-end comprises of:

- One (2022: one) integrated floating production, storage and offloading system (FPSO) (namely *FPSO Cidade de Anchieta*) consisting of a converted tanker, a processing plant and one mooring system. This FPSO is leased to third parties under an operating lease contract;
- One semi-submersible production platform, the *Thunder Hawk* (2022: one), leased to third parties under an operating lease contract.

The depreciation charge for the semi-submersible production facility *Thunder Hawk* is calculated based on its future anticipated economic benefits, resulting in a depreciation plan based on the unit of production method. All other property, plant and equipment is depreciated on a straight-line basis.

Company-owned property, plant and equipment with a carrying amount of US$178 million (2022: US$195 million) has been pledged as security for liabilities, mainly for external financing.

No interest has been capitalized during the financial year as part of the additions to property, plant and equipment (2022: nil).

FPSO Cidade de Anchieta

FPSO Cidade de Anchieta was shut down from January 22, 2022, following observation of oil near the vessel. Adequate anti-pollution measures were immediately deployed and were effective and inspections quickly identified oil leaks from two tanks. A repair program has been implemented to repair the four tanks required for the safe restart of the vessel in agreement with the client and approved by Class and local authorities as well as for the repair of other tanks for which works progressed as planned during the current year and which will continue over the coming years. This enabled a safe restart at full production on December 17, 2022. In prior year, the total expected net cost of repairs resulted in an adverse cash flow and an impairment of US$92 million.

In the current year, an impairment assessment of *FPSO Cidade de Anchieta* was performed. No additional impairment was recognised in the year 2023.

The recoverable amount of the vessel was determined using its value in use. Significant estimates are part of the impairment calculation:

- If the discount rate (7.4%) used in the impairment test were to vary by +/- 1%, the impairment would change by +/- US$10 million;
- If the cash outflow were to vary by +/- US$20 million, the impairment would change by +/- US$19 million;
- If the cash inflow were to vary by +/- US$20 million, the impairment would change by -/+ US$19 million;
- If the timing of some cash inflow would vary by one year, the impairment would change by + US$7 million.

RIGHT-OF-USE ASSETS

As of December 31, 2023, the Company leases buildings and cars. The movement of the right-of-use assets during the year 2023 is summarized as follows:

2023

	Buildings	Other fixed assets	Total
Book value at 1 January	**39**	**1**	**40**
Additions	54	1	**55**
Disposals	(5)	-	**(5)**
Depreciation	(14)	(1)	**(14)**
Impairment	-	-	**-**
Foreign currency variations	2	0	**2**
Other movements	(1)	(0)	**(1)**
Total movements	**36**	**1**	**37**
Cost	104	4	**108**
Accumulated depreciation and impairment	(29)	(2)	**(31)**
Book value at 31 December	**75**	**2**	**77**

2022

	Buildings	Other fixed assets	Total
Book value at 1 January	**44**	**1**	**45**
Additions	12	1	**13**
Disposals	-	(0)	**(0)**
Depreciation	(14)	(1)	**(15)**
(Impairment)/impairment reversal	-	-	**-**
Foreign currency variations	(2)	(0)	**(2)**
Other movements	(1)	(0)	**(1)**
Total movements	**(5)**	**0**	**(4)**
Cost	72	3	**75**
Accumulated depreciation and impairment	(33)	(2)	**(35)**
Book value at 31 December	**39**	**1**	**40**

During the year 2023, the main movements regarding right-of-use assets related to US$55 million of capitalization of lease extensions and new lease office contracts, partially offset by US$14 million of depreciation charges. In March 2023, the Company extended the lease agreement of one of its office buildings until 2037. This resulted in an increase of US$43 million to right-of-use assets and a similar increase in lease liabilities (refer to note 4.3.23 Borrowings and Lease Liabilities).

Office leases

Significant contracts under buildings relate to the lease of offices. The remaining contract periods of the Company's office rentals vary between one and ten years and most of the contracts include extension options between three and fourteen years. The extension options have been taken into account in the measurement of lease liabilities when the Company is reasonably certain to exercise these options. The lease agreements do not impose any covenants.

OPERATING LEASES AS A LESSOR

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements which terminate between 2025 and 2031. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the vessels and floating equipment

	31 December 2023	31 December 2022
Cost	1,821	1,813
Accumulated depreciation and impairment	(1,637)	(1,596)
Book value at 31 December	**185**	**217**

As of December 31, 2023, the units included under leased facilities are *FPSO Cidade de Anchieta* and the semi-submersible production facility *Thunder Hawk*. The book value of the leased facilities included in the vessels and floating equipment has decreased by US$32 million, mainly due to depreciation.

The nominal values of the future expected bareboat receipts (undiscounted lease payments) in respect of the remaining operating lease contracts are:

Nominal values of the future expected bareboat receipts

	31 December 2023	31 December 2022
Within 1 year	105	113
2 years	99	111
3 years	91	104
4 years	91	91
5 years	91	91
After 5 years	214	306
Total	**693**	**816**

A number of agreements have extension options, which have not been included in the above table.

Outstanding purchase and termination options in operating lease contracts

The operating lease contract of semi-submersible *Thunder Hawk* includes a call option for the client to purchase the underlying asset. The exercise of this call option would have resulted in a gain for the Company as at December 31, 2023.

4.3.14 INTANGIBLE ASSETS

2023

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	38	28	100	19	**185**
Accumulated amortization and impairment	(29)	(20)	-	(19)	**(68)**
Book value at 1 January	**9**	**8**	**100**	**0**	**117**
Additions	6	7	31	-	**45**
Amortization	(5)	(4)	-	-	**(9)**
(Impairment)/impairment reversal	-	-	-	-	**-**
Total movements	**1**	**3**	**31**	**-**	**36**
Cost	44	29	132	19	**224**
Accumulated amortization and impairment	(33)	(18)	-	(19)	**(71)**
Book value at 31 December	**11**	**11**	**132**	**0**	**153**

2022

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	34	25	67	19	**145**
Accumulated amortization and impairment	(25)	(15)	-	(19)	**(59)**
Book value at 1 January	**9**	**11**	**67**	**0**	**86**
Additions	4	3	34	-	**41**
Amortization	(3)	(4)	-	-	**(7)**
(Impairment)/impairment reversal	-	(2)	-	-	**(2)**
Total movements	**1**	**(3)**	**34**	**-**	**31**
Cost	38	28	100	19	**185**
Accumulated amortization and impairment	(29)	(20)	-	(19)	**(68)**
Book value at 31 December	**9**	**8**	**100**	**0**	**117**

The increase in 'Intangible assets under construction' mainly relates to costs capitalized relating to the design and implementation of the new global ERP system, the capitalization of software licenses and other capital expenditures related to the IT infrastructure upgrade project.

Amortization of development costs is included in 'Research and development expenses' in the income statement in 2023 for US$5 million (2022: US$3 million).

Amortization of software is included in 'General and administrative expenses' in the income statement in 2023 for US$4 million (2022: US$4 million).

4.3.15 FINANCE LEASE RECEIVABLES

The reconciliation between the total gross investment in the lease and the net investment in the lease at the statement of financial position date is as follows:

Finance lease receivables (reconciliation gross/net investment)

	31 December 2023	31 December 2022
Gross receivable	9,576	10,330
Less: unearned finance income	(2,775)	(3,137)
Total	**6,801**	**7,193**
Of which		
Current portion	526	1,725
Non-current portion	6,276	5,468

As of December 31, 2023, finance lease receivables relate to the finance lease of:

- FPSO *Prosperity*, which started production in November 2023 for a charter of 2 years;
- FPSO *Liza Destiny*, which started production in December 2019 for a charter of 10 years;
- *FPSO Cidade de Marica*, which started production in February 2016 for a charter of 20 years;
- *FPSO Cidade de Saquarema*, which started production in July 2016 for a charter of 20 years;
- *FPSO Cidade de Ilhabela*, which started production in November 2014 for a charter of 20 years;
- *FPSO Cidade de Paraty*, which started production in June 2013 for a charter of 20 years;
- *FPSO Aseng*, which started production in November 2011 for a charter of 15 years;
- *FPSO Espirito Santo*, which started production in January 2009 for a charter of 15 years until December 2023, and which was extended in December 2020 until December 2028.

The decrease in finance lease receivable is driven by (i) the client exercise of the purchase option for FPSO *Liza Unity* on November 9, 2023, for the amount of US$1,259 million, which was included in the finance lease receivable. As a result, the finance lease receivable was derecognized against the payment made by the client with no impact on the net result, (ii) redemptions as per the payment plans of lease contracts partially offset by (iii) FPSO *Prosperity,* which started production in November 2023.

Unguaranteed residual values

Included in the gross receivable is an amount related to unguaranteed residual values (i.e. scrap value of units). The total amount of unguaranteed residual values at the end of the lease term amounts to US$50 million, as of December 31, 2023, (2022: US$53 million). The 2023 reassessment of unguaranteed residual values resulted in an impairment of US$2 million due to the decrease of scrap value of units.

As per the contractual terms, gross receivables should be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

	31 December 2023	31 December 2022
Less than 1 year	1,026	2,221
Between 1 and 2 years	2,060	804
Between 2 and 5 years	2,345	2,389
More than 5 years	4,146	4,916
Total Gross receivable	**9,576**	**10,330**

The significant decrease in the gross receivable 'Less than 1 year' mainly relates to the anticipated exercising of an FPSO *Liza Unity* purchase option which was materialised during the current year. The increase of the gross finance lease receivable in 'Between 1 and 2 years' is mainly explained by FPSO *Prosperity* following first oil in November 2023.

The following part of the net investment in the lease is included as part of the current assets within the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2023	31 December 2022
Gross receivable	1,026	2,221
Less: unearned finance income	(500)	(496)
Current portion of finance lease receivable	**526**	**1,725**

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables, taking into account the risk of recoverability. The Company performed an assessment, which concluded that the credit risk for these receivables has not increased significantly since the initial recognition. The Company does not hold any collateral as security.

Outstanding purchase and termination options

The finance lease contracts of *FPSO Aseng*, FPSO *Liza Destiny* and FPSO *Prosperity*, where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early. If the client had exercised the purchase option for *FPSO Aseng* as of December 31, 2023, this would have resulted in a gain for the Company. The exercise of the early termination option, under which the Company would retain the vessel, would have resulted in a near breakeven result. If the client had exercised the purchase option for FPSO *Liza Destiny* as of December 31, 2023, this would have resulted in a near breakeven result for the Company while the exercise of the early termination option under which the Company would retain the vessels would have resulted in a gain. If the client had exercised the purchase option or early termination option for FPSO *Prosperity* as of December 31, 2023, this would have resulted in a gain for the Company.

The finance lease contract of *FPSO Espirito Santo* includes a call option for the client to terminate the contract early without obtaining the underlying asset. The exercise of the early termination option would have resulted in a loss for the Company as of December 31, 2023.

The finance lease contracts of FPSO *ONE GUYANA* (under construction as per December 31, 2023) contain options for the client to purchase the underlying asset or terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

4.3.16 OTHER FINANCIAL ASSETS

The breakdown of the non-current portion of other financial assets is as follows:

	31 December 2023	31 December 2022
Non-current portion of other receivables	113	106
Sublease receivables	-	-
Non-current portion of loans to joint ventures and associates	38	45
Total	**151**	**151**

The increase in non-current portion of other receivables relates to the increase of the demobilization receivables, partially offset by the recognition of the linearized revenue for *FPSO Cidade de Anchieta*.

The current portion of (i) other receivables and sublease receivables, and (ii) loans to joint ventures and associates, is included within 'Trade and other receivables' in the statement of financial position.

In relation to the exposure to credit risk at the reporting date on the carrying amount of the interest-bearing loans, non-current portion of other receivables and sublease receivable, please refer to note 4.3.8 Net Impairment Gains/(Losses) on

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)**

4.3.18 INVENTORIES

	31 December 2023	31 December 2022
Materials and consumables	13	9
Goods for resale	0	4
Multi-purpose floaters under construction	135	13
Total	**149**	**25**

Multi-purpose floaters ('MPFs') under construction relate to the ongoing EPC phase of any Fast4Ward® new-build hulls. Fast4Ward® hulls remain in inventory until they are allocated to a specific FPSO contract.

The increase of the inventory balance at year-end 2023 relates to the new multi-purpose hull for use on a future FPSO project. As per December 31, 2023, the Company has one MPF under construction for use on a future FPSO project.

4.3.19 TRADE AND OTHER RECEIVABLES

Trade and other receivables (summary)

	Note	31 December 2023	31 December 2022
Trade debtors		200	308
Other accrued income		258	198
Prepayments		126	149
Accrued income in respect of delivered orders		74	0
Other receivables		147	75
Taxes and social security		92	57
Current portion of loan to joint ventures and associates	*4.3.16*	3	7
Total		**901**	**795**

The decrease in 'Trade debtors' of US$(108) million is mainly due to the collection of upfront payment for FPSO *Prosperity*.

The increase in 'Other accrued income' is mainly due to FPSO *Prosperity* joining the fleet and additional accrued income on *FPSO Cidade de Anchieta* not yet invoiced after the re-start of operations.

The decrease in prepayments of US$(23) million is mainly related to advance payments to yards related to the new multi-purpose floater hull (MPF).

The increase in accrued income in respect of delivered orders relates to FPSO *Prosperity's* finalization project, including variation orders.

The increase in 'Other receivables' mainly relates to advance payments made in relation to the Brazilian and Guyana fleet.

The carrying amounts of the Company's trade debtors are distributed in the following countries:

Trade debtors (countries where Company's trade debtors are distributed)

	31 December 2023	31 December 2022
Angola	66	48
Brazil	36	17
Guyana	45	208
Equatorial Guinea	8	11
The United States of America	4	3
Australia	1	1
Nigeria	10	4
Canada	10	2
France	6	0
Other	14	14
Total	**200**	**308**

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

Trade debtors (trade debtors balance)

	31 December 2023	31 December 2022
Nominal amount	204	312
Impairment allowance	(4)	(4)
Total	**200**	**308**

The allowance for impairment represents the Company's estimate of losses in respect of trade debtors. The allowance related to credit risk for significant trade debtors is built on specific expected loss components that relate to individual exposures. Furthermore, the Company uses historical credit loss experience as well as forward-looking information to determine a 1% expected credit loss rate on individually insignificant trade receivable balances. The creation and release for impaired trade debtors due to credit risk are reported in the line item 'Net impairment losses on financial and contract assets' of the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The aging of the nominal amounts of the trade debtors are:

Trade debtors (aging of the nominal amounts of the trade debtors)

	31 December 2023		31 December 2022	
	Nominal	Impairment	Nominal	Impairment
Not past due	82	(1)	236	(3)
Past due 0-30 days	40	(0)	9	(0)
Past due 31-120 days	25	(0)	6	(0)
Past due 121- 365 days	21	(0)	33	(0)
More than one year	36	(2)	27	(0)
Total	**204**	**(4)**	**312**	**(4)**

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of Company joint ventures and independent customers for whom there is no recent history of default, or the receivable amount can be offset by amounts included in current liabilities.

For the closing balance and movements during the year of allowances on trade receivables, please refer to note 4.3.27 Financial Instruments – Fair Values and Risk Management.

4.3.20 DERIVATIVE FINANCIAL INSTRUMENTS

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivative instruments is included in note 4.3.27 Financial Instruments – Fair Values and Risk Management.

In the ordinary course of business and in accordance with its hedging policies as of December 31, 2023, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of interest rate financing exposure. The most important floating rate is the US$ 3-month SOFR (2022: US$ 3-month LIBOR). Details of interest percentages of the long-term debt are included in note 4.3.23 Borrowings and Lease Liabilities. Lastly, the Company held commodity contracts in order to hedge against the fluctuation of operating cash flows and future earnings resulting from movement in commodity prices.

The fair value of the derivative financial instruments included in the statement of financial position is summarized as follows:

Derivative financial instruments

	31 December 2023			31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	279	31	248	490	28	463
Forward currency contracts cash flow hedge	86	17	68	50	103	(53)
Forward currency contracts fair value through profit and loss	48	44	4	69	85	(15)
Commodity contracts cash flow hedge	3	4	(1)	-	2	(2)
Total	**416**	**97**	**319**	**610**	**217**	**393**
Non-current portion	258	8	250	465	25	440
Current portion	158	89	69	145	192	(47)

The movement in the net balance of derivative assets and liabilities of US$(74) million over the period is mostly related to (i) the settlements of interest rate swaps related to the financing of *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* of US$154 million, (ii) the increase in marked-to-market value of forward currency contracts, which is mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR and BRL) and (iii) the decrease in marked-to-market value of interest rate swaps, which mainly arises from decreasing US$ market interest rates.

No ineffective portion arising from cash-flow hedges was recognized in the income statement in 2023 (2022: US$1 million). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

No ineffectiveness was recognized due to the IBOR transition, refer to note 4.3.27 Financial Instruments – Fair Values and Risk Management.

4.3.21 NET CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash and bank balances	196	109
Short-term investments	347	573
Cash and cash equivalent	**543**	**683**
Net cash and cash equivalent	**543**	**683**

The decrease of the cash and bank balances mainly relates to the significant progress in the projects under construction and the Fast4Ward® new build multi-purpose hulls, partially covered by the additional project financing granted for *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão,* FPSO *ONE GUYANA,* drawdowns on the Company's RCF and on the new Revolving Credit Facility for MPF hull financing, the net cash proceeds of the sale of FPSO *Liza Unity* and the cash generated by the Lease and Operate business segment.

The cash and cash equivalents dedicated to debt and interest payments (and therefore restricted) amounted to US$193 million as per December 31, 2023 (2022: US$235 million). Short-term investment deposits are made for varying periods of up to one year, usually less than three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The cash and cash equivalents held in countries with restrictions on currency outflow (Angola, Brazil, China, Equatorial Guinea, Ghana and Nigeria) amounted to US$26 million (2022: US$21 million). These restrictions do not limit the liquidity of the cash balances.

Further disclosure about the fair value measurement is included in note 4.3.27 Financial Instruments – Fair Values and Risk Management.

4.3.22 EQUITY ATTRIBUTABLE TO SHAREHOLDERS

For a consolidated overview of changes in equity reference is made to the Consolidated Statement of Changes in Equity.

ISSUED SHARE CAPITAL

The authorized share capital of the Company is two hundred million euros (EUR200,000,000). This share capital is divided into four hundred million (400,000,000) ordinary shares with a nominal value of twenty-five euro cents (EUR0.25) each and four hundred million (400,000,000) protective preference shares, with a nominal value of twenty-five euro cents (EUR0.25) each. The protective preference shares can be issued as a protective measure as described in note 3.1.8 Stichting Continuïteit SBM Offshore.

During the financial year the movements in the outstanding number of ordinary shares are as follows:

number of shares	2023	2022
Outstanding at 1 January	**180,671,305**	**180,671,305**
Treasury shares cancelled	-	-
Outstanding 31 December	**180,671,305**	**180,671,305**

All outstanding shares have been fully paid.

TREASURY SHARES

The Company completed its share repurchase program under authorization granted by the AGM of the Company held on April 13, 2023. In the period between November 9, 2023 and November 21, 2023 a total number of 350,000 shares totaling circa EUR4.3 million (circa US$4.6 million) were repurchased. A total number of 1,652,078[4] treasury shares are still reported in the outstanding ordinary shares as at December 31, 2023 (2022: 2,616,650) and are held predominantly for employee share programs. During 2023, a total of 1,314,575 shares (2022: 1,400,258) were transferred to employee share programs.

ORDINARY SHARES

In terms of ordinary shares, 1,791,995 shares were held by members of Management Board, in office as at December 31, 2023 (December 31, 2022: 1,648,665) as detailed below:

Ordinary shares held in the Company by the Management Board

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2023	Total shares at 31 December 2022
Bruno Chabas	330,965	987,740	1,318,705	1,254,864
Douglas Wood	176,470	123,716	300,186	264,009
Øivind Tangen	78,250	94,854	173,104	129,792
Total	**585,685**	**1,206,310**	**1,791,995**	**1,648,665**

[4] As per the Dutch Act on Conversion of bearer shares, all bearer shares still outstanding at December 31, 2020 have been converted into registered shares held by the Company as per January 1, 2021 and accordingly the aforementioned shares are currently reported as part of the Treasury shares. A shareholder who hands in a bearer share certificate to the Company before January 2, 2026 is entitled to receive from the Company a replacement registered share. A shareholder may not exercise the rights vested in a share until the shareholder has handed in the corresponding bearer share certificate(s) to the Company.

OTHER RESERVES

The other reserves comprises the hedging reserve, actuarial gains/losses, the foreign currency translation reserve and IFRS 2 reserves. The movement and breakdown of the other reserves can be stated as follows (all amounts are expressed net of deferred taxes):

	Hedging reserve Forward currency contracts	Hedging reserve Interest rate swaps	Actuarial gain/(loss) on defined benefit provisions	Foreign currency translation reserve	IFRS 2 Reserves	Protective share reserve	Total other reserves
Balance at 1 January 2022	**(104)**	**(167)**	**7**	**(105)**	**22**	**-**	**(347)**
Cash flow hedges							
Change in fair value	(78)	473	-	-	-	-	394
Transfer to financial income and expenses	1	12	-	-	-	-	12
Transfer to construction contracts and property, plant and equipment	62	-	-	-	-	-	62
Transfer to operating profit and loss	48	-	-	-	-	-	48
IFRS 2 share-based payments							
IFRS 2 vesting costs for the year	-	-	-	-	19	-	19
IFRS 2 vested share-based payments	-	-	-	-	(19)	-	(19)
Actuarial gain/(loss) on defined benefit provision							
Change in defined benefit provision due to changes in actuarial assumptions	-	-	7	-	-	-	7
Foreign currency variations							
Foreign currency variations	-	-	-	2	(1)	-	1
Mergers and acquisitions	-	-	-	(0)		-	(0)
Other movements							
Reclassification						26	26
Balance at 31 December 2022	**(72)**	**317**	**15**	**(103)**	**21**	**26**	**204**
Cash flow hedges							
Change in fair value	85	(53)	-	-	-	-	32
Deferred tax on cash flow hedges	-	(45)	-	-	-	-	(45)
Transfer to financial income and expenses	-	4	-	-	-	-	4
Transfer to construction contracts and property, plant and equipment	24	-	-	-	-	-	24
Transfer to operating profit and loss	8	-	-	-	-	-	8
IFRS 2 share-based payments							
IFRS 2 vesting costs for the year	-	-	-	-	20	-	20
IFRS 2 vested share-based payments	-	-	-	-	(16)	-	(16)
Actuarial gain/(loss) on defined benefit provision							
Change in defined benefit provision due to changes in actuarial assumptions	-	-	(4)	-	-	-	(4)
Foreign currency variations							
Foreign currency variations	-	-	-	(2)	1	-	(2)
Mergers and acquisitions	-	-	-	0		-	0
Other movements							
Reclassification						-	-
Balance at 31 December 2023	**44**	**224**	**11**	**(105)**	**25**	**26**	**224**

The hedging reserve consists of the effective portion of cash-flow hedging instruments related to hedged transactions that have not yet occurred, net of deferred taxes. The decreased fair value of interest rate swaps mainly arises from decreasing US$ market interest rates whereas the increased fair value of forward currency contracts is mainly driven by the depreciation of the US$ exchange rate versus the hedged currencies (especially EUR and BRL).

Actuarial gain/(loss) on defined benefits provisions includes the impact of the remeasurement of defined benefit provisions.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The Management Board, with the approval of the Supervisory Board, has granted a call option to Stichting Continuïteit SBM Offshore to acquire a number of preference shares. As of October 1, 2022, and with reference to articles 5.5 and 5.6 of the Articles of Association of the Company, a 'Protective Preference Shares' reserve amounting to US$26 million (2022: US$26 million) was created at the expense of the share premium reserve at the level of the Company. If and when Stichting Continuiteït SBM Offshore would exercise the call option to acquire preference shares, these preference shares may also be paid-up from the reserve of the Company. In addition to the legal reserves, distributions to the Company's shareholders are restricted to the amount of the statutory reserves.

The Company's total equity as at December 31, 2023 is US$3,733 million, out of which US$2,052 million relates to legal reserves and US$26 million relates to the statutory reserves (December 31, 2022: Total equity of US$3,397 million out of which US$1,860 million relates to legal reserves and US$26 million to the statutory reserves). For more information, reference is made to note 4.5.4 Shareholders' Equity.

4.3.23 BORROWINGS AND LEASE LIABILITIES

The line item 'Borrowings and lease liabilities' in the consolidated statement of financial position is further detailed as follows:

Borrowings and lease liabilities (summary)

	31 December 2023	31 December 2022
Borrowings	8,112	6,839
Lease liabilities	74	33
Total Non-current portion of Borrowings and lease liabilities	**8,186**	**6,873**
Borrowings	1,093	1,678
Lease liabilities	11	13
Total Current portion of Borrowings and lease liabilities	**1,105**	**1,691**

BORROWINGS

The movement in bank interest bearing borrowings is as follows:

	2023	2022
Non-current portion	6,839	5,891
Add: current portion	1,678	1,754
Remaining principal at 1 January	**8,517**	**7,645**
Additions	3,943	1,642
Redemptions	(2,999)	(759)
Transaction and amortized costs	(255)	(10)
Total movements	**688**	**872**
Remaining principal at 31 December	**9,206**	**8,517**
Less: Current portion	(1,093)	(1,678)
Non-current portion	**8,112**	**6,839**
Transaction and amortized costs	472	216
Remaining principal at 31 December (excluding transaction and amortized costs)	**9,677**	**8,734**
Less: Current portion	(1,142)	(1,710)
Non-current portion	**8,535**	**7,023**

The additions in borrowings of US$3,943 million relate mainly to drawdowns on (i) project finance facilities for FPSO *ONE GUYANA,* FPSO *Prosperity*, and *FPSO Sepetiba*, (ii) the new loans achieved for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, (iii) the Company's RCF and SCF, (iv) a funding loan of US$125 million from CMFL in relation to *FPSO Cidade de Ilhabela* and the new Revolving Credit Facility for MPF hull financing of US$210 million.

In the context of *FPSO Cidade de Ilhabela*, during 2023, the Company has created a new entity, Guara Norte Swiss Holding SA, and subsequently transferred 15% non-voting shares to CMFL which, in turn, granted the US$125 million funding loan. The terms of the agreement set out a call and put options that can be exercised at nominal amount of the non-voting shares. Therefore the Company assessed that IAS 32 takes precedence over IFRS 10 and will therefore not recognize a non-controlling interest but rather recognize the liability. This transaction is in line with the Company's aim to diversify its sources of debt funding and to accelerate equity cashflow from the backlog.

As announced on March 31, 2023, the Company has secured the project financing of *FPSO Almirante Tamandaré* for a total of US$1.63 billion. As of December 31, 2023, the Company has drawdown US$1,053 million from the project financing and fully repaid the bridge loan of US$635 million.

As announced on June 20, 2023, the Company has secured the project financing of *FPSO Alexandre de Gusmão* for a total of US$1.615 billion. As of December 31, 2023, the Company has drawdown US$1,165 million from the project financing and fully repaid the bridge loan of US$620 million.

As announced on December 15, 2023, the Company has secured the new Revolving Credit Facility for MPF hull financing for a total of US$210 million. As of December 31, 2023, the Company has fully drawn down this financing.

The redemptions are mostly related to (i) the repayment of the bridge loan facility of *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* following the completion of the project financings, the repayment of the FPSO *Liza Unity* loan of US$1,140 million following the sale of the unit to the client (ii) the non-recourse debt repayment schedules.

For further disclosures about fair value measurement, we refer to note 4.3.27 Financial Instruments – Fair Values and Risk Management.

The Company has no 'off-balance sheet' financing through special purpose entities. All long-term debt is included in the consolidated statement of financial position.

The borrowings, excluding the amount of transaction and amortized costs, have the following forecast repayment schedule:

	31 December 2023	31 December 2022
Within one year	1,142	1,710
Between 1 and 2 years	1,877	1,657
Between 2 and 5 years	3,237	3,010
More than 5 years	3,421	2,357
Balance at 31 December	**9,677**	**8,734**

The borrowings by entity are as follows:

Loans and borrowings per entity

Entity name	Project name or nature of loan	% Ownership	% Interest[1]	Maturity	Net book value at 31 December 2023 Non-current	Current	Total	Net book value at 31 December 2022 Non-current	Current	Total
Project Finance facilities drawn										
Tupi Nordeste Sarl	*FPSO Cidade de Paraty*	63.13	5.50%	15-Jun-23	-	-	-	-	72	72
SBM Baleia Azul Sarl	*FPSO Cidade de Anchieta*	100.00	5.50%	15-Sep-27	122	41	163	163	39	202
Alfa Lula Alto Sarl	*FPSO Cidade de Marica*	61.00	5.60%	17-Dec-29	544	128	672	672	121	793
Beta Lula Central Sarl	*FPSO Cidade de Saquarema*	61.00	4.20%	15-Jun-30	712	108	820	820	102	922
Guyana Deep Water UK Limited	FPSO *Liza Destiny*	100.00	SOFR + 1.91%	18-Dec-29	405	70	474	474	67	541
Guyana Deep Water II UK Limited	FPSO *Liza Unity*	100.00	SOFR + 1.76%	09-Nov-23	-	-	-	1,140	(4)	1,136
Guyana Deep Water III UK Limited	FPSO *Prosperity*	100.00	SOFR + 1.86%	29-Aug-25	951	87	1,038	965	(4)	960
Senior secured notes										
Guara Norte Sarl	*FPSO Cidade de Ilhabela*	75.00	5.20%	15-Jun-34	672	48	720	720	44	764
Guaranteed project finance facilities drawn										
Mero 2 Owning B.V.	*FPSO Sepetiba*	64.50	4.30%	15-Jun-38	1,370	56	1,425	1,410	(14)	1,397
Guyana Deep Water IV UK Limited	FPSO *ONE GUYANA*	100.00	5.20%	31-Jul-27	1,077	(4)	1,073	426	-	426
Tamandare Owning B.V.	*FPSO Almirante Tamandaré*	55.00	5.90%	15-Dec-38	920	(10)	911	(3)	635	632
Mero 4 Owning B.V.	*FPSO Alexandre de Gusmão*	55.00	6.40%	15-May-39	1,022	(5)	1,017	(2)	620	618
Bridge loan facility										
Tamandare Owning B.V.	*FPSO Almirante Tamandaré*	55.00	Libor + 0.6%	26-May-23	-	-	-	(3)	635	632
Mero 4 Owning B.V.	*FPSO Alexandre de Gusmão*	55.00	Libor + 0.75%	20-Jul-23	-	-	-	(2)	620	618
Revolving credit facility										
SBM Holding Inc	*Corporate Facility*	100.00	Variable	13-Feb-26	-	550	550	(0)	(1)	(1)
SBM Holding Inc	*Fast4Ward® hull financing*	100.00	SOFR + 1.9%	20-Jun-25	209	(1)	208	(0)	(1)	(1)
Other										
Guara Norte Swiss Holding SA	*FPSO Cidade de Ilhabela*	100.00	7.90%	31-Dec-27	75	25	100	-	-	-
Brazilian Deepwater Production B.V.	*FPSO Espirito Santo*	51.00	SOFR + 1.05%	31-Jan-29	25	-	25	47	-	47
Brazilian Deepwater Production Contractors Ltd.	*FPSO Espirito Santo*	51.00	3.00%	31-Dec-28	8	-	8	5	-	5
Other		100.00			0	-	0	2	-	2
Net book value of loans and borrowings					**8,112**	**1,093**	**9,206**	**6,839**	**1,678**	**8,517**

1 % interest per annum on the remaining loan balance.

For the project finance facilities, the respective vessels are mortgaged to the banks or to note holders.

The Company has available facilities resulting from (i) the undrawn RCF, (ii) the undrawn portion of FPSO *ONE GUYANA, FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* project facilities, and (iii) short-term credit lines.

Expiry date of the undrawn facilities and unused credit lines

	2023	2022
Expiring within one year	274	274
Expiring beyond one year	2,174	2,452
Total	**2,448**	**2,726**

REVOLVING CREDIT FACILITY (RCF)

The RCF in place as of December 31, 2023, has a maturity date of February 13, 2026. The US$1 billion facility was secured with a selected group of 12 core relationship banks and has an uncommitted option to increase the RCF by an additional US$500 million. The Company does not have any other extension option remaining.

When needed, the RCF allows the Company to finance EPC activities/working capital, bridge any long-term financing needs, and/or finance general corporate purposes. On December 23, 2021, the RCF was amended by means of an amendment and restatement agreement to reflect a dedicated green funding tranche. By creating this green tranche, US$50 million of the RCF may only be used to fund activities that comply with the Green Loan Principles (primarily activities related to renewable energy projects) and the remaining US$950 million can be used in the following proportions:
- EPC activities/working capital – 100% of the facility;
- General Corporate Purposes – up to 50% of the facility;
- Refinancing project debt – 100% of the facility but limited to a period of 18 months.

The pricing of the RCF is currently based on SOFR. The margin is adjusted in accordance with the applicable leverage ratio, ranging from a minimum level of 0.50% p.a. (0.40% for the green tranche) to a maximum of 1.50% p.a. (1.40% for the green tranche). The margin also includes a Sustainability Adjustment Mechanism whereby the margin may increase or decrease by 0.05% based on the absolute change in the Company performance as measured and reported by Sustainalytics[5]. The Company's Sustainability performance in 2023 allows the 0.05% margin decrease to remain applicable for 2023.

REVOLVING CREDIT FACILITY FOR MPF HULL FINANCING

The Company has secured a US$210 million revolving credit facility for the financing of the construction of Fast4Ward® Multi-Purpose Floater (MPF) hulls, as announced on December 15, 2023. The tenor of the MPF facility is eighteen months, with an uncommitted extension option for another six months. Repayment is expected to take place upon sale of the MPF hulls or upon drawdown of the relevant project loan. The pricing is based on SOFR and a margin, which is 1.90% per annum for the first 12 months and thereafter 2.10% per annum. The Company has fully drawn this facility as of December 31, 2023.

COVENANTS

The following key financial covenants apply to the RCF, as agreed with the respective lenders on February 13, 2019, and to the new Revolving Credit Facility for MPF hull financing, and, unless stated otherwise, relate to the Company's consolidated financial statements:
- **Solvency**: Consolidated IFRS Tangible Net Worth divided by Consolidated IFRS Tangible Assets must be > 25%;
- **Interest Cover Ratio**: Consolidated Directional Underlying EBITDA divided by Consolidated Directional Net Interest Payable must be > 4.0.

The **Lease Backlog Cover Ratio (LBCR)** is used to determine the **maximum funding availability** under the RCF. The maximum funding availability is determined by calculating the net present value of the future contracted net cash after debt service of a defined portfolio of operational offshore units in the directional backlog. The maximum theoretical amount available under the RCF is then determined by dividing this net present value by 1.5. The actual availability under the RCF will be the lower of this amount and the applicable Facility Amount. As at December 31, 2023 additional headroom above the US$1 billion capacity under the RCF exceeded US$870 million.

[5] Sustainalytics is a provider of Environmental, Social and Governance and Corporate Governance research and ratings.

For the purpose of covenants calculations, the following simplified definitions apply:

- **IFRS Tangible Net Worth:** Total equity (including non-controlling interests) of the Company in accordance with IFRS, excluding the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income, dividends declared, value of intangible assets and deferred taxes.
- **Consolidated IFRS Tangible Assets:** The Company's total assets (excluding intangible assets) in accordance with the IFRS consolidated statement of financial position less the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income.
- **Consolidated Directional Underlying EBITDA:** Consolidated profit of the Company adjusted for net interest payable, tax and depreciation of assets and impairments, any exceptional or extraordinary items, and by adding back (i) the annualized production EBITDA for units which started operations during the financial year, and (ii) the acquisition annualized EBITDA for units acquired during the financial year.
- **Consolidated Directional Net Interest Payable:** All interest and other financing charges paid up, payable (other than capitalized interest during a construction period and interest paid or payable between wholly owned members of the Company) or incurred by the Company, less all interest and other financing charges received or receivable by the Company, as per Directional reporting.

Covenants

	2023	2022
IFRS Tangible Net Worth	4,968	4,494
Consolidated IFRS Tangible Assets	16,606	15,161
Solvency ratio	29.9%	29.6%
Adjusted (Directional) Underlying EBITDA	1,609[1]	1,036[2]
Consolidated Directional Net Interest Payable	234	190
Interest cover ratio	6.9	5.5

1 No exceptional items impact 2023 EBITDA. Adjusted Directional Underlying EBITDA includes the annualized production EBITDA for FPSO Liza Prosperity

2 No exceptional items impact 2022 EBITDA. Adjusted Directional Underlying EBITDA includes the annualized production EBITDA for FPSO Liza Unity

The Leverage ratio based on reported Directional figures, is used to determine the pricing only.

The Company monitors its financial and non-financial covenants for borrowings, which are included in the consolidated financial statement continuously throughout the year. None of the borrowings in the statement of financial position were in default as at the reporting date or at any time during the period.

SUPPLY CHAIN FINANCING

Starting April 2023, the Company has secured short-term funds in the form of a Supply chain financing facility of EUR50 million (or USD equivalent). The pricing of the Supply Chain Financing facility (SCF) is based on a reference rate, depending on the tenor and currency (such as term SOFR for USD) of the individual utilizations. The margin is adjusted in accordance with the currency of the utilization, 0.85% p.a. for payables denominated in EUR and 0.95% p.a. in USD. The Company has utilized the SCF during the year with no outstanding balance as of December 31, 2023.

LEASE LIABILITIES

The lease liabilities mostly relate to the leasing of office buildings as of December 31, 2023.

The movement in the lease liabilities is as follows:

	2023	2022
Principal recognized at 1 January	**46**	**56**
Additions	55	13
Redemptions	(18)	(20)
Foreign currency variations	2	(3)
Other	-	-
Total movements	**39**	**(10)**
Remaining principal at 31 December	**85**	**46**
Of which		
Current portion	11	13
Non-current portion	74	33

The movements in lease liabilities over the period were mainly related to an increase due to the extension of some lease contracts for offices and the regular redemptions and foreign currency translations.

The maturity of the lease liabilities is analyzed in section 4.3.27 financial instruments - fair values and risk management (liquidity risk).

The total cash outflow for leases in 2023 was US$22 million, which includes redemptions of principal and interest payments. Total interest for the period amounted to US$4 million.

4.3.24 PROVISIONS

The movement and type of provisions during the year 2023 are summarized as follows:

Provisions (movements)

	Demobilisation	Warranty	Restructuring	Employee benefits	Other	Total
Balance at 1 January 2023	**119**	**86**	**2**	**15**	**264**	**487**
Arising during the year	40	44	11	4	72	170
Unwinding of interest	1	-	-	1	-	2
Utilized	(31)	(5)	(1)	(1)	(5)	(43)
Released to profit	(0)	(20)	-	(1)	(7)	(30)
Other movement	(0)	-	(5)	4	0	(1)
Balance at 31 December 2023	129	104	7	21	324	586
of which :						
Non-current portion	97	-	-	21	265	383
Current portion	32	104	7	-	59	203

Demobilization

The provision for demobilization relates to the costs for demobilization of the vessels and floating equipment at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in the line item ‘Financial expenses’ of the consolidated income statement (refer to note 4.3.9 Net Financing Costs).

The increase in the provision for demobilization mainly relates to an increase following the reassessment of the expected decommissioning and green recycling costs of *FPSO Capixaba,* following the final selection of a scrapping yard in Denmark, and the reassessment for *FPSO Cidade de Anchieta*, partially offset by utilization in relation to the progress of the decommissioning activities on *FPSO Capixaba*. In addition, the reassessment of the demobilization obligations and associated future demobilization costs in operating lease contracts triggered an increase of US$3 million in net present value of demobilization costs. Therefore, as explained in B. Critical Accounting Policies – (f) Demobilization obligations, this increase has been recognized both impacting the provision and the asset.

Expected outflows within one year are US$32 million, between one and five years is US$48 million and US$49 million after five years.

Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period, starting from the final acceptance by the client. The increase of the warranty provision consists of new provisions accrued on projects under construction over the period or still under warranty period, which was partially offset by the regular consumption of existing warranty provisions over the applicable warranty period.

Restructuring

During the 2023 financial year, the Company announced the implementation of an optimization plan for its support functions' activities, aiming to improve global performance and cost efficiency. As a result, the Company has recognized a provision in the amount of US$11 million against cost in the income statement (amount included in line 'Other operating income/(expense)'. The restructuring of the Company will impact approximately 106 employees.

Other

Other provisions mainly relate to claims, regulatory fines related to operations, onerous contracts and planned local content penalty on construction projects. The latter was the main driver of the increase in Other provisions during 2023.

On June 21, 2022, the district court in Rotterdam delivered its decision in the case between the Company and the AFM (Dutch Authority for the Financial Markets) relating to certain public disclosures made by the Company in the period from 2012-2014. The court has honored the position of the Company in relation to two disclosures and reduced the fine to US$1 million.

On August 1, 2022, the AFM filed an appeal with the Trade and Industry Appeals Tribunal (College van Beroep voor het bedrijfsleven, CBB) against the Rotterdam District Court's ruling in respect of alleged violations 1 and 2 (the principal appeal). On January 5, 2023, SBM Offshore filed its response to the AFM's appeal and additionally, filed an appeal with the Trade and Industry Appeals Tribunal against the Rotterdam District Court's ruling in respect of alleged violations 3 and 4 (the incidental appeal). On May 25, 2023, the AFM has filed its reply to SBM Offshore's appeal. SBM Offshore is currently awaiting the listing of the hearing, which SBM Offshore's lawyers expect to happen during the 3rd quarter of 2024.

4.3.25 TRADE AND OTHER PAYABLES

Trade and other payables (summary)

	Notes	31 December 2023	31 December 2022
Trade payables		254	204
Accruals on projects		590	933
Accruals regarding delivered orders		76	15
Other payables		101	88
Contract liability	4.3.3	74	42
Pension taxation		10	9
Taxation and social security costs		89	81
Current portion of deferred income		4	3
Other non-trade payables		148	125
Total	4.3.27	**1,347**	**1,501**

'Trade payables' and 'Accruals on projects' together decreased as a result of lower accrued expenses on ongoing projects and increased payments to suppliers. At the end of the year there were still four FPSOs under construction, two MPF hulls under construction and the awarded initial scope to begin FEED activities for the FPSO for the Whiptail development project.

The increase in 'Accruals regarding delivered orders' mainly relates to FPSO *Prosperity*'s finalization project.

For 'Contract liability' refer to note 4.3.3. Revenue where the movement in current and non-current contract liabilities is explained.

Payables related to 'Taxation and social security' concerns uncertain tax positions related mainly to various taxes other than corporate income tax.

'Other non-trade payables' include a prepayment of US$52 million relating to the future potential participation of partners to charter contracts, which was presented in 'Other non-current liabilities' in 2022, and interest payable and the short-term portion of the outstanding payments related to the Leniency Agreement and the settlement with Brazilian Federal Prosecutor's Office (Ministério Público Federal – 'MPF'). The long-term portion of the outstanding payments related to these agreements is presented in the line item 'Other non-current liabilities' in the Company's statement of financial position.

The line item 'Other non-current liabilities' in the consolidated statement of financial position (refer to 4.2.3 Consolidated Statement of Financial Position) includes non-current contract liabilities of US$22 million as detailed in note 4.3.3 Revenue.

The contractual maturity of the trade payables is analyzed in the liquidity risk section in 4.3.27 Financial Instruments – Fair Values and Risk Management.

During 2023, the Company acquired an additional stake of 49%, through the exercise of a put option in SBM Nauvata Engineering Private Limited (SBM Nauvata), thereby increasing its ownership to 100%. The put option over the interests held by non-controlling shareholders was initially recognized in 2019, when the Company acquired control of SBM Nauvata, as a financial liability. In accordance with IFRS 10 Consolidated Financial Statements, the acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction, with any excess or deficit of consideration paid over the carrying amount of the non-controlling interests being recognized in equity. As of December 31, 2022, the 'Trade and Other Payables' included an amount of US$22.8 million related to the put option, which was derecognized following the exercise of the put option and the cash consideration of US$21 million paid to the non-controlling shareholders. The carrying value of the net assets of SBM Nauvata attributable to non-controlling interests was US$4.3 million, which has been reattributed to retained earnings.

4.3.26 COMMITMENTS AND CONTINGENCIES

PARENT COMPANY GUARANTEES

SBM Offshore N.V., as the parent company, is committed to fulfill various types of obligations arising from customer contracts, such as full performance and warranty obligations.

In the past, the parent company has issued guarantees for contractual obligations in respect of several Group companies, including equity-accounted joint ventures, with respect to long-term lease-and-operate contracts. The few remaining guarantees still active as of December 31, 2023, relate to the Deep Panuke MOPU unit, *Thunder Hawk* semi-submersible platform, *FPSO Mondo* and *FPSO Saxi Batuque*. These were signed prior to 2010.

BANK GUARANTEES

As of December 31, 2023, the Company has provided bank guarantees to unrelated third parties for an amount of US$361million (2022: US$327 million). No liability is expected to arise under these guarantees.

The Company holds in its favor US$654 million of bank guarantees from unrelated third parties. No withdrawal under these guarantees is expected to occur.

COMMITMENTS

As at December 31, 2023, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$859 million (December 31, 2022: US$2,201million). Investment commitments have decreased principally on the construction of *FPSO Almirante Tamandaré* and FPSO *ONE GUYANA*.

CONTINGENT LIABILITY

As at December 31, 2023 the Company did not identify any contingent liabilities.

4.3.27 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

This note presents information about the Company's exposure to risk resulting from its use of financial instruments, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the statement of financial position, which require disclosure of fair value measurements by level:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classification and fair values

			31 December 2023		31 December 2022	
	Notes	Fair value level	Total book value	Total fair value	Total book value	Total fair value
Financial assets measured at amortized cost						
Finance lease receivables	*4.3.15*	3	6,801	7,053	7,193	7,219
Loans to joint ventures and associates	*4.3.16*	3	41	42	52	51
Total			**6,842**	**7,095**	**7,244**	**7,270**
Financial liabilities measured at amortized cost						
US$ project finance facilities drawn	*4.3.23*	2	9,543	9,604	8,679	8,678
Lease liabilities		3	85	85	46	46
Other debt	*4.3.23*	2	134	133	54	54
Total			**9,762**	**9,822**	**8,780**	**8,778**

Additional information

- In the above table, the Company has disclosed the fair value of each class of financial assets and financial liabilities for which the book value is different than fair value in a way that permits the information to be compared with the carrying amounts.
- There are financial assets and financial liabilities measured at fair value, namely the interest rate swaps, forward currency contracts and commodity contracts which are classified at a Level 2 on the fair value hierarchy. Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The carrying amount for these financial assets and liabilities approximates the fair value as at December 31, 2023.
- The Company has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values as the impact of discounting is insignificant.
- Classes of financial instruments that are not used are not disclosed.
- No instruments were transferred between Level 1 and Level 2.
- No instruments were transferred between Level 2 and Level 3.
- None of the instruments of the Level 3 hierarchy are carried at fair value in the statement of financial position.

- No financial instruments were subject to offsetting as of December 31, 2023 and December 31, 2022.

The effects of the foreign-currency-related hedging instruments on the Company's financial position and performance including related information are included in the table below:

Effect of the foreign currency, interest swaps and commodity contracts related hedging instruments

	2023	2022
Foreign currency forwards		
Carrying amount	68	(53)
Notional amount	(2,774)	(3,343)
Maturity date	14-8-2024	30-8-2023
Hedge ratio	100%	100%
Change in discounted spot value of outstanding hedging instruments since 1 January	121	27
Change in value hedged rate for the year (including forward points)	(121)	(27)
Interest rate swaps		
Carrying amount	248	463
Notional amount	8,043	7,253
Maturity date	24-3-2033	22-5-2031
Hedge ratio	95%	94%
Change in discounted spot value of outstanding hedging instruments since 1 January	(214)	606
Change in value hedged rate for the year (including forward points)	214	(606)
Commodity contracts		
Carrying amount	(1)	(2)
Notional amount	62	59
Maturity date	5-9-2024	22-12-2023
Hedge ratio	100%	100%
Change in discounted spot value of outstanding hedging instruments since 1 January	1	(2)
Change in value hedged rate for the year (including forward points)	(1)	2

MEASUREMENT OF FAIR VALUES

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

	Level 2 and level 3 instruments	Level 3 instruments	
Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value			
Interest rate swaps	Income approach – Present value technique	Not applicable	Not applicable
Commodity contracts	Income approach – Present value technique	Not applicable	Not applicable
Forward currency contracts	Income approach – Present value technique	Not applicable	Not applicable
Financial instrument not measured at fair value			
Loans to joint ventures and associates	Income approach – Present value technique	• Forecast revenues • Risk-adjusted discount rate (5%-11%)	The estimated fair value would increase (decrease) if: • the revenue was higher (lower) • the risk-adjusted discount rate was lower (higher)
Finance lease receivables	Income approach – Present value technique	• Forecast revenues • Risk-adjusted discount rate (4%-9%)	The estimated fair value would increase (decrease) if: • the revenue was higher (lower) • the risk-adjusted discount rate was lower (higher)
Loans and borrowings	Income approach – Present value technique	Not applicable	Not applicable
Other long-term debt	Income approach – Present value technique	Not applicable	Not applicable

DERIVATIVE ASSETS AND LIABILITIES DESIGNATED AS CASH FLOW HEDGES

The following table indicates the period in which the cash flows associated with the cash-flow hedges are expected to occur and the carrying amounts of the related hedging instruments. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for interest rate swaps are estimated using the forward rates as at the reporting date.

Cash flows

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2023					
Interest rate swaps (USD SOFR 3 Months)	248	22	104	129	255
Forward currency contracts	68	48	14	-	62
Commodity contracts	(1)	(1)	-	-	(1)
31 December 2022					
Interest rate swaps (USD LIBOR 3 Months)	463	19	254	212	486
Forward currency contracts	(53)	(58)	(9)	-	(67)
Commodity contracts	(2)	(1)	(1)	-	(2)

The following table indicates the period in which the cash-flow hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

Expected profit or loss impact

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2023					
Interest rate swaps (USD SOFR 3 Months)	248	22	104	129	255
Forward currency contracts	68	48	14	-	62
Commodity contracts	(1)	(1)	-	-	(1)
31 December 2022					
Interest rate swaps (USD LIBOR 3 Months)	463	19	254	212	486
Forward currency contracts	(53)	(58)	(9)	-	(67)
Commodity contracts	(2)	(1)	(1)	-	(2)

Interest rate swaps

Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the final repayment of the hedged items (please refer to note 4.3.22 Equity Attributable to Shareholders).

Forward currency contracts

Gains and losses recognized in the hedging reserve on forward currency contracts are recognized in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within twelve months from the statement of financial position date, unless the gain or loss is included in the initial amount recognized in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset. If the gain or loss is included in the initial amount recognized in the carrying amount of the cost incurred on construction contracts, the recognition is over time.

Commodities

Gains and losses recognized in the hedging reserve on commodity contracts are recognized in the income statement in the period or periods during which the hedged transaction affects the income statement. If the hedged transaction subsequently results in the recognition of non-financial assets (such as inventory, asset under construction) or non-financial liability, the gain or loss is included in the initial cost or other carrying amount of the asset. In such case, this amount is recognized in profit or loss at the same time as the hedged item affects profit or loss.

LOSS ALLOWANCE ON FINANCIAL ASSETS AND CONTRACT ASSETS

The movement of loss allowance during the year 2023 is summarized as follows:

	Finance lease receivable		Contract assets		Trade receivables		Other financial assets	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening loss allowance as at 1 January	**(0)**	**(0)**	**(1)**	**(1)**	**(2)**	**(3)**	**(95)**	**(108)**
Increase in loss allowance recognized in profit or loss during the year	-	(0)	(1)	(1)	(3)	(1)	(28)	-
Receivables written off during the year as uncollectible	-	-	-	-	-	-	-	-
Unused amount reversed	0	0	1	1	1	2	0	14
At 31 December	**(0)**	**(0)**	**(1)**	**(1)**	**(5)**	**(2)**	**(123)**	**(95)**

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, market risks (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company buys and sells derivatives in the ordinary course of business and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set in the Company policy. Generally, the Company seeks to apply hedge accounting in order to manage volatility in the income statement and statement of comprehensive income. The purpose is to manage the interest rate, currency and commodity price risk arising from the Company's operations and its sources of finance. Derivatives are only used to hedge closely correlated underlying business transactions.

The Company's principal financial instruments, other than derivatives, comprise trade debtors and creditors, bank loans, short-term facilities and overdrafts, cash and cash equivalents (including short-term deposits) and financial guarantees. The main purpose of these financial instruments is to finance the Company's operations. Trade debtors and creditors result directly from the business operations of the Company.

Financial risk management is carried out by a central treasury department under policies approved by the Management Board. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries and the Chief Financial Officer (CFO) during the quarterly Asset and Liability Committee. The Management Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. It is, and has been throughout the year under review, the Company's policy that no speculation in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from transactional currency exposures, primarily with respect to the euro, Singapore dollar, Chinese Yuan and Brazilian real. Due to the increase of the activities in China, the Company has included its exposure in Chinese Yuan for the year ended on December 31, 2023. The exposure arises from sales or purchases in currencies other than the Company's functional currency. The Company uses forward currency contracts to eliminate the currency exposure once the Company has entered into a firm commitment of a project contract.

For foreign currency risk, the principal terms of the forward currency contract (notional and settlement date) and the future expense or revenue (notional and expected cash flow date) are identical. The Company has established a hedge ratio of 1:1 for all its hedging relationships.

The main Company's exposure to foreign currency risk is as follows based on notional amounts:

Foreign exchange risk (summary)

	31 December 2023				31 December 2022			
in millions of local currency	EUR	SGD	BRL	CNY	EUR	SGD	BRL	CNY
Fixed assets	158	-	277	26	133	-	274	24
Current assets	76	7	1,118	32	99	3	606	18
Long-term liabilities	(136)	(0)	(622)	(18)	(105)	-	(685)	(16)
Current liabilities	(198)	(26)	(1,505)	(160)	(183)	(9)	(1,251)	(101)
Gross balance sheet exposure	**(100)**	**(19)**	**(731)**	**(120)**	**(55)**	**(6)**	**(1,055)**	**(75)**
Estimated forecast sales	4	-	-	-	27	-	-	-
Estimated forecast purchases	(1,242)	(222)	(2,617)	(1,800)	(1,673)	(383)	(1,779)	(1,344)
Gross exposure	**(1,338)**	**(241)**	**(3,348)**	**(1,920)**	**(1,701)**	**(388)**	**(2,834)**	**(1,419)**
Forward exchange contracts	1,362	240	3,129	1,930	1,831	390	2,799	1,439
Net exposure	**24**	**(1)**	**(219)**	**10**	**130**	**1**	**(35)**	**20**

The increase of the BRL exposure results from the requirements of the Brazilian operations for the next three years. The decrease of the EUR and SGD exposure is the result of progress on *FPSO Sepetiba*, FPSO *ONE GUYANA, FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*. CNY exposure has been added to the foreign exchange risk as a result of the Company's increased presence in China for FPSOconstruction and hull preparation.

The estimated forecast purchases relate to project expenditure and overhead expenses for up to three years. The main currency exposures of overhead expenses and Brazilian operations are hedged at 100% for the coming year, between 66% and 100% for the year after, and between 33% and 100% for the subsequent year, depending on internal review of the foreign exchange market conditions.

Foreign exchange risk (exchange rates applied)

	2023	2022	2023	2022
	Average rate		Closing rate	
EUR 1	1.0813	1.0530	1.1050	1.0666
SGD 1	0.7445	0.7253	0.7573	0.7459
BRL 1	0.2003	0.1939	0.2061	0.1892
CNY 1	0.1412	0.1488	0.1407	0.1450

The sensitivity on equity and the income statement resulting from a change of 10% of the US dollar's value against the following currencies at December 31, would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2022.

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.

Credit risk

	2023		2022	
Rating	Assets	Liabilities	Assets	Liabilities
AA	32	(9)	55	(34)
AA-	173	(54)	231	(93)
A+	180	(31)	227	(63)
A	30	(3)	69	-
BBB	1	-	1	-
Non-investment grade	-	-	-	-
Derivative financial instruments	**416**	**(97)**	**583**	**(190)**
AAA	153	-	116	-
AA	6	-	51	-
AA-	343	-	311	-
A+	23	-	178	-
A	10	-	10	-
A-	-	-	0	-
Non-investment grade	8	-	16	-
Cash and cash equivalents and bank overdrafts	**543**	**-**	**683**	**-**

The Company maintains and reviews its policy on cash investments and limits per individual counterparty are set to:
- BBB- to BBB+ rating: US$25 million or 10% of cash available.
- A- to A+ rating: US$75 million or 20% of cash available.
- AA- to AA+ rating: US$100 million or 20% of cash available.
- Above AA+ rating: no limit.

As per December 31, 2023, cash investments above AA+ rating do not exceed US$100 million per individual counterparty. Cash held in banks rated A+ has been diversified in cash investments above AA+ rating since year-end.

Cash held in banks rated AA- is mainly linked to cash pledged to loan reimbursements to those same banks. Cash held in banks rated below A- is mainly related to the Company's activities in Brazil (US$8 million). Cash held in Angola has significantly decreased since 2021 following cash repatriation.

For trade debtors, the credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Bank or parent company guarantees are negotiated with customers. Individual risk limits are set based on internal or external ratings, in accordance with limits set by the Management Board. At the date of the financial statements, there are two customers that have an outstanding balance with a percentage over 10% of the total of trade and other receivables. Reference is made to note 4.3.19 Trade and Other Receivables for information on the distribution of the receivables by country and an analysis of the ageing of the receivables. Furthermore, limited recourse project financing removes a significant portion of the credit risk on finance lease receivables.

For other financial assets, the credit quality of each counterpart is assessed, taking into account its credit agency rating when available or a comparable proxy.

Regarding loans to joint ventures and associates, the maximum exposure to credit risk is the carrying amount of these instruments. As the counterparties of these instruments are joint ventures, the Company has visibility over the expected cash flows and can monitor and manage credit risk that mainly arises from the joint venture's final client.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In 2023, the Company again conducted various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion remained that the Company's lease portfolio and the existing financing facilities and overall financing capacity are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients, the Company has considerable time under charters in which to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection.

Liquidity is monitored using rolling forecasts of the Company's liquidity reserves, based on expected cash flows. Flexibility is secured by maintaining availability under committed credit lines.

The table below analyses the Company's non-derivative financial liabilities, derivative financial liabilities and derivative financial assets into relevant maturity groupings, based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for borrowings and derivative financial instruments are based on the USD LIBOR/SOFR 3-month rates as at the reporting date.

Liquidity risk 2023

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
31 December 2023					
Borrowings		436	7,327	6,176	13,939
Lease liabilities		11	44	61	116
Derivative financial liabilities		80	10	-	90
Derivative financial assets		(302)	(539)	(468)	(1,310)
Trade and other payables	4.3.25	1,347	-	-	1,347
Total		**1,572**	**6,841**	**5,769**	**14,182**

Liquidity risk 2022

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
31 December 2022					
Borrowings		2,110	5,885	2,908	10,902
Lease liabilities		13	25	8	46
Derivative financial liabilities		201	52	-	253
Derivative financial assets		(365)	(254)	(185)	(805)
Trade and other payables	4.3.25	1,501	-	-	1,501
Total		**3,459**	**5,708**	**2,730**	**11,897**

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain a capital structure which optimizes the Company's cost of capital while, at the same time, ensuring diversification of sources of external funds.

The Company mainly uses its corporate revolving credit facility (RCF, US$1 billion) and supply-chain financing (SCF, US$54 million) and, going forward, the new revolving credit facility for MPF hulls (US$210 million) to bridge financing requirements on projects under construction prior to putting a dedicated project finance facility in place. When a project finance facility is arranged and draw-downs have started, the RCF is repaid and a corporate guarantee from the Company is put in place for the construction period. When the project facility is drawn in full and the associated FPSO is producing, the corporate guarantee is recovered and the project finance becomes non-recourse debt.

As per December 31, 2023, all the debt associated with operating FPSOs is non-recourse.

The Company has limited appetite to decrease the existing debt in its structure, as this would involve breakage cost, through winding down the hedges and it would decrease the Company's return on equity. From time to time, it may decide to refinance existing facilities in order to increase and/or extend the tenor of leverage subject to sufficient charter tenor and income.

Given the non-recourse nature of a large part of its debt, the Company monitors its capital risk, based on the Lease Backlog Cover Ratio, which is also used by the bank consortium supporting the Company's RCF. Generally, this ratio is calculated as the net present value of the future contracted net cash, after deducting the project finance debt and interest payments of a selected group of FPSO owning entities divided by 1.5 (see note 4.3.23 Borrowings and Lease Liabilities).

The gearing ratios at December 31, 2023 and 2022 were as follows:

Capital risk management

	2023	2022
Total borrowings and lease liabilities	9,291	8,564
Less: net cash and cash equivalents	543	683
Net debt	**8,748**	**7,881**
Total equity	5,531	4,914
Total capital	**14,278**	**12,795**
Gearing ratio	61.3%	61.6%

Climate related risks

The Company has adopted three climate change scenarios to future-proof current strategy and take appropriate action. The scenarios are based on the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) data, as explained in section 5.1.4 Taskforce for Climate-related Disclosure (TCFD):

- The Stated Policies Scenario (STEPS) is designed to provide a sense of the prevailing direction of energy system progression, based on a detailed review of the current policy landscape.
- The Announced Pledges Scenario (APS), illustrates the extent to which announced ambitions and targets can deliver the emissions reductions needed to achieve net zero emissions by 2050.
- The Net Zero Emissions by 2050 Scenario (NZE) is a normative scenario that shows a pathway for the global energy sector to achieve net zero CO_2 emissions by 2050, as per the Paris Agreement.

Through its strategy process, the Company tests the resilience of its portfolio and business model against each of these scenarios. The Company factors in upsides and downsides to demand for new projects in its financial planning depending on various energy transition scenarios. By applying data and these scenarios as included in 1.4.3 Climate Change Risk & Opportunity, the fleet currently operated for its clients will be contributing to energy demand going forward, also in the low case scenarios where fossil energy sees a steeper decline in demand (NZE scenario). The Company does consider that oil & gas supply would be needed in the coming years.

Financial and non-financial information is aligned in order to ensure that the financial impact of climate-related risks is identified. The Company assessed the physical and transitional risks which are disclosed in 1.4.3 Climate Change Risk & Opportunity from a financial statement perspective. Based on the reasonable and supportable information available to date and the outcome of risk assessments, the Company did not identify any circumstances which had an impact on impairment of non-financial assets, provisions or contingent liabilities and assets in the 2023 consolidated financial statements.

Although climate related risks are key drivers of the Company strategy, budgeting exercise, capital allocation and prospects selection, the Company did not experience any significant impact on the financial statements of the period.

The risks will however remain key points of attention for areas such as impairment testing, estimation of remaining useful life, expected credit losses and provisions for future periods.

Other risks

With respect to controlling political risk, the Company has a policy of thoroughly reviewing risks associated with contracts, whether Turnkey or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained.

4.3.28 LIST OF GROUP COMPANIES

In accordance with legal requirements, a list of the Company's entities that are included in the consolidated financial statements of SBM Offshore N.V. has been deposited at the Chamber of Commerce in Amsterdam.

4.3.29 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The Company has several joint ventures and associates:

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2023 main reporting segment	Project name
Sonasing Xikomba Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	*FPSO N'Goma*
OPS-Serviços de Produção de Petróleos Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & Operate	Angola operations
OPS-Serviços de Produção de Petróleos Ltd. Branch	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Angola	Lease & Operate	Angola operations
Sonasing Sanha Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	*FPSO Sanha*
Sonasing Kuito Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & Operate	*FPSO Kuito*
Sonasing Mondo Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	90.00	Bermuda	Lease & Operate	*FPSO Mondo*
Sonasing Saxi Batuque Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.;	Joint venture	90.00	Bermuda	Lease & Operate	*FPSO Saxi-Batuque*
OPS Production Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & Operate	Angola operations
Gas Management (Congo) Ltd.	Maersk group	Joint venture	49.00	Bahamas	Lease & Operate	*Nkossa II FSO*
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & Operate	*FPSO Kikeh*
Malaysia Deepwater Production Contractors Sdn Bhd	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & Operate	*FPSO Kikeh*
Floventis Energy Limited	CIERCO LTD.	Joint venture	70.00	United Kingdom	Turnkey	Cierco
Llŷr Floating Wind Limited	CIERCO LTD.	Joint venture	70.00	Scotland	Turnkey	Cierco
CADEMO Corporation	CIERCO LTD.	Joint venture	70.00	United states of America	Turnkey	Cierco
Normand Installer S.A.	The Solstad group	Joint venture	49.90	Switzerland	Turnkey	Normand Installer
SBM Ship Yard Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Daewoo Shipbuilding & Marine Engineering Co. Ltd.	Associate	33.33	Bermuda	Turnkey	Angolan yard
PAENAL - Porto Amboim Estaleiros Navais Ltda.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; SBM Shipyard	Associate	30.00	Angola	Turnkey	Angolan yard

The Company has no joint operation as per definition provided by IFRS 11 'Joint arrangements'.

The movements in investments in associates and joint ventures are as follows:

	Note	2023	2022
Investments in associates and joint ventures at 1 January		**290**	**361**
Share of profit of equity-accounted investees	4.2.1	19	12
Dividends		(17)	(92)
Cash flow hedges		(2)	9
Capital increase/(decrease)		(0)	-
Foreign currency variations		(0)	1
Share in negative net equity reclassification to loans to joint ventures and associates		-	(1)
Investments in associates and joint ventures at 31 December		**288**	**290**

Share Purchase Agreements signed with Sonangol entities

In July 2023, the Company signed two Share Purchase Agreements with its partner Sonangol EP for (i) the acquisition of Sonangol's equity shares in the lease and operating entities related to FPSOs *N'goma*, *Saxi Batuque* and *Mondo*; and (ii) the full divestment to a Sonangol subsidiary of the Company's equity shares in the parent company of the Angolan based Paenal Yard. Those agreements remain conditional upon several conditions precedent, including consent from clients, lenders, partners and approval by various competent authorities. Therefore, there was no impact considered in the current period from these share purchase agreements.

Outstanding purchase and termination options in finance lease contracts – Joint ventures and associates

The finance lease contract of *FPSO N'Goma*, where the Company is the lessor, includes a call option for the client to purchase the underlying asset or to terminate the contract early. The exercise of the purchase option as per December 31, 2023, would have resulted in a gain for the Company. The exercise of the option to terminate the contract early, in which case the Company retains ownership of the vessel, would result in a gain.

The finance lease contract of *FPSO Kikeh*, where the Company is the lessor, includes a call option for the client to terminate the contract early. The exercise of the option to terminate the contract early, in which case the Company retains ownership of the vessel, would result in a gain.

The following tables present the figures at 100%.

Information on significant joint arrangements and associates – 2023

Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends paid	Revenue
FPSO N'Goma	Angola	668	302	211	190	152	85	-	39
Angola operations	Angola	225	2	20	29	27	203	-	291
FPSO Kikeh	Malaysia	153	89	4	-	10	28	35	71
Angolan yard	Angola	52	(0)	43	588	588	28	-	9
Non material joint ventures/associates		70	48	8	109	104	15	-	0
Total at 100%		**1,167**	**441**	**286**	**917**	**880**	**359**	**35**	**410**

Information on significant joint arrangements and associates – 2022

Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends paid	Revenue
FPSO N'Goma	Angola	722	448	102	259	227	88	155	55
Angola operations	Angola	178	4	10	28	7	172	-	236
FPSO Kikeh	Malaysia	189	117	6	-	5	36	30	74
Angolan yard	Angola	57	(0)	48	556	556	34	(0)	1
Non material joint ventures/associates		70	49	12	101	67	42	-	0
Total at 100%		**1,217**	**618**	**178**	**944**	**862**	**372**	**184**	**367**

The bank interest-bearing loans and other borrowings held by joint ventures and associates are as follows:

Information on loans and borrowings of joint ventures and associates

				Net book value at 31 December 2023			Net book value at 31 December 2022		
Entity name	% Ownership	% Interest	Maturity	Non-current	Current	Total	Non-current	Current	Total
US$ Project Finance facilities drawn:									
Sonasing Xikomba Ltd	50.00	4.10%	15-05-2026	117	73	190	190	69	259
Normand Installer SA	49.90	6.00%	15-12-2026	11	6	16	-	22	22
Loans from subsidiaries of SBM Offshore N.V.[1]				324	-	324	293	7	300
Loans from other shareholders of the joint ventures and associates				368	-	368	341	6	346
Loans from other joint ventures[2]				266	-	266	255	-	255
Net book value of loans and borrowings				**1,086**	**79**	**1,164**	**1,079**	**103**	**1,182**

1 Please refer to note 4.3.16 'Loans to joint-ventures and associates' for presentation of the carrying amount of these loans in the Company's Consolidated Statement of financial position.

2 Mainly loans from the joint ventures SBM Shipyard Ltd to the JV PAENAL - Porto Amboim Estaleiros Navais Ltda.

Aggregated information on joint ventures and associates

	2023	2022
Net result at 100%	2	(18)

Reconciliation equity at 100 % with investment in associates and joint ventures

	2023	2022
Equity at 100%	(72)	(18)
Partner ownership	193	141
Share in negative net equity reclassification to loans to joint ventures and associates	166	166
Investments in associates and joint ventures	**288**	**290**

4.3.30 INFORMATION ON NON-CONTROLLING INTERESTS

The Company has several jointly owned subsidiaries:

Entity name	Partners	% of ownership	Country registration	2023 main reporting segment	Project name
Aseng Production Company Ltd.	GE Petrol	60.00	Cayman island	Lease & Operate	*FPSO Aseng*
Gepsing Ltd.	GE Petrol	60.00	Cayman island	Lease & Operate	*FPSO Aseng / FPSO Serpentina*
Gepsing Ltd - Equatorial Guinea Branch	GE Petrol	60.00	Equatorial Guinea	Lease & Operate	*FPSO Aseng / FPSO Serpentina*
Brazilian Deepwater Production Ltd.	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & Operate	*FPSO Espirito Santo*
Brazilian Deepwater Production Contractors Ltd.	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & Operate	*FPSO Espirito Santo*
Brazilian Deepwater Production B.V.	Malaysia International Shipping Corporation Behard	51.00	The Netherlands	Lease & Operate	*FPSO Espirito Santo*
Operações Marítimas em Mar Profundo Brasileiro Ltda	Owned by Brazilian Deepwater Production Contractors (see information above)	51.00	Brazil	Lease & Operate	*FPSO Espirito Santo*
Alfa Lula Alto S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Luxembourg	Turnkey	*FPSO Cidade de Marica*

Entity name	Partners	% of ownership	Country registration	2023 main reporting segment	Project name
Alfa Lula Alto Holding Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Bermuda	Lease & Operate	*FPSO Cidade de Marica*
Alfa Lula Alto Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	*FPSO Cidade de Marica*
Alfa Lula Alto S.à r.l. (Brazilian branche)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	*FPSO Cidade de Marica*
Beta Lula Central S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Luxembourg	Turnkey	*FPSO Cidade de Saquarema*
Beta Lula Central Holding Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Bermuda	Lease & Operate	*FPSO Cidade de Saquarema*
Beta Lula Central Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	*FPSO Cidade de Saquarema*
Beta Lula Central S.à r.l. (Brazilian branche)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	61.00	Brazil	Lease & Operate	*FPSO Cidade de Saquarema*
Tupi Nordeste S.à.r.l.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Luxembourg	Lease & Operate	*FPSO Cidade de Paraty*
Tupi Nordeste Operações Marítimas Ltda.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Brazil	Lease & Operate	*FPSO Cidade de Paraty*
Tupi Nordeste Holding Ltd.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Bermuda	Lease & Operate	*FPSO Cidade de Paraty*
Tupi Nordeste S.à r.l. (Brazilian branche)	Nippon Yusen Kabushiki Kaisha; Itochu Corporation	63.13	Bermuda	Lease & Operate	*FPSO Cidade de Paraty*
Guara Norte S.à.r.l.	Mitsubishi Corporation	75.00	Luxembourg	Lease & Operate	*FPSO Cidade de Ilhabela*
Guara Norte Holding Ltd.	Mitsubishi Corporation	75.00	Bermuda	Lease & Operate	*FPSO Cidade de Ilhabela*
Guara Norte Operações Marítimas Ltda.	Mitsubishi Corporation	75.00	Brazil	Lease & Operate	*FPSO Cidade de Ilhabela*
Guara Norte S.à r.l. (Brazilian branche)	Mitsubishi Corporation	75.00	Brazil	Lease & Operate	*FPSO Cidade de Ilhabela*
Mero 2 Operacoes Maritima Ltd.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	Brazil	Lease & Operate	*FPSO Sepetiba*
Mero 2 Operacoes Holding S.A.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	Switzerland	Lease & Operate	*FPSO Sepetiba*
Mero 2 Owning B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	The Netherlands	Lease & Operate	*FPSO Sepetiba*
Mero 2 B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	The Netherlands	Lease & Operate	*FPSO Sepetiba*
MERO 2 B.V. (Brazilian Branch)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	64.50	The Netherlands	Lease & Operate	*FPSO Sepetiba*
YTSM JV S.A.	CB&I Nederland B.V.	70.00	Switzerland	Lease & Operate	FPSO *ONE GUYANA*
Tamandare Owning B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	The Netherlands	Lease & Operate	*FPSO Almirante Tamandaré*
Tamandare B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	The Netherlands	Lease & Operate	*FPSO Almirante Tamandaré*
Tamandare Operations Holding S.A.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	Switzerland	Lease & Operate	*FPSO Almirante Tamandaré*
Tamandaré Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	Brazil	Lease & Operate	*FPSO Almirante Tamandaré*

Entity name	Partners	% of ownership	Country registration	2023 main reporting segment	Project name
MERO 4 Owning B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	The Netherlands	Lease & Operate	*FPSO Alexandre de Gusmão*
MERO 4 B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	The Netherlands	Lease & Operate	*FPSO Alexandre de Gusmão*
Mero 4 Operations Holding S.A.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	Switzerland	Lease & Operate	*FPSO Alexandre de Gusmão*
Mero 4 Operações Marítimas Ltda.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	Brazil	Lease & Operate	*FPSO Alexandre de Gusmão*
NOVA EAST WIND INC.	Micantia Wind Inc - DP Global Energy Limited	90.00	Canada	Turnkey	Atlantic Canada
Tamandare BV (Brazilian Branch)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	Brazil	Lease & Operate	*FPSO Almirante Tamandaré*
MERO 4 BV (Brazilian Branch)	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	Brazil	Lease & Operate	*FPSO Alexandre de Gusmão*

Transaction with non-controlling interests

The US$255 million reported in 4.2.4 Consolidated Statement of Changes in Equity mainly relates to multiple equity contributions from the partners in the subsidiaries Mero 2, Mero 4 and Tamandaré, related to respectively *FPSO Sepetiba*, *FPSO Alexandre de Gusmão* and *FPSO Almirante Tamandaré*, out of which US$235 million were cash transactions.

During 2023, the Company acquired the remaining shareholding in SBM Nauvata Private Limited. The Company already exercised control over the investees and now has full ownership over the entity. The transaction was directly booked within equity with a reattribution from non-controlling interests to equity attributable to shareholders. For more information, refer to note 4.3.25 Trade and Other Payables.

Information on non-controlling interests (NCI)

Included in the consolidated financial statements are the following items that represent the Company's interest in the revenues, assets and loans of the partially owned subsidiaries.

Figures are presented at 100% before elimination of intercompany transactions.

2023

Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends to NCI	Revenue
FPSO Aseng / FPSO Serpentina	Equatorial Guinea	118	41	23	0	0	33	8	104
FPSO Espirito Santo	Brazil	151	71	18	97	110	95	-	57
FPSO Cidade de Marica	Brazil	1,512	1,311	68	672	544	185	10	210
FPSO Cidade de Saquarema	Brazil	1,481	1,326	26	820	712	150	16	204
FPSO Cidade de Paraty	Brazil	985	826	9	20	3	71	26	168
FPSO Cidade de Ilhabela	Brazil	1,320	1,122	63	720	672	120	21	203
FPSO Sepetiba	Brazil	2,070	154	8	1,425	1,438	218	-	213
FPSO Almirante Tamandaré	Brazil	1,745	26	23	911	1,005	10	-	513
FPSO Alexandre de Gusmão	Brazil	1,815	0	27	1,017	1,134	36	-	773
FPSO *ONE GUYANA*	Guyana	237	12	0	-	2	196	-	752
Non material NCI		18	4	2	3	2	5	-	0
Total 100%		**11,450**	**4,895**	**268**	**5,685**	**5,622**	**1,119**	**81**	**3,197**

2022

Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities	Dividends to NCI	Revenue
FPSO Aseng / FPSO Serpentina	Equatorial Guinea	124	57	16	0	0	30	9	93
FPSO Espirito Santo	Brazil	130	66	15	114	114	76	7	45
FPSO Cidade de Marica	Brazil	1,577	1,388	71	793	675	174	-	190
FPSO Cidade de Saquarema	Brazil	1,557	1,405	39	922	820	145	10	202
FPSO Cidade de Paraty	Brazil	1,058	901	58	92	0	126	-	156
FPSO Cidade de Ilhabela	Brazil	1,366	1,201	63	764	720	95	14	185
FPSO Sepetiba	Brazil	2,105	170	28	1,397	1,500	151	-	219
FPSO Almirante Tamandaré	Brazil	1,296	-	41	632	56	663	-	1,019
FPSO Alexandre de Gusmão	Brazil	1,002	-	15	618	62	652	-	880
FPSO *ONE GUYANA*	Guyana	196	1	0	-	10	190	-	492
Non material NCI		18	4	2	4	3	7	-	0
Total 100%		**10,428**	**5,192**	**347**	**5,335**	**3,959**	**2,309**	**40**	**3,482**

Reference is made to note 4.3.23 Borrowings and Lease Liabilities for a description of the bank interest-bearing loans and other borrowings per entity.

The risks associated with interests in subsidiaries, joint ventures and associates are described in section 4.3.27 Financial Instruments – Fair Values and Risk Management.The risks identified are deemed to be inherent to the operations of the Company as a whole and includes the risk profiles of interests in other entities.

Included in the consolidated financial statements are the following items that represent the aggregate contribution of the partially owned subsidiaries to the Company consolidated financial statements:

Interest in non-controlling interest (summary)

	2023	2022
Net result	123	105
Accumulated amount of NCI	1,797	1,517

Reconciliation equity at 100 % with Non-controlling interests on partially owned subsidiaries

	2023	2022
Equity at 100%	4,709	4,159
Company ownership	(2,912)	(2,642)
Accumulated amount of NCI	**1,797**	**1,517**

4.3.31 RELATED PARTY TRANSACTIONS

During 2023, the Company made equity contributions towards investees, related to *FPSO Almirante Tamandaré, FPSO Sepetiba*, *FPSO Alexandre de Gusmão* and *FPSO Espirito Santo* (combined US$321 million) projects. There were no other major related party transactions requiring additional disclosure in the consolidated financial statements.

For relations with Supervisory Board members, Management Board members and other key personnel reference is made to note 4.3.6 Employee Benefit Expenses.

The Company has transactions with joint ventures and associates which are recognized as follows in the Company's consolidated financial statements:

Related party transactions

	Note	2023	2022
Revenue		48	16
Cost of sales		(17)	(17)
Loans to joint ventures and associates	4.3.16	41	52
Trade receivables		125	70
Trade payables		16	12

The Company has provided loans to joint ventures and associates such as shareholder loans and funding loans at rates comparable to the commercial rates of interest.

During the period, the Company entered into trading transactions with joint ventures and associates on terms equivalent to those that prevail in arm's-length transactions.

Additional information regarding the joint ventures and associates is available in note 4.3.29 Investment in Associates and Joint Ventures.

4.3.32 INDEPENDENT AUDITOR'S FEES AND SERVICES

Fees included in other operating costs related to PwC, the 2023 and 2022 Company's external independent auditor, are summarized as follows:

in thousands of US$	2023	2022
Audit of financial statements	3,789	2,883
Out of which:		
- invoiced by PwC Accountants N.V.	2,367	1,849
- invoiced by PwC network firms	1,422	1,034
Tax advisory services by PwC network firms	34	66
Other assurance services	153	165
Total	**3,976**	**3,114**

In both 2023 and 2022, the other assurance services were mainly related to the review of the Company sustainability report. No other non-assurance services were conducted.

4.3.33 EVENTS AFTER END OF REPORTING PERIOD

DIVIDEND AND SHARE REPURCHASE PROGRAM

The Company is evolving its shareholder return policy as follows: "The Company's shareholder return policy is to maintain a stable annual cash return to shareholders which grows over time, with flexibility for the Company to make such cash return in the form of a cash dividend and the repurchase of shares. Determination of the annual cash return is based on the Company's assessment of its underlying cash flow position. The Company prioritizes a stable cash distribution to shareholders and funding of growth projects, with the option to apply surplus capital towards incremental cash returns to shareholders." The policy will be presented for discussion at the Annual General Meeting on April 12, 2024.

As a result, following review of its cash flow position and forecast, the Company intends to pay a total cash return to shareholders of US$220 million in 2024. This represents an increase of 12% compared with the dividend paid in 2023. The cash return is to be composed of a proposed dividend of US$150 million (equivalent to c. US$0.83 per share[6]) combined with a EUR65 million (US$70 million equivalent[7]) share repurchase program. Shares repurchased as part of the cash return will be cancelled. The share repurchase program will be launched on March 1, 2024 and the dividend will be proposed at the Annual General Meeting on April 12, 2024. Going forward, the Company intends to maintain a material level of dividend as part of the annual cash return with US$150 million as a base level.

FPSO SEPETIBA PRODUCING AND ON HIRE

On January 5, 2024, SBM Offshore announced that *FPSO Sepetiba* was formally on hire as of January 2, 2024, after achieving first oil and the completion of a 72-hour continuous production test, leading to Final Acceptance by the customer (Petrobrás). Accordingly, as from that date, the lease of *FPSO Sepetiba* will commence and the contract asset related to this unit will be reclassified to finance lease receivables.

[6] Based on the number of shares outstanding at December 31, 2023. Dividend amount per share depends on number of shares entitled to dividend. The proposed ex-dividend date is April 16, 2024.
[7] Based on the foreign exchange rate on February 22, 2024.

4.4 COMPANY FINANCIAL STATEMENTS

4.4.1 COMPANY BALANCE SHEET

Company balance sheet

Before appropriation of profit	Notes	31 December 2023	31 December 2022
ASSETS			
Financial fixed assets	4.5.1	3,701	3,302
Total fixed assets		**3,701**	**3,302**
Receivables	4.5.2	44	102
Cash and cash equivalents	4.5.3	1	1
Total current assets		**45**	**103**
TOTAL ASSETS		**3,746**	**3,405**
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		50	48
Share premium reserve		1,007	1,007
Treasury shares		(26)	(42)
Legal reserves	4.5.4	2,052	1,860
Statutory reserves	4.5.4	26	26
Retained earnings	4.5.4	133	48
Profit of the year	4.4.2	491	450
Shareholders' equity	4.5.4	**3,733**	**3,397**
Provisions	4.5.5	1	1
Total non-current liabilities		**1**	**1**
Current liabilities	4.5.6	12	7
Total current liabilities		**12**	**7**
TOTAL EQUITY AND LIABILITIES		**3,746**	**3,405**

4.4.2 COMPANY INCOME STATEMENT

Company income statement

For the years ended 31 December	Note	2023	2022
Revenue	4.5.6	4	5
General and administrative expenses	4.5.8	(41)	(33)
Operating profit/(loss) (EBIT)		**(37)**	**(28)**
Other operating expense	4.5.5	-	(1)
Financial income	4.5.9	2	0
Financial expenses	4.5.9	0	(0)
Profit/(Loss) before income tax		**(35)**	**(29)**
Income tax expense	4.5.10	(3)	-
Result of Group companies	4.5.1	529	479
Profit/(Loss) after income tax		**491**	**450**

4.4.3 GENERAL

The Company financial statements are part of the 2023 financial statements of SBM Offshore N.V. Reference is made to section 4.2.6 General Information for additional details on the Company.

SBM Offshore N.V. costs mainly comprise of management activities and cost of the headquarters office at Schiphol, of which part is recharged to Group companies.

PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

The stand-alone financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). SBM Offshore N.V. uses the option provided in section 2:362 (8) of the Dutch Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of SBM Offshore N.V. are the same as those applied for the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. The consolidated financial statements are prepared according to the standards set by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to the notes to the consolidated financial statements ('4.2.7 Accounting Principles') for a description of these principles.

Investments in group companies, over which control is exercised, are stated on the basis of the net asset value. In the event that 20% or more of the voting rights can be exercised, it may be assumed there is control.

Results on transactions, involving the transfer of assets and liabilities between SBM Offshore N.V. and its participating interests or between participating interests themselves, are not incorporated insofar as they are deemed to be unrealized.

The Company recognized income tax expense for financial year 2023, to that extent tax related disclosures are included whereby the comparative figures are reinstated. Taxation information, including deferred tax assets and income tax expense, is presented in note 4.5.1.2 Deferred tax assets and 4.5.10 Income tax expense.

4.5 NOTES TO THE COMPANY FINANCIAL STATEMENTS

4.5.1 FINANCIAL FIXED ASSETS

4.5.1.1 INVESTMENT IN GROUP COMPANIES

The movements in the item Investment in Group companies are as follows:

	2023	2022
Investments net value at 1 January	**3,299**	**2,582**
Result of Group companies	529	479
Capital contributions	0	-
Capital repayments	(137)	(159)
Dividends received	(9)	(121)
Other changes[1]	25	520
Foreign currency variations	(7)	(2)
Movements	**402**	**717**
Investments net value at 31 December	**3,701**	**3,299**

1 Mainly relates to Cash flow hedges and transaction with non-controlling interests (please refer to note 4.2.4 'Company's Consolidated Statement of changes in equity).

An overview of the information on principal subsidiary undertakings required under articles 2: 379 of the Dutch Civil Code is given below. The subsidiaries of SBM Offshore N.V. are the following (all of which are 100% owned):

- SBM Offshore Holding B.V., Amsterdam, the Netherlands
- SBM Holding Inc. S.A., Marly, Switzerland
- SBM Holding Luxembourg S.à.r.l, Luxembourg, Luxembourg
- SBM Schiedam B.V., Rotterdam, the Netherlands
- SBM Holland B.V., Rotterdam, the Netherlands
- FPSO Capixaba Holding B.V., 's-Gravenhage, the Netherlands

4.5.1.2 DEFERRED TAX ASSETS

SBM Offshore N.V. is head of a fiscal unity in which all Dutch entities are included, except for the entities that are held by SBM Holding Inc. S.A. and the joint venture entities. For more details refer to note 4.4.3 General. The movement in deferred tax assets is as follows:

	2023	2022
Deferred tax at 1 January	3	3
Deferred tax effect on unrecognized tax losses for current year	2	-
Deferred tax effect on unrecognized tax losses in respect of prior year(s)	(5)	-
Foreign currency variations	0	-
Total movements	**(3)**	**-**
Deferred tax at 31 December	**-**	**3**

As of year-end 2023 the Company has re-assessed its recoverability of the deferred tax asset of the fiscal unity and increased the valuation allowance to cover the full deferred tax asset. As a result the net deferred tax asset recognized amounts to nil (2022: US$3 million).

4.5.2 RECEIVABLES

	31 December 2023	31 December 2022
Trade receivables	0	0
Amounts owed by Group companies	42	100
Other debtors	2	2
Total	**44**	**102**

Other receivables fall due in less than one year. The fair value of the receivables reasonably approximates the book value, due to their short-term character.

As at December 31, 2023, the Company has a receivable due from SBM Holding Inc. S.A. (the cash pool leader of SBM Offshore group) amounting to US$42 million (2022: receivable amounting to US$100 million). The lending conditions applied to the outstanding amounts between the cash pool leader and the Company are as follows:

- Fixed fee: The cash pool leader charges a handling fee of 0.075% (2022: 0.075%) to the Company; and
- Interest rate: Any receivable and payable balance that is outstanding for more than 90 days is subject to an interest rate of 3.00% (2022: 0.50%). Depending on whether it is a receivable or a payable balance, it will be either in favor of the Company or in favor of the cash pool leader.

Intercompany receivable from group companies outside of the cash pool are free of interest. In respect of repayment, no formal agreements have been made.

4.5.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are at SBM Offshore N.V.'s free disposal.

4.5.4 SHAREHOLDERS' EQUITY

The shareholders' equity in the parent company financial statements equals the equity attributable to common shareholders presented in the consolidated financial statements, except for legal and statutory reserves. The currency translation reserve, cash flow hedging reserve, capitalized development expenditure and investees equity non-distributable reserve are legal reserves that are required by Dutch law. Furthermore, on the statutory reserves, pursuant to the Company's Articles of Association, a 'Protective Preference Shares' reserve is required to be maintained by the Company.

Legal reserve

	31 December 2023	31 December 2022
Investees equity non-distributable	1,747	1,609
Capitalized development expenditure	142	109
Translation reserve	(105)	(102)
Cash flow hedges	268	244
Total	**2,052**	**1,860**

The 'Investees equity non-distributable' legal reserve relates mainly to non-distributable profits generated by the co-owned entities (refer to note 4.3.29 Investment in Associates and Joint Ventures and 4.3.30 Information on Non-controlling Interests). The agreed principle in the applicable shareholders' agreements is that the shareholders shall procure that any available reserves are distributable after paying any expenses due and taking into account co-owned entity and applicable legal requirements. However, as unanimous decision of shareholders agreements in most of the co-owned entities is required to distribute the profits generated, the equity of these entities is classified as a non-distributable reserve under Dutch guidelines for financial reporting. On a regular basis, the Company ensures that dividends are approved by the partners and distributed accordingly to the shareholders.

Legal reserve for investees equity non-distributable

	2023	2022
Balance at 1 January	1,609	1,511
Movements in financial year	138	98
Balance at 31 December	1,747	1,609

Legal reserve for capitalized development expenditure

	2023	2022
Balance at 1 January	109	75
Additions	38	38
Amortization	(5)	(3)
Foreign currency variation	0	-
Other movements	(0)	-
Balance at 31 December	**142**	**109**

The legal reserve for 'investees equity non-distributable' and 'capitalized development expenditure' are formed by withdrawal from the distributable retained earnings. In the event of depreciation or impairment, the capitalized development expenditure will be reduced by adding it to the retained earnings reserves in the amount of the depreciation or impairment.

If either the currency translation reserve or the cash flow hedging reserve has a negative balance, distributions from the retained earnings cannot be made to the Company's shareholders equivalent to the amount of that negative balance.

Statutory reserve

The Management Board, with the approval of the Supervisory Board, has granted a call option to Stichting Continuïteit SBM Offshore to acquire a number of preference shares. As of October 1, 2022, and with reference to articles 5.5 and 5.6 of the Articles of Association of the Company, a 'Protective Preference Shares' reserve amounting to US$26 million (2022: US$26 million) was created at the expense of the share premium reserve at the level of the Company. If and when Stichting Continuiteït SBM Offshore would exercise the call option to acquire preference shares, these preference shares may also be paid-up from the reserve of the Company. In addition to the legal reserves, distributions to the Company's shareholders are restricted to the amount of the statutory reserves.

Retained earnings

The 'Retained earnings' also includes the 'IFRS 2 share-based payments' amounting to US$25 million (2022: US$21 million). The 'IFRS 2 share-based payments' granted but still unvested are non-distributable by nature.

The Company's total equity, as at December 31, 2023, is US$3,733 million, out of which US$2,052 million relates to legal reserves and US$26 million relates to the statutory reserves (December 31, 2022: Total equity of US$3,397 million, out of which US$1,860 million relates to legal reserves and US$26 million relates to the statutory reserves). For more information on the dividends on common shares, reference is made to note 4.3.12 Dividends paid and proposed.

For an explanation of the shareholders' equity, reference is made to note 4.2.4 Consolidated Statement of Changes in Equity and note 4.3.22 Equity Attributable to Shareholders.

PROPOSED APPROPRIATION OF RESULT

With the approval of the Supervisory Board, it is proposed that the result shown in SBM Offshore N.V. income statement be appropriated as follows (in US$):

Appropriation of result

	2023
Profit/(Loss) attributable to shareholders	491
In accordance with note 4.7.1 to be transferred to the 'Retained earnings'	491
At the disposal of the General Meeting	**-**

It is proposed that US$150 million of retained earnings is distributed among the shareholders. Please refer to note 4.3.33 Events After End of Reporting Period.

4.5.5 PROVISIONS

On June 21, 2022 the district court in Rotterdam delivered its decision in the case between the Company and the AFM (Dutch Authority for the Financial Markets) relating to certain public disclosures made by the Company in the period from 2012-2014. The court has honored the position of the Company in relation to two disclosures and reduced the fine to US$1 million.

On August 1, 2022, the AFM filed an appeal with the Trade and Industry Appeals Tribunal (College van Beroep voor het bedrijfsleven, CBB) against the Rotterdam District Court's ruling in respect of alleged violations 1 and 2 (the principal appeal). On January 5, 2023, SBM Offshore filed its response to the AFM's appeal and additionally, filed an appeal with the Trade and Industry Appeals Tribunal against the Rotterdam District Court's ruling in respect of alleged violations 3 and 4 (the incidental appeal). On May 25, 2023, the AFM has filed its reply to SBM Offshore's appeal. SBM Offshore is currently awaiting the listing of the hearing, which SBM Offshore's lawyers expect to happen during the 3rd quarter of 2024.

4.5.6 CURRENT LIABILITIES

	31 December 2023	31 December 2022
Trade payables	0	0
Taxation and social security costs	0	0
Other liabilities	12	7
Total current liabilities	**12**	**7**

The other current liabilities fall due in less than one year. The fair value of other current liabilities approximates the book value, due to their short-term character.

4.5.7 REVENUE

The revenue comprises of management fees charged to Group company Single Buoy Moorings Inc. S.A. which is the main EPC contractor.

4.5.8 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Employee Benefits	(25)	(26)
Other costs	(16)	(7)
Total	**(41)**	**(33)**

The employee benefits include the Management Board remuneration, and recharge of other personnel costs at the headquarters, as well as share-based payments for the entire Group. For further details on the Management Board remuneration, reference is made to note 4.3.6 Employee Benefit Expenses.

The other costs include audit fees, legal, compliance, corporate governance and investor relation costs. For the audit fees reference is made to note 4.3.32 Independent Auditor's Fees and Services.

4.5.9 FINANCIAL INCOME AND EXPENSES

The financial income and expenses relate mainly to foreign currency results and interest charged to and by Group companies to SBM Offshore N.V.

4.5.10 INCOME TAX EXPENSE

The numerical reconciliation between the applicable and effective tax rate is as follows:

	2023	2022
Result before tax of the Company for current year	(35)	(29)
Corporate income tax against applicable rate (25.8%)	**9**	**8**
Results allocated by the members to the Company for current year	(2)	(2)
Non-deductible costs	(5)	(5)
Adjustments in respect of prior year(s)	(0)	-
Profits from foreign operations	(0)	-
Deferred tax effect on unrecognized tax losses for current year	(2)	(1)
Deferred tax effect on unrecognized tax losses in respect of prior year(s)	(3)	-
Total corporate income tax	**(3)**	**-**
Effective corporate income tax rate	**(8%)**	**0%**

The Company is the head of the fiscal unity for the Dutch corporate income tax (refer to 4.5.11 Commitments and Contingencies), where the Company will bear the burden of the corporate income tax charge, based on the taxable income of the fiscal unity, taking into account the losses available for set-off from the previous financial years, exempt profit components and after the addition of non-deductible costs that are attributable to the Netherlands.

The applicable Dutch corporate income tax rate for taxable income up to EUR 200 thousand (2022: EUR 395 thousand) is 19% (2022: 15%) and 25.8% (2022: 25.8%) for profits that exceed EUR 200 thousand (2022: EUR 395 thousand). The effective corporate income tax rate is -8% (2022: 0%).

4.5.11 COMMITMENTS AND CONTINGENCIES

COMPANY GUARANTEES

SBM Offshore N.V. has issued a limited number of parent company guarantees with respect to long-term lease/operate contracts which have all been signed prior to 2010. Please refer to note 4.3.26 Commitments and Contingencies.

FISCAL UNITY

SBM Offshore N.V. is head of a fiscal unity in which all Dutch entities are included, except for the entities that are held by SBM Holding Inc. S.A. and the joint venture entities. All tax liabilities and tax assets are transferred to the fiscal unity parent, however all members of the fiscal unity can be held liable for all tax liabilities concerning the fiscal unity.

Corporate income tax is levied at the head of the fiscal unity, based on the fiscal results allocated by the members to SBM Offshore N.V., taking into account an allocation of the benefits of the fiscal unity to the different members. The settlement amount, if any, is equal to the corporate income tax charge included in the Company income statement.

4.5.12 DIRECTORS' REMUNERATION

For further details on the Directors remuneration, reference is made to note 4.3.6 Employee Benefit Expenses of the consolidated financial statements.

4.5.13 NUMBER OF EMPLOYEES

There were no employees during the year under review (2022: none).

4.5.14 INDEPENDENT AUDIT FEES

For the audit fees relating to the procedures applied to SBM Offshore N.V. and its consolidated group entities by accounting firms and an external independent auditor, reference is made to note 4.3.32 Independent Auditor's Fees and Services of the consolidated financial statements.

4.5.15 EVENTS AFTER END OF REPORTING PERIOD

For information about the subsequent events, reference is made to section 4.3.33 Events After End of Reporting Period of the notes to the consolidated financial statements.

Schiphol, the Netherlands
February 28, 2024

Management Board
Bruno Chabas, Chief Executive Officer
Øivind Tangen, Chief Operating Officer
Douglas Wood, Chief Financial Officer

Supervisory Board
Roeland Baan, Chair
Bernard Bajolet, Vice-Chair
Ingelise Arntsen
Allard Castelein
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4.6 INDEPENDENT AUDITOR'S REPORT

To: the general meeting and the supervisory board of SBM Offshore N.V.

Report on the audit of the financial statements 2023

Our opinion

In our opinion:
- the consolidated financial statements of SBM Offshore N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2023 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of SBM Offshore N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2023 of SBM Offshore N.V., Amsterdam as included in sections 4.2 up to and including 4.5 of the annual report. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2023;
- the following statements for 2023: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

The company financial statements comprise:
- the Company balance sheet as at 31 December 2023;
- the Company income statement for the year then ended; and
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of SBM Offshore N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risks and the audit approach going concern was addressed in this context, and we do not provide separate opinions or conclusions on these matters.

Overview and context

SBM Offshore N.V. serves the offshore oil and gas industry where the main activity is to design, supply, install, operate and maintain Floating Production, Storage and Offloading (FPSO) vessels. This includes the construction and the leasing and operating of large and complex FPSOs. The Group is comprised of several components and, therefore, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition impacts of climate-related risks.

In paragraph 4.2.7 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant judgements, estimation of uncertainty and the related higher inherent risks of material misstatement in construction contracts, we considered these matters as a key audit matter as set out in the section 'Key audit matters' of this report.

In paragraph 4.3.10 and 4.3.17 of the financial statements, the Company described the expected impact on the fiscal position of the GloBE Pillar Two model rules and the business re-alignment on deferred taxes. Given the complexity and nature of the agreement with the Swiss tax authorities, in relation to the business re-alignment, significant judgements, estimation of uncertainty and the related higher inherent risks of material misstatement, we considered these matters as a key audit matter as set out in the section 'Key audit matters' of this report.

SBM Offshore N.V. assessed the possible effects of climate change and its plans to meet the emissionZERO® commitments on its financial position. In paragraph 1.4.2 and 1.4.3 of the annual report and 4.3.27 of the consolidated financial statements, the management board reflects on climate-related risks and opportunities. The management board concluded that based on their reasonable and supportable information available to date and the outcome of risk assessments, the Company did not identify any circumstances which had an impact on impairment of non-financial assets, provisions or contingent liabilities and assets as of 31 December 2023. It is the management board's assessment that the climate related risks will however remain key points of attention for areas such as impairment testing, estimation of remaining useful life, expected credit losses and provisions. As part of our audit procedures, we discussed management board's climate change scenarios and governance thereof and evaluated the potential impact on the financial position. During the audit we involved our sustainability specialists to assess the climate-related risks. Based on our discussions and evaluation as described above, we had no indication that climate change is a key audit matter or that it impacted our key audit matters.

Other areas of focus, that were not considered as key audit matters, were the valuation of finance lease receivables and segment reporting disclosure. There were also internal control matters identified relating to the IT environment and IT migration to the new ERP system ('IFS') that required additional audit effort, but these were not considered key audit matters.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of a Company providing floating production solutions to the offshore energy industry over the full product lifecycle. We included members with relevant industry expertise and specialists in the areas of IT, corporate income tax, valuation, sustainability and employee benefits in our audit team. We also involved forensic specialists in our assessment of fraud risk factors.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: US$30 million

Audit scope

- We conducted audit work in four locations on four components.
- We conducted the group audit from the Netherlands and Portugal. Site visits were conducted in three countries – Monaco, Portugal and Switzerland.
- Audit coverage: 100% of consolidated revenue, 99% of consolidated total assets and 94% of consolidated profit before tax.

Key audit matters

- Estimates and judgements in construction contracts.
- Impact of business re-alignment on deferred taxes and future impact of Pillar Two.

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	US$30 million (2022: US$30 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of profit before income tax.
Rationale for benchmark applied	We used this benchmark and the rule of thumb (%), based on our analysis of the common information needs of the users of the financial statements, including factors such as the headroom on covenants and the financial position of the Group. On this basis, we believe that profit before tax is an important metric for the financial performance of the Group.
Component materiality	Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between US$21 million and US$27 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above US$10 million (2022: US$10 million) for balance sheet reclassifications and US$3.0 million for profit before tax impact (2022: US$3.0 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

SBM Offshore N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of SBM Offshore N.V.

We tailored the scope of our audit to ensure that we, in aggregate, performed sufficient work on the financial statements to enable us to provide an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit is focused on two components in Monaco (Turnkey as well as Operations) and the treasury department in Marly, Switzerland. Additionally, the Group Corporate Departments located in Amsterdam, the Netherlands and Porto, Portugal, were part of the group scope. During 2023, the management performed restructuring of the Group Corporate Department. As part of the restructuring process, SBM Offshore N.V. created a corporate and business solutions center ("CBSC") in Porto, Portugal, where a number of significant Group Corporate functions were transferred from Amsterdam, the Netherlands, to the new location. From the management board's perspective, the split did not impact the reporting structure process and therefore, CBSC is part of the Group Corporate function and not considered to be a separate component.

The Turnkey as well as Operations components in Monaco were subject to audits of their complete financial information as those components are individually financially significant to the Group.

The processes and financial statement line items managed by the treasury department in Marly, Switzerland, were subject to specified audit procedures

The group engagement team performed audit work on specified balances to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	**100%**
Total assets	**99%**
Profit before tax	**94%**

None of the remaining components represented more than 1% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the components in Monaco and the treasury department in Marly, Switzerland, we used component auditors who are familiar with the local laws and regulations to perform the audit work. The audit was performed both remotely and at client offices. For the key meetings and audit procedures both the group and component engagement teams visited the client offices. For remote audit procedures we used video conferencing and digital sharing of screens and documents.

Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality, and the scope of the work. We explained to the component audit teams the structure of the Group, the main developments that were relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams both during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, that could be of relevance for the consolidated financial statements.

The group engagement team visited both the Turnkey as well as Operations components in Monaco given the importance of these components for the consolidated financial statements as a whole and judgements involved in the estimates in construction contracts (refer to the respective key audit matter). For the components in Monaco, we reviewed selected working papers of the respective component auditors. Additionally, the group engagement team also visited the treasury department in Marly, Switzerland, and reviewed selected working papers of the component auditor.

The audit work on the Group Corporate Departments was performed by the group engagement team. In addition to the work on the Group Corporate Departments component, the group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex accounting matters at the headquarters. These included impairment assessments, accounting implication assessments of new contracts, share-based payments, taxes including deferred taxes and uncertain tax provisions and directional reporting as part of the segment reporting disclosures.

By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of SBM Offshore N.V. and its environment and the components of the system of internal control. This included the management board's risk assessment process, the management board's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risks assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the management board and the supervisory board whether they are aware of any actual or suspected fraud.

As part of our process of identifying fraud risks, we, in co-operation with our forensic specialists, evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	*Our audit work and observations*
Management override of controls	
Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls in: • Journal entries and other adjustments made in the preparation of the financial statements. • Estimates. • Significant transactions, if any, outside the normal course of business for the Company.	Where relevant to our audit, we evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and assessed the effectiveness of the measures in the processes generating journal entries, making estimates, and monitoring projects. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. We performed journal entry testing procedures on the following criteria: unexpected account combinations, unusual words, unusual times and unexpected users. In addition, we also tested manual consolidation adjustments. With regard to management's accounting estimates, we evaluated key estimates and judgements for bias, including retrospective reviews of prior year's estimates. We performed substantive audit procedures for the estimates in revenue and construction contracts and deferred taxes. Please refer to key audit matters, sections "Key audit matters "Estimates and judgements in construction contracts", and "Impact of business re-alignment on deferred taxes and future impact of Pillar Two". No significant transactions and neither an indication, outside of the normal course of business, were identified as part of our audit work. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

Identified fraud risks	*Our audit work and observations*
Risk of fraud in revenue recognition – construction contracts	
Given the listed status of SBM Offshore N.V., the significant shareholdings of management in SBM Offshore N.V. as a result of share-based payment plans and financial targets for management, the complex nature of the Company's construction contracts and the significant judgements and estimates, revenue recognition of construction contracts was particularly subject to the risk of a material misstatement due to fraud. The determination of the turnkey segment result based on over time recognition requires significant judgement and management could use this estimate to manipulate the figures to shift between year(s). Due to this, we deem the risk significant for the cut-off and accuracy assertion for revenue.	Where relevant to our audit, we assessed the design of the internal control measures and the effectiveness of these measures in the processes for recording costs and revenues relating to construction contracts. This includes project forecasting, measurement of the progress towards complete satisfaction of the performance obligation to determine the timing of revenue recognition and the Company's internal project reviews. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. With respect to the satisfaction of the performance obligations over time and the cut-off and accuracy for individual projects under construction, we examined, discussed, and challenged project documentation on the status, progress, and forecasts with management and legal, finance and technical staff of the Company. We evaluated and substantiated the outcome of these discussions by examining modifications of contracts, where applicable, such as claims and variation orders between the Company, subcontractors and clients and responses thereto. In addition, we performed substantive procedures such as a detailed evaluation of forecasts and ongoing assessment of management's judgement on issues, evaluation of budget variances and obtaining corroborating evidence, evaluation of project contingencies and milestones and recalculation of the progress towards complete satisfaction of the performance obligation. Furthermore, we evaluated whether there were indications of possible management bias and were alert for any contradictory information. We performed audit procedures with respect to significant judgements and accounting estimates. Please refer to section "Key audit matters" for further details. At the end of the year, we conducted specific substantive audit procedures regarding the cut-off of construction contracts to determine whether there were any shifts in results per individual project and/or between the current and next financial year. Finally, we performed journal entry testing procedures focussed on unexpected account combinations. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to revenue recognition – construction contracts.

Identified fraud risks	*Our audit work and observations*
Risk of fraud in revenue recognition – lease and operate	
The lease and operate revenues are well predictable, as a significant part is earned based on agreed specific day-rates per vessel and periodic operating fees. However, the contracts can include specific conditions for maluses that, when these occur, may have a negative revenue impact for the specific contracts. When such a condition is not recognised, revenue may be overstated. We consider accuracy, existence, and occurrence as assertions relevant for the risk of fraud in revenue recognition for lease & operate revenues.	Where relevant to our audit, we assessed the design of the internal control measures and the effectiveness of these measures in the processes for recording costs and revenues relating to the lease and operate contracts. This includes gaining an understanding of the underlying contracts, malus arrangements and key performance indicators like up- and downtime to determine the possible impact on the revenue recognition. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. With respect to the satisfaction of the performance obligations for individual contracts, we examined, discussed, and challenged SBM Offshore N.V. on the recognition of maluses with management and legal, finance, and technical staff of the Company. We evaluated and substantiated the outcome of these discussions by examining the completeness of recognized claims and maluses by the Company and responses thereto, performing substantive procedures such as obtaining corroborating or contradictory evidence, evaluation of vessel reports. In addition, as part of our substantive audit procedures we evaluated whether there were indications of possible management bias. Finally, we performed journal entry testing procedures focussed on unexpected account combinations. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to revenue recognition – lease and operate.
Risk of bribery and corruption	
The Company operates in countries with a higher risk of bribery and corruption based on the Corruption Perception Index of Transparency International. Therefore, we determined this a fraud risk due to the risk of bribery and corruption.	Where relevant to our audit, we assessed the design and effectiveness of the internal control measures with respect to contracts with clients and third party vendors, including agents. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. We held various meetings with management and other SBM Offshore N.V. staff to discuss the risk of bribery and corruption. Amongst others we spoke to the group general counsel, group internal audit director, CFO, COO and CEO. We assessed that no new contracts with agents have been agreed in 2023. In addition, and amongst others we performed the following procedures: • Where applicable, we evaluated minutes of meetings held to identify potential transactions with agents and by agents themselves; • Evaluated internal audit reports and internal reporting's to the audit committee; • Reviewed whistle blower notifications and follow up procedures by management. Finally, we selected journal entries based on specific risk criteria and performed substantive audit procedures. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the risk of bribery and corruption.

We reviewed lawyer's letters, and we incorporated an element of unpredictability in our audit. During the audit, we remained alert to indications of fraud. Furthermore, we considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations.

Audit approach going concern

As disclosed in paragraph 4.3.27 in the financial statements, the management board performed their assessment of the Company's ability to continue as a going concern for at least 12 months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern (hereafter: going concern risks).

Our procedures to evaluate the management board's going concern assessment included, amongst others:
- considering whether management board's going concern assessment included all relevant information of which we were aware as a result of our audit and inquiring with management regarding management's most important assumptions underlying its going concern assessment;
- evaluating the management board's current operating plan including cash flows for at least 12 months from the date of preparation of the financial statements, taking into account current developments in the industry and all relevant information of which we were aware as a result of our audit;
- analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the Company's operations, including compliance with relevant covenants;
- performing inquiries of the management board as to its knowledge of going concern risks beyond the period of the management's assessment.

Our procedures did not result in outcomes contrary to management board's assumptions and judgements used in the application of the going concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

Key audit matter	*Our audit work and observations*
Estimates and judgements in construction contracts *Note 4.2.7 and 4.3.3 to the consolidated financial statements*	
The accounting for contracts with customers under IFRS 15 'Revenue from contracts with customers' is complex and dependent on the specific arrangements between the Group and its clients as agreed upon in the contracts. Management performed a contract analysis on a case-by-case basis to determine the applicable accounting and revenue recognition. Significant judgement is exercised on the following main elements: • identifying the performance obligations and determining whether they are distinct; • the method of revenue recognition as either point in time or over time; • contract modifications and variable consideration, are complex and subjective. Based on our risk assessment, the most critical and judgmental estimates to determine satisfaction of the performance obligations over time are: • the estimates of the costs to complete the project; • the measurement of progress towards complete satisfaction of the performance obligation; • assessment of risks and contingencies that a project is or could be facing. During 2023, the Group continued to face global macroeconomic turmoil and operational challenges. These include price inflation of materials and services and supplier capacity constraints. The degree to which these challenges influenced the cost to complete varied from project to project and can be significant. Given the magnitude of the amounts involved (US$3.4 billion of turnkey revenue and US$7.1 billion of contract assets), the complex nature of the Company's construction contracts and the significant judgements and estimates, these areas were particularly subject to the significant risk of misstatement related to either error or fraud. Based on the above considerations we considered this area to be a key audit matter.	We reviewed management's assessment in respect to method of revenue recognition as either point in time or over time. We performed look-back procedures as part of our risk assessment by comparing the estimates included in the current projects with past projects of similar nature and previous estimates of the same project, as this provides insight in the ability of management to provide reliable estimates. The outcome of these look-back procedures confirmed our understanding and risk assessment related to project estimates. We gained an understanding of processes, evaluated and tested the relevant controls the Group designed and implemented within its process to record costs and revenues relating to construction contracts. Our procedures included project forecasting, measurement of the progress towards complete satisfaction of the performance obligation to determine the timing of revenue recognition and the Group's internal project reviews. We found that we, in the context of our audit, could rely on these internal control procedure. With respect to the satisfaction of the performance obligations over time we examined project documentation on the status, progress, and forecasts of projects under construction and discussed and challenged those with management, finance, and technical staff of the Group. We evaluated and substantiated the outcome of these discussions by examining modifications of contracts, where applicable, such as claims and variation orders between the Group, subcontractors and clients and responses thereto. In addition, we performed procedures such as a detailed evaluation of forecasts and ongoing assessment of management's judgement on issues, evaluation of budget variances and obtaining corroborating or contradictory evidence, evaluation of project contingencies and milestones and recalculation of the progress towards complete satisfaction of the performance obligation. In addition, as part of our substantive audit procedures we evaluated whether there were indications of possible management bias. Our audit procedures did not indicate material findings with respect to the estimates and judgements in construction contracts.

Key audit matter	*Our audit work and observations*
Impact of business re-alignment on deferred taxes and future impact of Pillar Two *Note 4.3.10 and 4.3.17 to the consolidated financial statements* The SBM Offshore group is within the scope of the OECD Pillar Two model rules. As part of various business developments, including the effects of Pillar Two, the Company initiated a business re-alignment under the existing Swiss tax regime, applicable to Swiss companies. The re-alignment resulted in the recognition of a deferred tax asset for a gross amount of US$ 2.2 billion in relation to a tax goodwill in Switzerland (see note 4.3.17 Deferred Tax Assets and Liabilities). This notably has a positive impact on the Company in respect of Pillar Two based on the implementing measures as they currently stand (see Note 4.3.10 Income tax expense). Given the complexity and nature of the agreement with Swiss tax authorities in relation to the business re-alignment, management performed an extensive assessment, involved management's experts and developed a model regarding the impact on the existing tax strategy. Amongst others, management applied significant judgement in determining the forecasted taxable profits. The Company determined that an amount of approximately US$ 2.0 billion of the deferred tax asset could possibly be unrecoverable which is driven by two main factors. One is the assessment of profitability and commercial uncertainties (i.e. future awards) impacting future profits. The other factor is the uncertainty of recovering this tax asset in future years in light of applicable enacted Swiss tax regulations. The Company determined the expected value of the uncertainty 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. Pillar Two legislation was enacted in the Netherlands, the jurisdiction in which the Company is incorporated and will come into effect from 1 January 2024. The OECD Pillar Two model rules are complex and the implementation in several jurisdictions is still uncertain. Since the Pillar Two legislation was not effective at the reporting date, there is no current tax impact in 2023. The Company included the expected impact of the Pillar Two legislation in the Note 4.3.10 Income tax expense. Based on the magnitude of the amounts involved, complexity, nature, and tax consequences including on Pillar Two, the re-alignment of the agreement with Swiss tax authorities, the significant judgements and estimates, these areas were particularly subject to the significant risk of material misstatement. Based on the above considerations we considered this area to be a key audit matter.	Management provided us with an extensive impact assessment consisting of multiple memos prepared by experts on the anticipated impact of the OECD Pillar Two rules and the business re-alignment under the existing Swiss tax regime, applicable to Swiss companies, resulting in a deferred tax asset relating to tax goodwill. We obtained all relevant legal and tax documents, such as the agreement with Swiss tax authorities, and assessed these as a basis for the business re-alignment. We involved our tax specialists in the Netherlands and Switzerland to evaluate and test management's overall assessment. This involved the evaluation of the positions taken by management and management's experts on corporate tax, the underlying calculations, the agreement with Swiss tax authorities and related disclosures. We challenged management on their assumptions used and estimates included in their assessment. In respect to the management's experts, we performed the following work: • Evaluated the competence, capabilities and objectivity of those experts; • Obtained an understanding of the work performed by management's experts; • Evaluated the appropriateness of the work of management's experts. We examined the modelling used by management to determine the deferred tax asset by jurisdiction and assessed the recoverability through agreeing the forecasted taxable profits with approved business plans per Swiss company. We assessed whether the underlying trends and assumptions in the forecasts used were consistent with those used in the approved budgets and found no inconsistencies. We have challenged the underlying assumptions and forecasted revenues, ascertained inclusion of all required elements in the forecast and reconciled the taxable profits based on the applicable tax rules in Switzerland. We challenged management and the audit committee about the impact of the tax re-alignment on the implementation, and, how this relates to the spirit of the Pillar Two reform. With the procedures performed above, we determined that the methodologies and assumptions used by the group to assess recoverability of the deferred tax asset related to tax goodwill as at 31 December 2023 were within a reasonable range of outcomes. In addition, we considered the disclosures in respect of Pillar Two legislation, the deferred tax asset on goodwill and the expected implications to the Company, as sufficient.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The management board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were nominated as auditors of SBM Offshore N.V. on 13 November 2013 by the Supervisory Board and appointed through the passing of a resolution by the shareholders at the annual meeting held on 17 April 2014. Our appointment has been renewed on 7 April 2021 for a period of three years by the shareholders. Our appointment represents a total period of uninterrupted engagement of ten years.

European Single Electronic Format (ESEF)

SBM Offshore N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the marked-up consolidated financial statements, as included in the reporting package by SBM Offshore N.V., complies in all material respects with the RTS on ESEF.

The management board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the management board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assuranceopdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:
- Obtaining an understanding of the Company's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company or its controlled entities, for the period to which our statutory audit relates, are disclosed in note 4.3.32 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 28 February 2024
PricewaterhouseCoopers Accountants N.V.

A.A. Meijer RA

Appendix to our auditor's report on the financial statements 2023 of SBM Offshore N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

4.7 OTHER INFORMATION

4.7.1 APPROPRIATION OF RESULT

ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

With regard to the appropriation of result, article 29 of the Articles of Association states:

1. When drawing up the annual accounts, the Management Board shall charge such sums for the depreciation of SBM Offshore N.V.'s fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.
2. Any distribution of profits pursuant to the provisions of this article shall be made after the adoption of the annual accounts from which it appears that the same is permitted. The Company may make distributions to the Shareholders and to other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the share capital and the reserves which must be maintained under the law. A deficit may be offset against the statutory reserves only to the extent permitted by law, with the proviso that a deficit shall not be offset against the Protective Preference Shares Reserve.
3. a. The profit shall, if sufficient, be applied first in payment to the holders of Protective Preference Shares in accordance with subparagraph b. of this article 29 paragraph 3.
   b. For Protective Preference Shares paid-up in accordance with the provisions of article 5 paragraph 6, the payment shall be one thousand euro (EUR 1,000) for the aggregate outstanding Protective Preference Shares paid-up in accordance with the provisions of article 5 paragraph 6. In all other instances, the payment shall be a percentage of the compulsory amount paid on the Protective Preference Shares other than in accordance with article 5 paragraph 6 as at the commencement of the financial year for which the distribution is made. The percentage referred to above shall be equal to the average of the Euribor interest charged for loans with a term of twelve (12) months, as published by the administrator of EURIBOR, the European Money Markets Institute (EMMI) or any other person that takes over the administration of EURIBOR, or in absence of EURIBOR as benchmark, another interest benchmark that is officially determined, appointed or recommended as replacement of twelve (12) months EURIBOR by (i) the European Central Bank, or another supervising authority, or in absence of this, (ii) the EMMI, aforementioned or its legal successor(s) - weighted by the number of days for which this interest was applicable - during the financial year for which the distribution is made, increased by at most five hundred (500) basis points.
   c. If in the course of the financial year for which the distribution is made the compulsory amount to be paid on the Protective Preference Shares has been decreased or, pursuant to a resolution for additional payments, increased, then the distribution shall be decreased or, if possible, increased by an amount equal to the aforementioned percentage of the amount of the decrease or increase as the case may be, calculated from the date of the decrease or from the day when the additional payment became compulsory, as the case may be.
   d. If in the course of any financial year Protective Preference Shares have been issued, the dividend on Protective Preference Shares for that financial year shall be decreased proportionately up to the day of issue, with a part of a month to be regarded as a full month.
   e. If the profit for a financial year is being determined and if in that financial year one or more Protective Preference Shares have been cancelled , the persons who according to the shareholders' register referred to in article 12 at the time of such cancellation were recorded as the holders of these Protective Preference Shares, shall have an inalienable right to a distribution of profit as described hereinafter. The profit which, if sufficient, shall be distributed to such a person shall be equal to the amount of the distribution to which he would be entitled pursuant to the provisions of this paragraph if at the time of the determination of the profits he had still been the holder of the Protective Preference Shares referred to above, calculated on a time-proportionate basis for the period during which he held Protective Preference Shares in that financial year, with a part of a month to be regarded as a full month. In respect of an amendment of the provisions laid down in this paragraph, the reservation referred to in section 2:122 of the Dutch Civil Code is hereby explicitly made.
   f. If in any one financial year the profit referred to above in subparagraph a. is not sufficient to make the distributions referred to in this article, then the provisions of this paragraph and those laid down hereinafter in this article shall in the subsequent financial years not apply until the deficit has been made good.
   g. Further payment out of the profits on the Protective Preference Shares shall not take place.
4. The Management Board is authorized, subject to the approval of the Supervisory Board, to determine each year what part of the profits shall be transferred to the reserves, after the provisions of the preceding paragraph have been applied.
5. The residue of the profit shall be at the disposal of the General Meeting.
6. The General Meeting may only resolve to distribute any reserves, other than the Protective Preference Shares Reserve, upon the proposal of the Management Board, subject to the approval of the Supervisory Board.

4.7.2 CALL OPTION GRANTED TO STICHTING CONTINUÏTEIT SBM OFFSHORE (THE FOUNDATION)

The Management Board, with the approval of the Supervisory Board, has granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital. The protective preference shares can be issued as a protective measure as described in note 3.2.8 Stichting Continuïteit SBM Offshore.

4.8 KEY FIGURES

Key IFRS financial figures

	2023	2022	2021	2020	2019
Turnover (US$ million)	**4,963**	4,913	3,747	3,496	3,391
Results (US$ million)					
Net profit/(loss) (continuing operations)	**614**	555	472	327	511
Dividend	**150**[1]	197	178	165	150
Operating profit (EBIT)	**1,145**	1,020	734	605	742
EBITDA	**1,239**	1,209	823	1,043	1,010
(Underlying) Profit attributable to shareholders[2]	**491**	450	405	277	391
Shareholders' equity at 31 December	**3,733**	3,397	2,579	2,556	2,748
Capital employed	**14,834**	13,142	10,470	8,956	8,217
Net debt	**8,748**	7,881	6,681	5,209	4,416
Capital expenditure	**179**	151	49	75	68
Depreciation, amortization and impairment	**94**	189	88	439	268
Number of employees (average)	**5,717**	5,259	4,797	4,507	4,259
Employee benefits	**842**	740	669	614	575
Ratios (%)					
Shareholders' equity / (total assets -/- current liabilities)	**26**	28	26	30	32
Current ratio (current assets / current liabilities)	**336**	252	201	149	137
Return on average capital employed	**8.2**	8.6	7.6	8.1	9.7
Return on average shareholders' equity	**13.8**	15.1	15.8	10.5	14.5
Operating profit (EBIT) / net turnover	**23.1**	20.8	19.6	17.3	21.9
Net profit/(loss) / net turnover	**12.4**	11.3	12.6	9.4	15.1
Net debt / total equity	**158**	160	189	150	122
Enterprise value / EBITDA	**10.5**	10.1	12.5	9.3	8.9
Information per Share (US$)					
Net profit/(loss)[3]	**2.74**	2.53	2.18	1.00	1.84
Dividend	**0.83**[4]	1.10	1.00	0.89	0.81
Shareholders' equity at 31 December	**20.66**	18.80	14.28	13.55	13.83
Share price (EUR)[5]					
- 29 December (2022: 30 December)	**12.45**	14.66	13.10	15.57	16.59
- highest close	**15.09**	15.65	16.33	17.30	18.35
- lowest close	**11.38**	12.07	11.85	10.35	12.80
Price / earnings ratio	**5.1**	6.3	6.7	18.9	10.1
Number of shares outstanding (x 1,000)	**180,671**	180,671	180,671	188,671	198,671
Market capitalization (US$ million)	**2,485**	2,825	2,680	3,604	3,703
Volume of traded shares (x 1,000)	**123,880**	122,922	172,550	231,004	223,570
New shares issued in the year (x 1,000)	**-**	-	-	-	-

1 The dividend that will be proposed to the Annual General Meeting to be paid out in 2024.
2 Underlying applicable to 2021 and earlier
3 Calculated based on weighted average shares outstanding
4 Based on the total amount of dividend divided by the number of shares outstanding.
5 Source: Euronext data on share prices, market capitalization and volume of traded shares

Key Directional financial figures

	2023	2022	2021	2020	2019
Directional Revenue (US$ million)	**4,532**	3,288	2,242	2,368	2,171
Directional Lease and Operate revenue	**1,954**	1,763	1,509	1,699	1,315
Directional Turnkey revenue	**2,578**	1,525	733	669	856
Directional EBIT (US$ million)	**788**	392	366	254	418
Directional Lease and Operate EBIT	**633**	484	452	438	369
Directional Turnkey EBIT	**259**	(12)	(1)	(100)	25
Other	**(104)**	(80)	(85)	(83)	23
Directional EBITDA (US$ million)	**1,319**	1,010	849	1,021	921
Directional Net Profit (US$ million)	**524**	115	122	39	235