2023 ANNUAL REPORT

SBM OFFSHORE

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.