



## 2024 ANNUAL REPORT



TRUE.  
BLUE.  
TRANSITION.

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, whenever the 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 and 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 in more 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