2024 ANNUAL REPORT

SBM OFFSHORE

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During the year 2024, the Company recognized a US$(6) million net impairment loss on financial and contract assets (2023: loss of US$(21) million mainly attributable to impairment of funding loans provided to equity-accounted entities).

4.3.9 NET FINANCING COSTS

	2024	2023
Interest income on loans & receivables	2	3
Interest income on investments	24	21
Financial income	**26**	**25**
Interest expenses on financial liabilities at amortized cost	(832)	(731)
Interest income / (expenses) on hedging derivatives	167	139
Interest expenses on lease liabilities	(5)	(5)
Interest addition to provisions	(10)	(1)
Net cash flow hedges ineffectiveness	(3)	-
Net foreign exchange loss	(8)	(3)
Financial expenses	**(690)**	**(601)**
Net financing costs	**(663)**	**(575)**

The increase in net financing costs is mainly due to (i) increased project financing to fund continued investment in growth on *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and FPSO *ONE GUYANA*, (ii) additional interest expense on the Company's RCF, (iii) additional interest expense generated by the construction financing of *FPSO Jaguar*, partially offset by (iv) lower interest expense on FPSOs *Liza Unity*, *Prosperity* and *Liza Destiny* following purchase of the units by the client and the full repayment of the project loans respectively in November 2023, November 2024 and December 2024 and (v) the scheduled amortization of project loans for the fleet under operations.

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	2024	2023
Corporation tax on profits for the year		(157)	(129)
Adjustments in respect of prior years		9	(1)
Movements in uncertain tax positions		5	(2)
Total current income tax		**(143)**	**(131)**
Deferred tax	*4.3.17*	71	156
Total		**(73)**	**25**

The Company's operational activities are subject to taxation at rates which range up to 35% (2023: 35%).

For the year ended December 31, 2024, 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 27% (2023: (4)%).

The reconciliation of the effective tax rate is as follows:

Reconciliation of total income tax charge

	2024		2023	
	%		%	
Profit/(Loss) before income tax		**283**		**589**
Share of profit of equity-accounted investees		19		19
Profit/(Loss) before income tax and share of profit of equity-accounted investees		**265**		**570**
Income tax using the domestic corporation tax rate (25,8% for the Netherlands)	25,8%	(68)	25,8%	(147)
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other jurisdictions	(9%)	24	(5%)	29
Withholding taxes and taxes based on deemed profits	30%	(79)	8%	(46)
Non-deductible expenses	30%	(80)	10%	(55)
Non-taxable income	(7%)	19	(17%)	98
Adjustments related to prior years	(3%)	9	0%	(1)
Tax effect originating from current year timing differences and unused tax losses for which no deferred tax is recognized	(37%)	98	(26%)	150
Movements in uncertain tax positions	(2%)	5	0%	(2)
Total tax effects	**2%**	**(5)**	**(30%)**	**172**
Total of tax charge on the Consolidated Income Statement	**27%**	**(73)**	**-4%**	**25**

The effective tax rate was impacted in 2024 by the prior-year effect of the initial recognition of a deferred tax asset on a tax goodwill in Switzerland for a net amount of US$141 million, explaining the variation between 2024 and 2023. 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, Luxembourg, Monaco and the Netherlands.

There were no changes in the applicable corporate income tax rates in 2024 compared with the previous accounting period.

Details of the withholding taxes and other taxes are as follows:

Withholding taxes per country

	2024	2023
Withholding Tax and Overseas Taxes (per location)	Withholding tax	Withholding tax
Angola	(20)	-
Brazil	(14)	(22)
Guyana	(43)	(22)
Other	(1)	(2)
Total withholding and overseas taxes	**(79)**	**(46)**

Brazil withholding tax
The Company incurs in Brazilian withholding tax in relation to its Brazilian fleet time charter revenue.

Guyana withholding tax
The Company's construction and lease activities related to Guyana are subject to Guyanese withholding tax. The variation between 2024 and 2023 is mainly explained by the withholding tax incurred for FPSO *Prosperity* which was fully in operation during the year 2024.

Angola withholding tax
Following the acquisition of shares in joint ventures associated to operations in Angola the said joint ventures are now fully consolidated in the Company's financial statements. As a result, withholding tax was recognized in 2024.

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 a 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$8 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. This decrease is in relation to uncertain tax positions on corporate income tax for an amount of US$5 million. 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.

In the prior year, the Company recognized a deferred tax asset 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 updated its assessment and modeling to determine that an amount of US$1,995 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, 2024, reassessed the amount of its net deferred tax asset related to the tax goodwill in Switzerland to US$157 million (2023: US$141 million) in accordance with IAS 12 and IFRIC 23.

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, which 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. 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%. On 15 December 2022, the EU adopted Directive 2022/2523, setting out the harmonized implementation of the Pillar Two model rules in the EU comprising the income Inclusion Rule (IIR), the Qualified Domestic Minimum Top-Up Tax (QDMTT) as well as the Under-Taxed Payments Rule (UTPR).

The Company is within the scope of the OECD Pillar Two model rules which came into effect on 1 January 2024. The Netherlands, the jurisdiction in which the Company is incorporated, transposed the EU directive into its legislation under the Minimum Tax Act 2024.

QDMTT allows countries to charge top up tax due in respect of local profits. Timing and implementation of QDMTT by the various jurisdictions is uneven. As of 2024 the following countries where the Company has a presence have implemented DMTT (Domestic minimum Top-Up Tax) with an effective date of 1 January 2024: the Netherlands, Switzerland, Portugal, Canada, France, Luxembourg, Norway and the United Kingdom.

The company applies the IAS12 exception issued by the IASB in May 2023 to recognize and disclose information about deferred tax assets and liabilities arising from Pillar Two model rules.

Under GloBE rules, the Company is liable to pay a top up tax in the jurisdiction for which the GLoBE effective tax rate is below the 15% minimum rate.

The assessment is complex and is based on legislation that is subject to further developments and interpretation. Based on the current rules and the result for 2024, the Company has estimated that the current tax expense related to the application of Pillar Two represents an amount of US$0.9 million. For 2024, this impact primarily concerns entities within the jurisdiction of Bermuda, Malta and Liberia. 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.

4.3.11 EARNINGS/(LOSS) PER SHARE

The basic earnings per share for the year amounts to US$0.84 (2023: US$2.74), and the fully diluted earnings per share amounts to US$0.83 (2023: US$2.70). Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the period attributable to shareholders of the Company by the weighted average number of shares outstanding (shares issued and fully paid excluding treasury shares) during the period.

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 period plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive shares into ordinary shares.