2024 ANNUAL REPORT

SBM OFFSHORE

TRUE.
BLUE.
TRANSITION.

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 2024 is summarized as follows:

	Finance lease receivable		Contract assets		Trade receivables		Other financial assets	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Opening loss allowance as at 1 January	**(0)**	**(0)**	**(1)**	**(1)**	**(5)**	**(2)**	**(123)**	**(95)**
Increase in loss allowance recognized in profit or loss during the year	(0)	-	(2)	(1)	(1)	(3)	(5)	(28)
Receivables written off during the year as uncollectible	-	-	-	-	-	-	-	-
Unused amount reversed	**0**	**0**	**2**	**1**	**1**	**1**	**0**	**0**
At 31 December	**(0)**	**(0)**	**(0)**	**(1)**	**(4)**	**(5)**	**(128)**	**(123)**

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 risksand 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. 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 2024				31 December 2023			
in millions of local currency	EUR	SGD	BRL	CNY	EUR	SGD	BRL	CNY
Fixed assets	213	-	851	32	158	-	277	26
Current assets	145	5	1,304	37	76	7	1,118	32
Long-term liabilities	(190)	(0)	(1,063)	(22)	(136)	(0)	(622)	(18)
Current liabilities	(235)	(16)	(1,622)	(140)	(198)	(26)	(1,505)	(160)
Gross balance sheet exposure	**(68)**	**(12)**	**(530)**	**(93)**	**(100)**	**(19)**	**(731)**	**(120)**
Estimated forecast sales	-	-	-	-	4	-	-	-
Estimated forecast purchases	(1,688)	(764)	(3,053)	(4,836)	(1,242)	(222)	(2,617)	(1,800)
Gross exposure	**(1,755)**	**(776)**	**(3,583)**	**(4,929)**	**(1,338)**	**(241)**	**(3,348)**	**(1,920)**
Forward exchange contracts	1,808	775	3,609	4,937	1,362	240	3,129	1,930
Net exposure	**53**	**(1)**	**25**	**8**	**24**	**(1)**	**(219)**	**10**

The increase of the BRL exposure results from the requirements of the Brazilian operations for the next three years. The increase of the EUR exposure is the result of (i) progress on *FPSO Sepetiba*, FPSO *ONE GUYANA, FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão* and (ii) the increased exposure due to *FPSO Jaguar* and *GranMorgu FPSO*. The increase in CNY exposure results from the Company's increased presence in China for FPSO construction 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)

	2024	2023	2024	2023
	Average rate		Closing rate	
EUR 1	1.0824	1.0813	1.0389	1.1050
SGD 1	0.7487	0.7445	0.7335	0.7573
BRL 1	0.1865	0.2003	0.1617	0.2061
CNY 1	0.1390	0.1413	0.1370	0.1407

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 2023.

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
31 December 2024				
EUR	1	(1)	(182)	182
SGD	0	(0)	(56)	56
BRL	(1)	1	(49)	49
CNY	0	(0)	(67)	67
31 December 2023				
EUR	(0)	0	(139)	139
SGD	(0)	0	(17)	17
BRL	(0)	0	(50)	50
CNY	(0)	0	(26)	26

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 and options 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 or option (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.

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

Interest rate risk (summary)

	2024	2023
Fixed rate instruments		
Financial assets	6,728	6,856
Financial liabilities	(802)	(891)
Total	**5,926**	**5,964**
Variable rate instruments (USD LIBOR 3 Months)		
Financial assets	-	12
Financial liabilities (SOFR)	(8,474)	(8,777)
Financial liabilities (future) (SOFR)	(1,652)	(1,670)
Total	**(10,126)**	**(10,435)**

Interest rate risk (exposure)

	2024	2023
Variable rate instruments (SOFR)	(10,126)	(10,435)
Less: Reimbursable items (SOFR)	1,500	1,524
Less: IRS contracts (SOFR)	7,767	8,043
Exposure	**(859)**	**(867)**

Interest rate risk (sensitivity)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2024				
Variable rate instruments (SOFR)	(9)	9	-	-
Interest rate swap (SOFR)	-	-	356	(356)
Sensitivity (net)	**(9)**	**9**	**356**	**(356)**
31 December 2023				
Variable rate instruments (SOFR)	(9)	9	-	-
Interest rate swap (SOFR)	-	-	404	(404)
Sensitivity (net)	**(9)**	**9**	**404**	**(404)**

The exposure of US$859 million is primarily arising from 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, 2024.

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 2023.

At December 31, 2024, 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$9 million (2023: decrease of US$8 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 commodities:

- Oil exposure is mostly associated with 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 lease receivables, contract assets, other financial assets, trade and other receivables (including committed transactions), derivative financial instruments and cash and cash equivalents.

Credit risk

	2024		2023	
Rating	Assets	Liabilities	Assets	Liabilities
AA	18	(23)	32	(9)
AA-	101	(99)	173	(54)
A+	262	(127)	180	(31)
A	48	-	30	(3)
BBB	-	-	1	-
Non-investment grade	-	(17)	-	-
Derivative financial instruments	**429**	**(266)**	**416**	**(97)**
AAA	278	-	153	-
AA	-	-	6	-
AA-	460	-	343	-
A+	44	-	23	-
A	6	-	10	-
Non-investment grade	18	-	8	-
Cash and cash equivalents and bank overdrafts	**806**	**-**	**543**	**-**

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, 2024, and December 31, 2023, cash investments below AA- rating do not exceed US$100 million per individual counterparty.

Cash held in banks rated AA- is mainly linked to cash pledged to loan reimbursements to those same banks. Cash held in banks rated A+ is mainly related to the Company's activities in Equatorial Guinea (US$40 million), where restrictions on currency flow apply. Cash held in banks rated below A- is mainly related to the Company's activities in Brazil (US$9 million) and countries with restrictions on currency flow.

Financial assets held by the Company other than derivatives and cash and cash equivalents are mostly related to debtors in the oil and gas industry.

For trade debtors and contract assets, 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 December 31, 2024, there are three major customers in three countries that have an outstanding balance with a percentage over 10% each of the total of trade and other receivables (December 31, 2023: two major customers). Reference is made to note 4.3.19 Trade and Other Receivables for information on the distribution of the trade debtor balances by country and an analysis of the ageing of those amounts. At December 31, 2024, three major customers in three countries account for over 10% each of total recognized contract assets (December 31, 2023: two major customers in two countries).

For lease receivables and other financial assets, the credit quality of each counterpart is assessed, taking into account its credit agency rating when available or a comparable proxy. At December 31, 2024, there are two major customers in two countries that have an outstanding balance with a percentage over 10% each of the total of finance lease receivables (December 31, 2023: two major customers in two countries). The Company has concluded that these balances have low credit risk, as explained in 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets. Outstanding finance lease receivables are mostly graded at the equivalent between S&P ratings AAA and A (December 31, 2023: between AAA and BBB+). Furthermore, limited recourse project financing removes a significant portion of the credit risk on finance lease receivables.

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 2024, 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 in relevant maturity groupings, based on the remaining period at the statement of financial position date until 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 SOFR 3-month rates as at the reporting date.

Liquidity risk 2024

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
31 December 2024					
Borrowings		1,112	8,096	5,048	14,256
Lease liabilities		10	30	31	71
Derivative financial liabilities		215	74	-	289
Derivative financial assets		(186)	(313)	(321)	(820)
Trade and other payables	*4.3.25*	1,088	-	-	1,088
Total		**2,239**	**7,886**	**4,759**	**14,884**

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*	1,170	-	-	1,170
Total		**1,395**	**6,841**	**5,769**	**14,005**

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 ensuring diversification of sources of external funds.

The Company mainly uses its corporate revolving credit facility (RCF, US$1 billion), supply-chain financing (SCF, US$260 million) and the 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 drawdowns 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, 2024, 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, 2024, and December 31, 2023, were as follows:

Capital risk management

	2024	2023
Total borrowings and lease liabilities	8,943	9,291
Less: net cash and cash equivalents	806	543
Net debt	**8,137**	**8,748**
Total equity	5,844	5,531
Total capital	**13,981**	**14,278**
Gearing ratio	58.2%	61.3%

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 3.4.1 Climate Change Impact, Risk and Opportunity:

- The RCP 8.5 scenario, a climate change scenario where climate mitigation actions are not taken and emissions continue to grow according to previous rates, i.e., a worst-case scenario;
- The RCP 2.6 scenario, a climate action scenario providing for strong commitment towards targets, as per the Paris Agreement, i.e., the scenario consistent with a 1.5 degrees scenario.

Through its strategy process the Company tests the resilience of its portfolio and business model against each of these scenarios. Financial and non-financial information are aligned in order to ensure that the financial impact of climate related risks is identified. The Company assessed the physical and transitional risks disclosed in 3.4.1. Climate Change Risk & Opportunity from a consolidated 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 nor contingent liabilities and assets in the 2024 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 reporting period.

The identified risks will however remain key points of attention, namely in the areas of 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 ARRANGEMENTS

The Company has several joint arrangements and associates:

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2024 main reporting segment	Project name
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*
Normand Installer S.A.	The Solstad group	Joint venture	49.90	Switzerland	Turnkey	Normand Installer
Ocean-Power AS	Agri AS; CapeOmega; Knatten I AS among others	Associate	7.69	Norway	Turnkey	Ocean Power
Ekwil S.A.S	Technip Energies	Joint venture	50.00	France	Turnkey	Ekwil
STS VOF	Technip Energies	Joint operation	52.00	Netherlands	Turnkey	GranMorgu FPSO
STS 58 B.V.	Technip Energies	Joint operation	52.00	Netherlands	Turnkey	GranMorgu FPSO

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

	Note	2024	2023
Investments in associates and joint ventures at 1 January		**288**	**290**
Share of profit of equity-accounted investees	4.2.1	19	19
Dividends		-	(17)
Cash flow hedges		(0)	(2)
Capital increase/(decrease)		(225)	(0)
Foreign currency variations		0	(0)
Reclassification to assets held for sale		(60)	-
Other		(1)	-
Investments in associates and joint ventures at 31 December		**21**	**288**

In 2024, the consolidated statement of comprehensive income included US$31 million of other comprehensive income from equity-accounted investees, mostly arising from adjustments following the reclassification of investees FPSOs *N'Goma*, *Saxi Batuque* and *Mondo* as subsidiaries and the disposal of Paenal (2023: US$(4) million).

Share Purchase Agreements signed with Sonangol entities

As announced on June 11, 2024, conditions precedent were completed for the two Share Purchase Agreements signed by the Company and its partner Sonangol EP in July 2023. 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. On the same date, the interests in which were classified as joint ventures (*N'Goma*, *Saxi Batuque* and *Mondo)* and associates (Paenal) were derecognized. Further information on the transaction is included in note 4.3.30 Business combinations.