

2025 ANNUAL REPORT

SBM OFFSHORE

TRUE.
BLUE.
TRANSITION.

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 12 months. In the context of the 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 and the remaining Turnkey warranty period. Financial assets are classified as current when they are realized within 12 months. Liabilities are classified as current when they are expected to be settled within less than 12 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 or when they are expected to be settled in the Company's normal operating cycle. 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 arrangements:

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 first assesses whether

joint arrangements are structured through private limited liability companies incorporated in various jurisdictions. 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 usually have no direct rights to the assets, nor primary obligations for liabilities of these vehicles. As a result, the Company classifies most of its joint arrangements as joint ventures. Joint ventures are accounted for using the equity method.

When a joint arrangement is structured through a legal form that gives the partners rights to the assets and obligations for the liabilities of the arrangement, or when other terms of the arrangement or other facts and circumstances give the partners rights to its assets and obligations for its liabilities, the Company classifies the interest as a joint operation. The Company recognizes its share of the joint operation's assets, liabilities, income and expenses in the consolidated financial statements.

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 12 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.