

2025 ANNUAL REPORT

SBM OFFSHORE

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DERIVATIVE ASSETS AND LIABILITIES DESIGNATED AS CASH FLOW HEDGES

The following table indicates the period in which the cash flows associated with the cash-flow hedges are expected to occur and the carrying amounts of the related hedging instruments. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for interest rate swaps are estimated using the forward rates as at the reporting date.

Cash flows

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2025					
Interest rate swaps (SOFR)	213	29	145	51	225
Interest rate options (SOFR)	8	-	-	13	13
Forward currency contracts	102	92	21	-	113
Commodity contracts	(1)	(0)	(1)	-	(1)
31 December 2024					
Interest rate swaps (SOFR)	369	77	148	163	389
Interest rate options (SOFR)	7	-	-	12	12
Forward currency contracts	(179)	(135)	(65)	-	(200)
Commodity contracts	(1)	(1)	-	-	(1)

The following table indicates the period in which the cash flow hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

Expected profit or loss impact

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2025					
Interest rate swaps (SOFR)	213	29	145	51	225
Interest rate options (SOFR)	8	-	-	13	13
Forward currency contracts	102	92	21	-	113
Commodity contracts	(1)	(0)	(1)	-	(1)
31 December 2024					
Interest rate swaps (SOFR)	369	77	148	163	389
Interest rate options (SOFR)	7	-	-	12	12
Forward currency contracts	(179)	(135)	(65)	-	(200)
Commodity contracts	(1)	(1)	-	-	(1)

Interest rate swaps

Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the final repayment of the hedged items (please refer to note 4.3.22 Equity Attributable to Shareholders).

Interest rate options

Gains and losses recognized in the hedging reserve in equity on interest rate option contracts will be continuously released to the income statement until the final repayment of the hedged items (please refer to note 4.3.22 Equity Attributable to Shareholders).

Forward currency contracts

Gains and losses recognized in the hedging reserve on forward currency contracts are recognized in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within 12 months of the statement of financial position date, unless the gain or loss is included in the initial amount recognized in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset. If the gain or loss is included in the initial amount recognized in the carrying amount of the cost incurred on construction contracts, the recognition is over time.

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 inventories or assets 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 2025 is summarized as follows:

	Finance lease receivable		Contract assets		Trade receivables		Other financial assets	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024
Opening loss allowance as at 1 January	**(0)**	**(0)**	**(0)**	**(1)**	**(4)**	**(5)**	**(128)**	**(123)**
Increase in loss allowance recognized in profit or loss during the year	(0)	(0)	(1)	(2)	(1)	(1)	(0)	(5)
Receivables written off during the year as uncollectible	-	-	-	-	-	-	-	-
Unused amount reversed	**0**	**0**	**1**	**2**	**4**	**1**	**12**	**0**
At 31 December	**(0)**	**(0)**	**(0)**	**(0)**	**(2)**	**(4)**	**(115)**	**(128)**

The reversal of US$12 million in 'Other financial assets' mainly arises from the release of the accumulated impairment on the demobilization receivable for *Thunder Hawk* as a result of the sale of the asset completed during the period. Refer to note 4.3.8 Net Impairment Gains/(Losses on Financial and Contract Assets.

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 risk and 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, bonds, notes, 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 current year, 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.