2023 ANNUAL REPORT

SBM OFFSHORE

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

	31 December 2023		31 December 2022	
	IFRS	DIR	IFRS	DIR
Brazil	5,276	6,115	5,331	5,351
Guyana	1,753	2,468	628	2,857
Angola	252	132	242	178
Switzerland	93	93	264	270
Monaco	77	77	25	25
Malaysia	64	13	79	9
Equatorial Guinea	41	70	57	93
The United States of America	19	19	27	27
France	12	12	12	12
Netherlands	6	6	13	13
Other	163	138	140	115
Total	**7,757**	**9,143**	**6,818**	**8,951**

RELIANCE ON MAJOR CUSTOMERS

Under Directional, two customers each represent more than 10% of the consolidated revenue. Total revenue from these two major customers amounts to US$3,979 million (US$2,643 million and US$1,335 million, respectively). In 2022, the revenue related to the two major customers was US$2,825 million (US$1,823 million and US$1,002 million, respectively). In both 2023 and 2022, the revenue of these major customers were mainly related to the Lease and Operate segment.

Under IFRS, two customers each represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$4,598 million (US$2,213 million and US$2,386 million respectively). In 2022, two customers accounted for more than 10% of the consolidated revenue (US$4,635 million), US$2,988 and US$1,647 million respectively.

4.3.3 REVENUE

The Company's revenue mainly originates from construction contracts and lease and operate contracts. Revenue originating from construction contracts is presented in the Turnkey segment while revenue from lease and operate contracts is presented in the Lease and Operate segment. Around 46% of the Company's 2023 Lease and Operate revenue is made of charter rates related to lease contracts, while the remaining amount originates from operating contracts. The Company recognizes most of its revenue (i.e. more than 97%) over time.

The Company's policy regarding revenue recognition is described in further detail in note 4.2.7 B. Critical Accounting Policies – (d) Revenue. For the disaggregation of total revenue by country and by segment, please refer to Geographical Information under note 4.3.2 Operating Segments and Directional Reporting.

The Company's construction contracts can last for several years, depending on the type of product, scope and complexity of the project, while the Company's Lease and Operate contracts are generally multiple-year contracts. As a result, the Company has (partially) outstanding performance obligations to its clients (unsatisfied performance obligations) at December 31, 2023. These unsatisfied performance obligations relate to:

- Ongoing construction contracts, including the construction of vessels under finance leases that still need to be completed;
- Ongoing multiple-year operating contracts. Note that for this specific disclosure on unsatisfied performance obligations, the lease component of the Lease and Operate contracts is excluded (this component being described in further detail in notes 4.3.13 Property, Plant and Equipment and 4.3.15 Finance Lease Receivables). As noted, some contracts include (performance) bonuses when earned or penalties incurred under the Company's Lease and Operate contracts. The net amount of performance-related payments for 2023 increased to US$132 million (2022: US$(3) million). This increase is mostly related to the shutdown of *FPSO Cidade de Anchieta* in the year-ago period.

The following table presents the unsatisfied performance obligations as at December 31, 2023 (in billions of US$):

Unsatisfied performance obligations related to:	2023	2022
- constructions contracts including finance leases	2.4	5.8
- operating contracts	13.4	10.6
Total	15.8	16.4

The unsatisfied performance obligations for the committed construction contracts mostly relate to four major construction FPSO contracts. Revenue related to these construction contracts is expected to be recognized over the coming two years in line with the construction progress on these projects.

The unsatisfied performance obligations for the operating contracts relate to i) the Company's vessels leased to clients where the Company is the operator (both operating and finance lease contracts) and ii) one operating contract for operating services on a vessel that is owned by the client. The operating contracts end between 2024 and 2050. The Company will recognize the unsatisfied performance obligation over this period in line with the work performed.

The Company can agree on various payment arrangements which generally reflect the progress of delivered performance obligations. However, if the Company's delivered performance obligation exceeds installments invoiced to the client, a contract asset is recognized. If the installments invoiced to the client exceed the work performed, a contract liability is recognized.

As a result of various commercial discussions with clients, the Company recognized revenue amounting to US$7 million in 2023 (2022: US$27 million) originating from performance obligations satisfied in previous periods.

Lease revenue recognized for leases where the Company is the lessor, for both operating and finance leases, relates to fixed and variable lease payments. Most of the Company's revenue from lease contracts is based on fixed day-rates. To the extent that lease payments are dependent on an index or a rate, they are excluded from the initial recognition of the lease payments receivable. The impact related to a change in index or a rate is recognized in the consolidated income statement when a change occurs.

CONTRACT BALANCES

The table below sets out the contract balances for the years 2023 and 2022:

	Notes	31 December 2023	31 December 2022
Current contract liability	*4.3.25*	74	42
Non-current contract liability	*4.3.25*	22	-
Total contract liabilities		**97**	42
Current contract assets		7,134	5,681
Total contract assets		**7,134**	5,681

Contract assets

During the period ended December 31, 2023, the Company completed construction of FPSO *Prosperity,* marking first oil date on November 14, 2023. As of this date, the lease of FPSO *Prosperity* commenced and the contract asset related to this unit was reclassified to finance lease receivables (refer to notes 4.3.1 Financial Highlights and 4.3.15 Finance Lease Receivables).

As a result, the contract asset balance as at December 31, 2023 of US$7,134 million (2022: US$5,681 million) increased in relation to progress made during the period on the construction of *FPSO Almirante Tamandaré, FPSO Alexandre de Gusmão, FPSO Sepetiba*, FPSO *ONE GUYANA* and initial limited scope for the FPSO for the Whiptail development project, partly offset by the finalization of the FPSO *Prosperity* construction.

Regarding information about expected credit losses recognized for contract assets, refer to note 4.3.27 Financial Instruments – Fair Values and Risk Management.

Contract liabilities

Current contract liabilities of US$74 million (2022: US$42 million) comprise the amounts of those individual contracts for which the total installments invoiced exceed the revenue recognized over time. Contract liabilities are reported in trade an other payables (see note 4.3.25 Trade and Other Payables).

As at December 31, 2023, current contract liabilities relate to one of the Company's renewable projects and other minor construction projects.

Non-current contract liabilities of US$22 million (2022: nil) have been recognized as at December 31, 2023, following the reassessment of the demobilization performance obligations and associated remeasurement of future demobilization costs in finance lease contracts. This reassessment triggered an increase in the contract liability for demobilization costs. Therefore, as explained in B. Critical Accounting Policies – (f) Demobilization obligations, these future obligations have been recognized during the period through contract liability, for the present value of the change.

The Company recognized revenue of US$31 million during the period, which was included in the contract liabilities as per December 31, 2022.

4.3.4 OTHER OPERATING INCOME AND EXPENSE

	2023	2022
Gains from sale of financial participations, property, plant and equipment	0	9
Other operating income	3	28
Total other operating income	**3**	**37**
Other operating expenses	(2)	(6)
Impairment of other assets and onerous contracts	-	(2)
Restructuring expenses	(11)	0
Total other operating expense	**(13)**	**(8)**
Total	**(10)**	**28**

In 2023, the total other operating income and expense mainly includes a restructuring expense in the amount of US$11 million corresponding to severance costs relating to the implementation of an optimization plan for the Company's support functions' activities, aiming to improve the global performance and cost efficiency. The restructuring impacted approximately 106 employees.

For comparison, in 2022, the total other operating income and expense mainly included US$9 million gain realized from the disposal of the SBM Installer and an insurance recovery of US$27 million in respect of one of the Brazilian units.

4.3.5 EXPENSES BY NATURE

The table below sets out expenses by nature for all items included in EBIT for the years 2023 and 2022:

	Note	2023	2022
Expenses on construction contracts		(2,130)	(2,367)
Employee benefit expenses	*4.3.6*	(842)	(740)
Vessels operating costs		(512)	(412)
Depreciation, amortization and impairment		(94)	(189)
Selling expenses		(10)	(4)
Other costs		(232)	(218)
Total expenses		**(3,820)**	**(3,930)**

In 2023 'Expenses on construction contracts' slightly decreased compared to the previous year. Despite having five FPSO's under construction during the period and the start of FPSO FEED work for the Whiptail development project (compared to five FPSO's in 2022), the reduction is a result of lower progress on Turnkey Brazilian projects and the completion of FPSO