2023 ANNUAL REPORT

SBM OFFSHORE

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

Prosperity partially offset by the higher progress of FPSO *ONE GUYANA* and newly awarded FPSO FEED work for the Whiptail development project.

'Employee benefit expenses' increased due to higher man-hour-related activities in Turnkey projects and the ramp-up of operations on the fleet in operation.

'Vessel operating costs' increased, mainly as a result of a higher scope of work in several vessels and the operational start of FPSO *Prosperity* during the last quarter of 2023, which was partially offset by the impact of *FPSO Capixaba* leaving the fleet. FPSO *Liza Unity,* despite the sale of the unit during 2023, continues to be operated by the Company through the OMEA signed with the client in 2023.

The decrease of 'Depreciation, amortization and impairment' mainly relates to the prior year impairment of US$92 million on *FPSO Cidade de Anchieta* due to the additional costs required for tank repairs, following the shutdown in 2022 and the capitalization of associated tank repair costs, and *FPSO Capixaba,* which finished production in 2022.

Expenses related to short-term leases and leases of low-value assets amounted to US$6 million (2022: US$1 million).

The increase of 'Other costs' is mainly driven by the overall ramp-up of digital activities, with impact on consultancy and software fees, business travel costs and currency exchange differences.

4.3.6 EMPLOYEE BENEFIT EXPENSES

Information with respect to employee benefits expenses are detailed as follows:

	Note	**2023**	2022
Wages and salaries		(420)	(370)
Social security costs		(57)	(48)
Contributions to defined contribution plans		(39)	(33)
Contributions to defined benefit plans		(2)	1
Share-based payment cost		(26)	(24)
Contractors' costs		(197)	(178)
Other employee benefits		(100)	(88)
Total employee benefits	*4.3.5*	**(842)**	**(740)**

Wages and salaries increased, due to FPSO *Prosperity* joining the fleet, full ramp-up on *FPSO Sepetiba* before producing and on hire on January 2, 2024, and the increased activity in projects under construction. This was partially offset by *FPSO Capixaba* leaving the fleet (now under decommissioning).

Contractors' costs include expenses related to contractor staff not on the Company's payroll, linked to the Company's strategy of aiming to maintain flexibility in its workforce management. Other employee benefits mainly include commuting, training, expatriate and other non-wage compensation costs.

DEFINED CONTRIBUTION PLAN

The contributions to defined contribution plans includes Company participation in the Merchant Navy Officers Pension Fund (MNOPF). The MNOPF is a defined benefit multi-employer plan, which is closed to new members. The fund is managed by a corporate Trustee, MNOPF Trustees Limited, and provides defined benefits for nearly 21,936 (2022: 22,440) Merchant Navy Officers and their dependents, out of which approximately 29 (2022: 29) are SBM Offshore former employees.

The Trustee apportions its funding deficit between Participating Employers, based on the portions of the Fund's liabilities, which were originally accrued by members in service with each employer. When the Trustee determines that contributions are unlikely to be recovered from a Participating Employer, it can re-apportion the deficit contributions to other Participating Employers.

Entities participating in the MNOPF are exposed to the actuarial risk associated with the current and former employees of other entities through exposure to their share of the deficit of those other entities' default. As there is only a notional