2023 ANNUAL REPORT

SBM OFFSHORE

The following reflects the share data used in the basic and diluted earnings per share computations:

Earnings per share

	2023	2022
Earnings attributable to shareholders (in thousands of US$)	490,821	450,137
Number of shares outstanding at January 1 (excluding treasury shares)	178,054,655	176,622,557
Average number of treasury shares transferred to employee share programs	1,225,505	1,283,909
Average number of shares repurchased / cancelled	(45,044)	-
Weighted average number of shares outstanding	**179,235,116**	**177,906,466**
Impact shares to be issued	-	-
Weighted average number of shares (for calculations basic earnings per share)	**179,235,116**	**177,906,466**
Potential dilutive shares from stock option scheme and other share-based payments	2,269,314	1,965,043
Weighted average number of shares (diluted)	**181,504,430**	**179,871,509**
Basic earnings per share in US$	2.74	2.53
Fully diluted earnings per share in US$	2.70	2.50

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for the issuance of Value Creation Stake shares for the Management Board, Ownership Shares for the Company's senior management and the Matching Shares and RSUs that have vested on January 1, 2024 (see note 4.3.6 Employee Benefit Expenses).

4.3.12 DIVIDENDS PAID AND PROPOSED AND SHARE REPURCHASE PROGRAM

The Company is evolving its shareholder return policy as follows: "The Company's shareholders return policy is to maintain a stable annual cash return to shareholders which grows over time, with flexibility for the Company to make such cash return in the form of a cash dividend and the repurchase of shares. Determination of the annual cash return is based on the Company's assessment of its underlying cash flow position. The Company prioritizes a stable cash distribution to shareholders and funding of growth projects, with the option to apply surplus capital towards incremental cash returns to shareholders." The policy will be presented for discussion at the Annual General Meeting on April 12, 2024.

As a result, following review of its cash flow position and forecast, the Company intends to pay a total cash return to shareholders of US$220 million in 2024. This represents an increase of 12% compared with the dividend paid in 2023. The cash return is to be composed of a proposed dividend of US$150 million (equivalent to c. US$0.83 per share[2]) combined with a EUR65 million (US$70 million equivalent[3]) share repurchase program. Shares repurchased as part of the cash return will be cancelled. The share repurchase program will be launched on March 1, 2024 and the dividend will be proposed at the Annual General Meeting on April 12, 2024. Going forward, the Company intends to maintain a material level of dividend as part of the annual cash return with US$150 million as a base level.

4.3.13 PROPERTY, PLANT AND EQUIPMENT

The line item 'Property, plant and equipment' consists of property, plant and equipment owned by the Company and right-of-use assets:

Property, plant and equipment (summary)

	31 December 2023	31 December 2022
Property, plant and equipment excluding leases	308	274
Right-of-use assets	77	40
Total	**384**	**314**

[2] Based on the number of shares outstanding at December 31, 2023. Dividend amount per share depends on number of shares entitled to dividend. The proposed ex-dividend date is April 16, 2024.
[3] Based on the foreign exchange rate on February 22, 2024.

PROPERTY, PLANT AND EQUIPMENT OWNED BY THE COMPANY

The movement of the Property, plant and equipment during the year 2023 is summarized as follows:

2023

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	60	1,813	78	16	**1,967**
Accumulated depreciation and impairment	(41)	(1,596)	(56)	-	**(1,693)**
Book value at 1 January	**19**	**217**	**23**	**16**	**274**
Additions	0	3	6	70	**79**
Disposals	(0)	-	(0)	-	**(0)**
Depreciation	(2)	(30)	(9)	-	**(41)**
Impairment	-	(6)	-	-	**(6)**
Foreign currency variations	0	(0)	1	0	**1**
Other movements	5	(0)	1	(6)	**0**
Total movements	**3**	**(32)**	**(2)**	**65**	**34**
Cost	67	1,821	82	81	**2,051**
Accumulated depreciation and impairment	(45)	(1,637)	(62)	-	**(1,744)**
Book value at 31 December	**22**	**185**	**21**	**81**	**308**

2022

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	63	1,741	83	4	**1,891**
Accumulated depreciation and impairment	(38)	(1,446)	(55)	-	**(1,540)**
Book value at 1 January	**25**	**295**	**28**	**4**	**351**
Additions	0	13	5	79	**97**
Disposals	-	(0)	(0)	(0)	**(0)**
Depreciation	(5)	(47)	(11)	-	**(63)**
Impairment	-	(108)	-	-	**(108)**
Foreign currency variations	(1)	0	(1)	(0)	**(2)**
Other movements	0	65	2	(67)	**(0)**
Total movements	**(6)**	**(78)**	**(5)**	**12**	**(77)**
Cost	60	1,813	78	16	**1,967**
Accumulated depreciation and impairment	(41)	(1,596)	(56)	-	**(1,693)**
Book value at 31 December	**19**	**217**	**23**	**16**	**274**

During the 2023 period, the following main events occurred regarding owned property, plant and equipment:

- US$41 million of annual depreciation charges, following the normal depreciation schedule;
- US$79 million additions mainly related to capitalized major overhaul costs related to repair work performed on *FPSO Cidade de Anchieta*.
- US$(6) million impairment of *FPSO Capixaba* residual value due to the reassessment of the expected towing and green recycling costs of the unit following the final selection of a scrapping yard in Denmark.

Property, plant and equipment at year-end comprises of:

- One (2022: one) integrated floating production, storage and offloading system (FPSO) (namely *FPSO Cidade de Anchieta*) consisting of a converted tanker, a processing plant and one mooring system. This FPSO is leased to third parties under an operating lease contract;
- One semi-submersible production platform, the *Thunder Hawk* (2022: one), leased to third parties under an operating lease contract.

The depreciation charge for the semi-submersible production facility *Thunder Hawk* is calculated based on its future anticipated economic benefits, resulting in a depreciation plan based on the unit of production method. All other property, plant and equipment is depreciated on a straight-line basis.

Company-owned property, plant and equipment with a carrying amount of US$178 million (2022: US$195 million) has been pledged as security for liabilities, mainly for external financing.

No interest has been capitalized during the financial year as part of the additions to property, plant and equipment (2022: nil).

FPSO Cidade de Anchieta

FPSO Cidade de Anchieta was shut down from January 22, 2022, following observation of oil near the vessel. Adequate anti-pollution measures were immediately deployed and were effective and inspections quickly identified oil leaks from two tanks. A repair program has been implemented to repair the four tanks required for the safe restart of the vessel in agreement with the client and approved by Class and local authorities as well as for the repair of other tanks for which works progressed as planned during the current year and which will continue over the coming years. This enabled a safe restart at full production on December 17, 2022. In prior year, the total expected net cost of repairs resulted in an adverse cash flow and an impairment of US$92 million.

In the current year, an impairment assessment of *FPSO Cidade de Anchieta* was performed. No additional impairment was recognised in the year 2023.

The recoverable amount of the vessel was determined using its value in use. Significant estimates are part of the impairment calculation:

- If the discount rate (7.4%) used in the impairment test were to vary by +/- 1%, the impairment would change by +/- US$10 million;
- If the cash outflow were to vary by +/- US$20 million, the impairment would change by +/- US$19 million;
- If the cash inflow were to vary by +/- US$20 million, the impairment would change by -/+ US$19 million;
- If the timing of some cash inflow would vary by one year, the impairment would change by + US$7 million.

RIGHT-OF-USE ASSETS

As of December 31, 2023, the Company leases buildings and cars. The movement of the right-of-use assets during the year 2023 is summarized as follows:

2023

	Buildings	Other fixed assets	Total
Book value at 1 January	**39**	**1**	**40**
Additions	54	1	**55**
Disposals	(5)	-	**(5)**
Depreciation	(14)	(1)	**(14)**
Impairment	-	-	**-**
Foreign currency variations	2	0	**2**
Other movements	(1)	(0)	**(1)**
Total movements	**36**	**1**	**37**
Cost	104	4	**108**
Accumulated depreciation and impairment	(29)	(2)	**(31)**
Book value at 31 December	**75**	**2**	**77**

2022

	Buildings	Other fixed assets	Total
Book value at 1 January	**44**	**1**	**45**
Additions	12	1	**13**
Disposals	-	(0)	**(0)**
Depreciation	(14)	(1)	**(15)**
(Impairment)/impairment reversal	-	-	**-**
Foreign currency variations	(2)	(0)	**(2)**
Other movements	(1)	(0)	**(1)**
Total movements	**(5)**	**0**	**(4)**
Cost	72	3	**75**
Accumulated depreciation and impairment	(33)	(2)	**(35)**
Book value at 31 December	**39**	**1**	**40**

During the year 2023, the main movements regarding right-of-use assets related to US$55 million of capitalization of lease extensions and new lease office contracts, partially offset by US$14 million of depreciation charges. In March 2023, the Company extended the lease agreement of one of its office buildings until 2037. This resulted in an increase of US$43 million to right-of-use assets and a similar increase in lease liabilities (refer to note 4.3.23 Borrowings and Lease Liabilities).

Office leases

Significant contracts under buildings relate to the lease of offices. The remaining contract periods of the Company's office rentals vary between one and ten years and most of the contracts include extension options between three and fourteen years. The extension options have been taken into account in the measurement of lease liabilities when the Company is reasonably certain to exercise these options. The lease agreements do not impose any covenants.

OPERATING LEASES AS A LESSOR

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements which terminate between 2025 and 2031. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the vessels and floating equipment

	31 December 2023	31 December 2022
Cost	1,821	1,813
Accumulated depreciation and impairment	(1,637)	(1,596)
Book value at 31 December	**185**	**217**

As of December 31, 2023, the units included under leased facilities are *FPSO Cidade de Anchieta* and the semi-submersible production facility *Thunder Hawk*. The book value of the leased facilities included in the vessels and floating equipment has decreased by US$32 million, mainly due to depreciation.

The nominal values of the future expected bareboat receipts (undiscounted lease payments) in respect of the remaining operating lease contracts are:

Nominal values of the future expected bareboat receipts

	31 December 2023	31 December 2022
Within 1 year	105	113
2 years	99	111
3 years	91	104
4 years	91	91
5 years	91	91
After 5 years	214	306
Total	**693**	**816**

A number of agreements have extension options, which have not been included in the above table.

Outstanding purchase and termination options in operating lease contracts

The operating lease contract of semi-submersible *Thunder Hawk* includes a call option for the client to purchase the underlying asset. The exercise of this call option would have resulted in a gain for the Company as at December 31, 2023.

4.3.14 INTANGIBLE ASSETS

2023

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	38	28	100	19	**185**
Accumulated amortization and impairment	(29)	(20)	-	(19)	**(68)**
Book value at 1 January	**9**	**8**	**100**	**0**	**117**
Additions	6	7	31	-	**45**
Amortization	(5)	(4)	-	-	**(9)**
(Impairment)/impairment reversal	-	-	-	-	**-**
Total movements	**1**	**3**	**31**	**-**	**36**
Cost	44	29	132	19	**224**
Accumulated amortization and impairment	(33)	(18)	-	(19)	**(71)**
Book value at 31 December	**11**	**11**	**132**	**0**	**153**

2022

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	34	25	67	19	**145**
Accumulated amortization and impairment	(25)	(15)	-	(19)	**(59)**
Book value at 1 January	**9**	**11**	**67**	**0**	**86**
Additions	4	3	34	-	**41**
Amortization	(3)	(4)	-	-	**(7)**
(Impairment)/impairment reversal	-	(2)	-	-	**(2)**
Total movements	**1**	**(3)**	**34**	**-**	**31**
Cost	38	28	100	19	**185**
Accumulated amortization and impairment	(29)	(20)	-	(19)	**(68)**
Book value at 31 December	**9**	**8**	**100**	**0**	**117**

The increase in 'Intangible assets under construction' mainly relates to costs capitalized relating to the design and implementation of the new global ERP system, the capitalization of software licenses and other capital expenditures related to the IT infrastructure upgrade project.