2023 ANNUAL REPORT

SBM OFFSHORE

The significant decrease in the gross receivable 'Less than 1 year' mainly relates to the anticipated exercising of an FPSO *Liza Unity* purchase option which was materialised during the current year. The increase of the gross finance lease receivable in 'Between 1 and 2 years' is mainly explained by FPSO *Prosperity* following first oil in November 2023.

The following part of the net investment in the lease is included as part of the current assets within the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2023	31 December 2022
Gross receivable	1,026	2,221
Less: unearned finance income	(500)	(496)
Current portion of finance lease receivable	**526**	**1,725**

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables, taking into account the risk of recoverability. The Company performed an assessment, which concluded that the credit risk for these receivables has not increased significantly since the initial recognition. The Company does not hold any collateral as security.

Outstanding purchase and termination options

The finance lease contracts of *FPSO Aseng*, FPSO *Liza Destiny* and FPSO *Prosperity*, where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early. If the client had exercised the purchase option for *FPSO Aseng* as of December 31, 2023, this would have resulted in a gain for the Company. The exercise of the early termination option, under which the Company would retain the vessel, would have resulted in a near breakeven result. If the client had exercised the purchase option for FPSO *Liza Destiny* as of December 31, 2023, this would have resulted in a near breakeven result for the Company while the exercise of the early termination option under which the Company would retain the vessels would have resulted in a gain. If the client had exercised the purchase option or early termination option for FPSO *Prosperity* as of December 31, 2023, this would have resulted in a gain for the Company.

The finance lease contract of *FPSO Espirito Santo* includes a call option for the client to terminate the contract early without obtaining the underlying asset. The exercise of the early termination option would have resulted in a loss for the Company as of December 31, 2023.

The finance lease contracts of FPSO *ONE GUYANA* (under construction as per December 31, 2023) contain options for the client to purchase the underlying asset or terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

4.3.16 OTHER FINANCIAL ASSETS

The breakdown of the non-current portion of other financial assets is as follows:

	31 December 2023	31 December 2022
Non-current portion of other receivables	113	106
Sublease receivables	-	-
Non-current portion of loans to joint ventures and associates	38	45
Total	**151**	**151**

The increase in non-current portion of other receivables relates to the increase of the demobilization receivables, partially offset by the recognition of the linearized revenue for *FPSO Cidade de Anchieta*.

The current portion of (i) other receivables and sublease receivables, and (ii) loans to joint ventures and associates, is included within 'Trade and other receivables' in the statement of financial position.

In relation to the exposure to credit risk at the reporting date on the carrying amount of the interest-bearing loans, non-current portion of other receivables and sublease receivable, please refer to note 4.3.8 Net Impairment Gains/(Losses) on

Financial and Contract Assets and note 4.3.27 Financial Instruments – Fair Values and Risk Management for the risk of recoverability (i.e. for expected credit losses). The Company does not hold any collateral as security.

The breakdown of loans to joint ventures and associates is presented below.

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2023	31 December 2022
Current portion of loans to joint ventures and associates	4.3.19	3	7
Non-current portion of loans to joint ventures and associates		38	45
Total	4.3.31	**41**	**52**

The balance of loans to joint ventures and associates has decreased compared with the year-ago period due to the impairment of a funding loan provided to some equity accounted entities.

The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to joint ventures and associates, taking into account the risk of recoverability. The Company does not hold any collateral as security.

4.3.17 DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities and associated net positions are summarized as follows:

Deferred tax positions (summary)

	31 December 2023			31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	0	-	0	0	-	0
Tax losses	2	-	2	6	-	6
Other	245	173	72	6	38	(32)
Book value at 31 December	**247**	**173**	**74**	**12**	**38**	**(26)**

Deferred tax assets increased by US$234 million during the year of 2023, mainly due to deferred tax recognized in relation to a tax goodwill in Switzerland. Within the frame of the Company's periodical review of its tax positions, the Company had previously identified the need for an evolution of its Swiss structure to bring it in line with shifts in tax paradigms that occurred over the past decade. Accordingly, the Company ceased to apply its decade's-old Swiss tax rulings, initiating a transition process under Swiss law which has resulted in a tax goodwill for a transitory period of time.

The increase in deferred tax liabilities is mainly due to the recognition of tax for the Brazilian and Guyana units under construction in 2023 and on unrealized profits on hedging instruments booked in other comprehensive income for which a total deferred tax liability was recognized in 2023 for an amount of US$59 million (without impact in the income tax charge).

As explained in note 4.3.10 Income Tax Expense, no deferred taxes were recognized for the year ended in December 31, 2023, in relation to the potential impacts of top-up taxes arising from Pillar Two Model Rules.

Movements in net deferred tax positions

		2023	2022
	Note	Net	Net
Deferred tax at 1 January		**(26)**	**(5)**
Deferred tax recognized in the income statement	4.3.10	156	(20)
Deferred tax recognized in other comprehensive income		(57)	-
Other		-	-
Foreign currency variations		-	(1)
Total movements		**100**	**(21)**
Deferred tax at 31 December		**74**	**(26)**