2022 ANNUAL REPORT

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4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.3.1 FINANCIAL HIGHLIGHTS

Impact of COVID-19 pandemic, Russia-Ukraine war and current economic environment
During 2022, construction activities for the Company's major projects has continued to be impacted by the effects of the pandemic and, in particular, response measures in China.

Even though the Company does not have any significant business activity in Ukraine or Russia, the current war between these two nations also added pressure on price inflation and the global supply chain, notably from (i) rising prices and/or shortage of certain materials and services and (ii) delays in logistics.

Project teams are working closely with both client teams and suppliers to mitigate the impact on project execution. The degree to which these challenges can be mitigated varies from project to project. As at the date of the consolidated financial statement, the ultimate delivery of major projects is not considered at risk, based on currently known circumstances.

Regarding the operation of the fleet, despite the continued challenges brought by the pandemic, the underlying fleet uptime excluding *FPSO Cidade de Anchieta* remained in line with expectations. In order to achieve such results, the Company continued to implement specific measures aimed at preventing the occurrence of COVID-19 cases and minimizing the impact on operations if and when cases were identified.

Implications on 2022 Financial performance
Due to the COVID-19 pandemic and the Russia-Ukraine war, the Company incurred additional costs in order to satisfy its performance obligations on some of its Turnkey projects. This was mainly due to the overall pressure on the global supply chain, delay on project schedules following lockdown periods in China, subsequent acceleration programs negotiated with sub-contractors, international travel restrictions, remote working and a general increase in commodity prices. These costs contributed to the progress of transfer of control of the construction asset to the client over the construction period. When the costs are partially recharged to the Company's clients, it is considered as part of the total consideration for the project, which is recognized as revenue over time. The related amount recognized as revenue during 2022 is 1% of the Company's Turnkey revenue in this period.

On the Lease and Operate segment, the incremental costs from the implementation of additional measures linked to the safe management of the impact of the COVID-19 pandemic have been partially recharged to clients within the contractual terms of reimbursable contracts. The Company, to a certain extent, has inflation adjustment clauses which additionally mitigate the costs linked to overall cost inflation.

Financial risk management
The Company is proactively monitoring challenges caused by the COVID-19 pandemic, the Russia-Ukraine war and the macroeconomic environment. As part of this, the Company regularly assesses liquidity, credit and counterparty risks.

The Company's overall financial 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 performed analyses on the market, liquidity, interest, foreign exchange, credit, capital management risk and counterparty risks of its clients and financial partners. During 2022, despite the current macroeconomic environment, the Company did not identify increased risks regarding the recoverability of amounts outstanding from clients. The Company manages its exposure to commodity risk through hedge contracts. During 2022, this mainly related to the risk of an increase in fuel prices. For the description, exposure and policies related to these risks, please refer to note 4.3.27 Financial instruments - fair values and risk management .

The analysis on counterparty risks resulted in an assessment of no significant impact reflected in the net impairment on financial and contract assets over the period in section 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract assets.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities

when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company regularly conducts various liquidity scenarios, financial stress tests and sensitivity analyses. The conclusion is that the Company's lease portfolio and the existing financing facilities and overall financing capacity are sufficient to ensure that the Company will continue as a going concern in the foreseeable future and that it can sustain future growth plans. Furthermore, under its Lease and Operate contractual arrangements with clients, the Company has considerable time under charters to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. As at December 31, 2022 the Company had a total of US$2.7 billion undrawn credit facilities and unused credit lines, which includes US$1.0 billion under its Revolving Credit Facility.

Impairment of non-financial assets

The current economic landscape impacted by the COVID-19 pandemic and Russia-Ukraine war, along with the imposition of international sanctions, reflects global logistic issues as well as quarantine measures and general increase of supply prices. Despite the fact that the Company does not have significant assets directly impacted by the geopolitical tensions and no operation had to be ceased, the Company assessed the impact on its non-financial assets in order to reflect the latest economic conditions at the balance sheet date, specifically to address increased risk, costs and uncertainty. The impact of the COVID-19 pandemic, the Russia-Ukraine war and the current macroeconomic environment did not result in a specific impairment in the non-financial assets of the Company.

The *FPSO Cidade de Anchieta* expected cost of repair of tanks following the shutdown of the Unit in 2022 led to an impairment which was accounted for US$92 million (refer to note 4.3.13 Property, Plant and Equipment).

FPSO Liza Unity producing and on hire

FPSO *Liza Unity* produced first oil on February 11, 2022 and is formally on hire.

FPSO *Liza Unity* is the first unit with a design based on the Company's industry leading Fast4Ward® program, which incorporates the Company's new build, multi-purpose floater hull combined with several standardized topsides modules.

The FPSO is installed at the Liza field, which is located circa 200 kilometers offshore Guyana in the Stabroek block.

ExxonMobil's subsidiary Esso Exploration and Production Guyana Limited is the operator and holds a 45% interest in the Stabroek Block. Hess Guyana Exploration Ltd. holds a 30% interest and CNOOC Petroleum Guyana Limited, a wholly owned subsidiary of CNOOC Limited, holds a 25% interest.

Divestment of minority interest in FPSO Almirante Tamandaré project

Following the announcement on July 27, 2021, on the signature of the contracts for *FPSO Almirante Tamandaré*, the Company announced on January 25, 2022 that it has entered into a shareholder agreement with its long-standing business partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK).

MC and NYK have acquired a respective 25% and 20% ownership interest in the special purpose companies related to the lease and operation of the *FPSO Almirante Tamandaré*. The Company is the operator and will remain the majority shareholder with 55% ownership interest.

FPSO Almirante Tamandaré is currently under construction. The FPSO will be deployed at the Búzios field in the Santos Basin approximately 180 kilometers offshore Rio de Janeiro in Brazil, under a 26.25 year lease and operate contract with Petróleo Brasileiro S.A. (Petrobras).

The divestment is accounted for as a transaction with a minority shareholder. Refer to section 4.3.30 Information on Non-controlling Interests.

Divestment of minority interest in FPSO Alexandre de Gusmão project

Following the announcement on November 30, 2021, on the signature of the contracts for *FPSO Alexandre de Gusmão*, the Company has announced on March 23, 2022 that it has entered into a shareholder agreement with its long standing business partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK).

MC and NYK have acquired a respective 25% and 20% ownership interest in the special purpose companies related to the lease and operation of the *FPSO Alexandre de Gusmão*. SBM Offshore is operator and will remain the majority shareholder with 55% ownership interest.

FPSO Alexandre de Gusmão is currently under construction. The FPSO will be deployed at the Mero field in the Santos Basin offshore Brazil, 160 kilometers offshore Rio de Janeiro, under a 22.5-year lease and operate contract with Petróleo Brasileiro S.A. (Petrobras). The Mero Unitized field is operated by Petrobras (38,6%) in partnership with Shell Brasil (19,3%), TotalEnergies (19,3%), CNPC (9,65%), CNOOC Limited (9,65%), and Pré-sal Petróleo S.A. – PPSA (3,5%) as the Federal Union representative in non-contracted area.

The divestment is accounted for as a transaction with a minority shareholder. Refer to section 4.3.30 Information on Non-controlling Interests.

Award of contracts for ExxonMobil FPSO ONE GUYANA

Esso Exploration and Production Guyana Limited (EEPGL), an affiliate of ExxonMobil Corporation, confirmed the award of contracts for the Yellowtail development project located in the Stabroek Block in Guyana in April, 2022. Under the contracts, the Company will construct, install and then lease and operate the FPSO *ONE GUYANA* for a period of up to two years, after which the FPSO ownership and operation will transfer to EEPGL. The award follows completion of front-end engineering and design studies, receipt of requisite government approvals and the final investment decision on the project by ExxonMobil and block co-venturers.

The Yellowtail development is the fourth development within the Stabroek block, circa 200 kilometers offshore Guyana.

EEPGL is the operator and holds a 45% interest in the Stabroek block, Hess Guyana Exploration Ltd. holds a 30% interest and CNOOC Petroleum Guyana Limited, a wholly owned subsidiary of CNOOC Limited, holds a 25% interest.

The FPSO *ONE GUYANA's* design is based on the Company's industry leading Fast4Ward® program that incorporates the Company's new build, multi-purpose floater hull combined with several standardized topsides modules. The FPSO will be designed to produce 250,000 barrels of oil per day, will have associated gas treatment capacity of 450 million cubic feet per day and water injection capacity of 300,000 barrels per day. The FPSO will be spread moored in water depth of about 1,800 meters and will be able to store around 2 million barrels of crude oil.

The turnkey phase of the project will be executed by a special purpose company (SPC) established by SBM Offshore and McDermott. SBM Offshore holds 70% and McDermott holds 30% equity ownership in this SPC. The FPSO will be fully owned by SBM Offshore.

AFM appeal of court decision

On June 21, 2022 the district court in Rotterdam delivered its decision in the case between the Company and the AFM (Dutch Authority for the Financial Markets) relating to certain public disclosures made by the Company in the period from 2012-2014. The court has honored the position of the Company in relation to two disclosures and reduced the fine to US$1 million.

On August 1, 2022 the AFM filed an appeal with the Trade and Industry Appeals Tribunal (College van Beroep voor het bedrijfsleven) against the Rotterdam District Court's ruling in respect of alleged violations 1 and 2 (the principal appeal). On January 5, 2023, SBM Offshore filed its response to the AFM's appeal and additionally, filed an appeal with the Trade and Industry Appeals Tribunal against the Rotterdam District Court's ruling in respect of alleged violations 3 and 4 (the incidental appeal).

Completion of US$1.75 billion financing for FPSO ONE GUYANA

On July 21, 2022, the Company announced the completion of US$1.75 billion financing for FPSO *ONE GUYANA*. The project financing was secured by a consortium of 15 international banks. The Company expects to draw the loan in full, phased over the construction period of the FPSO. The financing will become non-recourse once the FPSO is completed and the pre-completion guarantee has been released. The project loan is in line with the duration of the charter, hence a two-year tenor post-completion and carries a variable interest rate based on SOFR plus 2.2% margin.

Memorandum of Understanding signed for one additional Fast4Ward® hull

On November 9, 2022, the Company announced that it had signed a Memorandum of Understanding (MoU) for the construction of the Company's seventh hull under its purchase program for Fast4Ward® multi-purpose hulls. The MoU was signed with ExxonMobil Guyana for use on a future cost and CO_2e-intensity competitive FPSO project.

FPSO Cidade de Anchieta

FPSO Cidade de Anchieta was shut down on 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. As announced on December 20, 2022, the *FPSO Cidade de Anchieta* safely resumed production, following the inspection, repair and certification of four tanks in agreement with the client and approved by Class and local authorities. As announced on November 10, 2022, repair works on the remaining tanks will continue at least until the end of 2023.

In accordance with the contractual terms, the lease period is to be extended by the number of days of shutdown. As the contract is qualified as an operating lease under IFRS 16, the extension of the lease period is considered as a lease reassessment as per IFRS 16. This led to an update of the linearized revenue up to the new end date of the contract and a recognition of an accrued income of US$78 million (refer to note 4.3.16 Other Financial Assets).

The majority of the costs to be incurred for the full scope of the repairs qualify for capitalization, as per IAS 16, as a major overhaul. The total expected cost of repairs resulted in an adverse cash flow and an impairment of US$92 million was accounted for in the 2022 full-year results impacting the net profit for the year (refer to note 4.3.13 Property, Plant and Equipment).

The increase in the non-current portion of other receivables relates to the extension of the lease period for *FPSO Cidade de Anchieta,* which is considered as a lease reassessment as per IFRS 16.

4.3.2 OPERATING SEGMENTS AND DIRECTIONAL REPORTING

OPERATING SEGMENTS

The Company's reportable operating segments as defined by IFRS 8 'Operating segments' are:

- Lease and Operate;
- Turnkey;
- Other.

DIRECTIONAL REPORTING

Strictly for the purposes of this note, the operating segments are measured under Directional reporting, which in essence follows IFRS, but with two main exceptions:

- All lease contracts are classified and accounted for as if they were operating lease contracts under IFRS 16. Some lease and operate contracts may provide for defined invoicing ('upfront payments') to the client occurring during the construction phase or at first-oil (beginning of the lease phase), to cover specific construction work and/or services performed during the construction phase. These 'upfront payments' are recognized as revenues and the costs associated with the construction work and/or services are recognized as 'Cost of sales' with no margin during the construction. As a consequence, these costs are not capitalized in the gross value of the assets under construction.
- All investees related to Lease and Operate contracts are accounted for at the Company's share as if they were classified as joint operations under IFRS 11, whereby all lines of the income statement, statement of financial position and cash flow statement are consolidated based on Company's percentage of ownership (hereafter referred to as 'percentage of ownership consolidation'). Yards and installation vessel related joint ventures remain equity accounted.

In 2022, all other accounting principles remain unchanged compared with applicable IFRS standards.

The above differences to the consolidated financial statements between Directional reporting and IFRS are highlighted in the reconciliations provided in this note on revenue, gross margin, EBIT and EBITDA as required by IFRS 8 'Operating segments'. The Company also provides the reconciliation of the statement of financial position and cash flow statement under IFRS and Directional reporting. The statement of financial position and the cash flow statement under Directional reporting are evaluated regularly by the Management Board in assessing the financial position and cash generation of the Company. The Company believes that these disclosures should enable users of its financial statements to better evaluate the