2022 ANNUAL REPORT

SBM OFFSHORE

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

Geographical information (non-current assets by country)

	31 December 2022		31 December 2021	
	IFRS	DIR	IFRS	DIR
Brazil	5,331	5,351	5,364	4,526
Guyana	628	2,857	716	2,427
Switzerland	264	270	40	79
Angola	242	178	303	211
Malaysia	79	9	92	11
Equatorial Guinea	57	93	75	115
Monaco	25	25	40	40
The United States of America	27	27	36	36
Netherlands	13	13	15	15
Other	152	127	113	89
Total	**6,818**	**8,951**	**6,795**	**7,550**

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$2,825 million (US$1,823 million and US$1,002 million, respectively). In 2021, the revenue related to the two major customers was US$1,476 million (US$842 million and US$634 million, respectively). In 2022 and 2021, the revenue of these major customers was 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$4,635 million (US$2,988 million, US$1,647 million respectively). In 2021, two customers accounted for more than 10% of the consolidated revenue (US$3,406 million), respectively for US$1,998 million, US$1,408 million.

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 51% of the Company's 2022 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 95%) over time.

Construction activities continued to experience impacts from the combined effects of the COVID-19 pandemic and indirectly from the war between Russia and Ukraine. The impacts vary from project to project, reflecting global logistic issues as well as ongoing quarantine measures on personnel and material especially in China. Those additional costs affect the progress of transfer of control of the construction asset to the customer over the construction period and have therefore been considered as part of the revenue recognition over time. The related amount recognized as revenue in 2022 is less than 1% of total 2022 revenue.

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, 2022. 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 2022 decreased to US$(3) million (2021: US$101 million). This reduction is mostly related to the shutdown of *FPSO Cidade de Anchieta*.

The following table presents the unsatisfied performance obligations as at December 31, 2022 (in billions of US$):

Unsatisfied performance obligations related to:	2022	2021
- constructions contracts including finance leases	5.8	6.0
- operating contracts	10.6	10.0
Total	16.4	16.0

The unsatisfied performance obligations for the committed construction contracts relate mostly to five major construction FPSO contracts. Revenue related to these construction contracts is expected to be recognized over the coming four 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 2023 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 (see note 4.3.3 Revenue). If the installments invoiced to the client exceed the work performed, a contract liability is recognized (see note 4.3.25 Trade and Other Payables).

As a result of various commercial discussions with clients, the Company recognized revenue amounting to US$27 million in 2022 (2021: US$6 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 assets

During the period ended December 31, 2022, the Company completed construction of FPSO *Liza Unity* marking first oil date on February 11, 2022. As of that date, the lease of FPSO *Liza Unity* 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, 2022, of US$5,681 million (2021: US$4,140 million) decreased in relation to FPSO *Liza Unity*. This is more than offset by an increase in contract assets related to progress made during the period on the construction of *FPSO Sepetiba*, FPSO *Prosperity*, *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and FPSO *ONE GUYANA*.

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

Contract liabilities of 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 reclassified to other current liabilities (see note 4.3.25 Trade and Other Payables).

The 'Contract liability' relates mainly to one of the Company's renewable projects and other minor construction projects. The Company recognized revenue of US$57 million during the period, which was included in the contract liability as per December 31, 2021.

4.3.4 OTHER OPERATING INCOME AND EXPENSE

	2022	2021
Insurance claim income	-	16
Gains from sale of financial participations, property, plant and equipment	9	2
Other operating income	28	1
Total other operating income	**37**	**19**
Other operating expenses	(6)	(12)
Impairment of other assets and onerous contracts	(2)	-
Restructuring expenses	0	(1)
Total other operating expense	**(8)**	**(13)**
Total	**28**	**6**

In 2022, the total other operating income mainly includes:

- US$9 million gain realized from the disposal of the SBM Installer, sold to the buyer on January 19, 2022, for the amount of US$35 million and previously classified as an asset held for sale; and
- an insurance recovery of US$27 million in respect of one of the Brazilian units

Other operating expense includes a provision for a US$1 million fine. Refer to section 4.5.6 Provisions for further details.

4.3.5 EXPENSES BY NATURE

The table below sets out expenses by nature for all items included in EBIT for the years 2022 and 2021:

	Note	2022	2021
Expenses on construction contracts		(2,367)	(1,732)
Employee benefit expenses	4.3.6	(740)	(669)
Vessels operating costs		(412)	(413)
Depreciation, amortization and impairment		(189)	(88)
Selling expenses		(4)	(16)
Other costs		(218)	(114)
Total expenses		**(3,930)**	**(3,032)**

In 2022 'Expenses on construction contracts' continued to increase as a result of the further ramp-up of activity on Turnkey projects as the Company has five FPSO's under construction, which now includes the awarded FPSO *ONE GUYANA.*

'Employee benefit expenses' increased mainly due to the ramp-up of activity on Turnkey projects.

'Vessel operating costs' remained stable, mainly as a result of FPSO *Liza Unity* first oil at the beginning of 2022 and offset by the impact of *FPSO Capixaba* and SBM Installer leaving the fleet.

The increase of 'Depreciation, amortization and impairment' in comparison to 2021 mainly relates to the impairment of US$92 million of *FPSO Cidade de Anchieta* due to the additional costs required for tank repairs following the shutdown in 2022 (refer to note 4.3.13 Property, Plant and Equipment).

Expenses related to short-term leases and leases of low value assets amounted to US$1 million in 2022 (2021: US$4 million).