2022 ANNUAL REPORT

SBM OFFSHORE

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4.3.9 NET FINANCING COSTS

	2022	2021
Interest income on loans & receivables	0	1
Interest income on investments	10	1
Net foreign exchange gain	-	-
Other financial income	2	1
Financial income	**12**	**3**
Interest expenses on financial liabilities at amortized cost	(352)	(202)
Interest expenses on hedging derivatives	(28)	(99)
Interest expenses on lease liabilities	(2)	(2)
Interest addition to provisions	(1)	(1)
Net cash flow hedges ineffectiveness	(1)	-
Other financial expenses	(0)	0
Financial expenses	**(385)**	**(304)**
Net financing costs	**(373)**	**(301)**

The company has increased its debt (see note 4.3.23 Borrowings and Lease Liabilities) in order to finance its ongoing construction program of five FPSOs.

Therefore, the increase in net financing costs is mainly due to: (i) higher interest expenses as a result of the Company's project financing obtained for projects under construction, mostly the project financing of FPSO *ONE GUYANA, FPSO Sepetiba,* FPSO *Prosperity* and bridge loans for *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*.

4.3.10 INCOME TAX EXPENSE

The relationship between the Company's income tax expense and profit before income tax (referred to as 'effective tax rate') can vary significantly from period to period considering, among other factors: (i) changes in the blend of income that is taxed based on revenues versus profit; (ii) the different statutory tax rates in the location of the Company's operations and (iii) the possibility to recognize deferred tax assets on tax losses to the extent that suitable future taxable profits will be available.

Some of the taxes are withholding taxes (paid on revenues). The assessment of whether the withholding tax is in scope of IAS 12 is judgmental; the Company performed this assessment in the past and some of the withholding taxes that the Company pays in certain countries qualify as income taxes as it creates an income tax credit or it is considered as deemed profit taxation.

Consequently, income tax expense does not change proportionally with profit before income taxes. Significant decreases in profit before income tax typically lead to a higher effective tax rate, while significant increases in profit before income taxes can lead to a lower effective tax rate, subject to the other factors impacting income tax expense noted above. Additionally, where a deferred tax asset is not recognized on a loss carry forward, the effective tax rate is impacted by the unrecognized tax loss.

The components of the Company's income taxes were as follows:

Income tax recognized in the consolidated Income Statement

	Note	2022	2021
Corporation tax on profits for the year		(85)	(73)
Adjustments in respect of prior years		(1)	14
Movements in uncertain tax positions		3	3
Total current income tax		**(83)**	**(56)**
Deferred tax	4.3.17	(20)	(14)
Total		**(104)**	**(71)**

The Company's operational activities are subject to taxation at rates, which range up to 35% (2021: 35%).

For the year ended December 31, 2022, the respective tax rates, the change in the blend of income tax based on income withholding tax and deemed profit assessment versus income tax based on net profit, the unrecognized deferred tax asset on certain tax losses, tax-exempt profits and non-deductible costs resulted in an effective tax on continuing operations of 16% (2021: 16%).

The reconciliation of the effective tax rate is as follows:

Reconciliation of total income tax charge

	2022		2021	
	%		%	
Profit/(Loss) before income tax		**660**		**543**
Share of profit of equity-accounted investees		12		110
Profit/(Loss) before income tax and share of profit of equity-accounted investees		**648**		**433**
Income tax using the domestic corporation tax rate (25,8% for the Netherlands)	25,8%	(167)	25%	(108)
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other jurisdictions	(9%)	57	(8%)	34
Withholding taxes and taxes based on deemed profits	5%	(33)	10%	(45)
Non-deductible expenses	10%	(64)	7%	(30)
Non-taxable income	(19%)	125	(21%)	91
Adjustments related to prior years	0%	(1)	(3%)	14
Adjustments recognized in the current year in relation to deferred income tax of previous year	(0%)	3	2%	(11)
Effects of unrecognized and unused current tax losses not recognized as deferred tax assets	4%	(27)	4%	(18)
Movements in uncertain tax positions	(0%)	3	(1%)	3
Total tax effects	**(10%)**	**63**	**(9%)**	**38**
Total of tax charge on the Consolidated Income Statement	**16%**	**(104)**	**16%**	**(71)**

Similar to last year, the effective tax was impacted by unrecognized deferred tax assets concerning Brazil, USA, Switzerland, Luxembourg, Monaco and the Netherlands.

Details of the withholding taxes and other taxes are as follows:

Withholding taxes per country

	2022	2021
Withholding Tax and Overseas Taxes (per location)	Withholding tax	Withholding tax
Brazil	(20)	(23)
Guyana	(12)	(20)
Other	(1)	(2)
Total withholding and overseas taxes	**(33)**	**(45)**

Brazil withholding tax
The Company incurred less withholding tax charge in 2022 due to the shutdown of *FPSO Cidade de Anchieta*.

Guyana and other withholding tax
The Company's construction and lease activities related to Guyana are subject to Guyanese withholding tax. In 2022, more withholding tax was used to offset tax calculated on net profit in Guyana and in the United Kingdom leading to a relative decrease of withholding tax in 2022 compared to prior year.

TAX RETURNS AND TAX CONTINGENCIES
The Company files federal and local tax returns in several jurisdictions throughout the world. Tax returns in the major jurisdictions in which the Company operates are generally subject to examination for periods ranging from three to six years. Tax authorities in certain jurisdictions are examining tax returns and in some cases have issued assessments. The Company believes there is a sound basis for its tax positions in those jurisdictions. The Company provides for taxes that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. While the Company cannot predict or provide assurance as to the final outcome of these proceedings, the Company does not expect the ultimate liability to have a material effect on its consolidated statement of financial position or results of operations, although it could have a significant adverse effect on its consolidated cash flows.

Each year management completes a detailed review of uncertain tax positions across the Company and makes provisions based on the probability of the liability arising. The principal risks that arise for the Company are in respect of permanent establishment, transfer pricing and other similar international tax issues. In common with other international groups, the difference in alignment between the Company's global operating model and the jurisdictional approach of tax authorities often leads to uncertainty on tax positions.

As a result of the above, in the period, the Company recorded a net tax decrease of US$4 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. This decrease is primarily in relation to uncertain tax positions on corporate income tax. However it is possible that the ultimate resolution of the tax exposures could result in tax charges that are materially higher or lower than the amount provided.

The Company conducts operations through its various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, the Company may identify changes to previously evaluated tax positions that could result in adjustments to its recorded assets and liabilities. Although the Company is unable to predict the outcome of these changes, it does not expect the effect, if any, resulting from these adjustments to have a material effect on its consolidated statement of financial position, results of operations or cash flows.

IMPACT OF THE GLOBE PILLAR TWO MODEL RULES
In December 2021, the OECD released the GloBE Pillar Two model rules, also referred to as the 'Global Anti-Base Erosion' or 'GloBE' rules, which subsequently led to the issuance of the draft proposal for a GloBE Directive by the European Commission. These rules aim to ensure large multinational enterprises (MNEs) pay a minimum amount of tax on income arising in each jurisdiction in which they operate through introducing a global minimum corporate income tax rate set at 15%. The GloBE rules are intended to be implemented as part of an agreed-upon common approach, introduced via domestic tax law and expected to be effective as from January 1, 2024. The Dutch government issued its draft proposal of

the Minimum Taxation Act 2024 in October 2022 for consultation while on December 15, 2022, the Council of the European Union formally adopted the directive implementing the minimum taxation at EU level.

The Company is in scope of the GloBE Pillar Two model rules. Upon adoption of the Dutch Minimum Taxation Act 2024 (with the anticipated effective date of January 1,2024), these rules may have a financial impact due to the Company's presence in a limited number of jurisdictions where the GloBE effective tax rate is below 15%. Per the GloBE rules, SBM Offshore N.V. is regarded the Ultimate Parent Entity (UPE) and will be subject to the 'Qualified Income Inclusion Rule' (IIR). As a result, the Company may be liable to pay a Top-up Tax on the activities in The Netherlands and other jurisdictions, thereby potentially increasing the Company's current income tax expense for the year and as a consequence an increase of the Company's effective tax rate. Furthermore, the adoption of the rules will lead to increased implementation costs for the Company. The Company is in the process of assessing the potential prospective financial impact as a result of the GloBE rules. It should be noted that the impact can only be finally determined when final legislation is enacted whereas this is still under consultation in various jurisdictions.

4.3.11 EARNINGS/(LOSS) PER SHARE

The basic earnings per share for the year amounted to US$2.53 (2021: US$2.18); the fully diluted earnings per share amounted to US$2.50 (2021: US$2.16). Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive shares into ordinary shares.

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

Earnings per share

	2022	2021
Earnings attributable to shareholders (in thousands of US$)	450,137	400,297
Number of shares outstanding at January 1 (excluding treasury shares)	176,622,557	185,314,742
Average number of treasury shares transferred to employee share programs	1,283,909	1,247,857
Average number of shares repurchased / cancelled	-	(2,845,444)
Weighted average number of shares outstanding	**177,906,466**	**183,717,155**
Impact shares to be issued	-	-
Weighted average number of shares (for calculations basic earnings per share)	**177,906,466**	**183,717,155**
Potential dilutive shares from stock option scheme and other share-based payments	1,965,043	1,927,813
Weighted average number of shares (diluted)	**179,871,509**	**185,644,968**
Basic earnings per share in US$	2.53	2.18
Fully diluted earnings per share in US$	2.50	2.16

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, 2023 (see note 4.3.6 Employee Benefit Expenses).

4.3.12 DIVIDENDS PAID AND PROPOSED

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash-flow position. As part of the Company's regular planning process, following review of its cash-flow position and forecast, the Company proposes to pay out a dividend of US$1.10 per share, equivalent to c.US$200[1]million, to be paid out of retained earnings. This dividend will be proposed at the Annual General Meeting on April 13, 2023. This represents an increase of 10% compared to the US$1 dividend per share paid in 2022.

[1] Total dividend amount depends on number of shares entitled to dividend as of Ex-dividend date. The amount disclosed is based on the number of shares outstanding less the treasury shares held at December 31, 2022.