2022 ANNUAL REPORT

SBM OFFSHORE

TRUE.
BLUE.
TRANSITION.

Actuarial gain/(loss) on defined benefits provisions includes the impact of the remeasurement of defined benefit provisions.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The Management Board, with the approval of the Supervisory Board, has granted a call option to Stichting Continuiteit SBM Offshore to acquire a number of preference shares. As of October 1, 2022 and with reference to articles 5.5 and 5.6 of the Articles of Association of the Company, a 'Protective Preference Shares´ reserve has been created at the expense of the share premium reserve at the level of the Company. If and when Stichting Continuiteit SBM Offshore would exercise the call option to acquire preference shares, these preference shares may also be paid-up from the reserve of the Company.

The Company's total equity as at December 31, 2022 is US$3,397 million, out of which US$1,860 million relates to legal reserves and US$26 million relates to the statutory reserves (December 31, 2021: Total equity of US$2,579 million out of which US$1,211 million relates to legal reserves and US$0 million to the statutory reserves). For more information, reference is made to note 4.5.5 Shareholders' Equity.

4.3.23 BORROWINGS AND LEASE LIABILITIES

The line item 'Borrowings and lease liabilities' in the consolidated statement of financial position is further detailed as follows:

Borrowings and lease liabilities (summary)

	31 December 2022	31 December 2021
Borrowings	6,839	5,891
Lease liabilities	33	37
Total Non-current portion of Borrowings and lease liabilities	**6,873**	**5,928**
Borrowings	1,678	1,754
Lease liabilities	13	19
Total Current portion of Borrowings and lease liabilities	**1,691**	**1,773**

BORROWINGS

The movement in bank interest bearing borrowings is as follows:

	2022	2021
Non-current portion	5,891	4,335
Add: current portion	1,754	1,216
Remaining principal at 1 January	**7,645**	**5,551**
Additions	1,642	3,941
Redemptions	(759)	(1,711)
Transaction and amortized costs	(10)	(137)
Total movements	**872**	**2,094**
Remaining principal at 31 December	**8,517**	**7,645**
Less: Current portion	(1,678)	(1,754)
Non-current portion	**6,839**	**5,891**
Transaction and amortized costs	216	207
Remaining principal at 31 December (excluding transaction and amortized costs)	**8,734**	**7,851**
Less: Current portion	(1,710)	(1,790)
Non-current portion	**7,023**	**6,061**

The additions in borrowings of US$1,642 million relate mainly to drawdowns on (i) project finance facilities for FPSO *Liza Unity*, FPSO *Prosperity*, and *FPSO Sepetiba* and (ii) the new loan achieved for FPSO *ONE GUYANA*.

For further disclosures about the fair value measurement we refer to note 4.3.27 Financial Instruments – Fair Values and Risk Management.

The Company has no 'off-balance sheet' financing through special purpose entities. All long-term debt is included in the consolidated statement of financial position.

The borrowings, excluding the amount of transaction and amortized costs, have the following forecast repayment schedule:

	31 December 2022	31 December 2021
Within one year	1,710	1,790
Between 1 and 2 years	1,657	1,429
Between 2 and 5 years	3,010	1,903
More than 5 years	2,357	2,729
Balance at 31 December	**8,734**	**7,851**

The borrowings by entity are as follows:

Loans and borrowings per entity

Entity name	Project name or nature of loan	% Ownership	% Interest[1]	Maturity	Net book value at 31 December 2022 Non-current	Current	Total	Net book value at 31 December 2021 Non-current	Current	Total
Project Finance facilities drawn:										
Tupi Nordeste Sarl	FPSO Cidade de Paraty	63.13	5.50%	15-Jun-23	-	72	72	72	123	195
SBM Baleia Azul Sarl	FPSO Cidade de Anchieta	100.00	5.50%	15-Sep-27	163	39	202	202	37	239
Alfa Lula Alto Sarl	FPSO Cidade de Marica	61.00	5.40%	17-Dec-29	672	121	793	793	114	908
Beta Lula Central Sarl	FPSO Cidade de Saquarema	61.00	4.20%	15-Jun-30	820	102	922	922	96	1,018
Guyana Deep Water UK Limited	FPSO Liza Destiny	100.00	Libor + 1.65%	18-Dec-29	474	67	541	541	65	606
Guyana Deep Water II UK Limited	FPSO Liza Unity	100.00	Libor + 1.50%	07-Feb-24	1,140	(4)	1,136	972	(6)	966
Senior secured notes										
Guara Norte Sarl	FPSO Cidade de Ilhabela	75.00	5.20%	15-Jun-34	720	44	764	764	40	805
Guaranteed project finance facilities drawn:										
Guyana Deep Water III UK Limited	FPSO Prosperity	100.00	4.10%	29-Aug-25	965	(4)	960	619	(4)	615
Mero 2 Owning B.V.	FPSO Sepetiba	64.50	4.30%	15-Jun-38	1,410	(14)	1,397	959	(15)	944
Guyana Deep Water IV UK Limited	FPSO ONE GUYANA	100.00	5.10%	31-jul-27	426	-	426	-	-	-
Bridge loan facility										
Tamandare Owning B.V.	FPSO Almirante Tamandaré	55.00	Libor + 0.6%	29-Mar-23	(3)	635	632	-	635	635
Mero 4 Owning B.V.	FPSO Alexandre de Gusmão	55.00	Libor + 0.75%	23-Jun-23	(2)	620	618	-	620	620
Revolving credit facility:										
SBM Holding Inc	Corporate Facility	100.00	Variable	13-Feb-26	(0)	(1)	(1)	(1)	(1)	(2)
Other:										
OS Installer Limited	SBM Installer	100.00	3.20%	19-Jan-22	-	-	-	0	48	48
Brazilian Deepwater Production B.V.	FPSO Espirito Santo	51.00	Libor + 1.05%	31-Jan-29	47	-	47	46	-	46
Brazilian Deepwater Production Contractors Ltd.	FPSO Espirito Santo	51.00	3.00%	31-Dec-28	5	-	5	-	-	-
Other		100.00			2	-	2	2	-	2
Net book value of loans and borrowings					**6,839**	**1,678**	**8,517**	**5,891**	**1,754**	**7,645**

1 % interest per annum on the remaining loan balance.

For the project finance facilities, the respective vessels are mortgaged to the banks or to note holders.

The Company has available facilities resulting from (i) the undrawn RCF, (ii) the undrawn portion of *FPSO Sepetiba*, FPSO *Prosperity* and FPSO *ONE GUYANA* project facilities and (iii) short-term credit lines.

Expiry date of the undrawn facilities and unused credit lines

	2022	2021
Expiring within one year	274	249
Expiring beyond one year	2,452	2,113
Total	**2,726**	**2,362**

The RCF in place as of December 31, 2022 has a maturity date of February 13, 2026. The US$1 billion facility was secured with a selected group of 11 core relationship banks, increasing to 13 banks as per 2022 and has an uncommitted option to increase the RCF by an additional US$500 million. The Company does not have any other extension option remaining.

When needed, the RCF allows the Company to finance EPC activities / working capital, bridge any long-term financing needs, and/or finance general corporate purposes. On December 23, 2021 the RCF was amended by means of an amendment and restatement agreement to reflect a dedicated green funding tranche. By creating this green tranche, US$50 million of the RCF may only be used to fund activities that comply with the Green Loan Principles (primarily activities related to renewable energy projects) and the remaining US$950 million can be used in the following proportions:
- EPC activities / working capital – 100% of the facility;
- General Corporate Purposes – up to 50% of the facility;
- Refinancing project debt – 100% of the facility but limited to a period of 18 months

The pricing of the RCF is currently based on LIBOR, and it includes provisions for the replacement of LIBOR with a compounded reference rate. The margin is adjusted in accordance with the applicable leverage ratio ranging from a minimum level of 0.50% p.a. (0.40% for the green tranche) to a maximum of 1.50% p.a. (1.40% for the green tranche). The margin also includes a Sustainability Adjustment Mechanism whereby the margin may increase or decrease by 0.05% based on the absolute change in the Company performance as measured and reported by Sustainalytics[3]. The Company's Sustainability performance in 2022 allows the 0.05% margin decrease to remain applicable for 2023.

COVENANTS

The following key financial covenants apply to the RCF as agreed with the respective lenders on February 13, 2019, and unless stated otherwise, relate to the Company's consolidated financial statements:
- **Solvency**: Consolidated IFRS Tangible Net Worth divided by Consolidated IFRS Tangible Assets must be > 25%;
- **Interest Cover Ratio**: Consolidated Directional Underlying EBITDA divided by Consolidated Directional Net Interest Payable must be > 4.0.

The **Lease Backlog Cover Ratio (LBCR)** is used to determine the **maximum funding availability** under the RCF. The maximum funding availability is determined by calculating the net present value of the future contracted net cash after debt service of a defined portfolio of operational offshore units in the directional backlog. The maximum theoretical amount available under the RCF is then determined by dividing this net present value by 1.5. The actual availability under the RCF will be the lower of this amount and the applicable Facility Amount. As at December 31, 2022 additional headroom above the US$1 billion capacity under the RCF exceeded US$650 million.

For the purpose of covenants calculations, the following simplified definitions apply:
- **IFRS Tangible Net Worth:** Total equity (including non-controlling interests) of the Company in accordance with IFRS, excluding the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income, dividends declared, value of intangible assets and deferred taxes.
- **Consolidated IFRS Tangible Assets:** The Company's total assets (excluding intangible assets) in accordance with the IFRS consolidated statement of financial position less the marked-to-market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through other comprehensive income.
- **Consolidated Directional Underlying EBITDA:** Consolidated profit of the Company adjusted for net interest payable, tax and depreciation of assets and impairments, any exceptional or extraordinary items, and by adding back (i) the

[3] Sustainalytics is a provider of Environmental, Social and Governance and Corporate Governance research and ratings.

annualized production EBITDA for units which started operations during the financial year, and (ii) the acquisition annualized EBITDA for units acquired during the financial year.

- **Consolidated Directional Net Interest Payable:** All interest and other financing charges paid up, payable (other than capitalized interest during a construction period and interest paid or payable between wholly owned members of the Company) or incurred by the Company less all interest and other financing charges received or receivable by the Company, as per Directional reporting.

Covenants

	2022	2021
IFRS Tangible Net Worth	4,494	3,780
Consolidated IFRS Tangible Assets	15,161	13,079
Solvency ratio	29.6%	28.9%
Adjusted (Directional) Underlying EBITDA	1,036[1]	935[2]
Consolidated Directional Net Interest Payable	190	170
Interest cover ratio	5.5	5.5

1 No exceptional items impact 2022 EBITDA. Adjusted Directional Underlying EBITDA includes the annualized production EBITDA for FPSO Liza Unity

2 Exceptional items restated in 2021 Consolidated Directional Underlying EBITDA were mainly related to the US$77 million anticipated revenue recognition following the early redelivery of the Deep Panuke MOPU. In addition, the 2021 Consolidated Directional Underlying EBITDA did not include the US$8 million relating to the penalty order against the Company issued by Swiss public prosecutor in November 2021.

The Leverage ratio based on reported Directional figures, is used to determine the pricing only.

The Company monitors its financial and non-financial covenants for borrowings which are included in the consolidated financial statement continously throughout the year. None of the borrowings in the statement of financial position were in default as at the reporting date or at any time during the period.

LEASE LIABILITIES

The lease liabilities mostly relate to the leasing of office buildings as of December 31, 2022.

The movement in the lease liabilities is as follows:

	2022	2021
Principal recognized at 1 January	**56**	**71**
Additions	13	10
Redemptions	(20)	(20)
Foreign currency variations	(3)	(4)
Other	-	-
Total movements	**(10)**	**(15)**
Remaining principal at 31 December	**46**	**56**
Of which		
Current portion	13	19
Non-current portion	33	37

The movements in lease liabilities over the period were mainly related to increase due to the extension of lease contract for offices and the regular redemptions and foreign currency translations.

The maturity of the lease liabilities is analyzed in section 4.3.27 financial instruments - fair values and risk management (paragraph dedicated to liquidity risk).

The total cash outflow for leases in 2022 was US$23 million, which includes redemptions of principal and interest payments. Total interest for the period amounted to US$2 million.