2024 ANNUAL REPORT

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TRUE.
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expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants with which the entity must comply within 12 months of the reporting date. The disclosures include:
- The carrying amount of the liability;
- Information about the covenants; and
- Facts and circumstances, if any, that indicate that the entity might have difficulty complying with the covenants.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments had no impact on the consolidated financial statements of the Company.

Standards and Interpretations not mandatorily applicable to the Company as of January 1, 2024

Standards and amendments published by the IASB and endorsed by the European Union
The following standards and amendments published by the IASB and endorsed by the European Union are not mandatorily applicable as of January 1, 2024:
- Amendments to IAS 21 – 'Lack of Exchangeability'.

The Company does not expect a material impact on the financial statements due to the adoption of this amendment.

Standards and amendments published by the IASB and not yet endorsed by the European Union
Other new standards and amendments have been published by the IASB but have not been endorsed yet by the European Commission. Early adoption is not possible until European Commission endorsement. Those which may be relevant to the Company are set out below:
- Amendments to IFRS 9 and IFRS 7 – 'Classification and Measurement of financial instruments';
- IFRS 18 – *Presentation and Disclosure in Financial Statements;*
- IFRS 19 – *Subsidiaries without Public Accountability: Disclosures; and*
- *Annual Improvements to IFRS Accounting Standards - Volume 11.*
- Amendments to IFRS 9 and IFRS 7 – '*Contracts Referencing Nature-dependent Electricity*';

The Company does not expect a material impact on the financial statements due to adoption of these amendments and new IFRS accounting standards, apart for the application of the new presentation requirements arising from the adoption of IFRS 18, which the Company is currently assessing.

B. CRITICAL ACCOUNTING POLICIES
Critical accounting policies that involve a high degree of judgment or complexity, or areas where assumptions and estimates are material, are disclosed in the paragraphs below.

(a) Use of estimates and judgment
When preparing the financial statements, it is necessary for the Management of the Company to make estimates and certain assumptions that can influence the valuation of the assets and liabilities and the outcome in the income statement. The actual outcome may differ from these estimates and assumptions due to changes in facts and circumstances. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Estimates:
Significant areas of estimation and uncertainty in applying accounting policies that have the most significant impact on amounts recognized in the financial statements are:

The measurement and recognition of revenues on construction contracts based on the input method:
Revenue of the Company is measured and recognized, based on the input method (i.e. costs incurred). Costs and revenue at completion are reviewed periodically throughout the life of the contract. This requires a large number of estimates, especially of the total expected costs at completion, due to the complex nature of the Company's construction contracts. Judgment is also required for the accounting of contract modifications and claims from clients where negotiations or discussions are at a sufficiently advanced stage. Costs and revenue (and the resulting gross margin) at completion reflect, at each reporting period, the Management's current best estimate of the probable future benefits and obligations associated with the contract. The policy for measurement of transaction price, including variable considerations (i.e. claims, performance-based incentives), is included below in the point (d) Revenue.

In case a contract meets the definition of an onerous contract as per IAS 37, provisions for anticipated losses are made in full in the period in which they become known.

Impairments:
Assumptions and estimates used in the discounted cash-flow model and the adjusted net-present-value model to determine the value in use of assets, or group of assets (e.g. discount rates, residual values and business plans), are subject to uncertainty. There is a possibility that changes in circumstances or in market conditions could impact the recoverable amount of the asset or group of assets.

The anticipated useful life of the leased facilities under an operating lease:
Management uses its experience to estimate the remaining useful life of an asset. The actual useful life of an asset may be impacted by an unexpected event that may result in an adjustment to the carrying amount of the asset.

Uncertain income tax treatment:
The Company is subject to income taxes in multiple jurisdictions. Significant judgment is required in determining the Company's overall income tax liability. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company takes into account the following considerations when determining the liabilities related to uncertain income tax treatment:
- When necessary, the Company engages with local tax advisers, which provide advice on the expected view of tax authorities on the treatment of judgmental areas of income tax;
- The Company considers any changes in tax legislation, and knowledge built based on prior cases, to make an estimate/judgment on whether or not to provide for any tax payable; and
- The Company takes into account any dispute resolutions, case law and discussions between peer companies and the tax authorities on similar cases over an uncertain tax treatment.

The Company consistently monitors each issue around uncertain income tax treatments across the group in order to ensure that the Company applies sufficient judgment to the resolution of tax disputes that might arise from examination of the Company's tax position by relevant tax authorities.

The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. The income tax liabilities include any penalties and interest that could be associated with a tax audit issue. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made.

The Company's exposure to litigation and non-compliance:
The Company identifies and provides analysis on a regular basis of current litigation and measures, when necessary, provisions based on its best estimate of the expenditure required to settle the obligations, taking into account information available and different possible outcomes at the reporting date.

The warranty provision:
A warranty provision is accrued during the construction phase of projects, based on historical warranty expenditure per product type. At the completion of a project, a warranty provision (depending on the nature of the project) is therefore provided for and reported as provision in the statement of financial position. Following the acceptance of a project, the warranty provision is released over the warranty period. For some specific claims formally notified by the customer and which can be reliably estimated, an amount is provided in full and without discounting. An overall review of the warranty provision

is performed by Management at each reporting date. Nevertheless, considering the specificity of each asset, actual warranty expenditures could vary significantly from one project to another and therefore differ materially from initial statistical warranty provision provided at the completion of a said project.

The timing and estimated cost of demobilization:
The estimated future costs of demobilization are reviewed on a regular basis and adjusted when appropriate. Nevertheless, considering the long-term expiry date of the obligations, these costs are subject to uncertainty. Cost estimates can vary in response to many factors, including, for example, new demobilization techniques, the Company's own experience on demobilization operations, future changes in laws and regulations, and the timing of demobilization operations.

Estimates and assumptions made in determining these obligations can therefore lead to significant adjustments to the future financial results. Nevertheless, the cost of demobilization obligations at the reporting date represents Management's best estimate of the present value of the future costs required.

Significant estimates and judgments in the context of current economic and geopolitical environment
The 2024 financial year was impacted by commodity price volatility, inflation and variability of interest rates and energy prices that continued to generate current economic and geopolitical uncertainty and volatility. Accordingly, the Company reassessed its significant estimates and judgments. The following main areas identified by the Company as potentially affected by the current global circumstances are:
- Key assumptions used in the impairment test of assets, or group of assets;
- Expected credit losses; and
- Additional costs in order to satisfy the performance obligations on some of the construction contracts, mainly due to pressure on the global supply chain and a general increase in global inflation.

The impact of the current economic and geopolitical environment on the impairment of the tangible assets is disclosed in note4.3.13 Property, Plant and Equipment. Regarding the Company's considerations for estimation of expected credit losses, refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets. In relation to the impact of additional costs incurred due to these current macroeconomic circumstances when satisfying the Company's performance obligations, refer to note4.3.3 Revenue.

Following the assessments, the Company does not expect any significant impact in other areas.

Judgments:
In addition to the above estimates, the Management exercises the following judgments:

Lease classification as Lessor:
When the Company enters into a new lease arrangement, the terms and conditions of the contract are analyzed in order to assess whether or not the Company retains the significant risks and rewards of ownership of the asset subject of the lease contract. To identify whether risks and rewards are retained, the Company systematically considers, among others, all the examples and indicators listed by IFRS 16.63, on a contract-by-contract basis. By performing such an analysis, the Company makes a significant judgment to determine whether the arrangement results in a finance lease or an operating lease. This judgment can have a significant effect on the amounts recognized in the consolidated financial statements and its recognition of profits in the future. The most important judgmental areas assessed by the Company are (i) determination of the fair value, (ii) determination of the useful life of the asset, (iii) the highly specialized nature of an FPSO constructed on behalf of the client and (iv) the probability of the client exercising the purchase or termination option (if relevant).

(b) Leases: accounting by lessor
A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Under an operating lease, the asset is included in the statement of financial position as property, plant and equipment. Lease income is recognized over the term of the lease on a straight-line basis. This implies the recognition of deferred income when the contractual day rates are not constant during the initial term of the lease contract.