2024 ANNUAL REPORT

SBM OFFSHORE

TRUE.
BLUE.
TRANSITION.

The increase in 'Intangible assets under construction' mainly relates to costs capitalized relating to the design and implementation of the new global ERP system, the capitalization of software licenses and other capital expenditures related to the IT infrastructure upgrade project.

Amortization of development costs is included in 'Research and development expenses' in the income statement in 2024 for US$5 million (2023: US$5 million).

Amortization of software is included in 'General and administrative expenses' in the income statement in 2024 for US$4 million (2023: US$4 million).

4.3.15 FINANCE LEASE RECEIVABLES

The reconciliation between the total gross investment in the lease and the net investment in the lease at the statement of financial position date is as follows:

Finance lease receivables (reconciliation gross/net investment)

	31 December 2024	31 December 2023
Gross receivable	10,913	9,576
Less: unearned finance income	(4,255)	(2,775)
Total	**6,658**	**6,801**
Of which		
Current portion	516	526
Non-current portion	6,142	6,276

As of December 31, 2024, finance lease receivables relate to the finance lease of:

- *FPSO Sepetiba*, which started production in January 2024, for a charter of 22.5 years;
- *FPSO Cidade de Marica*, which started production in February 2016, for a charter of 20 years;
- *FPSO Cidade de Saquarema*, which started production in July 2016, for a charter of 20 years;
- *FPSO Cidade de Ilhabela*, which started production in November 2014, for a charter of 20 years;
- *FPSO Cidade de Paraty*, which started production in June 2013, for a charter of 20 years;
- *FPSO Aseng*, which started production in November 2011, for a charter of 15 years;
- *FPSO Espirito Santo*, which started production in January 2009, for a charter of 15 years until December 2023, and which was extended in December 2020 until December 2028.

In addition, on June 11, 2024, the Company completed the acquisition of the shares from its partner Sonangol EP in the lease and operating entities related to FPSOs *N'Goma*, *Saxi Batuque* and *Mondo*, for which the previously held interests were equity-accounted, and recognized the associated fair values of the finance lease receivables of the acquired entities. Therefore, as of December 31, 2024, finance lease receivables include the finance lease of:

- *FPSO N'Goma*, which started production in November 2014, for a charter of 12 years;
- *FPSO Saxi Batuque*, which started production in July 2008, for a charter of 15 years until June 2023, and which was extended until June 2026;
- *FPSO Mondo*, which started production in January 2008, for a charter of 14 years until December 2022, and which was extended until December 2025.

In relation to the addition of the finance leases for FPSOs *N'Goma*, *Saxi Batuque* and *Mondo*, refer to note 4.3.30 Business Combinations for further details.

The decrease in finance lease receivables is driven by (i) *FPSO Sepetiba,* which started production in January 2024, (ii) the recognition of finance lease receivables at fair value of FPSOs *N'Goma*, *Saxi Batuque* and *Mondo* following the change in consolidation method, triggered by the completion of the acquisition of shares from Sonangol EP, more than offset by (iii) the client exercise of the purchase options for FPSO *Liza Destiny* on December 19, 2024, for the amount of US$535 million and for FPSO *Prosperity* on November 7, 2024, for the amount of US$1,225 million, which were included in the finance lease receivables, ahead of the end of the maximum lease terms in November 2025 and December 2029 respectively (as a result, the finance lease receivables were derecognized against the payments made by the client, with minor impact on the net profit), and (iv) redemptions as per the payment plans of lease contracts.

Unguaranteed residual values

Included in the gross receivable is an amount related to unguaranteed residual values (i.e. scrap value of units). The total amount of unguaranteed residual values at the end of the lease term amounts to US$83 million, as of December 31, 2024, (2023: US$50 million). This increase is mainly due to (i) the addition of *FPSO Sepetiba,* and (ii) three FPSOs following the Sonangol transaction, partially offset by (iii) the sale of FPSO *Liza Destiny.* The 2024 reassessment of unguaranteed residual values resulted in a release of impairment of US$3 million due to the increase of scrap value of units.

As per the contractual terms, gross receivables should be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

	31 December 2024	31 December 2023
Less than 1 year	1,042	1,026
Between 1 and 2 years	1,035	2,060
Between 2 and 5 years	2,486	2,345
More than 5 years	6,350	4,146
Total Gross receivable	**10,913**	**9,576**

The increase of the gross finance lease receivable is mainly explained by (i) *FPSO Sepetiba* following first oil in January 2024, and (ii) the recognition of finance lease receivables at fair value of FPSOs *N'Goma*, *Saxi Batuque* and *Mondo* following the change in consolidation method triggered by the completion of the acquisition of shares from Sonangol EP, partially offset by (iii) the exercise of the purchase option for *FPSO Liza Destiny* and *FPSO Prosperity*.

The following part of the net investment in the lease is included as part of the current assets within the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2024	31 December 2023
Gross receivable	1,042	1,026
Less: unearned finance income	(527)	(500)
Current portion of finance lease receivable	**516**	**526**

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables, taking into account the risk of recoverability. The Company performed an assessment, which concluded that the credit risk for these receivables has not increased significantly since the initial recognition. The Company does not hold any financial collateral as security.

Outstanding purchase and termination options

The finance lease contracts of *FPSO Aseng* and *FPSO N'Goma*, where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract earlier. If the client had exercised the purchase option for *FPSO Aseng* as of December 31, 2024, this would have resulted in a gain for the Company. The exercise of the early termination option, under which the Company would retain the vessel, would have resulted in a near breakeven result.

If the client had exercised the purchase option for *FPSO N'Goma* as of December 31, 2024, this would have resulted in a gain for the Company. The exercise of the early termination option, under which the Company would retain the vessel, would have resulted in a gain for the Company.

The finance lease contract of *FPSO Espirito Santo* includes a call option for the client to terminate the contract earlier without obtaining the underlying asset. The exercise of the early termination option would have resulted in a loss for the Company as of December 31, 2024.

The finance lease contracts of FPSO *ONE GUYANA* and FSO Trion (under construction as per December 31, 2024) contain options for the client to purchase the underlying asset or terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

4.3.16 OTHER FINANCIAL ASSETS

The breakdown of the non-current portion of other financial assets is as follows:

	31 December 2024	31 December 2023
Non-current portion of other receivables	130	113
Non-current portion of loans to joint ventures and associates	6	38
Total	**136**	**151**

The increase in 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. This leads to an update of the linearized revenue up to the new end date of the contract which led to the recognition of an accrued income of US$31 million. This is partially offset by the recognition of the linearized revenue for *FPSO Cidade de Anchieta* on accrued income recognized in prior years.

The current portion of (i) other receivables and sublease receivables, and (ii) loans to joint ventures and associates, is included within 'Trade and other receivables' in the statement of financial position.

In relation to the exposure to credit risk at the reporting date on the carrying amount of the interest-bearing loans, non-current portion of other receivables and sublease receivables, please refer to note 4.3.8 Net Impairment Gains/(Losses) on Financial and Contract Assets and note 4.3.27 Financial Instruments – Fair Values and Risk Management for the risk of recoverability (i.e. for expected credit losses). The Company does not hold any collateral as security.

The breakdown of loans to joint ventures and associates is presented below.

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2024	31 December 2023
Current portion of loans to joint ventures and associates	*4.3.19*	0	3
Non-current portion of loans to joint ventures and associates		6	38
Total	*4.3.31*	**6**	**41**

The decrease in 'Non-current portion of loans to joint ventures and associates' results from the acquisition of lease and operating entities related to FPSOs *N'Goma*, *Saxi Batuque* and *Mondo* (refer to note 4.3.30 Business Combinations for further details) and the accompanying change in consolidation method triggered by the completion of the acquisition of shares from Sonangol EP.

The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to joint ventures and associates, taking into account the risk of recoverability. The Company does not hold any collateral as security.

4.3.17 DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities and associated net positions are summarized as follows:

Deferred tax positions (summary)

	31 December 2024			31 December 2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	-	-	0	-	0
Tax losses	28	-	28	2	-	2
Other	283	178	105	245	173	72
Book value at 31 December	**311**	**178**	**133**	**247**	**173**	**74**