



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

4 FINANCIAL INFORMATION 2021

4.3.5 EXPENSES BY NATURE

The table below sets out expenses by nature for all items included in EBIT for the years 2021 and 2020:

	Note	2021	2020
Expenses on construction contracts		(1,732)	(1,245)
Employee benefit expenses	4.3.6	(669)	(614)
Vessels operating costs		(413)	(378)
Depreciation, amortization and impairment		(88)	(439)
Selling expenses		(16)	(24)
Other costs		(114)	(189)
Total expenses		(3,032)	(2,891)

In 2021, expenses on construction contracts significantly increased as a result of the further ramp-up of the activity on Turnkey projects since the Company has five FPSO's under construction and FEED activities on the FPSO for the Yellowtail development project.

Vessel operating costs have increased mainly as a result of (i) an increase in the net incremental costs from the implementation of additional safety measures linked to COVID-19, (ii) some repair costs incurred in 2021 on damaged mooring lines on one Unit (for which compensation from insurance is not yet secured) and (iii) higher maintenance and repair activities, including maintenance campaigns postponed to 2021 due to the COVID-19 new pandemic context in 2020;

The significant decrease of depreciation, amortization and impairment in 2021 in comparison to 2020 mainly relates to the previous year specific events being (i) the full depreciation of Deep Panuke MOPU due to the redelivery of the unit, (ii) the requalification as finance lease of the *FPSO Espirito Santo* following lease contract extension and (iii) some impairments on one installation vessel and two units of the Company's fleet.

Expenses related to short-term leases and leases of low value assets amounted to US\$4 million in 2021 (2020: US\$5 million).

The decrease in Other costs is mainly driven by the prior year impact of restructuring costs of US\$46 million.

4.3.6 EMPLOYEE BENEFIT EXPENSES

Information with respect to employee benefits expenses are detailed as follows:

	Note	2021	2020
Wages and salaries		(353)	(353)
Social security costs		(49)	(53)
Contributions to defined contribution plans		(35)	(35)
Contributions to defined benefit plans		(2)	(1)
Share-based payment cost		(27)	(27)
Contractors costs		(139)	(84)
Other employee benefits		(64)	(60)
Total employee benefits	4.3.5	(669)	(614)

Contractors costs include expenses related to contractor staff not on the Company's payroll. The increase in contractors' costs compared with previous year reflects the general ramp-up of Turnkey activities and the Company's strategy aiming to maintain flexibility in its workforce monitoring. Other employee benefits mainly include commuting, training, expatriate and other non-wage compensation costs.

DEFINED CONTRIBUTION PLAN

The contributions to defined contribution plans includes the Company participation in the Merchant Navy Officers Pension Fund (MNOFF). The MNOFF is a defined benefit multi-employer plan, which is closed to new members. The fund is managed by a corporate Trustee, MNOFF Trustees Limited, and provides defined benefits for nearly 22,830 (2020: 23,447) Merchant Navy Officers and their dependents out of which approximately 29 (2020: 29) are SBM Offshore former employees.