ANNUAL REPORT 2021

SBM OFFSHORE

ENERGY. COMMITTED.

Deferred tax assets per location are as follows:

Deferred tax positions per location

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Canada	-	-	-	28	24	4
Guyana	-	18	(18)	-	13	(13)
Monaco	3	-	3	4	-	4
Switzerland	7	-	7	9	-	9
the Netherlands	3	-	3	3	-	3
Brazil	-	-	-	2	-	2
Other	-	-	-	-	-	-
Book value at 31 December	**13**	**18**	**(5)**	**46**	**37**	**9**

4.3.18 INVENTORIES

	31 December 2021	31 December 2020
Materials and consumables	11	9
Goods for resale	3	4
Multi-purpose floaters under construction	-	129
Total	**14**	**143**

Multi-purpose floaters ('MPFs') under construction relate to the ongoing EPC phase of Fast4Ward® new-build hulls. The Fast4Ward® hulls remain in inventory until they are allocated to a specific FPSO contract.

The decrease of the inventory balance at year-end 2021 relates to the allocation of the multi-purpose hulls to the FPSO's awarded in 2021 namely *FPSO Almirante Tamandaré* and *FPSO Alexandre de Gusmão*, as well as the awarded initial limited scope for the FPSO for the Yellowtail development project. As per December 31, 2021, the Company has no unallocated multi-purpose floater under construction.

4.3.19 TRADE AND OTHER RECEIVABLES

Trade and other receivables (summary)

	Note	31 December 2021	31 December 2020
Trade debtors		407	115
Other accrued income		187	280
Prepayments		138	64
Accrued income in respect of delivered orders		12	41
Other receivables		51	67
Taxes and social security		36	33
Current portion of loan to joint ventures and associates	*4.3.16*	9	14
Total		**839**	**614**

The increase in 'Trade debtors' of US$292 million is due to the ramp-up of the Turnkey activities, especially the newly awarded preliminary scope on the FPSO for the Yellowtail development project.

The decrease in other accrued income is mainly due to the final settlement paid by the client for Deep Panuke MOPU lease for which an accrued income of US$77 million had been recognized as at December 31, 2020.

The increase in prepayments of US$74 million is mainly related to advance payments to yards related to the multi-purpose floater (MPF) hulls allocated to the newly awarded *FPSO Alexandre de Gusmão*.

The carrying amounts of the Company's trade debtors are distributed in the following countries:

Trade debtors (countries where Company's trade debtors are distributed)

	31 December 2021	31 December 2020
Angola	27	37
Brazil	64	10
Guyana	279	12
Equatorial Guinea	16	3
The United States of America	3	9
Malaysia	2	2
Australia	2	0
China	-	5
Other	15	37
Total	**407**	**115**

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

Trade debtors (trade debtors balance)

	31 December 2021	31 December 2020
Nominal amount	412	118
Impairment allowance	(5)	(3)
Total	**407**	**115**

The allowance for impairment represents the Company's estimate of losses in respect of trade debtors. The allowance related to credit risk for significant trade debtors is built on specific expected loss components that relate to individual exposures. Furthermore, the Company uses historical credit loss experience as well as forward-looking information to determine a 1% expected credit loss rate on individually insignificant trade receivable balances. The creation and release for impaired trade debtors due to credit risk are reported in the line item 'Net impairment losses on financial and contract assets' of the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The ageing of the nominal amounts of the trade debtors are:

Trade debtors (ageing of the nominal amounts of the trade debtors)

	31 December 2021		31 December 2020	
	Nominal	Impairment	Nominal	Impairment
Not past due	352	(5)	69	(2)
Past due 0-30 days	27	(0)	5	(0)
Past due 31-120 days	11	(0)	15	(0)
Past due 121- 365 days	13	(0)	9	(0)
More than one year	11	(0)	21	(1)
Total	**413**	**(5)**	**118**	**(3)**

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of Company joint ventures and independent customers for whom there is no recent history of default, or the receivable amount can be offset by amounts included in current liabilities.

For the closing balance and movements during the year of allowances on trade receivables, please refer to note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.20 CONSTRUCTION WORK-IN-PROGRESS

The significant portion of the outstanding balance of construction work-in-progress as of December 31, 2021 (US$ 4,140 million) relates to the *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba, FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and initial limited scope of the FPSO for the Yellowtail development project finance lease projects since the Company will receive most of the payments for the construction of these assets only during the lease period through bareboat charter payments. The increase compared with the previous period balance (2020: US$2,248 million) in the construction work-in-progress is mainly driven by the progress made in 2021 on these projects.

Contract liabilities of US$64 million comprises the amounts of those individual contracts for which the total instalments invoiced exceed the total revenue recognized. Contract liabilities are reclassified to other current liabilities (see note 4.3.26 Trade and Other Payables).

Regarding information about expected credit losses recognized for construction work-in-progress, refer to note 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.21 DERIVATIVE FINANCIAL INSTRUMENTS

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivative instruments is included in note 4.3.28 Financial Instruments – Fair Values and Risk Management.

In the ordinary course of business and in accordance with its hedging policies as of December 31, 2021, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of interest rate financing exposure. The most important floating rate is the US$ 3-month LIBOR. Details of interest percentages of the long-term debt are included in note 4.3.24 Borrowings and Lease Liabilities.

The fair value of the derivative financial instruments included in the statement of financial position is summarized as follows:

Derivative financial instruments

	31 December 2021			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	13	157	(144)	1	351	(351)
Forward currency contracts cash flow hedge	14	94	(80)	98	21	77
Forward currency contracts fair value through profit and loss	19	37	(18)	38	39	(1)
Total	**47**	**288**	**(242)**	**137**	**411**	**(274)**
Non-current portion	14	162	(148)	38	277	(240)
Current portion	32	126	(94)	99	134	(35)

The movement in the net balance of derivative assets and liabilities of US$31 million over the period is mostly related to (i) the significant increased marked-to-market value of interest rate swaps, which mainly arises from increasing US market interest rates and the settlements of interest rate swaps related to the financing of *FPSO Cidade de Ilhabela* and *FPSO Sepetiba* and (ii) the decreased marked-to-market value of forward currency contracts, which is mainly driven by the appreciation of the US$ exchange rate versus the hedged currencies (especially EUR).

No ineffective portion arising from cash flow hedges was recognized in the income statement in 2021 (2020: US$3 million loss, refer to note 4.3.9 Net Financing Costs). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

No ineffectiveness was recognized due to the IBOR transition, refer to note 4.3.28 Financial Instruments – Fair Values and Risk Management.