



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2021

4 FINANCIAL INFORMATION 2021

4.3.25 PROVISIONS

The movement and type of provisions during the year 2021 are summarized as follows:

Provisions (movements)

	Demobilisation	Onerous contracts	Warranty	Employee benefits	Other	Total
Balance at 1 January 2021	134	3	37	34	167	376
Arising during the year	(0)	(1)	23	1	30	53
Unwinding of interest	1	-	-	0	-	2
Utilised	(10)	(3)	(0)	(1)	(12)	(26)
Released to profit	(5)	(3)	(6)	0	(1)	(15)
Other movement	0	6	(0)	(9)	(4)	(7)
Balance at 31 December 2021	121	3	54	26	179	383
of which :						
Non-current portion	78	-	-	26	131	235
Current portion	43	3	54	-	49	149

Demobilization

The provision for demobilization relates to the costs for demobilization of the vessels and floating equipment at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in the line item 'Financial expenses' of the consolidated income statement (refer to note 4.3.9 Net Financing Costs).

The decrease in the provision for demobilization mainly relates to the progress in the recycling activities of Deep Panuke MOPU unit during the year 2021.

Expected outflow within one year is US\$43 million and amounts to US\$53 million between one and five years, and US\$25 million after five years.

Onerous contracts

The Company recognized individually immaterial onerous contract provisions for insignificant contracts with clients for a total amount of US\$6 million.

Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client. The increase of the warranty provision consists of new provisions accrued on projects under construction over the period.

Other

Other provisions mainly relate to claims, regulatory fines related to operations and local content penalty on construction projects. The latter was the main driver of the increase in Other provisions during 2021.

4.3.26 TRADE AND OTHER PAYABLES

Trade and other payables (summary)

	Notes	31 December 2021	31 December 2020
Trade payables		151	131
Accruals on projects		593	468
Accruals regarding delivered orders		27	53
Other payables		91	109
Contract liability	4.3.20	64	69
Pension taxation		8	7
Taxation and social security costs		76	110
Current portion of deferred income		6	6
Other non-trade payables		95	80
Total	4.3.28	1,111	1,033

The 'trade payables' and 'accruals on projects' together increased due to the higher Turnkey projects activities during 2021 following award of *FPSO Almirante Tamandaré*, *FPSO Alexandre de Gusmão* and the awarded initial limited scope for the FPSO for the Yellowtail development project.

'Accruals regarding delivered orders' decreased in 2021 mainly due to successful finalization of discussion with the client regarding long-term outstanding position on a delivered FPSO.

The 'Contract liability' relates mainly to one of the Company's renewable projects and other minor construction projects. The Company recognized revenue of US\$53 million during the period, which was included in the contract liability as per December 31, 2020.

Payables related to 'Taxation and social security' concerns uncertain tax positions related mainly to various taxes other than corporate income tax. The decrease in the balance relates mainly to (i) the release of the positions for which the statute of limitations has been reached, and (ii) the reassessment of other positions based on the discussions with tax authority and tax experts engaged by the Company.

'Other non-trade payables' include mostly interest payable and the short-term portion of the outstanding payments related to the Leniency Agreement and the settlement with Brazilian Federal Prosecutor's Office (Ministério Público Federal – 'MPF'). The long-term portion of the outstanding payments related to these agreements is presented in the line item 'Other non-current liabilities' in the Company's statement of financial position.

The line item 'Other non-current liabilities' in the Company's statement of financial position also includes a prepayment of US\$52 million relating to the future potential participation of partners to charter contracts.

The contractual maturity of the trade payables is analyzed in the liquidity risk section in 4.3.28 Financial Instruments – Fair Values and Risk Management.

4.3.27 COMMITMENTS AND CONTINGENCIES

PARENT COMPANY GUARANTEES

SBM Offshore N.V., as the parent company, is committed to fulfill various types of obligations arising from customer contracts, such as full performance and warranty obligations.

In the past, the parent company has issued guarantees for contractual obligations in respect of several Group companies, including equity-accounted joint ventures, with respect to long-term lease and operate contracts. The few remaining guarantees still active as of December 31, 2021 relate to the Deep Panuke MOPU unit, *Thunder Hawk* semi-submersible platform and *FPSO Saxi Batuque*. These have been signed prior to 2010.