

2022 ANNUAL REPORT



TRUE.
BLUE.
TRANSITION.

4.3.7 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to US\$35 million (2021: US\$29 million) and mainly relate to the internal projects for Renewables development costs, energy transition costs related to emissionZERO® and 'Digital FPSO'.

The amortization of development costs recognized in the statement of financial position is allocated to cost of sales when the developed technology is used through one or several projects. Otherwise, it is allocated to research and development expenses.

4.3.8 NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL AND CONTRACT ASSETS

In the context of the COVID-19 pandemic and the Russia-Ukraine war, during 2022 a range of possible impacts that could arise from the general economic downturn, the pressure on price inflation and other governmental actions consequent of the geopolitical situation was anticipated. In response to these effects, the Company (i) reassessed whether there is a significant increase in credit risk related to its financial assets as of December 31, 2022 and (ii) updated estimates in terms of 'probability of default' and 'loss given default' in order to determine the expected credit losses.

Finance Lease Receivables

There was no payment default on any finance lease contracts over the period. In addition, despite the overall economic downturn, the Company concluded that the counterparties of the finance lease receivables still have a strong capacity to meet their contractual cash flow obligations based on existing contractual arrangements, which include parent company guarantees. Based on the available forward-looking information related to the oil price, it is also assumed that none of the assets leased under the Company's finance lease contracts would become uneconomical to operate for clients.

Therefore, the Company concludes that (i) the credit risk has not increased significantly since the initial recognition of the finance lease receivable, and (ii) the finance lease receivables still have a low credit risk as of December 31, 2022. As a result, the Company recognizes a 12-month expected credit loss.

Contract assets and Trade Receivables

As for the finance leases, there was no payment default (including overdue of more than 90 days) on any significant trade receivables over the period. The Company performed, as usual, a detailed analysis of the credit risks associated with significant trade receivables balances as at the reporting date. This did not result in any specific significant increase in credit risks related to its outstanding contract assets and trade receivables.

Other Financial Assets

Overall, the reassessment of the expected credit losses of other financial assets resulted in a limited impact.

During the year, the following gains/(losses) related to credit risks were recognized:

	2022	2021
Impairment losses		
- Movement in loss allowance for trade receivables	1	0
- Movement in loss allowance for contract assets	0	3
- Movement in loss allowance for finance lease receivables	(0)	1
(Impairment)/impairment reversal losses on financial lease receivables	-	-
- Movement in loss allowance for other assets	(0)	2
(Impairment)/impairment reversal losses on other financial assets	14	7
Net impairment gains/(losses) on financial and contract assets	15	12

During the year 2022 the Company recognized a US\$15 million net impairment gain on financial and contract assets mainly attributable to the reversal of an impairment which was previously recognized for a funding loan provided to an equity accounted entity (December 31, 2021: gain of US\$12 million).