

2022
ANNUAL
REPORT



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4 FINANCIAL INFORMATION 2022

4.3.13 PROPERTY, PLANT AND EQUIPMENT

The line item 'Property, plant and equipment' consists of property, plant and equipment owned by the Company and right-of-use assets:

Property, plant and equipment (summary)

	31 December 2022	31 December 2021
Property, plant and equipment excluding leases	274	351
Right-of-use assets	40	45
Total	314	396

PROPERTY, PLANT AND EQUIPMENT OWNED BY THE COMPANY

The movement of the Property, plant and equipment during the year 2022 is summarized as follows:

2022

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	63	1,741	83	4	1,891
Accumulated depreciation and impairment	(38)	(1,446)	(55)	-	(1,540)
Book value at 1 January	25	295	28	4	351
Additions	0	13	5	79	97
Disposals	-	(0)	(0)	(0)	(0)
Depreciation	(5)	(47)	(11)	-	(63)
Impairment	-	(108)	-	-	(108)
Foreign currency variations	(1)	0	(1)	(0)	(2)
Other movements	0	65	2	(67)	(0)
Total movements	(6)	(78)	(5)	12	(77)
Cost	60	1,813	78	16	1,967
Accumulated depreciation and impairment	(41)	(1,596)	(56)	-	(1,693)
Book value at 31 December	19	217	23	16	274

2021

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	67	2,751	93	11	2,922
Accumulated depreciation and impairment	(35)	(2,335)	(61)	(0)	(2,431)
Book value at 1 January	32	416	32	11	490
Additions	0	0	4	(0)	4
Disposals	0	(23) ¹	0	0	(23)
Depreciation	(6)	(74)	(11)	-	(91)
Impairment	-	(0)	-	0	0
Foreign currency variations	(2)	(0)	(2)	0	(3)
Other movements	1	(23) ²	4	(6)	(24)
Total movements	(6)	(121)	(4)	(6)	(138)
Cost	63	1,741	83	4	1,891
Accumulated depreciation and impairment	(38)	(1,446)	(55)	-	(1,540)
Book value at 31 December	25	295	28	4	351

¹ Disposals mainly relate to the sale of the Gene vessel

² Other movements mainly relate to the reclassification of the DSCV Installer as Asset Held For Sale

During the 2022 period, the following main events occurred regarding owned property, plant and equipment:

- US\$63 million of annual depreciation charges, following the normal depreciation schedule;
- US\$ 97 million additions mainly related to capitalized major overhaul costs related to repair work performed on *FPSO Cidade de Anchieta* as well as additional capitalization of costs related to a reassessment of the decommissioning provision of *FPSO Capixaba*;
- US\$(108) million impairment recognized mainly explained by US\$92 million related to *FPSO Cidade de Anchieta* (see below) and US\$15 million related to *FPSO Capixaba* (see below).

Property, plant and equipment at year-end comprises of:

- One (2021: two) integrated floating production, storage and offloading systems (FPSOs) (namely *FPSO Cidade de Anchieta*) consisting of a converted tanker, a processing plant and one mooring system. This FPSO is leased to third parties under an operating lease contract;
- The residual value of *FPSO Capixaba* under decommissioning;
- One semi-submersible production platform, the *Thunder Hawk* (2021: one), leased to third parties under an operating lease contract;

The depreciation charge for the semi-submersible production facility *Thunder Hawk* is calculated based on its future anticipated economic benefits, resulting in a depreciation plan based on the unit of production method. All other property, plant and equipment is depreciated on a straight-line basis.

Company-owned property, plant and equipment with a carrying amount of US\$195 million (2021: US\$253 million) has been pledged as security for liabilities, mainly for external financing.

No interest has been capitalized during the financial year as part of the additions to property, plant and equipment (2021: nil).

Impairment of FPSO Capixaba

An impairment assessment of *FPSO Capixaba* was performed in anticipation of the decommissioning of the asset. The revised estimation of the costs expected for the demobilization activities (largely driven by an increased consumption of marine diesel) and the reassessment of the residual value of the asset resulted in adverse cash flows. An impairment of US\$15 million has therefore been accounted for in the 2022 full-year results. The impairment test is not significantly impacted by the discount rate used in the impairment test due to the short-term nature of cash flows. As at the end of 2022, the vessel has been fully depreciated following the end of the lease period. The remaining value corresponds to the residual value of the asset.

Impairment of FPSO Cidade de Anchieta

FPSO Cidade de Anchieta was shut down from January 22, 2022, until December 17, 2022, following observation of oil near the vessel. Adequate anti-pollution measures were immediately deployed and were effective and inspections quickly identified oil leaks from two tanks. A repair program has been implemented to repair the four tanks required for the safe restart of the vessel in agreement with the client and approved by Class and local authorities as well as for the repair of other tanks for which works will continue at least until the end of 2023. The total expected net cost of repairs resulted in an adverse cash flow and an impairment of US\$92 million was accounted for in the 2022 full year results within the Lease and Operate segment.

The recoverable amount of the vessel was determined using its value in use. Significant estimates are part of the impairment calculation:

- If the discount rate (8.8%) used in the impairment test were to vary by +/- 1%, the impairment would change by +/- US\$11 million;
- If the cash outflow were to vary by +/- US\$20 million, the impairment would change by +/- US\$18 million;
- If the cash inflow were to vary by +/- US\$20 million, the impairment would change by +/- US\$19 million;
- If the timing of some cash inflow would vary by one year, the impairment would change by + US\$8 million.

4 FINANCIAL INFORMATION 2022

RIGHT-OF-USE ASSETS

As of December 31, 2022, the Company leases buildings and cars. The movement of the right-of-use assets during the year 2022 is summarized as follows:

2022

	Buildings	Other fixed assets	Total
Book value at 1 January	44	1	45
Additions	12	1	13
Disposals	-	(0)	(0)
Depreciation	(14)	(1)	(15)
Impairment	-	-	-
Foreign currency variations	(2)	(0)	(2)
Other movements	(1)	(0)	(1)
Total movements	(5)	0	(4)
Cost	72	3	75
Accumulated depreciation and impairment	(33)	(2)	(35)
Book value at 31 December	39	1	40

2021

	Buildings	Other fixed assets	Total
Book value at 1 January	52	1	52
Additions	9	1	10
Disposals	(1)	0	(1)
Depreciation	(12)	(1)	(12)
(Impairment)/impairment reversal	(0)	-	(0)
Foreign currency variations	(3)	(0)	(3)
Other movements	(1)	-	(1)
Total movements	(8)	0	(8)
Cost	86	2	88
Accumulated depreciation and impairment	(42)	(1)	(43)
Book value at 31 December	44	1	45

During the year 2022, the main movements regarding right-of-use assets related to US\$15 million of depreciation charges partially offset by the lease of additional office space in Brazil and Guyana.

Office leases

Significant contracts under buildings relate to the lease of offices. The remaining contract periods of the Company's office rentals vary between one and ten years and most of the contracts include extension options between three and five years. The extension options have been taken into account in the measurement of lease liabilities when the Company is reasonably certain to exercise these options. The lease agreements do not impose any covenants.

OPERATING LEASES AS A LESSOR

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements which terminate between 2025 and 2031. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the vessels and floating equipment

	31 December 2022	31 December 2021
Cost	1,813	1,741
Accumulated depreciation and impairment	(1,596)	(1,447)
Book value at 31 December	217	294

As of December 31, 2022, the units included under leased facilities are *FPSO Cidade de Anchieta* and the semi-submersible production facility *Thunder Hawk*. The book value of the leased facilities included in the vessels and floating equipment has decreased by US\$77 million, mainly due to the impairment on asset *FPSO Cidade de Anchieta*.

The nominal values of the future expected bareboat receipts (undiscounted lease payments) in respect of the remaining operating lease contracts are:

Nominal values of the future expected bareboat receipts

	31 December 2022	31 December 2021
Within 1 year	113	146
2 years	111	109
3 years	104	107
4 years	91	100
5 years	91	90
After 5 years	306	313
Total	816	865

A number of agreements have extension options, which have not been included in the above table.

Outstanding purchase and termination options in operating lease contracts

The operating lease contract of semi-submersible *Thunder Hawk* includes a call option for the client to purchase the underlying asset. The exercise of this call option would have resulted in a gain for the Company as at December 31, 2022.

4.3.14 INTANGIBLE ASSETS

2022

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	34	25	67	19	145
Accumulated amortization and impairment	(25)	(15)	-	(19)	(59)
Book value at 1 January	9	11	67	0	86
Additions	4	3	34	-	41
Amortization	(3)	(4)	-	-	(7)
(Impairment)/impairment reversal	-	(2)	-	-	(2)
Total movements	1	(3)	34	-	31
Cost	38	28	100	19	185
Accumulated amortization and impairment	(29)	(20)	-	(19)	(68)
Book value at 31 December	9	8	100	0	117

2021

	Development costs	Software	Intangible assets under construction	Patents	Total
Cost	29	24	31	19	103
Accumulated amortization and impairment	(20)	(14)	-	(19)	(54)
Book value at 1 January	8	10	31	0	50
Additions	5	4	36	-	46
Amortization	(5)	(4)	-	-	(9)
Total movements	0	(0)	35	-	36
Cost	34	25	67	19	145
Accumulated amortization and impairment	(25)	(15)	-	(19)	(59)
Book value at 31 December	9	11	67	0	86