

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.