

2022 ANNUAL REPORT



TRUE.
BLUE.
TRANSITION.

4 FINANCIAL INFORMATION 2022

The increase in 'Intangible assets under construction' mainly relates to costs capitalized relating to the design and implementation of the new global ERP system, the capitalization of software licenses and other capital expenditures related to the IT infrastructure upgrade project.

Amortization of development costs is included in 'Research and development expenses' in the income statement in 2022 for US\$3 million (2021: US\$5 million).

Amortization of software is included in 'General and administrative expenses' in the income statement in 2022 for US\$4 million (2021: US\$4 million).

4.3.15 FINANCE LEASE RECEIVABLES

The reconciliation between the total gross investment in the lease and the net investment in the lease at the statement of financial position date is as follows:

Finance lease receivables (reconciliation gross/net investment)

	31 December 2022	31 December 2021
Gross receivable	10,330	9,729
Less: unearned finance income	(3,137)	(3,547)
Total	7,193	6,182
Of which		
Current portion	1,725	339
Non-current portion	5,468	5,843

As of December 31, 2022, finance lease receivables relate to the finance lease of:

- FPSO *Liza Unity*, which started production in February 2022 for a charter of 2 years;
- FPSO *Liza Destiny*, which started production in December 2019 for a charter of 10 years;
- FPSO *Cidade de Marica*, which started production in February 2016 for a charter of 20 years;
- FPSO *Cidade de Saquarema*, which started production in July 2016 for a charter of 20 years;
- FPSO *Cidade de Ilhabela*, which started production in November 2014 for a charter of 20 years;
- FPSO *Cidade de Paraty*, which started production in June 2013 for a charter of 20 years;
- FPSO *Aseng*, which started production in November 2011 for a charter of 15 years;
- FPSO *Espirito Santo*, which started production in January 2009 for a charter of 15 years until December 2023, and which was extended in December 2020 until December 2028.

The increase in finance lease receivable is driven by FPSO *Liza Unity* which started production in February 2022 partially offset by redemptions as per the payment plans.

Unguaranteed residual values

Included in the gross receivable is an amount related to unguaranteed residual values (i.e. scrap value of units). The total amount of unguaranteed residual values at the end of the lease term amounts to US\$53 million as of December 31, 2022, (2021: US\$69 million). The 2022 reassessment of unguaranteed residual values resulted in an impairment increase of US\$9 million due to the decrease of scrap value of units.

As per the contractual terms, gross receivables should be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

	31 December 2022	31 December 2021
Less than 1 year	2,221	802
Between 1 and 2 years	804	802
Between 2 and 5 years	2,389	2,415
More than 5 years	4,916	5,711
Total Gross receivable	10,330	9,729

The significant increase in the gross receivable 'Less than 1 year' relates to the anticipated exercising of a purchase option related to one of the leased units.

The following part of the net investment in the lease is included as part of the current assets within the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2022	31 December 2021
Gross receivable	2,221	802
Less: unearned finance income	(496)	(463)
Current portion of finance lease receivable	1,725	339

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables taking into account the risk of recoverability. The Company performed an assessment, which concluded that the credit risk for these receivables has not increased significantly since the initial recognition. The Company does not hold any collateral as security.

Outstanding purchase and termination options

The finance lease contracts of *FPSO Aseng*, *FPSO Liza Destiny* and *FPSO Liza Unity*, where the Company is the lessor, include call options for the client to purchase the underlying asset or to terminate the contract early. If the client had exercised the purchase option for *FPSO Aseng* as of December 31, 2022 this would have resulted in a gain for the Company, while the exercise of the early termination option under which the Company would retain the vessel, would have resulted in a near breakeven result. If the client had exercised the purchase option for *FPSO Liza Destiny* as of December 31, 2022 this would have resulted in a near breakeven result for the Company while the exercise of the early termination option under which the Company would retain the vessels would have resulted in a gain. If the client had exercised the purchase option or early termination option for *FPSO Liza Unity* as of December 31, 2022 this would have resulted in a gain for the Company.

The finance lease contract of *FPSO Espirito Santo* includes a call option for the client to terminate the contract early without obtaining the underlying asset. The exercise of the early termination option would have resulted in a loss for the Company as of December 31, 2022.

The finance lease contracts of *FPSO Prosperity* and *FPSO ONE GUYANA* (all under construction as per December 31, 2022) contain options for the client to purchase the underlying asset or terminate the contract early. These options are exercisable at any time starting from the delivery date of the vessel.

4.3.16 OTHER FINANCIAL ASSETS

The breakdown of the non-current portion of other financial assets is as follows:

	31 December 2022	31 December 2021
Non-current portion of other receivables	106	38
Sublease receivables	-	2
Non-current portion of loans to joint ventures and associates	45	42
Total	151	82

The increase in non-current portion of other receivables relates to the extension of the lease period for *FPSO Cidade de Anchieta* which is considered as a lease reassessment as per IFRS 16. This leads to an update of the linearized revenue up to the new end date of the contract which led to the recognition of an accrued income of US\$78 million (out of which US\$69 million is classified as non-current).

The current portion of (i) other receivables and sublease receivables and (ii) loans to joint ventures and associates is included within the 'Trade and other receivables' in the statement of financial position.

In relation to the exposure to credit risk at the reporting date on the carrying amount of the interest-bearing loans, non-current portion of other receivables and sublease receivable, please refer to note 4.3.8 Net Impairment Gains/(Losses) on