



2023 ANNUAL REPORT



4 FINANCIAL INFORMATION 2023

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\$178 million (2022: US\$195 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 (2022: nil).

FPSO Cidade de Anchieta

FPSO Cidade de Anchieta was shut down from January 22, 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 progressed as planned during the current year and which will continue over the coming years. This enabled a safe restart at full production on December 17, 2022. In prior year, the total expected net cost of repairs resulted in an adverse cash flow and an impairment of US\$92 million.

In the current year, an impairment assessment of *FPSO Cidade de Anchieta* was performed. No additional impairment was recognised in the year 2023.

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 (7.4%) used in the impairment test were to vary by +/- 1%, the impairment would change by +/- US\$10 million;
- If the cash outflow were to vary by +/- US\$20 million, the impairment would change by +/- US\$19 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\$7 million.

RIGHT-OF-USE ASSETS

As of December 31, 2023, the Company leases buildings and cars. The movement of the right-of-use assets during the year 2023 is summarized as follows:

2023

	Buildings	Other fixed assets	Total
Book value at 1 January	39	1	40
Additions	54	1	55
Disposals	(5)	-	(5)
Depreciation	(14)	(1)	(14)
Impairment	-	-	-
Foreign currency variations	2	0	2
Other movements	(1)	(0)	(1)
Total movements	36	1	37
Cost	104	4	108
Accumulated depreciation and impairment	(29)	(2)	(31)
Book value at 31 December	75	2	77

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)/impairment reversal	-	-	-
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

During the year 2023, the main movements regarding right-of-use assets related to US\$55 million of capitalization of lease extensions and new lease office contracts, partially offset by US\$14 million of depreciation charges. In March 2023, the Company extended the lease agreement of one of its office buildings until 2037. This resulted in an increase of US\$43 million to right-of-use assets and a similar increase in lease liabilities (refer to note 4.3.23 Borrowings and Lease Liabilities).

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 fourteen 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 2023	31 December 2022
Cost	1,821	1,813
Accumulated depreciation and impairment	(1,637)	(1,596)
Book value at 31 December	185	217

As of December 31, 2023, 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\$32 million, mainly due to depreciation.