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ANNUAL REPORT 2021

BANK GUARANTEES

As of December 31, 2021, the Company has provided bank guarantees to unrelated third parties for an amount of US$348million (2020: US$570 million). No liability is expected to arise under these guarantees.

The Company holds in its favor US$599 million of bank guarantees from unrelated third parties. No withdrawal under these guarantees is expected to occur.

COMMITMENTS

As at December 31, 2021, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$1,600 million (December 31, 2020: US$990million). Investment commitments have increased principally due to the progress made on the construction of the *Liza Unity* (FPSO), *Prosperity* (FPSO), *FPSO Sepetiba, FPSO Alexandre de Gusmão, FPSO Almirante Tamandaré* and limited scope award of the FPSO for the Yellowtail development project.

CONTINGENT LIABILITY

Following the close out of the legacy issue in Switzerland, there are no remaining identified contingent liabilities. Refer to section 4.3.1 Financial highlights for further information on the close out of the legacy issue in Switzerland.

4.3.28 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

This note presents information about the Company's exposure to risk resulting from its use of financial instruments, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the statement of financial position, which require disclosure of fair value measurements by level:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classification and fair values

			31 December 2021		31 December 2020	
	Notes	Fair value level	Total book value	Total fair value	Total book value	Total fair value
Financial assets measured at amortized cost						
Finance lease receivables	*4.3.15*	3	6,182	6,586	6,488	7,223
Demobilization receivables	*4.3.16*	3	-	-	-	-
Loans to joint ventures and associates	*4.3.16*	3	51	49	46	43
Total			**6,233**	**6,635**	**6,534**	**7,265**
Financial liabilities measured at amortized cost						
US$ project finance facilities drawn	*4.3.24*	2	7,850	7,825	5,620	5,669
Revolving credit facility/Bilateral credit facilities	*4.3.24*	2	-	-	-	-
Lease liabilities		3	56	56	71	71
Other debt	*4.3.24*	2	2	2	1	1
Total			**7,908**	**7,883**	**5,692**	**5,741**

Additional information

- In the above table, the Company has disclosed the fair value of each class of financial assets and financial liabilities for which the book value is different than fair value in a way that permits the information to be compared with the carrying amounts.
- There are financial assets and financial liabilities measured at fair value, namely the interest rate swaps and forward currency contracts which are classified at a Level 2 on the fair value hierarchy. Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The carrying amount for these financial assets and liabilities approximates the fair value as at December 31, 2021.
- The Company has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values as the impact of discounting is insignificant.
- Classes of financial instruments that are not used are not disclosed.
- No instruments were transferred between Level 1 and Level 2.
- No instruments were transferred between Level 2 and Level 3.
- None of the instruments of the Level 3 hierarchy are carried at fair value in the statement of financial position.
- No financial instruments were subject to offsetting as of December 31, 2021 and December 31, 2020.

The effects of the foreign currency related hedging instruments on the Company's financial position and performance including related information is included in the table below:

Effect of the foreign currency and interest swaps related hedging instruments

	2021	2020
Foreign currency forwards		
Carrying amount	(80)	77
Notional amount	(2,845)	(2,162)
Maturity date	2-8-2024	4-9-2021
Hedge ratio	100%	100%
Change in discounted spot value of outstanding hedging instruments since 1 January	(158)	112
Change in value hedged rate for the year (including forward points)	158	(112)
Interest rate swaps		
Carrying amount	(144)	(351)
Notional amount	5,715	5,649
Maturity date	12-4-2033	13-6-2027
Hedge ratio	92%	93%
Change in discounted spot value of outstanding hedging instruments since 1 January	207	(192)
Change in value hedged rate for the year (including forward points)	(207)	192

MEASUREMENT OF FAIR VALUES

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

	Level 2 and level 3 instruments	Level 3 instruments	
Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value			
Interest rate swaps	Income approach – Present value technique	Not applicable	Not applicable
Forward currency contracts	Income approach – Present value technique	Not applicable	Not applicable
Financial instrument not measured at fair value			
Loans to joint ventures and associates	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (1%-7%)	The estimated fair value would increase (decrease) if: ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Finance lease receivables	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (5%-9%)	The estimated fair value would increase (decrease) if: ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Loans and borrowings	Income approach – Present value technique	Not applicable	Not applicable
Other long-term debt	Income approach – Present value technique	Not applicable	Not applicable