



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

5 FINANCIAL REPORT 2016

5.3.3 GEOGRAPHICAL INFORMATION AND RELIANCE ON MAJOR CUSTOMERS

GEOGRAPHICAL INFORMATION

The classification by country is determined by the final destination of the product for both revenues and non-current assets.

The revenue by country is analyzed as follows:

Geographical information (revenue by country)

| | 2016 | 2015 |
|------------------------------|--------------|--------------|
| Brazil | 1,323 | 1,491 |
| The United States of America | 368 | 360 |
| Canada | 134 | 141 |
| Equatorial Guinea | 103 | 110 |
| Australia | 80 | 233 |
| The United Kingdom | 50 | 32 |
| Angola | 45 | 187 |
| Congo | 36 | 13 |
| United Arab Emirates | 31 | 13 |
| Nigeria | 16 | 15 |
| Myanmar | 15 | 41 |
| South Africa | 12 | 12 |
| Malaysia | 6 | 12 |
| Other | 53 | 45 |
| Total revenue | 2,272 | 2,705 |

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

| | 31 December 2016 | 31 December 2015 |
|---------------------------------|------------------|------------------|
| Brazil | 6,911 | 3,714 |
| The United States of America | 1,242 | 245 |
| Angola | 426 | 454 |
| Canada | 390 | 446 |
| Equatorial Guinea | 215 | 308 |
| Malaysia | 189 | 207 |
| The Netherlands | 7 | 11 |
| Other | 143 | 207 |
| Total non-current assets | 9,522 | 5,591 |

RELIANCE ON MAJOR CUSTOMERS

Two customers represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US\$ 1,612 million (2015 : US\$ 1,794 million).

5.3.4 OTHER OPERATING INCOME AND EXPENSE

| | 2016 | 2015 |
|-------------------------|-------------|--------------|
| Restructuring expenses | (48) | (55) |
| Settlement expenses | (22) | (245) |
| Other operating expense | 0 | (3) |
| Other operating income | 2 | 1 |
| Total | (66) | (302) |

In 2016, the other operating expenses mainly include:

- The US\$ 22 million for non-recurring provision for potential contemplated settlement with Brazilian authorities and Petrobras (Please refer to Note 5.3.1 Highlights)
- The net restructuring costs following the workforce reduction plans launched for US\$ 37 million (Please refer to Note 5.3.1 Highlights)
- A provision for onerous contract related to long-term offices rental contracts for US\$ 11 million (Please refer to Note 5.3.26 Provisions), classified as restructuring expenses.

5.3.5 EXPENSES BY NATURE

Year-on-year, expenses on construction contracts sharply decreased as a result from the market slowdown and the lower activity on the Company's finance lease project which reached completed stage in 2016 (FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*).

The table below sets out expenses by nature for all items included in EBIT for the years 2016 and 2015:

Information on the nature of expenses

| | Note | 2016 | 2015 |
|---|-------|----------------|----------------|
| Expenses on construction contracts | | (634) | (733) |
| Employee benefit expenses | 5.3.6 | (512) | (704) |
| Depreciation, amortisation and impairment | | (208) | (223) |
| Selling expenses | | (20) | (37) |
| Other costs | | (338) | (770) |
| Total expenses | | (1,713) | (2,467) |

Employee benefit expenses came down during the period following the workforce reduction of approximately 650 positions.

In 2016, the line 'Other costs' mainly consists of recurring operating costs for the fleet and non-recurring items, including US\$ 22 million addition to non-recurring provision for potential contemplated settlement with Brazilian authorities and Petrobras (please refer to 5.3.1). In 2015, 'Other costs' included US\$ 245 million for non-recurring provision for settlement in Brazil and US\$ 89 million release of accruals for sales consultancy fees.