



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

The decrease year on year of accruals on projects is mainly related to the completion of construction activities on FPSOs *Turritella*, *Cidade de Marica* and *Cidade de Saquarema*.

The movement in the other non-trade payables mainly relates to the last US\$ 70 million remaining installment due, following the settlement with the Dutch Public Prosecutor's Office over the investigation into potentially improper sales payments. The decrease of other payable mainly relates to the discontinuation of a pension plan that existed for certain Offshore employees.

The contractual maturity of the trade payables is as follows:

Trade and other payables (contractual maturity of the trade payables)

	31 December 2016	31 December 2015
Within 1 month	117	146
Between 1 and 3 months	2	1
Between 3 months and 1 year	1	0
More than one year	-	0
Total	120	147

5.3.28 COMMITMENTS AND CONTINGENCIES

PARENT COMPANY GUARANTEES

In the ordinary course of business, the Company is committed to fulfil various types of obligations arising from customer contracts (among which full performance and warranty obligations).

As such, the Company has issued Parent Company Guarantees for contractual obligations in respect of several group companies, including equity-accounted joint ventures, with respect to long-term lease and operate contracts.

BANK GUARANTEES

As of December 31, 2016, the Company has provided bank guarantees to unrelated third parties for an amount of US\$ 336 million (2015: US\$ 379 million). No liability is expected to arise.

The Group holds in its favour US\$ 99 million of bank guarantees from unrelated third parties. No withdrawal under these guarantees is expected to occur.

COMMITMENTS

Contingent Liability

At the end of January 2016, the United States Department of Justice (DoJ) informed the Company that it has re-opened its past inquiry of the Company in relation to the alleged improper sales practices over the period 2007 to 2011 and has made information requests in connection with that inquiry.

During the period, the Company has cooperated with the DoJ and remains committed to close out discussions on this legacy issue which the Company self-reported to the authorities in 2012 and for which it reached a settlement with the Dutch Public Prosecutor in 2014.

During the period, the Company has also cooperated with the DoJ for its inquiry into Unaoil, a company that SBM Offshore had engaged as agent prior to 2012.

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Commitments

As at December 31, 2016, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US\$ 2 million (December 31, 2015: US\$ 35 million). Investment commitments have decreased principally due to the completion of the construction of FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*.

The obligations in respect of operating lease, rental and leasehold obligations, are as follows:

Commitments

				2016	2015
	< 1 year	1-5 years	> 5 years	Total	Total
Operating lease	16	64	78	158	209
Rental and leasehold	19	57	7	83	131
Total	35	120	85	240	340

CONTINGENT ASSET

The Company continues to investigate the possibility to recover losses incurred in connection with the Yme development project from insurers. Under the terms of the settlement agreement with Talisman, all pending and future claim recoveries (after expenses and legal costs) relating to the Yme development project under the relevant construction all risks insured shall be shared 50/50 between the Company and Talisman.

5.3.29 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)