EXPERIENCE MATTERS

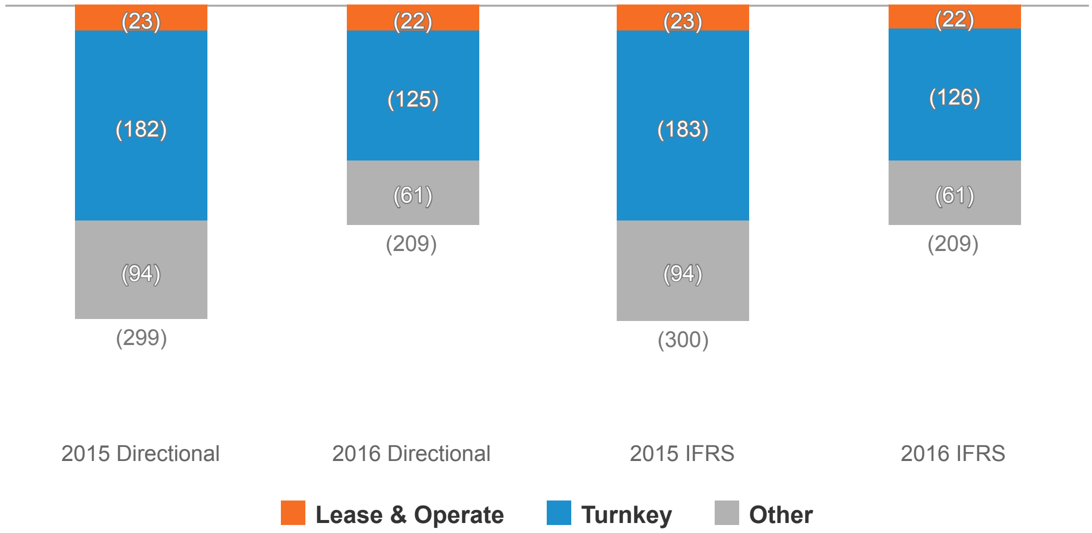
2016

ANNUAL REPORT

IFRS EBIT in 2016 amounted to US$ 564 million compared to US$ 239 million in 2015. Adjusted for non-recurring items underlying 2015 EBIT increased by 56% to US$ 617 million compared to US$ 395 million in 2015.

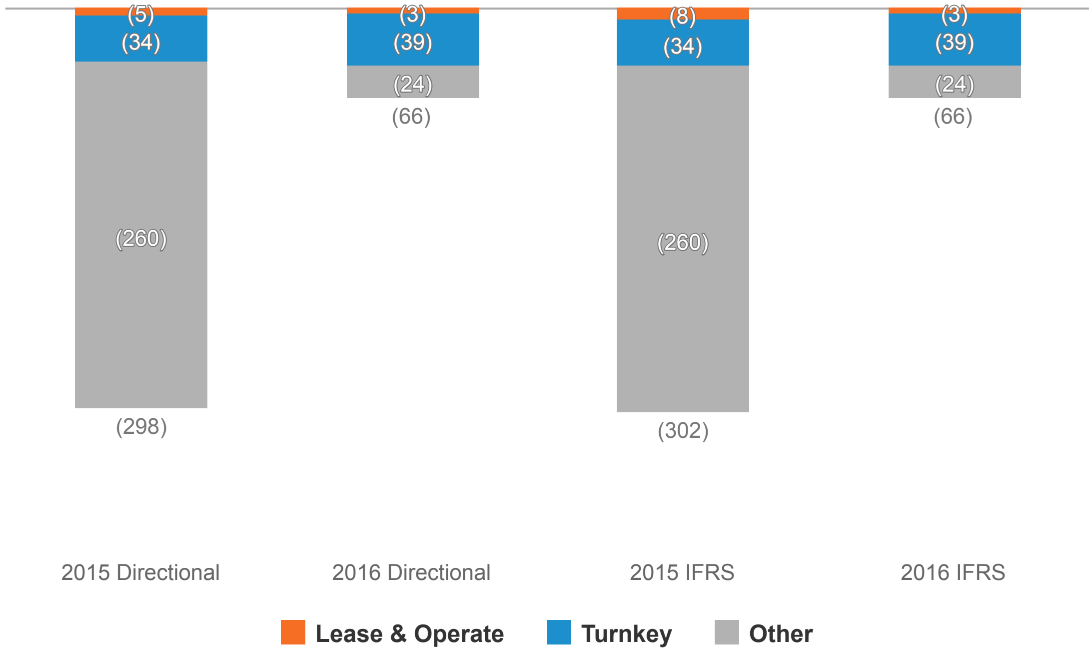
OVERHEADS, OTHER INCOME AND EXPENSES, NET FINANCING COSTS, SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES AND INCOME TAX

OVERHEADS (IN MILLIONS OF US$)



Directional overheads were US$ 209 million in 2016 compared to US$ 299 million in 2015. This significant reduction resulted from the finalization of the Company's business improvement initiatives, material saving on general and administrative expenses, lower tendering activity and decreased costs of research and development. There is no material differences between IFRS and Directional overheads.

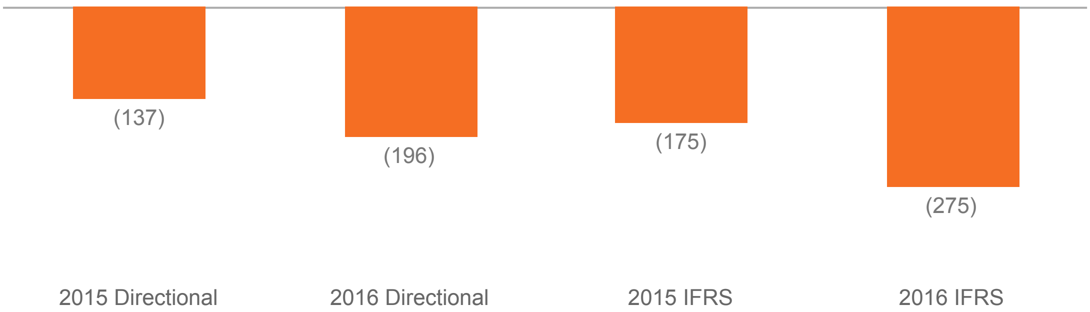
OTHER OPERATING INCOME AND EXPENSES (IN MILLIONS OF US$)



Directional[5] 'Other income and expenses' showed a net cost of US$ 66 million in 2016 compared to US$ 298 million in 2015. This includes the restructuring costs over the period of US$ 49 million, of which US$ 11 million relate to provision related to long-term offices rental contracts, and US$ 22 million related to the potential settlement discussed with Petrobras and the Brazilian authorities. The restructuring program has led to a significant decrease in staffing levels, which created overcapacity in rented office space in various Regional Centers. As a result, the obligation for the discounted future unavoidable costs has been provided for at an amount of US$ 11 million.

In comparison, in 2015, the Directional[5] 'Other income and expenses' were mainly made of US$ 245 million provision related to the potential settlement discussed with Petrobras and the Brazilian authorities and US$ 55 million of restructuring charges. There is no material difference between IFRS and Directional[5] 'Other income and expenses'.

NET FINANCING COSTS (IN MILLIONS OF US$)



Directional[5] net financing costs increased to US$ 196 million compared to US$ 137 million in 2015. This was mainly due to interest paid on project loans for FPSOs Cidade de Marica, Cidade de Saquarema and Turritella joining the fleet in 2016. The 2016 average cost of debt remained low at 4.6% compared to 4.1% in 2015. More generally, once production units are brought into service, the financing costs are expensed to the P&L statement, whereas during construction interest is capitalized. It should be emphasized that the net profit contribution of newly operating leased units is limited by the relatively high interest burden during the first years of operation, although dedication of lease revenues to debt servicing leads to fast redemption of the loan balances and hence reduced interest charges going forward.

IFRS net financing costs increased by US$ 100 million compared to 2015, mainly due to interest paid on project loans for the FPSOs joining the fleet in 2016.

SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

The Directional[5] share of profit of equity accounted investees, mainly consisting of the Paenal and the Brasa yards, resulted in a loss of US$ 61 million in 2016, up from a loss of US$ 8 million in 2015, mostly driven by the impairment recognized on the Company's investment (30% ownership) in the Joint Venture owning the Paenal construction yard operating in Angola.

Under IFRS, the Company's share of net losses of non-controlled joint ventures amounted to US$ 14 million in 2016 compared to a profit of US$ 73 million in 2015. This decrease is mainly due to the impairment recognized on the net investment in the Joint Venture owning the Paenal construction yard as well as the impact in 2015 of the turnkey contribution of the N'Goma project finalized early in that year.

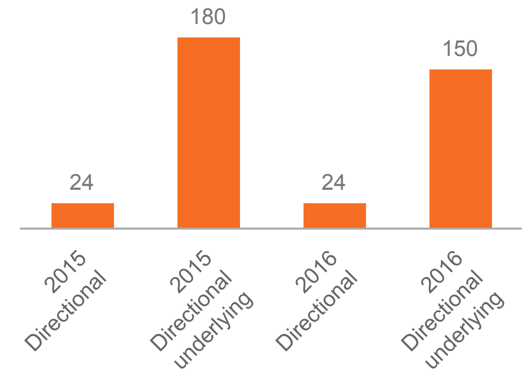
5 Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

INCOME TAX

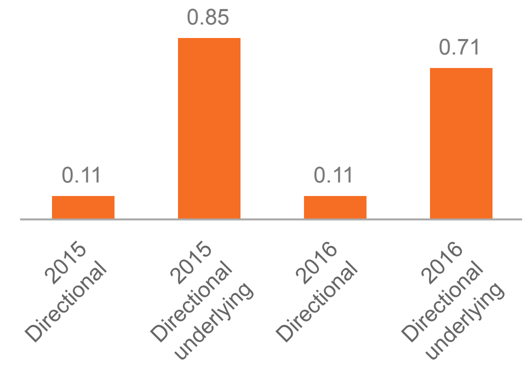
The 2016 IFRS tax expense slightly increased from US$ 26 million in 2015 to US$ 28 million, leading to an effective tax rate of 9.6% in 2016.

NET INCOME

Net Income Directional (in millions of US$)

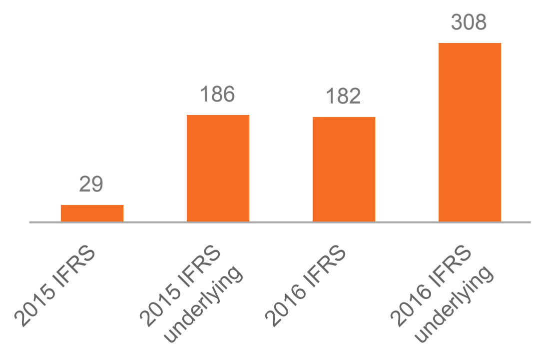


Weighted Average Earnings Per Share Directional (in US$)

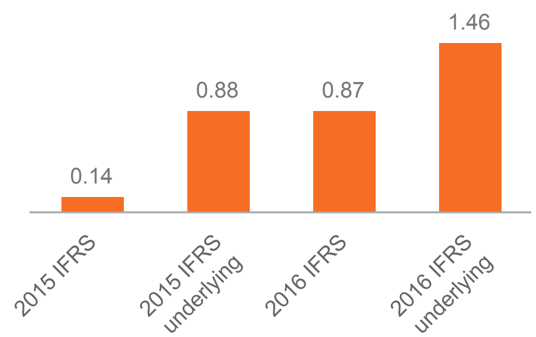


Directional[6] consolidated net income for 2016 was US$ 24 million, stable compared to 2015. Adjusted for non-recurring items, 2016 underlying consolidated Directional net income attributable to shareholders stood at US$ 150 million and a decrease by US$ 30 million from the previous year period, mainly attributable to lower Turnkey segment activity.

Net Income IFRS (in millions of US$)



Weighted Average Earnings Per Share IFRS (in US$)



After IFRS non-controlling interests of US$ 65 million included in 2016 net income and related to reported results from fully consolidated joint ventures where the Company has a minority partner (principally Brazilian FPSOs, Aseng and Turritella), IFRS net income attributable to shareholders amounted to US$ 182 million compared to US$ 29 million in 2015.

[6] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.