



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

Total capital expenditures for 2016, which consist of additions to property, plant and equipment plus capitalized development expenditures, were related to minor investments.

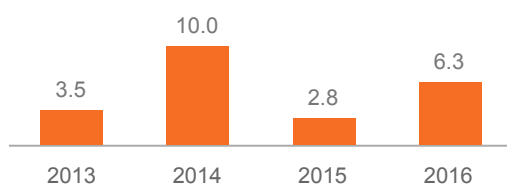
Due to the classification of the contracts as finance leases under IFRS, investments in the units were recorded as construction contracts, with the investments in finance leases ultimately recorded as financial assets. The net investment in these finance lease contracts amounted to US\$ 20 million in 2016, which compares to US\$ 704 million in 2015, and is reported as operating activities in the consolidated cash-flow statement.

The decrease in property, plant and equipment in 2016 to US\$ 1,474 million, compared to US\$ 1,686 million at the end of 2015, resulted from the very low level of capital expenditure less normal depreciation and amortisation.

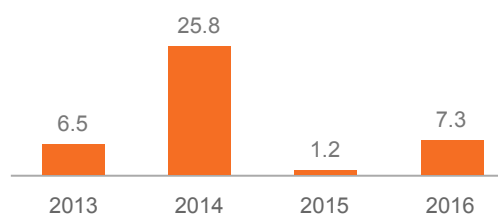
RETURN ON AVERAGE CAPITAL EMPLOYED AND EQUITY

Both IFRS Return on Average Capital Employed (ROACE) and Return on Average Shareholders' Equity (ROAE) increased, to 6.3% and 7.3% respectively in 2016. This was primarily the result of the higher EBIT and Net Result reported under IFRS in 2016 while equity and capital employed remained almost stable.

Return on Average Capital Employed (%)



Return on Average Equity (%)



CASH FLOW/LIQUIDITIES

Cash and undrawn committed credit facilities amounted to US\$ 1,904 million, US\$ 221 million of which can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilization.

The Enterprise Value to EBITDA ratio at year-end 2016 came in at 12.4, lower than the previous year, due mainly to significant increase in the Company's IFRS EBITDA.

in millions of US\$	2016	2015	2014	2013	2012 ¹
IFRS EBITDA	772	462	925	592	681
Cash	904	515	452	208	715
Cash flow from operations	488	(538)	(1,356)	(1,044)	1,134
EV : IFRS EBITDA ratio at 31/12	12.4	19.3	8.6	14.3	6.3

¹ not restated for comparison purpose

5 FINANCIAL REPORT 2016

Provided below is a reconciliation of net income before taxes to Cash Flow from Operations:

in millions of US\$	2016	2015
Net income before taxes	275	137
Adjustments for non-cash items		
Depreciation of property, plant and equipment	216	212
Net impairment / (impairment reversal)	32	9
Amortisation of intangible assets	3	1
Adjustments for investing and financing items		
Share in net income of associates and joint ventures	(30)	(73)
Finance income	(26)	(25)
Finance costs excluding impairment	301	200
(Gain) / loss on disposal of property, plant and equipment	(2)	1
(Gain) / loss on disposal of subsidiary	0	3
Adjustments for equity items		
Share-based payments	16	20
Reclassification of exchange differences relating to the disposal of foreign subsidiaries	0	0
Subtotal	787	484
Changes in operating assets and liabilities		
Decrease / (increase) in investments	0	3
Decrease in operating receivables (excluding WIP)	20	178
Increase in WIP (excluding reclass to Financial Assets)	(301)	(836)
Decrease in operating liabilities	(240)	(548)
Total changes in operating assets and liabilities	(521)	(1,204)
Reimbursement finance lease assets	237	206
Income taxes paid	(15)	(24)
Net cash generated from operating activities	488	(538)

OUTLOOK AND GUIDANCE

Management's expectations for order intake in 2017 remain unchanged, aligned with an outlook for the industry where recovery is expected to be gradual as clients remain cautious regarding investment in their development programs. At the same time, productive client discussions continue to take place to make deep water projects competitive in today's oil price environment. A positive medium to long-term outlook is maintained as deep water offshore is expected to remain an important element in the energy supply of the future.

The Company is providing 2017 Directional revenue guidance of around US\$ 1.7 billion, with around US\$ 1.5 billion from Lease and Operate and around US\$ 200 million from Turnkey. 2017 Directional EBITDA is guided at around US\$ 750 million.