



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

In the light of these recent restructuring activities an onerous contract provision related to the long-term offices rental contracts in various regional centers has been recognized for a total amount of US\$ 11 million as of December 31, 2016.

DSCV SBM Installer Charter Contract

The Group has a long-term charter contract with the Diving Support and Construction Vessel (DSCV) SBM Installer. Due to the ongoing downturn which has created significant over-supply in offshore markets, the costs of the long-term chartering contract exceed the economic benefits expected to be received by the Company through the utilization of the vessel. As a result, a provision for onerous contract of US\$ 31 million has been recognized in the gross margin as of December 31, 2016 (Please refer to note 5.3.26 Provisions).

Investment in JV holding Construction Yard Paenal

The activity outlook for the Company's investment (30% ownership) in the Joint Venture owning the Paenal construction yard operating in Angola has deteriorated. As a result, the Company's carrying amount for the net investment in this entity has been impaired by US\$ 59 million on the second half of 2016. Because this investment is consolidated using the equity method, this non-cash impairment is recognized in the Company's Consolidated Income Statement on the line item 'Share of profit of equity-accounted investees' (please refer to note 5.3.15 Other financial assets).

5.3.2 OPERATING SEGMENTS

The Company's reportable operating segments as defined by IFRS 8 'Operating segments' are:

- Lease and Operate;
- Turnkey.

The operating segments are measured under Directional Reporting accounting principles, as described under Note 5.2.7.C. Significant Accounting Policies of the consolidated financial statements as of and for the year ended December 31, 2016.

In 2016, the Turnkey segment is impacted by the onerous contract provision related to DSCV SBM Installer and the long term offices rental contracts.

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2016 operating segments

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	1,310	702	2,013	-	2,013
Gross margin	423	142	565	-	565
Other operating income/expense	(3)	(39)	(42)	(24)	(66)
Selling and marketing expenses	(3)	(35)	(37)	0	(37)
General and administrative expenses	(19)	(61)	(81)	(61)	(142)
Research and development expenses	0	(29)	(29)	0	(29)
Operating profit/(loss) (EBIT)	398	(22)	376	(86)	290
Net financing costs					(196)
Share of profit of equity-accounted investees					(61)
Income tax expense					(9)
Profit/(Loss)					24
Operating profit/(loss) (EBIT)	398	(22)	376	(86)	290
Depreciation, amortisation and impairment	425	9	433	2	435
EBITDA	823	(14)	809	(84)	725
Other segment information :					
Impairment charge/(reversal)	(8)	0	(8)	-	(8)

Reconciliation of 2016 operating segments

	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of Other ¹	Total Consolidated IFRS
Revenue					
Lease and Operate	1,310	172	(210)	-	1,273
Turnkey	702	(17)	314	-	1,000
Total revenue	2,013	155	105	-	2,272
Gross margin					
Lease and Operate	423	94	38	-	555
Turnkey	142	(3)	144	-	283
Total gross margin	565	91	182	-	838
EBIT					
Lease and Operate	398	93	39	-	531
Turnkey	(22)	(2)	143	-	119
Other	-	0	0	(86)	(86)
Total EBIT	376	91	182	(86)	564
EBITDA					
Lease and Operate	823	118	(208)	-	733
Turnkey	(14)	(1)	138	-	124
Other	-	-	-	(84)	(84)
Total EBITDA	809	117	(70)	(84)	772

¹ Impact of business segment that does not meet the definition of an operating segment

2015 operating segments

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	1,105	1,512	2,618	-	2,618
Gross margin	342	447	789	-	789
Other operating income/expense	(5)	(34)	(38)	(260)	(298)
Selling and marketing expenses	(5)	(56)	(61)	0	(60)
General and administrative expenses	(18)	(83)	(101)	(95)	(196)
Research and development expenses	-	(43)	(43)	0	(43)
Operating profit/(loss) (EBIT)	315	231	545	(354)	191
Net financing costs					(137)
Share of profit of equity-accounted investees					(8)
Income tax expense					(22)
Profit/(Loss)					24
Operating profit/(loss) (EBIT)	315	231	545	(354)	191
Depreciation, amortisation and impairment	352	8	360	10	370
EBITDA	667	239	906	(345)	561
Other segment information :					
Impairment charge/(reversal)	13	2	15	-	15

Reconciliation of 2015 operating segments

	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of Other ¹	Total Consolidated IFRS
Revenue					
Lease and Operate	1,105	65	(151)	-	1,020
Turnkey	1,512	(9)	181	-	1,685
Total revenue	2,618	57	31	-	2,705
Gross margin					
Lease and Operate	342	54	30	-	426
Turnkey	447	(21)	(11)	-	414
Total gross margin	789	33	18	-	841
EBIT					
Lease and Operate	315	51	30	-	395
Turnkey	231	(21)	(11)	-	198
Other	-	0	-	(354)	(354)
Total EBIT	545	29	18	(354)	239
EBITDA					
Lease and Operate	667	76	(151)	-	592
Turnkey	239	(22)	(2)	-	215
Other	-	-	-	(345)	(345)
Total EBITDA	906	53	(152)	(345)	462

¹ Impact of business segment that does not meet the definition of an operating segment

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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).