



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

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

| | <i>Note</i> | 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.

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5.3.6 EMPLOYEE BENEFIT EXPENSES

Information with respect to employee benefits expenses are detailed as follows:

Employee benefit expenses

| | Note | 2016 | 2015 |
|---|--------------|--------------|--------------|
| Wages and salaries | | (302) | (428) |
| Social security costs | | (39) | (53) |
| Contributions to defined contribution plans | | (33) | (32) |
| (Increase)/decrease in liability for defined benefit plans | | (2) | (3) |
| (Increase)/decrease in liability for other long term benefits | | 1 | 1 |
| Share-based payment cost | | (15) | (20) |
| Contractors costs | | (52) | (101) |
| Other employee benefits | | (70) | (69) |
| Total employee benefits | 5.3.5 | (512) | (704) |

Contractors costs include expenses related to contractors staff, not on the Company's payroll. Other employee benefits mainly include commuting, training, expatriate and other non-wage compensation costs.

DEFINED CONTRIBUTION PLAN

The contributions to defined contribution plans includes the Company participation in the *Merchant Navy Officers Pension Fund* (MNOFF). The MNOFF is a defined benefit multi-employer plan which is closed to new members. The fund is managed by a corporate Trustee, MNOFF Trustees Limited, and provides defined benefits for nearly 27,000 Merchant Navy Officers and their dependents out of which approximately 100 SBM Offshore former employees.

The Trustee apportions its funding deficit between Participating Employers, based on the portions of the Fund's liabilities which were originally accrued by members in service with each employer. When the Trustee determined that contributions are unlikely to be recovered from a Participating Employer, it can re-apportion the deficit contributions to other Participating Employers.

Entities participating in the MNOFF are exposed to the actuarial risk associated with the current and former employees of other entities through exposure to their share of the deficit those other entities default. As there is only a notional allocation of assets and liabilities to any employer, the Company is accounting for the MNOFF in its financial statements as if it was a defined contribution scheme. A contribution in respect of the section 75 debt certified as at February 28, 2014 of GBP 2,366,650 was settled in 2016. Other than this, there are no further contributions agreed at present.