



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

5 FINANCIAL REPORT 2016

5.3.12 PROPERTY, PLANT AND EQUIPMENT

The movement of the property, plant and equipment during the year 2016 is summarized as follows:

2016

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	57	3,581	71	0	3,709
Accumulated depreciation and impairment	(10)	(1,961)	(53)	-	(2,023)
Book value at 1 January	47	1,620	18	0	1,686
Additions	-	4	3	2	9
Disposals	-	0	(1)	0	(1)
Depreciation	(5)	(206)	(6)	-	(216)
(Impairment)/impairment reversal	-	7	0	-	8
Foreign currency variations	(1)	-	0	0	(1)
Other movements	(1)	(11)	(1)	1	(11)
Total movements	(6)	(205)	(4)	3	(212)
Cost	55	3,570	66	4	3,694
Accumulated depreciation and impairment	(14)	(2,155)	(52)	-	(2,220)
Book value at 31 December	41	1,415	14	4	1,474

2015

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	64	3,668	76	1	3,810
Accumulated depreciation and impairment	(6)	(1,826)	(56)	-	(1,887)
Book value at 1 January	59	1,843	20	1	1,923
Additions	-	0	5	2	7
Disposals	-	(4)	(1)	-	(4)
Depreciation	(5)	(185)	(8)	-	(198)
(Impairment)/impairment reversal	-	(13)	(1)	-	(13)
Foreign currency variations	(6)	-	(3)	0	(9)
Other movements/deconsolidation	0	(22)	5	(2)	(19)
Total movements	(11)	(223)	(2)	0	(238)
Cost	57	3,581	71	0	3,709
Accumulated depreciation and impairment	(10)	(1,961)	(53)	-	(2,023)
Book value at 31 December	47	1,620	18	0	1,686

During the 2016 period the following main events occurred:

- On October 12, 2016, SBM Offshore has officially inaugurated its new R&D facilities at Carros – Le Broc, near Nice in France. The laboratory covers 2,300 m², and will cater to a variety of testing and research requirements across the Company's product lines in new technological developments. Investments in these new R&D facilities amounted to US\$ 2 million reported in addition to other fixed assets in 2016.
- US\$ 216 million of annual depreciation on existing fixed assets

- FPSO *Falcon* was sold in July 2016, resulting in the impairment reversal of US\$ 5 million in the lease and operate segment.

Property, plant and equipment at year-end comprise:

- Three (2015: three) integrated floating production, storage and offloading systems (FPSOs), each consisting of a converted tanker, a processing plant and one mooring system
- One (2015: one) floating storage and offloading system (FSO), consisting of a converted or newbuild tanker and mooring system including the fluid transfer system
- One second-hand tanker (2015: two)
- One semi-submersible production platform (2015: one)
- One MOPU facility (2015: one)

The depreciation charge for the Thunder Hawk facility is calculated based on its future anticipated economic benefits, resulting in a depreciation charge partly based on the unit of production method and, for the other part, based on the straight-line method. All other Property, plant and equipment are depreciated on a straight-line method.

No third-party interest have been capitalized during the financial year as part of the additions to property, plant and equipment (2015: nil).

OPERATING LEASES AS A LESSOR

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements, which terminate between 2017 and 2030. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the Vessels and floating equipment

	31 December 2016	31 December 2015
Cost	3,243	3,243
Accumulated depreciation and impairment	(1,874)	(1,671)
Book value at 31 December	1,369	1,572

The nominal values of the future expected bareboat receipts (minimum lease payments of leases) in respect of those operating lease contracts are:

Nominal values of the future expected bareboat receipts

	31 December 2016	31 December 2015
Within 1 year	390	410
Between 1 and 5 years	1,462	1,529
After 5 years	932	1,296
Total	2,784	3,235

A number of agreements have extension options, which have not been included in the above table.

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5.3.13 INTANGIBLE ASSETS

2016

	Development costs	Goodwill	Software	Patents	Total
Cost	19	25	9	19	71
Accumulated amortisation and impairment	(4)	-	(3)	(19)	(26)
Book value at 1 January	15	25	5	1	45
Additions	5	-	0	-	5
Amortisation	(1)	-	(2)	(1)	(3)
Impairment	-	-	-	-	-
Other movements	-	-	0	-	0
Foreign currency variations	(1)	-	0	-	(1)
Total movements	3	-	(1)	(1)	1
Cost	23	25	11	19	77
Accumulated amortisation and impairment	(5)	-	(7)	(19)	(31)
Book value at 31 December	18	25	4	-	46

2015

	Development costs	Goodwill	Software	Patents	Total
Cost	9	25	4	13	51
Accumulated amortisation and impairment	(4)	-	(2)	(11)	(17)
Book value at 1 January	5	25	2	1	34
Additions	12	-	4	-	17
Amortisation	-	-	(1)	(1)	(3)
Impairment	-	-	-	-	-
Other movements/deconsolidation	(3)	-	0	-	(3)
Foreign currency variations	-	-	0	-	0
Total movements	9	-	3	(1)	11
Cost	19	25	8	19	71
Accumulated amortisation and impairment	(4)	-	(3)	(19)	(26)
Book value at 31 December	15	25	5	1	45

The additions are primarily related to the completion of the Fast4ward concept.

Amortisation of development costs is included in 'Cost of sales' in the income statement in 2015 for nil and US\$ 1.0 million in 2016.

Goodwill relates to the acquisition of the Houston based subsidiaries. The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 2%. Management determined budgeted gross margin based on past performance and its expectations of market development and award perspective on brownfield, semi-TLP and semi-sub projects. The discount rates used are pre-tax and reflect specific risks (9.0%).