



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

5 FINANCIAL REPORT 2016

The trade debtors aged more than one year mostly relate to one contract for which some legal documents pending signature temporarily prevent the joint venture to settle the Company's receivable.

5.3.19 CONSTRUCTION WORK-IN-PROGRESS

	<i>Note</i>	31 December 2016	31 December 2015
Cost incurred		856	5,967
Instalments invoiced		(855)	(1,687)
Total construction work-in-progress		1	4,280
of which debtor WIP (cost incurred exceeding instalments)		15	4,336
of which creditor WIP (instalments exceeding cost incurred)	<i>5.3.27</i>	(14)	(56)

The cost incurred includes the amount of recognized profits and losses to date. The instalments exceeding cost incurred comprise the amounts of those individual contracts for which the total instalments exceed the total cost incurred. The instalments exceeding cost incurred are reclassified to other current liabilities. Advances received from customers are included in other current liabilities. For both aforementioned details, reference is made to Note 5.3.27 'Trade and other payables'.

The decreased construction work-in-progress reflects the completion of construction activities related to FPSOs *Cidade de Marica*, *Cidade de Saquarema* and *Turritella* during the period.

5.3.20 DERIVATIVE FINANCIAL INSTRUMENTS

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivative instruments is included in Note 5.3.29 'Financial Instruments – Fair values and risk management'.

In the ordinary course of business and in accordance with its hedging policies as of December 31, 2016, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of interest rate financing exposure.

The fair value of the derivative financial instruments included in the statement of financial position is summarized as follows:

Derivative financial instruments

	31 December 2016			31 December 2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	6	170	(164)	0	205	(205)
Forward currency contracts cash flow hedge	7	54	(47)	2	86	(84)
Forward currency contracts fair value through profit and loss	26	12	14	18	41	(23)
Total	38	236	(198)	21	332	(311)
Non-current portion	8	122	(113)	0	167	(167)
Current portion	30	114	(84)	21	164	(144)

The ineffective portion recognized in the income statement (Note 5.3.7 'Net financing costs') arises from cash flow hedges totaling a US\$ 2 million loss (2015: US\$ 5 million loss). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

FORWARD CURRENCY CONTRACTS

The gross notional amount of the outstanding forward currency contracts at December 31, 2016 were US\$ 2 billion (2015: US\$ 2 billion) of which US\$ 2 billion will mature in the next twelve months.

The net notional amount of the outstanding forward currency contracts at December 31, 2016 was US\$ 1 billion (2015: US\$ 1 billion) of which US\$ 0 billion will mature in the next twelve months.

INTEREST RATE SWAPS

The gross notional amount of the outstanding interest rate swap contracts at December 31, 2016 were US\$ 7 billion (2015: US\$ 4 billion) and US\$ 7 billion (2015: US\$ 7 billion) including forward-start contracts.

The net notional amount of the outstanding interest rate swap contracts at December 31, 2016 were US\$ 5 billion (2015: US\$ 3 billion) and US\$ 5 billion (2015: US\$ 6 billion) including forward-start contracts. The increase in the current outstanding interest rate swap notional is due to the start of the derivatives hedging the lease and operating phase of the financing related to FPSOs Cidade de Marica, Cidade de Saquarema and Turritella).

The most important floating rate is the US\$ 3-month LIBOR. Details of interest percentages of the long-term debt are included in Note 5.3.24 'Loans and borrowings'.

5.3.21 NET CASH AND CASH EQUIVALENT

	31 December 2016	31 December 2015
Cash and bank balances	415	260
Short-term investments	489	255
Cash and cash equivalent	904	515
Bank overdrafts	-	-
Net cash and cash equivalent	904	515

The cash and cash equivalents dedicated to debt and interest payments (restricted) amounts to US\$ 221 million (2015: US\$ 159 million). Short-term deposits are made for varying periods of up to one year depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

The cash and cash equivalents held in countries with restrictions on currency outflow (Angola, Brazil, Equatorial Guinea and Nigeria) amounts to US\$ 45 million (2015: US\$ 38 million).

Further disclosure about the fair value measurement is included in Note 5.3.29 'Financial Instruments – Fair values and risk management'.