



EXPERIENCE **MATTERS**

**2016**

ANNUAL REPORT

## 5.3.26 PROVISIONS

The current portion and the non-current portion of provisions refer to the following type of provisions:

### Provisions (summary)

	<i>Notes</i>	<b>31 December 2016</b>	31 December 2015
Demobilisation		103	119
Onerous contract		42	-
Warranty		104	116
Employee benefits	5.3.6	26	29
Other		330	278
<b>Total</b>		<b>604</b>	<b>541</b>
of which :			
Non-current portion		257	131
Current portion		347	410

The movements in the provisions, other than those on employee benefits described in Note 5.3.6 'Employee benefit expenses' are:

### Provisions (movements)

	<b>Demobilisation</b>	<b>Onerous contracts</b>	<b>Warranty</b>	<b>Other</b>
<b>Balance at 1 January 2015</b>	<b>110</b>	<b>1</b>	<b>118</b>	<b>9</b>
Arising during the year	36	-	15	273
Unwinding of interest	3	-	-	-
Utilised	(24)	-	(16)	(3)
Released to profit	(7)	(1)	-	0
Other	-	-	-	-
Foreign currency variations	0	0	0	0
<b>Balance at 31 December 2015</b>	<b>119</b>	<b>-</b>	<b>116</b>	<b>278</b>
Arising during the year	-	42	31	65
Unwinding of interest	3	-	-	14
Utilised	(12)	-	(42)	(23)
Released to profit	(6)	-	0	(5)
Other	-	-	0	0
Foreign currency variations	-	(1)	0	1
<b>Balance at 31 December 2016</b>	<b>103</b>	<b>42</b>	<b>104</b>	<b>330</b>

### Demobilization

The provision for demobilization relates to the costs for demobilization of the vessels and floating equipment at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in financial expenses (see Note 5.3.7 'Net financing costs').

Expected outflow within one year amounts to US\$ 0 million, nil between one and five years and US\$ 103 million after five years.

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The utilized portion of the demobilization-provision relates to the demobilization of FPSO *Marlim Sul* which has been finalized in the course of 2016.

### Onerous contract

The Company 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 accounted for as 'cost of sales' over the period ended December 31, 2016. The calculations use cash flow projections approved by the Management Board of the Company. The discount rate used is the risk free rate (2.6% as of December 2016).

If the vessel sales day rate varies by +/- 10% the impact on the onerous provision would be in a range of +/- US\$ 15 million.

The Company has also reviewed its long-term offices rental contracts, in light of its ongoing restructuring program. The immediate result of this program has led to a significant decrease in staffing levels, which created overcapacity in rented office space in various Regional Centers. As a result, the obligation for the discounted future unavoidable costs has been provided for through a provision for onerous contract of US\$ 11 million accounted for as 'Other operating expense' over the period ended December 31, 2016 (please refer to note 5.3.4). The discount rate used is the risk free rate (3.2% as of December 2016).

### Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client.

The decrease of the warranty provision follows the signature of an agreement during the period relating to warranty issues with one customer (and for which the Company recorded an additional provision in 2014) and also to usual warranty consumptions.

### Other

The Other provision that arose during the year mainly relates to non-recurring provision for potential contemplated settlement with Brazilian authorities and Petrobras for US\$ 22 million, US\$ 24 million provision for restructuring and provisions related to various contractual disputes for US\$ 19 million .

## 5.3.27 TRADE AND OTHER PAYABLES

### Trade and other payables (summary)

	<i>Notes</i>	31 December 2016	31 December 2015
Accruals on projects		193	293
Trade payables		120	147
Accruals regarding delivered orders		206	142
Other payables		54	131
Instalments exceeding cost incurred	5.3.19	14	56
Pension taxation		9	14
Taxation and social security costs		36	29
Other non-trade payables		74	179
<b>Total</b>	5.3.29	<b>706</b>	<b>992</b>