

2017

ANNUAL REPORT



EXPERIENCE MATTERS

4 FINANCIAL STATEMENTS 2017

4.3.5 EXPENSES BY NATURE

The table below sets out expenses by nature for all items included in EBIT for the years 2017 and 2016:

Information on the nature of expenses

	Note	2017	2016
Expenses on construction contracts		(164)	(634)
Employee benefit expenses	4.3.6	(514)	(512)
Depreciation, amortization and impairment		(253)	(208)
Selling expenses		(17)	(20)
Other costs		(684)	(338)
Total expenses		(1,633)	(1,713)

Year-on-year, expenses on construction contracts sharply decreased mainly as a result from the lower activity on the Company's finance lease projects which reached completed stage in 2016 (FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*).

In 2017, 'Depreciation, amortization and impairment' is impacted by the impairment of the finance lease receivable of *Turritella* (FPSO) following the exercise of a purchase option by Shell on July 11, 2017 (please refer to note 4.3.1 Financial Highlights).

In 2017 'Other costs' included US\$ 238 million of monetary penalty following signature of a Deferred Prosecution Agreement ('DPA') with the U.S. Department of Justice ('DoJ') resolving the re-opened investigation into the Company's legacy issues and the investigation into the Company's relationship with Unaoil (please refer to note 4.3.1) and US\$ 80 million for the compensation to the partners in the *Turritella* (FPSO) investee following the purchase option exercised by Shell (please refer to note 4.3.1). Remainder of 'Other costs' mainly comprises recurring operating cost for the fleet which increased compared to 2016 following the first full year operations on FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*.

In 2016, the line 'Other costs' mainly consisted 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.