SBM OFFSHORE

EXPERIENCE MATTERS

2016

ANNUAL REPORT

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CHAPTER 1

AT A GLANCE

The SBM Offshore-designed FPSO Turritella for Shell's Stones development broke the world record for water depth at 2,900m, when it achieved first oil in September 2016. Operated by SBM Offshore, it is the Company's first FPSO in the Gulf of Mexico and a breakthrough in technology for riser configuration with the design featuring Steel Lazy-Wave Risers (SLWR) – used for the first time in a disconnectable production unit. Other industry firsts include the largest disconnectable buoy (Buoyant Turret Mooring or BTM), which allows the vessel to quickly disconnect from the buoy and sail to safety in the event of a heavy storm or hurricane approaching.

TURRITELLA DELIVERED

2016

EXPERIENCE MATTERS

Bruno Chabas
Chief Executive Officer

Achieving three first oils this year brings us to a record level of activity in our Lease and Operate division; together with the positive financial milestones reached, this reflects tremendous accomplishment in 2016. I am confident that our unique experience will secure our successful future.

1 AT A GLANCE

1.1 MESSAGE FROM THE CEO

The year 2016 has been one of transition for the industry, notable for the continuing low visibility on future offshore projects due to the prolonged, depressed market, but nevertheless one of tremendous achievement for SBM Offshore. We continued on our transformation journey, working as one team capitalizing on our unique experience in delivering and operating floating production systems to achieve the desired outcome for our clients. We ended the year with the award to perform Front End Engineering and Design (FEED) studies for the ExxonMobil subsidiary Esso Exploration and Production Guyana Limited on the proposed FPSO for their Liza development. Subject to a final investment decision on the project in 2017, SBM Offshore will design, construct, install and operate this FPSO offshore Guyana. This gives us cautious optimism for the future as we see clients' trust in our solid track record, unrivalled experience and ability to offer game-changing solutions for today's challenging market.

Knowing that historically in the industry a majority of the FPSOs constructed worldwide are delivered either late or extremely late, negatively impacting oil company economic returns, I am proud of SBM Offshore's continuous high level of performance. It illustrates our experience to supply systems on time as planned by our clients. In 2016, we delivered three leased FPSOs to our clients, Petrobras and Royal Dutch Shell, with production starting safely and on time, helping them to realize their expected return on investment. By adding 25% to our fleet's oil production capacity, we continue to maintain our position as leader in the industry with a total capacity of 1,600,000 bopd. Furthermore, we progressed towards delivery of multiple complex turnkey projects, including the world's largest turret for Royal Dutch Shell's Prelude Floating LNG project, underscoring our know-how, expertise and pioneering technology for turret mooring systems.

With *Turritella* coming online – SBM Offshore's first FPSO in the Gulf of Mexico – we now operate the world's deepest production system for our client, adding to our expertise in ultra-deep water and our portfolio of record-breaking technologies and industry firsts. In addition, our experience across the entire product lifecycle came into play in 2016 with the successful decommissioning and green recycling of one of our FPSOs.

In 2016, we were not able to improve on our robust 2014 and 2015 safety performance. Much to our regret, we experienced injuries and failed to meet our goal of no harm to people. We consequently redoubled our efforts in safety leadership and culture to deliver the very high safety standards for which SBM Offshore and its clients strive. Nevertheless, we did have some bright spots, in our project execution activities and operations across operating units.

In 2016, further progress was made with the discussions with Brazilian authorities and Petrobras. On July 16, 2016 a Leniency Agreement was signed between Brazilian authorities, Petrobras and SBM Offshore, that will become legally binding after approval by the Brazilian Fifth Chamber. Until then, the Company is not under any obligation to make payments under the Leniency Agreement. The Fifth Chamber did not approve the agreement in its current form after which appeals were filed by various governmental parties who were signatories to the Leniency Agreement. Subsequently, the Higher Council decided on December 14, 2016 not to accept appeals filed by the MPF and the General Counsel for the Republic and referred the case back to the Fifth Chamber and the prosecutor handling the case for further review and determination of next steps. SBM Offshore remains committed to engage with the prosecutor and the Fifth Chamber until the Leniency Agreement is approved by the Fifth Chamber. The Leniency Agreement further remains subject to review by the Federal Court of

Accounts but this is not a condition precedent to the Leniency Agreement.

The Company continues to cooperate with the United States Department of Justice following the reopening of the investigation that it had closed in November 2014 and its inquiry into Unaoil, a company that SBM Offshore had engaged with as an agent prior to 2012 in relation to delivery of barges, offshore terminals and maintenance.

On the financial front, we met our revenue target and our positive free cash flow allowed us to resume dividend payments after a five-year hiatus as well as complete our EUR 150 million Share Repurchase program by year-end. Although we met the revenue target, its level compared with previous years is indicative of a market at a historical low with an associated lack of final investment decisions for projects. As such, we continued with our restructuring program, reducing our cost structure while at the same time maintaining the requisite level of expertise for delivering future projects. The net effects are that we are starting 2017 with a record level of activity in our Lease and Operate segment. At the same time the slower than expected market recovery and the fact we have maintained the surplus expertise, which will be critical to deliver from 2017 onwards, means we are anticipating further downward impact on our turnkey segment before revenues from anticipated orders can be booked.

From a macro-environmental perspective, our world is becoming more challenging, providing significant opportunities for SBM Offshore as a uniquely experienced contractor in floating production systems. The oil industry is now speaking about peak demand for its product, due to an expected change in the energy mix, despite the expected increase in energy demand by at least a quarter over the coming 20 years. Notwithstanding this significant change in expectations, new oil fields will have to be put into production, not only to satisfy the continuing growth in oil demand but also to replace declining producing capacity, even when demand reaches a plateau. Deepwater field developments have a part to play in supplying this oil, provided our industry can propose affordable, standardized and reliable solutions. Leveraging its experience in delivering reliable and standardized solutions on time, SBM Offshore can contribute to redefining the industry standard and help our clients to be profitable even at lower oil prices.

With the expected change in energy mix, both gas and renewable demands from offshore sources are expected to increase significantly. The name of the game will be to develop technical solutions while creating value for our clients. The same challenges apply to some of the major trends in the world. By 2040, the world population is expected to reach 9.1 billion, up from 7.3 billion today. This population will likely be more urban and located in greater percentage and number near the shore line. Again, new technical floating solutions will have to be found to address this growing challenge, which will help to solve the limited inland space and other scarcities. SBM Offshore, through its unique know-how, continuous investment in technology and experience throughout the full product lifecycle is well positioned to contribute to and benefit from the development of future solutions.

Taking into consideration the short and medium-term reality of our market, the expected evolution of energy demand and more generally world evolution, SBM Offshore's strategy as a floating production supplier has been refined along three pillars, which build upon our experience: Optimize, Transform and Innovate. We believe that only experienced contractors like SBM Offshore will deliver value by defining the new affordable and reliable standard in the industry while also creating future solutions. We continue to play the role of an evolving leader, leveraging our expertise and experience to contribute to the overhaul of an industry in urgent need of new sustainable solutions. By optimizing, transforming and innovating, SBM Offshore is staying ahead and addressing our clients' concerns and future demand. Having identified the unsustainable situation that the offshore industry found itself in over two years ago, particularly regarding inflated costs, SBM Offshore's management began remodelling its organization, optimizing its cost structure and preparing for the downturn. With our backlog standing at US$ 17.1 billion, we need to optimize our cash flow generation through the reliable fleet operations, while helping our clients to increase the value of their production through a combination of additional volumes via tie-backs or additional cost reductions.

Engaging with clients over these past two years, we have understood the need for transformation, standardization and creating new solutions. We have listened to their concerns about an industry affected by severe delays in project delivery and budget overruns from spiraling costs among other issues such as quality and safety. These are not only concerns but represent a painful reality, which has cost them dearly with loss of or delayed production as well as damaging their confidence in contractors.

SBM Offshore's performance will help transform and define the new standards for floating production solutions. In 2016, we delivered three major FPSO projects on schedule, which represents a rare event in the industry and cements our reputation as an experienced and reliable subcontractor. Our pre-salt FPSO projects for offshore Brazil illustrate that our 'design one and build several' concept works and provides added value to clients. FPSOs *Cidade de Maricá* and *Cidade de Saquarema* benefitted from lessons learnt, requiring 25% fewer man-hours, 30% less time required to complete module integration and a 12% decrease in the overall time to deliver the projects. These further increase our position in the overall industry scorecard with almost 50 floating production systems to date.

Going forward, we have transformed our FPSO Product Line to suit the future needs of the industry; our newly launched Fast4Ward FPSO standardization project will further fast-track delivery and reduce costs, our optimization and cost-cutting programs across the entire product lifecycle will further restore an equilibrium on costs, while maintaining our highest standards of safety and quality. SBM Offshore can rely on its history of innovative technology, its unrivalled track record of almost 300 years of operations and its leading EPCI project performance delivery for customized standardization.

One area where we are developing our talent is in technology. Despite a curb on overall spending, we recognize the vital need to innovate and thus continue to invest in R&D – including optimized products, more predictable asset performance and renewable energy. Regarding the latter, we have foreseen the shift in the world's energy mix and the rapidly changing demographics that are influencing the future of the market. SBM Offshore is adapting to this and the heightened concern for climate change with increased focus on its solutions in gas and renewable energy. An excellent example of how our past experience is allowing us to make first steps for a smooth transition is SBM Offshore's selection by EDF Energies Nouvelles to provide a floating wind systems solution for its pilot offshore France. Another example of our efforts in sustainability is the implementation of a pilot project on one of our FPSOs to reduce emissions as part of a CO_2 Challenge within the Company. These positive developments underscore our belief that sustainability is at the heart of our long-term business development. Supporting this is SBM Offshore's inclusion in the Dow Jones Sustainability Index for the seventh year running, scoring as an

'Industry Leader' – an improved position versus last year.

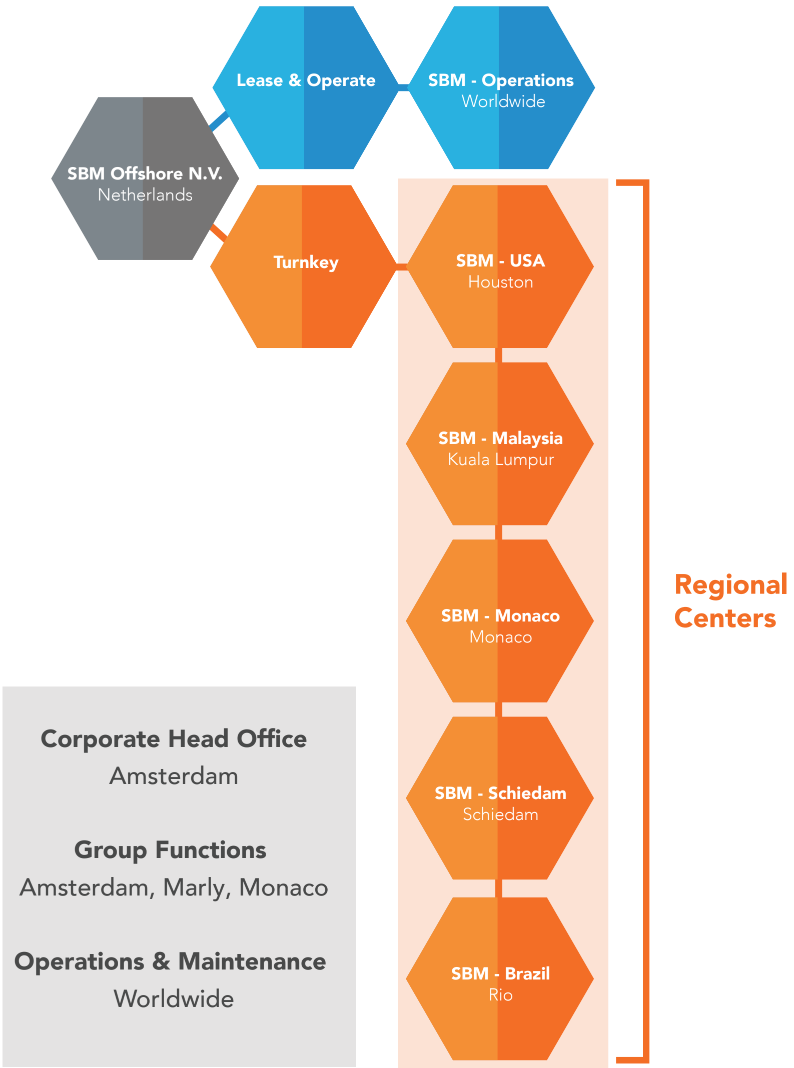
We are in a strong position as a result of sure and steady progress the last four years, involving significant changes to reorganize our Company and to optimize the ways we work. SBM Offshore is now bearing the fruit of this investment and effort and I am very positive about the Company's future and role in the industry going forward. This would not have been possible without the continuous efforts of all of our people, the SBMers. I would like to thank all SBMers for their dedication and commitment even during challenging times. SBMers are essential in achieving the transformation. SBMers are entrepreneurs, we are innovators, we take ownership of projects ensuring delivery of the desired results and every task is undertaken with integrity and care.

In conclusion, I feel that the Company has taken a major step forward to meet our long-term goals. After much restructuring, reorganization and implementation of our vision over the last four years, SBM Offshore has moved to the next level. The end of year FPSO award demonstrates that our experience matters in real terms. I believe in SBM Offshore's continued success and in the role that we will play to transform the industry. We have successfully built a solid bridge from our strong past leading us to a bright future.

1.2 ABOUT SBM OFFSHORE AND ITS GLOBAL PRESENCE

SBM Offshore provides floating production solutions to the offshore energy industry, over the full product life-cycle. The Company is market leading in leased floating production systems with multiple units currently in operation worldwide and has a unique breadth of operational experience in this field.

Company Organization Chart (simplified version)



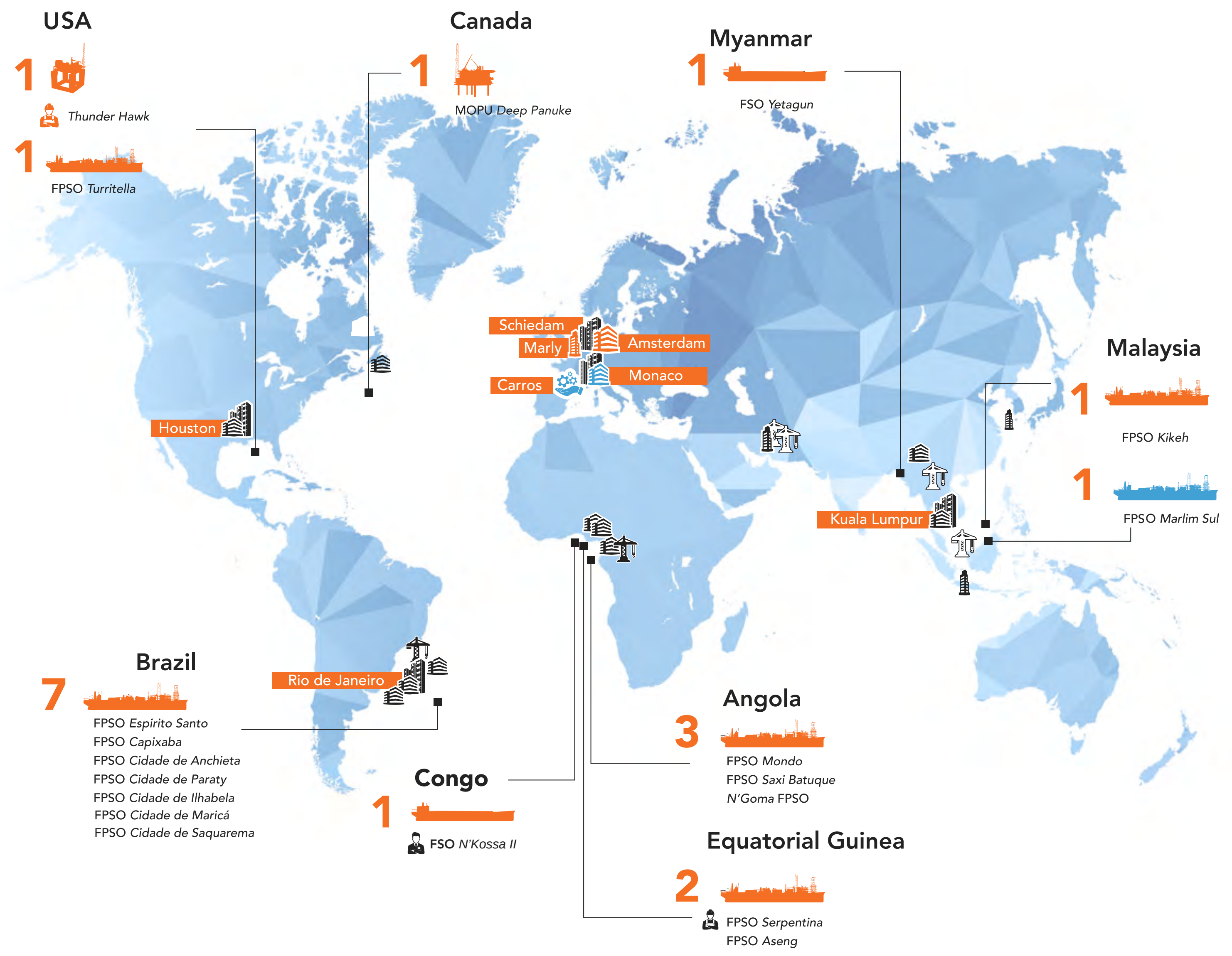
1 AT A GLANCE

OWNERSHIP AND OPERATING STRUCTURE

The Company's main activities are the design, supply, installation, operation and life extension of Floating Production, Storage and Offloading (FPSO) vessels. These are either owned and operated by SBM Offshore and leased to its clients or supplied on a turnkey sale basis. Other products include: semi-submersibles, TLPs, FPSO LNGs, turret mooring systems, brownfield, offshore (off)loading terminals and most recently solutions for renewable energy. With an operating fleet of 14 FPSOs, two FSOs, one MOPU and one semi-submersible in operation worldwide at year end and almost 300 years of cumulative FPSO operational experience within the industry, the Company is considered a market leader in providing leased production floating systems.

With its statutory seat in Amsterdam in the Netherlands, SBM Offshore employees total 4,250 and are spread over five regional centers, 10 operational shore bases and the offshore fleet of vessels. Group companies employ over 4,750 people worldwide, which includes 500 working for the joint venture construction yards.

SBM Offshore Global Presence



Representative Offices
Dubai, Jakarta, Shanghai

SBM Offshore Head Office

Operations &
Maintenance Head Office

Regional Center

Shore bases and Operations Offices

Holding, treasury and support functions

Construction Yard

Site Office

Laboratory

Operated Only

Leased Only

Under Production Handling Agreement

FPSO in Operation

FPSO in Lay-up

FSO in Operation

MOPU Production Field Center

DeepDraftSemi®

1.3 VISION AND VALUES

VISION

To be a trusted partner, delivering reliable floating production solutions that create value for the Company's clients, by sustainably and passionately leveraging SBM Offshore's technology and operating experience.

VALUES

SBM Offshore's four values reflect its long history of industry leadership. They are the essence of who each 'SBMer' is and how the Company works. The values create pride with each employee embracing them to sustain SBM Offshore's vision. They also give meaning and personal fulfillment to each employee for the quality job done well and in turn provide added value to SBM Offshore's customers and stakeholders.

Integrity

'SBMers' act professionally and in an ethical, honest and reliable manner. Transparency, doing the right thing and consistency are essential in the way the Company behaves towards all of its stakeholders.

Care

'SBMers' respect and care for each other and for the community. Employees value teamwork and diversity. The Company listens to all its stakeholders. Safety is paramount to everything the Company does.

Entrepreneurship

'SBMers' have an entrepreneurial mindset in everything they do. They deliver innovative and fit-for-purpose solutions with passion. In doing so the Company aims to exceed its clients' expectations and proactively achieve sustainable growth by balancing risks and rewards.

Ownership

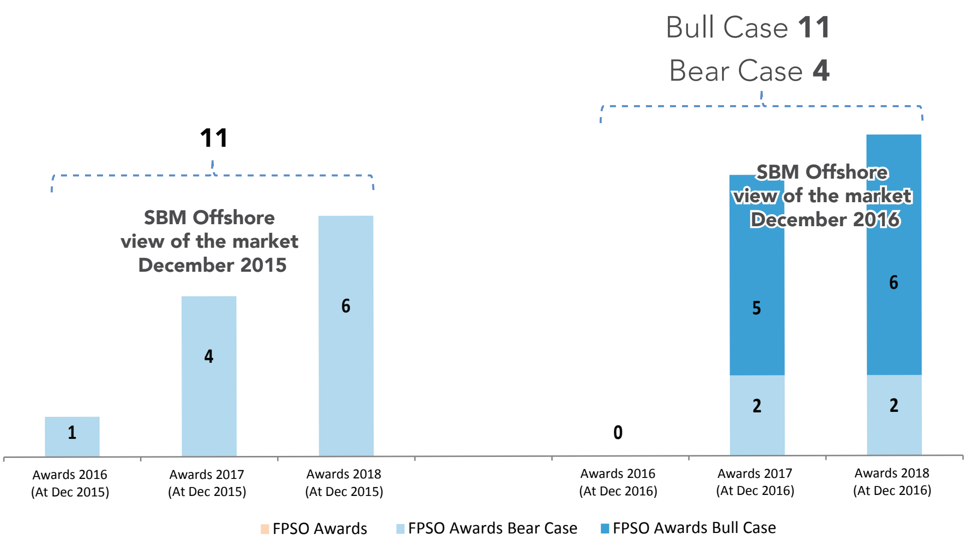
'SBMers' are all accountable to deliver on their commitments and pursue the Company's objectives with energy and determination. Quality is of the essence. 'SBMers' say what they do and do what they say.

1.4 ACTIVITIES AND MARKETS

Following the market's deterioration in 2015, the industry has seen a further slowdown in 2016 and sluggish movement on project approvals as expected. Activity was multi-tiered – on one hand previously sanctioned projects successfully started production, while new projects were delayed, revised or scrapped and some bids were sent back to the drawing board. CAPEX cuts by the major players sent a clear signal to the market that there would be no commitment on offshore CAPEX unless projects become economically viable within the context of the low oil price environment. In addition, unprofitable or near end-of-life fields had platforms decommissioned ahead of contract end, which had a positive impact of feeding the decommissioning sector of the industry.

The oil price was very volatile in 2016 – going to below US$ 30 in February – although it bounced back each time and seems to have steadied eventually between US$ 40 and US$ 50. A direct consequence was that no FPSO contract was awarded in 2016, solely FEEDs in particular the Liza development, subject to Final Investment Decision (FID), which was secured by SBM Offshore for its core FPSO business. This downward trend and absence of awards overall can also be applied to other products and services within SBM Offshore's portfolio such as Turret Mooring Systems, Semi-submersibles and TLPs. In addition Woodside Energy's Browse project was terminated – causing SBM Offshore to suspend its FEED activity and increasing uncertainty on potential future business activity overall for SBM Offshore in the large LNG turret business.

EPC AWARDS FORECASTS (COMPARISON)



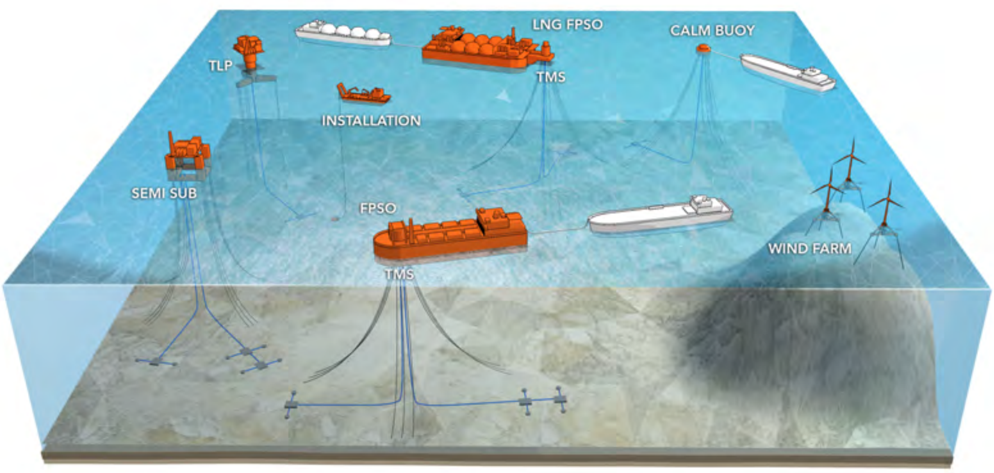
For context, at the 2016 Half-Year Earnings presentation to analysts, it was stated that SBM Offshore had revised downwards its expectations for industry awards in 2016 from 10 FPSOs to three units in a best case scenario and one unit in the worst case. At year end reality was one award in the industry to SBM Offshore, which is subject to FID by the client in 2017. It is believed that the current crisis will continue through 2017 as the industry slowly redresses. Management remains cautious on awards for the next two years.

The downturn proved that SBM Offshore's standardization FPSO project approach, Fast4Ward, is perfectly timed to be ready for future projects at a structurally lower oil price. Thanks to our unrivalled cumulative experience in both FPSO project execution and operations, the Company's management believes that Fast4Ward will give SBM Offshore a significant competitive advantage once the market picks up, as it will fast-track projects compared with the industry average and can significantly reduce CAPEX and OPEX costs, while providing clients earlier access to oil.

Although market stagnation continues, the predicted consolidation of the industry has only partially come to pass. Management believes that long-term structural change will alter the dynamics of the industry. Taking the opportunity of the downturn, the Company announced in May 2016 that it was dedicating further resources to the development of renewable energy solutions with the official launch of its floating wind technology at the industry OTC conference. The technology leverages its capabilities in the design of floating mooring solutions. In November, SBM Offshore was selected by EDF Energies Nouvelles to provide its proprietary floating systems for offshore wind turbines for a pilot wind farm offshore France. The project is subject to achieving committed financing.

Driving the oil price volatility were several factors – economic and geopolitical developments, supply ramp-ups by producers in different locations, OPEC negotiations and commodity traders hedging the oil supply. At year-end a very cautious industry has emerged with many projects waiting on the sideline for project breakeven points to change. The future is dependent on oil prices stabilizing and costs decreasing further. For the latter element contractors like SBM Offshore have a role to play and the Company is advancing with innovative ways to reduce costs for clients.

SBM Offshore Activities



FPSO	Floating Production Storage and Offloading vessel	**TLP**	Tension-Leg Platform
LNG FPSO	Liquefied Natural Gas FPSO	**Semi-Sub**	Semi Submersible Platform
TMS	Turret Mooring System	**CALM Buoy**	Catenary Anchor Leg Mooring Buoy

2016 PERFORMANCE

SBM Offshore continues to be active in the following market segments: FPSOs, Semi-submersibles, TLPs and Turret Mooring Systems with the main focus on the lease and operation of its fleet of FPSOs. They are either wholly owned or through Joint Ventures with key partners.
In 2016 the Company executed and achieved completion on its FPSO projects in line with contract obligations, while ensuring that clients' expectations were met and also made significant progress on turnkey projects.
The major projects included:

- Delivery of three FPSOs with first-oil achieved. Lease and operate contracts began when operations commenced offshore Brazil and US Gulf of Mexico
- Progress towards the delivery of two turnkey projects for large turrets – Ichthys and Prelude

Work also advanced on several FEEDs, which represents a promising sign for future potential projects. Management believes that the Company can leverage its expertise and experience – particularly in this critical preparatory stage – to help advance clients' projects to the next stage.

Of note are multiple awards for Front End Engineering Design (FEED) projects that show the confidence operators have in SBM Offshore's track record to engineer a wide range of floating production solutions.

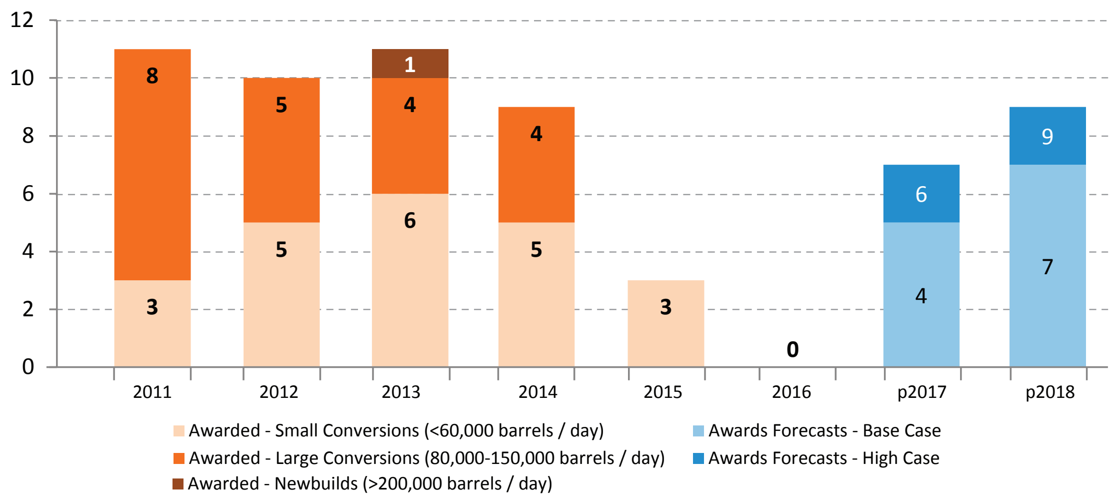
Green shoots in ultra-deep water are encouraging and SBM Offshore continues to play its leadership role in this domain by working with clients to pioneer new technologies to break down industry barriers.

FUTURE

2018-2023 Market recovery

SBM Offshore firmly believes that once the market picks up – a cautious prediction for 2018 – the Company will be well-placed to be the contractor of choice for future projects. The Company is accordingly preparing for a base scenario (pick-up in demand) as well as for alternative scenarios (lower costs and renewable energy). Going forward the Company is gearing for growth – getting ready in the next years to set the base for long-term growth.

Historical and Estimated Total Market Awards



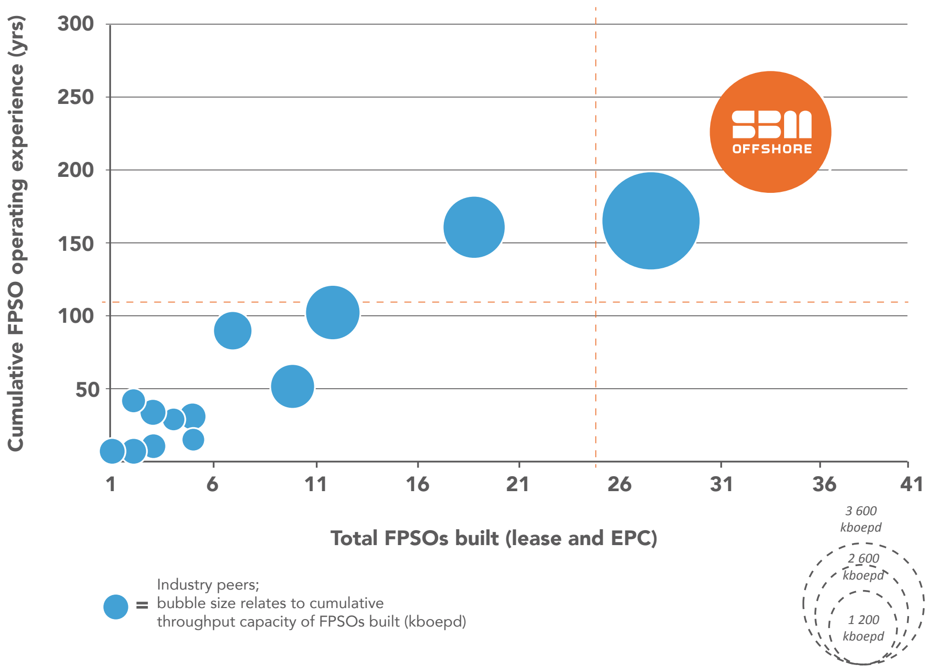
1.5 COMPETITIVE LANDSCAPE AND MARKET POSITIONING

SEGMENTATION IN THE FPSO MARKET

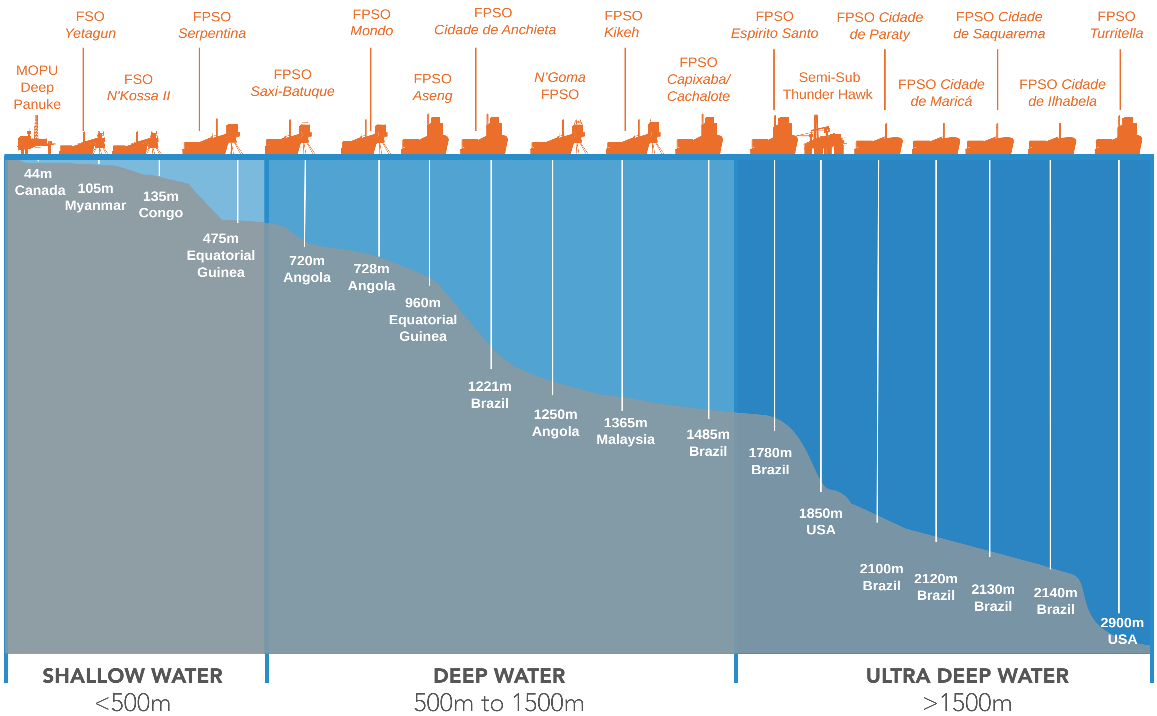
The global market for FPSOs can be roughly split into three segments, with SBM Offshore to date most active in large conversions but with its Fast4Ward FPSO design, the Company is also moving towards the newbuild category:

1. Newbuild FPSOs: with production volumes of over 200,000 barrels of oil per day. To date SBM Offshore is involved in this segment mainly as a supplier of large Turret Mooring Systems (TMS).
2. Large conversion FPSOs: this is SBM Offshore's main market. They are usually converted oil tankers known as Very Large Crude Carriers (VLCCs), with typical production capabilities of 60,000 to 150,000 barrels of oil per day. The Company's key competitor in this market is MODEC. A typical Generation 3 FPSO – what SBM Offshore calls its latest design for the complex, pre-salt fields – takes approximately three years to complete, at a cost of US$ 2.0 billion approximately, two such FPSOs *Cidade de Maricá* and *Saquarema* were delivered by the Company in 2016 and are now operating in ultra-deep water – where the Company's expertise lies.
3. Small conversion FPSOs: based on smaller crude oil tankers, with production rates up to 60,000 barrels of oil per day. Although SBM Offshore is not particularly active in this market the Company delivered FPSO *Turritella* in 2016 for Shell's Stones development, which has a production capacity of 60,000 barrels of oil per day. The FPSO breaks the industry record for the deepest FPSO.

Lease FPSO Market



Segmentation of SBM Offshore fleet/water depth



The commonality for all FPSOs is their bespoke characteristics: each oil field is unique with different pressures, temperatures, oil/water/gas mixes, corrosive and/or H_2S elements, API factors, etc.

Due to overall reduced demand, competition is increasing as other companies are stepping out and participating in tenders for FPSOs in other segments, which they have not done previously. For clients, awards are increasingly driven by pricing considerations. SBM Offshore is uniquely placed to respond with its unrivalled experience in executing and operating FPSO projects and its understanding of the inherent risks and challenges of the different segments.

SBM OFFSHORE'S POSITIONING IN THE FPSO MARKET

Boundaries are fading as several competitors are developing execution capabilities for larger size conversion projects and targeting a position in SBM Offshore's focus market segment.

SBM Offshore is a leader in the FPSO market both in terms of scale economies and track record, on key indicators for cost, schedule and risk reduction. To keep this leading position, the Company continues to invest in new technology, offering new solutions to clients.

- A technology development program that focuses on enabling access to new frontiers and production and on reducing the schedule and cost of existing solutions, in particular through standardization and customization approach such as the Fast4Ward – the Company's newbuild FPSO project
- Leveraging the Company's experience and business model by strengthening its position in its core markets, Africa and Brazil, while looking to enter new regions. When entering new countries, the Company develops local sustainable business, meets local content requirements and invests in the local communities

- The Company's track record in both project delivery and operations provides clients the necessary comfort in their search for 'predictability of outcome'. Experience matters and the Company believes that going forward the industry winners will be the experienced subcontractors
- Offering cost-optimized solutions across the full life cycle of projects, thereby leveraging the full suite of floating production solutions that the Company can offer and the depth of experience and expertise, executing the work from cradle to grave

LOOKING FORWARD

Although the Company signed the industry's only FPSO award, which is subject to FID, 2016 was another slow year for SBM Offshore and the entire industry. Given the low oil price and the pressure on capital spending by its clients, SBM Offshore predicts that this trend will continue for the short-term.

With dedicated teams focused on providing the best possible technical and commercial solutions and by leveraging its core competencies with a more efficient and responsive organization, SBM Offshore expects to be able to capitalize upon new opportunities and prospects.

In particular the Company is looking at transforming the way it can execute projects through initiatives such as Fast4Ward for – but not limited to – large pre-salt field developments, also at the other end on marginal field development by integrated field development solutions – always with a cost optimized focus.

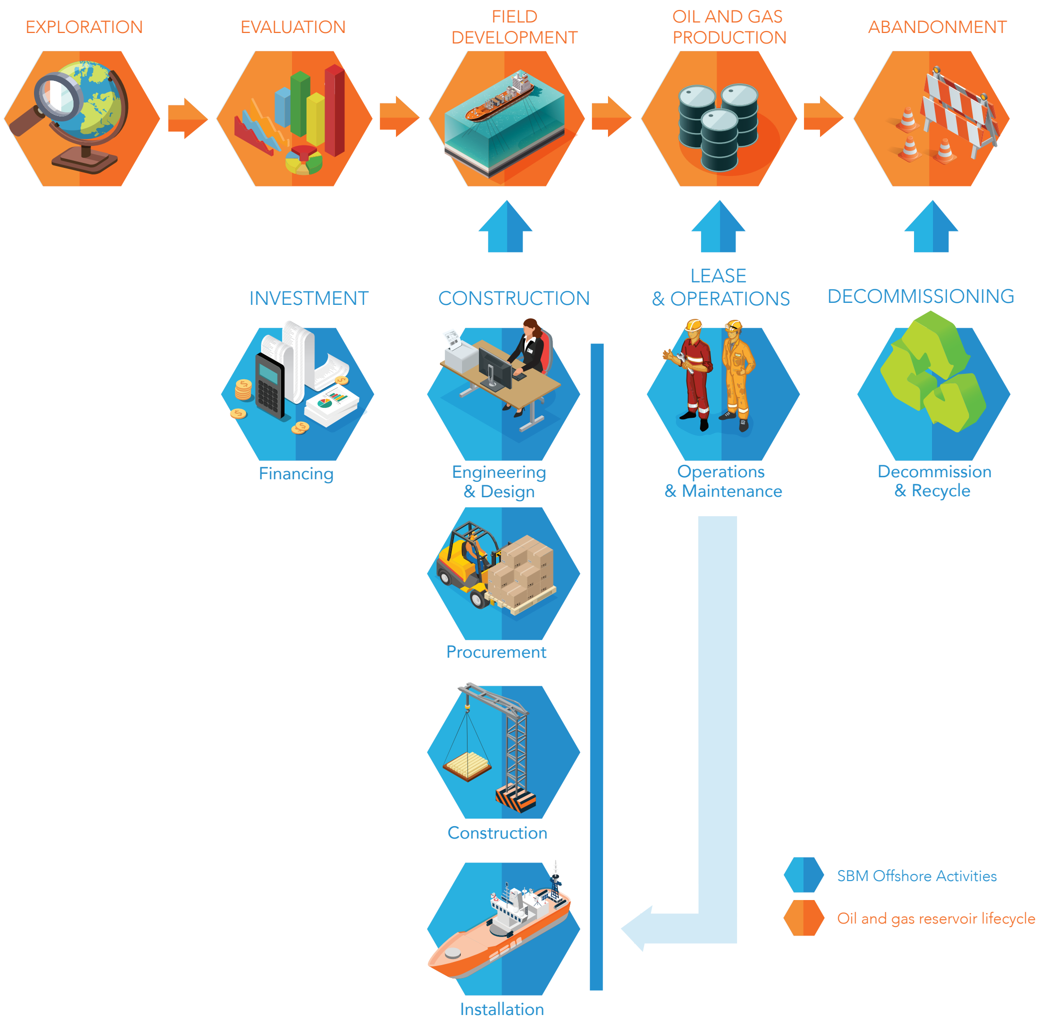
Thanks to its experience, SBM Offshore is also able to provide fleet support and brownfield life extension and redeployment solutions, as well as decommissioning expertise to its clients.

1.6 POSITION WITHIN THE VALUE CHAIN

SBM Offshore is mostly active in the offshore oil and gas industry and provides a broad range of products and services to its clients with the goal to produce oil and gas from underwater reservoirs containing hydrocarbons. The illustration outlines the life cycle phases of the industry at large and SBM Offshore activities within this cycle.

The Company's clients usually control the complete value chain from the initial exploration phase to the physical distribution of hydrocarbon-based products. SBM Offshore's added value in their value chain primarily relates to field development activities. The Company is to a much lesser extent involved in the transportation of crude oil – its CALM Buoys transfer crude oil from VLCC carriers to and from storage on shore.

OFFSHORE OIL AND GAS RESERVOIR **LIFECYCLE PHASES**



More recently the Company has setup a new Product Line in Renewable energy, but the contribution of this Product Line to the turnover is not material and is not part of the value chain described below.

FIELD DEVELOPMENT

The first phase of an offshore oil and gas field development consists of exploration under the seabed by seismic mapping to identify a prospect. To confirm hydrocarbon presence in a prospect, exploration wells are drilled to the reservoir.

The second phase consists of an evaluation of the reservoir to assess the amount of hydrocarbon and its composition. Through a combination of drilling of appraisal wells and simulation of the well fluid behaviour, the field development plan is optimized.

In the third phase, the field development plan is finalized and SBM Offshore's clients can specify the amount of production wells, the subsea equipment and the production requirements of the platform to produce from the reservoir. In this phase, SBM Offshore is contracted to engineer, procure, construct, commission and install the production facility or to perform FEED studies prior to advancing to the EPCI stage.

The fourth phase is the longest and consists of the production of oil and gas over the life span of the reservoir. In this phase, SBM Offshore is usually contracted to provide a production facility under a lease and operate contract, which represents the Company's core business model.

In the fifth and last phase, as production has declined substantially, the field will be abandoned. The production facility will be decommissioned and scrapped. SBM Offshore is active in this field and the FPSOs in SBM Offshore ownership are green recycled in line with the Hong Kong Convention.

SBM Offshore does not own any oil or gas reserves. As a consequence, SBM Offshore's profitability depends on the quality of its services and not on production volume, nor the sales price of oil and gas.

SBM OFFSHORE'S VALUE CHAIN

SBM Offshore's Value Chain is reflected in the life cycle circle of the full service of producing oil and gas offshore for its clients. There are different elements related to this service that require different skill sets and have a different value proposition.

EPCI for FPSO or FPU

SBM Offshore constructs and supplies FPSOs or other floating production facilities for lease and operate activities as well as direct sales to clients. When sold to a third party a sales margin is generated and ownership is transferred to the client. In the case of a lease contract, the facility is sold to a facility specific Joint Venture company, in which SBM Offshore holds a stake, to charter and operate the FPSO or FPU for the client. For both cases, the construction activities create value through manufacturing and are described below.

Engineering and Design

SBM Offshore has the in-house capability for conceptual studies, basic design and detailed design. This expertise is required to engineer the facilities to meet the specific requirements of the field development. SBM Offshore invests in product and technology development to maintain the required technology innovation and expertise to meet the client's requirements and increase its competitive advantage.

Procurement and Project Management

SBM Offshore's supply chain represents a substantial part of the total costs to construct an FPSO. Controlling the supply of bulk, equipment and services, in a cost-effective and timely manner, to support the construction phase is essential to delivering the facility on schedule and on budget.

Construction

SBM Offshore outsources most construction activities to refurbish and convert the hull into an FPSO and to fabricate and integrate the process modules. To meet local content requirements, the Company has invested in two Joint Venture yards to undertake these two main activities. Following mechanical completion, the FPSO is then commissioned by SBM Offshore before moving offshore for installation and start-up of production operations.

Installation

Installation of the floating facilities is done with specialized installation vessels and requires specific engineering expertise and project management skills. SBM Offshore shares ownership of two installation vessels that provide the hardware and expertise to install its FPSOs offshore among other offshore construction works for third parties. Access to these vessels allows SBM Offshore to control the risks associated to cost fluctuations over a period of several years from contract award. These vessels also work for third parties to optimize return on investment.

Offshore Operations

The offshore facilities under SBM Offshore ownership are mostly operated by the Company as well. This activity creates value for clients as the uptime performance of the facility directly impacts the amount of hydrocarbons produced. In most contracts, SBM Offshore is compensated for providing the production facilities against a fixed dayrate complemented with an operating fee. Income is independant of oil price fluctuations. Most contracts include a bonus/penalty reward related to uptime performance of the different systems as well as penalties related to GHG emission levels.

The facility processes the well fluids into stabilized crude oil for temporary storage on board, which is then transferred to a shuttle tanker to export it from the field. During this phase, oil and gas enhanced recovery systems are used to maintain production levels. To do this, secondary recovery systems for gas injection, water injection and gas lift systems are installed on the production facility. SBM Offshore's Generation 3 FPSO design for deep water includes CO_2 removal from gas stream and reinjection into the well offshore.

Operating and maintaining offshore oil and gas production facilities requires proven operational expertise and management systems, which SBM Offshore has developed over a cumulative 300 contract years of operations.

Decommissioning

At the end of the lifecycle – either due to the duration of the contract coming to an end or depletion of the client's field – the facilities are decommissioned and recycled. As the leased FPSOs are under SBM Offshore's ownership, the Company applies the Hong Kong Convention rules to green recycle its FPSOs. This is a relatively new field of expertise for SBM Offshore with the first two FPSOs decommissioned and recycled in this sustainable manner in 2015 and a third FPSO in 2016.

FINANCING AND LEASE OF THE FACILITY

As part of the lease and operate contract, SBM Offshore supplies the FPSO against a fixed bareboat charter rate over the lease period. To construct the FPSO substantial investment is required. The projects are financed partially with equity, complemented with debt financing and/or bonds.

To spread risk and reduce pressure on the balance sheet, facilities are mostly co-owned with joint venture partners. These are financial partners and are usually not involved in the day-to-day operation of the FPSO nor do they take construction risks for the initial supply of the FPSO.

SBM Offshore sources loan financing from institutional banks and has also accessed the USPP market.

VARIATIONS IN THE VALUE CHAIN

Some of SBM Offshore's Product Lines operate in a slightly different value chain. Although the majority of the Company's contracts are based on the lease and operate business model, it also supplies FPSOs and specific FPSO equipment, such as Turret Mooring Systems, on a turnkey supply basis. The Company sells directly to oil companies, but also to other FPSO providers, if appropriate.

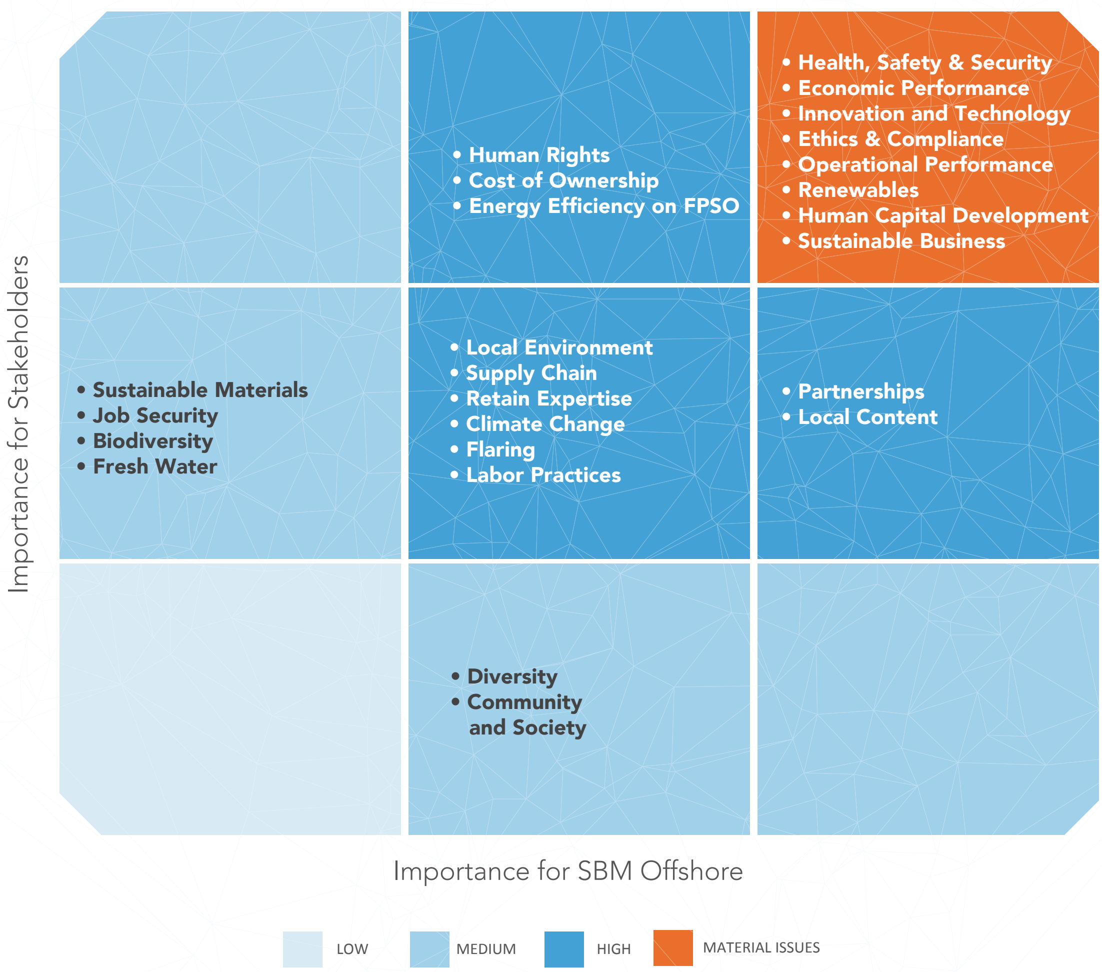
Part of the operating activities are devoted to the modification of existing floating offshore installations, to enable the Company's clients to extend the production life of the facility, to tie-in smaller fields nearby or to upgrade with new technology.

The Company also provides Floating Production Units (FPUs) and has one facility in operation, the Thunder Hawk DeepDraft™ Semi-submersible, under a production handling agreement, which is not SBM Offshore's standard business model as revenue is production volume dependant. The Company is paid for the service of producing oil and gas against a certain fee per barrel or equivalent in gas produced on Thunder Hawk.

1.7 MATERIALITY-BASED VALUE CREATION

SBM Offshore has identified and prioritized relevant industry issues, both financial and non-financial, that significantly impact the Company's ability to create value. The results are presented in a materiality matrix (below) showing both stakeholders' and SBM Offshore's opinion by level of importance.

Materiality Matrix



Based on the matrix, SBM Offshore's management has validated the list below of material topics for the Company.

SBM Offshore categorizes its material themes either as 'License to Operate' or as 'License to Grow'. License to Operate is explained as those topics, which SBM Offshore must engage with in order to operate within relevant rules and regulations.

The License to Grow theme focusses on developing a sustainable business with a long-term view, beyond rules and regulations with the objective to improve engagement of Environmental, Social and

Governance (ESG) issues and create a competitive edge for the Company. They are grouped under Sustainable Business.

MATERIAL TOPICS FOR 2016

LICENSE TO GROW

1. Health, Safety & Security
A safe and secure work environment for employees and contractors. SBM Offshore's HSS program is detailed in section 2.5 Environment.

2. Economic Performance
Economic value generated, which is distributed to stakeholders including employees, shareholders and capital providers, see chapter 5 Financial Report 2016 and chapter 2 Strategy and Performance.

3. Innovation & Technology
Investment in Technology & Innovation, allowing SBM Offshore to provide solutions to meet its clients' requirements and to increase the Company's competitive advantage in its core market, as well as ensuring the transition into renewable energy as the industry's energy mix evolves, see section 2.9 Technology.

4. Ethics & Compliance
Compliance with rules, regulations and codes of conduct, including the Company's anti-corruption policy. See section 3.7 Compliance.

5. Operational Performance
Project and operations performance including cost management, up-time, operational excellence (process safety management), environmental, quality and regulatory compliance. See sections 2.6 Operational Excellence, 2.6.1 Process safety management, 2.7 Quality and Regulatory.

6. Renewables
The development and commercialization of offshore renewable energy products, see section 2.9 Technology.

7. Human Capital Development
A work environment that attracts and retains talent in order to maintain a operational workforce to execute current and future projects. Details on how SBM Offshore achieves this can be found in section 2.8 Talented People.

LICENSE TO OPERATE

8. Sustainable Business
Sustainable business is considered part of the Company's License to Grow. It typically covers topics like Climate Change, Local Content Development, Responsible Supply Chain and Human Rights, that are considered material in the long-term but not per se in the short-term. Sustainable business concepts are embedded in the Company's activities under sections 2.3.2 Fleet, 2.10 Supply Chain and under section 2.12 Sustainable Business.

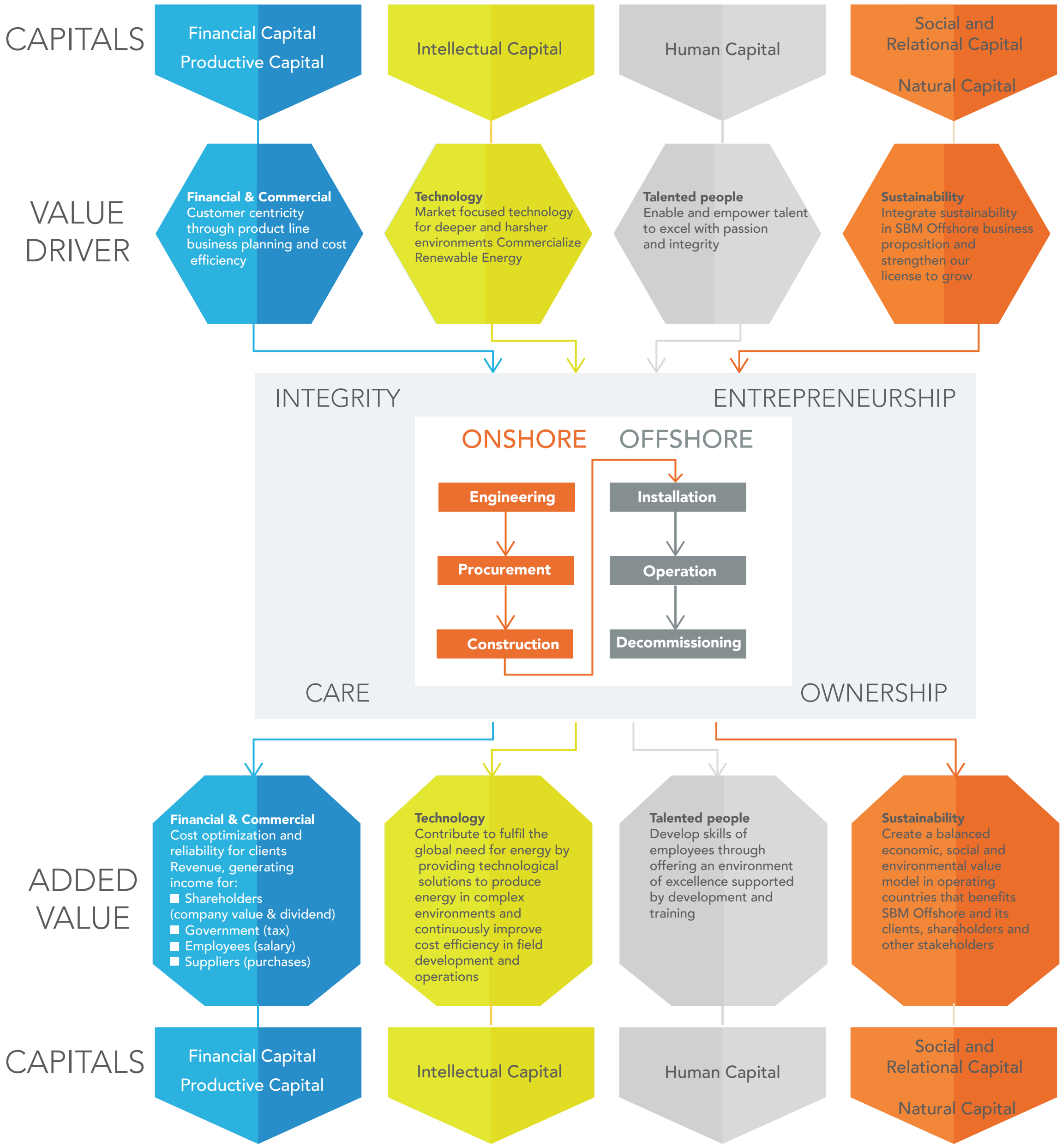
VALUE CREATION

Defining material topics is a key step towards providing an Integrated Annual Report as recognized by the International Integrated Reporting Council (IIRC). SBM Offshore is committed to continuously improving its integrated reporting as it sees the value in providing comprehensive and integrated information to stakeholders, facilitating a better understanding of the Company's activities, objectives and performance. SBM Offshore determines a list of material issues, partly through its Stakeholder Engagement Process (see section 6.1.4). The key issues, approved by the Management Board, are highlighted in orange in the matrix. SBM Offshore conducts its materiality analysis according to GRI G4 Guidelines[1] and with guidance from the International Petroleum Industry Environmental Conservation Association (IPIECA). See section 6.1.2 for details on the materiality assessment.

1 The Global Reporting Initiative (GRI) G4 Guidelines are an international reference for those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations.

In 2016, SBM Offshore further developed its Integrated Business model in line with the IIRC framework. The Business Value Model illustration shows the capital inputs and the value drivers with which SBM Offshore creates value in relation to the six capitals. Material topics for the value drivers are the inputs for value creation. SBM Offshore's vision and corporate values are embedded throughout the entire organization and reflected in the model below. See section 6.1.3 Value Creation Model for more details.

Business value model



1.8 2016 IN BRIEF

KEY EVENTS (in chronological order)

2016

	Month	
FEED for FPSO Sea Lion from Premier Oil plc awarded for an FPSO for Phase 1 of the Sea Lion development in the North Falkland Basin (18-month contract)	JANUARY	Settlement regarding accusations against CEO and Member of the Supervisory Board on an non-admission of guilt basis
FPSO *Cidade de Maricá* producing and on hire	FEBRUARY	SBM Offshore announced that the United States Department of Justice (DoJ) had re-opened its past inquiry regarding the Company
Deep Panuke MOPU (Canada) - Facility experienced a malfunctioning of its flare stack and was shutdown for repairs - completed within a 120 day shutdown allowance (no consequences to dayrate income)	MARCH	FEED for Browse FLNG terminated
FPSO *Marlim Sul* (Brazil) - Decommissioning activities completed. The vessel is being marketed for future conversion opportunities	APRIL	Confirmation of the settlement regarding allegations against CEO and Member of the Supervisory Board (as announced in January)
Annual Life Day event to focus on safety across all activities		
US$ 0.21 per ordinary share dividend paid in cash (following a five-year hiatus)	MAY	Official launch of SBM Offshore's next generation FPSO – Fast4Ward
		Official launch of SBM Offshore's Renewable Energy solutions
FPSO *Cidade de Saquarema* producing and on hire	JULY	Leniency Agreement Signed between Brazilian Authorities, Petrobras and SBM Offshore
FPSO *Turritella* producing and on hire	SEPTEMBER	September: Leniency Agreement rejected - The Fifth Chamber of the Brazilian Federal Prosecutor Service did not approve the agreement signed by Brazilian authorities, Petrobras and SBM Offshore (as announced in July)
SBM Offshore makes Dow Jones Sustainability Index for 7th time and scores as industry leader		
SBM Offshore is selected by EDF Energies Nouvelles to provide floating wind systems solution for pilot offshore France	NOVEMBER	Douglas Wood appointed as Management Board member and designated as Chief Financial Officer at EGM on November 30, 2016
EUR 150 Million Share Repurchase program completed	DECEMBER	Award for contracts for an FPSO for ExxonMobil's Liza development and production in Guyana – Starting with a FEED and then subject to a final investment decision by the client on the project
CO_2 Challenge solution implemented on FPSO for pilot		

KEY FIGURES

FPSO TURRITELLA
DEEPEST FPSO
2,900m

3 FIRST OILS IN 2016

OIL PRODUCTION UPTIME
96.8%

TOTAL OIL PRODUCTION CAPACITY
1,600,000 bopd

360,000 bopd
INCREASE OF PRODUCTION CAPACITY IN 2016 (for 3 new FPSOs)

21% REDUCTION OF GAS FLARED PER PRODUCTION ON SBM OFFSHORE ACCOUNT

0.31 TOTAL RECORDABLE INJURY FREQUENCY RATE

4,748
NUMBER OF EMPLOYEES

84%
COMPLETION FOR FACE TO FACE COMPLIANCE TRAINING FOR DESIGNATED STAFF

40 TRAINING HOURS PER PERMANENT EMPLOYEE

OPERATING REVENUE
US$ million 2,272

OPERATING PROFIT (EBIT)
US$ million 564

TOTAL EQUITY
US$ million 3,513

EQUITY RATIO
30.6%

MARKET CAPITALIZATION
US$ million 3,357

ENTERPRISE VALUE
US$ million 9,569

TOTAL ASSETS
US$ million 11,488

NET PROFIT
US$ million 247

EBITDA
US$ million 772

Note: figures shown are IFRS

CHAPTER 2

STRATEGY AND PERFORMANCE

The lease and operate contract that commenced in June 2013 marked a major achievement with the delivery and first oil for FPSO *Cidade de Paraty* offshore Brazil. Paraty was the first in a series of four pre-salt FPSOs and at the time it represented the deepest in SBM Offshore's operating fleet at 2,140 meters. The FPSO design is what SBM Offshore calls 'Generation 3', capable of high production capacity up to 150,000 bopd and with a topsides weight up to 23,000 tons. The four pre-salt FPSO projects delivered illustrate that SBM Offshore's 'design one and build several' concept works and provides added value to clients, while progressing the Company's standardization efforts.

FIRST GENERATION 3 FPSO GOES INTO OPERATIONS

2013

EXPERIENCE MATTERS

2 STRATEGY AND PERFORMANCE

2.1 INTRODUCTION

The development of SBM Offshore's strategy is based on a combination of contributing factors, primarily the monitoring and analysis of the macro environment and the oil and gas industry, feedback from stakeholders and the materiality matrix, Management's short, medium and long-term views on the market and the Company's ability to perform in its niche market. Given the dynamic nature of today's market it is necessary to continuously monitor and readdress the strategy if required.

Although opportunities are few in the current climate, the Company is ready to exploit them and believes that it offers appropriate solutions to meet clients' needs and cost constraints in today's market. Management aims to leverage its key resources and capabilities to deliver value to its stakeholders (see section 1.7). The Company aims to continue to be a partner to each client, by collaborating together early on to assess how SBM Offshore's proven and innovative floating solutions can advance clients' projects and meet their cost expectations.

SBM Offshore has the ambition to grow, both in terms of size of fleet and monetary value and has structured its strategy around the following three axes:

- **Optimize**
- **Transform**
- **Innovate**

2.2 GROUP STRATEGY

The main aim behind SBM Offshore's overall vision and mission is to grow the business in the long-term – both in terms of size and value, within the offshore deepwater oil and gas industry as has been the focus in recent years, but also within the Offshore Energy sector at large and possibly even beyond. The Company has been very disciplined over the past five years adhering to a defined risk appetite framework to avoid a repeat of past legacy issues and it continues to pursue potential projects with the same strict approach.

Objectives for the three axes for the Company are as follows:

- **Optimize** current business activities – ensuring that operations perform at high safety rates and targeted uptime to provide value to clients, partners and shareholders, while seeking to add value and be more cost effective across the full life cycle. By delivering on targets the Company maintains its credibility in the industry. In particular, by optimizing the Company' assets it can offer clients resourceful solutions. In the short to medium-term, identified areas of growth in the low investment climate include brownfield services. With over 200 brownfield projects completed and a pool of technologies at its disposal, the Company can leverage its competitive advantage when clients consider future tie-backs and life-extensions. In the long-term SBM Offshore aims to expand the number of units in its fleet by optimizing its Operations know-how and capacity; adding three FPSOs to the operating fleet is a positive step in this direction. The Company aims to create synergies with the expertise of partners and other players as Management is convinced that this will be the way forward for the industry. The Company also aims to gradually put in place the digitalization of its activities, vessels and technologies, which will transform the way SBM Offshore works and will optimize results.
- **Transform** by bringing to market new, innovative ways of executing the Company's key products, which overcome the challenges and barriers inherent in this low oil price environment and offering alternative commercial models including potentially 'sale and lease back' allowing synergies, especially where the Company has existing operations. One key solution that the Company is confident will transform the industry

is its newbuild Fast4Ward FPSO. In addition, by leveraging digital technology SBM Offshore will optimize the use of data throughout its activities.
- **Innovate** as SBM Offshore's reputation rests on the strength of its pioneering technology track record. Many of its technologies have broken down previous barriers in the industry. The Company aims to continue to invest in developing design solutions by leveraging its technical expertise and experience, particularly in ultra-deep water where it sees the greatest potential once the market picks up. In addition, mindful of climate change and the evolution in the energy mix, positive steps are being made into the rapidly growing Renewable Energy market with SBM Offshore's wind floaters, which leverage the Company's 60 years' experience in mooring systems.

SBM Offshore manages performance on these objectives through the balanced score card framework.

For 2017 the Company will focus on three areas:
1. Strong cash management, delivering on our backlog and expectations of the financial markets.
2. Leveraging a lower breakeven point for the Company – through improved cost structures and new products, while at the same time managing capacity in anticipation of an improved market environment.
3. Maximize time spent with clients to co-create new solutions and more efficient ways to advance projects for offshore production.

2.3 OPERATIONAL ACTIVITIES

2.3.1 STRATEGY

OPERATIONS

SBM Offshore's assets are key value drivers for the Company, delivering the required production performance to meet client targets and generating a predictable income for SBM Offshore through its long-term lease and operate contracts.

The unrivalled expertise and experience of the 2,300 offshore crew and onshore staff, ensures value creation through safe and efficient operations of the Company's offshore fleet.

SBM Offshore's consistent approach to integrating operational feedback into all phases of its projects is the foundation for optimization of its activities across the life cycle. This also greatly contributes to the Company's capacity to continuously improve its designs and project execution processes.

The close collaboration between EPCI and Operations teams also ensures the successful management of the transition phase through to the completion of the projects. This was demonstrated in the successful startup of three major offshore assets in 2016.

SBM Offshore's operational experience is based on almost 300 cumulative years of operations and maintenance. This represents a superior track record among peers and is a clear indicator of how such experience matters to clients and why they turn to SBM Offshore, the industry's leading subcontractor.

SBM Offshore's Operations team will continue in its pursuit for operational excellence, striving to always deliver improved performance and cost-effective, safe operations. The Company is also actively working to contribute to the Company's growth ambitions, through its O&M Product Line.

TURNKEY

Key drivers for the Company's turnkey division are the technology teams, the innovations that they develop and the EPCI teams across all five Regional Centers. The Company aims to optimize its technologies and the synergies created by its

Regional Centers to develop and offer the most cost-effective and performing solutions as the industry moves towards less complex and lower investment projects.

SBM Offshore believes that simplification is the solution for future turnkey projects and the Company aims to leverage its experience across its turret portfolio from top-end to mid-complexity to basic turret mooring systems. In today's low oil price climate the fit-for-purpose mooring systems with a basic level of functionalities offer practical and cost-effective solutions while optimizing the NPV equation. Engaging with clients at an early stage of their projects to promote use of SBM Offshore's specifications, allows clients to benefit from the Company's vast experience to find the optimal solution, including use of cost-reducing technology. The Company believes that only an experienced mooring system expert like SBM Offshore can offer safe, simple, cost-effective mooring solutions, whilst still meeting design and safety requirements.

2.3.2 FLEET

KEY FIGURES IN 2016

- 4.9 billion barrels cumulated production by December 31
- 8,143 cumulated offloads
- 287 cumulative years of operational experience
- 3 FPSOs added to the fleet

The addition of three units to the fleet in 2016 represents a major step up in the daily production volume managed by Operations teams. Such a leap is rare in the industry. Specifically the two new Brazilian FPSOs were integrated seamlessly into the existing operations of the shorebase office at Santos and are quickly increasing production after first oil. Learnings gained from the previous start-ups in-country were of great benefit and helped the Company to set a new benchmark for efficiency in offshore commissioning and start-up on new units. The team in Houston are progressing through the well unloading and production ramp up of the FPSO *Turritella*, in close cooperation with the client.

The three units represent an increase of 25% to SBM Offshore's fleet oil production capacity, bringing it to a total of 1,600,000 bopd. This achievement confirms SBM Offshore's capability to leverage its experience, integrating three state-of-the-art units with record-breaking technology in the same year, without impacting performance of ongoing operations for the rest of the fleet.

The two additional vessels for offshore Brazil, FPSO *Cidade de Saquarema* and FPSO *Cidade de Maricá* are among the highest producing units in the fleet with a combined oil production capacity of 300,000 bopd. These Generation 3 FPSOs also represent the most complex in design and bring to a total of four FPSOs in the fleet adding to the Company's portfolio and experience in pre-salt.

The third unit to join the fleet in 2016 FPSO *Turritella* also represents a broadening of the portfolio for Operations as the unit is the Company's first FPSO in the Gulf of Mexico. The FPSO breaks the industry record for being the deepest FPU and it has the largest disconnectable turret designed to date. SBM Offshore is building on the vast expertise it has in deep water and its know-how on complex turret mooring systems.

The critical activity of ensuring crew competency development through the project phase was successfully managed on all projects, ensuring the smooth transition from the project phase to the operations phase and a steady ramp up of the facilities after first oil.

With the additional two units, offshore Brazil accounts for an increasingly large share of the Company's fleet operations with a production capacity of 870,000 bopd. Combined operations offshore African countries follow in second place, with a capacity of 495,000 bopd.

NEW UNITS IN FLEET

- FPSO *Cidade de Maricá*: first oil achieved in February and oil operations are going to plan in the Lula field in the pre-salt province offshore Brazil. By year-end the unit achieved a flawless increase in production beyond 100,000 bopd in line with targets. The initial charter contract is for 20 years
- FPSO *Cidade de Saquarema*: first oil achieved in July and operations in the same field offshore Brazil as her sister ship *Maricá*; oil production is ramping up with results similar to *Maricá* in line with targets. The initial charter contract is for 20 years
- FPSO *Turritella*: first oil achieved in September in the Gulf of Mexico. The unit has an oil production capacity of 60,000 bopd. The FPSO adds diversified experience to the Operations team in terms of specific technical features and expands SBM Offshore's knowledge of regulatory environments. In the event of sailaway, the disconnectable turret has the advantage of allowing the FPSO to quickly resume production when the unit returns to location. The initial charter contract is for 10 years, with extension options up to a total of 20 years

As a result of these new operations, as well as the production increase of the pre-existing fleet, the oil production level increased by 27% from 771,000 bopd in 2016 compared to 608,000 bopd in the previous year.

FULL FLEET (AS OF DECEMBER 31, 2016)[2,3]

SBM Offshore is responsible for the operations of 16 units and the maintenance of all 18 units in the lease fleet across the globe consisting of:

- 14 FPSOs
- 2 FSOs
- 1 MOPU
- 1 Semi-submersible unit

OPERATIONAL PERFORMANCE

SBM Offshore is committed to delivering consistent, reliable and safe production performance of its units, while adhering to its environmental objectives. The main production performance indicator of the fleet is 'Production Uptime'. It measures the percentage of time in which a unit is available to produce and is not affected by any unplanned events, which may impair its ability to do so. Historically, uptime of the fleet has matched or exceeded 99.0%. Performance in 2016 was affected by two episodes during the year (see below), resulting in an overall uptime performance for the fleet of 96.8 % in 2016. The other vessels in the fleet continued to perform at 98.8% uptime, within the historical level and to the world-class standards to which SBM Offshore aspires.

- Deep Panuke production facility experienced a malfunctioning of its flarestack on March 20, 2016. The facility was shutdown for repairs, which were completed on May 26, 2016, within the 120-day contractual allowance. While there was no impact to the contractual dayrate related to the shutdown, the downtime impacted the fleet uptime average by 1.5%. The root cause of the flare tip failure was identified and taken into account in the design of the new one. Flare tips of similar design were replaced on two FPSOs during planned maintenance downtime in Q4 2016
- FPSO *Cidade de Paraty* operating offshore Brazil experienced a temporary production interruption due to a compressor malfunction. Contingencies, including a spare compressor, have been put in place to mitigate future impact. Downtime impacted the fleet average by 0.5%.

2 Oil tanker Tina – formerly in lay up offshore Labuan – was engaged in oil transportation services from March 2016 following completion of dry dock maintenance.
3 FPSO *Marlim Sul* (Brazil) – decommissioning activities were completed in April 2016 – currently in lay-up.

Furthermore, intermittent shutdowns of the Thunder Hawk DeepDraft™ Semi occurred, caused by the unavailability of third party facilities, which resulted in a capacity constraint in the pipeline.

OPERATIONS OPTIMIZATION

In 2016 the SBM Offshore cost per produced barrel decreased compared to 2015. Besides the production increase, various factors contributed to this efficiency gain.

Personnel headcount per produced barrel decreased by 27%.

- The onshore staffing for new vessels operations was limited to some dedicated personnel, by leveraging existing onshore support in Brazil, USA and Monaco
- Onshore and offshore optimization was achieved; this included personnel optimization in the Operations central office (Monaco) by decentralizing activities to the regional offices and a reorganization in Brazil (closure of the Macae onshore base and merging of other resources); offshore efficiencies, via a thorough review of the core crew complement vessel by vessel and resulted in a reduction of overall crew headcount. In addition experienced work force from the Company's decommissioned FPSO *Marlim Sul* joined the crews of the Brazilian FPSOs that started up in 2016.

SOCIAL ACCOUNTABILITY STANDARD IN FLEET OPERATIONS

Steps are being taken to ensure all operations offices comply with the Group's Social Accountability Manual Standard, which is based on SA 8000[4] standards. The percentage of external verification on this issue for the Group's shore bases is the KPI. The Company aims for 100% external verification within two years of opening of a new shore base. See section 6.4 for details.

[4] **SA 8000** is an auditable certification standard that encourages organizations to develop, maintain and apply socially acceptable practices in the workplace. It is based on the UN Declaration of Human Rights, conventions of the ILO, UN and national law and spans industry and corporate codes to create a common language to measure social performance.

OPERATIONS FLEET

Initial Lease Period | Confirmed Extension | Contractual Extension Option | Conversion | FPSO in lay-up

1996 | 2006 | 2016 | 2026 | 2036

Vessel Name	Client	Country	1st Oil/Gas Date	Timeline dates
FSO *N'kossa II* (1)	TOTAL	CONGO	1996	11/1996, 11/2006, 11/2018, 11/2021
Yetagun FSO	PETRONAS	MYANMAR	2000	05/2000, 05/2015, 05/2018, 05/2023
FPSO *Serpentina* (2)	EXXONMOBIL	E.GUINEA	2003	07/2003, 08/2011, 02/2017
FPSO *Marlim Sul*	PETROBRAS	BRAZIL	2004	06/2004, 06/2011, 12/2014
FPSO *Capixaba*	PETROBRAS	BRAZIL	2006	05/2006, 06/2008, 04/2010, 04/2022
FPSO *Kikeh*	MURPHY	MALAYSIA	2007	08/2007, 01/2016, 01/2022, 01/2031
FPSO *Mondo*	EXXONMOBIL	ANGOLA	2008	01/2008, 12/2022, 12/2027
FPSO *Saxi Batuque*	EXXONMOBIL	ANGOLA	2008	07/2008, 06/2023, 06/2028
FPSO *Espirito Santo*	SHELL	BRAZIL	2009	01/2009, 12/2024, 12/2028
Thunder Hawk Semi-Sub (3)	MURPHY/ NOBLE	USA	2009	12/2009, 09/2015, mid/2025, mid/2028
FPSO *Aseng*	NOBLE ENERGY	E.GUINEA	2011	11/2011, 11/2026, 11/2031
FPSO *Cidade de Anchieta* (4)	PETROBRAS	BRAZIL	2012	09/2012, 09/2030, 09/2032
FPSO *Cidade de Paraty*	PETROBRAS	BRAZIL	2013	06/2013, 06/2033
Deep Panuke PFC	ENCANA	CANADA	2013	12/2013, 12/2021, 12/2033
FPSO *Cidade de Ilhabela*	PETROBRAS	BRAZIL	2014	11/2014, 11/2034
N'Goma FPSO (5)	ENI	ANGOLA	2014	11/2014, 11/2026, 11/2029
FPSO *Cidade de Maricá*	PETROBRAS	BRAZIL	2016	02/2016, 02/2036
FPSO *Cidade de Saquarema*	PETROBRAS	BRAZIL	2016	07/2016, 07/2036
FPSO *Turritella*	SHELL	USA	2016	09/2016, 08/2026, 08/2036
Vessel Name	Client	Country	1st Oil/Gas Date	1996, 2006, 2016, 2026, 2036

(1) Operator is Maersk (JV Partner)
(2) FPSO Serpentina is owned by the client and SBM Offshore performs operations and maintenance
(3) Operator: Murphy until August 31, 2016; Noble took over as operator Sept. 1, 2016
(4) FPSO *Espadarte* relocation
(5) FPSO *Xikomba* relocation

ASSET INTEGRITY, MAINTENANCE & COST MANAGEMENT

SBM Offshore's approach to Asset Integrity is to ensure asset preservation with optimal life cycle costing. Some important steps were undertaken in 2016:

- Computerized maintenance management system upgrade program to further enhance Process Safety, while optimizing maintenance activities. A pilot program was put in place on an operating FPSO offshore Brazil
- Remote process monitoring for most units, allowing real time assistance from onshore teams and event analysis for appropriate response and future improvements
- Application of technologies for inspections and maintenance activities onboard, to improve efficiency while reducing safety risks; including diver-less hull inspections, non-intrusive on-stream inspection for pressure vessels, in situ hull repair techniques without hot work
- SBM Offshore's Digital FPSO project was launched in September to embrace the latest digital technologies across the entire product life cycle to improve performance of the current fleet, lower the cost of products through more efficient execution and create a strategic direction towards a fully digital future
- Planned maintenance shutdowns on FPSOs were improved with implementation of a standard approach to maximize efficiency and effectiveness of inspections, repairs and upgrades during shutdown windows. Performance feedback will be used for further improvement. Planned maintenance shutdowns on five FPSOs were completed in 2016
- The fleet-wide asset upgrade program continued and completion is targeted for 2017

2.3.3 TURNKEY

MANAGEMENT APPROACH

This year saw the Company's turnkey order book shrink, reflecting a reality in the industry as the depressed market for projects continues. SBM Offshore had foreseen this and has been actively optimizing its designs and engaging with clients, transforming its product offering, by leveraging its position as market and technology leader in offshore mooring systems since developing the first mooring systems almost 60 years ago.

Going forward the Company's strategy is to standardize elements of its designs and to leverage lessons learnt to bring solutions to the table that better fit the constraints of a CAPEX-limited climate.

2016 PERFORMANCE

From a delivery perspective for SBM Offshore's turnkey division, the year represents a very active and productive year with two complex turret mooring systems progressing towards successful delivery to clients.[5] Within the context of industry performance, this number is significant and cements SBM Offshore's reputation as a leader in EPCI for the turret market.

FUTURE

The Company is investing in its capacity in the turnkey division in order to be ready for when the market picks up.

2.4 HEALTH, SAFETY & SECURITY

MANAGEMENT APPROACH

It is SBM Offshore's top priority to ensure the Health, Safety and Security (HSS) of its employees, subcontractors and assets. The Company embraces its 'Duty of Care' regarding all HSS matters by adhering to industry best practices. SBM Offshore's Management is pleased to report that the roll out of the Safety Leadership Program to all the Regional Centers has been completed and the safety culture journey strengthened through initiating further cascading engagement with

5 Ichthys and Prelude turrets.

employees. In addition, working closely with clients facilitates a powerful synergy on safety.

The Company's overall objective is to offer an incident-free workplace and minimize the risks to the health and safety of all its personnel. Working in the oil and gas industry and operating in areas categorized as 'high risk' locations requires a clear strategy to manage exposure to health, safety and security hazards and risks. The HSSE policy (also dealing with environment), procedures and controls are designed to achieve this objective by providing an appropriate level of protection wherever the Company operates in the world.

2016 PERFORMANCE

HSS performance is tracked, consolidated on a monthly basis and disclosed annually. The results are compared to the previous years as well as benchmarked against the IOGP averages. The results are recorded and reported in accordance with the IOGP and GRI guidelines. All incidents with an actual or a potential consequence for the health, safety or security of personnel are reported and communicated to the relevant parties within the organization and corrective measures are taken.

In 2016, the Company was not able to improve on its robust 2014 and 2015 safety performance. In terms of injuries the Company ended the year not meeting its target related to pursuing its objective of preventing harm to people. However, there were bright spots. Overall the performance in 2016 led to a Total Recordable Injury Frequency Rate (TRIFR) of 0.31, which can be broken down into two main elements – an outstanding performance on turnkey with a TRIFR of 0.06 and a stable performance from 2015 to 2016 for the fleet with the challenges of the additional three FPSOs.

Key achievements

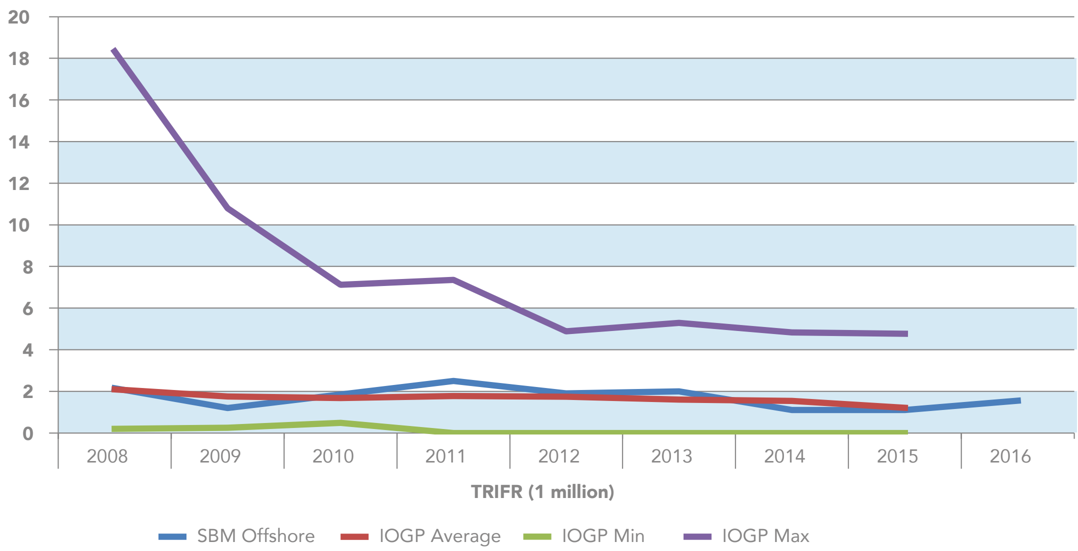
In 2016, the Company continued to expand its initiatives around health, safety and security with a specific focus on the:

- Maintenance of all safety and security certifications on marine units and shorebases (OHSAS18001, ISPS and ISM)
- 2016 edition of the annual, Company-wide *Life Day* on the theme: *Value Tomorrow, Care Today*
- Safety leadership 'Make the Difference' program that was rolled out in all Regional Centers to raise awareness and develop competencies of senior management . A second phase of the program has been designed to cascade the SBM Offshore safety vision throughout the entire organization
- Engagement with all staff through monthly campaigns covering a broad scope of subjects including health and hygiene, road safety, impact of non-quality on HSSE
- Set up of a new process and tool to increase visibility on the feedback from senior management onsite visits
- Security awareness sessions, which were completed across all SBM Offshore locations
- Safe completion of the High Risk operations in Nigeria
- Country security assessments carried out in Nigeria, China, Angola, Brazil, Malaysia and South Korea for 2016

Key results

In order to pursue its commitment to the objectives of 'No Harm, No Leaks and No Shortcuts', the Company had set the target for 2016 for a TRIFR to be below 0.27.

Total recordable injury frequency rate



The graph above shows SBM Offshore's Total Recordable Injury Frequency Rate (for this graph normalized per 1 million exposure hours) compared to the International Association of Oil and Gas Producers (IOGP) Contributing Members (maximum, average, minimum) since 2008. Across that time period, SBM Offshore remained around the IOGP average. However, despite the continuous improvement in safety since 2011, the Company did not reach its 2016 target, in spite of an outstanding performance in the turnkey segments.

The following Health, Safety and Security performance has been recorded in 2016 :

- While Operations safety performance remained stable compared to 2015, SBM Offshore's overall Total Recordable Injury Frequency Rate (TRIFR) increased from 0.22 in 2015 to 0.31 in 2016. This increase is mainly due to the limited volume of onshore activities giving more weight to the Operations offshore, which tend to have throughout the oil and gas industry a higher incident frequency rate compared to onshore construction activities. The fact that SBM Offshore added three additional units to its Operations fleet in 2016 puts this increase in context.
- Operations have been able to maintain their safety performance for the second consecutive year with a Total Recordable Incident Frequency Rate of 0.50 (same as in 2015). However, this negatively impacted the overall Company's HSS performance compared to last year.
- Occupational Illness Frequency Rate (OIFR) for employees increased from 0.00 in 2015 to 0.11 in 2016 with seven minor cases reported falling under this classification (heat stress, multiple gastric disorders offshore, back strain and symptoms of prolonged anxiety).
- Frequency of incidents with high potential to harm people has increased from 0.07 in 2015 to 0.11 in 2016 compared to 2015. This increase is also due to the limited volume of onshore activities. In fact the number of high potential incidents offshore has reduced compared to 2015 despite three additional units.
- Nine 'work-related' security incidents have been reported across the entire organization. None of these incidents resulted in any actual injury or physical harm to SBM Offshore personnel.

- Despite increased security risk levels around the world, SBM Offshore security performance indicates that an appropriate level of controls was applied.

FUTURE

Although in 2016 the Company was not able to maintain the continuous improvement achieved since 2011 in safety performance, the overall high standards that SBM Offshore aspires to are being upheld. Given the deterioration in the 2016 safety performance and the fact that on-going activities in 2017 will be mainly offshore, Management has decided to renew its plan for improvements of the performance with a target of a Total Recordable Injury Frequency Rate (TRIFR) to be better than 0.32 in 2017.

The following strategy has been endorsed for 2017 to meet the objectives of continuous improvement and to achieve the goals of 'No Harm, No Leaks and No Shortcuts':

- The leadership program 'Make the Difference' will be extended to the entire workforce at shorebase and unit level – since safety performance in 2017 will be largely influenced by the offshore Operations
- Maintain focus on leadership and safety culture programs, with a specific focus on line managers and supervisors
- Launch multi-disciplinary *Life 365* campaigns and *Life Day,* including for example Quality, Regulatory Management and Operational Excellence
- Verify the implementation and application within the organization of the improvement actions identified during the International Sustainability Rating System (ISRS) maturity assessment
- Launch and roll out of the new HSSE onboarding and training program for project personnel
- With security threat levels increasing and business opportunities identified in high risk countries, monitor closely changing or emerging threats and establish security plans and associated controls as early as possible

2.5 ENVIRONMENT

MANAGEMENT APPROACH

For SBM Offshore, managing environmental impact goes beyond compliance to environmental protection and refers to environmentally friendly innovations in the operations of its FPSOs. The Company sees clients' expectations and requirements being directed by environmental considerations. Within SBM Offshore Operations, anticipating these expectations and managing the Company's footprint go hand-in-hand with maintaining good operating practices.

The Company endeavours to operate in an environmental and sustainable manner, in order to minimize damage to local ecosystems as well as proactively protect the environment, paying attention to three key environmental aspects:

- Oil spills – by strictly following set procedures in operations and ensuring measures are in place
- Unnecessary flaring or emissions into the air or discharges into sea – through prevention when possible
- Excessive use of energy and waste – by encouraging reduced consumption, recycling and re-use

Environmental data are tracked on a daily basis, evaluated on a monthly basis and consolidated/ disclosed annually. The results are compared with the previous years. In addition, SBM Offshore's environmental data are benchmarked against the IOGP averages. The results are recorded and reported in accordance with the IOGP and GRI guidelines.

2016 PERFORMANCE

In 2016, the Company continued to expand its environmental initiatives by enhancing existing programs and development of new ones including:

Key achievements

- Maintenance of all existing environmental certifications (ISO14001) on shore bases and marine units (certifications for the three units that came online in 2016 will be completed in 2017)
- Revision of the environmental management system manual, reflecting the changes introduced for environmental reporting for all units
- Relocation to the new office in Vitoria (Brazil): sustainability was a key factor in its selection in line with the Company's objectives. The building has Gold LEED (Leadership in Energy and Environmental Design) certification awarded by the US Green Building Council i.e. offers low energy consumption, low CO_2 emissions, low water consumption and low waste

Key Targets and results

In order to pursue its commitment to the objectives of 'No Harm, No Leaks and No Shortcuts', the Company set the following environmental targets in 2016:

- Further reduce the flaring under SBM Offshore control relative to the hydrocarbon production by 10% compared to the 2015 performance. This is the second consecutive year where SBM Offshore sets a 10% reduction compared to the previous year;
- Achieve better environmental performance than the 2014 IOGP industry average on oil discharged in water[6], GHG emissions[7], flaring[8] and energy consumption[9];

The following Environmental performance has been recorded in 2016:

- The volume of gas flared on SBM Offshore account has increased from 118,400 (see Restatements) to 122,950 tonnes in 2016 but with three additional units added to the scope. Relative to the Company's hydrocarbon production, the gas flared under SBM Offshore's account per production has decreased from 3.48 in 2015 (see Restatements) to 2.76 tonnes of gas flared per thousand tonnes of hydrocarbon produced (21% reduction). The target of 10% reduction compared to 2015 performance has been substantially exceeded;
- The total gas flared in 2016 was 21.7 tonnes per thousand tonnes of hydrocarbon produced, of which 87.3% was either requested by the client or did not exceed the client/regulatory allowance. This is 46% more than the IOGP benchmark[10];
- Offshore GHG emissions from energy generation and gas flared relative to the hydrocarbon production decreased compared to 2015. A total of 6,247,825 tonnes of GHG have been produced in 2016, representing 140 tonnes of GHG per thousand tonnes of hydrocarbon produced, which is 12.5% better than 2015 and 8.5% better than the industry benchmark[11]. This decrease is mainly due to a relatively stable volume of emissions while production increased by 31% with two new generation 3 FPSOs brought online as well as a 7% reduction in the volume of GHG emissions in Angola;
- The volume of energy consumption used per hydrocarbon produced remains stable compared to 2015 (1.16 gigajoules of energy per tonnes of hydrocarbon produced compared to 1.13 in 2015 (see Restatements), which is 17% lower than the industry benchmark[12];
- Slight increase in the volume of oil discharged to sea per hydrocarbon production. The average volume of oil discharged was 2.59 tonnes per million tonnes of hydrocarbon produced, while

6 7.5 tonnes of oil discharged to sea per million tonnes of hydrocarbon produced
7 153 Tonnes of GHG Emissions per thousand tonnes of hydrocarbon production
8 14.8 tonnes of gas flared per thousand tonnes of hydrocarbon produced
9 1.4 gigajoules of energy per tonnes of hydrocarbon production

10 Companies participating in the 2014 IOGP benchmark reported 14.8 tonnes of Gas Flared per thousand tonnes of hydrocarbon produced, Report 2014e, p.34
11 Companies participating in the 2014 IOGP benchmark reported 153 tonnes of GHG emissions per thousand tonnes of hydrocarbon produced, Report 2014e, p.24
12 Companies participating in the IOGP benchmark consumed 1.4 gigajoules of energy for every tonnes of hydrocarbon produced, Report 2014e, p.32

the IOGP average is 7.5. This is 65% lower than the industry benchmark;
- No hydrocarbon spill exceeding one barrel in size (159L) has been reported in 2016, which means that the normalized number of oil spills offshore greater than one barrel per million tonnes of hydrocarbon produced is 0 for 2015, while the industry benchmark[13] is 0.13.

FUTURE

The Company has been able to reduce the gas flared under SBM Offshore account per production by 51% in two years and wants to further reduce gas flared under its control in 2017. In order to make the environmental targets more relevant for each unit, the Company has decided to adopt a different approach in the target setting for 2017. Each unit has set its own target in terms of flaring reduction. Targets range from 5 to 25% reduction between units, with a consolidated average of 9.6% reduction for 2017 at Company level.

Similar to previous years, SBM Offshore has set the target to achieve better environmental performance than the 2015 IOGP industry benchmark[14] for the other environmental aspects: GHG emissions, Energy Consumption, Oil in Water and Oil Spills per production.

In line with its long-term strategy, SBM Offshore has included the following environmental initiatives as part of its HSSE program for 2017:
- Align SBM Offshore practices with ISRS requirements on Environmental Hazard identification, control and monitoring
- Continue with the improvement on environmental emissions reporting

[13] Companies participating in the IOGP benchmark reported 0.13 oil spill offshore greater than one barrel per million tonnes of hydrocarbon produced, Report 2014e, p.70
[14] Not yet published by IOGP

2.5.1 CO_2 CHALLENGE

A competition was designed to address the issue of climate change, while leveraging expertise to create a competitive edge. Starting in 2015, SBM Offshore tested the creative talents of its engineers by asking them to propose innovative solutions to reduce CO_2 emissions offshore. Five teams of young entrepreneurial employees from around the world found intelligent solutions to reduce CO_2, while increasing operational efficiency on SBM Offshore's FPSOs and MOPU.

In 2016 the teams came together to share and pitch the top ideas to the jury. The winning solution, a special Flare Management System was adopted and installed offshore in December 2016 as a pilot, with the intention of expanding it to the rest of the fleet in the future. The winning team engaged with offshore crews to find the innovative solution to reduce emissions, while also increasing awareness for the issue of flaring and climate change. The pilot project also reports on the cause, source and remedy of environmental incidents on a daily basis with the objective to manage and reduce emission levels. Feedback from this pilot provides valuable information for the development of the HSSE and Sustainability Dashboard, which is part of the Group's Digitization project (see section 2.3.2 Fleet).

CO_2 Challenge Findings

- Recommendations from the CO_2 Challenge to improve reporting of GHG emissions, by means of introducing actual gas density to calculate actual GHG emission levels, have been implemented; the result is more accurate reporting (see section 6.1.7 Environmental Reporting).
- Solutions and ideas that were not part of the winning solutions have been captured for action and follow up. Improvements on offshore operations are managed on the FPSO directly with onshore support. Other ideas have been shared with SBM Offshore's R&D program.

The next step is to reduce energy consumption offshore, which is being addressed as part of the Digitization project. By making energy generation and consumption on the units visible, implementation of energy efficient solutions will be faciliated.

CO_2 Reduction extended to onshore

Following the success of the CO_2 Challenge, an onshore version was created, the CO_2 Office Challenge. It follows a similar concept, challenges the creativity and ingenuity of the staff to find innovative solutions on how to reduce emissions and waste in our offices and shorebases. Teams from around the world competed with each other and the best solutions will be shared and applied Company-wide.

SBM Offshore CO_2 Challenge

"The bottom up approach to tackle the emission levels of the facilities has made it clear that emission reduction and uptime performance go hand in hand. The willingness from both onshore and offshore employees to optimize is impressive and hopeful for the future."

Sebastiaan de Ronde Bresser
Group Sustainability Director

2.6 OPERATIONAL EXCELLENCE

MANAGEMENT APPROACH

Group Execution Functions are organized to support operational and assurance functions with the goal of achieving operational excellence in all areas of our business, in what SBM Offshore considers to be a 'Journey to Excellence' going forward.

SBM Offshore created a Group Operational Excellence department dedicated to the maintenance and continuous improvement of the Company's Global Enterprise Management System (GEMS) and the implementation and monitoring of key improvement initiatives notably to:

- Adopt best practice through the application of the ISRS™ (see section 2.6.2) and Process Safety Management frameworks
- Strengthen the Company's incident reporting and investigation methodologies and tools to expand the scope beyond the remits of Health & Safety and Assets Integrity activities
- Enhance existing Management of Change processes and provide more efficient functionality through provision of a globally accessible database
- Develop and deploy a revised lessons learnt process and application to ensure that lessons are embedded in our ways of working

For more information on Operational Governance, please refer to 3.9.1.

2016 PERFORMANCE

Key achievements

- Finalization of the transition of all 20 of the Executive, Core and Support processes into GEMS.
- Development of GEMS Role Assignment and Workflow tools to enhance user acceptance and improvement of efficiencies

- Support of existing strategic governance through implementation of an 'Operational Excellence Governance Model' to address business ownership, change control and investment decision making structures for GEMS processes, data-sets, information and applications
- Continuation of the deployment of the ISRS plan with all GEMS Process Owners and Business Owners
- Launch of the Incident Management Committee to increase assurance on the Incident Management Process
- Development of a revised life cycle Incident Management process and supporting tool
- Standardization of methodology and training of key personnel in robust Root Cause Analysis
- Development of revised Management of Change processes and tool for the 'Execute' life cycle phase

FUTURE

The following objectives have been set for 2017:

- Deploy GEMS Role Assignment and Workflow tools
- Further integrate legacy Operations Management System documentation into GEMS
- Process Safety Management strategy and targets as highlighted in Section 2.6.1
- Continuation of the deployment of the ISRS plan with all GEMS Process Owners and Business Owners
- Continued development and deployment of the revised Management of Change processes and tools
- Develop and deliver an enhanced 'Lessons Learnt' tool to support a revised process
- Deployment of revised Incident Management and MoC tools developed in 2016

2.6.1 PROCESS SAFETY MANAGEMENT

MANAGEMENT APPROACH

An important risk for the Company is fire and explosion associated with hydrocarbon releases and loss of structural integrity and stability. As such the Company has endorsed a Process Safety Management (PSM) framework and associated tools for implementation of a comprehensive PSM program based on a well-established industry standard 'Guidelines for Risk Based Process Safety' by the Centre for Chemical Process Safety (CCPS).

When applied throughout the lifecycle of SBM Offshore activities, the PSM framework has the potential to reduce the risk of catastrophic events, with the ultimate aim of minimizing these risks on all of its units worldwide. These priorities consist of a set of activities and practices that are being embedded in the SBM Offshore Global Enterprise Management System (GEMS) and the Group Technical Standards (GTS). They have been aligned with the Company International Sustainability Rating System™ (ISRS) improvement activities.

Any Loss of Primary Containment occurring offshore is reported and communicated to the relevant parties within the organization. Volume of LOPCs are systematically analyzed to verify if they meet the Process Safety Events thresholds of IOGP Report 456, Process Safety – Recommended Practice on Key Performance Indicators. Process Safety performance is analyzed and consolidated on a monthly basis and disclosed annually.[15] The results are compared to the previous years as well as benchmarked against the IOGP averages. The results are recorded and reported in accordance with the IOGP and API guidelines.

15 SBM Offshore has been reporting its Loss of Primary Containment (LOPC) results since 2014.

2016 PERFORMANCE

The following objectives were set in 2016:

- Reduce the frequency of Tier 1 and 2 Process Safety Events to align with IOGP industry average. This meant a target of 0.04 for the frequency of Tier 1 PSE and 0.12 for Tier 2 PSE normalized per 200,000 exposure hours offshore
- Cascade the new PSM program within the organization
- Continue development and drive implementation of PSM

Key achievements

- Progress has been made on the implementation of identified PSM priorities, including process safety culture, risk analysis, process safety dossier[16], management of change and incident investigation
- The PSM Training Program has continued to train defined functions across the organization and provide more in-depth focus on PSM requirements and implementation
- A sharepoint microsite was launched to share information with the PSM Community and all employees
- The dedicated PSM department has been strengthened in fleet Operations to ensure implementation of PSM activities in the Operations phase as well as cascading the message of the importance of PSM

Key results

- A total of 297 Loss of Primary Containment incidents were recorded, of which 100 were oil and gas releases. In total, three were classified as Tier 1 Process Safety Events and 14 as Tier 2 Process Safety Events. Normalized per 200,000 exposure hours offshore, the Tier 1 PSE Frequency was 0.07 and Tier 2 PSE Frequency was 0.34. SBM Offshore has not been able to meet the targets. This result can be attributed mainly to the start-up of three units in 2016, which if excluded, would demonstrate an improved performance over previous reporting years and closer to the IOGP benchmark.
- Since the introduction in 2014 of process safety reporting in line with industry standards, the Company has achieved its best ever performance for Tier 1 events (3 in 2016; 4 in 2015; 6 in 2014). Compared to 2015, the Company has seen a significant increase in the number of minor LOPCs reported. This increase demonstrates an effective reporting process and is a direct result of training, awareness campaigns and reminders on the topic.
- The majority of the liquid related Loss of Primary Containment incidents resulted in releases contained onboard.

FUTURE

The following objectives have been set for 2017:

- Tier 1 and Tier 2 targets have been set using a bottom-up approach linked to Asset Integrity and monitoring programs, with a view to continuing to reduce LOPC events across all units.
- Specifically targets are set to reduce the frequency of Tier 1 and 2 Process Safety Events (PSE) compared to 2016 i.e. Tier 1 PSE Frequency to be better than 0.05 and Tier 2 PSE Frequency to be better than 0.17.
- Continue development and drive implementation of PSM aligned with ISRS plans.
- Support PSM deployment and increase employees awareness with quarterly PSM campaigns, e-learning modules and inclusion of PSM workshops in the Global SBM Offshore Life Day in 2017.

2.6.2 INTERNATIONAL SUSTAINABILITY RATING SYSTEM™

SBM Offshore adopted DNV GL's International Sustainability Rating System™ (ISRS) system in 2014. Implementation of ISRS has allowed SBM

16 The Process Safety Dossier is the name used at SBM Offshore for a document which contains or refers to process safety critical information. This document is a required part of internal processes implemented in 2016.

Offshore to measure how the Company compares internally and externally with best-practice in all areas of its business, against a recognized framework. Gaps in performance have been identified and a plan is in place to implement improvement initiatives where required to a defined timescale prioritized according to risk. ISRS is being implemented on a continuous basis throughout the organization.

2.7 QUALITY AND REGULATORY

MANAGEMENT APPROACH

SBM Offshore is committed to performing its business in full compliance with all applicable laws and regulations and to delivering products and services meeting all related regulatory requirements as well as any applicable specifications and requirements imposed by relevant Stakeholders.

As part of the Group Execution Functions, the newly combined Quality & Regulatory Management function is dedicated to ensuring that such objectives are consistently and reliably met by SBM Offshore in the course of its core business performance, notably through:

- Promoting a Quality and Compliance culture across the Organization and ensuring appropriate behaviours from each and every employee
- Ensuring compliance of GEMS with relevant International Standards (including but not limited to ISO 9001) and in turn ensuring compliance of the Company's Organization and business activities with GEMS
- Providing systematic identification of applicable regulatory requirements and ensuring actual follow-up by the Company's Organization
- Ensuring that conformity, compliance and acceptance of the Company products and services are effectively achieved and maintained throughout their lifecycle

2016 PERFORMANCE

Key achievements

- Extension of SBM Offshore's ISO 9001 certification to now include 'Management of Operations' by the Company's Operations division
- Launch of Quality-specific initiatives in the context of SBM Offshore's Journey to Excellence, including notably the development of Quality Rules (to be deployed in 2017)
- Likewise, launch of a Cost-of-Non-Quality initiative involving the development of new processes and improvement of detailed investigations (not limited to specific Quality Incidents)
- Regulatory watch and research as required to support Company's Win, Execute and Operate[17] activities
- In terms of actual regulatory performance, all Company offshore facilities have been duly accepted by all relevant Authorities and Regulators, with all relating permits, licenses, authorizations, notifications and certificates duly granted and maintained valid at all times. Company offshore facilities have also remained in Class at all times as required from both statutory and insurance perspectives.

Strategy and targets

The following objectives have been set for 2017:

- Leading contribution to the Company's Journey to Excellence, notably with respect to quality and regulatory compliance culture & leadership;
- Reduction of Costs-of-Non-Quality through the development and implementation of a comprehensive program (including but not

[17] SBM Offshore is an integrated contractor committed to early engagements with clients in developing optimal field development solutions. When resulting in a project award (**Win**) SBM Offshore manages the EPC cycle in which it is accountable for the engineering of the floating solution, procurement of the materials and construction in close cooperation with the subsequent yards (**Execute**). Upon completion of the execution phase, SBM Offshore welcomes the floating unit to its fleet where it is operated, maintained and, if needed, upgraded over the lifetime after which it is eventually decommissioned (**Operate**).'

limited to processes) focused on preventing and mitigating future occurrences across Company's Win, Execute and Operate activities;
- ISO 9001 certification renewal and upgrade to the ISO 9001:2015 revision;
- Revamping of Company's Management Review process to make it more robust and effective;
- Enhanced coordination of audit activities across all assurance functions and business entities for a more effective use of resources and a less disruptive interface with business activities;
- Maintenance of an effective regulatory watch and interface with Regulators, supporting innovation and new ventures as necessary.

2.8 TALENTED PEOPLE

MANAGEMENT APPROACH

SBM Offshore's people are a key value driver for the Company and critical to its success.

The Company wants to motivate its employees by supporting their professional development and by ensuring that all employees are treated equally on the basis of their skills and by optimizing safe and healthy working conditions. Its ultimate ambition is – notably with regard to employment, recruitment, talent – to generate higher performance and greater employee engagement by identification, mobility, training, remuneration, health and safety using world-class people practices that are supported by common processes and policies throughout the Company.

Investment in its talent base is seen as a key part of SBM Offshore's strategy to ensure that the Company maintains its expertise and talent pool in order to continue delivering quality work that meets clients' expectations.

The last two years represent a period of significant change for SBM Offshore as the Company implemented an ambitious reorganization program to improve its competitiveness and to maintain its reputation as the leading supplier of floating production systems. This involved restructuring to better manage SBM Offshore's cost base. The latter includes more flexibility to subcontract i.e. more control of the associated overheads. The aim is for a bigger percentage of work not requiring advanced technological know-how to be subcontracted going forward.

The restructuring targets were met in 2016. The desired balance between the planned reduction of headcount and retaining the talent needed for the future was achieved. Overall efficiency has increased and HR costs have decreased. The reorganization has resulted in the optimization of teams and the creation of a more entrepreneurial and productive environment. Management's objective is to ensure that the Company's knowledge and expertise – embodied by its employees – are not jeopardized but nurtured and put to other uses in these lean times. For example talent was diverted to the development of new technologies and their commercialization in expectation of future growth. Although maintaining capacity may be going against the current trend of the industry, the Management Board recognizes that people are at the heart of the Company and its licence to grow and ultimately give it a competitive edge.

Talent Management

By focusing on the assessment and development of its talent pool, SBM Offshore continued the integration of its talent and business activities in 2016. The yearly Talent Management process begins with the identification of the key succession roles within the Company and the potential successors among SBM Offshore employees at the mid-management level. To assess all employees in a consistent manner and regardless of location indicators are used globally: Performance Ability, Engagement and Learning Agility. Clear responsibilities and plans for talent development are set for the selected employees. Follow up actions and engagement keep the talent agenda live throughout the year. 100% of the eligible population (mid-managers/professionals and above) was assessed in 2016.

To implement the strategy as detailed above, new tools were integrated and existing tools were improved in 2016.

2016 PERFORMANCE

Achievements

- Reduction of cost base:
  1. Restructuring by the end of 2016 resulted in a headcount reduction of 648 (13.2% decrease). Full-time Company employees worldwide at year-end were 4,249 compared to 4,897 at the end of 2015
  2. Salary freeze policy continued for second year running and Short-Term Incentives (STI) were halved in 2016, while Long-Term Incentives (LTIs) remained in place
- Core competencies retained to be ready when the market picks up
- Simplification and alignment of HR global processes in preparation for the future implementation of a global HR Information System
- Role Profiling project – started in 2015 – continued in 2016 with the aim to replace tailored job descriptions in each Regional Center with consistent Role Profiles to be applied Company-wide. By the end of 2017 they will be implemented in two stages: first the core job families (EPCI and Operations) followed by other functions
- Global alignment of functional and behavioral competency frameworks, in hand with Role Profiles is on-going
- Engagement of employees through a series of development actions (including professional certifications/ qualifications, development plans) and increased communications (including town halls, Life Day)
- Implementation of a global e-learning platform (the e-Academy) offering 24/7 learning opportunities available to all SBM Offshore staff
- Review of the Company's mobility policy. Action is being taken to ensure a more regular rotation of employees in order to broaden the knowledge base. Expatriates will be sent on managerial role assignments in different locations to groom local talent as part of the Company's long-term localization strategy for markets
- Company Core Values (see section 1.3) were reaffirmed and also included in the annual appraisal of all employees

FUTURE

- Talent management activities to identify and develop the Company's talents and future leaders will be pursued
- Continuous improvement of the Leadership training program to embed Values and the new Leadership competency model – the latter was deployed across all regions in 2016
- Development planning tool and 360° assessment system were implemented in all Regional Centers in 2016 with the aim to create development plans for most critical competencies in the future
- Implementation of development models, focusing on embedding learning in employees' business activities and identifying relevant developmental job-assignments
- The e-Academy will facilitate the development of critical competencies and support Company Values and competency frameworks

In conclusion, despite a depressed market, SBM Offshore continues to invest in and develop its people. Optimizing its experienced talent pool and integrating it with the Company's market-led business goals, while creating a more entrepreneurial and productive environment will ensure that these goals are met and SBM Offshore continues to deliver the desired results to its clients.

2.9 TECHNOLOGY

MANAGEMENT APPROACH

SBM Offshore develops its technology strategy by engaging externally with its clients and internally with the Company's Product Line divisions, to identify, understand and analyze the key technical and business trends in the offshore industry. Armed with this market-based information, it strives to predict future technology gaps and to find innovative, safe, reliable and cost-effective solutions to meet these challenges. SBM Offshore's Technology Team actively works towards this goal to ensure that the Company is well positioned for future projects in the market as clients' needs evolve.

The Company's success is driven by its reputation in the industry for being at the forefront of advanced technology, providing market-driven solutions for almost 60 years. There are many field-proven examples and world records to illustrate this, the latest – FPSO *Turritella* – is a showcase of the client's confidence in SBM Offshore's technological expertise contributing towards the exploration of new frontiers. Turritella illustrates the effectiveness of teamwork between client and subcontractor.

The Company continues to focus primarily on FPSO and mooring technology to further strengthen its position as a world leader in these areas, but is increasingly diversifying its efforts into emerging technologies associated with Floating LNG and Renewable Energies.

KPIs and Targets

The success of SBM Offshore's Technology division is measured by the quantity and quality of new designs and proprietary components delivered to TRL[18] four, which represents the fully qualified, project-ready stage. The Company sets a target on the number of new systems and components to be delivered during the year. The quality is measured by the percentage of turnover enabled by new technology.

Given the market's urgent need to reduce capital costs and SBM Offshore's strategy for affordability and improved competitiveness, the majority of the development work in 2016 focused on using technology to reduce field development costs and to increase functionality. This primary objective to reduce the cost of its core products is already giving tangible benefits and has also matured a range of new components and products through prototype testing to be market ready.

Two examples of where this has been successful in 2016 are:

- SBM Offshore's semi-submersible hull and mooring system design was selected as the client's preferred floater option to support potential future field development. SBM Offshore will continue with FEED engineering on the semi-submersible during 2017, while Anadarko continues appraisal drilling to further delineate the opportunity for future FID
- The Fast4Ward FPSO standardization project, where SBM Offshore anticipated the market needs over two years ago and now the matured concept is being marketed as offering significant cost reduction

Technology development continues to be guided by three key principles:

1. To be driven by market demand – development projects will reflect the current and future challenges faced by customers

[18] Technology Readiness Level (TRL) is an internal SBM Offshore process to ensure that the development of the Company's technologies is assessed in a controlled and consistent manner. By going through several stages – each with stringent tests and controls in place – this gateway system effectively ensures that every new technology has met the highest standards before reaching the final level (four) when it is fully qualified and mature enough to be considered for commercialization.

2. To strive to improve safety through inherently safe design and increase the Company's overall rate of return on investment through reduced costs, increased efficiency and/or improved performance
3. To retain its technology leadership position in the offshore market and continue to develop sustainable solutions

Beyond the technical challenges, there is an overall business challenge to make projects more cost effective and affordable for clients.

Key technical challenges seen in the industry today are:

- Optimization of floating production to reduce costs, by standardization of FPSO hulls and topsides processing facilities as much as possible
- Simplification of facilities to strip out unnecessary complexity to reduce costs
- Building a portfolio of cost effective gas solutions, both for floating production of LNG for import of LNG products
- Finding cost effective solutions for a clean energy future

Competitive Advantage through Technology

SBM Offshore strives to deliver high performance solutions that exceed client's expectations and go beyond what is available in the market. During 2016, revenues were generated from three main projects where technology played an important part in SBM Offshore being selected for the contract award:

- FPSO *Turritella* – where the turret mooring system is one of the most challenging ever designed and built in the industry
- *Prelude* FLNG turret – where the design mooring loads are a world record – enabled by the Company's proprietary technology
- Ichthys FPSO turret – where the high mooring loads and massive swivel stack are enabled by the Company's proprietary technology

The technology development process ensures that continued investment in each new technology is justified against business cases. In addition, since new technology can become a source of risk if not correctly managed, SBM Offshore matures its new technology through a structured stage-gate system to ensure that it is fully mature before being offered for sale or introduced into its projects. This Technology Readiness Level (TRL) process includes full scale prototype testing of new proprietary components and full FEED level definition of new systems. The TRL process was introduced in 2012 and is now well established in the Company's development program.

2016 PERFORMANCE

- Fast4Ward™ and the Renewables Wind Floater were officially launched onto the market
- Qualification was completed for a semi-submersible hull design including condensate storage within the column legs, for remote gas fields as an alternative to pipeline export of condensate
- Continued development for floating gas solutions with its innovative TwinHull™ FLNG concept, targeted at mid-scale capacities. The concept has progressed in maturity and is now being offered to clients as a very cost-effective yet robust solution for FLNG mid-scale
- The Company continues to build expertise in the Lazy Wave Steel Riser (LWSR) design as a cost effective solution for ultra deepwater and/or HPHT field and to ensure that the Company's FPU and FPSO products can be fully optimized when accommodating them. This includes on-going collaboration with the industry-led DeepStar JIP
- Continued prototype testing of a mechanical connector for steel risers, as a lower cost alternative for deploying steel risers offshore, in conjunction with SBM Offshore's partner GMC

- Completion of the SBM Offshore designed FPSO *Turritella* disconnectable turret for the Stones development
- Design of a range of new swivels for enhanced performance – construction of a prototype has started, along with fabrication of a dedicated test rig
- Development of low cost turret mooring systems for less complex projects

The key technologies that were commercialized in 2016:

FPSO Standardization

- Completion of the conceptual and basic design phases of the Company's Fast4Ward™ standardization project, which includes a range of pre-engineered standard building blocks for large and complex FPSOs. The project has now progressed to the project execution stage

FAST 4 WARD

A new execution model for the next generation of FPSOs by SBM Offshore.

Building on the Company's solid track record for FPSO delivery portfolio and leveraging almost 300 years of cumulative operational experience, SBM Offshore launched its Generation 4 standardized FPSO design this year.

- Establishing standard designs, leading to more framework agreements with equipment suppliers – adding to the catalogue of standard equipment
- Continuation of the evaluation and qualification of new compact technologies – included full scale prototype testing where needed – for topsides processing for FPSOs, where enhanced performance or significant cost reduction can be achieved

Offshore Renewable Energies

Whilst Oil and Gas will remain an important part of the global energy demand for many years, Renewable Energies continue to show strong and accelerating growth in the market. SBM Offshore is therefore leveraging its experience in offshore technology to seek innovative solutions for offshore renewable energies, which can be cost competitive against current alternatives. The Company has consistently been investing in marine renewable energy technology development since 2006, recognizing the need for clean energy. It continues its technology development program in this area, with two innovative projects:

- A mini Tension Leg Platform (TLP) for Floating Offshore Wind energy. This draws on our expertise in optimizing marine structures to design a high performance and low cost floating support structure for the wind turbines. The resulting mini-TLP concept was successfully model-tested in 2015 and is now being matured in collaboration with our partners. In 2016 the concept was chosen as the preferred solution by EDF Energies Nouvelles for its Provence Grand Large project, offshore France
- A revolutionary Wave Energy Converter (the S3 WEC) based on the use of Electro Active Polymer materials and associated power electronics. The Company is now ready to move into the small scale prototype at sea stage

At present the Company's main focus is on solutions for floating wind and wave energy conversion, whilst also exploring opportunities in other areas of Renewable Energy.

'Industry Firsts' of latest projects

1. FPSO *Turritella* represents :
   - The deepest oil and gas production in a world record water depth of 2,900m (9,500ft)
   - The first use of Steel Risers on a disconnectable turret
2. The Articulated Rod Connecting Arm (ARCA) technology successfully completed all development testing in 2016 and is project-ready. This is the industry's first diver-less connection and disconnection device for mooring lines in deep water. It achieved an Offshore Technology Conference award in 2015
3. The Company's Very High Pressure (VHP) swivel, which was successfully qualified at 830 barg in 2015 was re-qualified at 1000 barg this year and is now fully project ready for HPHT field development
4. The *Prelude* FLNG turret was successfully integrated into the *Prelude* FLNG in Korea. This turret will be a world record in terms of mooring loads once the FLNG is operational

Inhouse R&D testing center

During 2016 the Company moved its R&D testing center to larger premises in France. This laboratory will enable a wider range of tests to be performed and will focus both on expanding the range of proprietary mooring technology, as well as development of new products for Renewable Energies and LNG.

Technical Standards

A key driver for the costs of new projects is the set of technical standards to be applied. Typically, these can fall into three categories – client standards, contractor standards or a hybrid set of customized standards. In the current climate of severe cost pressure there is a logical push in the industry towards more acceptance of contractor standards. By leveraging its expertise SBM Offshore can minimize project customization and efficiently deliver more standard products with potentially significant cost and schedule savings.

The Company achieves this through its Group Technical Standards (GTS) – established in 2003 – by integrating key elements of its accumulated project and fleet operational experience. Whereas client standards tend to be generic, covering a range of offshore facilities, SBM Offshore's GTS are FPSO specific and optimized around that product. To date the Company has executed over 20 projects using its GTS as the basis, including the units delivered in 2016 the FPSO *Cidade de Maricá*, FPSO *Cidade de Saquarema* and FPSO *Turritella* – in these vessels GTS was supplemented by client functional specifications and additional requirements as appropriate.

The Company aims to continue to refine and develop the GTS for the benefit of future projects.

Intellectual Property

The Company maintains a significant Intellectual Property (IP) portfolio including patents, trademarks, and copyrights. Around 180 patent families cover a wide range of items including FPSO mooring and turret systems, semi-submersible and tension leg FPUs, hydrocarbon transfer and processing systems including LNG and gas processing, drilling and riser technologies and offshore installation.

During 2016, the Company divested non-core patents, made 18 new patent applications in different countries and progressed with action against several parties for infringement of SBM Offshore patents.

2.10 SUPPLY CHAIN

STRATEGY

The main objective in 2016 was to commence putting in place identified solutions that will contribute to the competitiveness of the Company. Within the context of today's market, particular focus is placed on cost efficiencies to be achieved, while continuously improving safety and quality. This more efficient way of working with suppliers is part of SBM Offshore's overall strategy to adapt to the market reality and ensure consistency and synergies thanks to a more mature and structured organization. Management believes that a collaborative dialogue between SBM Offshore and its vendors helps build a partnership for the benefit of both parties and ultimately adds value for the clients.

Supply Chain main pillars are:

- Strategic sourcing
- Strategic partnering

2016 PERFORMANCE

- Strategic sourcing, which consists of the development of the most appropriate procurement strategies for each strategic category. The selection process for new vendors has continued to evolve in line with industry best practices, with a strengthening of the qualification process to include more stakeholders and dimensions. Strong emphasis is placed on compliance with the necessary due diligence completed and more stringent controls in place; effectively a gate system assigns a clear 'Go/No Go' result for new vendors based on a strict qualifying process.
- Strategic partnering is being materialized through Frame Agreements, which facilitate engagement with key vendors. This has resulted in a greater understanding among vendors of the needs of SBM Offshore's clients and helps in identifying the optimum ways to meet those needs. Through collaborative partnerships with its strategic vendors, SBM Offshore is building a sustainable and cost efficient supply chain. By working together in a structured and systematic manner, the benefits will add value to clients' future projects. In particular the Frame Agreements target vendors, which advance SBM Offshore's Fast4Ward project to fast-track and standardize FPSOs. By year-end a significant part, over 35% of the spend on an FPSO was covered by signed Frame Agreements. This includes equipment and services, for example 3rd party maintenance services for vessel inspections. Management believes that this strategy will ensure that SBM Offshore is well-positioned for when the market picks up.

Compliance with Supply Chain Charter

Embedded in the contractual agreement signed by every supplier is a commitment to adhere to the SBM Offshore Code of Conduct or similar code. These codes cover Human Rights issues as formulated in the Universal Declaration of Human Rights continuous improvement programs. Signature of the Supply Chain Charter as part of the supplier qualification process is an indicator of commitment to meet Human Rights standards among others. In cases where a supplier does not sign the Charter, it is considered a red flag and further investigation and clarification is required before the supplier will qualify.

The percentage of suppliers signed up to the Supply Chain Charter is a KPI for SBM Offshore. The target is to obtain 100% signing by suppliers as part of the qualification process.

All processes are based on:

- An multi-discipline approach, which benefits from lessons learnt and contribution from all valuable stakeholders feeding the Supply Chain (including Engineering, Construction, Operations, Quality, HSSE and QA).
- A Total Cost of Ownership approach to capture the spend during the full life cycle.

Performance measurements:

- Frame Agreements signed
- Supplier days organized by Supply Chain departments worldwide – four of the five Regional Centers completed this initiative
- Steering committee meetings organized with key vendors
- Vendors who have signed the Supply Chain Charter

Management is satisfied that the targeted performance for the year was achieved.

FUTURE

The strategic vision implemented this year moves SBM Offshore from a 'project to project' approach to a pro-active, sustainable and holistic approach with the Supply Chain function playing a key role in the added value of a project. The steps taken to date are aimed at offering future project teams improved technical solutions based on standardization. In addition, pre-negotiated contractual and commercial conditions with qualified vendors will save time and will ensure consistency across projects. Other benefits will include savings on effort and resources, while assisting Project teams in avoiding costly customization options that may be unnecessary to meet a project's specifications.

2.11 LOCAL CONTENT

The operational activities of SBM Offshore have a significant social and economic impact on local communities in countries where the Company executes long-term lease and operate contracts offshore for clients. The Company also recognizes potential exposure to human rights issues through its supply chain for both its Operations and Turnkey activities.

Both Social and Economic impact on local communities and Human Rights are considered material topics for SBM Offshore and are discussed in more detail in the following chapters.

2.11.1 LOCAL COMMUNITIES

SBM Offshore operates its floating production systems offshore throughout the world. The Company will also construct substantial parts of the facilities in the countries of operation depending on local content requirements, existing infrastructure and project economics.

MANAGEMENT APPROACH

The management approach is to engage and create a positive impact on local communities and when possible their development, through the Company's core business as well as the localization of employees in-country and the development of local talent and local community programs.

A competitive advantage is created with successful localization programs and the development of construction yards. Development of local economy and workforce improves the social and economic situation in country.

2016 PERFORMANCE

Nationals employed in workforce (Localization)

For fleet operations, engagment and development of the local workforce is the main indicator for successful local content development. SBM Offshore monitors the percentage of local workforce and invests in training to increase or maintain the targeted level, which is a KPI for the Company.

Key Markets

- In Angola 62% of the offshore workforce consists of Angolan nationals
- In Brazil 71% of the offshore workforce consists of Brazilian nationals

Localization programs in both Angola and Brazil focus on education and training of nationals to enter the workforce.

LOCAL COMMUNITY ACTIVITIES AND PROGRAMS IN 2016

Monaco

- The Monaco Regional Center (RC) continues to work closely with local NGOs including Actif Azur, HELP and Digital Aid to donate computers, screens and mobile phones for re-use. In 2016, over 400 pieces of equipment were donated.
- Monaco employees are also very active in the annual *No-Finish Line* event to raise money for charity, with over 200 employees participating. The 2016 goal for the event was to cover the distance between the earth and moon (384,400 km), which was achieved, with a new record of 392,516 km.
- In addition, the Monaco RC in collaboration with the above event, participated in the Oceanographic Museum's first ever dedicated pedal power event called 'No Finish Lights' – promoting the Principality's eco-friendly commitment. A light installation decorating the Museum façade was powered by 30 stationary bicycles, which were peddled by participants. SBM Offshore's Monaco RC Cycling Club, which promotes biking to work has achieved over 26,000 kg CO_2 emissions avoided compared to commuting by car in 2016.

Brazil

- In Brazil, SBM Offshore supports local communities where the Company has activities by supporting initiatives such as the Babylonia daycare center in Rio de Janeiro's Leme neighbourhood and educational programs such as the creation of the Welding School Professional Training Program with local partners. Support is provided through charitable monetary donations and by SBM Offshore employees who play an active role in activities and events.

Malaysia

- The Company's RC in Kuala Lumpur has created a dedicated CSR Team, comprised of employees who are committed to partnering with local Malaysian charities to support their cause, while at the same time creating a platform for employees to contribute to the communities, where they live and where the Company operates.
- The team also engaged in many volunteer activities including donating their time and sharing their skills to repair a local orphanage home, as well donating surplus office stationery to an educational charity initiative and to tutoring young refugees.

USA

- SBM Offshore Houston RC held three donation drives to collect food and household items for local charities in the community. Blood donation drives are held quarterly in the Houston office.
- A health and fitness program is available to all employees, which includes access to fitness facilities, monthly 5-kilometer walks or runs, information sessions on health and fitness and in-house fitness classes. Close to 40 employees participated in the Cypress Half Marathon, which donates money raised to the Leukemia & Lymphoma Society.

Angola

- Almost 12 years ago SBM Offshore, in partnership with the local community, built the Lubango Orphanage to house and school young girls. Further to supporting the orphanage, SBM Offshore now provides the girls with computer training and by assisting in securing employment for them.

The Netherlands

- The Ocean Cleanup Project has been working on a floating barrier solution, which will allow the ocean currents to passively gather waste plastic. SBM Offshore has been involved in the project since 2014, through the donation of the time and expertise of employees. The engineers have supported many phases of the project – from mooring system design and layout, to anchor installation, as well as identifying potential suppliers and provision of 'adhoc' troubleshooting.
- Employees participated in the city's Harbor Run obstacle race for the Dutch Maritime industry.

2.11.2 HUMAN RIGHTS

MANAGEMENT APPROACH

Society provides SBM Offshore the social and physical infrastructure for entrepreneurship. Accordingly, the Company has the following responsibilities: respecting human rights as formulated in the Universal Declaration of Human Rights;

- taking all reasonable measures to avoid involvement or complicity in human rights violations in its relationships and interactions with state security forces
- assessing the social, environmental and economic impact of intended operations prior to the commencement of operational activities, including the impact on local communities and human rights

SBM Offshore has its business spread over six continents and the Company has embraced the challenges offered by different environments. SBM Offshore does not accept any discrimination on the basis of sex, age, race, religion, political or trade union affiliations, nationality or disability.

SBM Offshore is most exposed to human rights issues in developing countries where it either operates or constructs its units and depends on services provided throughout its value chain.

As part of its Corporate Social Responsibility strategy, SBM Offshore adheres to international standards such as the United Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, International Labour Organization[19] (ILO) conventions and the United Nations Global Compact.

The impact on the SBM Offshore's reputation in case of breach of human rights standards is considered significant as our clients, employees, NGOs and certain key suppliers consider human rights an essential part of performing our business at the highest level of integrity as promoted by the Company.

The Company endeavours to match the highest level of employment standards for all its employees in line with the Group's Code of Conduct and Social Accountability Manual. These standards meet and most often exceed International Human Rights and ILO Guidelines.

Operating a responsible supply chain, in which the Company combines long-term shared value creation with human rights standards among others, is continuously improved with consistent implementation of the Company's Supply Chain Charter throughout the supply chain.

2016 PERFORMANCE

Details can be found under sections 2.3.2 Fleet and 2.10 Supply Chain.

[19] The UN specialized agency which seeks the promotion of social justice and internationally recognized human and labour rights.

2.12 SUSTAINABLE BUSINESS

MANAGEMENT APPROACH

Sustainability is an important value driver for SBM Offshore's long-term business and operations with a focus on Environmental, Social and Governance issues. Under what is called 'License to Grow', the approach is to create a competitive and commercial advantage by developing sustainable solutions that go beyond current rules and regulations, which are the obligations under the Company's 'License to Operate'. Over time, these solutions are embedded in the Company's mainstream business development and operations.

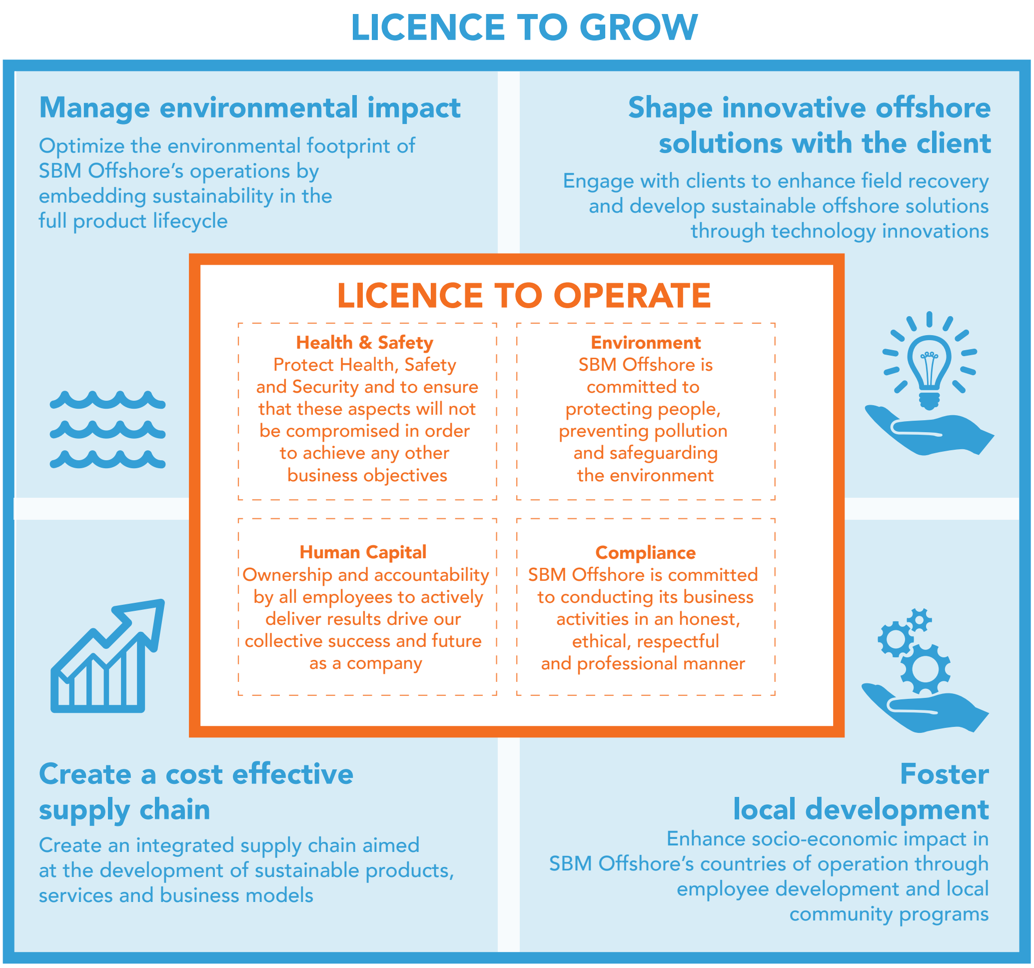
SBM Offshore believes in doing business that adds value and benefits all stakeholders, with specific focus on clients, employees, shareholders, partners and society in general. SBM Offshore considers this to be fundamental to its activities.

The Company aims to be the industry frontrunner on sustainability as reflected in the Company's vision. To achieve this ambition, SBM Offshore continuously strives to promote sustainability awareness, develop talent within the Company and incorporate ethics and integrity into all its activities. Embedding sustainability as a way of working in SBM Offshore is founded on continuous engagement with its employees. Reporting on successful sustainable initiatives, charity projects and donations will improve awareness and further encourage engagement.

Sustainability framework

At SBM Offshore, the overall sustainability performance consists of activities under both the License to Operate and License to Grow, with long-term initiatives differentiating the Company, securing its future growth and illustrating its committment to sustainability. The License to Grow themes and objectives reflect the focus of SBM Offshore's Sustainability strategy to achieve value creation and is material for the Company.

Over time, successful deployment of License to Grow initiatives lead to adoption of these activities as part of the License to Operate.



License to Operate

License to Operate refers to the standards required to operate in accordance with the law and regulations on ethics, safety, health, quality, labor standards, environmental standards, governance and on meeting client requirements and specifications for their project development. SBM Offshore's sustainability strategy is founded on developing the core functions of the Company to meet these standards among others. SBM Offshore has a long history of managing and reporting its performance on a wide range of the License to Operate aspects.

License to Grow

The Company's ambition is to fully integrate sustainability into its business proposition and to create a balanced economic, social and environmental value model in all of the countries, in which it operates. SBM Offshore believes that Sustainable Business will create a License to Grow, facilitating its future success.

The Company focuses on long-term, shared, value creation for the four themes of 'Manage environmental impact', 'Shape innovative solutions with the client', 'Create a cost-effective supply chain' and 'Foster local development'.

2016 PERFORMANCE

The level of performance is measured in successful implementation of objectives as defined over the four themes under the License to Grow. In total fourteen objectives were identified, of which eight have been further developed and have been embedded into the Company's License to Operate.

- Renewable technology has developed from conceptual design to the commercial stage. A new Product Line for Renewable Energy was created.
- The objective to standardize the environmental footprint of FPSO operations was initiated with the CO_2 Challenge (see section 2.5.1 CO_2 Challenge) and is being further developed under the Digitization project.
- A list of creative ideas to develop Eco-design options for FPSO operations was generated as part of the CO_2 Challenge (see section 2.5.1 CO_2 Challenge) and handed over to R&D for implementation in their process.
- Reducing the environmental impact in offices is in progress for the CO_2 'Office' Challenge.
- Supply Chain activities include the implementation of an acknowledgement by vendors of SBM Offshore's Supply Chain Charter (see section 2.10 Supply Chain).
- Business development teams implemented an approach to engage with clients and/or partners to optimize field development and field economics for clients.
- Sustainable end-of-life solutions have been adopted and a publication issued on SBM Offshore's Vessel Recycling Policy.
- A Product Line to develop Gas related business includes the Company's mid-scale LNG FPSO concept. (see section 2.9 Technology).

Sustainability reporting and benchmarking

- SBM Offshore commits to reporting its sustainability performance against the Global Reporting Initiative G4 core standard in a transparent manner and reports on indicators for its sustainability policies, which reflect all the material topics (see section 6.1 Scope of Non-Financial Information).
- SBM Offshore's sustainability performance continues to improve and it has been included in the Dow Jones Sustainability Index World (DJSI) for the seventh consecutive year, with the mention of Industry Leader[20] for 2016.
- Other external institutes like the Carbon Disclosure Project (CDP), De Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO) and the Transparantie Benchmark of the Ministry of Economic Affairs of the Netherlands, have also rated the Company providing it with useful feedback on its performance.
- The following sustainability indices have included SBM Offshore: Euronext Vigeo index, Ethibel Sustainability Index (ESI) and Excellence Europe.

Ranking of SBM Offshore in Sustainability Benchmarks

	2016	2015	Maximum Score	Ranking
Carbon Disclosure Project (CDP)	C	E	A+	n/a
Dow Jones Sustainability Index	81	73	100	1
Transparantie Benchmark of the Ministry of Economic Affairs of the Netherlands	171	167	200	51

FUTURE

In 2016, SBM Offshore addressed two new sustainability issues, the Paris Climate Change Agreement and the Sustainable Development Goals explained below.

Paris Climate Change Agreement

Countries have adopted a new sustainable development agenda and global agreement on climate change. SBM Offshore recognizes the

20 Industry Leader for the OIE Energy Equipment & Services

importance of both initiatives and has taken or is taking steps to integrate these into its strategy and sustainability objectives.

The Paris Agreement on climate change marks a critical turning point toward a zero-carbon and resilient world. The objectives to reduce global warming to two degrees Celsius will affect SBM Offshore's business model over time. The Company has embedded the potential effects of climate change into its strategy.

Sustainable Development Goals

On September 25, 2015, countries adopted The United Nations Sustainable Development Goals (SDG) to end poverty, protect the planet and to ensure prosperity for all, as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. SBM Offshore recognizes the SDG's clear goals in the Company's long-term Sustainability strategy and its License to Grow.

Over 2017 new objectives will be set as part of the Sustainability Framework to reflect the opportunities arising from impact of Climate Change and the SDGs.

CHAPTER 3
GOVERNANCE

SBM Offshore's Thunder Hawk DeepDraft™ Semi was installed and started production for Murphy Oil in the Gulf of Mexico in July 2009 under a Production Handling Agreement (PHA). In 2014 SBM Offshore signed a PHA with Noble Energy to tie-back the Big Bend and Dantzler fields to Thunder Hawk. The additional tie-backs illustrate the strategic value of the platform to SBM Offshore, while offering the industry a cost effective development solution for the Gulf of Mexico. The Thunder Hawk offers numerous advantages for deepwater, subsea developments including reduced development capital, lower operating costs, an accelerated development schedule.

THUNDER HAWK SEMI-SUB HUB BEGINS PRODUCING IN THE GULF OF MEXICO (USA)

2009

EXPERIENCE MATTERS

3.1 MANAGEMENT BOARD

B.Y.R. Chabas
(Swiss and French, 1964)
Chief Executive Officer

Bruno Chabas joined SBM Offshore as Chief Operating Officer and Member of the Management Board in May 2011 and became CEO in January 2012. Prior to joining, he worked for 18 years with Acergy S.A. (now Subsea 7 SA). From November 2002 until January 2011, he served as the Chief Operating Officer of Acergy S.A., responsible for all the day-to-day commercial and operational activity worldwide. From June 1999 through October 2002, he served as Chief Financial Officer. Between 1992 and 2002, Mr. Chabas held various management positions within preceding companies in the United Kingdom, France and the United States. He has been an Independent Non-Executive Director of FORACO International S.A. since August 2007 and holds an MBA from Babson College, Massachusetts. During an Extraordinary General Meeting on November 4, 2015, Bruno Chabas was reappointed as Management Board member for a second term of four years until the Annual General Meeting of 2020. The Supervisory Board has designated him CEO for this new term.

P. Barril
(French, 1964)
Chief Operating Officer

Philippe Barril joined the Company in March 2015 and was appointed member of the Management Board and Chief Operating Officer at the AGM in April 2015 for a first term of four years until the General Meeting in 2019. He is a Graduate Engineer of the Ecole Centrale de Lyon (1988) and started his career with Bouygues Offshore as an engineer, moving into project management, subsidiary manager in Angola, Business Unit Angola-Congo, Business Unit Manager Nigeria and Vice President Sub-Saharan Africa and Offshore. In 2002, he moved to Technip as CEO Africa and Mediterranean. Then, he spent 2006 working for Single Buoy Moorings, a subsidiary of SBM Offshore N.V., as Gas Sales Manager. Mr. Barril was then appointed Managing Director of Entrepose Contracting from 2007 to 2009. In 2009, he moved back to Technip, working in a number of senior executive positions and was appointed President and Chief Operating Officer in January 2014. Since March 2016, Philippe Barril is a non-executive director at DeepOcean Group Holding B.V. He is also a member of the International Council of Advisors to the Cyprus Presidency.

E. Lagendijk
(Dutch, 1960)
Chief Governance and Compliance Officer

Erik Lagendijk joined the Company in January 2015 and was appointed a member of the Management Board and Chief Governance and Compliance Officer at the AGM in April 2015 for a first term of four years until the General Meeting in 2019. He studied law at the University of Amsterdam (1988) and completed the Executive Development program at IMD Lausanne in 1999. He attended the Foundations of Finance program at the Amsterdam Institute of Finance in 2002 and an Executive Development program at the IESE in Barcelona in 2013. Mr. Lagendijk spent his career in the financial services industry. He worked for ING Bank in both banking and legal roles. In 2000 he joined AEGON N.V. as the Group General Counsel.

D.H.M. Wood
(British, 1971)
Chief Financial Officer

Douglas Wood joined SBM Offshore as Group Financial Director in October 2016. During the Company's Extraordinary General Meeting (EGM) on November 30, 2016 he was appointed as a member of the Management Board for a four-year term of office, expiring at the Annual General Meeting of 2021, and took over the role of CFO. Prior to joining SBM Offshore, Mr. Wood worked for Shell for 23 years in various financial management positions, most recently as CFO and Director of Showa Shell Sekiyu K.K. in Japan. His other roles included Head of Business Performance Reporting & Financial Planning (for Shell Exploration & Production) and Vice President Finance & Planning Exploration (Shell Upstream International). Mr. Wood is a Fellow of the Chartered Institute of Management Accountants since 2006 and in 1993 obtained a degree in Classics at Oxford University.

3.2 SUPERVISORY BOARD

F.J.G.M. Cremers (Chairman)
(Dutch, 1952)
Function: Chairman

Committees:
- Member of the Technical & Commercial Committee
- Chairman of the Appointment & Remuneration Committee dealing with selection and appointment matters
- Member of the Appointment and Remuneration Committee dealing with remuneration matters
  - First appointment: 2010
  - Reappointment: 2014
  - Current term of office: 2014 – 2018
- Former CFO of Shell Expro UK and former CFO and member of the Board of Management of VNU N.V.

Other Mandates:
- Member of the Supervisory Board of Vopak N.V.
- Chairman of the Supervisory Board of Wolters Kluwer N.V. (proposed)
- Member of the Capital Markets Committee of the AFM
- Member of the Board of Stichting Preferente Aandelen Heijmans
- Member of the Board of Stichting Preferente Aandelen Philips

T.M.E. Ehret (Vice-Chairman)
(French, 1952)
Function: Vice Chairman

Committees:
- Chairman of the Technical & Commercial Committee
  - First appointment: 2008
  - Reappointment: 2012
  - Current term of office: 2016 – 2020
- Former President and Chief Executive Officer of Acergy S.A.

Other Mandates:
- Non-Executive Director of Comex S.A.
- Non-Executive Director of Green Holdings Corporation
- Non-Executive Director of ISMKomix Ltd.
- Member of the Supervisory Board of Huisman Equipment B.V.
- Non-Executive Director of Seatrucks Group Ltd

L.A. Armstrong
(British, 1950)
Function: member

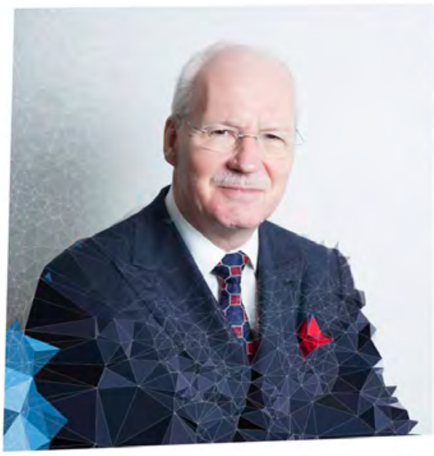
Committees:
- Member of the Technical and Commercial Committee
- Member of the Appointment & Remuneration Committee
  - First appointment: 2014
  - Current term of office: 2014 – 2018
- Former Technical Vice President for Shell International
- Former Exploration Director of Petroleum Development Oman
- Former Director Shell UK Exploration

Other Mandates:
- Non-Executive Director of KAZ Minerals PLC
- Chairperson of the Trustees of the British Safety Council
- Non-Executive Director of DONG Energy
- Non-Executive Director of CEOC Ltd.

F.G.H. Deckers
(Dutch, 1950)
Function: member

Committees:
- Chairman of the Appointment and Remuneration Committee dealing with remuneration matters
- Member of the Appointment and Remuneration Committee dealing with selection and appointment matters
- Member of the Audit Committee
  - First appointment: 2008
  - Reappointment: 2012
  - Current term of office: 2016 – 2020
- Former CEO of F. Van Lanschot Bankiers N.V.

Other Mandates:
- Chairman of the Supervisory Board of Deloitte Nederland B.V.
- Member of the Supervisory Board of Arklow Shipping (Ireland) and of Arklow Shipping Nederland B.V
- Senior Advisor to Apollo Management International
- Member of the Supervisory Board of Vlerick Business School and of Vlerick Research, Belgium
- Member of the foundation board of Stichting Administratiekantoor Professor Vlerick
- Member of the foundation board of the Stichting Amici Almae Matris (related to Leuven University)
- Chairman of the Supervisory Board of Springpaarden Fonds Nederland B.V.
- Advisor to F. Van Lanschot Bankiers N.V.



F.R. Gugen

(British, 1949)

Function: member

Committees:

- Chairman of the Audit Committee
  - First appointment: 2010
  - Reappointment: 2014
  - Current term of office: 2014 – 2018
- Former Chief Executive of Amerada Hess Corporation in Europe and former Finance Director of Amerada Hess

Other Mandates:

- Chairman of the Board of IGas Energy PLC
- Chairman of Chrysaor Limited
- Chairman of Fraudscreen Limited
- Chairman of Raft
- Director of Smart Matrix Limited
- Director of POWERful women

S. Hepkema

(Dutch, 1953)

Function: member

Committees:

- Member of the Audit Committee
  - First appointment: 2015
  - Current term of office: 2015 – 2019
- Former senior partner at Allen & Overy and former member of the Management Board and Chief Governance and Compliance Officer of SBM Offshore N.V.

Other Mandates:

- Chairman of the Supervisory Board of Wavin N.V.
- Chairman of the Nationale Stichting de Nieuwe Kerk
- Member of the Dutch Monitoring Committee Corporate Governance Code

L.B.L.E. Mulliez
(French, 1966)
Function: member

Committees:
- Member of the Technical & Commercial Committee'
  - First appointment: 2015
  - Current term of office: 2015 – 2019
- A former CEO of Eoxis (U.K.)

Other Mandates:
- Chairperson of the Board of Voltalia
- Non-Executive director of Aperam
- Non-Executive director of Green Investment Bank
- Non-Executive Director for Morgan Advanced Materials PLC

C.D. Richard
(American, 1956)
Function: member

Committees:
- Committee: member of the Appointment & Remuneration Committee
  - First appointment: 2015
  - Current term of office: 2015 – 2019
- Former Vice President Human Resources for Chevron Phillips Chemical Company and former Senior Vice President of Transocean

Other Mandates:
- Executive Professor at Texas A&M University

3.3 REPORT OF THE SUPERVISORY BOARD

Message from the Chairman of the Supervisory Board

Dear Shareholders,

As Chairman of the Supervisory Board of SBM Offshore, I am pleased to present you this Report of the Supervisory Board for 2016. Before reporting on the activities of the Supervisory Board in 2016, I would like to take the opportunity to highlight four matters of special importance for SBM Offshore.

Market and Oil price
After the sharp decline of the oil price in 2015 and a lack of new projects in the oil and gas industry, the industry's difficulties continued throughout 2016. After cost reductions in 2015, the Company was forced to take even more rigorous measures to manage its cost structure and resources. In 2016, the Supervisory Board paid specific attention to the effect of the cost savings on the organization, whilst at the same time maintaining core competencies. The Company's guiding principles of 'optimize, transform and innovate' were applied when looking at new ways of working in the industry. In this respect, the Supervisory Board is pleased with the development of the Fast4Ward multi-purpose floater concept as one example of the Management Board's focus to prepare SBM Offshore in the best way possible for the future.

Operational and Commercial events
During 2016, SBM Offshore successfully completed no less than three FPSO projects, all awarded in the year 2013. FPSO *Cidade de Marica* and FPSO *Cidade de Saquarema* went into production in Brazil and FPSO *Turritella* in the Gulf of Mexico. Whilst the oil industry continued to suffer from the low oil price, the Company was awarded new contracts related to FPSO activity. In January 2016, Premier Oil plc awarded the Company the Front-End Engineering and Design (FEED) contract for an FPSO for Phase 1 of its Sea Lion development in the North Falkland Basin. And in December 2016, Exxon Mobil awarded the FEED and Engineering, Procurement and Construction contract for their Liza Project in Guyana. The development of this project is subject to client's final investment decision. In the area of new business developments, in November 2016 it was announced that EDF Energies Nouvelles will construct a pilot floating wind farm offshore France for which SBM Offshore's floating systems solution will be deployed.

Brazil
In 2016, SBM Offshore progressed in its efforts to close legacy matters. On July 16, 2016, SBM Offshore announced that the Company signed a settlement agreement with various authorities in Brazil and with Petrobras. This Settlement Agreement is subject to approval of the Fifth Chamber for Coordination and Review and Anti-Corruption of the Federal Prosecutor Service. The settlement will additionally be sent to the Federal Court of Accounts. As disclosed by the Company earlier, the Settlement Agreement was not approved by the Fifth Chamber and is currently therefore not in its final form. The Supervisory Board has discussed and continues to discuss this matter frequently. In the press releases of January 25, 2016, it was announced that Mr. Chabas and Mr. Hepkema accepted the Public Prosecutor's proposal for an out-of-court settlement, on a no admission of guilt basis, of the allegations made against them on December 17, 2015. The settlement was confirmed by the judge handling the case on April 4, 2016. The Supervisory Board affirmed its earlier statement of support of Messrs. Chabas and Hepkema and was satisfied that the allegations were settled in a relatively short period of time.

Shareholder Resolutions
In April 2016, Shareholders voted in favor of a proposed US$ 0.21 per ordinary share all cash dividend distribution. After the delegation of the authority to repurchase shares by the General Meeting, SBM Offshore announced in August 2016 a share repurchase program up to EUR 150 million. This repurchase program was completed in December 2016. At the AGM of April 6, 2016, two Supervisory Board members, Mr. Deckers and Mr. Ehret, were reappointed for a third term of four years. And at the EGM of November 30, 2016 Mr. Van Rossum retired as CFO and Management Board member. The Supervisory Board thanked Mr. Van Rossum for his leadership and excellent contribution since July 2012 in a period of recurring turmoil for SBM Offshore. During the same meeting, Mr. Van Rossum's successor Mr. Wood was appointed for a first period of four years. For further details about the activities of the Supervisory Board and its committees, I refer to the next sections of this chapter.

F.J.G.M. Cremers
Chairman of the Supervisory Board

ACTIVITIES OF THE SUPERVISORY BOARD

MEETINGS

In 2016, the Supervisory Board held five regular meetings according to the pre-set schedule (in February, April, August, November and December). One Supervisory Board member could not attend the August meeting. During all other meetings the Supervisory Board was complete. In addition to the regular meetings, three extra meetings were held in 2016 (one in January and two in May). These meetings were attended by all Supervisory Board members, sometimes by telephone. The purpose of these extra meetings was to provide updates on the developments in Brazil and on the performance in the first quarter.

The Management Board prepared detailed supporting documents as preparation for these meetings. The pre-set regular meetings lasted approximately five hours. These meetings were spread over two days, starting on the first day with the meetings of the Audit Committee, the Appointment and Remuneration Committee and the Technical and Commercial Committee. The Company Secretary is also the secretary of the Supervisory Board and its sub-committees.

The Management Board and the Company Secretary attended all meetings of the Supervisory Board. Prior to each of the regular Supervisory Board meetings, an informal pre-board dinner was held in the presence of the Management Board. The pre-meetings aim at enhancing the effectiveness of the Supervisory Board meeting. At the end of each Supervisory Board meeting, a meeting outside the presence of the Management Board was held.

Standard items on the agenda of Supervisory Board meetings were updates from each of the Management Board members including the following topics:

- Health, Safety, Security and Environment
- Operational performance
- Financial performance
- Updates on various topics related to compliance matters and the negotiations with the Brazilian authorities
- Risk and Opportunity reporting
- Market environment and commercial activities
- Strategic initiatives

More specifically, in 2016, amongst other items, the following was discussed in the Supervisory Board meetings:

- In February 2016, the Supervisory Board discussed and approved the Annual Financial statements 2015. The Supervisory Board approved the proposal to the General Meeting of an all cash dividend distribution. In that same meeting, the Operating Plan 2016 was approved in its final form.
- Updates related to a potential initial public offering of a Master Limited Partnership (MLP). It was decided to delay further preparation of the MLP due the difficult market environment.
- In April 2016, the Supervisory Board discussed the IT strategy and prepared for the General Meeting during which Mr. Van Rossum (CFO) was reappointed and Mr. Deckers and Mr. Ehret were reappointed as Supervisory Board members.
- In August 2016, the Half Year Financial Statements 2016 were approved. In addition, commercial activities and tender preparations were on the agenda as well as a strategic analysis as a result to the changing market circumstances, in particular the low oil price. Also in August 2016, the Supervisory Board approved the share repurchase program.
- In the November 2016 meeting, the Supervisory Board discussed the Q3 2016 Trading Update. In addition, a report regarding the benefits of the

process improvement program Odyssey24 was presented. In this meeting, the Supervisory Board also discussed succession planning of the Management Board and senior management of the Company.
- In the December meeting of 2016, the Strategy Plan 2017-2019 was discussed and approved. During this meeting, the Supervisory Board also discussed extensively the design and effectiveness of the internal risk management systems. The Supervisory Board annually discusses the Company's Risk Appetite statement.
- Finally, during each Supervisory Board meeting the three committees provided feedback of their meetings and made recommendations for decisions by the Supervisory Board.

THE SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee convened six times in 2016 (February, March, April, August, November and December). During the August meeting, one member could not attend. All other Audit Committee meetings were attended by all members. In March, the Audit Committee held an extra meeting by telephone to discuss the preparation of the Half Year Reporting process. The Management Board, the Group Internal Audit Manager, the Group Controller, the Group Corporate Finance Director and the External Auditor attended the meetings. Depending on the agenda, other Directors joined the meetings too. After each regular Audit Committee meeting, private meetings of the Audit Committee with the External Auditor outside the presence of the Management Board were held. The Chairman of the Audit Committee held regular meetings with SBM Offshore's Internal Audit Director.

Besides the standard agenda, topics such as reports on Financial Performance, Compliance, Risk, Litigation and Internal Audit activities, the following was discussed in 2016:

- Funding, covenants and liquidity
- The dividend proposal and the repurchase program
- Review of payments to agents
- PwC's audit plan, management letter and board report
- The implementation of a new consolidation tool
- The preparations for a Master Limited Partnership
- The Group's tax structure, tax planning and transfer pricing policies
- IT and Cyber security

APPOINTMENT AND REMUNERATION COMMITTEE

The Appointment and Remuneration Committee met six times in 2016 (February, April, August, September, November and December). The Appointment and Remuneration Committee consists of two parts as prescribed by the Corporate Governance Code: a part for Selection and Appointment matters and a part for Remuneration matters. During the Supervisory Board meetings, the respective Chairmen reported on the selection and appointment matters and on the remuneration matters reviewed by the Committee, on actions arising and the follow-up of such actions. They made recommendations on those matters that require a decision from the Supervisory Board. The meetings were attended by the Management Board and the Group HR Director, except where the Appointment and Remuneration Committee chose to discuss matters in private. At various times, the members of the Appointment and Remuneration Committee met outside of formal meetings in preparation of the regular meetings.

The main subjects discussed by the Appointment and Remuneration Committee besides the standard topics were the following:

Remuneration matters

- Determination of the relevant Short-Term and Long-Term Incentive setting and realization in accordance with the applicable Remuneration Policy
- Share based incentives for senior management
- Supervisory Board Remuneration

Selection and Appointment

- Succession planning of the Supervisory Board and proposal for reappointment of Mr. Deckers and Mr. Ehret as members of the Supervisory Board as resolved by the AGM of April 6, 2016
- The proposal for reappointment of Mr. van Rossum (CFO) as members of the Management Board as resolved by the AGM of April 6, 2016 and the selection and nomination of Mr. Wood as new Management Board member and CFO, who was appointed during the EGM on November 30, 2016
- An overview of succession candidates for critical senior management positions
- The Company's organization and rightsizing actions presented by the Management Board

TECHNICAL AND COMMERCIAL COMMITTEE

The Technical and Commercial Committee met four times in 2016 (February, April, August and November). The chairman of the Technical and Commercial Committee reported to the Supervisory Board on the principal issues discussed, on actions arising and the follow-up of such actions and made recommendations on those matters requiring a decision. The meetings were attended by the CEO, the COO, the Managing Director of the Product Line FPSO and the Managing Director for Operations. Other senior managers gave presentations on specific topics within the remit of the Technical and Commercial Committee.

The main subjects discussed by the Technical and Commercial Committee were the following:
- Health, Safety, Security and Environment performance
- Project Delivery
- Operational performance and strategy
- Commercial prospects and the international competitive environment
- Technology developments
- Progress on Fast4Ward project
- Risk assessment of new projects

PERFORMANCE EVALUATION OF THE SUPERVISORY BOARD

In November 2016, the Supervisory Board assessed its performance in 2016 on the basis of a questionnaire that was completed by all Supervisory Board and Management Board members. An executive evaluation meeting was held in December 2016. The conclusions and actions deriving from this review were noted and are being implemented. In its self-evaluation meeting, the Supervisory Board focused amongst other things on its own role with regard to strategy development of the Company.

Composition of the Committees of the Supervisory Board

	Audit Committee	Technical & Commercial Committee	Appointment & Remuneration Committee	
Members			Appointment matters	Remuneration matters
F.J.G.M. Cremers (Chairman)		√	Chairman	√
T.M.E. Ehret (Vice-Chairman)		Chairman		
L.A. Armstrong		√	√	√
F.G.H. Deckers	√		√	Chairman
F.R. Gugen	Chairman			
S. Hepkema	√			
L.B.L.E. Mulliez		√		
C.D Richard			√	√

CONCLUSION

The Financial Statements have been audited by the external auditors, PricewaterhouseCoopers Accountants N.V. Their findings have been discussed with the Audit Committee and the Supervisory Board in the presence of the Management Board. The External Auditors have expressed an unqualified opinion on the Financial Statements.

The Supervisory Directors have signed the 2016 Financial Statements pursuant to their statutory obligations under article 2:101 (2) of the Dutch Civil Code.

The members of the Management Board have signed the 2016 financial statements pursuant to their statutory obligations under article 2:101(2) of the Dutch Civil Code and article 5:25c (2) (c) of the Financial Market Supervision Act.

The Supervisory Board of SBM Offshore N.V. recommends that the Annual General Meeting of Shareholders adopts the Annual Report 2016 incorporating the Financial Statements for the year 2016.

Supervisory Board

F.J.G.M. Cremers, Chairman
T.M.E. Ehret, Vice-Chairman
L.A. Armstrong
F.G.H. Deckers
F.R. Gugen
S. Hepkema
L.B.L.E. Mulliez
C.D. Richard

Schiphol, the Netherlands
February 8, 2017

3.4 REMUNERATION REPORT

This report consists of three parts. The first part 3.4.1, describes the remuneration policy for the Management Board. The second part 3.4.2 provides insight into the actual remuneration paid and awarded to the Management Board members over 2016. Details on the fee structure for the Supervisory Board members are set out in the third part 3.4.3.

Letter from the Chairman of the Remuneration Committee

Dear Shareholders,

The year 2016 presented significant challenges for the Oil and Gas services sector due to the low oil price environment. The Management Board focused on cost management while also continuously looking for ways to deliver more value to our customers. Staffing levels were reduced from just over 6,300 at the beginning of the year to around 4,200 by year end. The Management Board voluntarily proposed a 10% reduction of base pay for a period of 12 months starting per September 2016 as well as a 50% reduction to any 2016 Short-Term Incentive awards. The 50% reduction on the Short-Term Incentive has also been applied to the rest of the organization.

SBM Offshore continues to maintain its core capabilities allowing us to benefit quickly from any improvement in the FPSO market. Our strong balance sheet, positive cash flow, the share re-purchase program and the dividend are hallmarks of financial strength that underscore our pre-eminent position in our industry. The award of the FEED contract for the Liza by ExxonMobil and possible subsequent construct, install and operate contracts, at the very end of 2016, appears a vindication of this policy.

The activities of SBM Offshore are linked to the global oil and gas industry. Consequently, our remuneration policies and practices must be competitive with both European and U.S. practices. The Supervisory Board remains committed to being an attractive employer through all market cycles, including the challenges the industry has faced recently and continues to face.

The SBM Offshore Management Board Remuneration Policy 2015 ('RP 2015') was approved by the General Meeting of Shareholders on April 17, 2014, became effective as of January 1, 2015 and governs all remuneration elements in 2016 with exception of the LTI awards 2014-2016 that vested in 2016. These LTI awards are still governed by the previous Remuneration Policy ('RP2011aa').

In 2017, the Remuneration Policy 2015 will continue to apply. A new remuneration policy will be proposed for shareholder approval at the 2018 AGM (April 11, 2018), applicable as of January 1, 2018.

There were no changes in 2016 to the fee structure of the Supervisory Board.

Management Board target setting for 2017 for short-term and long-term incentives will continue to focus on the Company's financial standing, the final solution of remaining legacy problems and securing new contracts in order to ensure long-term wealth creation.

The Supervisory Board remains committed to transparent and clear remuneration and meeting or exceeding the standardized reporting requirements and recommendations defined in the Shareholders' Rights Directive proposed by the European Commission and the Dutch Corporate Governance Code. I look forward to discussing the remuneration policy, actual remuneration as well as any other questions arising from this report, at the Annual General Meeting on April 13, 2017.

Floris Deckers

Chairman of the Appointment and Remuneration Committee dealing with Remuneration Matters

3.4.1 MANAGEMENT BOARD REMUNERATION POLICY

The Supervisory Board aims at remunerating members of the Management Board in a competitive, flexible and predictable manner. In order to achieve this and to ensure remuneration within SBM Offshore contributes to long-term value creation, a remuneration policy is in place. The current version of the remuneration policy (called RP2015[21]) has been effective as per January 1, 2015, after approval by the Annual General Meeting.

In order to support the Supervisory Board in its responsibilities an Appointment and Remuneration Committee (hereafter A&RC) is in place. The A&RC advises the Supervisory Board regarding remuneration matters and proposes resolutions within the framework of the remuneration policy.

The Remuneration Policy 2015 aims at driving the right behavior and consists of four components: (1) Base Salary, (2) Short-Term Incentive, (3) Long-Term Incentive and (4) Pension and benefits. These components are explained below.

1. BASE SALARY

The Supervisory Board wants base salary levels for Management Board members to reflect the extent of their day-to-day responsibilities and to reward them in their effort in meeting these responsibilities in a competitive manner.

In order to determine a competitive base salary level, the Supervisory Board compares base salary levels of the Management Board with relevant companies in the industry but has also indicated that SBM Offshore does not want to be part of the 25% highest rewarding companies on base salary in the relevant market. The Supervisory Board uses the reference group of relevant companies in the industry (hereafter the Pay Peer Group) not only to determine base salary levels but also for monitoring total remuneration levels of the Management Board. Base salaries of the Management Board members and the Pay Peer Group are reviewed annually.

[21] Further details on these principles and rationale for Remuneration Policy 2015 are available for review in the 2014 Annual General Meeting section on SBM Offshore's website.

Reference: Pay Peer Group

The Pay Peer Group consists of a group of companies that reflect the competitive environment for executive talent in which SBM Offshore operates. The companies in the Pay Peer Group are comparable to SBM Offshore in size (revenue and market capitalization), industry (global oil and gas services companies) and in terms of complexity, data transparency and geography. The Pay Peer Group may be changed by the Supervisory Board to reflect a change in the business or strategy. Any changes deemed to have a material impact on remuneration levels will be submitted to the Annual General Meeting for approval.

Two of the companies on the initial list of companies, Amec and Foster Wheeler, have merged and therefore have been replaced by the merged entity Amec Foster. In addition, the Dresser-Rand Group has delisted and has therefore been removed. In 2016, the Supervisory Board concluded that no new additions to the Pay Peer Group are needed. 50% of the Peer Group companies are listed in the U.S. since a large part of the offshore oil and gas services market is concentrated in the U.S.

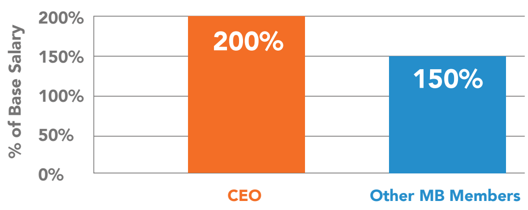
Current Pay Peer Group

- Amec Foster
- Ensco
- FMC Technologies
- Fugro N.V.
- McDermott International
- Noble Corp.
- Oceaneering International
- Petrofac LTD
- Petroleum Geo Services
- Wood Group PLC

2. SHORT-TERM INCENTIVE

The Supervisory Board uses the Short-Term Incentive (STI) to reward the Management Board for delivering the Company's short-term objectives, as derived from the long term strategy, for a specific year. The following graph shows the maximum STI value that can be attained.

Maximum STI to be attained

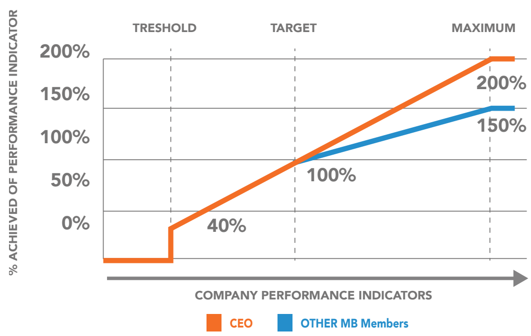


In order to reach these maximum values, the Management Board must need to achieve multiple objectives as displayed in the following figure :

The Company Performance Indicators (1) and Personal Performance Indicators (2) together have a relative weight of 100%. The Corporate Social Responsibility & Quality Multiplier can cause a 10% in- or decrease of the total STI value based on safety and quality performance in combination with SBM Offshore's Dow Jones Sustainability Index score. In case 100% of the Company and Individual Performance Indicators have been realized, the multiplier will not provide any additional uplift.

At the beginning of each year, the Supervisory Board, at the recommendation of the A&RC, sets the performance indicators and their respective weighting. The chosen performance indicators are based on the Company's operating plan. For each Company Performance Indicator a scenario analysis is performed to determine a threshold, target and maximum level considering market and investor expectations as well as the economic environment. The 'Achievement Range for Company Performance Indicators' graph displays the actual range application for Company Performance Indicators.

Achievement range for Company Performance Indicators



The details around selected Company Performance Indicators and their weightings are deemed commercially sensitive and are therefore unfit for predisclosure. However, SBM Offshore does disclose the selected Performance Indicators applied over the previous year in the Remuneration Report at the end of each performance year. As such, the Company Performance Indicators applicable in 2016 are mentioned in section 3.4.2 of this report.

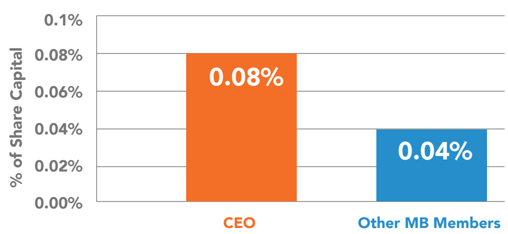
At the end of the year, the A&RC reviews the performance of the Management Board members compared on the chosen Performance Indicators and makes a recommendation to the Supervisory Board to determine the STI pay-out level. The STI is payable in cash after the publication of the annual financial results for the performance year.

3. LONG-TERM INCENTIVE

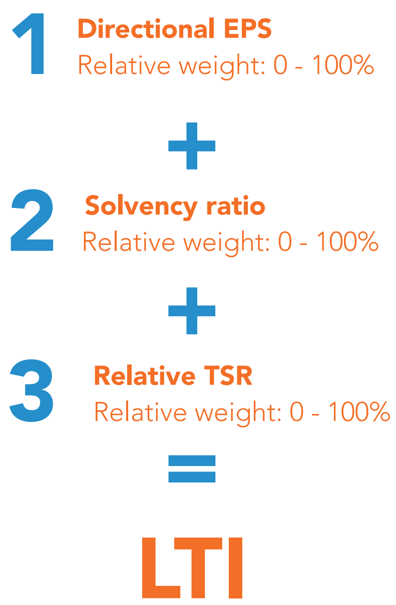
The Supervisory Board uses the Long-Term Incentive (LTI) as a retention instrument and to reward the Management Board for delivering the Company's long-term objectives over a three year period, as derived from the Company's strategy, and as such their contribution to long-term value creation.

The maximum LTI value is determined by the number of shares that can be attained by the Management Board. Each year, on a conditional basis, shares of Company stock (so-called restricted share units) are granted to Management Board members. A share pool of 1% of the Company's share capital (as of year-end prior to the performance period) is available for share based awards for all staff including the Management Board. The Supervisory Board, upon recommendation of the A&RC, determines the proportion of the share pool that shall be available to the Management Board. The current proportion is 20% of which 40% is reserved for the CEO and 20% for each remaining Management Board Member. The graph below shows the maximum LTI value that can be attained.

Maximum LTI to be Attained



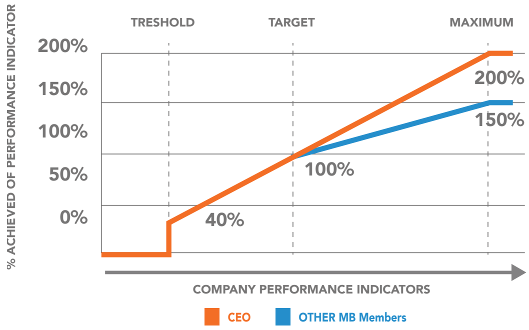
In order to reach these maximum values, the Management Board needs to achieve multiple objectives as are displayed in the following figure.



At the beginning of each year, the Supervisory Board, at the recommendation of the A&RC, chooses one or more of the three performance indicators and determines their respective weighting. For each performance indicator a scenario analysis is performed to determine threshold, target and maximum levels considering market and investor expectations as well as the economic environment.

The following graph displays the actual range application for the performance indicators. This process (i.e the linear approach between threshold, target and maximum) is equal to the STI approach.

Achievement Range for LTI Performance Indicators



After the end of each year, the Supervisory Board, at recommendation of the A&RC, assesses the extent to which the chosen LTI Performance Indicators have been met and decides upon the number of shares that will vest. These shares vest after publication of the annual results.

The vested LTI shares are restricted for an additional two years following the vesting date with the exception of those shares that are sold to satisfy taxes levied on the value of the vested LTI shares.

4. PENSION

The Management Board members are responsible to create their own pension arrangements. In order to facilitate this, they receive a pension allowance equal to 25% of their Base Salary. This approach also applies to employees working in the headquarters in the Netherlands. SBM Offshore has chosen not to offer a (global) companywide pension scheme to its employees due to the strong international character of the Company and the fact that pensions are highly regulated by local legislation.

OTHER KEY ELEMENTS OF THE MANAGEMENT BOARD REMUNERATION AND EMPLOYMENT AGREEMENTS

Adjustment of remuneration and clawback

The service contracts of the Management Board members contain an adjustment clause giving discretionary authority to the Supervisory Board to adjust upwards or downwards the payment of any variable remuneration component that has been conditionally awarded, if a lack of adjustment would produce an unfair or unintended result as a consequence of extraordinary circumstances during the period in which the performance criteria have been or should have been achieved. In addition, a claw-back provision is included in the service contracts enabling the Company to recover variable remuneration components on account of incorrect financial data. The provisions of the Dutch regulations on the revision and claw-back of variable remuneration and its provisions related to change of control arrangements apply. Under the claw-back provisions, STI and LTI awards can be clawed back at the discretion of the Supervisory Board, upon recommendation of the A&RC in the event of a misstatement of the results of the Company or an error in determining the extent to which performance indicators were met.

Severance Arrangements

The Supervisory Board, upon recommendation of the A&RC will determine the appropriate severance payment provided it will not exceed a sum equivalent to one times annual base salary, or if this is manifestly unreasonable in the case of dismissal during the first appointment term, two times the annual base salary. For each Management Board member, the appropriate level of severance payment is assessed in relation to remuneration entitlements in previous roles. As a result, the severance payment in case of termination is set within the boundaries of the Dutch Corporate Governance Code.

In principle, in the case of early retirement, end of contract, disability or death, any unvested LTI shares vest pro-rata, with discretion for the Supervisory Board, to increase or decrease the final number of LTI shares vesting up to the maximum opportunity. In the case of resignation or dismissal, any unvested

LTI shares will be forfeited unless the Supervisory Board determines otherwise.

Share Ownership Requirement

Each Management Board member must build-up a specific percentage of base salary in share value in SBM Offshore. For the CEO this level is set at an equivalent of 300% of base salary and for the other Management Board members, the level is set at 200%. The Management Board must retain vested shares in order to acquire the determined shareholding level. An exception is made in case Management Board members wish to sell shares to satisfy tax obligations in relation to LTI shares. Unvested shares do not count towards the requirement.

Loans

SBM Offshore does not provide loans or advances to Management Board members and does not issue guarantees to the benefit of Management Board members.

Expenses and Allowances

The Management Board members are entitled to a defined set of emoluments and benefits. A general benefit in this area is the provision of a company car allowance. Other benefits depend on the personal situation of the relevant Management Board members and may include medical and life insurance and a housing allowance.

3.4.2 MANAGEMENT BOARD REMUNERATION IN 2016

The Management Board remuneration in 2016 was governed by the Remuneration Policy 2015 with exception of the 2014-2016 LTI awards. These conditional LTI shares were granted in 2014 and are governed by the applicable remuneration policy at that time (Remuneration Policy 2011aa, which addressed the challenges of the turnaround period of the Company).

The actual remuneration over 2016[22] (see below) is set out below in four sections, namely 1. Base Salary, 2. Short-Term Incentive, 3. Long-Term Incentive and 4. Pension.

22 SBM Offshore pays remuneration and benefits to the Management Board members in euros. For that reason, this report only mentions euros. Further information regarding the Management Board members' remuneration can be found in note 5.3.6 to the consolidated annual financial statements. In line with SBM Offshore's overall financial reporting, the remuneration elements described there are set out in US$.

Remuneration of the Management Board by member

	Bruno Chabas		Peter van Rossum		Douglas Wood		Philippe Barril		Erik Lagendijk		Total	
in thousands of EUR	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Base salary	773	800	537	522	110		532	459	396	410	2,349	2191
STI[1]	708	1,500	379	800	72		379	665	282	575	1,820	3540
LTI	1,247	1,614	705	671	93		618	323	447	180	3,109	2788
Pensions	245	223	151	130	28		138	115	102	102	664	570
Other	159	410	264	235	8		143	358	32	15	605	1,018
Total Remuneration	3,132	4,547	2,037	2,357	310		1,810	1,920	1,259	1,282	8,547	10,106
in thousands of US$	3,467	5,045	2,254	2,616	343		2,003	2,130	1,394	1,422	9,461	11,213

1 this represents the actual STI approved by the Supervisory Board which has been accrued over the calendar year, payment of which will be made in the following year.

1. BASE SALARY

The Supervisory Board decided that Base Salary levels would not change in 2016 compared to 2015. As such no indexation or other increases have taken place. However the Management Board itself has decided to temporarily reduce their Base Salary with 10% considering the difficult market circumstances and the reduction of the Company's

workforce. This decision is for the period of one year (12 month basis) and was implemented per September 2016. As such a (pro rata) decrease in Base Salary figures is visible in the 'Remuneration of the Management Board' table between 2015 and 2016.
On November 30, 2016, Mr. D.H.M. Wood was appointed as Management Board member and was designated Chief Financial Officer. The annual full year base salary of Mr. Wood in 2016 amounts to EUR 440.000. The voluntary 10% reduction on base salary is not applicable to Mr. Wood as an overall re-assessment of the CFO base salary was done at his appointment.

2. SHORT-TERM INCENTIVE

For 2016 the Supervisory Board decided that equal importance would be given to both the Company and Personal Performance Indicators.

Relative Weight STI performance indicators 2016

In order to create long-term value for SBM Offshore, the Supervisory Board decided that in 2016 special focus would be required on Net Debt and cost reduction given the difficult market circumstances and the ongoing internal restructuring. As such these two items were the Company Performance Indicators for 2016, both carrying a relative weight of 50% (i.e. 25% of total). A scenario analysis of the potential outcomes in relation to the STI was done by the A&RC and subsequently monitored throughout the year.

The Personal Performance Indicators for the Management Board members were related amongst others to aspects such as strategic workforce planning, compliance training and awareness and implementation of improvement plans.

With regard to the Company Performance Indicators, the Supervisory Board, at recommendation of the A&RC, assessed the delivered results for each performance indicator and has concluded that:

- The results related to the Net Debt Performance Indicator were realized between the set target and maximum values;
- The results related to the cost reduction Performance Indicator were realized at maximum values.

In summary, the Supervisory Board regards the performance under the Company indicators robust. With regard to the Personal Performance Indicators the Supervisory Board, again at recommendation of the A&RC, concluded that the Management Board members dealt with the difficult market circumstances in a capable manner. Examples that substantiate this conclusion are the fact that dividend was paid to shareholders for the first time in five years, a share repurchase program was successfully executed, SBM Offshore improved its risk management system for new projects and good progress was made on remaining legacy projects and the follow-up of Project Yme.

As for the CSR & Quality multiplier, the Supervisory Board assessed that the delivered performance as a whole is best reflected with a neutral outcome in the Short-Term Incentive value (i.e. no down or upward adjustment). The total performance resulted in a STI award of 177% of Base Salary for the CEO and 131%-138% for the other Management Board members.

Early in 2016 the Management Board decided that unadjusted STI outcomes would be undesirable, given the difficult market circumstances, the focus on cost reduction and the downsizing of the Company as a result of the internal re-structuring. As such the Management Board has decided to accept only 50% of their achieved STI percentages, resulting in a STI award of 89% of Base Salary for the CEO and 66%-69% for the other Management Board members.

3. LONG-TERM INCENTIVE

With regard to 2016 three LTI items are of importance, namely: the vesting of LTI granted in 2014 (which vested in 2016), the grant 2016 (which vests in 2018) and the level of share ownership at the end of the year.

LTI grant 2014

The 2014 LTI grant was governed by RP2011aa and contained three types of Performance Indicators which are displayed below:

1 **EPS Growth**
Relative weight: 0% - 100%

+

2 **Relative TSR**
Relative weight: 0% - 100%

+

3 **Special Incentive**
Relative weight: 0% - 100%

=

LTI

With regard to these Performance Indicators, the Supervisory Board, at recommendation of the A&RC, assessed the delivered results and has concluded that:

- The results related to the Relative TSR were realized between the set target and maximum values;
- The results related to the (published IFRS) EPS were realized at maximum values.

The LTI grant 2014 is the last grant in which the Supervisory Board shall apply the Special Incentive. This incentive was (temporarily) created to properly align management and shareholders' interests, where legacy projects and compliance enhancement are concerned. It basically provides the Supervisory Board with some flexibility to reward the Management Board members for long-term value creation within SBM Offshore that, they believe, has occurred but is not (yet) sufficiently reflected in the other (more financial orientated) Performance Indicators.

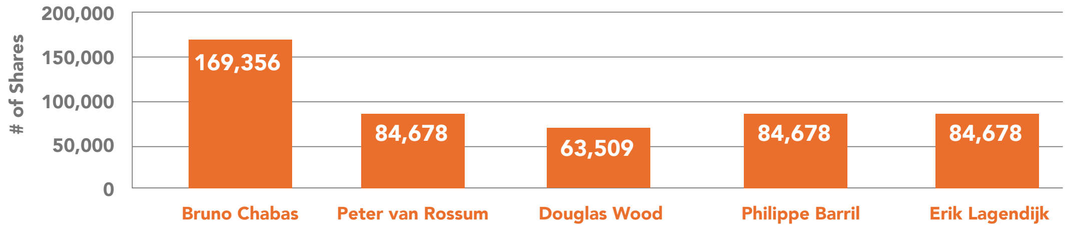
The Supervisory Board decided that the achieved results on both EPS growth and Relative TSR insufficiently reflected the value that the Management Board members added to SBM Offshore since 2014 with regard to the turn-around of Company. Therefore the Supervisory Board applied the Special Incentive in order to award maximum vesting of the LTI grant 2014. The 2014 LTI awards were granted to Mr. B. Chabas, Mr. S. Hepkema and Mr. P. van Rossum as Management Board members at that time.

LTI grant 2016

The 2016 LTI grant is governed by RP2015 and the chosen performance indicators and their relative weight will be disclosed in the annual report at the end of the three year performance period.

For the year 2016, the graph 'Maximum LTI Opportunity 2016-2018' displays the conditional (and maximum) share grants that were awarded to the members of the Management Board for the performance period 2016-2018. The number of shares that will actually vest depend on the actual performance against the set targets but will not exceed the maximum numbers displayed below.

Maximum LTI Opportunity 2016 - 2018

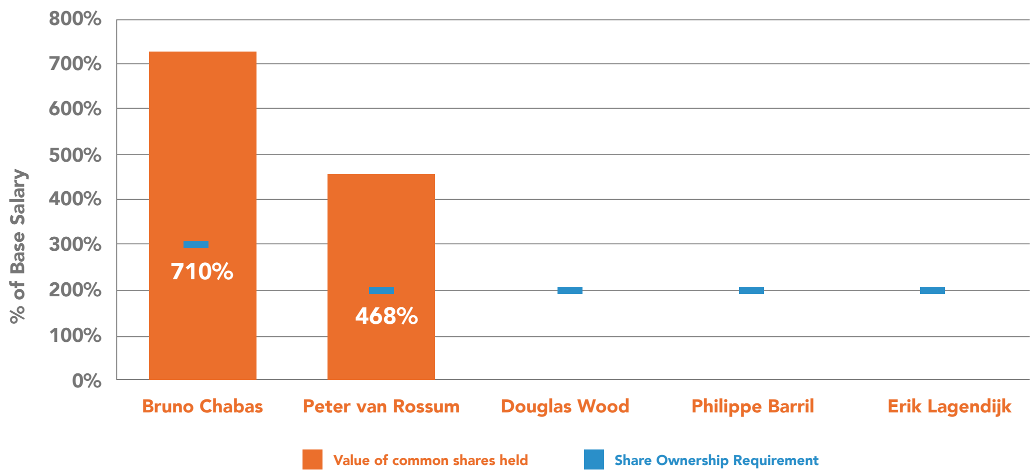


The LTI opportunity of Mr. van Rossum will be pro rated due to his retirement prior to completion of the relevant performance period.
Mr. Wood's LTI opportunity is relatively low due to his recent start at SBM Offshore. In addition to his (pro-rata) LTI opportunity Mr. Wood was granted 30,000 Restricted Share Units upon joining SBM Offshore. This award aims to compensate Mr. Wood for a loss in his variable income at his previous employer.

Share ownership requirements

As stated above, each Management Board member must build-up a certain percentage of base salary in share value in SBM Offshore. For the CEO this level is set at an equivalent of 300% of base salary and for the other Management Board members, the level is set at 200%. The graph below displays the actual shareholdings of the Management Board members per the end of 2016 in which only common (unconditional) shares are taken into account. Due to their relative recent appointment Mr. Wood, Mr. Lagendijk and Mr. Barril, have not yet met the share ownership requirements.

Level of Share ownership per MB member



More details on the share-based incentives are provided in the Appendix on Share-Based Incentives at the end of this Remuneration Report.

4. PENSIONS

Management Board members receive a pension allowance equal to 25% of their base salary for pension purposes. Since these payments are not made to a qualifying pension fund, but to the individuals, the Management Board members are individually responsible for investment of the contribution received and SBM Offshore withholds wage tax on these amounts.

OTHER ELEMENTS OF 2016 MANAGEMENT BOARD REMUNERATION

Allowances

The Management Board members received several allowances in 2016. Most notable is the car allowance which is received by all and the housing allowance for Mr. Chabas and Mr. Barril. The value of these elements is displayed in the table 'Remuneration of the Management Board by member', at the top of this section.

Retirement of Mr. van Rossum

Mr. P.M. van Rossum retired as Management Board member during the extraordinary meeting of shareholders of November 30, 2016 and his contract will end at the Annual General Meeting of April 13, 2017. No severance pay was paid to Mr. van Rossum.

3.4.3 REMUNERATION OF THE SUPERVISORY BOARD

The current remuneration of the Supervisory Board was set at the Extraordinary General Meetings of July 6, 2010 and April 15, 2015. In 2016, no changes were made to the Supervisory Board remuneration policy.

The fee level and structure for the Supervisory Board is summarized as follows:

in EUR	Fee
Chairman Supervisory Board	120,000
Vice-chairman Supervisory Board	80,000
Member Supervisory Board	75,000
Chairman Audit Committee	10,000
Member Audit Committee	8,000
Chairman Appointment & Remuneration Committee dealing with Appointment Matters	9,000
Chairman Appointment & Remuneration Committee dealing with Remuneration Matters	9,000
Member Appointment & Remuneration Committee	8,000
Chairman Technical & Commercial Committee	10,000
Member Technical & Commercial Committee	8,000
Lump sum fee for each intercontinental travel	5,000

None of the members of the Supervisory Board receive remuneration that is dependent on the financial performance of the Company.

None of the Management Board members has reported holding shares (or other financial instruments) in SBM Offshore N.V, except for Mr. S. Hepkema. The reason for his shareholdings is the (share based) remuneration he received as Management Board member in the past.

SBM Offshore does not provide loans or advances to Supervisory Board members and there are no loans or advances outstanding. SBM Offshore does not issue guarantees to the benefit of Supervisory Board members nor have these been issued.

The total remuneration of the members of the Supervisory Board in 2016 amounted to EUR 765 (2015: EUR 741) thousand on a gross (i.e. before tax) basis as set out below. In note 5.3.6 to the consolidated financial statements the remuneration of individual Board members is set out in US$.

Remuneration of the Supervisory Board

		2016		
in thousands of EUR		Basic remuneration[1]	Committees	Total
F.J.G.M. Cremers	Chairman	120	17	**137**
T.M.E. Ehret	Vice-Chairman	80	10	**90**
L.A. Armstrong		75	16	**91**
F.G.H. Deckers		75	17	**92**
F.R. Gugen		75	10	**85**
S. Hepkema		75	8	**83**
L.B.L.E. Mulliez		75	6	**81**
C.D. Richard		100	6	**106**
Total		**675**	**90**	**765**

1 including intercontinental travel allowance

APPENDIX ON SHARE-BASED INCENTIVES

The following table represents the movements during 2016 of all unvested shares (the total number of vested shares held by the Management Board are reported in note 5.3.23 to the consolidated financial statements). Unvested LTI shares in the columns Outstanding at the beginning and/or end of the year, are reported at the Target LTI numbers, with the actual vesting hereof in the year shown for the actual number as per the outcome of the performance criteria as per the Remuneration Policy.

As at December 31, 2016 the following share-based incentives are outstanding:

	Outstanding at the beginning of 2016	Granted	Vested	Outstanding at the end of 2016	Status at the end of 2016	Vesting date	End of blocking period	Fair value of share at the grant date – €	Fair value of the TSR component – €
Bruno Chabas – CEO									
2012 STI Matching Shares	14,831	-	14,831	-	vested			10.58	
2013 STI Matching Shares	25,171	-	-	25,171	conditional	2017		11.87	
2014 STI Matching Shares	32,777	-	-	32,777	conditional	2018		9.76	
2013 LTI	88,913	-	177,825	-	vested		2018	10.35	11.36
2014 LTI	84,218	-	-	84,218	conditional	2017	2019	11.79	11.12
2015 LTI	83,878		-	83,878	conditional	2018	2020	11.51	14.78
2016 LTI		84,678		84,678	conditional	2019	2021	11.91	19.92
	329,788	84,678	192,656	310,722					
Sietze Hepkema – CGCO									
2013 LTI	71,025	-	106,537	-	vested		2018	10.35	9.78
2014 LTI	62,111	-	-	62,111	conditional	2017	2019	11.79	9.56
	133,135	-	106,537	62,111					
Peter van Rossum – CFO									
2012 STI Matching Shares	4,006	-	4,006	-	vested			10.58	
2013 STI Matching Shares	11,896	-	-	11,896	conditional	2017		11.87	
2014 STI Matching Shares	15,134	-	-	15,134	conditional	2018		9.76	
2013 LTI	59,287	-	88,931	-	vested		2018	10.35	9.78
2014 LTI	51,847	-	-	51,847	conditional	2017	2019	11.79	9.56
2015 LTI	55,919		-	55,919	conditional	2018	2020	11.51	11.31
2016 LTI		56,452		56,452	conditional	2019	2021	11.91	15.50
	198,089	56,452	92,937	191,248					
Erik Lagendijk – CGCO									
2015 LTI	55,919	-	-	55,919	conditional	2018	2020	11.51	11.31
2016 LTI		56,452		56,452	conditional	2019	2021	11.91	15.50
	55,919	**56,452**	-	112,371					

	Outstanding at the beginning of 2016	Granted	Vested	Outstanding at the end of 2016	Status at the end of 2016	Vesting date	End of blocking period	Fair value of share at the grant date – €	Fair value of the TSR component – €
Philippe Barril – COO									
Restricted shares[1]	50,000	-	-	50,000	conditional	2018	2020	-	
2015 LTI	55,919	-	-	55,919	conditional	2018	2020	11.51	11.31
2016 LTI		56,452		56,452	conditional	2019	2021	11.91	15.50
	105,919	**56,452**	**-**	162,371					
Douglas Wood – CFO									
Restricted shares[2]	-	30,000	-	30,000	conditional	2019	2021	12.71	
2016 LTI		42,339		42,339	conditional	2019	2021	11.91	15.50
	-	72,339	-	72,339					

1 these shares were awarded to Mr. Barril as compensation for the loss of share-based payments at his former employer, and have been reported to the AGM in April 2015 in Agenda item 11

2 these shares were awarded to Mr. Wood as compensation for the loss of variable remuneration entitlements and other benefits in his previous employment, and have been reported to the EGM on November 30, 2016 in Agenda item 1

The following shares (or other financial instruments) are held by SBM Offshore N.V. by members of the Management Board.

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2016	Total shares at 31 December 2015
Bruno Chabas	284,967	96,112	381,079	188,423
Peter van Rossum	137,612	35,042	172,654	79,717
Philippe Barril	-	-	-	NA
Erik Lagendijk	-	-	-	NA
Sietze Hepkema[1]	NA	NA	NA	-
Douglas Wood			-	-
Total	422,579	131,154	553,733	**268,140**

1 Mr. Sietze Hepkema is no longer a member of the Management Board since April 15, 2015

3.5 CORPORATE GOVERNANCE

In this chapter the broad outline of SBM Offshore's corporate governance structure is explained, partly by reference to the principles mentioned in the Dutch Corporate Governance Code. This chapter indicates to what extent SBM Offshore applies the best practice provisions in the Dutch Corporate Governance Code. This chapter describes the role of the corporate bodies, the role of the Auditor and of the Stichting Continuïteit.

On Thursday December 8, 2016 the Corporate Governance Code Monitoring Committee published the revised Dutch Corporate Governance Code (the Code). Dutch listed companies are required to report in 2018 on compliance with the revised Code in the 2017 financial year. The condition for this is that the revised Code is enshrined in Dutch law by the cabinet in 2017.

3.5.1 CORPORATE GOVERNANCE STRUCTURE

SBM Offshore N.V. is a limited liability company ('Naamloze Vennootschap') incorporated under the laws of the Netherlands with its statutory seat in Amsterdam. The Company is listed on the Amsterdam Euronext Exchange. The Company has a two tier board consisting of a Supervisory Board and a Management Board. Each Board has its specific roles and tasks regulated by laws, the articles of association, the Corporate Governance Code, the Supervisory Board rules and Management Board rules. The Supervisory Board rules and Management Board rules were lastly amended in February 2016 and are published on the Company's website www.sbmoffshore.com together with the articles of association. In 2016, there were no substantial changes in the corporate governance structure of the Company.

SBM Offshore complies with all applicable principles and best practice provisions of the Dutch Corporate Governance Code, the full text of which can be found on www.mccg.nl. The details on compliance with the Dutch Corporate Governance Code can be found on SBM Offshore's corporate website under 'Rules governing the Supervisory Board'.

3.5.2 MANAGEMENT BOARD

The Company is managed by the Management Board, under the supervision of the Supervisory Board. The Management Board currently consists of four members: the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief Governance and Compliance Officer. The members of the Management Board are appointed and can be suspended or dismissed by the General Meeting. Further information about the appointment and dismissal of Management Board members can be found in SBM Offshore's articles of association.

The Management Board is collectively responsible for setting and implementing the mission, vision and strategy of the Company. The Management Board acts in accordance with the interests of the Company. The Management Board is responsible for the Company's objectives and strategy, the risk profile laid down in the strategy, the Company's financing, corporate responsibility and for compliance with relevant legislation. Each year, the Management Board presents to the Supervisory Board the strategy of the Company, the Operational Plan and the financial objectives that allow quantification and progress measurement of the strategy implementation. The Company's Strategy Plan 2017 – 2019 has been discussed with and was approved by the Supervisory Board in December 2016. The Operating Plan 2017 was formally adopted during the meeting of the Supervisory Board in February 2017. More information about the ways of working of the Management Board can be found in the

Management Board rules, as available on the Company's website.

3.5.3 SUPERVISORY BOARD AND COMMITTEES

The Supervisory Board supervises the management of the Company and its businesses, the effectiveness and the integrity of the internal control and risk management systems and procedures implemented by the Management Board as well as the general conduct of affairs of the Company and its businesses. The Supervisory Board assists the Management Board with advice in accordance with the Dutch Corporate Governance Code, the articles of association and the Supervisory Board rules. In the performance of its duties, the Supervisory Board is guided by the interests of the various groups of stakeholders of the Company. In addition, certain (material) decisions of the Management Board, as stipulated in the Dutch Civil Code, articles of association or the Supervisory Board and Management Board rules, require the Supervisory Board's prior approval.

The Supervisory Board currently consists of eight members. Members of the Supervisory Board are appointed by the General Meeting following nomination by the Supervisory Board. Further information about the appointment and dismissal of Supervisory Board members can be found in SBM Offshore's articles of association.

Except for Mr. Hepkema, who was a Management Board member of SBM Offshore until his appointment as Supervisory Board member in April 2015, all Supervisory Board members are independent from the Company within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code. None of the Supervisory Board members are on the Management Board of a Dutch listed company in which a member of the Management Board of the Company is a Supervisory Board member.

The Supervisory Board has three subcommittees: the Audit Committee, the Appointment and Remuneration Committee and the Technical and Commercial Committee. The Appointment and Remuneration Committee is a joint committee with two separate chairpersons and two separate tasks: the selection and appointment preparation of Management Board and Supervisory Board members and the preparation of decision making regarding remuneration matters. SBM Offshore has an internal audit department with direct reporting to the Audit Committee. More information about the ways of working of the Supervisory Board and its committees can be found in the Supervisory Board and Committee rules, as available on the Company's website. The Supervisory Board has drawn up a retirement schedule for its members, which is also available on the Company's website.

3.5.4 SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The authorized share capital of the Company amounts EUR 200 million and is divided into 400,000,000 ordinary shares with a nominal value of EUR 0.25 and 400,000,000 protective preference shares also with a nominal value of EUR 0.25. The preference shares can be issued as a protective measure, as explained below in the section on the Stichting Continuiteit SBM Offshore.

With reference to the articles of association, all shareholders are entitled to attend the General Meeting, to address the General Meeting and to vote. At the General Meeting each Ordinary Share with a nominal value of EUR 0.25 each shall confer the right to cast one (1) vote. Each protective preference share with a nominal value of EUR 0.25 each shall confer the right to cast one (1) vote, when issued. None of the protective preference shares have been issued to date. Unless otherwise required by law or the articles of association of the Company all resolutions shall be adopted by an absolute majority of votes. The General Meeting may adopt a resolution to amend the Articles of Association of the Company by an absolute majority of votes cast, but solely upon the proposal of the Management Board subject to the approval of the Supervisory Board. The Articles of Association are reviewed on a regular basis and were lastly amended in April 2016.

On December 31, 2016 the following investors holding ordinary shares had notified an interest of 3% or more of the Company's issued share capital to the Autoriteit Financiële Markten (AFM) (whereas only notifications after July 1, 2013 are included):

Date	Investor	% of share capital
14 September 2016	JO Hambro Capital Management Limited	4.89%
26 July 2016	FIL Limited	5.19%
9 November 2015	Dimensional Fund Advisors LP	3.18%
18 November 2014	HAL Trust	15.01%
13 November 2014	Templeton Funds	3.30%
18 September 2014	Invesco Ltd.	5.93%

In 2016, SBM Offshore did not enter into transactions with persons who hold at least ten percent of the shares in the Company where there were conflicts of interest of material significance to the Company.

As per December 31, 2016, 213,471,305 (2015: 211,694,950) ordinary shares are issued. No preference shares have been issued.

Every year the General Meeting is held within six months after the start of a new calendar year. The agenda for this meeting generally includes the following standard items:

- the report of the Management Board concerning the Company's affairs and the management as conducted during the previous financial year,
- the report of the Supervisory Board and its committees,
- the adoption of the Company's Financial Statements, the allocation of profits and the approval of the dividend,
- the discharge of the Management Board and of the Supervisory Board,
- Corporate Governance,
- the delegation of authority to issue shares and to restrict or exclude pre-emptive rights,
- the delegation of authority to purchase own shares and
- the composition of the Supervisory Board and of the Management Board

In addition, certain specific topics may be added to the agenda by the Supervisory Board.

An Extraordinary General Meeting can be held whenever the Management Board and/or the Supervisory Board shall deem this necessary. The General Meetings can be held in Schiedam, Rotterdam, The Hague, Amsterdam, Hoofddorp, Amstelveen or Haarlemmermeer (Schiphol).

Proposals to the agenda of General Meetings can be made by persons who are entitled to attend General Meetings, solely or jointly representing shares amounting to at least 1% of the issued share capital. Proposals of persons who are entitled to attend the shareholders meetings will only be included in the agenda if such proposals are made in writing to the Management Board not later than sixty (60) days before that meeting.

The proxy voting system used at the General Meetings of SBM Offshore is provided through ABN Amro Bank N.V. and by SGG Financial Services B.V. as independent third party. The articles of association do not provide for any limitation of the transferability of the ordinary shares and the voting rights of shareholders is not subject to any limitation.

Analysts meetings, presentations to institutional or other investors and direct discussions with investors did not take place shortly before the publication of the regular financial information.

At the General Meeting of April 6, 2016, 132,630,774 ordinary shares participated in the voting, equal to 62.51% (2015: 52.38%) of the then total outstanding share capital of 212,173,814 ordinary shares. All the proposed resolutions were approved with a majority of the votes. An Extraordinary General Meeting was held on November 30, 2016, where the appointment of Mr. Wood as Management Board Member for a first term of four years was on the agenda. At this meeting, 133,014,704 ordinary shares participated in the voting, equal to 62.31% of the then outstanding capital of 213,471,305 ordinary shares. The proposed resolution was adopted. The outcome of the voting of both meetings was posted on the Company's website on the day following the respective General Meetings.

3.5.5 ISSUE AND REPURCHASE OF SHARES

The General Meeting or the Management Board, if authorized by the General Meeting and with the approval of the Supervisory Board, may resolve to issue shares.

The General Meeting or the Management Board, subject to the approval of the Supervisory Board, shall set the price and further conditions of issue, with due observance of the provisions contained in the articles of association. Shares shall never be issued below par, except in the case as referred to in section 80, subsection 2, Book 2, of the Dutch Civil Code. At the General Meeting of April 6, 2016, the shareholders have delegated to the Management Board for a period of eighteen months and subject to the approval of the Supervisory Board, the authority to issue ordinary shares up to 10% of the total outstanding shares at that time. In case of mergers, acquisitions or strategic cooperation this percentage is increased to 20%. In the same meeting, the shareholders have delegated the authority to the Management Board for a period of eighteen months as from April 6, 2016 and subject to the approval of the Supervisory Board to restrict or withdraw preferential rights of the shareholders in respect of ordinary shares when ordinary shares are being issued.

The Management Board may, with the authorization of the General Meeting and the Supervisory Board and without prejudice to the provisions of sections 98 and sections 98d, Book 2, Dutch Civil Code and the articles of association, cause the Company to acquire fully paid up shares in its own capital for valuable consideration. The Management Board may resolve, subject to the approval of the Supervisory Board, to dispose of shares acquired by the Company in its own capital. No pre-emption right shall exist in respect of such disposal. At the General Meeting of 2016, the shareholders have delegated the authority to the Management Board for a period of eighteen months as from April 6, 2016 and subject to approval of the Supervisory Board, to acquire up to 10% of the total outstanding shares at that time. On August 11, 2016 SBM Offshore initiated a EUR 150 million share repurchase program, predominantly for share capital reduction purposes and, to a lesser extent, for employee share programs. The repurchase program was completed in December 2016. The execution of the share repurchase program was performed in compliance with the safe harbor provisions for share repurchases. In accordance with the European Market Abuse Regulation, the Company informed the market through weekly press releases and updates on its website. More information can be found in section 4.4 of this Annual Report.

3.5.6 AUDITORS

The external auditor of SBM Offshore is appointed by the Annual General Meeting on proposal of the Supervisory Board. During the Annual General meeting of 2014, PricewaterhouseCoopers Accountants N.V. was appointed auditor. The current appointment is reviewed every four years by the Audit Committee. The Audit Committee advises the Supervisory Board, which communicates the results of this assessment to the Annual General Meeting. The Audit Committee and the Management Board report their dealings with the external auditor to the Supervisory Board annually and discuss the auditor's independence.

The current lead auditor is Mr. M. de Ridder of PricewaterhouseCoopers Accountants N.V. He will be present at the Annual General Meeting 2017 and may be asked questions with regard to his statement on the fairness of the financial statements. The external auditor attends all meetings of the Audit Committee, as well as the meeting of the Supervisory Board at which the financial statements are approved. He receives the financial information and underlying reports of the quarterly figures and is given the opportunity to comment and respond to this information.

Based on auditor independence requirements, the lead auditor in charge of the SBM Offshore account is changed every five years. Pursuant to the Dutch Audit Profession Act (Wet op het accountantsberoep), the audit firm of a so-called public interest entity (such as a listed company) will have to be replaced if the audit firm performed the statutory audits of the Company for a period of ten consecutive years, at the latest in 2024.

Pursuant to the Audit Profession Act, the auditors are prohibited from providing the Company with services in the Netherlands other than 'audit services aimed to provide reliability concerning the information supplied by the audited client for the benefit of external users of this information and also for the benefit of the Supervisory Board, as referred to in the reports mentioned.' The Company has taken the position that no additional services may be provided by the external auditor and its global network that do not meet these requirements, unless local statutory requirements so dictate.

3.5.7 STICHTING CONTINUÏTEIT SBM OFFSHORE N.V.

In this paragraph, SBM Offshore's anti-takeover measures are described as well as the circumstances under which it is expected that these measures may be used.

A Foundation 'Stichting Continuiteit SBM Offshore' (the Foundation), has been established on March 15, 1988. In summary, the objectives of the Foundation are to represent the interests of SBM Offshore in such a way that the interests of the Company and of all parties involved in this are safeguarded, and that influences which could affect the independence, continuity and/or the identity of the Company in breach of those interests are deterred. The Foundation will perform its role, and take all actions required, at its sole discretion. In the exercise of its functions it will, however, be guided by the interests of the Company and the business enterprises connected with it, and all other stakeholders, including shareholders and employees.

The Foundation is managed by a Board, the composition of which is intended to ensure that an independent judgment may be made as to the interests of the Company. The Board consists of a number of experienced and reputable (former) senior executives of multinational companies. To be kept informed about the business and interests of the Company, the Chairman of the Supervisory Board, CEO and the CGCO are invited to attend the Foundation Board meetings.

The Board of the Foundation consists of:
Mr. R.P. Voogd, Chairman, former public notary, Mr. A.W. Veenman, vice-chairman, former CEO of the Nederlandse Spoorwegen, Mr. R.H. Berkvens, CEO of Damen Shipyard and Mr. B. Vree, former CEO of APM Terminals. As per December 1, 2016, Mrs. H.F.M. Defesche and Mr. J.O. van Klinken were appointed Board members. Mrs. Defesche is former Group Director Legal Affairs at Royal Imtech and former General Counsel at Stork Group. Mr. Van Klinken is currently General Counsel at Aegon. In 2016, Mr. C.J.M. van Rijn stepped down as member of the Board. In 2016, the Board amended the Foundation's articles of association.

The Management Board, with the approval of the Supervisory Board, has granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital, carrying voting rights, equal to one half of the voting rights carried by the ordinary shares outstanding immediately prior to the exercise of the option, enabling it effectively to perform its functions as it, at its sole discretion and responsibility as it deems useful or desirable.

The option agreement between SBM Offshore and the Foundation was lastly amended and restated in 2011, to reflect a waiver by the Company of its put option and the alignment of the nominal value of the protective preference shares with the nominal value of ordinary shares by reducing the nominal value of EUR 1 to EUR 0.25 and the related increase in the number of protective preference shares as per the amended articles of association of the Company. In the joint opinion of the Supervisory Board, the Management Board and the Foundation Board members, the Foundation is independent as stipulated in clause 5:71 section 1 sub c Supervision Financial Market Act.

3.5.8 OTHER REGULATORY MATTERS

CONFLICTS OF INTEREST

The members of the Management Board have a services contract with SBM Offshore N.V. In these contracts it is stipulated that members of the Management Board may not compete with the Company. In the service agreement, between the Company and each of the members of the Management Board a change of control clause is included.

The Management Board Rules and the Code of Conduct of the Company regulate conflict of interest matters. The Supervisory Board Rules also contain regulation based on the Dutch Corporate Governance Code that deals with reporting of conflict of interest of the Chairman and members of the Supervisory Board. Decisions to enter into transactions in which there are conflicts of interest with Management Board members that are of material significance to the Company and/or to the relevant Management Board members require the approval of the Supervisory Board. In 2016, there were no such transactions.

The Company's Code of Conduct does not permit employees and directors to accept gifts of value for themselves or their relatives, to provide advantages to third parties to the detriment of the Company or to take advantage of business opportunities to which SBM Offshore is entitled.

With reference to the Remuneration Committee, no loans or guarantees have been provided to members of the Management Board. No other conflicts of Interest in relation to the members of the Management Board or the Supervisory Board were reported during the year 2016.

REGULATIONS CONCERNING OWNERSHIP OF AND TRANSACTIONS IN SHARES

In addition to the Company's Insider Trading Rules, the Supervisory Board and Management Board rules contain a provision with regard to the ownership of and transactions in shares in the Company and in shares of Dutch listed companies other than SBM Offshore N.V. This provision stipulates that Supervisory Board and Management Board members will not trade in Company shares or other shares issued by entities other than the Company on the basis of share price sensitive information if this information has been obtained in the course of managing the Company's business.

For information about the shares (or other financial instruments) held in SBM Offshore N.V. by members of the Management Board, reference is made to note 5.3.23 to the consolidated financial statements.

MANDATES WITH THIRD PARTIES

Reference is made to the overview of the Management Board and Supervisory Board members in section 3.1 and 3.2 of this report in which their material mandates outside SBM Offshore are listed. The Company is fully compliant with Best Practice II.1.8 of the Dutch Corporate Governance Code and section 2 of the Dutch Civil Code regarding mandates at other listed and large Dutch Companies. Members of the Management Board may also be appointed to the statutory board of the Company's operational entities.

CODE OF CONDUCT AND REPORTING OF ALLEGED IRREGULARITIES

The Company has a Code of Conduct, which was updated in March 2012 and is posted on the Company's website. The Company also has a procedure allowing employees to report alleged irregularities with respect to the Code without jeopardizing their employment position. A free phone and web-based reporting facility (the SBM Offshore Integrity Line) is in place, which employees can use – anonymously if they wish – in their own language. The facility is operated by an external provider, People Intouch.

The Company has several ethics and anti-corruption initiatives, including:

- Code of Conduct containing a section on the use of agents and commercial relations with Public Officials
- Anti-Corruption Policy and Compliance Guide
- Due diligence and third-party vetting procedures
- Rules of conduct to report suspected irregularities, including a hotline called the 'SBM Offshore Integrity Line'
- Internal Audit Anti-corruption modules for third-party audits and SBM Offshore companies
- Internal training sessions and e-learning courses
- Use of standard contracts and inclusion of anti-corruption and conflict of interest clauses in contracts
- Strengthening of internal controls, notably ICOFR / IFRS system and new finance and accounting policies

DIVERSITY

The Supervisory Board rules state that the composition of the Supervisory Board shall be such that the combined experience, expertise and independence of its members enable the Supervisory Board to best carry out the full range of its responsibilities. For SBM Offshore, the topic of diversity is of great importance, especially to have a workforce that reflects the international markets in which the Company is active. For that reason, the diversity policy of SBM Offshore is broader than gender diversity. Currently, the Supervisory Board consists of five male and three female members and covers four different nationalities. The Management Board has one French, one Swiss/French, one Dutch and one British member (all male). In succession planning, (gender) diversity is always considered. Ultimately the most qualified candidates will be nominated for appointment. In its Risk Appetite, the

Company has established the need for nationality diversity in its workforce and its senior leadership population specifically. The HR systems support the realization of this ambition.

EXECUTIVE COMMITTEE

Since end of 2012, an Executive Committee (Excom) is in place currently comprising of the Management Board members, the Managing Directors of the Company's Regional Centers, the Managing Director for the Business Unit FPSO, the Managing Director of Operations and the Lead Executive Project Director. The Excom meets each quarter. In the meetings both strategic and operational topics are discussed. The Excom facilitates decision-making without detracting from the exercise of statutory responsibilities by the members of the Management Board and the internal Company authority matrix.

MISCELLANEOUS

SBM Offshore N.V. has a revolving credit facility under which the agreement of the participating banks must be obtained in the event of a change in control of the Company after a public take-over bid has been made. Under exceptional circumstances, certain vessel charter contracts contain clauses to the effect that the prior consent of the client is required in case of a change of control or merger or where the company resulting from such change of control or merger would have a lower financial rating or where such change of control or merger would affect the proper execution of the contract. In addition, local bidding rules and regulations (e.g. in Brazil for Petrobras) may require client approval for changes in control.

FURTHER INFORMATION

The Investor Relations and the Corporate Governance sections of the Company website (www.sbmoffshore.com) provide extensive information including the Articles of association, the Company Code of Conduct, the Supervisory Board and Committee rules and the Management Board rules. The website also contains the contact details of the Investor Relations department and of the Company Secretary for questions regarding corporate governance matters.

3.6 RISK MANAGEMENT

3.6.1 COMPANY APPETITE FOR RISKS

The Risk Appetite Statement approved by the Management Board acts as the main guidance in setting the boundaries within which SBM Offshore is willing to take risks in pursuit of its strategic objectives. This is frequently reviewed, at least annually, in line with changing market conditions and the Company's strategy, to ensure that the Company maintains the best risk/reward equilibrium, while making decisions and pursuing potential opportunities available in the market.

3.6.2 DESIGN AND EFFECTIVENESS OF THE INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM

MANAGEMENT APPROACH

SBM Offshore is continuously exposed to a number of factors that could potentially affect its operational and financial performance. The primary duty of the Risk Management function is to ensure that those factors of risk are properly identified, evaluated and managed in order to achieve the Company's strategic goal and objectives.

SBM Offshore acknowledges the importance of internal control and risk management systems. Therefore, a framework has been established and implemented to properly manage Internal Controls Over Financial Reporting (ICOFR), which is based on the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') model and in line with ISO31000. The effectiveness of SBM Offshore's risk management and control framework is periodically assessed and strengthened to ensure stakeholders' value protection.

The framework's effectiveness, as well as significant changes and improvements, are regularly reported to and discussed with external auditors and SBM Offshore's Audit Committee; the latter reports about these subjects to the Supervisory Board on a yearly basis.

The identification, assessment and management of risk are considered management's responsibility and are carried out with the support of dedicated resources integrated into the Company's main business areas. Under the leadership of the Group Risk and Compliance Director, the officers allocated bring the necessary skills in challenging and advising the business in identifying and properly managing risks associated with businesses operations and core processes.

2016 PERFORMANCE

To comply with duties in the area of internal risk management and control systems with respect to financial reporting risks, SBM Offshore continues to use various measures among which:

- Bi-quarterly Management Operational Review meetings of the Board of Management with Regional Centers senior management on financial performance and realization of operational objectives and responses to emerging issues;
- Quarterly financial reporting to the Board of Management and senior management;
- Letters of representation signed by key senior Management members on a quarterly basis in which they confirm that for their responsible area, the financial reports fairly present the position and results of the Company;
- ICOFR assessed within the framework; the risk bearing financial processes are identified and the associated risks and controls listed in the ICOFR Risk and Control matrices. A periodic review of the matrices is performed to assess the effectiveness of the risk coverage amongst different geographical locations including a 1st level review by the Finance Function and a 2nd level review performed by Internal Audit;

- Discussions on management letters and audit reports provided by the Company's internal and external auditors within SBM Offshore Board of Management, Audit Committee and Supervisory Board;
- Internal Guidelines on Ethical Business Conduct.

Key Achievements

Reinforcing and consolidating the performances of the Company's risk management and control framework by:

- Amalgamation of the Risk and Compliance departments
- Establishment of the Risk Assurance Committee (RAC). The Committee includes the group directors of all 2nd line of defense functions, notably HSSE, Risk and Compliance, Internal Control and the Group Execution Office functions, represented by Quality Assurance, Product Regulatory Management and Asset Integrity. Group Internal Audit, representing the 3rd line of defense, is a standing invitee to the RAC. The RAC has developed an integrated risk management methodology, approach and framework towards assurance across the different assurance functions. A plan for integrated audits has been developed to streamline assurance activities carried out by 2nd and 3rd Lines of Defense, while minimizing business disruption and costs.

FUTURE

- Further grow the maturity of the Company's enterprise risk management by development and deployment of an Integrated Assurance Framework across the Company's assurance functions
- Update of Governance, Risk and Compliance Charter accordingly, as per latest applicable COSO ERM Framework to strengthen guidance to the RAC on objectives, roles and responsibilities
- Improve efficiency of reporting by more in-depth benchmarking of internal risk reports versus business risks and Company strategy
- Continue to strengthen risk culture and behaviors by means of a communication campaign and training.

3.6.3 SIGNIFICANT RISKS FACING THE BUSINESS

The oil and gas industry and the execution of the Company's strategy expose SBM Offshore to a number of business risks. The table below summarizes the significant risks identified and the Company's response to them.

RISK	DEFINITION	RESPONSE MEASURES
Strategic Risks		
Crude oil price 'Lower for Longer'	In the event that the price of oil should continue to remain low over the long-term, the current industry downturn will be prolonged accordingly and the demand for offshore services may be impacted with cancellation or delay of planned investments and capital expenditures, with an ultimate severe effect on SBM Offshore's new order intake.	Although SBM Offshore's Business Model allows for a solid and stable cash flow from the Lease and Operate segment, cost optimization remains a priority for the Company. SBM Offshore is involved in strategic steps to boost efficiency, such as optimizing operations, improving the supply-chain, digitalization initiatives, and gradually diversifying its product portfolio through investments in R&D and innovation.
Strategic Risks		
Technological Developments	Technological advances are targeting key trends in the Industry by addressing technology gaps. SBM Offshore is committed to pioneering new technologies and to maintain a high level of technical expertise. In 2016, important progress has been made in many areas, including renewable energies where the Company is developing projects for a floating wind farm and the Wave Energy Converter, and the Digital FPSO with the launch of a dedicated project aimed at leading the digital transformation of the current SBM Offshore fleet and of the future projects. Main risks associated to this item are: the possibility to employing new technologies which are not yet sufficiently mature, despite gate controls in place, and the risk of implementing proven technologies in an incorrect way causing potential damage to Company's business results and reputation.	SBM Offshore employs a rigorous Technology Readiness Level assessment of new technologies, which are verified and controlled at several stages of their development phase by senior technical experts, before being adopted within projects. Furthermore, a strong technical assurance function is aimed at ensuring the compliance with internal and external technical standards, regulations and guidelines. In response to recent technological advancements, SBM Offshore is also developing digital technologies with the potential to transform operations and create additional profits from existing capacity.
Strategic Risks		
Portfolio Risks	The current configuration of the Company's backlog revenue and the geographical distribution of the fleet, indicates clearly that there is high concentration on business activities in Brazil. SBM Offshore is therefore subject to portfolio risks which may increase its vulnerability in terms of exposure to changes in local legislative and business environments, potentially affecting the Company's business results and financial condition.	SBM Offshore aims to reach a more balanced regional portfolio, achievable by diversifying into new markets and products. Tendering efforts include not only Brazil but also other countries, entries into which are subject to preliminary extensive risk analysis and management approval.

RISK	DEFINITION	RESPONSE MEASURES
Operational Risks		
Risks related to incidents involving strategic assets	SBM Offshore operates a large fleet of FPSOs across different areas and for several clients. Given the long duration of lease and operate contracts, several factors such as HSSE incidents or accidents may have an immediate and/or long-term effects on the structural and mechanical soundness of the assets and their capability to perform according to the design criteria, negatively affecting the Company's business results and financial condition.	Important resources have been allocated by the Management Board to ensure the fleet is performing safely and in line with forecasts and expectations. Control and maintenance of Safety Critical Elements is a critical part of day-to-day activities on board and fleet performance is continuously being monitored and dedicated task forces are allocated in case issues arise at any given time.
Operational Risks		
Access to capital	Access to multiple sources of debt and equity funding is necessary in order to entertain a sustainable growth of SBM Offshore's leased FPSO fleet and other Product Lines. Failure to obtain such financing could hamper growth for the Company and ultimately prevent it from taking on new projects and could adversely affect the Company's business, results and financial condition.	The Company maintains an adequate capital structure and, over 2016 it has significantly increased its cash balance. The Company has access to US$ 1 billion Revolving Credit Facility (RCF) fully available until December 2021. Both cash and the RCF can be used to finance investments in new projects. From a long-term perspective, adequate access to debt and equity funding is secured through divestment of equity to Third-parties and use of long-term project financing for each Lease and Operate contract. Debt funding is sourced from multiple markets such as international project finance banks, US Private Placement Investors (USPP) and Export Credit Agencies. New types of equity financing are also being contemplated such as Master Limited Partnership (MLP).
Operational Risks		
Change in Tax Laws and Morale	Tax Regulations applicable in jurisdictions of operation may change and result in an increase in the effective tax burden and this could adversely affect the Company's business, results and financial condition. Additionally, the public perception of the Company's management of tax affairs and the public scrutiny of tax practices of multinational enterprises has acquired a rising importance over the past few years, with potential serious impacts on the Company's reputation.	With the exception of some short-term contracts, all contracts entered into by the Company include provisions to protect the Company against an increase in tax burden resulting from changes in tax regulations or the interpretation thereof. The Company's approach to changes in tax regulations is that they should not result in a gain or a loss for the Company. As such, the Company aims at achieving a stability of the tax burden over the life of contracts and cooperates closely with the tax teams of clients to this end. SBM Offshore values public perception and good relationships with tax authorities and is committed to act as a responsible stakeholder, in order to ensure that the Company's tax policy is in line with the expectations of the civil society and that tax practices are sound and founded on a business rationale.
Operational Risks		
Cyber Security Risks and data protection	In order to carry out its activities, SBM Offshore relies on information and data of a sensitive nature, stored and processed in electronic format. Potential intrusion into the Company's information security operating systems and infrastructures may eventually affect offshore operations or inflict physical damage to assets. Secondary risks include theft of proprietary and confidential information with eventual loss of competitiveness and business interruptions.	Multiple levels of defenses have been put in place, and a dedicated improvement campaign, sponsored by a senior steering committee, has been carried out in order to reduce the residual risk profile through investments in hardware, software and training. The new architecture will further enhance the ability to withstand cyber attacks and meet recognized standards in independent testing and audits.

RISK	DEFINITION	RESPONSE MEASURES
Operational Risks		
Covenants	Financial covenants need to be met with the Company's RCF lenders. Failure to maintain financial covenants may adversely impact the results and financial condition of the Company.	The Revolving Credit Facility (RCF) contains a set of financial covenants. The Company aims to have sufficient headroom in relation to the financial ratios. The covenants are monitored continuously, with an 18 to 24 months forward horizon. In the case of any anticipated risk impacting the financial condition of the Company, the Company will engage with the RCF lenders in a timely manner to discuss proposed solutions.
Operational Risks		
Human Capital	The restructuring plan implemented within the Company, although needed from a financial point of view, implied a reduction of in-house capabilities in terms of projects execution. Failure to attract and retain the right level of competences in the organization could ultimately have an adverse impact on the Company's operations and contractual relationships with clients.	A talent-retention program is in place in order to specifically retain key personnel. This is particularly important in the specialized areas such as design innovation in order to continue on the path, which has led to many industry firsts for SBM Offshore. The restructuring of the Company has created an environment which holds leaders at all levels accountable for their projects' commercial success and rewards results.
Compliance Risks		
Changes in applicable Laws and Regulations	SBM Offshore's activities are to be carried out in compliance with Laws and Regulations valid in the relevant territory, including international protocols or conventions, which apply to the specific segment of operation. Changes to such regulatory frameworks, if not properly captured and implemented may expose the Company to fines, sanctions and penalties. Moreover, changes to the applicable 'local content' requirements may expose the Company to additional costs or delays and impact the proposed execution methods for projects.	A strict and continuous monitoring of applicable Laws and Regulations is constantly carried out by relevant functions within SBM Offshore. Substantial changes are brought to the attention of management and compliance is enforced across all the various operating segments within the Company.
Compliance Risks		
Climate Change and Paris Agreements	At the Paris climate conference (COP21), 195 countries have adopted a legally binding global climate deal. The implementation of COP21 agreements will accelerate the transition towards greener sources of energy and potentially lower the request for hydrocarbon fuels in the long-term. This may imply additional regulatory measures, which can ultimately result in higher costs and project delays or cancelations, in the worst case scenario.	SBM Offshore is monitoring developments and analysing market trends in the change in the energy mix. Mindful of the climate change issues and world COP21 committments, as well as the forecasted increase in demand for energy sources as the population rapidly expands, SBM Offshore aims to further its efforts in developing its renewable energy technology. Solutions in wind energy advanced in 2016 as part of the Company's transition. In addition, initiatives have been launched within the Company that will reduce the amount of CO_2 released across the fleet.
Compliance Risks		
Failures of governance, transparency and integrity	Integrity failure could harm severely the Company's reputation, finances and business results, and it is of utmost importance across the Company management that such events shall be prevented.	The Company's Compliance Program provides policy, training, guidance and risk-based oversight and control on compliance risk and its components aim to strengthen awareness and enhance employees' capabilities for ethical decision making. The Company's Core Values and Code of Conduct guide employees and business partners on compliant behaviors in line with the Company's principles. For further details see section 3.7 Compliance.

3.7 COMPLIANCE

MANAGEMENT APPROACH

SBM Offshore's reputation and license to operate depend on responsible business conduct. SBM Offshore is committed to complying with all applicable laws and regulations, its internal rules and procedures as well as stimulating dialogue on situations that can create dilemmas. SBM Offshore does not tolerate corruption, violation of trade sanctions, anti-money laundering or anti-competition laws, or any other illegal or unethical conduct in any form by anyone working for or on behalf of the Company. All employees or those working for or on behalf of SBM Offshore must embrace and act in accordance with the core values of the Company and the Code of Conduct. SBM Offshore believes that doing business honestly and with integrity is vital to increasing the competitiveness of SBM Offshore and its partners. It creates an environment in which experience and quality can flourish.

Governance

The Group Ethics & Compliance function is, on behalf of the Management Board, responsible for ensuring that the entire SBM Offshore organization operates within its clearly defined, group-wide, integrity and compliance program. The establishment of an ethical culture with commitment to integrity at all levels is key to this aim. The Group Compliance function has a leadership role in proactively advising the Management Board and management on acting in a compliant manner, both from a strategic and an operational perspective. An important part of its role includes the prevention of misconduct.

The Company's Management Board has overall accountability and the Chief Governance and Compliance Officer (CGCO) has overall responsibility for compliance, risk and legal issues. Reporting to the CGCO, the Group Risk & Compliance Director (GRCD) leads the Ethics and Compliance Program, drives its execution and regularly reports on its operating effectiveness to the Management Board, the Supervisory Board and the Audit Committee, while also reporting on the Company's key compliance risks and incidents. Business leadership has accountability and responsibility to manage compliance and integrity risks within the Company's Regional Centers and Operations.

STRATEGY

SBM Offshore's Compliance Program aims to guide the Company's leadership team in applying its moral compass and strengthening the management control system. SBM Offshore has integrated the Compliance Program into its organizational structure as well as promoting a compliant culture in the day-to-day way of working of all employees. SBM Offshore maintains an effective compliance risk management and control system, which includes monitoring and reporting and upholds the Company's zero tolerance for corruption or any misconduct. The Company maintains a global management control framework, while the Company's management in the Regional Centers is responsible for embedding compliance in day-to-day business practice.

The Program is built on three pillars:

1. Compliance governance and organization
2. Hard and soft controls[23]
3. Organizational culture and employee behavior

Key elements of the Program:

1. Supervision and oversight by the Group Risk and Compliance Director (GRCD) and ultimately the Management Board and the Supervisory Board

[23] Hard controls are the explicit, tangible controls that guide employee behavior through defined policies and procedures while on the other hand, soft controls are intangible factors that influence the behavior of employees and ensure compliance with procedures such as openness, discussability and enforcement. Soft controls can be strengthened by for instance training, improving the speak-up culture and facilitating the discussion of ethical dilemmas.

2. Operational accountability by business management
3. Management and staff knowledge and understanding, including regular training
4. Policies and procedures, including the third party due diligence procedure
5. Communication, including availability of policies on website and intranet for external stakeholders and staff respectively
6. Annual Code of Conduct certification for staff in leadership positions
7. Regular monitoring of compliance risks, mitigating measures and risk-based controls as well as incident and action reporting
8. Compliance-related internal financial controls, following ICOFR principles
9. Reporting procedures, including an Integrity Line for employees to (anonymously) report on suspected violations of the Code of Conduct
10. Independent verification (e.g. compliance audits)
11. A thorough due diligence process of high-risk third parties, including an internal Validation Committee which reviews the due diligence on high-risk third parties prior to engagement

2016 PERFORMANCE

- SBM Offshore's procedure for anonymously reporting suspected violations of the Code of Conduct – the 'Integrity Line' was extended to its suppliers, clients and partners
- Development and launch of two training programs: (1) refreshed Code of Conduct e-learning for targeted employees and (2) a face-to-face compliance training program for those in leadership positions and targeted staff. By enabling discussion of complex dilemmas, the training program aimed to strengthen compliant, balanced and consistent decision making
- Compliance with Core Values included in the annual appraisal of all employees

How SBM Offshore measures performance

- As part of performance management processes, the Company identified compliance KPI's for its Regional Centers and Operations
- Compliance training hours and completion rate by employee target group
- Annual Code of Conduct certification by staff in leadership positions
- Use of tool to approve, register and monitor giving and receiving of Hospitality, Gifts and Entertainment
- Use of Company-wide applied tool 'GRACE' for continuous risk identification, assessment, registration and reporting by Regional Risk & Compliance Officers and Group Compliance Officers
- Monitoring through a Company-wide Compliance Case Management System
- Integrated quarterly Group Compliance reports to the Management Board and Audit Committee of the Supervisory Board

Achievements

- The annual compliance statement as signed by the top 1,140 employees in leadership positions – includes the following declarations:
  1. Compliance with the Code of Conduct
  2. Conflicts of interest
  3. Relationships with Public Officials
  4. Reporting Irregularities or Changes in Information

  The number of signatories has almost doubled compared to last year (1,140 versus 700), as a result of expanding the program to more individuals, particularly those in the front line undertaking sensitive functions. This program was started in 2014 with 100 signatories and aims at re-enforcing knowledge and accountability for behavior. Certification is a key tool to support that compliance is embedded in daily practices and it is a strong indicator of the Company's continued efforts to promote a compliant way of working. The completion rate is part of the 'Compliance Performance Indicator' that is included in the score cards for RC's/FPSO/ Operations.

- The Code of Conduct e-learning was launched in December 2016 to the full onshore office population. The modular course presented essential information in ethics and compliance that employees at every level of the organization need to know in order to comply with SBM Offshore's organizational policies, best practices, and the law. The modules in the course included the following vital foundational topics: Business Courtesies, Conflicts of Interest, Diversity, Anti-Corruption, Fair Dealing, and Reporting and Retaliation. Real world scenarios and activities reinforced understanding. At year-end the recently launched course was completed by already 60% of the targeted population. The remaining population will be requested to take the course in 2017.
- In addition to the annual compliance e-learning, face-to-face compliance training was conducted for designated staff in leadership position and/or exposed to compliance risks due to their job position. The training covered among other elements the topics of competition law, anti-corruption, export controls, trade sanctions and conducting due diligence. At year-end 819 people received face-to-face training, which led to a completion ratio of 84%.
- Compliance employee survey 2016 (for employees in leadership positions)
  The objective of the survey was to measure how the compliance culture is perceived and to gain insight on how to further fine-tune the compliance program, such as training measures and how to improve the quality of our controls. In addition, it signaled to employees how we value integrity and compliance in our day-to-day work.

On the other hand, there is some room for improvement regarding enforcement and embedding responsible business conduct. The results have been shared and discussed with the Management Board, the Supervisory Board and management teams and actions are been taken to address the most significant observations.

3.8 COMPANY TAX POLICY

SBM Offshore's tax policy is summarized as follows:

- The Company aims to be a good corporate citizen in the countries it operates in, by complying with the law and by contributing to the country's progress and prosperity through employment, training and development, local spending, and through payment of the various taxes it is subject to, including wage tax, personal income tax, withholding tax, sales tax and other state and national taxes as appropriate
- The Company aims to be tax efficient in order to be cost competitive, while fully complying with local and international tax laws

The Company operates in a global context, with competitors, clients, suppliers and a workforce based around the world. A typical FPSO project sees a hull conversion in Asia, topsides construction in Asia, Africa and South America, engineering in Europe, Asia or the USA and large scale procurement from dozens of companies in as many countries across the globe. In each of these countries the Company complies with local regulations and pays direct and indirect taxes on local value added, labor and profits and in some cases pays a revenue based tax. To coordinate the international nature of its operations and its value flows and to consolidate its global activities, the Company created in 1969 'Single Buoy Moorings Inc', which continues to perform this function today from its offices in Marly, Switzerland.

The Company:

- complies with the OECD transfer pricing guidelines
- has reviewed the final releases from the OECD BEPS project and Company practices are in line with the BEPS outcome. In parallel, the Company has welcomed the 2016 European Union Anti-Avoidance Directive implementing some of the Base Erosion and Profit Shifting (BEPS) deliverables throughout the European Union. In respect of country-by-country reporting and transfer pricing documentation, the Company has already taken actions to comply with OECD requirements that have been implemented in the Dutch tax law and the Company will be fully ready to deploy it according to applicable regulations
- makes use of the availability of international tax treaties to avoid double taxation
- does not use intellectual property as a means to shift profits, nor does it use digital sales. Furthermore, the Company does not apply aggressive intra-company financing structures such as hybrids. The Company treats tax as a cost, which needs to be managed and optimized in order to compete effectively in the global competitive arena. In 2016, the Company had a current corporate income tax charge of US$ 5.34 million (compared to US$ 32.25 million in 2015). Due to the large losses incurred on the legacy projects and the current industry downturn, significant tax loss carry forward positions exist at the global contracting company, which are limiting the current tax payments in Switzerland and in jurisdictions of the Regional Centers.

3.9 OPERATIONAL GOVERNANCE

Operational Governance of the Company is further supported by Group Execution Functions which encompass all key operational and assurance functions involved in SBM Offshore core business activities.

Such Functions have a key role in ensuring a coordinated, consistent and effectively controlled approach to core business across Group entities, notably through:

- functional governance and leadership within the corresponding communities (distributed across entities) and vis-à-vis other Functions;
- development and maintenance of a Global Enterprise Management System (GEMS) as introduced in section 3.9.1;
- implementation of key improvement initiatives as introduced under section 2.7 led by a team dedicated to Operational Excellence;
- development of reporting systems and tools to ensure effective control and performance monitoring
- standardization of ways of working
- specific focus on the overall product life cycle (from concept to decommissioning through delivery and operation), notably based on a cross-functional gate process and internal arbitration if necessary
- direct and active involvement in the qualification/ validation of suppliers and subcontractors as part of Strategic Sourcing activities
- governance of partly-owned fabrication yards through the corresponding JV Governance and Management structure
- coordinated assurance activities related to GEMS and underlying Industry Standards (e.g. ISO 9001), focusing on management system compliance, effectiveness and business performance;
- coordinated assurance activities focusing on product conformity vis-à-vis applicable Regulations, Rules, Technical Standards and other applicable requirements;
- involvement of independent 3rd Parties as Certification, Verification or Classification Bodies.

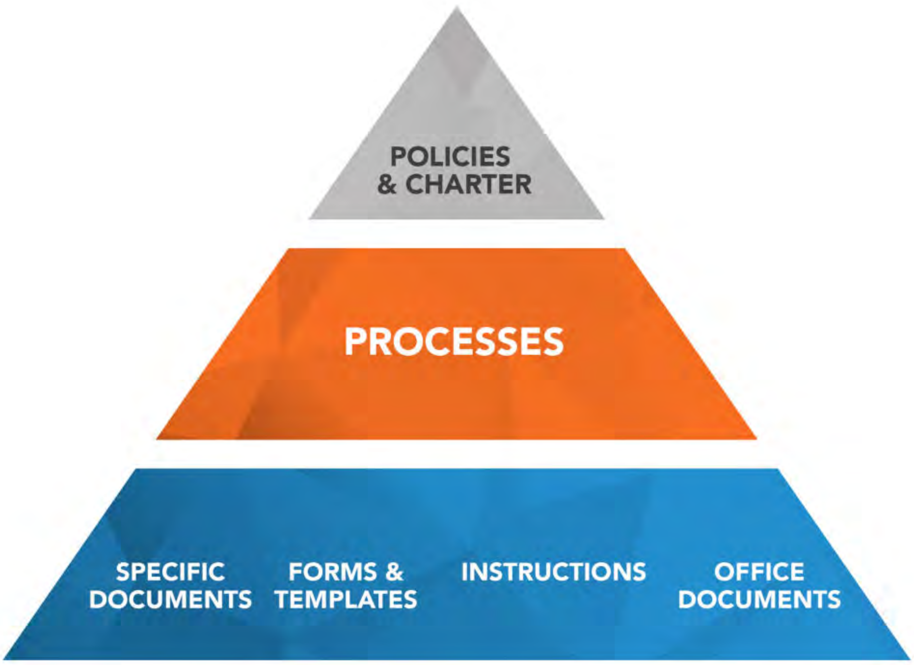
A detailed Certification & Classification Table is provided in Section 6.4 , mapping SBM Offshore compliance with International Certification Standards and Classification Rules.

3.9.1 GROUP ENTERPRISE MANAGEMENT SYSTEMS (GEMS)

SBM Offshore operates under a Global Enterprise Management System (GEMS). GEMS has been structured around three main process domains known as executive processes, core processes and support processes, with the core processes further modelled into the Win, Execute and Operate phases.

Group values and policies are embedded to support the correct governance of SBM Offshore's organization and business activities. These form the foundation of GEMS and its processes, which are consistently applied throughout all the Regional Centers, in-country offices and vessels.

GEMS allows an integrated end-to-end approach to all the business activities of SBM Offshore and of the joint venture operating companies, with clear and formal ownership of key processes and clear identification of key controls. It provides a cohesive framework for Quality and Regulatory compliance, Health and Safety, Security of Personnel and Assets, Protection of the Environment as well as Risk and Opportunity Management throughout the product life cycle, ensuring the Company's Sustainability.



3.10 IN CONTROL STATEMENT

The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. The implementation of the internal risk management and control framework at SBM Offshore focuses on managing both financial risks and operational risks as described in the section 3.6 Risk Management of the Annual Report. As a key part of its scope, Risk Management is responsible for the design, monitoring and reporting on the internal control framework.

During 2016, various aspects of risk management were discussed by the Management Board, including the result of the yearly testing Internal Control Over Financial Reporting (ICOFR) campaign. The responsibilities concerning risk management, as well as the lines of defense were also discussed with senior management. In addition, the result of the yearly testing campaign of controls covering financial reporting risks have been reviewed with the Audit Committee and Supervisory Board. This testing campaign did not highlight any major control deficiency and concluded to an overall improvement in the conformity rate around the organization.

In line with the adoption of the Dutch Corporate Governance Code, SBM Offshore prepared the *In Control Statement* 2016 in accordance with the best practice provision II.1.5. of the Dutch Corporate Governance Code. With due consideration to the above, the Company believes that its internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance and that the internal risk management and control systems relating to financial reporting risks worked properly in 2016.

However, the Company cannot provide certainty that its business and financial strategic objectives will be realized or that its approach to internal control over financial reporting can prevent or detect all misstatements, errors, fraud or violation of law or regulations. Financial reporting over 2016 was based upon the best operational information available throughout the year and the Company makes a conscious effort at all times to weigh the potential impact of risk and the cost of control in a balanced manner.

With reference to section 5.25c paragraph 2, sub c of the Financial Markets Supervision Act (*Wet op het financieel toezicht*), the Management Board states that, to the best of its knowledge:

- The annual financial statements for 2016 give a true and fair view of the assets, liabilities, financial position and profit or loss of SBM Offshore and its consolidated companies
- The Annual Report gives a true and fair view of the position as per December 31, 2016 and that SBM Offshore's development during 2016 and that of its affiliated companies is included in the annual financial statements, together with a description of the principal risks facing SBM Offshore.

Schiphol, the Netherlands
February 8, 2017

Management Board
B.Y.R. Chabas, CEO
P. Barril, COO
E. Lagendijk, CGCO
D.H.M Wood, CFO

CHAPTER 4
SHAREHOLDER INFORMATION

SBM Offshore pioneered the lease and operate concept for Floating Production Storage and Offloading (FPSO) units based on tanker conversions. The Company leased its first FPSO in 1980, opening up a new opportunity for clients to reduce their CAPEX. Named FPSO II, it was deployed on the Cadlao field offshore The Philippines, where oil production started in August 1981. With the first contract to design, construct, install and operate the unit, SBM Offshore led the way for a new, commercial model for FPSOs, launching the lease and operate market as we know it today.
FPSO designs have changed considerably over the years as clients' needs evolve.

FIRST
LEASE & OPERATE FPSO
CONTRACT

1980

EXPERIENCE MATTERS

4 SHAREHOLDER INFORMATION

4.1 GENERAL INFORMATION

The Company maintains open and active engagement with its stakeholders, both internal and external, which include shareholders, clients, non-governmental organizations (NGO's) and suppliers during each year. The Company aims to provide its stakeholders with timely, consistent and accurate information. Information is provided, among other means, through press releases, webcasts, conferences, meetings with shareholders and research analysts and the Company website. The Company website provides a constantly updated source of information about the core activities and latest developments. Press releases and Company presentations can be found there under the Investor Relations Center section.

The objective is to inform and to understand SBM Offshore's stakeholders' expectations, identify areas for improvement and create long-term relationships, with the focus on sustainable development. In 2016, in response to feedback from the market, the Company disclosed full year EBITDA and revenue guidance in order to help our stakeholders better understand the anticipated financial performance expected by the Management Board.

SBM Offshore is fully aware that its actions have an impact on many stakeholders that may have different expectations of the Company. Details of the Group Stakeholder Engagement Progam can be found in section 6.1.4 Stakeholder Engagement.

4.2 INVESTOR RELATIONS

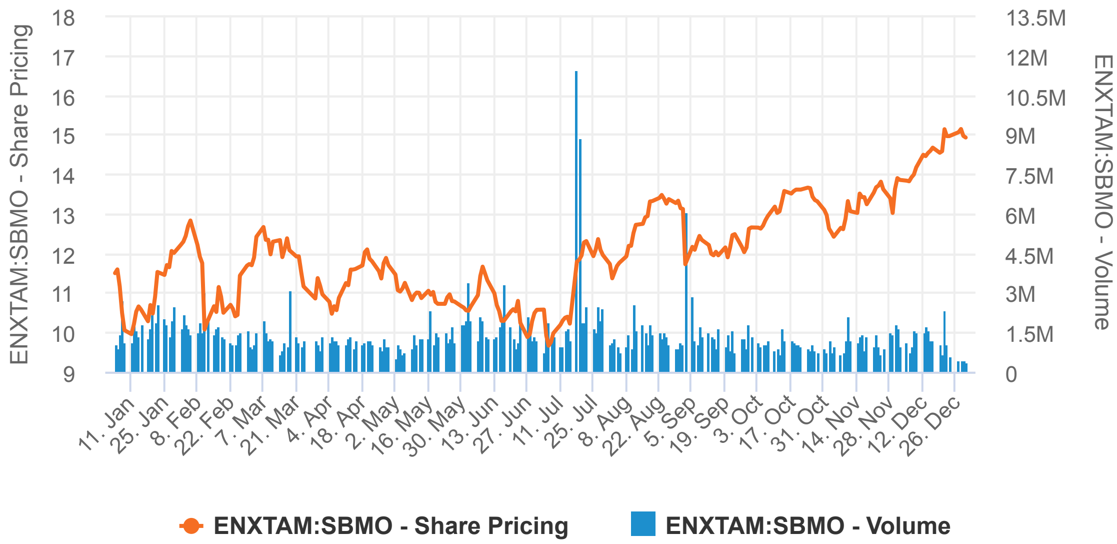
SBM Offshore releases audited full-year earnings results and unaudited half-year earnings results, which both include full financials, within sixty days after the close of the reporting period. For the first and third quarters, SBM Offshore publishes a trading update, which includes important Company news and financial highlights. The Company conducts a conference call for all earnings releases and trading updates during which the Management team presents the results and answers questions. All earnings-related information, including press releases, presentations and conference call details are available on our website. Please see section 4.5 for the financial calendar of 2017.

In addition to financial updates, the Company hosts an Annual General Meeting of Shareholders ('AGM'), normally in April of every year. An agenda for the meeting is published six weeks ahead of the AGM and shareholders are asked to vote directly or by proxy on resolutions contained in the agenda. The AGM also offers shareholders a forum for questions and communication, which the Management Board and Supervisory Board view as an opportunity to foster an open dialogue on the direction and performance of the Company. Information related to past and future AGMs, including notices, resolutions, agendas, and minutes, are available on the Company's website.

From time to time, the Company may determine that an Extraordinary General Meeting of Shareholders ('EGM') is required to vote on a resolution, which is too time sensitive to wait for the next AGM. Shareholders will receive notice and an agenda for any EGM in the same manner in which they are received for the AGM and all information will be available on the Company's website. During 2016, an EGM was held on November 30 at which Mr. D.H.M. Wood was appointed as a member of the Management Board for a term of four years up to the AGM in 2021. Mr. D.H.M. Wood has been designated as Chief Financial Officer of the Company by the Supervisory Board, replacing Mr. P.M. van Rossum who has retired.

4.3 SHARE PRICE

Share price development in 2016



For 2016 the relevant press releases covering the key news items are listed below:

Date	Explanation
13/01/16	SBM Offshore awarded FEED for Premier Oil Sea Lion FPSO
10/02/16	Publication of 2015 Full-Year Earnings
16/02/16	FPSO *Cidade de Marica* Producing and On Hire
01/03/16	Home member state notification
07/04/16	AGM 2016 Resolutions
11/05/16	First Quarter Trading Update
12/07/16	FPSO *Cidade de Saquarema* Producing and On Hire
18/07/16	Leniency Agreement Signed between Brazilian Authorities, Petrobras and SBM Offshore
10/08/16	2016 Half-Year Earnings, Nomination of Mr. Douglas Wood as new CFO, Commencement EUR 150 million Share Repurchase Program
02/09/16	Update on Status of Leniency Agreement
09/09/16	FPSO *Turritella* Producing and On Hire
06/10/16	Update on Approval Process of the Leniency Agreement
09/11/16	Third Quarter Trading Update
30/11/16	Douglas Wood appointed as Management Board member and designated Chief Financial Officer
15/12/16	Update on Status Leniency Agreement
20/12/16	Completion of Share Repurchase Program
20/12/16	Awarded Contracts for ExxonMobil Liza FPSO

4.4 DIVIDEND POLICY AND SHARE REPURCHASE PROGRAM

The Company's current dividend policy is to make dividends dependent on the availability of sufficient free cash flow in the year of payment, with a payout ratio of between 25% and 35% of underlying 'Directional net income' payable in cash and/or shares at the discretion of shareholders.

On May 3, 2016, SBM Offshore paid a cash dividend of US$ 0.21 or EUR 0.1847 per share over 2015 results, in line with 25% of underlying Directional net income, after adjustment for non-recurring exceptional items concerning compliance-related settlements.

In accordance with existing dividend policy, but taking into account the specific circumstances relating to 2016 including the nature of the non-recurring items, a dividend out of 2016 net income of US$ 0.23 per share will be proposed to the Annual General Meeting on April 13, 2017, corresponding to approximately 31% of the Company's US$ 150 million underlying Directional[24] net income. The annual dividend will be calculated in US Dollars, but will be payable in Euros. The conversion into Euros will be effected on the basis of the exchange rate on April 13, 2017. Given the Company's strong cash position, the dividend will be fully paid in cash.

The Company reviews its dividend policy on a regular basis, which has led to the following update. SBM Offshore intends to revise its dividend policy relating to future dividend proposals as follows: The Company's policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of the underlying cash flow position and of 'Directional net income', where a target payout ratio of between 25% and 35% of 'Directional net income' will also be considered. The proposed change will be presented for discussion at the AGM on April 13, 2017.

At the 2016 AGM the Company also obtained authorization to repurchase the Company's own ordinary shares. Consequently the Company commenced a EUR 150 million share repurchase program on August 11, 2016. The program was completed on December 20, 2016. Under this program SBM Offshore repurchased 11,442,179 common shares for total consideration of EUR 149,999,999 implying an average repurchase price of EUR 13.11 per share.

[24] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

4.5 FINANCIAL CALENDAR

Event	Day	Year
Full-Year 2016 Earnings – Press Release	8 February	2017
Annual General Meeting of Shareholders	13 April	2017
Trading Update 1Q 2017 – Press Release	10 May	2017
Half-Year 2017 Earnings – Press Release	8 August	2017
Trading Update 3Q 2017 – Press Release	7 November	2017

CHAPTER 5

FINANCIAL REPORT 2016

In a strategic move to focus on sales and after sales service of buoys and to facilitate closer engagement with clients, the Board of IHC approved the set-up of a separate company. On February 27, 1969, Single Buoy Moorings Inc. was registered in Switzerland. By mid-1969, the Company had grown and was operating from three locations: Rotterdam, Fribourg and Antwerp. The move to Monaco of the Company's engineering activities took place in 1971 and the Regional Center (RC) remains the heart of SBM Offshore's technological innovation and the largest RC of the five RCs located around the globe, including Schiedam, Houston, Kuala Lumpur and Rio.

COMPANY PRESENCE GROWS WORLDWIDE

1969

EXPERIENCE MATTERS

5 FINANCIAL REPORT 2016

5.1 FINANCIAL REVIEW

OVERVIEW

	Directional		IFRS	
in US$ million	FY 2015	FY 2016	FY 2015	FY 2016
Revenue	**2,618**	**2,013**	**2,705**	**2,272**
EBIT	**191**	**290**	**239**	**564**
Underlying EBIT	348	344	395	617
EBITDA	**561**	**725**	**462**	**772**
Underlying EBITDA	718	778	619	825
Profit attributable to Shareholders	**24**	**24**	**29**	**182**
Underlying Profit attributable to Shareholders	180	150	186	308

	Directional		IFRS	
in US$ billion	FY 2015	FY 2016	FY 2015	FY 2016
Backlog	18.9	17.1	-	-
Net Debt	3.1	3.1	5.2	5.2

DIRECTIONAL[1]

Directional[1] consolidated net income for 2016 was US$ 24 million, stable compared to 2015. This result includes non-recurring items which generated a net loss of US$ 126 million in 2016 compared to a net loss of US$ 157 million in 2015. Excluding non-recurring items, 2016 underlying consolidated Directional[1] net income attributable to shareholders stood at US$ 150 million, a decrease from US$ 30 million from the previous year, mainly attributable to lower Turnkey segment activity.

Non-recurring items for 2016 underlying performance relate to (i) provision for an onerous long-term charter contract with the Diving Support and Construction Vessel (DSCV) SBM Installer (US$ 31 million), (ii) the update of the provision for contemplated settlement with Brazilian authorities and Petrobras (US$ 36 million) and the impairment of the Company's carrying amount for the net investment in the Joint Venture owning the Paenal construction yard (US$ 59 millions). These non-recurring items are the same in both IFRS and Directional, impacting EBIT and EBITDA by US$ 53 million, net financing costs by US$ 14 million and Share of Profit of Equity-accounted investees by US$ 59 million. For reference, non-recurring items for 2015 totalling US$ 157 million, were included in EBIT and EBITDA and were related to compliance issues.

Directional[1] earnings per share (EPS) in 2016 amounted to US$ 0.11 compared to US$ 0.11 per share in 2015. Adjusted for non-recurring items, underlying Directional[1] EPS decreased by 17% year-on-year from US$ 0.85 in 2015 to US$ 0.71.

New orders for the year totaled US$ 110 million as a result of current market downturn, which compares to US$ 248 million achieved in 2015.

Directional[1] revenue decreased by 23% to US$ 2,013 million compared to US$ 2,618 million in the year-ago period. This was primarliy attributable to lower Turnkey segment revenues.

Directional[1] backlog at the end of 2016 remained high at US$ 17.1 billion compared to US$ 18.9 billion at the end of 2015. This reflects both the lower level of order intake for the Turnkey segment and the resilience of the Lease and Operate portfolio amounting to US$ 17.0 billion at the end of 2016.

1 Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

Directional[1] EBITDA amounted to US$ 725 million, representing a 29% increase compared to US$ 561 million in 2015. This figure includes non-recurring net costs totaling US$ 53 million.

Directional[1] EBIT increased to US$ 290 million after non-recurring net costs of US$ 53 million. This compares to US$ 191 million in 2015 which included US$ 157 million of non-recurring costs.

IFRS

Reported consolidated 2016 IFRS total net income was US$ 247 million versus US$ 110 million in 2015. IFRS net income attributable to shareholders amounts to US$ 182 million compared to US$ 29 million in 2015.

IFRS revenue decreased by 16% to US$ 2,272 million versus US$ 2,705 million in 2015. This was mainly attributable to lower Turnkey segment revenues.

IFRS EBITDA amounted to US$ 772 million, representing a 67% increase compared to US$ 462 million in 2015.

IFRS EBIT increased to US$ 564 million, representing 136% increase compared to US$ 239 million in 2015.

IFRS Net Debt at the year-end totaled US$ 5,216 million versus US$ 5,208 million in 2015. All bank covenants were met and available cash and undrawn committed credit facilities stood at US$ 1,537 million.

FINANCIAL HIGHLIGHTS

The year was marked by the following financial highlights:

- Successful delivery of FPSOs Cidade de Marica, Cidade de Saquarema and Turritella which were formally on hire respectively as of February 7, 2016, July 8, 2016 and September 2, 2016.
- The Company completed its share repurchase program under the authorization granted by the Annual General Meeting of Shareholders of the Company held on April 6, 2016. In the period between August 11, 2016 and December 20, 2016, a total number of 11,442,179 shares totaling EUR 150 million were repurchased. The repurchased shares are held as Treasury shares predominantly for share capital reduction purposes and, to a lesser extent, for employee share programs.
- Award of the Front End Engineering and Design component of the contract for a FPSO by Esso Exploration and Production Guyana Limited to the Company and for which construction, installation and operation of the FPSO remain subject to a final investment decision expected in 2017. This contributed to new orders of US$ 110 million in aggregate.
- The Company, together with its core relationship banks, signed an amendment of its Revolving Credit Facility (RCF) on April 18, 2016, providing headroom improvements to the leverage and interest coverage ratios. The agreed upon amendments, combined with a strong cash position, provide the Company with a greater degree of flexibility in navigating the current industry downturn.
- During the first half of 2016, the Company, the Ministry of Transparency, Oversight and Control (Ministério da Transparência, Fiscalização e Controle – 'MTFC'), the Attorney General's Office (Advocacia-Geral da União – 'AGU'), the Public Prosecutor's Office (Ministério Público Federal – 'MPF') and Petrobras engaged in further negotiations which resulted in the signature on Friday, July 15 of a Settlement Agreement ('Leniency Agreement'). As a result, the provision booked in December 2015 has been increased in the consolidated financial statements as at December 31, 2016, up to the amount of the present value of the financial terms of the leniency agreement being US$ 281 million, impacting the lines 'Other operating expense' of the consolidated income statement by US$ 22 million and 'Net financing costs' by US$ 14 million for the unwinding of the discounting impact of future settlement. As more fully explained in section 5.3.1 Highlights, the agreement will become legally binding after approval of the Fifth Chamber for Coordination and Review and Anti-Corruption of the Federal Prosecutor Service and remains subject to review by the Federal Court of Accounts ('TCU'), but this is not a condition precedent to the Leniency

Agreement. However, the terms of this agreement remains SBM Offshore's current best estimate for an eventual settlement, given that it was duly signed by the relevant parties and the approval process is still underway.

- At the end of January 2016, the United States Department of Justice (DoJ) informed the Company that it has re-opened its past inquiry of the Company in relation to the alleged improper sales practices over the period 2007 to 2011 and has made information requests in connection with that inquiry. During the period, the Company has cooperated with the DoJ and remains committed to close out discussions on this legacy issue which the Company self-reported to the authorities in 2012 and for which it reached a settlement with the Dutch Public Prosecutor in 2014. The Company also continues to cooperate with the DoJ for its inquiry into Unaoil, a company that SBM Offshore had engaged with as an agent prior to 2012 in relation to delivery of barges, offshore terminals and maintenance.
- As a result of an on-going review of the cost structure and continued market downturn, the Company's workforce reduction over 2016 totaled approximately 2,250 positions. Roughly 650 were full-time employees and contractor staff. The remaining 1,600 were construction yard positions related to demobilization following successful delivery of main projects over the period. Restructuring costs of US$ 37 million were recorded during the period. The adaptation to market developments is focused on retaining core competencies.
- 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 recognized over the period.
- The activity outlook for the Company's investment (30% ownership) in the Joint Venture owning the Paenal construction yard operating in Angola has deteriorated. As a result, the Company's carrying amount for the net investment in this entity has been impaired by US$ 59 million on the second half of 2016. Because this investment is consolidated using the equity method, this non-cash impairment is recognized in the Company's Consolidated Income Statement on the line item 'Share of profit of equity-accounted investees'.

BACKLOG

Directional[2] backlog at the end of 2016 remained healthy at US$ 17.1 billion compared US$ 18.9 billion at the end of 2015. This reflects both the lower level of order intake for the Turnkey segment and the resilience of the Lease and Operate portfolio.

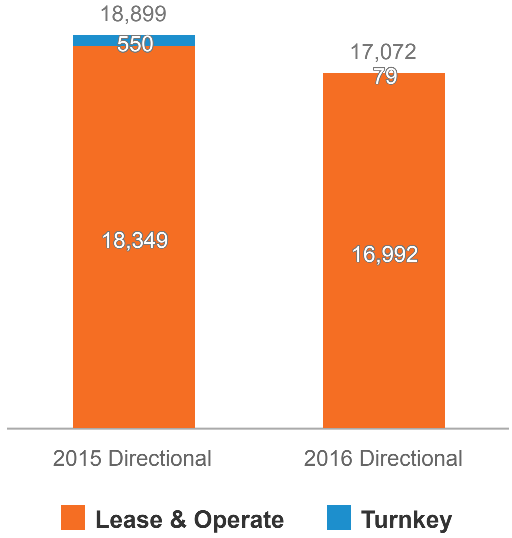
Directional[2] Turnkey backlog decreased to US$ 0.1 billion compared to US$ 0.5 billion in 2015 as no major Turnkey orders were signed in 2016. As market conditions continued to be challenging during the period, the level of tendering activity was lower than in 2015 and the order intake continued to be impacted by structural delays in client final investment decisions.

Backlog as of December 31, 2016 is expected to be executed as per the below tables:

Backlog (in millions of US$)

in million US$	Turnkey	Lease & Operate	Total
2017	0.1	1.5	1.6
2018	0.0	1.5	1.5
2019	0.0	1.5	1.5
Beyond 2020	0.0	12.5	12.5
Total Backlog	0.1	17.0	17.1

Backlog (in millions of US$)

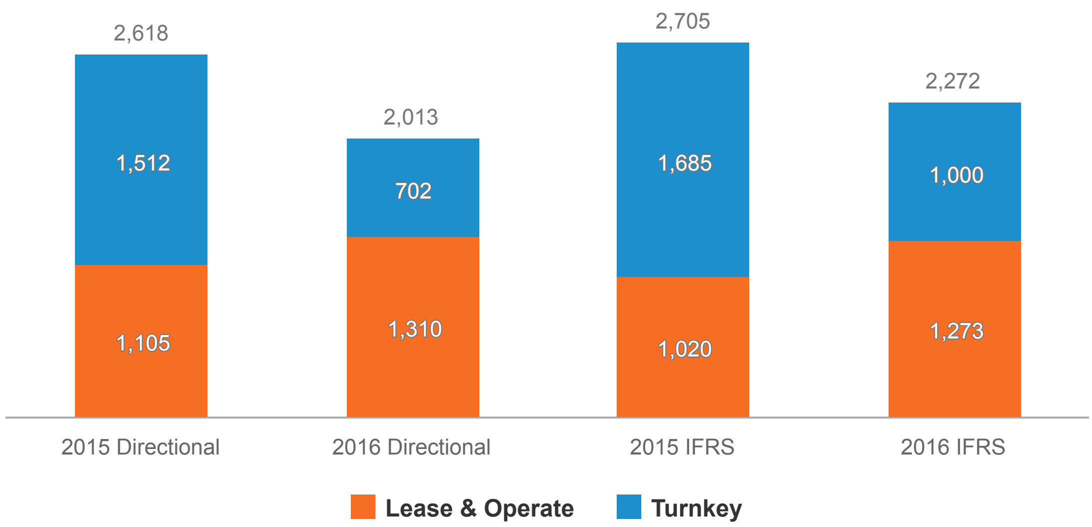


2 Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

REVENUE

Directional[3] Revenue decreased by 23% year-on-year despite an increase of 19% for the Lease and Operate segment:

Revenue (in millions of US$)



DIRECTIONAL[3]

Third party Directional[3] Turnkey revenue came down 54% year-over-year to US$ 702 million, representing only 35% of total 2016 revenue. This compares to US$ 1,512 million, or 58% of total revenue, in 2015. The decrease is mostly attributable to the completion stage reached in the course of 2016 on Ichthys turret and FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*, as well as the very low order intake in 2014, 2015 and 2016 as a result of the market downturn.

Directional[3] Lease and Operate revenue increased by 19% to US$ 1,310 million, representing 65% of total Directional[3] revenue contribution in 2016, up from the 42% contribution of 2015. The increase in segment revenue is attributable to the start-up of FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella* while no vessel have been decommissioned during the period.

IFRS

Total IFRS revenue decreased during the year, down by 16% to US$ 2,272 million, despite an increase of 25% for the Lease and Operate segment. This was mainly attributable to significantly lower revenue recognized in the Turnkey segment upon completion of major projects in the course of 2016 as well as low order intake in 2014, 2015 and 2016.

PROFITABILITY

The Company's primary business segments are Lease and Operate and Turnkey plus 'Other' non-allocated corporate income and expense items. EBITDA and EBIT are analyzed by segment but it should be recognized that business activities are closely related, and that certain costs are not specifically related to either one segment or another. For example, when sales costs are incurred, including significant sums for preparing a bid, it is often uncertain whether the project will be leased or contracted on a turnkey lump sum basis.

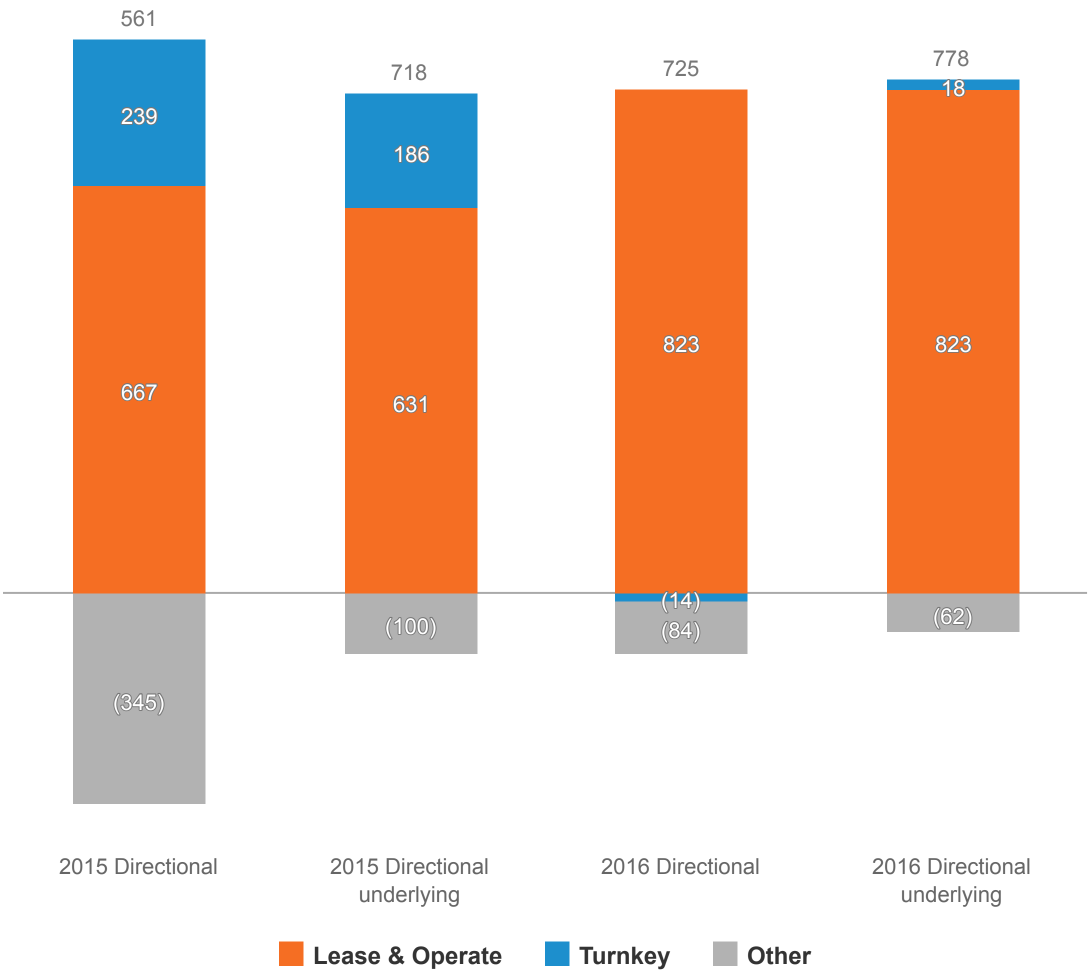
[3] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

5 FINANCIAL REPORT 2016

The Company's profitability may be affected by external variables and conditions. Profitability may be sensitive to significant areas of estimation and judgements, and to potential interest rates and currency fluctuations against the US dollar as described in notes 5.2.7.B (a) and 5.3.29 to the financial statements, respectively.

In recent years, new lease contracts are showing longer duration and are systematically classified under IFRS as finance leases for accounting purposes whereby the fair value of the leased asset is recorded as a Turnkey 'sale' during construction. For the Turnkey segment this has the effect of accelerating during the construction period a substantial part of the lease profits which would in the case of an operating lease be recognized through the Lease and Operate segment during the lease period. To address this lease accounting issue and IFRS 10 and 11 standards introduced in 2014, the Company has, in addition to its IFRS reporting, assessed its performance by treating all lease contracts as operating leases and consolidated all JVs related to lease contracts on a proportional basis, referred to as Directional[4]. This provides consistency in segment presentation.

EBITDA Directional (in millions of US$)



Reported 2016 Directional[4] EBITDA was US$ 725 million compared to US$ 561 million in 2015. Directional[4] EBITDA consisted of US$ 823 million from the Lease and Operate segment compared to US$ 667 million in 2015, and a loss of US$ 14 million from the Turnkey segment compared to profit of US$ 239 million in 2015.

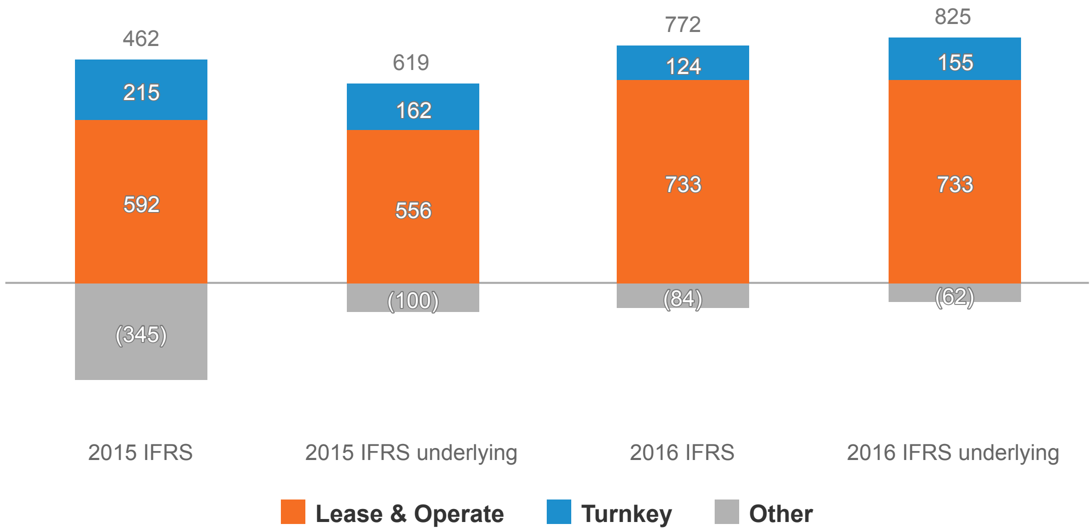
[4] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

Other non-allocated expenses came at US$ 84 million, compared to US$ 345 million in 2015, related mainly to restructuring charges and update of provision related to potential settlement contemplated with the Brazilian authorities and Petrobras.

Adjusted for non-recurring items related to provision for onerous long-term charter contract with the DSCV SBM Installer (US$ 31 million) and the update of the provision for contemplated settlement with Brazilian authorities and Petrobras (US$ 22 million), 2016 underlying Directional[4] EBITDA increased by 8% to US$ 778 million compared to US$ 718 million in 2015. This increase is primarily attributable to the Lease and Operate segment with the three new FPSOs that came into production in 2016 and significant saving on other non-allocated costs of US$ 38 million. The underlying turnkey EBITDA decreased significantly due to the profit recognized in 2015 upon the sale of 45% of Company's shares in the joint venture leasing and operating the FPSO *Turritella* while the decline of Turnkey activity year-on-year have been mitigated thanks to strong projects performance, under-recovery monitoring and significant saving on Turnkey overheads.

As a percentage of revenue, Underlying Directional[4] EBITDA was 39% compared to 27% in 2015. Underlying Directional[4] EBITDA margin for the Lease and Operate segment stood at 63% versus 57% in 2015, while Turnkey segment Underlying Directional[4] EBITDA margin decreased to 3% compared to 12% in 2015.

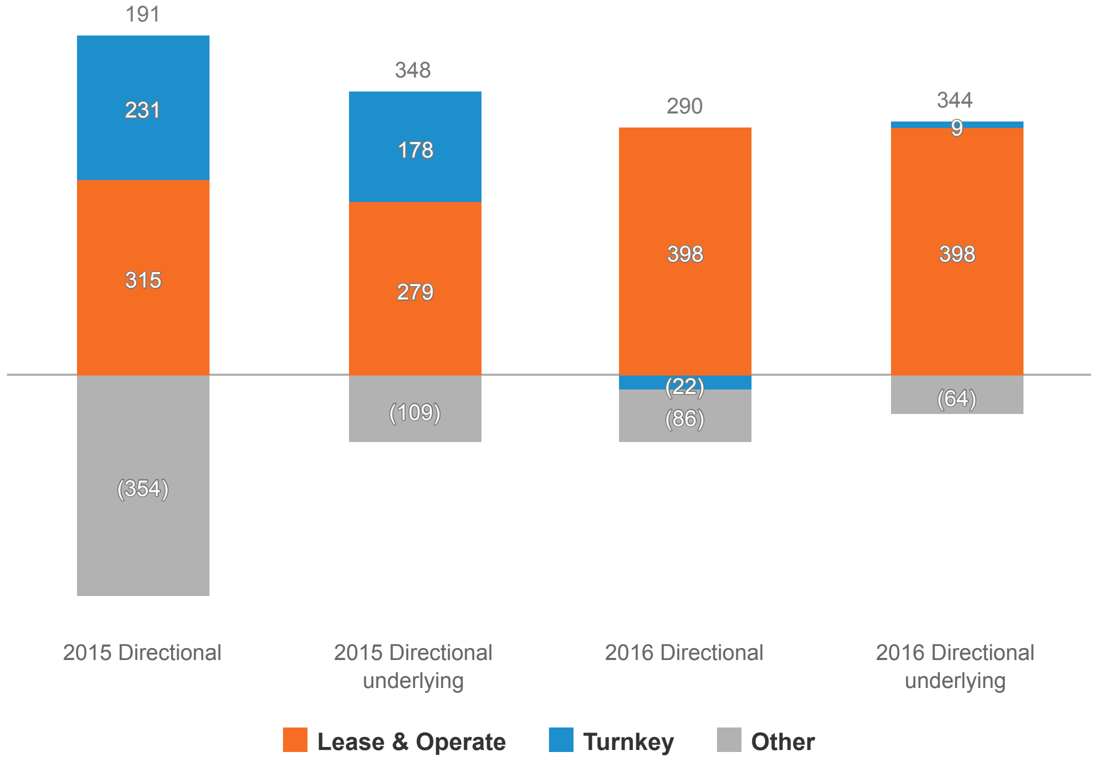
EBITDA IFRS (in millions of US$)



IFRS EBITDA in 2016 came in at US$ 772 million versus US$ 462 million in 2015. Total IFRS EBITDA consisted of US$ 733 million from the Lease and Operate segment compared to US$ 592 million in 2015, and US$ 124 million from the Turnkey segment compared to US$ 215 million in 2015. Other non-allocated expenses came at US$ 84 million with no difference compared to Directional[4]. Adjusted for non-recurring items, 2016 underlying IFRS EBITDA increased by 33% to US$ 825 million compared to US$ 619 million in 2015. This is primarily due the Lease and Operate segment and the three new FPSOs that came into production in 2016, while the underlying IFRS turnkey EBITDA, not impacted by the sale of Company's shares in the joint venture leasing and operating the FPSO Turritella in 2015, remained almost stable.

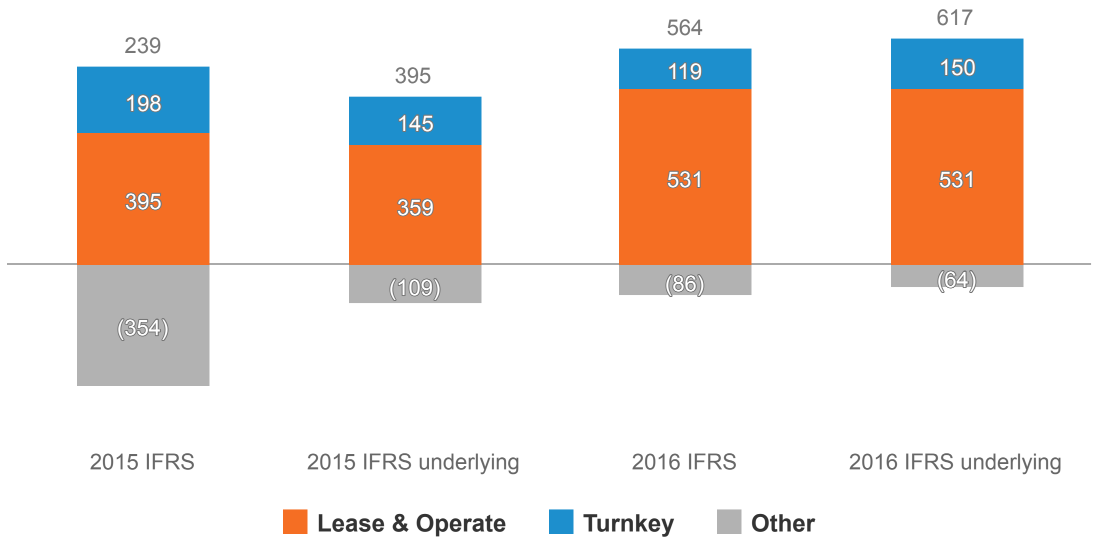
As a percentage of revenue, IFRS Underlying EBITDA was 36% compared to 23% in 2015. IFRS Underlying EBITDA margin for the Lease and Operate segment stood at 58% versus 55% in 2015, while Turnkey segment EBITDA margin stood at 16% compared to 10% in 2015 driven by project performance and decrease of structural costs.

EBIT Directional (in millions of US$)



Directional[4] EBIT in 2016 amounted to US$ 290 million compared to US$ 191 million in 2015. Adjusted for same non-recurring items as EBITDA, underlying Directional[3] 2016 EBIT slightly decreased by 1% to US$ 344 million versus US$ 348 million in 2015. Underlying EBIT variations per segment are the same as for the EBITDA, the increase of Lease and Operate Underlying EBITDA (US$ 191 million) being however partially offset by depreciation charges (US$ 66 million) related to the three new FPSOs that came into production in 2016.

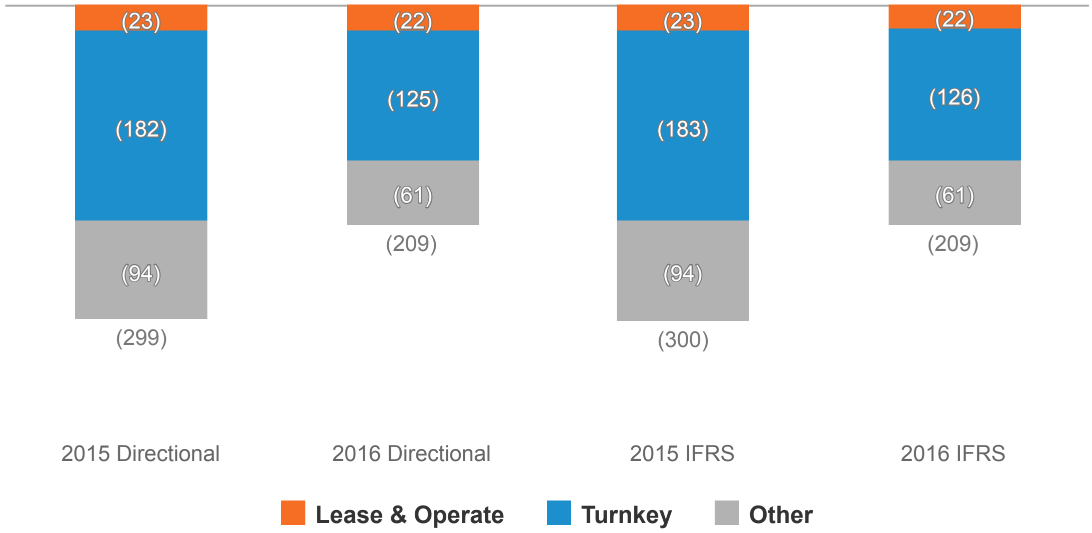
EBIT IFRS (in millions of US$)



IFRS EBIT in 2016 amounted to US$ 564 million compared to US$ 239 million in 2015. Adjusted for non-recurring items underlying 2015 EBIT increased by 56% to US$ 617 million compared to US$ 395 million in 2015.

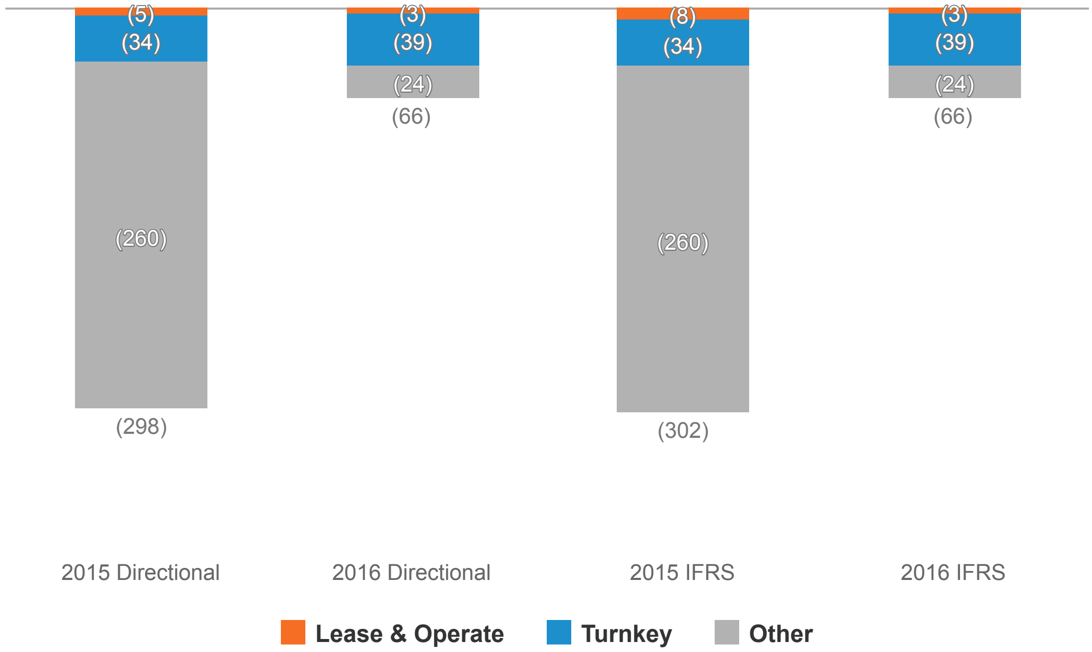
OVERHEADS, OTHER INCOME AND EXPENSES, NET FINANCING COSTS, SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES AND INCOME TAX

OVERHEADS (IN MILLIONS OF US$)



Directional overheads were US$ 209 million in 2016 compared to US$ 299 million in 2015. This significant reduction resulted from the finalization of the Company's business improvement initiatives, material saving on general and administrative expenses, lower tendering activity and decreased costs of research and development. There is no material differences between IFRS and Directional overheads.

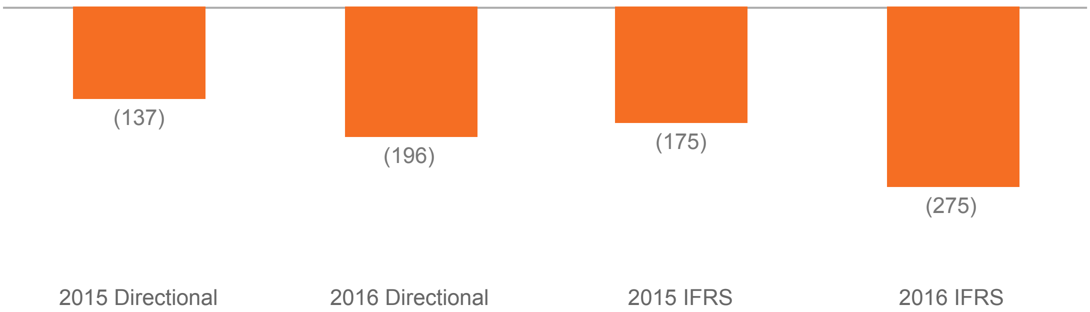
OTHER OPERATING INCOME AND EXPENSES (IN MILLIONS OF US$)



Directional[5] 'Other income and expenses' showed a net cost of US$ 66 million in 2016 compared to US$ 298 million in 2015. This includes the restructuring costs over the period of US$ 49 million, of which US$ 11 million relate to provision related to long-term offices rental contracts, and US$ 22 million related to the potential settlement discussed with Petrobras and the Brazilian authorities. The restructuring 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 at an amount of US$ 11 million.

In comparison, in 2015, the Directional[5] 'Other income and expenses' were mainly made of US$ 245 million provision related to the potential settlement discussed with Petrobras and the Brazilian authorities and US$ 55 million of restructuring charges. There is no material difference between IFRS and Directional[5] 'Other income and expenses'.

NET FINANCING COSTS (IN MILLIONS OF US$)



Directional[5] net financing costs increased to US$ 196 million compared to US$ 137 million in 2015. This was mainly due to interest paid on project loans for FPSOs Cidade de Marica, Cidade de Saquarema and Turritella joining the fleet in 2016. The 2016 average cost of debt remained low at 4.6% compared to 4.1% in 2015. More generally, once production units are brought into service, the financing costs are expensed to the P&L statement, whereas during construction interest is capitalized. It should be emphasized that the net profit contribution of newly operating leased units is limited by the relatively high interest burden during the first years of operation, although dedication of lease revenues to debt servicing leads to fast redemption of the loan balances and hence reduced interest charges going forward.

IFRS net financing costs increased by US$ 100 million compared to 2015, mainly due to interest paid on project loans for the FPSOs joining the fleet in 2016.

SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

The Directional[5] share of profit of equity accounted investees, mainly consisting of the Paenal and the Brasa yards, resulted in a loss of US$ 61 million in 2016, up from a loss of US$ 8 million in 2015, mostly driven by the impairment recognized on the Company's investment (30% ownership) in the Joint Venture owning the Paenal construction yard operating in Angola.

Under IFRS, the Company's share of net losses of non-controlled joint ventures amounted to US$ 14 million in 2016 compared to a profit of US$ 73 million in 2015. This decrease is mainly due to the impairment recognized on the net investment in the Joint Venture owning the Paenal construction yard as well as the impact in 2015 of the turnkey contribution of the N'Goma project finalized early in that year.

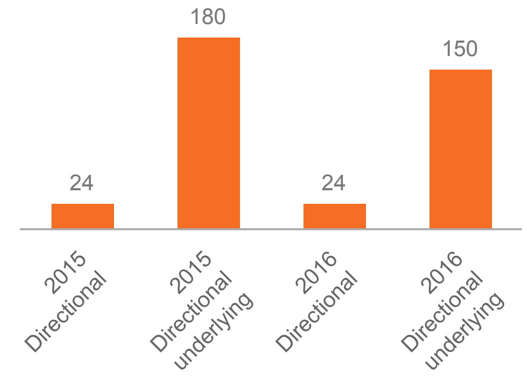
5 Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

INCOME TAX

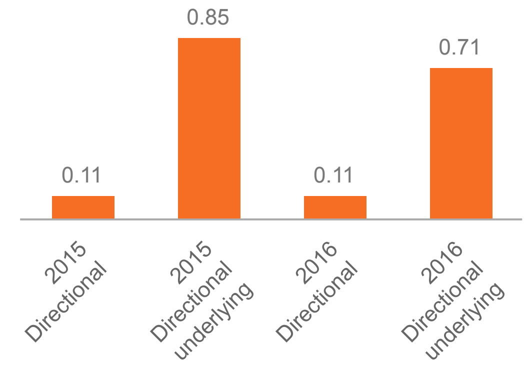
The 2016 IFRS tax expense slightly increased from US$ 26 million in 2015 to US$ 28 million, leading to an effective tax rate of 9.6% in 2016.

NET INCOME

Net Income Directional (in millions of US$)

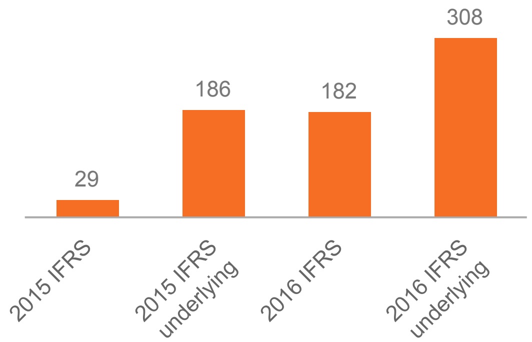


Weighted Average Earnings Per Share Directional (in US$)

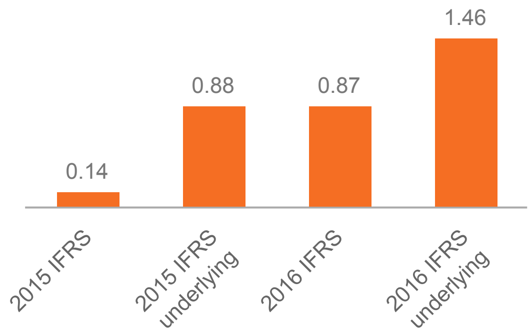


Directional[6] consolidated net income for 2016 was US$ 24 million, stable compared to 2015. Adjusted for non-recurring items, 2016 underlying consolidated Directional net income attributable to shareholders stood at US$ 150 million and a decrease by US$ 30 million from the previous year period, mainly attributable to lower Turnkey segment activity.

Net Income IFRS (in millions of US$)



Weighted Average Earnings Per Share IFRS (in US$)



After IFRS non-controlling interests of US$ 65 million included in 2016 net income and related to reported results from fully consolidated joint ventures where the Company has a minority partner (principally Brazilian FPSOs, Aseng and Turritella), IFRS net income attributable to shareholders amounted to US$ 182 million compared to US$ 29 million in 2015.

6 Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

STATEMENT OF FINANCIAL POSITION

in millions of US$	2016	2015	2014	2013	2012[1]
Capital employed IFRS	8,996	8,806	8,134	6,383	3,420
Total equity IFRS	3,513	3,465	3,149	2,887	1,530
Net debt IFRS	5,216	5,208	4,775	3,400	1,816
Net gearing (%) IFRS	59.8	60.0	60.3	54.1	54.3
Total assets IFRS	11,488	11,340	11,118	8,749	6,635
Leverage ratio	2.84	3.70	2.56	2.50	2.01
Solvency ratio	32.4	32.3	31.1	30.2	27.1

1 not restated for comparison purpose

Total assets remained almost stable at US$ 11.5 billion as of December 31, 2016 compared to US$ 11.3 billion at year end 2015. This slight variance is mainly attributable to the increasing cash position while the finalized investments in FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella* are largely offset by vessels depreciation and finance lease redemptions.

Shareholder's equity increased from US$ 2,496 million to US$ 2,516 million mostly due to the 2016 net income partially offset by the Share repurchase program completed over the period.

Capital Employed (Equity + Non-Current Provisions + Deferred tax liability + Net Debt) at year-end 2016 amounted to US$ 8,996 million, an increase of 2% compared to US$ 8,806 million in 2015. This was due in large part to the increase of non-current provisions following the reclassification as 'non-current' of part of the provision for contemplated settlement with Brazilian authorities and Petrobras, as well as the new provision for onerous contracts booked over the period.

IFRS net debt was at US$ 5,216 million versus US$ 5,208 million in 2015. Proportional net debt at year-end amounted to US$ 3,147 million versus US$ 3,128 million in the year-ago period. The stability of the net debt is mainly related to strong operating cash-flow generation covering investing activities, payment of dividends and the share repurchase program over the period.

IFRS net gearing (net debt over equity + net debt) at the end of the year came at 59.8%, almost stable compared to year end 2015 (60%).

The relevant banking covenants (Solvency, Net Debt/Adjusted EBITDA, Interest Cover) were all met. As in previous years, the Company has no off-balance sheet financing.

CAPITAL STRUCTURE

Despite the continuous market downturn, the Company's financial position has remained strong. The growth of the lease and operate segment as well as the adaptation of the Turnkey segment to a depressed market, coupled with strong cash-flows generated by the fleet strengthened equity and resulted in net debt staying constant despite payment of significant shareholder returns.

INVESTMENT AND CAPITAL EXPENDITURES

Total investments made in 2016 reached US$ 34 million compared to the US$ 775 million in 2015. Highlights for fiscal year 2016 investments are:

- Capital expenditure of US$ 14 million compared to US$ 23 million in 2015.
- Net investments in finance leases totaling US$ 20 million compared to US$ 704 million in 2015.

Total capital expenditures for 2016, which consist of additions to property, plant and equipment plus capitalized development expenditures, were related to minor investments.

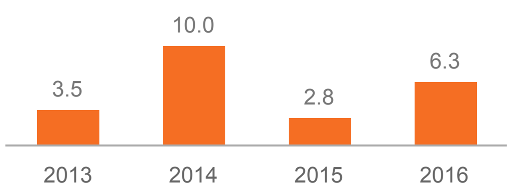
Due to the classification of the contracts as finance leases under IFRS, investments in the units were recorded as construction contracts, with the investments in finance leases ultimately recorded as financial assets. The net investment in these finance lease contracts amounted to US$ 20 million in 2016, which compares to US$ 704 million in 2015, and is reported as operating activities in the consolidated cash-flow statement.

The decrease in property, plant and equipment in 2016 to US$ 1,474 million, compared to US$ 1,686 million at the end of 2015, resulted from the very low level of capital expenditure less normal depreciation and amortisation.

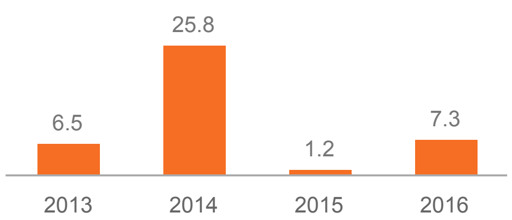
RETURN ON AVERAGE CAPITAL EMPLOYED AND EQUITY

Both IFRS Return on Average Capital Employed (ROACE) and Return on Average Shareholders' Equity (ROAE) increased, to 6.3% and 7.3% respectively in 2016. This was primarily the result of the higher EBIT and Net Result reported under IFRS in 2016 while equity and capital employed remained almost stable.

Return on Average Capital Employed (%)



Return on Average Equity (%)



CASH FLOW/LIQUIDITIES

Cash and undrawn committed credit facilities amounted to US$ 1,904 million, US$ 221 million of which can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilization.

The Enterprise Value to EBITDA ratio at year-end 2016 came in at 12.4, lower than the previous year, due mainly to significant increase in the Company's IFRS EBITDA.

in millions of US$	2016	2015	2014	2013	2012[1]
IFRS EBITDA	772	462	925	592	681
Cash	904	515	452	208	715
Cash flow from operations	488	(538)	(1,356)	(1,044)	1,134
EV : IFRS EBITDA ratio at 31/12	12.4	19.3	8.6	14.3	6.3

1 not restated for comparison purpose

Provided below is a reconciliation of net income before taxes to Cash Flow from Operations:

in millions of US$	2016	2015
Net income before taxes	**275**	**137**
Adjustments for non-cash items		
Depreciation of property, plant and equipment	216	212
Net impairment / (impairment reversal)	32	9
Amortisation of intangible assets	3	1
Adjustments for investing and financing items		
Share in net income of associates and joint ventures	(30)	(73)
Finance income	(26)	(25)
Finance costs excluding impairment	301	200
(Gain) / loss on disposal of property, plant and equipment	(2)	1
(Gain) / loss on disposal of subsidiary	0	3
Adjustments for equity items		
Share-based payments	16	20
Reclassification of exchange differences relating to the disposal of foreign subsidiaries	0	0
Subtotal	**787**	**484**
Changes in operating assets and liabilities		
Decrease / (increase) in investments	0	3
Decrease in operating receivables (excluding WIP)	20	178
Increase in WIP (excluding reclass to Financial Assets)	(301)	(836)
Decrease in operating liabilities	(240)	(548)
Total changes in operating assets and liabilities	**(521)**	**(1,204)**
Reimbursement finance lease assets	237	206
Income taxes paid	(15)	(24)
Net cash generated from operating activities	**488**	**(538)**

OUTLOOK AND GUIDANCE

Management's expectations for order intake in 2017 remain unchanged, aligned with an outlook for the industry where recovery is expected to be gradual as clients remain cautious regarding investment in their development programs. At the same time, productive client discussions continue to take place to make deep water projects competitive in today's oil price environment. A positive medium to long-term outlook is maintained as deep water offshore is expected to remain an important element in the energy supply of the future.

The Company is providing 2017 Directional revenue guidance of around US$ 1.7 billion, with around US$ 1.5 billion from Lease and Operate and around US$ 200 million from Turnkey. 2017 Directional EBITDA is guided at around US$ 750 million.

5.2 CONSOLIDATED FINANCIAL STATEMENTS

5.2.1 CONSOLIDATED INCOME STATEMENT

in millions of US$	Notes	2016	2015
Revenue	5.3.2/5.3.3	2,272	2,705
Cost of sales	5.3.5	(1,434)	(1,864)
Gross margin	5.3.2	**838**	**841**
Other operating income/(expense)	5.3.4/5.3.5	(66)	(302)
Selling and marketing expenses	5.3.5	(37)	(61)
General and administrative expenses	5.3.5	(142)	(196)
Research and development expenses	5.3.5/5.3.8	(29)	(43)
Operating profit/(loss) (EBIT)	5.3.2	**564**	**239**
Financial income	5.3.7	26	25
Financial expenses	5.3.7	(301)	(200)
Net financing costs		**(275)**	**(175)**
Share of profit of equity-accounted investees	5.3.31	(14)	73
Profit/(Loss) before tax		**275**	**137**
Income tax expense	5.3.9	(28)	(26)
Profit/(Loss)		**247**	**110**
Attributable to shareholders of the parent company		182	29
Attributable to non-controlling interests	5.3.32	65	81
Profit/(Loss)		**247**	**110**

Earnings/(loss) per share

	Notes	2016	2015
Weighted average number of shares outstanding	5.3.10	210,568,416	210,851,051
Basic earnings/(loss) per share	5.3.10	US$ 0.87	US$ 0.14
Fully diluted earnings/(loss) per share	5.3.10	US$ 0.87	US$ 0.14

5.2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of US$	2016	2015
Profit/(Loss) for the period	**247**	**110**
Cash flow hedges	77	(8)
Deferred tax on cash flow hedges	(14)	(1)
Foreign currency variations	(17)	(18)
Items that are or may be reclassified to profit or loss	**46**	**(27)**
Remeasurements of defined benefit liabilities	4	0
Deferred tax on remeasurement of defined benefit liabilities	0	-
Items that will never be reclassified to profit or loss	**3**	**0**
Other comprehensive income for the period, net of tax	**50**	**(27)**
Total comprehensive income for the period, net of tax	**296**	**83**
Of which		
- on controlled entities	314	33
- on equity-accounted entities	(18)	50
Attributable to shareholders of the parent company	215	16
Attributable to non-controlling interests	81	67
Total comprehensive income for the period, net of tax	**296**	**83**

5.2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of US$	Notes	31 December 2016	31 December 2015
ASSETS			
Property, plant and equipment	5.3.12	1,474	1,686
Intangible assets	5.3.13	46	45
Investment in associates and joint ventures	5.3.31	484	460
Finance lease receivables	5.3.14	7,232	3,020
Other financial assets	5.3.15	249	321
Deferred tax assets	5.3.16	29	59
Derivative financial instruments	5.3.20	8	0
Total non-current assets		**9,522**	**5,591**
Inventories	5.3.17	5	8
Finance lease receivables	5.3.14	328	164
Trade and other receivables	5.3.18	681	705
Construction work-in-progress	5.3.19	15	4,336
Derivative financial instruments	5.3.20	30	21
Cash and cash equivalents	5.3.21	904	515
Assets held for sale	5.3.22	1	-
Total current assets		**1,965**	**5,749**
TOTAL ASSETS		**11,488**	**11,340**
EQUITY AND LIABILITIES			
Issued share capital		56	58
Share premium reserve		1,163	1,162
Treasury shares		(166)	-
Retained earnings		1,697	1,532
Other reserves		(235)	(255)
Equity attributable to shareholders of the parent company	5.3.23	**2,516**	**2,496**
Non-controlling interests	5.3.32	996	970
Total Equity		**3,513**	**3,465**
Loans and borrowings	5.3.24	5,564	4,959
Provisions	5.3.26	257	131
Deferred income	5.3.25	263	260
Deferred tax liabilities	5.3.16	10	3
Derivative financial instruments	5.3.20	122	167
Total non-current liabilities		**6,215**	**5,521**
Loans and borrowings	5.3.24	557	763
Provisions	5.3.26	347	410
Trade and other payables	5.3.27	706	992
Income tax payables		35	25
Bank overdrafts	5.3.21	-	-
Derivative financial instruments	5.3.20	114	164
Total current liabilities		**1,760**	**2,354**
TOTAL EQUITY AND LIABILITIES		**11,488**	**11,340**

5.2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of US$	Outstanding number of shares	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
At 1 January 2016	**211,694,950**	**58**	**1,162**	**-**	**1,532**	**(255)**	**2,496**	**970**	**3,465**
Profit/(Loss) for the period		-	.	-	182	-	182	65	247
Foreign currency translation		(2)	-	-	-	(19)	(21)	4	(17)
Remeasurements of defined benefit provisions		-	-	-	-	3	3	-	3
Cash flow hedges/net investment hedges		-	-	-	-	51	51	12	63
Comprehensive income for the period		**(2)**	**-**	**-**	**182**	**35**	**215**	**81**	**296**
IFRS 2 Vesting cost of Share based payments		-	-	-	-	15	15	-	15
Issuance of shares on the share based scheme	1,776,355	0	2	0	28	(29)	1	-	1
Purchase of treasury shares		-	-	(166)	-	-	(166)	-	(166)
Cash dividend		-	-	-	(45)	-	(45)	(20)	(64)
Equity funding[1]		-	-	-	-	-	-	107	107
Equity repayment[2]		-	-	-	-	-	-	(142)	(142)
At 31 December 2016	**213,471,305**	**56**	**1,163**	**(166)**	**1,697**	**(235)**	**2,516**	**996**	**3,513**

1 equity contribution into Alfa Lula Alto S.à r.l, Beta Lula Central S.à r.l. and SBM Stones Sarl following shareholders resolution.

2 mainly equity repayment from Alfa Lula Alto S.à r.l and Beta Lula Central S.à r.l. following shareholders resolution.

in millions of US$	Outstanding number of shares	Issued share capital	Share premium reserve	Treasury shares	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
At 1 January 2015	**209,695,094**	**64**	**1,160**	**-**	**1,482**	**(287)**	**2,419**	**730**	**3,149**
Profit/(Loss) for the period		-	-	-	29	-	29	81	110
Foreign currency translation		(7)	-	-	-	(12)	(18)	-	(18)
Remeasurements of defined benefit provisions		-	-	-	-	0	0	-	0
Cash flow hedges/net investment hedges		-	-	-	-	5	5	(14)	(9)
Comprehensive income for the period		**(7)**	**-**	**-**	**29**	**(7)**	**16**	**67**	**83**
IFRS 2 Vesting cost of Share based payments		-	-	-	(28)	28	-	-	-
IFRS 2 Reserve identification[1]				-		20	20		20
Issuance of shares on the share based scheme	1,999,856	1	2	-	10	(10)	3	-	3
Cash dividend		-	-	-	-	-	-	(2)	(2)
Transactions with non-controlling interests		-	-	-	38	-	38	(38)	-
Equity funding[2]		-	-	-				292	292
Equity repayment[3]		-	-	-	-	-	-	(78)	(78)
At 31 December 2015	**211,694,950**	**58**	**1,162**	**-**	**1,532**	**(255)**	**2,496**	**970**	**3,465**

1 the IFRS 2 Share Based Payments granted but still unvested has been reclassified to the Other Reserves to reflect its undistributable nature.

2 mainly equity contribution into SBM Stones S.à.r.l and Alfa Lula Alto S.à r.l, following shareholders resolution.

3 equity repayment from companies Guara Norte S.à r.l., Beta Lula Central S.à r.l. and Tupi Nordeste S.à r.l. following shareholders resolution.

5.2.5 CONSOLIDATED CASH FLOW STATEMENT

in millions of US$	2016	2015
Cash flow from operating activities		
Receipts from customers	1,859	2,139
Payments for finance leases construction	(20)	(704)
Payments to suppliers and employees	(1,266)	(1,879)
Settlement Dutch Public Prosecutor's Office	(70)	(70)
Income tax received/(paid)	(15)	(24)
Net cash from operating activities	**488**	**(538)**
Cash flow from investing activities		
Investment in property, plant and equipment	(9)	(7)
Investment in intangible assets	(5)	(15)
Additions to funding loans	(47)	(3)
Redemption of funding loans	50	126
Interest received	15	9
Dividends received from equity-accounted investees	45	9
Net proceeds from disposal of property, plant and equipment	3	13
Net proceed from disposal of Financial assets	38	3
Net cash used in investing activities	**90**	**135**
Cash flow from financing activities		
Net equity funding from partners	(35)	214
Additions to borrowings and loans	1,118	1,855
Repayments of borrowings and loans	(780)	(1,405)
Dividends paid to shareholders and non-controlling interests	(64)	(2)
Share repurchase program	(166)	-
Interest paid	(252)	(210)
Net cash from financing activities	**(179)**	**451**
Net increase/(decrease) in cash and cash equivalents	**399**	**48**
Net cash and cash equivalents as at 1 January	515	452
Net increase/(decrease) in net cash and cash equivalents	399	48
Foreign currency variations	(9)	15
Net cash and cash equivalents as at 31 December	**904**	**515**

The reconciliation of the net cash and cash equivalents as at 31 December with the corresponding amounts in the statement of financial position is as follows:

Reconciliation of net cash and cash equivalents as at 31 December

	31 December 2016	31 December 2015
Cash and cash equivalents	904	515
Bank overdrafts	-	-
Net cash and cash equivalents	**904**	**515**

5.2.6 GENERAL INFORMATION

SBM Offshore N.V. is a company domiciled in Amsterdam, the Netherlands. SBM Offshore N.V. is the holding company of a group of international marine technology oriented companies. The Company globally serves the offshore oil and gas industry by supplying engineered products, vessels and systems, as well as offshore oil and gas production services.

The Company is listed on the Euronext Amsterdam stock exchange.

The consolidated financial statements for the year ended December 31, 2016 comprise the financial statements of SBM Offshore N.V., its subsidiaries and interests in associates and joint ventures (together referred to as 'the Company'). They are presented in millions of US dollars, except when otherwise indicated. Figures may not add up due to rounding.

The consolidated financial statements were authorized for issue by the Supervisory Board on February 8, 2017.

5.2.7 ACCOUNTING PRINCIPLES

A. ACCOUNTING FRAMEWORK

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the EU, where effective, for financial years beginning January 1, 2016.

The separate financial statements included in section 5.4 are part of the 2016 financial statements of SBM Offshore N.V.

New standards, amendments and interpretations applicable as of January 1, 2016

The Company has adopted the following new standards with a date of initial application of January 1, 2016:

- IAS 19 Amended 'Defined Benefit Plans: Employee Contributions';
- IFRS 11 Amendment 'Accounting for Acquisitions of Interests in Joint Operations';
- IAS 16 and IAS 38 Amendment 'Clarification of Acceptable Methods of Depreciation and Amortization';
- IAS 27 Amendment 'Equity Method in Separate Financial Statements';
- IAS 1 Amendment 'Disclosure Initiative';
- Annual improvements: 2010-2012 and 2012-2014 cycles.

The adoption of the interpretations, amendments and annual improvements had no significant effect on the financial statements for earlier periods and on the financial statements for the period ended December 31, 2016.

Standards and interpretations not mandatory applicable to the group as of January 1, 2016

The Company has decided not to early adopt standards and amendments published by the IASB and endorsed by the European Commission, but not mandatory applicable as of January 1, 2016. Other new standards and amendments have been published by the IASB but have not been endorsed yet by the European Commission. Early adoption is not possible until European Commission endorsement. Those which may be relevant to the Company are set out below:

IFRS 9 – Financial Instruments

This Standard includes requirements for the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard will be mandatory as of January 1, 2018.

The Company is analyzing the impacts and practical consequences of these standard's future application. It is expected that the main impact will relate to the new impairment model whereby impairment of the financial assets are based on a current expected credit losses model.

IFRS 15 – Revenue Recognition

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.
This standard specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. This standard will be mandatory as of January 1, 2018.

The Company is analyzing the impacts and practical consequences of these standard's future application. The preliminary analysis of the existing contracts demonstrates that the construction contract represents one performance obligation and the progress-based measurement of revenue will still be the main method used by the Company for the construction contracts. The lease contracts are not impacted by IFRS 15 as they are covered by IFRS 16. For the operating and maintanance contracts no major changes are anticipated.

The Company expects to use the retrospective implementation method in 2018, with restatement of comparative figures for 2017.

IFRS 16 – Leases

IFRS 16 was issued in January 2016. This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The accounting for contracts where the Company is the lessor is expected to be unchanged.

The Company has a number of lease contracts for land and buildings and instalment vessel that are currently accounted for under IAS 17 as operating leases. The following changes are expected upon transition to IFRS 16:

- Assets and liabilities are expected to increase by an amount close to the net present value of future lease payments.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) will increase as the lease payments will be presented as depreciation and finance cost rather than operating expenses.
- Operating cash flow will increase and investing and financing cash flow will decrease as the lease payments will no longer be considered as operational.

The Company will continue to analyze the impacts and practical consequences of these standard's future application.

The new standard for leases is effective January 1, 2019.

Other new or revised accounting standards are not considered to have a material impact on the Company's consolidated financial statements.

B. CRITICAL ACCOUNTING POLICIES

Critical accounting policies involving a high degree of judgement or complexity, or areas where assumptions and estimates are material, are disclosed in the paragraphs below.

(a) Use of estimates and judgement

When preparing the financial statements, it is necessary for the Management of the Company to make estimates and certain assumptions that can influence the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and assumptions, due to changes in facts and circumstances. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Estimates:

Significant areas of estimation and uncertainty in applying accounting policies that have the most significant impact on amounts recognized in the financial statements are:

The measurement of revenues and costs at completion, and margin recognition on construction contracts based on the stage of completion method:

Gross margin at completion and revenue at completion are reviewed periodically and regularly throughout the life of the contract. This requires a large number of estimates, especially of the total expected costs at completion, due to the complex nature of the Company's construction contracts.
Judgement is also required for the recognition of variation orders, incentives and claims from clients where negotiations or discussions are at a sufficiently advanced stage.
The gross margin at completion reflects at each reporting period the management's current best estimate of the probable future benefits and obligations associated with the contract.
Provisions for anticipated losses are made in full in the period in which they become known.

Impairments and provision for onerous contracts:

Some assumptions and estimates used in the discounted cash flow model and the adjusted present value model to determine the value in use of assets or group of assets are subject to uncertainty. There is a possibility that changes in circumstances or in market conditions could impact the recoverable amount of the asset or group of assets. Such assumptions and estimates can also be required to determine the amount of specific provision related to onerous contracts.

The anticipated useful life of the leased facilities:

Management uses its experience to estimate the remaining useful life of an asset. The actual useful life of an asset may be impacted by an unexpected event that may result in an adjustment to the carrying amount of the asset.

The Company's taxation:

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. As per IAS 12, the liabilities include any penalties and interests that could be associated to the tax audit issue. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made.

The Company's exposure to litigation with third parties and non-compliance:
The Company identifies and provides analysis on a regular basis, of current litigations and measures, when necessary, provisions on the basis of its best estimate of the expenditure required to settle the obligation, taking into account information available and different possible outcomes at the reporting period.

The Warranty fund :
A warranty provision is accrued during the construction phase of projects, based on historical warranty expenditure. At the completion of a project a warranty provision (depending on the nature of the project) is therefore provided for and reported as provision in the statement of financial position. Following the acceptance of a project the warranty provision is released over the warranty period. For some specific claims formally notified by the customer and which can be reliably estimated an amount is provided in full and without discounting. An overall review of the warranty fund is performed by management at each reporting date.

The timing and estimated cost of demobilization:
The estimated future costs of demobilization are reviewed on a regular basis and adjusted when appropriate. Nevertheless, considering the long-term expiry date of the obligations, these costs are subject to uncertainty. Indeed, cost estimates can vary in response to many factors, including for example new demobilization techniques, the Company's own experience on demobilization operations, future changes in laws and regulations, and timing of demobilization operation.

Estimates and assumptions made in determining these obligations, can therefore lead to significant adjustments to the future financial results. Nevertheless, the cost of demobilization obligations at the reporting date represent management's best estimate of the present value of the future costs required.

All significant projects have been completed during the year and there is therefore no significant estimates related to measurement of the stage of completion of projects as of December 2016. Several of the estimates included the 2016 financial statements are disclosed in the highlights section (5.3.1) and are detailed as follows:

- Onerous contract provision (detailed in note 5.3.26) related to (i) the long-term contract with Diving Support and Construction Vessel SBM Installer amounting to US$ 31 million due to the activity outlook deterioration and (ii) the long-term offices rental contracts amounting to US$ 11 million in the light of the recent restructuring activities which has created overcapacity in rented office space in various Regional Centers
- Impairment of the net investment in the Angolan yard amounting to US$ 59 million due to the activity outlook deterioration

Judgments:
In addition to the above estimates, the management exercises the following judgement:

Lease classification:
When the Company enters into a new lease arrangement, the terms and conditions of the contract are analyzed in order to assess whether or not the Company retains the significant risks and rewards of ownership

of the asset subject of the lease contract. In applying the criteria provided by IAS 17 'Leases', the Company can make significant judgement to determine whether the arrangement results in a finance lease or an operating lease. This judgement can have a significant effect on the amounts recognized in the consolidated financial statements.

(b) Leases: accounting by lessor

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Under an operating lease, the asset is included in the statement of financial position as property, plant and equipment. Lease income is recognized over the term of the lease on a straight-line basis. This implies the recognition of deferred income when the contractual day rates are not constant during the initial term of the lease contract.

When assets are leased under a finance lease, the present value of the lease payments is recognized as a financial asset. Under a finance lease, the difference between the gross receivable and the present value of the receivable is recognized as revenue. Lease income is, as of the commencement date of the lease contract, recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. During the construction phase of the facility, the contract is treated as a construction contract, whereby the percentage of completion method is applied.

(c) Impairment of non-financial assets

Under certain circumstances, impairment tests must be performed. Assets that have an indefinite useful life, for example goodwill, are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's or cash-generating-unit's (CGU's) fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. An impairment loss is recognized for the amount by which the assets or CGU's carrying amount exceeds its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and risks specific to the asset. The Company bases its future cash flows on detailed budgets and forecasts.

Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each statement of financial position date.

(d) Impairment of financial assets

The Company assesses whether there is objective evidence that a financial asset or group of financial assets (together referred to as 'financial asset') may be impaired at the end of each reporting date. An impairment exists if one or more events (a 'loss event') that have occurred after the initial recognition of the asset, have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the obligor

- a breach of contract, such as a default or delinquency in interest or principal payments
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization
- national or local economic conditions that correlate with defaults on the financial assets

The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced by the impairment which is recognized in the income statement. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the income statement.

Impairment on trade and other receivables is described later in Section 5.2.7 C. Significant Accounting Policies.

(e) Revenue
Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Construction contracts :
Construction contracts are accounted for in accordance with IAS 11 'Construction contracts'. Revenue and gross margin are recognized at each period based upon the advancement of the work-in-progress, using the percentage of completion. The percentage of completion is calculated based on the ratio of costs incurred to date to total estimated costs. Margin is recognized only when the visibility of the riskiest stages of the contract is deemed sufficient and when estimates of costs and revenues are considered to be reliable.

Complex projects that present a high risk profile due to technical novelty, complexity or pricing arrangements agreed with the client are subject to independent project reviews at advanced degrees of completion in engineering prior to recognition of margin, typically around 25% complete. An internal project review is an internal but independent review of the status of a project based upon an assessment of a range of project management and company topics. Until this point, no margin is recognized, with revenue recognized to the extent of cost incurred.

Due to the nature of the services performed, variation orders and claims are commonly billed to clients in the normal course of business. Additional contract revenue arising from variation orders is recognized when it is more than probable that the client will approve the variation and the amount of revenue arising from the variation can be reliably measured. Revenue resulting from claims is recognized in contract revenue only when negotiations have reached an advanced stage such that it is more than probable that the client will accept the claim and that the amount can be measured reliably.

Lease and operate contracts :
Revenue from long-term operating lease contracts is reported on a straight-line basis over the period of the contract once the facility has been brought into service. The difference between straight-line revenue and the contractual day-rates, which may not be constant throughout the charter, is included as deferred income.

Revenue from finance lease contracts is, as of the commencement date of the lease contract, recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(f) Construction work in progress

Construction work in progress is stated at cost plus profit recognized to date less any provisions for foreseeable losses and less invoiced instalments. Cost includes all expenditures related directly to specific projects and attributable overhead. Where instalments exceed the value of the related costs, the excess is included in current liabilities. Advances received from customers are also included in current liabilities per project.

(g) Demobilization obligations

The demobilization obligations of the Company are either stated in the lease contract or derive from the international conventions and the specific legislation applied in the countries where the Company builds assets. Demobilization costs will be incurred by the Company at the end of the operating life of the Company's facilities.

For operating leases, the net present value of the future obligations is included in property, plant and equipment with a corresponding amount included in the provision for demobilization. As the remaining duration of each lease reduces, and the discounting effect on the provision unwinds, accrued interest is recognized as part of financial expenses and added to the provision. The subsequent updates of the measurement of the demobilization costs are recognized both impacting the provision and the asset. In some cases, when the contract includes a demobilization bareboat fee that the Company invoices to the client during the demobilization phase, a receivable is recognized at the beginning of the loan phase for the discounted value of the fee.

For finance leases, demobilization obligations are analyzed as a component of the sale recognized under IAS 17 'Leases'. Therefore, because of the fact that demobilization operation is performed at a later stage, the related revenue is deferred until demobilization operations occur. The subsequent updates of the measurement of the demobilization costs are recognized immediately through deferred revenue, for the present value of the change.

C. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

(a) Distinction between current and non-current assets and liabilities

The distinction between current assets and liabilities, and non-current assets and liabilities is based on their maturity. Assets and liabilities are classified as 'current' if their maturity is less than twelve months or 'non-current' if their maturity exceeds twelve months.

(b) Consolidation

The Company's consolidated financial statements include the financial statements of all controlled subsidiaries.

In determining under IFRS 10 whether the Company has power over the investee, exposure or rights to variable returns from its involvement, it is assessed that, for entities whereby all key decisions are taken on a mutual consent basis, the main deciding feature resides in the deadlock clause existing in shareholders' agreements. In case a deadlock situation arises at the Board of Directors of an entity, whereby the Board is unable to force a decision, the deadlock clause of the shareholders' agreements generally stipulates whether a substantive right is granted to the Company or to all the partners in the entity to buy its shares through a compensation mechanism that is fair enough for the Company or one of the partner to acquire these shares. In case such a substantive right is granted to the Company, the entity will be defined under IFRS 10 as controlled by the Company. In case no such substantive right is granted through the deadlock clause to the Company, the entity will be defined as a joint arrangement.

Subsidiaries:
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated using the full consolidation method.

All reciprocal transactions between two controlled subsidiaries, with no profit or loss impact at consolidation level, are fully eliminated for the preparation of the consolidated financial statements.

Interests in joint ventures:
The group has applied IFRS 11 'Joint arrangement' to all joint arrangements. Under IFRS 11 investment in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. In determining under IFRS11 the classification of a 'Joint arrangement', the Company assessed that all 'Joint arrangements' were structured through private limited liability companies incorporated in various jurisdictions. As a result, assets and liabilities held in these separate vehicles were those of the separate vehicles and not those of the shareholders of these limited liability companies. Shareholders had therefore no direct rights to the assets, nor primary obligations for liabilities of these vehicles. The group has considered the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Investments in associates:
Associates are all entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. Investments in associates are accounted for under the equity method.

When losses of an equity-accounted entity are greater than the value of the Company's net investment in that entity, these losses are not recognized unless the Company has a constructive obligation to fund the entity. The share of the negative net equity of these is first accounted for against the loans held by the owner towards the equity-accounted company that form part of the net investment. Any excess is accounted for under provisions.

Reciprocal transactions carried out between a subsidiary and an equity-accounted entity, are not eliminated for the preparation of the consolidated financial statements. Only transactions leading to an internal profit (like for dividends or internal margin on asset sale) are eliminated applying the percentage owned in the equity-accounted entity.

The financial statements of the subsidiaries, associates and joint venture are prepared for the same reporting period as the Company and the accounting policies are in line with those of the Company.

(c) Non-derivatives financial assets
The Company classifies its financial assets into finance lease receivables, corporate debt securities and loans to joint ventures and associates. Trade and other receivables, even when they are financial assets according to IFRS definitions, are considered separately.

Finance leases are non-derivative financial assets with fixed or determined payments that are not quoted in an active market.

Corporate securities relates to:

- Fixed-rate bonds, issued by internationally known companies, quoted in liquid markets with fixed maturities, have bullet repayments at maturity and investment grade ratings at issuance. These instruments are classified as 'held-to-maturity' as the Company has the ability and intention to hold to maturity. In the event the criteria are not met, they are classified as available-for-sale. They are measured at fair value less transaction costs at initial recognition and subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value, is recognized in the consolidated income statement over the period of the borrowings, using the effective interest method.
- Other investments, such as equity shares, are initially measured at fair value less transaction costs and subsequently measured at fair value through Other Comprehensive Income, as they are classified in the available-for sale category.

Loans to joint ventures and associates relate primarily to interest-bearing loans to joint ventures. These financial assets are initially measured at fair value less transaction costs (if any) and subsequently measured at amortized cost.

Corporate securities and loans to joint ventures and associates are recognized on settlement date being the date on which cash is paid or received.

A financial asset or a group of financial assets is considered to be impaired only if objective evidence indicates that one or more events ('loss events'), happening after its initial recognition, have an effect on the estimated future cash flows of that asset. For loans to joint ventures and subsidiaries, as the Company has visibility over the expected cash inflows and outflows of the counterparty (joint venture), impairment occurs as soon as there is evidence that the asset will not be duly repaid.

(d) Borrowings (bank and other loans)

Borrowings are recognized on settlement date being the date on which cash is paid or received. They are initially recognized at fair value, net of transaction costs incurred (transaction price), subsequently measured at amortized cost and classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized into the cost of the asset in the period in which they are incurred. Otherwise, borrowing costs are recognized as an expense in the period in which they are incurred.

(e) Operating segment information

As per IFRS 8, an operating segment is a component of an entity: that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's chief operating decision maker for which distinct financial information is available.

The Management Board, as chief operating decision maker, monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on Revenue, Gross Margin and EBIT.
The Group has two reportable segments:

- the Lease and Operate segment includes all earned day-rates on long-term operating lease and operate contracts. In the case of a finance lease, revenue is recognized during the construction and installation

period within the Turnkey segment. As of the commencement date of a finance lease contract, interest income is shown in this segment
- the Turnkey segment includes Europe, Houston, Kuala Lumpur and Rio de Janeiro Regional Centers that derive revenues from turnkey supply contracts and after-sales services, which consist mainly of large production systems, large mooring systems, deep water export systems, fluid transfer systems, tanker loading and discharge terminals, design services and supply of special components and proprietary designs and equipment

No operating segments have been aggregated to form the above reportable operating segments.

The Company's corporate overhead functions do not constitute an operating segment as defined by IFRS 8 'Operating segments' and are reported under the 'Other' section in Note 5.3.2 Operating Segments.

Operating segments are also measured under Directional Reporting accounting policies, the main principles of which are the following:
- all lease contracts are classified and accounted for as if they were operating lease contracts. Some Lease and Operate contracts may provide for defined invoicing ('upfront payments') to the client occurring during the construction phase or at first-oil (beginning of the lease phase), to cover specific construction work and/or services performed during the construction phase. These 'upfront payments' are recognized as revenues and the costs associated to the construction work and/or services are recognized as 'Cost of sales' with no margin during the construction. As a consequence, these costs are not capitalized in the gross value of the assets under construction at joint venture level.
- all joint ventures related to lease and operate contracts are accounted for at the Company's share using the proportionate consolidation method (where all lines of the income statement are consolidated for the Company's percentage of ownership).
- all other accounting principles remain unchanged compared to applicable IFRS standards.

The above differences to the consolidated financial statements under IFRS are pointed out in the reconciliations provided in Note 5.3.2 Operating Segments on the revenue, the EBIT and other significant items, as required by IFRS 8 'Operating segments'.

(f) Foreign currency transactions and derivative financial instruments
Foreign currency transactions are translated into the functional currency, the US dollar, at the exchange rate applicable on the transaction date. At the closing date, monetary assets and liabilities stated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. Resulting exchange gains or losses are directly recorded in the income statement. At the closing date, non-monetary assets and liabilities stated in foreign currency remain translated into the functional currency using the exchange rate at the date of the transaction.

Translation of foreign currency income statements of subsidiaries into US dollars are converted at the average exchange rate prevailing during the year. Statements of financial position are translated at the exchange rate at the closing date. Differences arising in the translation of financial statements of foreign subsidiaries are recorded in other comprehensive income as foreign currency translation reserve. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and borrowings of such investments, are taken to Company equity.

Derivative financial instruments held by the Company are aimed at hedging risks associated with market risk fluctuations. A derivative instrument qualifies for hedge accounting (cash flow hedge or net investment hedge) when there is formal designation and documentation of the hedging relationship, and of the effectiveness of the hedge throughout the life of the contract. A cash flow hedge aims at reducing risks incurred by variations in the value of future cash flows that may impact net income. A net investment hedge aims at reducing risks incurred by variations in the value of the net investment in a foreign operation.

In order for a derivative to be eligible for hedge accounting treatment, the following conditions must be met:
- its hedging role must be clearly defined and documented at the inception date
- its effectiveness is proven at the inception date and as long as it remains highly effective in offsetting exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk

All derivative instruments are recorded and disclosed in the statement of financial position at fair value. Where a portion of a financial derivative is expected to be realized within twelve months of the reporting date, that portion is presented as current; the remainder of the financial derivative as non-current.

Changes in fair value of derivatives designated as cash flow or net investment hedge relationships are recognized as follows:
- the effective portion of the gain or loss of the hedging instrument is recorded directly in other comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement. The gain or loss which is deferred in equity, is reclassified to the net income in the period(s) in which the specified hedged transaction affects the income statement
- the changes in fair value of derivative financial instruments that do not qualify as hedging in accounting standards are directly recorded in the income statement

When measuring the fair value of a financial instrument, the Company uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. Further information about the fair value measurement of financial derivatives is included in Note 5.3.29 Financial Instruments – Fair Values and Risk Management.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(h) Provisions

Provisions are recognized if and only if the following criteria are simultaneously met:
- the Company has an ongoing obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- the amount of the obligation can be reliably estimated; provisions are measured according to the risk assessment or the exposed charge, based upon best-known facts

Demobilization provisions relate to estimated costs for demobilization of leased facilities at the end of the respective lease period or operating life.

Warranty provisions relate to the Company's obligations to replace or repair defective items that become apparent within an agreed period starting from final acceptance of the delivered system. Such warranties are provided to customers on most turnkey sales. These provisions are estimated on a statistical basis regarding the Company's past experience or on an individual basis in the case of any warranty claim already identified. These provisions are classified as current by nature as it coincides with the production cycle of the Company.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of such items. The capital value of a facility to be leased and operated for a client is the sum of external costs (such as shipyards, subcontractors and suppliers), internal costs (design, engineering, construction supervision, etc.), third party financial costs including interest paid during construction and attributable overhead.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The costs of assets include the initial estimate of costs of demobilization of the asset net of reimbursement expected to be received by the client. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate line items of property, plant and equipment. The depreciation charge is calculated based on future anticipated economic benefits, e.g. based on the unit of production method or on a straight-line basis as follows:

- Converted tankers 10-20 years (included in Vessels and floating equipment)
- Floating equipment 3-15 years (included in Vessels and floating equipment)
- Buildings 30-50 years
- Other assets 2-20 years
- Land is not depreciated

Useful lives and methods of depreciation are reviewed at least annually, and adjusted if appropriate.

The assets' residual values are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains and losses arising on disposals or retirement of assets are determined by comparing any sales proceeds and the carrying amount of the asset. These are reflected in the income statement in the period that the asset is disposed of or retired.

(j) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of the annual impairment testing.

Patents are amortized on a straight-line basis over their useful life, generally over fifteen years.

Research costs are expensed when incurred. In compliance with IAS 38, development costs are capitalized if all of the following criteria are met:

- the projects are clearly defined
- the Company is able to reliably measure expenditures incurred by each project during its development
- the Company is able to demonstrate the technical feasibility of the project
- the Company has the financial and technical resources available to achieve the project

- the Company can demonstrate its intention to complete, to use or to commercialize products resulting from the project
- the Company is able to demonstrate the existence of a market for the output of the intangible asset, or, if it is used internally, the usefulness of the intangible asset

When capitalized, development costs are carried at cost less any accumulated amortization. Amortization begins when the project is complete and available for use. It is amortized over the period of expected future benefit, which is generally between three and five years.

(k) Assets (or disposal groups) held for sale

The Company classifies assets or disposal groups as being held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This classification is performed when the following criteria are met:

- management has committed to a plan to sell the asset or disposal group
- the asset or disposal group is available for immediate sale in its present condition
- an active program to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated
- the sale of the asset or disposal group is highly probable
- transfer of the asset or disposal group is expected to qualify for recognition as a completed sale, within one year
- the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn

Assets or disposal groups classified as held for sale are measured at the lower of their carrying value or fair value less costs of disposal. Non-current assets are not depreciated once they meet the criteria to be held for sale and are shown separately on the face of the consolidated statement of financial position.

When an asset or disposal group which was previously classified as assets held for sale, is sold and leased back, the lease back transaction is analyzed regarding IAS 17 'Leases'. For a sale and leaseback transaction that results in a finance lease, any excess of proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, the profit or loss is recognized immediately.

(l) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Inventories comprise semi-finished and finished products valued at cost including attributable overheads and spare parts stated at the lower of purchase price or market value.

(m) Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment. At each balance sheet date, the Company assesses whether any indications exist that a financial asset or group of financial assets is impaired.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Company may not be able to collect all of the amounts due. Impaired trade receivables are derecognized when they are determined to be uncollectible.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method. Interest income, together with gains and losses when the receivables are derecognized or impaired, is recognized in the income statement.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and in hand fulfilling the following criteria: a maturity of usually less than three months, highly liquid, a fixed exchange value and an extremely low risk of loss of value.

(o) Share capital

Ordinary Shares and Protective Preference Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(p) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the associated tax is also recognized in other comprehensive income or directly in equity.

Income tax expenses comprise corporate income tax due in countries of incorporation of the Company's main subsidiaries and levied on actual profits. Income tax expense also includes the corporate income taxes which are levied on a deemed profit basis and revenue basis (withholding taxes). This presentation adequately reflects the Company's global tax burden.

(q) Deferred income tax

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided for on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) Employee benefits

Pension obligations: the Company operates various pension schemes that are generally funded through payments determined by periodic actuarial calculations to insurance companies or are defined as multi-employer plans. The Company has both defined benefit and defined contribution plans:

- a defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation
- a defined contribution plan is a pension plan under which the Company pays fixed contributions to public or private pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to

pay all employees the benefits relating to employee service in the current and prior periods. The contributions to defined contribution plans and multi-employer plans are recognized as an expense in the income statement as incurred

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations.

The expense recognized under the EBIT comprises the current service cost and the effects of any change, reduction or winding up of the plan. The accretion impact on actuarial debt and interest income on plan assets are recognized under the net financing cost.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in comprehensive income.

Share-based payments: within the Company there are three types of share based payment plans that qualify as equity settled:

- Restricted Share Unit (RSU) / Performance Share Unit (PSU)
- Performance shares
- Matching bonus shares

The estimated total amount to be expensed over the vesting period related to share based payments is determined by reference to the fair value of the instruments determined at the grant date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that the employee will ultimately receive. Main assumptions for estimates are revised at statement of financial position date. Total cost for the period is charged or credited to the income statement, with a corresponding adjustment to equity.

When equity instruments are exercised, the Company issues new shares.

5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.3.1 HIGHLIGHTS

Provision for settlement in Brazil

At the end of fiscal year 2015, the Company announced that the settlement discussions with the Ministry of Transparency, Oversight and Control (Ministério da Transparência, Fiscalização e Controle – 'MTFC'), the Attorney General's Office (Advocacia-Geral da União – 'AGU'), the Public Prosecutor's Office (Ministério Público Federal – 'MPF') and Petrobras had progressed to the point where it had become sufficiently clear that a settlement with these parties in Brazil will have a financial component. Consequently, based on information available to it, the Company recorded a non-recurring provision of US$ 245 million in the year-end financial results of 2015.

During the first half of 2016, the Company, the MTFC, the MPF, the AGU and Petrobras engaged in further negotiations which resulted in the signature on July 15, 2016 of a Settlement Agreement. The financial terms for final settlement negotiated between the Parties are made up as follows:

- cash payment by the Company totaling US$ 162.8 million, of which US$ 149.2 million is payable to Petrobras, US$ 6.8 million to the MPF and US$ 6.8 million to the Council of Control of Financial Activities (Conselho de Controle de Atividades Financeiras – 'COAF') for the implementation of units for massive electronic process of information and other instruments to be used in the prevention and combat against corruption by the MPF and the COAF. This amount will be paid in three instalments. The first instalment of US$ 142.8 million will be payable as of the effective date of the Settlement Agreement. The two further instalments of US$ 10 million each will be due respectively one and two years following the effective date of the Settlement Agreement; and,
- a reduction of 95% in future performance bonus payments related to FPSOs *Cidade de Anchieta* and *Capixaba* lease and operate contracts, representing a present value for the Company of approximately US$ 112 million over the period 2016 to 2030.

As a result from the signature of the settlement agreement in July 2016, the provision booked in December 2015 had been increased in the consolidated interim financial statements as at June 30, 2016, up to the amount of the present value of the financial terms of the agreement being US$ 273 million.

Subsequently, the Public Prosecutor's Office submitted the Settlement Agreement for approval of the Fifth Chamber for Coordination and Review and Anti-Corruption of the Federal Prosecutor Service ('Fifth Chamber').

On September 2, 2016, the Company was informed that the Fifth Chamber did not approve the leniency agreement signed by Brazilian authorities, Petrobras and SBM Offshore on July 15, 2016.

On October 6, 2016, the Company was informed that the Fifth Chamber confirmed its decision in which the Leniency Agreement as per the current terms was not approved, and referred the matter, including review of the appeals filed by the AGU and the MPF, to the Higher Council of the MPF (Conselho Institutional) for further consideration and decision.

On December 14, 2016, the Company learned that the Higher Council of MPF upheld the decision by the Fifth Chamber of October 6, 2016. The Higher Council decided not to accept the appeals filed by the MPF and the AGU and referred the case back to the Fifth Chamber and the prosecutor handling the case for further review and next steps.

The Higher Council is the highest institutional body within the MPF, in which prosecutors from all seven chambers of the MPF are represented.

The Company remains committed to engage with all relevant authorities until the Leniency Agreement is approved by the Fifth Chamber and the Company has been notified thereof. Such notification will make the Leniency Agreement, duly signed with the MTFC, the MPF, the AGU, and Petrobras, binding upon the parties. Until then, the Company is not under any obligation to make payments under the Leniency Agreement.

The Leniency Agreement further remains subject to review by the Federal Court of Accounts ('TCU'), which is not a condition precedent to the Leniency Agreement.

Although the Fifth Chamber of the Brazilian Federal Prosecutor Service has not approved the leniency agreement signed by Brazilian authorities, Petrobras and SBM Offshore on July 15, 2016, the terms of this agreement remain the Company's best estimate for an eventual settlement.

As a result, the provision booked in the Half-year 2016 condensed consolidated interim financial statements has been maintained and updated during the second half of 2016, up to the amount of the present value of the financial terms of the leniency agreement being US$ 281 million, impacting the line 'Other operating expense' of the consolidated income statement by US$ 22 million and the line 'Net financing costs' for US$ 14 million reflecting the unwinding of the discounting impact of future settlement.

SBM Offshore remains committed to engage with the prosecutor and the Fifth Chamber until the Leniency Agreement is approved by the Fifth Chamber. The Leniency Agreement further remains subject to review by the Federal Court of Accounts, but this is not a condition precedent to the Leniency Agreement. The Company continues to cooperate with the United States Department of Justice (DoJ) following the reopening of the investigation it had closed in November 2014 and with its inquiry into Unaoil, a company that SBM Offshore had engaged with as an agent prior to 2012 in relation to buoy business.

First Oil Cidade de Maricá, Cidade de Saquarema and Turritella

The portion of the construction work-in-progress related to the construction of Cidade de Maricá, Cidade de Saquarema and Turritella have been transferred to Finance Lease Receivable in the Consolidated Statement of Financial Position following the FPSOs achieving first oil and being formally on hire respectively as of February 7, 2016, July 8, 2016 and September 2, 2016.

Share Buy-Back

On August 11, 2016, the Company initiated a EUR 150 million share repurchase program. As of December 31, 2016, the share repurchase program is completed and the Company had repurchased 11,442,179 shares at an average share price of EUR 13.11, equal to 100% of the total repurchase program.

Restructuring

As a result of an on-going review of the cost structure and continued market downturn, the Company's workforce reduction is around 650 positions worldwide over the year 2016.

Restructuring costs accounted for as 'Other operating expense' over the period ended December 31, 2016 represent US$ 37 million. The total liabilities for restructuring included in 'Provisions' and 'Trade and other payables' represent US$ 9 million as of December 31, 2016 for the Company.

In the light of these recent restructuring activities an onerous contract provision related to the long-term offices rental contracts in various regional centers has been recognized for a total amount of US$ 11 million as of December 31, 2016.

DSCV SBM Installer Charter Contract

The Group 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 recognized in the gross margin as of December 31, 2016 (Please refer to note 5.3.26 Provisions).

Investment in JV holding Construction Yard Paenal

The activity outlook for the Company's investment (30% ownership) in the Joint Venture owning the Paenal construction yard operating in Angola has deteriorated. As a result, the Company's carrying amount for the net investment in this entity has been impaired by US$ 59 million on the second half of 2016. Because this investment is consolidated using the equity method, this non-cash impairment is recognized in the Company's Consolidated Income Statement on the line item 'Share of profit of equity-accounted investees' (please refer to note 5.3.15 Other financial assets).

5.3.2 OPERATING SEGMENTS

The Company's reportable operating segments as defined by IFRS 8 'Operating segments' are:
- Lease and Operate;
- Turnkey.

The operating segments are measured under Directional Reporting accounting principles, as described under Note 5.2.7.C. Significant Accounting Policies of the consolidated financial statements as of and for the year ended December 31, 2016.

In 2016, the Turnkey segment is impacted by the onerous contract provision related to DSCV SBM Installer and the long term offices rental contracts.

2016 operating segments

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	**1,310**	**702**	**2,013**	**-**	**2,013**
Gross margin	**423**	**142**	**565**	**-**	**565**
Other operating income/expense	(3)	(39)	(42)	(24)	**(66)**
Selling and marketing expenses	(3)	(35)	(37)	0	**(37)**
General and administrative expenses	(19)	(61)	(81)	(61)	**(142)**
Research and development expenses	0	(29)	(29)	0	**(29)**
Operating profit/(loss) (EBIT)	**398**	**(22)**	**376**	**(86)**	**290**
Net financing costs					(196)
Share of profit of equity-accounted investees					(61)
Income tax expense					(9)
Profit/(Loss)					**24**
Operating profit/(loss) (EBIT)	398	(22)	376	(86)	**290**
Depreciation, amortisation and impairment	425	9	433	2	**435**
EBITDA	**823**	**(14)**	**809**	**(84)**	**725**
Other segment information :					
Impairment charge/(reversal)	(8)	0	(8)	-	**(8)**

Reconciliation of 2016 operating segments

	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of Other[1]	Total Consolidated IFRS
Revenue					
Lease and Operate	1,310	172	(210)	-	1,273
Turnkey	702	(17)	314	-	1,000
Total revenue	**2,013**	155	105	-	**2,272**
Gross margin					
Lease and Operate	423	94	38	-	555
Turnkey	142	(3)	144	-	283
Total gross margin	**565**	91	182	-	**838**
EBIT					
Lease and Operate	398	93	39	-	531
Turnkey	(22)	(2)	143	-	119
Other	-	0	0	(86)	(86)
Total EBIT	**376**	91	182	(86)	**564**
EBITDA					
Lease and Operate	823	118	(208)	-	733
Turnkey	(14)	(1)	138	-	124
Other	-	-	-	(84)	(84)
Total EBITDA	**809**	117	(70)	(84)	**772**

1 Impact of business segment that does not meet the definition of an operating segment

2015 operating segments

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	**1,105**	**1,512**	**2,618**	**-**	**2,618**
Gross margin	**342**	**447**	**789**	**-**	**789**
Other operating income/expense	(5)	(34)	(38)	(260)	**(298)**
Selling and marketing expenses	(5)	(56)	(61)	0	**(60)**
General and administrative expenses	(18)	(83)	(101)	(95)	**(196)**
Research and development expenses	-	(43)	(43)	0	**(43)**
Operating profit/(loss) (EBIT)	**315**	**231**	**545**	**(354)**	**191**
Net financing costs					(137)
Share of profit of equity-accounted investees					(8)
Income tax expense					(22)
Profit/(Loss)					**24**
Operating profit/(loss) (EBIT)	315	231	545	(354)	**191**
Depreciation, amortisation and impairment	352	8	360	10	**370**
EBITDA	**667**	**239**	**906**	**(345)**	**561**
Other segment information :					
Impairment charge/(reversal)	13	2	15	-	**15**

Reconciliation of 2015 operating segments

	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of Other[1]	Total Consolidated IFRS
Revenue					
Lease and Operate	1,105	65	(151)	-	1,020
Turnkey	1,512	(9)	181	-	1,685
Total revenue	**2,618**	57	31	-	**2,705**
Gross margin					
Lease and Operate	342	54	30	-	426
Turnkey	447	(21)	(11)	-	414
Total gross margin	**789**	33	18	-	**841**
EBIT					
Lease and Operate	315	51	30	-	395
Turnkey	231	(21)	(11)	-	198
Other	-	0	-	(354)	(354)
Total EBIT	**545**	29	18	(354)	**239**
EBITDA					
Lease and Operate	667	76	(151)	-	592
Turnkey	239	(22)	(2)	-	215
Other	-	-	-	(345)	(345)
Total EBITDA	**906**	53	(152)	(345)	**462**

1 Impact of business segment that does not meet the definition of an operating segment

5.3.3 GEOGRAPHICAL INFORMATION AND RELIANCE ON MAJOR CUSTOMERS

GEOGRAPHICAL INFORMATION

The classification by country is determined by the final destination of the product for both revenues and non-current assets.

The revenue by country is analyzed as follows:

Geographical information (revenue by country)

	2016	2015
Brazil	1,323	1,491
The United States of America	368	360
Canada	134	141
Equatorial Guinea	103	110
Australia	80	233
The United Kingdom	50	32
Angola	45	187
Congo	36	13
United Arab Emirates	31	13
Nigeria	16	15
Myanmar	15	41
South Africa	12	12
Malaysia	6	12
Other	53	45
Total revenue	**2,272**	**2,705**

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

	31 December 2016	31 December 2015
Brazil	6,911	3,714
The United States of America	1,242	245
Angola	426	454
Canada	390	446
Equatorial Guinea	215	308
Malaysia	189	207
The Netherlands	7	11
Other	143	207
Total non-current assets	**9,522**	**5,591**

RELIANCE ON MAJOR CUSTOMERS

Two customers represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$ 1,612 million (2015 : US$ 1,794 million).

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

	Note	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.

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* (MNOPF). The MNOPF is a defined benefit multi-employer plan which is closed to new members. The fund is managed by a corporate Trustee, MNOPF 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 MNOPF 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 MNOPF 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.

DEFINED BENEFIT PLANS AND OTHER LONG-TERM BENEFITS

The employee benefits provisions recognized in accordance with accounting principles, relate to:

	Note	2016	2015
Pension plan		9	12
Lump sums on retirement		6	6
Defined benefit plans		**15**	**18**
Long-service awards		11	11
Other long term benefits		**11**	**11**
Employee benefits provisions	*5.3.26*	**26**	**29**

The defined benefit plan provision is partially funded as follows:

Benefit asset/liability included in the statement of financial position

	31 December 2016			31 December 2015		
	Pension plans	Lump sums on retirement	Total	Pension plans	Lump sums on retirement	Total
Defined benefit obligation	43	6	48	59	6	**66**
Fair value of plan assets	(34)	-	(34)	(48)	-	**(48)**
Benefit (asset)/liability	**9**	**6**	**15**	**12**	**6**	**18**

The main assumptions used in determining employee benefit obligations for the Company's plans are shown below:

Main assumptions used in determining employee benefit obligations

in %	2016	2015
Discount rate	0.25 - 1.75	0.75 - 2.08
Inflation rate	1.75	2.00
Discount rate of return on plan assets during financial year	0.75	1.00
Future salary increases	3.00	3.00
Future pension increases	-	-

The overall expected rate of return on assets is determined on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The following table summarizes the components of net benefit expense recognized in the consolidated income statement regarding the defined benefits provisions.

Net benefit expense recognised within employee benefits

	2016	2015
Current service cost	(1)	(2)
Interest cost on benefit obligation	(1)	(1)
Interest income on plan assets	0	0
Other	(1)	-
Net benefit expense	**(2)**	**(3)**

Changes in the present value of the defined benefit obligations and the plan assets are as follows:

Changes in the defined benefit obligation

	2016	2015
Opening defined benefit obligation	66	73
Current service cost	1	2
Interest cost	1	1
Benefits paid	(12)	(3)
Actuarial (gains)/losses	(5)	2
Other movements	(2)	(2)
Exchange differences on foreign plans	0	(8)
Closing defined benefit obligation at 31 December	**48**	**66**

Changes in the fair value of plan assets

	2016	2015
Opening fair value of plan assets	(48)	(53)
Interest income	0	-
Contributions by employer	0	0
Contribution by employee	0	0
Benefits paid	12	3
Actuarial (gains)/losses arising from experience adjustment	1	(2)
Other movements	2	0
Exchange differences on foreign plans	-	5
Closing fair value of plan assets at 31 December	**(34)**	**(48)**

The actual return on plan assets is US$ (1.2) million (2015 : US$ 2.9 million).

The breakdown of plan assets by type of investments is as follows:

Breakdown of plan asset by type of investment

in %	2016	2015
Cash	16	7
Real estate	8	5
Alternative investments	15	15
Equities	22	25
Bonds	39	48
	100	**100**

Reasonably possible changes at the reporting date of one of the relevant actuarial assumptions holding other assumptions constant would have affected the defined benefit obligation by the amounts shown below:

Sensitivity analysis on the defined benefit obligation due to a change in the discount rate

in % of the year-end defined benefit obligation	Pension plans	Lump sums on retirement
+0.5% movement	(3.0)	(1.0)
-0.5% movement	3.0	0.0

REMUNERATION KEY MANAGEMENT PERSONNEL OF THE COMPANY

The remuneration of key management personnel of the Company paid during the year, including pension costs and performance related Short-Term Incentives (STI), amounted to US$ 15 million (2015: US$ 19 million).

The performance-related part of the remuneration, comprising both STI and LTI components, equals 53% (2015: 59%). The remuneration (including the Management Board's remuneration which is euro denominated), was affected by 10% voluntary cut in fixed income from September 2016 and 50% voluntary cut in 2016 STI whereas the impact of the fluctuation in the exchange of the US$ dollar was negligible (0.2% lower average rate compared to 2015).

The total remuneration and associated costs of the Management Board and other key management personnel (management of the main subsidiaries) is specified as follows:

2016 remuneration key management personnel (on accrual basis)

in thousands of US$	Base salary	STI[1]	Sharebased compensation[2]	Other[3]	Pensions[4]	Total remuneration
Bruno Chabas						
2016	856	784	1,380	175	272	3,467
2015	888	1,664	1,791	455	247	5,045
Peter van Rossum						
2016	594	420	781	292	167	2,254
2015	579	888	744	260	145	2,616
Douglas Wood						
2016 (from 01/10)	122	80	102	9	30	343
2015	-	-	-	-	-	-
Sietze Hepkema						
2016	-	-	- 131	-	-	- 131
2015 (till 15/4)	191	264	1,008	8	38	1,509
Philippe Barril						
2016	589	420	684	158	152	2,003
2015 (from 1/3)	509	738	358	398	127	2,130
Erik Lagendijk						
2016	438	312	495	35	113	1,394
2015	454	638	200	17	113	1,422
Other key personnel						
2016	2,156	1,821	1,108	1,015	67	6,168
2015	2,370	1,381	1,631	907	111	6,400
Total 2016	**4,756**	**3,836**	**4,419**	**1,685**	**802**	**15,497**
Total 2015	**4,991**	**5,573**	**5,732**	**2,045**	**781**	**19,122**

1 for the Management Board this represents the actual STI approved by the Supervisory Board, which has been accrued over the calendar year, payment of which will be made in the following year (for other key personnel this represents STI paid in the year).

2 this amount represents the period allocation to the calendar year of vesting costs of all unvested share-based incentives (notably 'LTI' - Long Term Incentive -, matching 'STI' -Short Term Incentive - shares and RSUs COO and CFO), in accordance with IFRS2 rules.

3 consisting of social charges, lease car expenses, and other allowances, a.o. in connection with the headquarter move, such as housing allowance, settling-in allowance.

4 representing company contributions to Board member pensions; in the absence of a qualifying pension scheme such contribution is paid gross, withholding wage tax at source borne by the individuals.

The table above represents the total remuneration in US$, being the reporting currency of the Company. For underlying total remuneration in € (currency of payment), reference is made to Remuneration Report (section 3.4 of the Annual Report).

SHORT-TERM INCENTIVE PROGRAM MANAGEMENT BOARD

The Short-Term Incentive program includes three sets of Performance Indicators as noted below.

- Company performance, which determines 50% to 75% of any potential reward;
- The individual performance of the Management Board member, which determines the remaining 25% to 50%; and
- A Corporate Social Responsibility & Quality Multiplier consisting of safety and quality performance measures and the Dow Jones Sustainability Index score. This factor can cause a 10% uplift or reduction of the total Short-Term Incentive. However, in case 100% of the company and personal indicators have been realized, the multiplier will not provide an additional uplift.

For 2016, the Supervisory Board concluded that the Management Board members for their individual performance indicators as set for 2016 dealt with the difficult market circumstances in a capable manner. The Company's performance indicator against the net debt indicator was in between Target and Maximum and performance indicators against costs base target was at maximum. The personal and the company performance together resulted in performance of 177% of salary for the CEO and between 131-138% for the other Management Board members. As for the safety/quality/sustainability multiplier, the Supervisory Board assessed this to have a neutral outcome. The Management Board and the Executive Committee reduced their potential 2016 short-term cash incentive by 50%, resulting in a similar reduction in the Short-Term Incentive pay-out. The total performance under the STI, included this reduction, resulted in 89% for the CEO and 66-69% for the other Management Board members.

PERFORMANCE SHARES (PS) MANAGEMENT BOARD

Under the Remuneration Policy 2011, the LTI for the members of the former Board of Management and current Management Board consists of shares which are subject to performance conditions. Performance indicators are EPS growth, and relative Total Shareholder Return (TSR); under the amended Remuneration Policy (RP 2011 aa) a special incentive based on the achievement of specific pre-defined objectives as determined by the Supervisory Board was added, within the absolute maximum award level. Performance shares vest three years after the provisional award date, and must be retained for two years from the vesting date.

For the performance period 2014-2016 the EPS performance indicator came in at maximum and the Relative TSR performance indicator between target and maximum. The Supervisory Board decided that the achieved results on both EPS growth and Relative TSR insufficiently reflected the value that the Management Board members added to SBM Offshore since 2014 with regard to the turn-around of company. Therefore the Supervisory Board applied the Special Incentive in order to award maximum vesting of the LTI grant 2014.

From 2015 onwards, the number of conditional performance shares awarded is based upon the principles of the Share Pool, introduced in the Remuneration Policy 2015, and adopted by the AGM in 2014. The conditional awards in 2016, assuming 'At target' performance, were 84,678 shares for the CEO, and 56,452 for each of the other Managing Directors.

The main assumptions included in the value calculation for the LTI 2016 award are:

2016 awards – Fair values

	2016
PS - TSR - CEO	€ 19.92
PS - TSR - other MB	€ 15.50
PS - EPS	€ 11.91

The parameters underlying the 2016 PS fair values are: a share price at the grant date of € 11.91 (February 9, 2016), volatility of 38%, risk free interest rate 0.0% (negative Dutch governance bond rate) and a dividend yield of 0.0%.

RESTRICTED SHARE UNIT (RSU) PLANS

The number of shares granted under the regular RSU plan in 2016 was 736,000 (2015: 977,500). A further 30,000 RSUs were granted to Mr. D.H.M. Wood. This award aims at compensating Mr. Wood for a loss in his variable income at his previous employer.

The annual RSU award is based on individual performance. The RSU plans themselves have no performance condition, only a service condition, and will vest as follows:

- regular RSU: from the 2016 grant onwards, these vest at the end of three year continuing service;
- additional RSU: at the end of three year continuing service. Upon vesting these shares are subject to a further two year lock-up period.
- relocation and skills retention: at the end of two year continuing service;
- sign-on RSU awarded in 2016: at the end of three year continuing service.

Main assumptions included in the calculation for the PSU and RSU plans are:

2016 awards – Fair values

	2016
Regular, relocation and skills retention RSU (share price as at July 1, 2016)	€ 10.57
RSU Mr. Wood (share price as at October 1, 2016)	€ 12.71

RSU are valued at a share price at grant date, applying the Black & Scholes model. For Regular, relocation and skills retention RSU an average annual forfeiture of 2.5% is assumed.

MATCHING SHARES

Under the STI plans for the management and senior staff of Group companies, 20% of the STI is or can be paid in shares. Subject to a vesting period of three years, an identical number of shares (matching shares) will be issued to participants. Assumed probability of vesting amounts to 95% for senior staff.

Main assumptions included in the calculation for the matching shares are:

2016 awards – Fair values

	2016
STI matching shares	€ 10.52

TOTAL SHARE-BASED PAYMENT COSTS

The amounts recognized in EBIT for all share-based payment transactions are summarized as follows, taking into account both the provisional awards for the current year and the additional awards related to prior years, as well as true-up (in thousands of US$):

2016	Performance shares and RSU/PSU	Matching shares	Total
Instruments granted	10,643	1,365	**12,007**
Performance conditions	2,419	266	**2,685**
Total expenses 2016	**13,062**	**1,631**	**14,692**

2015	Performance shares and RSU/PSU	Matching shares	Total
Instruments granted	13,864	1,613	**15,477**
Performance conditions	3,572	545	**4,117**
Total expenses 2015	**17,436**	**2,158**	**19,594**

Rules of conduct with regard to inside information are in place to ensure compliance with the Act on Financial Supervision. These rules forbid e.g. the exercise of options or other financial instruments during certain periods defined in the rules and more specifically when the employee is in possession of price sensitive information.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board amounted to US$ 849,000 (2015: US$ 822,000) and can be specified as follows:

	2016			2015		
in thousands of US$	Basic remuneration[1]	Committees	Total	Basic remuneration	Committees	Total
F.J.G.M. Cremers - Chairman (from April 15, 2015)	133	19	**152**	120	17	**137**
T.M.E. Ehret - Vice-chairman (from April 15, 2015)	89	11	**100**	87	11	**98**
L.A. Armstrong	83	18	**101**	83	15	**98**
F.G.H. Deckers	83	19	**102**	83	19	**102**
F.R. Gugen	83	11	**94**	83	13	**96**
S. Hepkema (from April 15, 2015)	83	9	**92**	59	6	**65**
L.B.L.E. Mulliez (from April 15, 2015)	83	7	**90**	59	-	**59**
K.A. Rethy (until April 15, 2015)	-	-	**-**	35	3	**38**
C.D. Richard (from April 15, 2015)	111	7	**118**	87	-	**87**
H.C. Rothermund - Chairman (until April 15, 2015)	-	-	**-**	39	3	**42**
Total	**748**	**101**	**849**	**735**	**87**	**822**

1 Including intercontinental travel allowance

There are no share-based incentives granted and no assets available to the members of the Supervisory Board. There are neither loans outstanding to the members of the Supervisory Board nor guarantees given on behalf of members of the Supervisory Board.

NUMBER OF EMPLOYEES

Number of employees (by operating segment)

	2016		2015	
By operating segment:	Average	Year-end	Average	Year-end
Lease and operate	1,529	1,498	1,624	1,560
Turnkey	1,809	1,548	2,262	2,069
Other	285	283	361	286
Total excluding employees working for JVs and associates	**3,622**	**3,329**	**4,247**	**3,915**
Employees working for JVs and associates	1,615	845	3,053	2,385
Total	**5,237**	**4,174**	**7,300**	**6,300**

Number of employees (by geographical area)

	2016		2015	
By geographical area:	Average	Year-end	Average	Year-end
The Netherlands	349	324	390	373
Worldwide	3,274	3,005	3,857	3,542
Total excluding employees working for JVs and associates	**3,622**	**3,329**	**4,247**	**3,915**
Employees working for JVs and associates	1,615	845	3,053	2,385
Total	**5,237**	**4,174**	**7,300**	**6,300**

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits.

5.3.7 NET FINANCING COSTS

	2016	2015
Interest income on loans & receivables	14	23
Interest income on investments	11	1
Interest income on Held-to-Maturity investments	0	1
Net foreign exchange gain	-	-
Other financial income	1	0
Financial income	**26**	**25**
Interest expenses on financial liabilities at amortised cost	(181)	(132)
Interest expenses on hedging derivatives	(95)	(61)
Interest addition to provisions	(17)	(2)
Net loss on financial instruments at fair value through profit and loss	(2)	-
Net cash flow hedges ineffectiveness	(2)	(5)
Net foreign exchange loss	(6)	-
Other financial expenses	0	-
Financial expenses	**(301)**	**(200)**
Net financing costs	**(275)**	**(175)**

The increase in interest expenses is primarily due to the interest costs related to the FPSOs *Cidade de Marica*, *Cidade de Saquarema* and *Turitella* project loans as the units commenced production in 2016.

The increase in the interest addition to provisions was primarily due to the time-passing effect of the provision for potential contemplated settlement with Brazilian authorities and Petrobras recognized in 2015.

The increase of the net foreign exchange loss is mainly due to the depreciation of the Nigerian Naira.

The interest expenses are disclosed net of US$ 37 million capitalized interest (2015: US$ 48 million) related to FPSO projects under construction.

5.3.8 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist of US$ 29 million (2015: US$ 43 million) and mainly relate to Fast Forward and investments in new laboratory facilities.
The amortization of development costs recognized in the statement of financial position is allocated to the 'cost of sales'.

5.3.9 INCOME TAX

The relationship between the Company's income tax expense and profit before income tax (referred to as 'Effective tax rate') can vary significantly from period to period considering, among other factors, (a) changes in the blend of income that is taxed based on gross revenues versus profit before taxes and (b) the different statutory tax rates in the location of the Company's operations (c) the possibility to recognize deferred tax assets on tax losses to the extent that suitable future taxable profits will be available. Consequently, income tax expense does not change proportionally with income before income taxes. Significant decreases in profit before income tax typically lead to a higher effective tax rate, while significant increases in profit before income taxes can lead to a lower effective tax rate, subject to the other factors impacting income tax expense noted above. Additionally, where a deferred tax asset is not recognized on a loss carry forward, the Effective Tax Rate is impacted by the unrecognized tax loss.

The components of the Company's (provision) benefit for income taxes were as follows:

Income tax recognised in the consolidated Income Statement

	Note	2016	2015
Corporation tax on profits for the year		(12)	(31)
Adjustments in respect of prior years		6	(1)
Total current income tax		**(5)**	**(32)**
Deferred tax	*5.3.16*	(22)	6
Total		**(28)**	**(26)**

The Company's operational activities are subject to taxation at rates which range up to 35% (2015: 35%).

For the year ended December 31, 2016, the respective tax rates, the change in the blend of income tax based on gross revenues versus income tax based on net profit, the unrecognized deferred tax asset on certain tax losses, tax-exempt profits and non-deductible costs and releases resulted in an effective tax on continuing operations of 9.6% (2015 : 41.4%).

The reconciliation of the effective tax rate is as follows:

Reconciliation of total income tax charge

	2016 %	2016	2015 %	2015
Profit/(Loss) before tax		**275**		**137**
Share of profit of equity-accounted investees		(14)		73
Profit/(Loss) before tax and share of profit of equity-accounted investees		**288**		**64**
Income tax using the domestic corporation tax rate (25% for the Netherlands)	25%	(72)	25%	(16)
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other juridictions	(19%)	55	(65%)	41
Withholding taxes and taxes based on deemed profits	2%	(5)	24%	(15)
Non-deductible expenses	17%	(49)	131%	(84)
Non-taxable income	(30%)	87	(110%)	70
Adjustments related to prior years	(2%)	6	1%	(1)
Adjustments recognized in the current year in relation to deferred income tax of previous year	6%	(18)	(2%)	1
Effects of unrecognized and unused current tax losses not recognized as DTA	13%	(36)	36%	(23)
Movements in tax risks provision	(1%)	3	0%	0
Total tax effects	**(15%)**	**44**	**16%**	**(10)**
Total of tax charge on the consolidated Income Statement	**10%**	**(28)**	**41%**	**(26)**

The 2016 Effective Tax Rate of the Company was primarily impacted by recognition of deferred tax liabilities and changes in the valuation of deferred tax assets concerning the Netherlands, Canada, Luxembourg and the U.S.
With respect to the annual effective tax rate calculation for the year 2016, the most significant portion of the current income tax expense of the Company was generated in countries in which income taxes are imposed on net profits including the Netherlands, Monaco, Switzerland, Equatorial Guinea and the U.S. The 2015 Effective Tax Rate was impacted by materially non-recurring expenses without tax effects in the profit and loss account.

Details of the withholding taxes and other taxes are as follows:

Withholding taxes and taxes based on deemed profits

	2016			2015		
Withholding Tax and Overseas Taxes (per location)	Withholding tax	Taxes based on deemed profit	Total	Withholding tax	Taxes based on deemed profit	Total
Angola	(4)	-	(4)	(14)	-	(14)
Equatorial Guinea	0	-	0	0	-	0
Malaysia	-	-	-	0	-	0
Brazil	0	-	0	-	0	0
Other[1]	0	(1)	(1)	0	(1)	(1)
Total withholding and overseas taxes	**(4)**	**(1)**	**(5)**	**(14)**	**(1)**	**(15)**

1 other includes Myanmar, Nigeria and the Republic of Congo

TAX RETURNS AND TAX CONTINGENCIES

The Company files federal and local tax returns in several jurisdictions throughout the world. Tax returns in the major jurisdictions in which the Company operates are generally subject to examination for periods ranging from three to six years. Tax authorities in certain jurisdictions are examining tax returns and in some cases have issued assessments. The Company is defending its tax positions in those jurisdictions. The Company provides for taxes that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. While the Company cannot predict or provide assurance as to the final outcome of these proceedings, the Company does not expect the ultimate liability to have a material adverse effect on its consolidated statement of financial position or results of operations, although it may have a material adverse effect on its consolidated cash flows.

Each year management completes a detailed review of uncertain tax positions across the Company and makes provisions based on the probability of the liability arising. The principal risks that arise for the Company are in respect of permanent establishment, transfer pricing and other similar international tax issues. In common with other international groups, the conflict between the Company's global operating model and the jurisdictional approach of tax authorities often leads to uncertainty on tax positions.

As a result of the above, in the period, the Company recorded a net tax decrease of US$ 3.9 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. This amount is in relation of uncertain tax position concerning corporate income tax with a positive net tax effect of US$ 3.2 million and in relation of uncertain tax position for various taxes other than corporate income tax with a positive net tax effect of US$ 0.7 million. It is possible that the ultimate resolution of the tax exposures could result in tax charges that are materially higher or lower than the amount provided.

The Company conducts operations through its various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, the Company may identify changes to previously evaluated tax positions that could result in adjustments to its recorded assets and liabilities. Although the Company is unable to predict the outcome of these changes, it does not expect the effect, if any, resulting from these adjustments to have a material adverse effect on its consolidated statement of financial position, results of operations or cash flows.

5.3.10 EARNINGS / (LOSS) PER SHARE

The basic earnings per share for the year amounts to US$ 0.87 (2015: US$ 0.14); the fully diluted earnings per share amounts to US$ 0.87 (2015: US$ 0.14).

Basic earnings / (loss) per share amounts are calculated by dividing net profit / (loss) for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings / (loss) per share amounts are calculated by dividing the net profit / loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares.

The following reflects the share data used in the basic and diluted earnings per share computations:

Earnings per share

	2016	2015
Earnings attributable to shareholders (in thousands of US$)	182,307	29,313
Number of shares outstanding at January 1	211,694,950	209,695,094
Average number of new shares issued	1,118,829	1,155,957
Average number of shares repurchased	-2,245,363	0
Weighted average number of shares outstanding	**210,568,416**	**210,851,051**
Potential dilutive shares from stock option scheme and other share-based payments	1,747	150,332
Weighted average number of shares (diluted)	**210,570,163**	**211,001,383**
Basic earnings per share	US$ 0.87	US$ 0.14
Fully diluted earnings per share	US$ 0.87	US$ 0.14

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for issue of matching shares to the Management Board and other senior management.

5.3.11 DIVIDENDS PAID AND PROPOSED

The Company introduced a new dividend policy in 2015 which consists of paying out either in cash or in shares of SBM Offshore at the election of each shareholder between 25% and 35% of the directional net income, provided that positive free cash flows are expected to be generated during the year of payment. In accordance with this policy but taking into account the specific circumstances relating to 2016 including the nature of the non-recurring items, a dividend out of 2016 net income of US$ 0.23 (2015 : US$ 0.21) per share will be proposed to the Annual General Meeting on April 13, 2017, corresponding to approximately 31% of the Company's US$ 150 million Directional net income adjusted, this year, for non-recurring items.

The annual dividend will be calculated in US dollars, but will be payable in euros. The conversion into Euro will be effected on the basis of the exchange rate on April 13, 2017.

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 m^2, 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.

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%).

5.3.14 FINANCE LEASE RECEIVABLES

The reconciliation between the total gross investment in the lease and the net investment in the lease at the statement of financial position date is as follows:

Finance lease receivables (reconciliation gross / net_investment)

	31 December 2016	31 December 2015
Gross receivable	13,878	5,972
Less: Unearned finance income	(6,318)	(2,788)
Total	**7,560**	**3,184**
Of which		
Current portion	328	164
Non-current portion	7,232	3,020

As of December 31, 2016, finance lease receivables relate to the finance lease of:

- FPSO *Cidade de Marica*, which started production in February 2016 for a charter of 20 years;
- FPSO *Cidade de Saquarema*, which started production in July 2016 for a charter of 20 years;
- FPSO *Turitella*, which started production in September 2016 for a charter of 10 years;
- FPSO *Cidade de Ilhabela*, which started production in November 2014 for a charter of 20 years;
- FPSO *Cidade de Paraty*, which started production in June 2013 for a charter of 20 years;
- FPSO *Aseng*, which started production in November 2011 for a charter of 20 years;
- FSO *Yetagun* life extension started in May 2015 for a charter of 3 years.

The increase in finance lease receivable is driven by the recognition of the finance lease receivable of FPSOs *Cidade de Marica*, *Cidade de Saquarema* and *Turitella*, less the redemptions as per the payment plans.

Included in the gross receivable is an amount related to unguaranteed residual values. The total amount of unguaranteed residual values at the end of the lease term amounts to US$ 48 million as of December 31, 2016. Allowances for uncollectible minimum lease payments are nil.

Gross receivables are expected to be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

	31 December 2016	31 December 2015
Within 1 year	942	426
Between 1 and 5 years	3,459	1,487
After 5 years	9,477	4,059
Total Gross receivable	**13,878**	**5,972**

The following part of the net investment in the lease is included as part of the current assets within the 'trade and other receivables' of the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2016	31 December 2015
Gross receivable	942	426
Less: Unearned finance income	(614)	(262)
Current portion of finance lease receivable	**328**	**164**

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables taking into account the risk of recoverability. The Company does not hold any collateral as security.

5.3.15 OTHER FINANCIAL ASSETS

The breakdown of the non-current portion of other financial assets is as follows:

	31 December 2016	31 December 2015
Non-current portion of other receivables	60	58
Corporate securities	-	30
Non-current portion of loans to joint ventures and associates	189	233
Total	**249**	**321**

The maximum exposure to credit risk at the reporting date is the carrying amount of the interest-bearing loans taking into account the risk of recoverability. The Company does not hold any collateral as security.

CORPORATE SECURITIES

The reduction of Corporate securities follows the discontinuation of a pension plan that existed for certain Offshore employees and for which the risks and ownership were transferred to an external party at fair value.

LOANS TO JOINT VENTURES AND ASSOCIATES

	Notes	31 December 2016	31 December 2015
Current portion of loans to joint ventures and associates	*5.3.18*	25	66
Non-current portion of loans to joint ventures and associates		189	233
Total	*5.3.33*	**215**	**299**

The activity outlook for the Company's investment (30% ownership) in the Joint Venture owning the Paenal construction yard operating in Angola has deteriorated. As a result, the Company's carrying amount for the net investment, including shareholder loans, in this entity has been impaired by US$ 59 million on the second half of 2016. Because this investment is consolidated using the equity method, this non-cash impairment is recognized in the Company's Consolidated Income Statement on the line item 'Share of profit of equity-accounted investees'.

The impairment recognized in 2016 has been determined based on the net investment position considered as the loans plus the shares in losses into the associates.

The recoverable amount of the net investment is determined based on value-in-use calculations which require the use of assumptions. The key assumptions to calculate the value-in-use are as follows:

- The calculations use cash flow projections approved by the Management Board of the Company for the next 5 years, including expectations of market development and award perspective on brownfield and integration work;
- Terminal value after the 5 years financial projection is based on same assumptions as the 2020-2021 period with no expected growth;
- The discount rate used is pre-tax and reflect specific country and industry risk (10.5%).

The impact of possible changes in key assumptions is as follows:

- If the gross margin used in the value-in-use calculation varies by +/- 5%, the impact on the impairment of the net investment would be in a range of +/- US$ 5 million;

- If the discount rate applied to the cash flow projections changes by +/- 1%, the impact on the impairment if the net investment would be in a range of +/- US$ 3 million.

Further information about the financial risk management objectives and policies, the carrying amount measurement and hedge accounting of financial derivatives instruments is included in Note 5.3.29 'Financial Instruments – carrying amounts and risk management'. The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to joint ventures and associates taking into account the risk of recoverability. The Company does not hold any collateral as security.

5.3.16 DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities and associated offsets are summarized as follows:

Deferred tax positions (summary)

	31 December 2016			31 December 2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	0	10	(9)	0	3	(3)
Tax losses	14	-	14	23	-	23
R&D credits	-	-	-	4	-	4
Other	15	-	15	32	0	33
Book value at 31 December	**29**	**10**	**19**	**59**	**3**	**56**

Movements in net deferred tax positions

		2016	2015
	Note	Net	Net
Deferred tax at 1 January		**56**	**52**
Deferred tax recognised in the income statement	*5.3.9*	(22)	6
Deferred tax recognised in other comprehensive income		(14)	(1)
Foreign currency variations		0	(1)
Total movements		**(37)**	**4**
Deferred tax at 31 December		**19**	**56**

Expected realization and settlement of deferred tax positions is within 9 years. The current portion at less than one year of the net deferred tax position as of December 31, 2016 amounts to US$ 4 million. The deferred tax losses are expected to be recovered, based on the anticipated profit in the applicable jurisdiction. The Company has US$ 36 million (2015: US$ 23 million) in deferred tax assets unrecognized in 2016 due to current tax losses not valued.
The non-current portion of deferred tax assets amounts to US$ 25 million (2015: US$ 35 million).

Deferred tax assets per location are as follows:

Deferred tax positions per location

	31 December 2016			31 December 2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Switzerland	6	-	6	22	-	22
The United States of America	-	-	-	13	0	13
The Netherlands	3	-	3	7	-	7
Canada	14	10	4	14	3	11
Luxembourg	-	-	-	3	-	3
Monaco	6	-	6	-	-	-
Other	1	-	1	0	0	-
Book value at 31 December	**29**	**10**	**19**	**59**	**3**	**56**

5.3.17 INVENTORIES

	31 December 2016	31 December 2015
Materials and consumables	5	7
Goods for resale	1	0
Total	**5**	**8**

5.3.18 TRADE AND OTHER RECEIVABLES

Trade and other receivables (summary)

	Note	31 December 2016	31 December 2015
Trade debtors		247	287
Other receivables		110	87
Other prepayments and accrued income		181	174
Accrued income in respect of delivered orders		95	74
Taxes and social security		23	18
Current portion of loan to joint ventures and associates	*5.3.15*	25	66
Total		**681**	**705**

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables as mentioned above. The Company does not hold any collateral as security.

The carrying amounts of the Company's trade debtors are distributed in the following countries:

Trade debtors (countries where Company's trade debtors are distributed)

	31 December 2016	31 December 2015
Angola	136	165
The United States of America	39	14
Brazil	15	26
Equatorial Guinea	11	20
Malaysia	7	10
Congo	6	0
Australia	4	20
Nigeria	0	8
Other	28	23
Total	**247**	**287**

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

Trade debtors (trade debtors balance)

	31 December 2016	31 December 2015
Nominal amount	253	297
Impairment allowance	(6)	(10)
Total	**247**	**287**

The allowance for impairment represents the Company's estimate of losses in respect of trade debtors. The allowance is built on specific expected loss components that relate to individual exposures. The creation and release for impaired trade debtors have been included in gross margin in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery. The other classes within the trade and other receivables do not contain allowances for impairment.

The ageing of the nominal amounts of the trade debtors are:

Trade debtors (ageing of the nominal amounts of the trade debtors)

	31 December 2016		31 December 2015	
	Nominal	Impairment	Nominal	Impairment
Not past due	80	(1)	59	-
Past due 0-30 days	18	-	50	-
Past due 31-120 days	29	(2)	54	-
Past due 121- 365 days	51	(1)	60	0
More than one year	76	(3)	74	(10)
Total	**253**	**(6)**	**297**	**(10)**

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of Company Joint ventures and independent customers for whom there is no recent history of default or the receivable amount can be offset by amounts included in current liabilities.

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

	Note	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)	5.3.27	(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'.

5.3.22 ASSETS HELD FOR SALE

The movement of the assets held for sale is summarized as follows:

Assets held for sale

	31 December 2016	31 December 2015
Book value at 1 January	**-**	**13**
Reclassified assets	12	-
Disposal	(11)	-
Other movements	-	(13)
Book value at 31 December	**1**	**-**

In July 2016, the Company sold FPSO Falcon impacting the Lease and Operate segment.

In 2015, the Company completed the disposal of FPSO *Brasil* and VLCC *Alba* reported in the segment Lease and Operate.

5.3.23 EQUITY ATTRIBUTABLE TO SHAREHOLDERS

For a consolidated overview of changes in equity reference is made to the consolidated statement of changes in equity.

ISSUED SHARE CAPITAL

The authorized share capital of the Company is two hundred million euro (€ 200,000,000). This share capital is divided into four hundred million (400,000,000) Ordinary Shares with a nominal value of twenty-five eurocent (€ 0.25) each and four hundred million (400,000,000) Protective Preference Shares, with a nominal value of twenty-five eurocent (€ 0.25) each. The Protective Preference Shares can be issued as a protective measure as described in the Corporate Governance (section 3.5 of the Annual Report).

During the financial year the movements in the outstanding number of ordinary shares are as follows:

number of shares	2016	2015
Outstanding at 1 January	**211,694,950**	**209,695,094**
Share-based payment remuneration	1,776,355	1,999,856
Outstanding 31 December	**213,471,305**	**211,694,950**

TREASURY SHARES

The Company completed its share repurchase program under the authorization granted by the Annual General Meeting of Shareholders of the Company held on April 6, 2016. In the period between August 11, 2016 and December 20, 2016 a total number of 11,442,179 shares totaling EUR 150,000,000 were repurchased. These treasury shares are still reported in the outstanding ordinary shares as at December 31, 2016. The repurchased shares are held as Treasury shares predominantly for share capital reduction purposes and, to a lesser extent, for employee share programs.

Within the equity, an amount of US$ 708 million (2015: US$ 553 million) should be treated as legal reserve (please refer to 5.4 Company Financial Statements).

Of the ordinary shares 553,733 shares were held by members of Management Board, in office as at December 31, 2016 (December 31, 2015: 268,140) as detailed below :

Ordinary shares held in the Company by Management Board

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2016	Total shares at 31 December 2015
Bruno Chabas	284,967	96,112	381,079	188,423
Peter van Rossum[1]	137,612	35,042	172,654	79,717
Douglas Wood	-	-	-	-
Philippe Barril	-	-	-	-
Erik Lagendijk	-	-	-	-
Total	**422,579**	**131,154**	**553,733**	**268,140**

1 Mr. Peter van Rossum is no longer a member of the Management Board since 30 November 2016.

Of the Supervisory Board members, only Mr. Hepkema holds shares in the Company (211,613 shares as at December 31, 2016), resulting from his previous employment as member of Management Board.

OTHER RESERVES

The other reserves comprise the hedging reserve, actuarial gains/losses and the foreign currency translation reserve. The movement and breakdown of the other reserves can be stated as follows (all amounts are expressed net of deferred taxes):

	Hedging reserve	Actuarial gain/ (loss) on defined benefit provisions	Foreign currency translation reserve	IFRS 2 Reserves	Total other reserves
Balance at 31 December 2014	**(268)**	**(5)**	**(14)**	**-**	**(287)**
Cash flow hedges					
Change in fair value	(205)	-	-	-	(205)
Transfer to financial income and expenses	16	-	-	-	16
Transfer to construction contracts and property, plant and equipment	112	-	-	-	112
Transfer to operating profit and loss	83	-	-	-	83
IFRS 2 share based payments					
Identification of IFRS 2 reserve as at 1 January 2015	-	-	-	28	28
IFRS 2 vesting costs for the year	-	-	-	20	20
IFRS 2 vested share based payments	-	-	-	(10)	(10)
Actuarial gain/(loss) on defined benefit provision					
Change in defined benefit provision due to changes in actuarial assumptions	-	0	-	-	0
Foreign currency variations					
Foreign currency variations	-	-	(12)	-	(12)
Balance at 31 December 2015	**(263)**	**(5)**	**(26)**	**37**	**(255)**
Cash flow hedges					
Change in fair value	(24)	-	-	-	(24)
Transfer to financial income and expenses	11	-	-	-	11
Transfer to construction contracts and property, plant and equipment	21	-	-	-	21
Transfer to operating profit and loss	42	-	-	-	42
IFRS 2 share based payments					
IFRS 2 vesting costs for the year	-	-	-	15	15
IFRS 2 vested share based payments	-	-	-	(29)	(29)
Actuarial gain/(loss) on defined benefit provision					
Change in defined benefit provision due to changes in actuarial assumptions	-	3	-	-	3
Foreign currency variations					
Foreign currency variations	-	-	(19)	-	(19)
Balance at 31 December 2016	**(212)**	**(1)**	**(45)**	**23**	**(235)**

The hedging reserve consists of the effective portion of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of deferred taxes.

Actuarial gain/(loss) on defined benefits provisions includes the impact of the remeasurement of defined benefit provisions.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

5.3.24 LOANS AND BORROWINGS

BANK INTEREST-BEARING LOANS AND OTHER BORROWINGS

The movement in the bank interest bearing loans and other borrowings is as follows:

	2016	2015
Non-current portion	4,959	4,332
Add: current portion	763	895
Remaining principal at 1 January	**5,722**	**5,227**
Additions	1,157	2,013
Redemptions	(780)	(1,411)
Transaction and amortised costs	21	(95)
Other movements/deconsolidation	0	(12)
Total movements	**398**	**495**
Remaining principal at 31 December	**6,120**	**5,722**
Less: Current portion	(557)	(763)
Non-current portion	**5,564**	**4,959**
Transaction and amortised costs	137	158
Remaining principal at 31 December (excluding transaction and amortised costs)	**6,258**	**5,880**
Less: Current portion	(576)	(784)
Non-current portion	**5,682**	**5,096**

The Company has no 'off-balance sheet' financing through special purpose entities. All long-term debt is included in the consolidated statement of financial position.

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

The bank interest-bearing loans and other borrowings, excluding transaction costs and amortised costs amounting to US$ 137 million (2015: US$ 158 million), have the following forecasted repayment schedule:

	31 December 2016	31 December 2015
Within one year	576	784
Between 1 and 2 years	592	503
Between 2 and 5 years	1,847	1,553
More than 5 years	3,243	3,041
Balance at 31 December	**6,258**	**5,880**

The bank interest-bearing loans and other borrowings by entity are as follows:

Loans and borrowings per entity

					Net book value at 31 December 2016			Net book value at 31 December 2015		
Entity name	Project name or nature of loan	% Ownership	% Interest[1]	Maturity	Non-current	Current	Total	Non-current	Current	Total
US$ Project Finance facilities drawn:										
SBM Espirito do Mar BV	FPSO Capixaba	100.00	2.84%	15-Jun-16	-	-	-	-	31	31
Brazilian Deepwater Prod. Ltd	FPSO Espirito Santo	51.00	5.01%	30-Jun-16	-	-	-	-	42	42
SBM Deep Panuke SA	MOPU Deep Panuke	100.00	3.59%	15-Dec-21	264	60	324	324	58	382
Tupi Nordeste Sarl	FPSO Cidade de Paraty	50.50	5.26%	15-Jun-23	622	92	714	714	87	801
Guara Norte Sarl	FPSO Cidade de Ilhabela	62.25	5.56%	15-Oct-24	901	103	1,005	1,005	98	1,103
SBM Baleia Azul Sarl	FPSO Cidade de Anchieta	100.00	5.70%	15-Sep-27	368	28	396	396	26	423
Alfa Lula Alto Sarl	FPSO Cidade de Marica	56.00	5.14%	15-Dec-29	1,307	87	1,394	1,161	17	1,178
SBM Turritella LLC	FPSO Turritella	55.00	3.60%	15-May-26	718	72	791	-	-	-
US$ Guaranteed project finance facilities drawn:										
Beta Lula Central Sarl	FPSO Cidade de Saquarema	56.00	4.19%	15-Jun-30	1,352	75	1,426	1,290	47	1,337
Revolving credit facility:										
SBM Offshore Finance Sarl	Corporate Facility	100.00	Variable	16-Dec-21	(2)	(1)	(3)	(3)	(1)	(4)
Other:										
Other		100.00			33	40	73	72	356	429
Net book value of loans and borrowings					**5,564**	**557**	**6,120**	**4,959**	**763**	**5,722**

1 % interest per annum on the remaining loan balance

Annual interest rates include the interest rate impact of hedging financial derivatives. The 'Other debt' mainly includes loans received from partners in subsidiaries.

For the project finance facilities, the respective vessels are mortgaged to the banks or to note holders. Interest expense on long-term debt during 2016 amounted to US$ 254 million (2015: US$ 184 million) and interest capitalized amounted to US$ 37 million (2015 : US$ 48 million). The average cost of debt was 4.6% in 2016 (2015: 4.0%).

On January 12, 2017, the pre-completion guarantees and undertakings related to FPSO Cidade de Saquarema project finance facility have been released.

The Company has available short-term credit lines and borrowing facilities resulting from the undrawn part of the Revolving Credit Facility (RCF). The expiry date of the undrawn facilities and unused credit lines are:

Expiry date of the undrawn facilities and unused credit lines

	2016	2015
Expiring within one year	100	100
Expiring beyond one year	1,000	2,166
Total	**1,100**	**2,266**

The Revolving Credit Facility (RCF) was renewed on December 16, 2014 and will mature on December 16, 2021 after the last one-year extension option was exercised in December 2016. The US$ 1 billion facility was secured with a select group of 13 core relationship banks and replaces the previous facility of US$ 750 million. In the last year of its term (from December 17, 2020 to December 16, 2021) the RCF is reduced by US$ 50 million. The RCF can be increased by US$ 250 million on three occasions up to a total amount of US$ 1,250 million (US$ 1,200 million in the last year), subject to the approval of the RCF lenders. The RCF commercial conditions are based on LIBOR and a Margin adjusted in accordance with the applicable Leverage Ratio ranging from a bottom level of 0.50% p.a. to a maximum of 1.90% p.a.

COVENANTS

The Company, together with its core relationship banks, has signed an amendment of its Revolving Credit Facility (RCF) on April 18, 2016, providing headroom improvements to the leverage and interest coverage ratios. The interest coverage ratio threshold has been lowered from 5.0x to 4.0x from December 31, 2016 through maturity of the RCF at the end of 2021. The leverage covenant is temporarily being adjusted upwards to 4.25x in December 2016, 4.50x in June 2017 and 4.25x in December 2017 before reverting back to the originally agreed level of 3.75x through to maturity of the facility.

The agreed upon amendments, combined with a strong cash position, provide the Company with a larger degree of flexibility given the current industry downturn.

The following key financial covenants apply to the RCF as agreed with the respective lenders, and, unless stated otherwise, relate to the Company's consolidated financial statements:

- **Solvency ratio:** Tangible Net Worth divided by Total Tangible Assets > 25%
- **Leverage Ratio:** Consolidated Net Borrowings divided by adjusted EBITDA < 4.25 in December 2016, 4.5 in June 2017, 4.25 in December 2017 and 3.75 onwards
- **Interest Cover Ratio:** Adjusted EBITDA divided by Net Interest Payable > 4.0

For the purpose of covenants calculations, the following simplified definitions apply:

- **Tangible Net Worth:** Total Equity (including non-controlling interests) of the Company in accordance with IFRS, excluding the mark to market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through Other Comprehensive Income.
- **Total Tangible Assets:** The Company total assets (excluding intangible assets) in accordance with IFRS Consolidated Statement of Financial position less the mark to market valuation of currency and interest derivatives undertaken for hedging purposes by the Company through Other Comprehensive Income
- **Adjusted EBITDA:** Consolidated earnings before interest, tax and depreciation of assets and impairments of The Company in accordance with IFRS except for all lease and operate joint ventures being then proportionally consolidated, adjusted for any exceptional or extraordinary items, and by adding back the capital portion of any finance lease received by The Company during the period
- **Consolidated Net Borrowings:** Outstanding principal amount of any moneys borrowed or element of indebtedness aggregated on a proportional basis for the Company's share of interest less the consolidated cash and cash equivalents available

- **Net Interest Payable:** All interest and other financing charges paid up, payable (other than capitalized interest during a construction period and interest paid or payable between wholly owned members of the Company) by the Company less all interest and other financing charges received or receivable by the Company, as per IFRS and on a proportional basis for the Company's share of interests in all lease and operate joint ventures

Covenants

	2016	2015
Tangible Net Worth	3,691	3,637
Total Tangible Assets	11,403	11,274
Solvency Ratio	32.4%	32.3%
Consolidated Net Borrowings	3,063	3,194
Adjusted EBITDA (SBM Offshore N.V.)	1,077	863
Leverage Ratio	2.84	3.70
Net Interest Payable	159	121
Interest Cover Ratio	5.97	7.10

None of the loans and borrowings in the statement of financial position were in default as at the reporting date or at any time during the year. During 2016 and 2015 there were no breaches of the loan arrangement terms and hence no default needed to be remedied, or the terms of the loan arrangement renegotiated, before the financial statements were authorized for issue.

5.3.25 DEFERRED INCOME

The deferred incomes are as follows:

	31 December 2016	31 December 2015
Deferred income on operating lease contracts	247	245
Other	16	15
Total	**263**	**260**

The deferred income on operating lease contracts is mainly related to the revenue for one of the operating lease units, which reflects a degressive day-rate schedule. As income is shown in the income statement on a straight-line basis with reference to IAS 17 'Leases', the difference between the yearly straight-line revenue and the contractual day rates is included as deferred income. The deferral will be released through the income statement over the remaining duration of the relevant contracts.

5.3.26 PROVISIONS

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

Provisions (summary)

	Notes	31 December 2016	31 December 2015
Demobilisation		103	119
Onerous contract		42	-
Warranty		104	116
Employee benefits	5.3.6	26	29
Other		330	278
Total		**604**	**541**
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)

	Demobilisation	Onerous contracts	Warranty	Other
Balance at 1 January 2015	**110**	**1**	**118**	**9**
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
Balance at 31 December 2015	**119**	**-**	**116**	**278**
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
Balance at 31 December 2016	103	42	104	330

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.

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 contempleted 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)

	Notes	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
Total	*5.3.29*	**706**	**992**

The decrease year on year of accruals on projects is mainly related to the completion of construction activities on FPSOs *Turritella*, *Cidade de Marica* and *Cidade de Saquarema*.

The movement in the other non-trade payables mainly relates to the last US$ 70 million remaining installment due, following the settlement with the Dutch Public Prosecutor's Office over the investigation into potentially improper sales payments. The decrease of other payable mainly relates to the discontinuation of a pension plan that existed for certain Offshore employees.

The contractual maturity of the trade payables is as follows:

Trade and other payables (contractual maturity of the trade payables)

	31 December 2016	31 December 2015
Within 1 month	117	146
Between 1 and 3 months	2	1
Between 3 months and 1 year	1	0
More than one year	-	0
Total	**120**	**147**

5.3.28 COMMITMENTS AND CONTINGENCIES

PARENT COMPANY GUARANTEES

In the ordinary course of business, the Company is committed to fulfil various types of obligations arising from customer contracts (among which full performance and warranty obligations).
As such, the Company has issued Parent Company Guarantees for contractual obligations in respect of several group companies, including equity-accounted joint ventures, with respect to long-term lease and operate contracts.

BANK GUARANTEES

As of December 31, 2016, the Company has provided bank guarantees to unrelated third parties for an amount of US$ 336 million (2015: US$ 379 million). No liability is expected to arise.

The Group holds in its favour US$ 99 million of bank guarantees from unrelated third parties. No withdrawal under these guarantees is expected to occur.

COMMITMENTS

Contingent Liability

At the end of January 2016, the United States Department of Justice (DoJ) informed the Company that it has re-opened its past inquiry of the Company in relation to the alleged improper sales practices over the period 2007 to 2011 and has made information requests in connection with that inquiry.

During the period, the Company has cooperated with the DoJ and remains committed to close out discussions on this legacy issue which the Company self-reported to the authorities in 2012 and for which it reached a settlement with the Dutch Public Prosecutor in 2014.

During the period, the Company has also cooperated with the DoJ for its inquiry into Unaoil, a company that SBM Offshore had engaged as agent prior to 2012.

Commitments

As at December 31, 2016, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$ 2 million (December 31, 2015: US$ 35 million). Investment commitments have decreased principally due to the completion of the construction of FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*.

The obligations in respect of operating lease, rental and leasehold obligations, are as follows:

Commitments

				2016	2015
	< 1 year	1-5 years	> 5years	Total	Total
Operating lease	16	64	78	158	**209**
Rental and leasehold	19	57	7	83	**131**
Total	**35**	**120**	**85**	**240**	**340**

CONTINGENT ASSET

The Company continues to investigate the possibility to recover losses incurred in connection with the Yme development project from insurers. Under the terms of the settlement agreement with Talisman, all pending and future claim recoveries (after expenses and legal costs) relating to the Yme development project under the relevant construction all risks insured shall be shared 50/50 between the Company and Talisman.

5.3.29 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

This note presents information about the Company's exposure to risk resulting from its use of financial instruments, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the statement of financial position, which require disclosure of fair value measurements by level:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classification and fair values as at December 31, 2016

		Carrying amount					
	Notes	Fair Value through profit or loss	Fair value - hedging instruments	Loans and receivables	IAS 17 Leases	Financial liabilities at amortised cost	Total
Financial assets measured at fair value							
Interest rate swaps	*5.3.20*	-	6	-	-	-	6
Forward currency contracts	*5.3.20*	26	7	-	-	-	33
Total		**26**	**13**	**-**	**-**	**-**	**39**
Financial assets not measured at fair value							
Trade and other receivables	*5.3.18*	-	-	656	-	-	656
Finance leases receivables	*5.3.14*	-	-	-	7,560	-	7,560
Loans to joint ventures and associates	*5.3.15/5.3.18*	-	-	215	-	-	215
Total		**-**	**-**	**870**	**7,560**	**-**	**8,430**
Financial liabilities measured at fair value							
Interest rate swaps	*5.3.20*	-	170	-	-	-	170
Forward currency contracts	*5.3.20*	12	54	-	-	-	66
Total		**12**	**224**	**-**	**-**	**-**	**236**
Financial liabilities not measured at fair value							
US$ project finance facilities drawn	*5.3.24*	-	-	-	-	4,624	4,624
US$ guaranteed project finance facilities drawn	*5.3.24*	-	-	-	-	1,426	1,426
Revolving credit facility/Bilateral credit facilities	*5.3.24*	-	-	-	-	(3)	(3)
Other debt	*5.3.24*	-	-	-	-	73	73
Trade and other payables/Other non-current liabilities	*5.3.27*	-	-	-	-	706	706
Total		**-**	**-**	**-**	**-**	**6,826**	**6,826**

Fair value levels 2016

		Fair value			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Interest rate swaps	5.3.20	-	6	-	6
Forward currency contracts	5.3.20	-	33	-	33
Total		**-**	**39**	**-**	**39**
Financial assets not measured at fair value					
Finance leases receivables	5.3.14	-	-	7,476	7,476
Loans to joint ventures and associates	5.3.15/5.3.18	-	-	197	197
Total		**-**	**-**	**7,673**	**7,673**
Financial liabilities measured at fair value					
Interest rate swaps	5.3.20	-	170	-	170
Forward currency contracts	5.3.20	-	66	-	66
Total		**-**	**236**	**-**	**236**
Financial liabilities not measured at fair value					
US$ project finance facilities drawn	5.3.24	-	4,634	-	4,634
US$ guaranteed project finance facilities drawn	5.3.24	-	1,426	-	1,426
Revolving credit facility/Bilateral credit facilities	5.3.24	-	(3)	-	(3)
Other debt	5.3.24	-	-	75	75
Total		**-**	**6,057**	**75**	**6,132**

Additional information

- In the above table, the Company has disclosed the fair value of each class of financial assets and financial liabilities in a way that permits the information to be compared with the carrying amounts
- Classes of financial instruments that are not used are not disclosed
- The Company has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values as the impact of discounting is insignificant
- No instruments were transferred between Level 1 and Level 2
- None of the instruments of the Level 3 hierarchy are carried at fair value in the statement of financial position
- No financial instruments were subject to offsetting as of December 31, 2016 and December 31, 2015. Financial Derivatives amounting to a fair value of US$ 6 million (2015: US$ 15 million) were subject to enforceable master netting arrangements or similar arrangements but were not offset as the IAS 32 ‘Financial Instruments – Presentation’ criteria were not met. The impact of offsetting would result in a reduction of both assets and liabilities by US$ 6 million (2015: US$ 15 million)

Accounting classification and fair values as at December 31, 2015

	Notes	Carrying amount							
		Fair Value through profit or loss	Fair value - hedging instruments	Held-to-maturity	Available for sale	Loans and receivables	IAS 17 Leases	Financial liabilities at amortised cost	Total
Financial assets measured at fair value									
Interest rate swaps	5.3.20	-	0	-	-	-	-	-	0
Forward currency contracts	5.3.20	18	2	-	-	-	-	-	20
Corporate securities		-	-	-	2	-	-	-	2
Total		**18**	**3**	**-**	**2**	**-**	**-**	**-**	**23**
Financial assets not measured at fair value									
Corporate securities		-	-	28	-	-	-	-	28
Trade and other receivables	5.3.18	-	-	-	-	640	-	-	640
Finance leases receivables	5.3.14	-	-	-	-	-	3,184	-	3,184
Loans to joint ventures and associates	5.3.15/5.3.18	-	-	-	-	299	-	-	299
Total		**-**	**-**	**28**	**-**	**938**	**3,184**	**-**	**4,151**
Financial liabilities measured at fair value									
Interest rate swaps	5.3.20	-	205	-	-	-	-	-	205
Forward currency contracts	5.3.20	41	86	-	-	-	-	-	127
Total		**41**	**291**	**-**	**-**	**-**	**-**	**-**	**332**
Financial liabilities not measured at fair value									
US$ project finance facilities drawn	5.3.24	-	-	-	-	-	-	2,782	2,782
US$ guaranteed project finance facilities drawn	5.3.24	-	-	-	-	-	-	2,515	2,515
Revolving credit facility/Bilateral credit facilities	5.3.24	-	-	-	-	-	-	(4)	(4)
Other debt	5.3.24	-	-	-	-	-	-	429	429
Trade and other payables/Other non-current liabilities		-	-	-	-	-	-	992	992
Total		**-**	**-**	**-**	**-**	**-**	**-**	**6,714**	**6,714**

Fair value levels 2015

		Fair value			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Interest rate swaps	*5.3.20*	-	0	-	0
Forward currency contracts	*5.3.20*	-	20	-	20
Corporate securities		-	2	-	2
Total		**-**	**23**	**-**	**23**
Financial assets not measured at fair value					
Corporate securities		25	2	-	27
Finance leases receivables	*5.3.14*	-	-	3,134	3,134
Loans to joint ventures and associates	*5.3.15/5.3.18*	-	-	296	296
Total		**25**	**2**	**3,430**	**3,457**
Financial liabilities measured at fair value					
Interest rate swaps	*5.3.20*	-	205	-	205
Forward currency contracts	*5.3.20*	-	127	-	127
Total		**-**	**332**	**-**	**332**
Financial liabilities not measured at fair value					
US$ project finance facilities drawn	*5.3.24*	-	2,700	-	2,700
US$ guaranteed project finance facilities drawn	*5.3.24*	-	2,515	-	2,515
Revolving credit facility/Bilateral credit facilities	*5.3.24*	-	(4)	-	(4)
Other debt	*5.3.24*	-	-	427	427
Total		**-**	**5,211**	**427**	**5,638**

MEASUREMENT OF FAIR VALUES

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

	Level 2 and level 3 instruments		Level 3 instruments
Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value			
Interest rate swaps	Income approach – Present value technique	Not applicable	Not applicable
Forward currency contracts	Income approach – Present value technique	Not applicable	Not applicable
Commodity contracts	Income approach – Present value technique	Not applicable	Not applicable
Financial instrument not measured at fair value			
Loans to joint ventures and associates	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (6%-7%)	The estimated fair value would increase (decrease) if : ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Finance lease receivables	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (5%-9%)	The estimated fair value would increase (decrease) if : ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Loans and borrowings	Income approach – Present value technique	Not applicable	Not applicable
Other long term debt	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (6%)	The estimated fair value would increase (decrease) if : ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Corporate debt securities	Market approach	Not applicable	Not applicable

DERIVATIVE ASSETS AND LIABILITIES DESIGNATED AS CASH FLOW HEDGES

The following table indicates the period in which the cash flows associated with the cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for interest rate swaps are estimated using the forward rates as at the reporting date.

Cash flows

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2016					
Interest rate swaps	(164)	(95)	(114)	(9)	(218)
Forward currency contracts	(47)	(48)	1	-	(48)
Commodity contracts	-	-	-	-	-
31 December 2015					
Interest rate swaps	(205)	(94)	(184)	(27)	(306)
Forward currency contracts	(84)	(84)	-	-	(84)
Commodity contracts	-	-	-	-	-

The following table indicates the period in which the cash flows hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

Expected profit or loss impact

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2016					
Interest rate swaps	(164)	(95)	(114)	(9)	(218)
Forward currency contracts	(47)	(48)	1	-	(48)
Commodity contracts	-	-	-	-	-
31 December 2015					
Interest rate swaps	(205)	(94)	(184)	(27)	(306)
Forward currency contracts	(84)	(84)	-	-	(84)
Commodity contracts	-	-	-	-	-

Interest rate swaps
Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the final repayment of the hedged items (see 5.3.23 'Equity Attributable to Shareholders').

Forward currency contracts
Gains and losses recognized in the hedging reserve on forward currency contracts are recognized in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within twelve months from the statement of financial position date unless the gain or loss is included in the initial amount recognized in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset, or the gain or loss is included in the initial amount recognized in the carrying amount of the cost incurred on construction contracts in which case recognition is based on the 'percentage-of-completion method'.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, market risks (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set in the Group Policy. Generally the Company seeks to apply hedge accounting in order to manage volatility in the Income Statement and Statement of Comprehensive Income. The purpose is to manage the interest rate and currency risk arising from the Company's operations and its sources of finance. Derivatives are only used to hedge closely correlated underlying business transactions.

The Company's principal financial instruments, other than derivatives, comprise trade debtors and creditors, bank loans and overdrafts, cash and cash equivalents (including short-term deposits) and financial guarantees. The main purpose of these financial instruments is to finance the Company's operations and/or result directly from the operations.

Financial risk management is carried out by a central treasury department under policies approved by the Management Board. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries and the Chief Financial Officer (CFO) during the quarterly Asset-Liability Committee. The

Management Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. It is, and has been throughout the year under review, the Company's policy that no speculation in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from transactional currency exposures, primarily with respect to the euro, Singapore dollar, and Brazilian real. The exposure arises from sales or purchases in currencies other than the Company's functional currency. The Company uses forward currency contracts to eliminate the currency exposure once the Company has entered into a firm commitment of a project contract.

The main Company's exposure to foreign currency risk is as follows based on notional amounts:

Foreign exchange risk (summary)

	31 December 2016			31 December 2015		
in millions of local currency	EUR	SGD	BRL	EUR	SGD	BRL
Fixed assets	52	-	280	55	-	38
Current assets	489	3	567	62	1	37
Long term liabilities	(16)	-	-	(13)	-	-
Current liabilities	(324)	(5)	(1,616)	(88)	(12)	(70)
Gross balance sheet exposure	**200**	**(2)**	**(769)**	**17**	**(11)**	**4**
Estimated forecast sales	-	-	-	-	-	-
Estimated forecast purchases	(621)	(279)	(339)	(529)	(65)	(429)
Gross exposure	**(421)**	**(281)**	**(1,108)**	**(513)**	**(76)**	**(425)**
Forward exchange contracts	164	281	333	553	75	292
Net exposure	**(257)**	**0**	**(775)**	**40**	**0**	**(132)**

The increase of the EUR exposure during 2016 was driven by the corporate finance activities (dividend distribution & share buyback program).

The increase of the BRL exposure during 2016 was driven by the increase of the Brazilian activities due to the finalization of the construction and the start of the operation of FPSO Cidade de Marica and FPSO Cidade de Saquarema.

The estimated forecast purchases relate to project expenditures for up to three years and overhead expenses.
The main currency exposures of overhead expenses are 100% hedged for the coming year, 66% hedged for the year thereafter, and 33% for the subsequent year.

Foreign exchange risk (exchange rates applied)

	2016	2015	2016	2015
	Average rate		Closing rate	
EUR 1	1.1069	1.1095	1.0541	1.0887
SGD 1	0.7244	0.7275	0.6919	0.7062
BRL 1	0.2888	0.3045	0.3073	0.2525

The sensitivity on equity and the income statement resulting from a change of ten percent of the US dollar's value against the following currencies at December 31 would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2015.

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2016				
EUR	-	-	(39)	39
SGD	-	-	(19)	19
BRL	-	-	13	(13)
31 December 2015				
EUR	0	0	(62)	62
SGD	0	0	(5)	5
BRL	0	0	(8)	8

As set out above, by managing foreign currency risk the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in foreign currency rates would have an impact on consolidated earnings.

Interest rate risk

The Company's exposure to risk from changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. In respect of controlling interest rate risk, the floating interest rates of long-term loans are hedged by fixed rate swaps for the entire maturity period. The revolving credit facility is intended for fluctuating needs of construction financing of facilities and bears interest at floating rates, which is also swapped for fixed rates when exposure is significant.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments (exluding transaction costs) was:

Interest rate risk (summary)

	2016	2015
Fixed rate instruments		
Financial assets	7,601	3,293
Financial liabilities	(799)	(929)
Total	**6,802**	**2,364**
Variable rate instruments		
Financial assets	174	220
Financial liabilities	(5,459)	(4,952)
Financial liabilities (future)	-	(366)
Total	**(5,285)**	**(5,097)**

Interest rate risk (exposure)

	2016	2015
Variable rate instruments	(5,285)	(5,097)
Less: IRS contracts	5,237	5,186
Exposure	**(48)**	89

At December 31, 2016, it is estimated that a general increase of 100 basis points in interest rates would increase the Company's profit before tax for the year by approximately US$ 1 million (2015: increase of US$ 1 million) mainly related to un-hedged financial assets. 95.9% (2015: 92.8%) of the floating operating debt is hedged by floating-to-fixed interest rate swaps.

The sensitivity on equity and the income statement resulting from a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2015.

Interest rate risk (sensitivity)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2016				
Variable rate instruments	0	0	-	-
Interest rate swap	1	(1)	279	(302)
Sensitivity (net)	**1**	**(1)**	**279**	**(302)**
31 December 2015				
Variable rate instruments	1	0	-	-
Interest rate swap	0	0	320	(345)
Sensitivity (net)	**1**	**(1)**	**320**	**(345)**

As set out above, the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long term however, permanent changes in interest rates would have an impact on consolidated earnings.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other financial assets, trade and other receivables (including committed transactions), derivative financial instruments and cash and cash equivalents.

Credit risk

	2016		2015	
Rating	Assets	Liabilities	Assets	Liabilities
AAA			-	-
AA+			-	-
AA	3	(30)	1	40
AA-		(5)	-	6
A+	22	(150)	4	133
A	9	(36)	12	123
A-		-	-	15
BBB+	5	(15)	3	14
BBB			-	-
BBB-			-	-
Non-investment grade			0	0
Derivative financial instruments	**39**	**(236)**	**21**	**332**
AAA	127		20	-
AA+	0		0	-
AA	18		46	-
AA-	28		22	-
A+	631		109	-
A	61		259	-
A-	0		0	-
BBB+	-		32	-
BBB	-		-	-
BBB-	-		0	-
Non-investment grade	38		26	-
Cash and cash equivalents and bank overdrafts	**904**	**-**	**515**	**-**

The Company maintains its policy on cash investment and limits per individual counterparty are set to: A- and A rating US$ 25 million, A+ rating US$ 50 million, AA- and AA rating US$ 80 million and AA+ and above rating US$ 100 million. Cash held in banks rated below A- is mainly related to the Company's activities in Angola (US$ 33 million).

For trade debtors the credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Bank or parent company guarantees are negotiated with customers. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management Board. At the statement of financial position date there is no customer that has an outstanding balance with a percentage over 10% of the total of trade and other receivables. Reference is made to 5.3.18 'Trade and Other Receivables' for information on the distribution of the receivables by country and an analysis of the ageing of the receivables. Furthermore, limited recourse project financing removes a significant portion of the risk on long-term leases.

For other financial assets, the credit quality of each counterpart is assessed taking into account its credit agency rating.

Regarding loans to joint ventures and associates, the maximum exposure to credit risk is the carrying amount of these instruments. As the counterparties of these instruments are Joint Ventures, SBM Offshore has visibility over the expected cash flows and can monitor and manage credit risk that mainly arises from the Joint Venture's final client.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity is monitored using rolling forecasts of the Company's liquidity reserves on the basis of expected cash flows. Flexibility is secured by maintaining availability under committed credit lines.

The table below analyses the Company's non-derivative financial liabilities, derivative financial liabilities and derivative financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for borrowings and derivative financial instruments are based on the LIBOR rates as at the reporting date.

Liquidity risk 2016

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2016				
Borrowings		765	2,999	3,568
Derivative financial liabilities		156	264	170
Derivative financial assets		(23)	19	9
Trade and other payables	*5.3.27*	706	-	-
Total		**1,604**	**3,282**	**3,746**

Liquidity risk 2015

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2015				
Borrowings		928	2,517	3,316
Derivative financial liabilities		214	421	313
Derivative financial assets		0	0	-
Trade and other payables	*5.3.27*	992	0	-
Total		**2,134**	**2,938**	**3,629**

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including the short-term part of the long-term debt and bank overdrafts as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The Company's strategy, which has not changed compared to 2015, is to target a gearing ratio between 50% and 60%. This target is subject to maintaining headroom of 20% of all banking covenants. The gearing ratios at December 31, 2016 and 2015 were as follows:

Capital risk management

	2016	2015
Total borrowings	6,120	5,722
Less: net cash and cash equivalents	904	(515)
Net debt	**5,216**	**5,208**
Total equity	3,513	3,465
Total capital	**8,729**	**8,672**
Gearing ratio	59.8%	60.0%

Other risks

In respect of controlling political risk, the Company has a policy of thoroughly reviewing risks associated with contracts, whether turnkey or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained.

5.3.30 LIST OF GROUP COMPANIES

In accordance with legal requirements a list of the Company's entities which are included in the consolidated financial statements of SBM Offshore N.V. has been deposited at the Chamber of Commerce in Amsterdam.

5.3.31 INTEREST IN JOINT VENTURES AND ASSOCIATES

The Company has several joint ventures and associates:

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2016 main reporting segment	Project name
Sonasing Xikomba Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO N'Goma
OPS-Serviços de Produção de Petróleos Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & operate	Angola operations
OPS-Serviços de Produção de Petróleos Ltd Branch	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Angola	Lease & operate	Angola operations
OPS Production Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & operate	Angola operations
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & operate	FPSO Kikeh
Malaysia Deepwater Production Contractors Sdn Bhd	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & operate	FPSO Kikeh
Anchor Storage Ltd	Maersk group	Joint venture	49.00	Bermuda	Lease & operate	Nkossa II FSO
Gas Management (Congo) Ltd	Maersk group	Joint venture	49.00	Bahamas	Lease & operate	Nkossa II FSO
Solgaz S.A.	Deepwater Enterprises A/S (an entity of Maersk group)	Joint venture	49.00	France	Lease & operate	Nkossa II FSO
Sonasing Sanha Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO Sanha
Sonasing Kuito Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO Kuito
Sonasing Saxi Batuque Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO Saxi-Batuque
Sonasing Mondo Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO Mondo
SNV Offshore Ltd	Naval Ventures Corp (an entity of Synergy Group)	Joint venture	50.00	Bermuda	Turnkey	Brazilian yard
Pelican Assets S.à.r.l.	SNV Offshore Limited (see information above)	Joint venture	50.00	Luxembourg	Turnkey	Brazilian yard
Estaleiro Brasa Ltda	SNV Offshore Limited (see information above)	Joint venture	50.00	Brazil	Turnkey	Brazilian yard

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2016 main reporting segment	Project name
Brasil Superlift Serviços Içamento Ltda	SNV Offshore Limited (see information above)	Joint venture	50.00	Brazil	Turnkey	Brazilian yard
Normand Installer S.A.	The Solstad Group	Joint venture	49.90	Switzerland	Turnkey	Normand Installer
OS Installer AS	Ocean Yield AS	Associate	25.00	Norway	Turnkey	SBM Installer
SBM Ship Yard Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Daewoo Shipbuilding & Marine Engineering Co. Ltd.	Associate	33.33	Bermuda	Turnkey	Angolan yard
PAENAL - Porto Amboim Estaleiros Navais Ltda	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; SBM Shipyard	Associate	30.00	Angola	Turnkey	Angolan yard

The Brazilian market has faced a recent downturn related to economic and political crisis. The adverse changes in the economic environment in the market to which the Brazilian yard is dedicated is considered as a triggering event and thus an impairment test of Company's net investment in the Joint ventures owning the Brazilian yard has been carried out.

As the value in use determined is higher than the carrying amount, no impairment charge has to be recognized at the end of December 2016.

The Company has no joint operation as per definition provided by IFRS 11 'Joint arrangements'.

The following tables present the figures at 100%.

Information on significant joint arrangements and associates - 2016

Entity name	Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilites
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	1,215	1,061	25	564	554	269
OPS-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	58	(2)	17	-	0	7
OPS-Serviços de Produção de Petróleos Ltd Branch			91	4	11	-	-	98
OPS Production Ltd			81	0	9	-	-	63
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	FPSO Kikeh	Malaysia	400	328	(7)	0	20	3
Malaysia Deepwater Production Contractors Sdn Bhd			26	-	4	-	0	20
SNV Offshore Ltd[1]	Brazilian yard	Brazil	76	49	3	-	-	9
SBM Ship Yard Ltd	Angolan yard	Angola	252	220	0	415	415	0
PAENAL - Porto Amboim Estaleiros Navais Ltda			237	104	67	224	224	102
Non material joint ventures/associates			304	226	40	271	209	96
Total at 100%			**2,740**	**1,989**	**169**	**1,474**	**1,422**	**668**

1 consolidated figures including the entities Estaleiro Brasa Ltda, Brasil Superlift Serviços Icamento Ltda and Pelican Assets S.à.r.l. which are owned at 100% by SNV Offshore Ltd

Information on significant joint arrangements and associates - 2016

Entity name	Project name	Place of the business	Dividends paid	Revenue
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	-	105
OPS-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	-	4
OPS-Serviços de Produção de Petróleos Ltd Branch			-	91
OPS Production Ltd			-	80
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	FPSO Kikeh	Malaysia	88	50
Malaysia Deepwater Production Contractors Sdn Bhd			2	58
SNV Offshore Ltd[1]	Brazilian yard	Brazil	-	78
SBM Ship Yard Ltd	Angolan yard	Angola	-	-
PAENAL - Porto Amboim Estaleiros Navais Ltda			-	40
Non material joint ventures/associates			4	36
Total at 100%			**94**	**543**

1 consolidated figures including the entities Estaleiro Brasa Ltda, Brasil Superlift Serviços Icamento Ltda and Pelican Assets S.à.r.l. which are owned at 100% by SNV Offshore Ltd

Information on significant joint arrangements and associates - 2015

Entity name	Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non- current liabilities	Current liabilites
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	1,280	1,132	13	616	629	293
OPS-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	56	(2)	22	-	0	5
OPS-Serviços de Produção de Petróleos Ltd Branch			74	5	(3)	-	-	75
OPS Production Ltd			89	0	36	-	-	68
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	FPSO Kikeh	Malaysia	468	396	(6)	30	33	22
Malaysia Deepwater Production Contractors Sdn Bhd			34	-	8	-	0	27
SNV Offshore Ltd[1]	Brazilian yard	Brazil	68	48	5	25	25	15
SBM Ship Yard Ltd	Angolan yard	Angola	265	225	0	395	395	0
PAENAL - Porto Amboim Estaleiros Navais Ltda			365	208	52	232	230	150
Non material joint ventures/associates			323	246	47	296	286	57
Total at 100%			**3,021**	**2,258**	**176**	**1,593**	**1,599**	**712**

1 consolidated figures including the entities Estaleiro Brasa Ltda and Brasil Superlift Serviços Icamento Ltda which were owned at 100% by SNV Offshore Ltd at 31 December 2014

Information on significant joint arrangements and associates - 2015

Entity name	Project name	Place of the business	Dividends paid	Revenue
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	-	187
OPS-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	-	0
OPS-Serviços de Produção de Petróleos Ltd Branch			-	106
OPS Production Ltd			-	85
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	FPSO Kikeh	Malaysia	-	50
Malaysia Deepwater Production Contractors Sdn Bhd			-	47
SNV Offshore Ltd[1]	Brazilian yard	Brazil	-	152
SBM Ship Yard Ltd	Angolan yard	Angola	-	-
PAENAL - Porto Amboim Estaleiros Navais Ltda			-	75
Non material joint ventures/associates			41	40
Total at 100%			**41**	**742**

1 consolidated figures including the entities Estaleiro Brasa Ltda, Brasil Superlift Serviços Icamento Ltda and Pelican Assets S.à.r.l. which are owned at 100% by SNV Offshore Ltd

The movements in investments in associates and joint ventures are as follows:

	2016	2015
Investments in associates and joint ventures at 1 January	**460**	**386**
Share of profit of equity-accounted investees	45	73
Dividends	(45)	(18)
Cash flow hedges	3	2
Capital increase/(decrease)	12	-
Foreign currency variations	(7)	(24)
Share in negative net equity reclassification to loans to joint ventures and associates	17	42
Investments in associates and joint ventures at 31 December	**484**	**460**

The bank interest-bearing loans and other borrowings held by joint ventures and associates are as follows:

Informations on loans and borrowings of joint ventures and associates

				Net book value at 31 December 2016			Net book value at 31 December 2015		
Entity name	% Ownership	% Interest	Maturity	Non-current	Current	Total	Non-current	Current	Total
US$ Project Finance facilities drawn:									
Sonasing Xikomba Ltd	50.00	4.71%	16-aug-21	342	81	423	423	77	501
Normand Installer SA	49.90	3.87%	17-jul-17	-	50	50	50	6	56
OS Installer AS	25.00	3.83%	16-dec-19	88	7	95	95	7	102
Loans from subsidiaries of SBM Offshore N.V.[1]				416	20	437	380	61	441
Loans from other shareholders of the joint ventures and associates[2]				246	-	246	247	15	262
Loans from other joint ventures				250	-	250	232	-	232
Net book value of loans and borrowings				**1,343**	**158**	**1,501**	**1,427**	**167**	**1,593**

1 Please refer to note 5.3.15 'Loans to joint-ventures and associates' for presentation of the carrying amount of these loans in Company's Consolidated Statement of Financial Position.

2 Loans from the Joint Ventures SBM Shipyard Ltd to the JV Paenal - Porto Amboim Estaleiros Navais Ltda.

Aggregated information on joint ventures and associates

	2016	2015
Net result at 100 %	38	128

5.3.32 INFORMATION ON NON-CONTROLLING INTERESTS

The Company has several jointly owned subsidiaries:

Entity name	Partners	% of ownership	Country registration	2016 main reporting segment	Project name
Aseng Production Company Ltd	GE Petrol	60.00	Cayman island	Lease & operate	FPSO Aseng
Gepsing Ltd	GE Petrol	60.00	Cayman island	Lease & operate	FPSO Aseng
Gepsing Ltd - Equatorial Guinea Branch	GE Petrol	60.00	Equatorial Guinea	Lease & operate	FPSO Aseng
Brazilian Deepwater Floating Terminals Ltd	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & operate	FPSO Espirito Santo
Brazilian Deepwater Production Ltd	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & operate	FPSO Espirito Santo
Brazilian Deepwater Production Contractors Ltd	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & operate	FPSO Espirito Santo
Operações Marítimas em Mar Profundo Brasileiro Ltda	owned by Brazilian Deepwater Production Contractors (see information above)	51.00	Brazil	Lease & operate	FPSO Espirito Santo
SBM Stones S.à r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	Luxembourg	Turnkey	FPSO Turritella
SBM Turritella LLC	owned by SBM Stones S.a r.l. (see information above)	55.00	The United States of America	Turnkey	FPSO Turritella
SBM Stones Holding Operations B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	The Netherlands	Lease & operate	FPSO Turritella
SBM Stones Operations LLC	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	The Netherlands	Lease & operate	FPSO Turritella
Alfa Lula Alto S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	56.00	Luxembourg	Turnkey	FPSO Cidade de Marica
Alfa Lula Alto Holding Ltd	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	56.00	Bermuda	Lease & operate	FPSO Cidade de Marica
Alfa Lula Alto Operações Marítimas Ltda	owned by Alfa Lula Alto Holding Ltd. (see information above)	56.00	Brazil	Lease & operate	FPSO Cidade de Marica
Beta Lula Central S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	56.00	Luxembourg	Turnkey	FPSO Cidade de Saquarema
Beta Lula Central Holding Ltd	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	56.00	Bermuda	Lease & operate	FPSO Cidade de Saquarema
Beta Lula Central Operações Marítimas Ltda	Owned by Betal Lula Central Holding Ltd. (see information above)	56.00	Brazil	Lease & operate	FPSO Cidade de Saquarema
Tupi Nordeste S.à.r.l.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation; Queiroz Galvao Oleo e Gas, S.A.	50.50	Luxembourg	Lease & operate	FPSO Cidade de Paraty
Tupi Nordeste Operações Marítimas Ltda	Owned by Tupi Nordeste Holding (see information below)	50.50	Brazil	Lease & operate	FPSO Cidade de Paraty
Tupi Nordeste Holding Ltd	Nippon Yusen Kabushiki Kaisha; Itochu Corporation; Queiroz Galvao Oleo e Gas, S.A.	50.50	Bermuda	Lease & operate	FPSO Cidade de Paraty

Entity name	Partners	% of ownership	Country registration	2016 main reporting segment	Project name
Guara Norte S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	62.25	Luxembourg	Lease & operate	FPSO Cidade de Ilhabela
Guara Norte Holding Ltd	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	62.25	Bermuda	Lease & operate	FPSO Cidade de Ilhabela
Guara Norte Operações Marítimas Ltda	Owned by Guara Norte Holding Ltd. (see information above)	62.25	Brazil	Lease & operate	FPSO Cidade de Ilhabela
SBM Capixaba Operações Marítimas Ltda	Owned by FPSO Capixaba Venture S.A. (see information below)	80.00	Brazil	Lease & operate	FPSO Capixaba
SBM Espirito Do Mar Inc	Queiroz Galvao Oleo e Gas, S.A.	80.00	Switzerland	Lease & operate	FPSO Capixaba
FPSO Capixaba Venture S.A.	Queiroz Galvao Oleo e Gas, S.A.	80.00	Switzerland	Lease & operate	FPSO Capixaba
FPSO Brasil Venture SA	MISC Berhad	51.00	Switzerland	Lease & operate	FPSO Brazil
SBM Operações Ltda	MISC Berhad	51.00	Brazil	Lease & operate	FPSO Brazil
SBM Systems Inc.	MISC Berhad	51.00	Switzerland	Lease & operate	FPSO Brazil
South East Shipping Co. Ltd	Mitsubishi Corporation	75.00	Bermuda	Lease & operate	Yetagun

Included in the consolidated financial statements are the following items that represent the Company's interest in the revenues, assets and loans of the partially owned subsidiaries.

Figures are presented at 100% before elimination of intercompany transactions.

Information on non-controlling interests (NCI) – 2016

Entity name	Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities
Aseng Production Company Ltd	FPSO Aseng	Equatorial Guinea	328	215	10	180	148	40
Gepsing Ltd			3	-	3	-	-	13
Gepsing Ltd - Equatorial Guinea Branch			34	-	2	-	-	24
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito Santo	Brazil	-	-	-	-	-	0
Brazilian Deepwater Production Ltd			368	321	21	-	258	22
Brazilian Deepwater Production Contractors Ltd			37	0	18	-	-	27
Operações Marítimas em Mar Profundo Brasileiro Ltda			4	0	0	7	7	3
SBM Stones S.à r.l.[1]	FPSO Turritella	The United States of America	1,156	1,038	30	791	718	76
SBM Stones Holding Operations B.V.			0	-	-	-	-	-
SBM Stones Operations LLC			13	-	7	-	-	8
Alfa Lula Alto S.à.r.l.	FPSO Cidade de Marica	Brazil	1,791	1,683	48	1,394	1,363	117
Alfa Lula Alto Holding Ltd			5	0	4	-	-	9
Alfa Lula Alto Operações Marítimas Ltda			8	1	0	0	0	14
Beta Lula Central S.à.r.l.	FPSO Cidade de Saquarema	Brazil	1,741	1,668	16	1,426	1,372	90
Beta Lula Central Holding Ltd			7	0	0	-	-	8
Beta Lula Central Operações Marítimas Ltda			7	-	2	-	-	6
Tupi Nordeste S.à.r.l.	FPSO Cidade de Paraty	Brazil	1,259	1,164	38	714	645	108
Tupi Nordeste Operações Marítimas Ltda			2	0	0	20	20	13
Tupi Nordeste Holding Ltd			3	3	0	-	-	14
Guara Norte S.à.r.l.	FPSO Cidade de Ilhabela	Brazil	1,595	1,465	75	1,005	904	129
Guara Norte Holding Ltd			7	0	3	-	-	18
Guara Norte Operações Marítimas Ltda			7	0	0	5	5	15
SBM Capixaba Operações Marítimas Ltda	FPSO Capixaba	Brazil	5	0	0	23	23	11
SBM Espirito Do Mar Inc			272	217	25	5	41	32
FPSO Capixaba Venture S.A.			7	0	0	17	17	62
Non material NCI			79	4	7	3	11	11
Total 100%			**8,738**	**7,781**	**310**	**5,590**	**5,532**	**871**

1 consolidated figures including the entity SBM Turritella LLC which is owned at 100% by SBM Stones S.à r.l.

Information on non-controlling interests (NCI) – 2016

Entity name	Project name	Place of business	Dividends to NCI	Revenue
Aseng Production Company Ltd	FPSO Aseng	Equatorial Guinea	-	24
Gepsing Ltd			4	1
Gepsing Ltd - Equatorial Guinea Branch			-	49
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito Santo	Brazil	-	-
Brazilian Deepwater Production Ltd			15	118
Brazilian Deepwater Production Contractors Ltd			-	29
Operações Marítimas em Mar Profundo Brasileiro Ltda			-	13
SBM Stones S.à r.l.[1]	FPSO Turritella	The United States of America	-	165
SBM Stones Holding Operations B.V.			-	-
SBM Stones Operations LLC			-	35
Alfa Lula Alto S.à.r.l.	FPSO Cidade de Marica	Brazil	-	332
Alfa Lula Alto Holding Ltd			-	21
Alfa Lula Alto Operações Marítimas Ltda			-	19
Beta Lula Central S.à.r.l.	FPSO Cidade de Saquarema	Brazil	-	277
Beta Lula Central Holding Ltd			-	12
Beta Lula Central Operações Marítimas Ltda			-	11
Tupi Nordeste S.à.r.l.	FPSO Cidade de Paraty	Brazil	-	93
Tupi Nordeste Operações Maritimas Ltda			-	13
Tupi Nordeste Holding Ltd			-	28
Guara Norte S.à.r.l.	FPSO Cidade de Ilhabela	Brazil	-	148
Guara Norte Holding Ltd			-	29
Guara Norte Operações Marítimas Ltda			-	16
SBM Capixaba Operações Marítimas Ltda	FPSO Capixaba	Brazil	-	11
SBM Espirito Do Mar Inc			-	28
FPSO Capixaba Venture S.A.			-	45
Non material NCI			1	(8)
Total 100%			**20**	**1,509**

1 consolidated figures including the entity SBM Turritella LLC which is owned at 100% by SBM Stones S.à r.l.

Information on non-controlling interests (NCI) – 2015

Entity name	Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities
Aseng Production Company Ltd	FPSO Aseng	Equatorial Guinea	416	308	11	272	235	45
Gepsing Ltd			14	-	14	-	-	6
Gepsing Ltd - Equatorial Guinea Branch			21	-	1	-	0	17
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito Santo	Brazil	0	-	-	-	-	0
Brazilian Deepwater Production Ltd			451	366	50	42	256	97
Brazilian Deepwater Production Contractors Ltd			29	0	6	9	6	16
Operações Marítimas em Mar Profundo Brasileiro Ltda			7	0	0	7	7	3
SBM Stones S.à r.l.[1]	FPSO Turritella	The United States of America	2,186	1,085	-	685	377	1,499
SBM Stones Holding Operations B.V.			-	-	-	-	-	-
Alfa Lula Alto S.à.r.l.	FPSO Cidade de Marica	Brazil	1,827	-	1	1,337	1,365	154
Alfa Lula Alto Holding Ltd			0	0	0	-	-	0
Alfa Lula Alto Operações Marítimas Ltda			1	-	0	-	-	0
Beta Lula Central S.à.r.l.	FPSO Cidade de Saquarema	Brazil	1,538	-	2	1,178	1,184	19
Beta Lula Central Holding Ltd			0	0	0	-	-	0
Beta Lula Central Operações Marítimas Ltda			0	-	0	-	-	0
Tupi Nordeste S.à.r.l.	FPSO Cidade de Paraty	Brazil	1,297	1,203	41	801	748	103
Tupi Nordeste Operações Marítimas Ltda			3	0	0	6	6	12
Tupi Nordeste Holding Ltd			16	2	9	-	-	17
Guara Norte S.à.r.l.	FPSO Cidade de Ilhabela	Brazil	1,609	1,501	56	1,103	1,013	122
Guara Norte Holding Ltd			15	0	12	-	-	16
Guara Norte Operações Marítimas Ltda			5	0	0	1	1	9
SBM Capixaba Operações Marítimas Ltda	FPSO Capixaba	Brazil	4	0	0	11	11	4
SBM Espirito Do Mar Inc			278	251	11	37	41	35
FPSO Capixaba Venture S.A.			2	0	1	17	17	61
Non material NCI			100	9	7	3	10	13
Total 100%			**9,821**	**4,726**	**222**	**5,509**	**5,276**	**2,249**

1 consolidated figures including the entity SBM Turritella LLC which is owned at 100% by SBM Stones S.à r.l.

Information on non-controlling interests (NCI) – 2015

Entity name	Project name	Place of business	Dividends to NCI	Revenue
Aseng Production Company Ltd	FPSO Aseng	Equatorial Guinea	-	32
Gepsing Ltd			-	2
Gepsing Ltd - Equatorial Guinea Branch			-	42
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito Santo	Brazil	-	-
Brazilian Deepwater Production Ltd			-	129
Brazilian Deepwater Production Contractors Ltd			-	0
Operações Marítimas em Mar Profundo Brasileiro Ltda			-	14
SBM Stones S.à r.l.[1]	FPSO Turritella	The United States of America	-	199
SBM Stones Holding Operations B.V.			-	-
Alfa Lula Alto S.à.r.l.	FPSO Cidade de Marica	Brazil	-	369
Alfa Lula Alto Holding Ltd			-	-
Alfa Lula Alto Operações Marítimas Ltda			-	-
Beta Lula Central S.à.r.l.	FPSO Cidade de Saquarema	Brazil	-	360
Beta Lula Central Holding Ltd			-	-
Beta Lula Central Operações Marítimas Ltda			-	-
Tupi Nordeste S.à.r.l.	FPSO Cidade de Paraty	Brazil	-	121
Tupi Nordeste Operações Maritimas Ltda			-	17
Tupi Nordeste Holding Ltd			-	28
Guara Norte S.à.r.l.	FPSO Cidade de Ilhabela	Brazil	-	160
Guara Norte Holding Ltd			-	29
Guara Norte Operações Marítimas Ltda			-	16
SBM Capixaba Operações Marítimas Ltda	FPSO Capixaba	Brazil	-	11
SBM Espirito Do Mar Inc			-	68
FPSO Capixaba Venture S.A.			-	13
Non material NCI			3	25
Total 100%			**3**	**1,635**

1 consolidated figures including the entity SBM Turritella LLC which is owned at 100% by SBM Stones S.à r.l.

Reference is made to section 5.3.24 'Loans and Borrowings' for a description of the bank interest-bearing loans and other borrowings per entity.

Included in the consolidated financial statements are the following items that represent the aggregate contribution of the partially owned subsidiaries to the Company consolidated financial statements:

Interest in non-controlling interest (summary)

	2016	2015
Net result	65	81
Accumulated amount of NCI	996	970

5.3.33 RELATED PARTY TRANSACTIONS

During 2016, no major related party transactions requiring additional disclosure in the financial statements took place.

For relations with Supervisory Board Members, Managing Directors and other key personnel reference is made to Note 5.3.6 'Employee benefit expenses'.

The Company has transactions with joint ventures and associates which are recognized as follows in the Company's consolidated financial statements:

Related party transactions

	Note	2016	2015
Revenue		10	56
Cost of sales		(106)	(222)
Loans to joint ventures and associates	*5.3.15*	215	299
Trade receivables		164	204
Trade payables		78	60

The Company has provided loans to joint ventures and associates such as shareholder loans and funding loans at rates comparable to the commercial rates of interest.

During the period, the Company entered into trading transactions with joint ventures and associates on terms equivalent to those that prevail in arm's length transactions. The decrease of revenue mainly relates to the finalisation of the construction of the FPSOs *Cidade de Marica*, *Cidade de Saquarema* and *Turitella*. The decrease of cost of sales is mainly driven by lower transactions with the Brasa yard.

Additional information regarding the joint ventures and associates is available in 5.3.31 'Interest in Joint Ventures and Associates'.

5.3.34 AUDITOR'S FEES AND SERVICES

Fees included in Other operating costs related to PwC, the 2016 and 2015 Company's external auditor, are summarized as follows:

in thousands of US$	2016	2015
Audit fees	1,962	2,162
Out of which:		
- invoiced by PwC Accountants N.V.	*1,344*	*1,469*
- invoiced by PwC network firms	*618*	*693*
Tax fees	32	92
Other	533	555
Total	**2,527**	**2,810**

In 2016 and 2015, the other auditor's fees were mainly related to other auditing services carried out in the course of the development of a potential master limited partnership (MLP) project and review of Company Sustainability Report.

5.3.35 EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the Company policy introduced in 2015 which consists of paying out between 25% and 35% of the directional net income provided that positive free cash-flows are expected to be generated during the year of payment, and, this year, considering 2016 exceptional non-recurring items, a dividend out of 2016 net income of US$ 0.23 per share will be proposed to the Annual General Meeting on April 13, 2017, corresponding to approximately 31% of the US$ 150 million Company's 2016 Directional net income adjusted, this year, for non-recurring items.

5.4 COMPANY FINANCIAL STATEMENTS

5.4.1 COMPANY BALANCE SHEET

Company balance sheet

Before appropriation of profit	Notes	31 December 2016	31 December 2015
ASSETS			
Investment in Group companies	5.5.1	2,814	2,585
Total financial fixed assets		**2,814**	**2,585**
Deferred tax asset	5.5.2	3	4
Total non-current assets		**2,817**	**2,589**
Other receivables	5.5.3	5	22
Cash and cash equivalents	5.5.4	-	4
Total current assets		**5**	**26**
TOTAL ASSETS		**2,823**	**2,615**
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		56	58
Share premium reserve		1,163	1,162
Treasury shares		(166)	-
Legal reserves	5.5.5	708	553
Retained earnings		571	694
Profit of the year		182	29
Shareholders' equity	5.5.5	**2,516**	**2,496**
Other non-current liabilities	5.5.6	-	3
Total non-current liabilities			**3**
Other current liabilities	5.5.6	307	116
Total current liabilities		**307**	**116**
TOTAL EQUITY AND LIABILITIES		**2,823**	**2,615**

5.4.2 COMPANY INCOME STATEMENT

Company income statement

For the years ended 31 December	Note	2016	2015[1]
Revenue	5.5.7	4	2
Gross margin		**4**	**2**
General and administrative expenses	5.5.8	(27)	(31)
Operating profit/(loss) (EBIT)		**(22)**	**(29)**
Financial income		-	2
Financial expenses	5.5.9	(1)	-
Net financing costs		**(1)**	**2**
Result of Group companies	5.5.1	204	54
Profit/(Loss) before tax		**180**	**27**
Income tax expense	5.5.10	2	2
Profit/(Loss)		**182**	**29**

1 The 2015 Company income statement is restated for comparison purposes. Pursuant to the change in Section 387 of Book 2 of the Netherlands Civil Code, SBM Offshore N.V. no longer uses the exemption to present the income statement in condensed form following Section 402 of Book 2 of the Netherlands Civil Code.

5.4.3 GENERAL

The separate financial statements are part of the 2016 financial statements of SBM Offshore N.V.

The Company costs mainly comprise of management activities and cost of the headquarters office at Schiphol of which part is recharged to Group companies.

5.4.4 PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

SBM Offshore N.V. uses the option provided in section 2:362 (8) of the Netherlands Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of SBM Offshore N.V. are the same as those applied for the consolidated financial statements. The consolidated financial statements are prepared according to the standards set by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to the notes to the consolidated financial statements ('5.2.7 Accounting Principles') for a description of these principles.

Investments in group companies, over which control is exercised, are stated on the basis of the net asset value.

Results on transactions, involving the transfer of assets and liabilities between SBM Offshore N.V. and its participating interests or between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

5.5 NOTES TO THE COMPANY FINANCIAL STATEMENTS

5.5.1 INVESTMENT IN GROUP COMPANIES

The movements in the item Investment in Group companies are as follows:

Investment in Group companies

	2016	2015
Balance at 1 January	2,585	2,129
Reclassification to other receivables	(42)	(47)
Investments net value	**2,543**	**2,082**
Result of Group companies	204	54
Investment and other changes (a.o. IAS 39)	54	381
Divestments and capital repayments	-	39
Foreign currency variations	(27)	(13)
Movements	**230**	**461**
Balance at 31 December	**2,814**	**2,585**

The subsidiaries of the Company are the following (all of which are 100% owned):

- SBM Offshore Holding B.V., Amsterdam, the Netherlands
- SBM Group Holding Inc., Marly, Switzerland
- SBM Holding Luxembourg SARL, Luxembourg, Luxembourg
- SBM Schiedam B.V., Rotterdam, the Netherlands
- Van der Giessen-de Noord N.V., Krimpen a/d IJssel, the Netherlands
- SBM Holland B.V., Rotterdam, the Netherlands
- Capixaba Holding B.V., 's Gravenhage, the Netherlands
- XNK Industries B.V., Dongen, the Netherlands

5.5.2 DEFERRED TAX ASSET

The Company is head of a fiscal unity in which almost all Dutch companies are included.
A deferred tax asset is recognized for tax losses of the fiscal unity which can be carry forward for a period of nine years and are expected to be recovered based on anticipated future taxable profit within the Dutch fiscal unit.

5.5.3 OTHER RECEIVABLES

	31 December 2016	31 December 2015
Amounts owed by Group companies	5	21
Other debtors	-	1
Total	**5**	**22**

Receivables fall due in less than one year. The fair value of the receivables approximates the book value, due to their short-term character.

5.5.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are at the Company's free disposal.

5.5.5 SHAREHOLDERS' EQUITY

For an explanation of the shareholders equity, reference is made to the consolidated statement of changes in equity and 5.3.23 Equity Attributable to Shareholders.

Legal reserve

	31 December 2016	31 December 2015
Joint venture equity non-distributable	947	827
Capitalized development expenditure	18	15
Translation reserve	(45)	(26)
Cash flow hedges	(212)	(263)
Total	**708**	**553**

Under the Dutch guidelines for financial reporting which apply to the Company statement of financial position, a legal reserve must be maintained for the above-mentioned items.

PROPOSED APPROPRIATION OF PROFITS

With the approval of the Supervisory Board, it is proposed that the result shown in the Company income statement be appropriated as follows (in US$):

Appropriation of result

	2016
Profit/Loss attributable to shareholders	182
In accordance with Article 29 clause 4 to be transferred to retained earnings	136
At the disposal of the General Meeting of Shareholders	**46**

It is proposed that US$ 46 million of the profit of the year ended December 31, 2016 be distributed among the shareholders.

5.5.6 OTHER CURRENT AND NON-CURRENT LIABILITIES

Current and non current liabilities

	31 December 2016	31 December 2015
Amounts owed to Group companies	-	2
Total non current liabilities	**-**	**2**
Amounts owed to Group companies	303	38
Taxation and social security costs	1	5
Other creditors	3	74
Total current liabilities	**307**	**116**

The other current liabilities fall due in less than one year. The fair value of other current liabilities approximates the book value, due to their short-term character.

The movement in the current portion of 'other creditors' mainly relates to the last US$ 70 million remaining installment due, following the settlement with the Dutch Public Prosecutor's Office over the investigation into potentially improper sales payments.

5.5.7 REVENUE

The revenue comprises management fees charged to 100% owned group companies.

5.5.8 GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
Employee Benefits	(22)	(27)
Other costs	(5)	(4)
Total	**(27)**	**(31)**

The employee benefits include the Management Board remuneration, and recharge of other personnel costs at the headquarter, as well as share based payments (IFRS 2 costs) for the entire group. For further details on the Board of Management remuneration, reference is made to section 5.3.6 Employee Benefit Expenses.

The other costs include amongst others audit fees, legal, compliance, corporate governance and investor relation costs. For the audit fees reference is made to section 5.3.34 Auditor's Fees and Services.

5.5.9 FINANCIAL EXPENSES

The financial expenses relate to interest expenses charged by group companies to SBM Offshore N.V.

5.5.10 INCOME TAX

The income tax relates to variance on valuation allowances on deferred tax asset position recognized on the preceding years within the Dutch fiscal unity after settlements of tax positions between the Dutch group companies belonging to the fiscal unity. All tax liabilities and tax assets are transferrred to fiscal unity parent.

5.5.11 COMMITMENTS AND CONTINGENCIES

The Company has issued performance guarantees for contractual obligations to complete and deliver projects in respect of several Group companies, and fulfilment of obligations with respect to long-term lease/operate contracts. Furthermore, the Company has issued parent company guarantees in respect of several Group companies' financing arrangements.

The Company is head of a fiscal unity for current income tax in which almost all Dutch Group companies are included. Current income tax liabilities of Dutch Group compamies are settled via intercompany current accounts to the Company. This means that these companies are jointly and severally liable in respect of the fiscal unity as a whole.

5.5.12 DIRECTORS' REMUNERATION

For further details on the Directors' remuneration, reference is made to section 5.3.6 Employee Benefit Expenses of the consolidated financial statements.

5.5.13 NUMBER OF EMPLOYEES

The Company has no employee, excluding members of the Management Board.

5.5.14 AUDIT FEES

For the audit fees relating to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors, reference is made to paragraph 5.3.34 Auditor's Fees and Services of the consolidated financial statements.

5.5.15 EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the Company policy introduced in 2015 which consists of paying out between 25% and 35% of the directional net income provided that positive free cash-flows are expected to be generated during the year of payment, and, this year, considering 2016 exceptional non-recurring items, a dividend out of 2016 net income of US$ 0.23 per share will be proposed to the Annual General Meeting on April 13, 2017, corresponding to approximately 31% of the US$ 150 million Company's 2016 Directional net income adjusted, this year, for non-recurring items.

Schiphol, the Netherlands
February 8, 2017

Management Board
B.Y.R. Chabas, Chief Executive Officer
P. Barril, Chief Operating Officer
E. Lagendijk, Chief Governance and Compliance Officer
D.H.M. Wood, Chief Financial Officer

Supervisory Board
F.J.G.M. Cremers, Chairman
T.M.E. Ehret, Vice-Chairman
L.A. Armstrong
F.G.H. Deckers
F.R. Gugen
S. Hepkema
L.B.L.E. Mulliez
C.D. Richard

5.6 OTHER INFORMATION

5.6.1 APPROPRIATION OF RESULT

ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

With regard to the appropriation of result, article 29 of the Articles of Association states:

1. When drawing up the annual accounts, the Management Board shall charge such sums for the depreciation of the Company's fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.
2. Any distribution of profits pursuant to the provisions of this article shall be made after the adoption of the annual accounts from which it appears that the same is permitted. The Company may make distributions to the shareholders and to other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law. A deficit may be offset against the statutory reserves only to the extent permitted by law.
3. a. The profit shall, if sufficient, be applied first in payment to the holders of Protective Preference Shares of a percentage as specified in b. below of the compulsory amount due on these Shares as at the commencement of the financial year for which the distribution is made.
   b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of twelve (12) months - weighted by the number of days for which this interest was applicable - during the financial year for which the distribution is made, increased by two hundred (200) basis points.
   c. If in the course of the financial year for which the distribution is made the compulsory amount to be paid on the Protective Preference Shares has been decreased or, pursuant to a resolution for additional payments, increased, then the distribution shall be decreased or, if possible, increased by an amount equal to the aforementioned percentage of the amount of the decrease or increase as the case may be, calculated from the date of the decrease or from the day when the additional payment became compulsory, as the case may be.
   d. If in the course of any financial year Protective Preference Shares have been issued, the dividend on Protective Preference Shares for that financial year shall be decreased proportionately.
   e. If the profit for a financial year is being determined and if in that financial year one or more Protective Preference Shares have been cancelled with repayment or full repayment has taken place on Protective Preference Shares, the persons who according to the shareholders' register referred to in article 12 at the time of such cancellation or repayment were recorded as the holders of these Protective Preference Shares, shall have an inalienable right to a distribution of profit as described hereinafter. The profit which, if sufficient, shall be distributed to such a person shall be equal to the amount of the distribution to which he would be entitled pursuant to the provisions of this paragraph if at the time of the determination of the profits he had still been the holder of the Protective Preference Shares referred to above, calculated on a time-proportionate basis for the period during which he held Protective Preference Shares in that financial year, with a part of a month to be regarded as a full month. In respect of an amendment of the provisions laid down in this paragraph, the reservation referred to in section 2: 122 of the Dutch Civil Code is hereby explicitly made.
   f. If in any one financial year the profit referred to above in subparagraph a. is not sufficient to make the distributions referred to in this article, then the provisions of this paragraph and those laid down hereinafter in this article shall in the subsequent financial years not apply until the deficit has been made good.
   g. Further payment out of the profits on the Protective Preference Shares shall not take place.
4. The Management Board is authorised, subject to the approval of the Supervisory Board, to determine each year what part of the profits shall be transferred to the reserves, after the provisions of the preceding paragraph have been applied.
5. The residue of the profit shall be at the disposal of the General Meeting.
6. The General Meeting may only resolve to distribute any reserves upon the proposal of the Management Board, subject to the approval of the Supervisory Board.

5.6.2 INDEPENDENT AUDITOR'S REPORT

To: the general meeting and supervisory board of SBM Offshore N.V.

Report on the financial statements 2016

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at December 31, 2016 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at December 31, 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of SBM Offshore N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of SBM Offshore N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the Consolidated Statement of Financial Position as at December 31, 2016;
- the following consolidated statements for 2016: the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement; and
- the Notes to the Consolidated Financial Statements, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the Company Balance Sheet as at December 31, 2016;
- the Company Income Statement for the year then ended; and
- the Notes to the Company Financial Statements, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independance

We are independent of SBM Offshore N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview and context

The company engages in the construction and the leasing and operating of large and complex offshore floating production, storage and offloading vessels (FPSOs) and is affected negatively by the impact low oil prices have on their clients and prospects. The difficult market conditions, leading to a downturn in the results, affected our determination of materiality as described in the materiality section of this report; these conditions also resulted in specific areas of focus as set out in the key audit matter section of this report.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements in this context. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain in difficult market circumstances. In paragraph 5.2.7 section 'Use of estimates and judgement' of the financial statements, the company describes the areas of judgement in applying the accounting policies and key sources of estimation uncertainty. Given the significant estimation uncertainty in accruals and warranty provisions, provisions for onerous contracts and the impairment of assets, we considered these to be key audit matters as set out in the key audit matter section of this report. Furthermore, we considered the provisions and settlements with respect to the Brazilian activities a key audit matter, given the impact on the financial statements and the risks involved.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a company providing floating production solutions to the offshore energy industry, over the full product life-cycle. We thereto included specialists in the areas of IT, tax, valuations and pension benefit provisions in our team and discussed the compliance matters with forensics and risk management specialists.

Materiality

- Overall materiality: USD 14 million, representing 3.5% of adjusted profit and before tax

Audit scope

- We conducted audit work in 4 locations
- Site visits were conducted to Monaco
- Audit coverage: 97% of consolidated revenue and 93% of consolidated total assets and 89% of profit before tax

Key audit matters

- Difficult market conditions in the offshore oil & gas industry
- Accruals regarding delivered orders during the handover period and warranty provision
- Provision for onerous contracts and restructuring
- Triggering events resulting in impairment assesments
- Provisions and settlements with respect to Brazilian activities

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibility for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	USD 14 million (2015: USD 32.5 million).
How we determined it	3.5% of the adjusted profit before tax for 2016.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. We changed the benchmark from last year (from 5% of a three year average adjusted PBT to 3.5% of current year's adjusted PBT) to reflect the continued downturn of the global offshore oil & gas market. We believe that adjusted profit before tax is an important metric for the financial performance of the company. We also took into account other factors such as the headroom on covenants and the financial position of the Company. The profit before tax was adjusted for non-recurring items as per Note 5.3.1. of the financial statements: onerous contracts, impairment of net investment in Paenal and the increase in the provision for Brazilian settlement. We have performed specific audit procedures on these individual non-recurring items.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between USD 3 million and USD 13 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.
We agreed with the Supervisory board that we would report to them misstatements identified during our audit above USD 1.4 million (2015: USD 3.25 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. This is a decrease from last year, in line with decreased PBT as a result of no new projects commencing construction during 2016.

The scope of our group audit

SBM Offshore N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of SBM Offshore N.V.

The group audit focussed on the significant components: two regional centres in Monaco, one in Houston and the treasury function in Marly.

Two components in Monaco were subjected to full scope of audit as those components are individually significant to the group. The components Houston and Marly were subjected to specific risk-focussed audit procedures as they include significant or higher risk areas. Additionally, four components were selected for audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage, based on a regional center approach, on the financial line items:

Revenue	97%
Total assets	93%
Profit before tax	89%

For the remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components. The coverage percentages were determined on the basis of the financial information of components that are accompanied by an audit opinion from the component auditor, or were subject to specified procedures, and taken into account in full at the consolidated level.

For the audit work in Houston, Monaco and Marly, we used components auditors. Where the work was performed by them, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group engagement team visits the component teams on a rotation basis. In the current year, the group engagement team has visited the Monaco component teams.

The group consolidation, financial statement disclosures and a number of complex (accounting) items, such as share based payments, onerous contracts, provisions, impairment analysis and the compliance matters, are audited by the group engagement team at the head office.

By performing audit procedures at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	*How our audit addressed the matter*
Difficult market conditions, no new projects from Brazil (their main market), and the Company's restructuring actions	
The continued low oil price resulted in a downturn of the global offshore oil & gas market, significantly decreasing the number of tenders and no awarding of new large Engineering Procurement Construction (EPC) contracts in 2016 for the Company. The continued downturn of the offshore oil & gas market impacted the Company's financial position and results – particularly its Turnkey segment. The Company continued its initiatives aimed at reducing cost significantly. Given these facts and circumstances, we focussed on matters such as estimates that involve significant judgement like impairments, provisioning and future scenarios (all of these are disclosed in more detail below as it regards to key audit matters) and the ability of the company to continue to operate as a going concern. With respect to the latter we focused on cash flow forecasts and different liquidity scenarios.	We have had discussions with management to understand their plans and business changes. We have considered management's assessment whether the Company would face liquidity problems as a result from the downturn in the industry, and the circumstances the Company is facing in Brazil as described in note 5.3.1. of the financial statements. Our audit procedures included obtaining a liquidity forecast and assessment of the effects of the different liquidity scenarios on the Company's compliance with its bank loan covenants. We have compared the business plans and assumptions with market data as well as with the lease contracts commenced that generate cash flows in the upcoming years. We have compared this to management's estimates included in the liquidity scenarios and based on this we found that we could concur with management's conclusion that there are no material uncertainties with respect to going concern.
Accruals regarding delivered orders during the handover period and warranty provision	
The engineering and construction of FPSOs is complex resulting in various business and financial reporting risks. During 2016, all FPSO projects reached first oil, representing finalisation of the construction phase. Significant management judgement was involved to assess the accruals for delivered orders during the handover period and for the warranty provision in case performance issues are encountered or replacement and repair of materials is applicable. This represents an inherent risk that not all cost to complete or provisions are included. Reference is made to notes 5.3.26. and 5.3.27. of the financial statements.	We examined project documentation and discussed the accruals for delivered vessels CdM, CdS and Turritella, as well as the warranty provision for vessels in operation with management, finance and technical staff of the Company. We compared prior year's budgets to prior year's actuals to assess the degree in which management is able to make reliable estimates. We have tested the controls the Company designed and implemented over its process to accrue or provide for estimated expenses during the handover respectively the warranty period. E.g. we attended Monthly Operations Review meetings in the regional centres in Houston and Monaco. We determined that we could rely on these controls for the purpose of our audit. We also performed test of details e.g. vouching to the 'punch list', reconciled the items on the punch list to the underlying calculation for estimated hours and cost to be incurred, divided in onshore work and carry-over work, vouched calculations to supplier quotes and third party surveys. We have assessed management's assumptions underlying the weighting of the scenario's such as the required repairs as per contract specifics and cost and number of hours needed for repairs, resulting into an accrual or provision balance, for reasonableness. In addition, we discussed the status of claims and legal proceedings with management, examined various claims and variation orders between the Company, subcontractors and clients and responses thereto, and obtained lawyers' letters. Our audit did not result in material audit findings in this respect.
Provision for onerous contracts and restructuring	
The market deterioration led to a decreased charter rate and worsened utilization of the Diving Support	We have assessed, challenged and performed audit procedures on the appropriateness of cash flows

Key audit matter	How our audit addressed the matter
and Construction Vessel SBM Installer, leading to a provision for onerous contracts of USD 31 million. The deterioration of the market resulted also in the Company initiating a number of restructuring initiatives that commenced in 2015 and continued in 2016, reducing the company's workforce, for which an additional provision of USD 37 million was recorded in 2016. Subsequently, unused office space led to the recognition of a USD 11 million provision for onerous contracts relating to premises in Monaco, Houston and Kuala Lumpur. Given provisions bear an inherent risk that estimated expenditure required is included and the amounts involved, we consider this a key audit matter. Reference is made to note 5.3.1. and 5.3.26. provisions.	projections stemming from management's assumptions such as vouched charter rates to contracts; assessed appropriateness of utilization and discount rate for the SBM Installer lease contract with the joint venture owning the vessel to cash flow forecasts and market data. For the unused office spaces we corroborated the provision for onerous contracts with the lease contracts of the offices in Monaco, Kuala Lumpur and Houston, and evaluated termination clauses in the contract. We assessed and challenged management's assumptions on potential sublease income, e.g. vouched to brokers' quotes to ascertain appropriateness of the rates and timing of commencement of any sublease used in the calculations and the discount rates used. We have assessed and discussed appropriateness of classification in the segment reporting. For the addition to the restructuring provision, we have assessed appropriateness and timing of expected expenditure through corroborating to timing of announcements and vouched payments made to leavers to bank statements. Our testing did not reveal any material exceptions.
Triggering events resulting in impairment assessments	
The company identified an impairment trigger e.g. as a result of the worsened utilization of the Brasilian (Brasa) yard as well as performed its annual testing of impairment of the Houston goodwill. This required an impairment assessment of the carrying value of the goodwill and the Brasa yard based on the future cash flows of these assets and/or the cash generating units to which the assets are allocated. Each assessment contains a number of variables that are subject to (significant) judgement e.g. future level of business at the joint venture yards (expected brown field and integration projects), average margin on those projects, level of required operational and capital expenditure relative to the size of the business. The goodwill (USD 25 million) and investment in the Brasa yard (USD 35 million) did not require impairment. The investment in joint venture relating to the Angolan (Paenal) yard was already reduced to zero, where the company's share in losses continued to be recognized against the shareholder loans. The worsened utilization of the yard and deteriorated outlook for Angola triggered an additional incurred loss (impairment) on the shareholder loans of USD 59 million, resulting in a net book value of USD 41 million. Reference is made to note 5.3.13, 5.3.15. and 5.3.31. to the financial statements. Given the materiality of the assets, the recognition of any further (incurred) impairment loss could have a significant effect on the financial statements. As performing the impairment test involves significant judgement, we identified an increased risk of overstatement of the value of the related assets in our audit planning. Therefore we considered this area to be a key audit matter.	For Brasa and the goodwill, we evaluated and challenged the composition of management's future cash flow forecasts and the process by which they were drawn up. We performed audit procedures on management's assumptions such as revenue and margin from expected brown field and integration projects, the discount rate, terminal value, operational and capital expenditure, number of employees. We have obtained corroborative evidence for these assumptions such as approval of the 3 year plan, number of total brown field projects to undergo maintenance in the area, breakdown of expected integration projects to be undertaken in the area. We performed analyses to assess the reasonableness of forecasted revenues, margins and expenditures in line with the level of activity forecasted, and obtained further explanations when considered necessary. We compared the long term growth rates used in determining the terminal value, with economic and industry forecasts. We have included valuations experts in our audit team, together we have re-performed calculations, compared with generally accepted valuation techniques, assessed appropriateness of the cost of capital for the company and comparable assets, as well as considered territory specific factors and assessed appropriateness of disclosure of the key assumptions and sensitivities underlying the tests. We found the assumptions to be consistent and in line with our expectations. We have also assessed the impairment of the shareholder loans to the Angolan yard in accordance with IAS 39 by assessing management's estimate of future cash flows as described above. Our audit procedures did not indicate material findings with respect to the impairments as recorded and disclosed in the financial statements for an amount of USD 59 million.

Key audit matter	*How our audit addressed the matter*
Provisions and settlements with respect to Brazilian activities	
The Investigation by the Brazilian authorities into alleged improper sales practices in Brazil as reported in prior years has led the company to negotiating a settlement. The company announced the signing of the leniency agreement in July of 2016. Early September 2016, the company was informed that the Fifth Chamber of the Brazilian Federal Prosecutor Service did not approve the leniency agreement and has since then sought clarification of the decision as well as entered into discussions to seek progression of the matter. As a result of accretion and delay of first payments that were agreed under the leniency agreement, the provision stands at USD 281 million at December 31, 2016. Considering the significance of the provision, we considered this a key audit matter. Reference is made to notes 5.3.1. and 5.3.26. of the financial statements.	We have discussed the status of the Brazilian settlement negotiations with the management board. We have examined various in- and external documents. In addition, we assessed the accounting for the settlement agreement with Petrobras and the Brazilian authority, the CGU. The company is of the opinion that it is probable that a settlement in line with the signed leniency agreement will be reached and is in a position to make a reasonable estimate of the cost of such a potential settlement. We have assessed the reasonableness of such estimate through reconciliation with the leniency agreement, signed by all parties, inquiry with the management board and discussions held with the Brazilian and Dutch external lawyers confirmed by a lawyers letters. We have assessed the adequacy of the related disclosure in note 5.3.1. The amount provided is management's best estimate. We concur with the accounting and disclosure note in the financial statements.

Report on the other information included in the annual report

In addtion of the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the director's report as included in chapter 1 to 5.1,
- the non-financial data and other information as included in chapter 6 and 7, and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered wheter the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures were substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of SBM Offshore N.V. on November 13, 2013 subject to the passing of a resolution by the shareholders at the annual meeting held on April 17, 2014 and have been reappointed in the 2016 annual meeting of shareholders representing a total period of uninterrupted engagement appointment of 3 years.

Responsabilities for the financial statements and the audit

Responsabilities of the management board and the supervisory board for the financial statements

The management board is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements. The Supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, February 8, 2017
PricewaterhouseCoopers Accountants N.V.

M. de Ridder RA

Appendix to our auditor's report on the financial statements 2016 of SBM Offshore N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

5.7 KEY FIGURES

Key financial figures

	2016	2015	2014	2013	2012
Turnover	**2,272**	2,705	5,482	4,584	3,639
Results					
Net profit/(loss) (continuing operations)	**247**	110	652	175	-75
Dividend	**46**	45	-	-	-
Operating profit (EBIT)	**564**	239	726	188	38
EBITDA	**772**	462	926	592	681
Shareholders' equity at 31 December	**2,516**	2,496	2,419	2,039	1,459
Net debt	**5,216**	5,208	4,775	3,400	1,816
Capital expenditure	**15**	24	65	186	655
Depreciation, amortisation and impairment	**208**	223	199	404	643
Number of employees (average)	**5,237**	7,300	8,330	7,126	5,275
Employee benefits	**512**	704	861	831	750
Ratios (%)					
Shareholders' equity : net assets	**26**	28	30	31	0
Current ratio	**112**	244	170	184	117
Return on average capital employed	**6.3**	2.8	10.0	3.5	1.1
Return on average shareholders' equity	**7.3**	1.2	25.8	6.5	(5.8)
Operating profit (EBIT) : net turnover	**24.8**	8.8	13.3	4.1	1.0
Net profit/(loss) : net turnover	**10.9**	4.1	11.9	3.8	(2.1)
Net debt : total equity	**148**	150	152	118	119
Enterprise value : EBITDA	**12.4**	19.3	8.6	14.3	6.3
Information per Share (US$)					
Net profit/(loss)	**0.87**	0.14	2.75	0.56	-0.44
Dividend	**0.23**	0.21	-	-	-
Shareholders' equity at 31 December	**12.00**	12.00	12.00	10.00	7.71
Share price (€)					
- 31 December	**14.92**	11.66	9.78	14.80	10.50
- highest	**15.20**	13.80	15.65	16.18	16.39
- lowest	**9.59**	8.11	8.74	10.04	7.71
Price / earnings ratio	**18.4**	93.4	4.3	37.2	NA
Number of shares issued (x 1,000)	**213,471**	211,695	209,695	208,747	189,142
Market capitalization (US$ mln)	**3,357**	2,739	2,490	4,247	2,625
Turnover by volume (x 1,000)	**379,108**	478,943	516,024	359,517	481,719
New shares issued in the year (x 1,000)	**1,776**	2,000	948	18,914	17,112

Key Directional financial figures

	2016	2015	2014	2013	2012
Turnover	**2,013**	2,618	3,545	3,373	3,059
Lease and Operate	**1,310**	1,105	1,059	1,006	977
Turnkey	**702**	1,512	2,487	2,367	2,082
EBIT	**290**	191	201	63	(79)
Lease and Operate	**398**	315	274	(204)	(341)
Turnkey	**(22)**	231	195	288	311
Other	**(86)**	(354)	(268)	(21)	(49)
EBITDA	**725**	561	486	520	623
Net Profit	**24**	24	84	(58)	(175)

CHAPTER 6
NON-FINANCIAL DATA

SBM Offshore N.V. shares have been listed on the Amsterdam stock exchange since October 11, 1965 originally under the name IHC Holland and later as IHC Caland and finally as SBM Offshore N.V. in 2005. The shares are currently included in the AEX Index of Euronext Amsterdam.
Options on the Company's shares have been traded since July 7, 1993 on the Euronext Amsterdam Derivative Markets.

LISTING ON THE AMSTERDAM STOCK EXCHANGE

1965

EXPERIENCE MATTERS

6 NON-FINANCIAL DATA

6.1 SCOPE OF NON-FINANCIAL INFORMATION

6.1.1 REPORTING ABOUT NON-FINANCIAL INFORMATION

The sustainability information presented in this report is prepared 'in accordance' with the 'core' option of GRI G4 Guidelines of Sustainability Reporting. The Company has used the GRI G4 Guidelines to determine material aspects for this year's report.

For SBM Offshore, it is important to have assurance on financial as well as non-financial information, to obtain assurance on the reliability of information presented to its stakeholders. This year the Company requested limited assurance on the non-financial information. PricewaterhouseCoopers Accountants N.V. ('PwC') has been engaged by SBM Offshore as its auditor.

6.1.2 MATERIALITY METHODOLOGY

A key step in developing an Integrated Report is ensuring that the content reflects SBM Offshore's most material issues. SBM Offshore conducts materiality analysis according to GRI G4 Guidelines and with influence from IPIECA (International Petroleum Industry Environmental Conservation Association) guidance.

SBM Offshore has been conducting materiality assessments to guide annual reporting since 2014. For this 2016 Annual Report, it was refreshed and built upon the process that was used to determine content for the 2015 Annual Report.

ISSUE IDENTIFICATION

Using the list of potential material issues from 2015, SBM Offshore used the following sources to identify if there were any new issues to add or issues that may need to be reassessed:

- Media review
- Feedback from internal and external stakeholders
- Benchmarking of peer company reports

ISSUE PRIORITIZATION

SBM Offshore then prioritized the issues based on the materiality, meaning, how important the issues are to stakeholders and the significance in relation to SBM Offshore's business objectives and its principles and values. Stakeholders were asked to rate the relevance of each of the material aspects. During this process stakeholders were also presented with the opportunity to add issues to the list not previously identified. We prioritized the long list of issues on the following criteria:

- Online and media coverage
- Strategic importance to SBM Offshore
- Occurrence under international standards and framework
- Stakeholder ratings
- Frequency that stakeholders raised the issues
- Future business opportunities and challenges
- Coverage by industry and peers

2016 MATERIAL ISSUES

The materiality matrix represents the outcomes of the 2016 materiality assessment. The matrix combines the outcomes of the Stakeholder Engagement process (see section 6.1.4 Stakeholder Engagement) along the vertical axis and analysis of the impact of issues on business by SBM Offshore Management Board and Management Leadership Team, in accordance with SBM Offshore's three year strategic plan, along the horizontal axis. The final matrix of material topics were reviewed and validated by Management Board.

The most significant themes, issues with the highest priority for stakeholders and the biggest estimated impact on business, can be found in the upper right section, highlighted in orange. In 2016, new issues emerged compared to last year, the new list of issues are, Renewables, Operational Performance and Sustainable Business.

The results of the material assessment can be found in the materiality matrix, which can be found in section 1.7 Materiality-based Value Creation. Details on how the matrix corresponds to GRI and reporting boundaries can be found in section 6.1.5 Reporting Boundaries. General standard disclosure and aspects with lesser of priority are included in the GRI Table.

6.1.3 VALUE CREATION MODEL

By defining value drivers that strengthen its business proposition, SBM Offshore ensures that it leverages its differentiated products and services throughout the full product lifecycle to match clients' needs. Each value driver, combined with its synergies, optimize the added value for clients and shareholders. In addition the value drivers provide a level of assurance that the excellent performance, to which SBM Offshore aspires, will be delivered.

In 2016, SBM Offshore further developed its Integrated Business model in line with IIRC integrated reporting framework. The Company's vision and values are reflected in the model (see section 1.7 Materiality-based Value Creation) and contribute to SBM Offshore's track record and reputation as an industry leader. The core of the model, reflects the main business activities – engineering, construction and the Lease and operate of units – and outputs. The input capital is described as a 'value driver' and the outcome as 'added value' in relation to the six capitals (see section 1.7 Materiality-based Value Creation).

6.1.4 STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT

SBM Offshore is fully aware that sustainable business can only be achieved by interacting with its stakeholders and understanding the impact the business has on its environment. The Company realizes that engaging with its stakeholders is an important source of information to assist in defining risks and opportunities as well as setting the Company's strategic objectives within the value chain.

To shape stakeholder engagement, SBM Offshore identified key stakeholders by mapping the level of influence on and level of interest in the Company. Main stakeholders are the Company's employees, shareholders, the investor community, clients, business partners and suppliers. Other important stakeholders are lenders, export credit agencies, governments in operating areas, non-governmental organizations (NGOs), oil and gas industry associations, universities, researchers and potential investors. Throughout the year SBM Offshore engages with these stakeholders on a continuous basis as part of regular operations and captures that information.

Internally, SBM Offshore organizes regular Town Hall meetings where top management share business updates and establish a dialogue with staff; including participation in worldwide Company events such as Life Day. SBM Offshore also regularly shares information and updates on strategies, projects and people with its employees through the company's intranet site and via its internal monthly newsletter.

The Company maintains open and active engagement with its external stakeholders through regular business interactions, including the annual shareholders meeting, analyst and investor road shows/meetings, a Capital Markets Day for financial analysts, analyst webcast presentations, Press Releases, Website updates, surveys and desktop research.

The feedback obtained forms the backbone of the Company's stakeholder engagement program. The program is complemented with other interaction with stakeholders, in order to validate findings and the feedback received feeds into management's approach to Materiality and long term value creation.

SBM Offshore performed a Materiality assessment to identify the aspects that are material to its 'license to operate' and its 'license to grow' (see 2.12 Sustainable Business for more explanation). The key performance indicators stated for 2016 are based on topics identified as material for SBM Offshore. SBM Offshore discloses its performance indicators to allow stakeholders the opportunity to provide feedback on the Company's impact, in connection with its sustainability policies, targets and performance. General standard disclosure and aspects of lesser priority are included in the Global Report Initiative Table (see GRI Table).

Stakeholder engagement

The table below shows per stakeholder group their expectations of SBM Offshore.

	Shareholders, Investors & Loan Providers	Employees	Clients, JV and Business partners	Classification Society	NGOs & Assocations	Suppliers
Technological innovation to maintain a leading position and support the energy transition	√	√	√	√	√	√
Compliance with all relevant laws and regulations, concerning the full scope of economic, ethical, social and environmental issues	√	√		√	√	
Maintenance of a high standard regarding anti-bribery and corruption procedures, Code of Conduct and business ethics	√	√		√	√	√
Predictable cash flows and liquidity	√					
Contribution to local development, protection of human rights, ethical business, behaviour and culture	√	√	√	√	√	√
Sustainable Business Creation	√				√	
Focus on health safety and process safety	√	√	√	√		√
Attention to the search and retention of talent, including talent development	√	√		√		√
An increase of renewables in the energy mix for the future					√	
Efficiency in the use of energy and natural resources and care for the protection of the environment	√	√		√	√	
Efficiency in SBM Offshore operations, with an cost effective sustainable supply chain to support this			√	√	√	√
Focus on calculating the total life cycle costs of product	√		√	√		√
Project Performance	√	√	√	√		√

SBM OFFSHORE VALUES YOUR OPINION

SBM Offshore would like to know more about which economic, social and environmental issues are important to its stakeholders.

Would you like to participate in SBM Offshore's 2017 Stakeholder Engagement or provide feedback for the 2016 Stakeholder Engagement? Please write to us at sustainability@sbmoffshore.com.

6.1.5 REPORTING BOUNDARIES

The performance indicators include Financial, Social, Health, Safety, Security and Environmental data, which are included in the following pages of the report.

HSSE data are presented for the calendar years 2015 and 2016 to allow for comparison. Human Resources data are presented for 2016. For certain key data the last five years have been published to show the Company's long history of data collection and disclosure. PricewaterhouseCoopers Accountants N.V. has provided limited assurance on the safety indicators LTIFR and TRIFR and environmental data reported for the years 2010 until 2013 based on a separate report on selected key sustainability indicators prepared by SBM Offshore. From 2014 to 2016, PricewaterhouseCoopers Accountants N.V. provided limited assurance on all HSSE and Human Resources data. The financial data have been audited as part of the annual financial reporting process.

For Health, Safety and Security information is provided in relation to SBM Offshore's direct activities and also includes impacts outside the organization by reporting on contractors and contractor's subcontractors.

For Environment and Human Resources, information is provided in relation to impacts within the Company.

For some performance indicators the Company makes a split between onshore and offshore activities.

For Health, Safety, Security and Environment, onshore includes all SBM Offshore employees (including agency staff) in the offices, yards and installations vessels and contractors/subcontractors in the yards. Offshore includes all fleet, support shore bases and the Monaco office supporting the offshore fleet.

For Human Resources, onshore includes all SBM Offshore employees and contractors working in all the Company's offices, shore bases (supporting the offshore fleet), construction yards and Operations employees based in Monaco. Offshore includes all crew employees operating on vessels. This breakdown does not include Construction Yard employees which are treated separately.

6.1.6 HEALTH, SAFETY AND SECURITY REPORTING

The Health, Safety and Security performance indicators scope takes into account:

- **Employees** which include all permanent employees, part-time employees, locally hired agency staff ('direct contractors') in the fabrication sites, offices and offshore workers, i.e. all people working for the Company.
- **Contractors** which include any person employed by a Contractor or Contractor's Subcontractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.

HSS incidents are reported and managed through the Company's Single Reporting System (SRS) database. SRS is a web-based reporting system that is used to collect data on all incidents occurring in all locations where the Company operates.

The SRS system records safety, environmental, security incidents, loss of containments, equipment failure and damage only incidents.

Safety incidents are reported based on the incident classifications as defined by the IOGP Report 2015 – Jan 2016. Health incidents are reported based on the occupational illnesses classification given in IOGP Report Number 393 – 2007.

The Company also reports incident data from Contractor's construction facilities if the incident is related to an SBM Offshore project.

The Company uses records of exposure hours and SRS data to calculate Health and Safety performance indicators set by SBM Offshore.

The Loss of Primary Containment (LOPC) reporting is managed through the Company's Single Reporting System (SRS) database. LOPCs are reported based on the definitions and thresholds from IOGP report 456 and API standard RP 754. In 2016, a LOPC volume calculator tool has been included in SRS to assist personnel in determining quantities released based on known factors and improve accuracy of reported volumes.

KPIs used by the Company include the number of LOPCs, the number of Tier 1 Process Safety Events and the number of Tier 2 Process Safety Events.

LOSS OF PRIMARY CONTAINMENT (LOPC)

A LOPC is defined as an unplanned or uncontrolled release of any material from primary containment, including non-toxic and non-flammable materials (e.g. steam, hot condensate, nitrogen, compressed CO_2 or compressed air). Tier 1 represents LOPC events of greater consequence with Tier 2 being those events of lesser consequence.

REVISED DATA

The data for Process Safety reported in 2015 have been revised to expand the scope to include the vessels FPSO *Kikeh* and FPSO *Serpentina*.

6.1.7 ENVIRONMENTAL REPORTING

OFFSHORE

The environmental and process safety offshore performance reporting scope is comprised of 14 offshore units that use the following reporting boundaries:

- Units in the Company's fleet producing and/or storing hydrocarbons under lease and operate contracts during 2016
- Units in which the Company exercises full operational management control
- Units in which the Company has full ownership or participates in a Joint Venture (JV) partnership, where the Company controls 50% or more of the shares

The environmental and process safety performance of the Company is reported by region: Brazil, Angola, North America & Equatorial Guinea and Asia. Based on the criteria stated above, SBM Offshore reports on the environmental performance for the following 14 vessels:

- Brazil – FPSO *Espirito Santo*, FPSO *Capixaba*, FPSO *Cidade de Paraty*, FPSO *Cidade de Anchieta*, FPSO *Cidade de Ilhabela,* FPSO *Cidade de Marica,* FPSO *Cidade de Saquarema*
- Angola – FPSO *Mondo*, FPSO *Saxi Batuque* and *N'Goma* FPSO
- North America & Equatorial Guinea – FPSO *Aseng*, MOPU Deep Panuke, FPSO *Turritella*
- Asia - FSO *Yetagun*

The environmental offshore performance reporting methodology was chosen according to the performance indicators relative to GRI and IOGP guidelines. This includes:

- Greenhouse Gases, referred to as GHG which are N_2O (Nitrous Oxide), CH_4 (Methane) and CO_2 (Carbon Dioxide)
- GHG emissions per hydrocarbon production from flaring and energy generation
- Non Greenhouse Gases which are CO (Carbon Monoxide), NO_x (Nitrogen Oxides), SO_2 (Sulphur Dioxide) and VOCs (Volatile Organic Compounds)
- Gas flared per hydrocarbon production, including gas flared on SBM Offshore account
- Energy consumption per hydrocarbon production
- Oil in Produced Water per hydrocarbon production

SBM Offshore reports some of its indicators as a weighted average, calculated pro rata over the volume of hydrocarbon production per region. This is in line with the IOGP Environmental Performance Indicators.

ONSHORE

SBM Offshore reports on its onshore scope 1 and 2 emissions[31] by operational control and discloses on the following locations; Netherlands, Monaco, Malaysia, United States of America, Brazil, Switerland and Canada. Efforts are being made to extend the reporting scope to include all shore bases. SBM Offshore does not have absolute targets as the Company is focused on the maturity of its data collection.

For the onshore energy usage, the Company uses the World Resources Institute Greenhouse Gas Protocol (GHG Protocol) method to calculate CO_2 equivalents. CO_2 equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO_2 that would have the same global warming potential (GWP),

31 The World Resources Intitute GHG Protocol Corporate Standard classifies a company's GHG **emissions** into three '**scopes**'. **Scope 1 emissions** are direct **emissions** from owned or controlled sources. **Scope 2 emissions** are indirect **emissions** from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. SBM Offshore does not disclose its scope 3 emssions.

when measured over a specified timescale (generally, 100 years).

Construction Yards environmental data, specifically emissions, energy and water usage have not been included in scope. SBM Offshore is aware that the construction yards may have a large impact on the environment and have identified this as part of its licence to grow under the initiative 'Manage Environmental Impact'.

ATMOSPHERIC EMISSIONS

The calculation of air emissions from offshore operations units uses the method as described in the EEMS-Atmospheric Emissions Calculations (Issue 1.810a) recommended by Oil & Gas UK (OGUKA). SBM Offshore uses the GHG Global Warming Potentials from the Second Assessment Report issues by Intergovernmental Panel on Climate Change (IPCC).

Emissions reported in the Company's emissions records include:

- GHG emissions for the production of energy. Records of GHG emissions from steam boilers, gas turbines and diesel engines used by the operating units.
- GHG emissions from gas flared. Records of the volume of gas flared below the limit defined by the Client, above the limit attributable to SBM Offshore account or at the request of the client to optimize production.

OFFSHORE ENERGY CONSUMPTION

The energy used to produce oil and gas covers a range of activities, including:

- Driving pumps producing the hydrocarbons or re-injecting produced water
- Heating produced oil for separation
- Producing steam
- Powering compressors to re-inject produced gas
- Driving turbines to generate electricity needed for operational activities.

The main source of energy consumption of offshore units is Fuel Gas and Marine Gas Oil.

OIL IN PRODUCED WATER DISCHARGES

Produced water is a high volume liquid discharge generated during the production of oil and gas. After extraction, produced water is separated and treated (de-oiled) before discharge to surface water. The quality of produced water is most widely expressed in terms of its oil content. Limits are imposed on the concentration of oil in the effluent discharge stream (generally expressed in the range of 15-30 ppm) or discharge is limited where re-injection is permitted back into the reservoir. The overall efficiency of the oil in water treatment and as applicable reinjection can be expressed as tonnes of oil discharged per million tonnes of hydrocarbon produced.

Incidental environmental releases to air, water or land from the offshore operations units are reported using the data recorded in the Single Reporting System (SRS) database. SBM Offshore has embedded a methodology for calculating the estimated discharge and subsequent classification within the SRS tool.

WASTE

In line with the GRI requirements, SBM Offshore reports on hazardous and non-hazardous waste outputs. The reporting methodology is detailed in each Unit's Waste Management procedure which is part of Environmental Management System Manual. Collected information is based on manifests issued by the installations in compliance with Client requirements.

REVISED DATA

The Environmental data reported in 2015 have been revised for the two following reasons:

- Improved methodology : one of the recommendations taken from the CO_2 Challenge was to update the oil and gas densities by using the most up-to date information provided by either independent gas analysis reports or offshore daily reports. This appears to be a more realistic approach as the oil and gas properties will change overtime and follow the well evolution. This change has been applied in environmental emissions reporting for 2016 but also for 2015 to be able to compare this year's

data with 2015. The actual energy and emissions data in 2015 were approximately 9% lower than the figures reported in the Annual Report 2015.
- Increased internal controls : data consolidation and calculations have been automated resulting in the identification of inconsistencies in some of the 2015 reported environmental data. This inconsistency was already present in the 2014 reported data hence the change does not impact the view on performance. Using the previous methodology, the following figures should have been reported in the Annual Report 2015:

Revised Data for 2015	2015 Annual Report	Revised 2015 Annual Report[1]
Offshore energy consumption – Scope 1 (GJ)	30,884,199	41,511,408
Offshore energy consumption per production (GJ/T HC)	0.92	1.23
Nitrogen oxides (NO_x) (T)	7,421	6,766
Sulphur dioxides (SO_2) (T)	172	16,084
Oil in produced water discharges per production (T/ 10^6 T HC)	2.92	2.55

1 These figures do not take the new oil and gas densities into account (hence differs from the ones reported in section 6.2.2 Environment.

6.1.8 HUMAN RESOURCES REPORTING

The Company's Human Resources data cover the global workforce and are broken down into parts which are: operating units, employment type, gender and age. The performance indicators report the workforce status at year end December 31, 2016. It includes all staff who were assigned on permanent and fixed-term contracts, employee hires and departures, total number of locally-employed staff from agencies and all crew working on board the offshore operations units.

Human Resources considers:
- 'Permanent' employees as a staff member, holding a labor contract for either an unlimited or a defined period (or an offer letter for an unlimited period in the USA). Permanent employees are recorded on the payroll, directly paid by one entity of the SBM Offshore Group.
- 'Contractors' as an individual performing work for or on behalf of SBM Offshore, but not recognized as an employee under national law or practice (not part of SBM Offshore companies payroll, they issue invoices for services rendered).
- 'Subcontractors' are not considered as staff in the HR headcount breakdown structure. This population is managed as temporary service and are not covered by HR processes policies.

For reporting purposes certain performance indicators report on Construction Yard employees separately. Construction Yard employees for Human Resources reporting purposes consist of employees for yards located in Brazil and Angola. Construction Yard employees constitute a non-traditional type of SBM Offshore workforce who work in construction yards, which SBM Offshore owns and/or operates via a joint venture and could be allocated to non-SBM Offshore projects. SBM Offshore includes the Brasa Yard in Brazil and the Paenal yard in Angola in its reporting scope based on partial ownership and operational control including human resource activities and social responsibility for the employees.

Certain differences may potentially arise between the headcount numbers reported by Finance and HR. This is due to a disparity in the reporting structure of each function's data and how employees – who opted for the Voluntary Departure Scheme and are under notice period – have been reported. Turnover has been calculated as such; number of employees who have left the Company in 2016 (between January 1 and the December 31, 2016) compared with the headcount at January 1, 2016 and the number of newcomers in 2016.

PERFORMANCE REVIEWS/SKILLS MANAGEMENT/TRAINING

In order to ensure personal development and optimal management of performance within the

Company, SBM Offshore conducts annual performance reviews for all employees. Globally, the Company uses a common system to grade and evaluate all permanent staff.

A Talent Management and Succession Planning program is in place to discuss the strengths, development needs and potential future career paths of SBM Offshore employees, taking into account certain criteria and identifies those who have the potential to take on greater leadership roles today and tomorrow.
SBM Offshore reports its Human Resources data in Operational Segments, which correspond to different regions and segments of the SBM Offshore population, which is a more relevant breakdown method for SBM Offshore's stakeholders.
SBM Offshore has also chosen to disclose training information in the employee categories onshore/offshore as a relevant breakdown method for the Company's stakeholders, as these are two very different types of populations with different training needs. All employees receive regular performance and career development reviews, therefore breakdown per employee category and gender is not appropriate. SBM Offshore reports its e-learning Ethics & Compliance training activity for permanent staff only.

6.1.9 COMPLIANCE REPORTING

SBM Offshore reports on significant fines applicable to SBM Offshore and all affiliate companies.
To define a significant fine the following thresholds are considered (subject to final assessment by Management Board on a case by case basis):

1. Operational fines of a regulatory and/or administrative nature which exceed US$ 500,000.
2. Legal and compliance fines of a criminal nature which exceed US$ 50,000. (Related to fraud, corruption, bribery, insider trading, etc.)

Non-monetary sanctions are reported on the basis of Tier 1 regulatory incidents.

6.2 NON-FINANCIAL INDICATORS

6.2.1 HEALTH, SAFETY & SECURITY

Health, Safety & Security

	Year to Year		2016 – By Operating Segment	
	2016	2015	Offshore	Onshore
Exposure Hours				
Employee[1]	13,117,798	13,350,444	8,328,116	4,789,682
Contractor[2]	1,516,282	18,012,789	0	1,516,282
Total Exposure hours	14,634,080	31,363,233	8,328,116	6,305,964
Fatalities (work related)				
Employee	0	0	0	0
Contractor	0	0	0	0
Total Fatalities	0	0	0	0
Injuries				
Lost Time Injury Frequency Rate Employee	0.12	0.03	0.19	0.00
Lost Time Injury Frequency Rate Contractor	0.00	0.02	0.00	0.00
Lost Time Injury Frequency Rate (Total)[3]	0.11	0.03	0.19	0.00
Total Recordable Injury Frequency Rate Employee	0.34	0.34	0.50	0.04
Total Recordable Injury Frequency Rate Contractor	0.13	0.13	0.00	0.13
Total Recordable Injury Frequency Rate (Total)[4]	0.31	0.22	0.50	0.06
Occupational Illnesses				
Employee	7	0	5	2
Contractor	5	4	0	5
Total recordable Occupational Illness Frequency Rate (employees only)[5]	0.11	0.00	0.12	0.08
Security				
Work-related security incidents	9	2	3	6
Work-related security incident resulting in physical harm to employees (number)	0	0	0	0

1 permanent employees, part-time employees, locally hired agency staff ('direct contractors') in the fabrication sites, offices and offshore workers, i.e. all people working for the Company

2 any person employed by a Contractor or Contractor's Sub-Contractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.

3 Lost time injuries per 200,000 exposure hours

4 Recordable injuries per 200,000 exposure hours

5 Occupational illnesses per 200,000 exposure hours

Process Safety

	Year to Year		2016 – Regional Breakdown			
	2016	2015 Revised[1]	Brazil	Angola	North America & Equatorial Guinea	Asia
Loss of Containment						
Loss of Containment incidents (number)	297	183	180	42	63	12
Oil and Gas Releases (number)	100	49	75	9	16	0
Process Safety Events						
Tier 1 incidents (number)	3	4	1	1	1	0
Tier 1 Frequency Rate	0.07	0.1	0.05	0.13	0.11	0.00
Tier 2 incidents (number)	14	11	8	2	4	0
Tier 2 Frequency Rate	0.34	0.29	0.38	0.27	0.45	0.00

1 Details of the revised data are provided in section 6.1.6

6 NON-FINANCIAL DATA

6.2.2 ENVIRONMENT

Emissions & Energy

	Year to Year		2016 – Regional Breakdown			
	2016	2015 Revised[1]	Brazil	Angola	North America & Equatorial Guinea	Asia
Number of offshore units (vessels)	14	11	7	3	3	1
SBM Offshore Production						
Hydrocarbon Production (tonnes)	44,621,370	34,028,440	29,264,938	11,881,068	3,228,783	246,581
Energy Consumption						
Offshore Energy Consumption – Scope 1 in GJ[2]	51,702,482	38,298,297	30,932,828	15,208,854	5,512,837	47,963
Offshore Energy consumption per production[3]	1.16	1.13	1.06	1.28	1.71	0.19
Onshore Energy Consumption – Scope 1 + Scope 2 in GJ[2]	36,930	42,796				
Total Energy Consumption – Scope 1 + Scope 2 in GJ[2]	51,739,412	38,341,093				
Emissions – Offshore						
GHG Scope 1						
Carbon dioxide (CO_2) in tonnes	5,766,556	4,999,926	2,631,318	2,662,849	468,795	3,594
Methane (CH_4) in tonnes	18,351	17,976	5,462	12,000	889	0
Nitrous oxide (N_2O) in tonnes	309	254	162	117	30	0
Volume of GHG[4]	6,247,825	5,456,154	2,796,345	2,951,138	496,670	3,672
GHG per production offshore – Scope 1[5]	140.0	160.34	95.6	248.4	153.8	14.9
Flaring						
Total Gas Flared per production[6]	21.7	28.2	9.3	54.9	13.7	0.0
Gas Flared on SBM account per production[6]	2.76	3.48	4.2	-	0.1	-
Proportion of Gas Flared on SBM account	12.7%	12%	45%	0%	1%	-
Other/Air Pollution – Non Greenhouse Gas Emissions						
Carbon monoxide (CO) in tonnes	9,583	8,770	3,705	5,238	639	1
Nitrogen oxides (NO_x)	7,917	6,254	4,370	2,586	950	11
Sulphur dioxides (SO_2)	13,536	13,462	89	33	13,410	4
Volatile organic compounds (VOCs)	1,988	1,956	573	1,316	99	0

1 Details of the revised data are provided in section 6.1.7
2 GJ = gigajoule
3 gigajoule of energy per tonnes of hydrocarbon production
4 GHG = Greenhouse Gas Emissions; in tonnes of CO_2 equivalents
5 tonnes of Greenhouse Gas Emissions per thousand tonnes of hydrocarbon production
6 tonnes of gas flared per thousand tonnes of hydrocarbon production

Emissions & Energy (continued)

	Year to Year		2016 – Regional Breakdown				
	2016	2015 Revised[1]	Brazil	Angola[2]	North America & Equatorial Guinea[2]	Asia[2]	Europe
Emissions – Onshore (Buildings)							
Renewable Energy Generated[3]	86,680	97,318	0	0	0	0	86,680
GHG – Scope 1 (from buildings)							
Onshore Scope 1 energy consumption[3]	1,003,712	1,023,445	0	0	0	0	1,003,712
Onshore Scope 1 emissions[4]	222	227	0	0	0	0	222
GHG – Scope 2 (from buildings)							
Onshore Scope 2 energy consumption[3]	9,254,492	10,864,298	911,492	0	3,822,367	561,693	3,958,940
Onshore Scope 2 emissions[4]	3,582	3,878	111	0	2,286	377	809
Emissions Total (Onshore + Offshore)							
Total Scope 1 Emissions[4]	6,248,047	5,456,381	0	0	0	0	222
Total Scope 2 Emissions[4]	3,582	3,878	111	0	2,286	377	809
Total Emissions (Scope 1 + Scope 2)[4]	6,251,630	5,460,259	111	0	2,286	377	1,031

1 Details of the revised data are provided in section 6.1.7
2 For details of the scope for Onshore Emissions, see section 6.1.7
3 kWh
4 tonnes of CO_2 equivalents

Discharges

	Year to Year		2016 – Regional Breakdown			
	2016	2015 Revised[1]	Brazil	Angola	North America & Equatorial Guinea	Asia
Number of offshore units (vessels)	14	11	7	3	3	1
Discharges						
Volume of oil in produced water discharges per million tonnes of hydrocarbon production	2.59	2.46	0.94	5.80	5.99	-
Spills						
Spills (oil and chemicals) with release to sea (number)	6	11	6	-	-	-
Oil spills with release to sea (number)	6	6	6	-	-	-
Volume of Oil spills (m³)	0.011	0.190	0.011	-	-	-
Number of Oil spills > 1 barrel (159 L)	-	-	-	-	-	-
Number of Oil spills > 1 barrel (159 L) per million tonnes of hydrocarbon production	-	-	-	-	-	-
Waste						
Restricted Waste (kg)	1,471,474		826,665	84,122	555,295	5,392
Non Restricted Waste (kg)	1,305,163		685,114	356,411	219,299	44,339
Total Waste (kg)	2,776,637		1,511,779	440,533	774,594	49,731

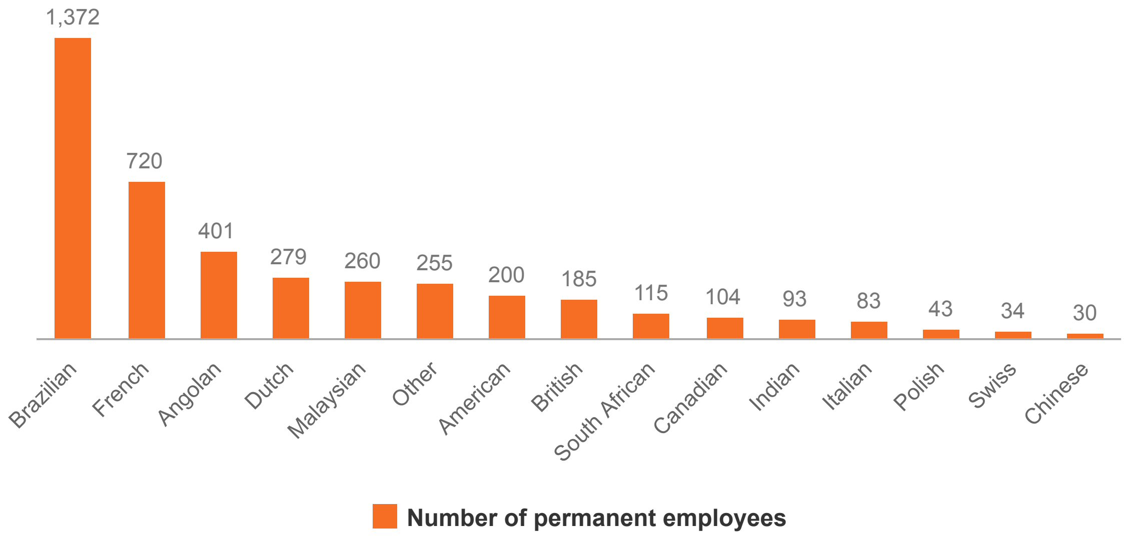
1 Details of the revised data are provided in section 6.1.7

6.2.3 HUMAN RESOURCES

Headcount by Permanent Contractor and Location

		Total		Ratios
	Grand Total	Permanent	Contractor	% of Contractor Employees
SBM – USA	**286**	**278**	**8**	**3%**
SBM – Malaysia	**263**	**261**	**2**	**1%**
SBM – Brazil	**129**	**129**	**0**	**0%**
SBM – Europe	**741**	**707**	**34**	**5%**
SBM – Schiedam	228	226	2	1%
SBM – Monaco	425	393	32	8%
Imodco	88	88	0	0%
SBM – Operations	**2,332**	**1,847**	**485**	**21%**
SBM – Headquarters	182	157	25	14%
SBM – Operations Brazil	1,125	1012	113	10%
SBM – Operations Asia & Africa	112	71	41	37%
SBM – Operations Angola	473	393	80	17%
SBM – Operations North America	440	214	226	51%
SBM – FPSO	**75**	**75**	**0**	**0%**
SBM – Group Executive Functions	**130**	**102**	**28**	**22%**
SBM – Shared Services	**111**	**109**	**2**	**2%**
SBM – Corporate	**182**	**179**	**3**	**2%**
Total	**4,249**	**3,687**	**562**	**13%**
Construction Yards (Brasa & Paenal)	**499**	**487**	**12**	**2%**
Grand Total	**4,748**	**4,174**	**574**	**12%**

Headcount by Nationality (Permanent Staff)



Headcount by Gender and Location

	Permanent		Contractor		Ratios	
	Male	Female	Male	Female	% of Permanent Female Employees	% of Contract Female Employees
SBM – USA	**201**	**77**	**8**	**0**	**28%**	**0%**
SBM – Malaysia	**183**	**78**	**1**	**1**	**30%**	**50%**
SBM – Brazil	**70**	**59**	**0**	**0**	**46%**	**0%**
SBM – Europe	**557**	**150**	**32**	**2**	**21%**	**6%**
SBM – Schiedam	178	48	2	0	21%	0%
SBM – Monaco	311	82	30	2	21%	6%
Imodco	68	20	0	0	23%	0%
SBM – Operations	**1,638**	**209**	**480**	**5**	**11%**	**1%**
SBM – Headquarters	110	47	25	0	30%	0%
SBM – Operations Brazil	902	110	113	0	11%	0%
SBM – Operations Asia & Africa	69	2	41	0	3%	0%
SBM – Operations Angola	368	25	80	0	6%	0%
SBM – Operations North America	189	25	221	5	12%	2%
SBM – FPSO	**59**	**16**	**0**	**0**	**21%**	**0%**
SBM – Group Executive Functions	**79**	**23**	**28**	**0**	**23%**	**0%**
SBM – Shared Services	**42**	**67**	**1**	**1**	**61%**	**50%**
SBM – Corporate	**122**	**57**	**2**	**1**	**32%**	**33%**
Total	**2,951**	**736**	**552**	**10**	**20%**	**2%**
Construction Yards (Brasa & Paenal)	**435**	**52**	**12**	**0**	**11%**	**0%**
Grand Total	**3,386**	**788**	**564**	**10**	**19%**	**2%**

6 NON-FINANCIAL DATA

Part Time Employees Headcount

	Total Part Time Employees	Part Time Male Employees	Part Time Female Employees	% of Part Time employees
SBM – USA	**14**	**7**	7	**5%**
SBM – Malaysia	**0**	**0**	**0**	**0%**
SBM – Brazil	**9**	**3**	**6**	**7%**
SBM – Europe	**80**	**44**	**36**	**11%**
SBM – Schiedam	43	25	18	19%
SBM – Monaco	32	17	15	8%
Imodco	5	2	3	6%
SBM – Operations	**7**	**2**	**5**	**0%**
SBM – Headquarters	5	2	3	3%
SBM – Operations Brazil	1	0	1	0%
SBM – Operations Asia & Africa	0	0	0	0%
SBM – Operations Angola	1	0	1	0%
SBM – Operations North America	0	0	0	0%
SBM – FPSO	**1**	**1**	**0**	**1%**
SBM – Group Executive Functions	**4**	**0**	**4**	**4%**
SBM – Shared Services	**19**	**2**	**17**	**17%**
SBM – Corporate	**15**	**5**	**10**	8%
Total	**149**	**64**	**85**	**4%**
Construction Yards (Brasa & Paenal)	**0**	**0**	**0**	**0%**
Grand Total	**149**	**64**	**85**	**4%**

Employees Turnover Headcount by Age and Gender

	Total Turnover		Total Turnover by Gender		Total Turnover by Age		
	Total Turnover Headcount	Total Turnover Rate	Male Turnover	Female Turnover	Under 30	30-50	Over 50
SBM – USA	**82**	**23%**	**63**	**19**	2	43	37
SBM – Malaysia	**139**	**35%**	**93**	**46**	21	101	17
SBM – Brazil	**81**	**39%**	**55**	**26**	10	62	9
SBM – Europe	**235**	**24%**	**168**	**67**	**39**	**149**	**47**
SBM – Schiedam	72	24%	57	15	9	43	20
SBM – Monaco	141	26%	98	43	27	93	21
Imodco	22	20%	13	9	3	13	6
SBM – Operations	**252**	**14%**	**200**	**52**	**49**	**152**	**51**
SBM – Headquarters	40	25%	31	9	11	20	9
SBM – Operations Brazil	152	15%	115	37	29	99	24
SBM – Operations Asia & Africa	10	14%	5	5	0	8	2
SBM – Operations Angola	30	8%	29	1	9	15	6
SBM – Operations North America	20	9%	20	0	0	10	10
SBM – FPSO	**5**	**6%**	**3**	**2**	0	3	2
SBM – Group Executive Functions	**35**	**26%**	**26**	**9**	3	21	11
SBM – Shared Services	**22**	**17%**	**9**	**13**	9	11	2
SBM – Corporate	**39**	**18%**	**17**	**22**	6	30	3
Total	**890**	**19%**	**634**	**256**	**139**	**572**	**179**
Construction Yards (Brasa & Paenal)	**1,518**	**76%**	**1,429**	**89**	**364**	**1,023**	**131**
Grand Total	**2,408**	**37%**	**2,063**	**345**	**503**	**1,595**	**310**

Permanent Employees

	Permanent Employees Turnover excluding Construction Yards		Permanent Construction Yards Employees Turnover	
	Turnover	Turnover Rate	Turnover	Turnover Rate
Resignation	73	2%	0	0%
Dismissal	751	16%	1,510	75%
Net turnover	824	18%	1,510	75%
End of Contract	63	1%	8	0%
Retirement	2	0%	0	0%
Fatalities non-work related	1	0%	0	0%
Fatalities work related[1]	0	0%	0	0%
Total	890	19%	1,518	76%

1 Includes non accidental fatalities which occurred during active employment

Permanent Employees New Hire Headcount by Gender

	Total		Gender		Total Turnover by Age		
	Total New Hire Headcount	New Hire Rate	Male New Hire	Female New Hire	Under 30	30-50	Over 50
SBM – USA	**8**	**3%**	**7**	**1**	**0**	**5**	**3**
SBM – Malaysia	**19**	**7%**	**7**	**12**	**12**	**7**	**0**
SBM – Brazil	**17**	**12%**	**7**	**10**	**11**	**5**	**1**
SBM – Europe	**32**	**4%**	**23**	**9**	**20**	**10**	**2**
SBM – Schiedam	11	5%	7	4	5	5	1
SBM – Monaco	19	5%	15	4	14	4	1
Imodco	2	2%	1	1	1	1	0
SBM – Operations	**154**	**7%**	**143**	**11**	**35**	**102**	**17**
SBM – Headquarters	10	6%	9	1	4	6	0
SBM – Operations Brazil	91	8%	82	9	27	58	6
SBM – Operations Asia & Africa	3	4%	3	0	0	3	0
SBM – Operations Angola	30	7%	29	1	4	26	0
SBM – Operations North America	20	9%	20	0	0	9	11
SBM – FPSO	**0**	**0%**	**0**	**0**	**0**	**0**	**0**
SBM – Group Executive Functions	**7**	**6%**	**5**	**2**	**1**	**5**	**1**
SBM – Shared Services	**20**	**16%**	**7**	**13**	**12**	**8**	**0**
SBM – Corporate	**23**	**11%**	**15**	**8**	**5**	**15**	**3**
Total	**280**	**7%**	**214**	**66**	**96**	**157**	**27**
Construction Yards (Brasa & Paenal)	**24**	**5%**	**24**	**0**	**3**	**20**	**1**
Grand Total	**304**	**7%**	**238**	**66**	**99**	**177**	**28**

Employee Training Hours by Category of Training

	Permanent Employees		Construction Yards	
	Total Number of Training Hours	Training Hours per Employee	Total Number of Training Hours	Training Hours per Employee
HSSE Training	86,326		18,284	
Ethics & Compliance Training	2,697		220	
Leadership and Management Training	7,275		0	
Project Management Training	2,911		0	
Non-Technical Training	15,929		94	
Technical Training	22,799		6,775	
Languages Training	1,705		0	
Total number of Training hours	**139,642**	**38**	**25,373**	**52**

Permanent Employee Training hours by Gender

	Total Training Hours	Total Training Hours per Permanent Employee	Male Training Hours	Female Training Hours
SBM – USA	**5,183**	**19**	**3,692**	**1,491**
SBM – Malaysia	**10,747**	**41**	**8,259**	**2,487**
SBM – Brazil	**2,652**	**21**	**1,331**	**1,320**
SBM – Europe	**17,976**	**25**	**13,423**	**4,553**
SBM – Schiedam	5,072	22	3,460	1,612
SBM – Monaco	11,276	29	8,862	2,414
Imodco	1,628	18	1,101	527
SBM – Operations	**96,202**	**52**	**90,933**	**5,269**
SBM – Headquarters	5,717	36	5,080	637
SBM – Operations Brazil	70,590	70	67,518	3,073
SBM – Operations Asia & Africa	7,120	100	7,054	66
SBM – Operations Angola	8,263	21	7,124	1,139
SBM – Operations North America	4,512	21	4,157	355
SBM – FPSO	**1,016**	**14**	**910**	**105**
SBM – Group Executive Functions	**1,346**	**13**	**781**	**566**
SBM – Shared Services	**1,805**	**17**	**822**	**983**
SBM – Corporate	**2,716**	**15**	**1,888**	**828**
Total	**139,642**	**38**	**122,040**	**17,602**
Construction Yards (Brasa & Paenal)	**25,373**	**52**	**23,863**	**1,510**
Grand Total	**165,015**	**40**	**145,903**	**19,112**

Employee Training Hours

	Total Training Hours per Permanent Employee	Total Number of Training Hours
Onshore	25	49,158
Offshore	54	90,485
Total	**38**	**139,642**

Number of Ethics and Compliance Trainings

	Total number of Ethics and Compliance trainings
SBM – USA	**621**
SBM – Malaysia	**202**
SBM – Brazil	**183**
SBM – Europe	**784**
SBM – Schiedam	201
SBM – Monaco	466
Imodco	117
SBM – Operations	**378**
SBM – Headquarters	239
SBM – Operations Brazil	78
SBM – Operations Asia & Africa	6
SBM – Operations Angola	14
SBM – Operations North America	41
SBM – FPSO	**99**
SBM – Group Executive Functions	**119**
SBM – Shared Services	**87**
SBM – Corporate	**202**
Total	**2,675**
Construction Yards (Brasa & Paenal)	70
Grand Total	**2,745**

Number of designated employees that received face-to-face Compliance tranining

	Average completion	# people trained	Designated Staff[1]
Trained employees	84%	819	976

1 staff which due to their position is exposed to certain compliance risks

Number of designated employees that received e-Learning Compliance training

	Average completion	# people trained	Designated Staff[1]
Trained employees	60%	1678	2799

1 staff which due to their position is exposed to certain compliance risks

Number of Ethics and Compliance Trainings – Onshore / Offshore

	Total number of Ethics and Compliance trainings
Onshore	2,536
Offshore	139
Total	**2,675**
Construction Yards (Brasa & Paenal)	**70**
Grand Total	**2,745**

Training costs

in US$	
Total training costs	4,628,298

Permanent Employees Performance Appraisals and Developing Process

	Male %	Female %	Total %[1]
Performance Appraisals Completed - Onshore (2015)	95%	92%	95%
Performance Appraisals Completed - Offshore (2015)	93%	100%	93%
People Reviews Completed (2016)	100%	100%	100%

1 An appraisal is considered completed when it has been validated by the Line Manager

Collective Bargaining

	%
Percentage of Employees covered by Collective Bargaining Agreements	74.15%

6.2.4 5-YEAR KEY SUSTAINABILITY FIGURES

	2016	2015	2014	2013	2012
Health, Safety and Security[1]					
LTIFR (rate)	0.11	0.03	0.05	0.15	0.06
TRIFR (rate)	0.31	0.22	0.22	0.44	0.38
Fatalities work related (number)	0	0	2	0	0
Total consolidated exposure hours	14.63	31.36	64.02	56.64	43.64
Environment					
Total GHG Emissions Offshore[2]	6,248	5,456[3]			
Total GHG Emissions Offshore per production[4]	140.0	160.34[3]			
Offshore energy consumption[5]	51,702,482	38,298,297[3]			
Offshore energy Consumption per production[6]	1.16	1.13[3]			
Number of Oil Spills > 1 Barrel per Production	0	0	1	0	
Human Resources[7]					
Total Employees[8]	4,748	7,020	10,215	9,936	7,493
Contract / Permanent Ratio[8]	12%	10%	19%	22%	21%
Total Permanent Employees[8]	4,174	6,342	8,234	8,358	5,893
Total Contractors[8]	574	678	1,981	1,578	1,600
Total of Females in Permanent Workforce	20%	21%	16%	24%	20%
Part-time Workforce	4%	3%	3%	3%	2%
Part-time Females	57%	66%	75%	75%	70%
Part-time Males	43%	34%	25%	25%	30%
Employee Rates[9]					
Turnover	19%	22%	14%	14%	12%
Resignation	2%	6%	8%	10%	8%
Dismissal	16%	14%	4%	4%	4%
Retirement	0%	1%	0%	0%	1%
Fatalities Non Work Related	0%	0%	0%	0%	0%
Appraisals					
Performance Appraisals Completed	94%	96%	96%	90%	84%
Competency Training Indicators					
Offshore Training Hours per Eligible Employee	54	60	66	95	47
Onshore Training Hours per Eligible Employee	25	26	30	28	21

1 PricewaterhouseCoopers Accountants N.V. has provided limited assurance on the HSSE data reported for the years 2011 until 2013 based on a separate report on selected key sustainability indicators prepared by SBM Offshore.
2 Million tonnes of CO_2 equivalents
3 Details of the revised data is provided in section 6.1.7
4 tonnes of GHG emissions per thousand tonnes of hydrocarbon production
5 In Gigajoules
6 Gigajoule of energy per tonnes of hydrocarbon production
7 does not include Construction Yards except if specified otherwise
8 including Construction Yards
9 does not include Construction Yards except if specified otherwise.

6.3 GRI TABLE

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	1.1 Message from the CEO	No
ORGANIZATIONAL PROFILE			
G4-2	Description of key impacts, risks, and opportunities.	3.6 Risk Management	No
G4-3	Name of the organization	1.2 About SBM Offshore and its Global Presence	No
G4-4	Primary brands, products, and services.	1.2 About SBM Offshore and its Global Presence 1.4 Activities and Markets	No
G4-5	Location of the organization's headquarters.	1.2 About SBM Offshore and its Global Presence	No
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	1.2 About SBM Offshore and its Global Presence	No
G4-7	Nature of ownership and legal form.	3.5.1 Corporate Governance Structure	No
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	1.2 About SBM Offshore and its Global Presence 1.4 Activities and Markets 1.5 Competitive Landscape and Market Positioning 2.3.2 Fleet 5.3.3 Geographical Information and Reliance on Major Customers	No
G4-9	Scale of the organization.	1.8 2016 in Brief 2.3.2 Fleet	No
G4-10	a. Total number of employees by employment contract and gender; b. Total number of permanent employees by employment type and gender; c. Total workforce by employees and supervised workers by gender; d. Total workforce by region and gender; e. Whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors; f. Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	a-e. 6.2.3 Human Resources 6.1.8 Human Resources Reporting	No f. Is not applicable considering the industry SBM Offshore operates in.
G4-11	Percentage of total employees covered by collective bargaining agreements.	6.2.3 Human Resources	No

6 NON-FINANCIAL DATA

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
G4-12	Description of supply chain.	1.5 Competitive Landscape and Market Positioning 1.6 Position within the Value Chain 2.10 Supply Chain	No
G4-13	Any significant changes during the reporting period regarding size, structure, ownership, or supply chain	1.2 About SBM Offshore and its Global Presence 2.3.2 Fleet 4.4 Dividend Policy and Share Repurchase Program Overview	No
Commitments to external initiatives			
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	Code of Conduct 3.7 Compliance 3.6.3 Significant Risks facing the Business Compliance risks, Climate change, Operation risks, HSSE	No
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	2.3.2 Fleet 2.10 Supply Chain Declaration of Human Rights for Suppliers 2.11 Local Content, Sustainability Development Goals 3.7 Compliance Company Code of Conduct refers to adherence to UN Declaration of Human Rights, OECD Guidelines for Multinational Enterprises and ILO Conventions (Code of Conduct) The Compliance Table provides for an overview of management systems in the Execution Centers and Shorebases like ISO 9001 and 14001, OHSAS 18001 and Social Accountability. The management systems are further explained in 6.4 Certification and Classification tables. 6.1 Scope of Non-Financial Information Reference is made to the IOGP for incidents classifications and CO_2 emissions reporting although SBM Offshore is not a member of the IOGP.	No
G4-16	List memberships in associations (such as industry associations) and national or international advocacy organizations in which the organization: 1. Holds a position on the governance body; 2. Participates in projects or committees; 3. Provides substantive funding beyond routine membership dues; or 4. Views membership as strategic. This refers primarily to memberships maintained at the organizational level.	SBM Offshore is not active on any FPSO related associations, as no FPSO specific association have been created. SBM Offshore has regular membership with institutes associated to our business, however they do not meet the criteria defined for GRI G4-16.	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	a. All entities included in the organization's consolidated financial statement or equivalent documents. b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents.	5.3.30 List of Group Companies 5.3.31 Interest in Joint Ventures and Associates 6.1.5 Reporting Boundaries	No
G4-18	a. The process for defining report content and the Aspect Boundaries; b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	6.1 Scope of Non-Financial Information Code of Conduct	No
G4-19	All the material Aspects identified in the process for defining reporting content.	1.7 Materiality-based Value Creation 6.1.4 Stakeholder Engagement 6.1.2 Materiality Methodology	No
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	6.1 Scope of Non-Financial Information	No
G4-21	For each material Aspect, report the Aspect Boundary outside the orgnization.	6.1.5 Reporting Boundaries 6.1.6 Health, Safety and Security Reporting, SBM Offshore also reports on the HSSE performance of our contractors and sub contractors	No
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such re-statements.	Restatement related to performance indicators: 6.1.7 Environmental Reporting 6.2.2 Environment	No
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	SBM Offshore has expanded reporting for Waste, see: 2.5 Environment 6.2.2 Environment	No
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organization.	6.1.4 Stakeholder Engagement	No
G4-25	Basis for identification and selection of stakeholders with whom to engage.	6.1.4 Stakeholder Engagement	No
G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	6.1.4 Stakeholder Engagement	No
G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	1.7 Materiality-based Value Creation 6.1.4 Stakeholder Engagement 6.1.2 Materiality Methodology	No

6 NON-FINANCIAL DATA

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
REPORT PROFILE			
G4-28	a. Reporting period (e.g. fiscal/calendar year) for information provided.	6.1.5 Reporting Boundaries	No
G4-29	a. Date of most recent previous report (if any).	February 10, 2016	No
G4-30	a. Reporting cycle (annual, biennial).	Annual	No
G4-31	a. Provide the contact point for questions regarding the report or its contents.	7.2 Addresses & Contact Details	No
GRI Content Index			
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	a. 6.1 Scope of Non-Financial Information b. GRI Content index used c. 6.5 Assurance report of the independent auditor	No
Assurance			
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	6.1 Scope of Non-Financial Information 6.2 Non-Financial Indicators 6.5 Assurance report of the independent auditor	No
GOVERNANCE			
Governance structure and composition			
G4-34	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	3.3 Report of the Supervisory Board 3.4.1 Management Board Remuneration Policy The Supervisory Board Technical & Commercial Committee (TCC) The TCC reviews the Health, Safety, Security and Environmental performance of SBM Offshore which includes Social Performance as per the HSSE & SP Policy. 3.5.1 Corporate Governance Structure	No
ETHICS AND INTEGRITY			
G4-56	a. Describe the organization's values, principles, standards and norms of behaviour such as codes of conducts and codes of ethics.	1.3 Vision and Values 1.7 Materiality-based Value Creation 3.7 Compliance Company Code of Conduct refers to adherence to UN Declaration of Human Rights, OECD Guidelines for Multinational Enterprises and ILO Conventions (Code of Conduct)	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organizational integrity, such as helplines or advice lines.	3.7 Compliance Further details can be found in the 'Integrity Reporting Policy'	Not applicable
G4-58	a. Report the internal and external mechanisms for reporting concerns about unlawful or unethical behaviour, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	3.7 Compliance Further details can be found in the 'Integrity Reporting Policy'	Not applicable
CATEGORY: ECONOMIC			
DISCLOSURES ON MANAGEMENT APPROACH (DMA)			
Aspect: Economic Performance	G4-Disclosure on Management Approach (DMA)	5.1 Financial Review	No
Aspect: Economic Performance			
G4-EC1	Direct economic value generated and distributed: ▪ revenues ▪ operating costs ▪ employee wages and benefits ▪ payments to providers of capital ▪ payments to governments ▪ community investments	▪ Revenue ▪ 5.3.2 Operating Segments ▪ 5.3.6 Employee Benefit Expenses ▪ Return on Average Capital Employed and Equity ▪ not applicable ▪ Information not available	No
Aspect: Innovation &Technology	G4-Disclosure on Management Approach (DMA)	2.9 Technology	No
Innovation &Technology	Technology is measured on the quantity and quality of new designs and proprietary components delivered. ▪ Number of new systems and components to be delivered during the year ▪ Percentage of turnover enabled by new technology	2.9 Technology Internally we monitor the progress on these investments, however we do not disclose details due to the competitive nature of this information.	No
Aspect: Renewables	G4-Disclosure on Management Approach (DMA)	2.9 Technology	No
Aspect: Sustainable Business	G4-Disclosure on Management Approach (DMA)	2.12 Sustainable Business	No
Sustainable Business	The level of performance is measured in successful implementation of the License to Operate into the License to Grow.	2.12 Sustainable Business	No
CATEGORY: ENVIRONMENTAL			
DISCLOSURES ON MANAGEMENT APPROACH (DMA)			
Aspect: Compliance Environmental	G4-Disclosure on Management Approach (DMA)	2.5 Environment 2.7 Quality and Regulatory	No
Aspect: Energy Emissions & Effluents	G4-Disclosure on Management Approach (DMA)	2.5 Environment	No

6 NON-FINANCIAL DATA

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
Aspect: Energy			
G4-EN3	Energy consumption within the organization	6.2.2 Environment 6.1.7 Environmental Reporting	No
G4-EN5	Energy intensity	2.5 Environment 6.2.2 Environment SBM Offshore reports on its energy intensity in as per the GRI 4 Sector Disclosure for Oil and Gas.	No
Aspect: Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	2.5 Environment 6.1 Scope of Non-Financial Information 6.1.7 Environmental Reporting 6.2.2 Environment Absolute reduction targets are not applicable to SBM Offshore therefore base year not deemed relevant.	No
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	2.5 Environment 6.1 Scope of Non-Financial Information 6.2 Non-Financial Indicators 6.2.2 Environment Absolute reduction targets are not applicable to SBM Offshore therefore base year not deemed relevant.	No
G4-EN21	NO_x, SO_x, and other significant air emissions	2.5 Environment 6.1 Scope of Non-Financial Information 6.2 Non-Financial Indicators 6.2.2 Environment	No
Aspect: Effluents			
G4-EN24	Total number and volume of significant spills	2.5 Environment 6.1 Scope of Non-Financial Information 6.2 Non-Financial Indicators 6.2.2 Environment No spills recorded by SBM Offshore in 2016 are considered to be 'significant spills' according to the GRI Sector Disclosure Guidelines for Oil and Gas.	No
G4-OG5	Volume and Disposal of formation or produced water	2.5 Environment 6.2 Non-Financial Indicators 6.2.2 Environment SBM Offshore reports on tonnes of oil in produced water in million tonnes of hydrocarbon production. This standard is a more appropriate way of reporting for the offshore industry.	No
G4-OG6	Volume of flared and vented hydrocarbon	2.5 Environment 6.2 Non-Financial Indicators 6.2.2 Environment SBM Offshore reports on the volume of gas flared. SBM Offshore does not measure the volume of vented hydrocarbons therefore this information is not available.	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
CATEGORY: SOCIAL			
DISCLOSURES ON MANAGEMENT APPROACH (DMA)			
Aspect: Labour practices and decent work: ▪ Employment ▪ Diversity ▪ Training and Education ▪ Occupational Health and Safety	G4-Disclosure on Management Approach (DMA)	2.8 Talented People	No
Aspect: Human Rights: ▪ Investment ▪ Assessment	G4-Disclosure on Management Approach (DMA)	2.11.2 Human Rights	No
Human Rights:	SBM Offshore measures the % of the employee population covered by collective bargaining agreements.	6.2.3 Human Resources	No
Aspect: Society: Local Communities	G4-Disclosure on Management Approach (DMA)	2.11.1 Local Communities	No
Local Communities	Number of different nationalities and percentage of each nationalities employed by SBM Offshore	6.2.3 Human Resources	No
Aspect: Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	2.8 Talented People 6.2 Non-Financial Indicators 6.2.3 Human Resources	No
Aspect: Occupational Health and Safety			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	6.2.1 Health, Safety & Security Absenteeism was not disclosed in 2016 as the information was not available. SBM Offshore aims to include this indicator in 2017.	Omission on absenteeism
Aspect: Training and Education & Attract and Retain Talent			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.2.3 Human Resources	No
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.2.3 Human Resources	No
Aspect: Anti-Corruption			
Aspect: Society: Anti-Corruption Compliance	G4-Disclosure on Management Approach (DMA)	3.7 Compliance	No
G4-SO4	Communication and training on anti-corruption policies and procedures	3.7 Compliance 6.2.3 Human Resources	No
G4-SO5	Confirmed incidents of corruption and actions taken	There were no confirmed incidents of corruption in 2016, however during 2016 actions were taken related to previously reported incidents.	No

6 NON-FINANCIAL DATA

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
Aspect: Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	SBM Offshore did not have any significant monetary fines or non-monetary sanctions for 2016. 6.1.9 Compliance Reporting	No
Sector Specific Aspect: Asset Integrity and Process Safety			
Aspect: Asset integrity and process safety	G4-Disclosure on Management Approach (DMA)	2.6 Operational Excellence	No
G4-OG13	Number of process safety events, by business activity	2.6 Operational Excellence 6.2.1 Health, Safety & Security	No

6.4 CERTIFICATION AND CLASSIFICATION TABLES

Complementing section 3.9 Operational Governance, the below table maps the compliance and certification of SBM Offshore entities and sites with the following international certification standards:

- ISO 9001 – International Standard related to Quality Management Systems
- ISO 14001 – International Standard related to Environmental Management Systems
- OHSAS 18001 – International Standard related to Occupational Health & Safety Management Systems
- Social Accountability Management System based on International Standard SA 8000
- 'Class' – Marine Certification by Classification Societies (e.g. ABS – American Bureau of Shipping)
- ISM – International Safety Management
- ISPS – International Ship & Port Facility Security Code

OFFICES & WORKSITES	ISO 9001	ISO 14001	OHSAS 18001	Social Accountability	ISM
Corporate Offices					
Amsterdam (NL)	Certified				
Monaco (MC)	Certified				
Regional Centers					
Houston (US)	Certified				
Rio de Janeiro (Brazil)	Certified				
Monaco (MC)	Certified				
Schiedam (NL)	Certified				
Kuala Lumpur (Malaysia)	Certified				
Imodco					
Monaco (MC)	Certified				
Sales Office					
Jakarta (Indonesia)	Certified				
Construction Sites					
Paenal (Angola)	Certified	Planned	Planned		
Brasa (Brazil)	Certified	Certified[1]	Certified[1]		
Operations Offices					
Monaco	Certified	Compliant	Compliant	Covered by local regulations	Certified
Angola		Compliant	Compliant	Compliant	Certified
Brazil		Compliant	Compliant	Compliant	Certified
Canada		Compliant	Compliant	Covered by local regulations	N/A
Equatorial Guinea		Compliant	Compliant	Ongoing	Certified
Malaysia		Compliant	Compliant	Compliant	Certified
Myanmar		Compliant	Compliant	Compliant	Certified
USA		Ongoing	Ongoing	Covered by local regulations	Certified

1 effective from January 17, 2017

Certified:	certified by accredited 3rd Party
Compliant:	verified as compliant by independent, qualified 3rd Party
Classed:	certified by classification society

6 NON-FINANCIAL DATA

OFFSHORE PRODUCTION FLEET	ISO 14001	OHSAS 18001	CLASS	ISM	ISPS
Angola					
FPSO *Mondo*	Compliant	Compliant	Classed	Certified	Certified
FPSO *Saxi Batuque*	Compliant	Compliant	Classed	Certified	Certified
FPSO *N'Goma*	Ongoing	Ongoing	Classed	Certified	Certified
Brazil					
FPSO *Capixaba*	Compliant	Compliant	Classed	Certified	Certified
FPSO *Espirito Santo*	Compliant	Compliant	Classed	Certified	Certified
FPSO *Cidade de Anchieta*	Compliant	Compliant	Classed	Certified	Certified
FPSO *Cidade de Paraty*	Compliant	Compliant	Classed	Certified	Certified
FPSO *Ilhabela*	Compliant	Compliant	Classed	Certified	Certified
FPSO *Cidade de Maricà*	Compliant	Compliant	Classed	Certified	Certified
FPSO *Cidade de Saquarema*	Compliant	Compliant	Classed	Certified	Certified
Canada					
MOPU *Deep Panuke*	Certified	Certified	N/A	N/A	N/A
Equatorial Guinea					
FPSO *Aseng*	Compliant	Compliant	Classed	Certified	Certified
FPSO *Serpentina*	Compliant	Compliant	Classed	Certified	Certified
Malaysia					
FPSO *Kikeh*	Certified	Compliant	Classed	Compliant	Certified
Myanmar					
FSO *Yetagun*	Compliant	Compliant	Classed	Certified	Certified
USA					
FPSO *Turritella*	Ongoing	Ongoing	Classed	Certified	Certified

OFFSHORE INSTALLATION FLEET	ISO 9001	ISO 14001	OHSAS 18001	CLASS	ISM	ISPS
SBM Installer	Certified	Certified	Certified	Classed	Certified	Certified
Normand Installer	Certified	Certified	Certified	Classed	Certified	Certified

Certified: certified by accredited 3rd Party
Compliant: verified as compliant by independent, qualified 3rd Party
Classed: certified by classification society

6.5 ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: the Management Board and Supervisory Board of SBM Offshore N.V.

Assurance report on the Sustainability Information 2016

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Sustainability Information included in the Annual Report of SBM Offshore N.V. does not present, in all material respects, a reliable and adequate view of:
- the policy and business operations with regard to sustainability; and
- the events and achievements related thereto for the year ended 31 December 2016

in accordance with the Sustainability Reporting Guidelines version G4 of GRI and the internally applied reporting criteria.

What we have reviewed

The Sustainability Information contains a representation of the policy and business operations of SBM Offshore N.V. ('the Company'), Amsterdam, regarding sustainability and the events and achievements related thereto for 2016.

We have reviewed the Sustainability Information for the year ended 31 December 2016, as included in the following sections in the Annual Report of the Company:
- Section 1: At a Glance;
- Section 2: Strategy and Performance;
- Section 3: section "3.7 Compliance"; and
- Section 6: Non-Financial Data

The basis for our conclusion

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen'. This review engagement is aimed to obtain limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the Sustainability Information' of this Assurance report.

Independence and quality control

We are independent of SBM Offshore in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).
We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten (RA/AA)' and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.
We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

SBM Offshore N.V. developed its reporting criteria on the basis of the Sustainability Reporting Guidelines version G4 of GRI, as disclosed in section "6.1 Scope of Non-Financial Information" of the Annual Report. The information in the scope of this assurance engagement needs to be read and understood in conjunction with the reporting criteria. The Management Board is responsible for selecting and applying these reporting criteria. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Inherent limitations

The Sustainability Information includes prospective information such as expectations on ambitions, strategy, plans and estimates based on assumptions. Inherently, the actual results are likely to differ from these expectations, due to changes in assumptions. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information in the Sustainability Information.

Our review approach

Materiality

Based on our professional judgement we determined specific materiality levels for each part of the sustainability information. When evaluating our materiality levels, we have taken into account the relevance of information for both stakeholders and the organization, based on the materiality analysis performed by the Company.

In reviewing the quantitative information in the Sustainability Information we assessed deviations did not exceed the percentage set out below of underlying performance indicators.

Aspect	Materiality level	Reference to performance indicators in Annual Report
Health, Safety & Security	5% (Fatal incidents 0%)	Section 6.2.1
Environment – Emissions & Energy (offshore)	5%	Section 6.2.2
Environment – Emissions & Energy (onshore)	10%	Section 6.2.2
Environment – Discharges (excluding waste)	5%	Section 6.2.2
Environment – Discharges (waste)	10%	Section 6.2.2
Human Resources – Compliance	5%	Section 6.2.3, SO5, SO8

Scope of the group review

SBM Offshore reports on the Sustainability Information on a consolidated level. For more details reference is made to "6.1 Scope of Non-Financial Information" of the Annual Report. Our review focused on Head Office, SBM Operations and the significant contributing Regional Centres in Monaco, Schiedam, Brazil, USA and Malaysia.

The majority of review procedures for this assurance engagement were performed by the central review team. Specific review procedures for certain employment data and compliance were performed by the local review teams.

Where the work was performed by local review teams, we determined the level of involvement we needed to have in their work to be able to conclude whether sufficient appropriate evidence had been obtained as a basis for our conclusion on the consolidated Sustainability Information. The consolidation is reviewed by the central review team at Head Office.

Key review matters

Key review matters are those matters that, in our professional judgement, were of most significance in our review of the Sustainability Information. We have communicated the key review matters to the Management Board and Supervisory Board. The key review matters are not a comprehensive reflection of all matters discussed. We described the key review matters and included a summary of the review procedures we performed on those matters.

These key review matters were addressed in the context of our review of the Sustainability Information as a whole, and in forming our conclusion thereon. We do not provide a separate conclusion on these matters or on specific elements of the Sustainability Information. Any comments we make on the results of our procedures should be read in this context.

Key review matter	*How our review addressed the matter*
Improvement of the calculations for offshore energy consumptions and emissions SBM Offshore N.V. identified and implemented the following two improvements for the calculation of offshore energy consumption and emissions. Reference is made to section 6.1.7 Environmental Reporting: **Change in density values** Using updated density values to convert volumes of oil and gas used to report on offshore energy consumption and emissions. The change in density values resulted in a decrease of energy consumption and emissions. **Change in calculation system** The Company implemented an IT tool for automatic calculations of offshore energy consumption and emissions that replaces the manual calculations applied in prior years. During the implementation, the Company identified certain inconsistencies in the calculation applied in prior years. The Company changed the calculation system and revised the related comparative data, as disclosed in sections "6.1.6 Health, Safety and Security Reporting" and "6.1.7 Environmental Reporting". The change in the calculation system resulted in increased energy consumption, nitrogen oxides (NO_x) & sulphur dioxide (SO_2) data, and a decrease in the ratio of oil in produced water discharges per production for 2015. The change in calculating the data did not alter the view on the Company's sustainability policy and achievements with respect to offshore energy consumption and emissions. The improvement of the calculations for offshore energy consumptions and emissions is qualified as a key review matter, because it led to a revision of data resulting in changes to comparative figures and changes in our review procedures thereon.	**Change in density values** Through inquiry we gained an understanding of the preparation, source and frequency of the density measurement for used oil and gas in the off shore fleet. We reconciled several oil and gas density values reported by the FPSOs with reports from test laboratories. In addition, we reconciled these density values with the actual density values used in the calculation of the 2016 offshore energy usage and emissions. We assessed whether the revisions of the offshore energy consumption and emissions of 2015 are calculated based on the new density values. Finally we performed analytical procedures and assessed the plausibility of the difference between the revised data 2015 and the reported data in 2015. **Change in calculation system** We assessed the root cause of the inconsistencies in the manual calculation of the data reported in 2015. We reviewed the revised calculations for the prior year. We compared the revised 2015 data with the 2015 reported data and identified the elements in the calculations that led to the inconsistencies. We reviewed whether the Company adequately disclosed these matters in the Sustainability Information in the Annual Report.

Responsibilities for the Sustainability Information and the assurance engagement

Responsibilities of the Management Board

The Management Board of SBM Offshore is responsible for the preparation of the Sustainability Information in accordance with the Sustainability Reporting Guidelines version G4 of GRI and the internally applied reporting criteria as disclosed in section "6.1 Scope of Non-Financial Information" of the Sustainability Information, including the identification of stakeholders and the definition of material subjects. The choices made by the Management Board regarding the scope of the Sustainability Information and the reporting policy are summarized in section "6.1 Scope of Non-Financial Information". The Management Board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Management Board is also responsible for such internal control as it determines is necessary to enable the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or errors.

Our responsibilities for the review of the Sustainability Information

Our responsibility is to plan and perform the review engagement to obtain sufficient and appropriate assurance information to provide a basis for our conclusion.

This review engagement is aimed at obtaining limited assurance. In obtaining a limited level of assurance, the performed procedures are aimed at determining the plausibility of information and are less extensive than those aimed at obtaining reasonable assurance in an audit engagement. The performed procedures in this context consisted mainly of gathering information from the Company's employees and applying analytical procedures set out in relation to the information included in the Sustainability Information. The assurance obtained in review engagements aimed at obtaining limited assurance is therefore significantly lower than the assurance obtained in assurance engagements aimed at obtaining reasonable assurance.

Misstatements may arise due to fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Sustainability Information. The materiality affects the nature, timing and extent of our review and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.
Our main procedures include:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues, relevant laws and regulations and the characteristics of the organization.
- Evaluating the appropriateness of the reporting policy and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of management's estimates.
- Evaluating the design and implementation of the reporting systems and processes related to the information in the Sustainability Information.
- Interviewing management (or relevant staff) at corporate and business level responsible for the Sustainability strategy and policy.
- Interviewing relevant staff at corporate level, responsible for providing the information in the Sustainability Information, carrying out internal control procedures on the data and consolidating the data in the Sustainability Information.
- Visits to reporting functions in Monaco to evaluate the source data and to evaluate the design and implementation of control and validation procedures at local level.
- An analytical review of the data and trends submitted for consolidation at corporate level.
- Reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the Sustainability Information, is substantiated adequately;
- Assessing the consistency of the sustainability information and the information in the Sustainability Information not in scope for this assurance report;
- Assessing whether the sustainability information has been prepared 'in accordance' with the Sustainability Reporting Guidelines version G4 of GRI.

From the matters communicated with SBM Offshore we determine those matters that were of most significance in the review of the Sustainability Information and are therefore the key review matters. We describe these matters in our assurance report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Amsterdam, 8 February 2017

PricewaterhouseCoopers Accountants N.V.

drs E.M.W.H. van der Vleuten RA

CHAPTER 7

OTHER INFORMATION

SBM Offshore has a long history of innovation. From its shipping origins at the Gusto Shipyard in the Netherlands, IHC (as the Company was first known) secured a contract to supply its single point mooring system (SPM) for Shell's operations offshore Indonesia in 1959. Instead of the multi buoy systems used at the time, the design for this buoy was a pioneering SPM system on which Shell and SBM Offshore had first begun collaborating in 1958. It proved to be so successful that it went on to be used extensively, opening up new possibilities for the industry. Demand for Catenary Anchor Leg Mooring (CALM) buoy terminals continues today.

FIRST ORDER FOR A SINGLE POINT MOORING BUOY

1959

EXPERIENCE MATTERS

7 OTHER INFORMATION

7.1 Glossary

Term	Definition
A&RC	Appointment and Remuneration Committee
AGM	Annual General Meeting of Shareholders
AGU	Advocacia Geral da Uniao – Attorney General's Office
API	American Petroleum Institute
bbls	Barrels
BEPS	Base Erosion and Profit Shifting
bopd	Barrels of Oil Per Day
CAPEX	Capital Expenditure
CGCO	Chief Governance and Compliance Officer
CGU	Controladoria Geral da Uniao – Comptroller General's Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSR	Corporate Social Responsibility
DoJ	Department of Justice
DSCV	Diving Support and Construction Vessel
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EGM	Extraordinary General Meeting of Shareholders
EPC	Engineering Procurement and Construction
EPCI	Engineering Procurement Construction and Installation
EPS	Earnings per Share
ERM	Enterprise Risk Management
Euribor	Euro Interbank Offered Rate
Excom	Executive Committee
FEED	Front-End Engineering and Design
FID	Final Investment Decision
FLNG	Floating Liquefied Natural Gas
FPSO	Floating Production Storage and Offloading

Term	Definition
FPU	Floating Production Unit
FSO	Floating Storage and Offloading
GEMS	Global Enterprise Management System
GHG	Greenhouse Gases
GRI	Global Reporting Initiative
GTS	Group Technical Standards
HPHT	High Pressure High Temperature
HR	Human Resources
HSS	Health, Safety & Security
HSSE	Health, Safety, Security & Environment
IASB	International Accounting Standards Board
ICOFR	Internal Control Over Financial Reporting
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Framework
ILO	International Labor Organization
IOGP	International Association of Oil and Gas Producers
ISRS	International Sustainability Rating System
JV	Joint Venture
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LNG	Liquefied Natural Gas
LOPC	Loss of Primary Containment
LTI	Long-Term Incentive
LTIFR	Lost Time Injury Frequency Rate
MLP	Master Limited Partnership
MNOPF	Merchant Navy Officers Pension Fund
MoC	Management of Change
MOPU	Mobile Offshore Production Unit
MPF	Ministério Público Federal
MTFC	Ministério da Transparência, Fiscalização e Controle – Ministry of Transparency, Oversight and Control

Term	Definition
NO_x	Nitrogen Oxides
NPV	Net Present Value
O&M	Operations and Maintenance
OECD	Organization for Economic Co-operation and Development
OHSAS	Occupational Health and Safety Assessment Series
OPEC	Organization of the Petroleum Exporting Countries
OPEX	Operating Expenditure
P&L	Profit and Loss
PFC	Production Field Center
ppm	Parts Per Million
PSE	Process Safety Events
PSM	Process Safety Management
PSU	Performance Share Unit
PwC	PricewaterhouseCoopers
QA	Quality Assurance
R&D	Research and Development
RAC	Risk Assurance Committee
RCF	Revolving Credit Facility
RSU	Restricted Share Unit
SO_x	Sulphur Oxides
SP	Social Performance
SRS	Single Reporting System
STI	Short-Term Incentive
TCU	Tribunal de Contas da União – Federal Court of Accounts
TLP	Tension-Leg Platform
TRIFR	Total Recordable Injury Frequency Rate
TRL	Technology Readiness Level
TSR	Total Shareholder Return
UN	United Nations
USPP	US Private Placement
VLCC	Very Large Crude Carriers

7 OTHER INFORMATION

7.2 ADDRESSES & CONTACT DETAILS

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COLOPHON

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7.3 DISCLAIMER

This report contains the Management Report in the meaning of the Dutch Civil Code. The Management Report consists of Chapters 1, 2, 3, 4 and 5.1. The Annual Accounts in the meaning of the Dutch Civil Code are included in Chapter 5.2 up to and including Chapter 5.5.

Some of the statements contained in this report that are not historical facts are statements of future expectations and other forward-looking statements based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those in such statements. These statements may be identified by words such as 'expect', 'should', 'could', 'shall' and similar expressions. Such forward-looking statements are subject to various risks and uncertainties.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results and performance of the Company's business may vary materially and adversely from the forward looking statements described in this report. SBM Offshore N.V. does not intend and does not assume any obligation to update any industry information or forward-looking statements set forth in this report to reflect new information, subsequent events or otherwise.