SBM OFFSHORE

2014

ANNUAL REPORT

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1 Overview

1.1 Message from the CEO

With 2014 coming to a close and despite an extremely difficult business environment, I feel much more confident about SBM Offshore today than at any other point in my tenure as CEO. The Company has undertaken a number of positive steps during 2014 to better position itself for the future, and despite a challenging period for the offshore services industry we have produced a sound financial result and consistently met expectations through the year.

We have worked together to deliver excellent operational performance for clients, achieved significant resolution of our last remaining legacy issues, furthered our governance and compliance goals and announced a reorganisation aimed at better meeting clients' needs in response to changing market conditions. Although advances were made in our Health and Safety performance, I deeply regret that SBM Offshore had to report two fatalities of yard contractor staff on construction projects in Singapore.

Three years ago I was brought in as CEO to steer the transformation of SBM Offshore. Today I believe that significant strides have been taken to accomplish that mission, mostly thanks to the entire Company rising to the mammoth challenge. With a clear path to the future, combined with SBM Offshore's reorganisation, our dynamic and entrepreneurial team will grow the business in collaboration with our clients and take proactive action to meet an evolving market.

Sustainability will be at the heart of that growth. SBM Offshore does not stop at reporting and inclusion in the Dow Jones Sustainability Index. It pertains to how we deal with all our stakeholders and how we win, build and operate our FPSO's and other products. A number of initiatives have been started on developing eco-solutions with our clients and through social impact assessment truly enhancing the local communities in which we operate.

Three years ago I was also determined that SBM Offshore should have outstanding governance and compliance. I am now proud of the culture of zero tolerance for non-compliant behaviours embedded at every level. SBM Offshore is dedicated to operating its worldwide business activities in an open and transparent manner. This was not an easy or quick task. It has been achieved through extensive remedial actions since 2012, a strengthening of our policies and controls and by every employee embracing the Company's compliance policy under the guidance of the current Management Board. My commitment to our stakeholders is that we will remain vigilant and uphold our compliant standards.

This year we secured an out-of-court settlement with the Dutch Public Prosecutor's Office related to the compliance investigation. In addition, the US Department of Justice informed the Company that it is not prosecuting and has closed its inquiry into the matter. This development should help SBM Offshore to turn the page and to look to the future. The situation in Brazil is complicated, topped by a challenging political environment. However, we continue to engage and cooperate with the authorities and look forward to coming to achieving a resolution.

SBM Offshore plays an essential role in the Brazilian offshore sector and we are committed to the country. The Company employs almost 5,000 people in its Regional Centre in Rio, onshore bases, offshore on our vessels and in our Joint Venture yard at Brasa. This year we demonstrated to the industry our technological and project management capabilities, in addition to our excellent operational performance. Producing offshore Brazil since November, FPSO *Cidade de Ilhabela* is an outstanding example of the standards to which we aspire. The Company worked as one to successfully deliver the vessel within a demanding schedule and local content requirements. The FPSO is the deepest in SBM's operating fleet at 2,140m and has the largest capacity at 150,000 bpd of oil. Out of the total of 18 complex modules weighing 24,000 tonnes, 10 of the modules representing 12,500 tonnes were built in our Joint Venture shipyard in Brazil.

Our recent past is the foundation for a bright future for SBM Offshore. By giving absolute attention to client needs and collaborating with them at every stage, we will leverage our worldwide know-how and capabilities to engineer, build and operate high-performance, state-of-the-art vessels. This will power forward our clients' projects and contribute to their production targets as well as pacify their concerns regarding costs.

This brings our attention to the present and the future – the recent downturn in oil price will prompt a period of soul searching for the offshore services sector. The industry's key focus for the coming few years will be increased quality and reduced costs. It has been refreshing to note that the major oil companies are open to increased collaboration with the offshore services providers. It is something that I have spoken about on numerous occasions and that we advocate in order to reverse the unsustainable, downward trend of reduced returns experienced by the majors. In the current environment, this will be a decisive factor for many companies. A sharply reduced oil price can only add pressure for further project delays and we should not be surprised if the lower order intake in turnkey contracts is sustained. Yet the potential deepwater reserves, combined with the need to go deeper as other reserves are depleted, are strong indicators of the potential growth in the medium to long term. SBM Offshore is well equipped for a continued downturn and prepared to capitalise in the subsequent up-cycle.

From January 1, 2015 our five Regional Centres will each be dedicated to a specific product line. The move will heighten our specialisation and place decision-making and problem-solving significantly closer to clients. Three years ago, we focused the business solely on FPSOs and now we are ready to revisit our wealth of technologies and expand our core FPSO skills where needs emerge.

We are relocating our headquarters to the Amsterdam region during 2015. The international orientation, presence of many other stakeholders in the Netherlands, the Company's Euronext Amsterdam listing and the proximity to the industry are expected to provide many advantages to SBM Offshore as a global player.

While we believe that we have created a strong defensive position, we remain proactive in today's market environment to protect and create value. A prime example of this is our intention to pursue the development of a U.S. listed Master Limited Partnership, which will improve our competitive advantage in the short, medium and long term. Additionally, it has been an excellent year for funding whereby project financing was secured for US$1.9 billion and a new Revolving Credit Facility for US$1.0 billion. The former included a US$450 million US Private Placement for the Deep Panuke Production Field Centre and US$1.45 billion of project financing for FPSO *Cidade de Maricá*.

Finally, we continue to focus on our cost base, allowing us to maintain our core competencies and technological edge despite the headcount reductions.

SBM Offshore is structurally equipped to face headwinds and can draw from its practical strengths to carry the Company through a difficult 2015. We enter the period with a near record backlog of over US$21 billion, which consists of future lease and operate income with day rates that are not dependent on oil prices or on production levels. This will continue to generate income and liquidity for many years to come.

Whatever the short-term circumstances, the Management Board looks forward with confidence. We continue to be convinced that FPSOs and related floating production products have outstanding potential to deliver rewards for investors.

Yours faithfully,

Bruno Chabas

2 Company Profile

2.1 Ownership and Operating Structure

SBM Offshore's business is the provision of floating production solutions to the offshore energy industry, over the full product life-cycle.

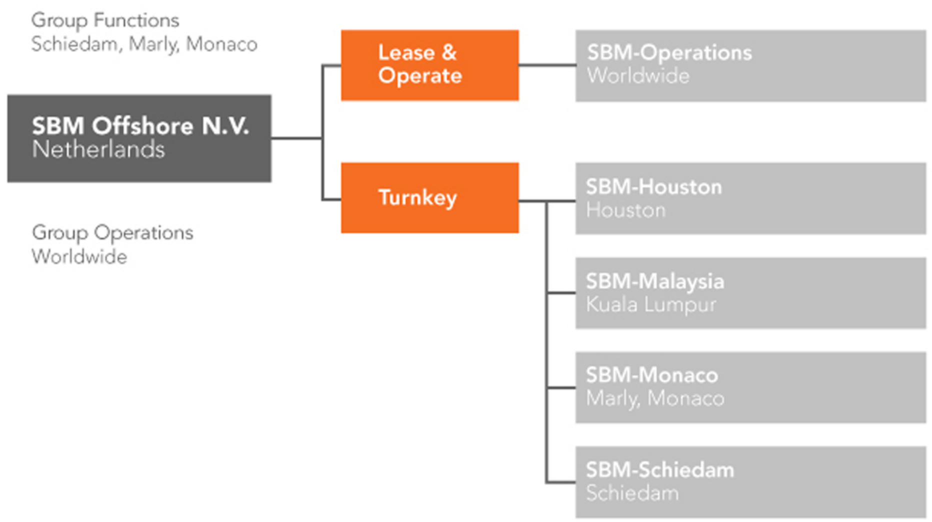
The Company's main activity is the design, supply, installation and operation of Floating Production, Storage and Offloading (FPSO) vessels.

These are either owned and operated by the Company and leased to its clients, in which case the project is financed by the Company and in some cases joint venture partners. Alternatively, the Company undertakes FPSO projects for clients on a turnkey sale basis, where these vessels can either be operated by the client, or operated by the Company under a separate service contract. In this case, financing is provided by the client.

With 11 FPSOs, two FSOs, one MOPU, one Semi-submersible in operation worldwide at year end, over 257 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 Rotterdam in the Netherlands, SBM Offshore full time company employees total 6,400 and are spread over five regional centres, eleven operational shore bases and the offshore fleet of vessels. Group companies employ over 10,200 people worldwide, which include a further 3,800 working for the joint ventures with several construction yards.

Company Organisation Chart



2.2 Shareholder and Stakeholder Information

The Company's vision can be summarised as follows:

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

2.2.1 Shareholder Information

The Company encourages and actively maintains open, respectful engagement with its stakeholders, including employee delegates,non-governmental organisations(NGOs) and clients during the year and at the annual shareholders meeting.

The Company strives for internal and external stakeholder engagement. The Company hosts Town Hall sessions where employees can interact and learn about the Company's objectives and strategy relevant to their Execution Centre.

The Company hosts one-on-one stakeholder engagement interviews with clients, peers, NGOs and suppliers. Through these interviews the Company seeks to understand its clients' expectations, identify areas for improvement and create long term relationships with the focus on sustainable development.

Please refer to chapter 5.4 Corporate Governance for information on share listing, share price performance and shareholder dividends.

2.2.2 Stakeholders engagement

SBM Offshore is fully aware that it has an impact on many stakeholders, that all have different expectations towards the Company. 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 its employees, shareholders, the investor community, clients, business partners, export credit agencies and suppliers. Other important stakeholders are lenders, governments in operating areas, Oil & Gas industry associations, NGOs, universities and researchers and potential investors.

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Throughout the year, SBM Offshore employed a range of methods to engage with its stakeholders, such as meetings, interviews, conferences, surveys, technology days, investor roadshows, press releases, website updates and desktop research. Some stakeholders were asked to elaborate on several topics, such as SBM Offshore's added value to society at large and relevant sustainability themes for the Company. Stakeholders were also invited to reflect on SBM Offshore's corporate strategy and performance and their information needs. Valuable input was captured from the responses, which was used in determining the material topics.

Moreover, SBM Offshore Management Board organises several stakeholder engagement activities throughout the year, of which a few are mentioned here. Each year there is a Capital Markets Day in which its shareholders and financial analysts are invited for a two day session in which the Management Board shares and discusses detailed insights into the Company strategies, performance and outlook. The Management Board hosts Town Hall sessions where employees can interact and learn about the objectives and strategy relevant to their Regional Centre. And there are Technology Days with clients where SBM Offshore presents its newest offshore solutions and sustainable innovations. The Company also addresses shareholders face-to-face during the AGM, at investor meetings, by analyst webcast presentations and via conference calls.

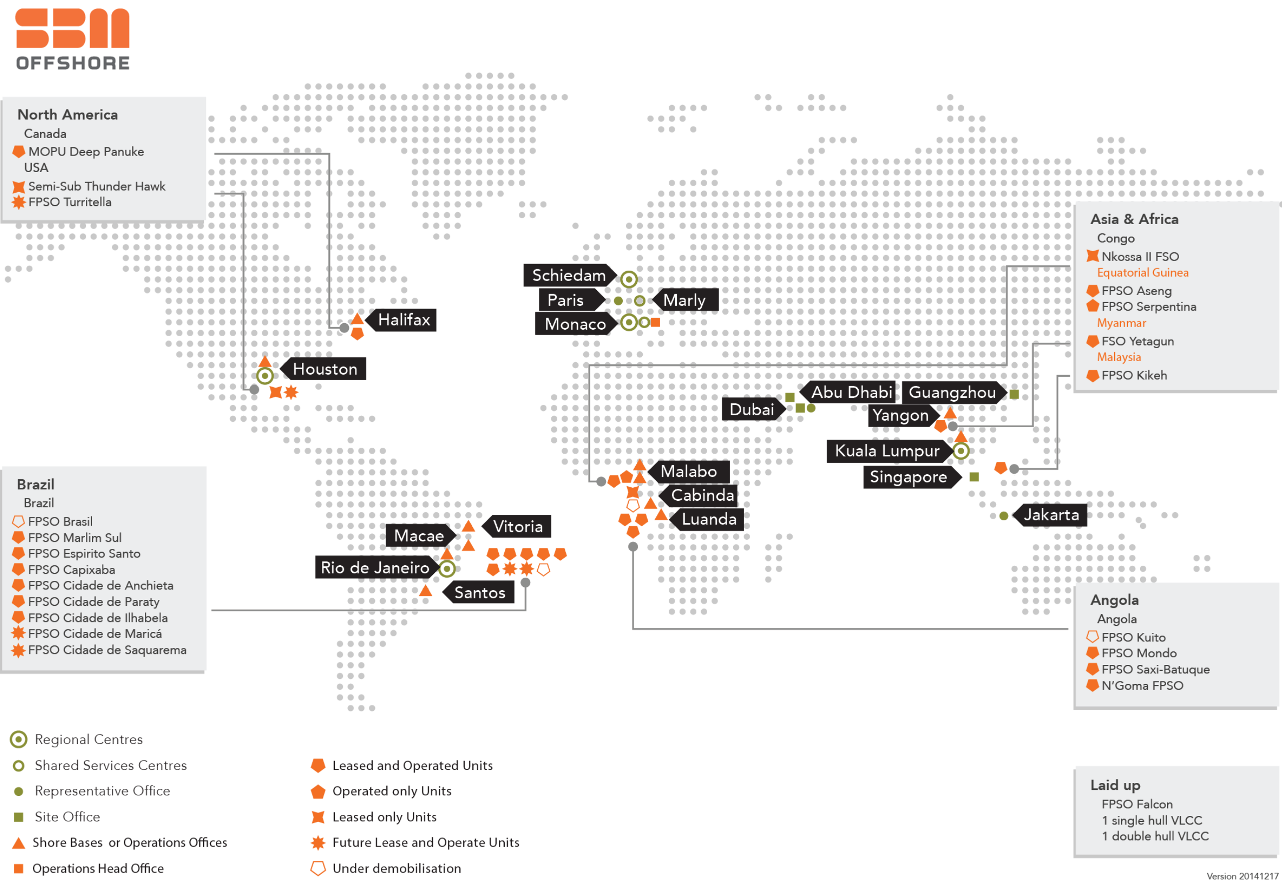
2.2.3 Financial Goals

SBM Offshore's financial objectives consist of safeguarding the Company's ability to provide sustainable returns to shareholders, benefits for other stakeholders and maintenance of an optimal capital structure allowing for the financing of long-term investments at a reduced cost of capital.

In the medium term, the Company's objective is to continue focusing on strengthening the consolidated statement of financial position in order to obtain an investment grade credit rating. Attaining this objective would eventually provide SBM Offshore with access to the corporate bond market. Furthermore, as is consistent with the industry peer group, the Company monitors the health of its capital on the basis of the gearing ratio. The definition of which is function of a simple calculation: net debt divided by total equity plus net debt. The strategy remains to target a gearing ratio between 50% and 60%, subject to maintaining headroom of 20% of all banking covenants.

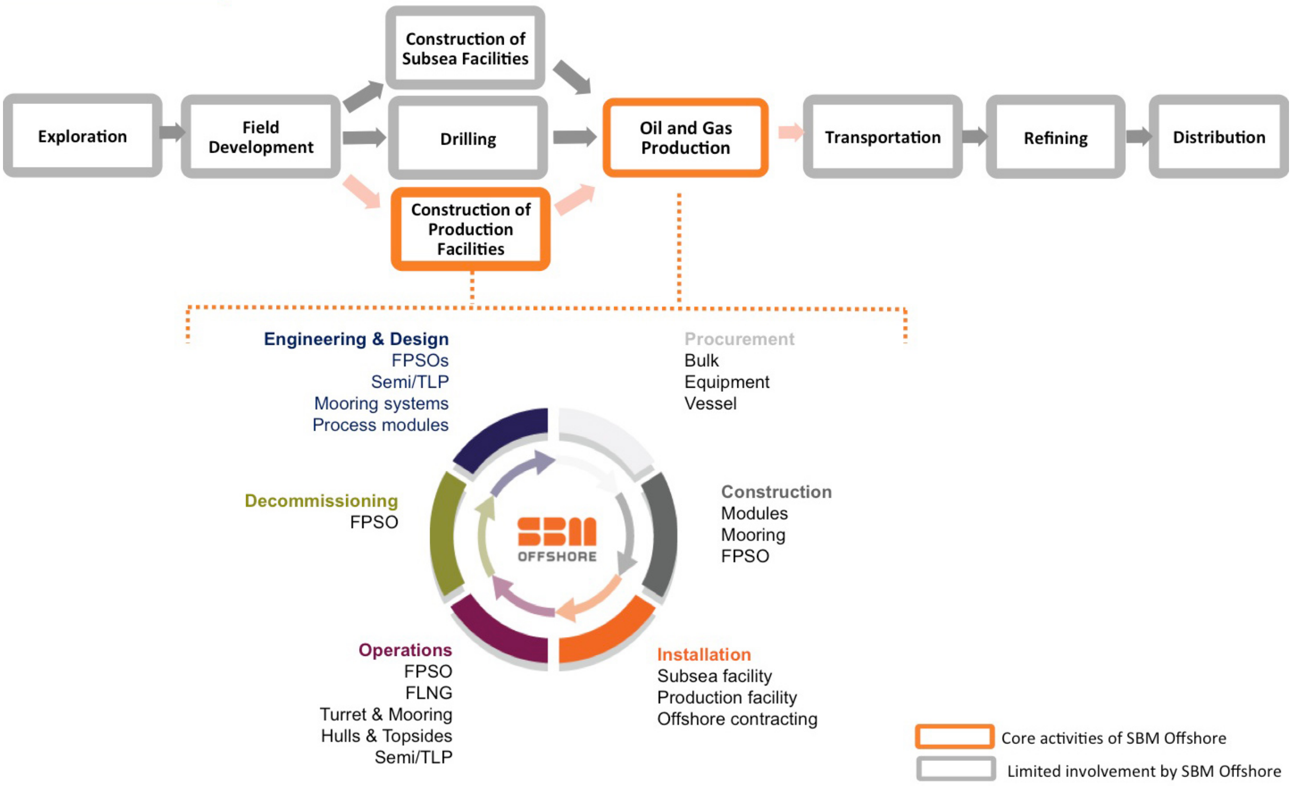
Supporting elements of the Company's efforts to achieve the medium term objective have been demonstrated in several ways. Of note are the growth of the Company's underlying financial results, a diligent focus on cash generation, diversification of sources of funding with potential access to the US Private Placement market as well as Export Credit Agencies, the proceeds from the disposal of non-core assets and the continued abstention of dividend payments.

2.3 SBM Offshore World Map



2.4 Position within the Value Chain

Value chain



SBM Offshore is part of the oil & gas value chain as shown in the figure above. SBM is active in the offshore oil and gas industry and provides a broad range of products and services to its clients with the goal to supply and operate floating production facilities.

In the Company's value chain the field owners, oil and gas companies, are basically in control from exploration to distribution. The chain starts with the exploration of reservoirs followed by field development. Three activities take place simultaneously i.e. drilling of the wells for the extraction of the oil or gas, construction of the subsea infrastructure and construction of production facilities.

Following completion and offshore installation of these facilities, production of oil and gas commences and concentrates on processing the well fluids into stabilised crude oil for temporary storage onboard followed by transfer to a shuttle tanker. The downstream value chain is controlled by the oil and gas companies with transportation of the crude oil with shuttle tankers to the refinery locations. From there it gets distributed to the consumers.

SBM Offshore's vessels provide its clients with the service of producing oil and gas from the fields that are owned by its clients and their partners; SBM Offshore does not own any oil or gas reserves. As a consequence, SBM Offshore's revenues depend on the quality of its services and not on the volume nor the sales price of oil and gas.

Full Product Life-Cycle

SBM Offshore supplies floating production solutions for the full product lifecycle with several distinct phases:

1) Engineering and design phase: engineering teams develop procedures and techniques for analysis and design of systems through all stages of projects from concept to delivery, with safety as an inherent part of the design. This phase often leads to technology innovation. In addition, the Company has the in-house capability for conceptual studies, basic design and detailed design.

2) Construction phase: Main activities related to procurement, construction and offshore commissioning of the Floating Production Systems (mainly FPSOs) and mooring systems in preparation for oil and gas production.

3) Installation phase: SBM Offshore has the in-house means to install complete FPSOs and although subsea installation activities are not among its key product portfolio offering, the Company's dedicated installation vessels have the capability.

4) Operations phase: SBM Offshore operates the process plant offshore and produces oil and gas for its client and offloads it to shuttle tankers.

5) Decommissioning phase: The end of life-cycle when the facilities need to be retired.

Variations in the Value Chain

Some of SBM Offshore's product lines operate in a slightly different value chain. Even though the majority of the Company's contracts are based on the lease and operate structure, it also supplies FPSOs and specific FPSO equipment, like 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 has only one facility in operation, the Thunder Hawk semi-submersible, under a production handling agreement in which the Company is paid for the service of producing oil and gas against a certain fee per barrel or equivalent in gas produced.

For Floating Liquefied Natural Gas (FLNG) the value chain potentially extends to the end user by including transportation of LNG to the gas company to secure supply, as FLNG investments are often based on 15 to 20 years supply contracts. SBM Offshore has a partnership with Linde Engineering for LNG topsides and with NYK for the supply of LNG carriers.

2.5 Activities and Markets

Oliver Kassam – Group Sales & Marketing Director

"At SBM Offshore, we understand the importance of listening to and working closely with our clients worldwide, ensuring that we fully comprehend their challenges and needs, in order to provide solutions tailored to meet these. With a renewed commitment to our core Product Lines, SBM Offshore is able to offer a far more focused and efficient service, dedicating the best technical, financial and operational personnel to specific areas, each retaining the vast knowledge and experience of past projects. We believe this will offer significant benefits to our clients in terms of highly competitive, technical and commercial solutions, backed by our strong technical competencies, operational experience and EPCI delivery track record. We will only succeed if our clients meet their goals and this is our number one priority."

Markets

During the last few years, flat oil prices and ever increasing costs saw clients experiencing a lack of free cash flow. The consequence was CAPEX compression in 2014 with clients rethinking their investment strategies and opting to scale down projects or revisit less costly options. The pressure by clients to reduce development costs and in particular counteract the increased drilling costs due to reservoirs in deeper water has cascaded down to the oil service providers. With oil prices plummeting at the end of the year and gas prices also adversely affected, the situation has been exacerbated. All these elements combined render the outlook for future project economics even more critical. These market dynamics had already translated into delays for awards of projects to service providers such as SBM Offshore, as well as requests from clients to reduce the cost of proposed floating production solutions. This trend is set to continue.

Despite this short-term, pessimistic outlook, oil companies continue to search for access to new production and have a strong appetite to develop new areas and territories such as the Lower Tertiary in the Gulf of Mexico and also Mexico, where the government's energy reform bill will allow foreign operators to participate in the future development of the large reserves in shallow and deep water.

Other key growth areas include East African countries (e.g. Mozambique, Tanzania), West African countries (e.g. Ivory Coast, Ghana), Asia (where many countries are preparing for deepwater exploration) .

SBM Offshore continues to build closer relationships with clients and engage with them at an early stage. By better understanding their needs and challenges, it enables the Company to offer better solutions.

For the years to come SBM Offshore believes that client needs can be summarised as follows;

- Technologies to open up new frontiers such as the Lower Tertiary in the Gulf of Mexico with reservoirs in very deepwater and with very high temperatures and high pressures
- Experience in new oil and gas producing countries such Mozambique and Tanzania
- Local industry development and local content capacity as part of local development regulations
- Reliable and predictable project delivery and operations
- Economical solutions across the full life-cycle of projects from concept through delivery, installation, and sustainable operations and decommissioning.

SBM Offshore activities

SBM Offshore is a leader in Floating Production and Mooring Systems, Production Operations as well as Terminals and Services. One of the world's foremost suppliers and operators of Floating Production, Storage and Offloading (FPSO) facilities, the Company has operating experience of over 257 contract years.

See chapter 3.2 on Corporate Strategy for more detail on the Industry in which SBM Offshore operates.

Since 2012 SBM has put a strong focus on its core competencies of FPSOs and Turret Mooring Systems in order to create a stable and predictable workload and restore confidence with all stakeholders. At the beginning of 2014 after two years of efforts to stabilise the Company's financial position, the time was considered right to widen the product portfolio and gain access to a larger pool of floating production prospects in the future. The existing Tension Leg Platforms /Semi-submersibles technology and the design concept for Floating Liquefied Natural Gas (FLNG) were re-introduced and the traditional Terminals business was rejuvenated via a separate structure.

Tension Leg Platforms (TLPs) and Semi-submersibles (Semis)

SBM Offshore still possesses a significant amount of intellectual capital in this domain, both in terms of proprietary solutions and human capital.SBM Offshore successfully delivered several TLP and Semi projects in the Gulf of Mexico during the years 2000 to 2010. The expertise was gained with the acquisition of Atlantia in 2001. SBM Offshore holds the record for the deepest water depth semi-submersible Floating Production Unit (FPU) in the world: the Independence Hub, which was installed in 2007 at a depth of 2,469 metres in the Gulf of Mexico. It is expected that there will be a continuous demand for these concepts in the Gulf of Mexico, whilst the Company has also seen several opportunities emerge in other areas in recent years.

Floating Liquefied Natural Gas (FLNG)

SBM Offshore has been pioneering the development of FLNG (sometimes referred to as LNG FPSO) for a number of years. With the new technology now gaining wide acceptance and SBM Offshore's involvement in the design and construction of the turret for Prelude, the world's first FLNG facility, the Company believes that it is in a strong position to market its own FLNG concept. Building on its extensive experience in designing, executing and operating FPSOs, SBM Offshore, in conjunction with its partner Linde Engineering, has developed a mid-scale FLNG option, which converts existing LNG tankers into FLNG facilities – in a similar manner that SBM Offshore has successfully accomplished for oil FPSOs. The advantage of this concept includes lower costs and a shorter schedule than a new-build model. Going forward, this new market for gas will be a focus for the Company.

Terminals

To meet the challenges of the dynamic market for Terminals and After Sales Services, two independent entities fully dedicated to this business were created in October 2014, Imodco Terminals S.A. and Imodco Services S.A.

Clients will benefit from a more proactive partner in this area, a highly experienced and dedicated team, as well as a wealth of terminal technology. In its role as shareholder, SBM Offshore will strengthen its leadership on its historical business of CALM Buoys (the most widely-used offshore offloading Terminal) and relevant After Sales Services. The Imodco companies' objective is to become the recognised leader on the relevant technical and commercial innovations by providing bespoke solutions over the full life-cycle for Terminals.

Imodco is already the trusted partner of choice for mooring technology worldwide and builds upon SBM's offshore technology and relies on an accumulative experience of 87 years in the supply of Terminals worldwide.

Key achievements

FPSO *Cidade de Ilhabela*

November 2014 marked one of the Company's major achievements with the delivery and first oil of FPSO *Cidade de Ilhabela* for Petrobras offshore Brazil – in 2,140 metres water depth, the vessel is the deepest in the operating fleet; at 150,000 bpd of oil it has the largest capacity. The topsides weight totals 24,000 tonnes of which 12,500 tonnes (10 of the 18 modules) were built in the Company's Joint Venture Brasa yard in Brazil to satisfy local content regulations.

N'Goma FPSO

November 2014 marked the successful completion of the life extension and relocation of *N'Goma* FPSO, which started producing offshore Angola for Eni. Formerly the *FPSO Xikomba*– operating for Exxon for eight years, also offshore Angola – it was disconnected in 2011. SBM Offshore converted the large FPSO – which included a major upgrade of the hall, processing equipment, topsides and turret and new module integration. The construction and integration onboard of two complex modules took place at Paenal, the Company's Joint Venture shipyard in Angola. The vessel is operated by OPS – an equal joint venture company between Sonangol and SBM Offshore.

The two above FPSO projects demonstrate SBM's worldwide expertise and its EPCI capacity across the life-cycle, (see Chapter 2.4 Value chain for context) as well as illustrating the bespoke nature of FPSOs. The substantial investments associated with such complex facilities are an excellent example of SBM Offshore specialist position in the large conversion FPSO market.

FPSO *Cidade de Maricá* and FPSO *Cidade de Saquarema*

The twin FPSOs *Cidade de Maricá* and *Cidade de Saquarema* are undergoing construction and conversion work at the Chengxi (CXG) yard in China; the same yard that successfully completed the equivalent scope on FPSO *Cidade de Ilhabela*. The execution plan for the twin FPSOs will mirror that for *Ilhabela.* The vessels will be transferred in 2015 from China to the Brasa yard in Rio where integration of the hulls and the remaining topsides will take place. A significant number of the modules are being fabricated at Brasa. Progress was made according to schedule in 2014.

FPSO *Turritella*

SBM Offshore is currently constructing a state-of-the-art FPSO that will produce at record-breaking depth of 2,900m for Shell's Stones development in the Gulf of Mexico. Its pioneering, disconnectable, internal turret and mooring system are designed for the tropical storm conditions of the region. Once in operation in 2016, the FPSO will hold several world records, including deepest floating production unit ever installed, deepest FPSO and the first disconnectable system with Steel Catenary Risers.

With the delivery of two FPSO projects in 2014 and taking into account the construction of three FPSOs – FPSO *Cidade de Maricá*, FPSO *Cidade de Saquarema* and FPSO *Turritella*, SBM Offshore retains its position as leader in the industry of FPSO units in terms of Total / Average capacity in bpd.

Turret projects

The Company accomplished major progress as planned on three of the world's largest and most sophisticated turrets – 1) the Quad 204 turret mooring system for BP's FPSO *Glen Lyon*, 2) the turret for the Prelude FLNG for Shell in Australia and 3) the turret for *the Ichthys* FPSO for Inpex in Australia.

Semi-submersibles

The Thunder Hawk DeepDraft™ Semi – installed in July 2009 and located in just over 560 metres of water in the Gulf of Mexico – is producing for the Company's client Murphy. In July 2014, SBM Offshore signed a Production Handling Agreement (PHA) with Noble Energy to produce the Big Bend and Dantzler fields to the Thunder Hawk DeepDraft™ Semi. These additional tie-backs confirm the strategic value of the platform for deepwater Gulf of Mexico production. The

Thunder Hawk platform provides client Noble and its partners with a cost effective development solution.

FPSO *Kikeh*

Finally, 2014 marked the successful completion of a brownfiled project the Siakap North-Petai (SNP) tie-back to FPSO *Kikeh* offshore Malaysia. Since August 2007 FPSO *Kikeh* has successfully operated the Kikeh development on behalf of Client Murphy Oil. In February 2014, the successful tie-back to the SNP field for Murphy and its partners was completed. This resulted in the FPSO increasing production for the customer by accommodating two fields simultaneously – representing an economical and fast route to production for the customer. The modifications made to the FPSO were completed while minimising conversion time and CAPEX, as well as limiting any disruptions to the existing operation in the Kikeh field.

2.6 Competitive Landscape and Market Positioning

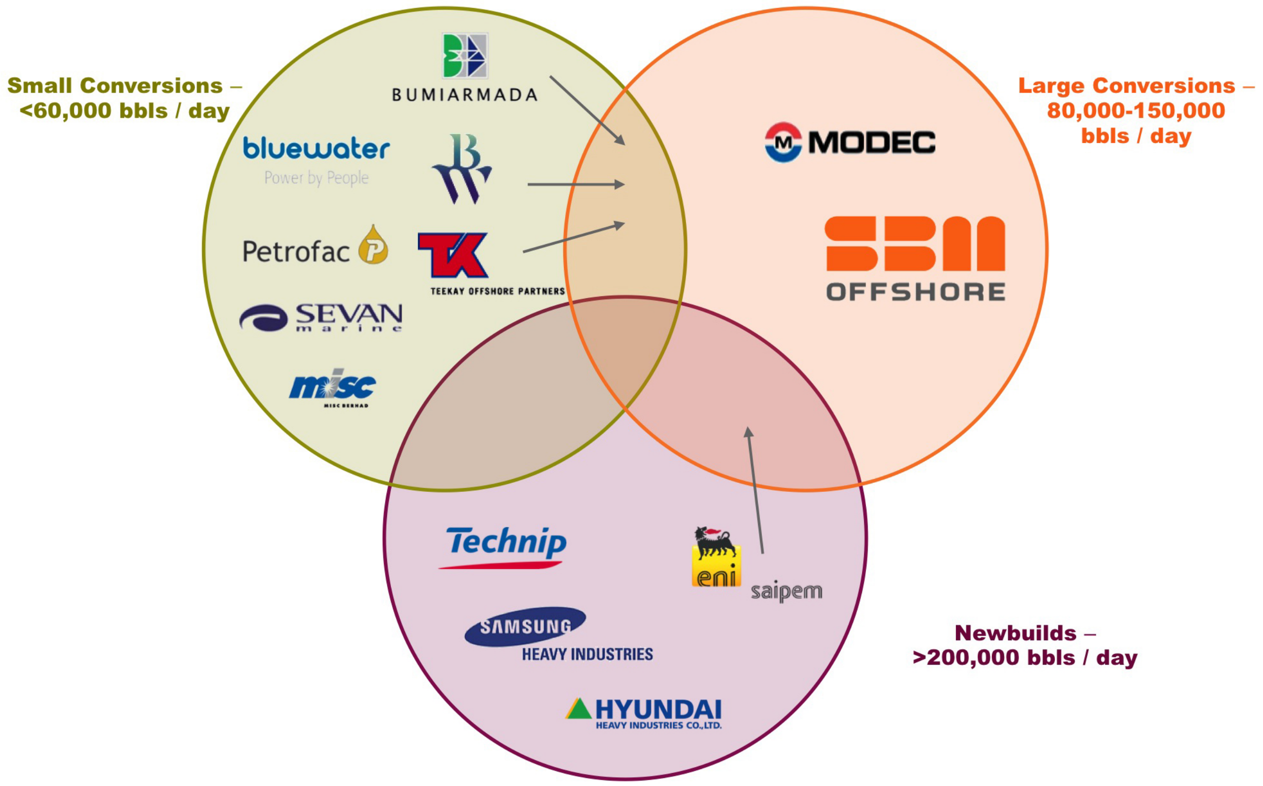
Segmentation in the FPSO Market

The global market for FPSOs can be roughly split into three segments, with SBM Offshore most active in large conversions:

a) Newbuild FPSOs: Capable of production volumes of over 200,000 barrels per day. This market is dominated by Korean shipyards with general contractors such as Saipem and Technip providing overall contract management services. SBM Offshore is involved in this segment as a supplier of large turret and mooring systems, such as Quad 204, Prelude and Ichthys. A new build FPSO project typically takes at least four years, at a cost of $2.5-3.0 billion.

b) Large conversion FPSOs: 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. This is SBM Offshore's main market. The Company's key competitor in this market is MODEC and to a lesser extent BW Offshore. 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 $1.5-2.0 billion.

c) Small conversion FPSOs: Based on smaller crude oil tankers, with production rates up to 60,000 barrels per day. SBM Offshore is not currently active in this market, which is served by companies such as Bumi Armada, Bluewater, BW Offshore, Sevan, Petrofac and others.



What all three market segments have in common is that FPSOs are built for specific fields. Each oil field has unique characteristics with different pressures, temperatures, oil/water/gas mixes, corrosive and/or H_2S elements, API factors etc. FPSOs are not commodities, as demonstrated by available laid-up FPSOs that cannot be used elsewhere due to their specific design.

Depending on the available construction capacity, other companies are stepping out of their segment and participating in tenders for FPSOs for which they have little experience. For clients, the decision is often driven by pricing considerations, but carries significant risks due to the unique challenges inherent in the different segments and the competencies required.

SBM Offshore's Positioning in the FPSO Market

Boundaries are fading as several competitors are developing execution capabilities for larger size conversion projects and hence obtain a position in SBM's focus market segment. To stay ahead of the competition, SBM Offshore is continuously developing new, differentiating solutions that meet the clients' demands identified earlier.

- An extensive Technology Development program that focuses on enabling access to new frontiers and production and on reducing the cost of existing solutions
- Leveraging the Company's experience and business model – that is already in place in Angola and Brazil – when entering new countries in order to develop local sustainable business, meet local content requirements and invest in the communities
- Promoting the Company's track record and historical outstanding performance in both project delivery and operations, which should provide clients the necessary comfort in their search for 'predictability of outcome'
- Offering economical 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 a few key contracts, 2014 was a slow year for the entire industry. With 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.

In response to the current climate and to re-ignite SBM's presence in the market, the Company has adjusted its organisation with effect from January 2015, with the aim to further improve its client-focus for a more collaborative, solution-driven approach.

To further match its clients' expectations as well as increase the Company's competitiveness, SBM Offshore revised its business development and acquisition approach in closer coordination with project execution, in addition to creating Regional Centres with a specialisation on a set of Product Lines.

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

3 Corporate Strategy & Sustainability

3.1 Introduction

Oivind Tangen – Group Strategy Director

"Feeding into the development of SBM Offshore's strategy and integrated business model are its growth drivers, its short, medium and long-term market views, the competitive environment, its people and its means of financing. By partnering with our clients at every stage, we can provide customised strategic solutions to allow them to exploit their fields in a cost effective and optimum manner. SBM Offshore strives to offer the greatest return on investment through the pursuit of collaborative opportunities."

SBM Offshore's Operating Model

SBM Offshore is the world's foremost supplier and operator of floating production solutions, predominantly FPSOs. The Company's clients are national and international oil companies that are active in deepwater offshore exploration and production activities. Where oil is discovered in commercially attractive volumes too far from the coast, or in waters too deep to have a pipeline infrastructure, oil companies need floating infrastructure to produce the oil at sea, separate the oil from the co-produced water and gas, re-inject the gas and water back into the reservoir when required and store the crude oil temporarily until a shuttle tanker arrives to offload it. SBM Offshore builds FPSOs by converting large crude oil tankers into floating production facilities, which comprises of strengthening the hulls, adding processing and compression equipment and mooring systems, allowing the vessels to stay above the fields for periods of up to 25 years – depending on the design life of the FPSO.

3.2 Corporate Strategy

SBM Offshore either builds the vessels for outright sale as a turnkey project or for long-term lease. The lease option offers clients a cost effective and flexible way to produce their reservoirs and allows them to benefit from SBM Offshore's 257 contract years of operating experience. Additionally, leasing saves the client the capital expenditures related to the vessel's construction, as it remains under SBM Offshore ownership or part ownership.

If the client requests the lease option, SBM Offshore will then enter into an 'operate and maintenance' contract with the client. Most long-term lease and operate contracts have further extension options, allowing the client to continue production if the field remains economically viable. When a contract ends, the vessel is either converted for a new contract or it is decommissioned and scrapped.

In addition to FPSOs, SBM Offshore has a track record in other solutions and products for the oil industry, including Turrets & Turret Mooring Systems, Semi-Submersible & Tension Leg Platform (TLP) production units, Topsides and also Turrets for FLNG units, as well as brownfield activities.

No Volume or Oil Price Exposure

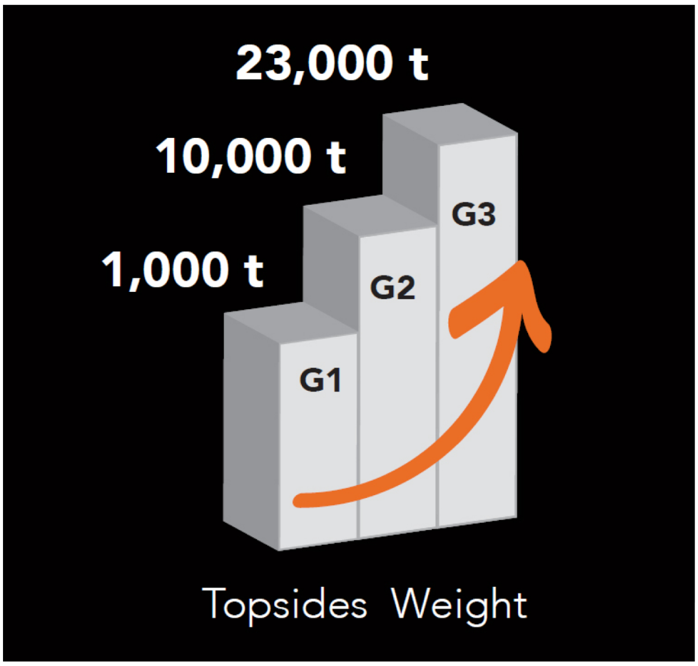
At the end of 2014, SBM Offshore had a fleet of 11 FPSOs, 2 FSOs, 1 Semi-sub and 1 MOPU on-hire and a further three FPSOs under construction. A unique feature of the lease and operate contracts is that they provide a stable source of income. A daily lease rate is negotiated at the beginning of the contract, and this rate will remain fixed for the entire length of the contract, irrespective of actual production volume or the price of oil. In the case where the oil reservoir disappoints, the oil company bears the risk[1]; in the case where the oil price drops, the oil company bears the consequences – not SBM Offshore. The Company is incentivised to maintain high uptimes through bonus payments. Built-in equipment redundancies allow the Company to continuously maintain the facilities, while production continues. Throughout SBM Offshore's history of operating floating facilities, it has achieved an uptime of more than 99%. The experience gained in operating the vessels, in often harsh offshore environments, is translated into the design of the latest vessels and into life extension upgrades.

Deeper, Harsher, Older, Colder, Larger

The trend in offshore exploration discoveries is moving into increasingly deeper waters and harsher climates, which require more complex and heavy processing installations. As a result, the costs of the FPSOs are increasing with these complex challenges. Additionally, lease contracts are for longer periods, up to 20 years.

SBM Offshore has a targeted Research and Development (R&D) programme, addressing these challenges, pushing the technological boundaries and opening up new frontiers for the oil companies to start production in these complex environments. Other initiatives in the R&D programme are focussed on supporting the goal of cost reduction.

See section 3.2.2.2 for details on technology as a growth driver for the Company.



Drivers of cost increase for FPSOs

Generation 1
No compression or water injection
Topside weight < 1,000 tons

Generation 2
Conventional compression
Topsides 5,000 – 10,000 tons

Generation 3
Deep & Ultra deep water
Complex gas processing
Advanced compression
Topsides > 20,000 tons

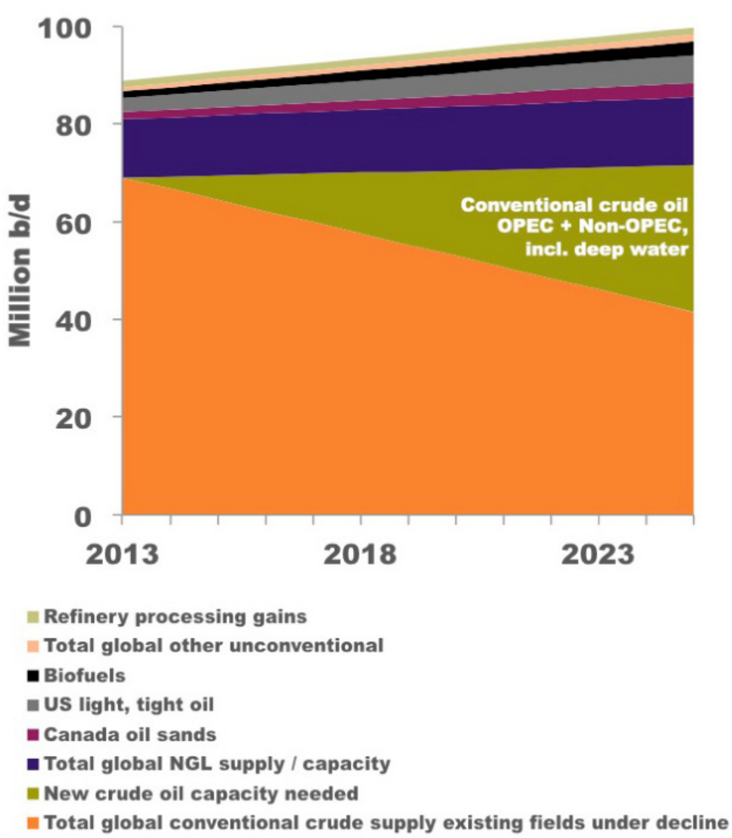
[1]There is one exception: The Thunder Hawk contract is a Production Handling Agreement, with a minimum fixed rent and a production fee.

Sticking to Core Competencies

To leverage its strengths, SBM Offshore is remaining close to its core competencies of hull conversions, process design and turret and mooring systems for floating production solutions. Previous product diversifications entered into almost ten years ago led to significant losses. In addition, SBM Offshore is investing heavily in enhancing its systems and procedures in order to deliver its complex products to clients on time and on budget.

The FPSO Market

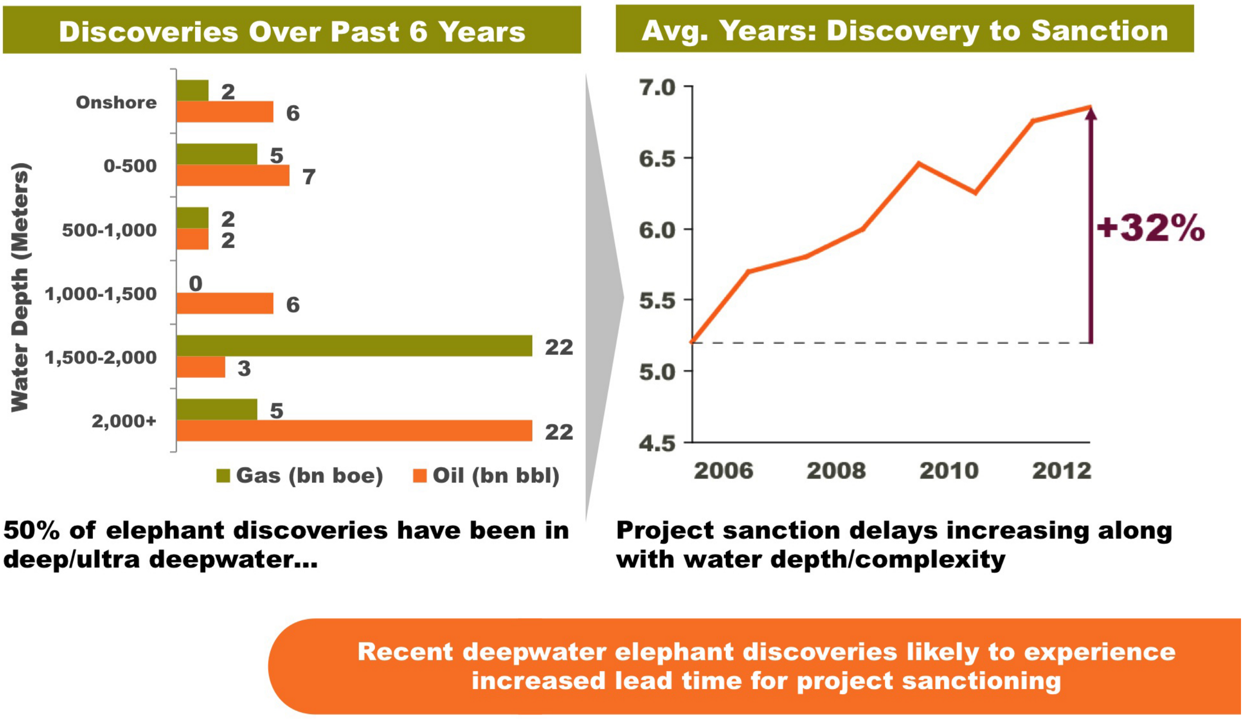
Oil remains the fuel of choice for transportation purposes and this is not expected to change materially in the foreseeable future. As onshore oil fields are rapidly depleting and no new on- or near-shore oil fields of significance are discovered, the dependence on deep water oil discoveries is increasing. In most cases unlocking deep water reservoirs require FPSOs. Significant deepwater oil discoveries have been made in Brazil, West Africa, and the Gulf of Mexico. Therefore, the market outlook in the medium to long term for FPSOs remains strong and SBM Offshore expects to see 15 to 20 FPSO awards per year across all three segments in the medium term. However, as part of its strategy the Company needs to take into account the longer award cycle and increasing lead time for project sanctioning.



Source: JOSCO Energy Finance & Strategy Consultancy 2014; Wood Mackenzie, March 2014; IEA MTOMR, June 2014; Goldman Sachs, May 16, 2014

Supply side

From 2013 to 2025, world oil demand is expected to increase from 91.4 mn to 99.1 mn bbls/d. At best the growth of unconventional oil supply just meets growth in global oil demand. New reserves (of conventional oil) must be developed. In addition, there is a need to replace lost production of currently producing oil fields with declining output of about 30 mln b/d up to 2025 (green in the chart on the left).



Source: Goldman Sachs; ExxonMobil; Douglas Westwood FPS report 2013-2017.

Cyclical Challenges in the Short term

In the short term, deepwater oil developments are facing cyclical challenges. Development costs have increased steeply in recent years, to the point where the marginal production costs are close to or at levels where oil companies cap their investments. Many oil companies face free cash flow challenges to keep their production levels flat, leading to careful consideration and reconsideration of large investment commitments. As a result, fewer awards are coming through and the offshore services industry at large is facing overcapacity. Perhaps most visible is the decline of offshore drilling day rates; the boom of the last few years has led to many new rigs coming into service that are competing for employment.

Secondly, the supply and demand balance for oil has been affected by the increase in US shale oil production, the lower consumption growth in emerging economies such as China, and OPECs decision to maintain current production levels. This has resulted in a sharp decrease in the price of oil from approximately $110/bbl in the summer of 2014 to $70/bbl at the end of the year. Lower oil prices, in combination with increased costs, will halt several deepwater developments until such time that the impact on marginal production becomes clear and a new equilibrium in supply/demand and pricing has been established. SBM Offshore anticipates that this will take time and could extend into 2016.

The backdrop for the Company's strategy is therefore a hesitant market in view of the uncertain oil market and increasing production costs, combined with competition stepping up into its market segment.

3.2.1 Company Values

The vision and values were created in collaboration with SBM Offshore's Executive Committee and are considered the key elements that will drive the successful implementation of the Company's strategy. They will be communicated to the entire Company in the first quarter of 2015.

Values

Entrepreneurship

SBM Offshore delivers innovative, fit-for-purpose solutions with passion to exceed customer needs and proactively strives to achieve sustainable growth. The Company enables people to take a risk-based approach to winning business and do the right thing for the Company.

Care

SBM Offshore respects others, values teamwork and diversity, and cares for its clients and community.

Integrity

SBM Offshore does the right thing and acts professionally.

Ownership

Each employee at SBM Offshore is accountable for contributing to delivering on the Company's commitments and pursuing its goals with energy and tenacity.

Guiding Principles

To SBM Offshore's clients: We listen

We understand the offshore production business in its entirety and can leverage our unrivalled experience and expertise to supply exactly what our clients' need, whatever the demands of the offshore environment.

To SBM Offshore's shareholders: The Company will use its expertise and technological know-how to create sustainable value.

SBM Offshore is the most experienced solutions provider in the offshore energy production market – a position that gives the Company a 'preferred supplier' status, and enables SBM Offshore to deliver superior financial returns whilst maintaining a good risk/reward balance.

To SBM Offshore's business partners: Building long-term partnerships will remain key to the Company's success and ability to deliver.

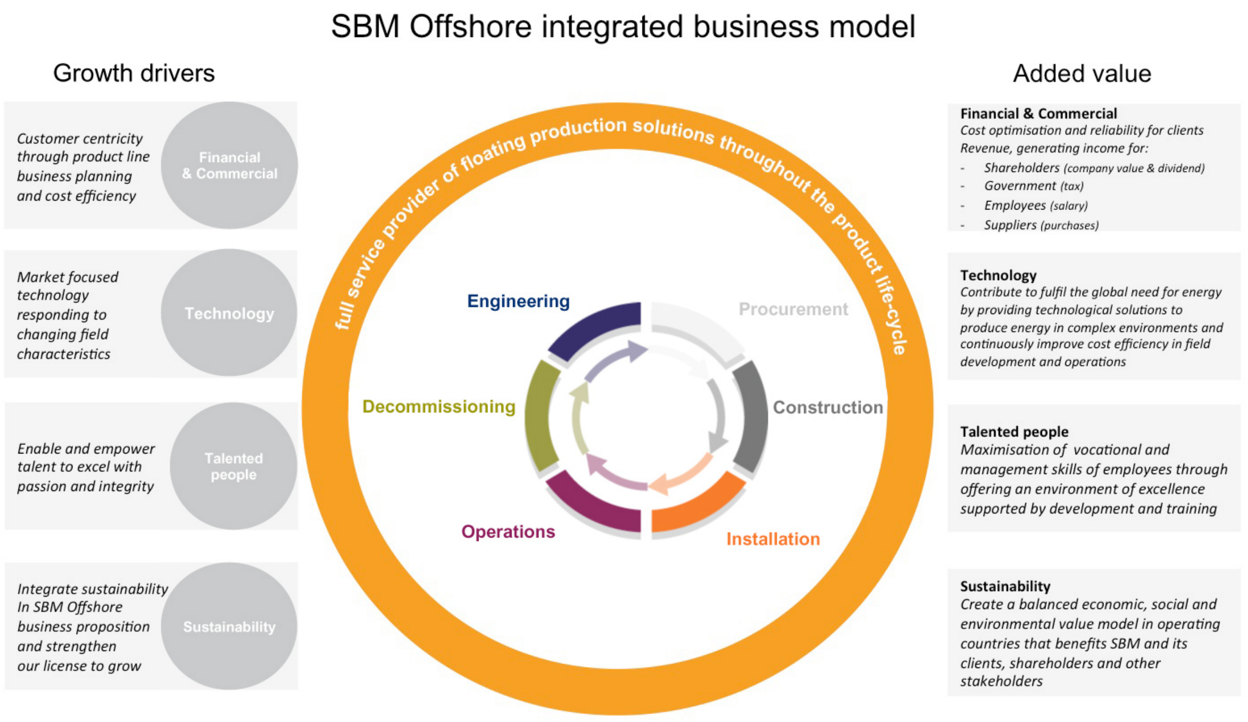
SBM Offshore is dedicated to building deep, long-term relationships with its business partners so, together, we can confidently supply the needs of all our clients throughout the entire product life-cycle.

To SBM Offshore employees: A safe and stimulating working environment.

The Company aims to attract and retain a diverse and highly talented workforce, and will maximise their opportunities for success by providing stimulating challenges, excellent training and reward – all in an incident free workplace.

3.2.2 Growth Drivers

By defining growth drivers that strengthen its business proposition, SBM Offshore ensures that it offers differentiated products and a service that matches clients' needs with the assurance of excellent performance throughout the full product life-cycle. Each growth driver combined with their synergies maximise the added value for clients, shareholders and other stakeholders. An elaboration on the Company strategy with regards to the growth drivers follows.



Growth Driver: Financial and Commercial

Customer Centricity – Bringing SBM Offshore Closer to its Clients

Driving SBM Offshore's commercial and financial strategy is the Company's focus on global opportunities, its state of readiness to react to the market and the priority given to client needs supported by a solid understanding and management of commercial and financial risks and opportunities. This focus goes hand-in-hand with SBM Offshore's belief that continuous and improved client interaction will contribute to a greater alignment of views on the appropriate risk/reward balance and cost management in a sustainable manner beneficial to SBM Offshore, its clients and its stakeholders.

Restructure Along Product Lines

To weather the challenges and use them to its advantage, the Company decided to streamline the organisation from 2015 by focusing each of its five Regional Centres on specific products. SBM Offshore believes that this will bring the Company closer to its clients and will reinforce the Company's business proposition. The Management Board believes that this step will ensure SBM Offshore's future success in the evolving business environment. In addition, it will deepen the Company's knowledge base and focus SBM Offshore's talent on operational excellence for each product line.

In the new organisation, business ownership will be brought to a product level; with product lines enjoying the full strength and experience of a dedicated team in each Regional Centre and the synergies between the product lines maximised by top management.

The products are derived from the core competencies already existing in the Company. In place will be a more agile organisation with a more diversified product offering focused on operational excellence and an improved management of the cost base. This will be combined with stronger means to develop tomorrow's managers through an increased portfolio of leadership roles that empower them to grow the business.

The new organisational model along Product Lines involves implementation of the following improvements:

- Revision of the business development and acquisition approach in closer coordination with project execution
- Specialisation of each Regional Centre along a set of product lines with clear ownership and accountability
- Further development of integrated project teams

A Product Line is defined as a distinct product sold or marketed to an external or an internal client. Product Lines as organisational units (i.e. Regional Centres) will have responsibility over their own profit and loss. The centres will also be in charge of acquiring business through their own Sales team with the support of a central Marketing & Business Development function, and to capture, further refine and maintain the product memory of the respective products. For example, one central product line will be totally dedicated to FPSOs, the Company's key offering. The product lines will be managed by the five Regional Centres in Monaco, Schiedam, Kuala Lumpur, Houston and Rio de Janeiro. Group Sales and Marketing will remain accountable for Business Development including functional responsibility for Business Acquisition & Proposals.

Reposition Strategic Product Portfolio

Rejuvenating its strategic product portfolio – while keeping its focus firmly on the high-end, high-technology FPSO segment – ensures that SBM Offshore offers a complete spectrum of products to accommodate all floating production needs. Based on its know-how and strong historical track record in other segments, such as Semisubmersible & TLP production units, turret & mooring systems, topsides and brownfield projects, the Company will reposition its portfolio by enlarging the envelope and explicitly including these trusted solutions. In addition, SBM Offshore will continue to leverage its expertise in turrets for the new FLNG segment and will commercialise its own FLNG design for production.

Risk Reward Balance

One way to counter the trend of a hesitant market in view of slow demand for oil and increasing production costs, combined with competitors encroaching on SBM Offshore's market segment, is to step away from the risk-reward ambitions that the company has set itself. However, this is not a responsible solution in the Management Board's view. Given the inherent risks in project construction, the long construction period and the one-off nature of the projects, the risks of being saddled with loss making projects for years to come is clearly not in the interest of shareholders. Therefore, the company will maintain its pricing discipline when participating in the ongoing tenders.

The low order intake momentum affects SBM Offshore's turnkey business and the Company has had to take tough measures to reduce its engineering capacity. By retaining the core staff capable of handling the large complex projects, the Company has taken great care not to weaken its position in the medium term, when it expects the market to come back with a strong demand for FPSOs.

Focus on Cost Efficiency

The technical solutions required to develop deepwater fields are complex, expensive and require substantial amounts of upfront investment before any production is achieved. An increasing number of parties participate in field development, adding complexity to contractual agreements and liabilities. The investments in FPSOs are financed from a diverse financial base and are mostly shared with SBM Offshore's joint venture partners. From the client's perspective, there is increasing involvement from partners in the field and national oil companies on how the fields are developed. These complexities have led to higher CAPEX levels, local content development and generally longer lead times to production, putting pressure on the returns of SBM Offshore's clients who now seek solutions to reduce costs.

The temporary drop in engineering activities also provides an opportunity to focus SBM Offshore's attention on costs and quality improvement projects, as well as on R&D. In 2013, the Company started a project called Odyssey 24, with the task to transform the Company's ways of working in critical areas, such as project supply chain and cash flow management, as well as putting in place improved formal management systems. This project is expected to result in significant cost savings for SBM Offshore's future FPSOs. Continued investment in R&D is expected to open up new commercial opportunities such as for FLNG.

Risk Concentration

SBM Offshore operates predominantly in deepwater areas. The primary areas of development for oil in deepwater are concentrated in Brazil, West Africa and the Gulf of Mexico. SBM Offshore aspires to a well-balanced regional portfolio, but is currently heavily concentrated in Brazil, as that is where most deepwater developments are taking place. Medium-term prospects outside Brazil are attractive and offer opportunities to build upon a better spread for the Company's portfolio of activities. Mexico is a clear example of this. See chapter 4.4 for the full outline of SBM Offshore's risk and opportunity management strategy.

Reliability

Reliability goes hand in hand with superior financial results by guaranteeing safe, high level performance during offshore operations and timely delivery of FPSOs and other products. World-class operational excellence is determined by the Company's high-quality products and talented, high-achieving personnel.

SBM Offshore relentlessly focuses on quality, health, safety and environment as is evidenced by increased training, supervision, measurements of relevant lagging and leading indicators, as well as close collaboration with clients and contractors at the yards and offices where the execution of activities takes place.

One area of particular attention is the focus given to a strong compliance culture. Following the discovery of potentially improper sales practices some years ago, SBM Offshore has put in place a comprehensive compliance programme, which has been independently tested and verified in the course of 2013 and again in 2014, and is judged to be better than industry average. As there is no room for complacency in this respect, the programmes remain in full force. See chapter 4.5 for a full outline of the Company's Compliance strategy.

With its focus on reliability the Company has laid a strong foundation to comply with requirements for the ESG (Environment, Social and Governance) criteria of lenders and investors.

Funding

The lease and operate model, where SBM Offshore owns the FPSOs, leases them to clients, and operates them for the duration of the project puts significant pressure on the Company's balance sheet. SBM Offshore uses both corporate and project finance products. Recently, the Company tapped new sources of funding to diversify and reduce its dependence on traditional project finance provided by international banks.

Joint Venture Structures

When SBM Offshore signs a new FPSO contract, it generally sets up a joint venture (JV) with one or several partners, while maintaining at least 50% ownership. The JV is the formal contracting party that contracts with the client and places the purchase order for the FPSO with SBM Offshore serving as project contractor. In this set-up, the project risk remains mostly with SBM Offshore, while the partners co-fund their share of the construction lump-sum cost. The JV also arranges project finance, with a pre-completion guarantee from the parents and a non-recourse structure once the FPSO is on hire. JV partners include local national oil companies such as Sonangol in Angola, industry partners such as Queiroz Galvão Óleo e Gás S.A. (QGOG), MISC Bhd and Nippon Yusen Kaisha (NYK) and financial partners such as Mitsubishi Corporation.

Borrowing

At the corporate level, SBM Offshore has a revolving credit facility (RCF) of $1 billion, which can be drawn and repaid as needed. It is a source of flexibility, renewed end 2014 for a five-year term with two extensions of one year. The RCF contains financial covenants that are specified elsewhere in this report. In principle, the company intends to use, on average, 50% or less of the RCF's capacity. The Company has a medium-term objective to issue corporate bonds, which would require a credit rating. In view of the close out of several legacy issues as well as the current low order intake environment, it is not possible to specify when this objective will be achieved. In 2014, a US Private Placement was secured for the Deep Panuke Production Field Centre and project financing for FPSO *Cidade de Maricá.*

Master Limited Partnership

In November 2014, SBM Offshore announced its intention to launch another financing instrument, a master limited partnership or MLP. This US-listed instrument will include some or part of SBM Offshore's equity in a number of FPSOs and is attractive due to the strong valuation characteristics and the opportunity for follow-on issuances to fund the growth of the portfolio in the medium to long term. The instrument is immediately value accretive for SBM Offshore's shareholders and the initial offering is expected for later in 2015.

Scenario Analysis

As part of the annual strategy review, SBM Offshore creates a three-year financial plan to quantify financial targets and to test its financial ambitions against a number of scenarios. As the current market situation makes abundantly clear, the future, even in the short term is uncertain, and the company needs to be ready to deal with all eventualities. The scenario analysis highlights the following distinct features that are important in the assessment of SBM Offshore's strengths and weaknesses.

Growth Driver: Technology

Market focused technology

SBM Offshore has a long, proud history of innovative technology and the Company continues this strong focus and investment with a targeted Research and Development programme to maintain its recognised position as a leading pioneer. In an ongoing process the Company develops technologies that enable clients to develop and operate fields under increasingly complex circumstances as well as breaking through barriers to develop new frontiers. Several global trends in the location and types of reservoirs give SBM Offshore the impetus to innovate and meet the clients' needs:

- Exploration in ever deeper waters
- Deeper reservoirs being discovered and developed
- Demand for cleaner energy such as gas
- Frontier areas being explored
- Harsher environmental conditions for some new fields

A good example is the FPSO that SBM Offshore is currently constructing for Shell's Stones ultra-deepwater development in the Gulf of Mexico. The project presents several world first developments, and SBM Offshore is proud to have the confidence of its client and contribute to this ground-breaking project.

Other ongoing projects in the R&D programme include:

- Process minimisation, to reduce the weight of the process facilities
- Standardisation to speed up the typical construction time of an FPSO
- Very High Pressure (VHP) Fluid Swivel for the Company's turrets to deal with the very high pressure and high temperatures in certain ultra-deep reservoirs
- Mid-scale FLNG
- Technologies that enable permanent mooring in cyclonic areas.

A specific project for design optimisation to reduce FPSO topsides weight and the associated costs was launched by SBM Offshore in 2014. An element linked to this in field operations is the strong drive towards cost reduction, resulting in the need for technology that enables enhanced oil recovery and the extension of life of equipment.

SBM Offshore's ambition is to focus even more on clients' technology needs by obtaining more input on market trends through its new Product Line organisation enabling the Company to respond more quickly to developments and to provide for even more bespoke solutions. SBM Offshore will continue to share its latest innovations with clients during its 'Technology days' and embrace their input to the dialogue in order to tailor solutions to the client's exact needs.

SBM Offshore sees an increasing importance in the development of innovative, sustainable technology that creates added value for stakeholders. For more information see chapter 3.3 on sustainability.

2,900m - a new depth for SBM Offshore and the industry in 2016

What sets apart FPSO *Turritella* is that at 2,900m it breaks the existing water depth for all production units in a harsh environment and using steel risers. The FPSO was designed by SBM Offshore and the Company is currently constructing the vessel, which will be the world's deepest floating production facility once in production in the first half of 2016. It can also claim to be the first disconnectable FPSO with steel risers. The Shell Stones project with its ground-breaking technology will allow SBM Offshore to cement its position as leader in offshore deep water operations.

Growth Driver: Talented people

Enable and Empower Talent

SBM Offshore is ultimately defined by the capabilities of its people. The Company has grown significantly over the last five years and it is catching up by putting in place fit-for-purpose people management systems, such as talent management, training and recruitment programmes, appraisal programmes, broad staff communication tools and client engagement skills. Also, SBM Offshore has invested heavily in professionalising its non-engineering positions over the past few years.

In conducting its business activities, SBM Offshore strives to maintain an employment policy focusing on ethics, transparency and equity. The Company wants to promote equal opportunities and social responsibility in order to cultivate a diverse, multi-cultural and respectful workforce whose principal drivers are entrepreneurialism, team energy and pride. Since its employees are key to the success of the Company it is continuously working on the attraction, retention and development of talent and encouraging an environment of excellence and ambition within which each employee can maximise his/her skills. See chapter 4.9 Human Resources for a full outline of the strategy and programmes.

SBM Offshore's global talent strategy is of a great importance as it underpins all activities. It adds value by understanding where the business is going and linking human capital requirements to deliver the business results for the short and long term. To strengthen its talent strategy, the Company has performed an external best-in-class benchmark across talent acquisition, development, deployment and retention practices. In the benchmark, SBM Offshore needs were identified in order to attract and select the best talent, develop overall employee capability, and develop successors to the Company's key leadership roles. Well thought out methodologies and effectively trained leaders will increase SBM Offshore's competitive edge in securing its global talent pipeline.

Growth Driver: Sustainability

License to Grow

SBM Offshore believes in doing business that benefits clients, employees, shareholders and society in general. SBM Offshore considers this to be its fundamental 'License to Operate' and is well embedded in the Group's operations and functions and plays an essential part in its continuous improvement programs.

Carrying the Company beyond compliance, SBM Offshore believes that sustainability creates its 'License to Grow' and will provide the Company with a competitive edge for future business. 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.

The Company's strategy for sustainability is focused at its *License to Grow* for which four material themes have been defined:

- Manage the environmental impact of all activities by optimising the footprint of SBM Offshore's operations and embed sustainability in the full product lifecycle
- Shape sustainable offshore solutions with the clients and engage with them to enhance field recovery through technology innovations
- Create a sustainable, integrated supply chain aimed at the development of sustainable products, services and business models
- Foster local development and enhance the positive socio-economic impact in the countries in which the Company operates through employee development and local community programs

See chapter 3.3 Sustainability Strategy for a full outline. See chapter 7.0 Performance Indicators, which gives an all-encompassing overview of the non-financial performance in the context of the GRI G4 standard and guidelines.

3.3 Sustainability Strategy

3.3.1 Introduction

Sebastiaan de Ronde Bresser - Group Sustainability Director

“SBM Offshore 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 in all its activities. Sustainable development is an important growth driver for SBM Offshore’s business and operations. It distinguishes its sustainability policies between ‘license to operate’ and ‘license to grow.”

Embedding sustainability as a way of working in SBM Offshore is founded on continuous engagement with its employees via special events in all locations and through Company-wide communications. In addition, reporting on successful sustainable initiatives, charity projects and donations will improve awareness and further encourage engagement. For this purpose and with the support of Odyssey 24 transformation program, Sustainability processes have been created and represent one of the 19 key processes, with which SBM Offshore runs its business.

A community of employees promoting sustainability principles within the company has been initiated with “champions” taking on sustainability roles alongside their regular jobs. At a management level, the Chief Governance and Compliance Officer is responsible for the sustainability strategy with implementation under responsibility of the Group Sustainability Director. In Brazil, a country based Sustainability Manager was appointed this year to focus on the Brazilian activities – including the Brasa shipyard – and to increase their local impact.

In 2015 the Company will start the implementation of its new policies and develop performance indicators. In next year’s Annual Report SBM Offshore will report on performance, including several key performance indicators.

Sustainable development is an important growth driver for SBM Offshore’s business and operations. The Company distinguishes its sustainability policies between ‘license to operate’ and ‘license to grow:

License to operate refers to the standards required to operate in accordance with the law and regulations on ethics, safety, health, quality, labour standards, environmental standards, governance, and client specifications. SBM Offshore has a long history on managing and reporting its performance on the license to operate aspects. See Chapters 4.0 and 7.0 for more information.

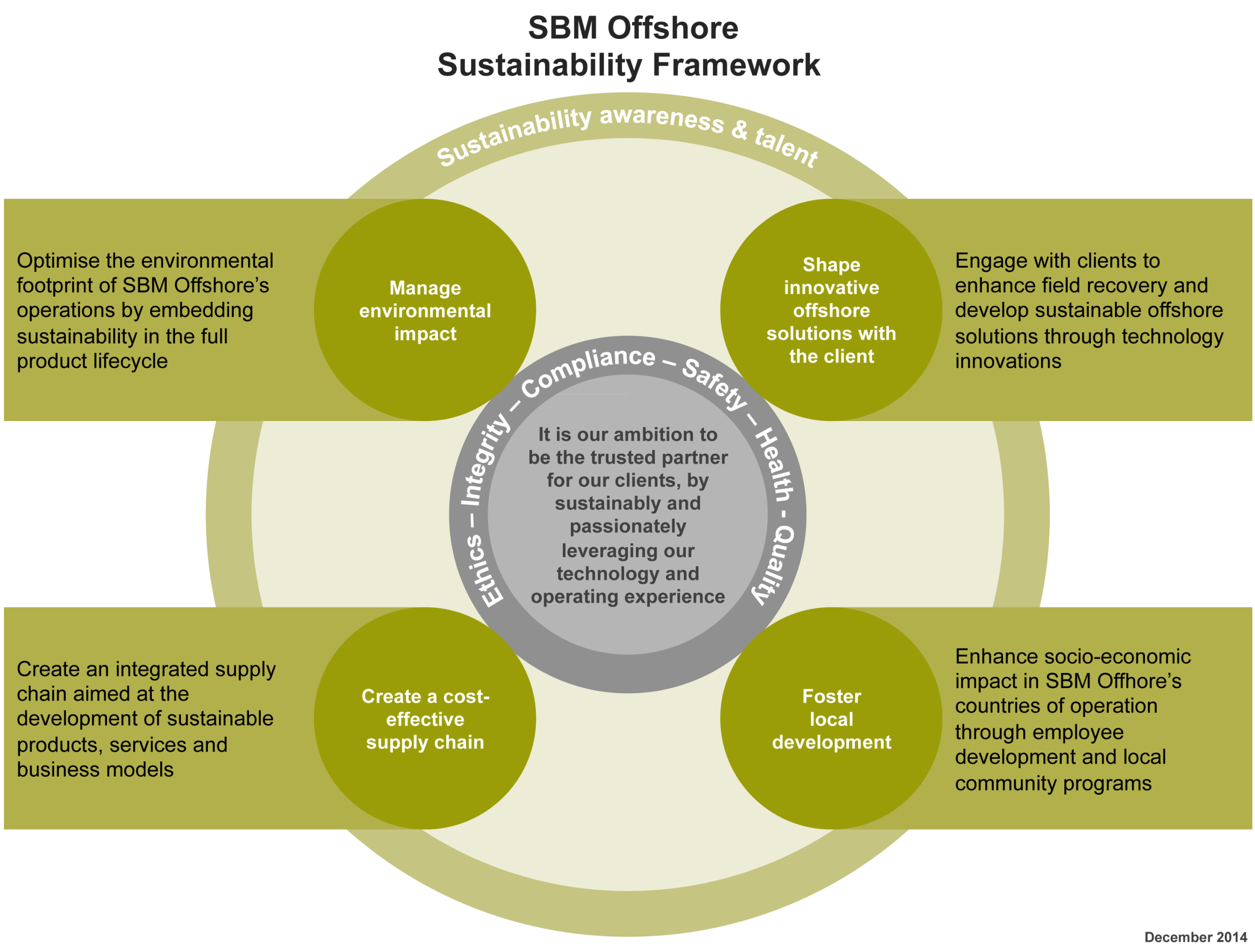
Licence to grow requires SBM Offshore to look above and beyond the rules and regulations, to grow its business in a sustainable manner, while creating a competitive edge and in parallel maintaining a healthy balance in the environmental, social and economic impact of its activities. The elements in the license to grow have been newly developed this year and are explained in more detail in this section. In 2015 the Company will start the implementation of its new policies and develop performance indicators. In next year’s Annual Report SBM Offshore will report on performance, including some performance indicators.

SBM Offshore, together with its stakeholders, has performed a materiality analysis to identify four themes and objectives critical for sustainable growth as summarised in the Sustainability Framework below. The Company's ambition is central in the framework, supported by key principles of ethics, integrity, compliance, safety, health and quality. Together with an overall focus on creating awareness and talent, these guiding principles are core to the license to operate and grow.

Sustainability reporting and benchmarks

SBM Offshore commits to reporting its sustainability performance in a transparent manner and will identify indicators for its sustainability policies that reflect all the material topics within this chapter. The introduction of the Global Reporting Initiative (GRI) G4 reporting standard in 2014 will improve the Company's reporting and will demonstrate that its financial and non-financial performance creates shared value.

SBM Offshore's sustainability performance continues to improve and it has been included in the Dow Jones Sustainability Index World (DJSI) index for the fifth consecutive year. Other external institutes like the Carbon Disclosure Project (CDP), De Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO) and the Transparency Dutch Benchmark of the Ministry of Economic Affairs of the Netherlands, have also rated the Company providing it with useful feedback on its performance. See chapter 7.0 Performance indicators for detailed results on sustainability.



The framework addresses both “license to operate” and “license to grow” elements of the company with a focus on four themes:

- Shape innovative offshore solutions with the client

- Foster local development

- Manage environmental impact

- Create a cost-effective supply chain

3.3.2 Materiality

In 2014, SBM Offshore conducted a materiality assessment to focus its strategy and policies and to report on the activities that matter most to the Company and its stakeholders. See chapter 2.2 Shareholder Information and Stakeholder engagement for more details.

A list of potential material topics based on GRI aspects, desk research on industry topics and a peer review were compiled and further cross-checked with internal and external stakeholders before a short-list was discussed and finalised with SBM Offshore’s Management Board and Executive Committee for integration into the company’s sustainability strategy framework.

The table below further embeds the material topics along the sustainability policies of license to operate’ and ‘license to grow’.

Material aspects	Explanation	Chapter
	license to operate	
Economic performance Revenue, Profit Expenditures on salaries, dividend, supplies, taxes	The Company business model will for the coming decades be supported by global demand for oil, gas and energy. With its business and revenues SBM Offshore provides for salaries to its employees, value for shareholders and expenditures that benefit suppliers and governments.	6
Governance & Compliance Compliance; applicable law and regulations Anti-bribery & corruption	SBM Offshore is committed to conducting business activities in an honest, ethical, respectful and professional manner. Through these principles SBM engages to fight corruption and its damaging repercussions on society and trade. Its ability to achieve sustainable business success is reliant on the Company's commitment to maintaining the highest standards of professional and ethical behaviour and compliance with laws as was evidenced in the legacy issues the Company experienced.	4.3 / 4.12 & 7.2
Human Resources Attract & retain talent, Training & education Ownership & accountability Diversity & equal opportunity Equal remuneration Human rights / labour rights	The quality and reliability of SBM Offshore products and services depend on the skills and dedication of its employees. Complexity of projects and technology is increasing and it is vital to the Company to develop from within in combination with attracting the best industry talent, to uphold its superior know-how. Since SBM Offshore has its business spread over six continents, it complies with the diverse law labour rights, diversity and equal opportunities.	4.9 & 7.2
Health & Safety & Security Occupational health & safety Health & safety culture Accidents & fatalities Security in all operating areas	In SBM Offshore activities there are significant health and safety risks for employees. The Company has a long tradition of control and management of occupational health and safety issues. SBM Offshore policies are supported by client requirements on HSS.	4.8.2, 4.8.3, 4.8.4 & 7.2
Environment Emissions, Effluents and waste Energy, Water & Process safety	SBM Offshore endeavours to operate in an environmentally and sustainable manner, in order to minimise damage to local ecosystems as well as proactively protect the environment, paying particular attention to three key environmental challenges: • Oil spills – by strictly following set procedures in operations and ensuring control measures are in place • Unnecessary flaring or emissions into the sea or air – by avoiding when possible • Excessive use of energy - by encouraging reduced consumption and re-use.	4.8.3, 4.8.6 & 7.2

Material aspects	Explanation	Chapter
	license to grow	
Shape sustainable offshore solutions with clients Solutions to improve field economics for clients, Commercialisation of mid-scale FLNG, Develop sustainable end-of-life solutions with client, Renewables technology	SBM Offshore is highly client focused and intends to engage with clients in its sustainability efforts. The Company sees opportunities for positive impact through the engagement with clients to enhance field recovery and develop sustainable offshore solutions through technology innovations and for renewable energy.	3.3
Foster local development SBM Academy, Socio-economic, impact assessment and improvement initiatives, Support life necessities, Senior management hired locally	For SBM Offshore foster local development goes beyond compliance to local content, and refers to commitment to stimulate local and national development in the countries it operates. The Company engages locally and nationally to have a positive impact on economic and social development, through its core business and focus on employee development and local community programs. This requires close contact and dialogue with relevant stakeholders.	3.3
Manage environmental impact Environmental footprint standard for FPSO operations, Eco design options for FPSO operations, Circular model CALM buoy, Reduction environmental impact in execution and offices	For SBM Offshore managing environmental impact goes beyond compliance to environmental protection, and refers to environmental friendly innovations in design and operations of FPSOs. The Company ambition is to optimise the environmental footprint of SBM Offshore's operations by embedding sustainability in the full product lifecycle.	3.3
Sustainable supply chain Supply chain charter, Develop circular equipment supply profile, Local supply base of preferred vendors	SBM Offshore sees opportunities for increase in positive impact through the engagement of supply chain partners in its sustainability efforts. An integrated supply chain aimed at the development of sustainable products and services supports reduction of social and environmental risks, local development and circular business models.	3.3

3.3.3 Shape Innovative Offshore Solutions with the Client

Engage with clients to enhance field recovery and develop sustainable offshore solutions through technology innovations.

SBM Offshore strives to be client focused and works together with its clients on its sustainability efforts. The Company focuses on providing services from or on the FPSO, which improve production recovery and/or reduce overall costs for the operator. Solutions focus on the complete lifecycle of the oil and gas field including liaising with drilling and subsea activities, which are not directly in the Company's scope; lower carbon footprint solutions to help offset potential costs (e.g. taxation on greenhouse gas emissions) and which could improve marginal field economics.

Decommissioning, demobilisation and consequent disposal of the FPSO have an effect on the environment and society, and needs to be managed whilst minimising the impact. Together with its partners, SBM Offshore is currently working on decommissioning two vessels. The execution of these decommissioning contracts will be analysed with the intention to identify further sustainable options for future contracts.

Policy for decommissioning

A Company-wide Vessel Recycling Policy is under final review and aims to recycle safely and environmentally responsible all vessels and structures at the end of their useful life. The Company adheres not only to applicable laws, rules and regulations, but also to international guidelines such as the *International Convention for the Safe and Environmentally Sound Recycling of Ships* (the 'Hong Kong Convention') of the *International Maritime Organization*of the United Nations. SBM Offshore will discuss with all joint venture partners involved its aim to minimise the social impact and environmental footprint related to all recycling activities at the end of life. Under the Odyssey 24 transformation program the process for decommissioning of FPSOs is being developed as part of SBM Offshore's new Global Enterprise Management System (GEMS).

LNG is considered to be a more sustainable energy resource than oil and currently stranded offshore gas fields are being commercialised by enabling FLNG technology. FLNG vessels based on LNG tanker conversions can replicate the success of converted FPSOs. Drawing on the experience from the global FPSO fleet, SBM Offshore has developed its own solution, called the mid-scale FLNG Twin Hull concept. The intention is to measure the environmental and social impact of using a FLNG solution compared to traditional oil producing FPSOs, to support sustainability claims.

"We can transfer the knowledge and experience we have on FPSOs to FLNG, for SBM Offshore it is a natural evolution."

Mike Wyllie - Group Technology Director

The world is seeking cleaner energy to reduce carbon emissions and this is reflected in the huge growth in demand for LNG as a fuel. In the last years the technology for floating LNG has steadily matured. SBM is already involved in supplying mooring systems for floating LNG vessels. Our ambition is to progress into the full lease & operate of midscale FLNG, in the same way that we do for FPSOs. It is a natural evolution for SBM to transfer the knowledge and experience we have on FPSO design, construction, operations and maintenance to Floating LNG. We are partnering with others to cover the specific gaps in our technical expertise and with the different market of long term offtake contracts. SBM Offshore is ready to step into the growing FLNG market where it sees a number of exciting prospects. In terms of local development, SBM sees FLNG as a way to offer development opportunities in areas where there is no oil, but significant gas reserves offshore to be developed. SBM Offshore will be able to rely on its local content track record, and hope to replicate the local infrastructure projects in new areas, as we have done in countries such as Angola and Brazil and contribute to sound national development driven by FLNG.

Renewable Energy at SBM Offshore

SBM Offshore, with its extensive experience of offshore systems, is pursuing initiatives to leverage its in-house expertise and has developed renewables technology with several R&D programmes for alternative energy. Wave energy is deemed to be the most important source of marine renewable energy (before offshore wind, tidal and Ocean Thermal Energy Conversions), however it is also the most difficult to capture.
SBM Offshore has developed a breakthrough technology with the design of a Wave Energy Converter (WEC). The WEC works with electro-active polymers (EAP) that convert energy from waves directly to electricity without any mechanical moving parts. During the last few years SBM Offshore has made steady progress, both in the overall system design and in the performance of the EAP material. In the past year the Company achieved the step-change in performance which was required to move into the commercialisation phase. The Company is now exploring ways to bring this technology to the market.

3.3.4 Foster Local Development

Enhance socio-economic impact in SBM Offshore's countries of operation through employee development and local community programs.

SBM Offshore has a long tradition of working with developing countries that are keen to explore the use of their natural resources to stimulate national economic development. Alignment of business and national interests by way of structuring investments can offer the host country maximum benefit and opportunities to leverage from in the longer term. In doing so SBM Offshore focusses beyond local content requirements to contribute to sustained national and local development.

The lease and operate contracting structure provides possibilities for shared ownership and joint ventures including investments in project construction and development, thereby addressing and supporting national economic development. Practical applications include local supply bases, interests in local construction yards and training of national employees. All this require close contact and dialogue with relevant stakeholders.

SBM Education Centre

"We want to become an exporter of local talent instead of an importer of expatriate skills"

Richard Demblon - Group Human Resources Director

Within SBM Offshore, HR is a business partner for the organisation. Part of fulfilling this role is empowering and enabling the local business to be able to deliver to clients while creating a positive impact on local development. We are currently implementing the SBM Education Centre in local development areas for SBM Offshore employees. The concept of the SBM Education Centre is developed in order to address not only the development of local professional and management staff. All initiatives of the Education Centre are focused on creating local employment and fostering talent, such as local graduate recruiting, development of non-management high potentials, training local communities in the yards and engaging in local partnerships. Local skills could be further leveraged, which will reduce our dependency on the import of expats.

SBM Offshore is currently implementing local management talent development programmes. The aim is to increase the percentage of local professional and management staff, while maintaining a high level of vocational training for local employees.

Angola, training and stakeholder engagement

Training Facilities at the Paenal yard in Angola

In parallel with the construction activities, a dedicated school was established at the yard to educate local nationals employed in the technical skills required at Paenal. Training was undertaken by experienced personnel specially brought in to transfer their expertise and now the trainers themselves are Angolan nationals. To date, over 600 workers from the Kwansa Sul region have received training to ensure a first-rate service. On a broader scale, SBM Offshore has helped to contribute to the knowledge base of Angola's oil and gas industry and complements the formal education gained by students at Angola's National Petroleum Institute (INP) in nearby Sumbe.

The Future Generation in Porto Amboim

Concern and awareness for the needs of the local community of Porto Amboim is of great importance to the management at Paenal. When the local school was found to be unsafe and in a severe state of disrepair, Paenal immediately committed to building from scratch a brand new building with educational facilities that could accommodate 350 local children, with the support of partner companies in the area.

As the town of Porto Amboim continues to prosper, more families will arrive in the area to take advantage of the employment opportunities and the need for properly equipped and safe schools will increase.

By performing socio-economic impact assessments SBM Offshore measures and demonstrates the value it creates in terms of social, environmental and economic impact on the local society. The assessments will be based on a sound and transparent methodology in which stakeholder opinions will be included. The results will be discussed with local stakeholders with the aim to jointly define improvement plans.

Brazil, socio-economic impact study

In 2014 SBM Offshore performed the first socio-economic impact assessment in Brazil. It was a pilot to develop the methodology in which 2013 data has been used. The assessment included the construction activities at the Brasa yard, the project execution at the office in Rio de Janeiro and the operations of the fleet of SBM Offshore FPSOs offshore Brazil. The results were as follows:

4,211 jobs generated at Brasa yard, SBM Offshore offices and operations
48,221 jobs generated in Brazil as a consequence of SBM Offshore's activities
US$ 775 mln total added value of SBM Offshore activities to Brazil production

There is a very significant impact on jobs, as each SBM Offshore job supports additional jobs in the supply chain through an indirect impact (purchases of products and services) and induced impact (there is an increase in family income that generates an increase in consumption that in turn generates an increase in job demand). The analysis has taken into account the effect on all sectors in the economy, including informal jobs.

SBM Offshore's activities generated 4,211 direct jobs and relate to a total of 48,221 jobs in Brazil due to the indirect and induced impacts. In terms of added value to business generated in the Brazilian economy, SBM Offshore activities generate a direct business activity of US$ 465 milllions a total business activity in the Brazilian economy of US$ 775 millions; the latter includes purchases of products and services and margins in the supply chain.

The data provided in above section, in relation to the Social Impact Assessment in Brazil, have not been verified as part of PwC's scope in the review of Sustainability Information. The data are the result of a Social Impact Study performed by Dialog Consultoria out of Brazil.

3.3.5 Cost-effective Supply Chain

Creation of an integrated supply chain aimed at the development of sustainable products, services and business models

Bernard van Leggelo - Group Executive Managing Director

"We aim to have an integrated supply chain that is prepared for our future perspective which will combine the commercial edge with the sustainability edge."

Embarking on the journey 20 years ago, SBM Offshore has a history of assessing the direct impact of its actions, such as safety in operations and the reduction of emissions, long before it became an issue for the industry. The Company continues its forward thinking by addressing the issue of sustainability within the supply chain. Beginning the process with awareness for the topic within the Company and among its stakeholders, the aim is to engage the voluntary participation of the Company's vendors by adopting this philosophy and implementing it in the future. SBM Offshore will seek discussion on concepts such as circular supply chains and building on the experiences that it already has with refurbishment of equipment. The Company aims to have an integrated supply chain that is aligned to the set goals on HSSE and that will in future combine the commercial edge with the sustainability edge.

SBM Offshore has recently developed and implemented a Supply Chain Sustainability Charter. This charter looks to suppliers and construction yards to voluntarily commit to continuous improvement in social and environmental performance and full adherence to SBM Offshore's ethics standard as per Code of Conduct.

SBM Offshore engages with key equipment suppliers to develop a circular equipment supply profile. Today, SBM Offshore works with some suppliers in refurbishment of certain key components of its topsides. The intention is to further develop the concept of circularity with all suppliers and create circular business models.

SBM Offshore has a local supply base and is looking for ways to further strengthen it by investing in the development of local skills through training and by encouraging local vendors to meet SBM Offshore (sustainability) standards. This will allow local vendors to increase their capacity and expand their business with the benefits being captured by the local economy and population.

3.3.6 Manage Environmental Impact

Optimise the environmental footprint of SBM Offshore's operations by embedding sustainability in the full product lifecycle

"We believe that managing our environmental impact will help us to be more cost effective in the long term and helps us to gain credibility in communities where SBM Offshore operates."

Peter Senkbeil - Managing Director Operations

For SBM Offshore, managing environmental impact goes beyond compliance to environmental protection, and refers to environmentally friendly innovations in operations of FPSOs. The Company sees clients' behaviour directed by environmental considerations. SBM Offshore operation's environmental footprint goes hand in hand with good operating practice, for example the efficient running of gas injection compressors or oil in water treatment plants.

SBM Offshore has implemented initiatives to reduce its environmental impact caused by flaring, spills, GHG emissions and energy consumption. Performance in 2014 is presented in Chapter 7.2. The Company intends to go a step further and is developing a standard for the environmental footprint of FPSOs in operation, by establishing a baseline for environmental performance of its existing fleet. The baseline is the first step in developing an environmental standard, which will cover the full spectrum of both offshore operations as well as onshore support from the shore base. The environmental standard will not only set the standard for new FPSOs, but will also allow benchmarking of existing FPSOs' performance and indicate options for improvements.

In SBM Offshore's Regional Centres, construction yards and offices, focus will be on managing environmental impacts by reducing waste, energy consumption, transportation and travel. An additional aim of this activity is to raise sustainability awareness with employees to actively incorporate sustainability in their daily work.

SBM Offshore already has several sustainable and eco design options for FPSO operations that are discussed with clients. These options will be incorporated in its proposals to enable clients to make a choice regarding the level of environmental and social impact of the FPSO over its lifecycle. In its offerings SBM Offshore will compare a base case FPSO, which is compliant with client specification, with a solution that reduces the environmental and/or social impact. The options can be related to the construction, operations and/or decommissioning phase and will include data to support the sustainability claim.

Sustainable technology and operations
One of the examples where operational efficiency goes hand in hand with sustainability is SBM Offshore's effort to reduce flaring during the start of production. Regularly there is a period of three to seven months at the start of production where gas compressors need to get optimised and flaring is needed. In the case of FPSO *Cidade de Paraty*, SBM Offshore limited the period with flaring to less than two months.

4 Report of the Management Board

4.1 Introduction

2014 was a challenging year for SBM Offshore with the Company impacted by a slow market and the investigation into alleged improper sales practices. The Management Board's focus was balanced between seeking new business opportunities, continuing to transform the Company and working towards closure of legacy issues, while delivering on its contract commitments to clients in a safe and sustainable manner.

SBM Offshore deeply regrets having to report, in early 2014, two fatalities of yard contractor staff on construction projects in Singapore. A thorough investigation has been conducted and appropriate measures have since been put in place at all contractor facilities. The fatalities were all the more regrettable because over the course of the year, SBM Offshore achieved an improved safety performance. This was due in part to the focused drive, commitment and involvement of all employees and contractors alike. It also included the positive impact of the Company's first dedicated 'Life Day' - focusing everyone involved in SBM Offshore's worldwide projects on health and safety for 24 hours.

Business activities

SBM Offshore's Operations recorded high levels of production uptime and a key highlight was the addition of two FPSOs to the producing fleet.

Notable achievements included:

- *N'Goma* FPSO (Eni Angola S.p.A.): First oil from Block 15/06 offshore Angola achieved in November and on a 12-year lease and operate contract
- FPSO *Cidade de Ilhabela* (Petrobras): First oil from the Sapinhoá field offshore Brazil in November and on a 20 year charter agreement
- FPSO *Kikeh* (Murphy Oil): A brownfield project offshore Malaysia, adding production capacity, was brought online in February
- FPSO *Turritella* (Shell Offshore Inc.): Operations and Maintenance contract signed in May for the Stones development in the Gulf of Mexico .

In September the Company was awarded a Production Handling Agreement with Noble Energy for the Thunder Hawk DeepDraft™Semi in the US Gulf of Mexico. Production fees associated with produced volumes are estimated to lead up to projected revenue of US$400 million to be delivered over the ten-year primary contract period.

SBM Offshore received the *Spotlight on New Technology award* at the OTC conference in Houston. The award was for the Company's development of the *Very High Pressure Fluid Swivel (VHP Fluid Swivel)*. The patented technology pioneers the industry's efforts for full field development with FPSOs of reservoirs with high pressure high temperature conditions, such as in the Lower Tertiary of the Gulf of Mexico.

Cash and Balance Sheet

Diversification of SBM Offshore's funding sources remains a key strategy with a US Private Placement bond and sale and leaseback activities were successfully completed in 2014. The conclusion of the sale and leaseback of SBM Offshore's real estate portfolio in Monaco in August raised US$62 million resulting in a book profit of US$58 million. In December, the Company announced the US$150 million sale and leaseback, and subsequent closing, of the Diving Support and Construction Vessel (DSCV) *SBM Installer* to OS Installer AS. Under the terms of the agreement with OS Installer AS, SBM Offshore will retain a 25% equity interest in the newly established joint venture and charter the DSCV under a long-term bareboat charter for a fixed period of 12 years.

Following regulatory approval and subject to market conditions, SBM offshore expects to file a registration statement with the US Securities and Exchange Commission for an Initial Public Offering of a Master Limited Partnership (MLP) in the third quarter of 2015. The MLP would initially cover interests in select Company FPSOs. This will, in the near term, allow the Company to maximise the value of the lease fleet, while further optimising the balance sheet and providing a long-term funding vehicle at a lower cost of capital.

Improper Sales Practice Settlement

An out-of-court settlement with the Dutch Public Prosecutor's Office related to the inquiry into alleged improper sales practices was reached in November. Under the terms of the settlement the Company will pay the Dutch authorities US$240 million in three instalments, the last of which is due in December 2016. Separately the US Department of Justice has declined to prosecute the Company over the alleged charges.

SBM Offshore has made it clear that it has zero tolerance for the practices alleged to have taken place in the past. A stronger corporate governance structure and compliance programme has been put in place and been part of SBM Offshore's structure and culture for several years now.

Company Transformation Programme

In 2013 SBM Offshore embarked on a two-year transformation programme (Odyssey 24) to maintain its position as a competitive and efficient market leader. The programme was split into three parts:

- Strengthening foundations: Improving processes, and associated Information Systems (IS) architecture
- Create & Protect Value: Better financial control of projects through win, execute and operate phases
- Adopt new ways of working: Re-aligning the role and responsibility matrix to achieve strategic goals

Over the past 15 months, eight work streams (divided into 23 projects) have been defined and the Company has engaged the entire business and drawn on best practices from the industry to design robust solutions, which will address risks and deliver cash savings. In 2014 the streams moved from the design phase into the pilot phase and deployment has started in order to realise maximum benefits for the 2015/2016 financial year and beyond.

A major emphasis has been placed on supporting the Company's employees through the Odyssey 24 changes:

- Training and coaching of middle management to guide their staff through change
- Wider communication to all employees so they understand the need for change
- Develop sponsorship from all regional centres' top management

Odyssey 24 aims to improve the way SBM Offshore operates; to optimise and consolidate what was a centrally managed business to a decentralised model with accountable business units. The aim is to improve project management and controls as project costs have grown in size from around US$500 million a few years ago, to close to US$2 billion today. Costs are targeted to be reduced by at least 5% for each project through enhanced project management, supply chain and materials management, improving both profitability and competitive edge. Increased investments in R&D will ensure SBM Offshore stays at the forefront of floating solutions technology, such as complex large turret and swivel systems, which could open up new frontiers in deeper water for the industry. Finally, a focused increase in offshore maintenance will ensure that the Company is better prepared for long duration lease contracts and contract extensions.

4.2 Management Board Profiles

Bruno Chabas (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, Bruno held various management positions within preceding companies in the United Kingdom, France and the United States. He has been an Independent Director of FORACO International S.A. since August 2007 and holds an MBA from Babson College, Massachusetts.

Peter van Rossum (Dutch, 1956)
Chief Financial Officer

Peter van Rossum joined the Company as Chief Financial Officer in 2012. Prior to joining SBM Offshore he was CFO of Rodamco Europe, and following the merger with Unibail of France, of Unibail-Rodamco SE. Prior to that, he was with Shell for 23 years in different positions in all key sectors (Upstream, Downstream, Chemicals and Corporate) and in many different countries. Between April 2004 and March 2006 he was a Non-Executive Director of Woodside, an Upstream company. Peter has a Masters in Business Economics from the Free University of Amsterdam.

Sietze Hepkema (Dutch, 1953)
Chief Governance and Compliance Officer

Sietze Hepkema joined SBM Offshore as Chief Governance and Compliance Officer in May 2012. Prior to joining, he was a partner of Allen & Overy, an international law firm, from 1987 to 2011 and before that of Graham & James (San Francisco & Singapore). Sietze has over three decades of experience advising companies, specialising in international corporate law, with a particular focus on corporate governance and corporate finance. He was educated at Harvard Law School and the Erasmus Universiteit Rotterdam.

4.3 Compliance

Mirjam Bakker - Group Compliance Director

"SBM Offshore is committed to conducting its business activities in an open and transparent manner. Learning from its legacies, the company has used the extensive remedial actions in place since 2012 as the foundation to develop an ethics and compliance programme that aspires to become a leading example in the industry. The commitment to conducting its business activities in an honest, ethical, respectful and professional manner constitutes the DNA of SBM's culture and is essential to its license to operate and reputation. This commitment continues at every opportunity to cascade down from top management."

4.3.1 Compliance Objectives

- To be committed to conducting the Company's business activities in an honest, ethical, respectful, and professional manner
- To achieve sustainable business by compliance with laws and regulations in the countries where SBM Offshore is active

Key achievements :

- Creation of the Group Compliance Director (GCD) position to manage the compliance programme within the Company – the role was filled in June 2014 and reports directly to the Chief Governance and Compliance Officer (CGCO) - meeting periodically with the Management Board and Supervisory Board
- Chairmanship by the GCD of one initiative under Odyssey 24 - the company-wide transformation programme. The Governance, Risk and Compliance (GRC) stream aims at establishing an integrated GRC oversight and control framework and integrated board reporting, increasing the interaction between the second line of defense functions of the Company, developing consistent methodologies as well as introducing an integrated company wide system for capturing and mitigating risks and managing incidents. First results of this initiative are expected to be visible by the end of 2015
- Strengthening of the compliance department
- A total of 3,047 employees, around 30% of the total head count completed annual internal training courses with specific focus on employees working in the more sensitive areas of the Company's operations

4.3.2 Compliance Programme and Organisation

The Company continues to enhance its Corporate Compliance Programme under the leadership of the CGCO – a position created in 2012. The CGCO is a member of the Management Board (MB) and regularly reports to the Management Board and Supervisory Board on the current status of the Company's compliance activities.

Now that a culture of transparency and ownership has been instilled at the very core of the organisation, management's objective going forward is to move from a rules-driven approach to a values-driven approach. SBM Offshore's Core Values and Code of Conduct set out the overall principles and rules for expected behavior from the Company's employees and various business partners, such as within its joint ventures and the supply chain. The compliance programme and organisation enables reasonable oversight and control by the Company of all elements of the Code of Conduct.

The seven-member strong team in the compliance department leads the oversight, control and implementation of the Company's compliance programme. Within the Company's worldwide centers and operations, the top tier management on-site is held accountable for ethics and compliance and acts as business partner to the GCD.

Key elements of the programme include:

- Driving the systematic integration of compliance and a 'doing the right thing' behavior and controls in the DNA of the organisation and the Company's business processes
- Leading a communications and training programme to strengthen ethics and compliance awareness and competences of all employees

4.3.3 Anti-corruption Initiatives

Proactively approaching anti-corruption risks within the framework of its compliance programme since 2012, the Company's improved procedure for identifying and mitigating integrity risks with regard to sales intermediaries, business partners and third parties continues to ensure that SBM Offshore's core values are adhered to and that the law is followed.

The procedure includes:

- Due diligence on existing and new sales intermediaries, as well as tightened internal controls around transactions involving sales intermediaries and key suppliers. The due diligence on sales intermediaries is approved by a Validation Committee consisting of members of the Management Board and the Sales Director, the Group Compliance Director and the Group Controller. This procedure is a key element of the Company's third party integrity management.

An overview of the key elements of the anti-corruption initiatives is set out below:

- Annual Code of Conduct certification
- Quarterly updates/reports to the Management board and Supervisory board
- An independent compliance department and external resources to further embed the compliance programme
- Anti-Corruption Policy and Compliance guide
- Third Party Integrity Management, including due diligence, vetting of third parties and continuous monitoring
- A Policy on the Rules of conduct to report suspected irregularities, including use of the 'SBM Offshore Integrity Line' available 24 hours per day, seven days per week in 16 different languages for employees to voice their concerns
- An Integrity Panel to review and assess reports received through the Integrity Line
- Investigations and risk assessment procedures
- Internal Audit anti-corruption modules for third party audits
- Internal training sessions and e-learning courses
- The use of standard contracts and anti-corruption and conflict of interest clauses in contracts
- Increase of internal controls, following ICOFR principles

Today, the Company strives to move beyond compliance with laws and regulations. Continuous improvement and enhancement of its ethics and compliance programme in terms of oversight, risk management and internal control is in place. The next step is to build on this solid foundation to promote and instill a culture whereby doing the right thing is driven by passion for the organisation and its key stakeholders and by benchmarking best practices in the Company and in the industry.

4.3.4 Regulatory Compliance

The Regulatory Compliance Function has implemented processes to ensure that the projects executed and offshore facilities operated by the Company comply with all applicable regulations including notably those imposed by international conventions (through flag states) and by host countries. The Regulatory Compliance function reports to the GCD.

Regulatory Compliance processes include:

- Regulatory watch
- Input to bidding activities
- Systematic identification of applicable regulatory requirements for a given project/operation/country
- Assignment and tracking of corresponding actions within the project and/or operations organisation
- Verification of actual compliance as part of delivery protocols
- Management of official surveys and acceptance by Regulators
- Maintenance of corresponding permits and licenses throughout the project/operation life-cycle

The Regulatory Compliance Function also has responsibility for coordinating the classification process. Compliance with Classification Society Rules in accordance with assigned Class notations is defined and achieved according to established Company standards and Project-specific terms and conditions.

The Regulatory Compliance team is divided between the Group function and the Company's various execution centers and this discipline is acknowledged throughout the cycle of the Company's activities.

4.3.5 Investigation

Key event in 2014:

On November 12, SBM Offshore and the Dutch Public Prosecutor's Office (Openbaar Ministerie) announced that they had reached an out-of-court settlement that consists of a payment by SBM Offshore N.V. to the Openbaar Ministerie of US$ 240 million. Furthermore the United States Department of Justice informed SBM Offshore that it declined prosecuting the Company and has closed its inquiry into the matter.

Background:

In April 2012 the Company reported that it had become aware of certain sales practices involving third parties which may have been improper. As reported in the Company's press release published on April 2 2014, the Company announced the conclusion of its investigation activities and the outcome. Outside counsel and forensic accountants had been engaged to investigate these practices thoroughly and the Company had also taken the necessary steps designed to terminate any such practices.

Ongoing:

While SBM Offshore continues to cooperate with the Brazilian authorities, it takes the position that with the out-of-court settlement with the Dutch Public Prosecutor's Office marks a big step forward in putting the Company's legacy issues to rest, aiding SBM Offshore to turn the page and to look to the future.

4.4 Risk Management and Internal Control

Erica Cecchi - Group Risk & Opportunity Officer

"We need to take a number of calculated risks to create value for our clients, our shareholders and our employees. Our ability to manage those risks will protect that value and our determination to seek and pursue the right opportunities will ultimately increase it."

Company Appetite for Risks

SBM Offshore's strategy to be the trusted partner of choice in the development of complete floating production solutions for the world's energy companies remains unchanged. The Company's experience in the offshore energy production market enables SBM Offshore to pursue superior financial returns and uptime in operations, whilst maintaining a good risk/reward balance.

The Oil & Gas industry is evolving and innovation is key to capturing new growth opportunities. SBM Offshore will continue to lead the industry with state-of-the-art technologies, which will strengthen the Company's position as a leader in its niche market. However, as SBM Offshore seeks to provide customers with technology solutions, it requires heading into unknown territory. The Company is prepared to accept a well calculated and understood amount of risk if there is a high probability that these prospects will contribute to the achievement of the Company's strategic, operational and financial goals. Risk management ensures that there is consistency and control in the review of potential opportunities and ensures that the Company does not over extend itself. SBM Offshore has a clear strategy and its CEO has been vocal to the industry players regarding the amount of risk that the Company is willing to accept and the ownership of that risk. In addition, combined with opportunity management the Company ensures that it targets projects that best fit its goals and which best leverage its expertise.

Design and Effectiveness of the Internal Risk Management and Control System

Based on strategic objectives, risks are identified – within defined risk tolerances - while key financial controls are defined and implemented. An integrated approach ensures that the Company's strategic, operational and financial objectives are set within this framework. It is fundamental to the day-to-day management of the Company and a vital factor in ensuring that SBM Offshore's strategy is successfully executed in a controlled and compliant manner.

Once management establishes and cascades financial reporting objectives, a uniform set of operational and financial procedures is applied, including those related to the Company's financial reporting and closing process. The risk of isolated decision making is minimised by the clear segregation of roles and responsibilities.

The fundamental objective of Risk Management Systems is to manage rather than eliminate risks. The internal risk management and control systems at SBM Offshore provide a reasonable assurance that the Company's financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review. The systems in place at SBM Offshore can provide reasonable but not complete assurance against the risks that could contribute to the Company's failure to meet its business objectives. However, maximum safeguards are in place and the effectiveness of the Risk Management framework has been validated by putting the Company's process through two independent audits; one by Det Norske Veritas (DNV) under the International Sustainability Rating System (ISRS) stream of the Odyssey 24 programme and the other by the Engineering Construction Risk Institute (ECRI). In addition, the Risk Management system has been audited by several independent verification bodies designated by investors prior to providing project financing for some of the Company's vessels. The outcome has been positive - positioning the Company clearly within the industry standards and defining SBM Offshore Governance arrangements fit for purpose.

Company Governance

The Board of Management is the executive body responsible for the day-to-day management of the company's operations, under the supervision of the Supervisory Board. The Audit Committee assists the latter in fulfilling its responsibility for the integrity of the Company's financial statements, its financial reporting process, and the risk management internal control systems, the internal and external audit processes, the internal and external auditor's qualifications, independence and performance, as well as the Company's monitoring process for compliance within the law and international regulations. Three lines of defence are in place:

- As the first line of defence, operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies
- The second line is the support that management can lean on in designing and implementing management policies, defining roles and responsibilities and providing risk management frameworks
- The third line is the Internal Audit, which brings a systematic approach to the evaluation and improvement of the risk management, internal control, and governance processes, which ultimately enhance their effectiveness. The Internal Audit team directly reports to the Audit Committee of the Supervisory Board

Key Achievements

- Consolidation of the Company's Risk Management framework in line with ISO31000 standards with a focus on Strategic, Tactical and Operational risk management and the implementation of a more stringent Internal Control framework
- Detailed risk review and analysis of all tenders, projects and FPSO fleet operations which are part of the Company's portfolio
- Enhancement of strategic risk management processes with particular attention to the Company's project and product portfolio risks
- Quarterly Risk reports are discussed with management, providing a consolidated view and improving transparency of the processes
- Quantitative risk analysis is performed consistently for the Company's tenders and projects with the objective to assess contingencies

Major Improvements Planned

- During 2015 as part of the Odyssey 24 programme – the Governance Risk and Compliance (GRC) focus will be given to improving the integration of risk, control and compliance activities as well as the enhancement of the quality of control documentation. The need for these improvements was highlighted during the Odyssey 24 assessment in 2014 and discussed with the Supervisory Board. The result will be an optimisation of management's strategic vision by balancing risk and business opportunities, leading to superior performance.

Significant Risks facing the Business

The combination of the nature of the Oil & Gas industry and the Company's strategy exposes SBM Offshore to a number of business risks. The table below summarises the significant risks identified and the Company's response to it.

Strategic Risks	Definition	Response Measures
Crude oil, and natural gas price fluctuation	Prices of crude oil, natural gas and oil products are affected by a myriad of factors. Fluctuations in prices could have a material effect on SBM Offshore's new order intake. For example, in a low price environment, oil majors would generate less revenue from their upstream production, potentially leading to less profitable projects or even loss-making projects while new project sanctions may be delayed in the short-term or indefinitely. This could delay project development and awards in the industry. Crude oil and natural gas price fluctuations could adversely affect the Company's business, results and financial condition.	Lease and operate activities (running the fleet) are a solid foundation of income and cash generation, which will see the Company through this cyclical downturn. Generating revenues growing to more than $1.5 billion by 2016, this segment alone is responsible for over 50% of the operating profit of the Company under normal conditions. Short-term fluctuations in demand, oil prices, production rates etc. have no effect on this segment. The only element that can influence the income stream is the reliability of operations, which is entirely in the hands of the Company, as it has been for the last 257 contract years. Cost optimisation is a priority for SBM Offshore during the current downturn in the industry. The Odyssey 24 improvement program has as a main objective to reduce cost and increase efficiency. SBM Offshore has already reduced its engineering capacity and, depending on developments, may have to take further measures. As stated previously, pricing discipline will be retained in these difficult market conditions and SBM Offshore is determined to improve the pricing from a client perspective through investments in R&D and process and efficiency improvements, as an alternative to strictly competing on cost. SBM Offshore realises that this will require the Company to convince its clients and has stepped up its efforts to engage more actively with the client base, listening to their needs and developing joint solutions first and foremost based upon expertise and track record.

Strategic Risks	Definition	Response Measures
Real or perceived failures of transparency and integrity governance	SBM Offshore is perceived as a leading FPSO contractor - hence its brand and reputation are important assets. The two go hand-in-hand, real or perceived failures of integrity could affect the erosion of the company's reputation within the industry and on the financial markets and would have a negative impact on the brand. This would affect the Company's ability to secure new contracts and this could adversely affect the Company's business, results and financial condition.	The Company's Core Values and Code of Conduct guide employees and business partners on compliant behaviours that stay in line with the Company's principles. The Company Group Compliance Programme provides policy, guidance and risk based oversight and control on the key compliance risk. Moreover the program consists of communication, education and training components that aim to strengthen awareness and capabilities of ethical decision making of SBM Offshore's employees.

Strategic Risks	Definition	Response Measures
New Technologies	Technology is more an opportunity than a risk for SBM, owing to the high level of technical expertise present in the Company, across all disciplines; the past and present technical achievements of the Company; the industry recognition with awards for new technologies that provide significant benefits to the industry beyond existing technologies. Owing to the ever growing competitive nature of the Company's projects, incorporating new technologies is a key element of the Company's winning strategy. There is, obviously, a technology risk. That risk is twofold: • Risks in incorporating new technologies, not sufficiently mature. • Risks in implementing field proven technologies in an incorrect way. Technology risk may adversely impact the Company's business and financial results.	The control measures the Company puts in place are: A rigorous Technology Readiness Level assessment of the new products, involving the best technical experts across the Company. A rigorous Technical Assurance process, across the Win-Execute-Operate phases of the projects The establishment of a comprehensive set of internal standards (the Groups Technical Standards) and technical guidelines in 2004. Those standards, which have been the engineering foundation for 18 SBM FPSO projects and relocations, were the industry's first set of FPSO specific design standards wholly applicable to converted FPSOs. Ten years later SBM Offshore's standards' still lead the industry in this area – all standards are pre-approved to ABS Class Rules.

Strategic Risks	Definition	Response Measures
Political and Legal factors	The Company is subject to political and legal dynamics in the countries in which it operates. The enforcement of contractual rights to protect assets that SBM Offshore owns is uncertain in some countries that may lack reliable legal systems. In addition, unexpected change to the governmental and regulatory framework is not uncommon. In recent years, governments and national oil companies (NOCs) have begun to exercise greater authority and control by imposing more rigorous contract conditions on service provider contractors operating within their borders and offshore. Intervention by governments in such countries can be quite comprehensive taking many forms. It is difficult to predict the likelihood of these occurrences and their effect on the Company. However, in the worst case scenario if significant risks materialise, major costs could be incurred and production or operations could decrease or cease, leading to a loss of revenue and a negative effect on the Company's P&L.	SBM Offshore is covered by commercial insurance protection against loss of assets due to certain political/governmental events in client countries; both for operational assets and for assets under construction A robust regulatory compliance framework has been established with the objective to capture unexpected change at very early stage. The Company's business model provides some assurance against risks of change in situations of low or decreasing production for reasons beyond SBM control.

Strategic Risks	Definition	Response Measures
Portfolio Risks	Because of the relatively limited number of countries in which the Company operates, SBM Offshore is subject to Portfolio (or Programme) risks - defined as those risks which are inherent in, or caused by, the execution of multiple projects and/or programmes compared to a country where the Company is undertaking a single project or work assignment. This risk could adversely affect the Company's business, results and financial condition.	SBM Offshore aspires to a well-balanced regional portfolio, but is currently heavily concentrated on Brazil, as that is where most deepwater developments are taking place. Medium term prospects outside Brazil are attractive and offer opportunities to build upon a better spread for the Company's portfolio of activities. Mexico is a clear example of this, while FLNG in east Africa is another. The Company's strategy also includes regions with harsh environments and protected ecosystems such as the Arctic region where SBM Offshore's technological edge could be a differentiator.

Operation Risks	Definition	Response Measures
Health, Safety, Security and Environment risks	SBM Offshore is exposed to a range of health, safety, security and environment (HSSE) risks due to the nature of the industry, the geographical span of projects, as well as the diversity and technical complexity of the Company's daily operations. SBM Offshore's operations, primarily involve the production, storage and offloading of hydrocarbons, in harsh environments as well as environmentally sensitive regions, such as the Gulf of Mexico. The Company's exposure to risks including major process safety incidents, natural disasters and safety lapses could result in injuries, loss of life, environmental damage, disruption to production and, depending on their cause and severity, potential loss of the Company's assets as well as material damage to its reputation. It could adversely affect the Company's business, results and financial condition. Given the nature of the industry - progress in safety requirements governing HSSE matters constantly evolve and are likely to become more stringent in the future. There is a risk of future costs in order to comply or the risk of penalties, clean-up costs and third-party claims as a result of violations of HSSE laws and regulations.	SBM Offshore pursues a long term strategy to continually strengthen the HSSE controls at different levels in the organisation: 1 Integration of the HSSE controls in the life cycle and business processes as part of the SBM Offshore Global Enterprise Management System 2 Enhancing the HSSE culture, leadership and supervisory capabilities to consistently deliver a robust HSSE performance. 3 Implementation of a Process Safety Management framework, based on industry best practice 4 Improving the safe working methods on the Company's projects and on the offshore operations. 5 Working with key stakeholders to build on and share best practices.

Operation Risks	Definition	Response Measures
Cyber Security Risks	The operation of many business processes depends on the Company's information technology (IT) systems as do its operations offshore. Like many other multinational companies across industries SBM Offshore has been the target of attempts to gain unauthorised access to the Company's IT systems, including sophisticated attempts. Disruption of critical IT services, or breaches of information security, could have adverse consequences for SBM Offshore and could adversely affect the Company's business, results and financial condition. The Company strives to detect and investigate all such security incidents, with the ultimate aim of preventing unauthorised access and reinforcing the Company's line of defence.	SBM Offshore uses a multi layered approach to IT security. From networks to user assets, the Company partners with market leading technologies to protect, alert and report on IT Security threats. In addition, SBM Offshore regularly tests its systems and information assets through established Security consultants to provide independent view of its IT security state, to enhance continuous improvements and to alert on emerging threats.

Operation Risks	Definition	Response Measures
Human Capital	To support the Company's capital-intensive projects, it is imperative to ensure that the necessary talented and experienced personnel are in place and to empower them to achieve results. This applies to all levels from senior leaders to technology experts. Failure to attract and retain the right level of competence in the organisation could restrict the Company's capacity and have an adverse impact on its operations and contractual relationships with clients.	An ad hoc talent retention program is in place in order to specifically retain key personnel. Through internal deployment/mobility skilled personnel are assigned to projects suited to their expertise and know-how ensuring a right fit for projects and career advancement for employees. This is particularly important in the specialised areas such as design innovation in order to continue on the path which has led to many "industry firsts" in floating production and mooring systems. The company's way of working is transforming; employees are being further empowered to take initiative and full ownership of projects. Going forward the restructuring of the Company will create an environment which holds leaders at all levels accountable for their projects' commercial success and overall results. Leadership skills are developed through specific and high level training programs such as the Management Leadership Program and the Management Development Programs performed by external entities. The Company's management performance process ensures a continuous dialogue between management and employees, which can identify where and why performance may be wavering. It allows to quickly remedy the situation.

Operation Risks	Definition	Response Measures
Increasing project size and complexity	Today's projects are challenging due to their larger size and increased complexity. The risk is that the nature of these projects could impact the Company's capability to execute them on schedule and on budget, thus ultimately negatively affect SBM's financial return and even the commercial viability of some projects/future opportunities. Maintaining project control can be challenging with the increased project complexity, number of execution sites, interfaces and subcontractors involved as well as the local content requirements imposed by contracts. In addition evolving technological challenges inherent in deepwater fields and the use of new technologies put pressure on the offshore operations' teams. This risk could adversely affect the Company's business, results and financial condition.	There is a large focus within Odyssey 24 on the FPSO performance stream, which is bringing significant improvement in the project execution and control framework. Specific initiative will bring better performance in cost management, scheduling and supply chain. Since the new Management Board is in place there has been substantial improvement to the proposal phase – moving from a proactive instead of a reactive manner to manage risks. The experience base of the company has seriously broadened and now SBM Offshore is much more familiar with its Generation 3 model FPSO, executed over multiple regions, fabrication sites and with specific and high local content requirements.

Compliance Risks	Definition	Response Measures
Violations of anti-bribery and corruption law	Violations carry fines and expose the Company and/ or the Company's employees to investigation and ultimately criminal sanctions and civil suits. In November 2014, SBM Offshore reached a settlement with the Dutch Public Prosecutor's Office (Openbaar Ministerie) over the inquiry into alleged improper payments in Equatorial Guinea, Angola and Brazil. The out-of-court settlement consists of a payment by SBM Offshore to the Openbaar Ministerie of US$240 million. In addition the United States Department of Justice (DOJ) confirmed that it is not prosecuting the Company and has closed its inquiry into the matter.	The Group Compliance Programme includes reasonable oversight and control on the operational effectiveness of the Anti-Corruption Policy & Compliance Guide as well as the Code of Conduct. Moreover the programme consists of communication, education and training components that aim to strengthen the awareness and capabilities of ethical decision making of the Company's employees. For more details on the programme, reference is made to the Compliance section of this annual report.

Compliance Risks	Definition	Response Measures
Failure to meet ethical and social standards	Failure to meet ethical and social standards, including non-compliance with anti-bribery and anti-corruption laws could potentially damage the Company's reputation and business. Cases of ethical misconduct or non-compliance with laws and regulations, including anti-bribery, anti-corruption laws, could cause long-term damage to the Company's reputation, competitiveness and to the value of SBM Offshore shares. Consistent and multiple occurrences of non-compliance could call into question the integrity of our operations and the Company as a whole. If the industry and stakeholders perceive that the Company is not respecting or advancing the economic and social development of the communities in which it operates, the Company's reputation and shareholder value could be damaged. This may have an adverse impact on the Company's business, results and financial condition.	The Company sets high standards of corporate citizenship to work by and aspires to contribute and invest in the communities in which it operates. An Anti-Corruption Policy & Compliance Guide (along with the Company's Code of Conduct) offers clear rules and guidance on the subject of corruption and helps employees, contactors, consultants, intermediaries, lobbyists and others who act on the Company's behalf, to comply with anti-corruption standards. It reflects SBM Offshore's commitment to fight corruption in all its forms and to ensure that the Company's standards are consistent with industry best practice and international norms. The Group Compliance Programme includes reasonable oversight and control on the operational effectiveness of the Anti-Corruption Policy & Compliance Guide as well as the Code of Conduct and an ad hoc designed Integrity Line reporting system. Where needed, support from Group Audit is provided. Moreover the program consists of communication, education and training components that aim to strengthen the awareness and capabilities of ethical decision making of the Company's employees. For more information, reference is made to the Compliance section of this annual report. Various social programmes have been initiated by SBM Offshore and its Joint Venture companies. One such example is the inauguration in November 2014 of a new school to benefit 350 local children in Port Amboim, Angola, sponsored and partly financed by the Paenal shipyard - a joint venture between SBM Offshore and partners Sonangol and DSME.

Compliance Risks	Definition	Response Measures
Climate Change	Climate change concerns and pressure to address them - including from non-governmental and political organisations - could lead to additional regulatory measures that may result in higher costs and even project delays. The expectation is that the CO^2 intensity of the Company's future production will increase as more production will be derived from higher energy-intensive sources. SBM Offshore anticipates that a growing share of the Company's CO^2 emissions will be subject to regulation and will increase its costs. If the Company is unable to develop economically viable solutions to reduce greenhouse gas emissions for new and existing projects, this may impact the Company with additional costs, delays to projects, decreases in production and ultimately a reduction in demand for hydrocarbons could adversely affect the Company's business, results and financial condition.	The Company's Sustainability Framework addresses climate change concerns under two themes i.e. 'Managing the environmental impact' and "Shape sustainable solutions". (see chapter on Sustainability for more information). An environmental footprint standard is under development to simulate the FPSOs energy consumption and emissions during field life. Information from this model will identify the effects on the climate during operations and enable the Company to monitor improvement measures. Climate change related regulatory measures are being addressed by developing technical options to reduce GHG emission, energy consumption, waste, etc. as part of technology development. Carbon tax will put field economics under pressure and above mentioned options potentially reduce tax impact. The initiative focuses on developing sustainable solution with our client to improve field recovery with reduced emission levels. Effects of changing weather patterns resulting in harsher design parameters are identified and incorporated into the concept design. For units in operation the existing design is verified against the new design parameter and results are actioned.

Financial Risks	Definition	Response Measures
Project Financing	Sources of finance are 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 stunt 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 is focused on securing short term and long term financing for its leased projects under construction and operation. The Company has recently renewed and increased its Revolving Credit Facility (RCF) from which it can ascertain that the Company's short term financing needs are adequately covered. From a long term-financing perspective, the company has diversified its sources of funding by (i) expanding its Banking relationship with a number of new financial institutions willing to access the FPSO sector ; (ii) acceding to the Debt Capital Market with an FPSO Class Asset in order to secure long term relationship with USPP investors; (iii) exploring the Export Credit Finance financing with European and International institutions in order to secure longer maturity financing; (iv) contemplating new types of equity financing such as the Master Limited Partnership (MLP) structure.

Financial Risks	Definition	Response Measures
Covenants	Financial covenants need to be met with the company's lenders. Failure to maintain financial covenants may adversely impact the results and financial condition of the Company.	In light of the renewal of the RCF, the Company has re-negotiated a complete set of financial covenants with the objective to stay firmly within its financial ratios.

Tax Risks	Definition	Response Measures
Change in Tax Laws	Tax Regulations applicable in jurisdictions of operation may change and result into an increase in the effective tax burden and this could adversely affect the Company's business, results and financial condition.	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 philosophical approach to changes in tax regulations is that they should not result in a gain or a loss for the Company. As such, Company aims at achieving a stability of the tax burden over the life of contracts and Group Tax cooperates closely with the tax teams of clients to this end. Accordingly, contracts also include provisions whereby there would be a price reduction in case of a proven decrease of the tax charge following a change in tax regulations.

Tax Risks	Definition	Response Measures
Change in Tax Morale	The increase in the public scrutiny of tax practices of multinational enterprises means that the public perception of a company's approach to tax has become a critical parameter.	The Company values public perception and good relationships with tax authorities around the world. As such, the Company makes sure that its tax practices are sound and founded on a business rationale. As a result of this policy, the Company has not incurred any material tax re-assessment over the past decade. The Company has conducted a review of its possible uncertain tax positions for all jurisdictions throughout the world. Generally speaking a tax liability is taken into account if the Company considers that the likelihood of a tax liability resulting from a tax treatment or unresolved dispute with tax authorities is higher than 50%. There is no additional exposure for uncertain tax positions taken into account in 2014. In addition, the Company adheres to the OECD-Basis Erosion and Profit Shifting ("BEPS") initiative and monitors closely its developments to ensure that its own practices are in line with the BEPS initiative.

Going forward audit findings give clear guidelines for further improvement towards a more integrated Enterprise Risk Management framework and an identified action plan is already part of the GRC stream of SBM Offshore's Odyssey 24 transformation programme.

4.5 Compliance Statement / 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 a key part of its scope, Risk Management is responsible for the design, monitoring and reporting on the internal control framework.

During 2014, various aspects of risk management were discussed by the Management Board. The responsibilities concerning risk management, as well as the lines of defence were also discussed with senior management. In addition, discussion on the internal risk management and control systems with the Audit Committee, the Supervisory Board and with the Company's external auditors took place.

In line with the adoption of the Dutch Corporate Governance Code, SBM Offshore prepared the *In Control Statement* 2014 in accordance with the best practice provision II.1.5. 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 2014.

However, the Company cannot provide certainty that its business and financial strategic objectives will be realised 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 2014 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 2014 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, 2014 and that SBM Offshore's development during 2014 and that of its affiliated companies is included in the annual financial statements, together with a description of the principal risks facing SBM Offshore

Management Board

Mr. B.Y.R. Chabas

Mr. P.M. van Rossum

Mr. S. Hepkema

Schiedam, The Netherlands

February 11, 2015

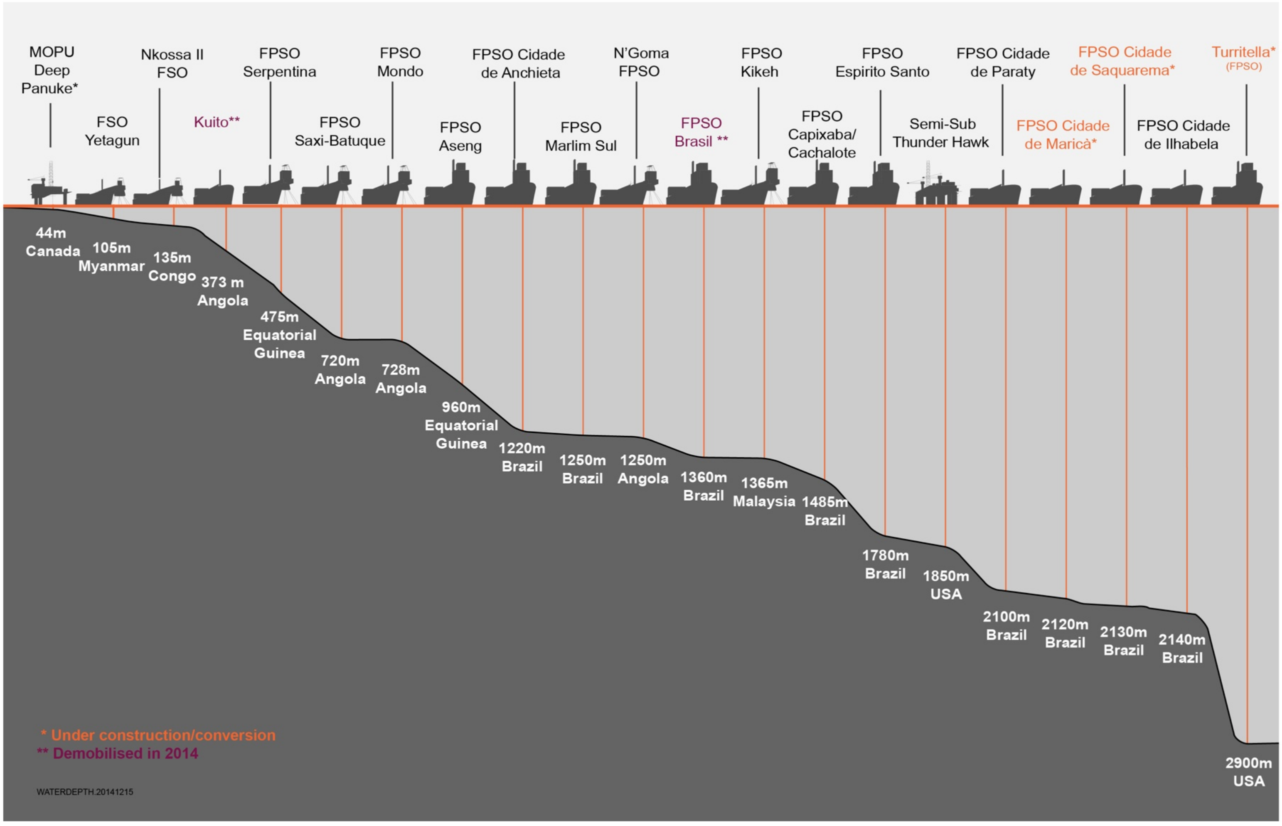
4.6 Fleet and Offshore Operations

Peter Senkbeil - Managing Director Operations

"Clients expect the highest level of productivity from our FPSOs and other floating production units. SBM's dedicated teams around the world ensure that their objectives are met. With over 257 years of accumulated experience in offshore operations, the Company's vision is to continue to provide customer orientated solutions and to ensure reliable operations, while constantly evolving. The value of listening to clients is of paramount importance and by staying close to them the Company can anticipate their needs and respond quickly. Uptime and safety are key drivers and our operations remain focused on its delivery every day of every year."

Performance at a glance

This year SBM's Operations division processed 236 Mboe and 399 successful and safe offloads. The remit in 2014 spanned the entire product lifecycle with two FPSOs starting up, 12 other FPSOs in operation offshore across the globe and finally two FPSOs at the end of the lifecycle being demobilised. In addition, operations successfully continued on the MOPU (gas) offshore Canada for Encana and added an additional 35,000 bpd of oil to its processing capability via a successful tie-back to FPSO *Kikeh* from another field for Murphy Oil.



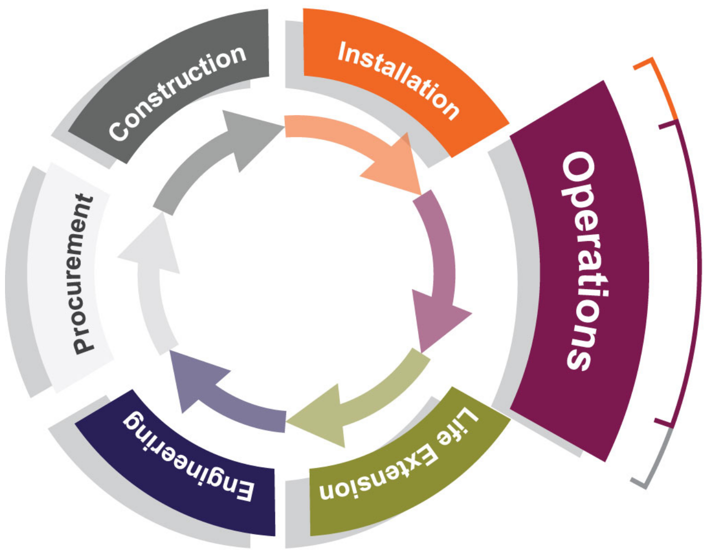
Key achievements

- 4.3 billion barrels of equivalent (boe) accumulated for SBM Offshore's lease fleet over 257 years
- Over 99% uptime
- FPSO *Cidade de Ilhabela* achieved first oil and started producing offshore Brazil in November 2014 and is now on hire with Petrobras under a 20-year lease and operate contract
- *N'Goma* FPSO achieved first oil and started producing offshore Angola in November 2014 for Eni under a 12-year lease and operate contract. Formerly the FPSO *Xikomba*- in operation offshore Angola for eight years before being demobilised in 2012 - it represents a successful life extension project for SBM when Operations took the reins of this vessel for a second time on a new block
- FPSO *Kuito* was demobilised in late 2013, leaving Angolan waters in December 2014 and will be delivered to the green recycling yard in Turkey to be dismantled. It completed 14 years of operations for CabGoc offshore Angola (block 14)
- FPSO *Brasil* was demobilised in March 2014 and in November left Brazilian waters and will be delivered to the green recycling yard in China to be dismantled. The FPSO was operated offshore Brazil for 12 years under a lease and operate contract for client Petrobras
- FPSO Kikeh successfully started producing for a tie-back to the SNP field, adding an additional 35,000 bpd of oil and adding another successful brownfield project to the SBM Offshore portfolio
- FPSO Mondo – work progressed on this brownfield project to upgrade the FPSO, which includes modification to the topsides to increase throughput by up to a maximum of 30,000 bbls per day
- Deep Panuke (MOPU – gas) marked its first year of successful operations

SBM Offshore operates its fleet according to five business drivers:

- HSSE – is at the core and the other four drivers revolve around it
- Operational Performance
- Asset Integrity
- Commercial Performance
- Sustainability

Operations activities in 2014



Start-up in 2014

FPSO Cidade de Ilhabela
N'Goma FPSO

Operations and Maintenance

FSO Yetagun	FPSO Espirito Santo
FPSO Serpentina	FPSO Capixaba
FPSO Marlim Sul	FPSO Aseng
FPSO Kikeh	FPSO Cidade de Anchieta
FPSO Mondo	FPSO Cidade de Paraty
FPSO Saxi-Batuque	PFC Deep Panuke

Lease only not operated by SBM

Thunder Hawk (Semi-sub)
Nkossa II FSO

End of Life (demobilised in 2014)

FPSO Kuito
FPSO Brasil

New Operations

SBM Offshore's FPSOs are production plants operating offshore, often in deep, remote and sometimes harsh environments. In December the Company's most sophisticated FPSO unit went into production – FPSO *Cidade de Ilhabela,*which represents a huge transformation to a more complex processing business, requires different skill sets and meticulous attention to Process Safety Management to ensure safe operations. *Cidade de Ilhabela* is a SBM Offshore *Generation 3* FPSO which in addition to more complexity and heavier topsides, has increased crude oil processing capacity. It has the capacity to produce 150,000 bbls per day, an increase of 25% compared to the first in the series of SBM Offshore Generation 3 units, FPSO *Cidade de Paraty*, which started operations in June 2013. These two FPSOs represent a huge step-change for Operations. In addition, the ultra-deep water depths (*Cidade de Ilhabela* is the deepest in the fleet at 2,140m) and the need to re-inject gas at much higher pressure (over 500 bar), represent a new benchmark for the industry.

The journey to the start of the 20-year lease and operate contract for FPSO *Cidade de Ilhabela* and the 12-year lease and operate contract for *N'Goma* FPSO began with a transition from the project execution team to the operations team in Brazil and Angola respectively.

Key achievements

- The Operations Readiness process before handover was successfully completed with both divisions of the company cooperating closely to ensure that once operations took the reins the production levels that have been committed to are safely achieved
- Intense training to ensure new skill sets for offshore crew
- Improved information feedback loop from Operations to the engineering divisions to ensure that the Company continually improves its technologies, which down the line optimises operations and increases performance for the client

Asset Integrity

All SBM Offshore assets are efficiently maintained in a condition to safely deliver industry leading performance to clients over the full contract life. Given the extended duration of SBM Offshore's lease and operate contracts for FPSOs, particular attention is given to the upgrade of the Company's Assets Integrity strategy. Examples of factors influencing asset integrity include:

- prolonged operate contracts for FPSOs – currently at 20 years versus an average of 14 years in the recent past
- operating in corrosive pre-salt fields
- new technology on board to process toxic and flammable gases

The Company's first pre-salt FPSO with a 20-year contract - FPSO *Cidade de Paraty*- achieved first oil in June 2013 and the second 20-year contract began in November 2014 with FPSO *Cidade de Ilhabela*.

Key achievements

- Evolved and developed efficient maintenance strategies to ensure safe and reliable operations over the lifecycle of the units
- Improved monitoring systems to give a better and quick understanding of the Assets' actual condition
- Continued control to ensure implementation of best practices and standards
- FPSO *Cidade de Ilhabela* started operations under the Joint Venture company owned by SBM Offshore with Queiroz Galvao Oleo e Gas (QGOG) and Mitsubishi
- *N'Goma* FPSO started producing and is operated by OPS, a 50/50 Joint Venture company between SBM Offshore and Sonangol. The FPSO is owned by Sonasing, a Joint Venture company between SBM Offshore, Sonangol and Angolan Offshore Services
- FPSO *Cidade de Paraty* marked one year of successful operations as the Company's first pre-salt unit. The FPSO is owned and operated by a consortium of affiliated companies of SBM Offshore, QGOG, Nippon Yusen Kabushiki Kaisha (NYK), and ITOCHU Corporation (ITOCHU)

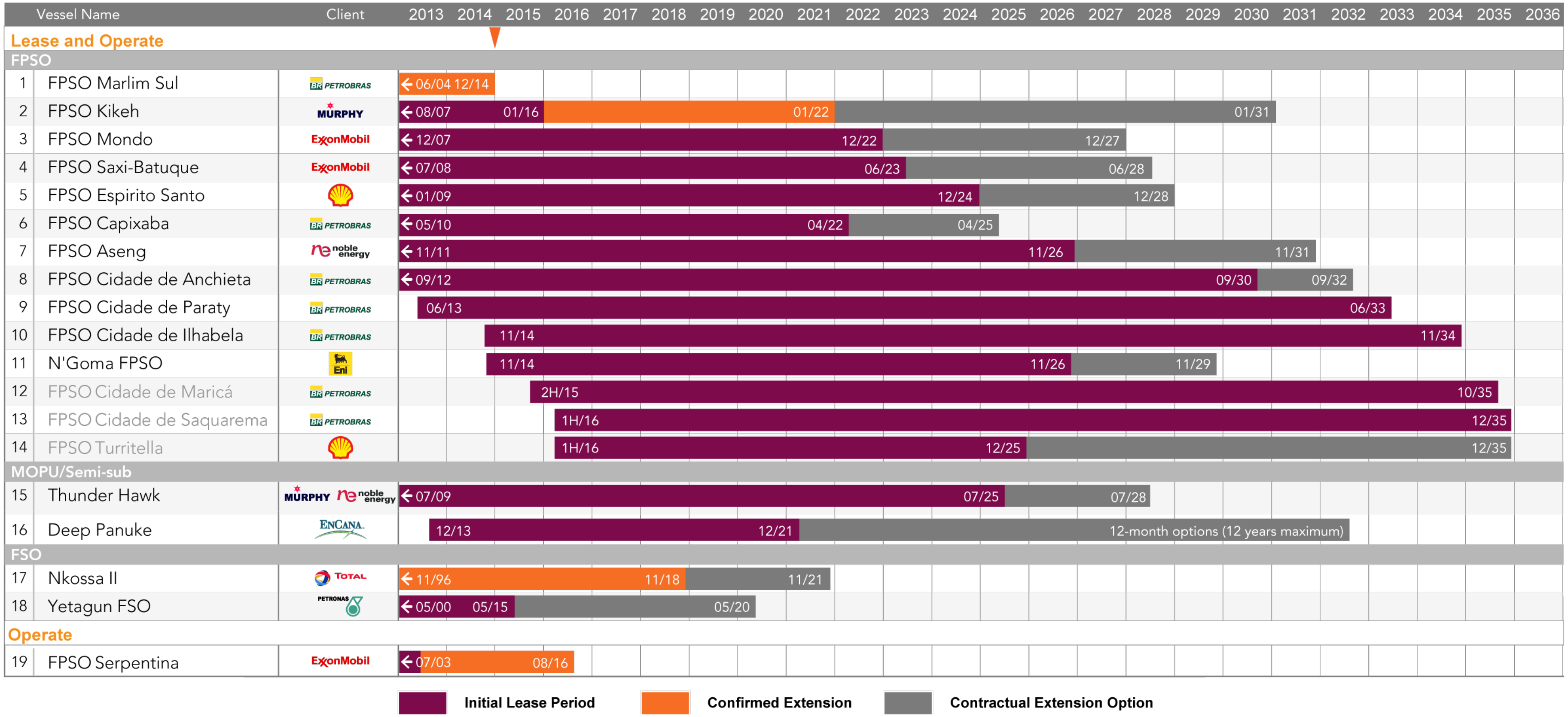
Looking forward with Joint Venture partners

FPSOs *Cidade de Marica* is scheduled to start operating in 4Q 2015. It is owned and will be operated by the JV Company between SBM Offshore with Queiroz Galvao Oleo e Gas, NYK and Mitsubishi.

SBM Operations works within the applicable Shareholders Agreements to ensure that the Company delivers in respect of OPEX, budgets, crewing and uptime.

Future plans

- Operations aim to optimise the Company's revenues by ensuring high uptime. This will be achieved by driving continued performance improvement and efficiencies. In addition proposed life cycle cost optimisation should make SBM Offshore's operations even more competitive, yielding benefits for SBM Offshore's partners and customers
- SBM Offshore plans to offer the services of its Operations division to other clients who own their own FPSOs i.e. go beyond the 'lease and operate' formula that SBM Offshore has traditionally offered for its own fleet by offering the 'operate' only option as part of its portfolio of services



Vessel Name
Client
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036
Lease and Operate
FPSO
1 FPSO Marlim Sul PETROBRAS 06/04 12/14
2 FPSO Kikeh MURPHY 08/07 01/16 01/22 01/31
3 FPSO Mondo ExxonMobil 12/07 12/22 12/27
4 FPSO Saxi-Batuque ExxonMobil 07/08 06/23 06/28
5 FPSO Espirito Santo 01/09 12/24 12/28
6 FPSO Capixaba PETROBRAS 05/10 04/22 04/25
7 FPSO Aseng noble energy 11/11 11/26 11/31
8 FPSO Cidade de Anchieta PETROBRAS 09/12 09/30 09/32
9 FPSO Cidade de Paraty PETROBRAS 06/13 06/33
10 FPSO Cidade de Ilhabela PETROBRAS 11/14 11/34
11 N'Goma FPSO Eni 11/14 11/26 11/29
12 FPSO Cidade de Maricá PETROBRAS 2H/15 10/35
13 FPSO Cidade de Saquarema PETROBRAS 1H/16 12/35
14 FPSO Turritella 1H/16 12/25 12/35
MOPU/Semi-sub
15 Thunder Hawk MURPHY noble energy 07/09 07/25 07/28
16 Deep Panuke ENCANA 12/13 12/21 12-month options (12 years maximum)
FSO
17 Nkossa II TOTAL 11/96 11/18 11/21
18 Yetagun FSO PETRONAS 05/00 05/15 05/20
Operate
19 FPSO Serpentina ExxonMobil 07/03 08/16
Initial Lease Period
Confirmed Extension
Contractual Extension Option

4.7 Technology Development

Mike Wyllie - Group Technology Director

"SBM Offshore has made good progress this year to enable the industry in its development of hydrocarbon reservoirs located in deeper and harsher environments. Results combined with recognition sums up 2014 for SBM's technology team. Highlights include the completion and start-up of FPSO Cidade de Ilhabela - the Company's most complex and deepest vessel - and completing the design for the most complex turret for the Stones FPSO, which has moved into the construction phase. In addition, 2014 saw SBM Offshore honored with an OTC Spotlight on New Technology award for its swivel technology – the fourth such award in four years – prestigious accolades that endorse our position as a technology leader in the offshore industry that demonstrate that SBM's innovation is successfully bridging the technology gaps identified with our clients."

Performance at a glance

During 2014 the Company focused on enhancing its market-leading position in complex floating production systems, and their associated mooring systems. SBM Offshore continued to identify key technology trends in the offshore oil & gas market, prioritising development work to address gaps in key areas of demand and offer cost effective field development solutions to clients. Total Expenditure for Technology development and upkeep of SBM Offshore's technical standards reach around $40 million. Development work was performed in the Company's execution centres around the globe, sometimes in collaboration with technology partners, as well as in SBM Offshore's dedicated Research & Development laboratory located in Carros, France.

Key achievements

- Completion and start-up of FPSO *Cidade de Ilhabela*, which represents SBM Offshore's second pre-salt vessel in its fleet and the deepest at 2,140m
- Industry award for Very High Pressure Fluid Swivel technology – which represents a step-change for the industry to allow full development of high pressure high temperature reservoirs with an FPSO, including water injection or gas re-injection
- Completion of the Company's design for the world's largest turret, allowing construction to progress and the first elements to be delivered for Shell's Prelude Floating Liquefied Natural Gas (FLNG) facility
- Maturing the Company's own mid-scale FLNG concept and commencing the marketing phase
- Progression of its technology for ARCA Chain Connector to Technology Readiness Level (TRL) 4 where the prototype is close to being project-ready
- Progression on technology to optimise topside module design – focus on simplification and cost reduction while maintaining quality and improving inherent safety
- Advancing a range of other new technologies through the Company's Technology Readiness Level (TRL) stage gates towards maturity

Technology strategy

The Company's technology development continued in 2014 to be guided by three key objectives:

- To be driven by market demand - SBM Offshore's product development reflects the current and future challenges faced by its customers
- To develop technology that inherently improves safety and increases the Company's overall rate of return on investment through reduced costs, increased efficiency and/or improved performance
- To retain its technology leadership position in the offshore market and building its competitive advantage by offering unique and bespoke solutions to customers

FPSO Technology

SBM Offshore positions itself at the premium end of the leased FPSO market, focusing on the largest and most complex projects. Over the years, the complexity of the Company's FPSO fleet has grown significantly – the latest model is called *'Generation 3*' and will represent the core of future business activity based on market demand.

Pre-salt

The Company has seen a major step-change in the scale and complexity of its latest flagship FPSO projects and has developed an optimised and cost effective design - the Generation 3 FPSO – to produce in the ultra-deep water, pre-salt fields in Brazil. The Company's first pre-salt FPSO, the *Cidade de Paraty*, reached its first year in operation in June 2014. Her successor, the FPSO *Cidade de Ilhabela*, which has even higher capacity, achieved first-oil in November 2014. This technology and experience can be leveraged to meet the future needs of pre-salt Angola – a new player in pre-salt oil and gas exploration, with offshore blocks indicating a significant potential. SBM Offshore's technology and latest generation of FPSO are specifically designed for this type of reservoir and ideally placed to tap into this future growth.

Increased capacity – more barrels

What particularly marks FPSO *Cidade de Paraty and* FPSO *Cidade de Ilhabela* as a new league of vessel is the increase in the production rate handled and the far greater level of sophisticated gas processing and compression technology they carry. This has resulted in topsides increasing in complexity and size from 14,000 to 24,000 tonnes. In terms of oil production, *Cidade de Paraty* is designed to produce 120,000 barrels per day (bpd) of oil and *Cidade de Ilhabela*'s capacity has significantly increased the *Generation 3* FPSO daily rate to 150,000 bpd of oil and compress 6 million Nm^3/d (212 MMSCFD) of gas.

Deep, deeper and industry's deepest

Industry forecasts that 'the 'Golden Triangle' of deepwater will dominate deepwater expenditure over the next five years with activity in West Africa, the Gulf of Mexico and Brazil. SBM Offshore has been researching and developing technology to meet the challenges of these key regions. In particular the harsh Gulf of Mexico environment is an area that the Company is targeting, having identified several technology gaps and now making significant progress to provide solutions for this harsh environment. The result is FPSO *Turritella* for the Shell development, which when in operation in 2016 will be the world's deepest floating production unit and FPSO and only the second FPSO to exploit the High Pressure High Temperature (HPHT) Lower Tertiary reservoirs.

Full field development technology - disconnectable FPSO with Steel Risers

Typically, full field developments require a larger number of risers and umbilicals when this is coupled with HPHT conditions, which may require steel risers and this can be beyond the capacity of a disconnectable turret. SBM Offshore's solution was to develop the MoorSpar™ system, where the risers and umbilicals are supported by a novel, slender spar type structure, with the capacity to support more risers and umbilicals. Moreover, when connected the yoke decouples the FPSO motion from the risers, enabling the use of simple steel catenary risers instead of the more expensive lazy wave configurations. The FPSO coupled with the MoorSpar™ technology represents a cost effective solution by avoiding the need for oil export pipelines over difficult terrain and expensive offshore hook-up works.

Following several years' research and extensive model tests the MoorSpar™ concept reached the point this year of being ready to enter a major project FEED.

Mooring System & Riser Technology

The Company is recognised as the world leader in complex mooring systems. Throughout 2014, it continued to develop its mooring technology to further strengthen this position.

SBM Offshore designed the world's largest ever internal turret mooring system, for the Shell Prelude FLNG, which is currently under construction. The turret weighs 11,000 tonnes and has been designed to enable the FLNG facility to resist the most extreme weather conditions, including category five cyclones, so allowing the facility to remain on location in all conditions.

Two further complex turrets also made significant progress as planned – for the *Ichthys FPSO* and the FPSO *Glen Lyon* for the U.K. Quad 204 development. All of these projects have very high mooring loads, and benefit from the Company's proprietary technology for turret bearing systems and fluid swivels.

Disconnectable Turrets

The *FPSO Turritella* project for Shell in the Gulf of Mexico represents a significant step change in terms of disconnectable mooring systems. This project will achieve a number of industry firsts: - the first disconnectable FPSO with steel risers;

- the deepest production facility in the world at 2,900m water depth
- the largest ever disconnectable mooring buoy

Very High Pressure Fluid Swivel

Recognition for one of SBM Offshore's ground-breaking technologies was received this year when the Company was awarded a prestigious '*Spotlight on Technology*' Award for its 'Very High Pressure Fluid Swivel' technology. This pioneering technology represents a step-change for the industry as it breaks the current industry high pressure barrier. It increases the operating range of high pressure swivels by using a patented technique to cascade the pressure drop over multiple seals. The 12″ prototype toroidal swivel has been fully qualified to 830 barg (12,000 psig) – and is now being re-qualified as a second step to operate at over 1000 barg (14,500 psig). This swivel is specifically aimed at gas or water injection from FPSOs into ultra-high pressure reservoirs, such as the lower tertiary fields of the US Gulf of Mexico.

ARCA Chain Connector

This year SBM Offshore accomplished a major break-through in its new technology for chain connectors to improve the integrity of mooring lines. The new Articulated Rod Connecting Arm (ARCA) Chain Connector provides a solution to ease the installation, inspection and repair of mooring lines.

With vessels now looking to be on station for up to 40 years there is a need to inspect chain connector articulations, which is currently very difficult as these are built into the chain table.

The ARCA chain connector places the articulations on the mooring leg and connects into a static connector on the chain table. This enables for the inspection of the articulations and for them to be replaced if required. This brings a significant advantage in terms of integrity of the units, but also in terms of safety, as this system is fully diverless. As the articulations are not in the chain table, the size of the chain table can be reduced, allowing for optimisation of the turret. Moreover, the connection and disconnection can be performed without the need for diver intervention, bringing significant safety benefits. This year the ARCA has started full qualification testing and it is envisaged to have it ready to launch in early 2015.

Other Floating Production Units

The Company continued to develop its 'dry tree' configuration of the proven Deep Draft Semisubmersible™ hull, in order to allow the use of surface-mounted Christmas trees in ultra-deep water fields in Brazil and the Gulf of Mexico. Development work progressed, with further model basin testing performed during 2014 to refine the conceptual design.

This new product has the potential to overcome the inherent water depth limitation of TLP platforms and consequently offers great potential for ultra-deep water fields, especially for High Pressure/High Temperature reservoirs, where dry trees may be preferred.

Gas Processing Units

FLNG

2014 has seen a significant acceleration in the number of FLNG prospects emerging in the market. In tandem with this demand the Company's solution for offshore gas monetisation is gaining momentum. SBM Offshore's patented, innovative midscale FLNG concept, which draws on the Company's expertise of tanker conversion, is based on the conversion of two LNG tankers. Known as the Twin Hull™, its unique design provides simultaneously adequate storage volume and deck space for topsides. Further development and extensive model basin tests took place in 2014.

With a design capacity of 1.5 to 2.0 million tonnes per annum, this new concept enables a highly economical approach for exploiting small and medium sized offshore gas fields, with faster delivery and lower investment than required for other concepts currently on the market.

Gas to Liquid (GTL)

Within the framework of the Company's Commercial Development Agreement with UK based Compact GTL Ltd, both companies continued to progress the development of modular gas-to-liquid solutions for FPSOs. The use of GTL technology can significantly reduce gas flaring, by transforming associated gas into synthetic crude oil, which can be blended in to the produced crude oil. This product is being actively marketed to clients.

Intellectual Property

The Company maintains a significant Intellectual Property (IP) portfolio including patents, trademarks, and copyrights. The Company's extensive patent portfolio of over 200 patent families covers a wide range of items including FPSO mooring and turret systems, hydrocarbon transfer and processing systems including LNG and gas processing, drilling and riser technologies, and offshore installation. During 2014, the Company has made 20 new patent applications in different countries.

Technical Standards

In 2003 the Company introduced a set of proprietary Technical Standards, which defined design, procurement, construction, commissioning and installation processes for FPSO products. These have continued to evolve over the past decade, adopting the accumulated learnings from project execution and fleet operation. Today, the standards are unique in being the only set of FPSO-specific Technical Standards in the offshore industry. Capturing the accumulated experience from over 257 contract years of FPSO and FSO operations, they provide a valuable foundation for the Company's leased FPSO projects.

The Company continued to grow its team of Technical Authorities, who are responsible for the development of these standards, and to ensure that they are correctly applied on projects.

4.8 HSSE

Erik van Kuijk - Group HSSE Director

“SBM Offshore has always had its eye firmly on the safety ball and, as the industry evolves, safety remains the backbone of the company’s activities. As oil and gas exploration goes deeper and clients’ needs become more complex this puts the playing field in a constant state of flux. Our HSSE policies and practices evolve in tandem with the industry. This year we have focused on strengthening leadership in HSSE and our HSSE culture. Our success relies on the engagement of every employee - which is why we launched this year the company-wide Life 365 programme. As part of that the first global Life Day initiative involved almost 10,000 people across the globe standing down for one day to focus on safety.”

Our HSSE mission

SBM Offshore is committed to protecting people, preventing pollution and safeguarding the environment. The Company’s objective is to provide an incident free workplace and minimise the risks to the health and safety of all its personnel.

4.8.1 Performance at a Glance

The Company has successfully delivered solid safety performance this year in all its business activities. The Total Recordable Injury Frequency Rate (TRIFR) was improved by 45% (0.22 compared to 0.40) and the Lost Time Injury Frequency Rate (LTIFR) by 66% (0.05 compared to 0.15) compared to 2013.

However, during the period, SBM Offshore deeply regretted to have to report two fatalities of yard contractor staff on construction projects in Singapore. Root cause analysis has been carried out and appropriate measures have been put into effect at the contractor facilities.

These fatalities are all the more regrettable, since over the course of the 12-month period the Company achieved an improved safety performance thanks to the focused drive, commitment and involvement of its employees delivering the improvement programme in 2014.

The environmental performance has also improved compared to last year, with 13% less Green House Gas (GHG) emissions per hydrocarbon production offshore compared to 2013, and 9% less of energy consumption and 17% less of oil discharged from produced water offshore compared to 2013 (see detail in section below).

4.8.2 Occupational Health and Safety

Key results

The correlation between the Company's efforts to drive a HSSE culture and the results of solid improvement in safety performance continues – improvements versus 2013 results were achieved both in yards and offshore with following 2014 targets met:

- The lowest number of injuries per exposure hours (Total Recordable Injury Frequency Rate) since 2009.
- A Total Recordable Injury Frequency Rate (TRIFR) of 0.22 compared to 0.40 in 2013. The 2014 performance was better than the target of 0.30.
- The Lost Time Injury Frequency Rate (LTIFR) has improved by 66% compared to 2013 (0.05 in 2014 versus 0.15 in 2013). The 2014 performance was better that the target of 0.09.
- The Occupational Illness Frequency Rate (OIFR) has improved by 66% compared to 2013 (0.03 in 2014 versus 0.09 in 2013). (For SBM Offshore Employes only)
- Offshore Operations recorded stable performance compared to 2013 in its Total Recordable Incident Frequency Rate (0.81 in 2014 and 2013)
- Onshore projects have improved these ratios by more than 50% in 2014 (TRIFR of 0.14 compared to 0.31 in 2013).
- The number of incidents with high potential to harm people has been reduced by 20% compared to 2013 and by 50% compared to 2011.

Key achievements

During 2014, the Company continued to expand its occupational health and safety initiatives by enhancing existing programmes and development of new ones including:

- The launch of a new HSSE Culture program called 'Life 365', which kicked off with the first company-wide 'Life Day' on April 28th. The objective of the worldwide stand-down from work was to dedicate the time for employees to concentrate on safety, security and health for a day. The day was a universal success with all employees participating in workshops and being offered training in CPR. The three key objectives were achieved: creating a sense of pride and belonging to a positive, rewarding and increasingly safe work environment; involving and encouraging each employee to become a key player in the LIFE 365 programme, and creating awareness and informing all personnel on the importance of HSSE to our organisation
- Introduction of HSSE objectives for all SBM Offshore personnel as part of the annual appraisal system
- Monitoring of leading indicators to measure and benchmark safety performance and pro-actively take corrective actions, providing transparency on senior management engagement visits, training delivery and safety observation programs
- The launch of monthly safety campaigns based on the Life Saving Rules
- Accreditation of five regional SBM Offshore offices as National Examination Board in Occupational Safety and Health (NEBOSH) examination centres
- Upgrade of the medical and operational emergency response to address the potential impact of the Ebola outbreak in West Africa
- Developed the functional requirements for a new incident management tool and aligned with Governance, Risk and Compliance disciplines on risk management structure
- Conducted an International Sustainability Rating System (ISRS), initial maturity assessment and developed an action plan for the coming years, which is integrated into the HSSE Strategy for 2015
- Redesigned the HSSE control framework in the new Global Enterprise Management System (GEMS) - put in place within Odyssey24 program and mapped the framework in the HSSE strategy for 2015
- Identified key areas for HSSE improvement under ISRS Odyssey24 stream. Subsequent improvement plan developed with all impacted stakeholders
- Maintenance of all safety certifications on marine units and shorebases (OHSAS 18001)

Of particular note is the special merit award SBM Offshore received from a major client's CEO for the workers' hazard recognition programme on one of the Company's major FPSO conversion projects, as well as recognition for consistently delivering on its HSSE vision throughout the project.

4.8.3 Process Safety Management

Following the launch in 2012 of a structured program to address the improvement areas in Process Safety Management (PSM), the Company has further developed a framework and associated tools for implementation of a comprehensive PSM Programme.

Key results

A total of 82 Loss of Primary Containment incidents were recorded, of which 46 were oil and gas releases. In total, six were classified as Tier 1 Process Safety events (of which five were gas releases) and six as Tier 2 Process Safety events, while the remaining 70 were of minor or insignificant consequences.

As reported in Section 4.8.5 Environmental Management, the majority of the liquid related Loss of Primary Containment incidents resulted in spills contained onboard, only six resulted in release to the sea. This is an improvement compared to 2013 during which 114 Loss of Containment incidents were reported, of which 62 were oil and gas releases.

- The 2014 target for PSM awareness session attendance of 500 was exceeded
- Steps were initiated to strengthen the methodology and accuracy of Loss of Containment reporting and the identification process for improvement actions

Key achievements

- Priority elements in the PSM programme have been defined. These elements consist of a set of activities and practices that will be embedded in the SBM Offshore Group Enterprise Management System (GEMS), the Group Technical Standards (GTS) and can be assessed through the SBM Offshore International Sustainability Rating System (ISRS).

4.8.4 Security Management

Ensuring the security of the Company's employees and assets is a key priority for management.

The Group's Security Policy, procedures and controls are designed to provide the highest level of protection wherever the Company operates in the world.

The Company embraces its 'Duty of Care' to employees and contractors regarding security matters. Relevant security information is compiled and distributed from security information experts, as well as through a network of security contacts. This is particularly important when the Company's vessels are operating in areas categorised as a 'high risk' locations.

Key results

Fourteen security related incidents were reported across the entire organisation, of which three had the potential to cause physical harm to SBM Offshore personnel. None of these incidents resulted in any actual injury or physical harm to SBM Offshore personnel.

Key achievements

- Security threat assessment on 'high risk' regions completed before the start of construction contracts for offshore units
- Daily Security reports issued to all SBM Offshore sites and operations
- Daily Threat Analysis for personnel operating in high risk locations with security alerts issued when applicable
- Face-to-face security briefings, as well as security awareness training in a number of locations. More than 670 people attended

Security Awareness briefing or information session
- Specific security highlights and briefings were issued to all personnel working or traveling to Brazil during the World Cup.

4.8.5 Environmental Management

The Company endeavours to operate in an environmentally responsible and sustainable manner, in order to minimise damage to local ecosystems as well as proactively protect the environment, paying particular attention to three key environmental challenges:

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

During 2014, The Company continued to undertake its environmental performance reporting in alignment with the reporting guidelines from the *International Association of Oil & Gas Producers*.

Key results

- Offshore GHG[1]emissions from energy generation and gas flared decreased by 13% compared to 2013, remaining 19% better than the industry benchmark[2]
- A total of 3.83 million tonnes of GHG have been produced in 2014, representing 128.8 tonnes of GHG per thousand tonnes of hydrocarbon produced
- Total gas flared in 2014 was 16 tonnes per thousand tonnes of hydrocarbons produced, which is 13% less compared to 2013 (18.4 tonnes) but 15% above the industry benchmark[3]. While 65% of the total gas flared was requested by clients or did not exceed the client allowance, the percentage of the total volume flared recorded on the SBM Offshore account (35%) slightly decreased compared to 2013. The Company has decided to implement strategies with a target to reduce flaring by 10% on the Company's account in 2015
- The rate of energy[4]used to produce oil and gas improved compared to 2013 (0.96 gigajoules of energy per tonnes of hydrocarbon produced compared to 1.05 in 2013), which is 31% better than the industry benchmark[5]
- Reductions in the volume of oil discharged to sea per volume of hydrocarbon produced continued. The average volume of oil discharged was 3.3 tonnes per million tonnes of hydrocarbon produced, representing a 17% decrease compared to 2013 (3.98 tonnes) and 67% less than the industry benchmark[6]
- A total of 39 liquid spills have been reported offshore in 2014, of which six spills resulted in release to sea and 33 were contained aboard the unit. Out of the six spills, three involved the release of hydrocarbons and three were chemicals spills. The total volume of uncontained hydrocarbon spills is estimated at 1.06 cubic metres. Two spills were greater than one barrel in size (one oil spill of condensate of approximately one cubic metre and one of an estimated 2.45 cubic metres of glycol into the sea). The spill of glycol was an authorised release, as per the system's design, which involves a release cooling medium to the flare system to alleviate overpressure in the system. SBM Offshore reports in 2014 a normalised rate of 0.03 oil spill offshore per million tonnes of hydrocarbon produced, compared to 0.19 in the industry benchmark[7]

[1]Greenhouse Gases are caused by energy generation and flaring during the production of oil and natural gas. GHG emissions recorded by the Company include emissions for the production of energy (from steam boilers, gas turbines and diesel engines) and emissions from gas flared. Emissions reported do not take into account any fugitive emissions nor emissions from cargo venting.

[2]In 2014, SBM Offshore reported a total of 128.8 tonnes of GHG per thousand tonnes of hydrocarbon produced (compared to 148.5 tonnes in 2013). Companies participating in the 2012 OGP benchmark reported 160 tonnes of GHG per thousand tonnes of hydrocarbon production in 2012. Report No. 2012e. November 2013. International Association of Oil & Gas Producers, page 10

[3]Companies participating in the OGP benchmark reported 13.9 tonnes of gas flared per hydrocarbon production. Report No. 2012e. November 2013. International Association of Oil & Gas Producers, page 16.

[4]Energy is required to produce oil and gas for example to produce steam, heat produced for oil separation, drive pumps producing the hydrocarbons or re-injected produced water, power compressors to re-inject produced gas, drive turbines to generate electricity, etc. Main source of energy consumption offshore is Fuel Gas and Marine Gas Oil.

[5]Companies participating in the OGP benchmark consumed 1.4 Gigajoules of energy for every tonnes of hydrocarbon produced, Report No. 2012e. November 2013. International Association of Oil & Gas Producers, page 14.

[6]Companies participating in the OGP benchmark discharged 10 tonnes of oil to sea per million tonnes of hydrocarbon produced, Report No. 2012e. November 2013. International Association of Oil & Gas Producers, page 17.

[7]Companies participating in the OGP benchmark reported 0.19 oil spill offshore greater than one barrel per million tonnes of hydrocarbon produced, Report No. 2012e. November 2013. International Association of Oil & Gas Producers, page 25.

Key achievements

- Member of the World section of the Dow Jones Sustainability Index for the 5th consecutive year
- Maintenance of all existing environmental certifications (ISO14001) on marine units and shorebases
- Environmental certification (BREEAM) awarded for the refurbished Neptune office building in Monaco
- Initatives were introduced to improve monitoring of waste across the fleet
- Monthly monitoring of environmental emissions (GHG emissions, Flaring, Oil in Produced Water, Energy consumption, Waste Outputs and Loss of containments)
- Specific environmental objectives set for 2015

4.8.6 Looking Ahead

SBM Offshore Performance Targets for 2015 include:

- 0.27 for Total Recordable Injury Frequency Rate, which represents an objective to achieve a 10% reduction compared to 2014 target
- Reduce flaring on SBM Offshore account by 10% on each unit compared to 2014
- Reduce the number of Loss of Primary Containment by 10% on each unit compared to 2014
- Achieve better environmental performance (oil in produced water, GHG emissions, Flaring, energy consumption) than the 2013 OGP industry average benchmark

In line with its long term strategy, SBM Offshore will include the following elements in the HSSE programme for 2015:

- Continue the company wide engagement on HSSE through the second annual Life Day and the *Life 365* programme
- Introduce the new *Safety and Process Safety Management* leadership programmes for senior managers and discipline leads or specialists
- Implementation of the identified 11 PSM priority elements, which include ‘Process Safety Culture’, ‘Hazard Identification & Risk Analysis’ and ‘Asset Integrity & Reliability’
- Continue with the integration of HSSE and PSM in the SBM Offshore Life Cycle and leverage synergies with yards, key subcontractors and suppliers to align working practices with the Company’s standards and guidelines

4.9 Human Resources

Richard Demblon - Group HR Director

“Ownership and accountability by all employees to actively deliver results drive our collective success and future as a company. In light of current challenges our performance is a key factor for sustainable success. Key drivers to improve our ways of working were set in place in 2014 allowing us to begin transitioning to an organisation that is more entrepreneurial, results oriented and client focused for future success. Recognition, development and advancement of high performing, high potential employees within the Group will be an important enabler in the forthcoming period of change. Individual work needs to be aligned with the overall strategy to ensure we work as one, perform and shape our future."

Human Resources’ mission

SBM Offshore is committed to empower and enable the Company’s people to deliver results to meet stakeholder expectation. The Company strives to excel with passion and integrity - fueled by its ambition and team energy. The HR department’s objective is to instill pride in every employee for their work and to maintain a superior and consistent way of working to world-class best practices. This is how SBM Offshore will achieve the desired results and sustainable growth.

Performance at a glance

This year was one of change as the organisation begins to transform and the commercial mindset is integrated. By introducing an entrepreneurial approach to conducting business, SBM Offshore has embarked on a more dynamic way of working, which encourages employees to take initiative and rewards results. The three-year implementation of this vision began in 2014 and is in response to the dynamics and difficulties that the industry is experiencing. Employees now consider the impact of their performance on the Company’s bottom line and they ask how they can contribute by being proactive.

By aligning HR objectives with its objectives, the Company continues to deliver in a challenging time. Several projects were completed this year including the start-up operations of two FPSOs in SBM Offshore’s key markets Brazil and Angola. The Company’s know-how resulted in SBM Offshore maintaining its reputation as the leading technology pioneer and this recognition was cemented by a prestigious industry award. The Company achieved an LTIFR of 0.05 and plans are being implemented to ensure headcount versus capacity is brought to a target of < 5% over. The Company continued to develop its talent and pave the way for the future leaders in the company. As an equal opportunity employer SBM Offshore continued its commitment to employing, retaining and developing the best talent in the industry as well as its commitment to its nationalisation programmes in the countries where it operates.

Key achievements

Success objectives

- Implementation of a programme to enhance an organisation culture that embraces ownership, accountability and a desire to deliver results
- Linking performance and reward
- Training and Leadership development programmes undertaken – including the launch of the Project Management programmes, which are aimed at Project Managers and Discipline Lead Engineers
- Continuation of commitment to industry best practice – with OPITO as a benchmark and thread throughout the training process and competence assurance system

Team energy objectives

- Unplanned staff turnover at 8%
- Progressing initiatives to reduce headcount by 1,200 positions worldwide, over the period 2014 and 2015
- Improvements to shared best practices and strengthening of identical ways of working across the globe to ensure synergies and consistency of quality performance for customers
- Identification and management of poor performance using KPIs and frequent manager/employee dialogue

Ambition objectives

- Expansion and development of leadership and management development programmes to build a robust succession pipeline
- Improved management of contractorsPerformance and Shape the Future objectives

- By cementing a strong, transparent compliant culture with controls and continual training undertaken to ensure that employees comply with competition law compliance and anti-corruption and regulatory compliance laws and regulations. The call for the integration of these values has been embraced with open arms at every level and are deeply engrained in the company
  - Selection, training and recruitment programmes put in place to build next generation of SBM Offshore leaders at all levels
  - Training courses undertaken focused on technical and HSSE topics
  - Implementation of change programme - part of company-wide Odyssey 24 business improvement and transformation, delivering competency, skills matrix and working on refining the company processes for recruitment, development, appraisal of the Company's employees

Employee performance

SBM Offshore recognises that employees who are engaged in their work stay focused on the company's goals and drive its future. Their well-being is an important issue for management and initiatives are promoted within the framework of Duty of Care as an employer.

The energy and pride of the Company's team-spirit is felt by SBM Offshore's clients in the results that it delivers. The Company's employees are empowered – encouraged by an environment of ambition as SBM Offshore opens the door to creativity and innovation as well as focusing on the more traditional bottom-lines of responsibility and accountability.

SBM Offshore's new way of working - implemented over a year ago – allows employees to achieve their objectives. Employees are rewarded for their individual performance and behaviour and their team actions. SBM Offshore's performance appraisal process increases the visibility of each employee's own performance and rewards it in the context of the company's success.

Year-end appraisals provided the essential check-up to ensure that employees are engaged in the *Work as one* ethic of the Company as well as achieving the above mentioned Company objectives for 2014 plan.

Work as one

- By maximising the synergies and expertise of the five regional centres around the world
- By creating teams for a project that draw on the pool of specialised high calibre talent
- By promoting greater value interaction between managers and their teams
- By integrating new employees into the teams where their valuable experience and skills will be exploited for maximum results

2014 in figures

- Total headcount (including construction yards) has increased by 2.8% from 9,936 to 10,215. This is a net slow down compared to the 33% increase in 2013 year on year
  - Headcount in Execution Centres decreased by 16.3% from 2,834 to 2,372 – this reflects the current low activity for projects in engineering phase
  - Headcount in SBM Operations has increased by 4.2% from 2,289 to 2,385
  - Headcount in Group Project Execution has increased by 54.6% from 791 to 1,223, due to the most important projects being in the construction phase. The increase is explained by the hire of local contractors, with a two-fold increase at the yard in China, increasing from 209 to 440

- Permanent staff has experienced a slight decrease in proportion to total headcount from 84% last year to 81%

At the end of 2014 Group companies employed 10,215 worldwide compared to 9,936 in 2013. This overall increase of 2.8% is explained mainly by contractors and construction staff for projects at joint venture yards. However, permanent staff experienced a decrease with a total of 8,234 employees in 2014 compared to a total of 8,358 employed in 2013 (these figures exclude contractors). A bigger decrease will be reflected in 2015 in line with the workforce reduction plans as announced in the Press Release dated 11 December 2014. For detailed statistics on Human Resources, please see chapter 7.2 Performance Indicators.

Testimonials from employees demonstrate the business benefits of the training running throughout the year, which include the Leadership programmes and the newly implemented Project Management programmes, which are aimed at Project Managers and Discipline Lead Engineers.

“I implemented the Earned Value Management techniques to optimise Engineering costs on my project.”

"By applying the project planning techniques to the two FEED projects in which I was involved this year I was able to successfully execute the project within budget and deliver on time.”

4.10 Company Tax Policy

Philippe Baffreau - Group Tax Director

"As a responsible corporate citizen, SBM Offshore is legally and morally committed to its tax obligations. The Company is sensitive to public perception - the mindset is changing and SBM wants to be sure that our footprint goes beyond our legal obligations. For SBM to be perceived as a responsible taxpayer in all jurisdictions of operation is an objective. While at the same time, the Company is committed to deliver value to its shareholders and employees. As such, SBM Offshore's tax policy has at its core the dual objectives to uphold these principles."

SBM Offshore's tax policy is summarised as follows:

- The Company aims to minimise its overall tax burden to be cost competitive, while fully complying with local and international tax laws
- 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 operates in a global context, with global competitors, global clients, global suppliers and a global workforce. Some three quarters of the Company's activities - measured by revenue - consist of large project developments, each project costing typically between US$0.5 and US$2.0 billion. A typical Floating, Production, Storage and Offloading (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, labour 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 our offices in Marly, Switzerland.

The Company:

- complies with the OECD transfer pricing guidelines
- has assessed its practices against the OECD Base Erosion Profit Shifting principles, and specifically the country-by-country reporting which fits into the increased tax transparency approach already adopted by the Company
- 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 optimised in order to compete effectively in the global competitive arena.

The Company reached an out-of-court settlement ex Article 74 of the Dutch Criminal Code with the Dutch Public Prosecutor's Office (Openbaar Ministerie) over the inquiry into alleged improper payments. The out-of-court settlement consists of a payment by SBM Offshore to the Openbaar Ministerie. SBM Offshore will pay this out of its own funds and will not claim any tax relief over the settlement amount.

In 2014, the Company had a corporate income tax liability of US$ 39.2 million (US$ 30.8 million in 2013). Due to the large losses incurred on the legacy projects, significant tax loss carry forward positions exist at the global contracting company which are limiting the current tax payments in Switzerland.

4.11 Group Management Systems

One of the Odyssey 24 transformation programme projects is the Global Enterprise Management System (GEMS). Based on industry practices, this renewed version of the SBM Offshore Management System will gradually replace the present system with full implementation scheduled for 2015. The new GEMS comprises one source of information for all the Company's business processes, supporting procedures and documentation.

Key achievements

- The system supporting GEMS was implemented, populated with present Management System information
- The new structure of the management system has been defined, and the first series of new end-to-end processes has been developed.

Looking forward

In 2015 the remaining series of end-to-end processes will be developed. This will allow harmonisation where discrepancies or confusing inconsistencies have occurred to date.

Ongoing

The new Global Enterprise Management System for project execution and for FPSO operations remains based, as before, on the following internationally recognised codes and standards and regulations, while better facilitating the Company's compliance with them.

- ISO 9001: 2008 Quality Management System
- ISO 14001: 2004 Environmental Management Systems
- OHSAS 18001: 2007 Occupational Health and Management Systems
- SBM Offshore Social Accountability Manual (compatible with SA8000 Social Accountability)
- MARPOL Regulations: 2002
- ISM/ISPS Codes (International Safety Management / International Ship and Port Facility Security)

4.12 Compliance Table

Management System Compliance Table

	ISO 9001	ISM	ISPS	ISO 14001	OHSAS 18001	Socical Accountability
Group Shared Services Centre						
Marly	x					
Execution Centres						
Monaco	x					
Schiedam	x					
Houston	x					
Kuala Lumpur	x					
SBM Operations (SBM PC)		x		x	x	
Shorebases		**ISM**	**ISPS**	**ISO 14001**	**OHSAS 18001**	**Socical Accountability**
Angola (OPS)		x		x	x	x
Brazil		x		x	x	x
Equatorial Guinea (SBM/Gepsing)		x		x	x	x / o
Malaysia (SBM / MDPC)		x		x	x	x
Myanmar		x		x	x	x
Canada		n/a (1)		x	x	No (3)
Offshore Production Fleet						
Angola		ISM	ISPS	ISO 14001	OHSAS 18001	
FPSO Mondo		x	x	x	x	
FPSO Saxi Batuque		x	x	x	x	
N'GOMA FPSO		x	x	2015 (4)	2015 (4)	
Brazil		**ISM**	**ISPS**	**ISO 14001**	**OHSAS 18001**	
FPSO Cidade de Anchieta		x	x	x	x	
FPSO Cidade de Paraty		x	x	x	x	
FPSO Marlim Sul		x	x	x	x	
FPSO Capixaba		x	x	x	x	
FPSO Espirito Santo		x	x	x	x	
FPSO Ilhabela		x	x	2015 (4)	2015 (4)	
Myanmar		**ISM**	**ISPS**	**ISO 14001**	**OHSAS 18001**	
Yetagun FSO		x	x	x	x	
Equatorial Guinea		**ISM**	**ISPS**	**ISO 14001**	**OHSAS 18001**	
FPSO Aseng		x	x	x	x	
Canada		**ISM**	**ISPS**	**ISO 14001**	**OHSAS 18001**	
PFC Deep Panuke		n/a (1)	n/a (2)	x	x	
Malaysia		**ISM**	**ISPS**	**ISO 14001**	**OHSAS 18001**	
FPSO KIKEH		**x**	**x**	**x**	**x**	

x / o

(1) ISM code applies to the safeguard the operation of ships. The PFC Deep Panuke (Canada) is a fixed platform and ISM code is not applicable.

(2) ISPS code measures the security of ships and port facilities. The PFC Deep Panuke (Canada) is a fixed platform and ISPS code is not applicable

(3) Under review for relevance in Canada

(4) Acceditation is scheduled for 2015

5 Report of the Supervisory Board - Governance and Compliance

5.1 Report of the Supervisory Board

5.1.1 Message from the Chairman of the Supervisory Board

Dear Shareholders,

For the last time in my capacity as Chairman of the Supervisory Board of SBM Offshore N.V., I am pleased to present you this report of the Supervisory Board for 2014.

During the course of this challenging year, the key areas of attention of the Supervisory Board in its supervision of the Management Board were the resolution of the alleged improper sales practices, the Company's strategies, in particular as regards Brazil, oil and gas production operations, research, technology and project management and corporate finance options, and the succession planning for the Supervisory Board and the Management Board.

Improper sales practices

At meetings and through direct communication the Supervisory Board was kept fully informed by the Management Board throughout the different stages of the internal investigation into improper sales practices and the Management Board's deliberations with the Dutch Public Prosecutor's office. At an additional meeting held in June, the Supervisory Board met with representatives of the Dutch Public Prosecutor's office to confirm its firm resolution for a transparent governance of the Company under the Management Board's leadership and to reassert its full support for the compliance enhancement actions taken by the Management Board. The Supervisory Board was pleased to note that the U.S. Department of Justice closed out the matter and gave its full support for the terms of the settlement which the Management Board reached on 12 November 2014 with the Dutch Public Prosecutor. As set out on page 174 of this Annual Report the Comptroller General's Office of Brazil has recently initiated an investigation.

Strategy

The difficult business environment caused by the low oil price situation and the ensuing cuts in our clients' investment programmes and the developments related into improper sales practices - amongst which regrettably the debarment for the time being of tendering for Petrobras projects – has led the Supervisory Board and the Management Board to thoroughly review the Company strategy. As regards Brazil, the Supervisory Board welcomed the creation of an Advisory Board to SBM Offshore do Brasil, the Management Board's active dialogue with the Company's key client Petrobras and the deliberations with the relevant Brazilian authorities.

The December strategy meeting of the Supervisory Board was dedicated to an in depth review of the Company's strategic options, taking into account the prevailing low oil price and its effect on the investment plans of the oil companies, and the importance the Company's R&D efforts should hold in addressing our clients' aspirations in the development economics of their oil and gas fields. The strategy meeting also concluded on the paramount importance to the Company's success of the effective technical, commercial and sustainable execution of the oil and gas production operations of the Company's fleet of FPSOs.

The Supervisory Board oversaw the restructuring which the Management Board announced in December 2014. Although this restructuring involves a considerable number of redundancies, the Supervisory Board was fully aligned with the Management Board on the necessity of these measures.

Succession Planning

At the Annual General Meeting of Shareholders I will step down as Chairman and member of the Supervisory Board, having reached the end of my third and last term of office. Mrs K. Rethy has reached the end of her first term of office and has indicated that she would not stand for re-election.

As announced in a press release on 17 December 2014, Mr Hepkema, Chief Governance and Compliance Officer, will step down from the Management Board at the AGM of 15 April 2015. The Supervisory Board welcomes the decision of Mr Hepkema to continue to make his experience available to the Company in the capacity of Supervisory Board member. Mr Hepkema will be proposed as a member of the Supervisory Board at the AGM dd. 15 April 2014. A search for further members of the Supervisory Board for the remaining vacancies is ongoing.

Mr. Hepkema's anticipated retirement has been part of the Management Board succession planning process for the last several months. The Supervisory Board is of the view that the CGCO function at Management Board level has created significant value for the Company, and has decided to maintain it. At the AGM of 15 April 2015, the Supervisory Board will propose Mr Erik Lagendijk, to join the Management Board as CGCO. In addition it was decided to re-introduce the position of Chief Operating Officer at Management Board level. In a Press Release SBM Offshore announced the proposed appointment of Philippe Barril as Chief Operating Officer (COO) effective March 1, 2015. Philippe Barril's appointment as a member of the Management Board is subject to approval at the Annual General Meeting of Shareholders to be held on 15 April 2015.

These appointments will significantly strengthen the Management Board and allow Mr Bruno Chabas to add further focus his CEO role.

Also speaking on behalf of my colleagues in the Supervisory Board, I am confident that the positive results of the determined and diligent actions taken by the Management Board in addressing and managing the challenges and difficulties they faced during the turnaround period, which started in 2012, will gain visibility in the year to come.

I wish to thank my fellow colleagues in the Supervisory Board for their dedication during the year 2014 and the Management Board and all the staff for their sustained contribution to realising a culture change, making the Company more transparent and enhancing its operational performance and success.

Yours sincerely,

H.C. Rothermund

Chairman of the Supervisory Board

5.1.2 Activities of the Supervisory Board

During the course of the year under review, the Supervisory Board held five meetings according to a pre-set schedule and two additional meetings. The last but one meeting of the year was for reasons of efficiency, a combined meeting of the Supervisory Board and of the Audit Committee. In addition the Supervisory Board held five conference calls with the Management Board. These telephone conferences focused on specific subjects, more particularly, progress on the improper sales practices and the strategic projects.
The Management Board prepares detailed supporting documents and attends the formal meetings of the Supervisory Board. The regular meetings last about five hours. Pre-set meetings are usually spread over two days, starting on the first day with the meetings of the Audit Committee, the Technical and Commercial Committee and the Appointment and Remuneration Committee (A&RC). The Company secretary is the secretary of the Supervisory Board and its sub-committees. Each of the regular Supervisory Board meetings is preceded by a pre-meeting to which the Management Board is invited. The pre-meeting is meant to enhance the effectiveness of the formal Supervisory Board meeting of the next day, taking into account the outcome of the sub-committee meetings which took place during the first day.

With the exception of Mr. F. Cremers who was prevented from attending one meeting of the Audit Committee the Supervisory Board Members attended all of the regular Supervisory Board meetings and the sub-committee meetings.

Subjects reviewed at the sub-committee meetings cover the list of standard items set out in the Regulations of the respective committees. These regulations are published on the Company website. Standard items on the agenda of the Supervisory Board are:

- A review of the Health, Safety, Security and Environment performance in the period under review
- An update of the Management Board on
  - the operational and financial performance
  - the commercial prospects
  - corporate governance and compliance including risk management
  - technology developments
  - organisational developments

- A report by the chairpersons of the sub-committees on the review and discussions of the subjects handled in the sub-committee meetings
- Approval of the minutes of the preceding meeting or the record note of conference calls and various housekeeping matters

In addition to the review of these standard items, the following main topics were reviewed:

February meeting of the Supervisory Board and of the Audit Committee

- A status update on the internal investigation into alleged improper payments
- 2013 Financial statements and resolution to propose not paying a dividend
- 2014 Budget

March meeting

- The meeting was dedicated to the matter of the investigation into alleged improper payments

April meeting

- A status update on the internal investigation into alleged improper payments with the Company's General Counsel joining the meeting;
- AGM preparation and election of Mrs L. Armstrong as a new member of the Supervisory Board effective 1 July 2014. Re-election of Mr F.J.G.M Cremers and Mr F. Gugen as members of the Supervisory Board for a second term of office

June meeting

- A status update on the internal investigation into alleged improper payments
- The strategy with regard to Brazil

August meeting

- Interim Financial Statements 2014
- Update on a number of strategic projects

November meeting

- Q3 2013 Trading Update
- Visit to the Chengxi Shipyard Guangzhou, review of the Company's main projects under construction in China and meeting with the yard's Board member and senior management
- Extensive review of the Management Board's proposal to consider the creation of a Master Limited Partnership
- Review of the terms of the Settlement Agreement on the matter of the alleged improper payments to be entered into with the Dutch Public Prosecutor's office
- The Company's reorganisation in Regional Centers and Product Lines

December meeting

- The strategy with regard to Brazil
- Strategy Plan 2015 – 2017

5.1.3 The Supervisory Board Committees

Audit Committee

The Audit Committee convened for five regular meetings in 2014 of which one was combined with a meeting of the Supervisory Board. The regular Audit Committee meetings are held the day prior to the Supervisory Board meeting, where the Audit Committee Chairman reports on the principal issues discussed, on actions arising and the follow-up on such actions and makes recommendations on those matters requiring a decision by the Supervisory Board. Meetings last three to four hours. The Management Board, the Group internal audit manager, the Group Controller and the external auditor attend the meetings. There were regular private meetings of the Audit Committee with the external auditor without management being present.

The main items discussed during the year under review were, besides the standard topics:

- The alleged improper sales practices
- The divestment of non-core assets
- Funding of projects, the U.S. Private Placement, the medium term financing plan and the Company's new USD 1 Billion Revolving Credit Facility
- The selection of the external auditor in view of the compulsory rotation of audit firms
- The project of creating a Master Limited Partnership
- The Group's tax structure, tax planning and transfer pricing policies

The Audit Committee pays specific attention to risk management and discusses the quarterly Risk and Opportunity report. The Audit Committee liaises with the Technical and Commercial Committee where the technical and project execution risks are discussed. Overall the standard of the audit team, the audit process and fees, and the interaction with the Company's personnel were all found satisfactory given the size, complexity and risk profile of the Company.

In compliance with the new Dutch Audit Profession Act (WAB) the Management Board initiated in 2013 a selection process with the aim to submit a proposal for appointment of a new external audit firm at the AGM of 2014. The proposed firm, PWC Accountants N.V. with Mr W. Jansen as lead partner, was appointed at the AGM of 17 April 2014 for a period of four years.

Appointment and Remuneration Committee

The Appointment and Remuneration Committee met four times in 2014 in scheduled meetings. The meetings of the Appointment and Remuneration Committee are held prior to the Supervisory Board meetings. The respective chairpersons report 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 make recommendations on those matters requiring a decision of the Supervisory Board. The meetings are attended by the Management Board and the Group HR Director, except where the committee chooses to discuss matters in private. Meetings last approximately three hours.

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

Remuneration

- Determination of Short Term and Long Term Incentive amounts by reference to the performance targets agreed with the Management Board for the year 2013 in accordance with the RP 2011 aa, and the determination of the Short Term Incentive performance targets related to the year 2014 and of Long Term Incentive performance targets related to the vesting period 2014 to 2016 in accordance with the Remuneration Policy (RP2011aa)
- Share based incentives for senior management
- Recommendation to submit the proposal of a new Remuneration Policy (RP2015) to the AGM of 2014 to become effective on 1 January 2015 (RP2015). At the AGM of 17 April 2014 the RP2015 was adopted
- The Company's organization and rightsizing actions proposed by the Management Board

Selection and Appointments

- The follow-up of the conclusions of the Supervisory Board Effectiveness Review conducted in 2013 by an external consultant
- The end of term resignation of Mr. F. Cremers and Mr F. Gugen and their re-election
- The proposal to appoint Mrs L. Armstrong OBE as a member of the Supervisory Board
- Succession planning of the Supervisory Board and proposal for appointment of Mr S. Hepkema as a member of the Supervisory Board to be submitted for approval by the AGM of 15 April 2015
- Succession planning of the Supervisory Board and proposal for appointment of Mrs. [TBC] as a member of the Supervisory Board to be submitted for approval by the AGM of 15 April 2015
- Selection and proposal for appointment of Mr E. Lagendijk as a CGCO and a member of the Management Board to be submitted for approval by the AGM of 15 April 2015
- Selection and proposal for appointment of Mr P. Barril as a COO and a member of the Management Board to be submitted for approval by the AGM of 15 April 2015.

Technical and Commercial Committee

The Committee met formally four times. In addition, there was a one full day review of project performance and project management processes, initiated by the TCC and held in September in Monaco and a half day visit to the Carros (France) R&D facility, followed by an extraordinary TCC meeting focusing on fleet operations in December. The meetings of the Technical and Commercial Committee last three to four hours and are held prior to the meetings of the Supervisory Board at which the chairman reports on the principal issues discussed, on actions arising and the follow-up of such actions and makes recommendations on those matters requiring a decision by the Supervisory Board. The meetings are attended by the CEO, the Group Executive Managing Director, the Group Sales Director and the Group Technology Director. Other executives are asked to give presentations on specific topics within the remit of the TCC.

The TCC visited the Company's R&D facility in Carros (France) and the chairman of the TCC addressed a project management seminar organized by the Company for project managers.

The main subjects discussed by the Technical and Commercial Committee were the following:

- Quality improvement
- Health, Safety, Security and Environment performance
- Commercial prospects and the international competitive environment
- Fleet performance and asset integrity

5.1.4 Performance Evaluation of the Supervisory Board

The Supervisory Board assessed its performance over 2013 on the basis of a questionnaire and followed-up on the conclusions of the Effectiveness Review conducted by an external consultant end of 2012/beginning of 2013.

The Supervisory Board resolved to entrust the performance evaluation of the Supervisory Board as a whole and its individual members in the year 2014 to a specialised external advisory firm. The resulting performance evaluation report listed a number of recommendations. The report and the recommendations were first discussed amongst the members of the Supervisory Board privately early in 2015, and the recommendations and conclusions of the report which were relevant to the Management Board were shared with the Management Board.

5.1.5 Conclusion

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

The Supervisory Directors have signed the 2014 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 2014 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 2014 incorporating the Financial Statements for the year 2014 and the proposal not to pay out a dividend.

Schiedam, 4 February 2015

Supervisory Board

H.C. Rothermund, Chairman

F.J.G.M. Cremers, Vice-Chairman

L.A. Armstrong

F.G.H. Deckers

T.M.E. Ehret

F.R. Gugen

K.A. Rethy

5.2 Supervisory Board Profiles

The first term of office of Mr F.J.G.M. Cremers and of Mr F.R. Gugen expired at the AGM of 2014. Both members of the Supervisory Board indicated their willingness to stand for re-election and the Supervisory Board, upon the recommendation of the Appointment & Remuneration Committee, proposed to re-elect Mr F.J.G.M. Cremers and Mr F.R. Gugen for a second term of office expiring at the AGM of 2018. The Supervisory Board re-elected Mr F.J.G.M. Cremers as its vice-chairman.

Following a selection process conducted by the Appointment & Selection Committee with the assistance of a specialist consultant, Mrs L.A. Armstrong was proposed by the Supervisory Board as a member of the Supervisory Board. At the AGM of 2014 Mrs L.A. Armstrong was elected as a member of the Supervisory Board effective July 1st, 2014. Her first term of office expires at the AGM of 2018.

The third and last term of office of Mr H.R. Rothermund expires at the AGM of 2015. SBM Offshore's Supervisory Board has decided to appoint Mr. F.J.G.M. Cremers, currently Vice Chairman, as Chairman as of that date Mr. T.M.E. Ehret will simultaneously be appointed as Vice Chairman replacing Mr. F.J.G.M. Cremers.

The first term of office of Mrs K.A. Rethy expires at the AGM of 2015. Mrs. K.A. Rethy indicated she would not stand for re-election.

Supervisory Board

Mr. H.C. Rothermund (Chairman)

Swiss, 1943
Function: Chairman
Committee: Member of the Technical and Commercial Committee
First appointment: 2003
Re-appointment: 2007
Re-appointment: 2011
Current term of office: 2011-2015
A former Managing Director of Shell EP International B.V.

Other non-executive Board memberships:

Non-executive director, Petrotechnics Ltd.

Mr F.J.G.M. Cremers

Dutch, 1952
Function: Vice Chairman
Committee: Chairman Audit Committee
First appointment: 2010
Re-appointment: 2014
Current term of office: 2014 – 2018
A former CFO of Shell Expro UK and former CFO and member of the Board of Management of VNU N.V.

Other Supervisory Board memberships:

Listed companies:
Vice Chairman of the Supervisory Board of Royal Imtech N.V.
Member of the Supervisory Board of Vopak N.V.
Member of the Supervisory Board of Unibail-Rodamco S.E.

Private Companies:
Member of the Supervisory Board of Parcom Capital B.V.
Member of the Supervisory Board of Luchthaven Schiphol N.V.

Other:
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

Mrs. L.A. Armstrong

British, 1950

Function: Member

Committee: Member of the Technical and Commercial Committee

First appointment: 2014

Current term of office: 2014 – 2018

A former Technical Vice President for Shell International.

A former Exploration Director of Petroleum Development Oman.

A former Director Shell UK Exploration.

Other non-executive Board memberships

Listed companies:Non-Executive Director of KAZ Minerals Plc

Private companies: Non-Executive Director of Central Europe Oil Company

Chairperson of the Trustees of the British Safety Council

Mr. F.G.H. Deckers

Dutch, 1950
Function: Member
Committee: Member Audit Committee
Member of the Appointment & Remuneration Committee
First appointment: 2008
Current term of office: 2012-2016
A former CEO of F. van Lanschot Bankiers N.V,

Other Supervisory Board memberships of private entities:

Chairman of the Supervisory Board of Deloitte Nederland B.V.
Member of the Supervisory Board of IBM Nederland N.V.
Member of the Supervisory Board of Springpaarden Fonds Nederland B.V.
Member of the Board of the Netherlands Bankers' Association

Other:

Member of Advisory Counsel Woman Capital

Mr. T.M.E. Ehret

French, 1952
Function: Member
Committee: Chairman Technical and Commercial Committee
First appointment: 2008
Current term of office: 2012-2016
A former President and Chief Executive Officer of Acergy S.A.

Private Companies

Chairman of Harkland Global Holdings Ltd.
Non-Executive Director of Comex S.A., Green Holdings Corporation and ISM Komix Ltd.
Member of the Supervisory Board of Huisman Equipment B.V.

Mr F.R. Gugen

British, 1949
Function: Member
Committee: Chairman of the Appointment and Remuneration Committee dealing with remuneration matters and member of the Appointment and Remuneration Committee dealing with selection and appointment matters. member of the Audit Committee.
First appointment: 2010
Re-appointment: 2014
Current term of office: 2014 – 2018
A former Chief Executive of Amerada Hess Corporation in Europe
A former Finance Director of Amerada Hess Corporation in Europe

Listed Companies:

Chairman of the Board of Petroleum Geo-Services ASA and of IGas Energy plc

Private Companies:

Chairman of Chrysaor Limited, and Fraudscreen Limited

Charities:

Chairman of Raft, a medical research charity and Member of the Board of its biotech spin-out Smart Matrix Limited

Mrs. K.A. Rethy

Canadian, 1956
Function: Member
Chairperson of the Appointment and Remuneration Committee dealing with selection and appointment matters and Member of the Appointment and Remuneration Committee dealing with remuneration matters
First appointment: 2011
Current term of office: 2011-2015
A former Senior Vice President, Global Services of Falconbridge Ltd.
A former Director Material, Logistics and Services of DuPont Canada Inc.

Private Companies:

President of KAR Development Corporation, Toronto, Canada

Other:

Non-Executive Director of Equitable Bank and Equitable Group Inc., Canada

Non-Executive Director of Toromont Industries Ltd.

Composition of the Committees of the Supervisory Board

Composition of the Committees of the Supervisory Board

	Audit Committee Chairman	Audit Committee Member	Appointment & Remuneration Chairman	Appointment & Remuneration Member	Technical & Commercial Committee Chairman	Technical & Commercial Committee Member
H.C. Rothermund						X
F.J.G.M. Cremers	X					
F.G.H. Deckers		X		X		
T.M.E. Ehret					X	
F.R. Gugen		X	X			
			Remuneration			
K.A. Rethy			X			
			Appointment			
L.A. Armstrong						X

5.3 Remuneration Report

Dear Shareholders,

The Appointment and Remuneration Committee (A&RC) has introduced a new format to its report this year. Details related to the Members of the Management Board have now been split into two separate sections; one which describes the remuneration policy effective from January 1, 2015 (RP2015) and for which shareholder approval was obtained at the 2014 AGM, and the second section which details remuneration outcomes for 2014 under the policy that expires on December 31, 2014, RP2011aa.

With this change we aim to improve the transparency and clarity of our remuneration reporting. As a result readers will be able to clearly identify our Management Board Remuneration Policy and separately the implementation of our remuneration policy for the year under review, that will be subject to a separate discussion item at our 2015 AGM. With this change we are also anticipating and starting to prepare for the introduction of standardised remuneration reporting which is being proposed by the European Commission as part of the Shareholders' Rights Directive.

2014 has seen another year of very strong performance by our Management Board working in a challenging environment to achieve the turnaround objectives that have been set for them. This is the final year of what the Supervisory Board saw as a three year turnaround period and as a result of Management efforts the Company is now better positioned to move forward and to improve returns for our shareholders. The Management Board's remuneration outcomes for 2014 reflect their strong performance both during 2014 and in respect of the LTI awards vesting performance over the three year turnaround period. More detail regarding Management's performance against the turnaround objectives set for them in advance is included on page 100.

The most significant development in terms of remuneration structure in 2014 was the successful introduction of our new executive remuneration policy, RP2015. We were pleased to receive, at last year's AGM, a vote of 94.7% in favour, from those shareholders who voted. Having spent the last three years focusing on the turnaround of the Company, the Management Board is now able to devote its efforts to the future. The remuneration arrangements under RP2015 are based on a robust and transparent incentive pay structure which will ensure that executive remuneration outcomes are strongly linked to the attainment of the Company's Strategy and Operating Plans in the interests of our shareholders.

During 2014 the A&RC reviewed the Supervisory Board's fee structure, last revised in 2010. However, in the light of the economic conditions now prevailing in the oil industry, the Supervisory Board has decided not to ask shareholders now to approve most of the recommendations from its compensation advisers. These recommendations concluded that the current fee structure does not adequately reflect the expertise, experience and time commitment of our Supervisory Board members and could make it more difficult for the Company to attract and retain the highest quality and experienced individuals, including internationally. However, the shareholders are asked to approve, at the 2015 AGM, revisions to the present fee structure to correct the two most significant anomalies, relating to intercontinental travel and the remuneration of the Chairman.

I look forward to receiving your support at the AGM and to answering any questions which may arise from this Report.

Yours faithfully,

Francis R. Gugen

Management Board Remuneration Policy (RP2015)

The new Management Board remuneration policy, RP2015 was approved by shareholders at the AGM on 17 April 2014 and it is effective on 1 January 2015.

RP2015 is designed based on the following remuneration principles:

Remuneration for 2014

Principle	Description
1 Competitiveness	Remuneration should be competitive with global peer companies that may compete with the Company for business opportunities and talent.
2 Flexibility	The remuneration policy should provide flexibility to allow the A&RC, to reward the Management Board in a fair and equitable manner, allowing for discretion and judgement.
3 Predictability	To function as an incentive tool, the remuneration policy should offer the Management Board Members a reasonable level of predictability of their total remuneration in any given year, subject to performance delivered.
4 Driving right behaviour	The remuneration policy should drive the right kind of management behaviour, discourage inappropriate risk taking and minimise any gaming opportunity.
5 Pay for performance	The remuneration policy should pay for performance, taking into account the measurable financial performance of the Company, and the personal performance of individual Management Board Members.Assessing personal performance generally requires judgement andqualitative assessment by the A&RC.
6 Four pillars	The remuneration policy consists of the following four pillars: (i) Base Salary; (ii) Short Term Incentive; (iii) Long Term Incentive; and (iv) Pension.
7 Market reference and positioning	The market reference for base salary in RP2015 is no more than the third quartile (above median) of the Peer Group.
8 Share ownership requirement	The remuneration policy shall foster long term share ownership within the Management Board and alignment of interests with shareholders.
9 **Pension**	The pension shall be based on the defined contribution system.
10 **Simplicity**	The remuneration policy should be kept as simple, clear and transparent as possible.
11 Applicable legislation & governance	The remuneration policy is drafted in accordance with Dutch law and corporate governance provisions applicable in the Netherlands. In addition, in the implementation of the remuneration policy, the A&RC takes into account global market practices.

RP2015 has been designed to be simple and transparent and consists of the following core elements:

Remuneration element	Description and operation
Base salary Fixed cash compensation based on level of responsibility	• Attraction of top executives • Reward for effort and delivery of day-to-day responsibilities • Market reference: Not to exceed third quartile of Pay Peer Group
Short Term Incentive Variable reward for performance in the financial year	• Rewards delivery of short-term objectives • Incentivises superior Company and individual performance • Based on three sets of Performance Indicators Company (50% to 75%), Personal (25% to 50%) and CSR & Quality Multiplier (+/ -10%); actual STI Performance Indicators selected from shareholder approved menu, with weighting determined by the A&RC in advance • Opportunity- percentage of salary: Threshold (40%), Target (100%), Maximum 200% for CEO and 150% for other MB members. • Paid in cash
Long Term Incentive Variable remuneration element paid in Company shares	• Retention of top executives • Alignment of interests between executives and shareholders • Reward for sustainable long-term performance • Vesting based on 3-year Performance Targets calculated for one or more of Directional EPS, Solvency ratio and relative TSR, with weighting determined in advance by the Supervisory Board at the recommendation of the A&RC. • Opportunity: Calculated as percentage of MB Reserved Share pool
Pension Defined contribution plan	• Provide competitive post-retirement benefits • Market reference: Not to exceed third quartile of Pay Peer Group.

Base Salary

Base salaries will not exceed the third quartile of the Peer Group. Base salaries and the Pay Peer Group are reviewed annually by the A&RC with any changes to base salary decided by the Supervisory Board at the recommendation of the A&RC generally being effective from the following January 1.

Pay Peer Group

The Peer Pay Group reflects the competitive environment for executive talent in which the Company operates. Companies selected are comparable to SBM Offshore in size (revenue and market capitalisation), industry (global oil and gas services companies) and in terms of complexity, data transparency and geography. The A&RC may recommend amending the composition of the Peer Group, for example, if a company is deemed no longer a relevant comparator. The basis on which the Peer Group is established may be changed by the Supervisory Board if deemed necessary to reflect a change in the business or strategy. If changes to the Peer Group will have a material impact on the remuneration principles (as set out in RP2015) it will be submitted to the AGM for approval.

Pay Peer Group		
Amec PLC	Foster Wheeler AG	Oceaneering International
Dresser Rand Group	Fugro N.V	Petrofac LTD
Ensco	McDermott International	Petroleum Geo Services
FMC Technologies	Noble Corp	Wood Group PLC

Short Term Incentive (STI)

The STI is designed to reward performance in the financial year, as measured against a number of STI Performance Indicators.

STI Performance Indicators

The STI is based on three sets of Performance Indicators as set out below. The Performance Indicators and their respective weighting are selected annually by the A&RC in advance:

STI Performance Indicators	Prescribed relative weightings
STI Company Performance Indicators Directional revenue Directional EPS Directional EBIT margin of any one or more specific business segments Internal Rate of Return achieved on projects Sales, General and Administrative expense (SG&A) cost management Product and Technical Development (P&TD) cost management Solvency ratio	50% to 75%
STI Personal Performance Indicators Objectives as appropriate for each individual Member	25% to 50%
Combined STI Company and Personal Performance Indicators	100%
CSR and Quality Multiplier: • Dow Jones Sustainability Index • Safety performance • Quality performance	-10% to + 10% (within the overall maximum STI opportunity)
Total as percentage of total STI Opportunity	90% to 100%

The Supervisory Board, at the recommendation of the A&RC, annually in advance, sets appropriately demanding and robust Performance Targets for each of the chosen STI Performance Indicators, based on the Company's Operating Plan and taking into account market and investor expectations as well as the economic environment.

The selected STI Company Performance Indicators and their weightings, are commercially sensitive and so will only be published in the Remuneration Report following the performance year end. Performance against the annual STI Performance Targets is commercially sensitive information and will not therefore be published.

STI opportunity

Management Board	Threshold STI	Target STI	Maximum STI
CEO	40%	100%	200%
Other Members of the Management Board	40%	100%	150%

For performance between Threshold and Target or between Target and Maximum, the pay-out is determined on a linear basis.

STI Pay-out Calculation and Payment

After the end of the year, the A&RC reviews performance against the STI Performance Targets and the CSR and Quality Multiplier and recommends 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.

Long Term Incentive (LTI)

LTI Opportunity

The LTI is designed to reward the delivery of longer-term corporate objectives and sustained long-term performance, to align the interests of management with those of the shareholders and to retain top executives.

Share Pool

A Share Pool of 1% of the Company's share capital as at December 31 immediately preceding the first year of the performance period is available for all share based awards (both MB and all other staff). The Supervisory Board, at the recommendation of the A&RC, determines the proportion of the Share Pool that shall be available to the Management Board. For 2015 this is 20% of the Share Pool.

LTI Performance Indicators

The Supervisory Board at the recommendation of the A&RC, in advance, selects the LTI Performance Indicators and their relative weighting from the following list:

LTI Performance Indicators	Relative weighting
Directional EPS	0% to 100%
Solvency ratio	0% to 100%
TSR relative to a peer group or index, such as the OSX Oil Services Philadelphia index, as selected by the A&RC as being appropriate and reasonable	0% to 100%
Total	100%

The Performance Indicators and weighting are commercially sensitive and so will only be published in the Remuneration Report after the event.

The Supervisory Board, at the recommendation of the A&RC will set appropriately demanding and robust Performance Targets taking account the Group's Strategic Plan, the economic environment, market and investor expectations.

LTI Opportunity

The LTI opportunity expressed as multiples of Target, are shown below. Between these levels, vesting is determined on a linear basis.

LTI Opportunity

Management Board	Threshold LTI	Target LTI	Maximum LTI
CEO	0.4	1.0	2.0
Other Members of the Management Board	0.4	1.0	1.5

LTI Vesting

Each year, on publication of the annual results, the A&RC looks back over the (3-year) LTI Performance Period that has just ended and assesses performance against the Performance Targets to recommend to the Supervisory Board to determine the number of LTI Shares that will vest. The LTI Shares vest immediately following the AGM at which the annual results are approved.

Post Vesting Holding Period

The vested LTI Shares are restricted for two years following the vesting date subject to selling such number of vested LTI Shares as may be required to satisfy taxes levied on the value of the vested LTI Shares.

Share Ownership Requirement

Each Management Board Member must build-up, the equivalent of 300% of base salary for the CEO and 200% of base salary for the other Members of the Management Board in shares in SBM Offshore. The Management Board must retain vested LTI shares to attain the shareholding level. Unvested LTI shares do not count towards the requirement.

Leaver Provisions

The treatment of leavers shall be determined at the discretion of the Supervisory Board, upon recommendation of the A&RC. 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, upon recommendation of the A&RC to increase or decrease the final number of LTI Shares vesting up to the maximum LTI opportunity. In the case of resignation or dismissal, any unvested LTI Shares will be forfeited unless the Supervisory Board determines otherwise.

Adjustment of remuneration and Claw-back

The services contracts contain an adjustment clause giving discretionary authority to the Supervisory Board acting upon recommendation of the A&RC to adjust upwards or downwards the payment of any variable remuneration component 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 services contracts enabling the Company to recover variable remuneration components on account of incorrect financial data. The provisions of the recently enacted law on the revision and claw-back of bonuses and its provisions related to change of control arrangements will 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 Targets 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.

Implementation of the Management Board Remuneration Policy

Remuneration for the Management Board in 2014 has been awarded according to RP2011aa, the remuneration policy which was approved by an Extraordinary General Meeting of Shareholders (EGM) held on June 27, 2012.

RP2011aa was designed to align the interests of the Members of the Management Board with achieving the turnaround of the Company over the years 2012, 2013 and 2014. For a detailed description of RP2011aa reference is made to the 2012 Annual Report, pages 34-36.

Bruno Chabas - CEO

Figures are expressed in thousands of Euro

	Financial Year 2014		Financial Year 2013	
	Accrued	Paid	Accrued	Paid
Base Salary	800	800	739	739
STI	1,600	1,494	1,494	770
Benefits	142	142	201	201
Pension	229	229	437	437
Total Cash Compensation	**2,771**	**2,665**	**2,871**	**2,147**
Vesting cost of share-based incentives (1)	2,097	0	1,236	0
Total Compensation	**4,868**	**2,665**	**4,107**	**2,147**

Sietze Hepkema - CGCO

Figures are expressed in thousands of Euro

	Financial Year 2014		Financial Year 2013	
	Accrued	Paid	Accrued	Paid
Base Salary	590	590	590	590
STI (2)	885	846	846	362
Benefits	117	117	47	47
Pension	118	118	152	152
Total Cash Compensation	**1,710**	**1,671**	**1,635**	**1,151**
Vesting cost of share-based incentives (1)	1,335	0	740	0
Total Compensation	**3,045**	**1,671**	**2,375**	**1,151**

Peter van Rossum - CFO

Figures are expressed in thousands of Euro

	Financial Year 2014		Financial Year 2013	
	Accrued	Paid	Accrued	Paid
Base Salary	493	493	493	493
STI (2)	739	706	706	208
Benefits	193	193	219	219
Pension	123	125	135	135
Total Cash Compensation	**1,548**	**1,515**	**1,553**	**1,055**
Vesting cost of share-based incentives (1)	1,088	0	595	0
Total Compensation	**2,636**	**1,515**	**2,148**	**1,055**

(1) This amount represents the period allocation to the calendar year of vesting costs of all unvested share-based incentives (notably LTI and matching STI shares), calculated in accordance with IFRS2 rules.

(2) The STI Paid in 2013 concerns the performance over 2012, which for the CGCO & CFO reflects approximately a half year, as they joined SBM mid year.

Base Salary

Base salaries are normally reviewed and determined by the Supervisory Board upon the recommendation of the A&RC

annually with any changes generally effective from the following January 1. Following a detailed review in 2013 the CEO's salary was increased effective from July 1, 2013 to €800,000 to bring him into line with RP2011aa. No increases have been made to salaries in 2014 .

Base Salary

Figures are expressed in thousands of US$ & €

	($) 2014	($) 2013	(€) 2014	(€) 2013
B.Y.R. Chabas, CEO	1,062,800	981,304	800,000	738,600
				677,200 (to 30.06.2013)
				800.000 (from 1.07.2013)
S. Hepkema, CGCO	783,815	783,874	590,000	590,000
P.M. van Rossum, CFO	654,286	654,336	492,500	492,500

Short Term Incentive (STI)

STI Payable in 2015 on Account of Performance in 2014

The Supervisory Board, acting on the advice of the A&RC and having assessed performance against the targets set for performance in 2014 approved the following STI payment.

Figures are expressed in thousands of Euro

	Base salary on 31st December 2014	% salary total STI	Total STI payment
B.Y.R Chabas	800,000	200%	1,600,000
S. Hepkema	590,000	150%	885,000
P. van Rossum	492,500	150%	738,750

80% of the STI pay-out is paid in cash in 2015 and 20% is mandatorily paid in Company shares restricted for a three year period. At the end of the restriction period and subject to continued employment, the Company awards an additional unrestricted matching share for every STI share held (1:1 match).Except that in the case of S. Hepkema, who comes to the end of his term of office on 15 April 2015, the Supervisory Board on the recommendation of the A&RC has decided that there should be no STI deferral or matching share award in respect of the 2014 STI (payable in 2015)and so the 2014 STI is therefore payable entirely in cash.

Long Term Incentive (LTI)

Vesting of 2011 LTI Award

The performance period for the LTI awards made in 2011 came to an end on 31 December 2013 and the awards vested in April 2014. 50% of this award was subject to an EPS target that was not met and 50% was subject to a relative TSR target that was met in part resulting in 5,342 shares vesting in the CEO.

Vesting of 2012 LTI Award

The performance period for the LTI awards made in 2012 came to an end on 31 December 2014 and the awards will vest in April 2015. The 2012 LTI awards were made to the new Management Board who were all appointed in the course of 2012 and who faced the challenging task of achieving a turnaround of the Company.

The Supervisory Board at the recommendation of the A&RC determined under the shareholder approved remuneration policy RP2011aa that vesting of 50% of the 2012 LTI award would be determined by an earnings per share (EPS) target. The EPS for the Company to 31 December 2014 is US$ 2.75 having grown from $-2.29 as at 31 December 2011 and so resulting in the maximum level of vesting.

The Supervisory Board at the recommendation of the A&RC determined, again under the shareholder approved remuneration policy RP2011aa, that the vesting of the remaining 50% of the 2012 LTI award would be determined by

Special Incentive performance targets set for the management team and focused on dealing with the Legacy Projects and the enhancement of the compliance program to achieve a turnaround of the Company.

The A&RC has reviewed management's performance against these targets, which were set at the time, and has recommended to the Supervisory Board who endorsed this recommendation, to determine that they have been met in full. In particular the following achievements were taken into account in determining that the targets had been met:

1. Taking control of the inherited Legacy Projects;
2. Regarding the Yme project, fully investigating the range of practical options available, engaging in a constructive manner with the client and achieving a settlement, albeit at very significant cost to the Company
3. Strengthening the balance sheet by i.a. introducing the well respected corner stone investor HAL Investments, who was in support of the long term strategy of the Company
4. Achieving a record order book
5. Returning the Company to profitability
6. Refocus on FPSOs with new management controls being introduced
7. Instituting a change program within the Company to implement a culture of transparency and engagement
8. Obtaining record levels of project financing despite adverse circumstances.
9. As regards the improper payments issue, achieving a final settlement with the Openbaar Ministerie and confirmation from the United States Department of Justice that the Company would not be prosecuted and that it had closed its inquiry.

This results in vesting as set out below:

	Number of shares vesting in 2015 based on performance to 31 December 2014
B.Y.R Chabas	107,142
S. Hepkema	62,622
P. van Rossum	48,681

The Management Board members are required to hold the vested shares for a two year period post vesting and will therefore continue to be aligned with shareholders' interests and to the long-term performance of the Company and its share price.

Grant of 2014 LTI Award

In 2014, the Supervisory Board at the recommendation of the A&RC granted the following share awards to the Members of the Management Board for the performance period 2014 - 2015 - 2016:

LTI Shares

LTI Shares conditionally awarded in 2015	Target 1)	Threshold	Maximum
B.Y.R Chabas	84,218	33,687	168,435
S. Hepkema	62,110	24,844	93,166
P. van Rossum	51,846	20,739	77,770

1) The number of LTI shares that vest for the performance period 2014-2015-2016 will be determined in March 2017, upon finalisation of the financial accounts for the year 2016. Following vesting, a lock-up of two years applies to the performance shares.

2) The average closing price of the Company Share over five trading days following the date of publication of the final results for the financial year of 2013 was €11,874.

LTI Performance Indicators for 2014 LTI Award

The Performance Indicators and weightings for the 2014 LTI award are set in accordance with RP2011aa as set out below and will be disclosed at the time of vesting of the award.

- 50% of the LTI award vests based on EPS Growth adjusted for exceptional items and
- 50% of the LTI award vests based on TSR relative to the 2011aa TSR Peer Group. Under 2011aa the Company uses the same Peer Group for benchmarking remuneration as well as for comparing the TSR performance.
- Special Incentive (SI): the Supervisory Board was given the power to award SI's to individual directors based on the achievement of predefined goals set by the Supervisory Board. The SI, introduced in 2012, only allows for vesting of LTI shares up to but not exceeding the maximum LTI opportunity as set out in the table above.

Pensions

None of the members of the current Management Board has a defined benefits pension plan. Two of the three members of the Management Board participate in defined contributions pension schemes the parameters of which have been set in the context of the base salary for each member of the Management Board taking into account the relevant country competitive practice, tax and legal environment.

Scenario Analysis

As required by the Dutch Corporate Governance Code the Supervisory Board analysed during the year possible outcomes of the variable income components and the effect on the Management Board remuneration.

Remuneration for 2015

Retirement of the CGCO

Sietze Hepkema will be retiring as a Management Board member and CGCO at the Annual General Meeting of Shareholders of 15 April 2015 where his appointment to the Supervisory Board will be submitted for approval.

The Supervisory Board, acting upon the recommendation of the A&RC has resolved that he will be paid an STI amount rated at maximum on account of his performance in 2014, and that his STI matching shares will vest in full. Mr Hepkema's LTI shares as set out in the Share Based Incentives Outstanding as at 31 December 2014 table set out on page 103 will vest at the usual time in accordance with the performance conditions without pro-rating, for the reasons as set out above.

Appointment of new CGCO

Eric Lagendijk has been nominated for appointment to the Management Board subject to approval by the Annual General Meeting of Shareholders on 15 April 2015 on a base salary of €409,500. Mr Lagendijk's other terms and conditions of service are in line with RP2015 and are disclosed in detail in the relevant AGM resolution.

Appointment of new COO

Philippe Barril has been nominated for appointment to the Management Board subject to approval by the Annual General Meeting of Shareholders on 15 April 2015 on a base salary of EUR 550,800. Mr Barril's other terms and conditions of service are in line with RP2015 and are disclosed in detail in the relevant AGM resolution.

2015 salaries

For 2015 no increases will be made to the base salaries of the Management Board.

Grant of 2015 LTI award (under RP2015)

In accordance with the RP2015 which was approved at the Annual General Meeting of Shareholders of 17 April 2014, the maximum vesting opportunity of LTI Performance Shares is computed as follows:

Number of issued shares on 31 December 2014: 209,695,094

Share Pool 1%: 2,096,950

Management Board reserve 20%: 419,390

Maximum attributable to the CEO: 167,756

Maximum attributable to each of the three other MB members: 83,878

The number of conditional shares awarded to the Management Board in 2015 for the performance period 2015-2016-2017 is as set out in the table below:

LTI Performance shares

LTI Shares conditionally awarded in 2014	Target Number of Performance Shares conditionally awarded in 2015	Threshold - Minimum Vesting Opportunity (Number of Performance Shares)	Maximum Vesting Opportunity (Number of Performance Shares) (1)
B.Y.R Chabas	33,551	83,878	167,756
S. Hepkema	0	0	0
P. van Rossum	22,367	55,919	83,878
P. Barril	22,367	55,919	83,878
E. Lagendijk	22,367	55,919	83,878

1) The number of LTI shares that vest for the performance period 2015-2016-2017 will be determined in 2018, upon finalisation of the financial accounts for the year 2017. Following vesting, a lock-up of two years applies to the performance shares.

Vesting of 50% of the award will be determined by a Directional Earnings per share target and 50% by a relative TSR target.

Share-based Incentives Outstanding as at 31 December 2014

Grant date	No. of shares conditionally granted at target level (1)	Value of shares conditionally granted €	Vesting date (2)	No. of shares vesting on the vesting date	End of blocking period	Value of unvested shares as at 31.12 2014 € (3)
Bruno Chabas - CEO						
2011 STI	1,520	23,400	2014	1,520		14,867
2012 STI	14,831	154,000	2015	14,831		145,062
2013 STI	25,171	298,880	2016	25,171		246,198
2012 LTI	53,571	825,000	2015		2017	523,978
2013 LTI	88,913	923,250	2016		2018	869,658
2014 LTI	84,218	1,000,000	2017		2019	823,736
	268,224					**2,623,499**
Sietze Hepkema - CGCO						
2012 STI	6,976	72,435	2015	6,976		68,232
2013 STI	11,896	169,212	2016	11,896		116,355
2012 LTI	41,748	642,940	2015		2017	408,337
2013 LTI	71,024	737,500	2016		2018	694,686
2014 LTI	62,110	737,500	2017		2019	607,498
	193,754					**1,895,108**
Peter van Rossum - CFO						
2012 STI	4,006	41,600	2015	4,006		39,183
2013 STI	14,251	141,249	2016	14,251		139,389
2012 LTI	32,454	499,808	2015		2017	317,433
2013 LTI	59,287	615,625	2016		2018	579,886
2014 LTI	51,846	615,625	2017		2019	507,106
	161,844					**1,582,997**

1) Numbers mentioned for LTI awards are subject to vesting and are shown for on target performance. Depending on actual performance the number of shares vesting may differ; numbers for STI awards refer to the Matching shares still subject to vesting

2) For STI awards vesting is immediately following the end of the three year deferral period i.e. for the 2012 awards the deferral period ends on 31 December 2014 (with issue in the subsequent year)

3) This excludes the values of the already vested shares, which are still blocked, and which are included in the number of shares held by the Management Board, as disclosed in note 21 in the Financial Report 2014

Remuneration of the Supervisory Board Paid in 2014

None of the members of the Supervisory Board receive remuneration that is dependent on the financial performance of the Company. None of the current members of the Supervisory Board has reported holding shares (or other financial instruments) in SBM Offshore N.V.

Current Board Fee Structure

The following fee level and structure was approved by the EGM on 6 July 2010, effective 1 July 2010:

Current Board Fee Structure

€	
Chairman Supervisory Board	90,000
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

Board Fees Paid in 2014

The total remuneration of the members of the Supervisory Board in 2014 amounted to €584 thousand (2013: €545 thousand on a gross (i.e. before tax) basis. The table below shows the remuneration of individual Board members (see note [4] to the consolidated financial statements for these figures in US$).

Figures are expressed in thousands of Euro

	Basic Remuneration		Committees		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
H.C. Rothermund (Chairman)	90	90	13	23	103	113
F.J.G.M Cremers (Vice Chairman)	80	79	10	10	90	89
F.G.H Deckers	75	75	14	8	89	83
T.M.E. Ehret	75	75	10	10	85	85
F.R. Gugen	75	75	15	9	90	84
K.A. Rethy	75	75	11	16	86	91
L.A. Armstrong (from April 2014)	38	0	4	0	42	0
Total	**508**	**469**	**77**	**76**	**585**	**545**

AGM Proposal to amend Supervisory Board Fees

Chairman of the SB

The SB remuneration policy for which shareholder approval is sought at the AGM of 15 April 2015 increases the fee of the Chairman of the SB from €90,000 to €120,000. In arriving at this fee level the Company has taken into account the benchmarking which was carried out already in the course of 2014, and which was confirmed in a review by the A&RC earlier in 2015, including the time commitment of the current SB Chairman and the expected time commitment of the new SB Chairman as well as the skills and experience of the new Chairman.

Intercontinental travel

In order to be able to attract candidates from outside Europe and to compensate for the increased time commitment due to intercontinental travel, when discharging Supervisory Board duties in another continent, shareholder approval will also be sought for payment of a lump sum compensation of € 5,000 for each Supervisory Board member each time they have to undertake intercontinental travel in order to fulfill their board duties.

5.4 Corporate Governance

5.4.1 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 Rotterdam and is listed on the Amsterdam NYSE Euronext exchange. The Company has a two tier board consisting of a Supervisory Board and a Management Board. Each Board has its specific role and task regulated by laws, the articles of association, the Corporate Governance Code and the Supervisory and Management Board rules. The articles of association and the Supervisory Board and Management Board rules are published on the Company's website www.sbmoffshore.com.

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.

Management Board

The Company is managed by the Management Board, under the supervision of the Supervisory Board. Each year the Management Board presents to the Supervisory Board the strategy of the Company and the operational and financial objectives designed to implement the strategy. The Company's Strategy Plan 2015 – 2017 which includes the Operating Plan for 2015 has been discussed with and received the support of the Supervisory Board at the meeting of 16 December 2014. The 2015 budget was formally adopted at the February 2015 meeting of the Supervisory Board.

Appointment of a member of the Management Board (Managing Director)

Managing Directors are appointed by the General Meeting of Shareholders (GM). A Managing Director is appointed for a maximum period of four years, and unless a Managing Director resigns earlier, his/her appointment period shall end on the day of the first Annual General Meeting (AGM) that will be held four years after the appointment. A Managing Director may be reappointed for further consecutive terms of up to four years each.

In case of an appointment of one or more Managing Directors, the Supervisory Board may make a binding or a non-binding proposal to the GM. In case of a binding nomination, the Management Board shall invite the Supervisory Board to make a proposal for at least one alternative candidate within sixty days so that for each appointment a choice can be made between at least two candidates.

The GM may at all times overrule the binding nature of a proposal by a resolution adopted by an absolute majority of the votes cast, provided such majority represents at least one-third of the issued share capital. If one-third of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting. If a binding nomination has not been made, the GM may appoint a Managing Director at its discretion upon the proposal of the Supervisory Board.

Suspension or Dismissal of a Managing Director

The GM may at any time suspend and dismiss Managing Directors. The resolution to suspend or dismiss a Managing Director requires an absolute majority of the votes cast at the GM, such majority representing more than one-third (1/3) of the issued share capital. If this majority does not represent at least one-third (1/3) of the issued share capital, a new meeting can be convened enabling the resolution to be adopted by an absolute majority of the votes cast.

If either the GM or the Supervisory Board has suspended a Managing Director, then the GM must resolve within three months after the effective date of the suspension, either to remove the Managing Director, or to set aside or maintain the suspension, failing which the suspension shall cease. A resolution to maintain the suspension may be adopted only once and the suspension may be maintained for a period not exceeding three months as from the day on which the GM has passed the resolution to maintain the suspension. If the GM has not resolved within the period set for maintaining the suspension, either to remove the Managing Director or to set aside the suspension, the suspension shall cease.

Supervisory Board

The Supervisory Board currently consists of seven members and has three subcommittees: the Audit Committee, the Appointment & Remuneration Committee and the Technical & Commercial Committee.

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 best practice of the Code and the Supervisory Board rules, which are published on the Company's website. In the performance of its duties the Supervisory Board is guided by the interests of the stakeholders of the Company, and the enterprises connected therewith.

In addition, certain (material) decisions of the Management Board, as stipulated in the law or articles of association or the Rules of the Supervisory Board, need prior approval of the Supervisory Board.

Appointment of Members of the Supervisory Board (Supervisory Directors)

Supervisory Directors are appointed by the GM. A Supervisory Director is appointed for a maximum period of four years, and, unless a Supervisory Director resigns earlier, his/her appointment period shall end on the day of the AGM, that will be held four years following the appointment. A Supervisory Director may be reappointed. A Supervisory Director may be a member of the Supervisory Board for a maximum total period of twelve years. This period may or may not be interrupted, unless the GM resolves otherwise. If one or more Supervisory Directors are to be appointed, the Supervisory Board may make a binding or a non-binding proposal, as referred to in the articles of association. As far as a binding nomination is concerned, the proposal should offer the choice between at least two candidates.

In case a binding proposal is made, the GM may at all times overrule the binding nature thereof by a resolution adopted by an absolute majority of the votes cast, provided such majority represents at least one-third of the issued share capital. If this proportion of the capital of at least one-third is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, a new meeting may be convened. At that meeting, the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.

Suspension or Dismissal of a Supervisory Director

A resolution to suspend or dismiss a Supervisory Director may be passed only by the General Meeting with an absolute majority of the votes cast, such majority representing more than one-third (1/3) of the issued share capital. If this majority does not represent at least one-third (1/3) of the issued share capital, a new meeting can be convened in which meeting the resolution can be adopted by an absolute majority of the votes cast.

If the General Meeting has suspended a Supervisory Director, then the GM must resolve within three months after the effective date of the suspension, either to remove the Supervisory Director, or to set aside or maintain the suspension, failing which the suspension shall cease. A resolution to maintain the suspension may be adopted only once and the suspension may be maintained for a period not exceeding three months as from the day on which the General Meeting has passed the resolution to maintain the suspension. If the General Meeting has not resolved within the period set for the maintaining of the suspension either to remove the Supervisory Director or to set aside the suspension, the suspension shall cease.

Board Compliance

Regulations concerning Ownership of and Transactions in Shares

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 prohibits trading in shares of the Company and in shares other than those of the Company on the basis of share price sensitive information obtained in the course of managing or supervising the Company's businesses. For information about the shares (or other financial instruments) held in SBM Offshore N.V. by members of the Management Board, refer to note [4] to the consolidated financial statements.

Conflicts of Interest

Management Board

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 addition, the Management Board Rules and the Code of Conduct of the Company regulate conflict of interest matters and are applicable to members of the Management Board and other employees.

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.

A recently enacted law further enhances the prevention of conflicts of interests and these provisions apply to the Supervisory Board and the Management Board of the Company.

The members of the Management Board did not report any conflict of interest during the year 2014.

Supervisory Board

All Supervisory Board members are independent from the Company within the meaning of best practice provision III.2.2 of the Code. None of the 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. There are no interlocking directorships. None of the members represent directly or indirectly a shareholder of the Company or a supplier or customer of the Company. None of the members of the Supervisory Board provides any services to or has any direct or indirect ties with the Company outside his/her Supervisory Board membership. Mr F. Deckers is Chairman of the supervisory board of Deloitte Nederland B.V. and therefore the Audit Committee recommended, and the Supervisory Board resolved not to invite Deloitte to participate in the tender to become the new external auditor of the Company, the appointment of which was submitted to the AGM of 2014.

Mandates with Third Parties

The Company is fully compliant with Best Practice II.1.8 of the Dutch Corporate Governance Code. Acceptance by the members of the Management Board of no more than two mandates as a Supervisory Board member of a listed company requires the prior approval of the Supervisory Board to prevent conflicts of interest and reputational risks. Other appointments of material importance need to be notified to the Supervisory Board. Members of the Management Board are also appointed to the statutory board of the Company's operational entities.

Loans or Guarantees

No loans or guarantees have been provided to members of the Management Board.

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 jeopardising their employment position. Freephone or 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 continues to enhance a number of its 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 “SBM Offshore Integrity Line”
- Internal Audit Anti-corruption modules for third party audits and SBM companies
- Internal training sessions and e-learning courses
- Use of standard contracts and anti-corruption and conflict of interest clause in contracts
- Increase 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.

The Supervisory Board considers that its current composition satisfies the best that is obtainable in this segment in terms of diversity, gender (two women out of seven Supervisory Board members), age, nationality (five different nationalities), financial and business management expertise and international experience in the oil and gas industries. The Supervisory Board intends to submit to the AGM on 15 April 2015 the appointment of Mr S. Hepkema. The Supervisory Board intends to complete the selection process of at least one other member prior to the date of publication of the agenda for the AGM. The candidate being considered is a woman. When appointed, the composition of the Supervisory Board will meet the legal requirements of gender diversity.

The Supervisory Board strives to also achieve the required gender diversity at the level of the Management Board, but after careful consideration of the candidates for the Management Board appointments opted to nominate the best available candidates in terms of business experience and professional expertise.

Executive Committee

Towards the end of 2012 the Management Board created an Executive Committee (Excom) comprised of the Management Board, the Group Executive Managing Director, the Managing Directors of the Company’s various Execution Centers, the MD of Brazil and a number of Group Functions Directors. The Excom meets by telepresence for a two to three hour session every month and once a quarter for a full day face-to-face meeting. 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.

Shareholders

Share Capital

The authorised 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 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. On 31 December 2014 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):

Date	Investor	Percentage of share capital
19 December 2014	UBS Group A.G	2.96%
12 December 2014	BlackRock Inc	10.20%
28 November 2014	UBS Group A.G	3.77%
27 November 2014	BlackRock Inc	9.52%
18 November 2014	Hal Trust	15.01%
13 November 2014	Templeton Funds	3.30%
18 September 2014	Invesco Ltd.	5.93%
10 July 2014	JO Hambro Capital Management Ltd	3.07%

As per 31 December 2014, 209,695,094 (2013: 208,747,188) ordinary shares are issued. No preference shares have been issued.

General Meeting of Shareholders

Every year the GM shall be held within six months after the start of a new calendar year. The agenda for this meeting shall include the following standard items: (i) the report of the Management Board concerning the Company's affairs and the management as conducted during the previous financial year, (ii) the report of the Supervisory Board and its committees, (iii) the adoption of the Company's Financial Statements, the allocation of profits and the approval of the dividend, (iv) the discharge of the Management Board and of the Supervisory Board, (v) Corporate Governance, (vi) the delegation of authority to issue shares and to restrict or exclude pre-emptive rights, (vii) the delegation of authority to purchase own shares and (viii) the composition of the Supervisory Board and of the Management Board. In addition, certain specific topics may be put on the agenda by the Supervisory Board.

An Extraordinary GM can be held whenever the Management Board and/or the Supervisory Board shall deem this necessary.

The GM can be held in Schiedam, Rotterdam, The Hague, Amsterdam or Haarlemmermeer (Schiphol).

Agenda of the Meeting

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

Notice to convene a Meeting

The notice for the AGM was published within the required time electronically on the Company website and on www.abnamro.com/evoting. Publication of the agenda was announced in a press release.

Responsibility of Shareholders

In accordance with best practice IV.4.4. of the Corporate Governance Code, a shareholder shall exercise the right of putting an item on the agenda only after having consulted the Management Board. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the Company's strategy, e.g. through the dismissal of one or more members of the Management Board or of the Supervisory Board, the Management Board shall be given the opportunity to stipulate a reasonable response period, which may not exceed 180 days. The Management Board shall use the response time for further deliberation and constructive consultation under the monitoring of the Supervisory Board and shall closely involve the Supervisory Board in this process.

Attendance and Voting Rights at the Meeting

With reference to the articles of association, all Shareholders are entitled to attend the GM, to address the GM and to vote. At the GM 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 the law and articles of association all resolutions shall be adopted by an absolute majority of votes.

The Corporate Governance Code's principles also require that proxy voting means are made available, with the intention of maximising shareholder participation in GMs of the Company. The proxy voting system used at the AGM is provided through ABN Amro and SGG Financial Services B.V. as independent third party.

At the AGM of 17 April 2014, 102,936,084 ordinary shares participated in the voting, equal to 49,31% (2013: 55.71%) of the then total outstanding share capital of 208,747,188 ordinary shares.

All the proposed resolutions were approved with a vast majority of the votes. The outcome of the voting was posted on the Company's website on the day following the AGM.

Articles of Association

Issue of Shares

The GM or the Management Board if authorised by the GM and with the approval of the Supervisory Board may resolve to issue shares; as long as the Management Board is authorised to issue shares, the GM may not pass a resolution to issue shares.

The GM 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.

If the Management Board has been designated as the body authorised to issue shares the number and the class of shares must be specified in such designation. Upon such designation the duration of the designation shall be set, which shall not exceed five years. The designation may be extended, from time to time, for periods not exceeding five years. Unless such designation provides otherwise, it may not be withdrawn. A resolution of the GM to issue shares or to designate the Management Board as being authorised to issue shares, shall be valid only if accompanied by a prior or simultaneous resolution of approval by each group of shareholders of the same class whose rights are prejudiced by the issue. Although the duration of the designation as provided by law may be a maximum of five years, the Company adheres to the good practice of limiting this duration to eighteen months. At the AGM of 17 April 2014, 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 or Acquisitions this percentage is increased to 20%. In the same meeting, the shareholders have delegated the authority to the Managing Directors for a period of eighteen months as from 17 April 2014 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. At the AGM of 15 April 2015, a similar proposal to authorise the Management Board to issue shares will be submitted to shareholders for approval.

Repurchase of own Shares

The Management Board may, with the authorisation of the GM 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 AGM of 2014, the shareholders have delegated the authority to the Management Board for a period of eighteen months as from 17 April 2014 and subject to approval of the Supervisory Board, to acquire up to 10% of the total outstanding shares at that time. At the AGM of 2015, a similar proposal to authorise the Management Board to repurchase own shares will be submitted to shareholders for approval.

Amendment of the Articles of Association

The GM 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.

5.4.2 Appointment of the Auditor of SBM Offshore N.V.

At the AGM of 2012, KPMG Accountants N.V. was appointed as the auditor of SBM Offshore N.V. for a period expiring at the closure of the accounting year 2013. In view of the new Dutch law on compulsory rotation of external auditors, the Company started the selection process for a new external audit firm during the course of 2013. The outcome of the selection process was carried out under the direction of the Audit Committee to the Supervisory Board, which supported the recommendation of the Management Board to propose PricewaterhouseCoopers Accountants N.V. with Mr W.H. Jansen as lead partner to the AGM in 2014 as the new external auditors of the Company for a period of four years. The Supervisory Board agreed with the recommendation and the appointment was approved by shareholders at the AGM of 2014.

5.4.3 Stichting Continuiteit SBM Offshore N.V.

A Foundation ‘Stichting Continuiteit SBM Offshore (the Foundation), has been established on 15 March 1988 with the objective of using the voting power on any preference shares in the Company, which it may hold at any time, in the best interests of the Company and its stakeholders. 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 interest of the Company, the CEO and/or the CGCO is invited to attend the Foundation meetings to address this agenda item.

The Board of the Foundation consists of: Mr. R.P. Voogd, Chairman, a former notary and presently a lawyer, Mr. H.A. van Karnebeek, a former Vice-Chairman of the Management Board of Akzo, Mr. A.W. Veenman, a former CEO of the Nederlandse Spoorwegen, Mr. C.J.M. van Rijn, a former CFO of Nutreco N.V. and Mr. R.H. Berkvens, CEO of Damen Shipyard. Mr. B. Vree has been asked by the Foundation to join the Board effective 2015. Mr H.A. van Karnebeek will step down at the end of 2015.

The Management Board, with the approval of the Supervisory Board at that time, 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, deems useful or desirable.

The option was granted on 30 March 1989. In accordance with the by-laws of the Company, shareholders were advised of the reasons for granting this option in the Extraordinary GM of 28 April 1989.

In the same option agreement the Foundation granted a put option to the Company and the Company decided on 3 March 2011 to definitively waive its rights under the put option. In the course of 2011, the option agreement was amended and restated to reflect the 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.

5.4.4 The European Directive on Take-Over Bids and Publication Requirements

To meet the publication requirement as mentioned in the Decree of 5 April 2006 relating to Article 10 of Directive 2004/25/EC on take-over bids of 21 April 2004 of the European Parliament and the Council of the European Union, the following information is provided:

- The articles of association do not provide for any limitation of the transferability of the ordinary shares
- The voting right is not subject to any limitation
- The appointment, suspension and discharge of members of the Management Board and Supervisory Board are set out in this Corporate Governance section of this report
- The procedure for alteration of the articles of association is mentioned in this Corporate Governance section of this report
- In the services agreement between the Company and each of the members of the Management Board a change of control clause is included. A severance payment amounting to no more than one year base salary will be paid if the employment contract would be terminated due to a change of control by a public take-over bid unless this would be manifestly unreasonable in the case of a termination during the first term of office in which case the amount payable could amount up to two years base salary at the most. The Supervisory Board will have the discretionary power to settle the termination conditions
- [SBM Offshore N.V. has a revolving credit facility of US$ 750 million 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 charters 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 affecting the charter.

The Investor Relations Centre and the Corporate Governance section of the Company website

(www.sbmoffshore.com) provide extensive information including:

- Articles of association
- Company code of conduct and Anti-Corruption and Compliance Guide
- Supervisory Board rules, including rules for the three committees of the Supervisory Board Supervisory Board profile and retirement schedule for its members
- Management Board rules
- Rules for reporting of alleged irregularities of a general, operational or financial nature (‘Whistleblowing’ rules); these rules are designed to enable employees to report alleged irregularities without jeopardising their employment position and are also available on the Company’s intranet site
- Remuneration policy
- Regulations concerning inside information and the holding of and effecting transactions in shares and other financial instruments
- Agenda, minutes, resolutions and presentations given at previous GMs

6 Financial Report 2014

6.1 Company Overview and Financial Review

6.1.1 2014 Company Overview

Introduction

Projects under construction progressed to plan in 2014, delivering FPSOs *Cidade de Ilhabela* and *N'Goma FPSO* to their respective clients following systems acceptance. Sound financial results, steady Directional[1] revenue growth, continued reliable operational performance and a near record backlog point to sustained progress of the turnaround commenced in 2012. The transformation continues as the Company focuses its attention to delivering three FPSO projects by mid-2016 and completing the business improvement initiatives.

Notwithstanding the ongoing investigations by authorities in Brazil, a major milestone was reached when the Company announced a US$240 million out-of-court settlement with the Dutch Public Prosecutor's Office.

The FPSO *Turritella* Operations and Maintenance contract was signed in May and Encana agreed to a settling of claims arising from the Deep Panuke project offshore Nova Scotia. Through the corporate and project financing activities completed during the course of the year, the financial position of the Company is markedly strengthened.

Consistent with the Company's strategy to focus on its core business and to further strengthen its financial position, the sale and leaseback of the Monaco real estate portfolio was completed and the all cash sale of the Diving Support and Construction Vessel (DSCV) *SBM Installer* was announced and closed. SBM Offshore was also successful in securing three financings and signing the renewal of its Revolving Credit Facility in 2014. A US$400 million bridge loan for the financing of the Deep Panuke platform was secured in May. In August project financing was secured for FPSO *Cidade de Maricá* totalling US$1.45 billion from a consortium of international banks at a weighted average cost of debt of 5.3%. In early November, the Company refinanced the US$400 million bridge loan for the Deep Panuke Production Field Centre when it announced the completion of US$450 million of non-recourse senior secured debt by way of a USPP. The 3.5% fixed coupon bond is rated BBB- / BBB (low) by Fitch and DBRS respectively and carries a 7 year maturity. The additional liquidity and greater financial flexibility have further improved the Company's risk profile for securing funding for future projects.

Lastly, a review of strategic alternatives regarding balance sheet optimisation announced at the Capital Markets Day in September was completed in November. The Management Board, with the endorsement of the Supervisory Board, intends to pursue the development of a master limited partnership (MLP). The anticipated offering is subject to market conditions.

HSSE

SBM Offshore deeply regretted to have to report two fatalities of yard contractor staff on construction projects in Singapore. Root cause analysis has been carried out and appropriate measures have been put into effect at the contractor facilities.

The Company achieved a much improved safety performance in 2014 thanks to the focused drive, commitment and involvement of its employees. Total Recordable Injury Frequency Rate (TRIFR) improved 45% to 0.22 compared to 0.40 in 2013, while the Lost Time Injury Frequency Rate (LTIFR) improved by 66% to 0.05 in 2015 from 0.15 from 2013.

Furthermore, the environmental performance of the Group has also improved compared to last year, with 13% less Green House Gas emissions per hydrocarbon production offshore compared to 2013, 9% less energy consumption and 17% less oil discharged from produced water offshore compared to 2013.

Compliance

On November 12, 2014, SBM Offshore reached a US$240 million out-of-court settlement with the Dutch Public Prosecutor's Office over the inquiry into alleged improper payments. Furthermore, the United States Department of Justice informed the Company that it would not prosecute and has closed its inquiry into the matter. The settlement agreement with the Openbaar Ministerie and the United States Department of Justice's decision relate to payments to sales agents in Equatorial Guinea, Angola and Brazil in the period from 2007 through 2011. The main reason for the authorities to agree to an out-of-court settlement is related to the comprehensive remedial actions taken by the new Management Board since taking office in 2012.

The investigation of the Dutch Public Prosecutors Office established, through means inaccessible to SBM Offshore, that payments were made from the Company's Brazilian sales agent's offshore entities to Brazilian government officials. As a result, SBM Offshore is a party in a number of investigations in Brazil, notably by the Federal Prosecutor, the Federal Accounts Tribunal and the Comptroller General's Office, who recently confirmed in writing to the Company that they have opened an investigation. The Company continues to cooperate with all requests for information and is in active dialogue with the Brazilian Comptroller General's Office in order to come to an agreement to close the matter in Brazil.

Management confirms that it is not aware of any authorities outside of Brazil investigating SBM Offshore.

Investing in Our Future

Costs associated with research and development focused investments and the Odyssey24 programme came to US$63 million in 2014, representing a year-on-year increase of US$37 million. The programmes' focus on step changes in design, execution, project and supply chain management, allowing the Company to deliver its projects faster while reducing project costs by at least 5% per project. The programmes continue into 2015 and once completed is expected to benefit from a quick payback on new contract awards.

Divestment Update

In August the Company announced the completion of the sale and leaseback of its Monaco real estate portfolio. The last of three buildings was sold for approximately US$62 million net of expenses, resulting in a book profit of approximately US$58 million. This was in addition to the December 2013 announced sale and leaseback transactions for two of the three buildings with sales proceeds exceeding US$100 million and resulting in a book profit of approximately US$30 million. Total proceeds, net of expenses, resulting from the transactions are in excess of US$162 million with a total book profit of approximately US$88 million.

In early December, SBM Offshore announced the US$150 million all cash sale of the DSCV *SBM Installer* to OS Installer AS. The Company confirmed in mid-December that OS Installer AS, a newly established Joint Venture between Ocean Yield (75%) and SBM Offshore (25%), secured bank financing and that the transaction had closed. Net of the retained equity interest in the Joint Venture, the Company received US$140 million in proceeds.

FPSO *Brasil* and VLCC *Alba* remain held for sale.

Year-End Update

In the December 17, 2014 year-end update press release, SBM Offshore announced the reduction of the useful life of the Deep Panuke Production Field Centre to eight years, in line with the fixed contract period. This adjustment resulted in a non-cash impairment charge of approximately US$59 million. The eight-year firm contract revenue is not affected by the announcement.

In addition, the Company announced a one-off impairment charge (non-cash) of US$49 million related to a financial asset following a dispute with a US-based client, as well as the decision to make an additional provision for warranties at year end of US$40 million.

Supervisory Board

Following the completion of Chairman H.C. Rothermund's third term on the Supervisory Board, he will resign at the Company's Annual General Meeting of Shareholders on April 15, 2015. SBM Offshore's Supervisory Board has decided to appoint F.J.G.M. Cremers, currently Vice Chairman, as Chairman as of that date. T.M.E. Ehret will simultaneously be appointed as Vice Chairman replacing Mr. Cremers.

Outlook and Guidance 2015

The Company is providing 2015 Directional[1]revenue guidance of at least US$2.2 billion, of which US$1.0 billion is expected in the Turnkey segment and US$1.2 billion in the Lease and Operate segment. Proportional net debt guidance is being introduced for FY2015. The Company expects to end the year with proportional net debt below US$3.5 billion. Guidance is based on Management's conservative award assumptions in light of the current macro environment.

Dividend

The Management Board reiterates that the Company will not pay a dividend over 2014, in view of the losses incurred in recent years and the desire to continue strengthening the balance sheet. The Management Board intends to present, at the Annual General Meeting (AGM) in April 2015, a change of dividend policy from the existing policy of paying out 50% of IFRS net income. Under the new dividend policy, the proposed payout ratio would be between 25% and 35% of Directional[1]net income subject to the availability of sufficient free cash flow in the year of payment.

[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.

6.1.2 Financial Review

IFRS 10, 11 & 12

New consolidation standards for joint ventures (JVs) have been introduced as of January 1, 2014 ending proportional consolidation of JVs for SBM Offshore. As disclosed in its 2013 Annual Report, the Company is now required to account for its fully controlled JVs on a fully consolidated basis (mostly impacting all Brazilian FPSOs) and apply equity accounting to the Company's jointly controlled JVs (mostly impacting all Angolan FPSOs). All 2013 income statement, statement of financial position, cash flow statement comparatives figures and key indicators presented in the financial report were restated for the introduction of these new standards.

On balance, this implementation has a limited impact on the Company's IFRS revenue as the additionally reported partner share in the fully consolidated ventures is offset by the exclusion of revenue in the equity accounted ventures and almost nil to net income attributable to shareholders. However, the Company's reported total asset value at year-end 2013 has increased significantly (approximately US$1.6 billion) as the now fully consolidated Brazilian assets are younger and represent a larger portion of the balance sheet. A similar effect is visible at the gross debt level, increasing from US$2.9 billion to US$3.6 billion.

As this change of consolidation rules under IFRS further complicates the understanding of the Company's performance, effective January 1, 2014, Directional[1]reporting principles were amended and stand as follows:

- Directional[1]reporting represents an additional non-GAAP disclosure to IFRS reporting
- Directional[1]reporting assumes all lease contracts are classified as operating leases
- Directional[1]reporting assumes all JVs related to lease contracts are consolidated on a proportional basis
- All other accounting principles remain unchanged compared to applicable IFRS standards

All 2013 Directional[1]income statement comparative figures presented in the financial report were restated for introduction of these new consolidation rules.

As Directional[1]reporting better reflects of the performance of the Company's segments and drives key decisions taken by the Management Board, the segmental information has been provided under Directional[1]reporting principles as part of the financial statements, and reviewed by the Company's auditors.

Highlights

Directional[1]consolidated net income for 2014 came in at US$84 million versus a net loss of US$58 million in 2013. This result includes divestment profits and other non-recurring items which generated a net loss of US$265 million in 2014 compared to US$433 million in 2013. Excluding divestment profits, and other non-recurring items, 2014 underlying consolidated Directional[1]net income attributable to shareholders stood at US$349 million, a slight decrease from US$375 million in the year-ago period.

Reported consolidated 2014 IFRS net income was US$652 million versus US$175 million in 2013. IFRS net income attributable to shareholders amounts to US$575 million compared to US$114 million in 2013.

Directional[1]earnings per share (EPS) in 2014 amounted to US$0.40 compared to a loss of US$0.28 per share in 2013. Adjusted for divestment profits and other non-recurring items, underlying Directional[1]EPS decreased 9% year-on-year to US$1.67 from US$1.84 in 2013.

IFRS Net Debt at the year-end totalled US$4,775 million versus US$3,400 million in 2013. All bank covenants were met and available cash and undrawn committed credit facilities stood at US$1,987 million.

Order intake for year totalled US$3,124 million, a 77% / 23% split between the Lease and Operate and Turnkey segments respectively. This compares to US$9,990 million achieved in 2013.

Directional[1] revenue increased by 5% to US$3,545 million compared to US$3,373 million in the year-ago period. IFRS revenue increased 20% to US$5,482 million versus US$4,584 million in 2013. This was mainly attributable higher Turnkey segment revenues.

Directional[1]backlog at the end of 2014 remained high at US$21.8 billion compared to US$22.2 billion at the end of 2013. This reflects the reduced level of order intake in 2014 and a Lease and Operate portfolio consisting of US$20.6 billion at year-end.

Directional[1]EBITDA amounted to US$486 million, representing a 7% decrease compared to US$520 million in 2013. This figure includes non-recurring items totalling US$157 million.

IFRS EBITDA amounted to US$925 million, representing a 56% increase compared to US$592 million in 2013. This figure includes non-recurring items totalling US$163 million.

Directional[1]EBIT increased to US$201 million after divestment profits and non-recurring items of US$236 million. This compares to US$63 million in 2013 which included US$437 million of non-recurring items including charges related to the Yme and Deep Panuke projects.

IFRS EBIT increased to US$726 million after impairment charges, divestment profits and non-recurring items of US$227 million. This compares to 2013 EBIT of US$188 million, which included US$436 million of non-recurring items including charges related to the Yme and Deep Panuke projects.

The year was marked by the following financial highlights:

- Order intake of US$3.1 billion maintaining the Directional[1]backlog to a high level of US$21.8 billion
- On November 12, 2014 an out-of-court settlement was reached with the Dutch Public Prosecutor's Office (Openbaar Ministerie) over

the investigation into potentially improper sales payments. Furthermore, the US Department of Justice informed the Company it would not be prosecuted and closed its inquiry into the matter. This out-of-court settlement consists of a payment by the Company to the Openbaar Ministerie of US$240 million. Payments will be in made in three instalments, the first of which US$100 million was paid at the time of the announcement. Two further instalments of US$70 million each will be due on December 1, 2015 and 2016 respectively

- A Production Handling Agreement (PHA) was signed with Noble Energy to produce the Big Bend and Dantzler fields to the Thunder Hawk DeepDraft™Semi in the US Gulf of Mexico. Production fees associated with produced volumes are estimated to lead up to projected revenue of US$400 million to be delivered over the ten year primary contract period. Based on new projected production reserves combined with projections from existing fields, total deliverable volumes will allow the asset's current book value to be sustained and reverse the full US$109 million of previous years' impairments
- The Company has chosen to reduce the useful life of the Deep Panuke Production Field Centre from ten to eight years in line with the fixed contract period. This adjustment resulted in a non-cash impairment charge of approximately US$59 million
- As a result of a contractual dispute, the Company recorded a one-off non-cash impairment charge of US$49 million related to a financial asset following a dispute with a US-based client
- Following the remediation of some technical issues under warranty, the decision was taken to incur an additional US$40 million provision for warranties at year-end
- With the contract for FPSO *Marlim Sul*set to expire at the end of June 2015, upon completion of vessel decommissioning, the Company has reassessed the carrying value of the FPSO. This undertaking has resulted in an impairment charge of US$15 million
- Late November 2014 marked the announcement of FPSO *Cidade de Ilhabela* being formally on hire after achieving first oil. Following the announcement an upfront payment of US$145 million was received on December 31, 2014 in accordance with the contract. The unit will operate under a twenty year charter and operate contract with Petrobras S.A., and the FPSO is owned and operated by a joint venture formed by SBM Offshore (62.25%), QCOG, and Mitsubishi Corporation
- *N'Goma FPSO* began oil production and went on hire in late November. Formal Production Readiness Notice was received from the client Eni in mid-January 2015 going into effect retroactively to late November. The unit is owned by Sonasing, a joint venture consisting of SBM Offshore (50%), Sonangol and Angola Offshore Services Limitada (AOSL). The vessel will be operated by OPS, a joint venture company formed by SBM Offshore (50%) and Sonangol (50%), for twelve years
- The divestment of the non-core Monaco real estate portfolio was completed in August. The last of three buildings was sold for approximately US$62 million net of expenses, resulting in a book profit of approximately US$58 million. This was in addition to the December 2013 announced sale and leaseback transactions for two of the three buildings with sales proceeds exceeding US$100 million and resulting in a book profit of approximately US$30 million. Total proceeds, net of expenses, resulting from the transactions are in excess of US$162 million with a total book profit of approximately US$88 million
- In early December, SBM Offshore announced the US$150 million all cash sale of the DSCV *SBM Installer* to OS Installer AS. The Company agreed to charter the vessel under a long-term bareboat charter for a fixed period of twelve years while maintaining the option to acquire the vessel during the charter period, with the first option exercisable after five years. The Company further confirmed in mid-December that OS Installer AS, a new established Joint Venture between Ocean Yield (75%) and SBM Offshore (25%), secured bank financing and that the transaction had closed. Net of the retained equity interest in the Joint Venture, the Company received US$140 million in proceeds
- Capital expenditure and investments in finance leases amounted to US$2,396 million in 2014, which exceeded 2013 levels of US$1,792 million. The increase is primarily attributable to a full fiscal year of investments in the current projects under construction
- Revolving Credit Facility (RCF) renewal was signed mid-December with maturity on January 30, 2020 securing liquidity of up to US$1.0 billion. The RCF's maturity can be extended with two additional one year extension options. The facility was secured with a select group of thirteen core relationship banks and replaced the existing facility of US$750 million that was due to expire in mid-2015
- New project financing agreements totaling US$ 1.9 billion were put in place. This includes project financing for FPSO *Cidade de Maricá* totalling US$1.45 billion from a consortium of international banks, and the US$450 million of non-recourse senior secured debt by way of a US Private Placement for the Deep Panuke Production Field Centre
- Cash and undrawn committed credit facilities amounted to US$2.0 billion at the end of December 2014 compared to US$1.4 billion in 2013.

Fiscal year 2014 segmental information regarding the two core business segments of the Company is provided in the detailed financial analysis section of the press release. Revenue by geography is also included in the notes to the Financial Statements.

Order Intake

Total order intake in 2014 amounted to US$3.1 billion. This includes new orders signed for US$1.3 billion and variation orders signed for approximately US$1.8 billion. The main new orders signed during the period include:

FPSO Turritella

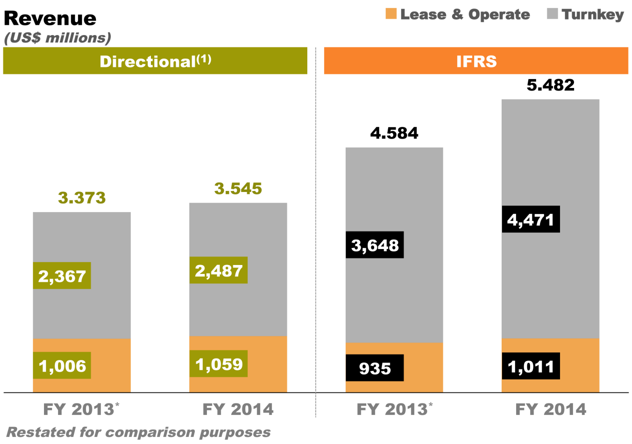
The FPSO *Turritella* Operations & Maintenance contract was signed between SBM Offshore and Shell Offshore Inc. The contract includes an initial period of ten years with future extension options up to a total of twenty years.

Thunder Hawk

A Production Handling Agreement (PHA) was signed with Noble Energy to produce the Big Bend and Dantzler fields to the Thunder Hawk DeepDraft™ Semi located in 6,060 feet of water in the Gulf of Mexico (GoM). Production fees associated with produced volumes are estimated to lead up to projected revenue of US$400 million to be delivered over the ten year primary contract period. First oil from Big Bend and Dantzler are expected in late 2015 and first quarter 2016 respectively. At these levels both fields will utilise a maximum of 85% of total daily asset capacity.

Revenue

Directional[1] Revenue increased by 5% year-on-year for both Turnkey and Lease & Operate segments:



Third party Directional[1] Turnkey revenue rose 5% year-over-year to US$2,487 million, representing 70% of total 2014 revenue. This compares to US$2,367 million, or 70% of total revenue, in 2013. The increase is mostly attributable to a full year of progress on a number of projects under construction, such as FPSOs *Cidade de Maricá* and *Cidade de Saquarema*, *Cidade de Ilhabela*, *N'Goma FPSO* and progress achieved on the three major turrets. This is partially offset by the completion of FPSOs *OSX-2* and *Cidade de Paraty* in 2013.

Construction of the FPSO *Turritella*, previously known as Stones, continued in 2014 with conversion activity and turret construction progressing at the Keppel yard in Singapore. The project is currently 100% owned and fully controlled by SBM Offshore, and as a result does not generate gross margin under Directional[1] reporting. Start-up of the facility is expected in the first half of 2016.

Construction is ongoing for the two finance leased FPSOs *Cidade de Maricá* and *Cidade de Saquarema*. Refurbishment and conversion work continued to progress during the year at the Chinese shipyards. Fabrication of several modules is concurrently taking place at the Brasa yard in Brazil and in Singapore. Start-up of the facilities is expected at the end of 2015 and early 2016 respectively. The joint venture (JV) is fully controlled, as per IFRS 10, by the Company which owns 56% of the shares and is fully consolidated under IFRS. As a result, recognised Directional[1] revenue is equal to the partners' 44% share of the EPCI selling price of the FPSO from SBM Offshore to the JV. On the other hand, IFRS revenue recognition is instead based 100% on the fair value of the lease and on a percentage of completion basis.

FPSO *Cidade de Ilhabela* has been formally on hire, after achieving first oil and completing a 72 hour continuous production test leading to Production Acceptance Notice (PAN), since late November 2014. The vessel operates under a twenty year charter and operate contract with Petrobras S.A. on the Sapinhoá field development in the Brazilian pre-salt. The JV is fully controlled, as per IFRS 10, by the Company which owns 62.25% of the shares and is fully consolidated under IFRS. As a result, recognised Directional[1] revenue is equal to the partners' 37.75% share of the EPCI selling price of the FPSO from SBM Offshore to the JV. On the other hand, IFRS revenue recognition is instead based 100% on the fair value of the lease.

N'Goma FPSO began production and went on hire in late November 2014. Full systems acceptance by the client was achieved in January 2015 with the issuance of the Production Readiness Notice, which is retroactive to November 28, 2014. The twelve-year lease contract with Eni is also accounted for as a finance lease under IFRS. The joint venture owning the FPSO is jointly controlled as per IFRS 10 by the Company, which owns 50% of the shares, and is consolidated through the equity method under IFRS. Directional[1] revenue during construction is equal to the partners' 50% share of the EPCI selling price of the FPSO to the JV. On the other hand, IFRS revenue reflects 100% of the EPCI selling price of the FPSO from the Company to the JV.

Total Directional[1] Lease and Operate revenue increased by 5% to US$1,059 million. The accounted for 30% of total revenue contribution in 2014, a similar split to 2013. The increase in segment revenue is attributable to the start-up of FPSOs *Cidade de Ilhabela* and *N'Goma FPSO* in November 2014 and a full year of operations for FPSO *Cidade de Paraty*. This was partially offset by the decommissioning from the fleet of FPSOs *Kuito*and *Brasil*in 2014.

Total IFRS revenue rose significantly in the year, up 20% to US$5,482 million due to much higher revenue recognised in the Turnkey segment. This was mostly due to the strong contribution of the finance lease contracts under construction such as FPSOs *Turritella*, *Cidade de Maricá*, *Cidade de Saquarema*, *Cidade de Ilhabela* and the sale of *N'Goma FPSO*.

Project Review

N'Goma FPSO (Angola)

The construction, refurbishment, and module work at Keppel Singapore was completed in early May 2014. A successful lifting campaign at the Paenal yard in Port Amboim, Angola, was completed in July and the vessel set sail to the offshore site where mooring, hook-up operations and acceptance testing was completed. Formal Production Readiness Notice was received in early January 2015 going into effect retroactively to late November. The vessel is producing and on-hire generating dayrate.

FPSO Cidade de Ilhabela (Brazil)

Following completion of refurbishment and conversion at the Chinese yard at the end of 2013, construction continued for the finance leased vessel during the first half of 2014 in Brazil where the process modules were successfully installed at the Brasa yard. The FPSO includes topside facilities able to process 150,000 bpd of production fluids for export, including the substantial volumes of associated gas from the pre-salt field. The vessel has officially been on-hire since November 2014.

FPSO Cidade de Maricá and Cidade de Saquarema (Brazil)

Construction is ongoing for the two finance leased vessels. Refurbishment and conversion work progressed during the first half of 2014 at a Chinese yard. The charter contract for both vessels includes an initial period of 20 years with extension options. The two double-hull sister vessels will be moored in approximately 2,300 meters of water depth and possess a storage capacity of 1.6 million barrels each. The topside facilities of each FPSO weigh approximately 22,000 tons, will be able to produce 150,000 bpd of well fluids and have associated gas treatment capacity of 6,000,000 Sm3/d. The water injection capacity of the FPSOs will be 200,000 bpd each.

FPSO Turritella (US Gulf of Mexico)

Construction on the FPSO previously known as Stones continued for the finance leased vessel in the first half of the year, with refurbishment and conversion work continuing at Keppel Singapore. The charter contract includes an initial period of 10 years with extension options up to a total of 20 additional years. In May 2014, the Operations & Maintenance contract was signed with Shell Offshore Inc. When installed at almost 3 kilometers of water depth, the FPSO *Turritella*will be the deepest offshore production facility of any type in the world. The vessel is a typical Generation 2 design, with a disconnectable internal turret and processing facility capacity of 60,000 barrels of oil per day (bpd) and 15 mmscfd of gas treatment and export.

FPSO Marlim Sul (Brazil)

Successful end of production of the vessel was completed in December. After over ten years of operations for Petrobras in Brazil. Decommissioning activities have commenced and are expected to be completed during the second quarter of 2015.

FPSO Kikeh (Malaysia)

SBM Offshore and its joint venture partner MISC Bhd achieved a key milestone with the start-up of the Siakap North Petai (SNP) field through a tie-back to the Kikeh FPSO.

The SNP field, a unitised development operated by Murphy Sabah Oil Co.,Ltd (Murphy), is located offshore Malaysia in water depth of approximately 1,300 metres. Murphy announced first oil production from the SNP field on February 27, 2014.

The event is an important milestone for a project that commenced in January 2012 at SBM Offshore’s Kuala Lumpur office and involved the fabrication and offshore lifting of four new modules and approximately 340,000 man-hours of offshore construction and commissioning work done on a live FPSO.

Turret Mooring Systems

The three large, complex turrets for Prelude FLNG, Quad 204 and Ichthys are progressing, in close consultation with the respective clients, on schedule according to their respective stages of project completion. Fabrication work on Prelude FLNG is nearing completion in Dubai, while the integration of the Quad 204 Turret with the vessel continues in South Korea, with expected delivery in early 2015. Engineering and procurement for the Ichthys turret has been completed while fabrication continues to progress at the yard in Singapore, with expected delivery in the second half of 2015.

Main Projects Overview

Main Projects Overview:

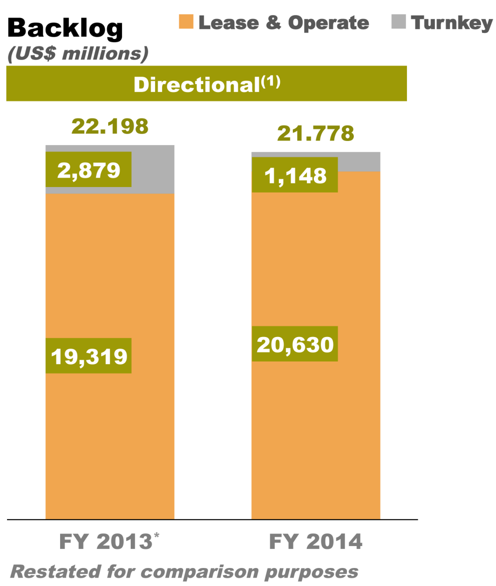
Project	Contract	SBM Share	Capacity, Size	POC	Expected Delivery	Notes
N'Goma, FPSO	12 year finance lease	50%	100,000 bpd		2014	Construction, refurbishment and module work at Keppel shipyard in Singapore completed in early May. Lifting of remaining modules at the Paenal yard in Angola completed, and vessel has set sail to the offshore site. Mooring completed, hook-up operations and acceptance testing to follow with delivery expected 3Q14.
Ilhabela, FPSO	20 year finance lease	62.25%	150,000 bpd		2014	Integration and commissioning of the process modules at our Brasa yard in Brazil progressing well. Delivery expected 2H14.
Quad 204, Turret	Turnkey sale	100%	320,000 bpd, 28 risers		2014	Integration with the vessel in Korea is ongoing. Delivery expected in 2H14.
Prelude, Turret	Turnkey sale	100%	95m height, 11,000 tons		2015	Fabrication in Dubai nearing completion. Integration with the vessel to commence 1Q15 in Korea.
Ichthys, Turret	Turnkey sale	100%	60m height, 7,000 tons		2015	Engineering and procurement completed. Construction progressing in Singapore.
Maricá, FPSO	20 year finance lease	56%	150,000 bpd		2015	Vessel in the shipyard in China, refurbishment and conversion progressing.
Saquarema, FPSO	20 year finance lease	56%	150,000 bpd		2016	Vessel in the shipyard in China, refurbishment and conversion progressing.
Turritella, FPSO	10 year finance lease	100%	60,000 bpd, disconnectable		2016	Refurbishment and conversion progressing at Keppel shipyard in Singapore.

Backlog

Directional[1] backlog at the end of 2014 remained high at US$21.8 billion compared US$22.2 billion at the end of 2013. This reflects the low level of order intake for the Turnkey segment and the resilience of the Lease and Operate portfolio. Approximately 39.5% of total future bareboat revenues will be generated from the lease contracts which have yet to commence operations. Those include FPSOs *Cidade de Maricá,Cidade de Saquarema* and *Turritella*.

Directional[1]Turnkey backlog decreased to US$1.1 billion compared to US$2.9 billion in 2013 as no major Turnkey orders were signed in 2014. The high level of tendering activity experienced by the Company was impacted by multiple delays in client final investment decisions as the market conditions deteriorated.

Backlog as of December 31, 2014 is expected to be executed as per the below table:

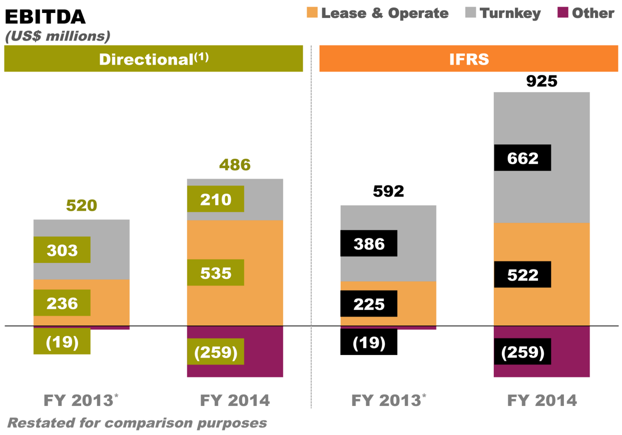


(in billion US$)	Turnkey	Lease & Operate	Total
2015	0.9	1.2	2.1
2016	0.3	1.5	1.8
2017	-	1.7	1.7
Beyond 2017	-	16.2	16.2
Total Backlog	**1.1**	**20.6**	**21.8**

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 analysed by segment but it should be recognised 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 the bid, it is often uncertain whether the project will be leased or contracted on a turnkey lump sum basis.

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. This has the effect of accelerating during construction, in the Turnkey segment, part of the lease profits which would in the case of an operating lease be recognised through the Lease & Operate segment during the lease. To address this lease accounting issue and the newly introduced IFRS 10 and 11 standards, the Company has assessed its performance by treating all lease contracts as operating leases and consolidated all JVs related to lease contracts on a proportional basis. This provides consistency in segment presentation and allows for improved sector wide comparison.

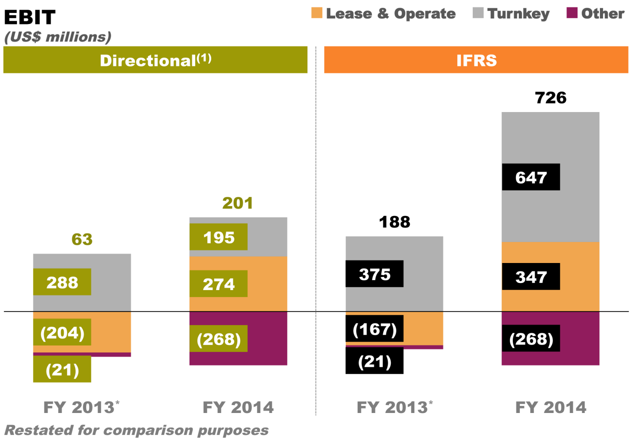


Reported 2014 Directional[1] EBITDA was US$486 million compared to US$520 million in 2013. Total Directional[1]EBITDA consisted of US$535 million from the Lease and Operate segment compared to US$236 million in 2013, and US$210 million from the Turnkey segment compared to US$303 million in 2013. A reduction of US$259 million, compared to US$19 million in 2013, related to non-allocated corporate, other costs and book profits resulting from divestment activities as well as the US$240 million charge related to the agreed upon out-of-court settlement agreement with the Openbaar Ministerie. Adjusted for divestment profits and other non-recurring items, 2014 underlying Directional[1]EBITDA decreased by 16% to US$643 million compared to US$768 million in 2013.

IFRS EBITDA in 2014 came in at US$925 million versus US$592 million in 2013. Total IFRS EBITDA consisted of US$522 million from the Lease and Operate segment compared to US$225 million in 2013, and US$662 million from the Turnkey segment compared to US$386 million in 2013. A reduction of US$259 million, compared to US$19 million in 2013, related to non-allocated corporate, other costs and book profits resulting from divestment activities as well as the US$240 million charge related to the agreed upon out-of-court settlement agreement with the Openbaar Ministerie. Adjusted for divestment profits and other non-recurring items, 2014 underlying IFRS EBITDA increased by 29% to US$1,089 million compared to US$842 million in 2013.

As a percentage of revenue, Directional[1]EBITDA was 14% compared to 15% in 2013. Directional[1]EBITDA margin for the Lease and Operate segment stood at 51% versus 23% in 2013, while Turnkey segment EBITDA margin stood at 8% compared to 13% in 2013, excluding inter-company projects. The relative segment contribution to Directional[1]EBITDA was 72% Lease and Operate and 28% Turnkey. In 2013, the corresponding split was 44% Lease and Operate and 56% Turnkey.

As a percentage of revenue, IFRS EBITDA was 17% compared to 13% in 2013. IFRS EBITDA margin for the Lease and Operate segment stood at 52% versus 24% in 2013, while Turnkey segment EBTIDA margin stood at 15% compared to 11% in 2013, excluding inter-company projects. The relative segment contributions to IFRS EBITDA were 44% Lease and Operate and 56% Turnkey. In 2013, the corresponding split was 37% Lease and Operate and 63% Turnkey.



Directional[1] EBIT in 2014 amounted to US$201 million compared to US$63 million in 2013. The below highlights the contribution from each segment:

- Turnkey segment EBIT margin of 8% compared to an exceptionally strong level of 12% in 2013 which was driven by positive settlements on completed projects in 2013 and a higher level of overheads incurred in 2014.
- Lease & Operate EBIT margin of 26% compared to negative 20% in 2013 or 26% excluding impairment charges and other non-recurring items recorded in 2013.

Adjusted for impairments, divestment profits and other non-recurring items, underlying Directional[1]2014 EBIT decreased by 13% to US$437 million versus US$500 million in 2013. This was due to the strong 2013 Turnkey performance and increased overheads in 2014.

IFRS EBIT in 2014 amounted to US$726 million compared to US$188 million in 2013. Adjusted for impairments, divestment profits and other non-recurring items underlying 2014 EBIT increased by 53% to US$954 million compared to US$624 million in 2013.

Directional[1]overheads came in at US$307 million in 2014 compared to US$218 million in 2013. This largely resulted from the development of the Company's business improvement initiatives and one-off items such as legal fees related to the compliance investigation. As previously announced, the Odyssey24 project aims to optimise and standardise the Company's ways of working, improve project management and project controls for projects which have grown in size from around US$500 million a few years ago to close to US$2 billion today. The aim is to reduce project costs by at least 5% for each project through improved project, supply chain and materials management.

Non-allocated "Other income and expenses" showed a net cost of US$186 million in 2014 compared to US$27 million in 2013. This includes US$61 million of book profit relating to divesting activities, the US$240 million charge related to an agreed upon out-of-court settlement agreement with the Openbaar Ministerie and US$8 million of provisions for restructuring costs. Further restructuring costs totalling US$17 million will be incurred in 2015.

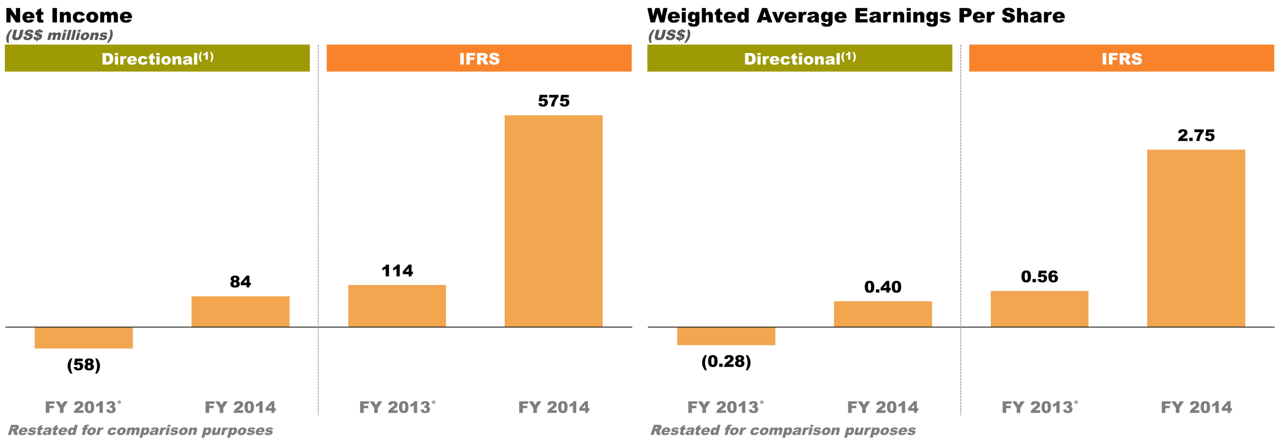
Directional[1]net financing costs increased to US$127 million compared to US$80 million in 2013. This was mainly due to interest paid on project loans for the Deep Panuke platform and FPSO *Cidade de Paraty*on a full year basis as well as the impairment charge of a financial asset related to a contractual dispute with a US-based client. The 2014 average cost of debt was 4.2% compared to 5.3% in 2013 due to the impact of bridge loans for Deep Panuke and FPSOs *Cidade de Maricá* and *Cidade de Saquarema*.

More generally, once production units are brought into service the financing costs are expensed to P&L statement, whereas during construction interest is capitalised. It should be emphasised 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.

Interest income on the Company's cash balances was once again very low in 2014. This was due to the low level of short-term US interest rates. The main interest income the Company derives is from interest bearing loans to joint ventures.

The Directional[1] share of profit of equity accounted investees, namely Paenal and the Brasa yard, increased slightly to US$13 million in 2014 from US$11 million in 2013. Under IFRS, the Company's share of net results in any non-controlled joint ventures amounted to US$117 million in 2014 compared to US$153 million in 2013. This was mainly due to the completion of construction of *N'Goma FPSO*.

The 2014 effective tax rate was 5%, including deemed profit taxes and withholding taxes, which compares to an underlying effective tax rate of 7% in 2013, reflecting the impact of deferred tax assets recognised in the period.



IFRS non-controlling interests included in 2014 net income amounts to US$76 million, which is slightly higher than the 2013 minority share of US$61 million due to reported results from fully consolidated joint ventures where the Company has a minority partner (principally Brazilian FPSOs and *Aseng*).

As a result, IFRS net income attributable to shareholders amounted to US$575 million compared to US$114 million in 2013.

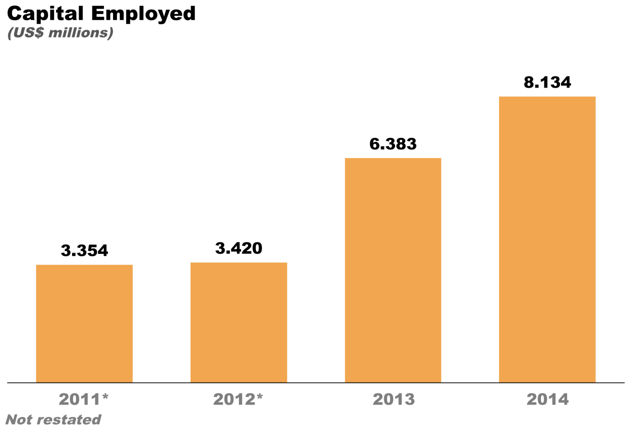
As previously stated, the Company will not pay a dividend over 2014. The current high level of investments related to lease and operate projects awarded in 2013 will generate strong and sustainable free cash flows from first oil in the first half of 2016.

Statement of Financial Position

Total assets grew to US$11.1 billion as of December 31, 2014 compared to US$8.7 billion at year-end 2013. The increase is largely attributable to the increased investments in FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*.

Shareholder's equity increased from US$2,039 million to US$2,419 million due in large part to the 2014 net income of US$575 million and despite the negative US$206 million loss resulting from the mark to market revaluation of hedging reserve related to financial instruments.

Capital Employed (Equity + Provisions + Deferred tax liability + Net Debt) at year-end 2014 amounted to US$8,134 million, an increase of 27% compared to US$6,383 million in 2013. This was due in large part to the increase of net debt in related to investments in finance leases.



As of December 31, 2014 the Company had cash and undrawn committed credit facilities totalling US$1,987 million. The facilities available to the Company for capital investment in 2015 include the Revolving Credit Facility, FPSO *Cidade de Maricá* – SBM Offshore's 56.0% share, bridge loans for FPSO *Cidade de Saquarema* and project loans related to FPSO *Aseng*.

Net debt at year-end amounted to US$4,775 million versus US$3,400 million in the year-ago period. Net gearing at the end of the year stood at 152%, which was slightly higher than in 2013 due to the increase in net debt driven by ongoing investments in finance lease projects under construction and a US$100 million payment related to the announced out-of-court settlement agreement with the Openbaar Ministerie. 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.

Furthermore, SBM Offshore completed the divestment of non-core assets. The Company completed the sale and leaseback of its Monaco real estate portfolio. The last of three buildings was sold in August for approximately US$62 million net of expenses, resulting in a book profit of approximately US$58 million. The sale and leaseback of the Diving Support and Construction Vessel *SBM Installer* was completed in December. The announced US$150 million all cash sale resulted in net proceeds of US$140 million net of the retain equity interest in the joint venture. These two transactions led to total net proceeds of US$202 million. As a result, the remaining assets held for sale as of December 31, 2014 are the VLCC *Alba* and FPSO *Brasil*.

The Current Ratio defined as "Current Assets / Current Liabilities" decreased to 1.70 due in large part to the growth in the current portion of short-term loans and borrowings.

Statement of Financial Position

(in million US$)	2010*	2011*	2012*	2013**	2014
Capital employed	3,812	3,354	3,420	6,383	8,134
Total equity	2,123	1,349	1,530	2,887	3,149
Net debt	1,644	1,959	1,816	3,400	4,775
Net gearing (%)	77.4	145.2	118.7	117.8	151.6
Net debt : unadjusted EBITDA ratio	2.3	2.4	2.7	5.7	5.2
Current ratio	1.5	0.9	1.2	1.8	1.7
Solvency ratio	39.6	30.0	27.1	30.2	31.1

* *Not restated.*

** *Restated for comparison purposes.*

Capital Structure

Despite the US$240 million agreed upon out-of-court settlement agreement with the Openbaar Ministerie, the Company's financial position has improved. Underlying growth in IFRS operating results, the proceeds from the disposal of non-core assets and the continued abstention of dividend payments have strengthened the equity. The Company's medium-term objective to strengthen the balance sheet in order to obtain an investment grade credit rating remains intact, allowing for eventual access to the corporate bond market.

Investments and Capital Expenditures

Total investments made in 2014 reached a record level at US$2,396 million compared to US$1,792 million in 2013. Highlights for fiscal year 2014 investments are:

- Capital expenditure of US$65 million compared to US$186 million in 2013
- Investments in finance leases totalling US$2,331 million compared to US$1,606 million in 2013

Total capital expenditures for 2014, which consists of additions to property, plant & equipment plus capitalised development expenditures, were related to new investments in the lease fleet (operating leases only) and other ongoing investments for which the major elements were:

- Acquisition of a VLCC tanker in view of future FPSO business opportunities
- Completion of the refurbishment of a newly leased office "Le Neptune" in Monaco

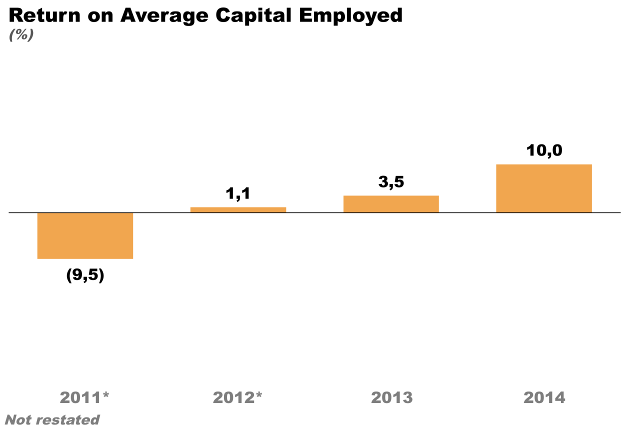
Due to the classification of the contracts as finance leases, investments in the units were recorded through construction contracts with the investments in finance leases ultimately recorded as financial assets. The net investment in these finance lease contracts amounted to US$2,331 million in 2014, which compares to US$1,606 million in 2013, and they are reported as operating activities in the consolidated cash-flow statement.

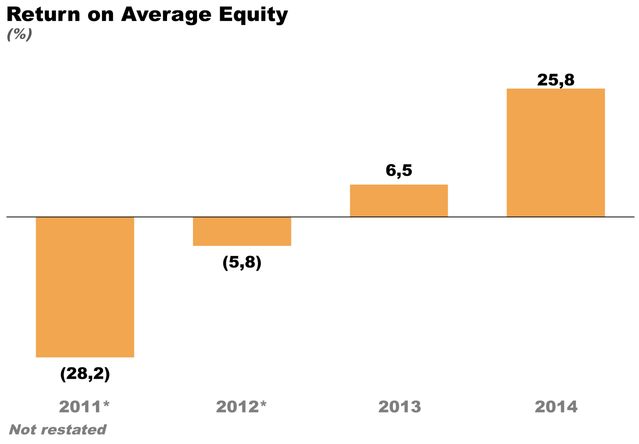
The decrease in property, plant and equipment in 2014 to US$1,923 million, compared to US$2,058 million at the end of 2013, resulted from the low level of capital expenditure less normal depreciation, impairment and amortisation.

The Company's investments consist of external costs (payments to shipyards, subcontractors, and suppliers), internal costs (man-hour rates and expenses related to design, engineering, construction supervision, etc.), third party financial costs (including interest) and overhead allocations as permitted under IFRS. The total of the above costs is capitalised in the Company's consolidated Statement of Financial Position as the value of the respective facility. Under IFRS, no profits are taken on completion / delivery of such a system for a lease and operate contracts which are classified as operating leases. The exception lies in the profit realised by the Company with external partners on the construction contracts for which the joint venture is equity accounted.

Return on Average Capital Employed and Equity

Both Return on Average Capital Employed (ROACE) and Return on Average Shareholders' Equity (ROAE) increased to 10.0% and 25.8% respectively in 2014. This was as a result of the strong level of increased activity as reported under IFRS and associated performance improvement in 2014 as well as the increase in equity and capital employed due to ongoing investments.





Cash Flow / Liquidities

Cash and undrawn committed credit facilities increased significantly to US$1,987 million, US$468 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 2014 was 2.8 lower than the previous year, due mainly to a decrease in the Company's market capitalisation.

(in million US$)	2010*	2011*	2012*	2013**	2014
EBITDA	712	813	681	592	925
Cash	103	165	715	208	452
Cash flow from operations	982	1,158	1,134	(1,044)	(1,356)
EV : EBITDA ratio at 31/12	7.6	6.8	6.3	10.6	7.8
EBITDA : interest cover ratio	8.2	16.3	10.5	12.7	14.1

* *Not restated.*
** *Restated for comparison purposes.*

IFRS EBITDA rose year-on-year to US$925 million from US$592 million due in large part to increased activity levels.

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

(in million US$)	2013*	2014
Net income before taxes	**229**	**678**
Adjustments for non-cash items		
Depreciation of property, plant and equipment	217	223
Net impairment / (impairment reversal)	193	0
Amortisation of intangible assets	2	3
Adjustments for investing and financing items		
Share in net income of associates and joint ventures	(153)	(117)
Finance income	(42)	(31)
Finance costs excluding impairment	144	167
(Gain) / loss on disposal of property, plant and equipment	(20)	(59)
Gain on disposal of subsidiary	-	-
Gain on distribution	-	-
Adjustments for equity items		
Share-based payments	17	28
Reclassification of exchange differences relating to the disposal of foreign subsidiaries	-	-
Sub-total	**588**	**893**
Changes in operating assets and liabilities		
Decrease / (increase) in inventories	4	6
Increase in operating receivables (excluding WIP)	88	(229)
Increase in WIP (excluding reclass to Financial Assets)	(1,778)	(2,782)
Increase in operating liabilities	(60)	619
Total changes in operating assets and liabilities	**(1,746)**	**(2,386)**
Reimbursement finance lease assets	146	172
Income taxes paid	(31)	(34)
Net cash generated from operating activities	**(1,044)**	**(1,356)**

* *Restated for comparison purposes*

[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.

6.2 Consolidated Financial Statements

6.2.1 Consolidated Income Statement

Consolidated income statement

Figures are expressed in millions of US$

	Notes	2014	2013 (*)
Revenue	1/2	5,482	4,584
Cost of sales	4	(4,265)	(4,206)
Gross margin	1	**1,217**	**379**
Other operating income/(expense)	3	(186)	27
Selling and marketing expenses	4	(44)	(34)
General and administrative expenses	4	(220)	(160)
Research and development expenses	7	(40)	(23)
Operating profit/(loss) (EBIT)	1	**726**	**188**
Financial income	6	31	42
Financial expenses	6	(196)	(153)
Net financing costs		**(166)**	**(112)**
Share of profit of equity-accounted investees	29	117	153
Profit/(Loss) before tax		**678**	**229**
Income tax expense	8	(26)	(54)
Profit/(Loss)		**652**	**175**
Attributable to shareholders of the parent company		575	114
Attributable to non-controlling interests	30	76	61
Profit/(Loss)		**652**	**175**

** restated*

Earnings/(loss) per share

	Notes	2014	2013 (*)
Weighted average number of shares outstanding	9	209,242,427	203,857,784
Basic earnings/(loss) per share	9	US$ 2.75	US$ 0.56
Fully diluted earnings/(loss) per share	9	US$ 2.75	US$ 0.56

** restated*

6.2.2 Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income

Figures are expressed in millions of US$

	2014	2013 (*)
Profit/(Loss) for the period	**652**	**175**
Cash flow hedges, net of tax (**)	(241)	252
Currency translation differences	(12)	(6)
Items that are or may be reclassified to profit or loss	**(254)**	**246**
Remeasurements of defined benefit liabilities, net of tax (**)	(5)	10
Items that will never be reclassified to profit or loss	**(5)**	**10**
Other comprehensive income for the period, net of tax	**(260)**	**256**
Total comprehensive income for the period	**392**	**431**
Attributable to shareholders of the parent company	351	316
Attributable to non-controlling interests	41	115
Total comprehensive income for the period	**392**	**431**

** restated*

*** deferred taxes impact disclosed in Note 14*

6.2.3 Consolidated Statement of Financial Position

Figures are expressed in millions of US$

	Notes	31 December 2014	31 December 2013 (*)	1 January 2013 (*)
ASSETS				
Property, plant and equipment	11	1,923	2,058	2,445
Intangible assets	12	34	30	29
Investment in associates and joint-ventures	29	386	242	138
Other financial assets	13	3,579	2,447	1,047
Deferred tax assets	14	63	25	41
Derivative financial instruments	18	1	55	11
Total non-current assets		**5,985**	**4,857**	**3,711**
Inventories	15	10	16	20
Trade and other receivables	16	1,180	1,152	899
Income tax receivables		4	10	0
Construction work-in-progress	17	3,424	2,221	1,905
Derivative financial instruments	18	25	109	26
Cash and cash equivalents	19	475	208	692
Assets held for sale	20	13	177	77
Total current assets		**5,133**	**3,892**	**3,619**
TOTAL ASSETS		**11,118**	**8,749**	**7,330**
EQUITY AND LIABILITIES				
Issued share capital		64	72	62
Share premium reserve		1,160	1,145	867
Retained earnings		1,482	894	773
Other reserves		(287)	(72)	(270)
Equity attributable to shareholders of the parent company	21	**2,419**	**2,039**	**1,432**
Non-controlling interests	30	730	848	314
Total Equity		**3,149**	**2,887**	**1,746**
Loans and borrowings	22	4,332	3,205	2,583
Provisions	24	130	134	94
Deferred income	23	251	265	205
Deferred tax liabilities	14	11	11	1
Derivative financial instruments	18	156	134	229
Other non-current liabilities		70	-	-
Total non-current liabilities		**4,950**	**3,749**	**3,111**
Loans and borrowings	22	895	403	641
Provisions	24	139	66	267
Trade and other payables	25	1,721	1,496	1,407
Income tax payable		60	53	47
Bank overdraft	19	23	-	-
Derivative financial instruments	18	181	96	109
Total current liabilities		**3,020**	**2,114**	**2,472**
TOTAL EQUITY AND LIABILITIES		**11,118**	**8,749**	**7,330**

** restated*

6.2.4 Consolidated Statement of Changes in Equity

2014

Figures are expressed in millions of US$

	Outstanding number of shares	Issued share capital	Share premium reserve	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
At 31 December 2013	**208,747,188**	**72**	**1,145**	**919**	**(72)**	**2,064**	**71**	**2,135**
Change in accounting policy - IFRS 10 &11	-	-	-	(25)	-	(25)	777	752
At 1 January 2014 (*)	**208,747,188**	**72**	**1,145**	**894**	**(72)**	**2,039**	**848**	**2,887**
Profit/(Loss) for the period				575		575	76	651
Foreign currency translation		(8)			(4)	(12)		(12)
Remeasurements of defined benefit provisions					(5)	(5)		(5)
Cash flow hedges/net investment hedges					(206)	(206)	(35)	(241)
Comprehensive income for the period	**-**	**(8)**	**-**	**575**	**(216)**	**351**	**41**	**392**
Issue of shares						-	91	91
Share based payments				24		24		24
Share options/bonus shares	947,906	0	15	(11)		4		4
Cash dividend						-	(2)	(2)
Other movements (**)						-	(248)	(248)
At 31 December 2014	**209,695,094**	**64**	**1,160**	**1,482**	**(287)**	**2,419**	**730**	**3,149**

** restated*

*** conversion of equity reserves into shareholders loans in companies Alfa Lula Alto Sarl and Beta Lula Central Sarl, following shareholders resolution*

Within the equity, an amount of US$ 387 million (2013: US$ 401 million) should be treated as legal reserve (please refer to 6.3 Statutory Financial Statements).

2013 (*)

Figures are expressed in millions of US$

	Outstanding number of shares	Issued share capital	Share premium reserve	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
At 31 December 2012	**189,142,215**	**62**	**867**	**800**	**(270)**	**1,459**	**71**	**1,530**
Change in accounting policy - IFRS 10 & 11	-	-	-	(27)	-	(27)	243	216
At 1 January 2013 (*)	**189,142,215**	**62**	**867**	**773**	**(270)**	**1,432**	**314**	**1,746**
Profit/(Loss) for the period				114		114	61	175
Foreign currency translation		3			(12)	(9)	3	(6)
Remeasurements of defined benefit provisions					10	10		10
Cash flow hedges/net investment hedges					201	201	51	252
Comprehensive income for the period (*)	**-**	**3**	**-**	**114**	**199**	**316**	**115**	**431**
Issue of shares	18,914,221	6	267			273	463	736
Share based payments				15		15		15
Share options/bonus shares	690,752	0	11	(9)		2		2
Cash dividend						-	(42)	(42)
Other movements				2		2	(2)	(0)
At 31 December 2013 (*)	**208,747,188**	**72**	**1,145**	**894**	**(72)**	**2,039**	**848**	**2,887**

** restated*

6.2.5 Consolidated Cash Flow Statement

Figures are expressed in millions of US$

	Note	2014	2013 (*)
Cash flow from operating activities			
Receipts from customers		2,272	2,767
Payments for finance leases construction (**)		(2,277)	(1,570)
Payments to suppliers and employees		(1,216)	(1,740)
Final settlement Dutch Public Prosecutor's Office (2014) / Talisman (2013)		(100)	(470)
Income tax received / (paid)		(34)	(31)
Net cash from operating activities		**(1,356)**	**(1,044)**
Cash flow from investing activities			
Investment in property, plant and equipment		(59)	(169)
Investment in intangible assets		(6)	-
Additions to funding loans		(140)	(577)
Redemption of funding loans		241	320
Interest received		6	24
Dividends received from equity-accounted investees		13	41
Net proceeds from disposal of property, plant and equipment		296	20
Other investing activities		8	-
Net cash used in investing activities		**360**	**(339)**
Cash flow from financing activities			
Proceeds from issue of shares		-	273
Equity funding from partners		91	464
Additions to borrowings and loans		2,178	1,186
Repayments of borrowings and loans		(878)	(831)
Dividends paid to non-controlling interests		(2)	(43)
Interest paid		(147)	(143)
Net cash from financing activities		**1,242**	**908**
Net increase/(decrease) in cash and cash equivalents		**246**	**(475)**
Net cash as at 1 January		208	692
Net increase/(decrease) in net cash		246	(475)
Currency differences		(2)	(8)
Net cash end of period	*19*	**452**	**208**

** restated*

*** change in presentation described in Note 6.2.7.D*

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

Reconciliation of net cash as at 31 December

	2014	2013 (*)
Cash and cash equivalents	475	208
Bank overdrafts	(23)	-
Net cash	**452**	**208**

** restated*

6.2.6 General Information

SBM Offshore N.V. is a company domiciled in Rotterdam, the Netherlands. SBM Offshore N.V. is the holding company of a group of international marine technology oriented companies. The Company serves globally 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 31st, 2014 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 authorised for issue by the Supervisory Board on February 4th, 2015.

6.2.7 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 1st, 2014.

The separate financial statements incuded in section 6.3 are part of the 2014 financial statements of SBM Offshore N.V. With reference to the separate income statement of SBM Offshore N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

New standards and interpretations applicable as of January 1st, 2014

The Company has adopted the following new standards with a date of initial application of January 1st, 2014:

- IFRS 10 "Consolidated financial statements" which supersedes IAS 27 "Consolidated and separate financial statements", and SIC 12 "Consolidation: Special Purpose Entities"
- IFRS 11 "Joint arrangements", which supersedes IAS 31 "Interests in Joint-Venture"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IAS 28 Amended "Interests in Associates and Joint-Ventures"
- IAS 32 Amended "Financial Instruments: Presentation" about "Offsetting Financial Assets and Financial Liabilities"
- IAS 36 Amended "Impairment of assets" about "Recoverable Amount Disclosures for Non-Financial Assets"
- IAS 39 Amended "Financial instruments – recognition and measurement" about "Novation of derivatives and continuation of hedge accounting"
- IAS 19 Amended "Defined Benefit Plans: Employee Contributions"

Main impacts of the application of these standards result from the application of IFRS 10, IFRS 11 and IAS 28 Amended, which are described in part B. "Change in accounting method".

Standards and interpretations not mandatory applicable to the group as of January 1st, 2014

The following standards and interpretations were published by the IASB but have not been endorsed yet by the European Commission:

- Annual improvements: 2010-2012 cycle, 2011-2013 cycle and 2012-2014 cycle
- IFRS 9 "Financial Instruments"
- IFRS 7 Amended "Financial Instruments: Disclosures"

- IFRS 15 “Revenue from contract with customers”
- Amendments to IAS 16 and 38 about “Clarification of acceptable methods of depreciation and amortisation”
- Amendments to IFRS 10, IFRS 11 and IAS 28

In addition, the IFRIC 21 "Levies", endorsed by the EU, will be mandatory as of January 1st, 2015. The Company has decided not to early adopt it.

The Company does not apply these standards and interpretations but is analysing the impacts and practical consequences of their future application.

B. Change in Accounting Method: Application of IFRS 10, IFRS 11, IFRS 12 and IAS 28 Amended

The Company applies the new standards relating to IFRS 10, IFRS 11, IFRS 12 and IAS 28 amended as of January 1st, 2014.

IFRS 10 introduces a new control model to determine whether an investee should be consolidated. This new model focuses on whether a Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and its ability to use its power to affect those returns.

IFRS 11 changes the accounting treatment for interests in joint arrangements by distinguishing two types of joint arrangements:

- a company’s interest in a joint operation, which is an arrangement in which a company has rights to the assets, and obligations for the liabilities, will be accounted for on the basis of the Company’s interest in those assets and liabilities
- a company’s interest in a joint-venture, which is an arrangement in which a company has rights only to the net assets, will be equity-accounted

When making this assessment, IFRS 11 requires consideration of the structure of joint arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. IFRS 11 does not allow the proportionate consolidation of joint-ventures.

IFRS 12 requires to disclose information that enables to evaluate the nature of its interests in entities, the risks associated with, and their effects in the consolidated financial statements.

Consequences on the consolidation scope

In accordance with these new standards, the Company has reviewed the nature of control exercised by the Company on its jointly owned entities. As a result, and as disclosed in its 2013 annual financial statements, the Company is now required:

- to account for its fully controlled subsidiaries on a full consolidated basis, mostly impacting Brasilian FPSOs
- to apply equity accounting treatment to the joint-ventures, mostly impacting Angolan FPSOs.

None of the jointly owned entities qualify for joint-operations as per IFRS 11.

In determining under IFRS 10 whether the Company has power over the investee, exposure or rights to variable returns from its involvement, it was assessed that, for entities whereby all key decisions are taken on a mutual consent basis, the main deciding feature was residing in the deadlock clause existing in shareholders' agreements. In case of 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 stipulate whether a substantive right is granted to the Company or to all the partners in the entity to buy or offer 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.

The changes in accounting treatments are as follows:

				Application of IFRS 10 & 11	
Companies	% of ownership	2013 qualification	2013 accounting treatment	New qualification	New accounting treatment
Sonasing Sanha Ltd.	50.00	Joint Venture	Proportionate	Joint Venture	Equity
Sonasing Kuito Ltd.	50.00	Joint Venture	Proportionate	Joint Venture	Equity
Sonasing Mondo Ltd.	50.00	Joint Venture	Proportionate	Joint Venture	Equity
Sonasing Saxi Batuque Ltd.	50.00	Joint Venture	Proportionate	Joint Venture	Equity
Sonasing Xikomba Ltd.	50.00	Joint Venture	Proportionate	Joint Venture	Equity
OPS-Serviçõs de Produção de Petroleos Ltd.	50.00	Joint Venture	Proportionate	Joint Venture	Equity
OPS-Serviçõs de Petroleos Ltd Branch	50.00	Joint Venture	Proportionate	Joint Venture	Equity
Estaleiro Brasa Ltda	50.00	Joint Venture	Proportionate	Joint Venture	Equity
Brasil Superlift Serviçõs Icamento Ltda	50.00	Joint Venture	Proportionate	Joint Venture	Equity
SNV Offshore Ltd	50.00	Joint Venture	Proportionate	Joint Venture	Equity
FPSO Mystras Produção de Petroleo LTDA	50.00	Joint Venture	Proportionate	Joint Venture	Equity
Malaysia Deepwater Floating Terminal (Kikeh) Limited	49.00	Joint Venture	Proportionate	Joint Venture	Equity
Malaysia Deepwater Production Contractors Sdn Bhd.	49.00	Joint Venture	Proportionate	Joint Venture	Equity
Gas Management (Congo) Ltd.	49.00	Joint Venture	Proportionate	Joint Venture	Equity
Solgaz S.A.	49.00	Joint Venture	Proportionate	Joint Venture	Equity
Anchor Storage Ltd.	49.00	Joint Venture	Proportionate	Joint Venture	Equity
Normand Installer S.A.	49.90	Joint Venture	Proportionate	Joint Venture	Equity
FPSO Brasil Venture S.A.	51.00	Joint Venture	Proportionate	Controlled	Full
SBM Operações Ltda.	51.00	Joint Venture	Proportionate	Controlled	Full
SBM Systems Inc.	51.00	Joint Venture	Proportionate	Controlled	Full
Brazilian Deepwater Floating Terminals Ltd.	51.00	Joint Venture	Proportionate	Controlled	Full
Brazilian Deepwater Production Ltd.	51.00	Joint Venture	Proportionate	Controlled	Full
Brazilian Deepwater Production Contractors Ltd.	51.00	Joint Venture	Proportionate	Controlled	Full
Operações Marítimos em Mar Profundo Brasileiro Ltd	51.00	Joint Venture	Proportionate	Controlled	Full
Tupi Nordeste Sarl	50.50	Joint Venture	Proportionate	Controlled	Full
Tupi Operações Maritimas Ltda	50.50	Joint Venture	Proportionate	Controlled	Full
Tupi Nordeste Holding Ltd	50.50	Joint Venture	Proportionate	Controlled	Full
Guara Norte Sarl	62.25	Joint Venture	Proportionate	Controlled	Full
Guara Norte Holding Ltd	62.25	Joint Venture	Proportionate	Controlled	Full
Guara Norte Operações Maritimas Ltda	62.25	Joint Venture	Proportionate	Controlled	Full
Alfa Lula Alto Sarl	56.00	Joint Venture	Proportionate	Controlled	Full
Beta Lula Central Sarl	56.00	Joint Venture	Proportionate	Controlled	Full
Alfa Lula Alto Holding Ltd	56.00	Joint Venture	Proportionate	Controlled	Full
Beta Lula Central Holding Ltd	56.00	Joint Venture	Proportionate	Controlled	Full
Alfa Lula Central Operações Maritimas LTDA	56.00	Joint Venture	Proportionate	Controlled	Full
Beta Lula Central Operações Maritimas LTDA	56.00	Joint Venture	Proportionate	Controlled	Full
South East Shipping Co. Ltd.	75.00	Joint Venture	Proportionate	Controlled	Full

Consequences on the presentation of the consolidated financial statements

Changes to equity accounting treatment:

The contributions of the formerly known proportional consolidation of entities, which are now accounted for under the equity method, are removed from the various line items in the consolidated statement of financial position and the consolidated income statement. They are now presented as a separate asset and result, respectively called “Investment in associates and joint-ventures” and “Share of profit of equity-accounted investees”.

As a result, reciprocal intercompany transactions with no profit or loss impact at consolidation level, carried out with these entities, are no longer eliminated for the preparation of the consolidated financial statements. Thus, the removal of these entities' contributions from the various line items in the Company's financial statements is partially offset by the presentation in the same line items of the amounts for the transactions carried out by the Group with these entities. The impact arising from reciprocal intercompany transactions does not, however, have any impact on the operating profit and net income.

Changes to full consolidation method:

On the contrary, the formerly known proportional consolidation of entities, which are now fully consolidated, are accounted for at one hundred percent in the consolidated statement of financial position and the income statement, disregarding the percentage of ownership of the Company in these investees.

As a result, reciprocal intercompany transactions with no profit or loss impact at consolidation level, carried out with these entities are now fully eliminated for the preparation of the consolidated financial statements.

Finally, the implementation of new standards has a limited impact on the Company's IFRS revenue and net income attributable to shareholders, but the total asset value, equity attributable to non-controlling interests and loans and borrowings have increased significantly, mainly due to the effect of the full consolidation of Brasilian investees.

Detailed impacts on the Company's consolidated financial statements

The Group complied with the transitional measures for application of IFRS 10, IFRS 11 and IAS 28 Amended. The 2013 comparative figures have been restated accordingly for comparison purposes.

The reconciliations between restated comparative data and data published as of December 31st, 2013 are presented below in section 6.2.7.E.

Additional disclosures implemented by IFRS 12

Required informations by IFRS 12 which have not been developed in that part, are disclosed in the Note 29 "Interest in joint ventures and associates" and Note 30 "Information on non-controlling interests".

C. Change in Accounting Policies used in the Measurement of Operating Segments

Following the introduction of Directional Reporting in its financial reviews, and as allowed by IFRS 8 "Operating segments", the Management Board decided to change the measurement of its reported operating segments in order to better reflect the manner in which it analyses the segments information. The Company's operating segments are now measured under Directional Reporting principles, rather than accounting principles applied in the IFRS consolidated financial statements. The operating segments informations are provided in Note 1 "Operating segments" . Comparative information has been restated consequently, in accordance with IAS 1 "Presentation of financial statements".

In this way, the Management believes that Directional Reporting addresses the complexity in the Group's business model, where turnkey sales are combined with construction projects for its own lease and operate portfolio. Indeed, the accounting treatment for finance lease contracts for the manufacturer who is also a lessor, like the Company, adds further complexity by accelerating revenue and profit recognition into the construction phase, well before rents are invoiced to, and paid by the client. By changing the measurement of its reported operating segment, the Management Board believes it increases transparency and understanding of segment performance.

D. Changes in Presentation

Change in presentation in the Consolidated Cash Flow Statement

The Company has reviewed its presentation of cash outflows relating to finance lease contracts during construction period and realigned the cash-flow presentation with the accounting treatment of finance leases as per IAS 17 “Leases”:

- during the construction period cash outflows are treated as operating activities, and no more, as previously reported, as investing activities
- during the lease period cash inflows remain treated as operating activities

This change in presentation has been applied retrospectively to the 2013 comparative period in accordance with IAS 1 “Presentation of financial statements". The related impacts are disclosed in section 6.2.7.E.

Change in presentation in the demobilisation provision

Following a detailed review performed during 2014 on accounting and measurement principles of its demobilisation obligations, the Company has decided to change the presentation of demobilisation provisions in its consolidated statement of financial position. In particular, the Company used to report as a provision, the costs required to settle these obligations, net of reimbursements expected to be received by the client when it was virtually certain that reimbursement will be received. As a consequence, assets and liabilities were understated.

In order to comply with IFRS principles which require treating reimbursements as a separate asset, the Company decided to amend the presentation by restating each of the affected financial statement line items for the prior periods, as follows:

Impact of the change in demobilisation provision

	31 December 2014	31 December 2013
Property, plant and equipement	4	4
Other financial assets	54	54
Impact on total assets	**58**	**58**
Non current portion of provision	51	51
Current portion of provision	7	7
Impact on total liabilities	**58**	**58**

The change did not have an impact on the consolidated income statement or on other comprehensive income for the period, nor on equity.

The reconciliation between 2013 restated figures and figures published as of December 31st, 2013, is disclosed in section 6.2.7.E.

E. Detailed impacts on the consolidated financial statements following changes in accounting principles and presentation

Consolidated income statement

	December 2013 Restated financial statements	IFRS 10&11 Impact	December 2013 Published financial statements
Revenue	4,584	218	4,803
Cost of sales	(4,206)	(113)	(4,319)
Gross margin	**379**	**105**	**484**
Other operating income/(expense)	27	-	28
Selling and marketing expenses	(34)	-	(34)
General and administrative expenses	(160)	-	(161)
Research and development expenses	(23)	-	(23)
Operating profit/(loss) (EBIT)	**188**	**105**	**293**
Financial income	42	(16)	26
Financial expenses	(153)	27	(126)
Net financing costs	**(112)**	**11**	**(100)**
Share of profit of equity-accounted investees	153	(151)	1
Profit/(Loss) before tax	**229**	**(35)**	**194**
Income tax expense	(54)	(26)	(80)
Profit/(Loss)	**175**	**(61)**	**114**
Attributable to shareholders of the parent company	114	(3)	111
Attributable to non-controlling interests	61	(58)	3
Profit/(Loss)	**175**	**(61)**	**114**

Consolidated statement of comprehensive income

	December 2013 Restated financial statements	IFRS 10&11 Impact	December 2013 Published financial statements
Profit/(Loss) for the period	**175**	**(61)**	**114**
Cash flow hedges, net of tax	252	(46)	206
Currency translation differences, net of tax	(6)	(3)	(9)
Items that are or may be reclassified to profit or loss	**246**	**(49)**	**198**
Remeasurement of defined benefit liabilities (assets), net of tax	10	-	10
Items that will never be reclassified to profit or loss	**10**	**-**	**10**
Other comprehensive income for the period, net of tax	**256**	**(49)**	**207**
Total comprehensive income for the period	**431**	**(110)**	**320**
Attributable shareholders of the parent company	316	(3)	313
Attributable non-controlling interests	115	(107)	8
Total comprehensive income for the period	**431**	**(110)**	**321**

Consolidated statement of financial position

	December 2013 Restated financial statements	Changes in presentation (6.2.7.D.)	IFRS 10&11 Impact	December 2013 Published financial statements
ASSETS				
Property, plant and equipment	2,058	(4)	(31)	2,023
Intangible assets	30	-	0	30
Investment in associates and joint-ventures	242	-	(242)	-
Other financial assets	2,447	(54)	(872)	1,522
Deferred tax assets	25	-	0	25
Derivative financial instruments	55	-	(0)	54
Total non-current assets	**4,857**	**(58)**	**(1,145)**	**3,654**
Inventories	16	-	11	27
Trade and other receivables	1,152	-	67	1,218
Income tax receivable	10	-	0	10
Construction work-in-progress	2,221	-	(488)	1,733
Derivative financial instruments	109	-	(11)	98
Cash and cash equivalents	208	-	(8)	200
Assets held for sale	177	-	0	177
Total current assets	**3,892**	**-**	**(429)**	**3,463**
TOTAL ASSETS	**8,749**	**(58)**	**(1,574)**	**7,118**
EQUITY AND LIABILITIES				
Issued share capital	72	-	-	72
Share premium reserve	1,145	-	-	1,145
Retained earnings	894	-	25	919
Other reserves	(72)	-	-	(72)
Equity attributable to shareholders of the parent company	**2,039**	**-**	**25**	**2,064**
Non-controlling interests	848	-	(777)	71
Total Equity	**2,887**	**-**	**(752)**	**2,135**
Loans and borrowings	3,205	-	(691)	2,514
Provisions	134	(51)	3	87
Deferred income	265	-	(120)	145
Deferred tax liabilities	11	-	23	34
Derivative financial instruments	134	-	(9)	125
Total non-current liabilities	**3,749**	**(51)**	**(793)**	**2,905**
Loans and borrowings	403	-	(27)	376
Provisions	66	(7)	5	64
Trade and other payables	1,496	-	5	1,501
Income tax payable	53	-	1	54
Derivative financial instruments	96	-	(14)	82
Total current liabilities	**2,114**	**(7)**	**(29)**	**2,077**
TOTAL EQUITY AND LIABILITIES	**8,749**	**(58)**	**(1,574)**	**7,118**

Consolidated cash flow statement

	December 2013 Restated financial statements after change in presentation	Changes in presentation (6.2.7.D.)	December 2013 Restated financial statements before change in presentation	IFRS 10&11 Impact	December 2013 Published financial statements
Cash flow from operating activities					
Receipts from customers	2,767	-	2,767	544	3,311
Payments for finance leases construction (**)	(1,570)	1,570	-	-	-
Payments to suppliers and employees	(1,740)	-	(1,740)	(594)	(2,334)
Final settlement Talisman	(470)	-	(470)	-	(470)
Income tax received / (paid)	(31)	-	(31)	(4)	(35)
Net cash from operating activities	**(1,044)**	**1,570**	**527**	**(55)**	**471**
Cash flow from investing activities					
Investment in property, plant and equipment	(169)	-	(169)	(15)	(184)
Investment in intangible assets	-	-	-	(1)	(1)
Payments for finance leases construction (**)	-	(1,570)	(1,570)	370	(1,200)
Additions to funding loans	(577)	-	(577)	314	(263)
Redemption of funding loans	320	-	320	(159)	161
Interest received	24	-	24	(14)	10
Dividends received from equity-accounted investees	41	-	41	(41)	-
Net proceeds from disposal of property, plant and equipment	20	-	20	(0)	20
Net cash used in investing activities	**(339)**	**(1,570)**	**(1,909)**	**452**	**(1,457)**
Cash flow from financing activities					
Proceeds from issue of shares	273	-	273	(0)	273
Equity funding from partners	464	-	464	(463)	1
Additions to borrowings and loans	1,186	-	1,186	(241)	945
Repayments of borrowings and loans	(831)	-	(831)	219	(612)
Dividends paid to non-controlling interests	(43)	-	(43)	36	(7)
Interest paid	(143)	-	(143)	21	(122)
Net cash from financing activities	**908**	**-**	**908**	**(431)**	**477**
Net increase/(decrease) in cash and cash equivalents	**(475)**	**-**	**(475)**	**(34)**	**(509)**
Net cash at 1 January	692	-	692	23	715
Net increase/(decrease) in net cash	(475)	-	(475)	(34)	(509)
Currency differences	(8)	-	(8)	1	(7)
Net cash end of period	**208**	**-**	**208**	**(8)**	**200**

*** change in presentation described in Note 6.2.7.D*

Reconciliation of the net cash

	December 2013 Restated financial statements	IFRS 10&11 Impact	December 2013 Published financial statements
Cash and cash equivalents	208	(8)	200
Bank overdrafts	-	-	-
Net cash end of period	**208**	**(8)**	**200**

F. Critical Accounting Policies

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

(a) Use of estimates and judgment

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 judgments 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 recognised 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. They require to make a large number of estimates, especially of the total expected costs at completion, due to the high complexity of the Company's construction contracts.
Judgment 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.

The impairment of property, plant and equipment and intangible assets:

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.

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 judgment 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 recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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 provide 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.

Judgments:

In addition to the above estimates, the Management exercises the following judgments:

Lease classification:

When the Company enters into a new lease arrangement, the terms and conditions of the contract are analysed in order to assess whether the Company retains or not 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 judgment to determine whether the arrangement results in a finance lease or an operating lease. This judgment can have a significant effect on the amounts recognised in the consolidated financial statements.

The timing and estimated cost of demobilisation:

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

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

(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 recognised 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 recognised as a financial asset. Under a finance lease, the difference between the gross receivable and the present value of the receivable is recognised as revenue. Lease income is, as of the commencement date of the lease contract, recognised 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 amortisation 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 recognised for the amount by which the asset’s 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, has 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, grant to the borrower a concession that the lender would not otherwise consider
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- 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 recognised 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 recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment on trade and other receivables is described later in Section 6.2.7.G. 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 recognised 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 recognised 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 gate reviews at advanced degrees of completion in engineering prior to recognition of margin, typically around 25% complete. Until this point, no margin is recognised, with revenue recognised 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 recognised 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 recognised 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.

Provisions for anticipated losses are made in full in the period in which they become known.

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, recognised 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 recognised 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.

(g) Demobilisation obligations

The demobilisation 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. Demobilisation 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 demobilisation. As the remaining duration of each lease reduces, and the discounting effect on the provision unwinds, accrued interest is recognised as part of financial expenses and added to the provision. The subsequent updates of the measurement of the demobilisation costs are recognised both impacting the provision and the asset.

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

G. 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.

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 global integration 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. The group has assessed the nature of its joint arrangements and determined them to be joint ventures.

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 recognised 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. 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 Group. When necessary, adjustments are made to bring the accounting policies 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 debt 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. Assuming the criteria was not met, they would be classified as available-for-sale. They are measured at fair value less transaction costs at initial recognition and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value, is recognised in the consolidated income statement over the period of the borrowings, using the effective interest method.

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 amortised cost.

Corporate debt securities and loans to joint ventures and associates are recognised 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 cashflows 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 recognised on settlement date being the date on which cash is paid or received. They are initially recognised at fair value, net of transaction costs incurred (transaction price), subsequently measured at amortised 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 are recognised 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 recognised 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 Monaco, Houston, Schiedam and Kuala Lumpur execution centres 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 consitute an operating segment as defined by IFRS 8 "Operating segments" and are reported under the "Other" section in the Note 1 "Operating segments".

Operating segments are measured under Directional Reporting accounting policies, which main principles 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 recognised as revenues and the costs associated to the construction work and/or services are recognised as "Cost of sales" with no margin during the construction. As a consequence, these costs are not capitalised 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 Company's share using the proportionate consolidation method (where all lines of the income statement are accounted for using the Company's percentage of ownership).

- all other accounting principles remained 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 1 "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, except exchange gains or losses on cash accounts eligible for future cash flow hedging on net foreign currency investments.

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 date of inception
- its efficiency should be proven at the date of inception 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 realised within twelve months of the reporting date, that portion should be presented as current; the remainder of the financial derivative should be shown as non-current.

Changes in fair value of derivatives designated as cash flow or net investment hedge relationships are recognised 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 exchange 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 long as possible. Fair values are categorised 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 the Note 26 "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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(h) Provisions

Provisions are recognised 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 elements

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

Warranties 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. This provision is 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, suppliers), internal costs (design, engineering, construction supervision, etc.), third party financial costs including interest paid during construction and attributable overheads.

Subsequent costs are included in the assets' carrying amount or recognised 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 demobilisation 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. With the exception of the ThunderHawk facility, depreciation is calculated on a straight-line basis as follows:

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

The depreciation charge for the Thunder Hawk facility is calculated based on its future anticipated economic benefits. This results in a depreciation charge partly based on the units of production method and, for the other part, based on the straight-line method.

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 amortised 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 capitalised 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 commercialise 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 capitalised, research costs are carried at cost less any accumulated amortisation. Amortisation begins when the project is complete and available for use. It is amortised 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 previously classified as assets held for sale, is sold and lease back, the lease back transaction is analysed 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 amortised 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 recognised immediately.

(l) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined using the first-in first-out method. Net realisable 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 recognised initially at fair value and subsequently measured at fair value 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 derecognised when they are determined to be uncollectible.

Other receivables are carried at amortised cost, using the effective interest rate method. Interest income, together with gains and losses when the receivables are derecognised or impaired, is recognised 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 recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised 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 SBM Offshore's global tax burden.

(q) Deferred income tax

Deferred income tax is recognised 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 realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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 recognised as an expense in the income statement as incurred

The liability recognised 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 unrecognised 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 recognised 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 recognised under the net financing cost.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised 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.

6.2.8 Notes to the Consolidated Financial Statements

Note 1. Operating Segments

As from January 1st, 2014, in accordance with IFRS 8 "Operating segments" and as stated in section 6.2.7 C. "Change in accounting policies used in the measurement of operating segments", operating segments are now measured under Directional Reporting principles (see section 6.2.7.G. "Significant accounting principles" part (e)) in order to better reflect the manner in which the Management Board analyses segmental information.

The comparative information has been restated.

2014 operating segments

Period ending 31 December 2014

	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	**1,059**	**2,487**	**3,545**	**-**	**3,545**
Gross margin	**304**	**390**	**694**	**-**	**694**
Other operating income/expense	0	(2)	(2)	(184)	(186)
Selling and marketing expense	(3)	(43)	(46)	0	(46)
General and administrative expense	(25)	(111)	(136)	(85)	(221)
Research and development expense	(2)	(38)	(40)		(40)
Operating profit/(loss) (EBIT)	**274**	**195**	**469**	**(268)**	**201**
Net financing costs					(127)
Share of profit of equity-accounted investees					13
Income tax expense					(3)
Profit/(Loss)					**84**
Operating profit/(loss) (EBIT)	274	195	469	(268)	201
Depreciation, amortisation and impairment	261	15	275	9	284
EBITDA	**535**	**210**	**745**	**(259)**	**486**
Other segment information :					
Impairment charge / (reversal)	(17)	-	(17)	-	(17)

Reconciliation of 2014 operating segments

	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of business segment that does not meet the definition of an operating segment	Total Consolidated IFRS
Revenue					
Lease and Operate	1,059	34	(82)		1,011
Turnkey	2,487	(164)	2,148		4,471
Total revenue	**3,545**	**(130)**	**2,067**	**-**	**5,482**
Gross margin					
Lease and Operate	304	39	35		378
Turnkey	390	(42)	491		838
Total gross margin	**694**	**(3)**	**526**	**-**	**1,217**
EBIT					
Lease and Operate	274	38	35	-	347
Turnkey	195	(39)	491	-	647
Other	-	-	-	(268)	(268)
Total EBIT	**469**	**(1)**	**527**	**(268)**	**726**

2013 operating segments

Period ending 31 December 2013 (*)

	Lease and Operate (*)	Turnkey (*)	Reported segments (*)	Other (*)	Total Directional reporting (*)
Third party revenue	**1,006**	**2,367**	**3,373**	**-**	**3,373**
Gross margin	**(181)**	**435**	**254**	**-**	**254**
Other operating income/expense	-	(5)	**(5)**	32	**27**
Selling and marketing expense	(3)	(31)	**(34)**	-	**(34)**
General and administrative expense	(20)	(88)	**(108)**	(53)	**(161)**
Research and development expense	-	(23)	**(23)**	-	**(23)**
Operating profit/(loss) (EBIT)	**(204)**	**288**	**84**	**(21)**	**63**
Net financing costs					**(80)**
Share of profit of equity-accounted investees					**11**
Income tax expense					**(52)**
Profit/(Loss)					**(58)**
Operating profit/(loss) (EBIT)	(204)	288	**84**	(21)	**63**
Depreciation, amortisation and impairment	441	15	**456**	1	**457**
EBITDA	**237**	**303**	**540**	**(20)**	**520**

Other segment information :

Impairment charge / (reversal)	-	-	**-**	-	**-**

** restated*

Reconciliation of 2013 operating segments

	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of business segment that does not meet the definition of an operating segment	Total Consolidated IFRS
Revenue					
Lease and Operate	1,006	(24)	(47)	-	935
Turnkey	2,367	(136)	1,418	-	3,648
Total revenue	**3,373**	**(160)**	**1,371**	**-**	**4,584**
Gross margin					
Lease and Operate	(181)	26	11		(144)
Turnkey	435	(94)	182		522
Total gross margin	**254**	**(67)**	**192**	**-**	**379**
EBIT					
Lease and Operate	(204)	27	11	-	(167)
Turnkey	288	(94)	182	-	375
Other	-	-	-	(21)	(21)
Total EBIT	**84**	**(67)**	**192**	**(21)**	**188**

Settlement with Dutch Public Prosecutor's Office

On November 12th, 2014 the Company reached an out-of-court settlement with the Dutch Public Prosecutor's Office (Openbaar Ministerie) over the investigation into potentially improper sales payments. Furthermore, the US Department of Justice (DoJ) informed the Company that it closed its inquiry into the matter and would not prosecute the Company.

The out-of-court settlement consists of a payment by the Company to the Openbaar Ministerie of US$ 240 million. Payments will be made in three instalments, the first of which (US$ 100 million) was paid in November 2014. The two further instalments of US$ 70 million each will be due on December 1st, 2015 and 2016 respectively.

The settlement cost of US$ 240 million is accounted for within the "Other operating expenses" in the 2014 income statement.

Restructuring

On December 11th, 2014, the Company announced the process of releasing approximately 600 contractor staff and an equal number of permanent staff, totalling approximately 1,200 positions worldwide, over the period 2014 and 2015. Restucturing costs of US$ 8 million were accounted for within the "Other operating expense" regarding 2014 obligations.

Divestment program for non-core assets

On August 29th, 2014 the Company completed the sale and operating lease back of its Monaco real estate portfolio. The last of the three buildings was sold for approximately US$ 62 million net of expenses, resulting in a book profit of approximately US$ 58 million accounted for within the “Other operating income” in the 2014 income statement.

On December 1st, 2014 the Company also completed the all cash sale of the Diving Support and Construction Vessel (DSCV) *SBM Installer* to OS Installer AS for approximately US$ 150 million, resulting in a book profit of US$ 4 million accounted for within the “Other operating income” in the 2014 income statement. OS Installer AS is a new established joint-venture between Ocean Yield (75%) and the Company (25%). The Company will charter the vessel under an operating lease for a fixed period of 12 years and will have certain options to acquire the vessel during the bare boat charter period, with the first option exercisable after five years.

Thunder Hawk

Following the signature on September 16th, 2014 of a Production Handling Agreement with Noble Energy, the Company has reversed the previously taken US$ 109 million impairment incurred on the semi-submersible facility in the US Gulf of Mexico. The value in use of the asset has been calculated based on estimated future cash flows including the tie back of two wells to the platform, and using a weighted average cost of capital of 6.9% (2013: 8.0%). The reversal is accounted for within the "Cost of sales" of the Lease and Operate segment in the 2014 income statement.

Deep Panuke

The Company has reduced the useful life of the Deep Panuke Field Centre from ten to eight years in line with the fixed contract period. This change of assumption decreases the recoverable amount based on the adjusted present value method of the asset and results in a non-cash impairment charge of US$ 59 million recorded in the second half of 2014. The adjusted present value of the platform has been estimated based on estimated future cash flows including bareboat, operating expenditures and some winter bonus, using a weighted average cost of capital of 6.0% (2013: 8.0%) and assuming transferability to a third party of existing tax loss carried forward and Atlantic incentive tax credit. The impairment charge has been accounted for within the "Cost of sales" of the Lease and Operate segment in the 2014 income statement.

Warranty fund

The Company has recorded a specific increase of the warranty provision at year-end of US$ 40 million, in relation to a warranty claim. The additional provision has been recorded within the "Cost of sales" of the Turnkey segment in the 2014 income statement.

Financial Asset Impairment

The Company has taken a one-off impairment charge (non-cash) of assets of approximately US$ 49 million following a dispute with a US-based client. This impairment is accounted for US$ 19 million within the “Cost of sales” of the Turnkey Segment and US$ 29 million within the “Net financing costs” in the 2014 income statement.

Note 2. 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 analysed as follows:

Geographical information (revenue by country)

	2014	2013 (*)
Brasil	3,130	2,644
USA	847	344
Australia	479	347
Angola	467	547
Equatorial Guinea	136	138
Canada	136	37
Malaysia	25	13
Nigeria	13	17
Netherlands	0	2
Other	248	496
Total revenue	**5,482**	**4,584**

(*) restated

The non-current assets by country are analysed as follows:

Geographical information (non-current assets by country)

	2014	2013 (*)
Brasil	3,895	2,579
Canada	511	634
Angola	457	617
Equatorial Guinea	399	541
USA	258	180
Malaysia	253	183
Norway	11	2
Netherlands	10	14
Other	191	107
Total non-current assets	**5,985**	**4,857**

(*) restated

Reliance on major customers

Two customers represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$ 3,909 million (2013 restated: US$ 2,844 million).

Note 3. Other Operating Income and Expense

Other operating income and expense

	2014	2013 (*)
Gains from sale of financial participations, property, plant and equipment	61	27
Other operating income	1	-
Total other operating income	**62**	**27**
Settlement expenses	(240)	-
Restructuring expenses	(8)	-
Other operating expense	0	-
Total other operating expense	**(248)**	**0**
Total	**(186)**	**27**

(*) restated

In 2014 the gains from disposal of items of property, plant and equipment include the gains resulting from the sale and lease back of the following non-core assets (see Note 1 "Operating segments"):

- the third and last Monaco office building for US$ 58 million
- the DSCV SBM Installer for US$ 4 million

Both lease back transactions qualify for operating lease under IAS 17 "Leases".

The other operating expenses include:

- the US$ 240 million charge related to the settlement of investigation with the Dutch Public Prosecutor's Office
- the cost of restructuring plan announced by the Company in December 2014 for US$ 8 million

In 2013, the other operating income included the gain resulting from the sales and lease back transaction of two Monaco real estate facilities.

Note 4. Expenses by Nature

The table below sets out expenses by nature for all items included in EBIT for the years 2014 and 2013:

Information on the nature of expenses

	Note	2014	2013 (*)
Expenses on construction contracts		(2,960)	(2,497)
Employee benefit expenses	5	(861)	(831)
Depreciation, amortisation and impairment		(199)	(404)
Selling expenses		(22)	(16)
Other costs		(773)	(677)
Total expenses		**(4,815)**	**(4,424)**

(*) restated

In 2014, the line “Other costs” includes the US$ 240 million settlement cost with the Dutch Public Prosecutor's Office. The decrease in "Depreciation, amortisation and impairment" relates mainly to the numerous impairments incurred in 2013 and related to Deep Panuke, Thunder Hawk, Alba and Falcon.

In 2013, the line "Other costs" included the US$ 270 million impact of the settlement with Talisman recognised in the first quarter of 2013.

Note 5. Employee Benefit Expenses

Information with respect to employee benefits expenses are detailed as follows:

Employee benefit expenses

	Note	2014	2013 (*)
Wages and salaries		(506)	(457)
Social security costs		(67)	(64)
Contributions to defined contribution plans		(42)	(30)
(Increase)/decrease in liability for defined benefit plans		(2)	(10)
(Increase)/decrease in liability for other long term benefits		2	(14)
Share-based payment cost		(24)	(15)
Other employee benefits		(223)	(240)
Total employee benefits	*4*	**(861)**	**(831)**

(*) restated for comparison purposes

Other employee benefits include, for the most part, expenses related to contractor's staff, not under the Company's payroll, training and travel costs.

Defined benefit plans and other long term benefits

The employee benefits provisions recognised in accordance with accounting principles, relate to :

	Note	2014	2013 (*)
Pension plan		12	6
Lump sums on retirement		8	10
Defined benefit plans		**20**	**16**
Long-service awards		12	14
Other long term benefits		**12**	**14**
Employee benefits provisions	*24*	**32**	**30**

(*) restated for comparison purposes

As from January 1st, 2014, the Company has reviewed the classification of its defined benefits plans, leading to the qualification of retirement lump sums indemnities plans as post-employment benefits, instead of other long-term benefits. The comparative information in the tables below has been restated according to IAS 1 "Presentation of financial statements".

The defined benefit plan provision is partially funded as follows:

Benefit asset/liability included in the statement of financial position

	2014			2013 (*)		
	Pension plans	Lump sums on retirement	Total	Pension plans	Lump sums on retirement	Total
Defined benefit obligation	65	8	73	66	10	76
Fair value of plan assets	(53)	-	(53)	(60)	-	(60)
Benefit (asset)/liability	**12**	**8**	**20**	**6**	**10**	**16**

(*) restated for comparison purposes

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

Figures expressed in %

	2014	2013
Discount rate	1.00-1.80	2.25 - 3.30
Inflation rate	2.00	2.00
Expected rate of return on assets	2.00	2.00
Future salary increases	3.00	3.00 - 3.50
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 summarises the components of net benefit expense recognised in the consolidated income statement regarding the defined benefits provisions.

Net benefit expense recognised within employee benefits

	2014	2013 (*)
Current service cost	2	10
Interest cost on benefit obligation	2	1
Expected return on plan assets	(1)	(1)
Other	0	-
Net benefit expense	**2**	**10**

(*) restated for comparison purposes

Changes in the present value of the defined benefit obligations and the plan assets are as follows:

Changes in the defined benefit obligation

	2014	2013 (*)
Opening defined benefit obligation	76	74
Current service cost	2	2
Interest cost	2	8
Benefits paid	(4)	(3)
Actuarial (gains)/losses	6	(9)
Other movements	0	0
Exchange differences on foreign plans	(9)	3
Closing defined benefit obligation at 31 December	**73**	**76**

(*) restated for comparison purposes

Changes in the fair value of plan assets

	2014	2013
Opening fair value of plan assets	(60)	(59)
Expected return	(1)	(1)
Contributions by employer	(0)	(0)
Contribution by employee	(0)	(0)
Benefits paid	3	3
Actuarial (gains)/losses arising from experience adjustment	(1)	(0)
Other movements	0	0
Exchange differences on foreign plans	7	(2)
Closing fair value of plan assets at 31 December	**(53)**	**(60)**

The actual return on plan assets is US$ 2 million (2013 restated : US$ 2 million).

The breakdown of plan assets by type of investment is as follows:

Breakdown of plan asset by type of investment

Figures expressed in %

	2014	2013
Cash	7	5
Real estate	5	5
Alternative investments	4	5
Equities	29	20
Bonds	55	65
	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 benedit obligation due to a change in the discount rate

Figures expressed in % of the year-end defined benefit obligation

	Pension plans	Lump sums on retirement
+0.5% movement	(7.1)	(7.8)
-0.5% movement	8.0	8.7

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$ 20 million (2013: US$ 14 million).
The performance-related part of the remuneration, comprising both STI and LTI components, equals 65% (2013: 46%).
The remuneration (including the Management Board's remuneration which is Euro denominated), was not affected by changes in the exchange rate US$-€ (as the average rate was virtually identical to that of 2013).
The total remuneration and associated costs of the Managing Directors and other key management personnel (non-statutory directors and management of the main subsidiaries) is specified as follows:

2014 remuneration key management personnel (on paid basis)

Figures are expressed in thousands of US$

	Salary and emoluments	Bonus (cash and shares)	Pension costs	Valuation of share-based payments (1)	Total
B.Y.R. Chabas	1,252	1,985	304	2,786	6,327
S. Hepkema	940	1,124	157	1,774	3,994
P.M. van Rossum	911	938	164	1,446	3,458
Other key management personnel	3,307	1,399	65	1,739	6,510
Total remuneration	**6,409**	**5,447**	**689**	**7,744**	**20,289**

(1) This represents the fair value of all share-based payments, i-e the expense recognised in 2014 as a pro-rata over the entire vesting period, and includes true-ups on performance and employment conditions. The 2014 costs were impacted by changes in the computation under IFRS 2 "Share-based payments" interpretation.

The "on paid basis" information only applies to salary and emoluments as well as Bonus (cash and shares)

2013 remuneration key management personnel (on paid basis)

Figures are expressed in thousands of US$

	Salary and emoluments	Bonus (cash and shares) (3)	Pension costs (1)	Valuation of share-based payments (2)	Total
B.Y.R. Chabas	1,248	1,023	580	1,642	**4,493**
S. Hepkema	846	481	203	983	**2,513**
P.M. van Rossum	946	276	180	791	**2,192**
Other key management personnel	3,633	1,640	113	(285)	**5,101**
Total remuneration	**6,673**	**3,420**	**1,076**	**3,130**	**14,299**

(1) Including pensions premiums of prior years for an amount of US$ 281 thousands, following implementation of new scheme

(2) This represents the fair value of all share-based payments, i-e the expense recognised in 2013 as a pro-rata over the entire vesting period, and includes true-ups on performance and employment conditions

The "on paid basis" information only applies to salary and emoluments as well as Bonus (cash and shares)

(3) Bonuses paid in 2013 relate to Mr P.M van Rossum for a 6-month period and for Mr. S. Hepkema for a 9-month period

The bonuses are performance related, based partially on Economic Profit and partially on personal performance. There are no guarantees or obligations towards or on behalf of the members of the former Board of Management and current Management Board.
The bonus reflects bonuses paid over 2013 in 2014. For bonus approved, accrued and to be paid in 2015 in respect of 2014 to the Management Board, please see the table below and refer to section 5.3. Remuneration Report.

2014 remuneration key management personnel (on accrual basis)

Figures are expressed in thousands of US$

	Salary and emoluments	**Bonus (cash and shares)**	**Pension costs**	**Valuation of share-based payments (1)**	Total
B.Y.R. Chabas	1,252	2,126	304	2,786	6,468
S. Hepkema	940	1,176	157	1,774	4,047
P.M. van Rossum	911	981	164	1,446	3,501
Other key management personnel	3,307	1,399	65	1,739	6,510
Total remuneration	**6,409**	**5,682**	**689**	**7,744**	**20,525**

(1) This represents the fair value of all share-based payments, i-e the expense recognised in 2014 as a pro-rata over the entire vesting period, and includes true-ups on performance and employment conditions

2013 remuneration key management personnel (on accrual basis)

Figures are expressed in thousands of US$

	Salary and emoluments	Bonus (cash and shares)	Pension costs (1)	Valuation of share-based payments (2)	Total
B.Y.R. Chabas	1,248	1,985	580	1,642	**5,456**
S. Hepkema	846	1,124	203	983	**3,155**
P.M. van Rossum	946	938	180	791	**2,854**
Other key management personnel	3,633	1,640	113	(285)	**5,101**
Total remuneration	**6,673**	**5,687**	**1,076**	**3,130**	**16,566**

(1) Including pensions premiums of prior years for an amount of US$ 281 thousands, following implementation of new scheme

(2) This represents the fair value of all share-based payments, i-e the expense recognised in 2013 as a pro-rata over the entire vesting period, and includes true-ups on performance and employment conditions

Share Option Plan

The Share Option Plan, which was terminated in 2008, has been replaced by Performance Shares and Restricted Shares schemes. Options were granted at market value, with a three year vesting period, and a subsequent two year exercise period. As at year-end 2014 there are no vested and exercisable options outstanding anymore.

Performance Shares Management Board

Performance shares introduced in 2005, and subsequently amended in 2008 and 2011 under renewed Remuneration Policies form part of the LTI for the members of the former Board of Management and current Management Board, and are subject to performance conditions. From 2011, this was based on 50% on EPS growth, and 50% on relative Total Shareholder Return (TSR) in comparison with the peer group defined in the 2011 Remuneration Policy, with the flexibility for the period 2012-2014 to award 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 with no increase of the 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 2010-2012, the EPS growth threshold of 5% was not achieved and consequently no performance shares have been issued to the members of the former Board of Management and current Management Board who were part of the LTI scheme in 2010.

As from 2011, under the Remuneration Policy 2011, the number of conditional performance shares awarded is such that their value is equivalent to 125% of the Managing Directors' base annual salary of the previous year, assuming "At target" EPS growth/TSR performance over the three year period following the period of reference. In 2014, the conditional awards were 84,218 shares for Mr. B. Chabas, 62,110 for Mr. S. Hepkema, and 51,846 shares for Mr. P. van Rossum. If the threshold average EPS growth/TSR over 2013 to 2015 is not achieved, these shares will not vest. The maximum possible award (including Special Incentive at the discretion of the Supervisory Board, which amendment of the Remuneration Policy was approved in the EGM of 27 June 2012) is 250% of the conditional award for the CEO, and 187.5% for other Managing Directors.

The main assumptions included in the calculation for the LTI 2014 award are:

2014 awards - Fair values

	2014
PSU - TSR - CEO	€ 11.12
PSU - TSR - other BoM	€ 9.56
PSU - EPS	€ 11.79
PSU - SI	€ 11.79

The parameters underlying the 2014 PSU fair values are: a share price at the grant date of € 11.79 (13 February 2014), volatility of 43% (average of peers: 36%, average correlation: 47%), risk free interest rate 0.35% and a dividend yield of 0.0%.

Adjustment of the computations, to take into account TSR fair value calculations of the 2012 and 2013 LTI, as well as true-ups, have a one-off impact (increased costs) on the IFRS 2 "Share-based payments" vesting costs allocated to 2014.

Performance Share Unit (PSU) and Restricted Share Unit (RSU) plans

In 2009, new plans were approved by the Supervisory Board and implemented, replacing the previous Share Option Plan for senior employees. Under these plans, shares in the Company are awarded annually to eligible employees. The number of shares granted under the RSU plan in 2014 is 1,100,720 (2013: 845,380). Furthermore, in 2014 no additional RSU shares were granted (2013: 209,400). No shares were granted under the PSU plan since 2011.

The annual award is based on individual performance. The RSU plan has no performance condition, only a service condition, and will vest over a three year period, with 1/3 vesting on each anniversary date of the original grant date. The so-called additional RSU shares also has a service condition only, and vests at the end of three year continuing service; upon vesting these shares are subject to a further two year lock-up period.

Main assumptions included in the calculation for the PSU and RSU plans are:

2014 awards - Fair values

	2014
RSU	€ 11.80

RSU is valued at a share price of € 11.80 (1 July 2014), applying the Black & Scholes model. For RSU an average annual forfeiture of 2.5% is taken in account.

Matching Shares

Under the STI plans for the Board of Management, management and senior staff of Group companies, 20% of the STI is or can be paid in shares. For Board of Management members, this share based element is compulsory but for other senior staff the scheme is optional. 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 100% for the members of the former Board of Management and current Management Board and 95% for other senior staff.

Main assumptions included in the calculation for the matching shares are:

2014 awards - Fair values

STI matching shares	€ 11.87

Total Share-Based Payment Costs

The amounts recognised in EBIT for all share-based payment transactions is summarised as follows, taking into account both the provisional awards for the current year and the additional awards related to prior years:

2014	Performance shares and RSU / PSU	Matching shares	Total
Instruments granted	15,667	1,404	**17,071**
Performance conditions	6,170	393	**6,563**
Total expenses 2014	**21,837**	**1,797**	**23,634**

2013	Performance shares and RSU / PSU	Matching shares	Total
Instruments granted	11,917	861	**12,778**
Performance conditions	1,940	162	**2,102**
Total expenses 2013	**13,857**	**1,023**	**14,880**

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$ 776,000 (2013: US$ 756,000) and can be specified as follows:

Remuneration of the Supervisory Board

Figures are expressed in thousands of US$

			2014			2013
	Basic remuneration	Committees	Total	Basic remuneration	Committees	Total
H.C. Rothermund - Chairman	120	17	137	120	31	151
R. van Gelder - Vice-Chairman (thru April 2, 2013)	-	-	-	27	3	30
F.J.G.M. Cremers - Vice-Chairman (from April 2, 2013)	106	13	119	105	13	118
F.R. Gugen	100	19	119	100	12	112
K.A. Rethy	100	15	115	100	21	121
F.G.H. Deckers	100	18	118	100	11	111
T.M.E. Ehret	100	13	113	100	13	113
L.A. Armstrong	50	5	55	-	-	-
Total	**676**	**100**	**776**	**652**	**104**	**756**

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)

By operating segment:	2014 Average	2014 Year-end	2013 (*) Average	2013 (*) Year-end
Lease and operate	1,884	2,025	1,704	1,742
Turnkey	6,039	5,839	5,069	6,238
Other	407	436	354	378
Total	**8,330**	**8,300**	**7,126**	**8,358**

** restated for comparison purposes*

The 2013 number of employees has been restated to reflect the following:

- Lease and operate employees number includes both offshore and onshore employees;
- Corporate functions employees are identified within the line "Other"

Number of employees (by geographical area)

By geographical area:	2014 Average	2014 Year-end	2013 (*) Average	2013 (*) Year-end
The Netherlands	420	407	431	432
Worldwide	7,910	7,893	6,695	7,926
Total	**8,330**	**8,300**	**7,126**	**8,358**

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.
The employees working for joint ventures and associates are 100% included in the numbers above.

Note 6. Net Financing Costs

Net financing costs

	2014	2013 (*)
Interest income on loans & receivables	25	28
Interest income on Held-to-Maturity investments	1	-
Net gain on financial instruments at fair value through profit and loss	4	14
Net foreign exchange gain	1	-
Other financial income	-	-
Financial Income	**31**	**42**
Interest expenses on financial liabilities at amortised cost	(89)	(84)
Interest expenses on hedging derivatives	(68)	(54)
Interest addition to provisions	(5)	(1)
Net cash flow hedges ineffectiveness	(5)	(4)
Net foreign exchange loss	-	(2)
Impairment of financial assets	(29)	(9)
Other financial expenses	-	-
Financial Expenses	**(196)**	**(153)**
Net financing costs	**(166)**	**(112)**

** restated*

The increase in interest expenses in 2014 is mainly related to interest paid on facilities upon commencement of production of FPSO Cidade de Paraty and MOPU Deep Panuke.
The interest expenses are disclosed net of US$ 54 million capitalised interest (2013 restated: US$ 44 million) related to

FPSO projects under construction.

In 2014, the US$ 29 million impairment of financial asset is related to a dispute with a US-based client on a joint venture (Note 1 "Operating segments").

Note 7. Research and Development Expenses

Research and development expenses consist of US$ 40 million (2013: US$ 23 million).
The amortisation of development costs recognised in the statement of financial position is allocated to the "cost of sales".

Note 8. 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 location of the Company's operations. 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 recognised on a loss carry forward, the Effective Tax Rate is impacted by the unrecognised 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	2014	2013 (*)
Corporation tax on profits for the year		(47)	(33)
Adjustments in respect of prior years		(3)	6
Total current income tax		**(50)**	**(27)**
Deferred tax	*14*	24	(27)
Total		**(26)**	**(54)**

** restated*

The Company’s operational activities are subject to taxation at rates which range up to 35% (2013: 35%).

The respective tax rates, including fiscal privileges in several countries, tax-exempt profits and non-deductible costs and releases, resulted in an effective tax on continuing operations of 4.7% (2013 restated: 70%).
The reconciliation of the effective tax rate is as follows:

Reconciliation of total income tax charge

	2014		2013 (*)	
	%		%	
Profit/(Loss) before tax		**678**		**229**
Share of profit of equity-accounted investees		117		153
Profit/(Loss) before tax and share of profit of equity-accounted investees		**561**		**76**
Income tax expense recognised		(26)		(54)
Income tax using the domestic corporation tax rate (25% for Netherlands)	25%	(140)	25%	(19)
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other juridictions	(19%)	109	(45%)	(5)
Withholding taxes and taxes based on deemed profits	4%	(22)	45%	(32)
Non-deductible expenses	16%	(88)	8%	(6)
Non-taxable income	(17%)	97	(4%)	3
Adjustments related to prior years	1%	(3)	(7%)	6
Effects of unprovided deferred tax and tax credits	(3%)	19	-	-
Movements in tax risks provision	0%	2	-	-
Total of tax charge on the consolidated Income Statement	**5%**	**(26)**	**(70%)**	**(54)**

** restated*

The 2014 Effective Tax Rate of the Company was mechanically impacted by :

- the recognition of deferred tax assets related to 2013 net operating losses and tax credits
- unrecognised deferred tax assets on 2014 current tax losses

Absent the foregoing adjustments, the Effective Tax Rate of the Company would stand at 8.15% for the current year.

With respect to the annual effective tax rate calculation for the year 2014, a significant portion of the income tax expense of the Company was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola, Brasil and Equatorial Guinea. Conversely, the most significant countries in which the Company operated during this period that impose income taxes based on income before income tax include the Netherlands, Monaco, Switzerland and the U.S. The application of IFRS 10 and 11 resulted into an equity classification of lessors of Angolan FPSO's taxed under a deemed profit regime, and thus a material decrease in the Company income tax expense.

Details of the withholding taxes and other taxes are as follows:

Withholding taxes and taxes based on deemed profits

			2014			2013 (*)
Withholding Tax and Overseas Taxes (per locations)	**Withholding tax**	**Taxes based on deemed profit**	**Total**	Withholding tax	Taxes based on deemed profit	Total
Angola	(13)	-	(13)	(11)	-	(11)
Equatorial Guinea	(0)	-	(0)	(0)	(17)	(17)
Malaysia	(0)	-	(0)	(0)	-	(0)
Brasil	(0)	(8)	(8)	(3)	-	(3)
Other (**)	(1)	-	(1)	(1)	-	(1)
Total withholding and overseas taxes	**(14)**	**(8)**	**(22)**	**(15)**	**(17)**	**(32)**

** restated*

*** other includes Myanmar, Nigeria and Indonesia*

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 taxes for the amounts of 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$ 2 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. The decrease arises from both adjustments that the Company has agreed with the relevant tax authorities and re-estimates that it has made. It is possible that the ultimate resolution of these matters 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.

Note 9. Earnings/Loss per share

The basic earnings per share for the year amounts to US$ 2.75 (2013 restated: US$ 0.56); the fully diluted earnings per share amounts to US$ 2.75 (2013 restated: US$ 0.56).
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

	2014	2013 (*)
Earnings attributable to shareholders (in thousands of US$)	575,401	114,094
Number of shares outstanding at 1 January	208,747,188	189,142,215
New shares issued (stock options and share-based payments)	495,239	291,429
Share issue (Rights Offering)	0	14,424,140
Weighted average number of shares outstanding	**209,242,427**	**203,857,784**
Potential dilutive shares from stock option scheme and other share-based payments	176,313	1,147,343
Weighted average number of shares (diluted)	**209,418,740**	**205,005,127**
Basic earnings/(loss) per share	US$ 2.75	US$ 0.56
Fully diluted earnings/(loss) per share	US$ 2.75	US$ 0.56

** restated*

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.

Note 10. Dividends paid and proposed

The decision has been made not to distribute any dividends to shareholders in respect of the year ended 31 December 2014.

In respect of the year ended 31 December 2013, no dividend was paid either.

Note 11. Property, Plant and Equipment

The movement of the property, plant and equipment during the year 2014 is summarised as follows:

2014

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	6	3,926	99	57	**4,087**
Accumulated depreciation and impairment	(2)	(1,956)	(71)	-	**(2,029)**
Book value at 1 January (*)	**4**	**1,970**	**27**	**57**	**2,058**
Additions	-	39	4	16	**59**
Disposals	-	(0)	(2)	(1)	**(3)**
Depreciation	(4)	(209)	(11)	-	**(223)**
(Impairment) / impairment reversal	-	37	-	-	**37**
Exchange rate differences	(6)	-	(2)	(2)	**(9)**
Other movements / deconsolidation	64	7	3	(69)	**5**
Total movements	**55**	**(127)**	**(7)**	**(56)**	**(135)**
Cost	64	3,668	76	1	**3,810**
Accumulated depreciation and impairment	(6)	(1,826)	(56)	-	**(1,887)**
Book value at 31 December	**59**	**1,843**	**20**	**1**	**1,923**

** restated*

2013 (*)

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	7	3,035	87	2,139	**5,268**
Accumulated depreciation and impairment	(2)	(1,412)	(62)	(1,347)	**(2,823)**
Book value at 1 January	**5**	**1,623**	**25**	**792**	**2,445**
Additions	0	3	7	174	**185**
Disposals	(0)	-	(0)	-	**(0)**
Depreciation	(0)	(206)	(10)	-	**(217)**
(Impairment) / impairment reversal	-	(157)	-	(27)	**(183)**
Exchange rate differences	(0)	6	(0)	2	**7**
Other movements / deconsolidation	(0)	700	5	(883)	**(178)**
Total movements	**(1)**	**346**	**2**	**(734)**	**(387)**
Cost	6	3,926	99	57	**4,087**
Accumulated depreciation and impairment	(2)	(1,956)	(71)	-	**(2,029)**
Book value at 31 December	**4**	**1,970**	**27**	**57**	**2,058**

** restated*

During the 2014 period the following main events occurred:

- additions to property, plant and equipment which mainly concerns the acquisition of the VLCC tanker "Cristina" and the finalisation of the Neptune office building in Monaco

- US$ 223 million of annual depreciation on existing fixed assets
- net impairment reversal of US$ 37 million detailed hereafter

The US$ 37 million net reversal of impairment mainly includes:

- US$ 59 million impairment on the Deep Panuke platform (see Note 1 " Operating segments"). This impairment should be read in conjunction with the US$ 15 million impairment reversal recorded in the interim consolidated financial statements as of June 30th, 2014, leading to a net impairment of US$ 44 million in the 2014 period
- US$ 109 million impairment reversal on the Thunder Hawk semi-submersible facility following the signature of a Production Handling Agreement with Noble Energy (see Note 1 "Operating segments")
- US$ 24 million impairment on FPSO Marlim Sul and FPSO Brasil considered upon termination of these two contracts

Demobilisation operations of FPSO Brasil having being ended, the fair value of the vessel has been reclassified to "Assets held for sale" (reclassification included into the line "Other movements").

Property, plant and equipment at year-end comprise:

- four (2013 restated: five) integrated floating production, storage and offloading systems (FPSOs), each consisting of a converted tanker, a processing plant and one mooring system
- one (2013 restated: one) floating storage and offloading system (FSO), consisting of a converted or newbuild tanker and mooring system including the fluid transfer system
- two second-hand tankers (2013 restated: one)
- one Heavy Lift Floating Crane (2013 restated: one)
- one semi-submersible production platform (2013 restated: one)
- one MOPU facility (2013 restated: one)

No third-party interest have been capitalised during the financial year as part of the additions to property, plant and equipment (2013 restated: US$ 16 million).

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 2015 and 2030. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the Vessels and floating equipment

	2014	2013 (*)
Cost	3,589	3,862
Accumulated depreciation and impairment	(1,820)	(1,921)
Book value at 31 December	**1,769**	**1,941**

** restated*

The decrease of the value of costs of vessels mainly relate to the termination of FPSO Brasil. 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

	2014	2013 (*)
Within 1 year	368	410
Between 1 and 5 years	1,593	1,305
After 5 years	1,658	1,740
Total	**3,620**	**3,455**

** restated*

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

Note 12. Intangible Assets

2014

	Development costs	Goodwill	Software	Patents	Total
Cost	5	25	2	13	45
Accumulated amortisation and impairment	(4)	-	(0)	(11)	(14)
Book value at 1 January (*)	**1**	**25**	**2**	**2**	**30**
Additions	5	-	1	-	6
Amortisation	(0)	-	(2)	(1)	(3)
Impairment	-	-	-	-	-
Other movements/deconsolidation	-	-	1	-	1
Exchange rate differences	-	-	(0)	-	(0)
Total movements	**4**	**-**	**0**	**(1)**	**4**
Cost	9	25	4	13	51
Accumulated amortisation and impairment	(4)	-	(2)	(11)	(17)
Book value at 31 December	**5**	**25**	**2**	**1**	**34**

** restated*

2013 (*)

	Development costs	Goodwill	Software	Patents	Total
Cost	8	25	-	13	46
Accumulated amortisation and impairment	(7)	-	-	(10)	(17)
Book value at 1 January (*)	**1**	**25**	**-**	**3**	**29**
Additions	1	-	-	-	1
Amortisation	(1)	-	(0)	(1)	(2)
Impairment	-	-	-	-	-
Other movements/deconsolidation	-	-	2	-	2
Exchange rate differences	(0)	0	0	0	0
Total movements	**(0)**	**0**	**2**	**(1)**	**1**
Cost	5	25	2	13	45
Accumulated amortisation and impairment	(4)	-	(0)	(11)	(14)
Book value at 31 December (*)	**1**	**25**	**2**	**2**	**30**

** restated*

Amortisation of development costs is included in 'Cost of sales' in the income statement and amounts to US$ 0.4 million (2013: US$ 1 million).

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. The discount rates used are pre-tax and reflect specific risks (8.8%).

Note 13. Other financial assets

The breakdown of the non current portion of other financial assets is as follows:

	31 December 2014	31 December 2013 (*)
Non-current portion of finance lease receivables	3,177	1,817
Non-current portion of other receivables	54	54
Corporate debt securities	29	-
Non-current portion of loans to joint ventures and associates	319	576
Total	**3,579**	**2,447**

** restated*

The decrease in loans to joint ventures and associates mainly relates to the repayment of a funding loan to the joint venture owning FPSO N'Goma whose construction was completed in 2014.

The maximum exposure to credit risk at the reporting date is the fair value of the interest-bearing loans and the finance lease receivables (Note 27 " Financial instruments - Fair values and risk management") taking into account the risk of recoverability. The company does not hold any collateral as security.

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)

	Note	31 December 2014	31 December 2013 (*)
Gross receivable		6,457	3,495
Less: Unearned finance income		(3,078)	(1,512)
Total		**3,379**	**1,983**
Of which			
Current portion	*16*	202	166
Non-current portion		3,177	1,817

** restated*

Finance lease receivables relate to the finance leases of FPSO Aseng which started production in November 2011, FPSO Cidade de Paraty which started production in June 2013, and FPSO Cidade de Ilhabela which started production in November 2014.
The increase in the finance lease receivables relates to the start of charter of FPSO Cidade de Ilhabela for a twenty-years period.

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$ 39 million as of 31 December 2014. 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 2014	31 December 2013 (*)
within 1 year	477	322
between 1 and 5 years	1,570	1,060
after 5 years	4,410	2,112
Total Gross receivable	**6,457**	**3,495**

** restated*

The table above does not include the amounts to be invoiced on the finance lease contracts that were awarded during the course of 2013 or 2014 which, at the end of 2014 were not yet delivered and therefore are included in "Construction contracts". 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)

	Note	31 December 2014	31 December 2013 (*)
Gross receivable		477	322
Less: Unearned finance income		(275)	(156)
Current portion of finance lease receivable	*16*	**202**	**166**

** restated*

Corporate Debt Securities

Corporate debt securities relate to fixed-rate bonds issued by internationally known companies (such as banks), are 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. Weighted average effective interest amounts to 3.8%.

Loans to Joint Ventures and Associates

Loans to joint-ventures and associates

	Note	31 December 2014	31 December 2013 (*)
Current portion	*16*	121	-
Non-current portion		319	576
Total	*31*	**441**	**576**

** restated*

Weighted average effective interest on interest-bearing loans to joint ventures and associates (including the current portion) amounts to 5.2% (2013 restated: 5.6%).
The carrying amount of one of the loans to joint ventures and associates has been partially impaired (US$ 29 million) as there is evidence that the financial asset may not be duly repaid. In addition, the cumulative losses recognised using the equity method in excess of the Company's investment in ordinary shares of two joint ventures represent US$ 54 million as of 31 December 2014. It reduces the carrying amount of the loans provided to these joint ventures and associates.

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivatives instruments is included in the Note 27 "Financial Instruments - Fair values and risk management".

Note 14. Deferred Tax Assets and Liabilities

The deferred tax assets and liabilities and associated offsets are summarised as follows:

Deferred tax positions (summary)

	31 December 2014			31 December 2013 (*)		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Property, plant and equipment	2	(0)	1	5	-	5
Tax losses	23	-	23	12	-	12
Construction contracts	0	(1)	(1)	5	(11)	(6)
R&D credits	4	-	4	3	-	3
Other	34	(9)	25	(0)	-	(0)
Book value at 31 December	**63**	**(11)**	**52**	**25**	**(11)**	**14**

** restated*

Movements in net deferred tax positions

	Note	**2014**	2013 (*)
		Net	Net
Deferred tax at the beginning period		**14**	**40**
Deferred tax recognised in the income statement	*8*	24	(27)
Deferred tax recognised in other comprehensive income		16	-
Exchange variances		(1)	1
Movements of the period		**39**	**(26)**
Deferred tax at the end of the period		**52**	**14**

** restated*

Expected realisation and settlement of deferred tax positions is within eight years. The current portion at less than one year of the net deferred tax position as of December, 31st, 2014 amounts to US$ 18 million. The deferred tax losses are expected to be recovered, based on the anticipated profit in the order book in the applicable jurisdiction. The Company has US$ 5 million in deferred tax assets unrecognised in 2014 due to current tax losses not valued.

Deferred tax assets per locations are as follows:

Deferred tax positions per locations

	31 December 2014			31 December 2013 (*)		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Switzerland	27	-	27	11	-	11
USA	16	(11)	5	8	-	8
Netherlands	3	-	3	5	-	5
Angola	-	-	-	-	(11)	(11)
Canada	13	-	13	-	-	-
Luxembourg	4	-	4	-	-	-
Other	0	-	0	1	-	1
Book value at 31 December	**63**	**(11)**	**52**	**25**	**(11)**	**14**

** restated*

Note 15. Inventories

	2014	2013 (*)
Materials and consumables	10	13
Goods for resale	0	3
Total	**10**	**16**

** restated*

In 2014 the Company recorded a write-down of US$ 5 million of inventories to net realisable value (2013: US$ 1 million).

Note 16. Trade and Other Receivables

Trade and other receivables (summary)

	Note	2014	2013 (*)
Trade debtors		305	264
Other receivables		125	373
Other prepayments and accrued income		249	218
Accrued income in respect of delivered orders		153	103
Taxes and social security		26	28
Current portion of finance leases	*13*	202	166
Current portion of loan to joint ventures and associates	*13*	121	-
Total		**1,180**	**1,152**

** restated*

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables as mentioned above. The Company does not hold any collateral as security.

The decrease in other receivables relates mainly to the decrease of advance payments to suppliers and the payment of a receivable from the disposals of real estate facilities early 2014 by US$ 83 million.

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)

	2014	2013 (*)
Angola	144	55
Brasil	42	87
Equatorial Guinea	39	18
Australia	23	22
Malaysia	16	8
Nigeria	5	14
USA	3	6
Netherlands	1	2
Other	33	52
Total trade debtors	**305**	**264**

** restated*

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

Trade debtors (trade debtors balance)

	2014	2013 (*)
Nominal amount	318	277
Impairment allowance	(13)	(13)
Total trade debtors	**305**	**264**

** restated*

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)

	2014		2013 (*)	
	Nominal	**Impairment**	Nominal	Impairment
Not past due	114	(0)	193	-
Past due 0-30 days	29	-	18	-
Past due 31-120 days	80	(2)	34	(0)
Past due 121- 365 days	73	(2)	24	(10)
More than one year	23	(8)	8	(3)
Total	**318**	**(13)**	**277**	**(13)**

** restated*

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 independent customers for whom there is no recent history of default or the receivable amount can be offset by amounts included in current liabilities.

Note 17. Construction Work-in-progress

	Note	**2014**	2013 (*)
Cost incurred		5,588	5,224
Instalments invoiced		(2,193)	(3,094)
Total work-in-progress		**3,396**	**2,130**
of which debtor WIP (cost incurred exceeding instalments)		3,424	2,221
of which creditor WIP (instalments exceeding cost incurred)	*25*	(29)	(91)

** restated*

The cost incurred includes the amount of recognised 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 25 "Trade and other payables".
The increased work-in-progress reflects the amount of construction activities related to FPSOs Cidade de Marica, Cidade de Saquarema and Turritella, offset by the reduction of FPSO Cidade de Ilhabela completed during the period.

Note 18. 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 the Note 27 "Financial Instruments - Fair values and risk management".

In the ordinary course of business and in accordance with its hedging policies as of December 31st, 2014, 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 summarised as follows:

Derivative financial instruments

	31 December 2014			31 December 2013 (*)		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	2	186	(184)	102	136	(33)
Forward currency contracts cash flow hedge	1	125	(124)	60	88	(28)
Forward currency contracts fair value through profit and loss	23	23	-	1	5	(4)
Forward currency contracts net foreign investment	-	-	-	-	-	-
Commodity contracts cash flow hedge	-	3	(3)	-	-	-
Total	**26**	**337**	**(311)**	**163**	**229**	**(65)**
Non-current portion	1	156	(155)	55	134	(79)
Current portion	25	181	(156)	109	96	13

** restated*

The ineffective portion recognised in the income statement (Note 6 "Net financing costs") arises from cash flow hedges totalling US$ 5 million loss (2013: US$ 4 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 amounts of the outstanding forward currency contracts at 31 December 2014 were US$ 3 billion (2013 restated: US$ 4 billion) of which US$ 2 billion will mature in the next twelve months.

The net notional amounts of the outstanding forward currency contracts at 31 December 2014 were US$ 2 billion (2013 restated: US$ 3 billion) of which US$ 1 billion will mature in the next twelve months.

Interest Rate Swaps

The gross notional amounts of the outstanding interest rate swap contracts at 31 December 2014 were US$ 3 billion (2013 restated: US$ 3 billion) and US$ 7 billion (2013 restated: US$ 5 billion) including forward-start contracts.

The net notional amounts of the outstanding interest rate swap contracts at 31 December 2014 were US$ 2 billion (2013 restated: US$ 2 billion) and US$ 6 billion (2013 restated: US$ 4 billion) including forward-start contracts.

The most important floating rate is the US$ 3-month LIBOR. Details of interest percentages of the long-term debt are included in the Note 22 "Loans and borrowings".

Note 19. Net Cash

Net cash

	Note	31 December 2014	31 December 2013 (*)
Cash and bank balances		469	174
Short-term deposits		5	34
Cash and cash equivalent		**475**	**208**
Bank overdrafts	*27*	(23)	-
Net cash		**452**	**208**

** restated*

The cash and cash equivalents dedicated for debt and interest payment amounts (restricted) to US$ 114 million (2013 restated: US$ 88 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.

Further disclosure about the fair value measurement is included in the Note 27 "Financial Instruments - Fair values and risk management".

Note 20. Assets Held For Sale

The movement of the assets held for sale is summarised as follows:

Assets held for sale

	31 December 2014	31 December 2013 (*)
Book value at 1 January (*)	**177**	**77**
Impairments	(2)	-
Other movements	(162)	100
Book value at 31 December	**13**	**177**

** restated*

As stated under Note 1 "Operating segments", the remaining real estate property owned in Monaco and the DSCV SBM Installer were sold during the period. Their carrying amounts at the date of the sale are reflected within the "other movements".

The assets held for sale as of 31 December 2014 refer to:

- the VLCC Alba non-core vessel
- the FPSO Brasil, reclassified from "property, plant and equipment" over the period, after the end of oil production and the completeness of its demobilisation in November 2014

As requested by IFRS 5 "Assets held for sale", these assets held for sale have been recorded at the lower of their carrying amount and their fair value less costs of disposal, which resulted in recognising a US$ 2 million impairment in the 2014 consolidated income statement.

The fair values have been measured using inputs not based on observable market data, and are therefore included in the Level 3 of the fair value hierarchy defined by IFRS 13 "Fair value measurement".

Note 21. Equity Attributable to Shareholders

For a consolidated overview of changes in equity reference is made to the consolidated statement of changes in equity.

Issued Capital

The authorised 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.

During the financial year the movements in the outstanding number of ordinary shares are as follows:

In number of shares

	2014	2013
Outstanding at 1 January	**208,747,188**	**189,142,215**
Share issue	-	18,914,221
Exercise employee share options	-	-
Share issue re stock dividend	-	-
Share-based payment remuneration	947,906	690,752
Outstanding 31 December	**209,695,094**	**208,747,188**

Of the ordinary shares 84,113 shares were held by managing directors, in office as at 31 December 2014 (31 December 2013: 26,938).

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	Total other reserves
Balance at 31 December 2012	**(263)**	**(10)**	**2**	**(270)**
Cash flow hedges				
Change in fair value	119	-	-	119
Transfer to financial income and expenses	11	-	-	11
Transfer to construction contracts and property, plant and equipment	71	-	-	71
Actuarial gain/(loss) on defined benefit provision				
Change in defined benefit provision due to changes in actuarial assumptions	-	10	-	10
Currency translation differences				
Currency translation differences	-	-	(12)	(12)
Balance at 31 December 2013	**(62)**	**(0)**	**(10)**	**(72)**
Cash flow hedges				
Change in fair value	(237)	-	-	(237)
Transfer to financial income and expenses	16	-	-	16
Transfer to construction contracts and property, plant and equipment	13	-	-	13
Net investment hedge	2	-	-	2
Actuarial gain/(loss) on defined benefit provision				
Change in defined benefit provision due to changes in actuarial assumptions	-	(5)	-	(5)
Currency translation differences				
Currency translation differences	-	-	(4)	(4)
Balance at 31 December 2014	**(268)**	**(5)**	**(14)**	**(287)**

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.

Note 22. Loans and Borrowings

Bank interest-bearing loans and other borrowings

The movement in the bank interest bearing loans and other borrowings is as follows:

	31 December 2014	31 December 2013 (*)
Non-current portion	3,205	2,583
Add: current portion	403	641
Remaining principal at beginning of period	**3,608**	**3,224**
Additions	2,517	1,216
Redemptions	(878)	(831)
Transaction and amortised costs	(19)	(1)
Movements during the period	**1,620**	**385**
Remaining principal	**5,227**	**3,608**
Less: Current portion	(895)	(403)
Non-current portion at end of period	**4,332**	**3,205**
Transaction and amortised costs	64	45
Remaining principal at 31 December (excluding transaction and amortised costs)	**5,291**	**3,654**
Less: Current portion	(907)	(408)
Non-current portion	**4,384**	**3,246**

** restated*

The Company has no ‘off-balance sheet’ financing through special purpose entities. All long-term debt is included in the consolidated statement of financial postion.

Further disclosures about the fair value measurement are included in the Note 27 "Financial Instruments - Fair values and risk management".

The bank interest-bearing loans and other borrowings have the following forecasted repayment schedule, excluding the transaction costs and amortised costs amounting to US$ 64 million (2013 restated: US$ 45 million):

	31 December 2014	31 December 2013 (*)
Within one year	907	408
Between 1 and 2 years	733	877
Between 2 and 5 years	1,325	852
More than 5 years	2,326	1,517
Balance at 31 December	**5,291**	**3,654**

** restated*

The bank interest-bearing loans and other borrowings by entity are as follows:

Loans and borrowings per entity

Entity name	Project name or nature of loan	% Ownership	Interest per annum on the remaining loan balance	Maturity	Net book value at 31 December 2014 Non-current	Current	Total	Net book value at 31 December 2013 (*) Non-current	Current	Total
US$ PROJECT FINANCE FACILITIES DRAWN:										
Aseng Production Company Ltd	FPSO Aseng	60.00	4.02%	15-Dec-15	-	121	121	121	113	234
SBM Espirito Do Mar BV	FPSO Capixaba	100.00	4.50%	15-Mar-16	31	60	90	98	56	154
Brazilian Deepwater Prod. Ltd	FPSO Espirito Santo	51.00	4.91%	30-Jun-16	42	63	105	104	72	176
SBM Deep Panuke SA	MOPU Deep Panuke	100.00	4.09%	31-Dec-21	383	57	440	-	-	-
Tupi Nordeste Sarl	FPSO Cidade de Paraty	50.50	5.21%	15-Jun-23	801	82	883	881	77	958
Guara Norte Sarl	FPSO Cidade de Ilhabela	62.25	5.49%	15-Oct-24	1,103	78	1,181	1,004	-	1,004
SBM Baleia Azul Sarl	FPSO Cidade de Anchieta	100.00	6.17%	15-Sep-27	423	25	448	449	23	472
US$ GUARANTEED PROJECT FINANCE FACILITIES DRAWN:										
Alfa Lula Central Sarl	FPSO Cidade de Marica	56.00	5.02%	15-Dec-30	968	(5)	963	-	-	-
BILATERAL CREDIT FACILITES										
SBM Holding Inc.SA	FPSO Cidade de Saquarema	100.00	Variable	17-Dec-16 (**)	303	(0)	303	-	-	-
REVOLVING CREDIT FACILITY										
SBM Production Inc	Corporate Facility	100.00	Variable	30-Jan-22 (**)	-	-	-	125	-	125
SBM Holding Inc	Corporate Facility	100.00			-	-	-	259	-	259
Single Buoy Moorings Inc	Corporate Facility	100.00			152	(1)	151	-	-	-
OTHER										
Other		100.00			126	417	543	164	62	226
Net book value of loans and borrowings					**4,332**	**895**	**5,227**	**3,205**	**403**	**3,608**

** restated*

*** additional year(s) extension option considered*

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 2014 amounted to US$ 146 million (2013 restated: US$ 125 million) and interest capitalised amounted to US$ 54 million (2013 restated: US$ 44 million). The average cost of debt came to 4.2% in 2014 (2013 restated: 5.3%).

The Company has available short-term credit lines and borrowing facilities resulting from the undrawn part of the Revolving Credit Facility (RCF), bilateral facilities and the undrawn part of project facilities.

The expiry date of the undrawn facilities and unused credit lines are:

	2014	2013 (*)
Floating rate:		
Expiring within one year	77	191
Expiring beyond one year	1,535	965
Total	**1,612**	**1,156**

** restated*

The Revolving Credit Facility (RCF) was renewed on December 16th, 2014 and will mature on January 30th, 2020 with two additional one-year extension options. The new US$ 1 billion facility has been secured with a select group of 13 core relationship banks and replaces the existing facility of US$ 750 million that was due to expire in mid-2015. The RCF can be extended by another US$ 250 million at the option of the Company up to a total amount of US$ 1,250 million, subject to the approval of the existing lenders. The RCF commercial conditions remain 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 1.20% p.a.

Covenants

The following key financial covenants apply to the RCF as agreed with the respective lenders, and, unless stated otherwise, relate to the SBM Offshore N.V. consolidated financial statements:

- **Solvency ratio:** Tangible Net Worth divided by Total Tangible Assets > 25%
- **Leverage Ratio:** Consolidated Net Borrowings divided by adjusted EBITDA < 3.75. At the request of the Company the leverage ratio may be replaced by the Operating Net Leverage ratio which is defined as Consolidated Net Operating Borrowings divided by adjusted

EBITDA < 2.75. This only applies to the period starting from June 30th, 2015 to June 30th, 2016
- **Interest Cover Ratio:** Adjusted EBITDA divided by Net Interest Payable > 5.0

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
- **Total Tangible Assets:** SBM Offshore N.V's 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 SBM Offshore N.V through Other Comprehensive Income
- **Adjusted EBITDA:** Consolidated earnings before interest, tax and depreciation of assets and impairments of SBM Offshore N.V 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 SBM Offshore N.V. 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
- **Consolidated Net Operating Borrowings:** Consolidated Net Borrowings adjusted by deducting the moneys borrowed or any element of indebtedness allocated to any project during its construction on a proportional basis for the Company's share of interest
- **Net Interest Payable:** All interest and other financing charges paid up, payable (other than capitalised interest during a construction period and interest paid or payable between wholly owned members of SBM Offshore N.V.) by SBM Offshore N.V. less all interest and other financing charges received or receivable by SBM Offshore N.V., as per IFRS and on a proportional basis for the Company's share of interests in all lease and operate joint ventures

Covenants

	2014 (**)	2013 (*)
Tangible Net Worth	3,441	2,096
Total Tangible Assets	11,058	6,935
Solvency Ratio	31.1%	30.2%
Consolidated Net Borrowings	3,245	2,707
Adjusted EBITDA (SBM Offshore N.V.)	1,270	1,087
Adjusted EBITDA (SBM Holding Inc. SA)	n.a.	1,083
As a percentage of SBM Offshore N.V. -level	n.a.	99.6%
Leverage Ratio	2.6	2.5
Net Interest Payable	90	86
Interest Cover Ratio	14.1	12.7

** as per definitions of the former RCF*

*** as per definitions of the RCF renewed on December 16th, 2014*

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 2014 and 2013 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 authorised for issue.

Note 23. Deferred Income

The deferred incomes are as follows:

	31 December 2014	31 December 2013 (*)
Deferred income on operating lease contracts	243	242
Other	8	23
Deferred income	**251**	**265**

** restated*

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.

Note 24. Provisions

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

Provisions (summary)

	Note	31 December 2014	31 December 2013 (*)
Demobilisation		110	130
Onerous contract		1	-
Warranty		118	41
Employee benefits	*5*	32	30
Other		9	0
Total		**269**	**200**
of which :			
Non-current portion		130	134
Current portion		139	66

** restated*

The movements in the provisions, other than those on employee benefits described in the Note 5 "Employee benefit expenses" are:

Provisions (movements)

	Demobilisation	Onerous contracts	Warranty	Other
Balance at 1 January 2013 (*)	**91**	**200**	**31**	**20**
Arising during the year	37	-	42	0
Unwinding of interest	1	-	-	-
Utilised	-	(200)	(13)	-
Released to profit	-	-	(19)	-
Other	-	-	-	(20)
Currency differences	-	-	-	0
Balance at 31 December 2013 (*)	**130**	**-**	**41**	**0**
Arising during the year	-	1	87	8
Unwinding of interest	3	-	-	-
Utilised	-	-	(10)	-
Released to profit	(19)	-	-	-
Other	(4)	-	-	-
Currency differences	-	(0)	(0)	-
Balance at 31 December 2014	**110**	**1**	**118**	**9**

** restated*

Demobilisation

The provision for demobilisation relates to the costs for demobilisation of the vessels and floating equipments 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 recognised interest is included in financial expenses (see Note 6 "Net financing costs").

During the period, FPSO Brasil was demobilised and the US$ 19 million demobilisation provision was released consequently. Demobilisation costs incurred during the period were lower than the demobilisation provision released. The US$ 4 million other movements relates mainly to a change in estimate of the demobilisation provision on the vessels and floating equipments.

Expected outflow within one year amounts to US$ 14 million, nil between one and five years and US$ 96 million after five years.

Onerous contracts

Following the settlement reached with Talisman on 11 March 2013, the Company paid the total settlement value of US$ 470 million and used the US$ 200 million provision for onerous contracts accrued for as of December 2012.

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.
In 2014, the Company recorded a one-off additional provision of US$ 40 million to face potential warranty claim from a US-based customer in addition to the normal increase associated with the growing activity, which in total results in an increase of US$ 77 million.

Note 25. Trade and Other Payables

Trade and other payables (summary)

	Notes	**31 December 2014**	31 December 2013 (*)
Accruals on projects		831	550
Trade payables		256	449
Accruals regarding delivered orders		271	151
Other payables		135	96
Instalments exceeding cost incurred	*17*	29	91
Advances received from customers		23	79
Pension taxation		19	19
Taxation and social security costs		17	6
Other non-trade payables		139	54
Total	*27*	**1,721**	**1,496**

** restated*

The increase year on year of accruals on projects shall be analysed together with the reduction of trade payables. As an aggregate, the evolution of these two captions mainly relate to the growth of the activity.
The increased level of accruals on projects is relating to the growing construction activities on FPSOs Turritella, Cidade de Marica and Cidade de Saquarema.
The increased amount of accruals regarding delivered orders is supported by the completion of FPSOs Cidade de Ilhabela and N'Goma in November 2014.

The contractual maturity of the trade payables is as follows:

Trade and other payables (contractual maturity of the trade payables)

	31 December 2014	31 December 2013 (*)
Within 1 month	235	443
Between 1 and 3 months	7	3
Between 3 months and 1 year	14	3
More than one year	0	0
Total Trade payables	**256**	**449**

** restated*

Note 26. 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 FPSO long-term lease and operate contracts.

Bank Guarantees

As of December 31st, 2014, the Company has provided bank guarantees to unrelated third parties for an amount of US$ 422 million (2013 restated: US$ 495 million). No liability is expected to arise.

The Group holds in its favour US$ 192 million of bank guarantees from unrelated third parties. No withdrawal under these guarantees is expected to occur.

Commitments

At year-end, the remaining contractual commitments for acquisition of property, plant and equipment and investment in leases amounted to US$ 191 million (2013 restated: US$ 1,605 million). Investment commitments have decreased principally due to the progress of FPSOs Cidade de Marica and Saquarema, FPSO Cidade de Ilhabela and FPSO Turritella projects.

The obligations in respect of operating lease, rental and leasehold obligations, are as follows:

Commitments

				2014	2013 (*)
	< 1 year	1-5 years	> 5years	Total	Total
Operating lease	24	65	109	198	4
Rental and leasehold	26	100	109	234	249
Total	**50**	**165**	**217**	**432**	**253**

** restated*

The increase in operating lease commitments mainly refers to the operating lease back of the DSCV SBM Installer which will be chartered for a 12 years period (see Note 1 "Operating segment").

Contingent Liability

The Company announced on November 12th, 2014 that it reached an out-of-court settlement with the Dutch Public Prosecutor’s Office (Openbaar Ministerie) over the investigation into potentially improper sales payments. Furthermore, the US Department of Justice informed that it is not prosecuting the Company and has closed its inquiry into the matter. The out-of-court settlement consists of a payment by the Company to the Openbaar Ministerie of US$ 240 million.

In its press release announcing its settlement with SBM Offshore N.V., the Dutch Public Prosecutor’s Office (OM) disclosed that a mutual legal assistance request in the context of the investigation conducted by the Dutch *Fiscale Inlichtingen- en Opsporingsdienst* (FIOD), under instruction of the OM, established that payments were made from the Brasilian sales agent's offshore entities to Brasilian government officials and that these findings resulted from means of investigation inaccessible to the Company. Payment will be made in three instalments, the first of which (US$ 100 million) has been paid. The two further instalments of US$ 70 million each will be due respectively on December 1st, 2015 and December 1st, 2016.

In 2014 several different Brasilian authorities initiated investigations in Brasil, notably the Federal Prosecutor’s Office in

Rio de Janeiro (“MPF”), the Federal Accounts Tribunal (“TCU”) and the Controller General’s Office (“CGU”). Some of these investigations are directed against or involve the Company. At this stage, it is not possible to state anything on the outcome of these investigations, financial or otherwise, but failure to comply with Brasilian anti-corruption laws, if established, could result in the Company having to pay damages, fines or penalties, as well as in disgorgement, or debarment.

The Company is currently in active dialogue with relevant authorities in Brasil with the aim of seeking closure of these issues, especially with the Comptroller General's Office, from which the Company recently received a notice of investigation.

Contingent Asset

The Company keeps on investigating 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 insurance shall be shared 50/50 between the Company and Talisman.

Note 27. 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 31 December 2014

		Carrying amount							Fair value			
		Fair Value through profit or loss	Fair value - hedging instruments	Held-to-maturity	Loans and receivables	IAS 17 Leases	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value												
Interest rate swaps	*18*	-	2	-	-	-	-	2	-	2	-	2
Forward currency contracts	*18*	23	1	-	-	-	-	24	-	24	-	24
Commodity contracts	*18*	-	-	-	-	-	-	-	-	-	-	-
Total		**23**	**3**	**-**	**-**	**-**	**-**	**26**				
Financial assets not measured at fair value												
Corporate debt securities		-	-	29	-	-	-	29	24	5	-	29
Trade and other receivables	*16*	-	-	-	857	-	-	857	-	-	-	-
Income tax receivable		-	-	-	4	-	-	4	-	-	-	-
Cash and cash equivalents	*19*	-	-	-	475	-	-	475	-	-	-	-
Finance leases receivables	*13/16*	-	-	-	-	3,379	-	3,379	-	-	3,645	3,645
Loans to joint ventures and associates	*13/16*	-	-	-	441	-	-	441	-	-	449	449
Total		**-**	**-**	**29**	**1,777**	**3,379**	**-**	**5,185**				
Financial liabilities measured at fair value												
Interest rate swaps	*18*	-	186	-	-	-	-	186	-	186	-	186
Forward currency contracts	*18*	23	125	-	-	-	-	148	-	148	-	148
Commodity contracts	*18*	-	3	-	-	-	-	3	-	3	-	3
Total		**23**	**314**	**-**	**-**	**-**	**-**	**337**				
Financial liabilities not measured at fair value												
US$ project finance facilities drawn	*22*	-	-	-	-	-	3,268	3,268	-	3,257	-	3,257
US$ guaranteed project finance facilities drawn	*22*	-	-	-	-	-	963	963	-	963	-	963
Revolving credit facility / Bilateral credit facilities	*22*	-	-	-	-	-	454	454	-	454	-	454
Bank overdrafts	*19*	-	-	-	-	-	23	23	-	-	-	-
Other debt	*22*	-	-	-	-	-	543	543	-	-	553	553
Trade and other payables / Other non-current liabilities	*25*	-	-	-	-	-	1,791	1,791	-	-	-	-
Income tax payable		-	-	-	-	-	60	60	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**7,102**	**7,102**				

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 31st, 2014 and December 31st, 2013. Financial Derivatives amounting to a fair value of US$ 28 million (2013 restated: US$ 16 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$ 0.1 million (2013 restated: nil)

Accounting classification and fair values as at 31 December 2013 (*)

		Carrying amount							Fair value			
		Fair Value through profit or loss	Fair value - hedging instruments	Held-to-maturity	Loans and receivables	IAS 17 Leases	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value												
Interest rate swaps	*18*	-	102	-	-	-	-	102	-	102	-	102
Forward currency contracts	*18*	1	60	-	-	-	-	61	-	61	-	61
Commodity contracts	*18*	-	-	-	-	-	-	-	-	-	-	-
Total		**1**	**162**	**-**	**-**	**-**	**-**	**163**				
Financial assets not measured at fair value												
Corporate debt securities		-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	*16*	-	-	-	983	-	-	983	-	-	-	-
Income tax receivable		-	-	-	10	-	-	10	-	-	-	-
Cash and cash equivalents	*19*	-	-	-	208	-	-	208	-	-	-	-
Finance leases receivables	*13/16*	-	-	-	-	1,983	-	1,983	-	-	2,126	2,126
Loans to joint ventures and associates	*13/16*	-	-	-	576	-	-	576	-	-	595	595
Total		**-**	**-**	**-**	**1,777**	**1,983**	**-**	**3,760**				
Financial liabilities measured at fair value												
Interest rate swaps	*18*	-	136	-	-	-	-	136	-	136	-	136
Forward currency contracts	*18*	5	88	-	-	-	-	93	-	93	-	93
Commodity contracts	*18*	-	-	-	-	-	-	-	-	-	-	-
Total		**5**	**224**	**-**	**-**	**-**	**-**	**229**				
Financial liabilities not measured at fair value												
US$ project finance facilities drawn	*22*	-	-	-	-	-	1,994	1,994	-	1,997	-	1,997
US$ guaranteed project finance facilities drawn	*22*	-	-	-	-	-	1,004	1,004	-	1,004	-	1,004
Revolving credit facility / Bilateral credit facilities	*22*	-	-	-	-	-	384	384	-	384	-	384
Bank overdrafts	*19*	-	-	-	-	-	-	-	-	-	-	-
Other debt	*22*	-	-	-	-	-	226	226	-	-	240	240
Trade and other payables / Other non-current liabilities	*25*	-	-	-	-	-	1,496	1,496	-	-	-	-
Income tax payable		-	-	-	-	-	53	53	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**5,157**	**5,157**				

** restated*

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 (2014 : 3% - 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 (2014 : 4% - 8%)	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 (2014 : 6% - 8%)	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 2014					
Interest rate swaps	(184)	(52)	(181)	(59)	(292)
Forward currency contracts	(124)	(85)	(31)	-	(116)
Commodity contracts	(3)	(3)	-	-	(3)
31 December 2013 (*)					
Interest rate swaps	(34)	(68)	(94)	155	(8)
Forward currency contracts	(27)	(11)	(17)	-	(28)
Commodity contracts	-	-	-	-	-

** restated*

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 2014					
Interest rate swaps	(184)	(52)	(181)	(59)	(292)
Forward currency contracts	(124)	(85)	(31)	-	(116)
Commodity contracts	(3)	(3)	-	-	(3)
31 December 2013 (*)					
Interest rate swaps	(34)	(68)	(94)	155	(8)
Forward currency contracts	(27)	(11)	(17)	-	(28)
Commodity contracts	-	-	-	-	-

** restated*

Interest rate swaps

Gains and losses recognised 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 Note 21 "Equity attributable to shareholders").

Forward currency contracts

Gains and losses recognised in the hedging reserve on forward currency contracts are recognised 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 recognised 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 recognised 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 programme focuses on the unpredictability of financial markets and seeks to minimise 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 optimising 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 Brasilian 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)

In million local currency

	31 December 2014			31 December 2013 (*)		
	EUR	**SGD**	**BRL**	EUR	SGD	BRL
Fixed assets	59	-	36	58	-	35
Current assets	111	1	90	124	6	153
Long term liabilities	(15)	-	-	(15)	-	-
Current liabilities	(171)	(7)	8	(163)	(12)	(273)
Gross balance sheet exposure	**(16)**	**(7)**	**134**	**4**	**(6)**	**(85)**
Estimated forecast sales	-	-	-	-	-	-
Estimated forecast purchases	(708)	(293)	(688)	(1,028)	(541)	(1,185)
Gross exposure	**(724)**	**(300)**	**(554)**	**(1,024)**	**(547)**	**(1,270)**
Forward exchange contracts	819	299	473	1,053	547	1,240
Net exposure	**95**	**(1)**	**(81)**	**28**	**-**	**(30)**

** restated*

In 2014, the increase of the gross balance sheet exposure in BRL resulted from the increased activities in Brasil.

Estimated forecast purchases have significantly decreased in 2014 following the delivery of FPSO Cidade de Ilhabela and the construction progress on three FPSO projects (Turritella, Cidade de Marica and 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)

	2014	2013 (*)	2014	2013 (*)
	Average rate		Closing rate	
EUR 1	1.3285	1.3286	1.2141	1.3747
SGD 1	0.7895	0.7992	0.7561	0.7915
BRL 1	0.4262	0.4650	0.3770	0.4233

** restated*

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 31 December 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 for 2013.

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2014				
EUR	-	-	(97)	97
SGD	-	-	(22)	22
BRL	-	-	(23)	23
31 December 2013 (*)				
EUR	8	(8)	(154)	154
SGD	-	-	(43)	43
BRL	-	-	(49)	49

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)

	2014	2013 (*)
Fixed rate instruments		
Financial assets	3,482	2,112
Financial liabilities	(1,018)	(591)
Total	**2,464**	**1,521**
Variable rate instruments		
Financial assets	337	450
Financial liabilities	(4,274)	(3,063)
Financial liabilities (future)	(2,010)	(3,026)
Total	**(5,947)**	**(5,639)**

** restated*

Interest rate risk (exposure)

	2014	2013 (*)
Variable rate instruments	(5,947)	(5,639)
Less: IRS contracts	5,404	4,419
Exposure	**(543)**	**(1,220)**

** restated*

At 31 December 2014, 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$ 3 million (2013 restated: increase of US$ 7 million) mainly related to un-hedged financial assets. 92.5% (2013 restated: 95.6%) of the floating operating debt is hedged by floating-to-fix 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 2013.

Interest rate risk (sensitivity)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2014				
Variable rate instruments	2	-	-	-
Interest rate swap	1	(1)	255	(279)
Sensitivity (net)	**3**	**(1)**	**255**	**(279)**
31 December 2013 (*)				
Variable rate instruments	4	(1)	-	-
Interest rate swap	3	(3)	98	(123)
Sensitivity (net)	**7**	**(4)**	**98**	**(123)**

** restated*

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

Rating	2014 Assets	2014 Liabilities	2013 Assets	2013 Liabilities
AAA	-	-	-	-
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	8	26	35
A+	10	121	47	115
A	12	162	89	66
A-	3	37	-	10
BBB+	2	4	1	1
BBB	-	-	-	3
BBB-	-	1	-	-
Non-investment grade	-	4	-	-
Derivative financial instruments	**26**	**337**	**163**	**229**
AAA	-	-	-	-
AA+	-	-	-	-
AA	-	-	-	-
AA-	6	-	38	-
A+	50	-	52	-
A	135	-	86	-
A-	238	23	2	-
BBB+	34	-	17	-
BBB	-	-	12	-
BBB-	10	-	-	-
Non-investment grade	2	-	1	-
Cash and cash equivalents and bank overdrafts	**475**	**23**	**208**	**-**

** restated*

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 Brasil, Angola and Nigeria.

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 Note 16 "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.

Regarding other financial assets, the maximum exposure to credit risk is the carrying amount of these instruments. As the counterparties of these instruments are Joint-Ventures, SBM has visibility over the expected cash flows and can monitor and manage credit risk that mainly arises from 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

	Notes	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2014				
Borrowings		1,016	2,439	2,574
Derivative financial liabilities		182	393	284
Derivative financial assets		(23)	41	33
Trade and other payables	25	1,721	0	-
Income tax payable		60	-	-
Bank overdraft	19	23	-	-
Total		**2,979**	**2,873**	**2,891**

Liquidity risk

	Notes	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2013 (*)				
Borrowings		482	2,022	1,680
Derivative financial liabilities		126	177	40
Derivative financial assets		(33)	137	131
Trade and other payables	25	1,496	0	-
Income tax payable		53	-	-
Bank overdraft	19	-	-	-
Total		**2,124**	**2,336**	**1,851**

** restated*

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 from 2013, 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 31 December 2014 and 2013 were as follows:

Capital risk management

	2014	2013 (*)
Total borrowings	5,228	3,608
Less: net cash and cash equivalents	(452)	(208)
Net debt	**4,775**	**3,400**
Total equity	3,149	2,887
Total capital	**7,924**	**6,286**
Gearing ratio	60.3%	54.1%

** restated*

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.

Note 28. 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 Rotterdam.

Note 29. Interest in Joint Ventures and Associates

The Company has several joint ventures and associates:

	Joint venture / Associate	% of ownership	Country resgistration	Project name
Sonasing Xikomba Ltd	Joint venture	50.00	Bermuda	FPSO N'Goma
OPS-Serviçõs de Produção de Petroleos Ltd.	Joint venture	50.00	Bermuda	Angola operations
OPS-Serviçõs de Petroleos Ltd Branch	Joint venture	50.00	Angola	Angola operations
OPS Production Ltd	Joint venture	50.00	Bermuda	Angola operations
Malaysia Deepwater Floating Terminal Ltd	Joint venture	49.00	Malaysia	FPSO Kikeh
Malaysia Deepwater Production Contract SDN BHD	Joint venture	49.00	Malaysia	FPSO Kikeh
Anchor Storage Ltd	Joint venture	49.00	Bermuda	Nkossa II FSO
Gas Management (Congo) Ltd	Joint venture	49.00	Bahamas	Nkossa II FSO
Solgaz SA	Joint venture	49.00	France	Nkossa II FSO
Sonasing Sanha Ltd	Joint venture	50.00	Bermuda	FPSO Sanha
Sonasing Kuito Ltd	Joint venture	50.00	Bermuda	FPSO Kuito
Sonasing Saxi-Batuque Ltd	Joint venture	50.00	Bermuda	FPSO Saxi-Batuque
Sonasing Mondo Ltd	Joint venture	50.00	Bermuda	FPSO Mondo
SNV Offshore Ltd	Joint venture	50.00	Bermuda	Brasilian yard
Estaleiro Brasa Ltda	Joint venture	50.00	Brazil	Brasilian yard
Brasil Superlift Serviçõs Icamento Ltda	Joint venture	50.00	Brazil	Brasilian yard
Normand Installer SA	Joint venture	49.90	Switzerland	Normand Installer
OS Installer AS	Associate	25.00	Norway	SBM Installer
SBM Ship Yard Ltd	Associate	33.33	Bermuda	Angolan yard
PAENAL - Porto Amboim Estaleiros Navais	Associate	30.00	Angola	Angolan yard

It is reminded that the Company has no joint operation as per definition provided by IFRS 11 "Joint arrangements".

Information on significant joint arrangements and associates - 2014

Entity name	Project name	Place of the business	Dividends received	Revenue 100%	Total assets 100%	Loans 100%	Non-current assets 100%	Current assets 100%	Non- current liabilities 100%	Current liabilites 100%
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	-	348	1,210	679	1,135	75	761	205
OPS-Serviçōs de Produção de Petroleos Ltd.	Angola operations	Angola	-	2	70	-	-	70	0	13
OPS-Serviçōs de Petroleos Ltd Branch			-	95	69	-	6	63	0	58
OPS Production Ltd			-	126	109	-	0	109	-	103
Malaysia Deepwater Floating Terminal Ltd	FPSO Kikeh	Malaysia	-	463	598	163	465	132	180	46
Malaysia Deepwater Production Contract SDN BHD			0	70	45	-	-	45	0	39
SNV Offshore Ltd	Brasilian yard	Brasil	-	35	8	-	4	4	-	5
Estaleiro Brasa Ltda			-	341	58	-	48	10	-	35
Brasil Superlift Serviçōs Icamento Ltda			-	4	13	-	11	2	20	1
SBM Ship Yard Ltd	Angolan yard	Angola	-	-	293	380	233	60	380	0
PAENAL - Porto Amboim Estaleiros Navais			-	264	284	-	60	223	-	211
Non material joint ventures / associates			7	43	379	322	273	107	328	58
Total at 100%			**8**	**1,787**	**3,137**	**1,544**	**2,235**	**903**	**1,668**	**772**

Information on significant joint arrangements and associates - 2013 (*)

Entity name	Project name	Place of the business	Dividends received	Revenue 100%	Total assets 100%	Loans 100%	Non-current assets 100%	Current assets 100%	Non- current liabilities 100%	Current liabilites 100%
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	-	583	855	525	0	855	569	63
OPS-Serviçōs de Produção de Petroleos Ltd.	Angola operations	Angola	10	22	78	-	10	68	0	46
OPS-Serviçōs de Petroleos Ltd Branch			-	51	48	-	8	41	0	32
OPS Production Ltd			-	181	101	-	-	101	-	62
Malaysia Deepwater Floating Terminal Ltd	FPSO Kikeh	Malaysia	7	302	474	224	227	248	171	106
Malaysia Deepwater Production Contract SDN BHD			-	84	40	-	-	40	-	34
SNV Offshore Ltd	Brasilian yard	Brasil	-	-	6	-	4	1	-	8
Estaleiro Brasa Ltda			-	195	94	-	43	51	-	76
Brasil Superlift Serviçōs Icamento Ltda			-	4	21	-	17	3	19	2
SBM Ship Yard Ltd	Angolan yard	Angola	-	-	65	378	27	38	378	6
PAENAL - Porto Amboim Estaleiros Navais			-	4	235	-	41	194	-	166
Non material joint ventures / associates			24	79	372	251	180	192	302	102
Total at 100%			**41**	**1,505**	**2,389**	**1,377**	**558**	**1,832**	**1,438**	**701**

** restated for comparison purposes*

Aggregated information on joint ventures and associates

	2014	2013 (*)
Net result	254	327

** restated*

Note 30. Information on Non-controlling Interests

The Company has several jointly owned subsidiaries :

Interest in subsidiaries with non-controlling interests (NCI)

	% of ownership	Country registration	Project name
Aseng Production Company Ltd.	60.00	Cayman island	FPSO Aseng
Gepsing Ltd.	60.00	Cayman island	FPSO Aseng
Gepsing Ltd- Equatorial Guinea Branch	60.00	Equatorial Guinea	FPSO Aseng
Brazilian Deepwater Floating Terminals Ltd	51.00	Bermuda	FPSO Espirito Santo
Brazilian Deepwater Production Ltd	51.00	Bermuda	FPSO Espirito Santo
Brazilian Deepwater Production Contractors Ltd	51.00	Bermuda	FPSO Espirito Santo
Operações Marítimos em Mar Profundo Brasileiro Ltd	51.00	Brasil	FPSO Espirito Santo
Alfa Lula Alto Sarl	56.00	Luxembourg	FPSO Cidade de Marica
Alfa Lula Holding Ltd	56.00	Bermuda	FPSO Cidade de Marica
Alfa Lula Central Operações Maritimas LTDA	56.00	Brasil	FPSO Cidade de Marica
Beta Lula Central Sarl	56.00	Luxembourg	FPSO Cidade de Saquarema
Beta Lula Central Holding Ltd	56.00	Bermuda	FPSO Cidade de Saquarema
Beta Lula Central Operações Maritimas LTDA	56.00	Brasil	FPSO Cidade de Saquarema
Tupi Nordeste Sarl	50.50	Luxembourg	FPSO Cidade de Paraty
Tupi Operações Maritimas Ltda	50.50	Brasil	FPSO Cidade de Paraty
Tupi Nordeste Holding Ltd	50.50	Bermuda	FPSO Cidade de Paraty
Guara Norte SARL	62.25	Luxembourg	FPSO Cidade de Ilhabela
Guara Norte Holding Ltd	62.25	Bermuda	FPSO Cidade de Ilhabela
Guara Norte Operações Maritimas Ltda	62.25	Brasil	FPSO Cidade de Ilhabela
SBM Capixaba Operações Maritimas Ltda	80.00	Brasil	FPSO Capixaba
SBM Espirito Do Mar Inc	80.00	Switzerland	FPSO Capixaba
FPSO Capixaba Venture SA	80.00	Switzerland	FPSO Capixaba
FPSO Brasil Venture SA	51.00	Switzerland	FPSO Brasil
SBM Operações Ltda.	51.00	Brasil	FPSO Brasil
SBM Systems Inc	51.00	Switzerland	FPSO Brasil
South East Shipping Co Ltd	75.00	Bermuda	Yetagun

In 2014, the Company owns 56% of the shares of the jointly owned entities relating to FPSO Cidade de Marica and FPSO Cidade de Saquarema. Upon first oil of these two FPSO, the partner Queiroz Galvao Oleo e Gas SA has the possibility to exercise a call option on a further 5% equity participation share on these two projects.

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:

Information on non-controlling interests - 2014

Entity name	Project name	Place of business	Dividends to NCI	Revenue 100%	Total assets 100%	Loans 100%	Non-current assets 100%	Current assets 100%	Non-current liabilities 100%	Current liabilities 100%
Aseng Production Company Ltd	FPSO Aseng	Equatorial	-	47	605	282	399	206	263	207
Gepsing Ltd		Guinea	-	5	24	-	-	24	-	6
Gepsing Ltd- Equatorial Guinea Branch			-	51	18	-	-	18	0	25
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito	Brasil	-	-	0	-	-	0	-	0
Brazilian Deepwater Production Ltd	Santo		-	114	512	105	410	101	297	116
Brazilian Deepwater Production Contractors Ltd			-	0	7	4	0	7	9	12
Operações Marítimos em Mar Profundo Brasileiro Ltd			-	15	6	-	0	6	5	8
Alfa Lula Alto Sarl	FPSO Cidade	Brasil	-	1,017	1,243	963	-	1,243	1,017	147
Alfa Lula Holding Ltd	de Marica		-	-	0	-	0	0	-	0
Alfa Lula Central Operações Maritimas LTDA			-	-	0	-	-	0	-	0
Beta Lula Central Sarl	FPSO Cidade	Brasil	-	1,006	1,071	293	-	1,071	373	294
Beta Lula Central Holding Ltd	de Saquarema		-	-	0	-	0	0	-	0
Beta Lula Central Operações Maritimas LTDA			-	-	0	-	-	0	-	0
Tupi Nordeste Sarl	FPSO Cidade	Brasil	-	127	1,315	883	1,241	74	838	106
Tupi Operações Maritimas Ltda	de Paraty		-	21	9	-	1	8	1	21
Tupi Nordeste Holding Ltd			-	28	13	-	0	13	-	11
Guara Norte SARL	FPSO Cidade	Brasil	-	350	1,819	1,196	1,537	282	1,128	175
Guara Norte Holding Ltd	de Ilhabela		-	3	4	-	0	3	-	3
Guara Norte Operações Maritimas Ltda			-	2	5	-	-	5	-	4
SBM Capixaba Operações Maritimas Ltda	FPSO Capixaba	Brasil	-	15	4	-	-	4	6	11
SBM Espirito Do Mar Inc			-	74	323	5	284	39	120	4
FPSO Capixaba Venture SA			-	15	1	1	1	1	17	37
Non material NCI			2	73	125	0	6	119	4	55
Total			**2**	**2,963**	**7,103**	**3,732**	**3,880**	**3,224**	**4,078**	**1,241**

Information on non-Controlling Interests (NCI) - 2013 (*)

Entity name	Project name	Place of business	Dividends to NCI	Revenue 100%	Total assets 100%	Loans 100%	Non-current assets 100%	Current assets 100%	Non-current liabilities 100%	Current liabilities 100%
Aseng Production Company Ltd	FPSO Aseng	Equatorial	-	51	743	430	541	201	432	187
Gepsing Ltd		Guinea	-	15	23	-	-	23	-	4
Gepsing Ltd- Equatorial Guinea Branch			-	29	9	-	-	9	0	21
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito	Brasil	-	-	0	-	-	0	-	0
Brazilian Deepwater Production Ltd	Santo		7	145	515	177	401	114	356	135
Brazilian Deepwater Production Contractors Ltd			-	0	15	-	5	10	6	12
Operações Marítimos em Mar Profundo Brasileiro Ltd			-	19	10	-	0	10	1	7
Alfa Lula Alto Sarl	FPSO Cidade	Brasil	-	340	595	-	-	595	4	148
Alfa Lula Holding Ltd	de Marica		-	-	0	-	-	0	-	0
Alfa Lula Central Operações Maritimas LTDA			-	-	-	-	-	-	-	-
Beta Lula Central Sarl	FPSO Cidade	Brasil	-	345	441	-	-	441	4	0
Beta Lula Central Holding Ltd	de Saquarema		-	-	0	-	-	0	-	0
Beta Lula Central Operações Maritimas LTDA			-	-	-	-	-	-	-	-
Tupi Nordeste Sarl	FPSO Cidade	Brasil	-	249	1,342	958	1,276	66	927	114
Tupi Operações Maritimas Ltda	de Paraty		-	11	6	-	0	6	1	11
Tupi Nordeste Holding Ltd			-	15	10	-	0	10	-	5
Guara Norte SARL	FPSO Cidade	Brasil	-	756	1,502	1,004	1	1,501	1,005	12
Guara Norte Holding Ltd	de Ilhabela		-	-	0	-	0	-	-	0
Guara Norte Operações Maritimas Ltda			-	-	1	-	-	1	-	0
SBM Capixaba Operações Maritimas Ltda	FPSO Capixaba	Brasil	-	17	9	-	1	8	3	13
SBM Espirito Do Mar Inc			7	76	292	4	252	40	163	6
FPSO Capixaba Venture SA			-	14	2	1	0	2	4	17
Non material NCI			28	94	114	-	26	88	6	52
Total			**42**	**2,175**	**5,629**	**2,574**	**2,504**	**3,125**	**2,912**	**744**

** restated*

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)

	2014	2013 (*)
Net result	76	61
Accumulated amount of NCI	730	848

** restated*

Note 31. Related Party Transactions

During 2014, 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 "Employee benefit expenses".

The Company has transactions with joint-ventures and associates which are recognized as follows in the Group's consolidated financial statements:

Related party transactions

	Notes	2014	2013 (*)
Revenue		350	479
Cost of sales		426	261
Loans to joint-ventures and associates	13	441	576
Trade receivables		305	138
Trade payables		77	63

** restated*

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 and are made on terms equivalent to those that prevail in arm's length transactions.
Additional information regarding the joint ventures and associates is available in Note 29 "Interest in joint ventures and associates".

Note 32. Auditor's Fees and Services

Fees included in Other operating costs related to PwC, the 2014 Company's external auditor and KPMG, the 2013 Company's external auditor, are summarised as follows:

Figures are expressed in thousands of US$

	2014	2013 (*)
Audit fees	1,878	1,544
Audit related fees	-	421
Tax fees	64	151
Other (**)	927	17
Total	**2,869**	**2,134**

** restated*

The other fees paid in 2014 relate to forensic activities, initiated in 2012, and which were completed during the period.

Note 33. Events after the Balance Sheet Date

There are no reportable events after the balance sheet date.

6.3 Statutory Financial Statements

6.3.1 Statutory Balance Sheet

Company balance sheet

At 31 December (before appropriation of profit)	Notes	2014	2013 (*)
ASSETS			
Property, plant and equipment		-	-
Investment in Group companies	1	2,129	1,831
Other financial assets		4	4
Total financial fixed assets		**2,133**	**1,835**
Deferred tax asset		2	-
Total non-current assets		**2,136**	**1,835**
Other receivables	2	459	198
Income tax receivable		4	12
Cash and cash equivalents	3	-	7
Total current assets		**463**	**218**
TOTAL ASSETS		**2,599**	**2,053**
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		64	72
Share premium reserve		1,160	1,145
Legal reserves		387	401
Other reserves		-	-
Retained earnings		808	421
Shareholders' equity	4	**2,419**	**2,039**
Provisions		0	-
Other non-current liabilities	5	70	-
Total non-current liabilities		**70**	**-**
Other current liabilities	5	110	14
Total current liabilities		**110**	**14**
TOTAL EQUITY AND LIABILITIES		**2,599**	**2,053**

** restated*

6.3.2 Statutory Income Statement

Company income statement

For the years ended 31 December in thousands of US Dollars	2014	2013
Company result	(269)	(3)
Result of Group companies	844	114
Profit/(Loss)	**575**	**111**

6.3.3 Notes to the Statutory Financial Statements

General

The separate financial statements are part of the 2013 financial statements of SBM Offshore N.V. With reference to the separate income statement of SBM Offshore N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

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. These 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 ('Accounting Principles') for a description of these principles.

Participating interests, over which significant influence 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 unrealised.

1. Investment in Group Companies

The movements in the item Investment in Group companies are as follows:

Investment in Group companies

	2014	2013 (*)
Balance at 1 January	1,856	1,057
Impact of IFRS 10/11 on opening equity	(25)	-
Balance at 1 January restated	**1,831**	**1,057**
Reclassification to other receivables	(54)	(45)
Investments net value	**1,777**	**1,011**
Result of Group companies	845	114
Investment and other changes (o.a. IAS 39)	(161)	699
Divestments and capital repayments	(379)	-
Dividends received	-	(21)
Currency differences	1	(1)
Movements	**305**	**791**
Balance at 31 December	2,129	1,856
Impact of IFRS 10/11	-	(25)
Reclassification to other receivables	(47)	(54)
Investments at net asset value	**2,082**	**1,777**

** restated*

The reclassification to other receivables relates to the negative equity value of van der Giessen-de Noord N.V. and XNK.

The investments and other changes relate to investments in subsidiaries and other direct equity movements.

The subsidiaries of the company are the following (all of which are 100% owned):

- 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 IJessel, the Netherlands
- XNK Industries B.V., Dongen, the Netherlands
- SBM Holland B.V., Rotterdam, the Netherlands
- Capixaba Holding B.V., 's Gravenhage, the Netherlands

2. Other Receivables

Other receivables

	2014	2013
Amounts owed by Group companies	458	197
Other debtors	1	1
Total	**459**	**198**

Receivables fall due in less than one year. The fair value of the receivables approximates the book value, due to their short-term character.

3. Cash and Cash Equivalents

Cash and cash equivalents are at the Company's free disposal.

4. Shareholders' Equity

For an explanation of the shareholders equity, reference is made to the consolidated statement of changes in equity and Note 21 "Equity attributable to shareholders" .

The legal reserve consists of:

Legal reserve

	2014	2013
Joint venture equity non-distributable	664	471
Capitalised development expenditure	5	1
Translation reserve	(14)	(10)
Cash flow hedges	(268)	(62)
Total	**387**	**401**

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.

5. Other Current and Non Current Liabilities

Current and non current liabilities

	2014	2013
Non-current portion of other creditors	70	-
Total non current liabilities	**70**	**-**
Amounts owed to Group companies	31	6
Taxation and social security costs	6	4
Other creditors	73	3
Total current liabilities	**110**	**14**

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 current and non current portion of "other creditors" mainly refer to two US$ 70 million remaining instalments due,

following the settlement with the Dutch Public Prosecutor's Office over the investigation into potentially improper sales payments (see Note 1 "Operating segments" of the consolidated financial statements within section 6.2.8.)

6. 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 F(P)SO 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 in which almost all Dutch Group companies are included. This means that these companies are jointly and severally liable in respect of the fiscal unity as a whole.

7. Directors' Remuneration

For further details on the Directors' remuneration, reference is made to Note 5 of the consolidated financial statements.

8. Number of Employees

The Company has 6 employees, excluding members of the Management Board.

9. 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 the Note 32 "Audit fees" of the consolidation financial statements.

Schiedam, 11 February 2015

Management Board:

B.Y.R. Chabas, Chief Executive Officer

P.M. van Rossum, Chief Financial Officer

S. Hepkema, Chief Governance Compliance Officer

Supervisory Board:

H.C. Rothermund, Chairman

F.J.G.M. Cremers, Vice-Chairman

F.G.H. Deckers

T.M.E. Ehret

F.R. Gugen

K.A. Rethy

L.A. Armstrong

6.4 Other Information

6.4.1 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 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.

3. 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 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 basis points.

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 of shareholders.

6. The general meeting of shareholders may only resolve to distribute any reserves upon the proposal of the management board, subject to the approval of the supervisory board.

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

	2014
Profit /Loss attributable to shareholders	575
In accordance with Article 29 clause 4 to be transferred to retained earnings	575
At the disposal of the General Meeting of Shareholders	**-**

The decision has been made not to distribute any dividends to shareholders in respect to the year ended 31 December 2014.

6.4.2 Events after balance sheet date

There are no reportable events after the balance sheet date.

6.4.3 Independent auditor's report

To: the Annual General Meeting of Shareholders of SBM Offshore N.V.

Independent auditor's report

To: the annual general meeting and Supervisory Board of SBM Offshore N.V.

Report on the financial statements 2014

Our opinion

In our opinion

- The consolidated financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2014 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 company financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2014 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 financial statements 2014 of SBM Offshore N.V., Rotterdam ('the Company'). The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the following statements for 2014: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2014;
- the company profit and loss account for the year then ended; and
- the notes, 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.

PricewaterhouseCoopers Accountants N.V., Prinses Margrietplantsoen 46, 2595 BR The Hague, P.O. Box 30715, 2500 GS The Hague, The Netherlands
T: +31 (0) 88 792 00 70, F: +31 (0) 88 792 95 20, www.pwc.nl

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 "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of SBM Offshore N.V. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. Since this is our first year's audit, we particularly considered the control environment, the IT environment, internal controls designed and operating surrounding the key processes such as revenue recognition and the procurement cycle. 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 management that may represent a risk of material misstatement due to fraud.

Materiality

- The overall materiality on which we have planned our work amounts to USD 30 million which represents 5% of profit before tax for the year.

Audit scope

- We conducted our audit at the corporate headquarters and all of the Execution Centres in Monaco, Schiedam, Houston and Kuala Lumpur. In addition, we performed work at the treasury operations in Marly.
- We conducted site visits to the Brasa Yard (a joint venture) and the SBM Rio de Janeiro office in Brazil and the treasury operations in Marly.

Key audit matters

We identified the following key audit matters:

- Revenue recognition on construction contracts involves significant judgment.
- Contingent liability as a result of multiple investigations in 2014 by Brazilian authorities. The settlement resulting from the investigation by the Dutch OM in alleged improper sales practices.
- Changes in accounting policies (IFRS 10 and 11), which requires

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significant judgment, and resulted in an opening balance sheet restatement.

- The valuation of assets and (reversal of) impairments requiring significant management judgment.
- Segment reporting (IFRS 8) reflecting the Company's previously separated directional reporting.
- The deterioration of market conditions, lack of new projects from Brazil, and the Company's restructuring actions.

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. 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.

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 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 30 million
How we determined it	5% percentage of profit before tax
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the general information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Company. We also took into account other qualitative factors such as the headroom on covenants and the level of debt of the Company

We have informed the Management Board that we would report to them misstatements above USD 1.5 million identified during our audit.

The scope of our group audit

SBM Offshore N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of SBM Offshore N.V.

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

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industry in which the group operates. On this basis, we selected the Execution Centres in Monaco, Schiedam, Houston and Kuala Lumpur where we conducted a full scope audit of financial information. We selected the treasury operations in Marly as well as SBM Rio de Janeiro to conduct specified procedures of specific balances or income statement items were considered necessary.

In our audit of the Execution Centres we paid particular attention to project control and accounting for construction contracts. The group engagement team at the head office audited the group consolidation, financial statement disclosures and a number of complex items such as the valuation of assets, asset sales, share based payments, the impact of changes in accounting policies such as IFRS 10, 11 and 12, fraud and litigation matters and other significant estimates such as the demobilisation provision and residual values for the Floating Production Storage and Offloading systems (FPSOs). In addition we have assessed the IT general controls centrally.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those functions to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. The group engagement team visits the component teams on a rotational basis.

By performing the procedures above 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 judgment, 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.

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Key audit matters	*How our audit addressed the matter*
Revenue recognition on construction contracts involves significant judgment The engineering and construction of FPSOs is complex resulting in various business and financial reporting risks. Revenue arising from construction contracts in its Turnkey segment, represents 82% of the Group's total revenue. Significant management judgement is involved in estimating the cost to complete including the assessment of the remaining contingencies that a project is or could be facing until delivery. Reference is made to note F 'Critical accounting policies, (e) Revenue: Construction contracts'.	Our audit procedures included an evaluation of the significant judgments made by management, whereby we examined project documentation and discussed the status of projects under construction with management, finance and technical staff of the Company. We have tested the controls the Company designed and implemented over its process to record contract costs and contract revenues and the calculation of the stage of completion. We also performed test of details e.g. vouching to invoices and hours incurred to assess the status of the project. We visited the Brasa Yard where the topsides of two significant projects (Cidade the Maricá and Cidade the Saquarema) are under construction. In addition, we discussed the status of legal proceedings in respect of construction contracts, examined various claims between the Company, subcontractors and clients and responses thereto, and obtained lawyers' letters.
Contingent liability as a result of multiple investigations in 2014 by Brazilian authorities. The settlement resulting from the investigation by the Dutch OM in alleged improper sales practices The Investigation by the Dutch Ministry of Justice (OM) into alleged improper sales practices in several countries as reported in prior years has come to a conclusion. A settlement was reached and made public in November 2014. The settlement resulted in a cost to the Company of USD 240 million of which USD 100 million was paid during the year and the remainder accrued. Reference is made to note 26 of the financial statements. During 2014 the Company became subject to several investigations by a number of Brazilian Authorities. The company is in discussions with the main authority and reviewing the situation. Given the magnitude and inherent management's judgment, we consider this a significant risk in our audit.	We have assessed the findings from the investigation conducted and the settlement agreement with the OM and discussed the status of the Brazilian investigations with the Management Board and lawyers working on the investigations. We have performed an assessment of the remediation measures taken by the Company, verification of agents' fees paid during the year and obtaining lawyers' letters with respect to their activities. We have examined various in- and external documents. In addition, we assessed the accounting for the settlement agreement with the Dutch OM, the Company's assessment that it is too early to assess the accounting consequences of the Brazilian investigations and the adequacy of the related contingent liability disclosure in Note 26 on these Brazilian investigations. We concur with the manner these have been included in the financial statements.

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Changes in accounting policies (IFRS 10 and 11), which requires significant judgment, and resulted in an opening balance sheet restatement

As of 1 January 2014, IFRS 10 (consolidated financial statements), 11 (joint arrangements) and 12 (disclosure on interest in other entities) became effective. IFRS 10 requires the Company to assess for all entities whether it has power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.
The complex structure, servicing and ownership of each FPSO, requires the Company to assess and interpret the substance of a significant number of contractual agreements.

We have assessed the appropriateness of the accounting to either fully consolidate a leased asset structure (under IFRS 10) or accounting for it under IFRS 11 as a joint arrangement. We have read all contracts, assessed their combined substance and confirmed that the facts described in management's analysis per project were in line with the contracts. The main deciding feature in the majority of the assessments is the deadlock mechanism in the shareholders' agreements (SHA). In case of a deadlock on the board of a project, whereby the board is unable to force a decision either way, the SHAs generally stipulate the partner(s) to offer its shares to SBM Offshore in a price mechanism that is fair enough for SBM Offshore to be able to exercise the option.
With this deadlock mechanism in place, control lies with SBM Offshore for the projects that contain this clause. See note B 'Change in accounting Method' and E 'Detailed impacts on the consolidated financial statements following changes in accounting principles and presentation', for the impact on the financial position and profit and loss at 1 January 2014. We have assessed management's analysis to account for all joint arrangements as joint ventures, which we reconciled to the criteria based on the underlying contracts. We have confirmed appropriate reflection in the financial statements opening balance and closing balance of 2014 as well as the disclosures as required under IFRS 12.

Segment reporting (IFRS 8) reflecting the Company's previously separated directional reporting

The Management Board is managing and monitoring its business per Lease & Operate and Turnkey segments, as described in note G 'Significant Accounting Policies, (e) operating segment information'. The Company reports these segments to the market as directional reporting. The Company therefore now discloses directional reporting as segment reporting under IFRS 8 with a reconciliation to the consolidated IFRS result.
This entails a change in the financial statements in how the Company reports on segments. Reference is made to Note 1.

We have assessed whether the directional reporting is reflecting how the Chief Operating Decision Maker(s) (CODM), represented by the Management Board (MB), assesses performance and manages the business.
We obtained the monthly and quarterly reports that the MB is receiving based on which they make informed decisions and reconciled that to the segments identified in the segment reporting. Based on the work performed, we concur with the segment reporting.

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The valuation of assets and (reversal of) impairments requiring significant management judgment Following developments in several of the company's legacy projects (MOPU Deep Panuke and Semi-sub Thunderhawk), and a new funding loan, the Company identified a number of impairment triggers (and indication of reversals) requiring an assessment of the carrying value of assets based on the future cash flows of these assets. Each assessment contains a number of variables that are subject to (significant) judgment e.g. collectability of a receivable, meeting the requirements for winter bonuses and production profiles within the lease period. Reference is made to Note 1, 11 and 29.	We have assessed the appropriateness of cash flows projected, challenged and performed audit procedures on management's assumptions such as the production volumes during the period of the lease, the discount rate, residual value, claims and variation orders. We have sought confirming evidence for these assumptions such as obtaining a report from an external third party valuator on the production profiles provided by the counterparty and 3rd party indications of steel prices to assess residual value. We have additionally re-performed calculations, compared with generally accepted valuation techniques and assessed appropriateness of disclosure of the key assumptions underlying the tests.
The deterioration of market conditions, lack of new projects from Brazil, and the Company's restructuring actions The drop in the oil price and the need for the Company's clients to reassess and reduce their capex plans and embark on other cost savings initiatives, together with the situation in Brazil has caused the Company to reassess its business model and initiate a number of alignment and restructuring initiatives aimed at reducing the Company's work force. All of this could have an impact on the Company's business and financial position.	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 26 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 concur with management's conclusion that there are no material uncertainties with respect to going concern. We have assessed management's conclusion on the provision for restructuring as well as agreed the years in which the cost will be incurred, to the communications to individuals subject to the restructuring.

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Responsibilities of the Management Board and the Supervisory Board

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 the preparation of the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the Management Board determines is necessary to enable the preparation of 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 to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all errors and frauds.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the Report of the Management Board and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report of the Management Board and other information):

- We have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Report of the Management Board, to the extent we can assess, is consistent with the financial statements.

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Our appointment

We were appointed for the first time as auditors of SBM Offshore N.V. 13 November 2013 by the Supervisory Board. A resolution approving our appointment was passed by the shareholders at the annual general meeting held on 17 April 2014.

The Hague, 11 February 2015
PricewaterhouseCoopers Accountants N.V.

W.H. Jansen RA

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Appendix to our auditor's report on the financial statements 2014 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 judgment 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 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 Board.
- Concluding on the appropriateness of the Management Board'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 ceasing 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.

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 them with a statement that we have complied with relevant ethical requirements regarding independence, communicate 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.

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6.5 Key Figures

Key figures

	2014	2013 (*)	2012	2011	2010
Turnover	5,482	4,584	3,639	3,157	3,056
Results					
Net profit/(loss) (continuing operations)	652	175	(75)	(441)	276
Dividend	-	-	0	0	120
Operating profit (EBIT)	726	188	38	(341)	386
EBITDA	926	592	681	813	712
Shareholders' equity at 31 December	2,419	2,039	1,459	1,284	2,073
Net debt	4,775	3,400	1,816	1,959	1,644
Capital expenditure	65	186	655	841	519
Depreciation, amortisation and impairment	199	404	643	1,154	326
Number of employees (average)	8,330	7,126	5,275	4,385	3,787
Employee benefits	861	831	750	654	608
Ratios (%)					
Shareholders' equity : net assets	30	31	38	39	54
Current ratio	170	184	117	86	148
Return on average capital employed	10.0	3.5	1.1	(9.5)	11.0
Return on average shareholders' equity	25.8	6.5	(5.8)	(28.2)	12.4
Operating profit (EBIT) : net turnover	13.3	4.1	1.0	(10.8)	12.6
Net profit/(loss) : net turnover	11.9	3.8	(2.1)	(14.0)	9.0
Net debt : total equity	152	118	119	145	77
EBITDA/Enterprise value	7.8	12.9	6.5	6.8	7.6
Information per Share (US$)					
Net profit/(loss) (1)	2.75	0.56	(0.44)	(2.77)	1.44
Dividend	-	-	0.00	0.00	0.71
Shareholders' equity at 31 December (2)	11.54	9.77	7.71	7.49	12.29
Share price (€)					
- 31 December	9.78	14.80	10.50	15.90	16.75
- highest	15.65	16.18	16.39	20.91	17.14
- lowest	8.74	10.04	7.71	11.73	11.39
Price / earnings ratio (2)	4.3	37.2	NA	NA	15.8
Number of shares issued (x 1,000)	209,695	208,747	189,142	171,440	168,668
Market capitalisation (US$ mln)	2,490	4,247	2,625	3,535	3,784
Turnover by volume (x 1,000)	516,024	359,517	481,719	287,478	259,924
Number of options exercised	-	-	-	326,500	1,328,153
Number of shares issued re stock dividend	-	-	-	2,104,877	2,628,848
Number of shares issued	-	18,914,221	17,111,757	-	-

1 Based upon weighted average number of shares.

2 Based upon number of shares outstanding at 31 December.

** restated*

7 Performance Indicators

7.1 Scope of Sustainability Information

Materiality

SBM Offshore discloses its performance indicators for its stakeholders to inform them on SBM Offshore's impact, in connection to our sustainability policies, targets and performance. SBM Offshore's stakeholders include employees, shareholders, investment community, clients, business partners, export credit agencies and suppliers.

The performance indicators disclosed for 2014 are based on topics identified as material for SBM Offshore. General standard disclosure and aspects with less of a reporting priority are included in the GRI Index table which can be found in the chapter 7.4.
The Disclosures on Management Approach (DMA) for material aspects can also be found in the GRI Index table.

SBM Offshore together with its stakeholders, has performed a materiality analysis to identify the aspects that are material to the 'license to operate' and the 'license to grow'. Details about how SBM Offshore preformed the materiality analysis and the outcomes can be found in Chapter 3.3 Sustainability. The 2014 materiality determination resulted in a confirmation of the already existing aspects on 'license to operate' elements of the Sustainability Framework and the Company continues its performance reporting on these aspects. The material aspects on 'license to grow' are new and the Company used those as a base for its new sustainability strategy, for which additional performance indicators will be developed starting next year.

Reporting Boundaries

The performance indicators include Financial, Social, Health, Safety, Security and Environmental data, which is included in the following pages of the report.

HSSE data is presented for the calendar years 2013 and 2014 to allow for comparison. Human Resources data is presented for 2014. 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 environment data reported for the years 2010 until 2013 based on a separate report on selected key sustainability indicators prepared by SBM Offshore. The financial data has been audited as part of the annual financial reporting process.

For Health, Safety and Security information is provided in relation to SBM Offshore direct activities and also includes impacts outside the organisation by reporting on contractors and contractor's subcontractors.

For Environment and Human Resources information is provided in relation to impacts within the Company.

Reporting about Sustainability Information

The sustainability information presented in this report is prepared 'in accordance' with the 'core' option of Global Reporting Initiative ("GRI4") G4 Guidelines of Sustainability Reporting. The Company has used the GRI G4 Guidelines to determine material aspects for this year's report.

SBM Offshore thinks 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 sustainability information.

SBM Offshore selected the financial auditor based on integrated reporting principles, including getting assurance on as well financial as non-financial data.SBM Offshore has engaged PricewaterhouseCoopers Accountants N.V. ("PwC") as its auditor.

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 Sub-Contractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.

HSSE incident reporting is registered 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 also records an incident such as: environmental incidents, security incidents, process safety events, equipment failure, damage only.

Incidents are reported based on the incident classifications as defined by International Association of Oil and Gas Producers (IOGP). The Company also reports incident data from Contractor's construction facilities if the incident is related to a SBM Offshore project.

The Company uses records of exposure hours and SRS data to calculate Health and Safety performance indicators set by SBM Offshore.

Environmental Reporting

Offshore

The environmental offshore performance reporting scope is comprised of fourteen 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 2014
- 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 performance of the Company is reported by region: Brazil, Angola and Rest of the World. Based on the criteria stated above, SBM Offshore reports on the environmental performance for following fourteen vessels:

- Brazil - FPSO Brasil, FPSO Marlim Sul, FPSO Espirito Santo, FPSO Capixaba, FPSO Cidade de Anchieta, FPSO Cidade de Party and FPSO Ilhabela
- Angola – FPSO*Kuito,*FPSO Mondo, FPSO Saxi Batuque and FPSO N'Goma
- Rest of World – FPSO Aseng, FSO Yetagun and PFC Deep Panuke

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), NOx (Nitrogen Oxides), SO_2(Sulphur Dioxide) and VOCs (Volatile Organic Compounds)
- Gas flared per hydrocarbon production, including gas flared on SBM 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 the volume of hydrocarbon production per region. This is in line with the IOGP reporting style published in their annual Environmental Performance Indicators (http://www.iogp.org/pubs/2012e.pdf)

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).

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 account or at the request of the client to optimise 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.

Environmental releases to air (except certain gas leaks which are not quantifiable), water or land from the offshore operations units are reported using the data recorded in the Single Reporting System (SRS) database.

Onshore

The environmental onshore reporting scope includes offices in the following locations; Monaco, Rio, Schiedam, Houston, Kuala Lumpur and Marly.

For the onshore energy usage, the Company uses the World Resources Institute Greenhouse Gas Protocol (GHG Protocol) method to calculate CO_2equivalents. CO_2equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO_2that would have the same global warming potential (GWP), when measured over a specified timescale (generally, 100 years). For further information on the GHG protocol and country specific calculation methods, please refer to their website: http://www.ghgprotocol.org/calculation-tools. For Monaco locations, the CO_2equivalency has been calculated based on the 2014 average from Electricity de France (EDF) which is based on the Life Cycle Analysis method (http://fr.edf.com/edf-en-france-51250.html).

Construction Yards environmental data, specifically emissions, energy and water usage have not been included in scope. SBM Offshore is aware that the constructions 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'.

Human Resources Reporting

The Company's Human Resource data covers the global workforce and is broken down into parts which are; operating units, employment type, gender, and age. The performance indicators report the workforce status at year ending 31 December 2014. 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 labour 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 of the SBM Offshore Group
- 'Contractors' as an individual performing work for or on behalf of SBM Offshore, but not recognised as an employee under national law or practice (not part of SBM Offshore companies payroll, they issue invoices for services rendered).

For reporting purposes certain performance indicators report on Construction Yard employees separately. Construction Yards employees for Human Resources reporting purposes consist of employees for yards located in Brazil and Angola. Construction Yard Employees are non-traditional type of SBM Offshore workforce who work on construction yards, which SBM Offshore owns and/or operates in Joint Venture, and are 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, operational control including human resource activities and social responsibility for the employees.

For some performance indicators the Company makes a split between Onshore and Offshore activities. Onshore includes all SBM Offshore employees and contractors in onshore offices, yards and SBM Operations employees based in Monaco. Offshore includes all fleet and their respective supporting shore base. This breakdown does not include Construction Yard employees.

Performance Reviews / Skills Management / Training

In order to ensure people development and optimal distribution of resources within the Company, the Company conducts annual performance reviews for all employees. Globally, the Company uses the Hay Competency system to grade and evaluate all permanent staff.

As a complementary parallel to this long-established annual performance review, the Talent Management and Succession Planning programmes, a process called "People Review" is in place to discuss the strengths, development needs and potential future career paths of SBM Offshore employees, taking into account certain criteria, and identify those who have the potential to take on greater leadership roles today and tomorrow. Employee reviews reported are those which were completed during 2013.

Stakeholder Engagement

Stakeholder Group: Shareholders and Loan Providers

What they expect

Shareholders expect SBM Offshore to be compliant with all relevant laws and regulations, concerning the full scope of economic, ethical, social and environmental issues. And they are looking for stable and predictable cash flows and liquidity. They value the prevention of environmental damage and development of sustainable technology. The liability aspect of environmental damage is also on their agenda. Concerning social aspects they expect SBM Offshore to contribute to local development, protection of human rights, ethical business, behaviour and culture. And they expect SBM Offshore to have highly developed technological skills and employees that feel proud to work for the Company.

How SBM Offshore engages

SBM Offshore organises a yearly Capital Markets Day for this group of stakeholders. During this two-day session the Company Management Board shares and discusses the Company strategy, performance and future outlook. As part of the materiality analysis the Company performed desk research and talked with stakeholders specifically on their expectations regarding sustainability.

Stakeholder Group:Employees

What they expect

SBM Offshore employees expect high economic performance, with attention for Total Cost of Ownership in the Company's products and services. Employees highly value vigilence against bribery and corruption and the Company culture of ethical business and behaviour. Protection of the environment and development of sustainable technology are important aspects for employees. And attention for the search and retainment of talent, including talent development is expected.

How SBM Offshore engages

SBM Offshore Management Board organises throughout the year several so called Town Hall sessions where employees can interact and learn about the objectives and strategy relevant to their Regional Centre. Also CEO Bruno Chabas interacts with young SBM Offshore employees during special lunch sessions.

The Sustainability Director interacts with employees at all locations during special organised sessions where he explains SBM Offshore’s policies. And for the materiality analysis the Company also sent out questionnaires to employees.

Stakeholder Group: Clients and Business partners

What they expect

Clients expect SBM Offshore to be compliant with all relevant laws and regulations, concerning the full scope of economic, social and environmental issues. Clients expect SBM Offshore to have a high standard regarding anti-bribery and corruption and business ethics. They expect SBM Offshore to be efficient in use of energy and natural resources and to protect the environment. They expect SBM Offshore to adhere to international standards on human rights and to contribute to local societies. Looking at the future in the oil & gas industry they expect an increase of renewables in the energy mix.

How SBM Offshore engages

SBM Offshore interacts with its clients during regular marketing and sales activities. Apart from these, there are Technology Days with clients to present the newest offshore solutions and developments. During these events the Company gets insight into the client’s appetite regarding commercial issues and related sustainability issues. As part of the materiality analysis the Company also had some interviews with clients specifically on their views on sustainability at SBM Offshore.

Stakeholder Group: Suppliers

What they expect

Suppliers expect SBM Offshore to be compliant with all relevant laws and regulations, concerning the full scope of economic, ethical, social and environmental issues. They expect efficiency in SBM Offshore operations, and attention for an integrated sustainable supply chain. They expect efficient use of energy and natural resources and attention for development of sustainable technology. They expect SBM Offshore to adhere to human rights standards and have a focus on health & safety. And they expect a high level of technological knowledge. Looking at the future in the oil & gas industry they expect an increase of renewables in the energy mix.

How SBM Offshore engages

SBM Offshore is in active dialogue with its suppliers during regular procurement activities. Sometimes sustainability is an explicit topic, for example when replacement, take back and recycling of certain supplies is discussed. There are also exchanges between the sustainability experts of SBM Offshore and its suppliers, and one of the suppliers was invited as a guest speaker at the Company's sustainability strategy session. As part of the materiality analysis SBM Offshore also performed desk research and had interviews with suppliers on sustainability and expectations for SBM Offshore.

7.2 Performance Indicators

Health, Safety and Security

	Year to Year		2014 - By Operating Segment	
	2014	2013	Offshore	Onshore
Exposure Hours				
Employee	14,972,787	17,537,503	7,365,463	7,607,324
Contractor	49,055,233	35,099,886	-	49,055,233
Total Exposure hours	**64,028,020**	**52,637,389**	**7,365,463**	**56,662,557**
Fatalities (work related)				
Employee	0	0	0	0
Contractor	2	0	0	2
Total Fatalities	**2**	**0**	**0**	**2**
Injuries				
LTIFR Employee	0.09	0.22	0.11	0.08
LTIFR Contractor	0.03	0.12	-	0.03
Lost Time Injury Frequency Rate (Total) (1)	**0.05**	**0.15**	**0.11**	**0.04**
TRIFR Employee	0.45	0.76	0.81	0.11
TRIFR Contractor	0.15	0.22	-	0.15
Total Recordable Injuries Frequency Rate (Total) (2)	**0.22**	**0.40**	**0.81**	**0.14**
Occupational Illnesses				
Employee	2	8	1	1
Contractor	3	8	-	3
Total recordable Occupational Illness Frequency Rate (employees only) (3)	**0.03**	**0.09**	**0.03**	**0.03**
Security				
Security related incidents including security threats (number)	14	16	6	8
Security incident resulting in physical harm to employees (number)	-	1	-	-

(1) Lost time injuries per 200,000 exposure hours

(2) Recordable injuries per 200,000 exposure hours

(3) Occupational illnesses per 200,000 exposure hours

Process Safety

	Year to Year		2014 - Regional Breakdown		
	2014	2013	Brazil	Angola	Rest of the World
Loss of Containment					
Loss of Containment incidents (number)	82	114	46	11	25
Oil and Gas Releases (number)	46	62	28	13	5
Process Safety Events					
Tier 1 incidents (number)	6	n/a	5	1	0
Tier 2 incidents (number)	6	n/a	2	1	3

Environment

Number of offshore units	vessels	14	12	7	4	3
		Year to Year		2014 - Regional Breakdown		
		2014	2013	Brazil	Angola	Rest of the World
SBM Production						
Hydrocarbon Production	*tonnes*	29,766,817	27,960,378	17,942,756	6,177,690	5,646,371
Energy						
Offshore Energy consumption (Scope 1)	*gigajoule (GJ)*	28,465,425	29,435,376	15,682,593	8,398,657	4,384,175
Offshore Energy consumption per production	*gigajoule of energy per tonnes of hydrocarbon production*	0.96	1.05	0.87	1.36	0.78
Onshore Energy consumption (Scope 1 + Scope 2)	*gigajoule (GJ)*	37	40			
Emissions - Offshore						
Greenhouse Gas Emissions (GHG) Scope 1 (from Gas Flared and Energy Generation)						
Carbon dioxide (CO_2)	*tonnes*	3,574,128	n/a (1)	1,674,096	1,406,800	493,232
Methane (CH_4)	*tonnes*	9,294	n/a (1)	2,786	5,157	1,351
Nitrous oxide (N_2O)	*tonnes*	214	n/a (1)	110	70	34
Volume of GHG emissions (from Gas Flared and Energy Generation)	*tonnes of CO2 equivalents*	**3,835,700**	**4,155,351**	**1,766,713**	**1,536,814**	**532,173**
Greenhouse Gas Emissions (GHG) per production offshore from Gas Flared and Energy Generation (Scope 1)	*tonnes of GHG per thousand tonnes of hydrocarbon production*	**128.8**	**148.6**	**98.5**	**248.8**	**94.3**
Flaring						
Total Gas Flared per production	*tonnes of gas flared per thousand tonnes of hydrocarbon production*	16.0	18.4	7.4	44.8	11.5
Proportion of Gas Flared on SBM account	-	35%	37%	47%	31%	28%
Other / Air Pollution - Non Greenhouse Gas Emissions						
Carbon monoxide (CO)	*tonnes*	5,544	n/a (1)	2,248	2,501	795
Nitrogen oxides (NO_x)	*tonnes*	5,845	n/a (1)	3,263	1,776	806
Sulphur dioxides (SO_2)	*tonnes*	174	n/a (1)	115	48	11
Volatile organic compounds (VOCs)	*tonnes*	971	n/a (1)	296	528	147
Emissions - Onshore (Buildings)						
Greenhouse Gas Emissions (GHG) Scope 1 (from buildings)						
Natural Gas + Heating Oil consumption (2)	*kWh*	689,277	326,435			
Natural Gas + Heating Oil consumption	*tonnes of CO2 equivalents*	155	87			
Greenhouse Gas Emissions (GHG) Scope 2 (from buildings)						
Onshore Energy consumption	*kWh*	9,597,899	10,693,276			
Total Electrical usage (CO2 Equivalents)	*tonnes of CO2 equivalents*	3,706	3,986			
Emissions Total (Onshore + Offshore)						
Total Scope 1 Emissions	*tonnes of CO2 equivalents*	**3,835,855**	**4,155,438**			
Total Scope 2 Emissions	*tonnes of CO2 equivalents*	**3,706**	**3,986**			
Total Emissions (Scope 1 + Scope 2)	*tonnes of CO2 equivalents*	**3,839,561**	**4,159,424**			
Discharges						

Environment

Number of offshore units	vessels	14	12	7	4	3
		Year to Year		2014 - Regional Breakdown		
		2014	2013	Brazil	Angola	Rest of the World
Volume of oil in produced water discharges per production	*tonnes of oil discharged to sea per million tonnes of hydrocarbon production*	3.29	3.98	3.05	5.49	1.62
Spills						
Spills (oil and chemicals) with release to sea	*number of spills*	6	n/a	0	2	4
Oil spills with release to sea (number)	*number of oil spills*	3	4	0	1	2
Volume of Oil spills (m3)	*m3*	1.06	0.019	0	0.06	1
Number of Oil spills > 1 barrel (159 L)	*number of oil spills over 159L*	1	0	0	0	1
Number of Oil spills > 1 barrel per production	*number of oil spills over 159L per million tonnes of hydrocarbon production*	0.03	0	0	0	0.18

(1) This data was not available from 2013

(2) 2013 figures do not include fuel consumption from SBM Schiedam

Headcount by Gender, Permanent, Contractor and Location

	Permanent		Contract		Total			Ratios	
	Male	Female	Male	Female	**Contract**	**Permanent**	**Grand Total**	Ratio of Females	Ratio of Contract Employees
SBM - Schiedam	295	93	13	7	20	388	408	24%	5%
SBM - Houston	323	123	18	2	20	446	466	28%	4%
SBM - Malaysia	409	183	7	1	8	592	600	31%	1%
SBM - Monaco	477	155	26	1	27	632	659	25%	4%
SBM - Rio	162	72	5	0	5	234	239	31%	2%
SBM - Operations	1,663	257	461	4	465	1,920	2,385	13%	19%
Group Executive	214	75	886	48	934	289	1,223	26%	76%
Group Functions	243	194	8	6	14	437	451	44%	3%
Total	**3,786**	**1,152**	**1,424**	**69**	**1,493**	**4,938**	**6,431**	**23%**	**23%**
Construction Yards	3,096	200	418	70	488	3,296	3,784	6%	13%
Grand Total	**6,882**	**1,352**	**1,842**	**139**	**1,981**	**8,234**	**10,215**	**16%**	**19%**

Permanent Part Time Employees Headcount

	Part Time Male Employees	Part Time Female Employees	**Total Part Time Employees**	**% of Part Time employees**
SBM - Schiedam	25	41	66	17%
SBM - Houston	1	0	1	0%
SBM - Malaysia	0	0	0	0%
SBM - Monaco	3	22	25	4%
SBM - Rio	0.00	0	0	0%
SBM - Operations	3	7	10	1%
Group Executive	0	9	9	3%
Group Functions	4	31	35	8%
Total	**36**	**110**	**146**	**3%**
Construction Yards	0	0	0	0%
Grand Total	**36**	**110**	**146**	**2%**

Employees Turnover Headcount by Age and Gender

	Total Turnover by Gender		Total Turnover		Total Turnover by Age			
	Male Turnover	Female Turnover	**Total Turnover Headcount**	**Total Turnover Rate**	Under 30	30-49	50-64	Over 65
SBM - Schiedam	68	19	87	22%	9	61	12	5
SBM - Houston	76	33	109	24%	14	46	35	14
SBM - Malaysia	68	29	97	16%	11	72	13	1
SBM - Monaco	38	16	54	9%	15	30	7	2
SBM - Rio	28	21	49	21%	17	30	1	1
SBM - Operations	162	33	195	10%	39	111	43	2
Group Executive	26	7	33	11%	2	18	12	1
Group Functions	24	22	46	11%	11	28	6	1
Total	**490**	**180**	**670**	**14%**	**118**	**396**	**129**	**27**
Construction Yards	1,751	77	1,828	55%	576	1,097	150	5
Grand Total	**2,241**	**257**	**2,498**	**30%**	**694**	**1,493**	**279**	**32**

Permanent Employees Turnover

	Permanent Employees Turnover excluding Construction Yards		Permanent Construction Yards Employees Turnover	
	Turnover	**Turnover Rate**	Turnover	**Turnover Rate**
Resignation	390	7.9%	112	3.4%
Dismissal	205	4.2%	1,619	49.1%
Net turnover	**595**	**12.0%**	**1,731**	**52.5%**
End of Contract	53	1.1%	90	2.7%
Retirement	17	0.3%	0	0.0%
Fatalities non work related(1)	5	0.1%	7	0.2%
Fatalities work related	0	0.0%	0	0.0%
Total	**670**	**13.6%**	**1,828**	**55.5%**

(1) includes non accidental fatalities which occurred during active employment

Permanent Employees New Hire Headcount by Gender

	Gender		Total	
	Male New Hire	Female New Hire	**Total New Hire Headcount**	**New Hire Rate**
SBM - Schiedam	21	10	31	8%
SBM - Houston	15	13	28	6%
SBM - Malaysia	34	16	50	8%
SBM - Monaco	24	15	39	6%
SBM - Rio	55	27	82	35%
SBM - Operations	334	62	396	21%
Group Executive	55	20	75	26%
Group Functions	52	36	88	20%
Total	**590**	**199**	**789**	**16%**
Construction Yards	1,441	126	1,567	48%
Grand Total	**2,031**	**325**	**2,356**	**29%**

Permanent Training Hours by Gender

	Male Training Hours	Female Training Hours	Total Training Hours	Total Training Hours per Permanent Employee
SBM - Schiedam	13,877	4,735	18,612	48
SBM - Houston	10,520	2,808	13,328	30
SBM - Malaysia	16,309	6,405	22,714	38
SBM - Monaco	13,438	2,700	16,138	26
SBM - Rio	5,914	3,332	9,246	40
SBM - Operations	100,772	16,153	116,925	61
Group Executive	2,775	1,757	4,531	16
Group Functions	4,132	4,510	8,642	20
Total	**167,736**	**42,399**	**210,135**	**43**
Construction Yards	94,094	5,335	99,429	30
Grand Total	**261,830**	**47,734**	**309,564**	**38**

Employees Training Hours

	Total Number of Training Hours	Total Training Hours per Permanent Employee
Onshore	99,038	30
Offshore	111,097	66
Total	**210,135**	**43**

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	78,370	16	60,659	18
Technical Training	40,398	8	18,327	6
Languages Training	18,707	4	16,632	5
Non-Technical Training	52,626	11	3,170	1
Ethics & Compliance Training	3,554	1	401	0
SBM Leadership and Management Programs (LMD & MDP)	7,904	2	128	0
SBM Project Management Programs (PMs & DLEs)	8,576	2	112	0
Total number of Training hours	**210,135**	**43**	**99,429**	**30**

Ethics and Compliance Training by Permanent employee

	Total Number of Employees who received training
SBM - Schiedam	315
SBM - Houston	423
SBM - Malaysia	374
SBM - Monaco	548
SBM - Rio	130
SBM - Operations	429
Group Executive	409
Group Functions	281
Total	**2,909**
Construction Yards	138
Grand Total	**3,047**

Total Training Costs in US$

Total training costs in US$	$ 13,095,674

Permanent Employees Performance Appraisals and Developing Process

	Male %	Female %	Total %
Performance Appraisals Completed * (2013)	97%	95 %	96 %
People Reviews Completed	100%	100%	100%

** An appraisal is considered completed when it has been validated by the Line Manager*

Collective Bargaining

	%
Percentage of Employees covered by Collective Bargaining Agreements	45%

Five Year Key Sustainability Figures

	2014	2013	2012	2011	2010
HSS					
LTIFR	0.05	0.15	0.06	0.10	0.07
TRIFR	0.22	0.44	0.38	0.50	0.37
Fatalities work related	2	0	0	0	0
Total consolidated million man-hours SBM Offshore	64.02	56.64	43.64	36.15	42.26
Environment					
CO2 Emissions from Offshore Operations in millions of tonnes	3.835	4.155	3.580	1.923 (1)	2.076 (1)
Onshore Electricity Usage in kWh	10,245,272	11,019,711	11,071,310	11,059,868	10,339,123
Onshore CO2 emissions in tonnes	3,861	4,073	4,346	4,347	4,063
Human Resources (2)					
Total Employees (including Construction Yards)	10,215	9,936	7,493	6,220	5,758
Contract / Permanent Ratio	19%	22%	21%	25%	29%
Total Permanent Employees (including Construction Yards)	8,234	8,358	5,893	4,655	4,114
Total Contractors (including Construction Yards)	1,981	1,578	1,600	1,565	1,644
Total percentage of Females in Permanent Workforce	16%	24%	20%	21%	22%
% of Part-time Workforce	3%	3%	2%	3%	3%
% of Part-time Females	75%	75%	70%	61%	62%
% of Part-time Males	25%	25%	30%	39%	38%
Employee Turnover Rate (2)					
Turnover Rate	13.6%	13.8%	11.7%	11.9%	10.1%
Resignation	7.9%	10.1%	8.2%	8.1%	6.6%
Dismissal	4.2%	3.7%	3.6%	3.1%	2.7%
Retirement	0.3%	0.4%	0.5%	0.3%	0.7%
Fatalities non work related	0.1%	0.1%	0.1%	0.1%	0.0%
Appraisals					
Performance Appraisals Completed	96%	90%	84%	92%	96%
Competency Training Indicators					
Offshore Training Hours per Eligible Employee	66	95	47	55	41
Onshore Training Hours per Eligible Employee	30	28	21	18	28

(1) Excludes flaring

(2) Does not include Construction Yards except if specified otherwise.

(3) PricewaterhouseCoopers Accountants N.V. has provided limited assurance on the HSSE data reported for the years 2010 until 2013 based on a separate report on selected key sustainability indicators prepared by SBM Offshore

7.3 Notes & GRI Table

Note 1

FAT: Fatality

RWC: Restricted Work Case

MTC: Medical Treatment Case

LTI: Lost Time Injury

LTIFR: Lost Time Incident Frequency Rate

TRI: Total Recordable Injuries

TRIFR: Total Recordable Injury Frequency Rate

TROIFR: Total Recordable Occupational Illness Frequency Rate

Note 2

LTI = the number of Lost Time Injuries

LTIFR = ((FAT + LTI) x 200,000)/ EH

Where:

200,000 = base for 100 equivalent full-time workers

(Working 40 hours per week, □50 weeks per year)

EH = Exposure Hours, total hours worked by all employees and contractors

TRI = FAT+LTI+RWC+MTC

TRIFR = (TRI x 200,000)/ EH

Where:

TRI = Total Recordable Injury

200,000 = base for 100 equivalent full-time workers

(Working 40 hours per week, 50 weeks per year)

EH = Exposure Hours, total hours worked□by all employees and contractors

GRI G4 Table

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS				
G4-1	a. Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	Chapter 1. Overview 1.1 Message from CEO	No	Yes
ORGANISATIONAL PROFILE				
G4-3	a. Report the name of the organisation	Chapter 2. Company Profile 2.1 Ownership and Operating Structure	No	Yes
G4-3	a. Report the name of the organisation	Chapter 2. Company Profile 2.1 Ownership and Operating Structure	No	Yes
G4-4	a. Report the primary brands, products, and services.	Chapter 2. Company Profile 2.1 Ownership and Operating Structure 2.5 Activities and Markets	No	Yes
G4-5	a. Report the location of the organisations headquarters.	Chapter 2. Company Profile 2.1 Ownership and Operating Structure	No	Yes
G4-6	a. Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Chapter 2. Company Profile 2.3 SBM Offshore World Map	No	Yes
G4-7	a. Report the nature of ownership and legal form.	Chapter 2. Company Profile 2.1 Ownership and Operating Structure	No	Yes
G4-8	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Chapter 2. Company Profile 2.5 Activities and Markets 2.6 Competitive Landscape and Market Positioning	No	Yes
G4-9	a. Report the scale of the organisation, including: 1. Total number of employees; 2. Total number of operations; 3. Net sales (for private sector organisations) or net revenues (for public sector organisations); 4. Total capitalization broken down in terms of debt and equity (for private sector organisations); and 5. Quantity of products or services provided.	1. Total number of employees; Chapter 7.2 Performance Indicators 2. Total number of operations; Chapter 4.6 Fleet and Offshore Operations 3. Net sales; Chapter 6.5 Key Figures 4. Total capitalisation broken down in terms of debt and equity; Chapter 6.5 Key Figures 5. Quantity of products or services provided; Chapter 4.6 Fleet and Offshore Operations	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
G4-10	a. Report the total number of employees by employment contract and gender; b. Report the total number of permanent employees by employment type and gender; c. Report the total workforce by employees and supervised workers by gender; d. Report the total workforce by region and gender; e. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors; f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	Chapter 7. Performance Indicators 7.2 Performance Indicators	No, Is not applicable, since no substantial portion of the work is performed by the meant categories of workers.f. Is not applicable considering the industry SBM Offshore operates in.	Yes
G4-11	a. Report the percentage of total employees covered by collective bargaining agreements.	Chapter 7. Performance Indicators 7.2 Performance Indicators	No	Yes
G4-12	a. Describe the organisations supply chain.	Chapter 2. Company Profile 2.4 Position within the Value Chain	No	Yes
G4-13	a. Report any significant changes during the reporting period regarding size, structure, ownership, or supply chain including: - Changes in the location of, or changes in operations, including facility openings, closings, and expansions; - Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations); and - Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.	Chapter 6. Financial Report 2014 6.2.8 Notes to the Consolidated Financial Statements Chapter 4. Report of the Management Board 4.1 Introduction 4.6 Fleet and Offshore Operations Chapter 2. Company Profile 2.5 Activities and Markets	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
ORGANISATIONAL PROFILE				
Commitments to external initiatives				
G4-14	a. Report whether and how the precautionary approach or principle is addressed by the organisation.	Chapter 4. Report of the Management Board 4.3.2 Compliance Programme and Organisation reference is made to Code of Conduct http://www.sbmoffshore.com/what-we-believe-in/our-ethics/code-of-conduct/ 4.4 Risk Management and Internal Control-Compliance risks: Climate change- Operation risks: HSSE 4.8.3 Process Safety Management 4.8.5 Environmental Management	No	Yes
G4-15	a. List externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Chapter 4. Report of the Management Board 4.3.2 Compliance Programme and Organisation Company Code of Conduct refers to adherence to UN Declaration of Human Rights, OECD Guidelines for Multinational Enterprises and ILO Conventions (Code of Conduct -http://www.sbmoffshore.com/what-we-believe-in/our-ethics/code-of-conduct/) 4.12 Compliance TableThe Compliance Table provides for an overview of management systems in the Execution Centres and Shorebases like ISO 9001 and 14001, OHSAS 18001 and Social Accountability. The management systems are further explained in 4.11 Group Management Systems. 7.1 Scope of Sustainability Information Reference is made to the International Association of Oil and Gas Producers (IOGP) for incidents classifications and CO2 emissions reporting.	No	Yes
G4-16	a. List memberships in associations (such as industry associations) and national or international advocacy organisations in which the organisation: 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 organisational level.	SBM Offshore is not active on any FPSO related associations, as no FPSO specific association have been created. SBM has regular membership with institutes associated to our business, however they do not meet the criteria defined for GRI G4-16.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	a. List all entities included in the organisation's consolidated financial statement or equivalent documents. b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report. The organisation can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents.	Chapter 6. Financial Report 2014 6.2 Consolidated Financial Statements Note 28. List of Group Companies Note 29. Interest in Joint Ventures and Associates	No	Yes
G4-18	a. Explain the process for defining report content and the Aspect Boundaries; b. Explain how the organisation has implemented the Reporting Principles for Defining Report Content	Chapter 3. Corporate Strategy & Sustainability 3.3.2 Materiality 7.1 Scope of Sustainability Information Code of Conduct http://www.sbmoffshore.com/what-we-believe-in/our-ethics/code-of-conduct/	No	Yes
G4-19	a. List all the material Aspects identified in the process for defining reporting content.	Chapter 3. Corporate Strategy & Sustainability 3.3.2 Materiality	No	Yes
G4-20	a. For each material Aspect, report the Aspect Boundary within the organisation, as follows: - Report whether the Aspect is material within the organisation; - If the Aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: i. The list of entities or groups of entities in G4-17 for which the Aspect is not material or; ii. The list of entities or groups of entities included in G4-17 for which the Aspect is material; Report any specific limitation regarding the Aspect Boundary within the organisation.	Chapter 3 Corporate Strategy & Sustainability 3.3.2 Materiality Chapter 7. Performance Indicators 7.1 Scope of Sustainability Information	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-21	a. For each material Aspect, report the Aspect Boundary outside the organisation, as follows: - Report whether the Aspect is material outside of the organisation; - If the Aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the Aspect is material, In addition, describe the geographical location where the Aspect is material for the entities identified; - Report any specific limitation regarding the Aspect Boundary outside the organisation.	Chapter 3. Corporate Strategy & Sustainability 3.3.2 Materiality Chapter 7. Performance Indicators 7.1 Scope of Sustainability Information	No	Yes
G4-22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such re-statements.	Financial Statements have been deeply impacted by the new IFRS 10 and 11 Standards applicable starting ˇ1st January 2014. In accordance with IFRS standards (IAS 1) all the data for comparative periods have therefore been restated for comparison purposes.	No	Yes
G4-23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	There are no significant changes in scope and aspect boundaries	No	Yes
STAKEHOLDER ENGAGEMENT				
G4-24	a. Provide a list of stakeholder groups engaged by the organisation.	Chapter 2. Company Profile 2.2.2 Stakeholders engagement Chapter 7. Performance Indicators 7.1 Scope of Sustainability Information	No	Yes
G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.	Chapter 2. Company Profile 2.2.2 Stakeholders engagement Chapter 7. Performance 7.1 Scope of Sustainability Information	No	Yes
G4-26	a. Report the organisation'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	Chapter 2. Company Profile 2.2.2 Stakeholders engagement Chapter 7. Performance Indicators 7.1 Scope of Sustainability Information	No	Yes
G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation 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.	Chapter 2. Company Profile 2.2.2 Stakeholders engagement Chapter 3. Corporate Strategy & Sustainability 3.3.2 Materiality Chapter 7. Performance Indicators 7.1 Scope of Sustainability Information- Stakeholder Engagement	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
REPORT PROFILE				
G4-28	a. Reporting period (e.g. fiscal/ calendar year) for information provided.	Chapter 6. Financial Report 2014 6.2.6 General Information 6.2.7 Accounting Principles	No	Yes
G4-29	a. Date of most recent previous report (if any).	19-02-2014	No	Yes
G4-30	a. Reporting cycle (annual, biennial).	Annual	No	Yes
G4-31	a. Provide the contact point for questions regarding the report or its contents.	nicolas.robert@sbmoffshore.com	No	Yes
GRI Content Index				
G4-32	a. Report the 'in accordance' option the organisation 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.	Chapter 7. Performance Indicators 7.1 Scope of Sustainability Information 7.3 Independent Auditor's ReportGRI Table	No	Yes
Assurance				
G4-33	a. Report the organisation'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 organisation and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	Chapter 7. Performance Indicators 7.1 Scope of Sustainability Information 7.3 Independent Auditor's Report	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
GOVERNANCE				
Governance structure and composition				
G4-34	a. Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Chapter 5. Report of the Supervisory Board - Governance and Compliance 5.1.2 Activities of the Supervisory Board 5.1.3 The Supervisory Board CommitteesTechnical and Commercial CommitteeThe TTC reviews the Heath, Safety, Security and Environmental performance of SBM Offshore which includes Social Performance as per the HSSE & SP Policy. 5.4 Corporate Governance	No	Yes
G4-35	a. Report the process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.	Chapter 5. Report of the Supervisory Board - Governance and Compliance 5.1.3 The Supervisory Board Committees Chapter 3. Corporate Strategy & Sustainability 3.3.1 Introduction	Not applicable	No
G4-38	a. Report the composition of the highest governance body and its committees by: - Executive or non-executive; - Independence; - Tenure on the governance body; - Number of each individual's other significant positions and commitments, and the nature of the commitments; - Gender; - Membership of under-represented social groups; - Competences relating to economic, environmental and social impacts; - Stakeholder representation	Chapter 5. Report of the Supervisory Board - Governance and Compliance 5.2 Supervisory Board Profiles Chapter 4. Report of the Management Board 4.2 Management Board Profiles	Not applicable	No
G4-40	a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: - Whether and how diversity is considered; - Whether and how independence is considered; Whether and how expertise and experience relating to economic, environmental and social topics are considered; Whether and how stakeholders (including shareholders) are involved.	The document 'Rules governing the supervisory board's principles and best practices' can be found at http://www.sbmoffshore.com/wp-content/uploads/2011/12/SupvBoardRules.pdf	Not applicable	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
GOVERNANCE				
Governance structure and composition				
G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: - Cross-board membership; - Cross-shareholding with suppliers and other stakeholders; - Existence of controlling shareholders; - Related party disclosures.	The document 'Rules governing the supervisory board's principles and best practices' can be found at http://www.sbmoffshore.com/wp-content/uploads/2011/12/SupvBoardRules.pdf	Not applicable	No
ETHICS AND INTEGRITY				
G4-56	a. Describe the organisation's values, principles, standards and norms of behaviour such as codes of conducts and codes of ethics.	Chapter 3. Corporate Strategy & Sustainability 3.2.1 Company Values Chapter 4. Report of the Management Board 4.3.2 Compliance Programme and Organisation Company Code of Conduct refers to adherence to UN Declaration of Human Rights, OECD Guidelines for Multinational Enterprises and ILO Conventions (Code of Conduct -http://www.sbmoffshore.com/what-we-believe-in/our-ethics/code-of-conduct/)	No	Yes
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.	Chapter 4. Report of the Management Board 4.3 Compliance Further details can be found in the ' Rules of Conduct Relating to Suspected Irregularities' http://www.sbmoffshore.com/wp-content/uploads/2012/05/Rules-of-conduct-relating-to-suspected-irregularities.pdf	Not applicable	No
G4-58	a. Report the internal and external mechanisms for reporting concerns about unlawful or unethical behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Chapter 4. Report of the Management Board 4.3 Compliance Further details can be found in the ' Rules of Conduct Relating to Suspected Irregularities' http://www.sbmoffshore.com/wp-content/uploads/2012/05/Rules-of-conduct-relating-to-suspected-irregularities.pdf	Not applicable	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: ECONOMIC				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect: Economic Performance	a. Why is the aspect material? Impacts that make this aspect material.	The Company business model will for the coming decades be supported by global demand for oil, gas and energy. With its business and revenues SBM provides for salaries to its employees, value for shareholders and expenditures that benefit suppliers and governments. SBM Offshore is highly client focused and intends to engage with clients in its sustainability efforts. The Company sees opportunities for positive impact through the engagement with clients to enhance field recovery and develop sustainable offshore solutions through technology innovations.	No	Yes
Aspect: Economic Performance	b. How does SBM manage this aspect or its impact?	The Company has introduced the Directional Reporting methodology in addition to IFRS, to provide greater transparency of the underlying business performance. The new reporting method enabled a non-IFRS operating lease presentation of Company results, more in line with operating cash flows, and was included alongside accounts presented under International Financial Reporting Standards (IFRS).SBM monitors the marine renewables markets and has developed renewables technology with several R&D programs. We will review the maturity of the products and assess how and when the technology can be launched in the market.	No	Yes
	c. How does SBM evaluate the way we manage this Aspect?	The economic / financial performance of SBM is frequently monitored through a large number of KPI's. SBM's annual report elaborates on this aspect by disclosing information on revenues, operating costs and wages among other financial information.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: ECONOMIC				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect: Procurement Practices (including supplier assessment on social, environmental and human rights topics)	a. Why is the aspect material? Impacts that make this aspect material.	As with SBM Offshore, also our suppliers operate in environments that might carry risks regarding legal, social and environmental circumstances. As a Company we feel responsibility to promote sustainability in our supply chain and we aim to minimize the associated risks and find opportunities for improvement. SBM Offshore also sees opportunities for increase in positive impact through the engagement of supply chain partners in its sustainability efforts. SBM Offshore is creating an integrated supply chain aimed at the development of sustainable products and services to support local development, circular business models and to reduce social and environmental risks.	No	Yes
	b. How does SBM manage this aspect or its impact?	Performing our business in a sustainable and ethical manner is part of the core values of the organisation and forms the basis for SBM's Charter for Sustainable Development for Suppliers and Contractors (Charter), which defines how we choose to do business and interact with our Suppliers and Contractors (Suppliers). SBM Offshore therefore requests its Suppliers and their subsidiaries, to take part in this initiative by committing themselves to comply with the rules/principles of conduct set out in this Charter. Furthermore SBM Offshore request its Suppliers and their subsidiaries to commit with us to a continuous improvement approach towards all principles as set out in this Charter.In addition the Company ensures that its policies and standards regarding business ethics, insurance, human rights, health and safety, protection of the environment and other key matters, are covered in the Special Terms & Conditions set for all contracts. These are always shared with potential suppliers at the bidding stage of every project.	No	Yes
	c. How does SBM evaluate the way we manage this Aspect?	Since this is a new material issue for SBM, the data and a monitoring system is currently not available. SBM is planning to make progress on this in the coming years.	No	Yes
Aspect: Economic Performance				
G4-EC1	Direct economic value generated and distributed	Chapter 6. Financial Report 2014 Chapter 7.2 Performance Indicators	No	Yes
Aspect: Procurement Practices				
G4-OG1	Volume and types of estimated proved reserves and production	Chapter 7.2 Performance Indicators Reporting on proved reserves is not applicable as the Company does not own any reserves.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: ENVIRONMENTAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect: Emissions-Effluents and Waste Materials	a. Why is the aspect material?Impacts that make this aspect material.	The Company endeavours to operate in an environmentally and sustainable manner, in order to minimise damage tolocal ecosystems as well as proactively protect the environment, paying particular attention to three key environmental challenges: Oil spills by strictly following set procedures in operations and ensuring control measures are in place Unnecessary flaring or emissions into the sea or air by avoiding when possible excessive use of energy by encouraging reduced consumption and re-use.The primary emissions from the offshore fleet are Greenhouse Gases (GHG) caused by energy generation and flaring. This information is important to our stakeholders for transparency purposes. We report this information according to the IOGP so SBM's results can be easily compared to our peers and clients.For SBM Offshore managing environmental impact goes beyond compliance to environmental protection, and refers to environmental friendly innovations in design and operations of FPSOs. The Company ambition is to optimise the environmental footprint of SBM Offshore's operations by embedding sustainability in the full product lifecycle. In the decommissioning of FPSOs and vessels there is risks involved regarding people's health and protection of the environment. SBM wants to promote sustainable decommissioning of FPSOs and vessels in the SBM fleet and seeks cooperation with clients and joint venture partners.	No	Yes
	b. How does SBM manage this aspect or its impact?	SBM has a Policy on Health, Safety, Security, Environment and Social Performance. All SBM personnel strive to understand and implement the policy requirements pertaining to their work. SBM is committed to protecting people, preventing pollution and safeguarding the environment. SBM's HSSE policy is designed to comply with applicable legislation and to achieve continuous performance improvement and the HSSE of SBM will not be compromised in order to achieve any other business objectives.SBM Offshore has several environmental aspects to be recognised, being the consumption of energy and water, emissions of greenhouse gas and other air emissions like NOx and SOx. As we operate in the Oil & Gas sector there are several other environmental aspects we take care of, being emissions due to flaring and venting, prevention of oil spills and preservation of water ecosystems.In terms of the environmental impact over an FPSO's lifecycle, SBM Offshore has adopted a policy on decommissioning in which we aim to safely and environmentally sound recycle all vessels and structures at the end of their life. We adhere not only to applicable laws, rules and regulations, but also to international guidelines such as the International Convention for the Safe and Environmentally Sound Recycling of Ships the Hong Kong Convention of the International Maritime organisation of the United Nations. We will discuss with all joint venture partners involved our aim to minimise the social impact and environmental footprint related to all recycling activities at the end of life.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: ENVIRONMENTAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect: Emissions Effluents and Waste Materials	c. How does SBM evaluate the way we manage this Aspect?	Our environmental data is tracked on a daily basis, evaluated on a monthly basis and consolidated / disclosed annually. The results are compared to the results of previous years. In addition, SBM's environmental data is benchmarked against the International Association of Oil & Gas Producers averages. Our results are recorded and reported accordance with the IOGP & GRI guidelines. Environmental releases to air (except gas leaks which are not quantifiable), water or land from the offshore operations units are reported using the data recorded in the Single Incident Reporting System (SIRS) database.Environmental data is evaluated by management on a monthly, quarterly and annual basis. Based on these evaluations SBM has set targets in 2015 to reduce gas flaring by 10% on the Company's account.	No	Yes
Aspect: Compliance Environmental	a. Why is the aspect material?Impacts that make this aspect material.	SBM Offshore operates in an industry that is subject to many laws and regulations regarding environmental issues. The Company's aim is to be compliant and to ensure that the projects executed and offshore facilities operated by the Company comply with all applicable regulations including notably those imposed by international conventions (through flag states) and by host countries.	No	Yes
	b. How does SBM manage this aspect or its impact?	SBM has a Regulatory Compliance Policy that states that this policy encompasses SBM Offshore's requirement to comply with all applicable laws and regulations as well as the requirements from the classification societies and flag states that apply to the design and operation of SBM products and systems.SBM has a Regulatory Compliance Function to implement processes to ensure that the projects executed and offshore facilities operated by the Company and the function reports to the Global Compliance Director.SBM Offshore will therefore ensure that: The identification of applicable rules and regulations to the SBM Business is one of the early, systematic and key steps of any business initiative. Regulatory awareness is continuously maintained and raised at all levels throughout the Group. Practices and processes are developed and deployed to ensure regulatory obligations are fully complied with as part of our general assurance program. Compliance with regulatory requirements pertaining to company designed or purchased systems and subsystems is part of SBM Offshore's verification and quality processes. Appropriate corrective actions are taken to address and prevent compliance failures. Adopting a pragmatic approach in an increasingly regulated business environment, SBM Offshore demonstrates to customers, shareholders, regulators and other stakeholders a robust culture of compliance.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: ENVIRONMENTAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect: Compliance Environmental	c. How does SBM evaluate the way we manage this Aspect?	The Regulatory Compliance Function has created a process to ensure that the offshore facilities of all Company Projects comply with all applicable conditions of project regulatory approval, host government regulations, statutes, and permitting requirements. Once established, all applicable regulatory requirements are shared with relevant functions such as engineering, construction, supply chain and HSSE. Regulatory Compliance also coordinates the activities of the functions involved to safeguard that projects conform to all regulatory requirements throughout their lifecycle.The Regulatory Compliance team is divided between the Group function and the Companys various execution centres and this discipline is acknowledged throughout the cycle of the Company's activities.SBM is currently implementing a new Global Enterprise Management System for project execution and for FPSO operations remains based, as before, on the following internationally recognised codes and standards and regulations, while better facilitating the Companys compliance with them.- ISO 9001: 2008 Quality Management System.- ISO 14001: 2004 Environmental Management Systems.- MARPOL Regulations: 2002. ISM/ISPS Codes (International Safety Management / International Ship and Port Facility Security).	No	Yes
Aspect: Energy				
G4-EN3	Energy consumption within the organisation	4.8.5 Environmental Management Chapter 7.1 Scope of Sustainability Information Chapter 7.2 Performance Indicators	No	Yes
G4-EN5	Energy intensity	Chapter 4.8.5 Environmental Management Chapter 7.2 Performance Indicators SBM reports on its energy intensity in as per the GRI 4 Sector Disclosure for Oil and Gas.	No	Yes
Aspect: Emissions				
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	Chapter 4.8 HSSE Chapter 7.1 Scope of Sustainability Information Chapter 7.2 Performance Indicators SBM Offshore does not have a 'base year' as it is not appropriate way of measuring GHG emissions for the Company. SBM Offshore's GHG emissions are dependent on factors which change annually such as number of vessels, production and well conditions among other factors which makes year to year comparison not possible . SBM also discloses its GHG emissions per production to facilitate comparison between years.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
Aspect: Emissions				
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Chapter 4.8 HSSE Chapter 7.1 Scope of Sustainability Information Chapter 7.2 Performance Indicators	No	Yes
G4-EN21	NOx, SOx, and other significant air emissions	Chapter 7.1 Scope of Sustainability Information Chapter 7.2 Performance Indicators	No	Yes
Aspect: Effluents and Waste				
G4-EN24	Total number and volume of significant spills	Chapter 4.8 HSSE Chapter 7.1 Scope of Sustainability Information Chapter 7.2 Performance Indicators No spills recorded by SBM Offshore in 2014 are considered to be 'significant spills' according to the GRI Sector Disclosure Guidelines for Oil and Gas.	No	Yes
G4-OG5	Volume and Disposal of formation or produced water	Chapter 7.2 Performance Indicators 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	Yes
G4-OG6	Volume of flared and vented hydrocarbon	Chapter 7.2 Performance Indicators 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	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect:Labour practices and decent work, Employment, Diversity, Training and Education, Occupational Health and Safety	a. Why is the aspect material?Impacts that make this aspect material.	The quality and reliability of SBM Offshore products and services depends on the skills and dedication of its employees. Complexity of projects and technology is increasing and it is vital to the Company to develop from within in combination with the attraction of the best industry talent, to uphold its high-class technical know-how. Since SBM Offshore has its business spread over six continents, the aspects labour rights, diversity and equal opportunities are always on the agenda.SBM Offshoress global talent strategy is of a great importance as it underpins all activities. It adds value by understanding where the business is going and linking human capital requirements to deliver the business results for the short and long term.In the activities SBM Offshore performs there are significant risks involved related to health and safety of employees and the environment. For example working with large equipment and materials, performing a diversity of mechanical activities there is an obvious risk for injuries that may cause musculoskeletal disorders. Also the working with hazardous substances implies health and safety risks. And there is the major risk of fire and explosion associated with hydrocarbon releases and loss of structural integrity and stability. Not surprisingly the Company has a long tradition of control and management of occupational health and safety. SBM policies are supported by client requirements on HSS.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect:Labour practices and decent work: Employment Diversity Training and Education. Occupational Health and Safety	b. How does SBM manage this aspect or its impact?	The Company believes that its employees are its most valuable asset. They play a pivotal role in realising the Company's strategic goals and ensuring a consistent global quality in the delivery of all its products and services, within the framework of a customer-focused culture. In order to attract and retain talent, SBM follows the principles of equal opportunity, thereby preventing any discrimination on the basis of sex, age, race, religion, political or trade union affiliations, nationality or disability. The Company encourages an environment of development and empowerment, enabling each staff member to contribute his/her skills and talents towards sustaining high performance and achieving rewards and recognition. The Company, conscious of the need to protect its most important asset, is focused on the wellbeing of its personnel and the need to provide a pleasant work environment. Some examples of these policies are:- SBM Salary scales are in line with a competency matrix and take into account qualifications and professional experience. To attain high calibre candidates, the Company offers competitive total reward packages in all operating locations. The Company offers attractive pension plans to all employees: various pension schemes are in place depending on geographic location. The Company has adopted a recruitment strategy to increase the percentage of female employees, including in managerial positions, in the onshore segment over the past 15 years.- The Company's policy is to recruit local-based employees whilst at the same time maintaining competency requirements through training and education.SBM has a Training Policy that includes development plans and training budgets at Group level, Line and Project Management level and Execution Centres. Development and training is directed at improving skills and management capabilities. Over recent years, a series of special programmes have been implemented within the framework of the Talent Management and Succession Planning process, such as:- Leadership and Management Development- Middle Management Development Program- Mentoring Process	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect:Labour practices and decent work: Employment Diversity Training and Education Occupational Health and Safety		The Company strives to offer an incident free workplace and minimize the risks to the health and safety of all its personnel. Health, Safety and Security is part of the license to operate for SBM. The organisation is geared to protect Health, Safety, Security and the Environment and that these aspects will not be compromised in order to achieve any other business objectives. SBM has a Policy on Health, Safety, Security, Environment and Social Performance. All SBM personnel strive to understand and implement the policy requirements pertaining to their work. SBM is committed to implementing Health, Safety, Security and Environmental (HSSE) requirements designed to comply with applicable legislation and to achieve continuous performance improvement. As part of its drive for management and continuous improvement SBM has implemented the following; Introduction of leadership objectives for management and HSSE principles for all SBM personnel as part of the annual appraisal system Strengthening of the HSSE capability and resources in the new yards Introduction and monitoring of leading indicators in order to measure and benchmark safety performance and pro-actively take corrective actions, providing a clear picture of senior management engagement visits, training delivery and safety observation programs Development of a Group Risk Matrix to ensure a consistent and systematic approach to any HSSE Risk Assessment performed throughout the Company Enhancement of the training delivery on onshore operations with development of e-learning modules and increased training capacity SBM SBM Offshore Operations has attained compliance recognition by ABS on a voluntary basis for Occupational Health and Safety Assessment Series (OHSAS) 18001.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect:Labour practices and decent work: Employment Diversity Training and Education Occupational Health and Safety	c. How does SBM evaluate the way we manage this Aspect?	The total percentage of female/male permanent employees from both Onshore Operations and Offshore Production is tracked and reported.The efficiency of the Compensation and Benefits Policy will be measured and monitored via the Employee Engagement Survey.SBM tracks training hours by gender and reporting segment. The tracking of training hours is one way for the Company to monitor its investment in talent development.SBM tracks and discloses turnover data on an annual basis by location, by category and by age bracket. Annual benchmarking surveys are performed to ensure competitiveness of all available packages (base salary, variable pay, long-term incentives and benefits packages). SBM sets objectives and targets, measure, review and report its HSSE and Social Performance (SP).HSSE incident reporting is registered and managed through the Company's Single Incident Reporting System (SIRS) database. SIRS is a reporting system that is used to collect data on all incidents on all units operated by the Company. SIRS is a web based application which allows data entry from anywhere in the world.Incidents are reported based on the incident classifications as defined by International Oil and Gas Producers (IOGP). The Company also reports incident data from subcontractor's construction facilities if the incident is related to a SBM Offshore project. The Company uses exposure hours records and SIRS data to calculate Health and Safety performance indicators set by SBM Offshore. In addition to the SIRS monitoring application; the Monthly HSSE Report issued by the Group HSSE Department SBM Offshore consolidates HSSE records and events for the Company, covering onshore and offshore.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect Labour practices and decent work: Employment Diversity Training and Education Occupational Health and Safety	a. Why is the aspect material?Impacts that make this aspect material.	In the activities SBM Offshore performs there are significant risks involved related to health and safety of employees and the environment. An important risk is fire and explosion associated with hydrocarbon releases and loss of structural integrity and stability. Not surprisingly the Company has a long tradition of control and management of occupational health and safety.	No	Yes
Aspect:Labour practices and decent work Employment Diversity Training and Education Occupational Health and Safety	b. How does SBM manage this aspect or its impact?	The Company strives to offer an incident free workplace and minimise the risks to the health and safety of all its personnel. Health, Safety and Security is one of the licenses to operate for SBM. The Company has endorsed a new Process Safety Management framework and continues to deliver a sound performance in Security.Following the launch in 2012 of a structured programme to address the improvement areas in Process Safety Management (PSM), the Company has further developed a framework and associated tools for implementation of a comprehensive PSM programme based on a well-established industry standard Guidelines for Risk Based Process Safety by the Centre for Chemical Process Safety (CCPS), part of the American Institute for Chemical Engineers (AIChE).	No	Yes
Aspect:Labour practices and decent work: Employment Diversity Training and Education Occupational Health and Safety	c. How does SBM evaluate the way we manage this Aspect?	When applied throughout the lifecycle of SBM products, the twenty framework elements have the potential to reduce the risk of catastrophic events, with the ultimate aim of minimising these risks on any of its facilities worldwide. The implementation of the PSM Framework will be through the Group Management System to ensure that the Process Safety Management controls are fully integrated in the SBM business activities and processes. As a complementary parallel to this long-established annual performance review, the Talent Management and Succession Planning programmes, a process called People Review is in place to discuss the strengths, development needs and potential future career paths of SBM Offshore employees, taking into account certain criteria, and identify those who have the potential to take on greater leadership roles today and tomorrow. Employee reviews reported are those which were completed during 2013	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect: Human Rights: Investment Assessment	a. Why is the aspect material?Impacts that make this aspect material.	Society provides SBM Offshore the social and physical infrastructure for entrepreneurship. Accordingly, we have 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 economical impact of our intended operations prior to the commencement of our operational activities, including the impact on local communities and human rights.For SBM Offshore its employees are its most valuable asset. The quality and reliability of our products and services depends on the skills and dedication of our employees. SBM Offshore has its business spread over six continents and the Company has embraced the challenges offered by different environments. Therefore preventing any discrimination on the basis of sex, age, race, religion, political or trade union affiliations, nationality or disability is must.	No	Yes
Aspect: Human Rights: Investment Assessment	b. How does SBM manage this aspect or its impact?	In respect of Corporate Social Responsibility, SBM adheres to international standards such as the United Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, ILO conventions and the UN Global Compact.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 International Labour Guidelines.The Company does not tolerate child or forced labour, and does not support or work with companies that sustain forced or compulsory labour, in compliance with the UN Universal Declaration of Human Rights, the ILO Conventions, the OECD Guidelines for multinational enterprises and its own Code of Conduct. Being spread over 6 continents and having over 90 nationalities represented in the workforce, there is a clear need for in-country adaptation and development. This has created great flexibility and diversity at all levels of the workforce. Indeed, the Company has managed to turn diversity into a strength, building stronger links and synergies amongst its personnel. SBM promises to adhere to the fundamental ILO conventions regarding child labour, forced labour, non-discrimination, freedom of association and collective bargaining, including among others.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
	c. How does SBM evaluate the way we manage this Aspect?	The Company is presently taking steps to ensure all operations offices comply with the Group's Social Accountability Manual Standard, which is based on SA8000 standards.For certain locations the Company has ensured that its operations comply with the highest social accountability standards. The Company commissioned Bureau Veritas to conduct an independent audit of the operators.	No	Yes
Aspect: Society:Local Communities	a. Why is the aspect material? Impacts that make this aspect material.	Governments in host countries demand certain levels of local content during construction of SBM Offshore products. We aim to meet these demands by subcontracting work at a local level or investing to develop local fabrication facilities. For SBM Offshore foster local development goes beyond compliance to local content, and refers to commitment to stimulate local and national development in the countries it operates. The Company engages locally and nationally to have a positive impact on economic and social development, through its core business and focus on employee development and local community programs. This requires close contact and dialogue with relevant stakeholders. As an equal opportunity employer SBM continued its commitment to employing, retaining and developing the best talent in the industry as well as its commitment to our nationalisation programmes in the countries where we operate.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect: Society:Local Communities	b. How does SBM manage this aspect or its impact?	The Company is committed to being globally aware, promoting local development and operating with integrity. The Company believes that social responsibility means investing in the wellbeing of its staff and maximising employee opportunities for success by providing stimulating challenges, customized training and high levels of work satisfaction, all within a safe working environment. As a matter of policy, SBM Offshore meets and for certain projects exceeds the local content requirements. SBM Offshore has always recruited employees locally in all areas of its operation and is committed to further investment in local infrastructure, training, personnel as well as development centres. SBM considers that local communities are one of their primary stakeholders and encourages and actively maintains open, respectful engagement with its stakeholders. SBM is dedicated to supporting local communities where we operate worldwide.	No	Yes
	c. How does SBM evaluate the way we manage this Aspect?	SBM Offshore has started to monitoring this aspect with the introduction of its socio economic impact assessment in Brazil.By performing socio-economic impact assessments SBM Offshore measures and demonstrates the value it creates in terms of social, environmental and economic impact on the local society. The assessments will be based on a sound and transparent methodology in which stakeholder opinions will be included. The results of the assessments will be discussed with local stakeholders with the aim to jointly define improvement plans.SBM Offshore has made some investments over the years in local communities. In Angola, SBM Offshore participated in the investment for a technical training school, an orphanage and recently a children's school near the Paenal Yard.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
DISCLOSURES ON MANAGEMENT APPROACH (DMA)				
Aspect: Society:- Anti-Corruption-Compliance	a. Why is the aspect material? Impacts that make this aspect material.	SBM is committed to conducting business activities in an honest, ethical, respectful and professional manner. Through these principles SBM engages to fight corruption and its damaging repercussions it has on the society and trade. Its ability to achieve sustainable business success is reliant on the Company's commitment to maintaining the highest standards of professional and ethical behaviour, and compliance with laws.	No	Yes
	b. How does SBM manage this aspect or its impact?	The Company continues to enhance its Compliance Programme under the leadership of the Chief Governance and Compliance Officer (CGCO) a new position created in 2012. The CGCO is a member of the Management Board (MB) and regularly reports to the Management Board and Supervisory Board on the current status of the Company's compliance activities.Now that a culture of transparency and ownership has been instilled at the very core of the organisation, management's objective going forward is to move from a rules-driven approach to a values-driven approach. SBM's Core Values and Code of Conduct set out the overall principles and rules for expected behaviour from the Companys employees and various business partners, such as within its joint ventures and the supply chain. The compliance programme and organisation enables reasonable oversight and control by the Company of all elements of the Code of Conduct. The seven-member strong team in the compliance department leads the oversight, control and implementation of the Groups compliance programme. Within the Company's worldwide execution centres and operations, the top tier management on-site is held accountable for ethics and compliance and acts as business partner to the Group Compliance Director.Proactively approaching anti-corruption risks within the framework of its compliance programme since 2012, the Company's improved procedure for identifying and mitigating integrity risks with regard to sales intermediaries, business partners and third parties continues to ensure that SBM's core values are adhered to and that the law is followed.	No	Yes
Aspect: Society:- Anti-Corruption-Compliance	c. How does SBM evaluate the way we manage this Aspect?	SBM tracks training hours on anti-bribery by type of employee and location.The Company has a procedure allowing employees to report alleged irregularities with respect to the Code without jeopardising their employment position. The Management Board decided to create a Freephone or web-based reporting facility (the SBM Offshore Integrity Line) which employees can use - anonymously if they wish - in their own language.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
Aspect: Employment				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Chapter 7.2 Performance Indicators Chapter 4.9 Human Resources SBM Offshore reports its Human Resources data in Operational Segments which correspond to different regions and segments of SBM population which is a more relevant breakdown method for SBM Offshore's stakeholders.	No	Yes
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	Chapter 7.2 Performance Indicators Chapter 4.8 HSSE 4.8.2 Occupational Health and Safety Absenteeism data is not available for 2014. SBM Offshore is working on its internal reporting system for 2015 to report on this data in the future.Absenteeism was not disclosed in 2014 as the information was not available. SBM Offshore is taking steps for quality improvement in its internal reporting and aims to disclose absenteeism for 2015.	No. Partial omission on absenteeism	Yes
Aspect: Training and Education				
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Chapter 7.2 Performance Indicators SBM Offshore reports its Human Resources data in Operational Segments which correspond to different regions and segments of SBM population which is a more relevant breakdown method for SBM Offshore's stakeholders.SBM offshore has also chosen to disclose this indicator the employee category onshore / offshore as a relevant breakdown method for SBM Offshore's stakeholders as these are two very different types of populations at SBM Offshore. Onshore employees are those who are based in offices and contains some construction employees. Offshore includes employees who are working offshore on the fleet and are involved in production of hydrocarbons.	No	Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Chapter 7.2 Performance Indicators Chapter 4.9 Human Resources All employees receive regular performance and career development reviews, therefore breakdown per employee category and gender is not appropriate.SBM offshore has chosen to disclose this indicator by onshore / offshore to show five year trends.	No	Yes

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL				
Aspect: Equal Remuneration for Women and Men				
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Information on Salary and Remuneration was not available for 2014. SBM Offshore is taking steps for quality improvement in its internal reporting and aims to disclose absenteeism for 2015.	Yes	No
Aspect: Anti-Corruption				
G4-SO4	Communication and training on anti-corruption policies and procedures	Chapter 4. Report of the Management Board 4.3 Compliance SBM Offshore's Code of Conduct and Anti-Corruption Policy and Compliance Guide is published on its website site and internal intranet for all governance bodies, employees and business partner to have access to these documents.The Management Board and management receive regular and continuous trainings and communication on the Code of Conduct, Anti-Corruption and Compliance. Compliance management is also a regular topic on the Supervisory Board and Supervisory Board Audit Committee agenda.SBM Offshore is committed to conducting its business honestly, ethically, and lawfully. As part of this commitment, SBM Offshore opposes business corruption in all its forms. It is SBM Offshore's intention that all business partners, JV partners and supply chain comply with the Code of Conduct and Anti-Corruption Policies. A Third Party due diligence policy and process is in place and operational. Chapter 7.2 Performance Indicators contains information on the number of employees who have received Ethics and Compliance training.	No	Yes
G4-SO5	Confirmed incidents of corruption and actions taken	There were no confirmed incidents of corruption in 2014, however during 2014 actions were taken related to previously reported incidents.	No	Yes
Aspect: Compliance				
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	SBM Offshore's out-of-court settlement consists of a payment by the Company to the Openbaar Ministerie of US$ 240 million. Chapter 1. Overview 1.1 Message from the CEO Chapter 4.3 Compliance 4.3.5 Investigation Chapter 5. Report of the Supervisory Board - Governance and Compliance 5.1.1 Message from the Chairman of the Supervisory BoardChapter 6. Financial Report 2014 Note 1. Operating Segments	No	Yes
Sector Specific Aspect: Asset Integrity and Process Safety				
G4-OG13	Number of process safety events, by business activity	Chapter 7.2 Performance Indicators Chapter 4.8.3 Process Safety Management	No	Yes

7.4 Independent Auditor's Report

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Independent assurance report

To: the board of management of SBM Offshore N.V.

Report on the Sustainability Information 2014

The board of management of SBM Offshore N.V. ('the Company') engaged us to provide limited assurance on certain information ('the Sustainability Information') in the annual report 2014 (leading to a 'conclusion'). We believe these procedures fulfil the rational objective as disclosed by the Company in the section 'Scope of sustainability information' on page 219.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information for the year ended year ended 2014 does not provide a reliable and appropriate presentation of the Company's policy for sustainable development, or of the activities and performance of the organisation relating to sustainable development during the reporting year, in accordance with the reporting criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

The basis for our conclusion

What we are assuring

We have reviewed the Sustainability Information included in the following sections of the annual report for the year 2014 (hereafter: 'the report') of SBM Offshore, Rotterdam, as presented throughout the report.

- "Company Profile" and "Corporate Strategy & Sustainability" on pages 4 to 37;
- Report of the management board, section "Compliance" on pages 43 to 45;
- Report of the management board, section "HSSE" and "Human Resources" on pages 66 to 73; and
- Performance Indicators on pages 219 to 256, including the GRI Index Table which is included in this section.

This report comprises a representation of the policy, the activities, and performance of the Company relating to sustainable development during the reporting year 2014. The disclosures made by management with respect of the scope of the report are included on pages 219 to 224 in the section 'Scope of sustainability information'.

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Limitations in our scope

The report contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore it may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

A review is focused on obtaining limited assurance. The procedures performed in obtaining limited assurance are aimed on the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on obtaining reasonable assurance through audit procedures. The procedures performed consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. Consequently, a review engagement provides less assurance than an audit.

Reporting criteria

The Company developed its sustainability reporting criteria on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI), which are disclosed together with detailed information on the reporting scope in the section 'Scope of sustainability information', and reporting process and methods also disclosed in the section 'Scope of sustainability information'. We consider the sustainability reporting criteria to be relevant and appropriate for our examination.

Understanding reporting and measurement methodologies

The information in the scope of this engagement needs to be read and understood together with the reporting criteria, for which the Company is solely responsible for selecting and applying. 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.

Corresponding figures not reviewed

We have not performed an audit or a review with respect to the Sustainability Information of 2013, with the exception of the 2013 information included in the section Performance Indicators about Safety (LTIFR and TRIFR) on page 225, and information about Environment on page 226 and 227 of the annual report.

Our assurance approach

Materiality

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the information presented, both individually and in aggregate. Based on our professional judgement, we determined specific materiality levels for each element of the Sustainability Information.

Areas of particular focus

The areas of particular focus that, in our professional judgment, were of most significance in the assurance engagement of the sustainability information, including the allocation of our resources and effort, are identified below together with an explanation of how we tailored our procedures to address these specific matters. This is not a complete list of all risks and/or matters identified by our work.

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We have communicated the areas of particular focus with the supervisory board. These areas were addressed in the context of our assurance engagement of the sustainability information as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these areas of particular focus.

The determination of the material Sustainability Information resulting from the dialogue with stakeholders ***Refer to section 3.2 and 3.3 (Corporate strategy and sustainability) and section 7.1 (Scope of sustainability Information).*** The dialogue with stakeholders and the outcome thereof is considered a particular area of focus because this dialogue is considered by SBM Offshore N.V.'s board of management as key for the long term success of the Company and drives the determination of the material information in the Sustainability reporting as required by the G4 guidelines of GRI.	We evaluated and challenged the process by which the dialogue with stakeholders was performed and the conclusions drawn therefrom. Furthermore, we challenged the identification of the material information reported as the outcome of the dialogue by comparing them with the results of our media search. Our procedures included, amongst others, reviewing the stakeholders dialogue, discussions with SBM Offshore N.V.'s management and the review of underlying documentation. We also evaluated the reasonableness and consistency of the analysis of the dialogue, the consistency with the G4 guidelines of GRI reporting criteria and the disclosure thereof in the annual report. In addition, we applied a risk based approach, where we focussed relatively more on a substantive review approach for the indicators that were introduced by the Company in 2014 and those for which no assurance was provided to SBM Offshore N.V. in previous years.
Disclosures on anti-corruption Anti-corruption is included as relevant aspect in GRI G4 and is prioritized as material aspect for SBM Offshore N.V. The key elements of information disclosure on anti-corruption as defined by GRI G4 include training and communication about anti-corruption, the number of confirmed incidents, the actions taken and the monetary & non-monetary sanctions as a result of non-compliance with laws and regulations.	In our assurance approach, we focused on the appropriate disclosures of SBM offshore N.V. related to this material topic. Our approach has been substantive of nature and fact based. For quantitative information we applied a substantive review approach, including sampling. We reviewed the evidence of qualitative information disclosed as part of our review procedures.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the Sustainability Information.

Our main procedures included the following:

- performing an external environment analysis and obtaining insight into the industry, relevant social issues, relevant laws and regulations and the characteristics of the organisation;
- assessing the acceptability of the reporting policies and consistent application of this, such as assessment of the outcomes of the stakeholder dialogue and the process for determining the material subjects, the reasonableness of estimates made by management, as well as evaluating the overall presentation of the sustainability information;

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- understanding the systems and processes for data gathering, internal controls and processing of other information, such as the aggregation process of data to the information as presented in the sustainability information;
- interviewing management and relevant staff at corporate (and business/division/local) level responsible for the sustainability strategy and policies;
- interviews with relevant staff responsible for providing the information in the report, carrying out internal control procedures on the data and the consolidation of the data in the report;
- reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the report, is substantiated adequately;
- assessing the consistency of the sustainability information and the information in the Report 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.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Professional and ethical standards applied

We conducted our assurance engagement in accordance with Dutch law, including Standard 3810N 'Assurance engagements relating to sustainability reports' (hereafter 'Standard 3810N'). Our responsibilities under this standard are further described in the "Our responsibilities" section of this report.

We are independent of the Company in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA) and other relevant regulations.

Responsibilities

The management board's responsibilities

The management board of the Company is responsible for the preparation of the report in accordance with the Company's reporting criteria, including the identification of the stakeholders and the determination of material subjects. Furthermore, the management board is responsible for such internal control as the management board determines is necessary to enable the preparation of the report that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the report based on our assurance engagement in accordance with Standard 3810N. This requires that we comply with ethical requirements and that we plan and perform our work to obtain limited assurance about whether the report is free from material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the report in order to design 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.

An assurance engagement aimed on providing limited assurance also includes evaluating the appropriateness of the reporting framework used and the reasonableness of estimates made by management as well as evaluating the overall presentation of the report.

The Hague, 11 February 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by W.H. Jansen RA

8 Disclaimer

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. Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of the Company's business to differ materially and adversely from the forward-looking statements.

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report as anticipated, believed, or expected. SBM Offshore NV 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 subsequent events or circumstances.