2014
FINANCIAL STATEMENTS

FEBRUARY 11, 2015

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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.

SBM OFFSHORE

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

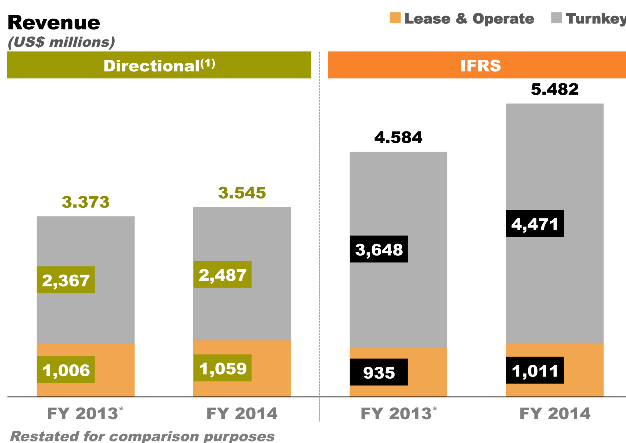
The FPSO *Turritella* Operations & Maintenance contract was signed between SBM Offshore and Shell Offshore Inc. The contract includes an initial period of ten years with future extension options up to a total of twenty years.

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:

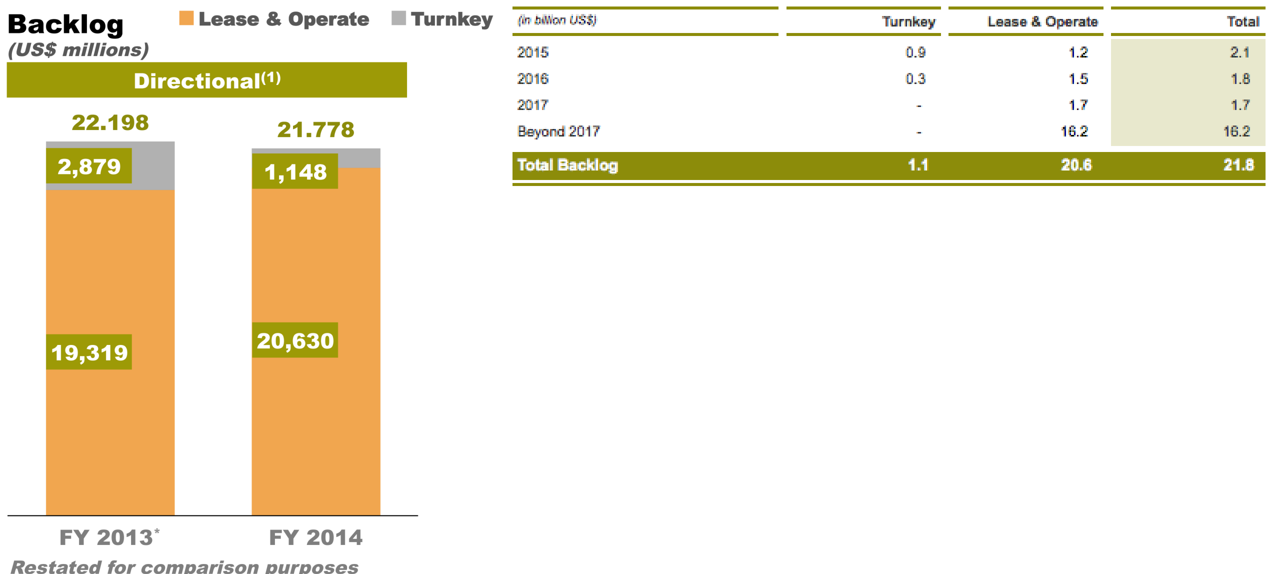
Project	Contract	SBM Share	Capacity, Size	POC	Expected Delivery	Notes
N'Goma, FPSO	12 year finance lease	50%	100,000 bpd		2014	Construction, refurbishment and module work at Keppel shipyard in Singapore completed in early May. Lifting of remaining modules at the Paenal yard in Angola completed, and vessel 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:



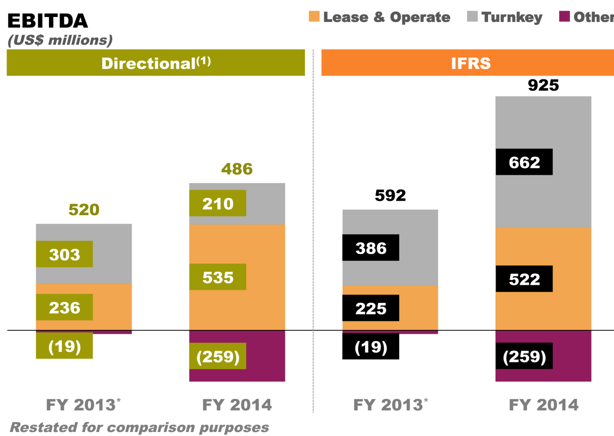
(in billion US$)	Turnkey	Lease & Operate	Total
2015	0.9	1.2	2.1
2016	0.3	1.5	1.8
2017	-	1.7	1.7
Beyond 2017	-	16.2	16.2
Total Backlog	**1.1**	**20.6**	**21.8**

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.

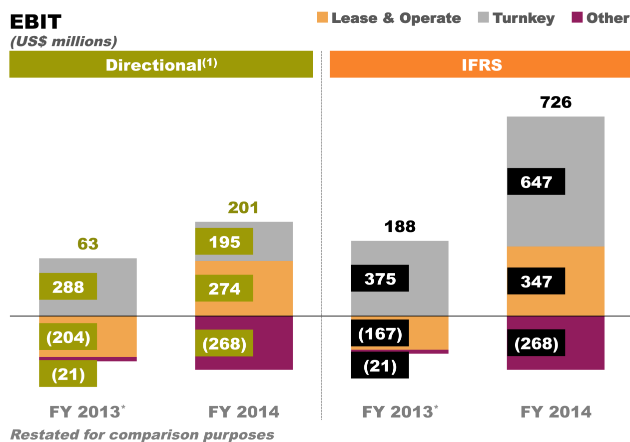


Reported 2014 Directional[1] EBITDA was US$486 million compared to US$520 million in 2013. Total Directional[1] EBITDA consisted of US$535 million from the Lease and Operate segment compared to US$236 million in 2013, and US$210 million from the Turnkey segment compared to US$303 million in 2013. A reduction 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*.

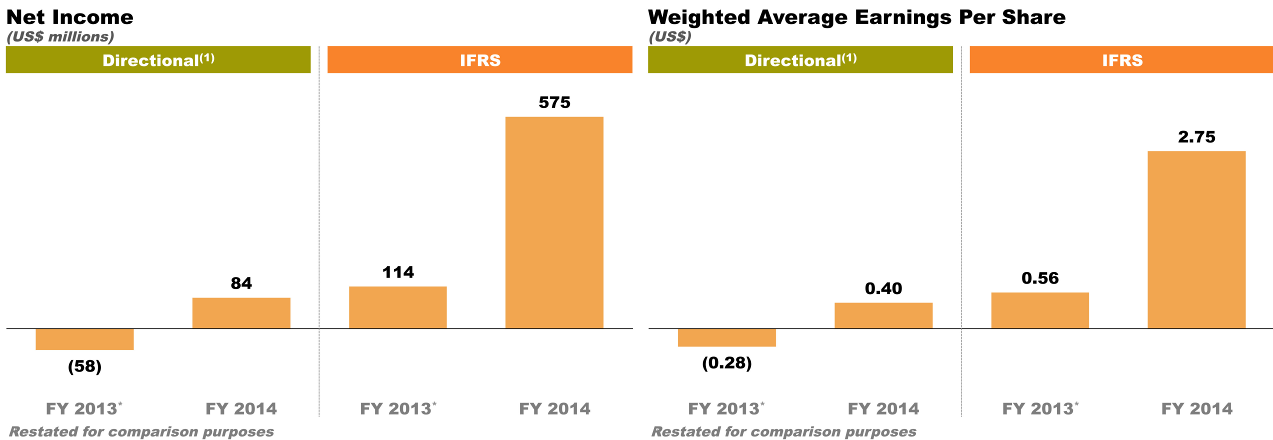
More generally, once production units are brought into service the financing costs are expensed to P&L statement, whereas during construction interest is capitalised. It should be emphasised that the net profit contribution of newly operating leased units is limited by the relatively high interest burden 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.

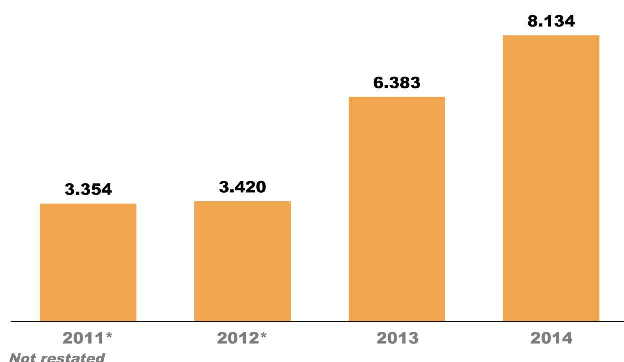
Statement of Financial Position

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

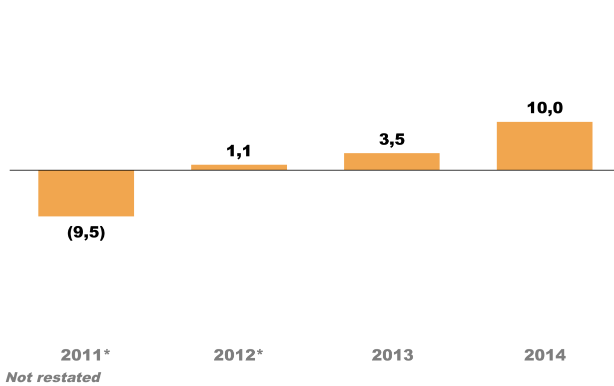
Due to the classification of the contracts as finance leases, investments in the units were recorded through construction contracts with the investments in finance leases ultimately recorded as financial assets. The net investment in these finance lease contracts amounted to US$2,331 million in 2014,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

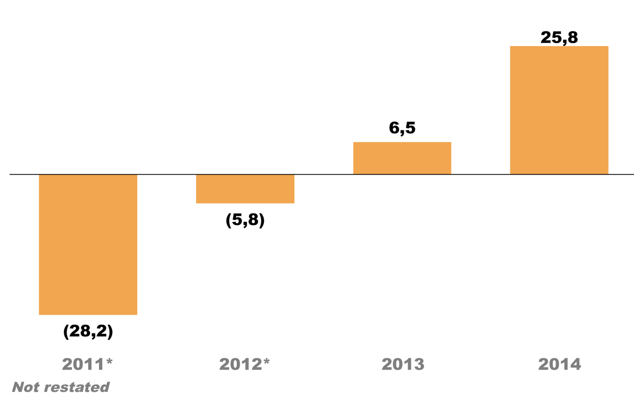
The decrease in property, plant and equipment in 2014 to US$1,923 million, compared to US$2,058 million at the end of 2013, resulted from the low level of capital expenditure less normal depreciation, impairment and amortisation.

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.

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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*

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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*

SBM OFFSHORE

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**

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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 investments 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)	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)

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.

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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.

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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:

SBM OFFSHORE

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*

SBM OFFSHORE

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			Net book value at 31 December 2013 (*)		
					Non-current	Current	Total	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)

OFFSHORE

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:

SBM OFFSHORE

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

	2014		2013	
Rating	Assets	Liabilities	Assets	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-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	-	2	70	-	-	70	0	13
OPS-Serviços 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 Serviços 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-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	10	22	78	-	10	68	0	46
OPS-Serviços 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 Serviços 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.

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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.

Reference: WJ/EvdV/e0345519/AM/mb

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*