SBM OFFSHORE N.V.

(*a public company incorporated under the laws of the Netherlands, with its corporate seat in Rotterdam, the Netherlands*)

1 (one) for 10 (ten) rights issue of 18,914,221 new ordinary shares at an issue price of EUR 10.07 per ordinary share

This document (the **Prospectus**) has been prepared in connection with the issue of 18,914,221 new ordinary shares in the capital of SBM Offshore N.V. (**SBM Offshore** or the **Company**) with a nominal value of EUR 0.25 each (the **Offer Shares**) at an issue price of EUR 10.07 (the **Issue Price**) per Offer Share. Subject to applicable securities laws and the terms set out in this Prospectus, existing holders of ordinary shares in the capital of SBM Offshore with a nominal value of EUR 0.25 (the **Ordinary Shares**) as at the Record Date (as defined below) are being granted transferable subscription rights to subscribe for the Offer Shares (the **Rights**). The offer to subscribe for Offer Shares through the exercise of Rights is referred to as the **Offering**.

Each Ordinary Share held immediately after the close of trading in Ordinary Shares on NYSE Euronext in Amsterdam (**Euronext Amsterdam**) at 17:40 hours, Central European Time (**CET**), on 3 April 2013 (the **Record Date**) will entitle its holder to one (1) Right. Eligible Persons (as defined in "Selling and Transfer Restrictions") will be entitled to subscribe at the Issue Price for 1 Offer Share for every 10 Rights held. Eligible Persons may, subject to applicable securities laws, subscribe for Offer Shares by exercising Rights from 09:00 hours CET on 4 April 2013 until 15:00 hours CET on 17 April 2013 (the **Exercise Period**). If an Eligible Person has not exercised his Rights by the end of the Exercise Period, they can no longer be exercised. Once an Eligible Person has validly exercised his Rights, that exercise cannot be revoked or modified, except in certain circumstances as set out in "The Offering – Exercise Period".

SBM Offshore has applied for admission to listing and trading of the Rights on Euronext Amsterdam. Listing and Trading is expected to commence under the symbol "SBMOR" at 09:00 hours CET on 4 April 2013 and will continue until 17:40 hours CET on 16 April 2013. All transactions in the Rights prior to the closing date on 22 April 2013 (the **Closing Date**) are at the sole risk of the parties involved.

SBM Offshore has applied for admission to listing and trading of the Offer Shares on Euronext Amsterdam. Trading is expected to commence on 22 April 2013. The Ordinary Shares are listed on Euronext Amsterdam under the symbol "SBMO".

Following the expiry of the Exercise Period, any Offer Shares that were issuable upon the exercise of Rights, but that have not been subscribed for during the Exercise Period and any and all Offer Shares taken up but not paid for within three (3) Trading Days of the Closing Date (the **Remaining Offer Shares**) will be subscribed and paid for by HAL Investments B.V. (**HAL**) at the Issue Price in accordance with the terms and conditions of the private placement and underwriting agreement between the Company and HAL dated 20 December 2012 (the **Underwriting Agreement**). As a consequence of the foregoing, there will be no rump offering. See "The Offering" and "Plan of Distribution".

SBM Offshore may adjust the dates, times and periods of the Offering given in this Prospectus in consultation with HAL, ING Bank N.V., acting through its corporate finance division (**ING**) and Morgan Stanley & Co., International plc. (**Morgan Stanley**) (ING and Morgan Stanley jointly, the **Joint Global Coordinators**). If SBM Offshore should decide to do so, SBM Offshore will make this public through a press release published in the Netherlands, which will be placed on its website.

The Offering is subject to a number of conditions. See "The Offering" and "Plan of Distribution". If any or all of the conditions are not met or waived by HAL or, as applicable, by HAL and the Company collectively, prior to payment for and delivery of the Offer Shares, the Offering shall not take place and the Underwriting Agreement shall terminate unless the parties agree otherwise in writing. In such event, the Offering will be withdrawn. Consequently, (i) both the exercised and unexercised Rights will lapse without compensation to their holders, (ii) subscriptions for, and allotments of Offer Shares that have been made, will be disregarded and (iii) any subscription payments made and received by SBM Offshore or ABN AMRO Bank (the **Subscription, Listing and Paying Agent**) will be returned without interest or compensation. The lapsing of Rights will be without prejudice to the validity of any trades in Rights that have been settled. Any non-settled trades in Rights that have occurred on Euronext Amsterdam will be deemed null and void. There will be no refund or compensation in respect of Rights purchased in the market or in any other manner. The Joint Global Coordinators, SBM Offshore, HAL, the Subscription, Listing and Paying Agent and Euronext Amsterdam do not accept any responsibility or liability with respect to the withdrawal of the Offering or the related annulment of any transactions in Rights on Euronext Amsterdam.

None of SBM Offshore, the Joint Global Coordinators and HAL has taken, and they will not take any action to permit, a public offer of the Rights or the Offer Shares (together the **Offer Securities**) in any jurisdiction outside the Netherlands. Distribution of this Prospectus may, in certain jurisdictions, be subject to specific regulations or restrictions. Persons in possession of this Prospectus are urged to inform themselves of any such restrictions which may apply in their jurisdiction and to observe them. Any failure to comply with these restrictions may constitute a violation of the securities laws of that jurisdiction. The Company disclaims all responsibility for any violation of such restrictions by any person. For a description of the restrictions on resale and transfer of the Offer Securities, see "Selling and Transfer Restrictions".

The Offer Securities have not been, and will not be, registered under the US Securities Act of 1933, as amended (the **Securities Act**) or any state securities laws in the United States, and may not be exercised, offered or sold in the United States unless the Offer Securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Offering is only made in those jurisdictions in which, and only to those persons to whom, the Offering may be lawfully made. The Offering is to be made in reliance on Regulation S under the Securities Act. Potential investors in the Offer Securities should carefully read "Selling and Transfer Restrictions".

Investing in the Offer Shares and trading in the Rights involves certain risks. See "Risk Factors" for a description of certain risks that should be carefully considered by potential investors before investing in the Offer Shares or trading in the Rights.

The statutory pre-emption rights (*wettelijke voorkeursrechten*) of the holders of Ordinary Shares in respect of the Offering have been excluded.

The Offer Securities will be delivered in book-entry form through the facilities of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. trading as Euroclear Nederland (**Euroclear Nederland**), in accordance with its normal settlement procedures applicable to equity securities.

This Prospectus constitutes a prospectus for the purposes of Article 3 of the European Union Directive 2003/71/EC of the European Parliament and of the Council of the European Union (and amendments thereto, including Directive 2010/73/EU to the extent implemented in the relevant member state of the European Economic Area (**Relevant Member State**), including all relevant implementing measures (the **Prospectus Directive**) and has been prepared in accordance with chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*; the **Dutch Financial Supervision Act**) and the rules promulgated thereunder. This Prospectus has been filed with and approved by the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the **AFM**).

Joint Global Coordinators

ING and Morgan Stanley

Subscription, Listing and Paying Agent

ABN AMRO

This Prospectus is dated 3 April 2013

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1. SUMMARY

Summaries are made up of disclosure requirements known as **Elements.** These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding this Element. In this case a short description of the Element is included in the summary with the mention of "not applicable". Certain capitalised terms used in this summary are defined in "Definitions and Glossary".

	Section A – Introduction and warnings	
A.1	***Introduction and warnings***	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Offer Securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary (including any translation thereof), but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering to invest in the Offer Securities.
A.2	***Consent***	Not applicable; there will be no subsequent resale or final placement of securities by financial intermediaries.
	Section B – Issuer	
B.1	**Legal and commercial name of the issuer**	SBM Offshore N.V. (the **Company**)
B.2	**Domicile, legal form, legislation and country of incorporation**	The Company is a public company (*naamloze vennootschap*) incorporated under the laws of and domiciled in the Netherlands. The Company has its statutory seat (*statutaire zetel*) in Rotterdam, the Netherlands.
B.3	**Key factors relating to the nature of the Group's operations and its principal activities**	The Group is a provider of floating production systems to the offshore oil and gas E&P industry. It offers a broad scope of services across the full spectrum of the product life-cycle, from engineering to procurement, construction, installation, operation and product life extension (including relocation). The Group is a leader in its main activity, the design, supply, installation and operation of FPSO and FSO vessels, in particular mid-sized FPSO vessels with a production capacity of 80 – 150k boe/d (see "Industry and Market Overview – FPSO market: Competitive Landscape"). Furthermore, the

		Group is the market leader in the design, supply, installation and operation of large turret mooring systems[1], the most complex component of an FPSO. The Group operates in three business segments: • **Turnkey Systems**: the supply of FPSOs and other types of floating production systems, complex large turret mooring systems and associated services, such as engineering services, on a turnkey basis to customers. This segment also includes the construction and conversion of vessels forming part of the Group's lease fleet, for life extension and relocation projects, which is all undertaken at cost basis. The Group's Turnkey Systems operations accounted for 67% of the Group's total revenue for 2012 (2011: 63%); • **Lease and Operate**: the lease and operation of the Group's fleet of floating production vessels on long-term contracts to customers. The Group's Lease and Operate operations accounted for 25% of the Group's total revenue for 2012 (2011: 27%); and • **Turnkey Services**: the provision of installation, overhaul and repair services, including the supply of spare parts, and the supply of Catenary Anchor Leg Mooring buoys (CALM buoys) and other mooring systems. The Group's Turnkey Services operations accounted for 8% of the Group's total revenue for 2012 (2011: 10%). As of January 2013, the results of the Turnkey Services segment are integrated in the Turnkey Systems reporting segment. The Group's administrative office is located in Schiedam, the Netherlands. The Group operates five execution centres, which are located in Schiedam (the Netherlands), Monaco (Monaco), Houston (US) and Kuala Lumpur (Malaysia). Four of these execution centres focus on project management and the remaining execution centre focuses on the management of the Group's fleet. In addition, corporate support functions are located in Monaco, Marly (Switzerland) and Schiedam, and there are four representative offices, nine operational shore bases and two construction and integration yards. The Group had 7,493 employees worldwide at 31 December 2012. Since the offshore oil and gas E&P industry is a global industry, the Group operates on a global basis. Based on the geographies of where the floating production systems operate, the main regions in which the Group is currently active are Brazil and West Africa (Angola, Nigeria and Equatorial Guinea). In 2012, the Group's revenue from Brazil accounted for 49% of the Group's total revenue (2011: 40.5%) and from West Africa for 22.8% of the Group's total revenue (2011: 35.7%). The Group's total revenue for 2012 was US$ 3,695 million (2011: US$ 3,157 million) and net loss for 2012 was US$ 74.9 million (2011: a net loss of US$ 440.6 million). The Group's Order Portfolio (see "Key elements of the Group's business model – Order Portfolio") at 31 December 2012 amounted to US$ 14.54 billion (31 December 2011: US$ 16.91 billion). The Group believes it has the following strengths: • FPSOs as core product

[1] The turret system is the most complex component of an FPSO. Depending on the weather conditions, an FPSO can be anchored to the seabed with mooring lines directly or by the attachment to an internal or external turret system. The turret enables the vessel to weathervane (rotate) to face the prevailing wave, wind or current. In locations with calm weather, the turret is often permanently moored. In bad weather locations, a disconnectable turret system may be preferred, which allows the vessel to disconnect, sail away and return when conditions have calmed down.

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Engineering skills and cutting edge technology
Continuous improvement of the design and construction of new FPSO projects

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<tr><td>B.4a</td><td>Trends</td><td>
The Company has identified the following trends that are expected to influence the Group's business and the markets in which it operates:

The IEA and other expert sources expect oil to remain the leading fuel in 2035 with a 27% share (down from 33% as at March 2013). In the overall energy mix, alongside renewables and biofuels, gas is expected to be the only fossil fuel source to increase its share.
The move to production of fields in increasingly deeper waters is expected to continue.
The complexity and size of FPSOs are expected to further increase.
During the previous years, the average contract life of FPSOs has doubled and sometimes even tripled and FPSOs have been increasingly used as full life-of-field development systems. This trend is expected to continue.
As a result of the expected increase in complexity, size, and contract life of FPSOs, it is anticipated that FPSOs will require a growing scale of investment.
Due to the global debt crisis, it is increasingly difficult to secure long-term debt financing from banks.
FPSOs will continue to be constructed and operated under strict local content requirements in Brazil but also in Africa and other parts of the developing world.

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<tr><td>B.5</td><td>Description of the Group and the Company's positioning within the Group</td><td>
SBM Offshore is the holding company of the Group that includes the following material subsidiaries (held directly or indirectly by SBM Offshore) as at 31 December 2012:
<table>
<tr><th>Name</th><th>Country of incorporation</th><th>Percentage of capital and voting rights held by the Company (directly or indirectly)</th></tr>
<tr><td>SBM Schiedam B.V.</td><td>Netherlands</td><td>100%</td></tr>
<tr><td>SBM Holding Inc. S.A.</td><td>Switzerland</td><td>100%</td></tr>
<tr><td>Single Buoy Moorings Inc. S.A</td><td>Switzerland</td><td>100%</td></tr>
<tr><td>Single Buoy Holdings Inc.</td><td>US</td><td>100%</td></tr>
<tr><td>SBM Malaysia Sdn. Bhd.</td><td>Malaysia</td><td>100%</td></tr>
<tr><td>SBM Atlantia Inc.</td><td>US</td><td>100%</td></tr>
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<td>B.6</td>
<td>Persons who, directly and indirectly, have a notifiable interest in the Company's capital or voting rights</td>
<td>The table below sets forth certain information as at the date of this Prospectus concerning the ownership of Shares of each holder with a 5% or larger interest in the capital of the Company or 5% or more of the voting rights. The information is based on public filings in the register of substantial shareholdings kept by the AFM:
<table>
<tr><th>Name</th><th>Type of shares</th><th>Percentage of (direct or indirect) interest in the capital of the Company or its voting rights</th></tr>
<tr><td>HAL Trust</td><td>Ordinary Shares</td><td>13.3%</td></tr>
<tr><td>Sprucegrove Investment Management Limited</td><td>Ordinary Shares</td><td>5.02%</td></tr>
<tr><td>Stichting Continuïteit SBM Offshore N.V.</td><td>Call option on Preference Shares</td><td>50.00%</td></tr>
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<td>Different voting rights</td>
<td>These shareholders do not have different voting rights from other shareholders.</td>
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<td>Direct and indirect ownership of or control over the Company and nature of such control</td>
<td>The Company is not aware of any party, or any parties acting in concert, that directly or indirectly control the vote at any General Meeting, nor is the Company aware of any arrangement the operation of which may result in a change of control in the Company.</td>
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<td>B.7</td>
<td>Selected historical key financial information</td>
<td>The table below sets out selected financial information for each of the three financial years ended 31 December 2012, 2011 and 2010 and is derived, subject to the note immediately below, from the Company's consolidated financial statements for the financial years ended 31 December 2012, 2011 and 2010, each of which is incorporated by reference. This table and the information in it should be read in conjunction with the Company's consolidated financial statements for the financial years ended 31 December 2012, 2011 and 2010, including the accompanying notes, and the rest of this Prospectus, including the information in the "Operating and Financial Review".

In 2011, the Group revised certain accounting policies. As a consequence, to ensure comparability, the 2010 financial information included in the consolidated financial statements for the financial year ended 31 December 2011 was restated in several respects. The 2010 financial information set out below is derived from the restated 2010 financial information included in the consolidated financial statements for the financial year ended 31 December 2011.</td>
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(in thousands of US$, except for weighted average number of shares and earnings per share)	Financial year ended 31 December 2012	2011	2010
CONSOLIDATED INCOME STATEMENT			
Revenue	3,695,223	3,156,826	3,055,761
Cost of sales	(3,571,655)	(3,317,774)	(2,520,269)
Gross margin	**123,568**	**(160,948)**	**535,492**
Other operating income	130,639	1,894	2,240
Selling and marketing expenses	(49,611)	(46,722)	(44,617)
General and administrative expenses	(128,770)	(84,435)	(85,977)
Research and development expenses	(25,349)	(50,408)	(20,659)
Operating profit/(loss) (EBIT)	**50,477**	**(340,619)**	**386,479**
Financial income	15,640	13,198	19,734
Financial expenses	(102,496)	(63,145)	(103,475)
Net financing costs	**(86,856)**	**(49,947)**	**(83,741)**
Profit/(loss) before tax	**(36,379)**	**(390,566)**	**302,738**
Income tax expense	(38,481)	(50,048)	(26,727)
Profit/(loss)	**(74,860)**	**(440,614)**	**276,011**
Attributable to shareholders of the parent company	(79,488)	(472,657)	239,960
Attributable to non-controlling interests	4,628	32,043	36,051
Profit	**(74,860)**	**(440,614)**	**276,011**
Weighted average number of shares outstanding	172,280,556	170,342,173	167,095,777
Basic earnings/(loss) per share	US$ (0.46)	US$ (2.77)	US$ 1.44
Fully diluted earnings/(loss) per share	US$ (0.46)	US$ (2.77)	US$ 1.42

(in thousands of US$)	Financial year ended 31 December 2012	2011	2010
CONSOLIDATED CASH FLOW STATEMENT			
Net cash from operating activities	1,143,470	1,157,604	981,804
Net cash used in investing activities	(1,033,991)	(1,311,201)	(1,045,188)
Net cash from financing activities	473,217	216,468	23,984
Net increase/(decrease) in cash and cash equivalents	582,696	62,871	(39,400)
Cash and cash equivalents at 1 January	164,700	103,421	146,712
Currency differences	927	(1,592)	(3,891)
Cash and cash equivalents at 31 December	748,323	164,700	103,421

(in thousands of US$)	As at 31 December 2012	2011	2010
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS			
Property, plant and equipment	2,482,160	2,533,666	2,941,810
Intangible assets	29,225	47,300	67,924
Investment in associates	-	41	42
Other financial assets	833,771	963,497	221,146
Deferred tax assets	40,682	9,959	15,717
Derivative financial instruments	11,035	9,524	31,252
Total non-current assets	**3,396,873**	**3,563,987**	**3,277,891**
Inventories	20,318	27,915	29,280
Trade and other receivables	906,309	996,023	723,560
Income tax receivable	293	416	2,932
Construction work in progress	1,159,994	499,062	833,808
Derivative financial instruments	25,847	29,158	95,317
Cash and cash equivalents	748,323	173,500	110,648
Assets held for sale	77,431	-	-
Total current assets	**2,938,515**	**1,726,074**	**1,795,545**
Total assets	**6,335,388**	**5,290,061**	**5,073,436**
EQUITY AND LIABILITIES			
Issued share capital	62,412	55,504	56,420
Share premium reserve	866,831	674,913	658,532
Retained earnings	799,725	875,668	1,406,301
Other reserves	(260,433)	(322,517)	(48,083)
Equity attributable to shareholders of the parent company	**1,468,535**	**1,283,568**	**2,073,170**
Non-controlling interests	71,264	65,463	50,235
Total equity	**1,539,799**	**1,349,031**	**2,123,405**
Loans and borrowings	1,907,403	1,531,887	1,471,260
Deferred income	110,464	74,943	49,261
Provisions	43,662	44,443	43,188
Deferred tax liabilities	552	2,352	978
Derivative financial instruments	228,590	281,400	168,398
Total non-current liabilities	**2,290,671**	**1,935,025**	**1,733,085**
Loans and borrowings	623,577	600,096	283,698
Provisions	234,942	30,845	29,850
Trade and other payables	1,549,266	1,248,092	863,704
Income tax payable	49,032	10,961	11,617
Derivative financial instruments	48,101	116,011	28,077
Total current liabilities	**2,504,918**	**2,006,005**	**1,216,946**
Total equity and liabilities	**6,335,388**	**5,290,061**	**5,073,436**

B.7	**Description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information**	• In 2011 and 2012, the operating results of the Group were significantly affected by impairment charges. These impairment charges were recognized mainly in relation to the Yme and Deep Panuke projects for US$ 426.8 million in 2012, US$ 857 million in 2011 and US$ 50.7 million in 2010 but also as a result of a revised strategic focus on core products amounting to US$ 37.6 million in 2011. • In 2012, and as part of a wider US$ 400 million non-core assets disposal program, the GustoMSC business was sold for approximately US$ 189 million, and the Dynamic Installer, a diving support vessel, was sold for US$ 15 million. In aggregate, these disposals contributed capital gains of US$ 128 million to net income in 2012. • On 20 December 2012, motivated primarily by the likely de-commissioning of the Yme platform and a related US$ 400 million impairment plus a US$ 200 million provision for contributing to de-commissioning costs, the Group increased its equity through a Private Placement with HAL, which resulted in a net contribution to equity of US$ 188.7 million, and announced, subject to reaching a settlement with Talisman Energy Norge AS (together with any of its associates, **Talisman**) in respect of the Yme MOPUstor project on or before 11 March 2013, that: - HAL would pay an additional amount to the Company to reflect a revised, higher valuation for the Private Placement Shares; - the Company would raise additional equity by means of the Offering, subject to customary conditions and the approval of the general meeting of shareholders; and - the Offer Price would be equal to the EUR equivalent of the adjusted issue price of the Private Placement Shares. • On 11 March 2013, the Group and Talisman signed a settlement agreement pursuant to which all agreements in respect of the Yme MOPUstor project and disputes, including pending arbitration, between the parties have been terminated. The Group and Talisman have agreed to discontinue the completion of the MOPUstor and to decommission and scrap the MOPU. On 11 March 2013, the Group has paid Talisman an amount of US$ 470 million for decommissioning and settlement of the arbitration. Talisman as the operator of the field will be responsible to do the decommissioning work. The Group will take over the MOPU when it exits the 500 meter zone where the platform currently is located and will be responsible for transporting it to a yard where the MOPU will be scrapped. A provision of US$ 200 million had been taken in 2012 in relation to this settlement. • On 31 January 2013, the Group repaid the full amount drawn under the project facility entered into for purposes of the Deep Panuke MOPU of US$ 220.7 million.
B.8	**Selected key pro forma financial information**	Not applicable; no pro forma financial information is included in this Prospectus.
B.9	**Profit forecast**	Not applicable; no profit forecast or estimate is included in this Prospectus.
B.10	**Historical audit**	Not applicable, there are no qualifications.

	report qualifications	
B.11	**Explanation if insufficient working capital**	The Company believes that its working capital is sufficient for its present requirements; that is: for at least twelve months following the date of this Prospectus.
	Section C – Securities	
C.1	**Type and class** **Security identification number**	The Rights are transferable subscription rights to subscribe for the Offer Shares. The Offer Shares are new ordinary shares of the same class as the Company's existing Ordinary Shares. **Codes for the Rights** Symbol: "SBMOR" ISIN code: NL0010420964 Common code: 091215357 **Codes for the Offer Shares** Symbol: "SBMO", ISIN code: NL0000360618 Common code: 025121724
C.2	**Currency**	The Offering will be carried out, and trading in the Rights will be effected, in euros. The Offer Shares will be denominated in euros.
C.3	**Number of shares issued, par value per share**	At the date of this Prospectus, 189,212,333 Ordinary Shares are issued and are fully paid up. The Ordinary Shares each have a par value of EUR 0.25. No Preference Shares have been issued. The Preference Shares each have a par value of EUR 0.25.
C.4	**Rights attached to the Offer Securities**	The Offer Shares will, upon issue, in respect of voting, dividend, transfer and other rights rank pari passu with the Ordinary Shares. Each Offer Share entitles its holder to cast one vote at the General Meeting. There are no restrictions on voting rights. The Offer Shares will be eligible for any dividends which the Company may declare on Ordinary Shares after the Closing Date. Holders of Ordinary Shares have a pre-emption right in the event of an issue of Ordinary Shares. Exceptions to these pre-emption rights include (i) the issue of Ordinary Shares issued against a payment in kind, (ii) the issue of Ordinary Shares to employees of the Group and (iii) the issue of Preference Shares. Holders of Preference Shares furthermore have no pre-emption right on Ordinary Shares or Preference Shares. Pursuant to the Articles of Association, the pre-emption rights may be restricted or excluded by a resolution of the General Meeting. The General Meeting may furthermore designate the Management Board to resolve to limit or exclude the pre-emption rights. This designation may be granted for a specified period of not more than five years and only if the Management Board has also been designated or is simultaneously designated as the body authorised to resolve to issue Shares. The designation may be extended, from time to time, for no longer than five years at a time and only applies as long as the designation to issue Shares is in force. In order for the

		General Meeting to authorise the Management Board to restrict or exclude the pre-emption right, a majority of at least two-thirds of the votes cast shall be required. A resolution of the Management Board to restrict or exclude the pre-emption rights is subject to the approval of the Supervisory Board.
C.5	**Restrictions on free transferability of the securities**	There are no restrictions on the free transferability of the Ordinary Shares under the Articles of Association. However, the offer of the Rights and the Offer Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the Netherlands, and the transfer of Rights and Offer Shares into jurisdictions other than the Netherlands, may be subject to specific regulations or restrictions. Rights may only be exercised and used to subscribe for Offer Shares by Eligible Persons. For a description of the restrictions on resale and transfer of the Offer Securities, see "Selling and Transfer Restrictions".
C.6	**Listing and admission to trading**	Application has been made for admission to listing and trading of the Rights and the Offer Shares on Euronext Amsterdam. The Company expects trading of the Rights on Euronext Amsterdam to commence at 09:00 hours CET on 4 April 2013 and to cease at 17:40 hours CET on 16 April 2013, barring unforeseen circumstances. The Rights will be traded under the symbol "SBMOR". The Company expects that the Offer Shares will be admitted for listing and that trading in the Offer Shares will commence, on Euronext Amsterdam at 09:00 hours CET on or about 22 April 2013, barring unforeseen circumstances. The Offer Shares will be listed and traded on Euronext Amsterdam under the symbol "SBMO".
C.7	**Dividend policy**	The Company pursues a stable dividend policy. It is the policy of the Company to distribute an annual dividend of 50% of the Group's net profit attributable to the Shareholders as shown by the Company's adopted annual accounts for the relevant year. Over 2010, the Company declared a dividend of US$ 0.71 (EUR 0.48) per Ordinary Share, at the option of the Shareholders payable in cash or in the form of new Ordinary Shares. Over 2011, in accordance with its dividend policy, the Company did not pay any dividend due to the negative result for 2011. Over 2012, in accordance with its dividend policy, the Company did not pay any dividend due to the negative result for 2012. The Company furthermore does not intend to pay a dividend over 2013 in order to preserve and improve the Group's equity position.
		Section D – Risks
D.1	**Risks specific to the Company and the Group**	**Risks related to the industry in which the Group operates** • The Group's business and operations depend upon conditions prevailing in the oil and gas industry and changes in the prevailing market conditions could have a material adverse effect on the Group's business, results or financial condition. • The natural decline in the rate of production in oil and gas fields impacts worldwide oil and gas production, and may result in decreased opportunities for the Group as the number of viable oil and gas fields decreases.

- A failure by the Group to maintain its competitive position in bespoke technological solutions may negatively impact demand for the Group's products and services, particularly in the market for larger, more complex FPSOs. This may in turn impact the demand for the products and services the Group provides and thus have an adverse impact on its business, results and financial condition.

- There can be no assurance that the Group's efforts to address low returns in the FPSO industry in recent years will be successful. If those efforts are unsuccessful, returns may remain low (or may even decrease), which may have an adverse effect on the Group's business, results and financial condition.

- The Group's customers have made, and may continue to make, increasing demands on the Group. The increasing complexity, size and duration of these projects increases the risk of technical errors, as well as errors in the making of assumptions and estimates in relation to a project. Such errors may adversely impact the business, results or financial condition of the Group should they occur. A failure by the Group to adapt to the increased demands of its customers, or to adapt quickly enough, may also adversely impact demand for its products and services, and thus the Group's business, results or financial condition.

Risks related to the Group's business

- There can be no assurance that there will be no further delays or additional costs in relation to the Deep Panuke project, that the provisions made in relation to that project will be sufficient, or that further impairment charges will not be incurred. There can be no assurance that the litigation with EnCana Corporation will be determined in the Group's favour, or that the outcome (including settlement) of the litigation will not involve the payment of damages and costs by the Group.

- In pricing contracts with customers, the Group relies on cost quotes from its suppliers and subcontractors, and must also make assumptions and estimates. If third-party quotes, or the Group's own assumptions or estimates of the overall risks, revenue, capital requirements, operating costs or other costs of any particular project or contract prove inaccurate, or if circumstances change such that those quotes, assumptions or estimates prove inaccurate, then lower than anticipated profit may be achieved, or a loss may be incurred on such projects or contracts.

- The Group is affected by timely access to resources, shipyard space and price escalations and is reliant on the performance of third party subcontractors and other suppliers. Procurement difficulties or equipment performance failures may adversely affect the Group's business, results and financial condition.

- In a number of the countries in which the Group operates, host governments set minimum levels for local content and participation in oil and gas projects – including the engagement of local subcontractors, suppliers, partners and employees. Amongst other things, a failure to meet these requirements may result in a fine, or may impair the ability of the Group to operate in these regions, each of which, should they occur, adversely effect the business, results and financial condition of the Group.

- At any given time, the Group is typically engaged in relatively few contracts for FPSOs with a limited number of customers in a limited number of geographical locations. Each of these contracts contributes a significant portion of the Group's consolidated revenues. This magnifies the individual risks that apply to any given contract or project.

- The Group's lease and operate contracts expose the Group to the risk of inaccuracies in relation to the determination of the residual value of vessels. Correctly estimating the residual value is an important component of the lease rate calculation. If the actual residual value is below the estimated future market value, this may adversely affect the Group's business, results and financial condition.

- The Company believes that the Group's success and results (including its ability to charge a premium for its services) is in part dependent on the strength of its reputation, as well as the reputation of its partners. Any damage to the reputation of the Group or its partners may result in existing customers withdrawing their business from the Group, or not awarding the Group future business or the opportunity to bid for future business, each of which could adversely affect the Group's business, results and financial condition.

- The Group relies significantly on the skills and experience of the managerial staff and other key personnel and a loss of these individuals could adversely affect the Group.

- The Group enters into turnkey contracts and lease and operate contracts with its customers. The choice as to whether a particular project is undertaken as a lease and operate contract, or a turnkey sale, is ultimately made by the relevant client. Whereas turnkey contracts typically generate neutral or positive cash flows from the engineering phase through the construction period of the vessel (as progress payments from customers are made), lease and operate contracts are capital intensive and typically require that significant amounts of third party debt funding be arranged. The Group is continuously seeking an optimal balance between its turnkey activities and its lease and operate activities that is consistent with its budgeted cash flows and capital requirements, and that takes into account considerations such as the availability of third-party debt funding, the cost of borrowing and the likely returns on borrowed monies. The Group may not always be able to maintain an optimal balance between turnkey contracts and lease and operate contracts, or, in the case of lease and operate contracts, may not be able to obtain the necessary third-party debt funding, each of which may adversely affect the business, results and financial condition of the Group.

- The Group is active in a number of regions around the world, some of which are politically and economically unstable. The Group also faces the risk of terrorist attacks, acts of war, escalation of hostilities, riots, piracy, and civil unrest. Should they eventuate, these risks may adversely affect the Group's business, results and financial condition.

- The Group's current corporate transformation campaign may fail to meet objectives and generate risks (such as resistance to the transformation campaign by personnel) as well as ineffective processes or tools. If the Group is unable to deliver expected improvements the Group's business, results and financial condition could be adversely impacted.

- The Group may not succeed in redeploying vessels at existing rate levels or at all, and may be subject to higher than anticipated demobilisation, refurbishment and redeployment costs.

- There can be no assurance that FPSOs will be successfully operational for the expected duration of their useful service lives.

		• The Group has entered into certain strategic partnerships, and may or may not continue to do so in the future. If these partnerships are unsuccessful or adequately functioning, the Group's business, results and financial condition could be adversely impacted. • The Group may incur liabilities from the recent sale of GustoMSC and from the planned disposal programme. • Adverse weather conditions, catastrophic events, pandemic diseases and other unpredictable events may adversely affect the Group's (offshore) facilities, people, equipment, cargo or property. • The Group's internal control systems may not adequately identify all risks and the Group may not properly assess the impact such risks may have. • If the Group fails to complete a project on time, misses a required performance standard or otherwise fails to adequately perform on projects, the Group may incur a loss on that project. • The Group's activities are subject to environmental laws and regulations. Potential liability for fines and damages resulting from infringements of such laws may result in a material increase in the costs of operating the Group's units or may otherwise adversely affect the Group's business, results and financial condition. • The operation of the Group's FPSOs and other vessels involves inherent risks and the Group's liability and property insurance (including insurance in relation to the decommissioning, transportation and scrapping of the Yme MOPU) may not provide sufficient coverage or may not continue to be available on reasonable terms or in sufficient amounts. • Maintenance and repair for the Group's vessels and equipment may require substantial expenditure. • The Group is subject to the risk of disputes with, and claims by, customers, subcontractors, (former) employees and other contractual counterparties or third parties, which could adversely affect the Group's business, results and financial condition. • There can be no assurance that the Group's Strategy Plan will be successfully implemented, or that the Group will (fully) realise the expected benefits of the Strategy Plan. • Failure to comply with laws and regulations to which the Group is subject may lead to disciplinary, administrative, civil and/or criminal enforcement actions, fines, penalties and civil liability and may carry negative publicity harming the Group's business and reputation. • Employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations could harm the Group's reputation, reduce its revenue and profit, and subject it to administrative, criminal and civil enforcement actions. • The Company may have violated anti-corruption laws, which, if true, could harm the Company's reputation, reduce its revenue and profit, and result in monetary

penalties, criminal and civil sanctions and other remedies.

- Failure by the Group to be successful in product and technology development activities, and to respond quickly to technological developments, could adversely affect the Group's ability to compete.

- The Group could infringe the intellectual property rights of third parties, which could lead to legal action against the Group. This could cause a disruption to the Group's business and financial loss.

- Infringement by third parties of the Group's intellectual property rights could damage the Group's business. Decisions of courts and changes in laws and regulations could affect the value of the Group's intellectual property rights or their enforceability.

- The Group could be subject to intellectual property theft or misuse, which could result in third party claims and harm its business and results of operations.

- The Group's licensing of its patents to other companies in the industry and through industry standard organisations could make it more difficult for the Group to monitor and enforce its rights. It may allow other companies to use its patent rights to produce a competing product.

Financial risks

- The Group is exposed to the risk of cost inflation and interest rate risk which could reduce the Group's profits and adversely affect its financial results.

- The Group is exposed to the risk that a customer, or counterparty of a financial instrument, delays or defaults on a payment obligation which could reduce the Group's profits and adversely affect its financial results.

- If projects are terminated before certain milestones are reached, the Group's customers may not pay in full all amounts due to the Group, or costs incurred by it.

- The Group's tax liability may increase if tax laws and regulations change or become subject to adverse interpretations or inconsistent enforcement or may be greater than currently anticipated or change.

- The Group's assessment of tax assets and tax liabilities may prove incorrect which may adversely affect its results and financial condition.

- The Group's business is capital intensive and requires significant capital outlays for equipment, such as vessels and other fixed assets. Lease and operate contracts, in particular, are capital intensive and typically require that significant amounts of third party debt funding be arranged. The Group may need additional equity or debt funding in the future which may not be available.

- Exchange rate fluctuations may adversely affect the Group's revenue, profit and financial condition.

D.3	**Risks specific to the Offer Securities**	**Risks related to the Offer Securities and the Offering** • The market price of the Offer Securities may fluctuate and may decline below the Issue Price. • If a holder of Ordinary Shares does not exercise all of his Rights, his percentage ownership of Ordinary Shares will be significantly diluted. Shareholders in certain jurisdictions are excluded from the Offering and thus suffer dilution. • If closing of the Offering does not take place on the Closing Date and the Offering is withdrawn, whether or not as a result of a termination of the Underwriting Agreement, both the exercised and the unexercised Rights granted will lapse without compensation to their holders and the subscriptions for, and allotment of, Offer Shares that have been made will be disregarded. • Issuance of additional equity by issuing new ordinary shares could lead to a dilution of shareholders' stakes. • A Shareholder or Shareholders holding a significant stake in the Company may, alone or together, be able to exercise influence over certain corporate matters requiring the approval of the General Meeting, including the election of members of the Supervisory Board and other significant corporate actions. The interests of such a Shareholder or Shareholders may differ from those of other Shareholders and they may vote at General Meetings in a way with which other Shareholders do not agree, and which is prejudicial to the interests of other Shareholders. • Shareholders in certain jurisdictions are excluded from the Offering. This may have a negative impact on the market price of the Ordinary Shares and may negatively influence the development of a trading market. • The anti-takeover provisions in the Company's articles of association could delay or deter a change of control.
		Section E – Offer
E.1	**Net proceeds and estimated expenses**	After deducting the estimated expenses related to the Offering of EUR 1 million, the Group expects to receive approximately EUR 189 million in net proceeds from the Offering.
E.2a	**Reasons of the Offering and use of proceeds**	**Events leading up to the Offering** On 5 January 2007, Talisman and a Group Company entered into several agreements for the engineering, procurement, construction, installation, commissioning and lease of a MOPU with oil storage capacity (**MOPUstor**) for the re-development of the Yme field. The field is located approximately 100 kilometers off the coast of Norway in 93 meters of water. On 26 June 2011, the MOPUstor was installed at the Yme field. This was the start of the commissioning activities, including remaining construction works offshore, to complete and prepare the facilities for the start of production. The Group incurred additional costs due to re-measurement of on-site works (part of which had been completed onshore, with the remainder completed offshore at higher cost). Adverse

weather conditions and an increase in the work scope offshore, among other things, resulted in the progress of the work offshore and commissioning of the platform for start-up of the system being significantly slower during the winter period than anticipated.

On 12 July 2012, Talisman, as operator of the field, ordered the immediate demobilisation of the Yme MOPUstor for safety reasons, following the discovery of cracks in the grouting around the legs of the platform. The Group repeatedly confirmed the safety of the MOPUstor. Since that date the platform has remained unattended. Following the de-manning of the platform, SBM Offshore and Talisman have been involved in intensive discussions in order to arrive at a joint decision on the way forward. A plan for the repair of the grouting was presented to the Norwegian regulator in October 2012.

On 20 December 2012, the Company announced that, despite committed effort on both sides, no agreement had yet been reached on the completion of the project and that, in the Company's view, the balance of expectations was that the MOPU would be decommissioned. As a consequence, the book value of the platform was reduced to nil through an impairment of US$ 398 million and an additional provision for decommissioning and settlement in an amount of US$ 200 million was recognised.

These impairment and settlement charges resulted in a scenario in which banking covenants related to the solvency ratio could have been breached at 31 December 2012. In order to ensure that the banking covenants were met, the Company raised US$ 193 million by issuing 17,111,757 new Ordinary Shares (the **Private Placement Shares**) at an issue price of EUR 8.50 for each Ordinary Share in a private placement to HAL on 20 December 2012 (the **Private Placement**). HAL furthermore agreed to pay an additional amount by way of a share premium contribution (*agiostorting*) on these shares if the Group reached a settlement with Talisman on or before 11 March 2013. See "The Offering – Underwriting Agreement".

The Group furthermore announced its intention to raise additional equity by means of the Offering, subject to the Group reaching a settlement with Talisman on or before 11 March 2013.

Arbitration and settlement proceedings

In the course of the execution of the contract with Talisman for the Yme platform and aside of the discussions with Talisman for a potential settlement, the Company and Talisman have been engaged in an arbitration process since December 2011 regarding their respective claims in respect of costs incurred, by both parties, and loss of production.

On 11 March 2013, the Group and Talisman signed a settlement agreement pursuant to which all agreements and related disputes, including pending arbitration, between the parties have been terminated. The Group and Talisman have agreed to discontinue the completion of the MOPUstor on the Yme field and to decommission and scrap the MOPU. The Group has paid Talisman an amount of US$ 470 million for decommissioning and settlement of the arbitration. Talisman as the operator of the field will be responsible to do the decommissioning work. The Group will take over the MOPU when it exits the 500 meter zone where the platform currently is located and be responsible for transporting it to a yard where the MOPU will be scrapped. During decommissioning, ownership of the MOPUstor shall remain with the Group. Upon handover by Talisman of the MOPU to the Group, the ownership of the subsea structure will transfer to Talisman. Insurance is in place to cover the primary risks of

		the MOPUstor during the decommissioning stage. Should the MOPU not be decommissioned by 31 December 2016, the Group and Talisman will share the responsibility for any risks that are not covered by insurance on a 50-50 basis until the decommissioning has taken place. As a result of this settlement, HAL paid an additional amount pursuant to the Underwriting Agreement of US$ 27,163,203 to the Company on 18 March 2013 by way of a share premium contribution (*agiostorting*) on the Private Placement Shares, resulting in an adjusted issue price of US$ 12.894 per Private Placement Share. **Proceeds of the Offering** After deducting the estimated expenses related to the Offering of EUR 1 million, the Group expects to receive approximately EUR 189 million in net proceeds from the Offering. The Group will use the full net proceeds of the Offering to address the financial impact of the settlement reached with Talisman.
E.3	**Terms and conditions of the Offering**	**Issue Price** EUR 10.07 per Offer Share. **Pre-emption rights** The statutory pre-emption rights (wettelijke voorkeursrechten) of holders of Ordinary Shares in respect of the Offering have been excluded for the purpose of the Offering. **Record Date** The Record Date is immediately after the close of trading on Euronext Amsterdam at 17:40 hours CET on 3 April 2013. Until the close of trading in the Ordinary Shares on the Record Date, the Ordinary Shares will trade cum-Rights. As from 09:00 hours CET on 4 April 2013, the Ordinary Shares will trade ex-Rights. **Rights** Each Ordinary Share held immediately after the close of trading in Ordinary Shares on Euronext Amsterdam at 17:40 hours CET on the Record Date will entitle its holder to one (1) Right. Subject to applicable securities laws and the terms set out in this Prospectus, each existing Shareholder that is an Eligible Person will be entitled, until the end of the Exercise Period, to subscribe for 1 (one) Offer Share for every 10 (ten) Rights held against payment of the Issue Price for each Offer Share. No fractional Offer Shares will be issued. **Exercise Period** The Exercise Period is from 09:00 hours CET on 4 April 2013 until 15:00 hours CET on 17 April 2013. The last date and/or time before which notification of exercise instructions may be validly given by holders of Rights may be earlier, depending on the financial intermediary through which their Rights are held. If an Eligible Person has not exercised his Rights by the end of the Exercise Period,

		they can no longer be exercised and an Eligible Person will not be entitled to any form of payment or indemnity for any unexercised Rights. There will be no rump offering, as HAL will subscribe for all Remaining Offer Shares at the Issue Price in accordance with the terms and conditions of the Underwriting Agreement. **Underwriting** In accordance with the Underwriting Agreement, HAL has agreed to (i) exercise all Rights granted to it in the Offering by the Company and (ii) subscribe for all Remaining Offer Shares, in each case against payment of the Issue Price for each Offer Share. **Payment and delivery** Payment for the Offer Shares must be made to the Subscription, Listing and Paying Agent no later than the Closing Date. A holder of Rights should pay the Issue Price per Offer Share for the Offer Shares subscribed for in accordance with the instructions received from the financial intermediary through which he holds the Rights. The financial intermediary will pay the Issue Price to the Subscription, Listing and Paying Agent, who will in turn pay it to the Company. Financial intermediaries may require payment to be provided to them prior to the Closing Date. Delivery of the Offer Shares will take place through the book-entry system of Euroclear Nederland. **Joint Global Coordinators:** ING and Morgan Stanley **Subscription, Listing and Paying Agent:** ABN AMRO **Conditions to the Offering** The Offering was subject to certain conditions precedent which have all been fulfilled at the date of this Prospectus. HAL's obligations to participate in the Offering by exercising prior to the end of the Exercise Period all Rights that HAL is allocated in the Offering and to subscribe and pay for any Remaining Offer Shares pursuant to the Underwriting Agreement are subject to the fulfilment, or discretionary waiver by HAL, or, as applicable, by HAL and the Company collectively, of certain conditions (for a selection of these conditions, see "Plan of Distribution – Conditions to the Offering").
E.4	**Interests material to the Offering (including conflicting interests)**	The Joint Global Coordinators and the Subscription, Listing and Paying Agent (and/or their respective affiliates) have from time to time been engaged, and may in the future engage, in commercial banking, lending, investment banking and financial advisory and ancillary activities in the course of their business with the Company (or any parties related to the Company) for which they have and may in the future, receive customary compensation. Additionally, the Joint Global Coordinators and the Subscription, Listing and Paying Agent may, in the ordinary course of their business, have held and in the future may hold SBM Offshore's securities for investment. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures or by rules and regulations (including those issued by the AFM). As a result of these transactions, any Joint Global Coordinator and the Subscription, Listing and Paying Agent may have interests that may not be aligned, or could potentially conflict, with the interests of holders of Ordinary Shares, holders of Rights or with the interests of the Group.
E.5	**Person or entity**	The Company will be issuing and offering the Rights and the Offer Shares.

	offering to sell the securities and lock-up arrangements	Subject to certain exemptions, the Company has agreed certain lock-up arrangements with the Joint Global Coordinators. These arrangements will be effective as of the date hereof until 180 calendar days following the Closing Date. See "Plan of distribution – Lock-up arrangements". Pursuant to the Underwriting Agreement, HAL has agreed with the Company that, for a period of 365 days after the date of the Underwriting Agreement, it will not transfer or dispose of any of the Private Placement Shares, the Offer Shares allocated to HAL as Shareholder and all the Remaining Offer Shares.
E.6	**Dilution**	Shareholders who transfer, or who do not, or are not permitted to, exercise any of their Rights granted under the Offering will suffer a dilution of their proportionate ownership and voting rights of approximately 9.09% by the issue of the Offer Shares.
E.7	**Estimated expenses charged to the investors by the Company**	Not applicable: No expenses have been/will be charged to the investors by the Company in relation to the Offering.

2. RISK FACTORS

Investing in the Offer Securities involves a high degree of risk. Potential investors should carefully consider the risks and uncertainties described below together with all of the other information in this Prospectus before deciding to invest in the Offer Securities. If any of the events or developments and risks described below actually occurs, the Group's business, financial condition, prospects or results of operations could be materially adversely affected. In that event, the value of the Offer Securities could decline and investors could lose all or part of the value of their investments.

Although the Group believes that the risks and uncertainties described below are the risks and uncertainties which the Group currently considers to be material for the Group, these are not the only risks the Group faces. Additional risks and uncertainties not presently known to the Group, or that the Group currently deems immaterial, may also have a material adverse effect on the Group's business, financial condition, prospects or results of operations and could adversely affect the price of the Offer Securities.

Before making an investment decision with respect to the Offer Securities, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the entire Prospectus including the risks associated with an investment in the Offer Securities. Any investment decision should also be considered in light of the prospective investor's personal circumstances.

2.1 Risks related to the industry in which the Group operates

(a) The Group's business and operations depend upon conditions prevailing in the oil and gas industry and changes in the prevailing market conditions could have a material adverse effect on the Group's business, results or financial condition.

The Group's business and operations depend principally upon conditions prevailing in the oil and gas industry and, in particular, the exploration and production (**E&P**) spending of oil and gas companies. Demand for Floating Production, Storage and Offloading (**FPSO**) services and services of other categories of offshore exploration, development and production vessels can be negatively affected by a number of political and economic factors beyond the Group's control, including, but not limited to, fluctuations in worldwide demand for oil and gas, decreases in oil and gas prices, fluctuations in investments in offshore developments, political and economic conditions in areas where offshore oil and gas exploration occurs, disappointing exploration results and the introduction of new regulatory restrictions. On the supply side, there is uncertainty when it comes to the level of construction of new production units, the upgrading and maintenance of existing production units, the conversion of tankers into FPSO vessels, the level and cost of future demobilisation and redeployment activities and alternative uses for equipment as market conditions change.

Historically, demand for offshore exploration, development and production has been volatile and linked to the price of oil and gas. Low oil prices typically lead to a reduction in exploration as oil companies scale down their own E&P budgets. In the Lease and Operate segment, most of the Group's units are leased on long-term contracts, and this, to some extent, reduces the Group's exposure against intermediate oil and gas fluctuations. The probability of existing contracts being extended or new contracts being obtained, as well as the attractiveness of the terms of new contracts, may be negatively affected by reductions in actual reservoir reserves or in low oil and gas prices generally, which in turn could adversely affect the Group's business, results and financial condition.

In addition, a down-turn in global economic growth may result in the Group's customers reducing their E&P budgets and spending and delaying, limiting or cancelling proposed and existing projects, which would negatively impact demand for the Group's products and services and impact the prices the Group is able to charge its customers. In an economic downturn, the Group, its customers and its partners may also find it more difficult to raise capital due to limitations on, and limited availability of, credit, together with other uncertainties in the credit markets. By way of example, in the period from mid-2008 through to mid-2009, no FPSO contracts were awarded to the Group as customer E&P budgets reduced as a result of the global economic downturn, and because of the lack of financing on commercially acceptable terms for large FPSO projects.

The Group may then also have difficulties maintaining favourable payment terms with its customers, and customers may take longer to pay the Group's invoices. Any inability to collect invoices in a timely manner may lead to an increase in the Group's accounts receivables, increased write-offs of uncollectible invoices and a failure to achieve budgeted revenues, which may have a materially adverse effect on the Group's cash flows and working capital requirements. These factors may impact the Group's business, results or financial condition.

(b) The natural decline in the rate of production in oil and gas fields impacts worldwide oil and gas production, and may result in decreased opportunities for the Group as the number of viable oil and gas fields decreases.

Expert estimates suggest that the average decline in the rate of existing producing fields is currently between 6% and 8%, with a tendency to be even higher for offshore fields (sources: IEA, IHS-CERA, ExxonMobil, Schlumberger, Höök). If the demand for oil and gas continues to grow or remains stable, the oil and gas industry is expected to meet the challenge of stabilising supply through the exploration and development of new production fields in remote offshore locations in deep water, where FPSO vessels are a preferred production method. Although this may present opportunities for the Group if demand for FPSO vessels (the manufacture and operation of which forms a key component of the Group's strategy) increases, the natural decline rate of existing oil and gas fields will result in decreased opportunities for the Group as the number of viable oil and gas fields decreases. Although the term of lease and operate contracts for all of the Group's leased vessels are based on field assessments, the natural or earlier than expected decline of fields on which the Group's FPSOs are deployed could result in non-renewal of the Group's existing lease and operate contracts, which could negatively impact the Group's business results or financial condition.

(c) A failure by the Group to maintain its competitive position in bespoke technological solutions may negatively impact demand for the Group's products and services, particularly in the market for larger, more complex FPSOs. This may in turn impact the demand for the products and services the Group provides and thus have an adverse impact on its business, results and financial condition.

The industry in which the Group operates is highly competitive, in particular in the small to mid-size segment of the market (being the market for FPSOs and other vessels that produce between 30,000 and 100,000 barrels of oil per day and that operate in depths of up to 1,500 meters). Primarily as a result of the natural decline rate of existing oil and gas fields, offshore oil and gas operations are moving towards deeper water depths that continuously require new technologies and the refinement of existing technologies for exploration and production. The Group is the largest FPSO player in terms of total number of leased units and total oil and gas production capacity with only a limited number of relatively large competitors (see "Industry and Market Overview – FPSO market: Competitive Landscape"). The Group's strategy is to focus on mid-size to larger FPSOs that typically produce 80,000 to 150,000 barrels of oil per day, and which are typically moored in water depths greater than 1,500 meters. A failure by the Group to maintain its competitive position in existing and new technological solutions may negatively impact demand for the Group's products and services, particularly in the market for larger, more complex FPSOs. This may in turn impact the demand for the products and services the Group provides and thus have an adverse impact on its business, results and financial condition.

Today there are a limited number of competitors in this market segment that have the skill and technical expertise to deliver FPSOs of the scale and technical complexity produced by the Group; however, there are an increasing number of players that are focussed on smaller, less technically challenging, FPSOs. In time, the Company expects that these players will grow and compete with the Group for the larger, complex FPSOs. In addition, companies not historically involved within the FPSO industry may choose to acquire or build FPSOs to establish themselves as players in the industry and as such provide competition for the Group, such as, for example, shipyards or E&P companies, including former customers, which may have certain competitive advantages. If the Group fails to keep up with the current competition in the market, or any increased competition, such failure could adversely affect the Group's business, results and financial condition.

(d) ***There can be no assurance that the Group's efforts to address low returns in the FPSO industry in recent years will be successful. If those efforts are unsuccessful, returns may remain low (or may even decrease), which may have an adverse effect on the Group's business, results and financial condition.***

It has been recognised in the FPSO industry that the returns over recent years have not followed the increased size and complexity of project tenders in comparison with the returns for E&P companies and the integrated specialist equipment suppliers. The need by FPSO clients often for fit-for-purpose solutions in increasingly demanding conditions have led to requests from the Group's clients for larger, more technical and more complex FPSOs and the Group having to absorb increasing levels of risk, related to project schedule and the operations of the FPSO over the duration of the contract. Despite this trend, returns for FPSO providers have been at a very low and at times negative level, disconnected from the sustained good returns of the Group's clients, which are fuelled by a sustained high oil price. While the Group is seeking to address this imbalance (by providing for differentiated, value-adding life-cycle solutions and proper contract management through which to justify higher margins and achieve an improved risk/reward profile), there can be no assurance that the Group's efforts will be successful. As a result, returns may remain low (or may even decrease), which may have an adverse effect on the Group's business, results and financial condition.

(e) ***The Group's customers have made, and may continue to make, increasing demands on the Group. The increasing complexity, size and duration of these projects increases the risk of technical errors, as well as errors in the making of assumptions and estimates in relation to a project. Such errors may adversely impact the business, results or financial condition of the Group should they occur. A failure by the Group to adapt to the increased demands of its customers, or to adapt quickly enough, may also adversely impact demand for its products and services, and thus the Group's business, results or financial condition.***

Increasingly, customers demand larger, more complex production facilities that present increasingly difficult technological challenges, increase development costs and result in longer execution periods. This is, in part, a consequence of the decline rate of existing oil and gas fields that is resulting in the exploration and development of new production fields in deep water. By way of example, the FPSO Cidade de Ilhabela is the largest and most complex FPSO the Group has ever undertaken. The topsides process modules will weigh close to 23,000 tonnes, and will include large and complex gas processing facilities. The increasing scale and complexity of projects increases the risk of errors in the making of assumptions and estimates in relation to a project. In addition, a failure by the Group to adapt to the increasing demands of its customers, or to adapt quickly enough, may adversely impact demand for its products and services, which could adversely impact the Group's business, results and financial condition.

2.2 Risks related to the Group's business

(a) ***There can be no assurance that there will be no further delays or additional costs in relation to the Deep Panuke project, that the provisions made in relation to that project will be sufficient, or that further impairment charges will not be incurred. There can be no assurance that the litigation with EnCana Corporation will be determined in the Group's favour, or that the outcome (including settlement) of the litigation will not involve the payment of damages and costs by the Group.***

Since 2011 the mobile production facility for EnCana's Deep Panuke natural gas project offshore Nova Scotia, Canada, has suffered from project delays and the Group has incurred additional costs due to, amongst others, the re-measurement of on-site works and additional work on certain systems. Although the project is on schedule for delivery in the first half of 2013, there can be no assurance that further delays and additional costs will not be incurred, that the provisions made will be sufficient, or that further impairment charges will not be incurred. The relevant Group Company and EnCana Corporation are also involved in legal proceedings in Canada in relation to this project. The relevant Group Company filed a claim against EnCana Corporation for an unspecified amount alleging unreasonable interference with the progress of the work and failure to authorise valid change order requests, and the EnCana Corporation filed a counter claim alleging the project schedules submitted during the course of the work misrepresented the actual status and progress of the work. The court has tentatively set a trial date for March 2015. There can be no assurance that this litigation will be determined in the relevant Group Company's favour, or that the outcome (including settlement) of the litigation will not involve the payment of material damages and costs by the relevant Group Company.

(b) In pricing contracts with customers, the Group relies on cost quotes from its suppliers and subcontractors, and must also make assumptions and estimates. If third-party quotes, or the Group's own assumptions or estimates of the overall risks, revenue, capital requirements, operating costs or other costs of any particular project or contract prove inaccurate, or if circumstances change such that those quotes, assumptions or estimates prove inaccurate, then lower than anticipated profit may be achieved, or a loss may be incurred on such projects or contracts.

In pricing contracts with customers, the Group relies inter alia on cost quotes from its suppliers and subcontractors, and must also make its own assumptions and estimates. Errors in assumptions and estimates can arise in the context of, or as a result of, amongst other things, the following:

- Estimation errors regarding technical aspects of the project, as well as engineering and design errors.
- Errors in the estimation of the number of man-hours it will take to complete (the different phases of) a project.
- Errors in the estimation of the cost of raw materials and components.
- Implementation errors, such as workmanship failures, equipment failures and defective performance by subcontractors and partners in so far as not covered by these parties' rework.
- Unanticipated offshore conditions (including adverse weather conditions), which may reduce productivity levels and result in delays in project execution.

If third-party cost quotes or any of these assumptions or estimates should prove incorrect, the Group may incur additional costs that may not be recoverable from the relevant customer, and may force the Group to devote additional capital and resources to ensure delivery in accordance with agreed schedules. As a consequence, lower than anticipated profit may be achieved, or a loss may be incurred in relation to the relevant project. Remedial actions may adversely affect the working capital and cash flows of the Group. The Group may also incur penalties if the delivery schedule, or other contractual commitments to customers, are not met, or the client may terminate the relevant contract. The impact of each of these risks is magnified in the case of large and complex projects.

The risk also exists that for lease projects, the optimum balance between capital expenditures and operational expenditures or penalties has not been sufficiently assessed: for instance, a decision can be made to select a certain configuration or type of equipment, which is technically sound to fulfil performance requirements, but may prove more expensive than anticipated to maintain or to operate, or for which performance may be affected by unforeseen factors (e.g. availability of spare parts, time to fix defects) that will result in downtime of the facilities and potential financial penalties. Life cycle costing considerations may be difficult to fully appraise during bid phase or during project execution.

If any quotes, assumptions or estimates used by the Group in pricing a particular contract subsequently prove to be incorrect, this may result in the actual margin on that contract being less than the expected margin, which may in turn affect the Group's results of operations. In addition, the Group may be required to devote additional capital and resources to ensure delivery in accordance with the delivery schedule agreed with the relevant customer. The Group may incur penalties if the delivery schedule or other contractual commitments to customers are not met, or the client may terminate the relevant contract.

(c) ***The Group is affected by timely access to resources, shipyard space and price escalations and is reliant on the performance of third party subcontractors and other suppliers. Procurement difficulties or equipment performance failures may adversely affect the Group's business, results and financial condition.***

The Group's projects involve significant procurement of equipment and supplies and extensive construction management and other activities conducted over extended time periods. Any procurement difficulties (including, for instance, securing offshore accommodation for workers engaged in offshore activities), equipment performance failures or other factors may result in actual revenues or costs being significantly different from the Group's original estimation and may result in the payment of fines and penalties to the Group's clients. For example, the Group may encounter difficulties related to the procurement of materials, or due to schedule disruptions, equipment performance failures or other factors that may result in additional costs, reductions in revenue, claims or disputes; the Group may not get access to yard space in order to implement its conversion or construction projects or yard costs may increase and the Group may be exposed to increases in labour costs, and escalations in prices of key materials (such as steel and fabrication materials) from the time the Group enters into its customer agreements to the time the Group subsidiary orders the relevant materials.

In addition, the Group relies on its employees, third-party subcontractors, suppliers and other partners to provide key materials, components, finished products (often custom-made), and services, each of which must meet the requirements of the customer and the Group's specifications, quality standards and delivery schedules. To the extent that the Group cannot engage subcontractors, suppliers, business partners or employees at reasonable costs, or if the amount that the Group is required to pay exceeds its estimates, its ability to complete a project in a timely fashion, or at a profit, may be impaired.

(d) ***In a number of the countries in which the Group operates, host governments set minimum levels for local content and participation in oil and gas projects – including the engagement of local subcontractors, suppliers, partners and employees. Amongst other things, a failure to meet these requirements may result in a fine, or may impair the ability of the Group to operate in these regions, each of which, should they occur, adversely effect the business, results and financial condition of the Group.***

In a number of the countries in which the Group operates, host governments set minimum levels for local content and participation in oil and gas projects – including the engagement of local subcontractors, suppliers, partners and employees. A failure to meet these requirements may result in a fine, or may impair the ability of the Group to operate in these regions. By requiring that the Group use local contractors, employees and suppliers, local content requirements expose the Group to cost inflation in the particular host country. If cost inflation exceeds that assumed in the pricing of the relevant project, the Group may incur additional cost that it may not be able to pass on to the relevant customer. Each of these risks, should they materialise, could adversely affect the business, results and financial condition of the Group.

In addition, local content requirements may require that the Group engage subcontractors, suppliers, partners and employees that it would not otherwise engage, and whose skill levels and performance may not fully meet the same standards that the Group would otherwise be able to obtain, or the cost of which may not be the most attractive that might otherwise be available to the Group. For example, if a subcontractor, supplier or a partner is unable to deliver its services according to the negotiated terms for any reason, including the deterioration of its financial condition, the Group may be required to buy the services from another source at a higher price. Defective performance by a subcontractor, supplier, partner or local employee could result in penalties, costs and damages for which the Group may be liable. This may adversely affect the Group's business, results and financial condition.

The local content requirements in Brazil and, to a lesser extent, West Africa (particularly Angola and, to a lesser extent, Nigeria and Equatorial Guinea) have a particular impact on the Group as it derives a significant portion of its revenues from activities in these regions. Revenue from activities in Brazil accounted for 49% of the Group's total revenue in 2012 (2011: 40.5%) and revenue from West Africa accounted for 22.8% of the Group's total revenue in 2012 (2011: 35.7%). Taking Brazil as an example: applicable regulations stipulate that for the Group's FPSOs operating in Brazil's pre-salt basin, the local content requirement must be no less than 65%. This local content minimum was increased to the current level in 2007 from 20% previously, and means that the Group must procure 65% of equipment and services to be sourced from domestic suppliers. Failure to meet the local content requirement may result in a fine of up to 20% of the difference between the actual local content expenditure and the expenditure requirement.

(e) At any given time, the Group is typically engaged in relatively few contracts for FPSOs with a limited number of customers in a limited number of geographical locations. Each of these contracts contributes a significant portion of the Group's consolidated revenues. This magnifies the individual risks that apply to any given contract or project.

At any given time, the Group is typically engaged in relatively few contracts for FPSOs with a limited number of customers in a limited number of geographical locations and of an increasing duration. Each of these contracts contributes a significant portion to the Group's consolidated revenues. By way of illustration:

- The Group's existing fleet currently consists of 19 units of which 15 are FPSOs that are all under contract with the exception of FPSO Falcon. Three of these FPSOs are currently under construction or conversion; Cidade de Paraty, Cidade de Ilhabela and N'Goma. Over the period 2006 to 2012, the Group entered into nine FPSO contracts with five customers (out of which, four were with Petrobras).

- In the same 2006 to 2012 period, the Group was also awarded four FPSO turnkey contracts with four customers and six turret contracts with five customers.

- For the financial year ended 31 December 2012, approximately US$ 2,029.2 million of the Group's consolidated revenues, representing 54.9% of the Group's consolidated revenues, was attributable to only three customers. For the financial year ended 31 December 2011: US$ 1,659.9 million, representing approximately 52.6% of the Group's consolidated revenues was attributable to only three customers.

- For the financial year ended 31 December 2012, approximately US$ 410.8 million of the Group's consolidated revenues, representing 11.1% of the Group's consolidated revenues, was attributable to the Group's lease and operate activities in Brazil, and US$ 190 million, representing 5.1%, was attributable to the Group's lease and operate activities in Angola. For the financial year ended 31 December 2011: US$ 440.1 million, representing approximately 13.9%, to lease and operate activities in Brazil, and US$ 170.2 million, representing 5.7%, to lease and operate activities in Angola.

- The average lease and operate contract term is 11.8 years for the Group (10.6 years for the overall market) and the average Lease and Operate contract term is 14.9 years for the Group (9.9 years for the overall market) for lease and operate contracts awarded over the period 2006 to 2012.

The limited number of customers and the geographical concentration of the Group's activities, as well as the increasing duration of the contracts the Group enters into with its customers in the Lease and Operate segment, and the significance of the revenues attributable to each of them, magnifies the potential impact of the various risks that apply to any given contract or project as described elsewhere in this section. Furthermore, the loss of a key customer, if not replaced, could materially and adversely affect the Group's business results and financial condition, as could factors that could have the effect of slowing the Group' customers' sales. In particular, a reduction in any of the Group's customers' sales prices or overall sales volumes may lead to decreased production by such customers, resulting in lower demand for the Group's services.

(f) The Group's lease and operate contracts expose the Group to the risk of inaccuracies in relation to the determination of the residual value of vessels. Correctly estimating the residual value is an important component of the lease rate calculation. If the actual residual value is below the estimated future market value, this may adversely affect the Group's business, results and financial condition.

The Group's lease and operate contracts expose the Group to the risk of inaccuracies in relation to the determination of the residual value of vessels. Residual value risk relates to the portion of the vessel which is not amortised over the initial lease period. Determining the residual value involves taking a view on the likelihood of the lease being extended, the technical reusability of the vessel and the expected market demand for that vessel on expiry of the current lease. Correctly estimating the residual value is an important component of the lease rate calculation. If the Group fails to correctly establish these key parameters, the actual residual value may turn out to be below the estimated future market value and the Group's business, results and financial condition may be adversely affected.

(g) The Company believes that the Group's success and results (including its ability to charge a premium for its services) is in part dependent on the strength of its reputation, as well as the reputation of its partners. Any damage to the reputation of the Group or its partners may result in existing customers withdrawing their business from the Group, or not awarding the Group future business or the opportunity to bid for future business, each of which could adversely affect the Group's business, results and financial condition.

The Company believes that the Group's success and results depend in part on the strength of its reputation, as well as the reputation of its partners. The Group attracts (and retains) business and qualified staff partly as a result of its reputation, and the trust that that engenders in both existing and prospective customers. The Company also believes that its strong reputation coupled with a strategy to deliver bespoke, premium products to its customers, entitles it to charge a premium for its products and services. The reputation of the Group (and its partners) is dependent on a number of factors and may be damaged by, amongst other things, mistakes in projects, non-compliance with regulations or business principles, health and safety issues (particularly accidents that result in death or severe injury), customer and supplier issues, litigation, employee misconduct, difficulties in operational or financial management, or negative publicity (including negative publicity following an environmental disaster, such as an oil spill). Any damage to the reputation of the Group or its partners may result in existing customers withdrawing their business from the Group or not awarding the Group future business or the opportunity to bid for future business, and in an inability to attract new customers, and may lead to a broader adverse effect on the Group's business and prospects by way of loss of goodwill, joint venture partners and employees. This may in turn adversely affect the Group's business, results and financial condition.

By way of example, the challenges faced (and, until the YME Agreement, the stalemate) in relation to the Yme platform have created questions around the Company's capabilities to deliver high quality technical solutions.

(h) The Group relies significantly on the skills and experience of the managerial staff and other key personnel and a loss of these individuals could adversely affect the Group.

The Group's competitive position and success has been built on the quality of its engineering skills – on its ability both to refine existing technologies, and to identify, develop and implement new technologies. Maintaining a leading role in existing and new technologies requires skilled engineering staff, which refine and develop those technologies, and skilled managerial staff - both at a project level, to manage the implementation of the relevant project, and at Company level, where sufficient experience and an in-depth knowledge of the Group, its business and strategy, and a sufficient understanding of the industry and markets in which the Group operates, are critical to the successful management of the Group and its business.

The Group may find it difficult to recruit, retain or motivate suitably qualified and experienced engineering and managerial staff. In particular, the business is dependent on the Group being able to attract and retain appropriately qualified and experienced senior project managers/directors, process engineers, safety and loss prevention engineers, electrical and instrumentation engineers, regulatory compliance and health, safety, security and environment (**HSSE**) officers. If the Group does not succeed in attracting and retaining experienced staff in sufficient numbers, this may adversely affect the Group's business, results and financial condition.

(i) ***The Group enters into turnkey contracts and lease and operate contracts with its customers. The choice as to whether a particular project is undertaken as a lease and operate contract, or a turnkey sale, is ultimately made by the relevant client. Whereas turnkey contracts typically generate neutral or positive cash flows from the engineering phase through the construction period of the vessel (as progress payments from customers are made), lease and operate contracts are capital intensive and typically require that significant amounts of third party debt funding be arranged. The Group is continuously seeking an optimal balance between its turnkey activities and its lease and operate activities that is consistent with its budgeted cash flows and capital requirements, and that takes into account considerations such as the availability of third-party debt funding, the cost of borrowing and the likely returns on borrowed monies. The Group may not always be able to maintain an optimal balance between turnkey contracts and lease and operate contracts, or, in the case of lease and operate contracts, may not be able to obtain the necessary third-party debt funding, each of which may adversely affect the business, results and financial condition of the Group.***

The Group enters into turnkey contracts and lease and operate contracts with its customers. Turnkey contracts typically generate revenue and profits from the engineering phase through the construction period of the vessel. Progress payments are demanded from customers to allow for a neutral cash flow impact, hence, turnkey contracts do not require external funding. In comparison, lease and operate contracts typically generate long-term, stable cash flows, but usually only from the date of full acceptance of the floating production system by the customer. Lease and operate contracts are capital intensive and typically require that significant amounts of third party debt funding be arranged. This places higher pressure on the balance sheet and means the Group must secure external financing in order to fund and achieve the execution and delivery of the project.

With the implementation of more stringent bank regulation (such as Basel III), banks are suffering from liquidity constraints which has made it harder for the Group to secure bank debt, especially of long term maturity (10 years or more). The Group is continuously seeking an optimal balance between its turnkey activities and its lease and operate activities, that is consistent with its budgeted cash flows and capital requirements, and that takes into account considerations such as the availability of third-party debt funding, the cost of borrowing and the likely returns on borrowed monies. However, achieving this balance is, to a large extent, not within the Group's control as it depends on selection by the Group's customers of their preferred contracting method for each specific contract. It follows that no assurance can be given that the Group will be able to achieve this balance, or, in the case of lease and operate contracts, that the Group will be able to obtain third-party debt funding, each of which may adversely affect the business, results and financial condition of the Group.

(j) ***The Group is active in a number of regions around the world, some of which are politically and economically unstable. The Group also faces the risk of terrorist attacks, acts of war, escalation of hostilities, riots, piracy, and civil unrest. Should they eventuate, these risks may adversely affect the Group's business, results and financial condition.***

The Group is active in a number of regions around the world, some of which are politically and economically unstable. Changes in the legislative, political, regulatory and economic framework in the regions in which the Group carries out business could adversely affect the Group's activities. There is also a risk that local governments adopt policies that may have an adverse affect on the Group, including nationalisation, expropriation, nullification or modification of contract terms, tariff increases, price controls, currency exchange controls and other restrictive or protectionist policies and actions. Commercial law and judicial and dispute resolution systems may be less developed resulting in it being difficult to enforce and defend contractual or other claims. Changes in political regimes or other political instability, as well as risk of war, other armed conflicts and general unrest, may also directly negatively affect the Group's operations in foreign countries.

Local political or economic crises, even in countries where the Group does not have direct business interests, could impact delivery of essential goods or services affecting the ability to complete projects or meet contractual obligations. In countries where the Group is directly involved in activities such as engineering, construction or vessel operation, such events could affect the ability to secure revenues and meet objectives.

Some operations take place in regions which present identifiable security risks, including piracy and terrorism. Acts of piracy on vessels have recently increased in frequency. Although the Group's fleet has not to date fallen victim to piracy, there can be no assurance that it will not do so in the future. Any such occurrence could adversely affect the Group's business. Acts of piracy have historically occurred in areas where the Group has operated, such as the West coast of Africa, or in areas where Groups assets may be in transit, such as the Indian Ocean or Indonesian waters, and there is a risk that acts of piracy will continue to occur in those areas, as well as other regions. The Group mitigates this risk through security arrangements and insurance, but in the future such arrangements may be unavailable, may only be available at increased costs or may prove to be insufficient or to provide insufficient coverage. In addition, crew costs could also increase if piracy continues to be a risk. Detention hijacking as a result of an act of piracy against the vessels, or an increase in cost or unavailability of insurance for the Group's vessels could have a material adverse impact on Group's business, results and financial condition.

(k) The Group's current corporate transformation campaign may fail to meet objectives and generate risks (such as resistance to the transformation campaign by personnel) as well as ineffective processes or tools. If the Group is unable to deliver expected improvements the Group's business, results and financial condition could be adversely impacted.

The Group launched in 2012 and continues to develop a transformation campaign aiming at improving the ways of working in line with the "Work as One, Perform and Shape the Future" strategy. The changes implemented by the Group include the delegation of responsibilities to five execution centres, merging of the Group's Turnkey Systems and Turnkey Services activities, streamlining of internal processes, systems and objectives and amendments to the Group's performance and evaluation system. The Group has significantly increased staff numbers (from 2,500 in 2004 to more than 7,000 in 2012) and has replaced 53 of the top 120 senior managers since 1 January 2012. The Management Board members have changed, including a new CEO since 1 January 2012 and the creation of the new position of Chief Governance and Compliance Officer. The current Management Board have been working together for a relatively short time (since July 2012).

There can be no assurance that the planned strategy will be successful, that the Group will not encounter difficulties or delays in implementing it, or that the Group's revised internal control systems and risk management will, once implemented, adequately identify all risks, or that the Group will properly assess the impact of such risks and address them in an adequate manner. As a result, the Group may suffer financial losses or damage to its reputation. This may have an adverse effect on the Group's business, results and financial condition.

Changes to the Company's internal organisation and processes could affect morale and cause loss of motivation, reduced productivity, increased turnover of staff. There could be gaps and mistakes in execution or reporting due to changes in the organisation, processes or tools not having being adequately implemented. For example, changes in the information system the Group is using could affect performance and reporting during a transition period whilst staff and managers get used to different ways of working. Any of these factors could adversely affect the Group's business, results and financial condition.

(l) The Group may not succeed in redeploying vessels at existing rate levels or at all, and may be subject to higher than anticipated demobilisation, refurbishment and redeployment costs.

The Group's vessels are generally designed according to specifications from the customer. Lease and operate contracts are usually structured to secure an acceptable return on the investment within the contract period. When the lease contracts expire, or if they are terminated early, the Group may encounter difficulties redeploying those vessels at existing rate levels, or even redeploying those vessels at all. The Group currently has one FPSO, FPSO Falcon, that is not under contract. The redeployment of a vessel typically requires that it be refurbished and upgraded according to the specific requirements of the new customer contract, which involves additional cost. Also, the residual value of the unit may not end up being competitive in the market conditions at the time of a lease expiry and as such could affect the ability to relocate the vessel. When a new contract is entered into that requires that a vessel be refurbished, it may take significant time and significant capital investment before the vessel is ready for redeployment in accordance with the requirements of the new customer contract. During the refurbishment and redeployment period, the Group typically does not earn revenues in respect of that vessel. The cancellation or postponement of one or more contracts, or the failure to obtain new contracts on attractive terms, higher-than-anticipated demobilisation, refurbishment and redeployments costs, or significant delays in redeployment of vessels, could each have an adverse impact on the Group's working capital, business, results and financial condition.

(m) There can be no assurance that FPSOs will be successfully operational for the expected duration of their useful service lives.

There can be no assurance that FPSOs will be successfully operational for the expected duration of their useful service lives. The service life of an FPSO depends to a significant extent on the maintenance program designed for it, but there will always be some exposure to technical risks, with unforeseen operational problems leading to unexpectedly high operating costs, the need for dry docking for repair, additional investment becoming necessary, and potentially the payment of penalties to the relevant customer. These risks may also materialise in the event of human error and faulty construction. There can be no assurance that the relevant maintenance program will be adequate, and that the service life of an FPSO will meet the expected service life and other criteria agreed with the relevant customer. This is exacerbated by the fact that many FPSOs are deployed in harsh conditions such as extreme waves and currents, and in remote locations, where they face risks that are not within the control of the Group.

(n) The Group has entered into certain strategic partnerships, and may or may not continue to do so in the future. If these partnerships are unsuccessful or adequately functioning, the Group's business, results and financial condition could be adversely impacted.

The Group has entered into strategic investments, strategic partnerships and strategic alliances and may continue to do so in the future. Examples of existing strategic partnerships include the Brasa shipyard in Brazil, the Paenal shipyard in Angola, and an enterprise framework agreement with Shell. There can be no assurance that these strategic investments, strategic partnerships and strategic alliances will be successful.

Where the Group enters into a strategic investment, partnership or alliance, it may have difficulty in working together with that partner's personnel, reporting, operations, technology, software and financial integration or to adapt its reporting to its own reporting systems. Strategic partnerships may also result in the resignation of key personnel of the Group. In some cases, the Group has, or may have difficulty in aligning its operating procedures with those of its partners. These difficulties could disrupt the ongoing business, provide the Group's management with suboptimal information, distract the Group's management and employees and increase costs.

(o) The Group may incur liabilities from the recent sale of GustoMSC and from the planned disposal programme.

On 10 November 2012, the Company entered into a share purchase agreement pursuant to which it agreed to sell GustoMSC to Parcom Capital for a purchase price of US$ 189 million. The share purchase agreement contains certain warranties and indemnities in favour of the buyer. For warranties and indemnities other than in relation to the Yme and Deep Panuke projects, the Company's aggregate liability is capped at 25%, 50% or 100% of the purchase price and limited by a claims period of either 1.5, 2.5 or 5 years, respectively, from the completion date, depending on the warranty or indemnity concerned. The Group's liability in relation to the specific indemnities for the Yme and Deep Panuke projects is unlimited. The Company is also considering a sale and lease back arrangement for its Monaco owned offices under which customary representations and warranties may be offered.

Divestments may not realise the anticipated benefits or there may be other unanticipated or unintended effects. While the Group seeks to limit ongoing exposure in case of divestments, for example through liability caps and limits on the claim period, some warranties and indemnities may give rise to unexpected liabilities, which could adversely affect the Group's business, results and financial condition.

(p) Adverse weather conditions, catastrophic events, pandemic diseases and other unpredictable events may adversely affect the Group's (offshore) facilities, people, equipment, cargo or property.

Adverse weather conditions, catastrophic events, pandemic diseases and other similarly unpredictable events, may reduce the number of workable days and therefore prevent the Group and its employees from being able to conduct their activities. For instance, the travel restrictions implemented as a result of the H1N1 pandemic in 2009 interrupted the Kuala Lumpur operations. Work in Houston has been disrupted in the past by hurricanes and tropical storms, and adverse weather conditions were among the contributing factors that resulted in the progress of the work offshore and commissioning of the Yme Platform for start-up of the system being significantly slower than anticipated. Climatic conditions could also affect in some instances the Group's ability to install or operate safely vessels offshore and catastrophic events like the Icelandic volcanic eruption, Japanese tsunami or other events with a global impact. Such events are impossible to predict. Should they occur, they may adversely affect the Group's property, financial assets, trading positions and employees. If the Group's business continuity plans do not fully address such events or cannot be implemented under the circumstances, the Group may incur losses. Unforeseen events can also lead to lower revenue or increased operating costs, such as increases in fixed employee costs not recovered by corresponding increases in revenues due to an inability to deliver products and services on time, and can result in higher insurance premiums. Insurance coverage for certain unforeseeable risks may also be unavailable, or may only be available at unacceptably high premiums. Should they materialise, these risks may have an adverse effect on the Group's business, results and financial condition.

(q) The Group's internal control systems may not adequately identify all risks and the Group may not properly assess the impact such risks may have.

Risks can manifest themselves in many ways, including business interruption, poor performance, IT system malfunctions or failures, non-performance from partners or subcontractors, breach of applicable laws and regulations, human errors, employee misconduct or internal and external fraud. Timely identification, assessment and, if necessary, treatment of risks as they materialise is critical to the performance of the Group, as is the consistent and disciplined implementation of internal control systems and risk management across the Group as a whole.

The experience on the Deep Panuke mobile offshore production unit (**MOPU**) and the Yme MOPU with oil storage capacity (**MOPUstor)**, together with a general recognition of the accelerating complexity of facilities and projects the Group undertakes, the increasing scale of investment, the increasing average FPSO contract life, and the use of FPSOs as full life-of-field developments, have prompted a reappraisal of the Group's organisational structure, internal control systems and risk management, and has resulted in the adoption of a new risk management approach under the " Work as One, Perform and Shape the Future " strategy, which is intended to identify and, where necessary, remedy shortcomings in the management of these risks.

(r) If the Group fails to complete a project on time, misses a required performance standard or otherwise fails to adequately perform on projects, the Group may incur a loss on that project.

The Group usually commits to its customers that it will complete projects by a scheduled date and that a project, when completed, will achieve specified performance standards. If the project is not completed by the scheduled date, or it fails to meet required performance standards, or fails to perform other contractual obligations, the Group may be liable to pay compensation or damages for breach of contract, incur significant additional costs, or incur a loss or penalties (both contractual penalties and as a result of civil liability), and payment of the Group's invoices may be delayed. In addition, the customer may have the right in certain circumstances to terminate the agreement. Performance of projects can also be affected by a number of factors beyond the Group's control, including unavoidable delays from governmental action or failure to act, public opposition, inability to obtain financing, adverse weather conditions, unavailability of materials, changes in the project scope of services requested by customers, industrial accidents, environmental hazards and disasters, labour disruptions and other factors. In some cases, the Group may also be subject to agreed financial damages and penalties stipulated in the relevant contract when it fails to meet performance standards or deadlines. The risk may also appear in decisions taken in efforts to meet deadlines to complete some aspects of the work during a next phase of the project, however, without anticipating accurately the financial consequences and additional costs (for example, some commissioning activities could be postponed to a phase during which the vessel is in transit to site, or during the offshore site start-up period: logistic issues can then be driving availability of manpower and associated costs for performing work in a more difficult or costly environment). A failure to meet deadlines may also result in a failure to achieve anticipated revenues, which may have a material adverse effect on the working capital and cash flows of the Group. Each of these outcomes may materially adversely affect the Group's business, results and financial condition.

(s) The Group's activities are subject to environmental laws and regulations. Potential liability for fines and damages resulting from infringements of such laws may result in a material increase in the costs of operating the Group's units or may otherwise adversely affect the Group's business, results and financial condition.

The Group's activities are subject to environmental regulation pursuant to a variety of international conventions and national laws and regulations. Compliance with these laws and regulations can require significant expenditure. A breach may result in the imposition of fines and penalties, which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and increased capital expenditures and operating costs. Environmental laws and potential liability for fines and damages resulting from infringements of such laws may result in a material increase in the costs of operating the Group's units or may otherwise adversely affect the Group's business, results and financial condition.

The discharge of oil, natural gas or other pollutants into the air, the water or the ground may give rise to liabilities to host governments and third parties, which may require that the Group incur costs to remedy that discharge and expose the Group to claims in consequence thereof. Environmental laws may also expose the Group to liability for the conduct of, or conditions caused by, others, or for acts (or omissions) of the Group which were in compliance with all applicable laws at the relevant time. Some environmental laws provide for joint and strict liabilities for remediation of releases of hazardous substances, which could result in liability for environmental damage without regard to negligence or fault. Should they occur each of the liabilities and costs described in this paragraph could adversely affect the Group's business, results and financial condition.

The Group maintains liability insurances to protect it against pollution risks. The Group also typically seeks to mitigate these risks through contractual indemnities pursuant to which its customers agree to protect and indemnify the Group to some degree against liability for reservoir, pollution and environmental damages, oftentimes above certain thresholds. Nonetheless, the Group cannot guarantee that it will be able to obtain full indemnities in all of its contracts, that the level of indemnification the Group can obtain will be meaningful, that the indemnification provisions will be enforceable or that its customers will be financially able to comply with their indemnity obligations.

The Group will always, to some extent, be exposed to potential liabilities relating to oil and other types of pollution. Although the Group seeks to obtain adequate coverage under its liability insurance and also to limit its exposure in its agreements with its customers there can be no assurance that such attempts to limit, reduce or offset such liability will be sufficient.

(t) The operation of the Group's FPSOs and other vessels involves inherent risks and the Group's liability and property insurance (including insurance in relation to the decommissioning, transportation and scrapping of the Yme MOPU) may not provide sufficient coverage or may not continue to be available on reasonable terms or in sufficient amounts.

The operation of the Group's FPSOs and other vessels involves inherent risks, such as risk of damage to and loss of vessels and cargo, property loss, oil spills, and interruptions to operations caused by, for instance, adverse weather and environmental conditions, mechanical failures, crew negligence or navigation errors. In relation to these and other risks, the Group maintains the following insurance coverage:

- Insurance cover for hull and machinery, which covers loss of, or damage to, a vessel due to marine accidents (such as collisions), grounding, weather conditions, war, piracy and terrorism.

- Protection and indemnity insurance, which covers liabilities incurred while operating vessels, including injury to crew and third parties, loss of and damage to third party property, and pollution.

- Construction insurance that covers physical loss and/or physical damage to the Group's projects. If a customer purchases this insurance instead of the Group, then the customer contract typically provides that the insurance cover is required to be of the same standard and provide the same coverage as that which the Group would typically purchase.

- Insurance for general liability, including product liability.

The Group does not typically purchase professional indemnity, delay in start up or business interruption insurances.

Pursuant to the settlement reached with Talisman under the Yme Agreement, Talisman, as the operator of the field, will be responsible for the decommissioning of the MOPU. The Group will take over the MOPU when it exits the 500 meter zone, where the platform is currently located, and will be responsible for transporting it to a yard where the MOPU will be scrapped. During decommissioning, ownership of the MOPUstor will remain with the Group. Upon handover by Talisman of the MOPU to the Group, ownership of the subsea structure will pass to Talisman. The Group has put insurance in place to cover the primary risks during the decommissioning stage, during which the ownership and risk (including the risk of collapse) of the MOPUstor will remain with the Group, and intends to put insurance in place to cover risks during the transportation to the yard where the MOPU will be scrapped.

The Group believes that it is adequately insured in accordance with industry standards against normal risk in its operations and its hull and machinery insurances have recently been adjusted to better reflect replacement values. However, this insurance coverage generally may not continue to be available on reasonable terms. Should risks materialise (including the assertion of one or more large claims against the Group) that are not covered by the Group's or customer insurances, that exceed the available insurance coverage, or that are repudiated or otherwise not honoured by the insurer for any reason (including the insolvency of that insurer, or as a result of default by the relevant customer), this may cause the Group to suffer loss or, even if honoured by the insurer, may result in changes in the insurance policies (including insurance premium increases or the imposition of a large deductible or co-insurance requirement). This may have an adverse effect on the Group's business, results and financial condition.

(u) Maintenance and repair for the Group's vessels and equipment may require substantial expenditure.

The Group is required to maintain its vessels and equipment to certain standards and to maintain the certification of such vessels and equipment. Such maintenance may involve substantial costs. The Group's operations are dependent on the operating efficiency and reliability of its vessels and equipment in terms of operational worthiness and the safety environment. Any unexpected breakdown or non-performance of vessels and equipment is difficult to predict and in the event of downtime, additional costs and losses may be incurred by the Group's customers arising from the disruption of their workflow and scheduled activities and some of these costs may be passed on to the Group. Rectification of the breakdown or non-performance, depending on its severity, may also require replacement or repair of key components and there may be long lead times required in the procurement of these components. Such rectification on the affected vessels and equipment may require the Group to incur significant costs and may result in such vessels and equipment being out of service and being unable to generate revenue for the Group over extended periods of time. In such an event, the Group may be unable to meet its contractual obligations with its customers, which in turn may lead to penalties and materially and adversely affect the Group's reputation as well as its business, results and financial condition.

(v) The Group is subject to the risk of disputes with, and claims by, customers, subcontractors, (former) employees and other contractual counterparties or third parties, which could adversely affect the Group's business, results and financial condition.

From time to time, the Group has disputes with customers, subcontractors, (former) employees and other contractual counterparties or third parties. These are generally resolved out of court, but litigation or arbitration may arise, resulting in additional costs. The Group could also be the subject of government investigations or proceedings, which could result in fines, penalties and/or suspension or debarment from contracting. Where the relevant dispute is with a customer, the dispute may result in accrual of costs and delays in payment and/or payment of settlement fees or penalties, which may in turn negatively impact the cash flows and working capital of the Group. Financial provisions are taken for any expected negative outcome, and recoveries are accrued when a positive result can be reliably projected and estimated. However, litigation may adversely affect the Group's business, results and financial condition. The Group is currently involved in several disputes with customers, including, for example, the EnCana Corporation in relation to the Deep Panuke project. See also "Business Overview - Legal and arbitration proceedings".

(w) There can be no assurance that the Group's Strategy Plan will be successfully implemented, or that the Group will (fully) realise the expected benefits of the Strategy Plan.

The Group's Strategy Plan consists of the following elements: continued focus on core products with attractive margins; to strive for a balanced portfolio of lease and operate projects and turnkey sale projects; focus on the bottom line (which involves *inter alia* a transformation of the Group's organisational structure to maximise its capacity to execute large and complex FPSO projects); to seek a better risk/reward balance in relation to the returns on projects that the Group undertakes (which relates *inter alia* to a recognition in the FPSO industry that returns for the FPSO industry over recent years have not followed the increased size and complexity of project tenders for all the FPSO players in the risk/reward profile of such projects in comparison with the E&P companies and the integrated specialist equipment suppliers); to continue to enter into new partnerships (*inter alia* in order to improve the Group's chances of securing new business and to add value to its performance in the long run); to strengthen its balance sheet (by *inter alia* divesting non-core assets) and to seek to decrease the Group's dependence on bank financing. See further "Business Overview – Corporate Strategy". There can be no assurance that the Group's Strategy Plan will be successfully implemented, or that the Group will (fully) realise the expected benefits of the Strategy Plan.

(x) Failure to comply with laws and regulations to which the Group is subject may lead to disciplinary, administrative, civil and/or criminal enforcement actions, fines, penalties and civil liability and may carry negative publicity harming the Group's business and reputation.

The Group is subject to laws and regulations relating to several areas such as environment, health and safety, construction, procurement, administrative, accounting, corporate governance, market disclosure, tax, employment and data protection. Such laws and regulations may be subject to change and interpretation. Any failure to comply with applicable laws and regulations that may change over time, or the interpretation and enforcement of which may change over time, may lead to disciplinary, administrative, civil and/or criminal enforcement actions, fines, penalties and civil liability and may carry negative publicity harming the Group's business and reputation.

The laws and regulations applicable to the offshore oil and gas industry have generally become more stringent, and penalties and potential liability have increased and may increase further in the future. In addition, changes in such laws and regulations including the reversal of current favourable policies may impose more onerous obligations on the Group and limit its profitability, including increasing costs associated with its compliance. Failure to comply with laws and regulations may have an adverse effect on the Group's business, results and financial condition.

(y) ***Employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations could harm the Group's reputation, reduce its revenue and profit, and subject it to administrative, criminal and civil enforcement actions.***

Misconduct, fraud or non-compliance with applicable government laws and regulations, or other improper activities by any of the Group's employees, agents or partners could have an adverse effect on its business and reputation. Such misconduct could include the failure to comply with government procurement regulations, competition laws and regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations.

The policies within the Group enforce compliance with these regulations and laws and the Group takes precautions intended to prevent and detect misconduct. However, since the Group's internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, the Group cannot ensure that its controls will protect it from reckless or criminal acts committed by its employees, agents, partners and others. Failure to comply with applicable laws or regulations or acts of misconduct could subject the Group to fines and penalties and suspension or debarment from contracting, any or all of which could harm the Group's business and reputation, subject the Group to administrative, criminal and civil enforcement actions and adversely affect its business, results and financial condition.

(z) ***The Company may have violated anti-corruption laws, which, if true, could harm the Company's reputation, reduce its revenue and profit, and result in monetary penalties, criminal and civil sanctions and other remedies.***

An investigation was commenced in 2012 at the request of the Company into allegations that certain payments involving sales intermediaries in certain African countries in the period 2007 through 2011 violated anti-corruption laws. These allegations came to the attention of the Management Board in February 2012, after a review of the Company's compliance procedures in late 2011. The investigation is being carried out by outside legal counsel and forensic accountants, with the support of the Company's Chief Governance and Compliance Officer and under the oversight of the Audit Committee. The investigation is expected to be completed in 2013, although the timing of completion depends in part on further discussions with authorities.

As the investigation is not yet concluded, the Company cannot make any conclusive statements regarding the findings of the investigation. However, indications have surfaced that the Company has paid substantial sums, mostly through intermediaries, which appear to have been intended for governmental officials. The Management Board, which was appointed in the course of 2012, has found it necessary and appropriate to increase awareness of proper compliance throughout the Company up to the highest management levels. In the course of the investigation allegations were made that improper payments were also made in countries outside Africa, but to date no conclusive proof of those allegations has been established.

The Company voluntarily disclosed the investigation to the Dutch Public Prosecution Service (*Openbaar Ministerie*) (**OM**) and the United States Department of Justice (**DoJ**) in 2012. The Company agreed to periodically update the OM and the DoJ regarding the investigation.

The Company is unable to estimate the ultimate consequences, financial and otherwise, if any, of the payments which led to this investigation at this time. Further, violations of law or compliance procedures may have occurred in the same or other jurisdictions, in which the Company's management may have been involved. Failure to comply with anti-corruption laws could give rise to criminal prosecution by the OM, the DoJ or any local authorities, civil claims or administrative proceedings against the Company. This could result in the Company paying damages or significant fines or penalties imposed by the OM, the DoJ or any local authorities, as well as disgorgements, debarment or other remedies. Under US anti-corruption laws, the maximum fine is calculated under a multi-step process set out in the advisory "Federal Sentencing Guidelines" and could have a material financial impact on the Company. The Company may also have to divert significant management time and effort away from the business to these proceedings. In addition, and regardless of the outcome of any claims, prosecutions or proceedings, the Company could suffer reputational damage and loss of business.

In order to prevent any violations by the Company of the applicable anti-corruption laws and regulations in the future, the Company has taken remedial action to enhance its compliance programme. The new Management Board has consistently emphasized the importance of compliance. The Company introduced new policies, processes and systems and established a compliance department and enhanced its internal controls and monitoring systems. The Company furthermore revised and improved its procedure for identifying and mitigating integrity risks with regard to sales intermediaries. This procedure includes due diligence on existing and new sales intermediaries as well as enhanced internal controls around transactions involving sales intermediaries. Due diligence on sales intermediaries is now approved by a newly established validation committee consisting of members of the Management Board and other executives. See "Business Overview – Sustainability and corporate social responsibility – Compliance programme" for further information. However, since the Company's internal controls are subject to inherent limitations, including human error, it is possible that these controls could fail, or be intentionally circumvented. As a result, the Company cannot ensure that these internal controls will at all times protect it from reckless or criminal acts committed by its employees, agents, partners and others.

(aa) Failure by the Group to be successful in product and technology development activities, and to respond quickly to technological developments, could adversely affect the Group's ability to compete.

The Group operates in an intensely competitive industry that experiences rapid technological developments, changes to industry standards and customer requirements, and frequent new product introductions and improvements. If the Group does not respond quickly and successfully to these changes and developments, its products or technologies could become less attractive and it could lose its competitive position. As new market segments emerge (large, deep water and arctic FPSOs are some examples), the Group faces new sources of competition, and customers with different requirements than customers in its traditional business.

To be successful in these new segments, the Group is dependent on its product and technology development (**P&TD**) to ensure that the cost, energy efficiency, and security functionality of its products and systems are competitive with that of new competitors and meets the requirements of new customers.

Although the Group invests significantly in P&TD, projects are aimed at solving increasingly complex problems and not all projects will be successful. Even if a P&TD project is successful, the Group may not be successful in marketing or selling the new development. Where the development is successfully marketed or sold, it may not be well received by customers or developments offered by competitors could decrease demand for the Group's development. These events could have a variety of negative effects on the Group's competitive position and financial results, such as reducing revenue, increasing costs, lowering gross margins, and decreasing the value of product portfolio.

(bb) The Group could infringe the intellectual property rights of third parties, which could lead to legal action against the Group. This could cause a disruption to the Group's business and financial loss.

Although it is not currently involved in any such claims, the Group could in the future be subject to claims that it is (or its customers are) infringing a third party's intellectual property rights. These types of claims could be made by third parties seeking to protect their intellectual property rights portfolio, or by more opportunistic companies who acquire patent portfolios for the sole purpose of asserting such claims.

Regardless of its merit or the ultimate outcome, any claim that the Group's systems, products or processes infringe the intellectual property rights of another could cost the Group significant time and resources, at the expense of other activities of the business. A claim could result in the Group having to pay damages to a third party, temporarily or permanently discontinue the manufacturing, using, or selling a particular product, system, technology or process, develop new technology or workarounds, or licence technology from a third party claiming infringement (on potentially unattractive terms). This could result in unexpected costs, disruption to the business, a decrease in the value of the Group's products, services or technology, restrictions on the way the Group can use, market or sell its products or services or do business, and an adverse effect on its business, results or financial condition.

For example, in the case of FPSO contracts, the Group may indemnify the customer for any infringement claims. If any of the intellectual property rights are not owned or validly licensed by the Group, then the Group could be liable to the owner of the rights as well as to the client. If a claim were successful, the Group may have to pay damages and legal costs, and may be restrained from using the relevant technology until the claim is decided. This could result in disruption to the business and potentially give rise to further claims.

(cc) Infringement by third parties of the Group's intellectual property rights could damage the Group's business. Decisions of courts and changes in laws and regulations could affect the value of the Group's intellectual property rights or their enforceability.

The Group owns certain intellectual property rights, such as trade marks, patents and copyrights which it uses in the business. If another party were to infringe those rights (for instance, if a subcontractors, such as a fabrication yard, were to attempt to copy the Group's designs in violation of the Group's patent or other intellectual property rights), this could damage the Group's business by reducing the value of the rights, causing damage to the Group's brand and loss of revenues and market share. Taking enforcement action could involve considerable cost, and may not be successful, especially in countries where protection of intellectual property rights is limited. Making an enforcement claim against another party could result in that party claim making a counterclaim against the Group. This could cause the Group to be stopped from selling a particular product or service, be forced to pay for a licence of the rights or to pay damages to the other party. This could adversely affect the Group's business, results or financial condition.

Court decisions and changes to laws or regulations could affect the value of the Group's intellectual property rights or the Group's ability to enforce its rights. Governments could require compulsory licensing of certain intellectual property rights, or that products meet specified standards which the products to which the Group's rights relate do not meet. This could decrease the value of the Group's intellectual property rights or limit the Group's ability to exploit them, which could adversely impact the Group's business, results or financial condition.

(dd) The Group could be subject to intellectual property theft or misuse, which could result in third party claims and harm its business and results of operations.

The Group could face attempts by others to gain unauthorised access to the Group's information technology systems, which could threaten the security of the Group's information and stability of its systems. These attempts could arise from industrial or other espionage or actions by hackers seeking to harm the company or its clients. Although the Group seeks to detect and prevent such theft and attacks, it may not be successful in doing so. Theft, unauthorised access and use of trade secrets or other confidential business information as a result of such an incident could disrupt the Group's business and adversely affect its reputation and competitive position, which could adversely affect the Group's business, results or financial condition.

(ee) The Group's licensing of its patents to other companies in the industry and through industry standard organisations could make it more difficult for the Group to monitor and enforce its rights. It may allow other companies to use its patent rights to produce a competing product.

Companies in the offshore industry sometimes license patents from each other in order to compete. Under current case law, some of these licences may permit the licensee to sublicense these rights to others. This could make it more difficult to monitor and enforce the Group's patent rights, which could increase legal costs, and potentially, lead to claims of infringement. It could result in a competitor being able to use the Group's patent rights to manufacture competing products. These factors could decrease the value of the Group's patent rights and damage its business.

The Group's participation in industry initiatives may require it to license patents to other companies, even if those companies adopt different standards or specifications to the Group. This could result in the Group being unable to enforce its rights against a party that would otherwise be infringing the Group's patent rights. This could decrease the value of the Group's patent rights and damage its business.

2.3 Financial risks

(a) The Group is exposed to the risk of cost inflation and interest rate risk which could reduce the Group's profits and adversely affect its financial results.

The Group is exposed to the risk that a contract during its construction or operations phase is subject to cost inflation not anticipated during the bidding phase and/or to a risk that interest rates increase faster than was anticipated. Most of the Group's contracts are long-term and despite the fact that cost inflation (including interest rate inflation) is typically addressed at the bidding stage and accounted for in the contract negotiations and contract pricing, any non-captured cost increasing element of this nature that is not recoverable from the customer may adversely affect the Group's business, results and financial condition.

In respect of interest rate risk, the Group may not be able to manage these interest rate exposures adequately through the use of interest rate swap agreements and interest rate collars or appropriate hedges may not be available, which would mean its protection is inadequate. Adverse fluctuations and increases in interest rates, to the extent that they are not successfully hedged could adversely affect the performance of the Group. Furthermore, defaults by a hedge counterparty may adversely affect the Group's business, results and financial condition.

(b) The Group is exposed to the risk that a customer, or counterparty of a financial instrument, delays or defaults on a payment obligation which could reduce the Group's profits and adversely affect its financial results.

The Group is exposed to the risk that a customer, or counterparty of a financial instrument, delays or defaults on a payment obligation. Several of the Group's contracts are long-term, and there can be no guarantee that the financial position of the Group's major customers will not materially change during the contracting period. The number of major customers of the Group is limited and the portion of the Group's income they represent is significant. Therefore, if the Group's customers, or other counterparties of financial instruments, delay or default on their payment obligations, the Group may suffer an adverse effect on its business, results and financial condition.

(c) If projects are terminated before certain milestones are reached, the Group's customers may not pay in full all amounts due to the Group, or costs incurred by it.

Many of its contracts require the Group to satisfy specified design, engineering, procurement or construction milestones to receive payment. Under these types of arrangements, the Group may incur costs, or perform significant amounts of work, prior to payment. If a customer determines not to proceed with the completion of a project before a milestone is reached, the Group may encounter difficulties in collecting payment of amounts due to it or costs incurred by it. Although this risk has not materialised in the recent past (save for disputes with customers, mainly in respect of variation orders), there can be no assurance that it will not occur in the future, which may adversely affect the Group's business, results and financial condition.

(d) The Group's tax liability may increase if tax laws and regulations change or become subject to adverse interpretations or inconsistent enforcement or may be greater than currently anticipated or change.

Tax laws and regulations applicable to the Group may be subject to change, varying interpretations and inconsistent enforcement which could have an adverse effect on the Group's profit and financial condition. It is possible that tax authorities in the countries in which the Group operates will introduce additional tax measures. The introduction of any such provisions may affect the Group's overall tax efficiency and may require the Group to pay additional taxes. Any such additional tax exposure could have an adverse effect on the Group's profit and financial condition. The Group may also face an increase in its (income) taxes, if tax rates increase in the countries in which the Group operate, or treaties between those countries and the Netherlands (or other relevant jurisdictions in which the Group is active) are modified in an adverse manner. This may adversely affect the Group's business, results and financial condition.

(e) The Group's assessment of tax assets and tax liabilities may prove incorrect which may adversely affect its results and financial condition.

The Group has made provisions for its tax liabilities in its financial statements and although the Group believes that the assessment of these liabilities on which the provisions have been made is appropriate, the recorded tax liabilities may prove too high or too low. It is possible that the tax authorities in the countries in which the Group operates will have a different interpretation than the Group or inconsistent enforcement on tax laws and regulations applicable. This may affect the Group's results and financial condition.

The Group has recorded deferred tax assets in its financial statements and although the Group believes that the assessment of these assets is appropriate, the deferred tax assets recorded in its consolidated financial statements may not be fully recoverable. These assets can be utilised only if, and to the extent that, the Group generates adequate levels of taxable income in future periods to offset the tax loss carry-forwards and reverse the temporary differences prior to expiration of those deferred tax assets. The ability of the Group to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. If the Group generates lower taxable income than the amount it has assumed in determining the deferred tax assets, the value of its deferred tax assets will be reduced which may affect the Group's business, results and financial condition.

(f) The Group's business is capital intensive and requires significant capital outlays for equipment, such as vessels and other fixed assets. Lease and operate contracts, in particular, are capital intensive and typically require that significant amounts of third party debt funding be arranged. The Group may need additional equity or debt funding in the future which may not be available.

The Group's business is capital intensive and requires significant capital outlays for equipment, such as vessels and other fixed assets, which may be in advance of securing contracts for the utilisation of such assets. Lease and operate contracts, in particular, are capital intensive. Whereas turnkey contracts typically generate neutral or positive cash flows from the engineering phase through the construction period of the vessel (as progress payments from customers are made), lease and operate contracts are capital intensive and typically require that significant amounts of third party debt funding be arranged.

There can be no assurance that the Group's existing and future contracts will provide income adequate to cover its significant fixed as well as variable costs associated with its projects, or that such contracts will be renewed, extended or replaced upon expiration.

The Group's future capital requirements and level of expenses will depend on numerous factors, including, among other things, the choice of clients between turnkey sales and lease and operate contracts, the timing and terms on which its contracts can be negotiated, the amount of cash generated from operations, the level of demand for the Group's services and general industry conditions. In the event that the Group's existing resources and other committed funding are insufficient to fund its investment program and other operating and maintenance activities, the Group may need to raise additional capital to pursue its business strategy in the future. Additional funds may not be available when the Group needs them on terms that are acceptable, or at all. If adequate funds are not available on a timely basis, the Group may curtail development programmes and may be required to delay, scale back, sell or eliminate certain of its assets and/or activities, which may have an adverse affect on the Group's business, results and financial condition or cause the Group to discontinue its operations.

If the Company raises additional funds by issuing additional equity securities, dilution to the holdings of existing shareholders may result. Furthermore, any debt financing of the Group is associated with restrictions and covenants in the agreements governing such debt. If the Group is unable to comply with the restrictions and covenants in the agreements governing the Group's debt from time to time, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that have been borrowed. The Group's ability to comply with such restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond the Group's control. If a default occurs under such agreements, the holders of the debt could accelerate the outstanding debt and declare all amounts borrowed due and payable. Debt under other instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable.

(g) Exchange rate fluctuations may adversely affect the Group's revenue, profit and financial condition.

The Group's functional and reporting currency is the US dollar and almost all offshore revenues are earned in this currency. There are, however, significant cost elements and investments denominated in euro and other non-US currencies, leading to potential exposures on costs and equity. The Group is exposed to expenses incurred in currencies other than US$, such as the euro and other currencies, such as the Brazilian real (BRL) and the Angolan kwanza (AOA). Fluctuating foreign exchange rates can have an effect on the results of the Group with respect to operating costs as well as costs of conversion projects which, to the extent not successfully mitigated by the Group's hedging policy, could in turn have an adverse effect on the Group's business, results and financial condition. The Group may not be able to manage these currency risks adequately through the use of hedging instruments or appropriate hedging instruments may not be available.

2.4 Risks related to the Offer Securities and the Offering

(a) The market price of the Offer Securities may fluctuate and may decline below the Issue Price.

The market price of the Offer Securities may decline or may fluctuate widely in the future. Therefore, the Issue Price of the Offer Securities at the time of the Offering may not be indicative of the market price for the Offer Securities after the Offering has been completed. The market price of the Offer Securities may fluctuate widely, depending upon many factors beyond the Group's control. The market price of the Offer Securities may be significantly affected by, among others the following factors: (i) the Group's actual or anticipated operational results; (ii) the level of the Group's debt; (iii) future issues of ordinary shares or rights to acquire Ordinary Shares; or (iv) general market conditions. The market price of the Offer Securities is also subject to fluctuations in response to the Offering and the investor perception of the success and impact of the Offering. The Company can give no assurance that the market price of its Offer Securities will not decline. Should this occur after an Eligible Person exercises its Rights, which exercise cannot be revoked or modified except as described in "The Offering", that Eligible Person will suffer an immediate unrealised loss as a result. Moreover, the Company can give no assurance that an Eligible Person following the exercise of its Right will be able to sell the Offer Securities at a price equal to or greater than the Issue Price.

The Company intends to set a trading period for the Rights on Euronext Amsterdam from 09:00 hours CET on 4 April 2013 until 17:40 hours CET on 16 April 2013. The Company can give no assurance that an active trading market in Rights will develop on Euronext Amsterdam during that period. The Company does not intend to apply for the Rights to be traded on any other exchange. Because the market price of the Rights depends on the market price of the Ordinary Shares, the existing volatility of the Ordinary Shares could magnify the volatility of the Rights. If the Offering were to be withdrawn for any reason, the Rights would lose all value and purchasers of Rights will have lost the money they paid for their Rights without being able to buy Offer Shares with these Rights.

(b) If a holder of Ordinary Shares does not exercise all of his Rights, his percentage ownership of Ordinary Shares will be significantly diluted. Shareholders in certain jurisdictions are excluded from the Offering and thus suffer dilution.

The Offering is designed to enable the Company to raise capital in a manner that gives the opportunity to existing holders of Ordinary Shares to subscribe for the Offer Shares *pro rata* to their shareholding at the

Record Date, subject to applicable securities laws. To the extent that a holder of Ordinary Shares does not exercise his Rights, his proportionate ownership and voting interest in the Company will be reduced. Even if an existing holder of Ordinary Shares elects to sell his Rights, the consideration he will receive, if any, may not be sufficient to fully compensate him for the dilution of his percentage ownership of Ordinary Shares that may be caused as a result of the Offering.

(c) If closing of the Offering does not take place on the Closing Date and the Offering is withdrawn, whether or not as a result of a termination of the Underwriting Agreement, both the exercised and the unexercised Rights granted will lapse without compensation to their holders and the subscriptions for, and allotment of, Offer Shares that have been made will be disregarded.

It is expected that the closing of the Offering will take place on or about 22 April 2013. With respect to the Offer Securities, the Company has entered into the Underwriting Agreement. If the closing of the Offering does not take place on the Closing Date or at all, whether or not as a result of a termination of the Underwriting Agreement, the Offering may be withdrawn.

Consequently, (i) both the exercised and unexercised Rights granted will lapse without compensation to their holders, (ii) subscriptions for, and allotments of, Offer Shares that have been made will be disregarded, and (iii) any subscription payments made and received by the Company or the Subscription, Listing and Paying Agent will be returned without interest or compensation. The lapsing of Rights will be without prejudice to the validity of any trades in Rights that have been settled. Any non-settled trades in Rights that have occurred on Euronext Amsterdam will be deemed null and void. There will be no refund or compensation in respect of Rights purchased in the market or in any other manner. All trades in Rights prior to the Closing Date are at the sole risk of the parties concerned. The Joint Global Coordinators, SBM Offshore, HAL, the Subscription, Listing and Paying Agent and Euronext Amsterdam do not accept any responsibility or liability with respect to the withdrawal of the Offering or the related annulment of any transactions in Rights on Euronext Amsterdam. Withdrawal of the Offering might have a material adverse effect on the market price of the Ordinary Shares.

(d) Issuance of additional equity by issuing new ordinary shares could lead to a dilution of shareholders' stakes.

The Company may in the future require additional capital to fund its business operations or its internal or external growth. Both the raising of additional equity through the issuance of new ordinary shares and the potential exercise of conversion and option rights by the holders of convertible bonds or bonds with warrants that may be issued in the future could lead to a dilution of shareholders' stakes. The acquisition of or participation in other companies in return for newly issued Shares or the issuance of ordinary shares to employees under future employee stock option plans could also lead to such dilution. In this regard, although the Company has confirmed that it will not directly or indirectly issue shares during a period of 180 days as of the date of this Prospectus, this does not apply to any Ordinary Shares or rights to Ordinary Shares issued to employees of the Company or the Management Board under any incentive plans.

(e) A Shareholder or Shareholders holding a significant stake in the Company may, alone or together, be able to exercise influence over certain corporate matters requiring the approval of the General Meeting, including the election of members of the Supervisory Board and other significant corporate actions. The interests of such a Shareholder or Shareholders may differ from those of other Shareholders and they may vote at General Meetings in a way with which other Shareholders do not agree, and which is prejudicial to the interests of other Shareholders.

Based on public filings in the register of substantial shareholdings kept by the AFM, the Company is aware of only two Shareholders holding 5% or more of the aggregate issued share capital of the Company, and the Company believes that there are a significant number of Shareholders each holding relatively small equity stakes in the Company. However, and particularly given the fact that the Shares are admitted to listing and trading on Euronext Amsterdam and are thus freely tradable, there can be no assurance that one or more existing Shareholders, or third parties, may not acquire (further) Shares such that they hold a significant equity stake in the Company in the future. One or more Shareholders with a significant shareholding may be able to exercise significant influence over the affairs of the Group. Depending in part on the attendance rates at general meetings, such a significant Shareholder or Shareholders may, alone or together, be able to exercise influence over certain corporate matters requiring the approval of the general meeting, including the election of members of the Supervisory Board and other significant corporate actions. The interests of such a Shareholder or Shareholders may differ from those of other Shareholders and they may vote at General Meetings in a way with which other Shareholders do not agree, and which is prejudicial to the interests of other Shareholders. This may also apply in respect of HAL. Following a private placement on 20 December 2012, HAL currently holds 13.3%. Pursuant to the Underwriting Agreement, HAL has committed to exercise all of the Rights granted to it in the Offering and to subscribe for all Remaining Offer Shares. Accordingly, if no other Shareholders were to exercise their rights, it is possible that HAL's shareholding in the Company could increase to up to 21.2%.

(f) Shareholders in certain jurisdictions are excluded from the Offering. This may have a negative impact on the market price of the Ordinary Shares and may negatively influence the development of a trading market.

Subject to certain exceptions, shareholders residing in the United States, Canada, Australia and Japan are, among shareholders in or from other jurisdictions, excluded from participation in the Offering. These persons may decide to sell their Ordinary Shares or, if they can validly do so, their Rights. This could have a negative effect on the market price of the Ordinary Shares, the value of the Rights and a market in the Rights developing, and on the success of the Offering.

(g) The anti-takeover provisions in the Company's articles of association could delay or deter a change of control.

The Company's articles of association (the **Articles of Association**) include the possibility of issuing preference shares in the capital of the Company (**Preference Shares**). The possibility of issuing Preference Shares is an anti-takeover measure. In this regard, Stichting Continuïteit SBM Offshore (the **Foundation**) was founded in 1988. The Company has granted to the Foundation a call option which gives the Foundation the right to acquire such number of Preference Shares as equals 50% of the number of outstanding Ordinary Shares at the time of the exercise of the option. If new Ordinary Shares are subsequently issued, the Foundation may each time exercise its option right up to the aforementioned maximum. The Foundation may at all times exercise its option right. This means that if the Foundation would exercise its option in full at the date of this Prospectus, it would be able to cast 50% of the votes in the General Meeting.

The issuance of Preference Shares would cause substantial dilution of the effective voting power of any shareholder, including a shareholder that attempts to acquire the Company, and could have the effect of delaying, deferring or preventing a change of control in the Company, including proposals that might otherwise result in the holders of Ordinary Shares receiving a premium over the market price of the Ordinary Shares. As a result, the issuance of Preference Shares may negatively influence the market price of the Ordinary Shares. See further "Description of Share Capital and Corporate Governance - Stichting Continuïteit SBM Offshore".

3. IMPORTANT INFORMATION

Potential investors are expressly advised that an investment in the Rights and the Offer Shares entails certain risks and that they should therefore carefully review the entire contents of this Prospectus. Furthermore, before making an investment decision with respect to any of the Rights or the Offer Shares, potential investors should consult their stockbroker, intermediary, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Rights or the Offer Shares and consider such an investment decision in light of the potential investor's personal circumstances.

3.1 Responsibility statement

Potential investors should only rely on the information contained in this Prospectus and any supplement to this Prospectus within the meaning of article 5:23 of the Dutch Financial Supervision Act.

Potential investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus. No person is or has been authorised to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus. If any information or representation not contained in this Prospectus is given or made, that information or representation may not be relied upon as having been authorised by the Company, or any of its respective affiliates. The delivery of this Prospectus at any time after the date of this Prospectus will not, under any circumstances, create any implication that there has been no change in the Group's affairs since the date of this Prospectus or that the information in this Prospectus is correct as of any time since its date.

This Prospectus is made available by the Company. The Company accepts responsibility for the information contained in this Prospectus. The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

No representation or warranty, express or implied, is made or given by or on behalf of the Joint Global Coordinators or HAL or any of their affiliates or any of their respective directors, officers or employees or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this Prospectus, or incorporated by reference herein, and nothing contained in this Prospectus, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Joint Global Coordinators or HAL or any of their affiliates as to the past or future.

None of ING and Morgan Stanley in their capacity as Joint Global Coordinators, HAL in its capacity as underwriter, or ABN AMRO in its capacity as Subscription, Listing and Paying Agent for the Offering, accept any responsibility whatsoever for the contents of this Prospectus nor for any other statements made or purported to be made by either themselves or on their behalf in connection with SBM Offshore, the Offering or the Offer Securities. Accordingly, ING, Morgan Stanley, HAL and ABN AMRO disclaim all and any liability, whether arising in tort or contract or otherwise in respect of this Prospectus and/or any such statement.

This Prospectus will be published in English only. Terms used in this Prospectus are defined in "Definitions".

3.2 Presentation and other financial information

Historical financial information

The consolidated financial information in this Prospectus has been extracted from the Group's financial statements as at and for the years ended 31 December 2010, 31 December 2011 and 31 December 2012. The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (**IFRS**) and with Title 9 of book 2 of the Dutch Civil Code and have been audited by KPMG Accountants N.V.

2010 financial information

In 2011, the Group revised certain accounting policies. As a consequence, to ensure comparability, the 2010 financial information included in the consolidated financial statements for the financial year ended 31 December 2011 was restated in several respects. The financial information set out in this Prospectus is derived from the consolidated financial statements for the financial year ended 31 December 2010 as restated in the consolidated financial statements for the financial year ended 31 December 2011.

Non-IFRS reporting measures: EBITDA and EBITDA margin

This Prospectus uses certain measures that are not measures defined by IFRS. These measures are EBITDA and EBITDA margin. The Company defines EBITDA as operating profit before tax and net finance costs, plus depreciation, amortisation and impairment losses. The Company defines EBITDA margin as EBITDA as a percentage of revenue.

The Group uses EBITDA and EBITDA margin as an internal tool to assess the performance of the Group and the operating segments. While the amounts included in EBITDA are derived from the Company's consolidated financial statements, it is not a financial measure determined in accordance with IFRS and accordingly each of the measures EBITDA and EBITDA margin has its own limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, analysis of the Group's results of operations as reported under IFRS. Other companies may define EBITDA differently from the Group, which limits its use as a comparative measure.

For a reconciliation of EBIT to EBITDA for the periods covered by the historical financial information included in this Prospectus, please see the table in "Operating and Financial Review – Non-IFRS reporting measures: EBITDA and EBITDA margin".

General

Certain figures contained in, or incorporated by reference in, this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in the text or a column or a row in tables contained in, or incorporated by reference in, this Prospectus may not conform exactly to the total figure given for that column or row.

Unless otherwise indicated, financial information relating to the Group is presented in US$.

3.3 Incorporation by reference

The following documents which have previously been published are incorporated in this Prospectus by reference and, as such, form part of this Prospectus. The incorporation by reference extends only to the pages indicated below and the English language versions of these documents. Non-incorporated parts of the documents listed below are either not relevant for the investor or covered elsewhere in the Prospectus.

- The Company's financial statements prepared in accordance with IFRS for the financial year ended 31 December 2012 and the independent auditor's report dated 13 February 2013, relating thereto, attached as pages 134 up to and including 212, respectively page 215 and 216, to the Company's annual report 2012 as filed with the AFM;

- The Company's financial statements prepared in accordance with IFRS for the financial year ended 31 December 2011 and the independent auditor's report dated 1 March 2012, relating thereto, attached as pages 140 up to and including 209, respectively page 212 and 213, to the Company's annual report 2011 as filed with the AFM;

- The Company's financial statements prepared in accordance with IFRS for the financial year ended 31 December 2010 and the independent auditor's report dated 3 March 2011, relating thereto, attached as pages 110 up to and including 177, respectively page 179 and 180, to the Company's annual report 2010 as filed with the AFM;

- The Company's press release regarding its financial results 2012 dated 14 February 2013; and
- The Articles of Association as at the date of this Prospectus.

Potential investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. No other documents or information, including the contents of the Company's website (www.sbmoffshore.com) or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, this Prospectus.

The documents incorporated by reference can be obtained free of charge on the Company's website at http://www.sbmoffshore.com/how-were-performing/financial-reports/annual-reports and http://www.sbmoffshore.com/how-were-performing/regulatory-information.

3.4 Restrictions on the Offering

The Offering, the distribution of this Prospectus, any related materials and the offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in the Offer Securities may be restricted by law in certain jurisdictions.

This Prospectus may not be used for, or in connection with, and does not constitute an offer to sell, or a solicitation to purchase, any of the Offer Securities in any jurisdiction in which such offer or solicitation is not authorised or would be unlawful. The content of this Prospectus is not to be considered or interpreted as legal, financial or tax advice.

Persons in possession of this Prospectus are required to inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Company does not accept or assume any responsibility or liability for any violation by any person of any such restrictions.

The content of this Prospectus is not to be considered or interpreted as legal, financial or tax advice. Each prospective investor should consult his own stockbroker, bank manager, auditor or other financial, legal or tax advisers before making any investment decision with regard to the Offer Securities, to consider such investment decision in light of the prospective investor's personal circumstances, and in order to determine whether or not such prospective investor is eligible to subscribe for the Offer Shares or to trade in the Rights.

As a condition to accept, deliver, transfer, exercise, purchase, subscribe for or trade in Offer Securities, each purchaser in order to be an Eligible Person will be deemed to have made, or, in some cases, be required to make, certain representations and warranties which will be relied upon by the Company, the Joint Global Coordinators, the Subscription, Listing and Paying Agent and others. The Company and the Joint Global Coordinators reserve the right, in their sole and absolute discretion, to reject any purchase of Offer Securities that the Company or the Joint Global Coordinators believe may give rise to a breach or violation of any law, rule or regulation. For a more detailed description of restrictions relating to the Offering, see "Selling and Transfer Restrictions".

3.5 Forward-looking statements

Certain statements contained in this Prospectus that are not historical facts are "forward-looking statements". This Prospectus contains forward-looking statements which are based on the Company's beliefs and projections and on information currently available to the Company. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "intends", "estimates", "plans", "assumes", "anticipates", "annualised", "goal", "target" or "aim" or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy that involve risks and uncertainties.

Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Company undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing the Company and its Group Companies. Such risks and uncertainties are discussed in "Risk Factors". Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition or results of operations could differ materially from those described in this Prospectus. The Company urges investors to read "Risk Factors", "Industry and Market Overview" and "Operating and Financial Review" for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Company operates. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated results or events:

- The Group's business and operations depend upon conditions prevailing in the oil and gas industry and changes in the prevailing market conditions could have a material adverse effect on the Group's business, results or financial condition.

- The natural decline in the rate of production in oil and gas fields impacts worldwide oil and gas production, and may result in decreased opportunities for the Group as the number of viable oil and gas fields decreases.

- A failure by the Group to maintain its competitive position in bespoke technological solutions may negatively impact demand for the Group's products and services, particularly in the market for larger, more complex FPSOs. This may in turn impact the demand for the products and services the Group provides and thus have an adverse impact on its business, results and financial condition.

- There can be no assurance that the Group's efforts to address low returns in the FPSO industry in recent years will be successful. If those efforts are unsuccessful, returns may remain low (or may even decrease), which may have an adverse effect on the results and profitability of the Group.

- The Group's customers have made, and may continue to make, increasing demands on the Group. The increasing complexity, size and duration of these projects increases the risk of technical errors, as well as errors in the making of assumptions and estimates in relation to a project. Such errors may adversely impact the business, results or financial condition of the Group should they occur. A failure by the Group to adapt to the increased demands of its customers, or to adapt quickly enough, may also adversely impact demand for its products and services, and thus the Group's business, results or financial condition.

- There can be no assurance that there will be no further delays or that additional costs will not be incurred in relation to the Deep Panuke project, that the provisions made in relation to that project will be sufficient, or that further impairment charges will not be incurred. There can be no assurance that the litigation with EnCana Corporation will be determined in the Group's favour, or that the outcome (including settlement) of the litigation will not involve the payment of damages and costs by the relevant Group Company.

- In a number of the countries in which the Group operates, host governments set minimum levels for local content and participation in oil and gas projects – including the engagement of local subcontractors, suppliers, partners and employees. Amongst other things, a failure to meet these requirements may result in a fine, or may impair the ability of the Group to operate in these regions, each of which, should they occur, adversely effect the business, results and financial condition of the Group.

- The Company believes that the Group's success and results (including its ability to charge a premium for its services) is in part dependent on the strength of its reputation, as well as the reputation of its partners. Any damage to the reputation of the Group or its partners may result in existing customers withdrawing their business from the Group, or not awarding the Group future business or the opportunity to bid for future business, each of which could adversely affect the Group's business, results and financial condition.

- The Group enters into turnkey contracts and lease and operate contracts with its customers. The choice as to whether a particular project is undertaken as a lease and operate contract, or a turnkey sale, is ultimately made by the relevant client. Whereas turnkey contracts typically generate neutral or positive cash flows from the engineering phase through the construction period of the vessel (as progress payments from customers are made), lease and operate contracts are capital intensive and typically require that significant amounts of third party debt funding be arranged. The Group is continuously seeking an optimal balance between its turnkey activities and its lease and operate activities that is consistent with its budgeted cash flows and capital requirements, and that takes into account considerations such as the availability of third-party debt funding, the cost of borrowing and the likely returns on borrowed monies. The Group may not always be able to maintain an optimal balance between turnkey contracts and lease and operate contracts, or, in the case of lease and operate contracts, may not be able to obtain the necessary third-party debt funding, each of which may adversely affect the business, results and financial condition of the Group.

- The Group's current corporate transformation campaign may fail to meet objectives and generate risks (such as resistance to the transformation campaign by personnel) as well as ineffective processes or tools. If the Group is unable to deliver expected improvements the Group's business, results and financial condition could be adversely impacted.

- There can be no assurance that the Group's Strategy Plan will be successfully implemented, or that the Group will (fully) realise the expected benefits of the Strategy Plan.

- Employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations could harm the Group's reputation, reduce its revenue and profit, and subject it to administrative, criminal and civil enforcement actions.

- The Company may have violated anti-corruption laws, which, if true, could harm the Company's reputation, reduce its revenue and profit, and result in monetary penalties, criminal and civil sanctions and other remedies.

- The Group is exposed to the risk of cost inflation and interest rate risk which could reduce the Group's profits and adversely affect its financial results.

- The Group is exposed to the risk that a customer, or counterparty of a financial instrument, delays or defaults on a payment obligation which could reduce the Group's profits and adversely affect its financial results.

3.6 Market and industry data

All references in this Prospectus to market data and industry statistics are based on a number of sources, including independent industry publications, reports by market research firms or other independent publications (each an **Independent Source**), such as Pareto Securities (**Pareto**), International Energy Agency (**IEA**), Douglas-Westwood (**DW**), Wood Mackenzie (**WM**), International Maritime Associates (**IMA**) and IHS Inc. (**IHS**).

The information in this Prospectus that has been sourced from the Independent Sources has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that

Independent Source, no facts have been omitted that would render the reproduced information inaccurate or misleading.

4. DIVIDENDS AND DIVIDEND POLICY

4.1 General

The Company may make distributions to the holders of Shares and other persons entitled to distributable profits only to the extent that its equity exceeds the sum of the amount of the paid-in and called-up share capital plus the reserves which must be maintained under Dutch law or the Articles of Association.

Under the Articles of Association, any profits must first be applied to pay a dividend on the Preference Shares, if any are outstanding, before distribution of any remaining distributable profits to the other Shareholders. None of the Preference Shares are outstanding at the date of this Prospectus. The Management Board is authorised, subject to the approval of the Supervisory Board, to determine each year which part of any profits remaining after such dividend payment on the Preference Shares will be reserved. Any profits remaining after such reservation and dividend payment on the Preference Shares will be at the disposal of the Company's general meeting of Shareholders (the **General Meeting**). The General Meeting may, upon the proposal of the Management Board, such proposal having been approved by the Supervisory Board, resolve that payment of dividend may be made wholly or partly in Shares.

Subject to Dutch law and the Articles of Association, the General Meeting may resolve to distribute an interim dividend upon the proposal of the Management Board.

Any entitlement to a dividend distribution by a holder of Shares expires five years after the date those dividends were released for payment.

The Company calculates the annual dividend in US dollar. Since the Ordinary Shares are quoted in euros, payment of dividend in cash is made in euros calculated in accordance with the daily fixing rate as published by the European Central Bank on the date of the General Meeting in which the relevant dividend proposal is accepted by the General Meeting.

See also "Description of Share Capital and Corporate Governance – Dividends and other Distributions".

4.2 Dividend history

Over 2010, the Company declared a dividend of US$ 0.71 (EUR 0.48) per Ordinary Share, at the option of the Shareholders payable in cash or in the form of Ordinary Shares. The exchange ratio for distribution in Ordinary Shares was set at 75:2 based on the volume weighted average price of all Ordinary Shares traded on Euronext Amsterdam on 23 through 27 May 2011. In aggregate, the Company paid a dividend of US$ 60,763,000 in cash and issued 2,104,877 new Ordinary Shares as stock dividend.

Over 2011, in accordance with its dividend policy, the Company did not pay any dividend due to the negative result for 2011.

Over 2012, in accordance with its dividend policy, the Company did not pay any dividend due to the negative result for 2012.

Over 2013, the Company does not intend to pay a dividend in order to preserve and improve the Group's equity position.

4.3 Dividend policy

The Company pursues a stable dividend policy. It is the policy of the Company to distribute an annual dividend of 50% of the Group's net profit attributable to the Shareholders as shown by the Company's adopted annual accounts for the relevant year.

If a proposal is made to distribute dividend in any year, the Management Board, in accordance with article 30.3 of the Articles of Association and with the approval of the Supervisory Board, will propose to pay the dividend at the discretion of the Shareholders, either in cash or in the form of new Ordinary Shares. Approval by the General Meeting of such resolution includes the resolution to issue such number of Ordinary Shares as will be required to distribute the stock dividend and the resolution to exclude the pre-emption rights in relation to such issue of new Ordinary Shares.

4.4 Dividend ranking of Offer Shares

Offer Shares issued in the Offering will, upon issue, rank equally in all respects with the Ordinary Shares. The Offer Shares will be eligible for any dividend payment which SBM Offshore may declare on its Ordinary Shares in the future.

4.5 Manner and time of dividend payments

Payment of any dividend on Ordinary Shares in cash will be made in euros. Dividends on the Ordinary Shares will be paid to Shareholders through Euroclear Nederland and credited automatically to the Shareholders' accounts. There are no restrictions under Dutch law in respect of holders of Ordinary Shares who are non-residents of the Netherlands. However, see "Taxation in the Netherlands" for a discussion of certain aspects of taxation of dividends and refund procedures for non-residents of the Netherlands.

4.6 Uncollected dividends

A claim for any dividend declared lapses five years after the date on which those dividends were released for payment. Any dividend that is not collected within this period reverts to the Company.

4.7 Taxation on dividends

Dividend payments are generally subject to withholding tax in the Netherlands. See "Taxation in the Netherlands" for a discussion of certain aspects of taxation of dividends and credit, refund and relief at source procedures.

5. BACKGROUND OF THE OFFERING AND USE OF PROCEEDS

5.1 Events leading up to the Offering

On 5 January 2007, Talisman and a Group Company entered into several agreements for the engineering, procurement, construction, installation, commissioning and lease of a MOPUstor for the re-development of the Yme field. The field is located approximately 100 kilometers off the coast of Norway in 93 meters of water.

On 26 June 2011, the MOPUstor was installed at the Yme field. This was the start of the commissioning activities, including remaining construction works offshore, to complete and prepare the facilities for the start of production. The Group incurred additional costs due to re-measurement of on-site works (part of which had been completed onshore, with the remainder completed offshore at higher cost). Adverse weather conditions and an increase in the work scope offshore, among other things, resulted in the progress of the work offshore and commissioning of the platform for start-up of the system being significantly slower during the winter period than anticipated.

On 12 July 2012, Talisman, as operator of the field, ordered the immediate demobilisation of the Yme MOPUstor for safety reasons, following the discovery of cracks in the grouting around the legs of the platform. The Group repeatedly confirmed the safety of the MOPUstor. Since that date the platform has remained unattended. Following the de-manning of the platform, SBM Offshore and Talisman have been involved in intensive discussions in order to arrive at a joint decision on the way forward. A plan for the repair of the grouting was presented to the Norwegian regulator in October 2012.

On 20 December 2012, the Company announced that, despite committed effort on both sides, no agreement had yet been reached on the completion of the project and that, in the Company's view, the balance of expectations was that the MOPU would be decommissioned. As a consequence, the book value of the platform was reduced to nil through an impairment of US$ 398 million and an additional provision for decommissioning and settlement in an amount of US$ 200 million was recognised.

These impairment and settlement charges resulted in a scenario in which banking covenants related to the solvency ratio could have been breached at 31 December 2012. In order to ensure that the banking covenants were met, the Company raised US$ 193 million by issuing 17,111,757 new Ordinary Shares (the **Private Placement Shares**) at an issue price of EUR 8.50 for each Ordinary Share in a private placement to HAL on 20 December 2012 (the **Private Placement**). HAL furthermore agreed to pay an additional amount by way of a share premium contribution (*agiostorting*) on these shares if the Group reached a settlement with Talisman on or before 11 March 2013. See "The Offering – Underwriting Agreement".

The Group furthermore announced its intention to raise additional equity by means of the Offering, subject to the Group reaching a settlement with Talisman on or before 11 March 2013.

Arbitration and settlement proceedings

In the course of the execution of the contract with Talisman for the Yme platform and aside of the discussions with Talisman for a potential settlement, the Company and Talisman have been engaged in an arbitration process since December 2011 regarding their respective claims in respect of costs incurred, by both parties, and loss of production.

On 11 March 2013, the Group and Talisman signed a settlement agreement pursuant to which all agreements and related disputes, including pending arbitration, between the parties have been terminated. The Group and Talisman have agreed to discontinue the completion of the MOPUstor on the Yme field and to decommission and scrap the MOPU. The Group has paid Talisman an amount of US$ 470 million for decommissioning and settlement of the arbitration. Talisman as the operator of the field will be responsible to do the decommissioning work. The Group will take over the MOPU when it exits the 500 meter zone where the platform currently is located and be responsible for transporting it to a yard where the MOPU will be scrapped.

During decommissioning, ownership of the MOPUstor shall remain with the Group. Upon hand over by Talisman of the MOPU to the Group, the ownership of the subsea structure will transfer to Talisman. Insurance is in place to cover the primary risks of the MOPUstor during the decommissioning stage. Should the MOPU not be decommissioned by 31 December 2016, the Group and Talisman will share the responsibility for any risks that are not covered by insurance on a 50-50 basis until the decommissioning has taken place.

As a result of this settlement, HAL paid an additional amount pursuant to the Underwriting Agreement of US$ 27,163,203 to the Company on 18 March 2013 by way of a share premium contribution (*agiostorting*) on the Private Placement Shares, resulting in an adjusted issue price of US$ 12.894 per Private Placement Share.

5.2 Proceeds of the Offering

After deducting the estimated expenses related to the Offering of EUR 1 million, the Group expects to receive approximately EUR 189 million in net proceeds from the Offering.

The Group will use the full net proceeds of the Offering to address the financial impact of the settlement reached with Talisman.

6. THE OFFERING

SBM Offshore intends to offer 18,914,221 Offer Shares with a nominal value of EUR 0.25 each at an Issue Price of EUR 10.07 per Offer Share. Subject to applicable securities laws, existing holders of Ordinary Shares as at the Record Date are being granted Rights that will entitle Eligible Persons (as defined in "Selling and Transfer Restrictions") to subscribe for the Offer Shares in accordance with the terms and conditions set forth herein. This section of the Prospectus contains the terms and conditions of the Rights.

Upon completion of the Offering with a take-up of 100%, HAL will continue to have a stake in the Company's share capital of 13.3%. This stake may increase if HAL acquires any Remaining Offer Shares.

For information on applicable selling and transfer restrictions in respect of the Offer Shares and the Rights, see "Selling and Transfer Restrictions".

6.1 Expected timetable

The timetable below lists certain expected key dates for the Offering:

Record Date	Immediately after the close of trading on Euronext Amsterdam at 17:40 hours CET on 3 April 2013
Ex-Rights trading in the Ordinary Shares commences on Euronext Amsterdam	09:00 hours CET on 4 April 2013
Exercise Period commences	09:00 hours CET on 4 April 2013
Trading in the Rights commences on Euronext Amsterdam	09:00 hours CET on 4 April 2013
Trading in the Rights ceases on Euronext Amsterdam	17:40 hours CET on 16 April 2013
End of Exercise Period	15:00 hours CET on 17 April 2013[1]
Allotment of Offer Shares	Expected 17 April 2013
Issuance of, payment for and delivery of, the Offer Shares	Expected 22 April 2013
Listing of, and start of trading in, the Offer Shares on Euronext Amsterdam	Expected 09:00 hours CET on 22 April 2013[2]

(1) The last date and/or time before which notification of exercise instructions may be validly given by the holder of any Right may be earlier than the date and/or time specified above as the end of the Exercise Period, depending on the financial intermediary through which such Rights are held.

(2) Financial intermediaries may require payment for the Offer Shares to be provided by holders of Rights exercising such Rights, prior to 22 April 2013.

The number of Offer Shares subscribed for in the Offering will be made public through a press release published in the Netherlands, which will be placed on SBM Offshore's website, at the latest in the morning of the day following the end of the Exercise Period. The results of the Offering will be made public through a press release published in the Netherlands, which will be placed on SBM Offshore's website, as soon as possible after allotment of the Offer Shares.

The Company may adjust the dates, times and periods given in the timetable and throughout this Prospectus. If the Company should decide to adjust dates, times or periods, it will notify Euronext Amsterdam and the AFM and issue a press release. Any other material alterations will be published in a press release on the Company's website and in a supplement to this Prospectus (if required).

6.2 Underwriting Agreement

On 20 December 2012, the Company entered into a private placement and underwriting agreement with HAL (the **Underwriting Agreement**). HAL has its address at Weena 696, 3012 CN Rotterdam, the Netherlands.

Share issues

Under the Underwriting Agreement, the Company has issued the Private Placement Shares at an issue price of EUR 8.50, equivalent to US$ 11.31, for each Ordinary Share to HAL on 20 December 2012, which Ordinary Shares have been admitted to listing and trading on Euronext Amsterdam. After the YME Agreement was reached on 11 March 2013, HAL paid an additional amount of US$ 27,163,203 to the Company on 18 March 2013 by way of a share premium contribution (*agiostorting*) on the Private Placement Shares, resulting in an adjusted issue price of US$ 12.894 per Private Placement Share.

The Company has also committed itself to issue the Offer Shares at the Issue Price through the Offering. HAL has committed itself to (i) exercise all Rights granted to it in the Offering by the Company and (ii) subscribe for all Remaining Offer Shares, in each case against payment of the Issue Price for each Offer Share. There will be no rump offering in respect of the Remaining Offer Shares, as HAL will subscribe for all Remaining Offer Shares.

Conditions

The Offering was subject to certain conditions precedent which have all been fulfilled at the date of this Prospectus. HAL's obligations to participate in the Offering by exercising prior to the end of the Exercise Period all Rights that HAL is allocated in the Offering and to subscribe and pay for any Remaining Offer Shares pursuant to the Underwriting Agreement are subject to the fulfilment, or discretionary waiver by HAL, or, as applicable, by HAL and the Company collectively, of certain conditions (for a selection of these conditions, see "Plan of Distribution – Conditions to the Offering").

Lock-up

HAL has agreed certain lock-up arrangements with the Company. These arrangements are in effect for a period of 365 days from the date of the Underwriting Agreement. See "Plan of Distribution – Lock-up arrangements".

Indemnity

The Company will indemnify HAL, in its capacity as underwriter of the Offering, and certain of its associates (the **HAL Associates**) against any claim made by a third party against HAL or any of the HAL Associates in connection with the Underwriting Agreement, the Private Placement or the Offering. The indemnity also relates to any damage suffered, or costs incurred, by HAL or any of the HAL Associates in connection with such claim. This indemnity will not apply to any damages that have been judicially determined to arise primarily from the gross negligence, wilful misconduct or fraud of HAL or any of the HAL Associates.

Fees and costs

The Company will bear all its own costs and expenses in relation to the Private Placement and the Offering. In addition, the Company will bear the costs of the advisers of HAL, and all other fees and expenses incurred by HAL up until the Closing Date in relation to the Private Placement and the Offering up to an amount of US$ 200,000, irrespective of completion of the Offering.

No fees are payable by the Company to HAL in connection with its commitments and obligations under the Underwriting Agreement.

Governing law

The Underwriting Agreement is governed by Dutch law.

6.3 Rights

Subject to applicable securities laws, each person holding Ordinary Shares immediately following the close of trading in the Ordinary Shares on Euronext Amsterdam at 17:40 hours CET on the Record Date will be entitled to one Right for each Ordinary Share held. An Eligible Person will be entitled to subscribe for 1 (one) Offer Share for every 10 (ten) Rights held at the Issue Price until the end of the Exercise Period. Rights can only be exercised in multiples of 10 (ten). No fractional Offer Shares will be issued. Eligible Persons may sell any excess Rights or acquire additional Rights to subscribe for a whole number of Offer Shares on Euronext Amsterdam in the trading period commencing at 09:00 hours CET on 4 April 2013 and ending at 17:40 hours CET on 16 April 2013.

If a Shareholder holds Ordinary Shares on the Record Date, the financial intermediary through which it holds Ordinary Shares will customarily provide that Shareholder with details of the total number of Rights to which that Shareholder will be entitled, subject to applicable securities laws. The financial intermediary will provide the relevant shareholders with this information in accordance with its usual client relationship procedures. A Shareholder should contact its financial intermediary if it is entitled to receive Rights but has received no information from its financial intermediary with respect to the Offering.

Only Shareholders who qualify as Eligible Persons as at the Record Date will be entitled to take up, exercise, sell or otherwise transfer Rights pursuant to the grant of Rights by the Company. Rights that are credited to the account of an Ineligible Person will not constitute an offer of the Offer Shares to such person and will not confer any rights upon such person, including the right to take up, exercise, sell or otherwise transfer such credited Rights.

6.4 Statutory pre-emption rights

The statutory pre-emption rights (*wettelijke voorkeursrechten*) of holders of Ordinary Shares in respect of the Offering have been excluded for the purpose of the Offering. See also "Description of Share Capital and Corporate Governance – Pre-emption rights".

6.5 Record Date

The Record Date for determining the holders of Ordinary Shares who will receive Rights (subject to applicable securities laws) is immediately following the close of trading in Ordinary Shares on Euronext Amsterdam at 17:40 hours CET on 3 April 2013. Until the close of trading in the Ordinary Shares on Euronext Amsterdam on the Record Date, the Ordinary Shares will trade *cum*-Rights. From 09:00 hours CET on 4 April 2013, the Ordinary Shares will trade *ex*-Rights.

6.6 Listing and trading of Rights

The Company expects trading of the Rights on Euronext Amsterdam to commence at 09:00 hours CET on 4 April 2013 and to end at 17:40 hours CET on 16 April 2013, barring unforeseen circumstances. The Rights will be traded under the symbol "SBMOR", ISIN code NL0010420964 and common code 091215357.

The transfer of Rights will take place through the book-entry systems of Euroclear Nederland.

Shareholders who are Eligible Persons and who wish to sell all or part of their Rights and are holding their Ordinary Shares through a financial intermediary, should instruct the financial intermediary through which they hold their Rights in accordance with the instructions received from it. Shareholders who are Eligible Persons may also instruct their financial intermediary to buy or sell Rights on their behalf. Shareholders who are interested in trading, buying or selling Rights should be aware that they may be restricted from buying, selling and/or exercising Rights and acquiring Offer Shares if they are located in a jurisdiction other than the Netherlands and therefore are not eligible to participate in the Offering. See "Selling and Transfer Restrictions".

All transactions in Rights prior to the Closing Date are at the sole risk of the parties concerned. None of SBM Offshore, HAL, the Joint Global Coordinators, the Subscription, Listing and Paying Agent and Euronext Amsterdam accept any responsibility or liability with respect to the withdrawal of the Offering or the related annulment of any transactions in Rights or Offer Shares on Euronext Amsterdam.

6.7 Exercise Period

Subject to the restrictions set out below, an Eligible Person (whether a Shareholder on the Record Date or a subsequent transferee of Rights) can only validly subscribe for Offer Shares by exercising his Rights from 09:00 hours CET on 4 April 2013 until 15:00 hours CET on 17 April 2013. **The last date and/or time before which notification of exercise instructions may be validly given by holders of Rights may be earlier, depending on the financial intermediary through which their Rights are held.**

If an Eligible Person has not exercised his Rights by the end of the Exercise Period, these can no longer be exercised. Once an Eligible Person has validly exercised his Rights, such exercise cannot be revoked or modified, unless the Company amends a material term of the Offering or amends this Prospectus in any material respect leading to a supplement to this Prospectus within the meaning of section 5:23 of the Dutch Financial Supervisory Act being published, in which event the holder will have the right, exercisable within two business days after publication of the supplement, to revoke the exercise. Even if the market price of the Ordinary Share fluctuates below the Issue Price after the Rights have been exercised, the Issue Price for any Offer Shares subscribed for will be payable. Upon exercise of the Rights, such Rights must be delivered to the Shareholder's financial intermediary, the financial intermediary of the subsequent transferee of Rights, or the investor's financial intermediary.

The Company and the Joint Global Coordinators have not and will not take any action outside the Netherlands to permit the exercise and transfer of Rights by the general public. The Company urges all potential investors to carefully study the restrictions described under "Selling and Transfer Restrictions". The Company reserves the right, with sole and absolute discretion, to treat as invalid any subscription or purported subscription which appears to the Company to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws of any jurisdiction or if the Company believes that the same may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in this Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described in this Prospectus.

6.8 Dilution

Shareholders who transfer, or who do not, or are not permitted to, exercise any of their Rights granted under the Offering will suffer a dilution of their proportionate ownership and voting rights of approximately 9.09% by the issue of the Offer Shares. Ineligible Persons will suffer dilution of their proportionate ownership and voting rights if the Offering is successfully completed.

6.9 Subscription

An Eligible Person (whether a Shareholder on the Record Date or a subsequent transferee of Rights) who wishes to exercise his Rights, should instruct the financial intermediary through which he holds the Right in accordance with the instructions received from that financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from Eligible Persons holding Rights and for informing the Subscription, Listing and Paying Agent of the Eligible Person's exercise instructions. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the exercise, sale or purchase of Rights will be determined by the relevant financial intermediary in accordance with its usual customer relations procedures or as it otherwise notifies the holder of Rights.

None of SBM Offshore, HAL and the Joint Global Coordinators are liable for any action, or failure to act, by a financial intermediary through which Ordinary Shares or Rights are held, or by the Subscription, Listing and Paying Agent in connection with any subscriptions or purported subscriptions.

HAL has committed itself to exercise all Rights granted to it in the Offering by the Company.

6.10 Unexercised Rights

Rights cannot be exercised after 15:00 hours CET on 17 April 2013, which is the end of the Exercise Period. After expiry of the Exercise Period there will not be a rump offering as HAL has fully underwritten the Offering and will subscribe for all Remaining Offer Shares (if any) at the Issue Price for each Remaining Offer Share in accordance with the Underwriting Agreement. Holders of unexercised Rights will not be entitled to any compensation. Shareholders who do not, or are not permitted to, exercise any of their Rights granted under the Offering will suffer an immediate dilution (see "The Offering – Dilution").

6.11 Allotment of Offer Shares

Allotment of Offer Shares to be issued pursuant to the Offering is expected to take place on 17 April 2013. Eligible Persons who have subscribed for Offer Shares and paid the Issue Price ultimately on the Closing Date may obtain information on the number of Offer Shares they have been allotted through their own financial intermediary.

6.12 Issuance, payment and delivery

A holder of Rights that exercises his Rights must pay the Issue Price for the Offer Shares subscribed for in accordance with the instructions he receives from the financial intermediary through which he holds the Rights.

The financial intermediary will pay the Issue Price to the Subscription, Listing and Paying Agent, who will in turn pay it to the Company after deduction of applicable fees and expenses. Payment for the Offer Shares must be made to the Subscription, Listing and Paying Agent no later than the Closing Date, which is expected to be on 22 April 2013. Accordingly, financial intermediaries may require payment to be provided by holders of Rights exercising such Rights prior to the Closing Date.

Payment for and delivery of the Offer Shares is expected to take place on 22 April 2013. Delivery of the Offer Shares will take place through the book-entry system of Euroclear Nederland. Euroclear Nederland is located at Herengracht 459-469, 1017 BS Amsterdam, the Netherlands.

6.13 Listing and trading of the Offer Shares

Application has been made for the listing and trading of the Offer Shares on Euronext Amsterdam. The Company expects that the Offer Shares will be admitted for listing and trading, and that trading in the Offer Shares will start, on Euronext Amsterdam at 09:00 hours CET on 22 April 2013, barring unforeseen circumstances. The outstanding Ordinary Shares are listed and will remain listed on Euronext Amsterdam under the symbol "SBMO", ISIN code NL0000360618 and common code 025121724.

All dealings in Rights and Offer Shares prior to, and after, closing of the Offering are at the sole risk of the parties concerned. Any forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights. There will be no refund of any Rights purchased in the market. Euronext Amsterdam, the Company, HAL, the Subscription, Listing and Paying Agent and the Joint Global Coordinators do not accept any responsibility or liability to any person as a result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights or Offer Shares on Euronext Amsterdam.

6.14 Ranking and dividends

The Offer Shares will, upon issue, rank *pari passu* in all respects with the then outstanding Ordinary Shares. The Offer Shares will be eligible for any dividend payment which SBM Offshore may declare on the Ordinary Shares after the Closing Date. See "Dividends and Dividend Policy".

6.15 Joint Global Coordinators

The Joint Global Coordinators for the Offering are ING and Morgan Stanley.

6.16 Subscription, Listing and Paying Agent

ABN AMRO is acting as the Subscription, Listing and Paying Agent in the Netherlands. The address of the Subscription, Listing and Paying Agent is: Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands.

6.17 Governing law

The Rights, their terms and conditions, and the Offering shall be governed by and construed in accordance with the laws of the Netherlands. The Rights and the Offer Shares will be created in accordance with Dutch law and the Articles of Association.

6.18 Costs

The costs related to the Offering are approximately EUR 1 million.

6.19 Currency

The Offering will be carried out and trading in the Rights will be effected in euros. The Offer Shares will be denominated in euros. Distributions, if any, will be made in euros.

7. PLAN OF DISTRIBUTION

7.1 Underwriting Agreement with HAL

In accordance with the Underwriting Agreement, HAL has agreed to (i) exercise all Rights granted to it in the Offering by the Company and (ii) subscribe for all Remaining Offer Shares, in each case against payment of the Issue Price for each Offer Share.

In the Underwriting Agreement, the Company has given certain representations and warranties and undertakings to HAL. The Company also agreed to indemnify HAL against certain liabilities in connection with the Offering. See "The Offering – Underwriting Agreement".

7.2 Coordination Agreement with Joint Global Coordinators

On 2 April 2013, the Company and the Joint Global Coordinators entered into a coordination agreement (the **Coordination Agreement**). Under the Coordination Agreement, the Company acknowledges, agrees and confirms that the provision of services by the Joint Global Coordinators thereunder provides for neither express nor implied commitment by any of the Joint Global Coordinators: (i) to underwrite, purchase or subscribe for any Offer Shares; (ii) that the Offering will result in an active trading market in the Ordinary Shares or (iii) to establish and/or support any trading levels for the Ordinary Shares. The Company furthermore has given certain representations and warranties and undertakings to the Joint Global Coordinators. The Company also agreed to indemnify the Joint Global Coordinators against certain liabilities in connection with the Offering. The Coordination Agreement is subject to certain conditions customary for this type of agreement. A termination of the Coordination Agreement, however, does not cause the withdrawal of the Offering.

7.3 Conditions to the Offering

The Underwriting Agreement provides that HAL's obligations to participate in the Offering by exercising prior to the end of the Exercise Period all Rights that HAL is allocated in the Offering and to subscribe and pay for any Remaining Offer Shares are subject to the fulfilment, or discretionary waiver by HAL, or, as applicable, by HAL and the Company collectively, of certain conditions, including but not limited to (i) a material adverse change in the condition, business, earnings, net asset value or operations of the Group, (ii) receipt of customary documentation, (iii) the making of necessary filings with or obtaining confirmations from regulatory authorities, Euronext Amsterdam and Euroclear Nederland, (iv) no breach by the Company of any of the representations and warranties given by the Company to HAL in the Underwriting Agreement having occurred, (v) the YME Agreement continuing in full force and effect, it has not been amended in any material adverse aspect and Talisman, a National Agency of the Kingdom of Norway and/or any of the YME Joint Venture Partners has not challenged the YME Agreement such that the validity or implementation of the YME Agreement is affected towards the Company and (vi) certain other conditions.

If any or all of the conditions to the Underwriting Agreement are not met in time or not waived by HAL or, as applicable, by HAL and the Company collectively, or if the YME Agreement is no longer in full force and effect or has been amended in any material adverse aspect or its validity or any of its terms is being challenged by Talisman, a National Agency of the Kingdom of Norway and/or any of the YME Joint Venture Partners such that the validity or implementation of the YME Agreement is affected towards the Company prior to payment for and delivery of the Offer Shares, HAL's obligations to participate in the Offering by exercising prior to the end of the Exercise Period all Rights that HAL is allocated in the Offering and to subscribe and pay for any Remaining Offer Shares will lapse. In this event, the Offering will be withdrawn. Consequently, (i) both the exercised and unexercised Rights granted will lapse without compensation to their holders, (ii) subscriptions for, and allotments of Offer Shares that have been made will be disregarded, and (iii) any subscription payments made and received by the Company or the Subscription, Listing and Paying Agent will be returned without interest or compensation. The lapsing of Rights will be without prejudice to the validity of any trades in Rights that have been settled. Any non-settled trades in Rights that have occurred on Euronext

Amsterdam will be deemed null and void. There will be no refund or compensation in respect of Rights purchased in the market or in any other manner.

7.4 Lock-up arrangements

In the Coordination Agreement, the Company has agreed with the Joint Global Coordinators that as of the date hereof until 180 days after the date of this Prospectus, the Company shall not without the prior written consent of the Joint Global Coordinators, directly or indirectly,:

(a) issue, offer, sell, lend, deposit, mortgage, create liens over or any other security interest over, charge, assign, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant (whether by way of warrant, convertible or exchangeable security or otherwise) any option to subscribe for or purchase any Ordinary Shares, lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any rights in respect of any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares; or

(b) enter into any swap or any other transaction, of whatever kind, which directly or indirectly leads to a total or partial transfer to one or more third parties of any interest in the Company's Ordinary Shares, legal or economic, or which in any way whatsoever fixes, limits or transfers any risk arising from the possibility of price movement, up or down, in respect of such an interest, whether any such swap or transaction described above is to be settled by delivery of Ordinary Shares, in cash or otherwise; or

(c) agree to do, or publicly announce any intention to enter into, any of the transactions described in (a) or (b) above (the Lock-up Obligations), whether any such transaction described in (a) or (b) above is to be settled by delivery of Ordinary Shares, in cash or otherwise.

These lock-up arrangements do not apply to any Ordinary Shares or rights to Ordinary Shares issued to employees of the Group or the Management Board under any incentive or similar plans.

Pursuant to the Underwriting Agreement, HAL has agreed with the Company that, for a period of 365 days after the date of the Underwriting Agreement, it will not transfer or dispose of any of the Private Placement Shares, the Offer Shares allocated to HAL as Shareholder and all the Remaining Offer Shares.

8. SELLING AND TRANSFER RESTRICTIONS

8.1 Notice to investors

The offering of the Rights and the Offer Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional advisers as to whether the investor requires any governmental or any other consent or needs to observe any other formalities to enable the investor to accept, sell, exercise or purchase the Rights and to subscribe for the Offer Shares.

No action has been or will be taken to permit a public offering of the Rights and the Offer Shares in any jurisdiction outside the Netherlands. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus will be sent for information purposes only and should not be copied or redistributed. If the investor receives a copy of this Prospectus in any territory other than the Netherlands, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Rights and the Offer Shares, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Rights and the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements, the investor should not distribute or send the same, or transfer Rights or Offer Shares to any person in or into any jurisdiction where to do so would or may contravene local securities laws or regulations. If the investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this "Selling and Transfer Restrictions" section.

The Rights and the Offer Shares have furthermore not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered, granted, issued, sold, taken up, delivered, renounced or transferred in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction of the United States. In addition, until 40 days following the commencement of the Offering, an offer or sale of the Rights and the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

In accordance with the terms and subject to the conditions as contained in this Prospectus:

(a) the Rights being granted in the Offering may be exercised only by an Eligible Person, subject to applicable securities laws;

(b) the Rights and the Offer Shares being granted or offered in the Offering may not be offered, sold, resold, exercised, transferred or delivered, directly or indirectly, in or into jurisdictions outside the Netherlands wherein the Rights and the Offer Shares may not, subject to certain exceptions, be offered, including the United States, Australia, Canada and Japan (the **Ineligible Jurisdictions**); and

(c) this Prospectus may not be sent to:

  (i) any person residing in an Ineligible Jurisdiction or person with a citizenship from an Ineligible Jurisdiction such that he cannot lawfully participate in the Offering; or

  (ii) any Shareholder or other person residing in a jurisdiction outside the Netherlands wherein the Rights and the Offer Shares may be offered, but to whom certain restrictions apply, as set out in this "Selling and Transfer Restrictions" section, as a result of which he cannot lawfully participate in the Offering without the express permission of the Company (such a person being an **Ineligible Person**).

In this Prospectus, persons who are not Ineligible Persons are referred to as **Eligible Persons**.

Subject to the specific restrictions described below, if investors (including, without limitation, any investor's nominees, custodians and trustees) are outside the Netherlands and wish to sell or exercise Rights or purchase Rights or Offer Shares, must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The information set out in this "Selling and Transfer Restrictions" section is intended as a general guideline only. Investors that are in any doubt as to whether they are eligible to subscribe for the Offer Shares or to trade in the Rights should consult their professional adviser without delay.

8.2 Representations and warranties by investors in the Offering

If an investor: (i) takes up, delivers or otherwise transfers the Rights; (ii) exercises the Rights to subscribe for the Offer Shares; or (iii) trades or otherwise deals in the Rights granted or the Offer Shares offered in the Offering, such investor will, subject to certain exceptions, be deemed to have made, and, in some cases, be required to make, the following representations and warranties to the Company, the Joint Global Coordinators, the Subscription, Listing and Paying Agent and any person acting on the Company's or their behalf, unless such requirement is waived by the Company:

(a) The investor is not located in an Ineligible Jurisdiction (in which no Rights or Offer Shares may be offered at all) as a result of which the investor will be qualified as an Ineligible Person;

(b) The investor is not an Ineligible Person for any other reason;

(c) The investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;

(d) The investor will not offer, sell or otherwise transfer either any Rights or Offer Shares to any person located in an Ineligible Jurisdiction (which will be deemed to be satisfied when trading Rights or Offer Shares in the marketplace via Euronext Amsterdam);

(e) The investor was a Shareholder and held Ordinary Shares at 17:40 hours CET on the Record Date or the investor legally acquired Rights in the marketplace during the trading period as set out in "The Offering – Listing and trading of Rights";

(f) The investor, and the person, if any, for whose account it is acquiring such Rights and Offer Shares, (i) is outside the United States and is not accepting, applying to acquire, take up or exercise Rights or acquire Offer Shares for the account of a person who is resident or located in the United States and (ii) is acquiring the Rights and Offer Shares in an offshore transaction meeting the requirements of Regulation S;

(g) The investor is aware that the Rights and the Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are being distributed and offered outside the United States in "offshore transactions" within the meaning of and in reliance on Regulation S;

(h) The Rights and the Offer Shares may not be offered, sold, taken up, exercised, resold, pledged or otherwise transferred, directly or indirectly, except in accordance with Rule 903 or 904 of Regulation S or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction of the United States;

(i) The investor has not been offered Rights or Offer Shares by means of any "direct selling efforts" as defined in Regulation S under the Securities Act;

(j) The investor is not acquiring Offer Shares, or transferring Rights, as applicable, with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of such in or into the United States; and

(k) The investor acknowledges that the Company, the Joint Global Coordinators and others will rely upon the truth and accuracy of the foregoing representations and agreements. Any certificate representing the Offer Shares or any depositary receipts representing the right to receive deposited Offer Shares shall bear a legend setting forth the foregoing transfer restrictions.

The Company and the Joint Global Coordinators, the Subscription, Listing and Paying Agent and any persons acting on behalf of the Company or the Joint Global Coordinators will rely upon the investor's representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability. The Company and the Joint Global Coordinators reserve the right, in their sole and absolute discretion, to reject any purchase of Rights and Offer Shares that the Company or the Joint Global Coordinators believe may give rise to a breach or violation of any law, rule or regulation.

If the investor is a person acting on behalf of an eligible holder of the Rights (including, without limitation, as a nominee, custodian or trustee), the investor will be required to provide the foregoing representations and warranties to the Company, the Joint Global Coordinators and the Subscription, Listing and Paying Agent with respect to the exercise of Rights on behalf of such eligible holder. If the investor does not or is unable to provide the foregoing representations and warranties, neither the Company nor the Joint Global Coordinators and the Subscription, Listing and Paying Agent will be bound to authorise the allocation of any of the Offer Shares being offered in the Offering to the investor or the person on whose behalf the investor is acting.

If the investor (including, without limitation, its nominees and trustees) is outside the Netherlands and wishes to exercise or otherwise deal in its Rights or subscribe for the Offer Shares, the investor must satisfy itself as to the observance of all applicable laws of all relevant territories, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this section are intended as a general guide only. If the investor is in any doubt as to whether the investor is eligible to exercise its Rights or subscribe for the Offer Shares, the investor should consult its professional advisers without delay.

The Rights will initially be credited to the financial intermediaries for the accounts of all Shareholders that hold Ordinary Shares as of the Record Date in custody through such an intermediary. A financial intermediary may not exercise any Rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and will be required in connection with any exercise of the Rights to certify to such effect. Financial intermediaries are not permitted to send this Prospectus or any information about the Offering into any Ineligible Jurisdiction or to any Ineligible Persons. The crediting of Rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of the Offer Shares to such persons. Financial intermediaries, which include brokers, custodians and nominees, holding for Ineligible Persons may consider selling any and all Rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Exercise instructions or certifications sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and the Rights and the Offer Shares will not be delivered to addresses inside any Ineligible Jurisdiction. The Company, the Joint Global Coordinators and the Subscription, Listing and Paying Agent reserve the right to reject any exercise (or revocation of such exercise) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, revocation of exercise or delivery of such Rights and Offer Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to the Company or the Company's agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, the Company reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Rights in the Offering, which appears to the Company to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction or if the Company believes that the same may violate or be inconsistent with applicable legal or regulatory requirements, the procedures and terms set out in this Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described herein.

Despite any other provision of this Prospectus, the Company, the Joint Global Coordinators and the Subscription, Listing and Paying Agent reserve the right to permit the investor to exercise its Rights if the Company, the Joint Global Coordinators and the Subscription, Listing and Paying Agent, in the Company's absolute discretion, are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in this section. Applicable exemptions in certain jurisdictions are described further below. In any such case, the Company, the Joint Global Coordinators and the Subscription, Listing and Paying Agent do not accept any liability for any actions that the investor takes or for any consequences that the investor may suffer by the Company accepting the investor's exercise of Rights.

8.3 For investors in the European Economic Area

In relation to a Relevant Member State, an offer to the public of the Offer Securities which are the subject of the Offering contemplated by this Prospectus may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer of any Offer Securities may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43 million; and (iii) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts (if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, this exception is no longer valid);

(c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than a person that is a qualified investor within the meaning of Article 2(1)I of the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by the Company or any initial purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Rights and Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Rights to be granted and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe any Rights and Offer Shares, as that expression may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State. The expression **2010 PD Amending Directive** means Directive 2010/73/EU.

8.4 For investors in Switzerland

The Rights and the Offer Shares may not be offered or distributed in or from Switzerland on the basis of a public solicitation, as such term is defined under the current practice of the Swiss Federal Banking Commission, and neither this Prospectus nor any supplement thereto relating to the Rights and/or the Offer Shares may be offered or distributed in connection with any such offering or distribution.

8.5 For investors in the United Kingdom

In addition to the restrictions identified above, any invitation or inducement to engage in investment activity (within the meaning of article 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of the Rights and the Offer Shares may only be communicated or caused to be communicated in the United Kingdom in circumstances in which article 21(1) of the Financial Services and Markets Act 2000 does not apply or if an exemption (as set out in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005) applies.

9. INDUSTRY AND MARKET OVERVIEW

9.1 Industry demand

The demand for offshore production systems reflects oil companies' demand for equipment to explore and develop oil fields. The activity level by oil companies is to a large extent driven by the worldwide demand for energy, including oil and gas. The IEA expects worldwide demand for oil to continue to grow based on global economic growth projections. This demand impacts the ability of oil and gas companies to fund investments in exploration, development and production activities, referred to as Exploration & Production (E&P) spending. E&P spending is driven by the oil companies' need to replace reserves and develop proven fields in order to realise value.

In addition to demand from oil companies, the industry has experienced a step change in the technical specifications for production systems. Factors such as water depth, high pressure, sub-salt, and harsh environments are driving the need for technical advancements. As oil and gas are produced from more challenging regions, the continued requirement for technical advancements is to be expected.

The oil price has an impact on the oil companies' ability and desire to invest in E&P. Low oil prices typically lead to a reduction in exploration and high oil prices makes the exploration of fields economical. The 2008 global financial crisis, combined with the steep increase in upstream costs, in the mid-2000s, has led to a decrease in E&P spending and pushed oil companies into delaying investment decisions. These events had a major impact on the oil field services industry. The stabilisation of oil prices, upstream costs, and financial markets have helped to reverse this trend over the last few years with the services industry now characterised by strong growth.

Since the 2008 financial crisis, oil prices have recovered, nearly doubling, as shown in the graph below. In light of an often stagnant economic recovery, oil price movements are more indicative of supply side effects. The marginal cost of oil has increased as production has migrated to more challenging regions and conditions leading to significant support for a higher normalised price environment.

E&P spending has increased from approximately US$ 190 billion in 2003 to approximately US$ 462 billion in 2011 globally (source: WM 2012). According to the BP Energy Outlook 2030 of January 2012, global oil and gas production is expected to grow by approximately 3% per annum from 2010 to 2030. In order to achieve this level of production, global E&P spending is expected to continue to increase. The figure below shows the capital expenditures of oil and gas producers and the development of the oil price.

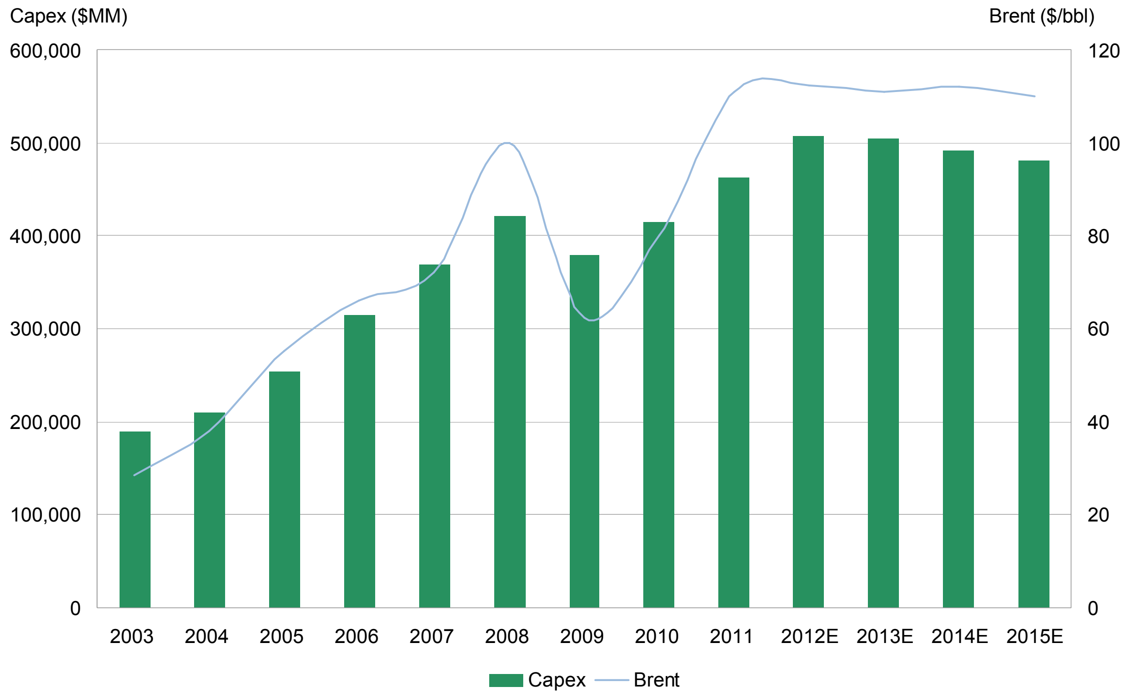

Figure 1: Capital expenditures of oil and gas producers (source: WM 2012 and Bloomberg)

E&P spending is in part driven by the oil companies' need to replace reserves. Major oil companies have generally reported declining reserve replacement ratios (the ratio of new proved reserves to oil produced) in recent years as shown in the figure below.

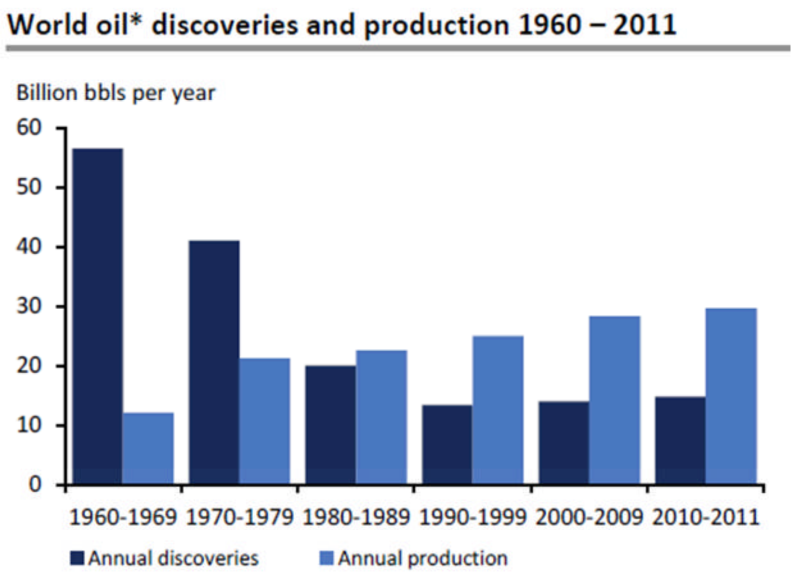

Figure 2: World oil discoveries and production 1960-2011, excluding tight oil and oil sands (source: Pareto Research, IEA, Wood Mackenzie)

The six largest global integrated oil companies have recorded fewer reserve extensions and discoveries than their annual oil production since 2001 (source: IHS 2012). The challenge to replace reserves has led and may continue to lead to oil companies to focus on more challenging offshore and deep water areas as the traditional onshore and shallow water fields may fail to meet their reserve growth goals.

9.2 Offshore production solutions

Two main offshore production solutions are currently in use by oil and gas companies: fixed systems and floating systems. Another offshore production system is currently under development, which would allow remotely operated subsea systems to extract oil and gas at ultra deep water locations.

Fixed platforms are built directly on the seabed and have traditionally been the preferred solution where possible. Floating production systems, however, are increasingly being used, because of the need for cost effective development of deep water fields and development of locations that are subject to harsh weather conditions without sufficient infrastructure.

There are four basic types of floating production systems: (i) tension leg platforms (**TLP**); (ii) spars; (iii) semi-submersibles; and (iv) FPSO systems.

The below shows the different production systems and the typical water depths in which they are used.

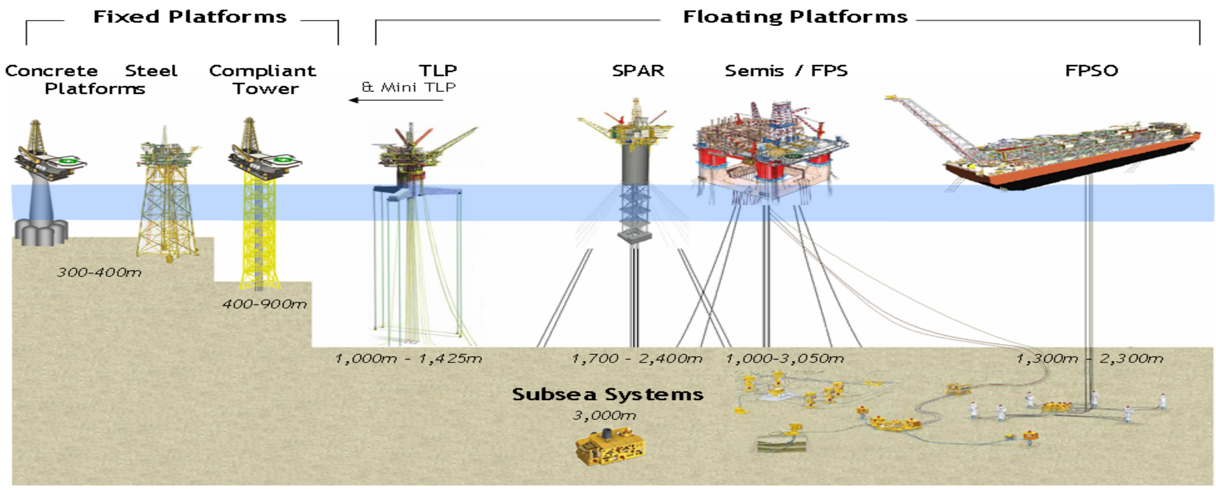

Figure 3: Deepwater development systems

A short description of each of the four floating production systems is provided below.

(a) Tension leg platform

A TLP is vertically moored to the seabed through the sea floor by means of tethers, or tendons, grouped at each of the structure's corners. A group of tethers is called a "tension leg". The tethers have relatively high stiffness (low elasticity) in a way that virtually all vertical motion of the platform is eliminated. This allows the platform to have the production wellheads on the deck of the platform. The buoyancy of the TLP platform applies tension to the tubes. A TLP does not have storage capacity and cannot be moved.

Figure 4: Tension leg platform

(b) Spar

A spar is a deep-draft floating hollow large-diameter cylindrical structure, similar to a large buoy, which supports a deck. The caisson is vertically moored to the sea floor by way of a spread mooring system. A spar cannot be moved. Due to the deep-draft caisson, a spar is stable and has favourable motion characteristics in bad weather conditions. The deck space, storage capacity and maximum weight for the topsides are limited.

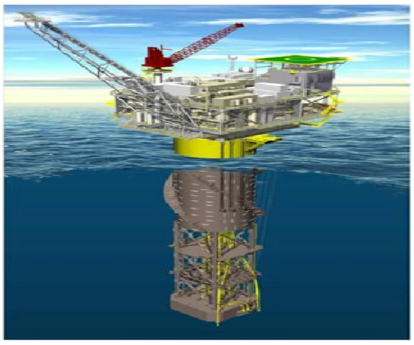

Figure 5: Spar

(c) Semi-submersible

A semi-submersible is a mobile vessel floating on the water surface above the subsea well and is kept in position by either anchors or dynamic positioning. The semi-submersible vessel design is commonly used in a number of specific offshore roles such as for offshore drilling rigs and oil production platforms. A semi-submersible is typically converted from offshore drilling rigs. The basic design is a floating hull form, which is held in place by a spread mooring system. Semi- submersibles can support significant weight on the topside and have good motion characteristics. A semi-submersible lacks material storage capacity compared to an FPSO.

Figure 6: Semi-submersible

(d) FPSO

An FPSO system is contained on large, tanker type, floating vessels that are moored to the seabed to prevent the vessel from moving. An FPSO is designed to process and store oil or gas from subsea wells until it can be offloaded to a tanker. While the FPSO may be relocated, it generally stays on the same location during the oil field life. FPSO units have been used to develop offshore fields around the world since the late 1970s. An FSO is essentially a simplified FPSO without the capability for oil or gas processing.

Figure 7: FPSO

An FPSO system generally has the following four main components:

- ***Hull***: The base of an FPSO is typically formed by a ship-shaped hull. The hull is most often converted from oil tankers and sometimes newbuild for large units. The hull allows for the storage of oil.
- ***Topside***: The topside of the vessel provides a deck area for facilities such as a power plant and processing facilities to separate a mixture of oil, gas, water, sand, mud and condensates flowing into an FPSO.
- ***Mooring system, which can compromise either:***
    - ***Turret mooring***: The turret system is the most complex component of an FPSO. Depending on the weather conditions, an FPSO can be anchored to the seabed with mooring lines directly or by the attachment to an internal or external turret system. The turret enables the vessel to weathervane (rotate) to face the prevailing wave, wind or current. In locations with calm weather, the turret is often permanently moored. In bad weather locations, a disconnectable turret system may be preferred, which allows the vessel to disconnect, sail away and return when conditions have calmed down.
    - ***Spread mooring***: The FPSO is moored in a fixed heading and does not weathervane. This mooring system is applied in milder weather environments where turret mooring (weathervaning) is not required.
- ***Risers***: Fluids flow to an FPSO via risers that are connected to the wells that have been drilled and capped on the sea floor. Multiple risers may flow directly from the well up to the vessel. A single riser may be used for multiple wells that are aggregated in a manifold located on the sea floor.

The Group estimates that approximately 65% of the current worldwide FPSO fleet are converted tankers and 35% are newbuilds. The construction time and costs of a newbuild are generally significantly higher than for converted units. The expected useful life of a converted FPSO is 15 to 20 years, while a newbuild has an expected life of 25 years. It is possible in certain instances to extend the lifetime of a converted unit beyond 20 years, but will in most cases imply a significant upgrade to extend the life materially (source: Pareto 2012 and the Group).

9.3 The FPSO market

The market for FPSO systems developed in response to the oil companies' need for more flexible production solutions that can be quickly mobilised, have good storage capacity, can be deployed on deep water fields, can be moved from one field to another and have low abandonment costs.

The FPSO fleet represents approximately 64% of the global fleet of floating production units. The market share of FPSOs of the floating production units that commenced production after 2005 is 70-80%. One of the main growth drivers in the FPSO market is the ability to move to fields in deeper water. The average water depth has practically doubled over the past decade. The chart below shows the relationship between the FPSO market share and water depth (source: Pareto 2012 and IMA 2012).

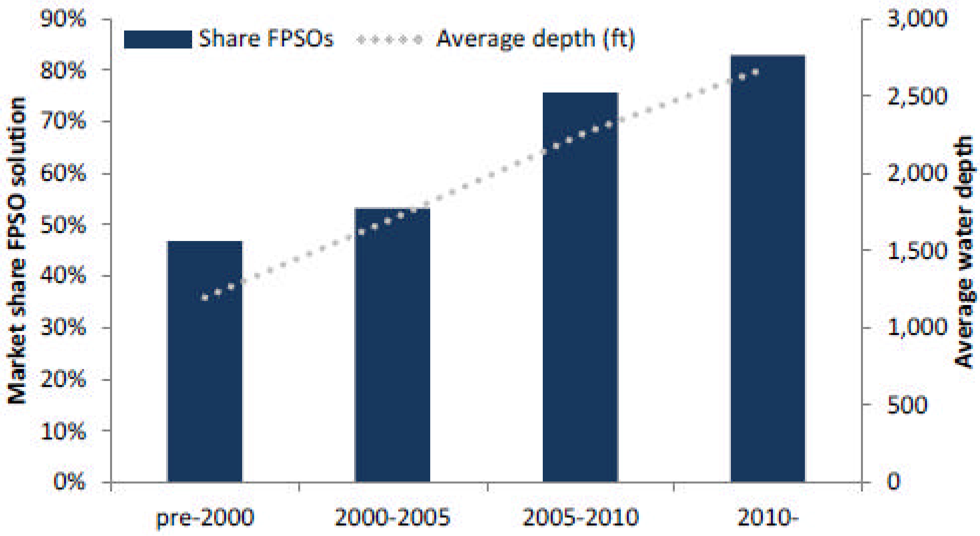

Figure 8: FPSOs share on the floating production market (versus spar, TLP and semi-submersibles) and water depth (source: Pareto 2012)

The worldwide FPSO fleet comprises 144 operational units and 12 units that are undergoing maintenance and are being prepared for redeployment. Currently, 36 FPSOs are under construction and seven units are inactive. The utilisation of the FPSO fleet currently stands at 95% (source: Pareto 2012).

The global financial crisis has negatively affected the FPSO industry. A number of industry participants had to cope with project and balance sheet difficulties, cost overruns, write downs, inflation and difficulties obtaining satisfactory funding of new projects. In combination with the increased complexity and costs of FPSOs, this challenging context has reduced the ability of major market players to take on new FPSO projects. In this context, the FPSO industry has significantly rationalised its capacity since 2007 as indicated in the chart below:

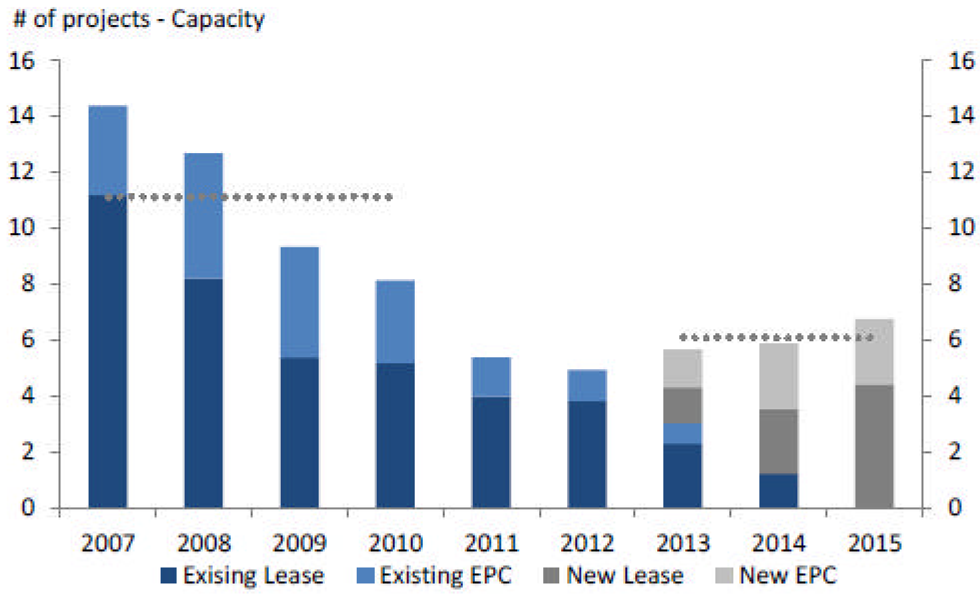

Figure 9: Implied capacity among FPSO companies (3-4 lease projects per year + 2-3 EPC) (source: Pareto 2012)

Over the past five years, oil and gas companies have leased the majority of their FPSOs (approximately 75%) from lease contractors. This enabled them to finance a large part of their FPSO projects off-balance sheet and reduce their funding requirements. As the ability of FPSO companies to take on new projects grows more limited, it is expected that oil and gas companies will increasingly own FPSOs instead of leasing them. According to the Group's estimate, 51% of the global FPSO fleet is owned by lease contractors and 49% is owned by oil and gas companies.

The barriers to enter the FPSO market for newcomers are significant. This is mainly due to the capital intensity of the industry, the advanced technologies that are being used, the ability to manage construction risks and the need for a proven track record in the market.

It has been recognised in the FPSO industry that the returns over recent years have not followed the increased size and complexity of project tenders in comparison with the returns for E&P companies and the integrated specialist equipment suppliers. The need by FPSO clients often for fit-for-purpose solutions in increasingly demanding conditions have led to requests from the Group's clients for larger, more technical and more complex FPSOs and the Group having to absorb increasing levels of risk, related to project schedule and the operations of the FPSO over the duration of the contract. Despite this trend, returns for FPSO providers have been at a very low and at times negative level, disconnected from the sustained good returns of the Group's clients, which are fuelled by a sustained high oil price. The Group, as well as other industry participants, seeks to address this imbalance by providing for differentiated, value-adding life-cycle solutions and proper contract management through which to justify higher returns and achieve an improved risk/reward profile in the years to come for new projects.

9.4 FPSO market segmentation by product size

The FPSO market is diversified, with different markets having different characteristics. The market for owned and leased FPSOs can be divided into the following three main product segments based on production capacity: (i) small units; (ii) mid-sized units; and (iii) large units.

Small FPSOs

Small FPSOs have a production capacity of 30-80k boe/d, limited capability to process water and gas, and a storage capacity of up to one million barrels. These units are best suited to small fields with relatively short expected production profiles and contract tenors. The price for a small unit ranges between approximately US$ 100 million and US$ 400 million. Compared to other FPSO segments, this segment is most sensitive to oil price fluctuations and has the lowest barriers to entry. Small units represent approximately 45% of the global FPSO fleet. Based on the number of units owned and under lease, the Group estimates that BW Offshore, CNOOC and Teekay are the largest market players in this product segment with market shares of 12%, 9% and 8% respectively.

Mid-sized FPSOs

Mid-sized FPSOs have a production capacity of 80-150k boe/d, capability to process water and gas and a storage capacity between one and two million barrels. The hull is typically a converted tanker, with the exception of some newbuilds used in the North Sea. Mid-sized units are used in larger sized fields compared to small units, which allows for more flexible economics due to the prolonged exposure of the facility. Mid-sized units are therefore less sensitive to short-term oil price fluctuations. The price for a mid-sized unit ranges between approximately US$ 400 million and US$ 2 billion. The barriers to entry are medium to high. Mid-sized units represent approximately 42% of the global FPSO fleet. Based on the number of units owned and under lease, the Group estimates that Petrobras has a market share of 24%, SBM Offshore 16% and Modec 8%.

Large FPSOs

Large FPSOs have a production capacity between 150-250k boe/d, a storage capacity of more than two million barrels and capability to process high volumes of oil, water and gas. These units are generally newbuild, primarily used in the West African region and are mainly employed in very large fields. Large FPSOs are generally owned by oil and gas companies. The price for a large unit ranges between approximately US$ 2 and 3 billion. The barriers to entry are high due to the advanced technology and high capital intensity. Large units represent approximately 13% of the global FPSO fleet. Based on the number of units owned and under lease, the Group estimates that Petrobras, Total and BP are the largest players in this product segment with market shares of 23%, 23% and 15% respectively.

9.5 FPSO market segmentation by geography

As each geographic region differs in operating conditions, vessel requirements, economic and political situation and specific local (content) regulations, the FPSO market can be divided into several geographical regions that effectively form separate market segments.

Latin America, West Africa, Asia and Western Europe have been the dominant geographical regions within the FPSO market. The following chart shows the geographical split of FPSO spending over the past five years.

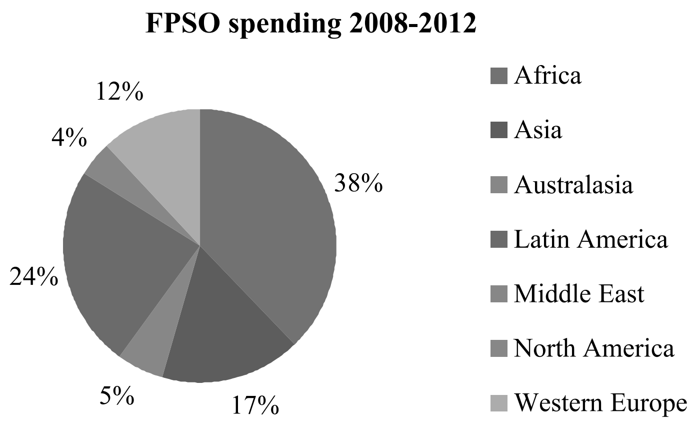

Figure 10: Historical FPSO spending (source: DW 2012 and the Group)

The chart below shows the expected FPSO spending for the next five years by geographical region.

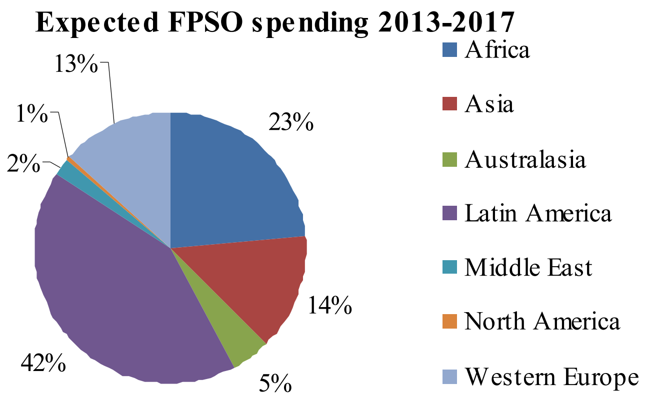

Figure 11: Expected FPSO spending (source: DW 2012 and the Group)

Brazil is the largest geographical FPSO market in terms of FPSO spending, current number of units and estimated future demand. The FPSO system is preferred in the region over other offshore production systems due to long distances to the shore and deep water fields. Petrobras provides the largest demand for FPSO units in the global FPSO industry.

West Africa represents the second largest region in terms of estimated future demand for FPSOs. West Africa has, however, been slow in recent years on new FPSO contracting due to political instability, security issues, delays in sanctioning and local content uncertainties. This has put field developments on hold.

Asia has the highest number of FPSO projects in the tendering phase. In the North Sea region, FPSOs have become an increasingly favourable production solution as many discoveries are too small for a stand-alone platform development (source: Pareto 2012).

The figure below shows the geographical spread of the global FPSO lease fleet as of 31 December 2012.

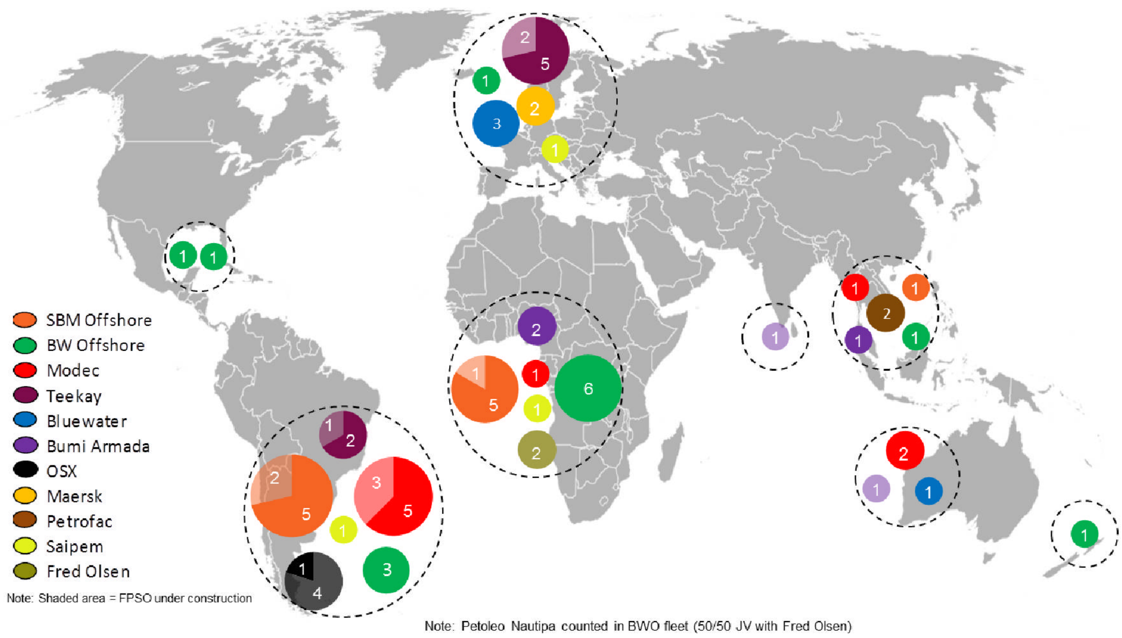

Figure 12: Main market players in terms of leased FPSO units by geography – on hire or under construction (source: Group)

9.6 FPSO market: Competitive Landscape

The competitive environment in the FPSO market has changed considerably over recent years. This is caused by a consolidation in the market and the fact that all speculative market players are bankrupt or cope with a high and costly debt burden. The current FPSO market consists of a limited set of relatively large players and a larger group of smaller players.

According to the Group's estimate, 51% of the global FPSO fleet is owned by lease contractors and 49% is owned by oil and gas companies.

Lease market

In terms of number of leased FPSO units (working, under construction, idle and on hold), SBM Offshore is the largest player in the industry with a market share of 17%, followed closely by BW Offshore with 15%. Modec and Teekay are the third and fourth largest players with market shares of 11% and 7% respectively. Bumi Armada, OSX and Bluewater are the fifth, sixth and seventh largest players with a market share of 5% each.

A number of medium- to small-sized market players typically each own one to three units. These players typically have stretched balance sheets and are not expected to have the ability to compete on large new tenders.

The table below shows the top market players in terms of number of leased FPSO units as at 31 December 2012, including units that are under construction, idle and construction on speculation/hold.

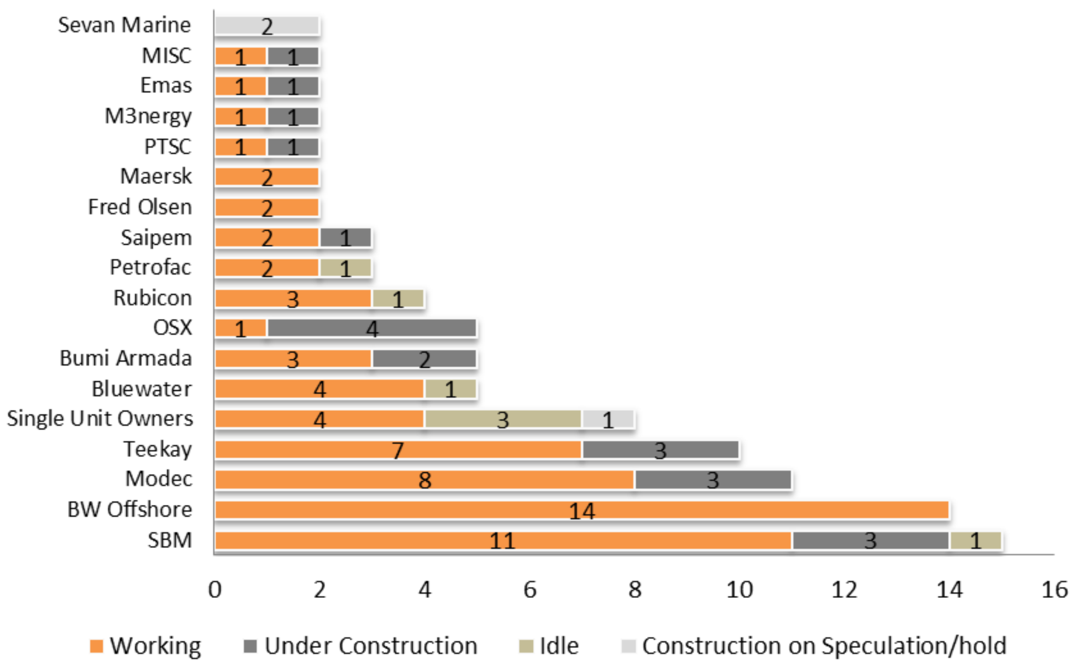

Figure 13: Market players in terms of leased FPSOs (source: the Group)
Note: Petroleo Nautipa FPSO counted in BWO fleet (50/50 JV with Fred Olsen)

In terms of total oil and gas production capacity of the global leased FPSO fleet, SBM Offshore is the largest player. The FPSO fleets owned by Modec and BW Offshore are the second and third largest based on oil and gas production capacity worldwide, followed by Teekay, Bluewater, Bumi Armada and Petrofac. The diagram below shows the oil and gas production capacity per market player. Each bar in the diagram is divided into squares that each represents one FPSO unit.

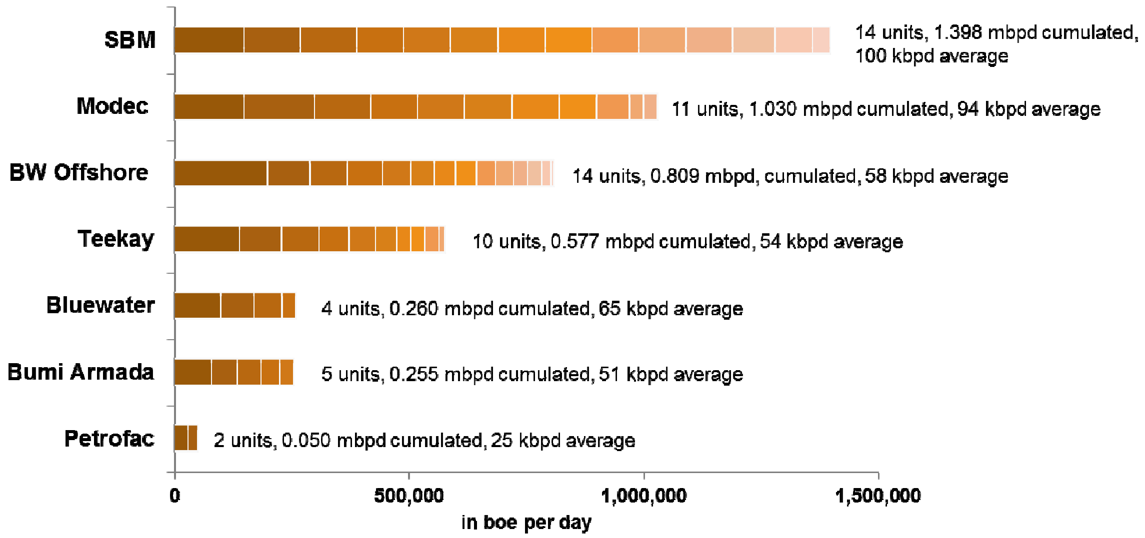

Figure 14: Main active market players in terms of leased FPSO production capacity – on hire or under construction (source: Group)

If all leased and owned FPSO units (working, under construction, idle and on hold) are taken together, Petrobras is the largest player with a market share of 14%. SBM Offshore is the second largest with a market share of 8%, followed closely by BW Offshore (7%) and CNOOC (6%). Modec and Total have a market share of 5% and 4% respectively.

9.7 Market trends

The Company has identified the following trends that are expected to influence the Group's business and the markets in which it operates:

- The IEA and other expert sources expect oil to remain the leading fuel in 2035 with a 27% share (down from 33% as at March 2013). In the overall energy mix, alongside renewables and biofuels, gas is expected to be the only fossil fuel source to increase its share.
- The move to production of fields in increasingly deeper waters is expected to continue.
- The complexity and size of FPSOs are expected to further increase.
- During the previous years, the average contract life of FPSOs has doubled and sometimes even tripled and FPSOs have been increasingly used as full life-of-field development systems. This trend is expected to continue.
- As a result of the expected increase in complexity, size, and contract life of FPSOs, it is anticipated that FPSOs will require a growing scale of investment.
- Due to the global debt crisis, it is increasingly difficult to secure long-term debt financing from banks.
- FPSOs will continue to be constructed and operated under strict local content requirements in Brazil but also in Africa and other parts of the developing world.

10. BUSINESS OVERVIEW

10.1 Overview

The Group is a provider of floating production systems to the offshore oil and gas E&P industry. It offers a broad scope of services across the full spectrum of the product life-cycle, from engineering to procurement, construction, installation, operation and product life extension (including relocation). The Group is a leader in its main activity, the design, supply, installation and operation of FPSO and FSO vessels, in particular mid-sized FPSO vessels with a production capacity of 80 – 150k boe/d (see "Industry and Market Overview – FPSO market: Competitive Landscape"). Furthermore, the Group is a market leader in the design, supply, installation and operation of large turret mooring systems, the most complex component of an FPSO.

The Group operates in three business segments:

- ***Turnkey Systems***: the supply of FPSOs and other types of floating production systems, complex large turret mooring systems and associated services, such as engineering services, on a turnkey basis to customers. This segment also includes the construction and conversion of vessels forming part of the Group's lease fleet, for life extension and relocation projects, which is all undertaken at cost basis. The Group's Turnkey Systems operations accounted for 67% of the Group's total revenue for 2012 (2011: 63%);

- ***Lease and Operate***: the lease and operation of the Group's fleet of floating production vessels on long-term contracts to customers. The Group's Lease and Operate operations accounted for 25% of the Group's total revenue for 2012 (2011: 27%); and

- ***Turnkey Services***: the provision of installation, overhaul and repair services, including the supply of spare parts, and the supply of Catenary Anchor Leg Mooring buoys (**CALM buoys**) and other mooring systems. The Group's Turnkey Services operations accounted for 8% of the Group's total revenue for 2012 (2011: 10%). As of January 2013, the results of the Turnkey Services segment are integrated in the Turnkey Systems reporting segment.

The Group's administrative office is located in Schiedam, the Netherlands. The Group operates five execution centres, which are located in Schiedam (the Netherlands), Monaco (Monaco), Houston (US) and Kuala Lumpur (Malaysia). Four of these execution centres focus on project management and the remaining execution centre focuses on the management of the Group's fleet. In addition, corporate support functions are located in Monaco, Marly (Switzerland) and Schiedam, and there are four representative offices, nine operational shore bases and two construction and integration yards. The Group had 7,493 employees worldwide at 31 December 2012.

Since the offshore oil and gas E&P industry is a global industry, the Group operates on a global basis. Based on the geographies of where the floating production systems operate, the main regions in which the Group is currently active are Brazil and West Africa (Angola, Nigeria and Equatorial Guinea). In 2012, the Group's revenue from Brazil accounted for 49% of the Group's total revenue (2011: 40.5%) and from West Africa for 22.8% of the Group's total revenue (2011: 35.7%).

The Group's total revenue for 2012 was US$ 3,695 million (2011: US$ 3,157 million) and net loss for 2012 was US$ 74.9 million (2011: a net loss of US$ 440.6 million). The Group's Order Portfolio (see "Key elements of the Group's business model – Order Portfolio") at 31 December 2012 amounted to US$ 14.54 billion (31 December 2011: US$ 16.91 billion).

10.2 History

The Group's history dates back to 1862. In that year, entrepreneur Mr A.F. Smulders founded his own factory, specialising in steam engines and boilers, before diversifying into an iron foundry. In 1905, the Smulders

Machine Factory founded the Gusto shipyard in Schiedam. In 1943, the Gusto shipyard entered into a joint venture with five other shipyards to create a new organisation known as Industrieële Handels Combinatie Holland (Industrial Trading Combination Holland, **IHC Holland**). The six yards agreed to join forces to sell, design and build dredgers for export. In 1965, five of the six partners agreed to a full scale merger, continuing to trade under the name IHC Holland in order to capitalise on their existing reputation and the shares in the share capital of N.V. Industrieële Handels Combinatie Holland were listed on the stock exchange in Amsterdam.

In the 1950s, Gusto already worked on offshore oil and gas related activities and constructed the first Single Point Mooring (**SPM**) facility. The market for SPM systems developed rapidly from the 1960s. In 1969, Single Buoy Moorings Inc was created as a separate subsidiary for the marketing and further development of SPM systems.

In the late 1970s, the shipbuilding crisis in Europe led to the closure of several shipyards in the Netherlands including the IHC Gusto shipyard. However, in order to retain the engineering expertise and experience built up in the shipyard, Gusto Engineering was created as designer of the offshore related products of the shipyard. Subsequent years saw many changes in the ownership of the different entities, a split of the Group in two separately listed companies under the names IHC Inter N.V. and Caland Holding N.V. and in 1984 the merger of these two companies into IHC Caland N.V.

In the 1980s and 1990s, the product line of the Group expanded towards more and more complex mooring systems for FSOs and FPSOs. Development of the Group's own engineering capabilities to include the oil processing facilities on the deck of a permanently moored tanker enabled the Group to offer the full scope supply of FPSOs either on a sale or on a lease basis. The Group was the first contractor to invest in an FPSO under a lease and operate contract with an oil major.

In 2001, the Group acquired Atlantia Offshore, which specialised in the design and construction of tension leg platforms. This acquisition enabled the Group to expand the range of its products and provided all the building blocks for deep water oil and gas field developments.

In 2005, the Group sold the remaining shipyards in response to the market downturn in the specialised shipbuilding market after 2000. IHC Caland N.V. was subsequently renamed as SBM Offshore N.V. on 1 May 2005.

Since then the Group has focused on offshore oil and gas related activities, in particular FPSOs, and has grown its business through organic growth.

10.3 Corporate Strategy

The Group's current strategy plan, adopted as of 31 December 2012, covers the years 2013 up to and including 2015 (the **Strategy Plan**). The Strategy Plan draws on an extensive analysis of markets, customers and technological developments as well as in-depth internal analysis across the Group's main functions. The Management Board and the Supervisory Board review the Strategy Plan annually in light of significant market developments and any other internal or external events that may affect the Group and require a revision of the Strategy Plan.

The Group's goal and driving ambition is to be the trusted partner of choice in the development of complete offshore floating solutions for the world's energy companies. It is on this basis that the Group intends to maximise shareholder value.

The Strategy Plan consists of the following elements:

Continued focus on core products with attractive margins

The Group will continue to focus on supplying complex medium-to-large floating production solutions for the full product life-cycle; from engineering and procurement, through construction, installation and operation to product life extension (including relocation). The Group targets the high-end of the converted FPSOs sector with facilities requiring large processing capacities (typically above 80,000 bopd) and/or projects with especially demanding challenges (harsh environment, heavy oil etc.). The Group will continue to strengthen its position as the global leader in floating production, mooring systems and production operations. The full focus of the Group is on the FPSO business, related products and associated mooring systems. The Group has re-focused its organisation (see "Focus on the bottom line" below) to meet the growing demand for larger and more complex floating production facilities that it believes offer the potential to yield attractive margins. The Group seeks to identify industry-defining technologies and devote the necessary financial and human resources, through selected product and technology development to provide a technological edge over its competitors.

Strive for a balanced portfolio

The Group engages both in the lease and operation and the turnkey sale of its products. Leasing and operation provides long-term visibility of cash flows and earnings; however, it is capital intensive and requires tight management of complex financial, operational and contractual risks. Turnkey sales contracts generate revenues and profits as the project progresses (i.e. during the construction phase), minimising capital requirements from the Group. Balancing both types of projects allows the Group to continually improve its track record, while managing its balance sheet exposure.

The Group believes that an important advantage of its business model is the full life-cycle aspect of the business. By leasing and operating its assets, the Group can feed back its operational knowledge to its project teams which allows for continuous improvement and innovation. This loop results in further business opportunities such as relocations, vessel refurbishments and other brown-field projects, but it also contributes to an in-depth understanding of the effects of age on components; this is intended to result in better life-cycle costing and asset integrity management, based on concrete experience.

The Management Board believes that the fact that the Group offers both lease and operate and turnkey sale possibilities to its clients provides it with an important commercial benefit in the market place. For large floating production systems, it is essentially the client's choice to opt for lease and operate or sale, which at times is decided relatively late in the contracting process. However, the financial capacity of the Group combined with its assessment of the overall risk profile of each project determines whether the Group will pursue a prospect and influences the Group's appetite to expose its balance sheet.

The Group aims to grow its lease and operation business primarily by expanding organically its lease fleet of FPSOs and it will consider acquisitions as opportunities arise meeting the Group's cost and benefit criteria. The Group aims to maintain its leading position in Brazil and Angola and aims to secure new, suitable projects in geographical areas such as the Far East, Australia, North Sea, Mexico and West Africa (in addition to Angola) to diversify its geographic spread, but keeping in mind its high-end positioning.

Focus on the bottom line

The Group is dedicated to providing its stakeholders with an organisational structure that enables and incentivises on-time delivery of projects, within budget.

FPSOs developed by the Group and its competitors are specialised items, as each FPSO must be tailored to the specific requirements of an oil and gas reservoir. The main trends observed during previous years are the increasing complexity and size of FPSOs; the doubling and sometimes even tripling of the average FPSO contract life and the use of FPSOs as full life-of-field development systems; and as a result of the increase in complexity, size, and contract life of FPSOs it is anticipated that FPSOs will require a growing scale of investment; the move to production of fields in increasingly deeper waters is expected to continue; FPSOs will continue to be constructed and operated under strict local content requirements in Brazil but also in Africa and other parts of the developing world; the IEA and other expert sources expect oil to remain the leading fuel in 2035 with a 27% share (down from 33% as at March 2013) and in the overall energy mix, alongside renewables and biofuels, gas is expected to be the only fossil fuel source to increase its share and due to the global debt crisis, it is increasingly difficult to secure long-term debt financing from banks.

To address the increasing complexity of FPSOs, the Group has significantly increased staff numbers from 2,500 at the end of 2004 to more than 7,000 in 2012. The Group substantially transformed its organisational structure to maximise its capacity to execute large and complex FPSO projects for clients and continues to further improve its organisational structure. The transformation resulted in a consistent organisational structure across the Group's five execution centres with the delegation of a broad range of responsibilities for delivery and performance, to the execution level and amendments to the Group's performance and evaluation system. It furthermore resulted in the streamlining of internal (cross-border) processes, systems and objectives for similar types of projects.

The new organisation is intended to allow the Group to focus on its core business and provides the strengthened Management Board with the adequate tools to monitor profitability via transparent accountability throughout the organisation. It also encourages best practice sharing/implementation and capitalises on the advantages of a single brand strategy.

Better risk/reward balance

It has been recognised in the FPSO industry that the returns over recent years have not followed the increased size and complexity of project tenders in comparison with the returns for E&P companies and the integrated specialist equipment suppliers. The Group seeks to address this imbalance by providing for differentiated, value-adding life-cycle solutions and proper contract management through which to justify higher margins and achieve better returns. The Group is also increasingly selective in its bidding process only tendering for FPSO projects that meet its stringent risk-return profile and by engaging in a more active dialogue with clients on sharing risks.

The Group continues to review the level of risk that is appropriate to be taken in pursuit of strategic objectives and hence the risk sharing between the client and the Group, for example in respect of HSSE risks. Especially after the three-month oil spill in the Gulf of Mexico in April 2010 caused by a blowout of the Macondo well and subsequent explosions and fire on the semisubmersible Deepwater Horizon oil rig which is considered the largest accidental marine oil spill in the history of the petroleum industry, excellent HSSE performance remains a priority in the Group's strategy.

Partnerships

The increasing size and complexity of FPSOs has led the Group to form new partnerships to help finance the continuing growth of its lease fleet, and to develop the local content component of FPSO projects. The Group also aims to diversify its capital sources through partnerships. Key commercial partners include Sonangol, MISC, QGOG and GEPetrol; key financial partners include Mitsubishi Corporation, NYK and Itochu; key technical partners include DSME and Synergy. Key technology partners include Linde, Ivanhoe Energy and CompactGTL. Long-term alliances and joint ventures are becoming particularly important as the scale and capital requirements of future projects increases.

The Group aims to continue to enter into partnerships in order to improve its chances of securing new business and to add value to its performance in the long run.

Strengthen the balance sheet

Divestment of non-core activities

In line with the Group's focused strategy on FPSOs, the Group has conducted a comprehensive review of its asset portfolio to identify non-core assets. In August 2012, the Group expressed its intention to realise approximately US$ 400 million from disposal of non-core assets. The first steps in this divestment plan were taken by the Group in November 2012 with the sale of GustoMSC to Parcom Capital. The Group also sold its installation vessel the Dynamic Installer in November 2012 and intends to enter into a sale and lease back transaction to dispose of its Monaco real estate assets in 2013. As part of the Group's strategy to focus on FPSOs, the Group continues to review its asset portfolio, including for the sale of any non-core assets.

Decrease dependency on bank financing

In light of the global financial crisis, it has become increasingly difficult to secure long-term debt through the project financing market; therefore, the Group is diversifying its sources of funding and aims to continue to do so in the coming years. A number of banks have already withdrawn from the structured asset financing sector.

The Group has started to implement various financing diversification options, both corporate and project based, in addition to partnering with new financial partners for larger projects. In 2012, the Group secured a US$ 1.08 billion project loan for FPSO Cidade de Ilhabela and issued US$ 500 million of project bonds through a US private placement.

In the coming years the Group intends to boost its equity position through the abovementioned disposal programme for non-core assets and through the expected profit contributions to equity, in order to obtain in the medium term an investment grade credit rating, which aims to also enable the Group to gain access to the public bond markets.

10.4 Key strengths

The Group believes it has the following strengths:

FPSOs as core product

The Group is the largest FPSO player in terms of total number of leased units and total oil and gas production capacity with only a limited number of relatively large competitors (see "Industry and Market Overview – FPSO market: Competitive Landscape").

The global trend in oil and, to some degree, gas production is the increasing development offshore and in deeper water. The average water depth has practically doubled over the past decade and as a result has increased the demand for FPSOs. FPSOs are the preferred production system in such deeper water due to their storage capacity as they typically have a shorter delivery schedule than other floating productions systems and can be relocated to other fields.

The Management Board believes that the Group is well positioned to benefit from this industry trend for the following reasons. First of all the Group has the capability to design, construct and commission FPSOs destined to work in even the most challenging ocean regions. Secondly, because the Group has the financing capabilities to arrange the significant amounts that are required to finance large lease and operate FPSO projects, which are financed primarily through project finance facilities. In 2012, the Group secured a US$ 1.08 billion project loan for FPSO Cidade de Ilhabela. The Group furthermore diversified (and will endeavour to diversify further) its sources of long term debt by widening its core banking group, for example by a long term cooperation agreement with Mitsubishi Corporation to develop FPSO projects in partnership, and by accessing debt markets directly (as it did with a US private placement project bond of US$500 million in 2012 to refund investments made in FPSO Cidade de Anchieta). Thirdly, because the Group has a strong track record in operating FPSOs successfully across the globe and primarily in the fast growing areas of Brazil, where the Group leases and operates seven FPSOs with two currently under construction, and Angola, where the Group leases and operates six FPSOs with one currently under construction.

Engineering skills and cutting edge technology

The Group's competitive advantages have traditionally been the quality of its engineering skills and its leadership in key technologies. The increasing size and complexity of FPSOs underpins demand for the Group's technical expertise. The Group is a leader in complex mooring systems, including those for harsh environments and ultra-deep water, with only a few direct competitors. The Group currently has three large complex turrets under construction for Prelude FLNG (which upon completion, is expected to be the largest offshore floating facility to date), Quad 204 and Ichthys. All three of these turrets contain elements that require advanced technology solutions for high mooring loads; total weight of 11,000 tons with a height of 95 meters for Prelude FLNG, fluid throughput of 320,000 barrels per day in the swivel stack on Quad 204 and 40 years of continuous operation in harsh environment on Ichthys.

Continuous improvement of the design and construction of new FPSO projects

The Group works in a fully integrated way between its fleet operation department, which operates the Group's lease fleet, and its engineering and operations departments, which set the standards for future engineering and construction projects. This fully integrated way of working enables the Group to use the direct operational feedback it receives from the operation of its own lease fleet to continuously improve and innovate the design and construction of new FPSO projects.

10.5 Organisational structure

The Group operates five execution centres, four of which are responsible for the Turnkey Systems activities (engineering and project management) and are located in Schiedam, Monaco, Houston and Kuala Lumpur. The fifth execution centre, located in Monaco, is responsible for the management of the Group's fleet and uses a decentralised organisational structure with a strong emphasis on shore base operations in each operating region. The Turnkey Services activities are undertaken from several locations with management being centralised in an execution centre in Monaco. The below organisation chart shows the individual execution centres, their location and their business segment. The Group's business segments each represent a reporting segment in the IFRS financial statements. As of January 2013 the results of the Turnkey Services segment have been integrated in the Turnkey Systems reporting segment.

Each project is managed by a fully integrated project team from an execution centre. Each execution centre in turn is managed by a managing director who is accountable for the performance of the execution centre. The group functions departments (finance, human resources, legal, compliance etc.) have defined specific principles, rules and guidelines for each execution centre which provide for a similar organisational structure at each execution centre as well as a clear framework for the specific activities of the relevant execution centre. The managing directors of the execution centres and the group functions departments report directly to the Management Board.

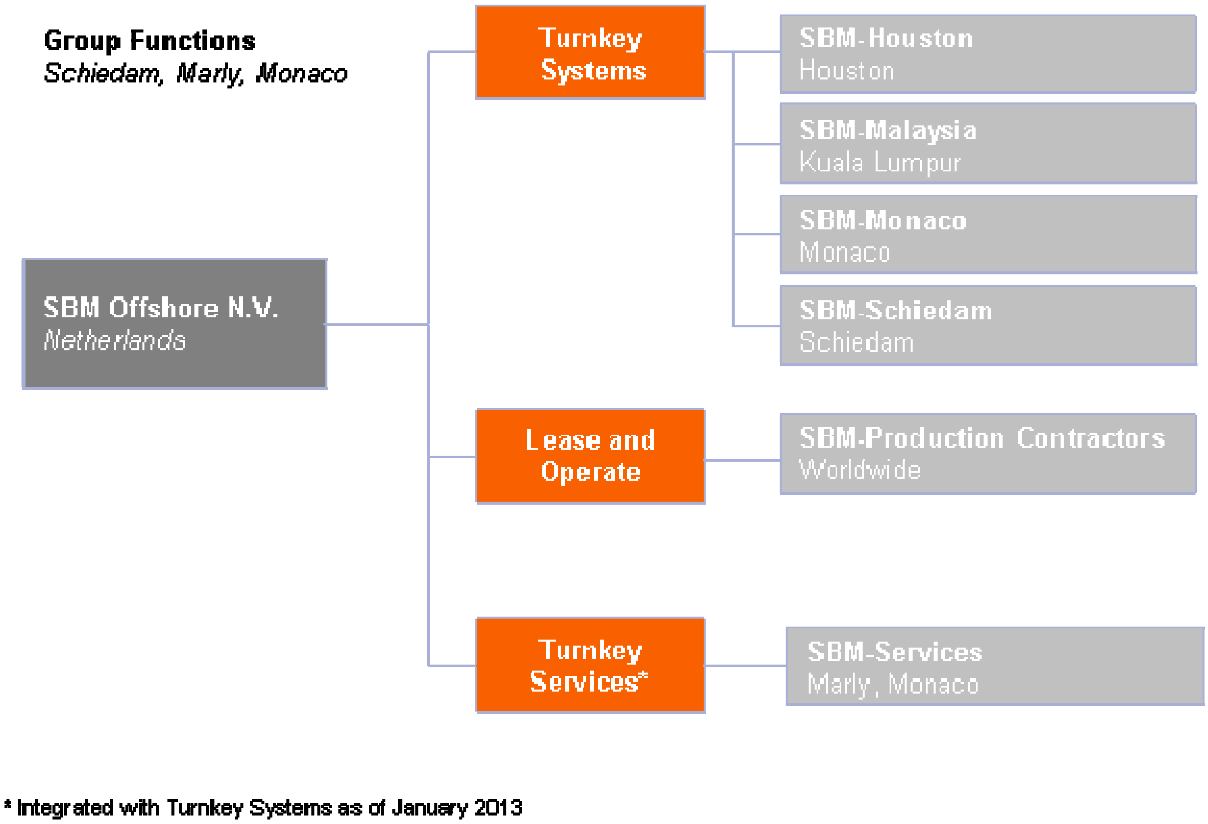

Figure 15: Organisational structure chart of the Group

10.6 Overview of operations

Turnkey Systems

The Group is active in the engineering, procurement and construction of FPSOs and other types of production systems, complex large turret mooring systems and associated services, such as engineering services, to customers on a turnkey basis. The Group converts FPSOs from existing oil tankers rather than using newly-built hulls. This segment also includes the construction and conversion of vessels forming part of the Group's lease fleet, for life extension or relocation projects, which is all undertaken at cost basis.

During the period 2010 – 2012, the Group delivered two FPSOs on a turnkey basis to its customers and three FPSOs on a lease and operate basis to the Group's fleet.

The Group is a market leader in the large turret mooring system segment as it has delivered more large turret mooring systems than other players in the industry. The Group has in total supplied 51 turret mooring systems to customers, of which 15 have been internal turret moorings, 28 have been external turret moorings and eight have been disconnectable turret moorings. In addition thereto, the Group owns the largest IP portfolio in the area of turrets and swivels. A testimony to the Group's position as a market leader is the selection by Shell in 2011 as the sole supplier for turret and mooring technology required on Shell's floating LNG FPSOs, which are the biggest floating production systems in the world. The Group is currently building a turret for Shell's Prelude FLNG, which upon completion is expected to be the largest non-disconnectable internal turret mooring system constructed to date. See further "Recent projects across the business segments – Turnkey Systems – Ongoing turret mooring systems projects" below.

The Group maintains a small inventory of high quality hulls ready for conversion to an FPSO. Such inventory enables the Group to provide more reliable cost and time estimates to customers for the conversion of hulls into FPSOs which offers a potential competitive advantage in the tender procedure. At 31 December 2012, the Group owned two tankers in its inventory, suitable for FPSO projects.

Key financials

For 2012, the Group's Turnkey Systems segment contributed 67% to the Group's total revenue (2011: 63%). The Order Portfolio in the Turnkey Systems segment amounted to US$ 3.79 billion at 31 December 2012 (31 December 2011: US$ 5.33 billion) which represents 26.1% of the Group's total Order Portfolio at 31 December 2012 (31 December 2011: 31.5%).

Lease and Operate

The Group is active in the lease and operation of its own fleet of FPSOs and other types of production facilities on long-term contracts to customers. In total the Group's fleet consists of 19 units of which 15 are FPSOs (including three FPSOs under construction or conversion) that are all under contract, with the exception of FPSO Falcon. In addition, the Group operates three FPSOs owned by third parties. Across the lease and operate fleet currently in operation, the Group achieved an average operational uptime (availability of the unit to produce) of 99.1% in 2012 (2011: 99.1%). In 2011, all vessels which are owned or operated by the Group produced 0.97 mbbl/day on average, which represented approximately 4% of the world's total offshore oil production in 2011 and approximately 15% of the deep-water oil production (source: IEA 2011).

Since the Lease and Operate segment is a capital-intensive activity, the Group seeks to conduct Lease and Operate activities that it believes are in line with the following principles:

- The Group only invests in its fleet on the basis of an agreed contract with a customer for a lease period of five or more years and a conservative depreciation policy. On average, the current lease and operate contracts have a duration of approximately 14 years (excluding potential extensions).
- When operating its fleet the Group seeks to ensure the safety of its vessels and seeks to protect the environment at the locations of its vessels.
- The revenues achieved by the Group with the Lease and Operate segment are not exposed to oil price variations or reservoir performance (except to a limited extent for the semi-submersible Thunderhawk, as the Group's fee includes a performance tariff component based on production volume).
- The Group uses interest rate swaps and foreign exchange contracts to hedge most of its exposure to interest rate and currency exchange risks from its Lease and Operate activities.
- The financing facilities that the Group enters into to finance a specific project are to be fully repaid by the lease income the Group receives during the initial lease period of a lease and operate contract.
- The Group manages its fleet in-house with all senior employees being directly employed by the Group in order to continue to capitalise on the Group's significant in-house expertise in the Lease and Operate segment.

The overviews below present the total fleet of the Group together with the duration of each contract and other commercial and technical specifications.

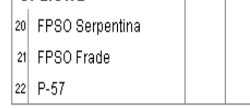

Figure 16: Overview contract duration of the lease fleet of the Group as at the date of the Prospectus

	(in chronological order per category)	**Current location**	**Client**	**Last upgrade date**	**Size**	**Storage capacity**	**Max. throughput**
	LEASE AND OPERATE						
	FPSO						
1.	Kuito	Kuito, Angola	Chevron	1999	228,000 DWT	1,636,000 bbls	100,000 bbl/d
2.	Cidade de Anchieta	Baleia Azul, Brazil	Petrobras	2011	269,643 DWT	1,900,000 bbls	100,000 bbl/d
3.	Falcon	N/A	N/A	2002	297,000 DWT	2,139,000 bbls	150,000 bbl/d
4.	Brasil	Roncador, Brazil	Petrobras	2002	244,000 DWT	1,708,000 bbls	90,000 bbl/d
5.	N'Goma	Angolan Block 15/06, Angola	ENI	Ongoing	255,900 DWT	1,507,395 bbls	100,000 bbl/d
6.	Marlim Sul	Marlim Sul, Brazil	Petrobras	2004	278,000 DWT	2,026,000 bbls	100,000 bbl/d
7.	Sanha	Sanha, Angola	Chevron	2005	94,000 DWT	135,000 m^3	37,370 bbl/d of LPG
8.	Capixaba	Cachalote, Brazil	Petrobras	2010	273,000 DWT	2,038,000 bbls	100,000 bbl/d
9.	Mondo	Mondo, Angola	ExxonMobil	2008	273,000 DWT	2,140,000 bbls	100,000 bbl/d
10.	Kikeh	Kikeh, Malaysia	Murphy Sabah Oil	2007	273,000 DWT	2,179,000 bbls	120,000 bbl/d
11.	Saxi Batuque	Saxi and Batuque, Angola	ExxonMobil	2008	311,000 DWT	2,431,000 bbls	100,000 bbl/d
12.	Espirito Santo	BC-10, Brazil	Shell	2008	392,000 DWT	2,067,000 bbls	100,000 bbl/d
13.	Aseng	Aseng, Equatorial Guinea	Noble Energy	2011	255,502 DWT	1,695,000 bbls	80,000 bbl/d
14.	Cidade de Paraty	Lula Nordeste, Brazil	Petrobras, BP and GALP Energia	Ongoing	265,243 DWT	1,600,000 bbls	120,000 bbl/d
15.	Cidade de Ilhabela	Sapinhoás, Brazil	Petrobras	Ongoing	265,243 DWT	1,600,000 bbls	150,000 bbl/d
	Semi-submersible						
16.	Thunderhawk	Mississippi Canyon, Gulf of Mexico	Murphy	Built year: 2009	23,000 DWT	N/A	45,000 bbl/d

	(in chronological order per category)	Current location	Client	Last upgrade date	Size	Storage capacity	Max. throughput
	MOPU						
17.	Deep Panuke	Deep Panuke, Nova Scotia, Canada	EnCana	N/A	62x52x7m (4-legged)	N/A	313 mmscf/d
	FSO						
18.	Nkossa II	NKossa, Angola	Elf	1996	50,000 DWT	78,000 m³	Storage
19.	Yetagun	Yetagun, Myanmar	Petronas	2000	81,000 DWT	606,000 bbls	Storage
	OPERATE						
	FPSO						
20.	Serpentina	Zafiro, Equatorial Guinea	ExxonMobil	2003	297,355 DWT	2,140,000 bbls	110,000 bbl/d
21.	Frade	Frade, Brazil	Chevron	2009	273,500 DWT	1,861,000 bbls	100,000 bbl/d
22.	P-57	Jubarte, Brazil	Petrobras	2011	255,000 DWT	2,536,900 bbls	180,000 bbl/d

Figure 17: Overview specifications of the lease fleet of the Group as at the date of the Prospectus

Key financials

For 2012, the Group's Lease and Operate segment contributed 25% to the Group's total revenue (2011: 27%). The Order Portfolio in the Lease and Operate segment amounted to US$ 10.57 billion at 31 December 2012 (31 December 2011: US$ 11.31 billion) which represents 72.7% of the Group's total Order Portfolio at 31 December 2012 (31 December 2011: 66.9%).

Turnkey Services

The Group's activities in the Turnkey Services segment comprise the provision of installation, overhaul and repair services, including the supply of spare parts, and the supply of CALM buoys and other mooring systems. The Turnkey Services activities enable the Group to install and maintain its own lease fleet and to offer services across the full spectrum of the product life-cycle to its customers in the Turnkey Systems segment. The provision of services and the supply of swivels, a mechanical component allowing fluids to pass between the stationary and the weathervaning part of an SPM, for the Group's Turnkey Systems and Lease and Operate segments is undertaken at cost plus basis.

Installation vessel

The Group currently has a 49.9% interest as part of a joint venture with Solstad in the Normand Installer, a multi-purpose deep water installation vessel. This vessel is used to install products supplied by the Group for its own lease fleet or to customers on a turnkey basis. In addition, the vessel is also used to provide offshore services which are not connected to the Group's Lease and Operate or Turnkey Systems activities to other customers.

The Group believes that having an installation vessel provides it with an important competitive edge by enabling it to improve its ability to estimate costs associated with the installation of floating production vessels up to two or three years beyond the moment the contract was awarded to the Group. The Normand Installer is therefore considered a key asset for the Group going forward in terms of installation capabilities for the Group's fleet. The Normand Installer is used approximately 30% of the time to support the Group's core activities in the Lease and Operate and Turnkey Systems segment and the remaining capacity is used for third party projects.

A new multi-purpose vessel is currently under construction which replaces the Group's former diving support vessel, the Dynamic Installer, which was used to install CALM buoys and for other shallow water work, including diving services. The Dynamic Installer was divested and delivered to its purchaser in November 2012. The new diving support and construction vessel will be able to operate as diving support vessel and remote operating vehicle support vessel and to undertake deep water mooring installations and construction work. The vessel is currently under construction in Singapore, with operational delivery expected in the third quarter of 2013.

Calm buoys

A CALM buoy is a system used for importing and exporting oil. Initially, these buoys were moored in relatively shallow water at near shore locations. However, in recent years the use of CALM buoys for offloading crude oil from FPSOs in deep water has become more common.

In the past 50 years, the Group has been a market leader in the CALM buoy segment. The Group has an installed base of more than 400 active buoys around the world, all requiring maintenance and spare parts. Over the past decade, the Group has sold on average eight units per annum. The sale price of these units generally varies considerably depending on specification and can range between US$ 10 million and US$ 50 million each.

Key financials

For 2012, the Group's Turnkey Services segment contributed 8% to the Group's total revenue (2011: 10%). The Order Portfolio in the Turnkey Services segment amounted to US$ 180.7 million at 31 December 2012 (2011: US$ 270 million) which represents 1.2 % of the Group's total Order Portfolio at 31 December 2012 (31 December 2011: 1.6%). As of January 2013, the results of the Turnkey Services segment will be integrated in the Turnkey Systems reporting segment.

10.7 Recent projects across the business segments

The following are recently completed, currently ongoing and recently awarded projects of the Group.

Turnkey Systems

Recently completed FPSO project

- ***Okha***: A Group Company was contracted by Woodside Energy to supply an FPSO for the Cossack, Wanaea, Lambert and Hermes fields offshore Australia. For this purpose, the Group refurbished and converted the Okha FSO that prior to such conversion formed part of the Group's lease fleet into an FPSO and integrated new process modules and a turret. First oil was produced in September 2011.

- ***P 57***: A Group Company was contracted by Petrobras to supply a spread moored FPSO for the Jubarte field offshore Brazil. The P-57 is the largest FPSO built by the Company to date in terms of throughput. First oil was produced in December 2010.

Ongoing FPSO projects

- ***OSX-2***: A Group Company has been awarded an order from OSX Brasil to supply an FPSO. The OSX-2 is expected to be chartered by OSX Brasil to its customer OGX Petróleo e Gás for the development of oil fields in the Campos basin offshore Brazil. Refurbishment, conversion, construction and integration work for the project is expected to be completed in Singapore with a delivery within 2013.

Ongoing turret mooring systems projects

- ***Ichthys****:* A Group Company has been awarded a contract by the Ichthys LNG Project, a joint venture between INPEX (76%, the operator) and Total (24%), for the engineering, procurement, fabrication and supply of a turret mooring system. This system is expected to be integrated into the Ichthys FPSO and installed in the Browse basin offshore north western Australia. Fabrication of the turret is ongoing and installation of the turret mooring system on the FPSO is planned for mid 2015.

- ***Quad 204***: A Group Company has been awarded a contract by BP for the engineering, procurement and construction of a turret mooring system for the Quad 204 FPSO project. The turret is expected to be used for the development of the UK Continental Shelf Schiehallion field offshore in the North Sea. The front end engineering and design (FEED) phase of the project has been completed and the final engineering, procurement and construction phase is currently ongoing. The delivery of the turret mooring system is planned to take place in various phases during 2013.

- ***Prelude FLNG***: A Group Company has been awarded a contract for the design, procurement and construction of the turret mooring system for Shell's floating liquefied natural gas (**FLNG**) programme. The FLNG turret mooring system programme will cover the design, procurement and construction of turret mooring systems for successive FLNG applications. The first turret mooring system is expected to be used for the Prelude gas field offshore north western Australia. On completion, the Prelude FLNG is expected to be the largest offshore floating facility in the world to date, measuring 488 metres from bow to stern and weighing (when fully loaded) close to 600,000 tonnes. Detailed engineering, procurement of key components and module fabrication is currently ongoing. The delivery of the turret mooring system is planned for 2014.

Lease and Operate

Recently completed FPSO projects

- ***Cidade de Anchieta***: A Group Company leases and operates FPSO Cidade de Anchieta for Petrobras for a period of 18 years as of September 2012. FPSO Cidade de Anchieta is used for the pre-salt production of the Baleia Azul, Jubarte and Pirambu fields offshore Brazil. First oil was produced in September 2012.

- ***Aseng***: A Group Company, together with its joint venture partner Compania Nacional de Petroleo de Guinea Ecuatorial (GEPetrol), leases and operates FPSO Aseng for Noble Energy for a period of 15 years as of November 2011. FPSO Aseng is used for the Aseng field offshore Equatorial Guinea. In addition to serving the Aseng field, the FPSO will provide a liquids hub for Noble Energy's future developments in the area. First oil was produced in November 2011.

- ***FPSO Capixaba***: A Group Company leases and operates FPSO Capixaba, owned by a joint venture between Queiroz Galvão and a Group Company, for Petrobras for a period of 12 years as of May 2006. FPSO Capixaba was initially used on the Capixaba field offshore Brazil, after which the FPSO Capixaba was upgraded in order to be used for the development of the Cachalote field in the Campos basin offshore Brazil with a new 12 year contract commencing as of April 2010. First oil was produced in May 2010.

Ongoing FPSO projects

- ***N'Goma***: A Group Company is expected to lease and operate FPSO N'Goma (formerly FPSO Xikomba) for ENI Angola for a period of 12 years as of 2014. FPSO N'Goma is expected to be used for the development of block 15/06 offshore Angola. FPSO N'Goma is currently being refurbished and first oil production is planned for 2014.

- ***Cidade de Paraty***: A Group Company, together with its joint venture partners Queiroz Galvão Óleo e Gás (QGOG), Nippon Yusen Kabushiki Kaisha and Itochu, is expected to lease and operate FPSO Cidade de Paraty for Petrobras, BG and GALP Energia for a period of 20 years as of March 2013. FPSO Cidade de Paraty is expected to be used for the Lula Nordeste field in the pre-salt area, offshore Brazil. The final phase of the hook up and integration of the system has commenced. First production is planned for the second quarter of 2013.

- ***Cidade de Ilhabela***: A Group Company, together with its joint venture partners, Queiroz Galvão Óleo e Gás (QGOG) Constellation and Mitsubishi Corporation, is expected to lease and operate FPSO Cidade de Ilhabela for Petrobras for a period of 20 years as of 2014. FPSO Cidade de Ilhabela is expected to be used for the development of the north part of the Sapinhoá field (former Guara Area) in the pre-salt area offshore Brazil. The FPSO is currently being refurbished and first production is planned for the first half of 2014.

- ***Kikeh***: A Group Company has been awarded by Murphy Sabah Oil an 8.5 year lease, operate and maintenance contract on FPSO Kikeh for a tie-back of the Siakap North-Petai fields to the FPSO located offshore Malaysia. A Group Company leases and operates FPSO Kikeh for Murphy Sabah Oil for a period of eight years as of August 2007 with extension options for 15 additional years in the Kikeh Field offshore Malaysia. The FPSO Kikeh is also expected to be used for the Siakap field, 10 kilometers from the Kikeh field. The additional system requested is currently under construction and will be put in place offshore and is planned to be operational as of end 2013.

- ***Espirito Santo***: A Group Company has been awarded a contract by Shell for the engineering, procurement, construction, installation and operation of a rigless intervention system module on FPSO Espirito Santo. A rigless intervention system is being developed to service subsea equipment on the FPSO as a permanent part of the system and currently under construction. The system is planned to be operational for a first intervention in the second quarter of 2014.

- ***Alpha and Beta***: A Group Company has received a letter of intent from Petrobras for a procurement, construction, lease and operate contract for two FPSOs, which are expected to be used for the Lula field in the pre-salt area, offshore Brazil. The procurement and construction of the FPSOs will be undertaken by the Group with delivery expected by end of 2015 and early 2016. The Group, together with its joint venture partner Queiroz Galvão Óleo e Gás (QGOG), is expected to lease and operate the FPSOs for a period of 20 years as of delivery of the FPSOs.

Ongoing MOPU project

- ***Deep Panuke***: A Group Company entered into an initial eight year lease contract for the provision, leasing and operation of a production facility for EnCana's Deep Panuke natural gas project offshore Nova Scotia in Canada. Finalisation and commissioning of this platform is planned for the first half of 2013.

Turnkey Services

Recently completed projects

- ***Installation charter***: A Group Company was contracted by Technip for the charter of the Normand Installer for the installation of spools regarding the Jubilee field, offshore Ghana. The project was completed in December 2012.

- ***CALM buoy Iraq***: A Group Company was contracted by South Oil Company for the engineering, procurement and construction of three CALM systems and a spare CALM buoy. A Group Company was also contracted by Leighton, with the end client being South Oil Company, for the engineering, procurement and construction of another CALM system. Both are completed and used for the Iraq Basra field.

Ongoing projects

- ***Deep water buoy Usan***: A Group Company has been awarded an order from Saipem, the end client being a joint venture between Total, Chevron, Exxon-Mobil and Nexen, for the design, engineering, procurement, supply, integration of elements, testing, pre-commissioning and commissioning of a single point mooring system for the Usan field offshore Nigeria, the production of which is excluded from the awarded order. Completion is planned for second half of 2013.

- ***Subsea installation***: A Group Company has been awarded an order from PetroSA for the installation of flexible flowline and umbical regarding the Ikwezi field, offshore South-Africa. Completion is planned for mid 2013.

10.8 Key elements of the Group's business model

Certain defining elements of the Group's business operations are: project execution, contracts, joint ventures, project acquisition, Order Portfolio and P&TD.

Project execution

For the execution of projects the Group applies an execution model in which engineering and procurement is mostly carried out in-house and construction and commissioning is carried out with the assistance of subcontractors or suppliers.

By using subcontractors for construction, the Group is able to maintain its flexibility in the selection of a subcontractor and avoid fixed capacity costs in times of lower activity. However, to comply with stringent local content requirements of certain host countries, the Group has in recent years, together with strategic joint venture partners, invested in two construction and integration yards in Brazil and Angola that enable the Group to assemble and integrate modules into an FPSO (see "Joint ventures" below).

Subcontractors are carefully selected through a pre-qualification process on the basis of capabilities and financial stability. The Group places orders only with qualified subcontractors and focuses on establishing and maintaining long-lasting relationships.

The Group is increasingly outsourcing certain elements of project execution, such as detailed engineering, in order to enhance its capacity to take on large projects and to optimise its cost structure. The Group works with a number of qualified subcontractors to outsource detailed engineering, primarily located in India and Romania.

Contracts

Group Companies routinely enter into contracts covering the whole range of activities of the Group. Contracts are mainly entered into with customers, joint venture partners and subcontractors. Although the Group strives for standardisation where this is possible, for example by using model contracts, many contracts tend to be tailored to the specific aspects of the project or, depending on the outcome of negotiations, the requests and needs of counterparties. In negotiating contracts with customers, Group Companies are guided by internal group standards, which contain minimum standards for all material contracts entered into with customers. Any deviation from these rules requires prior approval from senior management.

The most common contracts entered into by the Group Companies cover, amongst others:

- provision of design and engineering services, such as feasibility studies, (pre-) front end engineering and design (**FEED**) contracts and master engineering service agreements;

- supply of floating production facilities on a turnkey sale basis, such as engineering, procurement & construction (**EPC**) contracts, engineering, procurement, construction & installation (**EPCI**) contracts and engineering, procurement, construction, installation & commissioning (**EPCIC**) contracts. Pursuant to such contracts the relevant Group Company in general receives payment on reaching certain project milestones, such as contract execution, start of fabrication, sailaway from the fabrication yard, mechanical completion and final acceptance;

- supply of floating production facilities on a lease or lease and operate basis, such as time and bareboat charter contracts and separate operation and maintenance agreements. Depending on the nature of the arrangement (bare lease or the more common lease and operate arrangement), the relevant Group Company as of the date of acceptance of the production facility by the customer receives monthly fees under the bare boat charter and, if applicable, the operation and maintenance agreement;

- supply of spare parts and support services to customers, such as parts orders, inspection service agreements and repair service agreements;

- strategic alliance and cooperation agreements, such as pre-bid agreements, consortium and cooperation agreements; strategic alliance and joint venture agreements;

- contracts with suppliers and subcontractors, such as fabrication contracts, services agreements and framework supply agreements; and

- project financing, such as loan agreements and right of quiet enjoyment letters under which the respective bank(s) financing the construction of an FPSO shall not be entitled to enforce a mortgage against that FPSO, unless certain conditions are fulfilled.

Joint ventures

Projects, generally on lease and operation basis, are carried out in the form of a joint venture, where, because of their scope, size or complexity, they have high financing requirements or they otherwise pose too great a risk if carried out on a standalone basis. Some projects may also be executed in the form of a joint venture with a local joint venture partner in order to comply with local content regulations in certain host countries in which the Group operates and to benefit from the local knowledge or experience of a local joint venture partner.

Local content regulations are imposed by host governments in regions where the Group deploys its vessels, for example in Brazil and Angola. Local content requirements include stipulations by the host government on, amongst others, the number or proportion of local subcontractors and employees that the Group is obliged to use and employ, and the proportion of raw materials and components the Group is obliged to source from the local market. Local content requirements have increased in the recent past, and the Group expects that they will continue to increase. For example, the Group's FPSOs operating in Brazil's pre-salt basin must meet a minimum local content requirement of 65%, which has increased from 20% in 2007.

The Group's interests in the Paenal construction and integration yard in Angola and its joint venture in the Brasa construction and integration yard in Brazil contribute to compliance with such local content requirements. Since the Group's decision in 2007 to invest in the Paenal shipyard, various CALM buoy and offshore structures projects have been successfully delivered. In addition, the yard has topside fabrication and installation capabilities through a 2,050mt crane, the biggest fixed crane in West-Africa, for FPSO module integration as well as a 500mt quayside to accommodate large FPSO vessels. Currently, the yard is capable of providing 1.2 million man-hours per year (exclusive of subcontractors). After completion of the current developments, the yard will have a steel work fabrication capacity of some 8,000 – 10,000 tons a year requiring approximately 2 million man-hours. In addition, in 2011, the Group entered into a 50/50 joint venture with Naval Ventures Corp (part of the Synergy Group), the owner of the Brasa shipyard, to refurbish and operate the Brasa shipyard, located in Rio de Janeiro in Brazil. The yard has module fabrication capabilities, an FPSO integration quayside for the construction and pre-commissioning of topside modules and other systems and equipment and a 2,500t floating crane barge. Fabrication activities commenced at the Brasa yard during 2012 with the construction of the topsides modules for FPSO Cidade de Ilhabela. These modules will subsequently be lifted and integrated on the vessel using Brasa's floating crane and dedicated quayside.

As at 31 December 2012, the Group participated in 53 joint venture companies and/or branches, including but not limited to companies involved in the conversion and operation of FPSOs, FPSOs, shipyards and installation vessels. As an example, each project is structured via the incorporation of a pool of different joint venture companies incorporated for specific project related purposes (i.e. owning, chartering, operating, etc.) in which the Group generally holds an equity interest of 30% or more. As a general rule, the partners to the project joint ventures, as is common in the industry, are jointly and severally liable toward their clients, but with liabilities between the partners allocated as agreed in the joint venture agreement. The governance structure of the joint ventures is in general either a balanced model based on unanimous decisions or a majority voting model. Subject to local requirements, the Group tends to be a majority shareholder in its joint ventures.

Project acquisition

The Group's projects are acquired through tender procedures or on a negotiated basis. Customers generally use tender procedures for large projects, or where these are prescribed by law.

A significant part of the Group's business is acquired through tender procedures. Factors that the Group believes to be important for winning a tender process include price, technical proficiency, output capacity, staffing, experience and financial indicators, such as solvency and liquidity ratios.

Tendering for a project can be time consuming and expensive. The tendering cost for complex, large-scale FPSO projects may be significant (ranging between approximately US$ 1 million and US$ 5 million). These expenses are included in the price submitted, and recovered if the Group is successful in obtaining the contract; sometimes such expenses are also (partially) reimbursed by the potential client when the Group is unsuccessful.

Order Portfolio

The order portfolio is an important tool to monitor and report expected revenues for current and future years. The order portfolio (i) in the Lease and Operate segment consists of the non-discounted remaining estimated revenue value of signed contracts until the end of the relevant existing lease period (excluding extension options); and (ii) in the Turnkey Systems and Turnkey Services segments, consists of the remaining lump sum contract revenue values (including any variation orders and contract extensions) or reimbursable costs of the work to be performed (the **Order Portfolio**).

The Group's Order Portfolio at 31 December 2012 amounted to US$ 14,537.6 million (2011: US$ 16,910 million and 2010: US$ 11,501.5 million). See further "Operating and Financial Review – Order Portfolio".

Order intake

New orders in 2012 included:

Order	Description
Turret for Ichthys	A contract for the engineering, procurement, fabrication and supply of a turret mooring system for the Ichthys LNG Project, a joint venture between INPEX (76%, the operator) and Total (24%).
FPSO Fram for Shell (UK North Sea)	A Letter of Interim Award (LOIA) from Shell for the supply, lease and operation of a FPSO for the Fram field in the UK sector of the North Sea. The interim award was withdrawn in February 2013 and the Group's costs were reimbursed by Shell.
Extension for FPSO Brasil	An extension of the lease and operate contract for FPSO Brasil of 14 months, with a further extension option of up to four months.
Rigless Intervention System (RIS) Module for FPSO Espirito Santo	A contract from Shell for the engineering, procurement, construction, installation and operation of a Rigless Intervention System (RIS) module on FPSO Espirito Santo, servicing the BC-10 field, offshore Brazil. The RIS is planned to be operational for a first intervention in the second quarter of 2014.
SNP Tie-back to FPSO Kikeh	An 8.5 year lease, operate and maintain contract on FPSO Kikeh for a tie-back of the Siakap North-Petai fields to the FPSO located offshore Malaysia.
Extension for FPSO Kuito	An extension on the existing lease and operate contract of Kuito FPSO until February 2013.
FPSO Marlin Sul contract extension	A 26 month extension was agreed with Petrobras for the lease and operating contract for FPSO Marlin Sul in Brazil.

New orders in 2011 included:

Order	Description
Contract for FPSO Xikomba relocation	On behalf of its joint venture companies with Sonangol, a Group Company executed 12 year lease and operate contracts from ENI Angola SpA for the block 15/06 development offshore Angola.
CLOV Oil Offloading System order	A Group Company signed a contract with Total E&P Angola for partial supply and offshore installation work on the Deep Water Oil Loading System for the CLOV FPSO for Block 17 offshore Angola in West Africa.
Turret for Shell's Prelude FLNG	Order for the supply of the turret mooring system the world's first FLNG in Shell's Prelude field offshore Australia.
Internal Turret Mooring System for BP for QUAD 204 FPSO	BP Exploration Operating Company Ltd confirmed full project sanction for the supply of an internal turret mooring system for the Quad 204 FPSO project by a Group Company. The contract consists of engineering, procurement and construction of the turret
FSO Nkossa II	A Group Company received confirmation from Total E&P Congo that the contract for the LPG FSO Nkossa II had been extended for a total of seven years, until November 2018, with options for a further three years.
FPSO Cidade de Ilhabela	A Group Company and partner QGOG received two letters of intent from Petrobras for the twenty year charter and operation of FPSO Cidade de Ilhabela for the Guará Norte development in the pre-salt area offshore Brazil.

Order	Description
FPSO OSX-2	A Group Company signed the conversion, supply and installation contract with OSX for the FPSO OSX-2 for Brazil.

New orders in 2010 included:

Order	Description
FPSO Kuito	Lease and operate contract extended by one year to 26 January 2011. Since year-end the contract was extended until 31 March 2011.
FPSO Serpentina	Operate contract extended for one year up to August 2011.
FPSO Cidade de Paraty	A Group Company received a letter of intent from for a twenty-year lease and operate contract (commencing March 2013) on the Lula Nordeste field offshore Brazil.
FSO Unity	Operate contract extended for a year up to 30 June 2011.
FSO Nkossa II	Lease and operate contract extended for a firm period of five years with options for further extension.
FPSO Espadarte	New 18-year lease and operate contract was signed for relocation on the Baleia Azul field.
Deep Draft®Semi-submersible production facility	Letter of agreement was received for a five-year lease and operate agreement for the Tubular Bells field. The agreement contains an element of production throughput related revenue.
FPSO Xikomba	Lease and operate contract extended for one year with a 90-day notice period for termination. Since year-end the respective Group Company has received notification of termination from EEAL and expects that the unit will be released mid-2011.
Quad 204 Turret	In June 2010, BP awarded the Company a contract covering the front end engineering and design and the engineering, procurement and construction of the complete turret mooring system.

P&TD

Product and technology development have always played a key role for the Group. The Group has invested US$ 31 million in 2010, US$ 37 million in 2011 and US$ 25 million in 2012 in P&TD, which comprises both pure research and development as well as the development of new concepts and the improvement of existing products. The P&TD investment of the Group is focussed on ultra-deep water production, particularly for the challenging fields of Brazil and West Africa and technology related to more complex FPSO products. The focus areas of the Group's P&TD projects are:

- new proprietary components and products, and enhancing the performance of existing proprietary components and products for use in offshore hydrocarbon production, storage and transfer systems;
- mooring technology, which is the Group's main area of proprietary technology. The Group has a laboratory near Nice, France, which specialises in testing and qualification of mooring components and components for hydrocarbon fluid transfer systems such as the Group's swivel systems; and
- complex FPSOs with gas to liquids processes, LNG processes or ultra heavy oil upgrading technologies, which are developed in close co-operation with the Group's technology partners.

In 2012, the Group introduced a formal gated review process (technology readiness levels) for technology development to ensure that the Group's new technology is matured through a formal review process before being released to market.

10.9 Customers

The Group's customers are oil and gas E&P companies. Such E&P companies can be divided between:

(a) national oil companies (**NOCs**) which are fully or in majority owned by a national government, such as Petrobras and Sonangol;

(b) large international oil companies (**IOCs**) which are fully privately owned companies, such as BP, Chevron, Exxon Mobil, Shell and Total; and

(c) smaller independent companies that unlike NOCs and IOCs only focus on the exploration and/or production of crude oil and natural gas, such as Woodside and Murphy.

Due to the increasing control by NOCs over the world's oil and gas reserves, the increasing investment by NOCs in research and development and the evolution of governance in emerging economies (in particular local content requirements), the technological and overall operational capacity and competence of some NOCs has increased substantially in the past decade, especially in West Africa and Brazil. This progress has reduced the gap between these NOCs and the traditional IOCs.

The NOCs and IOCs usually manage their capital expenditure and/or capacity with a mix of turnkey and leased production facilities, to meet their production targets while smaller independent companies usually opt for leasing production facilities to manage their capital expenditures.

Market researcher Douglas-Westwood (DW) expects that E&P companies will annually award on average more than US$ 15 billion worth of capital expenditure for new floating production systems during the period 2013-2017. (Source: DW 2012)

10.10 Employees

The Group believes that its business continuity and performance are anchored in employee motivation and development.

At 31 December 2012, the Group employed 7,493 employees in total of which 5,893 were permanent employees representing 78.6% of the total workforce and 1,600 were contract employees representing 21.4% of the total workforce.

The Group offers competitive compensation packages to its employees. The Group also provides a range of training and development opportunities to enhance the skills of its employees worldwide.

10.11 Intellectual property

The Group has a significant portfolio of intellectual property (**IP**) rights, such as patents, trademarks, copyrights, trade secrets and specific proprietary know-how. These cover a wide range of subjects such as FPSO mooring, turret systems, hydrocarbon transfer and processing systems (including LNG and gas processing), and different related subjects such as drilling and riser technologies and offshore installations.

The protection of the Group's IP rights is a key focus point. The Group has integrated internal IP procedures in place, which aim to protect effectively the Group's IP rights. The Group's IP department, which is based in Monaco, manages the Group's IP portfolio, gives IP related advice to the Group Companies and monitors activities of competitors that may infringe the Group's IP rights.

10.12 Material contracts

The following are contracts (other than those entered into in the ordinary course of business, reference is made to "Selected key elements of the Group's business model – Project documentation") which are material and that have been entered into by a member of the Group within the two years immediately preceding the date of this Prospectus or which have been entered into by a member of the Group at any other time and which contain provisions under which any member of the Group has an obligation or entitlement that is material to the Group as at the date of this Prospectus.

Existing credit facilities

The revolving credit facility and the project finance arrangements, including the US$ 500 million US private placement project bond issue, are considered material contracts. For a summary of these, reference is made to "Operating and Financial Review – Description of borrowings".

Underwriting Agreement

The Company has entered into the Underwriting Agreement. See "The Offering – Underwriting Agreement" for a description of this agreement.

Mitsubishi agreement

In February 2011, SBM Holding Inc. S.A. and Mitsubishi Corporation (Mitsubishi) entered into a long-term cooperation agreement to jointly pursue FPSO lease and operate projects worldwide. The cooperation agreement covers an initial term of five years, with an option to be extended.

Pursuant to the cooperation agreement, Mitsubishi may become a direct joint venture partner for at least a 25% stake in the ownership and operation of new jointly awarded FPSOs whilst the Group will be responsible for the execution of the engineering, procurement, construction and installation (if applicable) of such FPSOs and will act as the operator on behalf of the joint venture. The agreement with Mitsubishi provides the Group with substantial equity capacity for new FPSO lease projects, enabling both the Group and Mitsubishi to attract competitive financing from a wide range of sources (such as banks and export credit agencies) and providing the Group with access to Mitsubishi's global business network of more than 200 bases of operations in 80 countries. Mitsubishi also provides valuable local knowledge and expertise in several countries that the Group has identified as potential growth areas, such as Brazil and South East Asia.

Sale of GustoMSC

As part of the strategy to refocus the Company's business on FPSOs, the Management Board decided, with the approval of the Supervisory Board, to divest certain non-core businesses and assets to strengthen the Company's balance sheet.

The first steps in this divestment plan were taken on 10 November 2012 when the Company and Parcom Capital entered into a share purchase agreement regarding the sale and transfer of the entire share capital in GustoMSC Holding B.V. (including its subsidiaries) constituting the entire GustoMSC business which formed part of the Group's Turnkey Systems segment. Completion of the transaction and transfer of the shares took place on 28 November 2012. The consideration for the divestment consists of a purchase price of approximately US$ 189 million.

GustoMSC is a market leading service provider for the offshore industry that specialises in the design and engineering of all types of mobile offshore units, such as jack-up units, semi-subs and mono-hull vessels, including the supply of associated equipment. GustoMSC primarily services the offshore oil and gas E&P market. Its activities also support the offshore civil construction and, increasingly, wind turbine installation sectors. GustoMSC does not undertake any activities relating to FPSOs.

10.13 Property, plant and equipment

Land and buildings

The Group operates through five execution centres in Schiedam (the Netherlands), two centres in Monaco (Monaco), Houston (US) and Kuala Lumpur (Malaysia), a treasury office in Marly (Switzerland), construction and integration yards in Brazil and Angola and onshore-bases in various locations.

The majority of these properties are leased by the Group. The duration of the lease contracts varies from five to 20 years. The remaining part of the properties is owned by the Group. At 31 December 2012, the net book value of the Group's land and buildings was US$ 32 million (31 December 2011: US$ 98.6 million). This decrease was primarily due to the classification of the Group's owned Monaco offices as assets held for sale. See below.

In line with the Group's focused strategy on FPSOs, the Company intends to enter into a sale and lease back transaction in respect of the Group's owned Monaco offices to further strengthen its balance sheet. It is expected that a sale and lease back transaction will be concluded in the course of 2013. At 31 December 2012, the Monaco offices were re-classified from land and buildings to assets held for sale and the net book value of these assets was US$ 65.6 million.

Vessels and floating equipment

At 31 December 2012, the net book value of the Group's lease fleet, the installation vessel Normand Installer (49.9% ownership), the floating crane of the Brasa yard and the Group's inventory of hulls was US$ 1,555 million (31 December 2011: US$ 1,247 million).

Production facilities are leased to third parties under lease agreements that qualify either as operating lease or finance lease. Production facilities that are leased under an operating lease are accounted for under property, plant and equipment once completed. Production facilities that are leased under a finance lease are accounted for under financial fixed assets for the (amortizing) fair value of the lease payments.

Every unit of the Group's fleet that is financed through a project-specific financing facility is mortgaged to the banks that have provided the respective project finance facilities for the lease and operate of the relevant unit. See "Operating and Financial Review – Description of Borrowings". The total long-term and short-term borrowings of the Company as at 31 December 2012 amounted to US$ 2,571 million, comprising almost entirely project financing and project bonds. Of the total borrowings, an amount of US$ 1,045 million relates to vessels under operating leases, and represents approximately 67% of the aggregate book value of the Company's vessels of US$ 1,555 million; a further US$ 583 million relates to vessels under finance leases and represents 68% of the finance lease value as at 31 December 2012 of US$ 858 million; the remaining US$ 943 million relates to vessels and finance lease assets, which were still under construction as at 31 December 2012.

Other fixed assets

At 31 December 2012, the net book value of the Group's other fixed assets was US$ 44.3 million (31 December 2011: US$ 49.1 million). This primarily relates to laboratory assets, IT-hardware, office furniture and Paenal (workshop) machinery.

Assets under construction

The Group's assets under construction primarily relates to the units of the Group's fleet that are under construction and will be leased to third parties under an operating lease. In addition, vessels without a contract and inventory hulls are also included in the Group's assets under construction.

At 31 December 2012, the net book value of the Group's assets under construction was US$ 850.7 million (31 December 2011: US$ 1,139 million) and also included the new multi-purpose vessel.

10.14 Health, safety, security and environment (HSSE)

The Group sets high standards to protect the health, safety and security of its employees, its sub-contractors, the general public, as well as the environment. The Group aims to manage the risks linked to its business and is committed to eliminating incidents such as groundings, fires, explosions, collisions and oil spills. The Group is also committed to preventing unnecessary emissions, minimising energy use and waste outputs by encouraging re-use and reduced consumption and re-use and to compliance with relevant environmental laws and other requirements.

Group policies

HSSE controls and procedures are in place at each of the Group Companies. These controls and procedures are monitored for effectiveness at appropriate organisational levels in the Group's execution centres and amended where necessary.

The Group's operations are performed under the Group's integrated Group Management System and the detailed management controls for the fleet operations, which together define the Group's management system and procedures. The Group management system complies with the International Management Code for the Safe Operations of Ships and for Pollution Prevention, the International Convention for the Prevention of Pollution from Ships, and the International Ship and Port Facility Security Code. The Group Management System is further based on the International Standards Organization's (**ISO**) 9001 for Quality Management Standards, ISO 14001 for Environment Management Systems, the Occupational Health and Safety Assessment Series (**OHSAS**) 18001, and the Social Accountability International SA8000 standard for Social Accountability. Where possible, a Group Company seeks voluntary accreditation for fleet operations to demonstrate compliance with ISO 14001 and OHSAS 18001.

In Brazil, during 2009, ISO 14001 and OHSAS 18001 accreditation was obtained for onshore operations offices, followed in 2010 by accreditation for all FPSOs operating in Brazilian waters. This standard was progressively implemented both in onshore and offshore Angola and in respect of the Group's operations in the rest of the world, with accreditation completed in 2012 (except for FPSO Cidade de Anchieta and FPSO Sanha).

Reporting of incidents

HSSE incident reporting is registered and managed through the Group's Single Incident Reporting System (**SIRS**) database. The SIRS is used to collect data on all incidents on all units and activities operated by the Group. SIRS is a web-based application, which is accessible to all Group Companies to facilitate data entry. The trends and statistics derived from these entries are reported back to the management of the Group Companies. In addition, a brief monthly HSSE summary is issued by the Group's HSSE director to the Management Board. This summary describes the HSSE trends and statistics for the Group in specific areas, covering onshore as well as offshore. Health, safety and environmental performance statistics of the Group are also reported externally.

The Group's total recordable injury frequency (**TRIF**) rate per 200,000 exposure hours increased from 0.34 in 2010 to 0.51 in 2011. These rates are in line with the TRIF rates of the Group's industry peers. In 2012, the Group, however, implemented a wide range of measures to reduce the TRIF rate, such as the appointment of a new HSSE director, re-affirming commitment of management, timely safety stand-downs, enhancing training and competence, and improvements in the safety culture within the Group. In 2012, the TRIF rate improved significantly to 0.38 per 200,000 exposure hours.

In 2010, 20 accidental releases were reported of which 15 were contained and five spills resulted in a minor estimated release of less than 20 litres of hydrocarbons to the environment. In 2011, 11 accidental releases were reported for the Group's offshore production units, of which five releases were entirely contained onboard and six spills involved a minor total estimated release of less than 65 litres of mainly hydrocarbons to the environment. In 2012, 39 accidental releases were reported of which 29 were contained on board and ten spills resulted in a minor total estimated release of less than 80 litres of hydrocarbons to the environment. The Group is continuing its HSSE programme, seeking further improvements in preventing and reporting of environmental incidents and loss of containment.

The Group Companies seek to secure appropriate protection from environmental liabilities through contractual liability limitations in their agreements with their customers and by maintaining insurance coverage. Such insurance and contractual limitations on liability may not, however, adequately protect the Group Companies against all environmental liability they may be exposed to.

10.15 Sustainability and corporate social responsibility

The Group is committed to conducting its business in a sustainable way over the long term by developing close relationships with local people, communities and businesses in host countries and by safeguarding the natural environment. The Group also aims to utilise the best available technologies to reduce greenhouse gas emissions, whilst developing renewable energy solutions for the offshore and marine industry.

The Group's strategy is to focus on operational areas where it can make a sustainable impact on the supply chain. With this in mind, the Group has included the following sustainability-related objectives in its Strategy Plan:

(a) minimise the Group's carbon footprint;

(b) maintain the highest standards for health, safety, security and human resources;

(c) serve communities through local content; and

(d) develop and promote environmentally friendly technology.

Since 2007, the Group has annually published a sustainability report (since 2010 as part of its annual report) in which it reports on its performance during the relevant year on the basis of the "Global Reporting Initiative level C", sustainability issues and corporate social responsibility. Elements of the Group's sustainability policy are discussed in more detail below.

Compliance programme

The Group is committed to conducting its business honestly, ethically, and lawfully. It recognises the importance of compliance and further enhanced its compliance programme around the world throughout 2011 and 2012. The compliance programme consists of the following elements:

(a) Policies, standards and communication

In order to mitigate compliance risks, in particular to prevent corruption, the Group has revised its existing prevention measures and has enhanced its existing policies, processes and systems to match the requirements of anti-corruption legislation. It has also published an anti-corruption policy and compliance guide. This guide provides the Group's employees, partners, agents and subcontractor/suppliers with concrete guidelines on how to prevent corruption risks and deal with those that arise.

A compliance department was established to drive the implementation and execution of the Group's compliance programme, to ensure the systematic integration of compliance aspects into the Group's business processes and to assist employees with clarifications or reports on any concerns regarding compliance. In addition, employees can raise concerns anonymously by calling an externally operated hotline.

(b) Third party integrity management

In 2012, the Group fundamentally revised and improved its procedure for identifying and mitigating integrity risks with regard to sales intermediaries. The procedure includes intensive due diligence on existing and new sales intermediaries as well as tightened internal controls around transactions involving sales intermediaries. The due diligence on sales intermediaries is approved by a newly established validation committee consisting of members of the Management Board and other executives. This procedure is a key element of the Group's third party integrity management. Going forward, the Group will also conduct a risk-based due diligence on supply chain vendors within the framework of its supplier qualification process.

(c) Communications and training

All employees are continually informed about the importance of ethical behaviour and compliance and required to adhere to the Group's ethical standards and comply with all applicable laws. Any non-compliance with required ethical standards can be subject to disciplinary sanctions. Employees, including all key personnel, receive a comprehensive programme of compliance training on the Group's business ethics, including anti-corruption laws and practices. Specific function group training was furthermore developed and rolled-out and an e-learning tool has been implemented for all employees.

(d) Risk assessment

As of 2013, the compliance department intends to periodically perform a systematic risk analysis, including execution centres and other entities within the Group. Key aspects to be analysed and evaluated will include perceived geographic exposures to compliance risks, the control environment, and business processes typically exhibiting higher corruption risks as well as the robustness of any mitigating controls and processes which are in place.

(e) Internal controls and monitoring

The Group is committed to ensuring that its anti-corruption related polices and guidelines are properly applied and monitored throughout the Group. The Group therefore accepted recommendations from forensic accountants and implemented these in the Company's internal controls and monitoring systems. The proper execution of these controls will be tested by the Group's internal audit function.

Dow Jones Sustainability Index

In 2012, for the second consecutive year, the Group has been selected to be part of the Dow Jones Sustainability Index World, following its inclusion in the Dow Jones Sustainability Index Europe in 2010. The Dow Jones Sustainability Index sets a best-in-class sustainability benchmark for investor portfolios. The Group is one of only seven components of the Dow Jones Sustainability Index World in the oil equipment and services sector. The high standards of the Group's code of conduct, compliance and anti-corruption policies and quality of its supply chain management are especially highlighted by Dow Jones Sustainability Index's evaluation.

Host country sustainability and workforce diversity

As a matter of policy, the Group has always recruited its employees locally in all areas of its operations and is committed to further investment in infrastructure and local training. In recent years, governments in host countries have demanded higher levels of local content during construction of the Group's products. The Group aims to meet these demands by subcontracting work at a local level or investing in the development of local fabrication facilities, as it has done in Angola and Brazil.

The Group's policy to recruit locally based employees whilst at the same time maintaining competency requirements through training has led to the employment of just under 90 different nationalities. In 2012, the Group was composed of seven main populations: Brazilian, Angolan, French, Malaysian, Dutch, British and American. This is explained by the geographical position of the execution centres, construction sites and offshore production units.

10.16 Information technology

The Group's IT organisation is focused on four distinctive areas: (i) information systems, (ii) infrastructure & communication, (iii) worldwide helpdesk/service desk and (iv) IT security, risk and compliance. The Group employs more than 100 dedicated IT staff across the Group.

The Group uses various IT applications in support of its core activities. A number of these applications have been standardised for various disciplines across the Group, such as a supply chain management, fleet operations, engineering, reporting, accounting and consolidation. The Group is actively looking into further streamlining processes and systems to make optimal use of the scale and the flexibility offered by its regionally spread execution centres.

To facilitate global communications without the need for travel, the Group uses "Telepresence", a virtual conference meeting room system that has been installed and widely used at all its locations.

10.17 Insurance

The Group purchases insurance cover for hull and machinery (including war, piracy and terrorism) and protection and indemnity to protect against most of the accident-related risks involved in the conduct of the Group's business. Hull and machinery insurance covers loss of or damage to a vessel due to marine threats such as collision, grounding and weather conditions. Protection and indemnity insurance indemnifies the Group against liabilities incurred while operating vessels, including injury to crew and third parties, loss of/damage to third party property and pollution.

The Group purchases insurance cover for construction all risks against physical loss or damage to its projects. If a customer contractually purchases this insurance instead of the Group, then the customer contract typically provides that the insurance cover is required to be of the same standard and provide the same coverage as the Group would typically purchase. The Group does not purchase delay in start up or business interruption insurances. The Group maintains insurance coverage for general liability, including product liability.

The Group also maintains a directors' and officers' liability insurance (see "Management Board, Supervisory Board and Employees – Liability of the members of the Management and the Supervisory Board, indemnification and insurance").

10.18 Legal and arbitration proceedings

The Group is involved from time to time in litigation arising in the ordinary course of business. On the date of this Prospectus and during the 12 months preceding the date of this Prospectus, the Group is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware), other than the arbitration proceedings in respect of the

Yme project that have been terminated as set out in "Background of the Offering and use of proceeds" and the legal and arbitration proceedings as set out below, which, may have, or have had, a significant effect on the business or financial position of the Group. Financial provisions are taken for any expected negative outcome, and recoveries are accrued when a positive result can be reliably projected and estimated.

Deep Panuke

On 4 January 2008, EnCana Corporation and a Group Company entered into contractual arrangements for the provision, leasing and operation of a production facility for EnCana's Deep Panuke natural gas project offshore Nova Scotia in Canada. The lease has an initial term of eight years. The field is located 250 kilometers southeast of Halifax, Nova Scotia in Canada, in 44 meters of water and harsh environment. The Deep Panuke production facility is a MOPU. The unit is designed to produce market-ready gas exported through a subsea pipeline to customers in Canada and the north-eastern United States. In this project delays and additional costs were incurred due to, amongst others, the completion of works offshore and additional work on certain systems. EnCana Corporation and the relevant Group Company are currently involved in legal proceedings in Canada. The relevant Group Company has filed a claim against EnCana Corporation for an unspecified amount alleging unreasonable interference with the progress of the work and failure to authorise valid change order requests. EnCana Corporation filed a counter claim for an unspecified amount alleging the project schedules submitted during the course of the work misrepresented the actual status and progress of the work. A case management discovery conference was held in Halifax on 29 January 2013 in which both parties agreed to complete document production in May 2013. In that conference the court also tentatively set a trial date for March 2015.

The Company recorded a total combined impairment for the Deep Panuke and Yme projects jointly for the financial year ending 31 December 2010 of US$ 30.8 million and for the financial year ending 31 December 2011 of US$ 857 million. For the financial year ending 31 December 2012, the Company recognised impairment charges of US$ 28.6 million for the Deep Panuke project.

Resolution Shipping Ltd and MPI Offshore Ltd vs. SBM Schiedam Projects B.V.

On 5 May 2008 and 30 June 2008, Resolution Shipping Ltd, MPI Offshore Ltd and SBM Schiedam Projects B.V. entered into several agreements regarding the basic design and delivery of cranes and jack-up systems for two lifting vessels. On 15 May 2012, Resolution Shipping Ltd and MPI Offshore Ltd commenced arbitration proceedings against SBM Schiedam Projects B.V. claiming loss of income, contractual fines, reputational damage, additional costs and additional work due to alleged delays in the delivery of cranes and jack-up systems, attributable to alleged mistakes made by the relevant Group Company in basic design, crane and jacking system. The relevant contracts explicitly exclude liability for consequential damages and contain a cap on the overall liability of the Group Company limiting its liability to 30% of the total contract value of US$ 65 million, being US$ 19.5 million. Resolution Shipping Ltd and MPI Offshore Ltd in their statement of claim of 31 January 2013 relinquished their claim for reputational damages and now seeks an unspecified amount of damages. SBM Schiedam Projects B.V. has to submit its statement of defence no later than 30 April 2013. Judgment is not expected before Q3 2013. After commencement of the arbitration proceedings, both vessels have suffered damage to the legs during operation. MPI Offshore Ltd has included a pertinent claim in the statement of claim, based on a day rate of EUR 135,000. On the basis of the information currently available, the Group does not expect that either of these (threatened) claims will have material adverse financial consequences for the Group.

BP (SKARV)

On 20 December 2007, BP and a Group Company entered into an agreement for the supply of a turret mooring system which is used by BP for its FPSO in the Skarv field offshore Norway. The turret mooring system has been delivered to BP in March 2010. First oil was produced by the FPSO on 31 December 2012. On 23 November 2012, BP formally made a claim under the agreement for reimbursement in respect of the cost of certain third party rectification works, estimated by BP at approximately US$ 46 million. Prior to this formal claim, BP rejected a settlement proposal from the relevant Group Company in May 2011. BP is currently withholding milestone payments of around US$ 10 million. In November 2012, BP submitted an additional claim for liquidated damages due under the contract of around US$ 9.3 million. The relevant Group Company is currently engaged in discussions with BP to explore the possibilities for an encompassing settlement of these claims at realistic levels. Adequate provisions were included in the Company's balance sheet at 31 December 2012.

11. CAPITALISATION AND INDEBTEDNESS

The following table sets out the Group's capitalisation and indebtedness as at 31 December 2012. This table and the information in it should be read in conjunction with the Company's consolidated financial statements for the financial years ended 31 December 2012, 2011 and 2010, including the accompanying notes, and the rest of this Prospectus, including the information in "Operating and Financial Review".

The table shows the Company's capitalisation and indebtedness as at 31 December 2012, as adjusted to give effect to the receipt of the estimated net proceeds (assuming full placement of the Offering and after deducting the Offering expenses) of EUR 189 from this Offering, at an Issue Price of EUR 10.07 per Offer Share, and the application of the net proceeds from this Offering as described "Background to the Offering and Use of Proceeds", and as adjusted for the effects of the YME Agreement, in each case as if the Offering had been completed on 31 December 2012.

The table below has been prepared for illustrative purposes only and, because of its nature, does not provide an accurate representation of the Group's capitalisation following completion of the Offering.

Save for the information as of 31 December 2012, this table and the information set out in it has not been audited. Save for the adjustments in relation to the Offering and the YME Agreement and as set out in the notes below, there have been no significant changes since 31 December 2012.

(in thousands of US$)	**Actual as of 31 December 2012**	**As adjusted for the Offering and Yme Agreement**
CAPITALISATION		
un-guaranteed and secured by mortgages	553,871	333,174
guaranteed and unsecured	79,329	79,329
Total current debt	**633,200**	**412,503**
un-guaranteed and secured by mortgages	553,871	333,174
guaranteed and unsecured	17,391	17,391
Current project financing debt	**571,262**	**350,565**
un-guaranteed and secured by mortgages	0	0
guaranteed and unsecured	61,938	61,938
Current financial debt	**61,938**	**61,938**
un-guaranteed and secured by mortgages	984,818	984,818
guaranteed and unsecured	952,516	1,422,516
Total non-current debt	**1,937,334**	2,237,334
un-guaranteed and secured by mortgages	984,918	984,818
guaranteed and unsecured	742,736	742,736
Non-current project financing debt	**1,727,554**	**1,727,554**
Un-guaranteed and secured by mortgages	0	0
guaranteed and unsecured	209,780	509,780
Non-current financial debt	**209,780**	**509,780**

(in thousands of US$)	**Actual as of 31 December 2012**	**As adjusted for the Offering and Yme Agreement**
Share capital	62,412	68,559
Legal reserve	161,810	161,810
Other reserves	1,244,313	1,239,211
Shareholders' equity	**1,468,535**	**1,469,580**
Total capitalisation	**1,740,253**	**2,041,298**
INDEBTEDNESS		
Cash	748,323	628,671
Trading securities	-	-
Liquidity	**748,323**	**628,671**
Current bank debt	548,862	328,165
Bonds issued	22,400	22,400
Other current debt	61,938	61,938
Current financial debt	**633,200**	**412,503**
Net current financial indebtedness	**(115,123)**	**(216,168)**
Non-current bank loans	1,249,954	1,549,954
Bonds issued	477,600	477,600
Other non-current loans	209,780	209,780
Non current financial indebtedness	**1,937,334**	**2,237,334**
Net financial indebtedness	**1,822,211**	**2,021,166**

Notes:
(1) The debt amounts exclude transaction costs.
(2) Debt that is un-guaranteed and secured by mortgages comprises those project finance facilities and other loans advanced by joint venture partners of the Company that are not guaranteed by the Company or other members of the Group but are secured by assets of the relevant Group company (including the relevant vessel).
(3) Debt that is guaranteed and unsecured comprises those project finance facilities and other loans advanced to members of the Group that are guaranteed by the Company but are not secured by assets (including the relevant vessel).
(4) On 11 March 2013, the Group and Talisman signed a settlement agreement pursuant to which all agreements in respect of the Yme MOPUstor project and related disputes, including pending arbitration, between the parties have been terminated. The Group and Talisman have agreed to discontinue the completion of the MOPUstor and to decommission and scrap the MOPU. On 11 March 2013, the Group has paid Talisman an amount of US$ 470 million for decommissioning and settlement of the arbitration. Talisman as the operator of the field will be responsible to do the decommissioning work. The Group will take over the MOPU when it exits the 500 meter zone where the platform currently is located and be responsible for transporting it to a yard where the MOPU will be scrapped. A provision of US$ 200 million had been taken in 2012 in relation to this settlement.
(5) The settlement with Talisman on 11 March 2013 fulfilled a condition precedent for the Offering fully underwritten by HAL. After the YME Agreement was reached on 11 March 2013, HAL paid an additional amount of US$ 27,163,203 to the Company on 18 March 2013 by way of a share premium contribution (agiostorting) on the Private Placement Shares, resulting in an adjusted issue price of US$ 12.894 per Private Placement Share. This additional share premium contribution is also reflected in the column above headed "As adjusted for the Offering and Yme Agremeent". The issue price in the Offering is equal to the EUR equivalent of US$ 12.894, calculated on the basis of the US$/EUR exchange rate on 28 March 2013.
(6) On 31 January 2013, the Group repaid the full amount drawn under the project facility entered into for purposes of the Deep Panuke MOPU of US$ 220.7 million.

For a description of the indirect indebtedness and contingent liabilities, see "Operating and Financial Review – Description of Borrowings" and "Operating and Financial Review – Commitments, contingencies and contractual obligations".

12. SELECTED FINANCIAL INFORMATION

The table below sets out selected financial information for each of the three financial years ended 31 December 2012, 2011 and 2010 and is derived, subject to the note immediately below, from the Company's consolidated financial statements for the financial years ended 31 December 2012, 2011 and 2010, each of which is incorporated by reference. This table and the information in it should be read in conjunction with the Company's consolidated financial statements for the financial years ended 31 December 2012, 2011 and 2010, including the accompanying notes, and the rest of this Prospectus, including the information in "Operating and Financial Review".

In 2011, the Group revised certain accounting policies. As a consequence, to ensure comparability, the 2010 financial information included in the consolidated financial statements for the financial year ended 31 December 2011 was restated in several respects. The 2010 financial information set out below is derived from the restated 2010 financial information included in the consolidated financial statements for the financial year ended 31 December 2011.

(in thousands of US$, except for weighted average number of shares and earnings per share)	**Financial year ended 31 December**		
	2012	**2011**	**2010**
CONSOLIDATED INCOME STATEMENT			
Revenue	3,695,223	3,156,826	3,055,761
Cost of sales	(3,571,655)	(3,317,774)	(2,520,269)
Gross margin	**123,568**	**(160,948)**	**535,492**
Other operating income	130,639	1,894	2,240
Selling and marketing expenses	(49,611)	(46,722)	(44,617)
General and administrative expenses	(128,770)	(84,435)	(85,977)
Research and development expenses	(25,349)	(50,408)	(20,659)
Operating profit/(loss) (EBIT)	**50,477**	**(340,619)**	**386,479**
Financial income	15,640	13,198	19,734
Financial expenses	(102,496)	(63,145)	(103,475)
Net financing costs	**(86,856)**	**(49,947)**	**(83,741)**
Profit/(loss) before tax	**(36,379)**	**(390,566)**	**302,738**
Income tax expense	(38,481)	(50,048)	(26,727)
Profit/(loss)	**(74,860)**	**(440,614)**	**276,011**
Attributable to shareholders of the parent company	(79,488)	(472,657)	239,960
Attributable to non-controlling interests	4,628	32,043	36,051
Profit	**(74,860)**	**(440,614)**	**276,011**
Weighted average number of shares outstanding	172,280,556	170,342,173	167,095,777
Basic earnings/(loss) per share	US$ (0.46)	US$ (2.77)	US$ 1.44
Fully diluted earnings/(loss) per share	US$ (0.46)	US$ (2.77)	US$ 1.42

(in thousands of US$)	Financial year ended 31 December 2012	2011	2010
CONSOLIDATED CASH FLOW STATEMENT			
Net cash from operating activities	1,143,470	1,157,604	981,804
Net cash used in investing activities	(1,033,991)	(1,311,201)	(1,045,188)
Net cash from financing activities	473,217	216,468	23,984
Net increase/(decrease) in cash and cash equivalents	582,696	62,871	(39,400)
Cash and cash equivalents at 1 January	164,700	103,421	146,712
Currency differences	927	(1,592)	(3,891)
Cash and cash equivalents at 31 December	748,323	164,700	103,421

(in thousands of US$)	As at 31 December 2012	2011	2010
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS			
Property, plant and equipment	2,482,160	2,533,666	2,941,810
Intangible assets	29,225	47,300	67,924
Investment in associates	-	41	42
Other financial assets	833,771	963,497	221,146
Deferred tax assets	40,682	9,959	15,717
Derivative financial instruments	11,035	9,524	31,252
Total non-current assets	**3,396,873**	**3,563,987**	**3,277,891**
Inventories	20,318	27,915	29,280
Trade and other receivables	906,309	996,023	723,560
Income tax receivable	293	416	2,932
Construction work in progress	1,159,994	499,062	833,808
Derivative financial instruments	25,847	29,158	95,317
Cash and cash equivalents	748,323	173,500	110,648
Assets held for sale	77,431	-	-
Total current assets	**2,938,515**	**1,726,074**	**1,795,545**
Total assets	**6,335,388**	**5,290,061**	**5,073,436**
EQUITY AND LIABILITIES			
Issued share capital	62,412	55,504	56,420
Share premium reserve	866,831	674,913	658,532
Retained earnings	799,725	875,668	1,406,301
Other reserves	(260,433)	(322,517)	(48,083)
Equity attributable to shareholders of the parent company	**1,468,535**	**1,283,568**	**2,073,170**
Non-controlling interests	71,264	65,463	50,235
Total equity	**1,539,799**	**1,349,031**	**2,123,405**

(in thousands of US$)	As at 31 December 2012	2011	2010
Loans and borrowings	1,907,403	1,531,887	1,471,260
Deferred income	110,464	74,943	49,261
Provisions	43,662	44,443	43,188
Deferred tax liabilities	552	2,352	978
Derivative financial instruments	228,590	281,400	168,398
Total non-current liabilities	**2,290,671**	**1,935,025**	**1,733,085**
Loans and borrowings	623,577	600,096	283,698
Provisions	234,942	30,845	29,850
Trade and other payables	1,549,266	1,248,092	863,704
Income tax payable	49,032	10,961	11,617
Derivative financial instruments	48,101	116,011	28,077
Total current liabilities	**2,504,918**	**2,006,005**	**1,216,946**
Total equity and liabilities	**6,335,388**	**5,290,061**	**5,073,436**

13. OPERATING AND FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the rest of this Prospectus, including the information set forth in "Selected Financial Information", and the audited consolidated financial statements, including accompanying notes, subject to the following paragraph, as at, and for the financial years ended, 31 December 2012, 2011 and 2010, each of which is incorporated by reference in this Prospectus. For a discussion of the presentation of the Group's historical financial information included or incorporated by reference in this Prospectus, see "Important Information – Presentation and other financial information".

In 2011, the Group revised certain accounting policies. As a consequence, to ensure comparability, the 2010 financial information included in the consolidated financial statements for the financial year ended 31 December 2011 was restated in several respects. The 2010 financial information set out in this section is derived from the restated 2010 financial information included in the consolidated financial statements for the financial year ended 31 December 2011.

Some of the information contained in this section, including information with respect to the Group's plans and strategies for its business and expected sources of funding, contain forward-looking statements that involve risk and uncertainties. Investors should read "Important Information – Forward-looking statements" for a discussion of the risks and uncertainties relating to those statements and should also read "Risk Factors" for a discussion of certain factors that may affect the Group's business, results of operations or financial condition.

13.1 Overview

The Group is a provider of floating production systems to the offshore oil and gas E&P industry. It offers a broad scope of services across the full spectrum of the product life-cycle, from engineering to procurement, construction, installation, operation and product life extension (including relocation). The Group is a leader in its main activity, the design, supply, installation and operation of FPSO and FSO vessels, in particular mid-sized FPSO vessels with a production capacity of 80 – 150k boe/d (see "Industry and Market Overview – FPSO market: Competitive Landscape"). Furthermore, the Group is a market leader in the design, supply, installation and operation of large turret mooring systems, the most complex component of an FPSO**.**

The Group operates in three business segments:

- ***Turnkey Systems***: the supply of FPSOs and other types of floating production systems, complex large turret mooring systems and associated services, such as engineering services, on a turnkey basis to customers. This segment also includes the construction and conversion of vessels forming part of the Group's lease fleet, for life extension and relocation projects, which is all undertaken at cost basis. The Group's Turnkey Systems operations accounted for 67% of the Group's total revenue for 2012 (2011: 63%);
- ***Lease and Operate***: the lease and operation of the Group's fleet of floating production vessels on long-term contracts to customers. The Group's Lease and Operate operations accounted for 25% of the Group's total revenue for 2012 (2011: 27%); and
- ***Turnkey Services***: the provision of installation, overhaul and repair services, including the supply of spare parts, and the supply of CALM buoys and other mooring systems. The Group's Turnkey Services operations accounted for 8% of the Group's total revenue for 2012 (2011: 10%). As of January 2013, the results of the Turnkey Services segment are integrated in the Turnkey Systems reporting segment.

The Group's administrative office is located in Schiedam, the Netherlands. The Group operates five execution centres, which are located in Schiedam (the Netherlands), Monaco (Monaco), Houston (US) and Kuala

Lumpur (Malaysia). Four of these execution centres focus on project management and the remaining execution centre focuses on the management of the Group's fleet. In addition, corporate support functions are located in Monaco, Marly (Switzerland) and Schiedam, and there are four representative offices, nine operational shore bases and two construction and integration yards. The Group had 7,493 employees worldwide at 31 December 2012.

The Group's total revenue for 2012 was US$ 3,695 million (2011: US$ 3,157 million) and net loss for 2012 was of US$ 74.9 million (2011: a net loss of US$ 440.6 million). The Group's Order Portfolio at 31 December 2012 amounted to US$ 14.54 billion (31 December 2011: US$ 16.91 billion).

13.2 Material factors affecting the results of operations

The Group believes that the following factors have contributed significantly to the development of its business and results of operations, and believes that each may continue to have a significant effect in the future.

(a) Impact of global economic growth

Oil companies are the primary clients of the Group and the offshore production systems and services that the Group provides. The demand by oil companies for the Group's products and services is to a large extent driven by the worldwide demand for energy, including oil and gas, which impacts their appetite for, and their ability to fund, investment in exploration, development and production activities. High global economic growth therefore may have a positive effect on demand for the Group's products and services, and thus on its results of operations, while low global economic growth may have a similarly negative effect.

(b) Impact of the Yme MOPUstor and the Deep Panuke MOPU

Impact on the results of operations for the financial years ended 31 December 2012 and 2011

In 2011, the Group incurred aggregate impairment charges of US$ 857 million in respect of the Yme MOPUstor and the Deep Panuke MOPU, which are the only MOPUs in the fleet. In 2012, a revised assessment of the Yme contract led to the full impairment of the asset and an impairment charge being recognised in the Lease and Operate segment of US$ 398 million. An additional provision for decommissioning and settlement in an amount of US$ 200 million was also recognised. Further impairment charges of US$ 29 million were also recognised in relation to the Deep Panuke platform in 2012, also recognised in the Lease and Operate segment. In aggregate, the impairment charges on the Yme and Deep Panuke platforms, together with the additional provision in relation to the Yme platform, totalled US$ 627 million in 2012.

Current status

A settlement in relation to the Yme platform has been reached with Talisman. See further "Background to the Offering and Use of Proceeds".

Finalisation and commissioning of the Deep Panuke platform is progressing on schedule, with the platform expected to be on hire during the first half of 2013.

(c) Impact of mix between lease and operate and turnkey sales of the Group's products on capital expenditure requirements and cash flows

The Group engages both in the lease and operation, and the turnkey sale, of its products. The mix between the lease and operate activities, on the one hand, and the turnkey sales activities, on the other hand, affects the Group's capital expenditure and cash flows.

Leasing and operation provides long-term visibility of, cash flows and earnings. However, it is capital intensive, and requires tight management of complex financial, operational and contractual risks. More specifically, in the construction phase of a lease and operate contract, during which the Group refurbishes and constructs the relevant vessel in accordance with the specifications agreed with the customer in the charter contract, the Group may have to make significant investment in that vessel. By contrast, turnkey sales contracts generate revenues, profits and cash inflows as the project progresses (i.e. during the construction phase), minimising the Group's capital expenditure requirements.

The investment in a lease and operate contract is typically financed through external debt obtained via project finance facilities advanced by banks and other diversified funding sources, with equity investment often shared through partnerships with customers and other parties involved in the relevant project.

In this regard, it is important to note that the choice as to whether a particular project will be undertaken as a lease and operate, or a turnkey sale, is ultimately made by the relevant client. The financial capacity of the Group combined with its assessment of the overall risk profile of each project, will determine whether the Group will pursue a prospect. The ability of the Company to obtain that financing, and its willingness to obtain that debt financing, is an important factor considered in the decision on whether or not to undertake a lease and operate contract, and to which extent equity partners are required.

The classification of a lease as a finance lease or operating lease also has the following effect in the accounting treatment of the investments made in the relevant vessel. Investments in vessels that are subject to an operating lease are recognised as capital expenditure. Investments in vessels that are subject to a finance lease are recognised as Construction work in progress (during construction) and Other financial assets (upon delivery). For example, due to their classification as finance leases, investment in 2012 on the FPSOs Cidade de Paraty, FPSO Cidade de Ilhabela and FPSO N'Goma was not included in capital expenditure but rather in Construction work in progress. Similarly, investments in 2011 on FPSO Aseng, FPSO Cidade de Paraty and the first expenditure on FPSOs Cidade de Ilhabela and FPSO Xikomba (renamed N'Goma) were also not included in capital expenditure, but in Construction work in progress.

However, the Company has aligned its finance leases presentation with operating leases in the consolidated cash flow statement to improve visibility to stakeholders:

- during the construction period: cash outflows are treated as investing activities; and
- during the lease period: cash inflows are treated as operating activities.

(d) Impact of percentage of completion method accounting policy on recognition of revenue and gross margin

The Group employs the percentage-of-completion method to the recognition of revenue and gross margin. In 2011, the Group adopted a revised approach to the percentage of completion method for the recognition of gross margin. On complex projects no margin will be recognized until gate reviews confirm the expected gross margin, which stage is typically at 25% completion. The total gross margin is then recognized pro rata over the remaining progress; on these projects, turnover recognition in the early stage carries no gross margin recognition, where a relatively higher gross margin is recognized on the later turnover after recognition. This had an impact on the comparability of gross margin between 2011 and 2010 as US$ 57 million of gross margin that would, but for the change, have been recognised, was not recognised in 2011. The impact in 2012 was that US$ 74 million of gross margin was deferred to future years.

(e) Impact of classification of lease contracts as operating leases or financial leases

As soon as a lease contract transfers substantially all risks and rewards incidental to ownership to the client, in accordance with the rules and interpretations of IAS 17 Leases, that contract is classified as a finance lease rather than an operating lease. The increased (and increasing) duration of lease contracts has also led to a growing number of lease contracts being classified as finance leases rather than operating leases. The accounting treatment of finance leases differs from that of an operating lease in several respects, and impacts the Group's results of operations in several ways, including the following.

- *Part of the revenue and profits of a finance lease are recognised in the Turnkey Systems segment during the construction phase*. If a lease is classified as a finance lease, then higher revenue and margin levels are recognised upfront during the construction period of the vessel undertaken by the Turnkey Systems segment, and a change in the reporting segments: the fair value of the leased asset is recorded as a Turnkey Systems "sale" during construction. This has the effect of recognising, in the Turnkey Systems segment during construction, part of the lease revenue and profits that would, in the case of an operating lease, be reported through the Lease & Operate segment during the term of the lease.

- *In the case of a finance lease, lower revenue and EBITDA are recognised during the lease period.* In the case of a finance lease, only financial interests associated with the financial asset are recognised as revenues and EBITDA in the Lease and Operate segment, compared with operating leases where the full amount of day-rates is recognised as revenues during the term of the lease contract.

- *Disconnect between revenue and cash flows*. Classification as a finance lease as opposed to an operating lease, can result in a disconnect between revenues and cash inflows leading to the distortion of the reported order portfolio and future cash inflows for the Lease and Operate segment.

(f) Impact of imbalance in the risk/reward profile in the FPSO industry

It has been recognised in the FPSO industry that the returns over recent years have not followed the increased size and complexity of project tenders in comparison with returns for the E&P companies and the integrated specialist equipment suppliers. The need by FPSO clients often for fit-for-purpose solutions in increasingly demanding conditions have led to requests from the Group's clients for larger, more technical and more complex FPSOs and the Group having to absorb increasing levels of risk, related to project schedule and the operations of the FPSO over the duration of the contract. Despite this trend, returns for FPSO providers have been at a very low and at times negative level, disconnected from the sustained good returns of the Group's clients, which are fuelled by a sustained high oil price.

(g) Impact of the project-orientated nature of the business

At any given time, the Group is engaged in a relatively small number of large projects, each of which account for significant proportions of the Group's revenues and results of operations. By way of illustration:

- the Group's FPSO Lease and Operate fleet currently consists of 19 units of which 15 are FPSOs (one of which is without a contract). Three of these FPSOs are currently under construction or conversion. (FPSO Cidade de Paraty, FPSO Cidade de Ilhabela and FPSO N'Goma). Over the period 2006 to 2012, the Group entered into nine FPSO contracts with five customers;

- for the financial year ended 31 December 2012, approximately US$ 2,029.2 million of the Group's consolidated revenues, representing 54.9% of the Group's consolidated revenues, was attributable to only three customers. For the financial year ended 31 December 2011: US$ 1,659.9 million, representing approximately 52.6% of the Group's consolidated revenues was attributable to only three customers.

The project-orientated nature of the business may impact the Group's results of operations in several ways, including the following.

- *New orders*. The Group's results depend on the number of projects put to tender and awarded by potential customers in the market in which the Group operates, which the Group has no control over. Relatively few projects are awarded in any given year, and the number of projects put out to tender and awarded can vary significantly from year to year. By way of example, while no new projects were awarded in the period from mid 2008 to mid 2009, and the Group therefore won no new orders during that period, projects awards won by the Group in 2011 were at record levels. See further "Order Portfolio" below, and "Business Overview – Key elements of the Group's business model - Order Portfolio".

- *Contributions to results of operations differ between contracts as a consequence of individual contract terms*. Contract terms are negotiated with clients for each specific project. The specific terms agreed depend on a variety of factors, including: the nature of the tender process (for instance, in a competitive tender process the Group involves competitive pricing pressure, whereas the Group may be able to obtain better terms in the case of a negotiated contract); the nature of the relevant client (for instance, the Group may have less ability to negotiate with a prospective customer that is State-owned than with a customer that is not State-owned); and the specific project parameters (including, for instance, the period of a lease charter as the Company will typically seek a higher gross margin contribution on shorter lease contracts to match the required investment with an acceptable residual value risk and thus to achieve an acceptable return on that investment).

The specific terms of projects, including the contract pricing and the resulting contributions to the Group's consolidated results of operations, may thus differ significantly from project to project. The effect of specific contract terms, and of the performance of the Group in respect of those projects, on the consolidated results of operations is typically magnified by the fact that, as noted above, many of the projects undertaken by the Group contribute a significant portion of the consolidated results of operations.

Similarly, the terms of project finance facilities obtained to finance the activities of the Lease and Operate segment may differ. This in turn has an impact on the contributions of the relevant projects to the Group's results of operations.

The contract terms of specific contracts can and do also affect cash flows and the comparability of year on year cash flows. Many of the projects undertaken by the Group include milestones agreed with the relevant customer. Payments by the customer may depend on reaching these milestones. Although this does not impact the recognition of revenue or gross margin, the achievement of a milestone in relation to a particular project may result in the payment of a significant amount by the customer. These milestones, and the resulting payments, are not linked to the Group's financial year. Whether a payment is made before or after the end of a particular financial year can significantly effect the comparability of the results of operations and cash flows for the relevant years.

- *Comparability of results*. A project undertaken by the Turnkey Systems segment that commences part way through one year and continues through a full year thereafter, or a project that ends in one year compared to a full year of activities in the prior year, may have a significant impact on the comparability of the results of the two years, potentially contributing significantly more revenue and gross margin in the full year compared with the partial year. This effect may be exacerbated by the percentage of completion method of accounting for complex projects discussed under "Impact of percentage of completion method accounting policy on recognition of revenue and gross margin" above, or impacted by the activities and activity levels undertaken in relation to that project in the respective periods. Similarly, a charter undertaken by the Lease and Operate segment that commences or ends part way through one year will typically contribute significantly more revenue and gross margin in a full year of operation than in a partial year.

- *Impact of under-utilisation*. The irregular order intake of high value sales projects undertaken by the Turnkey Systems segment, and the impact of under-utilisation of resources, such as employees and assets (including vessels in the Turnkey Services segment), may have an impact on the Group's results of operations. This impact of under-utilisation on the Group's results of operations may be mitigated to a certain extent by the outsourcing of construction work.

- *Increasing complexity and size of projects undertaken by the Group*. The impact of the project-orientated nature of the Group's business on the results of operations is magnified by the increasing complexity, size and duration of the project undertaken by the Group. See further "Impact of the increasing complexity, size and contract life of vessels and contracts on the Group's business and the results of operations" below.

(h) Impact of stage of projects, and activity levels, on revenue and gross margin

Revenue and gross margin recognised in relation to construction works undertaken by the Turnkey Systems segment are influenced by the particular stage of the project and nature and level of the activities of the Group at that stage.

Broadly speaking, construction works may be separated into three phases: engineering and procurement; followed by construction; followed by commissioning and installation. During the engineering and procurement phase, the project's contribution to revenue and gross margin is relatively low as costs are largely restricted to those connected with the Group's employees engaged in the engineering and procurement activities. Comparatively speaking, the largest contribution of the project to revenue and gross margin occurs during the construction phase as it is during this phase that Group's contractor and supplier activity levels, and thus costs, are at their highest. Activity levels and costs typically decrease as the project enters the commission and installation phase as Group, contractor and supplier activity levels are lower than in the construction phase.

(i) Impact of reserve replacement needs due to the natural decline rates of producing fields on the Group's business and results of operations

The most significant effect on worldwide oil and gas production levels comes from the natural decline rate of producing fields, which has been estimated to be as high as 8% per year. See "Risk factors - The natural decline in the rate of production in oil and gas fields impacts worldwide oil and gas production, and may result in decreased opportunities for the Group as the number of viable oil and gas fields decreases." The long-term challenge is stabilisation of supply, which can only be achieved by development of new oil and gas fields. Many of these new fields are (and the Company expects will be) located in remote offshore locations in deep water, where FPSOs are the preferred production method. As the Group's main activity is the design, supply, installation and operation of FPSOs, an increase in demand for these vessels may positively affect demand for the products and services that the Group provides, and thus on the Group's results of operations.

(j) Impact of local content requirements on the Group's business and results of operations

Host governments in regions where the Group deploys its vessels impose local content requirements. Local content requirements include stipulations by the host government on, amongst others, the number or proportion of local subcontractors and employees that the Group is obliged to use and employ, and the proportion of raw components and materials the Group is obliged to source from the local market. The local content requirements in Brazil and, to a lesser extent, West Africa (particularly Angola) have a particular impact on the Group as it derives a significant portion of its revenues from activities in these regions. Revenue from activities in Brazil accounted for 49% of the Group's total revenue in 2012 (2011: 40.5%) and revenue from West Africa accounted for 22.8% of the Group's total revenue in 2012 (2011: 35.7%).

Local content requirements can impact, and have in the past impacted, the results of operations of the Group in, amongst others, one or more of the following ways.

- The ability of the Group to achieve the best price available from contractors and suppliers may be impaired where the Group is forced to use only local contractors or suppliers in order to meet the local content requirement.

- By requiring that the Group use local contractors, employees and suppliers, local content requirements expose the Group to cost inflation in the particular host country. If cost inflation exceeds that assumed in the pricing of the relevant project, the Group may incur additional cost that it may not be able to pass on to the relevant customer.

Partly in response to the local content requirements in Brazil and Angola, over the last few years the Group has invested substantially in the Brasa yard in Brazil, and in the Paenal yard in Angola.

Local content requirements have increased in the recent past, and the Group expects that they will continue to increase. For example, the Group's FPSOs operating in Brazil's pre-salt basin must meet a minimum local content requirement of 65%, which has increased from 20% in 2007.

(k) Impact of the increasing complexity, size and contract life of vessels and contracts on the Group's business and the results of operations.

Designing and manufacturing production systems for deeper waters in ever more remote regions of the world requires increasingly larger, more complex production facilities constructed and operated using local human resources. In the recent past, the Group has observed that the projects it is entering into are increasing in complexity, size and duration. By way of example, the FPSO Cidade de Ilhabela is the largest and most complex FPSO the Group has ever undertaken. The topsides process modules will weigh close to 23,000 tonnes, and will include large and complex gas processing facilities. The increasing complexity, size and contract life of these production facilities may impact the Group's business and results of operations in several ways, including the following.

- The Group considers the quality of its engineering skills and its leadership in key technologies as among its key strengths, and believes that the increasing size and complexity of FPSOs will continue to strengthen demand for the Group's technical expertise.

- The construction and refurbishment of vessels in accordance with the requirements of customers as agreed in the relevant lease contracts requires substantial investment by the Group. The required investment tends to increase as the complexity and size of the vessel increases.

- The increasing scale, complexity and duration of projects increases the risk that errors may occur in relation to project pricing, and in the making of assumptions and estimates, each of which may affect the profitability of a particular project.

- The increasing scale, complexity and duration of projects increases the impact that any single contract or project can have (positively or negatively) on the consolidated results of operations of the Group.

- Over and above the traditional fixed day-rate lease model, there is an increasing tendency for clients to look to contractors to share risk, sometimes by linking a proportion of revenue to production or even the price of oil. The Group currently has only one lease contract, the semi-submersible Thunderhawk for Murphy, under which revenues are partially linked to production volume. A decrease in production volume of this vessel decreases the revenue and gross margin of the project.

- The Group's model operating contract is largely based on a reimbursable cost principle and an inflation-adjusted fixed fee covering production management costs. However, the bidding rules set by clients sometimes require a fixed price contract. In such cases the Group is exposed to cost inflation over the long-term. Contracts of this type are subject to a formula which compensates for inflation; however, the Group is still exposed to shortfalls between revenue escalation under the formula and actual cost inflation. If the revenue escalation formula does not keep pace with actual cost inflation, this may adversely affect the gross margin of the relevant project.

(l) Impact of availability of finance

Success in obtaining new lease and operate contracts requires the arrangement of significant amounts of finance. No new lease project requiring finance is bid for or accepted by the Group without first having received positive indications of financial support.

In the wake of the global financial crisis, it has become increasingly difficult to secure long-term debt through the project financing market; therefore, the Group is diversifying its sources of funding and aims to continue to do so in the coming years. The Group has started to implement various financing diversification options, both corporate and project based, in addition to partnering with new financial partners for larger projects. In this context, the Group secured in 2012 a US$ 1.08 billion project loan for FPSO Cidade de Ilhabela and issued US$ 500 million of project bonds through a US private placement.

The Group makes specific and standalone financing arrangements for each lease and operate project that it undertakes. The costs (including the interest rates) of each of the specific project finance facilities can and do differ significantly. For instance, risk margins reflect the financial market appetite for asset funding, and interest rate hedging costs depend on the duration of the lease and the prevailing yield curve.

(m) Impact of divestments

As part of a US$ 400 million non-core assets divestment programme, the GustoMSC business was sold for approximately US$ 189 million and the Dynamic Installer, a diving support vessel, was sold for US$ 15 million in 2012. In aggregate, these disposals contributed capital gains of US$ 128 million to net income in 2012.

13.3 Description of key line items

Set out below is a brief description of the composition of key line items of the consolidated results of operations for the Group. This description must be read with the significant accounting policies set out in "Selected Accounting Policies" below.

(a) Revenue

Consolidated revenue comprises revenue from each of the Group's three operating segments, being the Lease and Operate segment, the Turnkey Systems segment, and the Turnkey Services segment.

Little or no revenue is attributable to the fourth reporting segment – the "Other" segment – as the activities of this business segment focus on intra-group services and are largely administrative in nature. Intra-group sales constitute a marginal portion of the total revenue for the Turnkey Systems segment and the Turnkey Services segment.

Consolidated revenue is shown net of value added tax, returns, rebates and discounts, and after eliminating sales within the group.

- *Lease and Operate segment*

  Revenue of long-term operating lease and operate contracts is reported on a straight-line basis over the period of the contract once the system 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 of 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.

- *Turnkey Systems segment*

  As soon as the outcome of a construction contract can be estimated reliably, contract revenue and gross margin are recognised in the income statement using the percentage-of-completion method. Complex projects are submitted to gate reviews before gross margin can be recognised. These gate reviews happen at a fairly late stage in completion of engineering, with overall project progress at typically around 25%. Until this point, no gross margin is recognised. This applies only to those projects presenting a high risk profile because of technical novelty, complexity or pricing arrangements agreed with the customer.

  The stage of completion is measured by reference to the total cost incurred up to the end of the reporting period as a percentage of the total estimated cost for each contract, unless the physical progress significantly differs. Conversely, an expected loss on a contract is recognised immediately in the income statement.

- *Turnkey Services segment*

  Revenue from services rendered is also recognised using the 'percentage-of-completion method' described above. Conversely, an expected loss on a contract is recognised immediately in the income statement. The same approach as for construction work in progress applies for variations in contract work, claims and/or incentive payments.

(b) Cost of sales

Cost of sales comprises all operating expenses not included under the selling and marketing expenses line item and the general and administrative expenses line item and includes the cost of stock and the cost of construction contracts with sub-contractors, employee benefits expense, depreciation, amortisation and impairment expense, and certain other operating costs.

Employee benefits expense include wages and salaries, social security costs, contributions to defined benefit plans, increases and decreases in the Group's liability for other employee benefits, the cost of equity settled transactions (share-based payments) and certain other employee benefits, such as employee hiring costs.

(c) Other operating income

Other operating income comprises proceeds from sales of property, plant and equipment, plus certain other income items that do not form part of the core business of the Group.

(d) Selling and marketing expense

Selling and marketing expenses comprises those expenses that are attributable to the sales and marketing activities of the Group, the majority of which is attributable to the employee benefits expense attributable to those activities. This line item also includes advertising costs and certain other costs attributable to the sales and marketing activities, such as property rental.

(e) General and administrative expense

General and Administrative expense comprises the cost of activities that are of a general and administrative nature and are, as such, characterised as not revenue-generating activities, such as legal and secretarial activities, as well as management activities that are not project-related and thus not considered as revenue-generating. General and administrative expense relates primarily to the employee benefit expenses incurred in relation to these activities, but also includes certain other costs attributable to these activities, such as property rental.

(f) Research and development expense

Research and development expenses comprise those expenses that are incurred in the research and development activities of the Group, the majority of which relates to the employee benefits expense attributable to those activities. This line item also includes certain other costs incurred in the research and development activities, such as property rental.

(g) Financial income

Financial income comprises interest income, net foreign exchange gain, and other financial income.

(h) Financial expenses

Financial expenses comprise interest expenses, interest addition to provisions, net foreign exchange loss, and net ineffective portion in fair value of cash flow hedge.

(i) Income tax expense

Income tax expense comprises corporate income taxes due in the countries of incorporation of the Company's main subsidiaries and levied on actual profits, as well as corporate income taxes levied on a deemed profit basis and revenue basis (withholding taxes).

13.4 Non-IFRS reporting measures: EBITDA and EBITDA margin

This Prospectus uses certain measures that are not measures defined by IFRS. These measures are EBITDA and EBITDA margin. The Company defines EBITDA as operating profit before tax and net finance costs, plus depreciation, amortisation and impairment losses. The Company defines EBITDA margin as EBITDA as a percentage of revenue.

The Group uses EBITDA and EBITDA margin as an internal tool to assess the performance of the Group and the operating segments. While the amounts included in EBITDA are derived from the Company's consolidated financial statements, it is not a financial measure determined in accordance with IFRS and accordingly each of the measures EBITDA and EBITDA margin has its own limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, analysis of the Group's results of operations as reported under IFRS. Other companies may define EBITDA differently from the Group, which limits its use as a comparative measure.

The table below sets out the reconciliation of operating profit (EBIT) to EBITDA for each of the financial years ended 31 December 2012, 2011 and 2010 is set out in the table below.

	Financial year ended 31 December		
(in thousands of US$)	**2012**	**2011**	**2010**
EBIT	50,477	(340,619)	386,479
Depreciation, amortisation and impairment	647,167	1,153,849	325,965
EBITDA	**697,644**	**813,230**	**712,444**

The table below sets out the reconciliation of operating profit before tax (EBIT) to EBITDA for each of the operating segments for the financial years ended 31 December 2012, 2011 and 2010.

	Financial year ended 31 December		
(in thousands of US$)	**2012**	**2011**	**2010**
Lease and Operate segment			
EBIT	(327,025)	(617,861)	170,103
Depreciation, amortisation and impairment	618,925	1,094,508	301,847
EBITDA	**291,900**	**476,647**	**471,950**
of which impairment charges	426,805	883,022	50,746
Turnkey Systems segment			
EBIT	357,459	240,802	185,940
Depreciation and amortisation and impairment	21,005	45,252	14,818
EBITDA	**378,464**	**286,054**	**200,758**
Of which impairment charges	-	27,561	-
Turnkey Services			
EBIT	68,879	72,736	64,508
Depreciation and amortisation and impairment	6,097	12,970	8,297
EBITDA	**74,976**	**85,706**	**72,805**
Of which impairment charges (1)	-	3,359	-

Notes:
(1) The impairment charges include: (i) impairment charges in relation to the Yme and Deep Panuke platforms of US$ 426.8 million in 2012, US$ 857 million in 2011 and US$ 50.7 million in 2010; (ii) impairment charges in relation to the Thunderhawk platform related to revised assumptions concerning future production revenues amounting to US$ 19.3 million in 2011; and (iii) impairment charges related to the revised strategic focus on core products amounting to US$ 37.6 million in 2011.

13.5 Order Portfolio

The Order Portfolio is an important tool to monitor and report expected revenues for current and future years. The Order Portfolio (i) for the Lease and Operate segment consists of the remaining non-discounted estimated value of signed contracts to be recognised as revenue until the end of the relevant existing lease period (excluding extension options), and (ii) for the Turnkey Systems and Turnkey Services segments consists of the remaining lump sum contract values (including any variation orders and contract extensions) or reimbursable costs of the work to be performed to be recognised as revenue (the **Order Portfolio**). See further " See further "Business Overview – Key elements of the Group's business model - Order Portfolio".

Order Portfolio at 31 December 2012.

The Group's Order Portfolio at 31 December 2012 amounted to US$ 14,537.6 million (31 December 2011: US$ 16,910 million), a decrease of 14% reflecting the combined effect of high revenues, low level of orders in 2012 and de-recognition of the Yme project and GustoMSC divestment. Of this, 73% or US$ 10,566 million relates to the non-discounted value of the revenues from the Company's long term lease contracts in portfolio at year-end.

The Order Portfolio in the Lease and Operate segment amounted to US$ 10,566 million at 31 December 2012 (31 December 2011: US$ 11,310.2 million) which represents 72.7% of the Group's total Order Portfolio at 31 December 2012 (31 December 2011: 66.9%).

The Order Portfolio in the Turnkey Systems segment amounted to US$ 3,790.9 million at 31 December 2012 (31 December 2011: US$ 5,329.8 million) which represents 26.1% of the Group's total Order Portfolio at 31 December 2012 (31 December 2011: 31.5%).

The Order Portfolio in the Turnkey Services segment amounted to US$ 180.7 million at 31 December 2012 (31 December 2011: US$ 270 million) which represents 1.2% of the Group's total Order Portfolio at 31 December 2012 (31 December 2011: 1.6%).

Total new orders for 2012 amounted to US$ 1,322 million (split 14% / 72% / 14% between the Lease and Operate, Turnkey Systems and the Turnkey Services segments, respectively), compared to US$ 8,552 million in 2011. Of that aggregate amount, new orders accounted for US$ 1,508 million, variation orders for US$ 644 million and negative portfolio adjustments resulting from Yme and GustoMSC for US$ 830 million.

Order Portfolio at 31 December 2011

The Group's Order Portfolio at 31 December 2011 amounted to US$ 16,910 million (31 December 2010: US$ 11,501.5 million), an increase of 47%. Of this, 67% or US$ 11,310 million related to non-discounted value of the revenues from the Company's long-term lease contracts in portfolio at year end, of which US$ 4,500 million (2010: US$ 4,700 million) represents the bareboat element of the operating leases.

The Order Portfolio in the Lease and Operate segment amounted to US$ 11,310.2 million at 31 December 2011 (31 December 2010: US$ 9,003.3 million) which represents 66.9% of the Group's total Order Portfolio at 31 December 2011 (31 December 2010: 78.3%).

The Order Portfolio in the Turnkey Systems segment amounted to US$ 5,329.8 million at 31 December 2011 (31 December 2010: US$ 2,302.7 million) which represents 31.5% of the Group's total Order Portfolio at 31 December 2011 (31 December 2010: 20%).

The Order Portfolio in the Turnkey Services segment amounted to US$ 270 million at 31 December 2011 (31 December 2010: US$ 195.5 million) which represents 1.6% of the Group's total Order Portfolio at 31 December 2011 (31 December 2010: 1.7%).

Total new orders in 2011 totalled US$ 8,552 million (split 37%/59%/4% between the Lease and Operate, Turnkey Systems and the Turnkey Services segments, respectively), compared to US$ 4,532 million of new orders in 2010. The lease contracts for the FPSO Cidade de Ilhabela for Petrobras (US$ 3,500 million) and FPSO Xikomba (renamed N'Goma) for ENI (US$ 1,600 million) are accounted for as finance leases and are therefore reported partly as Turnkey Systems sales (US$ 2,800 million) and partly within Lease & Operate (US$ 2,300 million).

13.6 Comparative analysis of consolidated results of operations for the financial years ended 31 December 2012 and 2011

The table below sets out the consolidated results of operations of the Group for the financial years ended 31 December 2012 and 2011.

	Financial year ended 31 December	
(in thousands of US$)	**2012**	**2011**
Revenue	3,695,223	3,156,826
Cost of Sales	(3,571,655)	(3,317,774)
Gross margin	**123,568**	**(160,948)**
Other operating income	130,639	1,894
Selling and marketing expenses	(49,611)	(46,722)

(in thousands of US$)	**Financial year ended 31 December** **2012**	**2011**
General and administrative expenses	(128,770)	(84,435)
Research and development expenses	(25,349)	(50,408)
Operating profit/(loss) (EBIT)	**50,477**	**(340,619)**
Financial income	15,640	13,198
Financial expenses	(102,496)	(63,145)
Net financing costs	**(86,856)**	**(49,947)**
Profit/(loss) before tax	**(36,379)**	**(390,566)**
Income tax expense	(38,481)	(50,048)
Profit/(loss)	**(74,860)**	**(440,614)**
EBIT	(50,477)	(340,619)
Depreciation, amortisation and impairment	647,167	1,153,849
EBITDA	**697,644**	**813,230**
Of which impairment charges (1)	426,805	913,942

Notes:
(1) Includes: (i) impairment charges in relation to the Yme and Deep Panuke platforms of US$ 426.8 million in 2012 and US$ 857 million in 2011; (ii) impairment charges in relation to the Thunderhawk platform related to revised assumptions concerning future production revenues amounting to US$ 19.3 million in 2011; and (iii) impairment charges related to the revised strategic focus on core products amounting to US$ 37.6 million in 2011.

(a) Third party revenue

Third party revenues increased by US$ 538.4 million, or 17.1%, from US$ 3,156.8 million in 2011 to US$ 3,695.2 million in 2012. This was mainly due to higher revenues recognised in the Turnkey Systems segment (which increased by US$ 493.7 million, or 24.8%, from US$ 1,988 million in 2011 to US$ 2,481.7 million in 2012) and, to a lesser extent, higher revenue recognised in the Lease and Operate segment (which increased by US$ 65.1 million, or 7.5%, from US$ 867.2 million in 2011 to US$ 932.4 million in 2012).

The proportional contributions of the operating segments to consolidated revenue remained relatively stable, with the Lease and Operate segment contributing 25% (2011: 27%), the Turnkey Systems segment contributing 67% (2011: 63%) and the Turnkey Services segment contributing 8% (2011: 10%).

(b) Gross margin

Gross margin increased by US$ 284.5 million from a loss of US$ 160.9 million in 2011 to US$ 123.6 million in 2012. The increase was mainly due to a reduction in impairment charges in relation to the Yme MOPUstor and Deep Panuke platforms compared with 2011.

Gross margin for the Lease and Operate segment in 2012 was impacted by impairment charges and a provision totalling US$ 627 million relating to the Yme MOPUstor and Deep Panuke platforms. These impairments resulted from a revised assessment of the Yme contract leading to the full impairment of the asset and an impairment charge of US$ 398 million in 2012, and an additional provision for decommissioning and settlement in an amount of US$ 200 million. Further impairment charges of US$ 29 million were recognised in relation to the Deep Panuke platform in 2012. Although significant, the aggregate of the further impairments and the additional provision were nevertheless significantly less than the aggregate impairment charges relating to the Yme MOPUstor and Deep Panuke platforms totalling US$ 857 million in 2011. The difference accounted for US$ 230 million of the increase in gross margin for the Lease and Operate segment in 2012 compared with 2011.

The negative impact of gross margin for the Lease and Operate segment was partially offset by positive contributions to gross margin by the Turnkey Systems segment (where gross margin increased by US$ 9.3 million, or 2.7%, from US$ 338.9 million in 2011 to US$ 348.2 million in 2012) and the Turnkey Services segment (albeit at a lower level than in 2011 as gross margin decreased by US$ 15.6 million, or 17.4%, from US$ 89.8 million in 2011 to US$ 74.2 million in 2012).

(c) EBIT

EBIT increased by US$ 391.1 million, from a loss of US$ 340.6 million in 2011 to a profit of US$ 50.5 million in 2012.

Apart from the increase in gross margin described above, EBIT in 2012 benefited from the disposal of GustoMSC and of the diving support vessel "Dynamic Installer", which contributed aggregate capital gains of US$ 128 million to other operating income, as well as a decrease of US$ 25.1 million, or 49.8%, in research and development expenses from US$ 50.4 million in 2011 to US$ 25.3 million in 2012, primarily due to an impairment charge of US$ 20.2 million in relation to FLNG and renewable energy products in 2011, triggered by a change in product focus in the Company's strategy. The impairment charge was allocated across all three operating segments.

These positive contributions to EBIT were partially offset by an increase in selling and marketing expenses of US$ 2.9 million, or 6.2%, from US$ 46.7 million in 2011 to US$ 49.6 million in 2012, and an increase in general and administrative expenses of US$ 44.3 million from US$ 84.4 million in 2011 to US$ 128.8 million in 2012. The increase in general and administrative expenses was mainly attributable to an increase of US$ 44.3 million relating to exceptional and non-recurring expenses, as well as the structural reorganisation implemented in 2012.

(d) Net financing costs

Net financing costs increased by US$ 36.9 million from US$ 49.9 million in 2011 to US$ 86.9 million in 2012, mainly as a result of the increased finance expenses arising from the FPSO Aseng and FPSO Cidade de Anchieta interest charges that were expensed to the income statement in 2012 following start-up of these operations in November 2011 and September 2012, respectively.

This was partially offset by currency variances resulting from assets under construction, project and overhead hedges (which were higher, contributing a profit of US$ 6.6 million in 2012 compared with a loss of US$ 0.8 million in 2011) and a marginal increase in interest income on cash balances (although this interest income remained low in 2012 due to low short-term US interest rates).

(e) Income tax expense

The income tax expense decreased by US$ 11.6 million from US$ 50 million in 2011 to US$ 38.5 million in 2011. The decreased tax burden in 2012 was mainly due to the effect of deferred tax assets resulting from the significant losses reported in 2011 and 2012.

13.7 Comparative analysis of results of operations of the Lease and Operate segment for the financial years ended 31 December 2012 and 2011

The table below sets out the result of operations of the Lease and Operate segment for the financial years ended 31 December 2012 and 2011.

(in thousands of US$)	**Financial year ended 31 December** **2012**	**2011**
Third party	932,356	867,219
Inter-segment	-	-
Total revenue	**932,356**	**867,219**
Gross margin	(298,827)	(589,652)
Other operating income	166	21
Selling and marketing	(9,097)	(9,195)
General and administrative	(18,325)	(7,368)
Research and development	(942)	(11,667)
EBIT	(327,025)	(617,861)
Depreciation and amortisation and impairment	618,925	1,094,508
EBITDA	**291,900**	**476,647**
Of which impairment charges (1)	426,805	883,022

Notes:
(1) Includes: (i) impairment charges in relation to the Yme and Deep Panuke platforms of US$ 426.8 million in 2012 and US$ 857 million in 2011; (ii) impairment charges in relation to the Thunderhawk platform related to revised assumptions concerning future production revenues amounting to US$ 19.3 million in 2011; and (iii) impairment charges related to the revised strategic focus on core products amounting to US$ 6.7 million in 2011.

(a) Third party revenue

Third party revenue for the Lease and Operate segment increased by US$ 65.1 million, or 7.5%, from US$ 867.2 million in 2011 to US$ 932.4 million in 2012, primarily attributable to the first full year of revenue from the FPSO Aseng operations and revenue generated on the commencement of the charter of FPSO Cidade de Anchieta in September 2012, which more than compensated for the reduction in day-rate income resulting from the termination of the FPSO Xikomba charter in July 2011, and the termination of the FPSO Espadarte charter in June 2012.

(b) Gross margin

Gross margin for the Lease and Operate segment increased by US$ 290.8 million from a loss of US$ 589.7 million in 2011 to a loss of US$ 298.8 million in 2012. Of this increase, US$ 230 million was attributable to lower impairment charges and provisions on the Yme and Deep Panuke platforms in 2012 compared with 2011. The remaining portion of the increase was largely attributable to higher margin in 2012 compared with 2011 in relation to FPSO Aseng, as a result of the first full year of operations in 2012 compared with 2011, and in relation to the semi-submersible Thunderhawk platform (where the contribution to gross margin in 2011 was significantly affected by an impairment charge of US$ 19.3 million).

(c) EBIT

EBIT for the Lease and Operate segment increased by US$ 290.8 million, or 47.1%, from a loss of US$ 617.9 million in 2011 to a loss of US$ 327 million in 2012.

The increased EBIT in 2012 compared with 2011 was almost entirely attributable to the increase in gross margin described above. A US$ 11 million decrease in research and development expenses in 2012 compared with 2011 (primarily due to that portion of the impairment charge of US$ 20.2 million in relation to FLNG and renewable energy products in 2011 allocated to the Lease and Operate segment), was almost entirely offset by an increase in general and administrative expenses (which increased by US$ 11 million from US$ 7.4 million in 2011 to US$ 18.3 million in 2012). Together with an increase in other operating income and a relatively stable selling and marketing expense for the segment (which decreased by US$ 0.1 million from US$ 9.2 million in 2011 to 9.1 million in 2012), the aggregate impact of these line items on EBIT was negligible, amounting to an increased contribution to EBIT of US$ 0.2 million in 2012 compared with 2011.

13.8 Comparative analysis of results of operations of the Turnkey Systems segment for the financial years ended 31 December 2012 and 2011

The table below sets out the result of operations of the Turnkey Systems segment for the financial years ended 31 December 2012 and 2011.

	Financial year ended 31 December	
(in thousands of US$)	**2012**	**2011**
Third party	2,481,712	1,987,981
Inter-segment	26,169	1,636
Total revenue	**2,507,881**	**1,989,617**
Gross margin	348,234	338,940
Other operating income	122,748	1,782
Selling and marketing	(33,926)	(30,196)
General and administrative	(55,516)	(36,996)
Research and development	(24,081)	(32,728)
EBIT	**357,459**	**240,802**
Depreciation and amortisation and impairment	21,005	45,252
EBITDA	**378,464**	**286,054**
Of which impairment charges (1)	-	27,561

Notes:
(1) The impairment charge in 2011 related to the revised strategic focus on core products.

(a) *Third Party Revenue*

Third party revenue for the Turnkey Systems segment increased by US$ 493.7 million, or 24.8%, from US$ 1,988 million in 2011 to US$ 2,481.7 million in 2012.

The increase was mainly due to increased contributions to revenue from ongoing projects in respect of which the majority of the work, or work with higher activity levels, was done in 2012 (such as FPSO Cidade de Ilhabela, FPSO OSX-2, FPSO N'Goma, and construction of the turret for the Quad 204 FPSO), together with new projects that contributed to revenues in 2012 but not in 2011, such as the Ichthys Turret and the Rigless Intervention System (RIS) module on FPSO Espirito Santo.

The positive impact of these increased and additional revenues was partially offset by the effect of projects that were completed in 2011, and which did not contribute any revenue in 2012 (including the refurbishment of FPSO Aseng, the offshore installation of the Pazflor offloading system, the construction of the third and final semi-submersible drilling rig, "Delba III", and the connection of FPSO Okha to the existing mooring system) and projects in respect of which the majority of the work, or work with higher activity levels, was done in 2011.

(b) Gross margin

Gross margin for the Turnkey Systems segment increased by US$ 9.3 million, or 2.7%, from US$ 338.9 million in 2011 to US$ 348.2 million in 2012.

The positive impact on gross margin of new projects, such as the Ichthys Turret and of ongoing projects in respect of which the majority of the work, or work with higher activity levels, was done in 2012 (including FPSO Cidade de Ilhabela, FPSO OSX-2, FPSO N'Goma, and the construction of the CLOV Trelline FPSO modules) was to a certain extent limited by the application of the percentage of completion method resulting in gross margin on certain projects not being recognised in 2012.

The increased contributions to gross margin from new and ongoing projects was almost entirely offset by the impact of projects completed in 2011 (such as the offshore installation of the Pazflor offloading system, the construction of the third and final semi-submersible drilling rig, "Delba III", and, in particular, the refurbishment of FPSO Aseng, which had contributed substantially to gross margin in 2011) and a lower contribution from projects in respect of which the majority of the work, or work with higher activity levels, was done, and in respect of which the majority of the gross margin was recognised, in 2011.

(c) EBIT

EBIT for the Turnkey Systems segment increased by US$ 116.7 million, or 48.4%, from US$ 240.8 million in 2011 to US$ 357.5 million in 2012. The increase in EBIT was mainly due to a capital gain of US$ 120 million realised on the sale of GustoMSC in 2012, which was mainly responsible for an increase in other operating income (which increased by US$ 121 million from US$ 1.8 million in 2011 to US$ 122.7 million in 2012).

A US$ 18.5 million increase in general and administrative expenses, coupled with a US$ 3.7 million increase in selling and marketing expenses, was partially offset by a US$ 8.7 million decrease in research and development expenses in 2012 compared with 2011 (primarily due to that portion of the impairment charge of US$ 20.2 million in relation to FLNG and renewable energy products in 2011 allocated to the Turnkey Systems segment).

13.9 Comparative analysis of results of operations of the Turnkey Services segment for the financial years ended 31 December 2012 and 2011

The table below sets out the result of operations of the Turnkey Services segment for the financial years ended 31 December 2012 and 2011.

	Financial year ended 31 December	
(in thousands of US$)	**2012**	**2011**
Third party	281,155	301,626
Inter-segment	91,814	38,208
Total revenue	**372,969**	**339,834**
Gross margin	74,161	89,764
Other operating income	7,617	-
Selling and marketing	(6,588)	(7,331)
General and administrative	(5,985)	(3,684)
Research and development	(326)	(6,013)
EBIT	**68,879**	**72,736**
Depreciation and amortisation and impairment	6,097	12,970

(in thousands of US$)	Financial year ended 31 December 2012	2011
EBITDA	**74,976**	**85,706**
Of which impairment charges (1)	-	3,359

Notes:
(1) The impairment charge in 2011 related to the revised strategic focus on core products.

(a) Third party revenue

Third party revenue for the Turnkey Services segment decreased by US$ 20.5 million, or 6.8%, from US$ 301.6 million in 2011 to US$ 281.2 million in 2012, mainly due to a lower order intake in 2012 compared with 2011.

(b) Gross margin

Gross margin for the Turnkey Services segment, excluding inter-segment revenues and cost of sales, decreased by US$ 15.6 million, or 17.4%, from US$ 89.8 million in 2011 to US$ 74.2 million in 2012, mainly due to lower revenue.

(c) EBIT

EBIT for the Turnkey Services segment decreased by US$ 3.9 million, or 5.3%, from US$ 72.7 million in 2011 to US$ 68.9 million in 2012, as lower gross margin and an increase of US$ 2.3 million in general and administrative expenses, was partially offset by a capital gain of US$ 7.6 million realised on the sale of the diving support vessel, "Dynamic Installer", reported in other operating income, and a decrease of US$ 5.7 million in research and development costs (primarily due to that portion of the impairment charge of US$ 20.2 million in relation to FLNG and renewable energy products in 2011 allocated to the Turnkey Services segment).

13.10 Comparative analysis of consolidated results of operations for the financial years ended 31 December 2011 and 2010

The table below sets out the consolidated results of operations of the Group for the financial years ended 31 December 2011 and 2010.

(in thousands of US$)	Financial year ended 31 December 2011	2010
Revenue	3,156,826	3,055,761
Cost of Sales	(3,317,774)	(2,520,269)
Gross margin	**(160,948)**	**535,492**
Other operating income	1,894	2,240
Selling and marketing expenses	(46,722)	(44,617)
General and administrative expenses	(84,435)	(85,977)
Research and development expenses	(50,408)	(20,659)
Operating profit/(loss) (EBIT)	**(340,619)**	**386,479**
Financial income	13,198	19,734
Financial expenses	(63,145)	(103,475)
Net financing costs	**(49,947)**	**(83,741)**
Profit/(loss) before tax	**(390,566)**	**302,738**

(in thousands of US$)	**Financial year ended 31 December** **2011**	**2010**
Income tax expense	(50,048)	(26,727)
Profit/(loss)	**(440,614)**	**276,011**
EBIT	(340,619)	386,479
Depreciation, amortisation and impairment	1,153,849	325,965
EBITDA	**813,230**	**712,444**
Of which impairment charges (1)	913,942	50,746

Notes:
(1) Includes (i) impairment charges in relation to the Yme and Deep Panuke platforms of US$ 857 million in 2011 and US$ 50.7 million in 2010; (ii) impairment charges in relation to the Thunderhawk platform related to revised assumptions concerning future production revenues amounting to US$ 19.3 million in 2011; and (iii) impairment charges related to the revised strategic focus on core products amounting to US$ 37.6 million 2011.

(a) Third party revenue

Third party revenue increased by US$ 101.1 million, or 3.3%, from US$ 3,055.8 million in 2010 to US$ 3,156.8 million in 2011. The increase was mainly due to higher revenues recognised in the Lease and Operate segment (which increased by US$ 66.7 million, or 8.3%, from US$ 800.5 million in 2010 to US$ 867.2 million in 2011) and the Turnkey Services segment (which increased by US$ 30.8 million, or 11.4%, from US$ 270.8 million in 2010 to US$ 301.6 million in 2011).

The proportional contributions of the operating segments to consolidated revenue remained relatively stable, with the Lease and Operate segment contributing 27% (2010: 26%), the Turnkey Systems segment contributing 63% (2010: 65%) and the Turnkey Services segment contributing 10% (2010: 9%).

(b) Gross margin

Gross margin decreased by US$ 696.4 million from US$ 535.5 million in 2010 to a loss of US$ 160.9 million in 2011. The decrease was mainly due to impairment charges totalling US$ 893.7 million.

Of the aggregate impairment charges, US$ 857 million was attributable to the Yme and Deep Panuke platforms, which was recognised in the Lease and Operate segment, as was the impairment of the Thunderhawk platform in the Gulf of Mexico in an amount of US$ 19 million. An impairment of certain other investments in LNG related products in an amount of US$ 17 million was recognised in the Turnkey Systems segment.

The negative impact on gross margin of these impairment charges was partially offset by the (otherwise) strong performance of the Lease and Operate segment in 2011 compared with 2010, together with a higher contribution to gross margin by both the Turnkey Systems segment and the Turnkey Services segment.

(c) EBIT

EBIT decreased by US$ 727.1 million, from US$ 386.5 million in 2010 to a loss of US$ 340.6 million in 2011.

Apart from the decrease in gross margin described above, EBIT was also negatively impacted by an increase in research and development expenses (which increased by US$ 29.7 million from US$ 20.7 million in 2010 to US$ 50.4 million in 2011), and an increase in selling and marketing expenses (which increased by US$ 2.1 million from US$ 44.6 million to US$ 46.7 million), partially offset by a decrease in general and administrative expenses (which decreased by US$ 1.5 million from US$ 86 million 2010 to US$ 84.4 million in 2011).

The increase in research and development expenses was primarily due to an impairment charge of US$ 20.2 million in relation to FLNG and renewable energy products, triggered by a change in product focus in the Company's strategy in 2011 and allocated across all three operating segments.

EBIT also includes non-allocated income and expenses recognised in the "Other" segment. The net cost of non-allocated income and expenses increased marginally by US$ 2.2 million from a net cost of US$ 34.1 million in 2010 to a net cost of US$ 36.3 million in 2011.

(d) Net financing costs

Net financing costs decreased by US$ 33.8 million, or 40%, from US$ 83.7 million in 2010 to US$ 49.9 million in 2011, mainly due to a decrease in financial expenses as a result of an interest rate hedge loss in 2010 on the Deep Panuke project in an amount of US$ 29 million and a decrease in financial income arising from the non-recurring gain that arose from the partial divestment of a joint-venture in 2010. Interest income was again low in 2011 with the extremely low level of short-term US interest rates.

(e) Income tax expense

The income tax expense increased by US$ 23.3 million from US$ 26.7 million in 2010 to US$ 50 million in 2011. The increased tax burden was mainly due to the return to profitability of the Dutch Group companies, which had incurred significant losses in 2010.

13.11 Comparative analysis of results of operations of the Lease and Operate segment for the financial years ended 31 December 2011 and 2010

The table below sets out the result of operations of the Lease and Operate segment for the financial years ended 31 December 2011 and 2010.

	Financial year ended 31 December	
(in thousands of US$)	**2011**	**2010**
Third party	867,219	800,492
Inter-segment	-	-
Total revenue	**867,219**	**800,492**
Gross margin	(589,652)	189,319
Other operating income	21	26
Selling and marketing	(9,195)	(7,495)
General and administrative	(7,368)	(8,561)
Research and development	(11,667)	(3,186)
EBIT	(617,861)	170,103
Depreciation and amortisation and impairment	1,094,508	301,847
EBITDA	**476,647**	**471,950**
Of which impairment charges (1)	883,022	50,746

Notes:
(1) Includes: (i) impairment charges in relation to the Yme and Deep Panuke platforms of US$ 857 million in 2011 and US$ 50.7 million in 2010; (ii) impairment charges in relation to the Thunderhawk platform related to revised assumptions concerning future production revenues amounting to US$ 19.3 million in 2011; and (iii) impairment charges related to the revised strategic focus on core products amounting to US$ 6.7 million in 2011.

(a) Third party revenue

Third party revenue for the Lease and Operate segment increased by US$ 66.7 million, or 8.3%, from US$ 800.5 million in 2010 to US$ 867.2 million in 2011, mainly due to commencement of the FPSO P-57 charter (in December 2010) and the FPSO Aseng charter (in November 2011), along with demobilisation revenues in relation to FPSO Espadarte. These increases were partially offset by decreases in revenue due to termination of the FPSO Xikomba charter in July 2011, termination of the FSO Unity operations in September 2011, and by a decrease in production throughput that negatively impacted day rate income on the semi-submersible Thunderhawk platform as the fee in relation to this platform includes a performance tariff component based on production volume.

(b) Gross margin

Gross margin for the Lease and Operate segment decreased by US$ 779 million from US$ 189.3 million in 2010 to a loss of US$ 589.7 million in 2011.

The negative margin in 2011 was mainly due to additional impairment charges, which increased by US$ 832.2 million from US$ 50.7 million in 2010 to US$ 883 million 2011. These included the impairments recognised in relation to the Yme and Deep Panuke platforms in an aggregate amount of US$ 857 million, and an impairment charge of US$ 19 million in relation to the Thunderhawk platform in the Gulf of Mexico as a result of revised production-related revenues projections.

(c) EBIT

EBIT for the Lease and Operate segment decreased by US$ 788 million from US$ 170.1 million in 2010 to a loss of US$ 617.9 million in 2011. Lower EBIT in 2011 compared with 2010 was almost entirely attributable to the decrease in gross margin described above. The Lease and Operate segment also incurred a non-recurring non-cash loss of US$ 8 million on the sale of the two tankers from inventory.

EBIT for the Lease and Operate segment was also negatively impacted by an increase in selling and marketing expenses in 2011 (which increased by US$ 1.7 million from US$ 7.5 million in 2010 to US$ 9.2 million in 2011) compared with 2010, and an increase in research and development expense (which increased by US$ 8.5 million from US$ 3.2 million in 2010 to US$ 11.7 million in 2011, mainly due to the part of the impairment charge related to FLNG and renewable energy products allocated to the Lease and Operate segment in 2011). These increased expenses were partly offset by a decrease in general and administrative expenses (which decreased by US$ 1.2 million from US$ 8.6 million in 2010 to US$ 7.4 million in 2011).

13.12 Comparative analysis of results of operations of the Turnkey Systems segment for the financial years ended 31 December 2011 and 2010

The table below sets out the result of operations of the Turnkey Systems segment for the financial years ended 31 December 2011 and 2010.

	Financial year ended 31 December	
(in thousands of US$)	**2011**	**2010**
Third party	1,987,981	1,984,467
Inter-segment	1,636	259
Total revenue	**1,989,617**	**1,984,726**
Gross margin	338,940	270,431
Other operating income	1,782	2,130
Selling and marketing	(30,196)	(31,806)
General and administrative	(36,996)	(38,983)
Research and development	(32,728)	(15,832)

(in thousands of US$)	Financial year ended 31 December 2011	2010
EBIT	**240,802**	**185,940**
Depreciation and amortisation and impairment	45,252	14,818
EBITDA	**286,054**	**200,758**
Of which impairment charges (1)	27,561	-

Notes:
(1) The impairment charge in 2011 related to the revised strategic focus on core products.

(a) Third party revenue

Third party revenues for the Turnkey Systems segment increased marginally by US$ 3.5 million, or 0.2%, from US$ 1,984.5 million in 2010 to US$1,988 million in 2011.

Increased contributions to revenue were recognised in respect of ongoing projects for which the majority of the work, or work with higher activity levels, was done in 2011 (such FPSO Aseng, FPSO Cicade de Paraty, the offshore installation of the Pazflor offloading system, and construction of the third and final semi-submersible drilling rig, "Delba III"). Additional revenue on new projects that contributed to revenues in 2011 but not in 2010 was recognised in respect of the FPSO OSX-2, FPSO Xikomba and FPSO Cicade de Ilhabela projects.

The positive impact of these increased and additional revenues was almost entirely offset by: the effect of projects that were completed in 2010, and which did not contribute any revenue in 2011 (including the refurbishment of FPSO P-57, the refurbishment of FPSO Capixaba and delivery of two (of the three) semi-submersible drilling rigs, "Lone Star", "Norbe VI"); and ongoing projects in respect of which the majority of the work, or work with higher activity levels, was done in 2010 (including FPSO Okha project).

(b) Gross margin

Gross margin for the Turnkey Systems segment, excluding inter-segment revenues and cost of sales, increased by US$ 68.5 million, or 25.3%, from US$ 270.4 million in 2010 to US$ 338.9 million in 2011, as the good results generated from the more recent projects become more predominant. These included new projects that commenced in 2011 (such as FPSO OSX-2, FPSO Xikomba, FPSO Cidade de Ilhabela, and the CLOV Trelline FPSO modules), as well as ongoing projects (such as the refurbishments of FPSO Aseng and FPSO Cidade de Paraty, and the offshore installation of the Pazflor offloading system). These good results were generated despite the introduction of the revised use of accounting estimates for recognising margin on large, complex projects, which had the effect that US$ 57 million of gross margin, which would, but for the change in 2011, have been recognised, was deferred to future years.

(c) EBIT

EBIT for the Turnkey Systems segment increased by US$ 54.9 million, or 29.5%, from US$ 185.9 million in 2010 to US$ 240.8 million in 2011. The increase in gross margin for the Turnkey Systems segment of US$ 68.5 million was partially offset by an increase in research and development expense, which increased by US$ 16.9 million from US$ 15.8 million in 2010 to US$ 32.7 million in 2011 (mainly due to that part of the 2011 impairment charge related to FLNG and renewable energy products allocated to the Turnkey Systems segment). EBIT also benefitted from a decrease in the selling and marketing expense of US$ 1.6 million from US$ 31.8 million in 2010 to US$ 30.2 million in 2011.

13.13 Comparative analysis of results of operations of the Turnkey Services segment for the financial years ended 31 December 2011 and 2010

The table below sets out the result of operations of the Turnkey Services segment for the financial years ended 31 December 2011 and 2010.

	Financial year ended 31 December	
(in thousands of US$)	**2011**	**2010**
Third party	301,626	270,802
Inter-segment	38,208	67,927
Total revenue	**339,834**	**338,729**
Gross margin	89,764	75,742
Other operating income	-	-
Selling and marketing	(7,331)	(5,316)
General and administrative	(3,684)	(4,277)
Research and development	(6,013)	(1,641)
EBIT	**72,736**	**64,508**
Depreciation and amortisation and impairment	12,970	8,297
EBITDA	**85,706**	**72,805**
Of which impairment charges (1)	3,359	-

Notes:
(1) The impairment charge in 2011 related to the revised strategic focus on core products.

(a) Third party revenue

Third party revenue for the Turnkey Services segment increased by US$ 30.8 million, or 11.4%, from US$ 270.8 million in 2010 to US$ 301.6 million in 2011 as the Group's two installation vessels achieved high occupancy rates during the second half of 2011, offsetting the comparatively low occupancy rates in the first half of the year.

(b) Gross margin

Gross margin for the Turnkey Services segment increased by US$ 14 million, or 18.5%, from US$ 75.7 million in 2010 to US$ 89.8 million in 2011. The comparatively higher increase in gross margin compared with third party revenue was mainly due to higher profitability in respect of projects undertaken in 2011 compared with 2010.

(c) EBIT

EBIT for the Turnkey Services segment increased by US$ 8.2 million, or 12.8%, from US$ 64.5 million in 2010 to US$ 72.7 million in 2011. The increase in gross margin was partially offset by an increase in selling and marketing expenses (which increased by US$ 2 million from US$5.3 million in 2010 to US$ 7.3 million in 2011) and an increase in research and development expenses (which increased by US$ 4.4 million from US$ 1.6 million in 2010 to US$ 6 million in 2011, mainly due to that part of the 2011 impairment charge related to FLNG and renewable energy products allocated to the Turnkey Services segment).

13.14 Capital expenditure

The table below sets out capital expenditure for the financial years ended 31 December 2012, 2011 and 2010.

(in thousands of US$)	**Financial year ended 31 December** **2012**	**2011**	**2010**
Lease and Operate	511,134	765,973	473,153
Turnkey Systems	73,898	26,067	21,703
Turnkey Services	82,733	34,331	16,658
Other	5,283	14,181	7,621
Total	**673,048**	**840,552**	**519,135**

Capital expenditure comprises additions to property, plant and equipment and capitalised development expenditure. The majority of the Group's capital expenditure is related to new investment in the lease fleet.

Capital expenditure in relation to the lease fleet includes expenditure in relation to contracts accounted for as operating leases only. Capital expenditure does not include investment in vessels accounted for as finance leases. Where lease contracts are classified as finance leases, the net investment is reported as investing activities in the consolidated cash-flow statement.

(a) Capital expenditure in 2012 compared with 2011

Consolidated capital expenditure in 2012 decreased by US$ 167.6 million from US$ 840.6 million in 2011 to US$ 673 million in 2012. This was primarily due to less capital expenditure in the Lease and Operate segment, partially offset by higher capital expenditure in both the Turnkey Systems segment and the Turnkey Services segment.

The decrease in capital expenditure in the Lease and Operate segment was mainly due to less capital expenditure in relation to FPSO Anchieta (which was completed and commissioned in September 2012), and the Yme and Deep Panuke platforms, partially offset by additional capital expenditure on FPSO Kikeh (in preparation for the new lease and operate charter secured in 2012) and the Thunderhawk platform.

Higher capital expenditure in the Turnkey Systems segment in 2012 was mainly due to increased investment in the Paenal yard in Angola and the Brasa yard in Brazil. Higher capital expenditure in the Turnkey Services segment in 2012 was almost entirely due to investment in the construction of a new diving support and construction vessel.

(b) Capital expenditure in 2011 compared with 2010

Consolidated capital expenditure in 2011 increased by US$ 321.5 million from US$ 519.1 million in 2010 to US$ 840.6 million in 2011. This was primarily due to a significant increase in capital expenditure in the Lease and Operate segment, with increased capital expenditure in each of the other operating segments contributing to a lesser extent to the increase.

The increase in capital expenditure in the Lease and Operate segment was mainly due to high capital expenditure on the Yme and Deep Panuke platforms as well as the upgrade of FPSO Espadarte. Higher capital expenditure in the Turnkey Systems segment was mainly due to investment in two VLCC hulls for future conversion into FPSOs. Higher capital expenditure in the Turnkey Systems segment was mainly due to the initial investment in the construction of the new diving support and construction vessel.

13.15 Liquidity and capital resources

The table below sets outs the Group's consolidated cash flow for the financial years ended 31 December 2012, 2011 and 2010.

	Financial year ended 31 December		
(in thousands of US$)	**2012**	**2011**	**2010**
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	2,620,374	2,517,081	2,445,617
Payments to suppliers and employees	(1,425,256)	(1,311,288)	(1,445,773)
Income tax received/(paid)	(51,648)	(48,189)	(18,040)
Net cash from operating activities	**1,143,470**	**1,157,604**	**981,804**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in property, plant and equipment	(643,447)	(799,995)	(482,670)
Investment in intangible assets	-	(5,757)	(9,565)
Investment in finance leases	(552,255)	(572,529)	(681,027
Additions to funding loans	(4,167)	-	(21,290)
Redemptions of funding loans	7,692	41,732	138,046
Interest received	-	10,898	11,318
Net proceeds from disposal of financial participations	142,572	-	-
Net proceeds from disposals of property, plant and equipment	15,614	14,450	-
Net cash used in investing activities	**(1,033,991)**	**(1,311,201)**	**(1,045,188)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	188,681	-	-
Additions to borrowings and loans	1,003,339	617,604	579,779
Repayments of borrowings and loans	(616,155)	(290,507)	(433,327)
Dividends paid to shareholders	(4,181)	(60,846)	(58,460)
Interest paid	(98,891)	(49,783)	(64,008)
Direct contribution in equity	424	-	-
Net cash from financing activities	**473,217**	**216,468**	**23,984**
Net increase/decrease in cash and cash equivalents	**582,696**	**62,871**	**(39,400)**
Cash and cash equivalents at 1 January	164,700	103,421	146,712
Currency differences	927	(1,592)	(3,891)
Cash and cash equivalents at 31 December	**748,323**	**164,700**	**103,421**

Of the net cash and cash equivalents of US$ 748.3 million for 2012, US$ 76.4 million is earmarked for specific project debt servicing or otherwise restricted in its utilisation.

(a) Cash flow from operating activities

Net cash inflow from operating activities decreased by US$ 14.1 million from US$ 1,157.6 in 2011 to US$ 1,143.5 million in 2012. Although customer receipts increased by US$ 103.3 million in 2012 compared with 2011, this was more than offset by an increase in payments to suppliers and employees, which increased by US$ 114 million, and, to a lesser extent, an increase in income tax payments (which increased by US$ 3.5 million in 2012).

Net cash inflow from operating activities increased by US$ 175.8 million from US$ 981.8 million in 2010 to US$ 1,157.6 million in 2011. The increased net cash inflow was the net result of higher customer receipts, which increased by US$ 71.5 million compared with 2010, and lower payments to suppliers and employees, which decreased by US$ 134.5 million, partially offset by higher income tax payments, which increased by US$ 30.2 million.

(b) Cash flow from investing activities

Net cash used in investing activities in 2012 compared with 2011 decreased by US$ 277.2 million from an outflow of US$ 1,311.2 million in 2011 to US$ 1,034 million in 2012. This was primarily due to a decrease in investment in the lease fleet due to the slowdown in finalisation of the Yme and Deep Panuke platforms, together with a cash inflow resulting from the disposal of the Group's interest in GustoMSC. The decreased investment in the lease fleet in 2012 compared with 2011 is reflected in the lower investment in property, plant and equipment, which decreased by US$ 156.6 million as a result of lower capital expenditure on leased vessels classified as operating leases (see further "Capital expenditure - Capital expenditure in 2012 compared with 2011"), and in a decrease in investment in finance leases following completion of the refurbishment of FPSO Aseng in December 2011, which decreased by US$ 20.2 million compared with 2011. Interest received in 2012 was nil, compared with US$ 10.9 million in 2011 as all interest on funding loans was capitalised.

Net cash used in investing activities in 2011 compared with 2010 increased by US$ 266 million from an outflow of US$ 1,045.2 million in 2010 to US$ 1,311.2 million in 2011. This was primarily due to higher capital expenditure on lease fleet vessels classified as operating leases, and capital expenditure on the Brasa yard in Brazil, and the Paenal yard in Angola, which was largely responsible for an increase of investment in property, plant and equipment of US$ 317.3 million compared with 2010. The increase in capital expenditure was partially offset by a decrease in investment in finance leases of US$ 108.5 million following the completion of the refurbishment of FPSO Aseng in December 2011.

(c) Cash flow from financing activities

Net cash inflow from financing activities in 2012 compared with 2011 increased by US$ 256.7 million from US$ 216.5 million in 2011 to US$ 473.2 million in 2012. This was primarily due to the cash inflow from the Private Placement, which generated US$ 188.7 million, draw downs under project financing loans in an aggregate amount of US$ 505.5 million, the US private placement project bond of US$500 million in 2012 to refund investments made in FPSO Cidade de Anchieta, which generated a net cash inflow of US$ 494.5 million, and a lower dividend payment in 2012. The increased cash inflows and lower dividend were partially offset by higher repayments of borrowings and loans, which increased by US$ 325.7 million from US$ 290.5 million in 2011 to US$ 616.2 million in 2012 (mainly due to scheduled redemptions on current loans and the full redemption of the Revolving Credit Facility) and higher interest payments in 2012 compared with 2011.

Net cash inflow from financing activities in 2011 compared with 2010 increased by US$ 192.5 million from US$ 24 million in 2010 to US$ 216.5 million in 2011. Higher additions to borrowings and loans, which increased by US$ 37.8 million from US$ 579.8 million in 2010 to US$ 617.6 million mainly as a result of increased draw downs under project loans, was more than offset by lower repayments of borrowings and loans, which decreased by US$ 142.8 million from US$ 433.3 million in 2010 to US$ 290.5 million in 2011, mainly due to scheduled redemptions on current loans, and lower interest payments in 2011 compared with 2010.

13.16 Description of borrowings

(a) Overview

The borrowings of the Group comprise (i) facilities entered into in connection with the financing of specific projects (**Project Facilities**), (ii) a US$ 500 million private placement bond in September 2012 in connection with the financing of the FPSO Cidade de Anchieta project, and a revolving credit facility.

The table below sets out an overview of the non-current and current portions of bank interest-bearing loans and other borrowings as at 31 December 2012.

(in thousands of US$)

Non-current portion	1,907,403
Current portion	623,577
Remaining principal at 31 December 2012	**2,530,980**

The external interest-bearing loans and other borrowings provided by banks have the forecasted repayment schedule set out in the table below, excluding transaction costs and amortised costs amounting to US$ 39.6 million.

(in thousands of US$)

Within one year	633,200
Between one and two years	360,579
Between two and five years	832,648
More than five years	744,107
Remaining principal at 31 December 2012	**2,570,534**

The external interest-bearing loans and other borrowings provided by banks as at 31 December 2012 include the following.

(in thousands of US$ save for repayment period and interest rates)	**Original repayment period**	**Interest per annum on the remaining loan balance**	**Principal Amount**	**Remaining loan balance**
US$ project finance facilities drawn				
May 2010 (FPSO Capixaba relocation)	6 years	5.44%	300,000	200,000
December 2006 / March 2008 (FPSO Kikeh) (1)	7 years	5.00%	415,000	65,482
November 2007 / March 2008 (FPSO Mondo) (1)	6 years	4.25%	294,000	1,437
April / May / September 2008 (FPSO Saxi Batuque) (1)	6 years	3.70%	330,000	6,266
September 2007 / March 2009 / July 2009 (Thunderhawk)	5 ½ years	5.60%	320,000	83,998
November 2008 / February 2009 (FPSO Espirito Santo) (1)	6 ¼ years	4.47%	585,000	139,323
December 2010 (FPSO Aseng)	5 years	5.92%	400,000	321,486

(in thousands of US$ save for repayment period and interest rates)	**Original repayment period**	**Interest per annum on the remaining loan balance**	**Principal Amount**	**Remaining loan balance**
June 2012 (Normand Installer) (1)	5 years	3.87%	80,000	38,257
US$ guaranteed project finance facilities drawn				
June 2009 (MOPU Deep Panuke) (2)	5 ¼ years	7.58%		220,697
July 2011 (FPSO Cidade de Paraty) (1)	10 years	5.45%	1,000,000	452,157
August 2012 (FPSO Cidade de Ilhabela) (1)	10 years	6.03%	1,200,000	269,714
US Project Bond – US Private Placement	15 years	6.57%	500,000	500,000
US $500 million Bond (FPSO Cidade de Anchieta)				
Other				
Other long term debt (Aseng Add Loan included) (3)				271,717
Remaining principal at 31 December 2012				2,570,534

Notes:
(1) Group does not hold 100% of the equity in the relevant borrower under each of these project finance facilities. While the principal amount reflected in respect of each of these project finance facilities is the aggregate amount of that facilities, the remaining loan balance reflects the proportionate consolidation of the relevant borrower and thus reflects that portion of the loan balance to which the Group is entitled. The Group's entitlement under these facilities is: (i) FPSO Kikeh: 49%; (ii) FPSO Mondo: 50%; (iii) FPSO Saxi Batuque: 50%; (iv) FPSO Espirito Santo: 51%; (v) Normand Installer: 49.9%; (vi) FPSO Cidade de Paraty: 50.5 %; and (vii) FPSO Cidade de Ihabela: 62.5%
(2) The Deep Panuke project facility was repaid in full on 31 January 2013.
(3) The 'Other long term debt' includes loans received from minority partners in Group Companies.

The Company has available borrowing facilities resulting from the undrawn part of the revolving credit facility and the undrawn part of Project Facilities. The expiry date of the undrawn facilities as at 31 December 2012 are as follows:

(in thousands of US$)	**As at 31 December 2012**
Expiring within one year	147,146
Expiring beyond one year	1,152,586
Total	**1,299,732**

(b) Description of individual Project Facilities - US$ project finance facilities drawn

May 2010 (FPSO Capixaba relocation). This facility was entered into on 2 October 2006. The maximum aggregate facility amount is US$ 300 million to be used to finance the FPSO Capixaba project. As at the date of this Prospectus an amount of US$ 300 million has been drawn under the additional facility, and will mature no later than 30 April 2016. The original facility of US$ 200 million in relation to this project has been fully repaid.

December 2006 / March 2008 (FPSO Kikeh). This facility was entered into on 18 December 2006. The maximum aggregate facility amount is US$ 415 million to be used to finance the FPSO Kikeh project (Group share: 49%). The full principal amount of US$ 415 million of the facility has been drawn. The facility will mature no later than 30 March 2015.

November 2007 / March 2008 (FPSO Mondo). This facility was entered into on 27 November 2007. The maximum aggregate facility amount is US$ 294 million to be used to finance the FPSO Mondo project (Group share: 50%). As at the date of this Prospectus the full amount has been drawn under the facility. The facility will mature no later than 20 September 2014.

April / May / September 2008 (FPSO Saxi Batuque). This facility was entered into on 23 April 2008. The maximum aggregate facility amount is US$ 330 million to be used to finance the FPSO Saxi Batuque project (Group share: 50%). As at the date of this Prospectus the full amount has been drawn under the facility. The final maturity date of the facility is 31 December 2014.

September 2007 / March 2009 / July 2009 (Thunderhawk). This facility was entered into on 18 September 2007. The maximum aggregate facility amount is US$ 320 million to be used to finance the semi-submersible Thunderhawk project. As at the date of this Prospectus the full amount has been drawn under the facility. The facility will mature no later than 7 July 2014.

November 2008 / February 2009 (FPSO Espirito Santo). This facility was entered into on 21 July 2008. The maximum aggregate facility amount is US$ 585 million to be used to finance the FPSO *Espirito Santo* project (Group share: 51%). As at the date of this Prospectus the full amount has been drawn under the facility. The facility will mature no later than 30 June 2016.

December 2010 (FPSO Aseng). This facility was entered into on 14 December 2010. The maximum aggregate facility amount is US$ 400 million to be used to finance the FPSO *Aseng* project. As at the date of this Prospectus the full amount has been drawn under the facility. The facility will mature no later than 30 June 2016.

June 2012 (Normand Installer). This facility was entered into in June 2012, refinancing the vessel on the maturity date of the original loans. The maximum aggregate facility amount is US$ 80 million (Group share: 49.9%). As at the date of this Prospectus the full amount has been drawn under the facility. The facility will mature no later than 30 June 2017.

Security. Under the terms of each of these financing arrangements and as security for the credit facilities made available, property of these Group companies has been mortgaged (including the relevant vessel) and movable assets and current assets have been given in lien to the Group's bankers.

Interest rates. Interest rates on each of the facilities is set based on the prevailing base rate (LIBOR) plus a margin and mandatory costs. The interest rates per annum on each of the Project Facilities per 31 December 2012 is set out in the table on page 133.

(c) US$ guaranteed project finance facilities drawn

June 2009 (MOPU Deep Panuke). This facility was entered into on 16 June 2009. The maximum original aggregate facility amount is US$ 350 million to be used to finance the MOPU Deep Panuke project. As at the year-end 2012 an amount of US$ 220.7 million had been drawn under the facility. Subsequently, in January 2013 the facility has been repaid in its entirety.

July 2011 (FPSO Cidade de Paraty). This facility was entered into on 13 July 2011. The maximum aggregate facility amount is US$ 1,000 million to be used to finance the FPSO Cidade de Paraty project (Group share: 50.5%). As at the date of this Prospectus an amount of US$ 895 million has been drawn under the facility. The facility will mature no later than 31 December 2023.

August 2012 (FPSO Cidade de Ilhabela). This facility was entered into on 1 August 2012. The maximum aggregate facility amount is US$ 1,200 million to be used to finance the FPSO Cidade de Ihabela project (Group share: 62.5%). As at the date of this Prospectus an amount of US$ 433 million has been drawn under the facility. The facility will mature no later than 30 June 2025.

Security. Each of these facilities is guaranteed by the Company during the pre-completion stage. See further "Commitments, contingencies and contractual obligations - Guarantees" below.

Interest rates. Interest rates on each of the facilities is set based on the prevailing base rate (LIBOR) plus a margin and mandatory costs. The interest rates per annum on each of the Project Facilities per 31 December 2012 is set out in the table on page 133.

(d) The Revolving Credit Facility

On 17 June 2010 certain members of the Group entered into a revolving credit facility with a syndicate of bank lenders in an aggregate amount of US$ 750 million (the **Revolving Credit Facility**). The Company is party to the agreement, but is neither a borrower nor a guarantor.

The purpose of the facility is, among others, and subject to conditions: (i) refinancing of any amounts outstanding under the revolving credit facility agreement in an aggregate amount of US$ 500 million entered into on 29 November 2002; (ii) financing the purchase, conversion, construction, installation, start-up or upgrade of a Unit; (iii) financing the purchase, conversion, construction, installation, start-up or upgrade of a gas offshore unit; (iv) financing the engineering, procurement, supply or construction of renewable energy systems projects; (v) prepaying project debt (up to US$ 200 million); and (vi) general corporate purposes and acquisitions (up to US$ 300 million). A **Unit** includes, among others, FPSOs and FSOs, mobile offshore units, tension leg platforms and buoys. Certain uses of the facility are explicitly excluded, in particular in connection with any transaction or party which is prohibited by the sanctions and export restrictions imposed by the United Nations, European Union and United States of America.

The entire amount drawn under the Revolving Credit Facility was repaid in December 2012, but the facility is still available to the Group for further draw downs up to the maximum facility amount until final maturity on 30 July 2015.

The Interest rate is set based on the prevailing base rate (LIBOR) plus a margin and mandatory costs. The initial margin was 1.25%, subject to adjustment.

Several members of the Group are guarantors under the Revolving Credit Facility. See further "Commitments, contingencies and contractual obligations - Guarantees" below. No other security has been granted.

(e) Covenants – Project Facilities and Revolving Credit Facility

The following important financial covenants apply to facilities currently outstanding (including the Revolving Credit Facility), as agreed with the respective lenders, and (unless stated otherwise), relate to the Company consolidated financial statements.

- Solvency (Tangible Net Worth : Total Tangible Assets > 25%)
- Leverage Ratio (Consolidated Net Borrowings : (adjusted) EBITDA < 3.75)
- Interest Cover Ratio (Net Interest Payable : (adjusted) EBITDA > 5.0)
- Consolidated adjusted EBITDA of SBM Holding Inc. SA > 75% of same at SBM Offshore N.V. level

Each of the financial covenants is tested bi-annually on 30 June and 31 December. The table below sets out the test results as at 31 December 2012 and 31 December 2011.

in thousands of US$ save for percentages	**2012**	**2011**
Tangible Net Worth	1,701,913	1,559,839
Total Tangible Assets	6,269,281	5,204,079
Solvency	**27.1%**	**30.0%**
Consolidated Net Borrowings	1,843,894	1,992,722
Adjusted EBITDA (SBM Offshore N.V.)	916,115	893,505
Adjusted EBITDA (SBM Holding Inc. SA)	876,270	834,323
As a percentage of SBM Offshore N.V. -level	96%	93%
Leverage Ratio	**2.01**	**2.23**
Net Interest Payable	**86,855**	**49,947**
Interest Cover Ratio	**10.5**	**17.9**

(f) US $500 million Project Bond – US Private Placement (FPSO Cidade de Anchieta).

In September 2012, SBM Baleia Azul S.A.R.L, a subsidiary of the Company, issued US$ 500 million in senior secured notes through a private placement in the United States to refund expenditures in relation to the FPSO Cidade de Anchieta project. The notes have an average life of 8.5 years and a final maturity date of 15 years.

Security. Customary security was given, including first ranking security on the charter party contract receivables and any insurance proceeds, a mortgage on the vessel itself and pledges on shares and project bank accounts.

(g) Off-balance sheet financing

The Company has no off-balance sheet financing through special purpose entities. All long-term debt is included in the consolidated statement of financial position.

13.17 Commitments, contingencies and contractual obligations

At 31 December 2012, the outstanding bank guarantees amounted to US$ 479.6 million (31 December 2011: US$ 537.1 million).

As at 31 December 2012, the Company had US$ 14.6 million guarantees outstanding on behalf of the entity GustoMSC and its subsidiaries which will be released in early 2013.

Certain investment commitments have been entered into, principally the FPSO Xikomba relocation, the FPSO Cidade de Paraty, the FPSO Cidade de Ilhabela and the Deep Panuke MOPU. At year-end, the remaining contractual commitments for acquisition of property, plant and equipment and investment in leases amounted to US$ 817.4 million. These commitments will be met as follows.

- The remaining contractual commitments in respect of FPSO Cidade de Paraty and Cidade de Ilhabela will be met using the undrawn portion of the respective project facilities entered into for purposes of these projects. See "- US$ guaranteed project finance facilities drawn – July 2011 (FPSO Cidade de Paraty)" and "- US$ guaranteed project finance facilities drawn – August 2012 (FPSO Cidade de Ilhabela)" above.

- The remaining contractual commitments in respect of the Deep Panuke MOPU will not be met using the project facility entered into for purposes of this project (see "- US$ guaranteed project finance facilities drawn – June 2009 (MOPU Deep Panuke)" above). In January 2013 this facility was repaid in its entirety. The remaining commitments for this project will be financed under the existing Revolving Credit Facility. See " - The Revolving Credit Facility" above.

- The remaining contractual commitments in respect of the FPSO Xikomba (now renamed FPSO N'Goma) relocation will be met either under the Revolving Credit Facility or under a specific project loan facility which might be arranged upon completion of the construction phase of the project.

- The remaining contractual commitments in respect of FPSO Kikeh for a tie-back of the Siakap North Petai fields will be met under the Revolving Credit Facility for the SBM share in the project (49%).

The entire amount drawn under the Revolving Credit Facility was repaid in December 2012, but the facility is still available to the Group for further draw downs up to the maximum facility amount of US$ 750 million until final maturity on 30 July 2015. See " - The Revolving Credit Facility" above.

The obligations in respect of operating lease, rental and leasehold obligations, are as follows:

	for the financial year ended 31 December				
			2012		**2011**
in thousands of US$	**< 1 year**	**1-5 years**	**> 5 years**	**Total**	**Total**
Operating lease	7,308	5,352	-	12,660	6,427
Rental and leasehold	20,784	63,348	103,730	187,862	164,292
Total	**28,092**	**68,700**	**103,730**	**200,522**	**170,719**

The Company has also given certain indemnities to HAL under the Underwriting Agreement (see "The Offering – Underwriting Agreement") and has given certain indemnities to the Joint Global Coordinators under the Coordination Agreement (see "Plan of Distribution - Underwriting arrangements and Coordination Agreement").

13.18 Working capital statement

The Company believes that its working capital is sufficient for its present requirements; that is: for at least twelve months following the date of this Prospectus.

13.19 Risk management

The Group's management of the risks that it faces is discussed on pages 196 to 203 of the Group's consolidated financial statements of Group for the financial year ended 31 December 2012, which are incorporated by reference in this Prospectus.

13.20 Significant accounting policies

(a) Consolidation

Subsidiaries

Subsidiaries are entities (including special purpose entities) controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that presently are exercisable or convertible are considered when assessing whether the Company controls another entity. The figures of the subsidiaries are included in the financial statements from the date that control commences until such control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Transactions and non-controlling interests

The Company applies a policy of recognising trading transactions with non-controlling interests as transactions with external parties. Disposals to non-controlling interests result in gains and losses for the Company and are recorded in the income statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the non-controlling interest.

Associates

Associates are those entities for which the Company has significant influence, but not control, over the financial and operating policies. The financial statements include the Company's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associates includes goodwill identified on acquisitions, net of any accumulated impairment loss.

Joint ventures

The Company's interest in joint ventures are accounted for by proportionate consolidation, from the date that joint control commences until the date that joint control ceases. Joint ventures are those entities over whose activities the Company has joint control, established by contractual arrangement.

The Company combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements. The Company recognises the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other ventures. The Company does not recognise its share of profits or losses from the joint venture that result from the Company's purchase of assets from the joint venture until it sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions (which are made at arms length), are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Company's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board.

Management has determined the operating segments based on the reports reviewed by the Management Board that are used to make strategic decisions, comprising information from the individual business units and from a product and services perspective. The Company's reportable segments are identified as follows:

- Lease and Operate
- Turnkey Systems
- Turnkey Services
- Other, consisting of corporate overhead functions and other units

For management purposes, the Company is organised into seven operating units based on their products and services. For financial reporting purposes, the Turnkey Systems segment combines the results of five of these units being SBM Monaco, SBM Houston, SBM Schiedam, GustoMSC (disposed as of 28 November 2012) and SBM Kuala Lumpur.

The Turnkey Systems segment derives its revenues from turnkey supply contracts. Turnkey supply contracts consist of, among others: large production systems, large mooring systems, deepwater export systems, fluid transfer systems, tanker loading and discharge terminals, supply of drilling units, design services and supply of special components and proprietary designs and equipment. The Turnkey Services segment derives its revenues from offshore contracting and after-sales services. The Lease and Operate segment comprises the total of earned day-rates on long-term operating lease and operate contracts. In the case of a finance lease, revenue is recognised during the construction period within the Turnkey Systems segment and, where installation activities are affected, within the Turnkey Services segment. As of the commencement date of the finance lease contract, the interest income is shown in the Lease and Operate segment.

The Management Board monitors the operating results of operating segments separately for the purpose of making decisions about resources to be allocated and for assessing performance. Segment performance is evaluated based on net result, which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Inter-segment revenues are made at prices that approximate market prices.

As a result from an internal reorganisation effective 1 January 2013, the "Turnkey Services" segment will be merged with the "Turnkey Systems" segment into a new "Turnkey" segment.

(c) 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. 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 a deferred income when the contractual day rates are not constant during the initial term of the lease contract.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a financial asset. 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 period of the facility, the contract is treated as a construction contract, whereby the stage of completion method is applied.

(d) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment, with the exception of land, which is shown at cost less impairment. 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 asset's 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets are depreciated by using the straight-line method over their anticipated useful life, taking into account a residual value for the vessels and floating equipment, with the exception of the Thunderhawk facility. The depreciation charge for the Thunderhawk 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. Investment subsidies (with the exception of investment premiums) are directly deducted from the historical costs of the assets.

The anticipated useful lives of the categories of property, plant and equipment are as follows:

Anticipated useful lives of the categories of property, plant and equipment

Land and buildings (Unless unlimited lives)	30-50 years
Vessels and floating equipment:	
- converted tankers, including refurbishment;	10-20 years
- 'non-recoverable' investment costs which are incurred for a specific project, e.g. installation costs, transport costs, costs of anchor lines, anchor points, risers etc., are depreciated over the period of the contract to which they relate;	3-15 years
- investments in facilities which include the mooring system, swivel stack, vessel conversion, process equipment if relevant etc. In case of long-term contracts these items are fully depreciated over the contract duration. For shorter-term contracts, a decision is taken as to which percentage of these costs should be depreciated.	5-20 years
Machinery and equipment	5-20 years

Other fixed assets	2-20 years

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

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 on disposals are determined by comparing proceeds (less attributable costs) with the carrying amount. These are included in the income statement and reported on the 'Other Operating Income' line.

(e) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). 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.

Recoverable amounts are determined based on value-in-use calculations. These calculations require the use of estimates.

(f) Construction work in progress

Construction work in progress is stated at cost plus profit recognised to date less a provision 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) Trade and other receivables

Trade receivables are amounts due from customers for sales performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the income statement.

(h) Derivative financial instruments and hedging activities

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such financial instruments are initially recognised at fair value on the date on which a financial contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative financial instruments are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on financial instruments that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles using quoted market rates. The fair value of interest rate swap contracts is determined by reference to market rates for similar contracts.

For hedge accounting, hedges are classified as:

- fair value hedges when hedging exposure to changes in fair value of a recognised asset or liability or a firm commitment (fair value hedge);

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge);

- hedges of net investments in a foreign operation (net investment hedge).

At the inception of the transaction, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instruments, the hedged item, or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in the fair value of the hedged item or cash flows and are assessed periodically to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The Company uses cash flow hedges and hedges of net investments in a foreign operation.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows: the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are added or deducted from the recognised value of the hedged item upon its recognition and to the income statement when the hedged transaction affects the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecasted transaction is ultimately recognised in the income statement.

If the forecasted transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in the note 18 – Derivative financial instruments. Movements in the hedging reserve in equity attributable to shareholders are shown in the note 21 – Equity attributable to shareholders.

(i) Provisions

General

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, when appropriate, the risk specific to the liability. Subsequently, the interest accrued on discounted provisions will be recognised as financial expenses. Discounting of provisions mainly concerns fleet demobilisation obligations.

Reorganisation

Provisions for reorganisation costs relate to costs for termination of employment.

Demobilisation obligations

The provision for demobilisation obligations relates to estimated costs for demobilisation of leased facilities at the end of the respective lease period. 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.

Onerous contracts

The provision for onerous contracts relates to contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net costs of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Warranty provision

For most Turnkey sales, the Company grants warranties to its clients. Under the terms of 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 of the system delivered.

This provision is classified as current by nature as it coincides with the production cycle of the Company.

(j) Revenue

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

Construction work in progress

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and margin are recognised in the income statement using the 'percentage-of-completion method'. Complex projects are subjected to gate reviews before margins can be recognised. These gate reviews occur at an advanced degree of completion in engineering with overall project progress at typically around 25%. Until this point, no margin is recognised, with revenue recognised to the extent of cost incurred. The above applies only for those projects presenting a high risk profile, because of technical novelty, complexity or pricing arrangement agreed with the respective client.

The stage of completion is measured by reference to the total cost incurred up to the end of the reporting period as a percentage of the total estimated cost for each contract, unless the physical progress significantly differs. Conversely, an expected loss on a contract is recognised immediately in the income statement.

As items of revenue, variations in contract work, claims and/or incentive payments shall therefore be recognised using the 'percentage of completion method' provided:

- It is more than probable that the inflow will benefit SBM Offshore;
- the amount can be reliably measured.

With regards to above mentioned criteria, SBM Offshore adopts the following approach for claims:

- Negotiations with a client have reached an advanced stage before the period-end closing;
- Estimates should be confirmed by a third-party (legal opinion, consultancy firm).

However, by reference to IAS 11 – Construction contracts, because there are remaining uncertainties, revenue shall be recognised only to the extent of contract costs incurred that it is probable will be recoverable. Consequently, no margin shall be recognised on those variation orders, claims and/or incentives until the uncertainties are removed.

Lease and operate contracts

Revenue of long-term operating lease and operate contracts are reported on a straight-line basis over the period of the contract once the system 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 of 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.

Services rendered

Revenue from services rendered is also recognised using the 'percentage-of-completion method'. The stage of completion is measured by reference to the total cost incurred up to the end of the reporting period as a percentage of the total estimated cost for each contract, unless the physical progress significantly differs. Conversely, an expected loss on a contract is recognised immediately in the income statement.

The same approach as for construction work in progress applies for variations in contract work, claims and/or incentive payments.

(k) 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.

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company 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.

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

(l) Cash flow statement

To improve visibility to stakeholders, the Company applies the following presentation:

- Finance leases: the structure of cash outflows / inflows is similar to operating lease contracts because no cash is received from the ultimate client during the construction period (to the exception of upfront payments if any) and the investment is actually repaid during the lease period through the bareboat charter. Therefore the Company has aligned its finance lease presentation with operating leases as follows:
    - During the construction period: cash outflows are treated as investing activities and not as operating activities
    - During the lease period: cash inflows are treated as operating activities and not as financing activities
    - Interest-bearing loans to Jointly-controlled entities: given the nature of the commitments, these inflows/outflows are treated as investing activities.

(m) Use of estimates

In the preparation of the financial statements, it is necessary for the management of the Company to make estimates and certain assumptions that can affect the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and assumptions. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are:

- the anticipated useful life and residual value of the leased facilities;
- the lease classification;
- the revenue and margin recognition on construction contracts based on the stage of completion method;
- the impairment of property, plant and equipment and intangible assets;
- the impact of variation orders, incentives and claims from clients where negotiations or discussions are at a sufficiently advanced stage;
- the future costs to complete for construction projects and required contingencies;
- the demobilisation and onerous contract provisions;
- the Company's exposure to litigation with third parties.

14. DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

Set out below is a summary of relevant information concerning the Shares, the Articles of Association and certain provisions of Dutch law.

This summary does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the Articles of Association and Dutch law. The full text of the Articles of Association is incorporated in this Prospectus by reference and are available, in Dutch and in English, free of charge on the Company's website.

14.1 General

SBM Offshore N.V. is a public limited liability company (*naamloze vennootschap*) incorporated under Dutch law by a notarial deed dated 21 September 1965. The Company has its statutory seat (*statutaire zetel*) in Rotterdam, the Netherlands and its registered office at Karel Doormanweg 66, 3115 JD Schiedam, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce in Rotterdam, the Netherlands under the number 24233482 and its telephone number is +31 (0)10 2320900.

The Company operates under Dutch law. The Shares are subject to, and have been created under, Dutch law.

14.2 Corporate objects

The Company's corporate objects are to participate in, conduct the management of and finance other enterprises in the field of the offshore oil and gas industry as well as other enterprises of any nature, to finance third parties and in any way to provide security or undertake the obligations of third parties and further to do all things that may be incidental or conducive to the foregoing.

14.3 Share capital

The Company's share capital is divided into Ordinary Shares and Preference Shares, which each have a nominal value of EUR 0.25.

At the date of this Prospectus, the Company's authorised share capital amounts to EUR 200,000,000, divided into:

(a) 400,000,000 Ordinary Shares with a nominal value of EUR 0.25 each, of which 189,212,333 Ordinary Shares are issued and outstanding; and

(b) 400,000,000 Preference Shares with a nominal value of EUR 0.25 each, of which none have been issued and outstanding.

At the date of this Prospectus, neither the Company nor any of its Group Companies holds any of its own shares. All outstanding Shares are paid up.

Set out below is an overview of the Company's authorised and issued share capital on 31 December 2012, 2011 and 2010.

(number of Shares)	**31 December 2012**		**31 December 2011**		**31 December 2010**	
	Share capital		**Share capital**		**Share capital**	
	Authorised	**Issued**	**Authorised**	**Issued**	**Authorised**	**Issued**
Ordinary Shares	400,000,000	189,142,215	400,000,000	171,440,416	200,000,000	168,667,512
Preference Shares	400,000,000	0	400,000,000	0	50,000,000	0
Total	800,000,000	189,142,215	800,000,000	171,440,416	250,000,000	168,667,512

In 2013, until the date of this Prospectus, the number of outstanding Ordinary Shares increased in total by 70,118 which were all issued by the Company pursuant to employee incentive and similar plans.

In 2012, the number of outstanding Ordinary Shares increased in total by 17,701,799. The Company issued 590,042 Ordinary Shares pursuant to employee incentive and similar plans and 17,111,757 Ordinary Shares in a private placement to HAL on 20 December 2012, see "The Offering – Underwriting Agreement".

In 2011, the number of outstanding Ordinary Shares increased in total by 2,772,904. The Company issued 668,027 Ordinary Shares pursuant to employee incentive plans and 2,104,877 Ordinary Shares as stock dividend. In addition, the Company increased its authorised share capital: (i) from 200,000,000 Ordinary Shares to 400,000,000 Ordinary Shares with a nominal value of EUR 0.25 each, and (ii) from 50,000,000 Preference Shares with a nominal value of EUR 1.00 each to 400,000,000 Preference Shares with a nominal value of EUR 0.25 each, in line with the nominal value of the Ordinary Shares.

In 2010, the number of outstanding Ordinary Shares increased in total by 4,207,532. The Company issued 1,578,684 Ordinary Shares pursuant to employee incentive and similar plans and 2,628,848 Ordinary Shares as stock dividend.

14.4 Register of shareholders

The Shares are in registered form and are only available in the form of an entry in the Company's shareholders' register and not in certificated form. The shareholders' register shall be kept by or on behalf of the Company. The Company's shareholders' register must be kept accurate and up to date.

The Company's shareholders' register records the names and addresses of the holders of Ordinary Shares and Preference Shares, their addresses and the amount paid up on each Share, the date on which they acquired the Shares, the date of acknowledgement by or giving of notice to the Company, the number of Shares and further information concerning the Shares as determined by the Management Board. The shareholders' register also includes the names and addresses of those with a right of usufruct (*vruchtgebruik*) or a right of pledge (*pandrecht*) on those Shares.

When an Ordinary Share is part of a giro depot or a collective depot, the Company will enter the Share in the shareholders' register in the name of the central institute or the affiliated institution, as the case may be, thereby stating that the Share has become part of a giro depot or a collective depot, as the case may be. The name and address of the central institute, respectively the affiliated institution, will be entered in the Company's shareholders' register, mentioning the date on which the Ordinary Shares concerned were included in a collection deposit, respectively the giro deposit, the date of acknowledgement by or giving of notice to the Company, as well as the amount paid on each Ordinary Share, the number of Ordinary Shares and further information concerning the Ordinary Shares as determined by the Management Board.

14.5 Issue of Shares

The General Meeting, or the Management Board if authorised by the General Meeting, as the case may be, and with the approval by the Supervisory Board, may resolve upon further issues of Shares. As long as the Management Board is authorised to issue Shares, the General Meeting may not pass a resolution to issue further Shares.

A resolution of the General Meeting to issue Shares or to designate the Management Board as being authorised to issue Shares, shall be valid only if accompanied by a prior or simultaneous resolution of approval by each group of shareholders of the same class whose rights are prejudiced by the issue.

If the Management Board has been designated as the body authorised to resolve upon further issues of Shares, the number and class of Shares must be specified in such designation. Upon such designation, the duration of the designation shall be set, which shall not exceed five years. The designation may be extended, from time to time, for periods not exceeding five years. Unless such designation provides otherwise, it may not be withdrawn. Although the duration of the designation as provided by law may be a maximum of five years, the Company adheres to the good practice of limiting this duration to 18 months.

If Preference Shares are issued and outstanding, the Management Board shall be obliged to convene a General Meeting within two years after such issue and at that meeting submit a proposal concerning the purchase or cancellation of these Preference Shares. If at that meeting it is not resolved to purchase or to cancel the relevant Preference Shares, the Management Board shall be obliged to each time within two years after such proposal has been placed on the agenda, again convene a General Meeting at which such proposal is again submitted, which obligation will cease as soon as the Preference Shares are no longer issued or are no longer held by a person other than the Company. Ordinary Shares may be issued only against payment in full. Payment for Shares must be made in cash unless another form of consideration has been agreed.

During the annual general meeting of 2 April 2013, the General Meeting authorised the Management Board, subject to the approval of the Supervisory Board, to issue Ordinary Shares (i) for a period of 18 months up to 10% of the then issued share capital plus a further issue of up to 10% in case of a merger or acquisition and (ii) in addition, for a period of nine months in connection with the Offering up to 10% of the issued share capital at the time of the Offering.

14.6 Pre-emption rights

Holders of Ordinary Shares have a pre-emption right in the event of an issue of Ordinary Shares. Holders of Preference Shares have no pre-emption right on Ordinary Shares or Preference Shares. Holders of Ordinary Shares have no pre-emption right upon (i) the issue of Ordinary Shares issued against a payment in kind, (ii) the issue of Ordinary Shares to employees of the Group and (iii) the issue of Preference Shares.

The General Meeting may resolve to limit or exclude the pre-emption rights, which resolution requires, if less than one-half of the issued share capital is represented at the General Meeting, a majority of at least two-thirds of the votes cast. The General Meeting may designate the Management Board to resolve to limit or exclude the pre-emption rights. This designation may be granted for a specified period of not more than five years and only if the Management Board has also been designated or is simultaneously designated as the body authorised to resolve to issue Shares. The designation may be extended, from time to time, for no longer than five years at a time and only applies as long as the designation to issue Shares is in force. In order for the General Meeting to authorise the Management Board to restrict or exclude the pre-emption right, a majority of at least two-thirds of the votes cast shall be required. A resolution of the Management Board to restrict or exclude the pre-emption rights is subject to the approval of the Supervisory Board.

The General Meeting or the Management Board, as the case may be, with the approval of the Supervisory Board, may determine the manner in which and the period during which the pre-emption right may be exercised when passing the resolution to issue Shares. A notice of an issue where there is a pre-emption right and the period during which the pre-emption right can be exercised, must be published simultaneously in the State Gazette (*Staatscourant*) and in a nationally distributed daily newspaper, and additionally in such a manner as the Management Board, subject to the approval of the Supervisory Board, will seem desirable. The pre-emption right may be exercised during a period of at least two weeks after the day of publication in the State Gazette.

During the annual general meeting of 2 April 2013, the General Meeting authorised the Management Board, subject to the approval of the Supervisory Board, to limit or exclude pre-emption rights for a period of 18 months in connection with an issue of Ordinary Shares up to 10% of the then issued share capital and an additional 10% in case of a merger or acquisition and, in addition, for nine months in connection with the Offering up to 10% of the issued share capital at the time of the Offering.

14.7 Repurchase of Shares

The Company may acquire fully paid-up Shares for no consideration or if: (i) the Company's shareholders' equity less the payment required to make the acquisition does not fall below the sum of called-up and paid-in share capital and any statutory reserves; and (ii) the nominal value of the Shares which the Company acquires, holds or holds as pledge or which are held by a subsidiary does not exceed half of the issued capital. The Management Board needs authorisation by the General Meeting for the repurchase of Shares for consideration. This authorisation is valid for a maximum of 18 months. As part of the authorisation, the General Meeting specifies the number of Shares that may be repurchased, the manner in which the Shares may be acquired and the price range within which the Shares may be acquired. The authorisation is not required for the acquisition of Shares for employees of the Company or another member of its Group, under a scheme applicable to such employees. The Management Board may resolve, subject to the approval of the Supervisory Board, to dispose of Shares acquired by the Company in its own capital.

Shares held by the Company in its own share capital shall not entitle the Company to any distribution in respect of such Shares. Neither shall Shares in respect of which the Company holds depositary receipts issued therefore entitle the Company to such distribution. For the computation of the amount of profit to be distributed on each Share, the Shares referred to in the preceding sentence shall not be included, unless a usufruct or pledge has been established on such Shares or on depositary receipts issued therefore for the benefit of a person other than the Company. The Company or any of its Group Companies cannot cast votes for Shares belonging to the Company or any of the Group Companies or in respect of which either of them has a right of usufruct or pledge. The pledge and usufructuary of Shares belonging to the Company or a Group Company, respectively, shall also not have voting rights if the usufruct or the pledge was established by the Company or the Group Company, respectively. The Company or a Group Company, respectively, may not vote on a Share in respect of which it holds depositary receipts. When determining to what extent a certain part of the share capital is present or represented or to what extent a majority represents a certain part of the share capital, no account shall be taken of Shares which are not entitled to voting rights; provisions of this paragraph shall apply, *mutatis mutandis*, with respect to Shares or depositary receipts held by or for the account of legal entities and companies in which the Company itself has a 50% or more direct or indirect interest.

During the annual general meeting of 2 April 2013, the General Meeting authorised the Management Board, subject to the approval of the Supervisory Board, to repurchase Ordinary Shares for a period of 18 months, representing no more than 10% of the issued share capital of the Company. Authorisation was being asked for the repurchase of Ordinary Shares for a price per ordinary share that is between the nominal value of the Ordinary Shares and 110% of the average price of the Ordinary Shares on Euronext Amsterdam during the five trading days prior to the repurchase.

14.8 Capital reduction

The General Meeting may resolve to reduce the issued share capital by cancellation of Shares or by reducing the nominal value of Shares by amending the Company's articles of association. Under Dutch law, the resolution to reduce the issued share capital must specifically state the shares concerned and lay down rules for the implementation of the resolution. The resolution to cancel Shares may only concern Shares which are held by the Company.

A resolution to reduce the issued share capital requires the approval of the Supervisory Board and a majority of at least two-thirds of the votes cast in the General Meeting if less than one-half of the issued share capital is represented at that meeting. A resolution to reduce the issued share capital shall in addition require the prior simultaneous approval by each group of Shareholders of the same class whose rights are prejudiced.

14.9 Transfer of Shares, transfer restrictions and notification

All Shares are in registered form. The transfer of a registered Ordinary Share or of a restricted right thereto requires a deed of transfer drawn up for that purpose and acknowledgement of the transfer by the Company in writing. The latter condition is not required in the event that the Company is party to the transfer.

If a registered Ordinary Share is transferred for inclusion in a collection deposit, the transfer will be accepted by the intermediary concerned. If a registered Ordinary Share is transferred for inclusion in the giro deposit, the transfer will be accepted by the central institute, being Euroclear Nederland. The transfer and acceptance of Ordinary Shares in a collection deposit or the giro deposit, respectively, can be effected without the cooperation of the other participants in a collection deposit or the giro deposit, respectively.

Upon issue of a new Ordinary Share to Euroclear Nederland respectively to an intermediary, the transfer in order to include the Ordinary Share in the giro deposit respectively a collection deposit will be effected without the cooperation of the other participants in a collection deposit or the giro deposit, respectively.

Any transfer of Preference Shares requires the approval of the Management Board, which approval requires the prior approval of the Supervisory Board.

14.10 General Meeting

The annual General Meeting must be held within six months after the start of each financial year. Typical agenda items are: the report of the Management Board concerning the Company's affairs and the management as conducted during the previous financial year, the report of the Supervisory Board and its committees, the adoption of the Company's annual accounts, the allocation of profits and the approval of the dividend, delegation of authority to issue shares, delegation of authority to restrict or exclude pre-emption rights, the discharge of the Management Board and Supervisory Board, corporate governance, the (re)appointment of the external auditor, the delegation of authority to purchase own Shares and the composition of the Supervisory Board and the Management Board.

Extraordinary General Meetings can be held whenever the Management Board and/or the Supervisory Board deem desirable.

The General Meetings must be convened by the Management Board or the Supervisory Board by sending a convening notice, which must be given no later than the 42nd day before the date of the General Meeting. Such notice must include the location and the time of the meeting, an agenda indicating the items for discussion and any proposals for the agenda. The General Meetings must be held in the municipality of Schiedam, Rotterdam, The Hague, Amsterdam or Haarlemmermeer (Schiphol), the Netherlands. The notice of a General Meeting is given in such manner as shall be authorised by Dutch law including, but not limited to, a written notice, a legible and reproducible message by electronic means and an announcement published by electronic means.

Proposals of shareholders and other persons entitled to attend the General Meetings will only be included in the agenda, if such proposal is made in writing to the Management Board no later than 60 days before the General Meeting and the shareholders or other persons entitled to attend General Meetings, solely or jointly representing shares amounting to at least 1% of the issued share capital, or with a market value of at least EUR 50 million. Under recently adopted legislation, this threshold will be increased to 3% with effect as of

1 July 2013, except where the articles of association state a lower percentage, as currently is the case for the Company.

Each holder of Shares is entitled to attend the General Meeting, to address the General Meeting and to exercise voting rights pro rata to its shareholding, either in person or by proxy. Each holder of Shares that wishes to attend the General Meeting and to exercise its voting rights must register no later than 28 days before the date of the General Meeting. Members of the Management Board and members of the Supervisory Board may attend a General Meeting. In these General Meetings, they have an advisory vote.

Each holder of Shares may cast one vote per Share held. Resolutions of the General Meeting are passed by an absolute majority of votes cast unless Dutch law or the Articles of Association explicitly and mandatorily prescribe a larger majority.

14.11 Annual accounts, semi-annual accounts and quarterly statements

The Company's financial year coincides with the calendar year. Annually, within four months after the end of the financial year, the Management Board must prepare the annual accounts and make them generally available for inspection by the holders of Shares at the offices of the Company. The annual accounts must be accompanied by an independent auditor's report, the annual report and certain other information required under Dutch law. The annual accounts shall be signed by the members of the Management Board and the Supervisory Board and if a member does not sign, the reason for this must be stated.

The annual accounts, independent auditor's report, annual report and other information required under Dutch law must be made available to the holders of Shares from the date of the notice convening the annual General Meeting. The annual accounts are adopted by the General Meeting.

Within two months after the end of the first six months of the financial year, the Management Board must prepare a semi-annual financial statement and make it publicly available. If the semi-annual financial reporting is audited or reviewed, the independent auditor's report must be made publicly available together with the semi-annual financial reporting.

During a period between ten weeks after the start and six weeks before the end of each half of the financial year the Management Board must prepare an interim statement and make it publicly available. The interim statement includes an explanation of the important events and transactions that took place during the period between the start of the financial year and publication of the interim statement and the consequences for the financial position of the Company. The interim statement also includes a general description of the financial position and the performance of the Company during that period.

The Company will be obliged to publish the annual, semi-annual and quarterly statements and comply with other reporting obligations, including those resulting from the listing of the Ordinary Shares on Euronext Amsterdam, in accordance with relevant Dutch law.

14.12 Dividends and other distributions

The Company may make distributions to the holders of Shares and other persons entitled to distributable profits only to the extent that its equity exceeds the sum of the amount of the paid-in and called up share capital plus the reserves which must be maintained under Dutch law or the Articles of Association.

Under the Articles of Association, any profits must first be applied to pay a dividend on the Preference Shares, if any are outstanding, before distribution of any remaining distributable profits to the other Shareholders. No Preference Shares are outstanding at the date of this Prospectus. The Management Board is authorised, subject to the approval of the Supervisory Board, to determine each year which part of any profits remaining after such dividend payment on the Preference Shares will be reserved. Any profits remaining after such reservation and dividend payment on the Preference Shares will be at the disposal of the General Meeting. The General

Meeting may, upon the proposal of the Management Board, such proposal having been approved by the Supervisory Board, resolve that payment of dividend may be made wholly or partly in Shares.

Subject to Dutch law and the Articles of Association, the General Meeting may resolve to distribute an interim dividend upon the proposal of the Management Board.

Any entitlement to a dividend distribution by a holder of Shares expires five years after the date those dividends were released for payment.

See also "Dividends and Dividend Policy".

14.13 Amendment of Articles of Association

A resolution to amend the Articles of Association may only be taken by the General Meeting by an absolute majority of votes, pursuant to a proposal of the Management Board that has been approved by the Supervisory Board.

14.14 Dissolution and liquidation

The General Meeting may resolve to dissolve the Company by an absolute majority of votes at the proposal of the Management Board thereto with the prior approval of the Supervisory Board.

In the event of the dissolution of the Company, the Company will be liquidated in accordance with statutory provisions. During liquidation, the provisions of the Company's articles of association will remain in full force as far as possible.

The balance of the Company's assets remaining after all liabilities have been paid shall, if possible, first be applied for the payment of all the holders of Preference Shares of the nominal amount paid on their Preference Shares plus the dividend still payable at the time of the liquidation on such Shares. Any balance remaining shall be distributed between the holders of Ordinary Shares pro rata to the aggregate amount of their Ordinary Shares.

14.15 Stichting Continuïteit SBM Offshore

The Foundation is a foundation (*stichting*) incorporated under Dutch law and was established on 15 March 1988. The Foundation has its statutory seat (*statutaire zetel*) in Schiedam, the Netherlands and its registered office at Karel Doormanweg 66, 3115 JD Schiedam, the Netherlands. The Company is registered with the Trade Register in Rotterdam, the Netherlands under the number 41130347 and its telephone number is +31 (0)10 2320900.

The Foundation's objects are to promote the interests of the Company and the businesses maintained by the Company and its Group Companies in a way that the interests of the Company and those businesses and all involved are as far as possible safeguarded. These objects include protection as much as possible against influences that are contrary to those interests and could jeopardise the continuity, the independence or the identity of the Company. The Foundation endeavours to achieve these objects by acquiring Preference Shares and by exercising the rights attaching to those Preference Shares. The possibility of issuing Preference Shares is an anti-takeover measure.

On 30 March 1989, the Company and the Foundation entered into a call option agreement which was last amended in 2011. Under the call option agreement, the Foundation has the right to acquire such number of Preference Shares as equals 50% of the number of outstanding Ordinary Shares at the time of the exercise of the option. If subsequently new Ordinary Shares are issued, the Foundation may each time exercise its option right up to the aforementioned maximum. The Foundation may at all times exercise its option right. The Foundation has a credit facility to enable it to pay the amount to be paid up on the Preference Shares. The

Preference Shares must be paid up for 25% of the nominal value.

The Foundation will perform its role, and take all actions required, at its sole discretion. In the exercise of its functions it will however be guided by the interests of the Company and the business enterprises connected with it, and all other stakeholders, including shareholders and employees. The Foundation is managed by a board, the composition of which is intended to ensure that an independent judgment may be made as to the interests of the Company. The board consists of a number of experienced and reputable former senior executives of multinational companies. To be kept informed about the business and interest of the Company, the Chief Executive Officer and/or another member of the Management Board of the Company is invited to attend the Foundation meetings to address this agenda item.

The board of the Foundation consists of: Mr. N.W.G. Buis (chairman), a former Chief Executive Officer of Smit Internationale N.V., Mr. R. Voogd (vice-chairman), a former notary and presently a lawyer, Mr. H.A. van Karnebeek, a former vice-chairman of the board of management of Akzo, Mr A.W. Veenman, a former Chief Executive Officer of the Dutch Railways, and Mr C.J.M. van Rijn, a former Chief Financial Officer of Nutreco N.V.

14.16 Disclosure of holdings

Shareholders may be subject to disclosure requirements under the Dutch Financial Supervision Act. The most important disclosure requirements are:

- any person who, directly or indirectly, acquires or disposes of a capital interest or voting rights in the Company must forthwith give written notice to the AFM of such capital interest and/or voting rights. This notification obligation will exist if an acquisition or disposal causes the total percentage of the capital interest and/or voting rights held to reach, exceed or fall below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Under recently adopted legislation, a threshold of 3% will be added with effect as of 1 July 2013; and

- any person whose capital interest or voting rights in the Company reaches, exceeds or falls below a threshold due to a change in the Company's outstanding share capital, or in votes that can be cast on the Shares of the Company as notified to the AFM by the Company, should notify the AFM no later than the fourth trading day after the AFM has published the Company's notification of the change in its outstanding share capital.

Any person with a capital interest or voting rights in the Company reaching or exceeding 5% will be required to notify the AFM of any changes in the composition (actual or potential) of this interest annually within four weeks from 31 December at 24:00 hours. Under recently adopted legislation, this threshold will be decreased to 3% with effect as of 1 July 2013.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) Shares directly held (or acquired or disposed of) by any person; (ii) Shares (or depositary receipts for Shares) held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement; and (iii) Shares which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of including, but not limited to, on the basis of convertible bonds). Special rules apply to attribution of community of property. A holder of a pledge or right of usufruct in respect of the Shares can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote on the Shares. If a pledge holder or holder of a right of usufruct acquires such (conditional) voting rights, this may trigger reporting obligations for the holder of the Shares (or depositary receipts for the Shares).

Furthermore, each member of the Management Board and Supervisory Board must immediately give written notice to the AFM by means of a standard form of any change in his or her holding of Shares and voting rights in the Company.

Non-compliance with the notification obligations could lead to criminal fines, administrative fines, imprisonment or other sanctions.

Shareholders are advised to consult with their own legal advisers to determine whether the disclosure obligations apply to them.

14.17 Identity of shareholders

Under the recently amended Dutch Securities Giro Act (*Wet Giraal Effectenverkeer*) which will be effective as of 1 July 2013, the Company may request the central institute, associated institutions, intermediaries, institutions abroad, and management companies of collective investment schemes to give certain information on the identity of its shareholders. Such request may only be made during a period of 60 days up to the day on which a General Meeting is held. No information will be given on shareholders with an interest of less than 0.5% of the issued share capital. A shareholder who, alone or together with other shareholders, holds an interest of at least 10% of the issued share capital may request the Company to establish the identity of its shareholders.

14.18 Public offer rules

In accordance with Directive 2004/25/EC, each Member State should ensure the protection of minority shareholders by obliging any person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price.

The Directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. The laws of the Member State in which a company has its registered office will determine the percentage of voting rights that is regarded as conferring control over that company.

Under Dutch law, the above percentage has been determined to be 30%. Pursuant to article 5:70 of the Dutch Financial Supervision Act, a party – whether acting alone or in concert with others – that acquires 30% or more of the voting rights of a company whose shares are admitted to trading on a regulated market has to make an offer for the remaining shares of that company. This obligation does not apply to shareholders with existing controlling interests of more than 30% of the voting rights at the effective date of the new public offer rules.

14.19 Dutch squeeze-out proceedings

If a person or company or group company holds a total of at least 95% of a company's issued share capital by nominal value for its own account (a **Controlling Entity**), Dutch law permits such Controlling Entity to acquire the remaining shares in the company by initiating proceedings against the remaining shareholders. The price to be paid for such shares will be determined by the Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer van het Gerechtshof te Amsterdam*).

Minority shareholders that have not previously tendered their shares under a public offer have a right to sell their shares, if the Controlling Entity has acquired at least 95% of the class of shares subject to the public offer and represents at least 95% of the total voting rights attached to these shares.

14.20 Market abuse regime

The Company's insiders as described in article 5:60 of the Dutch Financial Supervision Act are obliged to notify the AFM when they carry out or cause to be carried out, for their own account, a transaction in Shares or in securities of which the value is at least in part determined by the value of the Shares. Insiders of the Company as described in article 5:60 of the Dutch Financial Supervision Act include (i) members of the

Management Board, (ii) members of the Supervisory Board and (iii) persons who have a managerial position within the Company and in that capacity are authorised to make decisions which have consequences for the future development and prospects of the Company and who have access to inside information on a regular basis.

In addition, persons designated by the Dutch Market Abuse Decree (*Besluit Marktmisbruik Wft*, the **Dutch Market Abuse Decree**) who are closely associated with the members of the Management Board, the Supervisory Board or any other insider referred to above, must notify the AFM of the existence of any transaction conducted for their own account relating to the Shares of the company or securities of which the value is at least in part determined by the value of such Shares. The Dutch Market Abuse Decree designates the following categories of persons as being closely related for the purposes of the Dutch Market Abuse Decree: (i) the spouse or any partner considered by national law as equivalent to a spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, among other things, managed or controlled by members of the Management Board, the Supervisory Board or any other insiders referred to above.

This notification must be made no later than the fifth business day following the transaction date. The notification may be delayed until the moment that the value of the transactions performed for that person's own account, together with the transactions carried out by the persons associated with that person, reach or exceed an amount of EUR 5,000 in the calendar year in question. Non-compliance with the reporting obligations under the Dutch Financial Supervision Act could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the Dutch Financial Supervision Act may lead to civil sanctions.

14.21 Dutch Corporate governance code

The Dutch Corporate Governance Code (the **Code**) is applicable to the Company. The Code contains both principles and best practice provisions for listed companies in respect of their managing boards, supervisory boards, general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. If a company deviates from a best practice provision in the Code, the reason why must be properly explained in its annual report.

The Company applies the Code as the guiding principles for its corporate governance policy. The Company complies with all applicable principles and best practices provisions of the Code.

15. MANAGEMENT BOARD, SUPERVISORY BOARD AND EMPLOYEES

15.1 Introduction

The Company has a two-tier board structure consisting of a Management Board and a Supervisory Board. The Management Board is the statutory executive body (*raad van bestuur*) and is responsible for the day-to-day management of the Company, including, amongst other things, formulating the Company's strategies and policies and setting and achieving the Company's objectives. The Management Board is chaired by the Company's Chief Executive Officer (CEO) and furthermore consists of a Chief Financial Officer (CFO) and a Chief Governance and Compliance Officer (CGCO). The Supervisory Board (*raad van commissarissen*) supervises and advises the Management Board. In addition, Supervisory Board approval is required for certain important decisions of the Management Board, as more fully described below.

15.2 Management Board

Powers, responsibilities and functioning

The Management Board is responsible for the management of the Company, the general affairs of the business of the Company as well as the Group under the supervision of the Supervisory Board. The Management Board is ultimately responsible for determining the Group's strategy and long-term planning in particular, as well as its internal control systems. The Management Board quarterly provides the Supervisory Board with a report setting out detailed information on, *inter alia*, finance, marketing, business developments, ongoing projects, investments and human resources accompanied by an explanation of, and comments on, the aforementioned subjects as well as information concerning its policies.

The Management Board may perform all acts necessary or useful for achieving the Company's corporate purposes, except for those expressly attributed to the General Meeting or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association.

The Management Board as a whole is entitled to represent the Company. Additionally, each member of the Management Board is solely authorised to represent the Company.

The Management Board holds at least one meeting per month, and additionally whenever one or more of its members has requested a meeting. If no larger majority is stipulated by Dutch law or pursuant to the Articles of Association or the Management Board Rules (as defined below), the Management Board may adopt resolutions with an absolute majority of the votes cast. In the event of a tied vote, the proposal shall be deemed to have been rejected, unless the Management Board consists of more than two members and one of them is the Chief Executive Officer, in which case the Chief Executive Officer has a casting vote. The Management Board may also adopt resolutions without having a formal meeting, provided such resolutions are adopted in writing, by fax, or by other written means of communication which are commonly utilised in the business world and provided that all members of the Management Board express themselves and no member has opposed this method of decision-making. The Management Board shall, at least six times a year, hold joint meetings with the Supervisory Board.

Pursuant to the Articles of Association and subject to the approval of the Supervisory Board, the Management Board has adopted by-laws governing its internal organisation (the **Management Board Rules**). The Management Board Rules may be amended from time to time by resolution of the Management Board to that effect and subject to the prior approval of the Supervisory Board. The Management Board Rules are published on and can be downloaded from SBM Offshore's website (www.sbmoffshore.com).

In the event of a conflict of interest between the Company and a member of the Management Board, the relevant member of the Management Board shall not participate in a discussion about, and is not entitled to vote in relation to, such topic or transaction with respect to which he has a conflict of interest with the

Company. Such transaction must be concluded on terms that are at least customary for arm's length transactions in the sector concerned and shall be subject to the approval of the Supervisory Board. If as a result of the aforesaid the Management Board is not able to come to a decision, the Supervisory Board will take the decision.

Certain resolutions of the Management Board identified in the Articles of Association require the approval of the Supervisory Board, see "Management Board resolutions requiring prior approval" below. Furthermore, the Management Board requires the approval of the Supervisory Board and the General Meeting for resolutions regarding a significant change in the identity or nature of the Company or the enterprise.

Appointment, term and dismissal

The Management Board must consist of one or more members, with the total number of members of the Management Board determined by the Supervisory Board.

The members of the Management Board are appointed by the General Meeting. One of the members will be appointed as Chief Executive Officer by the Supervisory Board. A member of the Management Board is appointed for a maximum period of four years, and unless a member of the Management Board resigns earlier, his appointment shall end on the day of the first annual General Meeting, which will be held four years after his appointment. A member of the Management Board may be reappointed for a term of not more than four years at a time. The Supervisory Board may draw up a resignation schedule for the members of the Management Board.

If a member of the Management Board is to be appointed, the Supervisory Board shall be given the opportunity by the Management Board to draw up a binding or non-binding nomination. In the event of a binding nomination, the Management Board shall invite the Supervisory Board to nominate at least the number of persons as prescribed by Dutch law within 60 days. The General Meeting may overrule the binding nature of the nomination of the Supervisory Board in a resolution adopted by an absolute majority of the votes cast, representing at least one-third of the issued share capital.

If the General Meeting does overrule the nomination by absolute majority of the votes cast, but this majority does not represent at least one-third of the issued share capital, a new meeting can be convened, in which meeting the nomination can be overruled by an absolute majority of the votes cast. The binding or non-binding nomination drawn up by the Supervisory Board shall be included in the notice convening the General Meeting at which the nomination shall be considered, stating whether the nomination is binding or non-binding. The nomination will state the reasons on which it is based. If no binding nomination has been drawn up by the Supervisory Board, the General Meeting may appoint a member of the Management Board at its discretion, provided such person has been nominated in the agenda of the relevant General Meeting.

The General Meeting may suspend or dismiss a member of the Management Board at any time. The Supervisory Board may suspend (but not dismiss) a member of the Management Board at any time. A resolution to suspend or dismiss other than upon recommendation of the Supervisory Board requires an absolute majority of the votes cast representing more than one-third of the Company's issued capital. If the majority is smaller than one-third of the issued share capital, a new meeting can be convened, in which meeting the resolution can be adopted by an absolute majority of the votes cast. A suspended member of the Management Board shall be afforded the opportunity to justify himself at the General Meeting and to be assisted by a legal adviser.

Management Board resolutions requiring prior approval

Certain resolutions of the Management Board require the approval of the Supervisory Board. These include:

(a) the issue and acquisition of Shares of the Company and debt instruments issued by the Company or of debt instruments issued by a limited partnership or a general partnership of which the Company is the general partner with full liability;

(b) cooperation in the issue of depositary receipts;

(c) application for listing or withdrawal of the official listing of the securities referred to in subsections (i) and (ii) on any exchange;

(d) entry into or termination of a continuing cooperation by the Company with another legal person or partnership or as general partner with full liability in a limited partnership or general partnership, if such cooperation or the termination thereof is of far-reaching significance for the Company;

(e) acquisition or participation by the Company or by a dependent company in the share capital of another company the value of which equals at least the sum of one-quarter of the issued share capital and the reserves of the participating company, as shown on its balance sheet with explanatory notes, and any far-reaching change in the size of such participation;

(f) investments requiring an amount equal to at least the sum of one-quarter of the issued capital and the reserves of the Company as shown on its balance sheet with explanatory notes;

(g) a proposal to amend the Articles of Association;

(h) a proposal to wind up the Company;

(i) application for compulsory liquidation and for a moratorium of payments;

(j) termination of the employment of a considerable number of employees of the Company or a dependent company simultaneously or within a short period of time;

(k) far-reaching changes in the employment conditions of a considerable number of the employees of the Company or a dependent company;

(l) a proposal to reduce the issued share capital of the Company;

(m) the adoption of pension schemes and conclusion of agreements with third parties, for the purpose of or relating to the granting of insurance or pension rights;

(n) the conclusion of agreements as referred to by section 2:94 of the Dutch Civil Code;

(o) financing third parties, other than a subsidiary or a Group Company, or providing security for or undertaking obligations of these third parties; and

(p) all other resolutions of the Management Board, which according to a resolution of the Supervisory Board require its approval; the Supervisory Board shall inform the Management Board without delay of any such resolution.

Additionally, resolutions of the Management Board entailing a significant change in the identity or character of the Company or its enterprise are subject to the approval of the Supervisory Board and the General Meeting, which in any event includes:

(a) the transfer of the enterprise or almost the entire enterprise to a third party;

(b) the conclusion or cancellation of any long-term cooperation by the Company or a subsidiary with any other legal person or company or as fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or the cancellation thereof is of essential importance to the Company; and

(c) the acquisition or disposal by the Company or a subsidiary of a participating interest in the share capital of a company with a value of at least one-third of the sum of the gross assets according to the consolidated balance sheet with explanatory notes thereto of the last adopted annual accounts.

At least once a year the Management Board must inform the Supervisory Board in writing of the main features of the strategic policy, the general and financial risks and the management and control systems of the Company. The Management Board shall then submit to the Supervisory Board for approval:

(a) the operational and financial objectives of the Company;

(b) the strategy designed to achieve the objectives;

(c) the parameters to be applied in relation to the strategy, inter alia, in respect of the financial ratios; and

(d) the corporate social responsibility issues that are relevant to the enterprise.

Members of the Management Board

As at the date of this Prospectus, the Management Board is composed of the following members:

Name	**Year of birth**	**Position**	**Member since**
Mr Chabas	1964	CEO	Chairman/CEO since 1 January 2012
Mr Van Rossum	1956	CFO	CFO since 1 July 2012
Mr Hepkema	1953	CGCO	CGCO since 27 June 2012

The Company's registered address is the business address of the members of the Management Board: Karel Doormanweg 66, 3115 JD Schiedam, the Netherlands.

Bruno Y.R. Chabas – Chief Executive Officer

Mr Chabas has French nationality. He joined the Company as Chief Operating Officer in May 2011. Since 1 January 2012, he has been the Chief Executive Officer and Chairman of the Management Board. Mr Chabas is an independent member of the board of directors of FORACO International S.A. Prior to joining the Company, he worked with Acergy S.A. (now Subsea 7 S.A.) and its predecessor companies for 18 years. From November 2002 until January 2011, he served as the Chief Operating Officer of Acergy S.A. From 1992 through 2002, Mr Chabas held various management positions within predecessor companies of Acergy S.A. in the United Kingdom, France and the United States, including as the Chief Financial Officer of Stolt Offshore SA. Mr Chabas graduated from the University of Economic Sciences Aix-Marseille, France, with a degree in economics in 1988. He obtained an MBA from Babson College Wellesley, Massachusetts, US in 1990.

Peter M. van Rossum – Chief Financial Officer

Mr Van Rossum has Dutch nationality. He joined the Company as Chief Financial Officer as of his appointment on 27 June 2012, with effect as of 1 July 2012. Prior to joining the Company he was Chief Financial Officer of Rodamco Europe, and following the merger with Unibail, of Unibail-Rodamco SE from April 2006 to June 2012. Previously, Mr Van Rossum worked at Shell for 24 years in different positions in all key sectors (including, upstream, downstream, chemicals and corporate) and in different countries. From 2004 until 2006 he was a non-executive director of Woodside, an E&P company, being in the top ten of Australian Stock exchange quoted companies. Mr Van Rossum obtained a Masters degree in Business Economics at the Vrije Universiteit Amsterdam, the Netherlands in 1982. He has been a Chartered Accountant since 1985.

Sietze Hepkema – Chief Governance and Compliance Officer

Mr Hepkema has Dutch nationality. Mr Hepkema joined the Company as Chief Governance and Compliance Officer in May 2012 and was appointed as member of the Management Board on 27 June 2012. Mr Hepkema is a member of the supervisory board of Royal Bank of Scotland N.V. and chairman of the supervisory board of Wavin N.V. Prior to joining the Company, he was a partner at Allen & Overy from 1987 to 2012. Before that he worked at Graham & James in San Francisco and Singapore from 1980 to 1987. Mr Hepkema occupied various management positions within Allen & Overy including senior partner from 1999 to 2009 and member of the board of management from 2000 to 2010 as well as being in charge of the Global Corporate Practice until 2011. Mr Hepkema obtained a law degree at the Erasmus University in 1975. He also obtained an LLM degree at Harvard Law School in 1977.

Agreements between the Company and the members of the Management Board

Term of the management and employment agreements

The members of the Management Board carry out their duties on the basis of a management agreement. Each member entered into a management agreement with the Company expiring at the end of their respective appointment, unless renewed for a new four-year term of office or terminated during the course of any four-year term by a decision of the General Meeting or upon resignation by the relevant member of the Management Board. The management agreements will in any event terminate automatically (prior to the end of appointment or reappointment), without any notice being required, upon (i) resolution by the General Meeting to remove the respective member of the Management Board, (ii) resignation by the respective member as member of the Management Board and (iii) the earliest of (a) the first day of the month following the month in which the relevant member of the Management Board reaches a certain age (62 years for Mr Chabas and 65 years for Mr Van Rossum and Mr Hepkema) and (b) the first day of the month in which the relevant member of the Management Board becomes entitled to payment of pension benefits under the relevant pension plan. All three management agreements contain an adjustment clause, claw-back clause and change of control clause.

In addition, Mr Chabas and Mr Van Rossum have an employment agreement with Offshore Energy Development Corporation S.A.M. (**OEDC**), a Monegasque company belonging to the Group. Mr Hepkema is not an employee but a managing director (*Administrateur Délégué*) of OEDC. Mr Chabas' employment agreement has been partially suspended for the duration of his appointment as managing director of the Company. Upon termination of the management agreement of Mr Chabas, his employment agreement will automatically resume. The employment agreements are governed by Monegasque law and entered into for an unlimited period of time. The employment agreement of Mr Chabas includes a notice period of three months. The employment agreement of Mr Van Rossum includes a notice period of one and a half months for Mr Van Rossum (unless he will give notice before he has acquired less than two years of seniority in which case the notice period will be two weeks) and three months for OEDC.

Secondary activities

The members of the Management Board are restricted from serving on the board of another company, except for positions held prior to signing the respective employment agreement or management agreement, without prior written approval of the Supervisory Board. The members of the Management Board are also restricted from acquiring any other business interests outside the Group in any way interfering with the position and responsibilities within the Group. An exemption to this restriction is only permissible in respect of Mr Chabas and Mr Van Rossum, with the prior written consent of OEDC and, in respect of Mr Chabas, also the Supervisory Board.

Severance payments

If the Company terminates the management agreements of any of the members of the Management Board, the relevant member of the Management Board will receive a maximum compensation equal to one year of his base salary, unless this is manifestly unreasonable in the case of dismissal during the first appointment term, in which case the maximum compensation shall not exceed an amount equal to two times the annual base salary of the relevant member of the Management Board. The Supervisory Board, acting on the advice of the Appointment and Remuneration Committee, will determine the appropriate severance payment for such member of the Management Board.

Change of control

If the management agreement of a member of the Management Board ends due to change of control in the Company within one year from the implementation (closing) of the change of control, the Supervisory Board, acting on the advice of the Appointment and Remuneration Committee, will determine the appropriate severance payment for such member of the Management Board provided that the severance payment will not exceed an amount equal to the annual base salary of the relevant member of the Management Board, or if this is manifestly unreasonable in the case of dismissal during the first appointment term, an amount equal to two times the annual base salary of the relevant member of the Management Board.

Loans and guarantees

The Company does not grant loans or guarantees, including mortgage loans, to the members of the Management Board. At the date of this Prospectus, no such loans are outstanding.

Adjustment and claw-back

The management agreements provide for an adjustment clause pursuant to which the Supervisory Board has a discretionary right to adjust (upwards or downwards) the payout of any variable remuneration component conditionally awarded to a member of the Management Board if such component would produce an unfair or unintended result as a consequence of extraordinary circumstances during the period in which the pre-determined performance criteria have been or should have been achieved.

The management agreements furthermore contain a claw-back provision pursuant to which the Company, at the instigation of the Supervisory Board, may recover any variable remuneration awarded on the basis of incorrect financial or other data.

15.3 Supervisory Board

Powers, responsibilities and functioning

The Supervisory Board is responsible for supervising the policy pursued by the Management Board, the general course of affairs of the Company and the Company's business. The Supervisory Board will also provide the Management Board with advice. In performing their duties, the members of the Supervisory Board must serve the interests of the Company and its business as a whole. The Management Board must timely provide the Supervisory Board with the information necessary for the performance of its duties. At least once a year the Management Board must inform the Supervisory Board in writing of the main features of the strategic policy, the general and financial risks and the Company's management and control systems.

The Supervisory Board must appoint one of its members as a chairman. The chairman must appoint a vice-chairman. The Supervisory Board must also appoint a secretary. The Supervisory Board holds at least six meetings per year, and additionally whenever one or more of its members has requested a meeting. If no larger majority is stipulated by Dutch law or pursuant to the Articles of Association or the Supervisory Board Rules (as defined below), the Supervisory Board may adopt resolutions with an absolute majority of the votes cast. In addition, the Supervisory Board is only entitled to make decisions, if at least half of its members entitled to vote are present or represented. In the event of a tied vote the chairman of the Supervisory Board has a casting vote. The Supervisory Board may also adopt resolutions without having a meeting, provided such resolutions are adopted in writing, by fax, or by other written means of communication which are commonly utilised in the business world and provided all members of the Supervisory Board express themselves and no supervisory director has opposed this way of decision-making. The Supervisory Board shall hold joint meetings with the Management Board at least six times a year.

In the event of a conflict of interest between the Company and a member of the Supervisory Board, the relevant member of the Supervisory Board shall not participate in the discussions and/or discussion making process in relation to such topic or transaction with respect to which he has a conflict of interest with the Company. Such transaction must be concluded on terms that are at least customary for arm's length transactions in the sector concerned and shall be subject to the approval of the Supervisory Board.

Pursuant to the Articles of Association, the Supervisory Board has adopted by-laws governing its internal organisation (the **Supervisory Board Rules**). The Supervisory Board Rules may be amended from time to time by resolution of the Supervisory Board to that effect. The Supervisory Board Rules are published on and can be downloaded from SBM Offshore's website (www.sbmoffshore.com).

Appointment, term and dismissal

The Supervisory Board must consist of at least three members. Only natural persons (not legal entities) may be appointed as members of the Supervisory Board.

A member of the Supervisory Board is appointed for a maximum period of four years, and unless a member of the Supervisory Board resigns earlier, his appointment shall end on the day of the first annual General Meeting, which will be held four years after his appointment. A member of the Supervisory Board may be reappointed twice, each for a further term of four years, unless the General Meeting resolves otherwise. The members of the Supervisory Board retire periodically in accordance with a rotation plan prepared by the Supervisory Board.

The members of the Supervisory Board are appointed by the General Meeting on the recommendation or nomination of the Supervisory Board. If a member of the Supervisory Board is to be appointed, the Supervisory Board has the opportunity to draw up a binding or non-binding nomination. In the event of a binding nomination, the Supervisory Board shall nominate at least the number of persons as prescribed by Dutch law within 60 days. The General Meeting may overrule the binding nature of the nomination of the Supervisory Board in a resolution adopted by an absolute majority of the votes cast, representing at least one-third of the issued share capital. In the event of the appointment of a new member of the Supervisory Board, the works council of SBM Schiedam B.V. has the right to make a non-binding recommendation to the Supervisory Board, see "Works council and employee representation bodies" below.

If the General Meeting does overrule the nomination by absolute majority of the votes cast, but this majority does not represent at least one-third of the issued share capital, a new meeting can be convened in which meeting the nomination can be overruled by an absolute majority of the votes cast. The binding or non-binding nomination drawn up by the Supervisory Board shall be included in the notice convening the General Meeting at which the nomination shall be considered, stating whether the nomination is binding or non-binding. The nomination will state the reasons on which it is based. If no binding nomination has been drawn up by the Supervisory Board, the General Meeting may appoint a member of the Supervisory Board at its discretion, provided such person has been nominated in the agenda of the relevant General Meeting.

The Supervisory Board has adopted a profile of its size and composition, taking into account the character of the business, its activities and the desired expertise and background of the members of the Supervisory Board. With each appointment of a member of the Supervisory Board, the profile must be taken into account.

The General Meeting may suspend or dismiss a member of the Supervisory Board. A resolution to suspend or dismiss requires an absolute majority of the votes cast representing more than one-third of the Company's issued capital. If the majority is smaller than one-third of the issued share capital, a new meeting can be convened in which meeting the resolution can be adopted by an absolute majority of the votes cast. A suspended member of the Supervisory Board shall be afforded the opportunity to justify himself at the General Meeting and to be assisted by a legal adviser.

Members of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	**Year of birth**	**Position**	**Member since**	**Re-appointed**	**End of term or re-appointment**
Mr Rothermund	1943	Chairman	2003	2007, 2011	2015
Mr Cremers	1952	Member	2010	First term	2014
Mr Deckers	1950	Member	2008	2012	2016
Mr Ehret	1952	Member	2008	2012	2016
Mr Gugen	1949	Member	2010	First term	2014
Mrs Rethy	1956	Member	2011	First term	2015

The Company's registered address is the business address of the members of the Supervisory Board: Karel Doormanweg 66, 3115 JD Schiedam, the Netherlands.

Heinz Rothermund

Mr Rothermund has Swiss nationality. He was appointed as a member of the Supervisory Board in 2003. He has been the chairman of the Supervisory Board since 2006. Since 2011, he has been a member of the Audit Committee. Since 2010, he has been the chairman of the Appointment and Remuneration Committee when the committee deals with selection and appointment matters and he has been a member of the Appointment and Remuneration Committee when the committee deals with remuneration matters. Mr Rothermund is a member of the board of Petrotechnics Ltd. and advisory of Rohol-Aufsuchungs-AG. He is a former managing director of Shell EP International B.V.

Frans Cremers

Mr Cremers has Dutch nationality. He was appointed as a member of the Supervisory Board in 2010. He is the chairman of the Audit Committee. Mr Cremers is a member of the supervisory board of the following listed companies: Royal Vopak N.V. and Unibail Rodamco S.E. He is a member of the supervisory board of the following private companies: Parcom Capital Management B.V., Nederlandse Spoorwegen N.V. (vice chairman) and Luchthaven Schiphol N.V. He is furthermore a member of the capital markets committee of the AFM, a member of the board of Stichting Preferente Aandelen Heijmans N.V. and Stichting Preferente Aandelen Philips N.V. He is a former chief financial officer of Shell Expro UK and a former chief financial officer and member of the board of management of VNU N.V.

Floris Deckers

Mr Deckers has Dutch nationality. He was appointed as a member of the Supervisory Board in 2008. He has been a member of the Audit Committee since 2008. He is chairman of the supervisory board of Deloitte Nederland B.V. He is furthermore a member of the supervisory board of IBM Nederland B.V. and a member of the board of the Netherlands Bankers' Association, Arklow Shipping (Ireland), Springpaarden fonds Nederland and Vlerick School of Management in Belgium. He is a former chief executive officer of Van Lanschot N.V.

Thomas Ehret

Mr Ehret has French nationality. He was appointed as a member of the Supervisory Board in 2008. He has been the chairman of the Technical and Commercial Committee since this committee was created in 2010. He is the deputy-chairman of the board of Dockwise Ltd, chairman of Iremis Holdings Ltd., chairman of Harkand Group, chairman of ISS Ltd. and non-executive member of the board of Comex S.A., Green Holdings Corporation, International Sports Media Ltd., and member of the supervisory board of Huisman Equipment B.V. He is a former president and chief executive officer of Acergy S.A.

Francis Gugen

Mr Gugen has British nationality. He was appointed as a member of the Supervisory Board in 2010. He has been the chairman of the Appointment and Remuneration Committee since 2010 when the committee deals with remuneration matters and a member of the Appointment and Remuneration Committee when the committee deals with selection and appointment matters. He is chairman of the board of Petroleum GEO-Services ASA and Igas Energy plc and chairman of Chrysaor Ltd. and Fraudscreen Ltd. He also holds an advisory position at BNRI, a private investment division of Barclays, and is the chairman of Raft, a medical research charity, and board member of various of its associated companies. He is a former chief executive officer and a former finance director of Amerada Hess Corporation in Europe.

Katherine Rethy

Mrs Rethy has Canadian nationality. She was appointed as a member of the Supervisory Board in 2011. She has been a member of the Technical and Commercial Committee since 2011. She is a director of the Equitable Trust Company, the president of KAR Development Corporation and the chairperson of Katimavik, a non-profit organisation dedicated to youth volunteer service in the community. She is a former senior vice-president global services of Falconbridge Ltd.

Supervisory Board committees

The Supervisory Board has an Audit Committee, an Appointment and Remuneration Committee and a Technical and Commercial Committee.

Audit Committee

The Audit Committee assists and advises the Supervisory Board on its audit duties and prepares its decisions in this regard. The duties of the Audit Committee include supervising and assessing the effectiveness of internal risk management and control systems and the financial information to be disclosed by the Company. It also supervises the Company's compliance programme with recommendations and observations of internal and external auditors, the functioning of the internal audit department, the Company's policy on tax planning, information and communication technology and the Company's financing. In addition, it maintains regular contact with and supervises the external auditor and it nominates an external auditor for appointment by the General Meeting. It also prepares the approval by the Supervisory Board of the annual accounts, the annual budget and substantial capital expenditures of the Company. The Audit Committee will at least once a year hold a meeting with the external auditor of the Company without any of the members of the Management

Board being present. The Audit Committee will meet as often as one or more of its members requests a meeting but in any event at least four times a year. The Audit Committee consists of three members. At least one of its members must have relevant expertise in accounting and the financial administration of listed companies or other "large" companies. All members of the Audit Committee except one must be independent (as specified in the Supervisory Board Rules). Neither the chairman of the Supervisory Board nor any of the current or former members of the Management Board may (simultaneously) be the chairman of the Audit Committee.

The roles and responsibilities of the Audit Committee as well as the composition and the manner in which it discharges its duties are set out in the rules for the Audit Committee included in the Supervisory Board Rules.

The Audit Committee presently consists of Mr Cremers (chairman), Mr Deckers and Mr Rothermund.

Appointment and Remuneration Committee

The Appointment and Remuneration Committee assists and advises the Supervisory Board on its duties regarding the selection, appointment and remuneration of the members of the Management Board and the Supervisory Board. The duties of the Appointment and Remuneration Committee include preparing the selection criteria and appointment procedures for the members of the Supervisory Board and the Management Board, evaluating the functioning of individual members and the scope and composition of the Management Board and the Supervisory Board, proposing the (re-)appointments of the members of the Management Board and the Supervisory Board and supervising the policy of the Management Board in relation to the selection and appointment criteria for senior management. The Appointment and Remuneration Committee also prepares proposals for the Supervisory Board concerning the remuneration policy for the members of the Management Board and the remuneration of the individual members of the Management Board within the framework of the remuneration policy as adopted by the General Meeting and analyses the possible outcome of the variable remuneration components and how they may affect the remuneration of the members of the Management Board. It also prepares the remuneration report on the remuneration policies for the Management Board to be adopted by the Supervisory Board. The Appointment and Remuneration Committee will meet as often as one or more of its members requests a meeting but in any event at least once a year. The Appointment and Remuneration Committee consists of two members. All members of the Appointment and Remuneration Committee, except for one, must be independent (as specified in the Supervisory Board Rules). None of its members, except for one, may at the same time be a member of the management board of another Dutch listed company. Neither the chairman of the Supervisory Board nor any of the current or former members of the Management Board may be the chairman of the Appointment and Remuneration Committee (when dealing with remuneration matters).

The roles and responsibilities of the Appointment and Remuneration Committee, as well as the composition and the manner in which it discharges its duties, are set out in the rules for the Appointment and Remuneration Committee included in the Supervisory Board Rules.

The Appointment and Remuneration Committee presently consists of Mr Rothermund and Mr Gugen. This committee is chaired by Mr Gugen and Mr Rothermund is a member when the committee deals with remuneration matters. This committee is chaired by Mr Rothermund and Mr Gugen is a member when the committee deals with selection and appointment matters.

Technical and Commercial Committee

The Technical and Commercial Committee assists and advises the Supervisory Board on its supervisory duties regarding technical and commercial matters. The duties of the Technical and Commercial Committee include advising the Supervisory Board in relation to substantial tenders with a focus on risk management, substantial projects variance analysis, substantial non-project related capital expenditures, industrial partnerships, matters relating to HSSE, P&TD programmes and standard terms and conditions of contract. It also advises the Supervisory Board on the Group's supply chain strategy. The Technical and Commercial Committee also advises on the performance of the Group's project management and engineering competency. The Technical and Commercial Committee liaises with the Audit Committee to address identified risks. The Technical and Commercial Committee meets the day prior to each meeting of the Supervisory Board. The Technical and Commercial Committee furthermore meets by telephone or videoconference as often as the chairman requests a meeting. The Technical and Commercial Committee consists of three members. All members of the Technical and Commercial Committee must be independent (within the meaning of the Supervisory Board Rules).

The roles and responsibilities of the Technical and Commercial Committee as well as the composition and the manner in which it discharges its duties are set out in the rules for the Technical and Commercial Committee included in the Supervisory Board Rules.

The Technical and Commercial Committee presently consists of Mr Ehret (chairman) and Mrs Rethy.

15.4 Remuneration

Remuneration of the Management Board

Remuneration policy

The General Meeting adopts the policy regarding the remuneration of the Management Board upon a proposal of the Supervisory Board. In 2010, the Appointment and Remuneration Committee conducted a detailed review of the remuneration policy 2008 and established a new remuneration policy to ensure continued alignment with the Company's strategic priorities, remuneration principles, external market developments and best practices. In establishing the policy, the Appointment and Remuneration Committee has been assisted by its own external remuneration consultant. On 5 May 2011, the new remuneration policy 2011 was adopted by the General Meeting and became effective as of 1 January 2011. On 27 June 2012, an amendment to the remuneration policy was proposed by the Supervisory Board and adopted by the General Meeting.

The aim of the remuneration policy is to attract, motivate and retain qualified members of the Management Board and to provide and motivate the members of the Management Board with a balanced and competitive remuneration that is focused on sustainable results and shareholder value creation and is aligned with the long-term strategy of the Company.

The Supervisory Board determines the remuneration (including the award of any Ordinary Shares) and other terms and conditions which apply to the individual members of the Management Board upon the proposal of the Appointment and Remuneration Committee in accordance with the remuneration policy as approved by the General Meeting.

The Management Board's remuneration consists of a base salary, a short-term incentive, a long-term incentive, fringe benefits and pension arrangements. These components are discussed in more detail below. The remuneration package is reviewed by the Supervisory Board on a yearly basis.

Fixed base salary

The Appointment and Remuneration Committee generally aims the base salaries and the total remuneration of the Management Board to be at the median of the Peer Group and, where necessary, aims to gradually bring the current remuneration levels in line with the Peer Group.

In determining the base salary of the members of the Management Board, the Appointment and Remuneration Committee takes the following factors into account: external market benchmark data for a peer group to ensure competitiveness in the market, an internal Group salary benchmark to ensure alignment of pay within the Group, the level of salary increases within the Group in general, the assumption of new responsibilities, if any, the performance of the Group, the relevant member's individual performance and general economic conditions.

The peer group is selected to represent both the Group's peer companies from a performance perspective as well as the market for executive talent in which the Company competes and consists of similar-sized (based on revenue and market capitalisation) international oil and gas services companies. Around 50% of the companies in the peer group are listed in the US since the offshore oil and gas services market is mainly concentrated in the US. For 2012, the peer group consists of: Aker Solutions ASA, Amec PLC, BW Offshore Ltd, Chicago Bridge & Iron Company, FMC Technologies, Foster Wheeler AG, Fugro N.V., Helix Energy Solutions, Jacobs Engineering Group, KBR, McDermott International, Oceaneering International, Oil States International, Petrofac Ltd, Subsea 7 Inc, Technip, Wood Group Plc and WorleyParsons Ltd. The Appointment and Remuneration Committee evaluates the peer group on a yearly basis.

Variable remuneration

The variable remuneration consists of two elements: a short-term incentive plan and a long-term incentive plan.

(i) Short-term incentive (**STI**) plan

The objective of the short-term incentive plan is to reward the members of the Management Board for the performance of both the Group as well as the performance of such individual member of the Management Board, during the previous financial year. Furthermore, the short-term incentive plan intends to stimulate continued employment and create ownership of an equity interest in the Group.

The threshold, target and maximum for the Management Board as a percentage of base salary are as follows:

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

Group performance element

The Group performance element is measured by Economic Profit (EP). EP is defined as the amount by which (in percentage terms), the return on average capital employed (ROACE), adjusted for non-operating debt, exceeds the weighted average cost of capital (WACC) adjusted as appropriate for exceptional items and extraordinary circumstances. The Group performance element is measured on the basis of the audited financial results of the Group for the preceding year and its calculation is audited by the Group's external auditor. At the beginning of each financial year, the Supervisory Board, acting on the advice of the Appointment and Remuneration Committee, sets the threshold (minimum performance level below which there is no short-term incentive pay-out), target and maximum level for the EP.

The Group is committed to being a responsible and sustainable company. Therefore, every year the Appointment and Remuneration Committee evaluates the Group's corporate social responsibility performance against the corporate social responsibility commitments outlined in the Group's annual sustainability report and recommends to the Supervisory Board a CSR multiplier to be applied to the Group performance element of the STI. The CSR multiplier consists of either an increase of up to 5% if the Group outperforms its corporate social responsibility commitments or a decrease of up to 5% if the Group has not met such commitments.

Individual performance element

At the beginning of each financial year, the Supervisory Board, acting on the basis of advice of the Appointment and Remuneration Committee, together with each member of the Management Board establishes individual performance objectives for such members. These individual objectives relate to the relevant member's specific area of responsibility and can be financial or non-financial (e.g. strategic, operational or behavioural).

Calculation of STI amount

Up to the financial year 2011, the split between the percentage of the STI based on the Group's performance and the percentage based on the performance of the individual member of the Management Board was a fixed and uniform split of 70% and 30%, respectively, applicable to all the members of the Management Board. Due to the Yme and Deep Panuke projects (see "Background of the Offering and use of proceeds" and "Business Overview – Material litigation") and the enhancement of the compliance programme of the Group currently undertaken, this mechanism has been adjusted as of the financial year 2012. At the beginning of each financial year, the Supervisory Board, acting upon the proposal of the Appointment and Remuneration Committee, sets per member of the Management Board the appropriate split between the percentage of the STI opportunity attributable to the performance of the Group and the percentage of the STI opportunity attributable to the individual performance of the relevant member of the Management Board based on his specific responsibilities, in particular the extent to which each will be responsible for the Yme and Deep Panuke projects and compliance enhancement. However, for no member of the Management Board shall the proportion applicable to the Group performance be less than one-third of the total STI opportunity and the proportion applicable to the individual performance be more than two-thirds of the total STI opportunity.

At the end of the year, the Supervisory Board, again acting on the advice of the Appointment and Remuneration Committee, reviews the Group and individual performance against the pre-set targets and approves the STI amount based on the achieved performance level.

Payment

The STI amount is for 80% paid in cash and for 20% paid in Ordinary Shares (the **Bonus Ordinary Shares**). The 20% STI payment in Bonus Ordinary Shares is not optional. Such Bonus Ordinary Shares are subject to a lock-up of three years. At the end of the three-year period, subject to continued employment, the Company awards an additional unrestricted matching Ordinary Share for every Bonus Ordinary Share held (1:1 match) (the **Matching Ordinary Shares**).

(ii) Long-term incentive (**LTI**) plan

The objective of the long-term incentive plan is to reward the members of the Management Board for long-term financial performance and shareholder return and to enhance the retention and commitment of the Management Board. Furthermore, the long-term incentive plan also intends to stimulate continued employment and create ownership of an equity interest in the Group.

This variable remuneration element is fully paid in Ordinary Shares (the **Performance Ordinary Shares**). The target long-term incentive opportunity that serves as a basis for the calculation of the number of Ordinary Shares to be granted to the Management Board as a percentage of base salary is as follows:

Management Board	**Threshold LTI**	**Target LTI**	**Maximum LTI**
CEO	50%	125%	250%
Other members of the Management Board	50%	125%	187.50%

The target number of Performance Ordinary Shares conditionally awarded is determined by dividing the LTI opportunity outlined in the table above by the average closing price of the Ordinary Shares on Euronext Amsterdam over the five trading days following the date of publication of the final results for the previous financial year.

Special Incentive

As of financial year 2012, the Supervisory Board has the right to award a special incentive to individual members of the Management Board based on the achievement of predefined goals set by the Supervisory Board related to resolving the Yme and Deep Panuke projects and implementing the compliance enhancement programme at minimum cost and disruption to the Group and as soon as practicable. Such special incentives are rewarded in the form of LTI remuneration, provided that any such awards may not result in the total LTI awarded, including any special incentive element, exceeding the maximum LTI opportunity percentage of the relevant member of Management Board. Any Performance Ordinary Shares awarded on this basis will be conditional and will vest, depending on the extent to which the predefined goals set by the Supervisory Board have been achieved, after a three-year vesting period.

Vesting

Vesting of the target number of Performance Ordinary Shares conditionally granted occurs after three years and is subject to meeting the following performance conditions:

- 50% of the granted LTI vests based on "earnings per share" (**EPS**) growth adjusted for exceptional items if so determined by the Supervisory Board, acting on the advice of the Appointment and Remuneration Committee; and

- 50% of the LTI award vests based on "total shareholder return" (**TSR**) relative to the Group's peer group. The Company uses the same peer group for benchmarking remuneration as well as comparing the TSR performance.

At the end of the three-year vesting period, the Supervisory Board, acting upon the recommendation of the Appointment and Remuneration Committee, calculates the number of Performance Ordinary Shares that will vest upon the expiration date of the three-year vesting period by multiplying the target number of Performance Ordinary Shares (plus any Performance Ordinary Shares awarded as a special incentive, if any) conditionally awarded with the outcome of the performance conditions.

Vesting schedule of the EPS growth based LTI award

At the beginning of each three-year performance period, the Supervisory Board, acting on the advice of the Appointment and Remuneration Committee, establishes threshold, target and maximum performance goals for EPS growth. The extent to which the EPS growth based 50% of the LTI granted will vest will be determined by achievement against these pre-set EPS growth goals. For the financial year 2012, the EPS growth targets were set at 3% (threshold), 6% (on target performance) and 10% (maximum).

Vesting schedule of the TSR based LTI award

TSR is defined as the percentage of total return to Shareholders on the Ordinary Shares over each three-year performance period, assuming that all dividends paid during the performance period are reinvested in Ordinary Shares.

The extent to which the TSR based 50% of the target Performance Ordinary Shares will vest will be determined by comparison of the Company's TSR during the performance period with the TSR of the companies in its peer group, in accordance with the following vesting table:

Position of the Company's TSR relative to its peer group	CEO	Other members of the Management Board
Below 25th percentile	0%	0%
At 25th percentile	50%	50%
Between 25th percentile and median	Between 50% and 100% on a straight line basis	Between 50% and 100% on a straight line basis
At median	100%	100%
Between median and maximum	Between 100% and 200% on a straight line basis	Between 100% and 150% on a straight line basis
At maximum	200%	150%

Payment

The vested Performance Ordinary Shares are subject to an additional two-year lock-up period, or until termination of employment if this occurs sooner. As the date of the unconditional award lies three years after the date of the conditional award and the members of the Management Board have to retain the Performance Ordinary Shares for at least two subsequent years (save for selling vested Performance Ordinary Shares in order to satisfy taxation on this remuneration component), the period before a member of the Management Board obtains full rights to the Performance Ordinary Shares will be five years in total which complies with the Dutch Corporate Governance Code.

Fringe benefits and Pension

In addition to the remuneration set out above, members of the Management Board are entitled to certain fringe benefits including arrangements related to housing, health insurance and occupational disability, personal accident insurance and a company car scheme. The members of the Management Board participate in a defined contribution pension scheme, a small part being contributed to their respective private pension plan.

2012 Total remuneration and benefits for the Management Board

The table below provides the remuneration of each current member of the Management Board as well as for the member who resigned from the Management Board in May 2012, for the financial year ended 31 December 2012.

Name	**Base salary**	**Termination settlement**	**Short-Term Incentive** (3)	**Expense recognised for share-based payments** (4)	**Fringe benefits excl. pension**	**Pension**	**Total**
			(in thousands of EUR)				
Current members							
Mr Chabas	660		117	373	159	90	1,399
Mr Van Rossum	390(1)		-	91	85	48	614
Mr Hepkema	546(1)		-	149	68	79	842
Former member							
Mr Miles	354(2)	370	57	(83)	90	22	810

Note:
(1) As of the respective date on which Messrs Van Rossum and Hepkema each became a member of the Management Board. This amount includes sign-on premium of EUR 150,000 each.
(2) Mr Miles (former Chief Financial Officer) resigned as member of the Management Board as of 16 May 2012, he received remuneration until the end of his employment by the Group.
(3) Total amount of short-term incentive, i.e. the part payable in cash (80%) and the part payable in Ordinary Shares (20%).
(4) The fair value of all share-based payment (STI matching shares and LTI performance shares), i.e. the expense recognised in 2012 as a pro rata over the entire vesting period.

Remuneration of the Supervisory Board

The General Meeting determines the remuneration of the members of the Supervisory Board. The Supervisory Board will from time to time submit proposals to the General Meeting in respect of the remuneration of the members of the Supervisory Board. The Supervisory Board reviews the remuneration for the members of the Supervisory Board every second year (most recently in 2011). The members of the Supervisory Board receive a fixed compensation not related to the results of the Group. A member of the Supervisory Board shall not be granted any Ordinary Shares, options to Ordinary Shares or similar rights to acquire Ordinary Shares as part of their remuneration.

No member of the Supervisory Board is entitled to any severance payment in the event of resignation or removal by the General Meeting.

2012 remuneration for the Supervisory Board

The table below provides the remuneration of each current member of the Supervisory Board as well as for the member who resigned from the Supervisory Board as of 2 April 2013, for the financial year ended 31 December 2012.

Name	**Annual remuneration**	**Committees**	**Total**
		(in EUR)	
Current members			
Mr Rothermund	90,000	17,000	107,000
Mr Cremers	75,000	10,000	85,000
Mr Deckers	75,000	8,000	83,000
Mr Ehret	75,000	10,000	85,000
Mr Gugen	75,000	9,000	84,000
Mrs Rethy	75,000	8,000	83,000
Former member			
Mr Van Gelder	80,000	8,000	88,000

15.5 Shareholdings of the members of the Management Board

The table below sets forth the number of Bonus Ordinary Shares held by the members of the Management Board as well as the Matching Ordinary Shares and the Performance Ordinary Shares conditionally awarded to the members of the Management Board, as at the date of this Prospectus. Based on the share capital of the Company before the Offering, the percentage of the issued share capital held by each member of the Management Board is less than 0.1%.

	Mr Chabas	**Mr Van Rossum**	**Mr Hepkema**
Bonus Ordinary Shares			
awarded in 2010	-	-	-
awarded in 2011	-	-	-
awarded in 2012	Number: 1,491 Value at award: 23,400	-	-
Matching Ordinary			

	Mr Chabas	Mr Van Rossum	Mr Hepkema
Shares			
awarded in 2010 and vesting in 2013	-	-	-
awarded in 2011 and vesting in 2014	-	-	-
awarded in 2012 and vesting in 2015	Number: 1,491 Value at award: 23,400	-	-
Performance Ordinary Shares			
awarded in 2010 and vesting in 2013	-	-	-
awarded in 2011 and vesting in 2014	Number: 18,231 Value at award: 346,662	-	-
awarded in 2012 and vesting in 2015	Number: 52,562 Value at award: 825,013	Number: 31,843 Value at award: 499,808	Number: 40,962 Value at award: 642,940

15.6 Shareholdings of employees

The Company offers eligible employees the opportunity to invest in the Group via its restricted share unit plan (**RSU Plan**), performance share unit plan (**PSU Plan**), which were both introduced in 2009, and its annual bonus plan which as from 2008 includes an optional share component (**SBM Offshore Annual Bonus Plan**).

Under the RSU Plan, Ordinary Shares are conditionally awarded to senior managers and high potential key employees of the Group. Individual eligibility is determined by the Management Board. Vesting of any Ordinary Shares conditionally awarded under the RSU Plan occurs over a three-year period, with one-third vesting on each anniversary of the date on which the Ordinary Shares were conditionally awarded, provided that the employee is still employed by the Group at the relevant vesting date. On 15 May 2012, the Management Board with the approval of the Remuneration Committee conditionally awarded approximately 250 high-performing employees of the Group in total 720,000 additional Ordinary Shares. These additional Ordinary Shares vest on the third anniversary of the date on which these Ordinary Shares were conditionally awarded, provided that the employee is still employed by the Group at such vesting date and such Ordinary Shares are subject to an additional two-year lock-up period. As at 31 December 2012, 2,640,970 Ordinary Shares have been conditionally awarded and since the start of the RSU Plan 716,503 Ordinary Shares have been issued to employees under the RSU Plan.

Under the PSU Plan, Ordinary Shares are conditionally awarded to senior managers. Individual eligibility is determined by the Management Board. Ordinary Shares conditionally awarded under the PSU Plan vest on the third anniversary of the date on which these Ordinary Shares were conditionally awarded, subject to the Group meeting at least certain threshold performance levels over a three-year performance period. At the beginning of each three-year performance period the Management Board sets a threshold, target and maximum level for the performance of the Group in respect of EBIT margin and EBIT growth. The target performance level serves as the basis for the calculation of the number of Ordinary Shares conditionally awarded to employees under the PSU Plan. The extent to which the conditionally awarded Ordinary Shares vest is determined by comparing the Group's performance over the relevant three-year performance period against the pre-set EBIT margin and EBIT growth goals ranging from 25% to 150%. In 2012, no Ordinary Shares were conditionally awarded under the PSU Plan. As at 31 December 2012, 244,770 Ordinary Shares had been conditionally awarded and since the start of the PSU Plan 74,900 Ordinary Shares have been issued to employees under the PSU Plan.

Under the SBM Offshore Annual Bonus Plan, bonuses are awarded to senior managers. Individual eligibility is determined by the Management Board. Senior managers have the option of voluntarily opting for up to 20% of the bonus in Ordinary Shares instead of cash payment, with a matching component. The Matching Ordinary Shares are conditionally awarded and vest on the third anniversary of the date on which the bonus Ordinary

Shares were conditionally awarded, subject to continued employment until the end of such vesting period. As at 31 December 2012, 147,740 Matching Ordinary Shares had been conditionally awarded.

Under the share option plan terminated in 2008, which was applicable before the introduction of the PSU Plan and RSU Plan in 2009, at 31 December 2012 a total number of 1,455,100 options on Ordinary Shares were outstanding at an exercise price of EUR 25.82 per Ordinary Share. The expiry date for these options is 15 May 2013.

15.7 Potential conflicts of interest

There are no arrangements or understandings in place with major shareholders, customers, suppliers or others, pursuant to which any member of the Management Board or the Supervisory Board was appointed.

The Company is not aware of any potential conflicts between any duties of the members of the Management Board or the Supervisory Board and their private interests or other duties, other than the potential conflict of interest between the Company and Mr Cremers, Mr Deckers and Mr Ehret, respectively. Mr Cremers is a member of the Supervisory Board and also a member of the supervisory board of Parcom Capital Management B.V., who acquired GustoMSC from the Group on 28 November 2012. Mr Cremers notified the Management Board, the Supervisory Board and the management of Parcom of his potential conflict of interest. Mr Cremers has not been involved in the discussions regarding the transaction. He furthermore did not participate in the approval process as a member of the Supervisory Board nor as a member of the supervisory board of Parcom Capital Managent B.V. Mr Deckers is a member of the Supervisory Board and was until 1 February 2013 also the Chief Executive Officer of Van Lanschot N.V., a financial institution established in the Netherlands. Kempen & Co., a subsidiary of Van Lanschot N.V. has acted as adviser of the Company and may be retained as adviser for future transactions. Mr Deckers informed the Supervisory Board that "Chinese walls" are in place within the bank and that he has not been involved in the advisory services performed by Kempen & Co. Mr Ehret is a member of the Supervisory Board and is also the deputy-chairman of the board of Dockwise Ltd., a supplier of logistical services for large and heavy structures, a member of the supervisory board of Huisman Equipment B.V., an offshore equipment design and manufacturing company, and the chairman of the board the Harkand Group, a supplier of subsea inspection, repair and maintenance services as well as light construction, construction support and survey services. In the event of any perceived conflict of interest during the discussion of agenda points relating to Dockwise Ltd., Huisman Equipment B.V. or Harkand Group, Mr. Ehret does not participate in such discussions.

15.8 Liability of the members of the Management Board and the Supervisory Board, indemnification and insurance

Under Dutch law, members of the Management Board and the Supervisory Board may be liable towards the Company for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages towards the Company and towards third parties for breach of the Articles of Association or of certain provisions of the Dutch Civil Code. In certain circumstances, they may also incur additional specific civil and criminal liabilities.

The Articles of Association provide that, unless Dutch law provides otherwise, the members of the Management Board and the Supervisory Board as well as former members of the Management Board and the Supervisory Board will be indemnified for: (i) the reasonable costs of conducting a defence against claims based on acts or failures to act in the exercise of their duties or any other duties currently or previously performed by them at the Company's request and (ii) any damages or fines payable by them as a result of an act or failure to act as referred to under (i) and (iii) the reasonable costs of appearing in other legal proceedings in which they are involved as a member of the Management Board or Supervisory Board or as a former member of the Management Board or Supervisory Board, with the exception of proceedings primarily aimed at pursuing a claim on their own behalf.

The members of the Management Board and the Supervisory Board or former members of the Management Board and the Supervisory Board shall not be entitled to be indemnified if and to the extent that (a) it has been established by the competent Dutch court in a final and conclusive decision that the act or failure to act of the person concerned may be characterised as wilful misconduct (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless Dutch law provides otherwise or this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness or (b) the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss.

Members of the Management Board, the Supervisory Board and other directors and officers are insured under an insurance policy under standard market terms and conditions taken out by the Company against damages resulting from their conduct when acting in the capacities as such members or officers. This policy contains limitations and exclusions, such as wilful misconduct or intentional recklessness (*opzet of bewuste roekeloosheid*).

15.9 Other information in relation to members of the Management Board and the Supervisory Board

The Company is not aware of: (i) any convictions of members of the Management Board or the Supervisory Board for fraud or fraud-related offences in the last five years; (ii) any bankruptcies, receiverships or liquidations of any entities with which members of the Management Board or the Supervisory Board were associated in the last five years other than liquidation of companies within the Group in the ordinary course of business; or (iii) any official public incrimination and/or sanctions of any members of the Management Board or the Supervisory Board by statutory or regulatory authorities (including designated professional bodies) or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.

15.10 Employees

The table below sets out the number of permanent and contract FTEs employed by the Group as at 31 December 2012, 2011 and 2010.

Number of FTEs	**31 December 2012**	**31 December 2011**	**31 December 2010**
Permanent employees	5,893	4,655	4,114
Contract employees	1,600	1,565	1,644
Total number of FTEs	**7,493**	**6,220**	**5,758**

The table below sets out the number of permanent FTEs employed by the Group per segment as at 31 December 2012, 2011 and 2010 as well as the average number of FTE employees employed by the Group during the last three years.

By business segment:	**Average 2012**	**31 December 2012**	**Average 2011**	**31 December 2011**	**Average 2010**	**31 December 2010**
Lease and Operate	1,528	1,665	1,314	1,390	1,170	1,237
Turnkey	3,531	4,012	2,858	3,049	2,412	2,667

Systems (including other)						
Turnkey Services	216	216	213	216	205	210
Total	**5,275**	**5,893**	**4,385**	**4,655**	**3,787**	**4,114**

The table below sets out the number of permanent and contract FTEs employed by the Group per geographic location as at 31 December 2012, 2011 and 2010.

By geographical area:	**31 December 2012**	**31 December 2011**	**31 December 2010**
Schiedam, The Netherlands	567	635	621
Houston, US	541	527	612
Kuala Lumpur, Malaysia	604	443	381
Monaco, Monaco	1,366	1,613	1,170
Marly, Switzerland	26	27	24
Worldwide offshore fleet	1,778	1,656	1,618
Construction sites	2,299	976	1,121
Shore bases	312	343	211
Total	**7,493**	**6,220**	**5,758**

15.11 Pension schemes

The Group has both defined benefit and defined contribution schemes which are established in accordance with the relevant regulations and practice in each of its regions. The schemes are generally funded through payments to insurance companies. The payments in each case are determined by periodic actuarial calculations.

The majority of the employees participate in a defined contribution scheme. A defined contributions scheme is a pension scheme under which the relevant Group Company pays fixed contributions to an insurance company or pension fund and has no legal or constructive obligations to pay further contributions if the fund or insurance company fails to maintain sufficient assets to pay all present and future pension benefits.

In Switzerland, a small collective defined benefit scheme is in place for a limited number of employees. A defined benefit scheme is a pension scheme defining the amount of pension benefits that an employee will receive on retirement, usually dependent upon factors such as age, years of service and compensation.

15.12 Works council and employee representation bodies

The Group has established a works council at the level of SBM Schiedam B.V. In the Netherlands, a works council is a representative body of the employees of a Dutch business and its members are elected by the employees. The management board of any company that runs a business with a works council must seek the non-binding advice of the works council before implementing certain decisions with respect to the business, such as those related to a major restructuring, intended acquisitions or divestments, a change of control, or the appointment or dismissal of a member of the management board. If the decision to be implemented is not in line with the advice of the works council, the implementation of the relevant decision must be suspended for one month, during which period the works council may appeal against the decision at the Enterprise Chamber of the Amsterdam Court of Appeal. Certain other decisions directly involving employment conditions that apply either to all employees or to certain groups of employees may only be taken with the works council's consent. In the absence of such prior consent, the decision may nonetheless be taken with the prior consent of the sector cantonal of the district court.

In addition to the rights of a works council described above, the works council of SBM Schiedam B.V. has the right to be informed by the Supervisory Board of any forthcoming vacancy in the Supervisory Board and to make a non-binding recommendation to the Supervisory Board in respect of a potential new member of the Supervisory Board to fill such vacancy. If the Supervisory Board does not follow the recommendation from the works council of SBM Schiedam B.V., the Supervisory Board will inform the works council of the reasons for its decision. The Supervisory Board strives to have at least one member on the Supervisory Board who is appointed at the recommendation of the works council or is deemed to have the works council's confidence.

In accordance with Monegasque law, employee delegates have been elected at the level of Single Buoy Moorings Bureau d'Etudes S.A.M., SBM Offshore Contractors Bureau d'Etudes S.A.M., Offshore Energy Development Corporation S.A.M. and Floating Production Services S.A.M. In Monaco, the employee delegates represent the employees of a Monegasque company and the delegates and their substitutes are elected annually by the employees. The number of delegates for a Monegasque company depends upon the number of persons employed by that Monegasque company.

The employee delegates are responsible for submitting unsatisfied individual or collective claims of employees relating to the application of wage rates, professional grading or the application of legislation, health, safety and social security to the Monegasque employer. The employee delegates must furthermore inform the Monegasque Labour Inspection Authority of any complaint or observation related to the implementation of legislation by the Monegasque employer and assist any employee requesting for such assistance during a suspension or dismissal procedure. Together with the Monegasque employer, the employee delegates also have to manage the functioning of any social institution, such as the social fund required by Monegasque law for funding social activities for employees of the relevant Monegasque company. For such purposes, the employee delegates hold monthly meetings with the managing director and the human resources director of the relevant Monegasque Group Company. Extraordinary meetings can be held in the event of urgent personnel related matters.

15.13 Trade unions

Throughout the Group several collective and Group Company specific labour agreements are in force. These agreements tend to be negotiated with trade unions. The duration of the agreements varies. For example, in Brazil the Brazilian Group Companies have agreed on a collective labour agreement for offshore workers in Brazil as well as a specific labour agreement for the Brazilian Group Companies with the Sindicato dos Trabalhadores Offshore do Brasil (SINDITOB). The Company believes that its relations with its workforce and the trade unions are good.

16. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

16.1 Major shareholders

The table below sets out certain information as at the date of this Prospectus concerning the ownership of Shares of each holder with a 5% or larger interest in the capital of the Company or 5% or more of the voting rights. The information is based on public filings in the register of substantial shareholdings kept by the AFM.

Name	Type of shares	Type of interest	Number of Shares	% of share capital	Number of votes	% of voting rights	Date notification
HAL Trust	Ordinary Shares	Indirect	25.152.814,00	13.3%	25.152.814,00	13.3%	20-12-2012
Sprucegrove Investment Management Limited	Ordinary Shares	Direct	8,636,128	5.02%	8,636,128	5.02%	05-11-2012
Stichting Continuïteit SBM Offshore N.V.	Call option on Preference Shares	Direct	94,606,167	50.00%	94,606,167	50.00%	01-11-2006

Except as disclosed above, the Company is not aware of any person who, as of the date of this Prospectus, directly or indirectly, has a beneficial interest of 5% or more in the Company's share capital. The Company's major Shareholders do not have other voting rights than other holders of Ordinary Shares. The Company is not aware of any party, or any parties acting in concert, that directly or indirectly control the vote at any General Meeting, nor is the Company aware of any arrangement the operation of which may result in a change of control of the Company.

16.2 Related party transactions

The Company's related parties include joint ventures, the Management Board and the Supervisory Board. The Company is not aware that any related party has an interest in any material transaction to which the Company is a party since 1 January 2010, or in any transactions which the Company entered into prior thereto and under which the Company or the other parties still have ongoing obligations, other than those listed below. The transactions listed below are on an arm's lengths basis.

Joint ventures

The Group carries out a substantial amount of its activities through joint ventures. As at 31 December 2012, the Group participated in 53 joint venture companies and/or branches. See "Business Overview – Key elements of the Group's business model – Joint ventures".

Management Board and Supervisory Board

The remuneration paid to members of the Management Board and the Supervisory Board and the pension arrangements for the members of the Management Board are set out in "Management Board, Supervisory Board and Employees". No other business transactions with members of the Management Board and the Supervisory Board exist.

Underwriting Agreement

The Company and HAL entered into the Underwriting Agreement. See "The Offering – Underwriting Agreement".

17. TAXATION IN THE NETHERLANDS

17.1 Introduction

The following summary outlines certain principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of the Offer Securities, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Offer Securities.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

(a) holders of Shares holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Company and holders of Shares of whom a certain related person holds a substantial interest in the Company. Generally speaking, a substantial interest in the Company arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Company or of 5% or more of the issued capital of a certain class of shares of the Company, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Company;

(b) investment institutions (*fiscale beleggingsinstellingen*);

(c) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax;

(d) persons to whom the Shares or Offer Securities and the income therefrom are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*); and

(e) corporate holders of Shares qualifying for the participation exemption (*deelnemingsvrijstelling*). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5% or more of the nominal paid-up share capital.

(f) Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

17.2 Dividend Tax

Withholding Requirement

The Company is required to withhold 15% Netherlands dividend tax in respect of dividends paid on the Offer Shares. Under the Netherlands Dividend Tax Act 1965 (*Wet op de dividendbelasting 1965*), dividends are defined as the proceeds from shares, which include:

(a) direct or indirect distributions of profit in cash or in kind;

(b) liquidation proceeds, proceeds on redemption of the Offer Shares and, as a rule, the consideration for the repurchase of the Offer Shares by the Company in excess of its average paid-in capital recognised for Netherlands dividend tax purposes, unless a particular statutory exemption applies;

(c) the par value of Offer Shares or other Shares issued to a holder of the Offer Shares or an increase of the par value of the Offer Shares to the extent that no contribution as recognised for Netherlands dividend tax purposes has been made or will be made; and

(d) partial repayments of paid-in capital for tax purposes, if and to the extent there are qualifying profits (*zuivere winst*), unless the general meeting of the shareholders of the Company has resolved in advance to make such repayment and provided that the nominal value of the Offer Shares concerned has been reduced by an equal amount by way of an amendment of the articles of association and the paid-in capital is recognised as capital for Netherlands dividend tax purposes.

Rights issued by the Company should not be subject to Netherlands dividend withholding tax.

Residents of the Netherlands

If a holder is a resident of the Netherlands, Netherlands dividend tax which is withheld will generally be creditable for Netherlands corporate income tax or Netherlands income tax purposes if the holder is the beneficial owner (as described below) thereof.

Non-residents of the Netherlands

If a holder is a resident of a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and such holder is the beneficial owner (as described below) of the proceeds from the Offer Shares and a resident for the purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund in whole or in part of the Netherlands dividend tax.

A refund of the Netherlands dividend tax is available to entities resident in another Member State, Norway, Iceland, or Liechtenstein provided these entities (i) are not subject to corporate income tax there and (ii) would not be subject to Netherlands corporate income tax, if they were tax resident in the Netherlands and (iii) are not comparable to investment institutions (*fiscale beleggingsinstellingen*) or exempt investment institutions (*vrijgestelde beleggingsinstellingen*). Furthermore, a similar refund of Netherlands dividend tax may be available to entities resident in other countries, under the additional condition that (i) the Offer Shares are considered portfolio investments and (ii) the Netherlands can exchange information with this other country in line with the international standards for the exchange of information.

Beneficial Owner

A recipient of proceeds from the Offer Shares will not be entitled to any exemption, reduction, refund or credit of Netherlands dividend tax if such recipient is not considered to be the beneficial owner of such proceeds. The recipient will not be considered the beneficial owner of these proceeds, if, in connection with such proceeds, the recipient has paid a consideration as part of a series of transactions in respect of which it is likely:

(a) that the proceeds have in whole or in part accumulated, directly or indirectly, to a person or legal entity that would:

    (i) as opposed to the recipient paying the consideration, not be entitled to an exemption from dividend tax; or

    (ii) in comparison to the recipient paying the consideration, to a lesser extent be entitled to a reduction or refund of dividend tax; and

(b) that such person or legal entity has, directly or indirectly, retained or acquired an interest in Offer Shares, profit-sharing certificates or loans, comparable to the interest it had in similar instruments prior to the series of transactions being initiated.

Netherlands Withholding Tax upon Redistribution of Foreign Dividends

Provided certain conditions are met, the Company may retain part of the Netherlands withholding tax imposed on certain qualifying dividends distributed by the Company, if the Company has itself received dividends from certain qualifying non-Netherlands Group Companies, which dividends were subject to withholding tax of at least 5% upon distribution to the Company. The Netherlands withholding tax which the Company may retain is equal to the lesser of:

(a) 3% of the amount of the dividends distributed by the Company that are subject to withholding tax; and

(b) 3% of the gross amount of the dividends received during a certain period from the qualifying non-Netherlands Group Companies.

The reduction is applied to the Netherlands dividend tax that the Company must pay to the Netherlands tax authorities and not to the amount of the Netherlands dividend tax that the Company must withhold.

17.3 Corporate and Individual Income Tax

Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Offer Securities are attributable, income derived from the Offer Shares and gains realised upon the redemption or disposal of the Offer Shares and/or Rights are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual who has opted to be taxed as a resident of the Netherlands), income derived from the Offer Shares and gains realised upon the redemption or disposal of the Offer Securities are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), if:

(a) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Offer Securities are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Offer Securities are attributable; or

(b) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance by the individual of activities with respect to the Offer Securities that exceed regular, active portfolio management (*normaal actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies, an individual that holds the Offer Securities must determine taxable income with regard to the Offer Securities on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Offer Securities will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

Non-residents of the Netherlands

If a person is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such person is not liable for Netherlands income tax in respect of income derived from the Offer Securities and gains realised upon the redemption or disposal of the Offer Securities, unless:

(a) the person is not an individual and such person (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative the Offer Securities are attributable, or (2) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Offer Securities are attributable. This income is subject to Netherlands corporate income tax up to a maximum rate of 25%;

(b) the person is an individual and such individual (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Offer Securities are attributable, or (2) realises income or gains with respect to the Offer Securities that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands with respect to the Offer Securities which exceed regular, active portfolio management (*normaal actief vermogensbeheer*), or (3) is (other than by way of securities) entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Offer Securities are attributable.

    Income derived from the Offer Securities as specified under (1) and (2) by an individual is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of the share in the profits of the enterprise (which includes the Shares) will be part of the individual's Netherlands yield basis.

17.4 Gift and Inheritance Tax

Residents of the Netherlands

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Offer Securities by way of a gift by, or on behalf of, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled and is subject to Netherlands gift and inheritance tax if the donor is, or is deemed to be, a resident of the Netherlands at that time.

A holder of Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a gift within a 12-month period after leaving the Netherlands. The same 12-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Offer Securities by way of a gift by, or as a result of, the death of, a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Offer Securities by, or on behalf of, a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

17.5 Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Offer Securities or in respect of a cash payment made under the Offer Securities, or in respect of a transfer of Offer Securities.

17.6 Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Offer Securities.

18. GENERAL INFORMATION

18.1 The Company

The Company was incorporated on 21 September 1965 and is registered in the trade register of the Chamber of Commerce in Rotterdam, the Netherlands under number 24233482. The Company's registered address is Karel Doormanweg 66, 3115 JD Schiedam, the Netherlands. The telephone number of its registered office is +31 (0)10 232 09 00 and its fax number is +31 (0)10 232 09 99.

18.2 Corporate resolutions

On 2 April 2013, the General Meeting authorised the Management Board, subject to the approval of the Supervisory Board, to grant the Rights and to issue the Offer Shares and to validly exclude the statutory pre-emption rights (*wettelijke voorkeursrechten*) of holders of Ordinary Shares in relation to the Offering.

On 29 March 2013, the Management Board resolved, subject to the approval of the Supervisory Board, to grant the Rights and to issue the Offer Shares and to validly exclude the statutory pre-emption rights (*wettelijke voorkeursrechten*) of holders of Ordinary Shares in relation to the Offering. The Supervisory Board approved, ratified and confirmed the aforementioned resolution of the Management Board on 2 April 2013.

18.3 Statement of no significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2012 up to the date of this Prospectus.

18.4 Group Structure

The Company is a holding company. The principal assets of the Company are the equity interests it directly or indirectly holds in its (sub)holding and operating Group Companies. As a result, the Company is dependent on loans, dividends and other payments from its Group Companies to generate the funds necessary to meet its financial obligations, including the payment of dividends. See "Dividends and Dividend Policy".

Legal structure

The legal structure of the Group consists of over 150 Group Companies in 23 jurisdictions. The simplified legal structure chart included below presents the structure of the Group's main operating Group Companies as at the date of the Prospectus.

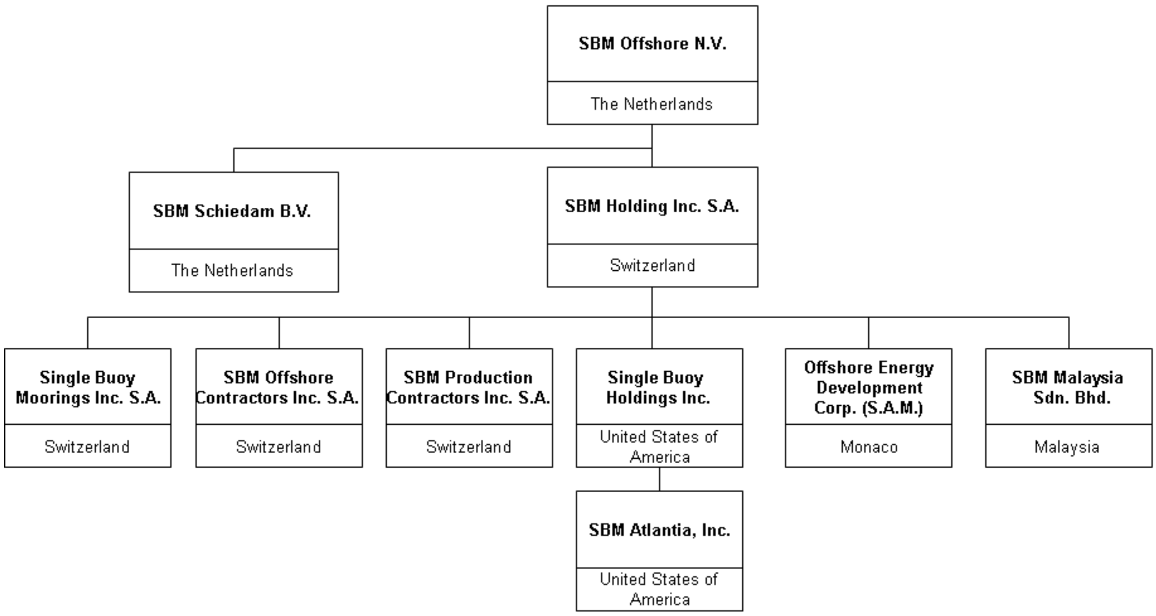

Figure 18: Simplified legal structure chart as at the date of the Prospectus

18.5 Overview of Group Companies

The following table provides an overview of the material Group Companies as at 31 December 2012.

Name	**Country of incorporation**	**Percentage of capital and voting rights held by the Company (directly or indirectly)**
SBM Schiedam B.V.	Netherlands	100%
SBM Holding Inc. S.A.	Switzerland	100%
Single Buoy Holdings Inc.	US	100%
SBM Malaysia Sdn. Bhd.	Malaysia	100%
SBM Atlantia Inc.	US	100%

The following table provides an overview of all the Group Companies as at 31 December 2012.

Name	Country of incorporation	Percentage of capital and voting rights held by the Company (directly or indirectly)
Angola		
PAENAL Porto Amboim Estaleiro Navais LDA	Angola	30%
Bahamas		
Comopco Ltd.*	Bahamas	100%
Gas Management (Congo) Ltd.	Bahamas	49%
SBM Bahamas Ltd.	Bahamas	100%
SBM TII Ltd.	Bahamas	100%
Bermuda		
Accord Ltd.*	Bermuda	100%
Anchor Storage Ltd.	Bermuda	49%
B.E. Storage Ltd.*	Bermuda	100%
Ballina Ltd.*	Bermuda	100%
Bauhinia Ltd.*	Bermuda	100%
Brazilian Deepwater Floating Terminals Ltd.*	Bermuda	51%
Brazilian Deepwater Production Contractors Ltd.	Bermuda	51%
Brazilian Deepwater Production Ltd.	Bermuda	51%
Equator International Training Company Ltd.	Bermuda	30%
Guara Norte Holding Ltd.	Bermuda	62%
OPS Production Ltd.	Bermuda	50%
OPS-Serviços de Produção de Petroleos Ltd.	Bermuda	50%
Protrack Shipping Ltd.	Bermuda	100%
Sakhalin Marine Ltd.*	Bermuda	100%
Sakhalin Storage Ltd.*	Bermuda	100%
SBM Arctic Ltd.	Bermuda	100%
SBM Mopustor YME Ltd.	Bermuda	100%
SBM Ship Yard Ltd.	Bermuda	33.33%
SBM Sirte Ltd.	Bermuda	100%
SNV Offshore Ltd.	Bermuda	50%
Sonasing Kuito Ltd.	Bermuda	50%
Sonasing Mondo Ltd.	Bermuda	50%
Sonasing Sanha Ltd.	Bermuda	50%
Sonasing Saxi Batuque Ltd.	Bermuda	50%
Sonasing Xikomba Ltd.	Bermuda	50%
South East Shipping Co. Ltd.	Bermuda	75%
Theseus Ltd.*	Bermuda	100%
Tupi Nordeste Ltd.*	Bermuda	50.5%
Tupi Nordeste Holding Ltd.	Bermuda	50.5%
Brazil		

Name	Country of incorporation	Percentage of capital and voting rights held by the Company (directly or indirectly)
Brasil Superlift Servicos de Icamento Ltda.	Brazil	100%
Estaleiro Brasa Ltda.	Brazil	50%
Guara Norte Operacoes Maritimas Ltda.	Brazil	62%
Operações Maritimas em mar Profundo Brasileiro Ltda	Brazil	100%
SBM Capixaba Operações Maritimas Ltda	Brazil	80%
SBM do Brasil Ltda	Brazil	100%
SBM Frade Servicos Maritimos Ltda	Brazil	100%
SBM Indūstria Maritima Ltda	Brazil	100%
SBM Jubarte Operações Maritimas Ltda	Brazil	100%
SBM Offshore do Brasil Ltda	Brazil	100%
SBM Operações Ltda	Brazil	48%
SBM Produções Offshore Ltda	Brazil	100%
SBM Serviços Ltda	Brazil	100%
Singlebuoy Participações Ltda	Brazil	100%
Tupi Nordeste Operacoes Maritimas Ltda	Brazil	50.5%
Canada		
SBM Canada Inc.*	Canada	100%
SBM Nova Scotia Contractors Inc.	Canada	100%
Cayman Islands		
Aseng Production Company Ltd.	Cayman Islands	60%
Gepsing Ltd.	Cayman Islands	60%
SBM Investment Inc.	Cayman Islands	100%
SBM Production Inc.	Cayman Islands	100%
SBM RSP Inc.	Cayman Islands	100%
China		
SBM Oil and Gas Consultants (Guangzhou) Ltd.	China	100%
Cyprus		
Unity Shipping Co. Ltd.*	Cyprus	99.99%
Vasilikos LNG Limited*	Cyprus	51%
Hong Kong		
SBM Hong Kong Ltd.	Hong Kong	100%
Indonesia		
PT Single Buoy Moorings Indonesia	Indonesia	95%
Liberia		
China Offshore Systems Inc.*	Liberia	100%
Ocean Seaway Corporation*	Liberia	100%
SEP International Co. Ltd.	Liberia	100%
Terminal Installations Inc.*	Liberia	100%

Name	Country of incorporation	Percentage of capital and voting rights held by the Company (directly or indirectly)
TII Marine Inc.	Liberia	100%
Luxembourg		
Guara Norte S.a.r.l.	Luxembourg	62%
Pelican Assets S.a.r.l.	Luxembourg	100%
SBM Baleia Azul S.a.r.l.	Luxembourg	100%
Tupi Nordeste S.a.r.l.	Luxembourg	50.5%
Malaysia		
Malaysia Deepwater Floating Terminal (Kikeh) Limited	Malaysia	49%
Malaysia Deepwater Production Contractors Sdn Bhd	Malaysia	49%
NKI Enterprise (Malaysia) Sdn Bhd*	Malaysia	100%
SBM Engineering Sdn Bhd	Malaysia	100%
SBM IPC Sdn Bhd	Malaysia	100%
SBM Malaysia Sdn Bhd	Malaysia	100%
SBM Offshore Contractors Sdn Bhd	Malaysia	49%
Mauritius		
Southern Offshore Energy Design Corporation*	Mauritius	100%
Monaco/France		
Floating Production Services S.A.M.	Monaco	100%
L'Alizé S.C.I.	Monaco	100%
Le Concorde S.C.I.	Monaco	100%
Offshore Energy Development Corporation S.A.M.	Monaco	100%
SAM L'Edelweiss	Monaco	100%
SBM France S.A.S.U.	France	100%
SBM Offshore Contractors Bureau d'Etudes S.A.M.	Monaco	97%
Single Buoy Moorings Bureau d'Etudes S.A.M.	Monaco	100%
Single Buoy Moorings Tempower S.A.M.	Monaco	100%
Solgaz S.A.	France	49%
The Netherlands		
B.V. Avanti II*	The Netherlands	100%
Expl.mij van onroerende goederen WENO B.V.*	The Netherlands	100%
FPSO Capixaba Holding B.V.	The Netherlands	100%
Gusto Ontwikkeling en Beheer B.V.	The Netherlands	100%
Gusto Projects B.V.	The Netherlands	100%
Ijsselwerf Projects B.V.*	The Netherlands	100%
NKI Aviobridge B.V.*	The Netherlands	100%

Name	Country of incorporation	Percentage of capital and voting rights held by the Company (directly or indirectly)
Rang Dong Production B.V.*	The Netherlands	100%
SBM Espirito do Mar B.V.	The Netherlands	100%
SBM Gusto B.V.*	The Netherlands	100%
SBM Holland B.V.	The Netherlands	100%
SBM Inter (Nederland) B.V.*	The Netherlands	100%
SBM Inter Holding B.V.	The Netherlands	100%
SBM Schiedam B.V.	The Netherlands	100%
Scheepswerf Zwijndrecht B.V.*	The Netherlands	100%
Tantawan Production B.V.*	The Netherlands	100%
Van der Giessen-de Noord Marinebouw Division B.V.*	The Netherlands	100%
Van der Giessen-de Noord Maritime Services B.V.*	The Netherlands	100%
Van der Giessen-de Noord N.V.*	The Netherlands	100%
Van der Giessen-de Noord Shipbuilding Division B.V.*	The Netherlands	100%
Verolme Scheepswerf Alblasserdam B.V.*	The Netherlands	100%
XNK Industries B.V.	The Netherlands	100%
Nigeria		
FPSO Mystras (Nigeria) Ltd.*	Nigeria	50%
GEC Shipyards and Marine Contractors (Africa) Ltd.	Nigeria	10%
Niger Offshore Services Ltd.	Nigeria	58%
Protrack Shipping (Nigeria) Ltd.	Nigeria	100%
SBM Marine (Nigeria) Ltd.	Nigeria	60%
SBM Services (Nigeria) Ltd.	Nigeria	58%
Panama		
SBM Diamond Venture S.A.	Panama	100%
SBM Gas Project S.A.*	Panama	100%
TII Panama Inc.*	Panama	100%
Portugal (Madeira)		
FPSO Firenze Produção de Petróleo Ltda.	Portugal (Madeira)	50%
FPSO Mystras – Produção de Petróleo Ltda.	Portugal (Madeira)	50%
Singapore		
SBM Asia Services Pte Ltd.	Singapore	100%
SBM Sealion Shipping Pte Ltd.*	Singapore	100%
SBM Seashell Shipping Pte Ltd.*	Singapore	100%
Switzerland		
Advanced Deep Sea Installation Inc.	Switzerland	49.9%
Floating Storage Inc. S.A.*	Switzerland	100%
FPSO Brasil Venture S.A.	Switzerland	48%
FPSO Capixaba Venture S.A.	Switzerland	80%

Name	Country of incorporation	Percentage of capital and voting rights held by the Company (directly or indirectly)
Normand Installer S.A.	Switzerland	49.9%
SBM Deep Panuke S.A.	Switzerland	100%
SBM Espirito do Mar Inc.	Switzerland	80%
SBM Group Operations S.A.*	Switzerland	100%
SBM Holding Inc. S.A.	Switzerland	100%
SBM Installer S.A.	Switzerland	100%
SBM Offshore Contractors Inc. S.A.	Switzerland	100%
SBM Offshore Services Inc.	Switzerland	100%
SBM Production Contractors Inc. S.A.	Switzerland	100%
SBM Seatech Inc.	Switzerland	100%
SBM Services Inc.	Switzerland	100%
SBM Systems Inc.	Switzerland	51%
SBM Thunder Hawk S.A.	Switzerland	100%
SBM Tiro & Sidon S.A.	Switzerland	100%
Single Buoy Moorings Inc. S.A.	Switzerland	100%
Tempower Inc.	Switzerland	100%
United Kingdom		
SBM Marine Ltd.	United Kingdom	100%
Single Buoy Moorings (UK) Ltd.	United Kingdom	100%
US		
Atlantia Corporation	US	100%
Atlantia Energy Corporation ~	US	100%
Atlantia Offshore Limited ~	US	100%
NKI Inc.*	US	100%
SBM Atlantia Inc.	US	100%
SBM Gulf Production Llc	US	100%
Seahorse Equipment Corporation	US	100%
Seastar Platform Partners Inc. ~	US	100%
Single Buoy Holdings Inc.	US	100%
Single Buoy Moorings of America Inc.	US	100%
Southern Mississippi Canyon Hub LLC.*	US	100%
Notes: *-The Group Companies marked by * are dormant and to be dissolved/in dissolution.* *-The Group Companies marked by ~ have no operational activities.* *-Please note that the percentages have been rounded off to whole percentages, unless the overview requires otherwise for majority purposes.*		

18.6 Availability of documents

For the life of this Prospectus, subject to applicable laws, the following documents (or copies thereof) will be available free of charge on SBM Offshore's website (www.sbmoffshore.com):

(a) this Prospectus and any supplement to this Prospectus (if any);

(b) the audited consolidated financial statements, including the notes thereto, for the financial year ended on 31 December 2012, 2011 and 2010; and

(c) the Articles of Association.

Copies of the consolidated financial statements and the Articles of Association are available free of charge at the Company's head office at Karel Doormanweg 66, 3115 JD Schiedam, the Netherlands, during normal business hours for the life of this Prospectus.

Copies of this Prospectus and any supplement to this Prospectus (if any) may be obtained at no cost from the date of this Prospectus at the Company's head office during normal business hours for the life of this Prospectus. This Prospectus can also be found electronically on the website of the AFM at www.afm.nl (Dutch residents only). In addition, a copy of this Prospectus may be obtained free of charge by sending a request in writing or by e-mail to ABN AMRO as Subscription, Listing and Paying Agent:

ABN AMRO Bank N.V.
Attn. Corporate Broking (HQ 7050)
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
E-mail: corporate.broking@nl.abnamro.com

18.7 Independent auditor

KPMG Accountants N.V. has audited the Company's consolidated financial statements for the years ended 31 December 2012, 2011 and 2010, and have issued unqualified auditors' reports thereon, which are incorporated by reference in this Prospectus. The independent auditors of the Company have no interest in the Group.

KPMG Accountants N.V. is an independent registered accounting firm. The address of KPMG Accountants N.V. is Fascinatio Boulevard 200-250, 3065 WB Rotterdam, PO Box 29174, 3001 GD Rotterdam, the Netherlands. The auditor, who signed on behalf of KPMG Accountants N.V., is a member of the Netherlands Insitute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

KPMG Accountants N.V. has given, and has not withdrawn, its consent to the inclusion or incorporation by reference of its reports in this Prospectus in the form and context.

18.8 Potential conflict of interest

The Joint Global Coordinators and the Subscription, Listing and Paying Agent, which are regulated in the Netherlands by the Dutch Central Bank (*De Nederlandsche Bank N.V.*) and the AFM, are acting exclusively for the Company and for no one else in relation to the Offering and the listing and trading of the Offer Shares and the trading of Rights and will not be responsible to anyone other than to the Company for giving advice in relation to, respectively, the Offering and the listing and trading of the Offer Shares and the trading of Rights.

The Joint Global Coordinators and the Subscription, Listing and Paying Agent (and/or their respective affiliates) have from time to time been engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary activities in the course of their business with the Company (or any parties related to the Company) for which they have received and may in the future receive customary compensation. Additionally, the Joint Global Coordinators and the Subscription, Listing and Paying Agent may, in the ordinary course of their business, have held and in the future may hold SBM Offshore's securities for investment. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures or by rules and regulations (including those issued by the AFM). As a result of these transactions, any Joint Global Coordinator and the Subscription, Listing and Paying Agent may have interests that may not be aligned, or could potentially conflict, with the interests of holders of Ordinary Shares, holders of Rights or with the interests of the Group.

ING and the Subscription, Listing and Paying Agent (and/or their affiliates) are currently lenders to the Company and bookrunning mandated lead arrangers under the Revolving Credit Facility and also a lender, facility agent and/or security trustee to the Group under certain project financing facilities. ING is furthermore the facility agent under the Revolving Credit Facility. As a lender, a bookrunning mandated lead arranger, and in the case of ING also as the facility agent, under the Revolving Credit Facility and a lender, facility agent and/or security trustee under certain project financing facilities, ING and the Subscription, Listing and Paying Agent have received and may continue to receive customary fees related to such services and received an arrangement fee in connection with the Revolving Credit Facility and such project financing facilities.

19. DEFINITIONS AND GLOSSARY

The following definitions are used throughout this Prospectus.

2010 PD Amending Directive	The Directive 2010/73/EU of the European Parliament and of the Council of the European Union amending European Union Directive 2003/71/EC, including all relevant implementing measures
AFM	The Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
Appointment and Remuneration Committee	The appointment and remuneration committee of the Supervisory Board
Articles of Association	The articles of association of the Company as they read on the date of this Prospectus
Audit Committee	The audit committee of the Supervisory Board
bareboat charter	A contract for the lease of a vessel without equipment and crew for a stipulated period of time
bbl/d	Barrels of oil per day
boe/d	Barrels of oil equivalent per day
Bonus Ordinary Shares	The Ordinary Shares awarded to members of the Management Board under the STI plan of the Group
CALM buoys	Catenary anchor leg mooring buoys
CET	Central European time
Closing Date	Expected 22April 2013
Code	The Dutch Corporate Governance Code (Nederlandse Corporate Governance Code) published by the Dutch Corporate Governance Committee on 9 December 2003, including amendments after that date
Company	SBM Offshore N.V.
Coordination Agreement	The coordination agreement entered into by the Company and the Joint Global Coordinators on 2 April 2013
deep water	More than 300 meters water depth
Dutch Civil Code	The Dutch Civil Code (*Burgerlijk Wetboek*) and rules promulgated hereunder
DWT	Deadweight tonnage

downstream	Activities related to crude oil or gas refining, sales and distribution
Dutch Financial Supervision Act	The Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder
Dutch Market Abuse Decree	The Dutch Decree on Market Abuse pursuant to the Dutch Financial Supervision Act (*Besluit Marktmisbruik Wft*)
DW	Douglas-Westwood
E&P	Exploration and production
Eligible Persons	A person as defined in "Selling and Transfer Restrictions"
EPC	Engineering, procurement and construction
EPCI	Engineering, procurement, construction and installation
EPCIC	Engineering, procurement, construction, installation and commissioning
EPS	Earnings per share
EUR or euro	The currency of the European Monetary Union
Euroclear	Euroclear Bank S.A./N.V. as operator of the Euroclear System
Euroclear Nederland	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. trading as Euroclear Nederland, the Dutch depository and settlement institute, a subsidiary of Euroclear
Euronext Amsterdam	NYSE Euronext in Amsterdam
Exercise Period	Period from 09:00 CET on 4 April 2013 until 15:00 CET on 17 April 2013
Foundation	Stichting Continuïteit SBM Offshore
FPSO	Floating production, storage and offloading vessel
FSO	Floating storage and offloading vessel
FTEs	Full-time equivalents
General Meeting	A general meeting of Shareholders
Group	SBM Offshore N.V. and its Group Companies
Group Company	A legal entity as referred to in Section 24b, Book 2, Dutch Civil Code
HAL	HAL Investments B.V.

HAL Associates	Certain associates of HAL as identified in the Underwriting Agreement
HSSE	Health, safety, security and environment
IEA	International Energy Agency
IFRS	International Financial Reporting Standards as adopted by the European Union
IHC Holland	Industriële Handels Combinatie Holland
IHS	IHS Inc.
IMA	International Maritime Associates
Independent Source	An independent industry publication, report by market research firm or another independent publication
Ineligible Jurisdictions	A jurisdiction as defined in "Selling and Transfer Restrictions"
Ineligible Person	A person as defined in "Selling and Transfer Restrictions"
ING	ING Bank N.V., acting through its corporate finance division
Issue Price	EUR 10.07 per Offer Share
Joint Global Coordinators	ING and Morgan Stanley
LNG	Liquefied natural gas
LTI	Long-term incentive
Management Board	The management board (*raad van bestuur*) of the Company
Management Board Rules	The internal regulations adopted by the Management Board regarding its functioning and internal organisation
Matching Ordinary Shares	The additional unrestricted matching Ordinary Shares awarded to members of the Management Board under the STI plan of the Group at the end of a three-year vesting period for every Bonus Ordinary Share held by such member of the Management Board (1:1 match)
Member State	A member state of the European Economic Area
mbbl	Thousand barrels
mmscf/d	Million standard cubic feet per day
MOPU	Mobile offshore production unit; a jack-up platform carrying oil, gas and water separation equipment

MOPUstor	Mobile offshore production unit with oil storage capacity; a jack-up platform carrying oil, gas and water separation equipment integrated with an oil storage tank located on the seabed
Morgan Stanley	Morgan Stanley & Co., International plc.
National Agency	Any government or representative of a government or any governmental, semi-governmental, supra-national, statutory, administrative, fiscal, taxation, regulatory or judicial body, department, commission, authority, tribunal, agency or entity or trade agency, including competition authorities
NOCs	National oil companies
Offering	The offer to subscribe for Offer Shares through the exercise of the Rights against the Issue Price
Offer Securities	Offer Shares and Rights
Offer Shares	18,914,221 new Ordinary Shares that will be offered in the Offering
Order Portfolio	The order portfolio (i) in the Lease and Operate segment consists of the non-discounted remaining estimated revenue value of signed contracts until the end of the relevant existing lease period (excluding extension options); and (ii) in the Turnkey Systems and Turnkey Services segments, consists of the remaining lump sum contract revenue values (including any variation orders and contract extensions) or reimbursable costs of the work to be performed
Ordinary Shares	The issued ordinary shares in the capital of the Company with a nominal value of EUR 0.25 each
P&TD	Product & technology development
Pareto	Pareto Securities
Performance Ordinary Shares	The Ordinary Shares awarded to members of the Management Board under the LTI plan of the Group
Preference Shares	Preference shares in the capital of the Company with a nominal value of EUR 0.25 each
Private Placement	Issue of the Private Placement Shares in a private placement to HAL on 20 December 2012 pursuant to the Underwriting Agreement
Private Placement Shares	17,111,757 new Ordinary Shares in the capital of the Company issued under the Private Placement
Project Facilities	Facilities entered into in connection with the financing of specific projects

Prospectus	This prospectus dated 3 April 2013
Prospectus Directive	European Union Directive 2003/71/EC of the European Parliament and of the Council of the European Union (and amendments thereto, including 2010 PD Amending Directive to the extent implemented in the Relevant Member State), including all relevant implementing measures
PSU Plan	The performance share unit plan of the Group
Record Date	3 April 2013
Relevant Member State	A Member State that has implemented the Prospectus Directive
Remaining Offer Shares	The Offer Shares that were issuable upon the exercise of Rights but that have not been validly subscribed for during the Exercise Period and any and all Offer Shares taken up but not paid for within three (3) trading days of the date for issuance of, payment for and delivery of the Offer Shares
Revolving Credit Facility	On 17 June 2010 certain members of the Group entered into a revolving credit facility with a syndicate of bank lenders in an aggregate amount of US$ 750 million
Rights	The transferable subscription rights granted to existing shareholders under the Offering for each Ordinary Share held on the Record Date, which will entitle Eligible Persons to subscribe for 1 (one) Offer Share for every 10 (ten) Rights held
RSU Plan	The restricted share unit plan of the Group
SBMO	Symbol under which the Ordinary Shares are listed on Euronext Amsterdam
SBM Offshore Annual Bonus Plan	The annual bonus plan of the Group
SBMOR	Symbol under which the Rights are listed on Euronext Amsterdam
Securities Act	The United States Securities Act of 1933, as amended
Shareholders	The holders of Ordinary Shares and/or Offer Shares
Shares	The Ordinary Shares and the Preference Shares
SPM	Single point mooring. A mooring system which enables the vessel to weathervane whilst it loads or unloads hydrocarbons, chemicals or fresh water. The two categories of SPMs are as follows: • a single point mooring buoy or tower that is designed for use by any trading tanker, and is thus independent of the vessel

	• a system, such as a turret mooring, that is incorporated within a vessel such as an FSO or FPSO
spread mooring	In the case of a spread moored FPSO, the tanker or process barge is moored in a fixed heading with anchor lines distributed over the bow and stern of the vessel to anchor points situated on the seabed. The heading is determined by the prevailing sea and weather conditions. The spread moored FPSO can only be used on locations where currents, waves and winds are very moderate or normally come from a prevailing direction. With this type of FPSO, no turret or swivel stack is required, as the vessel does not change heading in relation to the risers connecting the tanker with the wells on the seabed. To offload crude from a spread moored FPSO, a separate tanker loading facility should be provided as the shuttle tanker cannot safely moor in tandem to the FPSO due to changing current, wind and wave direction, possible interference with the FPSO anchor lines, and high risk of collision. The deep water CALM buoys have been designed as offloading facility for deep water spread moored FPSOs
STI	Short-term incentive
Strategy Plan	The Group's current strategy plan, adopted as of 31 December 2012, covering the years 2013 up to and including 2015
Subscription, Listing and Paying Agent	ABN AMRO Bank N.V.
Supervisory Board	The supervisory board (*raad van commissarissen*) of the Company
Supervisory Board Rules	The internal regulations adopted by the Supervisory Board regarding its functioning and internal organisation
swivel	Mechanical component consisting of a fixed and a rotating part, connected by means of a roller bearing and a sealing arrangement, allowing fluids to pass between the stationary and the weathervaning part of an SPM
Technical and Commercial Committee	The technical and commercial committee of the Supervisory Board
Talisman	Talisman Energy Norge AS and any of its associates
time charter	A contract for the lease of a fully-equipped and manned vessel for a stipulated period of time
TLP	Tension leg platform
Trading Day	A day on which trading may take place on Euronext Amsterdam
TSR	Total shareholder return

ultra deep water	More than 1,000 meters water depth
Underwriting Agreement	The underwriting agreement between the Company and HAL dated 20 December 2012
United States or **US**	The United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
upstream	Activities related to crude oil or gas E&P and transportation
WM	Wood Mackenzie
YME Agreement	A final and unconditional YME Solution, as recorded in a written agreement between the Company and any and all relevant other member(s) of the Group and Talisman and all underlying documentation in relation thereto, including the written agreement itself, all of which duly executed for and on behalf of Talisman Energy Norge AS and the Company, provided that the following condition precedents are permitted: (i) required approval of the relevant National Agency of the Kingdom of Norway and (ii) any technical or documentary condition precedents
YME Assets	The mobile offshore production unit (with storage tank) that is under construction for the lease by the Company to Talisman for use on the YME oil field on the North Sea (Norwegian continental shelf)
YME Joint Venture Partners	Lotos Exploration and Production Norge AS, Wintershall Norge AS and Norske AEDC AS and any of their associates
YME Solution	A settlement between the Group and Talisman with respect to the ongoing dispute in relation to the YME Assets.

COMPANY	
SBM Offshore N.V. Karel Doormanweg 66 3115 JD Schiedam The Netherlands	
LEGAL ADVISERS TO THE COMPANY	
Allen & Overy LLP Apollolaan 15 1077 AB Amsterdam The Netherlands	
INDEPENDENT AUDITORS	
KPMG Accountants N.V. Fascinatio Boulevard 200-250 3065 WB Rotterdam The Netherlands	
JOINT GLOBAL COORDINATORS	
ING Bank N.V. Bijlmerplein 888 1102 MG Amsterdam The Netherlands	**Morgan Stanley & Co., International plc.** 25 Cabot Square Canary Wharf London E14 4QA United Kingdom
LEGAL ADVISERS TO THE JOINT GLOBAL COORDINATORS	
International counsel **Davis Polk & Wardwell London LLP** 99 Gresham Street London EC2V 7NG United Kingdom	*Dutch counsel* **De Brauw Blackstone Westbroek N.V.** Claude Debussylaan 80 1082 MD Amsterdam The Netherlands
SUBSCRIPTION, LISTING AND PAYING AGENT	
ABN AMRO Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands	