SBM OFFSHORE

Annual Report
2011

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1 Overview

1.1 Message from the CEO

As I write, I have been with SBM Offshore for ten months, initially as Chief Operating Officer and, since January 1st 2012, as Chief Executive. One hundred days into the role, this is an apt moment to step back from the routine detail in the annual report, and share with you my assessment of this business and the strategic path we are setting for its future.

To lead SBM Offshore is one of the most exciting jobs in the industry. Through the skill of its engineers, and the Group's capacity to maintain a constant technological edge, SBM has become synonymous with one of the energy industry's most vital asset classes; the floating production storage and off-loading (FPSO) vessel. The global trend in oil and, to some degree, gas production is inexorably offshore and into ever more demanding ocean regions. FPSOs, uniquely, facilitate this shift. SBM has an exceptional opportunity to capitalise on this industry trend.

This then is our through-cycle strategy; to secure the business around our primacy in FPSOs. But in the next few months we must still resolve some profound challenges. To do so we must succeed in working as one team under a single SBM identity, in an aligned organisation with strong focus on corporate discipline. The executional difficulties of the legacy Yme project, against which we have had to take several significant provisions, aptly illustrate the vital need for change. Signally, Yme is not an FPSO – a reminder of the hazards of poor diversification and divided focus. To my mind such projects equally underline the imperative for SBM in future: to focus exclusively on our core competence, the FPSO.

The strategic plan that has now been established for the Group can be summarised in three common sense-steps: to work as one; to perform; to shape our own future. It's worth spelling out the vital need for each step.

SBM Offshore has grown tremendously in recent years, but an unintended side-effect has been the proliferation of ways of working as different teams around the Group have driven the business forward. But there is now an urgent need for organisational consistency and discipline. In particular, a severe challenge is posed by the scale and nature of risks that have emerged as the Group has helped lead our industry ever further offshore.

The accelerating complexity of facilities; the scale of investment; the doubling and tripling of the average FPSO contract life; the use of FPSOs as full life-of-field development systems; all have combined to demand a Group-wide re-appraisal of organisational structure and risk. All the changes required - including the readiness to accept a single set of systems across the Group - are what we mean by "working as one".

Secondly we have set the requirement "to perform". This is not in any way to disparage our track record. SBM has an outstanding and admirably long record of consistent delivery for clients in its core FPSO business. I am stressing that we dare not risk losing that reputation; rather, we must enhance it. The Group must never be let down by rogue projects, and the Company as a whole must perform financially, consistently.

Finally, we must "shape our own future". Complacency is one of the dangers of industry trends being in our favour. Historically, SBM's competitive advantages have been the quality of our engineers' skills and our leadership in key technologies. So we must continue to recruit the best people and invest in their training. Additionally, we must identify industry-defining technologies and devote the necessary financial and human

resource, through selected R&D, to maintain our edge over competitors.

Let me sum up what I expect of SBM Offshore in the year ahead. The senior team needs to perform, throughout our portfolio of projects, in line with our commitments. Critically, this demands resolution of the Yme challenge and the refocus of the business, under the direction of a single common management structure with absolute clarity of responsibility, on a product and service range related exclusively to our core competence of FPSOs.

Within a year, I expect everyone in the Company to understand and own these changes, as the keys to success. I expect us to be disciplined and for our performance to be assessed by reference to each individual's delivery– by their outputs, not their inputs. Then, with a new organisation under renewed branding, we will be able to take advantage of the extraordinary future that is developing in offshore oil and gas.

1.2 Company Profile

1.2.1 Introduction

SBM Offshore's business is to provide floating production solutions to the offshore energy industry, over the full product life-cycle. The Company is market leading in leased floating production systems, with 16 units currently in operation, and has an unrivalled experience in this field, over 140 cumulative years. In addition, the Company also provides floating production systems on a turnkey sale basis to clients.

Headquartered in Schiedam, the Company employs over 6200 people worldwide, who spread over five main execution centres, eight operational shore bases, several construction yards and the offshore fleet of vessels.

Overview of Operations

The Company's main activity is the design, supply, installation and operation of Floating Production, Storage and Offloading (FPSO) vessels. These are either owned and operated by the Company and leased to our clients, in which case the project is financed by the Company and any joint venture partners. Alternatively the Company also undertakes FPSO projects for clients on a turnkey sale basis, where these vessels may either be operated by the client, or operated by the Company under a separate service contract. In this case financing is provided by the client.

For projects where FPSOs are not the optimum development solution, the Company also has in its product portfolio a range of other floating production solutions. The Company has built over several years a large in-house engineering, procurement and project management capability, to ensure consistency from project to project, and so enable a continuous improvement process for enhancement of product quality.

Construction work is outsourced to leading shipyards in locations best suited to each specific project, and taking into account local content regulations where appropriate. The Company owns a share of the PAENAL construction yard in Angola, and has established a joint venture in Brazil to utilise the capacity of the BRASA yard in Rio de Janeiro, as part of our local content strategy.

The Company considers itself to be a Technology Leader in the industry, and is constantly working with clients to push the limits of existing products, and to develop new products to fill key technology gaps. This development work is now performed in each of the four main execution centres, and in the Company's dedicated R&D laboratory in France.

The Company's heritage lays in shallow water mooring terminals for loading and unloading of tankers. This remains an important product line for the Company, both for the supply and installation of new terminals, as well as the service, overhaul and repair of the large number of terminals already in service around the world.

1.2.1 Business Model

The Company generates profits from three distinct activities;

- Lease and operate of our fleet of floating production vessels on long term contracts to clients
- Turnkey sale of products to clients, and
- Installation, overhaul and repair services to Clients

The combined profits generated from all three areas supports payment of dividend while a significant part being re-invested as equity in new leased vessels to support growth of the fleet, which is a highly capital intensive activity. Operational feedback from the FPSOs in the fleet is an important input into further development and improvement of the core competencies i.e. engineering, project management, installation and operations.

1.2.2 Organisation

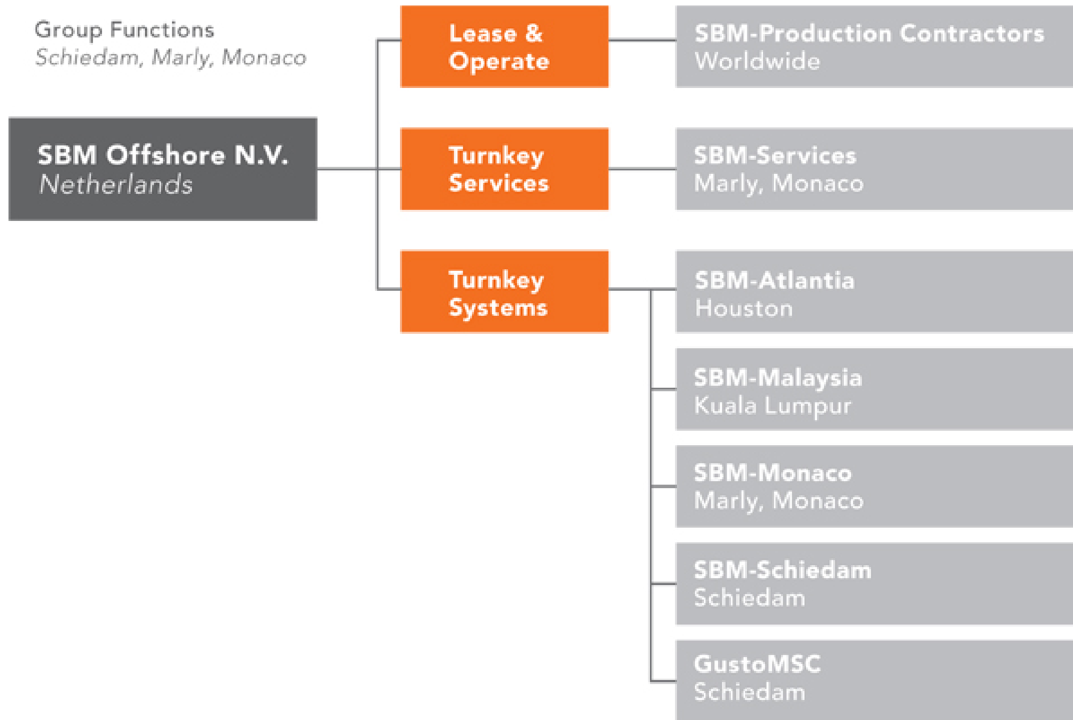
The Company operates through seven execution centres, each of which is managed by a Managing Director who is accountable for its performance. Its principles, rules and guidelines are clearly defined by Group Functions, and provide a clear framework for its execution activities. Managing Directors and Group Functions report to the Board of Management, individually and as members of the Executive Committee.

SBM Offshore

Four of the execution centres are located in Schiedam (Netherlands), Monaco (Monaco), Houston (USA) and Kuala Lumpur (Malaysia) and are responsible for Turnkey Systems activities (engineering and project management). Fleet Operations are managed by a separate execution centre in Monaco, using a decentralised organisational structure with strong emphasis on shore base operations on location. Turnkey Services activities are managed from several locations but centralised in Monaco.

GustoMSC

GustoMSC in Schiedam is managed as a separate business unit and operates under the GustoMSC brand. It provides proprietary designs under license and engineering support for all types of mobile units/vessels for the offshore industry, including the supply of associated equipment for the offshore industry.



1.2.3 Future focus

SBM Offshore's strategy is driven by a focus on core high-margin FPSO products, with growth anticipated in its lease fleet as well as in supply of FPSOs and FPSO edge technology. Through strategic and financial partnerships with IOCs, NOCs, local construction yards and financial parties, such as Mitsubishi Corporation, the Company continues to build a competitive edge that will help it secure business and growth in the coming decade. The Company also has a strong focus on technology development for FPSOs to meet the increased complexity and lifecycle of FPSO and related products.

In order to maintain high service standards and expand its market leading position, the Company remains focused on research, innovation and development of its products and services and the protection of its Intellectual Property.

1.3 Snapshot 2011

(US$ mln.)	2011	2010	Movement	%	Comment
Financial Results					
Net profit	(440.6)	276.0	(716.6)	(259.6%)	Yme and Deep Panuke platform impairments
Net profit per share (US$)	(2.77)	1.44	(4.21)	(292.4%)	Average number of shares slightly higher
Turnover	3,156.8	3,055.8	101.0	3.3%	Lease and Operate revenues increased
EBITDA	813.2	712.4	100.8	14.1%	Higher Turnkey Systems contribution
EBIT	(340.6)	362.4	(703)	(194.0%)	Yme and Deep Panuke impairments; Turnkey Systems and Services results up.
EBIT: Turnover (%)	(10.8)	11.9	(22.7)	(190.8%)	Yme and Deep Panuke impairments; Turnkey Systems and Services results up.
Capital expenditure	840.6	519.0	321.6	62.0%	Excludes investments in finance leases
Total Equity	1,349.0	2,123.4	(774.4)	(36.5%)	Net loss and hedge portfolio value decreased
Net cash	164.7	103.4	61.3	59.3%	Normal level
Net debt	1,958.5	1,644.4	314.1	19.1%	Lease fleet investments
Capital employed	3,354.3	3,877.7	(523.4)	(13.5%)	Equity decrease partially offset by higher net debt
Net Debt: Unadjusted EBITDA	2.41	2.49	(0.08)	(3.2%)	Within all bank covenants
Net Debt: Total equity (%)	145.2	80.6	64.6	80.1%	Increase amplified by hedge revaluations
EBITDA interest cover	16.3	8.8	7.5	85.2%	Lower interest charge
ROACE (%)	(9.5)	10.1	(19.6)	(194.1%)	Operating loss on lower average capital employed
ROE on shareholders' equity (%)	(28.2)	12.4	(40.6)	(327.4%)	Net loss on lower average equity
New orders:					
- Leases	3,163.5	1,966.9	1,196.6	60.8%	Includes two large FPSOs (finance leases) plus several lease extensions
- Turnkey Systems	5,014.7	2,301.7	2713	117.9%	Includes two large FPSOs (finance leases), one sale FPSO, two large turrets
- Turnkey Services	376.1	263.3	112.8	42.8%	One year of turnover equivalent
TOTAL	**8,554.3**	**4,531.9**	**4,022.4**	**88.8%**	
Backlog:					
- Leases	11,312.3	9,003.3	2,309.0	25.6%	Record level
- Turnkey Systems	5,329.8	2,302.7	3027.1	131.5%	Two years equivalent turnover
- Turnkey Services	270.0	195.5	74.5	38.1%	9 months of turnover
TOTAL	**16,912.1**	**11,501.5**	**5,410.6**	**47.0%**	**Record, good quality backlog**
Share price 31/12 (€)	15.92	16.765	(0.845)	(5.0%)	_
AEX-index	312.5	354.6	(42.1)	(11.9%)	_
Market capitalisation (€)	2,729.3	2,827.7	(98.4)	(3.5%)	Share price decrease
Market capitalisation (US$)	3,534.5	3,783.5	(249.0)	(6.6%)	US$ weakened against €
Proposed dividend (US$)	-	0.71	(0.71)	(100.0%)	_
Dividend Yield (%)	-	3.2	(3.2)	(100.0%)	_
Enterprise value (EV)	5,493.0	5,427.9	65.1	1.2%	Market capitalisation reduced; net debt increased
EV : EBITDA	6.8	7.6	(0.8)	(10.8%)	EBITDA growth

	2011	2010	Movement	%	Comment
HSS					
Fatalities	0	0			In line with target
LTIFR Offshore Production	0.04	0.10	(0.1)	(60.0%)	
TRI Offshore Production	28	26	2	7.7%	
TRIFR Offshore Production	1.00	0.87	0.13	14.9%	Target of TRIFR < 0.20
LTIFR Onshore Operations	0.12	0.06	0.06	100.0%	
TRI Onshore Operations	7	6	1	16.7%	Wider implementation of SIRS reporting System
TRIFR Onshore Operations	0.21	0.18	0.0	16.7%	Target of TRIFR < 0.20
Environment					
CO2 Emissions from Offshore Production in million of tonnes	1.923	2.076	(0.2)	(7.4%)	Xikomba disconnection and Capixaba first full year of production
GHG Emissions from Offshore Production in million of tonnes CO2 equivalent	2.074	2.139	(0.1)	(3%)	
Total hydrocarbon Production in million barrels of oil equivalent	161.2	147.8	13.4	9.1%	Capixaba first full year of production
Human Resources					
Total Employees	6,220	5,758	462	8.0%	Increase in permanent employees
Total Offshore Employees	1,999	1,829	170	9.3%	In line with changes in the fleet composition
Total Onshore Employees	4,221	3,929	292	7.4%	Increase in permanent employees
Contract / Permanent ratio	25.2%	28.6%	(0.0)	(11.9%)	Target is 30%
Offshore Production Training hours per eligible employee	55.3	41.7	13.6	32.5%	Training for staff of new units
Onshore Operations Training hours per eligbile employee (including PAENAL)	18.6	27.7	(9.1)	(32.8%)	

1.4 Stakeholders Information

1.4.1 Share listing

The shares of SBM Offshore N.V. have been listed on the stock exchange of Amsterdam since 11 October 1965, originally under the name IHC Holland and later as IHC Caland. The shares have been included in the AEX Index of Euronext Amsterdam since 4 March 2003 with a weighting of 1.06% on 31 December 2011. Options on Company shares have been traded since 7 July 1993 on the Euronext Amsterdam Derivative Markets.

1.4.2 Share price development

The share price decreased by 5% from € 16.765 at the start of the year to € 15.92 at 31 December 2011, compared to a decrease of the AEX Index of 11.9% over the same period. In US Dollar terms, the decrease of the share price in 2011 was 8.1%, from US$ 22.43 to US$ 20.62.

Average daily liquidity traded via Euronext in 2011 amounted to around 1.17 million shares, equivalent to 177% of the average number of outstanding shares on an annual basis.

Market capitalisation at 31 December 2011 was € 2,729 million compared with € 2,828 million at the end of 2010, a decrease of 3.5%. The equivalent figures in US Dollars show a market capitalisation at the end of 2011 of US$ 3,534 million, down by 6.6% from US$ 3,783 million at 31 December 2010.

The total number of ordinary shares in SBM Offshore showed the following movements during the year 2011:

Number of ordinary shares

Balance 1 January 2011	168,667,512
Stock dividend	2,104,877
Options exercised	326,500
Bonus and performance shares	341,527
Balance 31 December 2011	**171,440,416**

1.4.3 Shareholders

As the shares are held through the collective depot as mentioned in the Act on Securities Transactions by Giro (Wet Giraal Effectenverkeer), no detailed information of the shareholders is available. According to information provided by the largest banks and financial institutions, the shares are mainly in the hands of institutional investors.

Share price

	Turnover as % of share capital	Highest share price in €	Lowest share price in €	Closing share price in €	Closing share price in US$
2007	240.52	31.52	19.85	21.60	31.80
2008	309.94	26.77	8.72	9.35	13.07
2009	193.63	15.30	9.00	13.78	19.75
2010	161.38	17.16	11.41	16.765	22.43
2011	176.53	20.93	11.75	15.92	20.62

In the course of 2011 no shareholder reported to own an interest in the Company which reaches or exceeds the 5% threshold.

In January 2012, as required under the Major Holdings in Listed Companies Disclosure Act, a US company, BlackRock Inc. has disclosed ownership of 5% of the voting rights of the Company and a Canadian company, Sprucegrove Investment Management Limited has disclosed ownership of 5.04% of the shares of SBM Offshore.

At 31 December 2011, employees of the Company owned 1,287,000 shares in SBM Offshore through an Employee Share Ownership Plan (ESOP), representing 0.75% of the outstanding share capital.

With reference to the articles of association, all Shareholders are entitled to attend the General Meetings (GM), to address the GM and to vote. At the GM each Ordinary Share confers the right to cast one (1) vote. Each protective preference share confers the right to cast one (1) vote, when issued. Unless otherwise required by the law and articles of association all resolutions shall be adopted by an absolute majority of votes.

The Annual Report includes several sections in which the Company presents its financial results and other information on its activities, developments and strategy. Financial statements are audited by an external accounting firm. A selection of the Annual Report is printed in hardcopy for distribution and can also be downloaded electronically from the Company's website.

At the AGM, shareholders in attendance vote on granting discharge to the Board of Management for the conduct of the Company's businesses and to the Supervisory Board for its supervisory duties during the year under review.

1.4.4 Dividend

In accordance with its stated policy to pay 50% of net result as dividend, the Company does not propose to pay a dividend on account of 2011.

1.4.5 Investor Relations

The Company maintains active communications with its shareholders on several different occasions, events or meetings in order to keep them informed on the general and specifically financial aspects of the business. The information is provided in written form in the Annual Report, in the minutes of meeting of the AGM, in press releases and in presentations for financial analysts. All of which are distributed electronically on the website, via email and in hardcopy format. The Company also addresses shareholders face-to-face during the AGM, at investor meetings, analyst presentations (which are webcasted), and verbally via conference calls.

In November 2011, the Company arranged for 14 sell-side financial analysts to visit ongoing projects in Singapore, along with the Company's CFO, Mr Mark Miles and the Company's COO, Mr Bruno Chabas.

The Company attended 24 road shows and conferences during 2011.

1.4.6 Stakeholders engagement

The Company's primary stakeholder groups are employees, clients and business partners, capital providers, shareholders, suppliers and Non-Governmental Organisations (NGO), local authorities and local host communities.

The Company encourages and actively maintains open, respectful engagement with its stakeholders, including employee delegates, NGOs and clients along the year and at annual shareholders meetings.

SBM Offshore rebranding: Stakeholders' involvement

During 2011, the Company commenced a comprehensive rebranding exercise, which necessitated extensive engagement with key stakeholders groups in order to canvas their views.

A number of exploratory interviews were conducted (by a third party and confidentially) with members of the Supervisory Board, members of the Board of Management and other senior leaders in the organisation.

Consequently the Company acquired a wealth of information from individuals who have considerable direct experience of SBM Offshore and established relationships with other external stakeholders.

A second round of interviews was held with clients and with financial analysts who monitor SBM Offshore. They were asked how they perceived SBM Offshore's strategy, communication methods, reputation and brand presence. Their answers will contribute directly to the overall rebranding initiative.

In addition to face-to-face interviews, an online survey was sent to all Company employees across the world; producing close to 2,000 individual responses to questions regarding communications, branding, and employee engagement and satisfaction. Encouraged by the response levels to this survey, SBM Offshore intends to carry out regular employee engagement surveys in future.

Information provided through both the employee survey and face-to-face interviews is helping the Company build a new brand position along with a corresponding vision and set of values. A series of internal workshops were subsequently conducted to develop and agree a new SBM Offshore brand model and a new visual identity. Both elements were concluded at the end of 2011 and are scheduled for launch in March 2012.

1.4.7 Reporting

External sustainability reporting consists in participating with the following intiatives:

Dow Jones Sustainability Index

In September 2011, SBM Offshore was admitted to the Dow Jones Sustainability Index (DJSI) World, following its successful inclusion in the DJSI Europe in 2010. SBM Offshore has achieved a new step this year, by becoming one of the five components of the DJSI World Oil equipment and services sector. The quality of SBM Offshore's environmental and social reporting and its capacity to attract and retain talents are especially highlighted by DJSI's evaluation.

Integration in DJSI demonstrates the Company's commitment to conduct business in a sustainable and responsible manner.

Carbon Disclosure Project

The Company has participated in the Carbon Disclosure Project (CDP) for the Netherlands since 2009 and continuously improved its score year on year. The Carbon Disclosure Leadership Index assesses the quality and depth of a company's response to the annual CDP questionnaire for its internal management of data related to GreenHouse Gases (GHG) emissions and its understanding of the business-related issues that climate change presents.

Transparantie Benchmark

The "Transparantie Benchmark" is an initiative launched in 2004 by the Dutch Ministry of Economic Affairs, to improve transparency of corporate social responsibility reporting by Dutch companies.

The Company has been involved since the initiative was launched, as one of The Netherland's largest 500 organisations.

In 2011, SBM Offshore achieved a score of 138 out of a possible 200, an improvement of 41% over the previous year. SBM Offshore is currently ranked 56th out of the 500 participating organisations.

1.5 Corporate Strategy

1.5.1 Introduction

SBM Offshore’s new Strategic Plan, covering the years 2012-2016 has been developed through its established Corporate Planning Process. The Company’s Supervisory Board approved the new plan in December 2011.

The strategy draws on extensive external analysis of markets, clients and technology developments as well as in-depth internal analysis across the Company's main functions. It also takes into account the outcomes of a number of meetings held with the Company’s Board of Management and Executive Committee. The Plan will continue to be reviewed annually in relation to significant market developments and any other external events that may affect the Company and require a revision to aspects of strategy.

Major events around the world have affected local as well as international economies and have a direct impact on the supply and demand for energy related products and SBM Offshore’s business. The Company has refocused its product line on core FPSO products, finalised its organisational changes and begun diversifying financing needs to meet the new challenges it faces.

The balance between global energy supply and demand is affected by worldwide economic growth, the depletion rates of producing fields, natural disasters, technology development and social unrest.

On the demand side economic growth positively affects the demand for energy and this is expected to increase in future years.

On the supply side we have see a shift in the world energy mix towards fossil fuels following the terrible earthquake and tsunami in Japan and the consequent impact on the nuclear industry. This has caused a surge in demand for LNG imports into Japan and globally increased demand for gas production. Technological advances in production of shale gas in the US have created an over-supply in North America with relatively low gas prices. This could become a global trend and affect investments in floating liquefied natural gas (FLNG) production negatively.

Social unrest in oil and gas producing countries creates uncertainty regarding worldwide oil production capacity. This is reflected in the price of oil and also encourages investments in more stable countries or offshore locations, which may be less affected by geopolitical tension.

The most significant impact on worldwide oil and gas production levels comes from the natural depletion of producing fields, which has been estimated to be as high as 8% per year. 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 will be located in remote offshore locations in deepwater, where FPSOs are the preferred production method.

Our clients have substantially increased their E&P budgets to meet increased demand for oil and gas production and to cover the increased costs associated with development of deepwater fields. Increasingly, clients are demanding larger, more complex production facilities constructed and operated using local human resources. The Company has refocused its organisation to meet these challenges.

A new structure seeks to align seven new execution centres and ensure they have full responsibility and accountability for their individual performance and for delivering execution improvements, in line with the Company's principles, rules and guidelines. Furthermore, as part of reorganization, the Company is redefining its

brand, vision, promises to stakeholders and values, as shown below.

Strong global demand for FPSOs resulted in a strong order book during 2011. The Company believes demand for FPSOs will remain strong over the next five years, with continued strong growth forecast in deepwater worldwide and particularly in Brazil and West Africa. This will allow the Company to select its preferred business and further strengthen its order book.

The risk/ reward balance of each project is the main selection criteria. The disappointing financial performance over last few years of FPSO projects worldwide is an indication that rewards are structurally not aligned with obligations and liabilities of FPSO contractors.

The Company will focus on core products, which have traditionally yielded good margins: the lease or sale of FPSOs and related services and products. The current market outlook supports this focus and should enable the Company to grow in line with expected expansion of the FPSO market. The increasing size and complexity of FPSOs underpins demand for the Company's technical expertise and leads the Company to forge new partnerships in order to finance and develop the local content component of FPSO projects.

The on-going effects of the debt crisis will impose more stringent bank regulations, with implementation of Basel 3 principles, which will make it more difficult to secure long-term debt through the project financing markets. In order to finance continuing growth in the lease fleet the Company is diversifying its sources of long-term debt by widening its core banking group, by signing a long-term corporation agreement with Mitsubishi Corporation to develop FPSO projects in partnership, and by preparing to access debt markets directly.

1.5.2 Vision, promises and values

Vision

"To be the trusted partner of choice in the development of complete offshore floating solutions for the world's energy companies"

Our promise to our clients:

- Whatever your floating production needs, we will deliver
- We understand the offshore production business in its entirety and can leverage our unrivalled experience and expertise to supply exactly what our clients need, whatever the demands of the offshore environment

Our promise to our shareholders:

- Our expertise and technological know-how create significant value
- We are the most experienced solutions provider in the offshore energy production market – a position that gives us a 'preferred supplier' status, and enables us to deliver superior financial returns whilst maintaining a good risk/reward balance

Our promise to our business partners:

- Long-term business partnerships are key to our performance and ability to deliver
- We are dedicated to building deep long-term relationships with our business partners so, together, we can confidently supply the needs of all our clients through the whole product lifecycle

Our promise to our employees:

- A safe and stimulating work environment
- We aim to attract and retain a diverse set of highly talented people, and will maximise their opportunities for success by providing stimulating challenges, excellent training and high levels of work satisfaction – all in an incident free workplace

Our promise to society and the environment:

- We care for the people and environments wherever we operate
- We care for the lives of the people where we operate – we are committed to being globally aware, promoting local development and operating with integrity – and we understand our responsibilities to run a safe operation and to protect the environment

Our values:

Team Energy, Success, Ambition

1.5.3 Operational overview and objectives

Lease and Operate

The lease and operation of oil and gas production facilities makes a major contribution to the Company's operating results and provides long-term visibility of cash flows and earnings, but also requires tight management of complex financial, operational and contractual risks. The Company's strategy is to maintain its market leading position by focusing on the lease of core products with historically sound margins. The Company aims to grow by expanding its lease fleet, but will also consider acquisitions as opportunities arise. It intends to diversify its geographical reach and also to pursue strategic partnerships in order to secure projects of significant scale and size.

The Company aims to maintain the high operating standards set across its fleet: to further improve the reliability of units, to maximise production uptime for clients and to achieve continuous improvement in HSSE performance offshore.

The Company will also lease other types of production facilities, where the Company's lease and operate principles are applicable.

Lease and operate principles

The lease and operation of floating production units is a capital-intensive business; consequently the Company approaches this core activity prudently. It applies the following principles consistently:

- Safety performance and environmental protection established as primary objectives
- Invest only on the basis of 'a contract in hand'
- Contract for firm lease periods - five years or more with conservative depreciation policy
- Revenues are not exposed to oil price variations or reservoir performance (except to a limited extent)
- Interest and currency exchange rates hedged upon contract award
- Project debt fully repaid by lease income from initial lease duration
- Fleet operations managed in-house, with all senior staff for the fleet being directly employed, to continue to capitalize on the Company's unrivalled experience in the operation and maintenance of FPSOs.

Lease partnerships

The Company aims further to diversify its capital sources through partnerships. Long-term partnerships are becoming particularly important as the scale and capital requirements of future projects increase. Partnerships with strategic local partners are also a very efficient way to develop the Company's business. To date, in the Lease and Operate segment, the Company's partners have accepted responsibility for a pre-determined part of any project and also taken an agreed percentage ownership of the production facility.

Reasons for establishing equity partnerships include:

- financing equity investment and increasing the potential sources of debt through access to the partner's relationship banks and/or Export Credit Agencies
- mitigating business risks, especially for units where the initial lease contract is relatively short
- enhancing local content share

The Company only enters partnerships in order to improve its chances of securing new business and to add value to its performance in the long run.

One example of this kind of partnership is the long-term agreement with Mitsubishi Corporation, signed early in 2011. SBM Offshore and Mitsubishi will jointly pursue FPSO lease and operate projects worldwide as equity partners.

Turnkey Systems

The Company is a leader in the supply of FPSOs, complex turret mooring systems and associated services and products.

The Company maintains an inventory of high quality hulls ready for conversion. It allows for a more reliable cost and time estimate for bids which creates competitive advantage.

The Company continues to improve execution performance in its Turnkey Systems segment by focusing on robust procedures, improving project management and enhancing project controls. It has improved levels of expertise and efficiency across its engineering and project management resources, which have now reached an annual capacity of more than 3 million man-hours.

FLNG expertise

The Company is consolidating its FLNG expertise at one execution centre in Schiedam. In the future, for large FLNG units it will focus on developing edge technologies for turrets and offloading systems as well as providing unmatched offshore operational expertise. With regards to medium-sized FLNG units, the Company will continue to focus on design, construction and operation of complete FPSO units.

GustoMSC

The Company’s execution centre GustoMSC in Schiedam provides designs and supplies components for systems related to exploration and construction activities. Its strategy focuses on growing this aspect of its business by continuing to develop proprietary designs and by supplying specialized components for drilling units, offshore cranes and wind turbine installation vessels.

Turnkey Services

Turnkey Services comprises offshore contracting, the supply of CALM buoys and other mooring systems, after sales services (including overhauls) and the supply of spare parts.

The Company therefore has the in house competence and offshore means to install its own products in shallow and deepwater regions.

The Normand Installer is the Company’s third generation installation vessel. It is owned through a joint venture with Solstad. The vessel is used to install products supplied by the Company for the lease fleet or on a turnkey basis - but it also works for third parties. The vessel is now able to install flexible pipe, which makes it more versatile and marketable. The Normand Installer also gives the Company an important edge - allowing it to accurately estimate costs associated with installation up to two or three years beyond contract award. The Company’s second installation vessel, The Dynamic Installer, is used to install CALM Buoys and for other shallow

water work, including services.

A new multi-purpose vessel is currently being constructed. On completion it will undertake DSV, ROVSV and construction work as well as deepwater mooring installation. The vessel is under construction in Singapore, with operational delivery planned for 2013.

In the years ahead the Company plans to grow its offshore activities, maintaining its market position as a leading supplier of CALM buoys, swivels and services and to expand the supply of spare parts, engineering and inspection services to third parties and clients.

1.5.4 Corporate Sustainability

Objectives

The Company is committed to conducting 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. It also aims to utilize the best available technologies to reduce Greenhouse Gas (GHG) emissions, whilst developing renewable energy solutions for the offshore and marine industry.

The Company’s strategy is to focus on areas of its operations where it can make a sustainable impact on the supply chain.

With this in mind, it has included four sustainability-related objectives in its Strategic Plan:

- Minimise the Company’s carbon footprint
- Maintain high standards for Health, Safety, Security and Human Resources
- Serve communities through local content
- Develop and promote environmentally friendly technology

The Company has identified additional areas in which it can have an impact on sustainable business development and set appropriate objectives. These will provide a clear focus for future sustainability initiatives and sustainability reporting. These objectives are explained below.

Host Country Sustainability

As a matter of policy, the Company has always recruited employees locally in all areas of its operation and is committed to further investment in infrastructure, local training and personnel and development centres.

In recent years, Governments in host countries have demanded higher levels of local content during construction of SBM Offshore products. The Company aims to meet these demands by subcontracting work at a local level or investing to develop local fabrication facilities, as it has done in Angola and Brazil.

Supply Chain

In line with its Code of Conduct, the Company strives to support fair competition, develop stable long-term supplier relationships and work with others to improve social and environmental performance.

Develop and promote sustainable technology

Clients using the Company's services, generally specify their own requirements for all aspects of oil and gas field development, including production facilities. This leaves the Company little opportunity to influence the design of the production facilities it supplies in order to reduce operations-related GHG emissions. Nevertheless, whenever possible the Company incorporates emission-friendly equipment and processes at the design stage in a cost efficient way.

Reporting Transparency

The Company publishes a yearly Sustainability Report part of its Annual Report.

The Sustainability Report contains data and key performance indicators calculated using its existing reporting systems. This information is compiled and consolidated using an automated, web-based reporting system. The report also considers the implications of the results reported and provides updates on sustainability initiatives in place across the Company.

Currently the Company reports at GRI level C, according to GRI guidelines.

External Assurance

An external auditor verifies some of the Company's sustainability data (atmospheric emissions, Lost Time Incident frequency rate, energy consumption and Waste generation) and so provides external limited assurance. The Sustainability Assurance process consists of an interim verification and the year-end assurance procedure. Local verification procedures form part of this undertaking.

Strategic analysis

The Dow Jones Sustainability Index (DJSI) World Universe identifies 47 potential candidates in oil and equipment services, but includes just five, of which SBM Offshore is one. The four other organizations included are not direct competitors of the Company.

Disclosure

The company is committed to providing transparent disclosure of the impact of its activities on the environment and its adherence to sustainable business development.

SBM Offshore participates in the following initiatives:

- Dow Jones Sustainability Index (DJSI)
- Carbon Disclosure Project (CDP)
- Transparantie Benchmark (Initiative of the Dutch Ministry of Economic Affairs)

The Company also strives to improve dialogue about sustainability with its stakeholders. You can find more information about this process in stakeholders information section.

1.6 Corporate Management Systems & Compliance table

The Company's Group Management System (GMS) is based on the following internationally recognised standards:

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

1.6.1 Quality Management

The GMS defines the Company's management system and procedures. It is applied consistently in all the project execution centres. All centres have been audited by the American Bureau of Shipping (ABS) in 2009 and are compliant with ISO 9001:2008. The Company also intends to attain compliance with ISO 9001 for the operating unit SBM-Production Contractors (SBM-PC), which manages the fleet operations.

1.6.2 Environment

The Company implements ISO 14001 and seeks accreditation voluntarily. Implementation started in Brazil in 2009, continued throughout 2010 and was completed for the rest of the Company's operations in 2011, except for FPSO Kuito (audit forecasted for 2012).

1.6.3 Health, Safety and Security

The Company's offshore fleet management system complies with the International Safety Management (ISM) standard and the International Ship and Port Facility Security (ISPS) Code, which is a mandatory requirement.

The Company voluntarily aims to ensure that its operations also comply with the Occupational Health and Safety Standard (OHSAS) 18001, which requires all shore bases and operating units to verify Health and Safety practises. In Brazil, accreditation was obtained for onshore operations offices in 2009 and by all FPSOs in 2010. This standard is currently being implemented on and offshore in Angola and in the rest of the world with accreditation set to be completed in 2012.

1.6.4 Employment Standards

The Company endeavours to match the best employment standards for all employees, in line with its Code of Conduct and Social Accountability Manual. In most instances, these standards exceed international human rights and international labour guidelines.

The Company does not tolerate child or forced labour and does not support or work with companies that sustain forced or compulsory labour, in compliance with the UN Universal Declaration of Human Rights, the ILO Conventions, the OECD Guidelines for multinational enterprises and its own Code of Conduct.

1.6.5 Social Accountability

The Company is currently taking steps to ensure all SBM Offshore operations offices comply with its Social Accountability Manual Standard, which is based on SA8000 standards. The standard was implemented in Brazil during 2009 and in Equatorial Guinea and Malaysia in 2011.

The Company's aim to achieve compliance in Angola during 2011 was not achieved due to unforeseen delays. Certification is now scheduled for Angola operations offices during 2012.

When the Company implemented SA8000 during 2006, Social Accountability International (SAI) informed the SA8000 Advisory Board that verification of the standard would not be allowed in Myanmar, until the International Labour Organisation (ILO) lifted its sanctions. Consequently, a decision was taken to continue the implementation using an in-house Social Accountability Manual, based on the SA8000 Framework, which also requires regular, transparent auditing of the Company's suppliers and subcontractors in Myanmar.

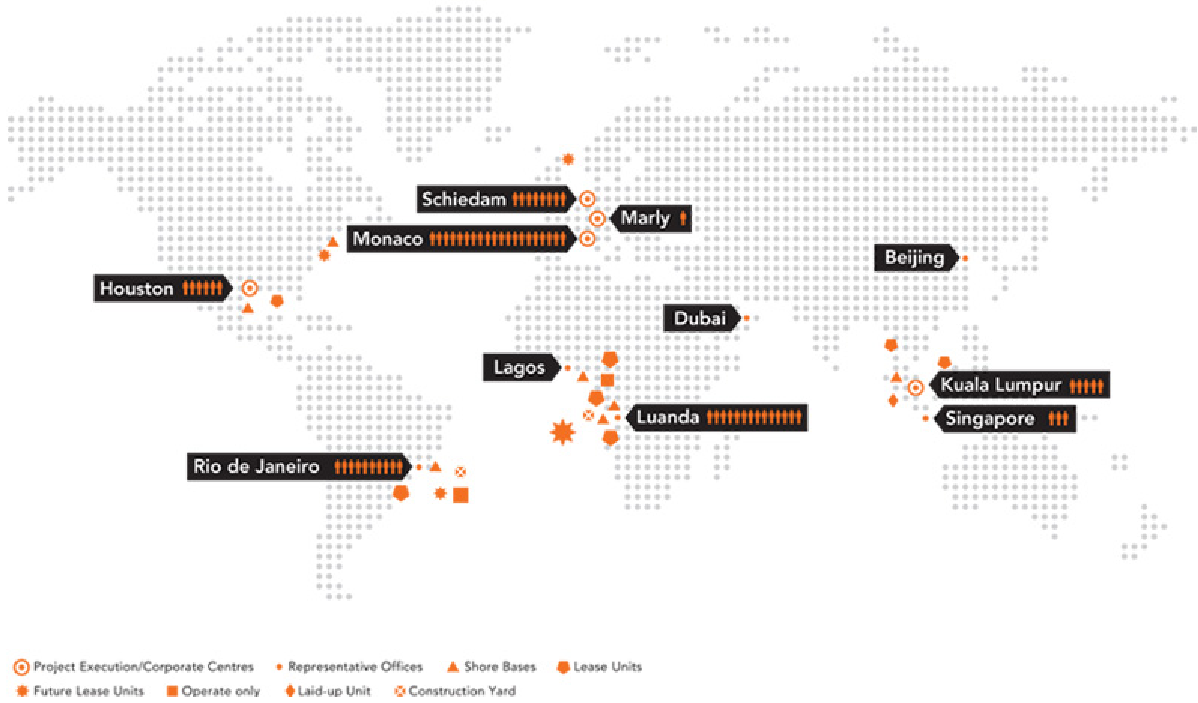
Following independent audit by Bureau Veritas, the social accountability certificate for Myanmar was issued in February 2010.

Status updates for the implementation and certification of management systems are shown in the Management System Compliance table below:

				ISO 9001
Execution Centres				
Marly				yes
Monaco				yes
Schiedam				yes
Houston				yes
Kuala Lumpur				yes
	ISM	ISO 14001	OHSAS 18001	Social Accountability
Shorebases				
Angola	yes	2011	2012	2012
Brazil	yes	yes	yes	yes
Equatorial Guinea	yes	2011	2012	2011
Malaysia	yes	2011	2012	2011
Myanmar	yes	2012	2012	2011
Nigeria	yes	not forecasted	not forecasted	not forecasted
	ISM	ISPS	ISO 140011	OHSAS 18001
Offshore Production Fleet				
Angola				
FPSO Kuito	yes	yes	2012	-
FPSO Xikomba 1	yes	yes	no	no
FPSO Sanha	yes	yes	2011	2012
FPSO Mondo	yes	yes	2011	2012
FPSO Saxi Batuque	yes	yes	2011	2012
Brazil				
FPSO Espadarte1	yes	yes	yes	yes
FPSO Brasil	yes	yes	yes	yes
FPSO Marlim Sul	yes	yes	yes	yes
FPSO Capixaba	yes	yes	yes	yes
FPSO Espirito Santo	yes	yes	2011	2011
Myanmar				
FSO Yetagun	yes	yes	2011	2012

(1) Relocation

1.7 SBM Offshore World Map



2 Report of the Supervisory Board

2.1 Introduction and Meetings of the Supervisory Board

2.1.1 Introduction

The Supervisory Board of SBM Offshore N.V., hereby presents the Annual Report 2011 incorporating the Financial Statements to be discussed and adopted in the Annual General Meeting of Shareholders on Wednesday 16 May 2012. The Financial Statements have been audited by the external auditors, KPMG Accountants N.V. Their findings have been discussed with the Audit Committee and the Supervisory Board in the presence of the Board of Management. The auditors have expressed an unqualified opinion on the Financial Statements.

The Supervisory Directors have signed the 2011 financial statements pursuant to their statutory obligations under article 2:101 (2) of the Dutch Civil Code.

The members of the Management Board have signed the 2011 financial statements pursuant to their statutory obligations under article 2: 101(2) of the Dutch Civil Code and article 5:25c (2) (c) of the Financial Market Supervision Act.

2.1.2 Composition of the Supervisory Board

Upon recommendation of the Selection and Appointment Committee, the Supervisory Board proposed to appoint Mrs. K.A. Rethy as member of the Supervisory Board. At the AGM held on 5 May 2011, Mrs. K.A. Rethy was appointed to the Supervisory Board and the Supervisory Board decided to appoint her as member of the Technical and Commercial Committee.

The newly appointed member of the Supervisory Board had an induction program consisting mainly of one-on-one sessions with the members of the Board of Management and a number of key managers and staff across the execution centers of the Company. Mrs K.A. Rethy also attended a number of sessions of the sub-committees of which she is not a member to familiarize herself with the various matters discussed in those sub-committees.

The Supervisory Board is chaired by Mr. H.C. Rothermund, Mr. R. van Gelder is the vice-chairman and Mr. F.J.G.M. Cremers, Mr. F.G.H. Deckers, Mr. T.M.E. Ehret, Mr. F.R. Gugen and Mrs. K.A. Rethy are Supervisory Directors.

2.1.3 Composition of the Committees of the Supervisory Board

Audit Committee

Mr. F.J.G.M. Cremers is the chairman of the Audit Committee since 14 April 2010. Mr. F.G.H. Deckers is a member of the Audit Committee and Mr. H.C. Rothermund joined the Audit Committee as a member in 2011.

Appointment and Remuneration Committee

The Supervisory Board announced at the AGM of 14 April 2010 that it had resolved to merge the Selection and Appointment and the Remuneration Committees into one single Appointment and Remuneration Committee. This committee is chaired by Mr. F.R. Gugen and Mr. H.C. Rothermund is a member when the committee deals with remuneration matters. When dealing with selection and appointment matters Mr. H.C. Rothermund is chairman and Mr. F.R. Gugen is a member.

Technical and Commercial Committee

The Technical and Commercial Committee consists of Mr. T.M.E. Ehret (Chairman) and Mr. R. van Gelder and Mrs. K.A. Rethy are members of the Committee.

2.1.4 Meetings of the Supervisory Board

During the course of the year under review, the Supervisory Board held five meetings according to a pre-set meeting schedule. The Board of Management prepares detailed supporting documents and attends the formal meetings of the Supervisory Board. Sometimes the formal Supervisory Board meetings are either preceded or followed by a private meeting of the Supervisory Board. The regular meetings last about five hours, with the exception of the meeting in which the Operating Plan and Strategy Plan are discussed, which lasts longer. There was regular informal contact between the Chairman and the CEO, as well as regular contact between Supervisory Directors and the members of the Board of Management. Pre-set meetings are usually spread over two days, starting on the first day with the meetings of the Audit Committee, the Technical and Commercial Committee and the Appointment and Remuneration Committee. The corporate secretary is the secretary of the Supervisory Board, of the Appointment and Remuneration Committee and of the Technical and Commercial Committee, and attends the meetings of the Audit Committee.

Each of the regular Supervisory Board meetings is preceded by a pre-meeting which is attended by the CEO. The pre-meeting is meant to enhance the effectiveness of the formal Supervisory Board meeting of the next day, taking into account the outcome of the sub-committee meetings which took place during the first day.

In addition to the pre-set meetings as described above, the Supervisory Board deemed it necessary to hold a significant number of additional meetings and telephone conferences, specifically to review the regular updates of the Board of Management with regard to the Yme and Deep Panuke MOPU projects, as well as to give considerable attention to actions of the Board of Management and progress made.

The detailed discussion of a number of recurrent items has been delegated to the sub-committees whose scope the subject concerned belongs to. The chairmen of the sub-committees report at the Supervisory Board meeting on the key points handled by each of the sub-committees and submit resolutions to be taken by the Supervisory Board.

All Supervisory Directors attended all of the regular Supervisory Board meetings and the sub-committee meetings with the exception of one meeting of the Audit Committee where a member could not attend the meeting. Supervisory Board members who could not physically attend the additional meetings held on specific topics attended the meeting by phone and could follow the proceedings of the meeting and be heard by the other Supervisory Directors. In addition, there were telephone conferences at Supervisory Board and at sub-committee level.

All but one of the meetings of the Supervisory Board and of the sub-committees were held at the statutory offices of the Company in Schiedam or elsewhere in The Netherlands. In December 2011 the Supervisory Board met at the Company's project execution centre in Monaco. At the Monaco project execution center, project management and senior management were interviewed by each of the Supervisory Directors in one-on-one sessions and information about the progress of the major projects and the state of affairs at the respective center was received. The Chairman visited the Company's operations in Singapore and Malaysia focusing on project management and product quality. Another Supervisory Board member visited the Company's offices in Brazil.

In its role of supervising the policies of the Company and advising the Board of Management, the Supervisory Board challenges in a constructive way and with due regard to the interests of all stakeholders the actions and plans of the Management Board concerning the management of the Company's businesses. Communication at the meetings is frank and open.

2.1.5 Main subjects reviewed by the Supervisory Board

Standard items

Standard items on the agenda are:

- the approval of the minutes of the previous meetings and the review and follow-up of actions arising
- the management and financial report
- the operating plan 2012
- reports of the Audit Committee, the Technical & Commercial Committee and the Appointment & Remuneration Committee
- approval of the Company's annual results and support for the half-year results and the Q1 and Q3 trading updates
- Health Safety Security and Environment
- Mergers & Acquisitions
- Corporate Governance
- Corporate Social Responsibility matters
- review of legal claims

Major projects, tenders and investments

Major projects, tenders and investments are discussed by the Supervisory Board on an ad hoc basis. In the year under review there were a number of telephone conferences concerning major projects and investments.

MOPU projects

The Supervisory Board decided to intensify the review of events taking place with regard to two of the company's Mobile Offshore Production Unit (MOPU) lease projects, Yme (Norway) and Deep Panuke (Canada) which are under construction. Apart from the regular meetings, the Supervisory Board held extraordinary meetings and several extra conference calls to discuss updates of the Board of Management and actions to be taken. Also the Audit Committee and the Technical and Commercial Committee dedicated considerable time to these two projects in their meetings, based on reports of the Board of Management.

The Supervisory Board received regular updates of the Board of Management already in the first half of the year and provided guidance on several actions to be taken.

A sudden change of position by the Yme MOPU client confronted the company with immediate operational, financial and legal consequences, which were reported by the Board of Management in an Extraordinary Supervisory Board meeting on 27 July 2012. This new information and the revised forecasts for both the Yme and Deep Panuke projects led to the conclusion that impairment charges totaling USD 450 million were necessary. The Supervisory Board and the Board of Management discussed and agreed to an additional set of actions, based on the new status and forecasts. A decision on disclosure was taken and the markets have been informed accordingly via a press release issued before opening of the stock exchange on 28 July 2012.

Following the profit warning of 28 July 2011, the CEO, Mr. A.J. Mace advised the Supervisory Board that, in the light of the events, he would not stand for re-election for a second term of office at the AGM of 16 May 2012 and would stand down effective 1 January 2012. At an Extraordinary General Meeting of Shareholders held on 14 December 2011, Mr. B.Y.R. Chabas was appointed as a member of the Management Board and the Supervisory Board appointed him as CEO of the Company effective 1 January 2012.

After the July 27 announcement the Supervisory Board continued its intensified review process with regard to the two MOPU projects during its regular meetings, based on updates by the Board of Management. The Supervisory Board recognized the challenges the Company had to face and therefore continuously assessed the legal, financial and operational developments and discussed progress and delivery on all identified actions.

At its last meeting in 2011 on 20 December the Supervisory Board was informed of an updated timing with regard to internal review and a progress meeting with the Yme client which was scheduled in January 2012.

Based on the internal reviews and client meeting, an update on the status and forecast of the Yme project was presented by the Board of Management at a meeting held in the afternoon and evening of 23 January 2012. This update provided new insight on the Yme project and its influence on the forecasts. The Supervisory Board again reviewed in detail and it was resolved by the Board of Management to inform the financial market that the revised financial consequences were expected to lead to a significant additional adverse impact on the Company's 2011 results. As a result a press release was issued before opening of the stock exchange on 24 January 2012.

At the aforementioned meeting of 23 January 2012 the CFO and the Supervisory Board jointly concluded that the CFO would not be proposed for re-election as CFO at the AGM of 16 May 2012. A search for a new CFO has been initiated by the Supervisory Board.

Organisation

A new organisation has been designed by the Board of Management and is in the implementation phase. The Supervisory Board took a close interest in the new organisation which focuses on effective delegation and devolved accountabilities, especially as regards project development and execution.

Operating Plan 2012 and Strategic Plan 2012-2016

A full meeting was dedicated to the Company's Operating Plan 2012 and the 2012-2016 Strategic Plan developed by the Management Board which included input provided by senior management at a two day strategy seminar. The plan focuses on the strategy of the Company for achieving long-term growth and enhancing shareholder value, including new products and markets, contracting structures and finance strategy.

Financing of the Company and the Global Financial Crisis

The Audit Committee and the Supervisory Board received regular reports from the Board of Management on the status of the Company's finances, its access to funding and on the effects of the global financial crisis on the Company's operations. Alternative financing structures were reviewed and the Company's exposure to banks and countries was analysed.

Sustainability (CSR)

Sustainability is part of the Technical and Commercial Committee's remit.

The Technical and Commercial Committee received reports on Health, Safety, Security and Environment matters at each of its meetings and reviewed the Company's CSR report of 2010. Key issues and actions arising were reported to the Supervisory Board.

2.1.6 Personal details and independence of the Supervisory Directors

The personal details, gender, term of (re)appointment and other board positions of each Supervisory Director are described in the Information section of this report.

The Supervisory Board confirms that all members who served during the year are independent as defined under BP IIII.2.2 of the Corporate Governance Code.

2.1.7 Meetings of the Supervisory Board Committees

Audit Committee

The Audit Committee convened for five regular meetings in 2011 and in addition held a number of telephone conferences. The regular Audit Committee meetings are held the day prior to the Supervisory Board meeting, where the Audit Committee Chairman reports on the principal issues discussed, on actions arising and the follow-up on such actions and makes recommendations on those matters requiring a decision by the Supervisory Board. Meetings last three to four hours. The CEO, CFO, the internal audit executive, the Director strategic planning and analysis, the corporate secretary and the external auditor attend the meetings. There were regular private meetings of the Audit Committee with the external auditor without the CEOand CFO and other staff members being present.

The main items discussed during the year under review were:

- annual and half-year Financial Statements and financial data to be included in press releases
- the dividend policy
- Q1 and Q3 trading updates
- Analysis of the financial results of ongoing projects
- the Company's Internal Control Framework and its In Control statement
- the working and staffing of the internal audit department
- the Management Letter, the external audit reports and the follow-up of the recommendations of the external auditor
- the relations with the external auditor, including, in particular, the independence, remuneration and non-audit related services provided to the Company. An analysis of the KPMG fees is disclosed in note 30 to the Financial Statements
- the performance of the external auditor and the proposal to extend its appointment with one further year
- the capital structure, debt diversification and financing of the Company against the background of the financial crisis and the assessment of the Company's exposure
- the USD 1 Billion loan facility for the FPSO Cidade de Paraty project loan
- treasury reports, the working of the treasury department and compliance with bank covenants
- Information Systems and Information and Communication Technology (ICT)
- adequacy of insurance programmes
- compliance with the Code of Conduct and the whistleblower policy and the adequacy of procedures under the new U.K. Bribery Act
- policies on the reporting of fraud and other irregularities
- the 2012 operating plan (budget)
- review of tax planning and fiscal positions

The Audit Committee paid specific attention to risk management. In conjunction with the Technical and Commercial Committee, major risks related to the Company's projects were reviewed, with an in depth analysis in the risk management report which is presented at each meeting of the risks related to the rig 3 project and the Talisman MOPUstor™ and Encana MOPU projects.

An in-depth assessment of the external auditor's performance which was facilitated by the external auditor's client care manager raised no major issues that would lead to a proposal to replace KPMG Accountants N.V. Overall the standard of the audit team, the audit process and fees, and the interaction with the Company's personnel were all found satisfactory given the size, complexity and risk profile of the Company.

The AGM will be asked to approve a proposal to re-appoint KPMG Accountants N.V. as external auditor until the closure of the accounting year 2013.

Appointment and Remuneration Committee

The Appointment and Remuneration Committee met five times in 2011. The meetings of the Appointment and Remuneration Committee are held prior to the Supervisory Board meetings where the respective chairmen report on the selection and appointment matters and on the remuneration matters reviewed by the Committee, on actions arising and the follow-up of such actions and make recommendations on those matters requiring a decision of the Supervisory Board. Meetings last about three hours. In addition, there is regular contact between the members of the Committee and the Management Board.

The main subjects discussed by the Appointment and Remuneration Committee were the following matters.

Remuneration

- Elaboration of a new Remuneration Policy for the Board of Management effective 1 January 2011. In this process, the Appointment and Remuneration Committee retained its own remuneration consultant. The new Remuneration Policy received the approval of shareholders at the AGM dd. 5 May 2011.
- determination of Short Term and Long Term Incentive amounts by reference to the performance targets agreed with the Board of Management for the year 2010 in accordance with the Remuneration Policy 2008, and the determination of the Short Term Incentive performance targets related to the year 2011 and of Long Term Incentive performance targets related to the vesting period 2011 to 2013 in accordance with the new Remuneration Policy;
- Share based incentives for senior management;
- retirement arrangements for members of the Board of Management and the study of benefits, risks and cost related to a move from a Defined Benefits plan to a Defined Contributions plan;
- benchmarking of the remuneration of the Supervisory Board and the sub-committees;
- remuneration matters related to a litigation with a former Managing Director;
- negotiation and agreement with the CEO in view of him stepping down as CEO. The particulars of this agreement are explained in the Remuneration Report on page [..] of this Annual Report and were explained at the Extraordinary General Meeting of Shareholders of 14 December 2011.

Selection & Appointments

- end of term resignation of Mr. H.C. Rothermund and his re-appointment as a member of the Supervisory Board and proposal to re-elect him as Chairman of the Supervisory Board;
- selection and proposal to appoint Mrs. K.A. Rethy as a member of the Supervisory Board;
- selection and proposal to appoint Mr. B.Y.R. Chabas as statutory director and new CEO of the Company, effective 1 January 2012. This proposal received the approval of shareholders at the Extraordinary General Meeting of Shareholders held on 14 December 2011.
- selection and proposal to appoint Mr. J.Ph. Laurès as the new COO of the Company, effective 1 January 2012, succeeding Mr. B.Y.R. Chabas.
- Following the announcement that Mr. M. Miles, CFO, will not stand for re-election at the 2012 AGM, a search for a successor has been initiated.
- Succession planning of the Supervisory Board, the Board of Management and senior management positions;
- Review of the new organizational structure of the Company

Technical and Commercial Committee

The Committee met formally four times and in addition, held a telephone conference. The meetings of the Technical and Commercial Committee last three to four hours and are held prior to the meetings of the Supervisory Board at which the chairman reports on the principal issues discussed, on actions arising and the follow-up of such actions and makes recommendations on those matters requiring a decision by the Supervisory Board. The meetings are attended by the COO, the CCO and the CTO and other executives or managers give presentations on specific issues.

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

- reviewing the risk management report, focusing on technical risks
- reviewing the major projects and receiving formal presentations on the FPSO Aseng and FPSO Cidade de Paraty projects from the respective project management teams; Review of the major variances report, especially on the rig 3 project and the Talisman MOPUstor™ and Encana MOPU projects
- review of the existing margin recognition regime which led management to adopt a new, revised approach, which will reduce volatility
- The establishing of a joint venture with Naval Ventures Corp., part of the Synergy Group in relation to the Maua yard in Brazil
- The investment in a new build DSCV
- Reviewing the bids status and sales prospects
- Mergers and Acquisitions opportunities
- The Research & Development Plan
- Supply Chain Management
- Sustainability (CSR) matters which are relevant to the Company with a focus on Health, Safety, Security and Environment management. The Company's performance on Health and Safety was found to be disappointing and a number of corrective actions were reviewed and are being implemented. In contrast the Company has achieved a leading position on the Environment front.

2.1.8 Performance evaluation

One pre-meeting was dedicated to discussing the performance of the Supervisory Board as a whole and its individual Directors in the year under review. The Supervisory Board used a self-assessment questionnaire and included in its evaluation the evaluation by the Board of Management on the functioning of the Supervisory Board. The conclusions of this performance assessment were discussed with the CEO and in a private session amongst the Supervisory Directors.

2.1.9 In conclusion

The Supervisory Board is disappointed that the Company had to take substantial provisions on two legacy projects which led to a negative result for the year 2011, despite the very positive underlying results on the Company's major projects in its core FPSO business. The Supervisory Board is taking a close interest in the performance improvement measures introduced last year, designed to detect any variations from plan at an early stage and so reduce the risk of projects underperforming. The Supervisory Board encourages the Board of Management and all of the Company's staff to continue and further improve the good performance demonstrated on its core FPSO products under the leadership of Mr. B.Y.R. Chabas as the new CEO of the Company notwithstanding the challenging business and financial environment.

Schiedam, 2 March 2012

Supervisory Board
H.C. Rothermund, Chairman
R. van Gelder, Vice-Chairman
F.J.G.M. Cremers
F.G.H. Deckers
T.M.E. Ehret
F.R. Gugen
K.A. Rethy

2.2 Remuneration Report

The Remuneration Report serves to inform shareholders and other stakeholders on the implementation of the Company's Remuneration Policy as was approved by shareholders at the AGM of 2011 and on the actual remuneration of the members of the Supervisory Board and of the Management Board. The report has been prepared by the Appointment and Remuneration Committee, dealing with remuneration matters. It is divided into the following separate sections:

Section 1: About the Appointment and Remuneration Committee (A&RC)
Section 2: Summary of the newly approved Remuneration Policy 2011 (RP 2011)
Section 3: The employment contracts of the members of the Management Board and their actual remuneration in 2011

2.2.1 Section 1: About the Appointment and Remuneration Committee (A&RC)

At the AGM of 14 April 2010, shareholders were informed of the resolution of the Supervisory Board to merge the Selection and Appointment and the Remuneration Committees into a single Appointment and Remuneration Committee (A&RC). The A&RC consists of two members of the Supervisory Board, Mr. H.C. Rothermund and Mr. F.R. Gugen. Mr. F.R. Gugen chairs the A&RC when dealing with remuneration matters. Mr. H.C. Rothermund chairs the A&RC for agenda items dealing with Selection and Appointment matters.

Both Mr. Gugen and Mr. Rothermund are independent members of the Supervisory Board.

The main subjects discussed by the A&RC are set out in the A&RC section of the Supervisory Board Report in this Annual Report.

In addition to its supervisory, monitoring and advisory role to the Supervisory Board in matters of selection and appointment, and in matters of remuneration of the Management Board, the A&RC also supervises, monitors and advises on the remuneration policies for senior managers, staff and other employees of the Company particularly as it concerns shares or share based remuneration as applied by the Management Board throughout the Company.

Remuneration

Supervisory Board

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

	Approved At EGM
Chairman Supervisory Board	€ 90,000
Vice-chairman Supervisory Board	€ 80,000
Member Supervisory Board	€ 75,000
Chairman Audit Committee	€ 10,000
Member Audit Committee	€ 8,000
Chairman Appointment & Remuneration Committee Dealing with Appointment matters	€ 9,000
Chairman Appointment & Remuneration Committee Dealing with Remuneration matters	€ 9,000
Member Appointment & Remuneration Committee	€ 8,000
Chairman Technical & Commercial Committee	€ 10,000
Member Technical & Commercial Committee	€ 8,000

The Supervisory Board and sub-committee fee levels will be reviewed every second year. The actual amount of fees paid to each member of the Supervisory Board is mentioned in note 4 to the consolidated financial statementsof this Annual Report.

Management Board

In 2010, the A&RC conducted a detailed review of the Remuneration Policy 2008 to ensure continued alignment with Company's strategic priorities, remuneration principles, external market developments and best practices. Based on the outcome of this evaluation, a new Remuneration Policy ('RP2011') was designed. The Supervisory Board, acting on the advice of the A&RC, proposed to adopt the RP2011 for the Board of Management. At the Annual General Meeting ('AGM') of Shareholders dated 5 May 2011 the RP 2011 was adopted. RP 2011 applies to the Board of Management which currently consists of the Management Board, being the CEO and the CFO as statutory directors, and of the COO and CTO as non-statutory directors. The key points of the new RP 2011 are set out in Section 3.

2.2.2 Section 2: Summary of the newly approved Remuneration Policy 2011

	RP 2008	RP 2011	Reasons for Change
Peer group	Two peer Groups: International peer group of oil & gas services companies, andDutch general industry peer group	One peer group of international oil & gas services companies	• Align with the relevant international market for hiring and retaining management talent, reflecting current business reality
Short-term incentive plan	Performance measure:	Performance measure:	• Strengthen the link between pay and performance by incorporating individual performance element
	100% Economic Profit	70% Economic Profit, 30% individual performance Addition of CSR multiplier	• Recognize the importance of CSR
	STI opportunity:	STI opportunity:	• Shift focus from cash to share based remuneration
	100% (target)-200% (maximum) of base salary	• CEO: 100% (target)-200% (maximum) of base salary • Other statutory and non-statutory Directors: 100%(target) -150%(maximum) of base salary	
Long-term incentive plan	Performance measure:	Performance measure:	• Improve shareholder alignment by adding relative TSR
	100% on EPS Growth	50% on EPS Growth 50% on relative TSR	• Shift focus from cash to share based remuneration
	LTI opportunity expressed in percentage of base salary:	LTI opportunity:	• Improve alignment with peer group LTI levels
	100% (target)-150% (maximum)	CEO: 125%(target)-250%(maximum) Other statutory Directors: 125%(target) -187.5%(maximum) Non-statutory Directors:100% (target) – 150% (maximum)	
Pension	Defined Benefit Plan	Defined Contribution Plan	• Cost effectiveness • Align with market trends

STI: Short term incentive
LTI: Long Term Incentive
EPS: Earnings Per Share
TSR: Total Shareholder Return
CSR: Corporate Social responsibility

Remuneration principles

The Board of Management is responsible for executing the Company's Strategic Plan. The A&RC ensures that the performance metrics used in the Company's variable remuneration incentive plans hold the Board of Management members accountable for the successful delivery of the Strategy Plan. Therefore, it is the A&RC's view that both STI and LTI plans should be directly linked to the Company's financial results and to shareholder value creation. Under RP2011, the key metric for the STI plan is Economic Profit, which measures the Company's true economic profit as defined further in this report, i.e. the additional value created for the shareholders. The LTI plan is partly based on EPS growth, a measure that is most widely used by investors to evaluate the Company's financial performance, and partly based on relative TSR that measures the value delivered to the shareholders relative to the Company's peer group.

The key principles of the RP2011 have been cascaded down as appropriate to the Company's senior management at the level below the Board of Management to ensure alignment between the Board of Management and senior management remuneration.

The RP2011 is based on the following remuneration principles:

- remuneration should be competitive with global peer companies that may compete with the Company for business opportunities and talent
- the remuneration policy should contain an appropriate balancebetween fixed and variable pay, between short- and long-term incentive, to adequately link remuneration levels with the achievement of annual and longer-term performance targets and it should discourage unjustified risk-taking
- remuneration structure and performance metrics should be generally consistent for Board of Management and senior managers to build a cohesive culture, facilitate international rotation of management, encourage teamwork and establish a common approach to drive Company success
- the STI plan should reward for individual performance as well as for Company performance to foster a strong pay-for-performance culture
- the LTI plan should reward superior long-term corporate financial performance and shareholder returns and enhance management retention and commitment
- the remuneration policy should encourage management share ownership in order to align the interests of the Company's management with those of its other shareholders
- pension scheme offered needs to be competitive and avoid future undefined liabilities; i.e. it should be a defined contribution scheme
- remuneration policy should be kept as simple, clear and transparent as possible

Summary overview of remuneration elements

The RP2011 consists of the following key elements:

Remuneration element	Description	Objective
Base salary	Fixed cash compensation based on level of responsibility and performance	• Attraction • Reward for performance of day-to-day activities
Short-term incentive (STI)	Variable annual remuneration element paid 80% in cash and 20% in Company shares (bonus shares), sale of which is restricted for a 3-year period At the end of the 3-year restriction period subject to continued employment, Company awards an additional unrestricted matching share for every bonus share held (1:1 match)	• Reward previous year's Company and individual performance • Promote continued employment • Share ownership
Long-term incentive (LTI)	Variable remuneration element paid in Company shares Vesting of shares is based on meeting 3-year Company performance objectives Two year lock-up after vesting Promote continued employment	Drive and reward long-term Company performance: • Increase shareholder value • Focus on long-term financial success
Pension	Defined benefit plan to be replaced by defined contribution plan in 2011	• Share ownership • Provide competitive post-retirement benefits

Base salary

Base salaries for the Board of Management are determined by the Supervisory Board upon the recommendation of the A&RC after consideration of various factors:

- external market benchmark data for a peer group of similar-sized (based on revenue and market capitalization) international oil and gas services companies referred to as the “Peer Group” to ensure competitiveness with the market
- internal Company salary benchmark to ensure equity and alignment of pay within the Company
- level of salary increases within the Company generally
- assumption of new responsibilities, if any
- Company performance
- individual performance
- general economic conditions

The A&RC generally targets base salaries and total remuneration 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.

Peer Group

The Company operates internationally. About 11% of its staff is employed in The Netherlands and 20% in the rest of Europe. 69% of the staff is employed outside Europe and staff numbers increase mainly outside Europe. The Peer Group is selected to represent both the Company’s peer companies from a performance perspective as well as the market for executive talent in which the Company competes. The individual companies comprising the Peer Group are approved by the Supervisory Board acting on the advice of the A&RC.

The Peer Group consists of similar-sized (based on revenue and market capitalization) international listed oil and gas services companies. Around 50% of the companies listed in the Peer Group are listed in the U.S.A. since the offshore Oil & Gas services market is mainly concentrated in the U.S.A. The Peer Group is used to measure the Company performance element which counts for 70% of the STI opportunity.

For 2011, the Peer Group consists of the following 18 companies:

Peer Group

Aker Solutions ASA	Fugro N.V.	Oil States International
Amec PLC	Helix Energy Solutions	Petrofac LTD
BW Offshore LTD	Jacobs Engineering Group	Subsea 7 Inc
Chicago Bridge & Iron Company	KBR	Technip
FMC Technologies	McDermott International	Wood Group PLC
Foster Wheeler AG	Oceaneering International	WorleyParsons

Each year, the A&RC evaluates the Peer Group based on market circumstances (mergers, acquisitions, de-listings, etc.) and recommends adjustments to the Supervisory Board for approval.

Short-term Incentive (STI)

The STI is designed to reward the previous year's Company and individual performance of the Board of Management members. Threshold, target and maximum STI opportunities (payout between threshold and target and between target and maximum is linear) for the Board of Management as a percentage of base salary are as follows:

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

70% of the STI opportunity is based on Company performance, 30% is based on individual performance objectives.

Company performance element

Company performance 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 Company performance element is measured on the basis of the audited financial results of the Company for the preceding financial year. The methodology for calculating EP is laid down in writing and is audited by the Company's external auditor. At the beginning of each financial year, the Supervisory Board, acting on the advice of the A&RC, sets the threshold (minimum performance level below which there is no STI pay-out), target and capped out-performance level for the EP.

CSR multiplier

In addition to delivering financial performance, SBM Offshore is committed to being a responsible and sustainable company. Therefore, every year the A&RC evaluates the Company's CSR performance against CSR commitments outlined in the Company's annual Sustainability Report and recommends to the Supervisory Board a CSR multiplier (ranging from 95%-105%) to be applied to the Company performance element of the STI opportunity.

Individual performance element

At the beginning of each financial year, the Supervisory Board, acting on the advice of the A&RC, establishes individual performance objectives for each member of the Board of Management. These individual objectives are relevant to the individual's specific area of responsibility and can be financial or non-financial (e.g. strategic, operational or behavioural).

STI payout calculation

At the end of the year, the Supervisory Board, acting on the advice of the A&RC, reviews Company and individual performance against the pre-set targets and approves the STI pay-out level based on the achieved performance level.

STI payment

The STI is payable in cash (80% of the STI payment) and in shares (20% of the STI payment – 'bonus shares') in the month following the determination of the annual results at the AGM. The 20% STI payment in bonus shares is non-optional. Bonus shares are subject to a 3-year restriction period during which they cannot be sold. At the end of the 3-year restriction period, the Company will award a number of unrestricted matching shares equal to the number of bonus shares subject to continued employment with the Company. These matching shares are an integral part of the STI payout for STI performance, which is deferred and paid in shares in order to improve shareholder alignment and to discourage short-termism.

Long-term incentive (LTI)

The long-term incentive is designed to reward superior long-term corporate financial performance and shareholder returns and to enhance management retention and commitment.

The target LTI opportunity that serves as a basis to calculate the number of performance shares for the Board of Management as a percentage of base salary is as follows:

Board of Management	Threshold LTI	Target LTI	Maximum LTI
CEO	50%	125%	250%
Other Statutory Directors	50%	125%	187.5%
Non Statutory Directors	50%	100%	150%

The target number of performance shares conditionally awarded is determined by dividing the LTI opportunity outlined in the table above by the average closing price of the Company share over the five trading days following the date of publication of the final results for the previous financial year.

Vesting of the target number of performance shares conditionally granted is subject to meeting the following performance conditions:

- 50% of the LTI award vests based on EPS Growth adjusted for exceptional items if so determined by the Supervisory Board, acting on the advice of the A&RC, and
- 50% of the LTI award vests based on TSR relative to the Peer Group. The Company uses the same Peer Group for benchmarking remuneration as well as comparing the TSR performance.

Vesting schedule

Vesting of the EPS Growth based LTI award

At the beginning of each 3-year performance period, the Supervisory Board, acting on the advice of the A&RC, establishes demanding threshold, target and capped out-performance goals for EPS Growth. The extent to which the EPS Growth based 50% of the LTI grant will vest will be determined by achievement against these pre-set EPS Growth goals.

For the year 2011, the EPS Growth targets have been set at 5% (threshold), 10% (on target performance) and 20% (capped out-performance).

Vesting of the TSR based LTI award

TSR is defined as the percentage of total return to shareholders on the Company's shares over each 3-year performance period, assuming that all dividends paid during the performance period are reinvested in shares of the Company.

The extent to which the TSR based 50% of the target performance shares will vest will be determined by comparison of the Company's TSR during the performance period with the TSR of the companies in the Peer Group, in accordance with the following vesting table:

Position of the Company's TSR relative to Peer Group	CEO	Other Statutory and Non Statutory Directors
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%

LTI payment

The vested performance shares are subject to an additional 2-year lock-up period, or until termination of employment if this occurs sooner, during which they cannot be sold. As the date of the unconditional award lies three years after the date of the conditional award and the member of the Board of Management has to retain the shares for at least two subsequent years, the period before the Board of Management member obtains full rights to the shares will be five years in total which complies with the Dutch Corporate Governance Code. In so far as taxation is due in respect of the unconditionally awarded shares, the members of the Board of Management will be allowed to sell such shares with a value equal to the amount of the tax due.

Enhanced share ownership

Assuming on target STI performance and on target vesting of the LTI grants, the combined STI and LTI share ownership of statutory directors may build to a total of over 7 years of base salary for statutory directors and six years of base salary for non-statutory directors over a 6 years tenure, assuming repeated maximum LTI performance.

LTI Rules

LTI Rules have been developed, based on the above principles, and may be amended from time to time, subject to the approval of the Supervisory Board acting on the recommendation of the A&RC. The LTI Rules contain provisions dealing with Change of Control situations. The LTI Rules are published on the Company's website.

Pensions

During the course of 2011, the A&RC has carried out a study to assess the feasibility, cost and risk of moving the two Management Board members who have a defined benefits scheme to a defined contribution scheme. Since the Management Board members concerned will not stand for reappointment at the next AGM, the move under consideration has now become redundant. Newly appointed Board of Management members have a defined contributions scheme and will remain in a defined contributions scheme the modalities of which may be amended in the context of the base salary for each member of the Board of Management taking into account the relevant country competitive practice, tax and legal environment.

Scenario analysis

The Dutch Corporate Governance Code requires that the Supervisory Board "shall analyse possible outcomes of the variable income components and the effect on the Board of Management remuneration". This scenario analysis will be conducted on an annual basis to test whether the level of remuneration that could be earned at different levels of performance (threshold, target and maximum), and at different Company share price levels (low, average and high growth) is fair and appropriate in the context of value delivered to shareholders. Based on the analysis, the A&RC, if necessary, will recommend remuneration policy amendments to the Supervisory Board.

Periodical revision of the remuneration

The Supervisory Board will determine annually ahead of the AGM retroactive to January 1st of each year, the total remuneration level for that calendar year. The remuneration will be determined by the Supervisory Board acting upon the recommendations of the A&RC within the limits of the applicable remuneration policy. An increase or decrease, as the case may be, of the base salary, the STI or the LTI, or any other part of the remuneration of a Board of Management member, may be determined by the Supervisory Board at its sole discretion in order for the total remuneration to remain within the confines of the applicable remuneration policy.

Employment conditions for statutory directors

The following policy statements apply to the members of the Management Board (i.e. the statutory directors) only and are included in the existing employment agreements in accordance with the best practices of the Corporate Governance Code.

Terms of the employment agreements

The employment contracts of Mr A. Mace, CEO, and Mr M. Miles, CFO, who were appointed to the Management Board at the Annual General Meeting of Shareholders of 15 May 2008 for a period of four years scheduled to end on 16th of May, 2012, were drafted in accordance with the relevant principles and best practice provisions of the Code and the Remuneration Policy 2008. Both the CEO, Mr. A. Mace and the CFO, Mr. M. Miles were long-term employees of the Company. Upon entering into the employment contracts as managing directors their previous employment contracts were suspended by mutual agreement and may be resumed upon termination of their employment contract as Managing Director.

Statutory directors can be reappointed by the shareholders. The reappointment period will be for a maximum of four years or shorter if the statutory director concerned reaches retirement age earlier.

The arrangement reached with Mr. A. Mace upon his stepping down as CEO of the Company at the end of the year under review and the terms of the services agreement of Mr. B. Chabas when taking over from Mr. A. Mace as CEO of the Company effective 1 January 2012 are set out in Section 3 of this Remuneration Report. In a press release dated 24 January 2012, it was announced that Mr. M. Miles, CFO, will not stand for reelection at the AGM of 16 May 2012. A search for a successor has been initiated.

Adjustment and claw-back

The contracts provide for an adjustment clause stipulating the discretionary authority of the Supervisory Board to adjust upwards or downwards the payout of any variable remuneration component conditionally awarded 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. In addition, a claw-back provision is included in the contracts enabling the Company to recover variable remuneration components on account of incorrect financial data.

Severance arrangements

The Supervisory Board acting on the advice of the A&RC will determine the appropriate severance payment provided that the severance payment will not exceed a sum equivalent to one time the annual base salary, or if this is manifestly unreasonable in the case of dismissal during the first appointment term, up to two times the annual base salary.

If an individual's employment ends due to change-of-control, the Supervisory Board acting on the advice of the A&RC will determine the appropriate severance payment provided that the severance payment will not exceed a sum equivalent to one time the annual base salary, or if this is manifestly unreasonable in the case of dismissal during the first appointment term, two times the annual base salary.

2.2.3 Section 3: Actual remuneration in 2011 of the members of the Management Board

Actual Remuneration of the Members of the Management Board in 2011

This section provides an overview of the actual remuneration of the Managing Directors, Mr. A. Mace, CEO, and Mr. M. Miles, CFO, received during the year under review, with an indication of threshold, at-target and maximum earnings possibility for both the STI and the LTI.

In thousands of €	Base salary	Short-Term Incentive Cash re 2010(1)	Short-Term Incentive Shares re 2010 (2)
A.J. Mace	600	227	57 (2,989 shares)
M.A.S. Miles	420	184	45 (2,413 shares)

(1)This amount represents 80% of the Short Term Incentive earned in respect of performance year 2010, which was paid in cash in 2011. The amount of the bonus is computed in US Dollars (the Company's functional currency) and then converted for payment in Euros at the average exchange rate on the five trading days following the date of publication of the final results for the year 2011.

(2)This amount represents 20% of the Short Term Incentive earned in respect of performance year 2010, which became payable in shares in 2011. The number of shares was calculated by using the average closing price of the share on the five trading days following the date of publication of the final results for the year 2010. An equal number of matching shares will vest after the three-year period ending 31 December 2013.

The Short-Term Incentive relating to the performance year 2011 is based upon the Economic Profit (EP) of the year 2011, i.e. Return On Average Capital Employed (ROACE) exceeding an assumed Weighted Average Cost of Capital (WACC). Given the negative results shown in the Annual Accounts in the Financial Report 2011, section 4 of this Annual Report, the Company performance criteria which have a weight of 70% of the STI opportunity, have not been met and therefore, there will be no STI payment in 2012 related to Company Performance in 2011. The Supervisory Board, upon recommendation of the A&RC, scored the individual performance of the members of the Management Board, which has a weight of 30% of the STI opportunity as follows:

	STI 2011 score	Threshold	Actual payout
A.J. Mace	25%	40%	-
M.A.S. Miles	45%	40%	13.5% of base salary

The value of the conditional award of LTI shares in 2011 equals 125% of base salary. This value, divided by the average closing price of the share over the five trading days following the date of publication of the final results for the previous financial year, determines the number of performance shares conditionally awarded in accordance with RP 2011. Vesting of LTI shares conditionally awarded in 2011 will depend on whether the vesting criteria will be met on the vesting date in 2014.

	Target number of performance shares conditionally awarded in 2011 (3)	Minimum vesting opportunity (number of performance shares)	Maximum vesting opportunity (number of performance shares)
A.J. Mace	39,443	19,722	78,886
M.A.S. Miles	27,610	13,805	41,415

(3)The number of LTI shares that vest for the performance period 2009-2010-2011 will be determined in March 2012, upon finalisation of the financial accounts for the year 2011. Based on the 2011 annual accounts which will be submitted to the AGM, there will be no vesting of the Performance shares awarded in 2009 and vesting in 2012. Following the vesting of the performance shares, a lock-up of two years applies to the performance shares

Share-based incentives outstanding as per 31 December 2011

	A.J. Mace	M.A.S. Miles
Matching shares		
Awarded in 2008 and vesting in 2011	Number: 2,440	Number: 3,284
	Value at award: € 63,000 Number of shares vested: 2,440 Value at vesting date: 40,907	Value at award: € 84,800 Number of shares vested: 3,284 Value at vesting date: 55,056
Awarded in 2009 and vesting in 2012	Number: 6,720	Number: 6,328
	Value at award:€ 67,000	Value at award:€ 63,090
Awarded in 2010 and vesting in 2013	Number: 5,201	Number: 4,198
	Value at award: € 71,362	Value at award: € 57,599
LTI Performance shares		
Performance shares awarded in 2008 and vesting in 2011	Number: 20,035	Number: 18,237
	Value at award: € 395,500 Vested: 0	Value at award: € 360,000 Vested: 0
Performance shares awarded in 2009 and vesting in 2012	Number: 42,126	Number: 39,669
	Value at award: € 420,000 Vested: 0	Value at award: € 395,500 Vested: 0
Performance shares awarded in 2010 and vesting in 2013	Number: 35,709	Number: 28,822
	Value at award: € 490,000	Value at award: € 395,500
Performance shares awarded in 2011 and vesting in 2014	Number: 39,443	Number: 27,610
	Value at award: € 750,000	Value at award: € 525,000

Costs incurred by the Company in 2011 in respect of the Remuneration of Managing directors

In thousands of €	Base salary	Short-Term Incentive (4)	Expense recognised for share-based payments (NOT ONLY LTI) (5)	Benefits excluding pension payments	Pension payments	**Total costs**
A.J. Mace	600	284	142	100	220	**1,346**
M.A.S. Miles	420	229	81	100	92	**922**

(4) This is the total amount of the Short-Term Incentive, i.e. the part payable in cash (80%) and the part payable in shares (20%).

(5) The fair value of all share-based payments, i.e. the expense recognised in 2011 as a pro rata over the entire vesting period. Reference is made to note 4 to the financial statements (prepared in US Dollars, being the Company's reporting currency).

Arrangement with Mr. A.J. Mace, former CEO

- On the basis of an agreement dating from 2008, the then existing employment contract of Mr A.J.Mace with an SBM Offshore Group Company was suspended for the duration of Mr A.J. Mace's CEO contract, to be automatically re-activated upon termination thereof. Effective 1 January 2012, Mr A.J. Mace will therefore resume his employment with an SBM Offshore Group company until his retirement in 2013.
- No compensation has been paid to Mr A.J. Mace upon termination of his CEO contract.
- The conditions under which Mr A.J. Mace will continue his employment from 1 January 2012 are, when taken as a whole, significantly less attractive than those that applied under his CEO contract. Being still employed by a Group company, Mr. A.J. Mace remains eligible for LTI shares and matching shares awarded during his tenure as the CEO of the Company depending on whether or not the LTI performance criteria will be met on the vesting dates.
- From 1 January 2012, Mr A.J. Mace will act as special advisor to the CEO and will work on assignments where the Company will be able to fully benefit from his extensive experience. In this role, Mr A.J. Mace will no longer be a statutory director nor a non-statutory director member of the Board of Management.

Services contract with Mr. B.Y.R. Chabas, CEO with effect from 1 January 2012

Key points of the Services Agreement with Mr Chabas

services contract:	Mr B.Y.R. Chabas will provide his services on the basis of a services contract and so no employment relation will exist between SBM Offshore N.V. and Mr B.Y.R. Chabas. The pre-existing employment contract which Mr B.Y.R. Chabas had with an SBM Offshore Group company, Offshore Energy Development Corporation S.A.M., a Monegasque company, was suspended with effect from 1 January 2012 for the duration of Mr B.Y.R.Chabas' services contract as Chief Executive Officer of the Company and will be automatically re-activated upon termination of this latter services contract.
Duration:	The services contract is for renewable periods of four years. The first four year term of office starts on 1 January 2012 and expires on 31 December 2015 unless terminated during the course of any four year term by a decision of the General Meeting of Shareholders or upon resignation by Mr B.Y.R. Chabas. Compensation in case of termination of the services contract by the Company is limited to 1 year 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 two times the annual base salary.
RP 2011:	The Remuneration Policy as approved by the General Meeting of Shareholders on 5 May 2011 (RP 2011) and published on the Company's website applies to the services contract of Mr B.Y.R. Chabas, including as regards Short Term Inventives and Long term Incentives; both as described above.
Base Salary:	The annual base salary of Mr B.Y.R. Chabas amounts to EUR 600,000.
Fringe benefits:	A company car and a housing allowance of EUR 3,000 per month.
Pension:	Mr B.Y.R. Chabas participates in a defined contributions pension scheme and the Company contributes to Mr B.Y.R. Chabas' private pension plan at the level of 10% of his base salary.
Other conditions:	In accordance with the RP2011, the services contract of Mr B.Y.R. Chabas contains an adjustment clause, a claw-back clause and a change of control clause.

2.3 Information regarding the Supervisory Board members

Mr. H.C. Rothermund

Swiss, 1943
Function: Chairman since the AGM of 2005

Committee: Chairman of the Appointment and Remuneration Committee dealing with selection and appointment matters and member of the Appointment and Remuneration Committee dealing with remuneration matters.
Since May 2011 member of the Audit Committee
First appointment as member of the Supervisory Board: 2003
Re-appointment: 2007
Re-appointment: 2011
Current term of office: 2011-2015

A former Managing Director of Shell EP International B.V.

Other non-executive Board memberships:
Member of the Board of Petrotechnics Ltd.
Member of the Board of E.ON Ruhrgas UK Exploration & Production Ltd.
Advisory Rohöl-Aufsuchungs-AG

Mr. R. van Gelder

Dutch, 1945
Function: Vice Chairman

Committee: Member Technical and Commercial Committee
First appointment: 2005
Current term of office: 2009-2013

A former Chief Executive Officer of Heijmans N.V.
A former President and Chief Executive Officer of Royal Boskalis Westminster N.V.

Supervisory Board memberships:
Chairman of the Supervisory Board of Atlas Services Group
Member of the Supervisory Board of Holcim Western Europe
Member of the Supervisory Board of Heijmans N.V.
Member of the Supervisory Board of Koninklijke Ten Cate N.V.

Other:
Chairman of the Board of VEUO

Mr. F.J.G.M. Cremers

Dutch, 1952
Function: Member

Committee: Chairman Audit Committee
First appointment: 2010
Current term of office: 2010-2014

A former CFO of Shell Expro UK

A former CFO and member of the Board of Management of VNU N.V.

Other Supervisory Board memberships:

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

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

Other:
Member of the Capital Markets Committee of the AFM
Member of the Board of Stichting Preferente Aandelen Heijmans
Member of the Board of Stichting Preferente Aandelen Philips

Mr. F.G.H. Deckers

Dutch, 1950
Function: Member

Committee: Member Audit Committee
First appointment: 2008
Current term of office: 2008-2012

Current position:
Chief Executive Officer of Van Lanschot N.V.

Other Supervisory Board memberships of private entities:
Member of the Supervisory Board of IBM Nederland N.V.
Member of the Supervisory Board of Springpaarden Fonds Nederland B.V.
Member of the Board of the Netherlands Bankers’ Association

Mr. T.M.E. Ehret

French, 1952
Function: Member

Committee: Chairman Technical and Commercial Committee
First appointment: 2008
Current term of office: 2008-2012

A former President and Chief Executive Officer of Acergy S.A.

Board memberships:

Listed companies:
Deputy-Chairman of the Board of Acergy S.A.(until 7/01/2011)
Deputy-Chairman of the Board of Dockwise Ltd.

Private companies:
Non-executive member of the Board of Comex S.A.
Non-executive member of the Board of Green Holdings Corporation
Non-executive member of the Board of International Sports Media Ltd

Mr. F.R. Gugen

British, 1949
Function: Member

Committee: Chairman of the Appointment and Remuneration Committee dealing with remuneration matters and member of the Appointment and Remuneration Committee dealing with selection and appointment matters.
First appointment: 2010
Current term of office: 2010-2014

A former Chief Executive and a former Finance Director of Amerada Hess Corporation in Europe

Board memberships:

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

Private Companies:
Chairman of Chrysaor Limited and Fraudscreen Limited

Advisory:
To BNRI, a private investment division of Barclays

Charity:
Chairman of Raft, a medical research charity and member of the Board of Smart Matrix Limited, a philanthropic biotech company set up to exploit Raft's research

Mrs. K.A. Rethy

Canadian, 1956
Function: Member

Committee:Member of the Technical and Commercial Committee.
First appointment: 2011
Current term of office: 2011-2015

A former Senior Vice President, Global Services, of Falconbridge Ltd.
President of KAR Development Corp.
Director Equitable Trust Company
Chair of Katimavik

3 Report of the Board of Management

3.1 Report of the Board of Management- Introduction

At the end of the first half of the year the Company installed the Yme and Deep Panuke platforms on their respective offshore locations in Norway and Canada. This was the start of the commissioning activities, as well as remaining construction works offshore to complete and prepare the facilities for start of production.

On both projects the Company had incurred additional cost due to re-measurement of on-site works, part of which has been completed inshore, with the remainder to be completed offshore. These additional costs and clarifications of the client's contractual position on Yme at that time lead the Company to recognize an additional cost exposure and book impairment charges totalling US$ 450 million on the two projects under the Lease and Operate segment in the first half year 2011 results.

In January of 2012 the Company announced that progress on the work offshore and commissioning of the Yme platform for start-up of the system had been significantly slower than anticipated. The productivity levels were affected by bad weather conditions, among other reasons, and an increase in the work scope offshore.

The Company, together with its Yme client are taking action to improve productivity offshore and reach a common path forward to complete the platform and start production. The Company cannot be explicit about the path forward as the details are under discussion with our client, but all scenarios result in a significant delay in start-up of the platform.

The amount of work to be completed offshore has been updated and, taking more realistic productivity levels into account, this has resulted in substantial additional in the estimates of the costs and time to complete. The potential recovery from the on-going arbitration proceedings has also been re-assessed, with the first arbitration conclusions finding in favour of the client.

The Deep Panuke platform delivery has also been delayed due to low productivity and additional work on certain systems, requiring further cost provisions. At year-end 2011, no potential recovery from the on-going court case has been recognized, due to the likely long duration of the proceedings. On timing, the Company anticipates first gas production at Deep Panuke in the summer of 2012.

Accordingly, a total additional impairment charge of US$ 407 million related to the Yme MOPUstor™ and Deep Panuke platforms has been booked under the Lease and Operate segment in the second half of the year.

The Company will actively continue legal proceedings to minimise the costs to complete and to maximise recovery of those costs. The outcomes of proceedings will only be known when the litigation, arbitration or negotiation processes have run their course.

During 2011, the Company has refocused its product line on core FPSO products and associated services. By focusing on core products with historically good margins whilst improving execution standards and project risk profiles, the Company believes it will eventually return to delivering superior financial returns.

The disappointing financial performance over several years of FPSO projects worldwide is an indication that rewards are structurally not aligned with obligations and liabilities of FPSO contractors. The Company will actively pursue contract structures in which this risk/reward in balance is more favourable for contractor.

To face the new challenges of increasingly complex projects, the Company has adopted a new risk management approach leading to a deferral of gross margin of US$ 57 million from 2011 to future years. Accordingly a new organisation has been implemented with accountability for performance at execution center level.

The impairment charges have impacted the 2011 full year results and balance sheet at year-end. Net debt level at year-end 2011 stands at US$ 1,958.5 million with all debt covenants met.

3.1.1 Organisation

Following revisions to its management structure, implemented in 2009, the Company has focused on developing an organisational structure, which maximises its capacity to execute large, complex projects. This has resulted in the delegation of a broad range of responsibilities, for delivery and performance, to the execution level.

Within the context of the Group's principles, rules and guidelines, each project or FPSO unit constitutes a 'building block' within an execution centre and each such project or FPSO, is managed by a fully integrated project team.

Consistency, in the organisational structure in place at each and every Execution Centres, creates one way of working, which ensures the same processes, systems and objectives are used throughout the Group.

The Company's strategy, values, and brand have been developed to reflect its new organisational structure and promote a one-company culture, focused on delivering uniform future success.

Improvements in project management, tendering, proposals and execution implemented in 2009, have produced encouraging results for new projects. The Company is focused on achieving continuous improvement in these core competencies.

3.1.2 Branding

In line with organisational changes and its refocus on core products, the Company has initiated an exercise, involving employees and other stakeholders - to identify its brand 'core; or 'essence' and to translate this into a coherent vision, set of values and promises for the future.

As a result, the Company has defined its brand essence as: *the most experienced partner for complete lifecycle solutions.*

The Company's core purpose and offer is summed up in the following statement: *our people have unrivalled experience and understanding of the needs of the global offshore energy industry, and can confidently supply floating production solutions for the full production lifecycle.*

The Company has also defined its vision and driving ambition:*to be the trusted partner of choice in the development of complete offshore floating solutions for the world's energy companies* - which is underpinned by three core values: *Team-Energy (Work as One), Success (Perform) and Ambition (Shape our Future)*.

The Company's promises to different stakeholder groups are included in the strategy and branding section of this report.

The new brand and supporting visual identity is being launched with the publication of the Company's online annual report.

3.1.3 Risk Management

The Company continues to focus efforts on managing the financial, operational and execution-related risks it faces. Risks associated with proposals, estimates and contracts have been addressed; now focus has shifted to improving risk management during execution - resulting, inter alia, in more conservative use of accounting estimates. The increasing complexity of modern projects requires a revised approach to margin recognition and contingency levels. In order to ensure this, the Company has adopted a new approach to margin recognition, with a more conservative stance towards the percentage of completion method used in construction contracts.

Complex projects will be submitted to gate reviews before margins can be recognised. These gate reviews will happen at a later stage in completion of engineering with overall project progress at typically around 25%.

This change will not affect margin or profitability at completion, but will alter the timing of margin recognition. For 2011, approximately US$ 57 million of gross margin has been deferred. For 2012, a deferral of approximately US$ 100 million of gross margin is estimated.

The Company has also adopted a new approach to general risk assessment, reflecting the increased complexity and scope of major projects along with the corresponding need for a more conservative approach to contingency levels.

The risk management processes are implemented throughout the Company with specific focus on the tender phase to identify specific risks at the earliest stage of the project.

3.1.4 HSSE

The Company strives continuously to ensure incident-free workspaces in its onshore and offshore operations. It is committed to protect its most valuable assets – the men and women responsible for its success. For 2011, its TRIFR (Total Recordable Incident Frequency Rate) shows an increase from 2010. The Company has implemented a wide range of initiatives to reverse this unsatisfactory trend, and has appointed in January 2012 a new Group HSSE Director who has been tasked with spearheading the drive by all employees to improve results in 2012.

3.1.5 Sustainability

The Company has combined its Sustainability Report and Annual Report online. The report still provides detailed information on the Company’s HSSE and Human Resources activities and strategy. The Company’s transparent reporting on sustainability issues has led to its inclusion in the Dow Jones Sustainability World Index.

3.1.6 Local Content

Brazil

In Brazil, the Company entered into an agreement with Naval Ventures Corp. The two companies will jointly develop and operate a yard and FPSO integration quayside at Niterói, Brazil for the fabrication and pre-commissioning of topside modules and other systems and equipment related to the offshore oil & gas industry. The yard will also be used for FPSO integration and commissioning. It will own and operate a floating crane to provide heavy lift solutions/services in Brazil.

Through this partnership the Company has secured access to alternative construction and integration capacity, aware that an imbalance is predicted in the future between local demand and the availability of both qualified fabricators for topside modules and FPSO quaysides. This long-term independent solution will allow the Company to continue developing strong proposals for new projects while increasing the proportion of local content in a country where SBM Offshore has ambitions to grow its portfolio.

Angola

In Angola, through the joint venture with Sonangol and DSME, the Company is continuing to develop the PAENAL yard in Porto Amboim. When completed, the yard will fabricate modules for the CLOV FPSO along with subsea steel structures for CLOV and other offshore projects.

Through the PAENAL yard project the Company has secured local fabrication capacity and the ability to secure the levels of local content required for future FPSO projects in Angola. The partnership also promotes sustainable development in this country.

During the year, the Company's partially owned installation vessel "Normand Installer" mobilised from the PAENAL yard for the offshore installation of the Pazflor FPSO offloading system for Total, offshore Angola.

3.1.7 Turnkey Systems

The successful connection of the FPSO OKHA to an existing mooring system and subsequent first oil production was one of the major successes of the year. The objective of the project was to replace the existing FPSO Cossack Pioneer on the Cossack, Wanaea, Lambert and Hermes fields (CWLH) in Australia with a new floating production system in a way that minimized production downtime for Woodside. This was achieved by re-using the disconnectable part of the existing mooring system (riser column), which moors the FPSO to the seabed and connects the production risers to the FPSO, whilst also completing extensive pre-commissioning of the FPSO OKHA. The project was delivered in 38 months from contract award to first oil.

The Company delivered a new semi-submersible drilling rig in September to our client Delba, the last of three supplied to Brazilian clients.

Two turret supply contracts were secured during the year, following a long FEED phase, which started in 2010. The first will be supplied to Shell for their FLNG for the Prelude field offshore Australia; the second is for BP's QUAD 204 FPSO. Both turrets are technically challenging in terms of size and mooring loads, with complex manifolds and swivel systems to transfer well fluids, and large mooring forces.

The Company received an order from OSX, a new client, to supply the FPSO OSX-2 for Brazil. Refurbishment,

conversion, construction and integration work for the project will all be completed in Singapore, with delivery scheduled for 2013.

GustoMSC

The Company has reorganized its activities in Schiedam into two execution centres. Operating under the SBM Offshore brand, SBM Schiedam will focus on core FPSO products; the other, focused on non-core products will retain the GustoMSC brand name.

GustoMSC will continue to provide proprietary designs under license and engineering support for all types of mobile units and vessels for the offshore drilling and construction industry, including the supply of associated specialist equipment. The innovative solutions are focused on all types of jack-up units, semi-submersibles or mono-hull vessels.

GustoMSC will also supply equipment associated with its proprietary designs, including jacking systems, fixation systems, X-Y skidding systems and jack-up units for thruster retrieval systems for DP vessels. It will also provide proprietary designs for large derrick cranes and medium-sized pedestal cranes under license.

3.1.8 Turnkey Services

The Company's two installation vessels achieved high occupancy rates during the second half of the year and this trend is set to continue in line with its offshore contracting activities. The Company ordered a new Diving Support Construction Vessel (DSCV) in April 2011 for delivery in 2013. This investment is in line with its strategy to expand offshore contracting activities.

The Company's other turnkey services include: engineering, supply, overhaul and maintenance of CALM buoys, swivels, mooring systems, fluid transfer systems and offloading systems which are all core or edge FPSO products of the Company. These services are performing in line with Services business objectives and are expected to grow in future.

3.1.9 Lease and Operate

Except for the impact of the two MOPU projects, the Company's Lease and Operate segment is currently performing extremely well, with high bonuses obtained on individual contracts. During 2011, the Company's lease FPSO and FSO fleet evolved as follows:

Existing fleet

- The lease and operate contract for LPG FSO Nkossa II was extended until November 2018 with options for three further one-year extensions
- the lease and operate contract for FPSO Kuito was extended until 31 May 2012 with a further extension anticipated
- Petrobras extended the lease and operate contract for FPSO Marlim Sul until June 2014
- lease and operations on FPSO Xikomba were extended by ExxonMobil until July 2011 and since then the unit has been disconnected and sailed to Singapore where it is currently undergoing a substantial upgrade at Keppel Shipyard to meet production requirements for a new twelve year lease and operate contract on block 15/06 in Angola for ENI;
- the operations only contract with MEGI for FPSO Serpentina was extended until August 2013, including options for three further one-year extensions
- the FSO Unity operations only contract with Total in Nigeria was terminated at the end of September 2011

New contracts

During 2011 the Company secured:

- A Letter of Intent (LOI) from Petrobras for a twenty year charter and operation of the FPSO Cidade de Ilhabela for the Guará Norte development in the pre-salt area offshore Brazil

- A contract with ENI Angola for the relocation of FPSO Xikomba under a twelve year lease and operate contract for an oil field development on block 15/06 offshore Angola

The total number of lease and operate units in operation at year-end 2011 was 16, with six units under construction (including two major upgrades prior to relocation). The FPSO Falcon is currently not in use, but is marketed for new contracts. Only one lease and operate contract was terminated during the year.

FPSO Aseng

FPSO Aseng started first oil production for Noble Energy, two months ahead of schedule on 6 November 2011 in the Aseng field, offshore Equatorial Guinea under a 15-year lease and operate contract, with provisions for further extensions up to five years.

FPSO Yetagun

The Company had already declared its intention to withdraw from the Myanmar-based FSO Yetagun lease and operate contract. This contract was awarded prior to an international campaign to impose sanctions against Myanmar.

The Company is still committed not to extend its existing contract past the final expiry date for as long as international sanctions against Myanmar continue to apply.

The Company has paid special attention to ensure that operations comply with the highest possible social accountability standards. To this end, the Company commissioned Bureau Veritas to carry out an independent audit of the operators. This confirmed full compliance with the Company Social Accountability manual.

3.1.10 Members of the Board of Management

In August 2011, Mr Tony Mace, CEO of the Company, announced that he would not stand for re-election at the next AGM on 16 May 2012.

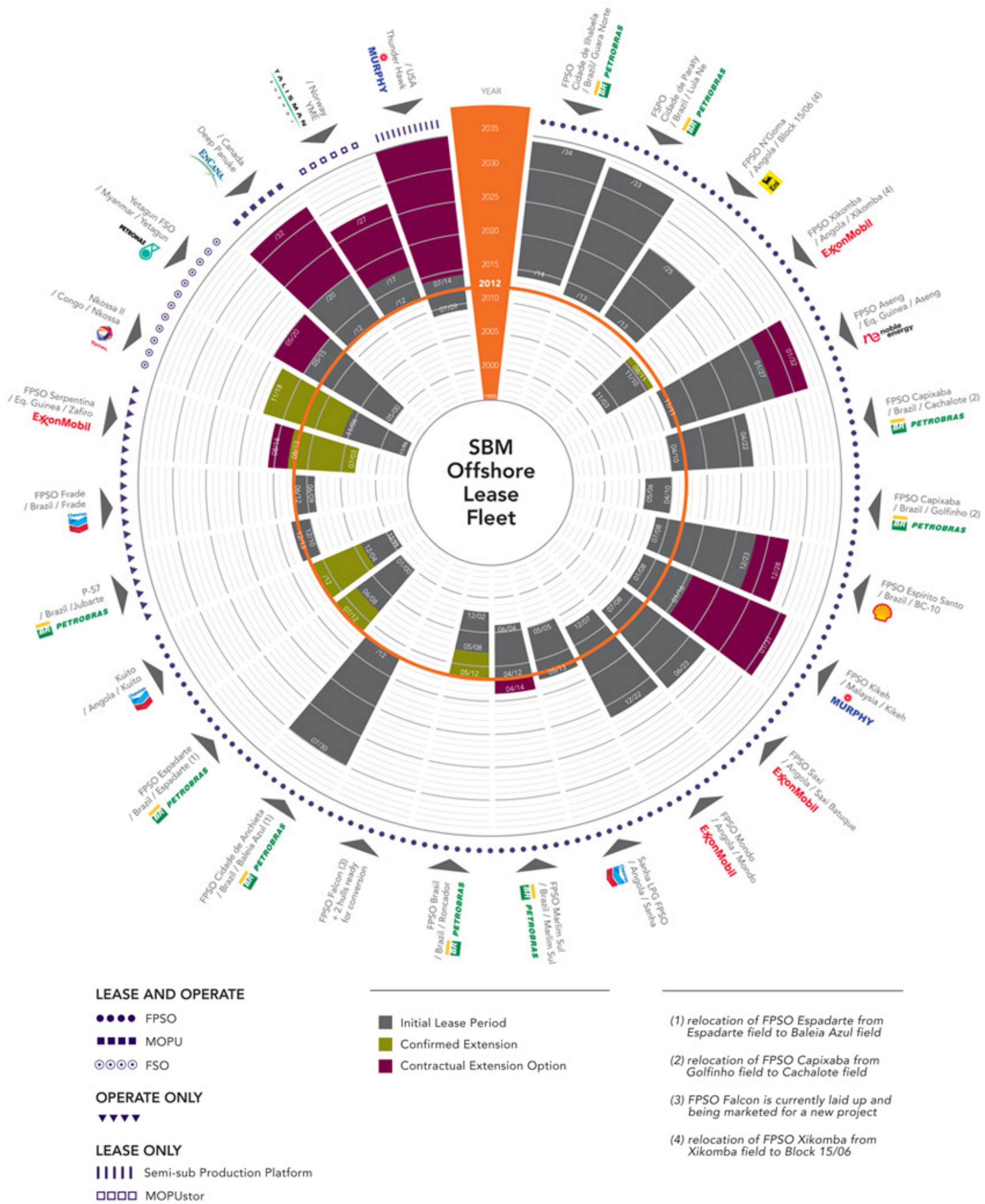
In December 2011, following election at the EGM of Mr Bruno Chabas as Managing Director, the Supervisory Board appointed Mr Chabas to take over as CEO with effect from 1 January 2012.

In January 2012, Mr Mark Miles, CFO of the Company, and the Supervisory Board have mutually agreed that he will not stand for re-election at the next AGM on 16 May 2012. The Supervisory Board will take steps to arrange for Mr Miles' succession. Until such time Mr Miles has agreed to continue as CFO of the Company.

3.2 SBM Offshore Lease Fleet

Download PDF: [SBM Offshore Lease Fleet]

Open interactive version: [SBM Offshore Lease Fleet]



3.3 Main Activities in Chronological Order

January 2011

CEO New year's speech

In his new year's speech, Tony Mace, former CEO of the Company, emphasized that safety is the most important aspect of SBM Offshore's business and that it strives to avoid incidents wherever it operates: on vessels, in shipyards, at supplier's locations, in offices, at home and also travelling to and from the workplace.

February 2011

Management appointments

The Company confirmed two new appointments to the Board of Management: that Mr. Bruno Chabas was to be appointed as Chief Operating Officer and a Director in the Board of Management with effect from 1 May 2011 and that Mr. Jean-Philippe Laurès had been appointed as Chief Commercial Officer and a Director in the Board of Management of SBM Offshore N.V. in November 2010.

Mitsubishi agreement

A long-term cooperation agreement was signed with Mitsubishi Corporation (Mitsubishi) to jointly pursue FPSO lease and operate projects worldwide. Mitsubishi will be an equity partner with SBM Offshore for the ownership and operation of FPSOs whilst the Company remains responsible for the EPCI supply of these units and will act as the operator on behalf of the partnership.

The agreement with Mitsubishi provides the Company with substantial equity capability for new lease projects, enabling both participants to attract competitive financing from a wide range of sources and providing access to Mitsubishi Corporation's global business network of more than 200 bases of operations in 80 countries.

The partnership with Mitsubishi supports the Company's ambitions to grow its portfolio in major markets such as Brazil, where several large FPSO projects are set to be developed in the coming years. The partnership also provides valuable local knowledge and expertise in several other countries identified as potential growth areas.

FPSO Espadarte stops production

Production on FPSO Espadarte, which had been on location in the Espadarte field since June 2000, was stopped on 17 February 2011. The FPSO Espadarte (now renamed FPSO Cidade de Ancheita) will undergo major upgrade and life extension works at Keppel shipyard in Singapore before being relocated to the Baleia Azul field in Brazil for another 18 years of lease and operation.

March 2011

COOL™ LNG transfer hose certified

The Company is the first in its industry to fully qualify and certify an offshore LNG transfer system - the Cryogenic Offshore Offloading and Loading (COOL™) system.

More information about The COOL™ system can be found in the Technology section of this report.

Letter of Intent for FPSO OSX-2

The Company announced that it had agreed a Letter of Intent (LOI) with OSX 2 Leasing BV, part of the EBX Group, for the EPCI supply of the FPSO OSX-2. The LOI permitted the Company to start project engineering and procurement activities up to an amount of US$ 25 million.First oil is targeted by Q3 2013.

The FPSO OSX-2 will be chartered by OSX to its customer OGX Petróleo e Gás Ltda. OGX is also a company in the EBX Group. The OXS-2 will be deployed in oil fields in the Campos basin offshore Brazil.

5,000 Tonnes crane tested

The Company successfully tested and fulfilled class verification of the 5000T offshore crane operated on the heavy lift vessel “Oleg Strashnov”, which was subsequently handed over to its owner Seaway Heavy Lifting.

April 2011

Diving Support & Construction Vessel (DSCV) ordered

The Company awarded a contract to Keppel Singmarine in Singapore for the detailed design and construction of a multi-purpose Diving Support & Construction Vessel (DSCV). This investment demonstrates the Company’s strategy to grow offshore contracting activities within the Turnkey Services segment by adding a modern vessel with high performance and reliability to its fleet. Delivery is scheduled for the second quarter of 2013. The vessel will be fully owned and operated by SBM Offshore.

Letter of Intent for FPSO Xikomba relocation

On behalf of its Joint Venture companies with Sonangol, the Company received a Letter of Intent (LOI) for 12-year lease and operate contracts from ENI Angola SpA for the block 15/06 development offshore Angola. The full scope lease and operate contract was signed in December 2011.

The development plan involves relocation of the existing FPSO Xikomba, which has been operating under contract for ExxonMobil in Angola since 2003. The unit will undergo a major upgrade in order to meet the new project specific requirements. Part of that work will be performed in the PAENAL yard in Angola.

CLOV Oil Offloading System order

The 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.

Design Licence fees

The Company received design licence fees from Keppel Fels yard and Jurong Shipyard, both in Singapore, for contracts to construct and deliver three cantilever drilling jack-ups in the GustoMSC CJ70 class with international drilling contractors. In addition the Company has received orders for the supply of associated equipment for these jack-ups.

May 2011

Espadarte disconnected

The FPSO Espadarte was disconnected from the Espadarte field and towed to Rio de Janeiro for clean-up work before continuing its journey to Keppel shipyard in Singapore.

Deep Panuke sails to Nova Scotia

The MOPU for Encana was successfully loaded onto the transportation vessel and left Abu Dhabi.

Annual Shareholders Meeting of 5 May in Rotterdam

At the annual General Meeting of Shareholders (AGM) distribution of a dividend of US$ 0.71 per share was accepted by the meeting. Shareholders have the option for dividends to be paid in cash or in the form of ordinary shares.

Mr H.C. Rothermund, the Chairman and member of the Supervisory Board was re-appointed for a term of 4 years by the meeting.

Mrs. K.A. Rethy was appointed as a new member of the Supervisory Board for a term of 4 years by the meeting.

June 2011

FPSO Okha

The FPSO Okha departed from the quayside at Keppel shipyard in Singapore on 7 June for sea trials, which lasted about three weeks before it sailed to Australia on 25 June.

Turret for Shell's Prelude FLNG

Shell gave the final approval to proceed with construction of the world's first Floating Liquefied Natural Gas production facility (FLNG) for use in their Prelude field offshore Australia. SBM Offshore received the order to supply the turret mooring system, which will hold this massive floating structure on location offshore.

July 2011

Yme MOPUStorTM

The Yme MOPUstor™ platform was installed and connected to a storage tank offshore Norway.

Deep Panuke - MOPU

The Deep Panuke production platform was installed offshore Nova Scotia.

PTTEP partnership agreement for FLNG facility

SBM Offshore, Linde and PTTEP sign a partnership agreement for the development of a Floating Liquefied Natural Gas (FLNG) facility in the Timor Sea off Northern Australia.

Provisions on Yme and Deep Panuke

The two Mobile Production Units (MOPU) for the Deep Panuke and Yme fields were installed at their respective offshore locations in Nova Scotia, Canada and in Norway. The Company announced provisions of US$ 450 million for both facilities, which were accounted for in 2011 half year results.

FPSO Cidade de Paraty

The contracts for the 20-year charter and operation of FPSO Cidade de Paraty for the Lula Nordeste development in the pre-salt area, offshore Brazil, were executed with Petrobras and their partners. The Company together with Queiroz Galvão Óleo e Gás S.A (QGOG) had been awarded a Letter of Intent on 28 May 2010 for this work.

US$ 1 billion Loan Facility - Financial Close

The Company together with its JV partners confirmed that the Limited Recourse Project Loan had been secured for US$ 1 Billion to finance the construction of the FPSO Cidade de Paraty.

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 SBM Offshore. The contract consists of engineering, procurement and construction of the turret.

FPSO Xikomba

The FPSO Xikomba was disconnected from its offshore field location in Angola and set sail to Keppel shipyard in Singapore to be refurbished and upgraded for relocation to block 15/06 of ENI under a new 12-year lease and operate contract.

LPG FSO Nkossa II

The 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.

August 2011

FPSO for Brazil pre-salt area

SBM Offshore and partner QGOG received two Letters of Intent (LOI) 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. The unit will be owned and operated by a consortium in which SBM Offshore's shareholding is 62.25%. Delivery of the FPSO is scheduled at 35 months from LOI. Due to finance lease accounting treatment of this project, revenue corresponding to the construction of the asset will be recognised within the Turnkey Systems segment.

The non-discounted total of the revenues payable under this contract to the consortium, excluding escalation and bonus, amounts to approximately US$ 4.5 billion.

Management

Mr Tony Mace advised the Supervisory Board that in light of recent events he would not stand for re-election at the next AGM on 16 May 2012. The Supervisory Board decided that it would call an EGM later in the year to propose that Mr Bruno Chabas should take over as CEO with effect from 1 January 2012.

September 2011

Dow Jones Sustainability Index (DJSI)

The Company was selected as a member of the Dow Jones Sustainability World Index (DJSI World). The quality of SBM Offshore's environmental and social reporting and its capacity to attract and retain talents were highlighted by DJSI's evaluation.

Brazilian yard, quayside and floating crane

SBM Offshore signed a Shareholders' Agreement with Naval Ventures Corp. (a member of Synergy Group) under which the two companies will cooperate and work together through one or more special-purpose entities in order to fulfil two undertakings: first, to jointly develop and operate a yard and a FPSO integration quayside at Niterói/Brazil for the fabrication and pre-commissioning of topside modules and other systems and equipment related to the offshore oil & gas industry and for FPSO integration and commissioning; second, to jointly upgrade, own and operate a floating crane to provide heavy lift solutions and services in Brazil.

The floating crane will be upgraded to meet the heavy lifting requirements (>500T) for lifting FPSO modules onto the FPSO deck. The heavy lifting capabilities will be unique in Brazil.

The agreement is based on long-term cooperation between the companies, through which they combine their expertise to provide a solution for the increasing high-level local content requirements in Brazil, where several large FPSO projects are set to be developed in the coming years. SBM Offshore will be responsible for the overall project and site management activities, whilst Naval Ventures Corp. will make available the key assets and contribute its shipbuilding and offshore construction expertise.

FPSO OSX-2

The tanker for FPSO OSX-2 arrived at Keppel Shipyard in Singapore and refurbishment and conversion works were started.

Semi-Submersible drilling rig "Delba III"

The Semi-Submersible drilling rig “Delba III” was handed over to our client Delba offshore Abu Dhabi on 30 September 2011. This rig is the last of three Semi-Submersible drilling rigs, which the Company had contracted to supply, all to Brazilian clients.

FPSO Okha

Following successful connection of the FPSO Okha with the existing dis-connectable turret mooring system, first oil production offshore Australia was achieved on 25 September. The Company was contracted by Woodside in 2008 to supply a dis-connectable FPSO to replace the existing Cossack Pioneer FPSO for the Cossack Wanaea Lambert Hermes (CWLH) redevelopment project.

FSO Unity

The operating contract on the FSO Unity with Total E&P Nigeria was terminated at the end of the contractual period.

October 2011

Pazflor Offloading System

The Pazflor Offloading System was installed this summer and the first offloading took place on 1 October by transferring crude from the FPSO via the DeepWater CALM buoy to the shuttle tanker. SBM Offshore in consortium with APL supplied and installed the system for Total E&P Angola.

November 2011

First Oil on FPSO Aseng

FPSO Aseng started first oil production for Noble Energy on 6 November 2011 in the Aseng field, offshore Equatorial Guinea two months ahead of schedule. The lease and operate contract is for a period of fifteen years, with provisions for further extensions up to five years. SBM Offshore owns a 60% share of the joint venture companies owning and operating the FPSO.

In addition to serving the Aseng field, the FPSO will provide a liquids hub for Noble Energy's future developments in the area, with processing capacity for 120,000 barrels of liquids per day, including 80,000 barrels of oil and injection capacity of up to 150,000 barrels per day of water. It will also handle 170 million standard cubic feet per day of gas. The unit has storage capacity for 1.6 million barrels of oil including up to 500,000 barrels of condensate.

FPSO OSX-2

The Company signed the conversion, supply and installation contract with OSX for the FPSO OSX-2 for Brazil. This contract is the conclusion of the Letter of Intent received from OSX in March 2011.

December 2011

FPSO Xikomba relocation

The Company signed full scope contracts with ENI Angola for the 12-year charter and operation of FPSO Xikomba for the block 15/06 development, offshore Angola. This order had previously been announced under a Letter of Intent (LOI) on 15 April 2011.

January 2012

Yme MOPUstor ™

The Company announced that further significant provisions are to be expected regarding completion of commissioning and hook up activities on the YME MOPUstor™ platform in Norway.

Management

Mr Mark Miles and the Supervisory Board agreed that he would not seek re-election at the next AGM on 16 May 2012.

3.4 Product and Technology Development

3.4.1 Introduction

The Company aims to continuously improve its existing products and develop new technology to meet the current and future needs of the offshore industry.

Expenditure on product and technology development in 2011 totalled some US$ 36 million. The focus throughout the year was on enhancing products for ultra-deepwater production, especially those developed for use in the challenging fields of Brazil and West Africa, offshore LNG production and Arctic technology.

3.4.2 Deepwater Systems

The Company develops solutions for ultra-deepwater challenges across its full product range, including FPSOs, mooring systems, semi-submersible platforms and steel risers. SBM Offshore's products today are operating in close to 2500 meters water depth, already making them some of the deepest production facilities in the world, and we are now striving towards the 3000 meters production barrier.

In 2011 the Company has worked to extend its range of solutions to allow the use of steel risers on its floating production units. SBM Offshore's first FPSO with steel risers connected to a turret (also a first in the Industry) has now completed 3 years of trouble free operation. The Company has been working to develop this now-proven solution for steel risers to larger and more complex turret moored FPSOs to help the industry meet the growing challenges of High Pressure/High Temperature fields in ultra deepwater.

FPSO systems

The Company positions itself at the top end of the leased FPSO market, focussing on the largest and most complex projects in this sector.

Current projects include two complex ultra-deepwater FPSO projects for charter to Petrobras for production of pre-salt fields in Brazil. When complete, these will be the largest vessels in SBM Offshore's fleet in terms of throughput and having the most complex topsides. Both units will include extensive gas conditioning systems along with large gas compression plants for gas re-injection at very high pressures.

Very complex FPSOs like these now represent SBM's core business, allowing our clients to benefit from our unrivalled experience in offshore operation of FPSOs, totalling over 140 years.

Development work is progressing on other complex FPSO concepts, including FPSOs equipped with novel gas to liquids processing technology, and FPSOs for production and processing of ultra-heavy crude oil. The Company expects both of these new FPSO products to have an emerging market in the future.

Mooring Systems

The Company is the world leader in complex mooring systems and has continued development of its mooring technology throughout 2011 to strengthen this position.

The Company supplied the internal turret mooring system, one of the highest capacity mooring systems yet built, for BP's Skarv FPSO in Norway. This unit was installed in 2011, but will soon be overtaken by an even larger capacity system, the Prelude FLNG turret for Shell, which the Company is currently designing.

This internal turret mooring system marks a step-change in existing technology, and consequently the novel components required are now undergoing qualification testing.

The SBM Offshore laboratory in Carros, France, performed extensive testing throughout the year on advanced fluid swivel and swivel sealing systems to qualify new developments. Many of these represent significant advances in the Industry, by expanding the allowable operating envelope of turret mooring systems. One significant development, fully qualified during 2011, is a new High Voltage AC electrical swivel design, suitable for around 150 MW capacity, which allows large turret moored FPSOs to be fully powered from shore. The Company received a "Spotlight on New Technology" award at OTC 2011 for this new product.

Other advances include a new swivel design for ultra high pressure applications, which was fabricated during 2011 and will undergo a qualification test programme in 2012.

Offshore floating solutions

The Company's Deep Draft Semi™ hull design is now well proven in service, after operating on the Independence Hub and Thunder Hawk fields for several years. Both of these units are connected to subsea wells.

During 2011 SBM Offshore further developed this proven hull design as a 'dry tree' configuration, to allow the use of surface mounted Christmas trees in ultra-deepwater fields in Brazil and in the Gulf of Mexico. The design successfully completed the first stage of model testing, and will be further developed during 2012.

This new product has the advantage of overcoming the inherent water depth limitations of TLP platforms, which is tendon related, and consequently offers great potential for the ultra-deepwater High Pressure/High Temperature fields of the future, where dry trees are preferred.

Risers

As a consequence of the trend towards production operations in ultra-deepwater fields and High Pressure/High Temperature fields, there is now greater industry focus on steel riser systems rather than unbonded flexible risers or hybrid riser towers.

SBM Offshore's Espirito Santo FPSO, is world's first turret moored FPSO to be equipped with steel risers. The Company is now developing an enhanced version of this turret design, with capacity for a greater number of steel risers in ultra deepwater conditions.

The Company has developed and qualified an enhanced connector device to allow the deployment of steel risers without the need for welding offshore, offering considerable benefits in terms of material selection, installation

time, and cost.

3.4.3 Offshore LNG

The Company has been pioneering the development of LNG FPSOs for a number of years. This new technology is now gaining wide acceptance, and the first FLNG project was sanctioned in 2011.

During 2011 the Company completed a full Front End Engineering Design (FEED) study for a complex FLNG project in Brazil, working in conjunction with our partners Chiyoda and DSME. SBM Offshore is currently completing a pre-FEED on a second FLNG project, jointly with Linde Engineering and our client PTTEP.

In the future, SBM Offshore will focus mainly on FLNG projects where it can add most value by acting as a main contractor, as it does successfully for the FPSO market. Hence, the primary focus will be on medium sized FLNG projects, up to 2.0 million tonnes per annum capacity, where SBM Offshore can play a leading role in the project. For the larger FLNG projects, typically 2.5 mtpa and above, SBM will normally not accept a role of main contractor, and will target a lesser scope of work and a risk profile more compatible with its size.

Floating LNG Systems

Over the past six years the Company has developed the COOL™ hose and its complete COOL™ system has now been fully qualified by two Classification societies. The COOL™ hose is the first fully qualified floating LNG hose for cryogenic service, and has already been proposed for use on one FLNG project

The Company received a “Spotlight on New Technology” award at OTC 2011 for this product. This was one of the two such awards received by SBM Offshore in 2011, which is an outstanding achievement in which we take great pride.

LNG Transfer Systems

Over the past six years the Company has developed the COOL™ hose and its complete COOL™system has now been fully qualified by two classification societies. The COOL™ hose is the first fully qualified floating LNG hose for cryogenic service. It has already been proposed for use on one FLNG project.

The Company received a “Spotlight on New Technology” award at OTC 2011 for this product - one of two awards received by SBM Offshore in 2011 - an outstanding achievement in which it takes great pride.

3.4.4 Arctic Technology

The Company has considerable experience of Arctic production, including the Okha FSO offshore Sakhalin Island, which it operated for 10 years. As interest in production systems for Arctic locations increases, the Company has performed several studies into mooring systems suitable for ice-prone locations, as well as hull design for Arctic climates when subject to ice loads. This work will continue into 2012, to prepare for an emerging market in this region.

3.5 Corporate Governance

3.5.1 Corporate Governance Structure

SBM Offshore N.V. is a limited liability company ("Naamloze Vennootschap") incorporated under the laws of The Netherlands with its statutory seat in Rotterdam and listed on the Amsterdam NYSE Euronext exchange. The Company has a two tier board, a Supervisory Board and a Management Board. Each Board has its specific role and task regulated by the Corporate Governance Code, laws, the articles of association and the Supervisory and Management Board rules.

When applicable, the Company will submit major changes in the corporate governance structure of the Company and in the compliance of the Company with the Corporate Governance Code (CGC) to the General Meeting of Shareholders under a separate agenda item.

3.5.2 Dutch Corporate Governance Code

In this section of the Annual Report, the Company reports on compliance with the Code.

SBM Offshore complies with all applicable principles and best practices provisions.

3.5.3 Management Board

The Management Board consists of two statutory directors, the Chief Executive Officer (CEO), Mr. A.J. Mace and the Chief Financial Officer (CFO), Mr. M.A.S. Miles. Mr. A.J. Mace has stepped down as CEO of the Company on 31 December 2011. Mr. B.Y.R. Chabas has been appointed to the Management Board at an Extraordinary General Meeting of Shareholders held on 14 December 2011 and has succeeded Mr. A.J. Mace as CEO effective 1 January 2012. The statutory directors and non-statutory directors form together the Board of Management. In the year under review the non-statutory directors were the Chief Operating Officer (COO), Mr. B.Y.R. Chabas, the Chief Technology Officer (CTO), Mr. M.W.J. Wyllie and the Chief Commercial Officer (CCO), Mr. J-P.R.L. Laurès. Effective 1 January 2012, Mr. J-P.R.L. Laurès has been appointed as COO of the Company.

Duties of the Management Board

The Company is managed by the Management Board, under the supervision of the Supervisory Board. Each year the Management Board presents to the Supervisory Board, the operational and financial objectives of the Company, the strategy designed to achieve the objectives and the parameters applicable in relation to the strategy. The Operating Plan 2012 which includes the budget has been discussed and approved in the Supervisory Board Meeting of 20 December 2011 and a special session was dedicated to the Company's strategic plan 2012-2016 on the same day.

Appointment of a Managing Director

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

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

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

The CFO has been appointed in 2008 and his current term of office will expire for the first time at the AGM of 2012. As announced in the press-release Dated 24 January 2012, the Supervisory Board and the CFO jointly concluded that he would not stand for re-election for a second four-year term and a search for a new CFO is ongoing. The CEO has been appointed at the GM dated 14 December 2011 for a first four year term of office expiring on 31 December 2015.

Suspension or dismissal of a Managing Director

The GM may at any time suspend and dismiss Managing Directors. At the AGM of 2011 an amendment to the Articles of Association was proposed to the effect that a resolution to suspend or dismiss a managing director may be passed only by the General Meeting with an absolute majority of the votes cast, such majority representing more than one- third (1/3) of the issued share capital. If this majority does not represent at least one-third (1/3) of the issued share capital, a new meeting can be convened in which meeting the resolution can be adopted by an absolute majority of the votes cast. With this amendment, the Company has become compliant with BP IV.1.1.

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

Risk Management & In Control Statement

The “In Control” statement of the Management Board, other information on Risk Management, internal assurance and reporting systems and procedures are given in the Risk Management section.

Sensitivity of the results to external factors and variables

This subject is dealt with in the Risk Management section later in this report.

Regulations concerning ownership of and transactions in shares

In accordance with the Code, the Supervisory Board and Management Board rules contain a provision with regard to the ownership of and transactions in shares in Dutch listed companies other than SBM Offshore N.V. This provision prohibits trading in shares other than those of the Company on the basis of share price sensitive information obtained in the course of managing or supervising the Company’s businesses.

Shares held by members of the Management Board

For information about the shares (or other financial instruments) held in SBM Offshore N.V. by members of the Management Board, refer to notes 3 and 19 to the consolidated financial statements.

Conflicts of interest

The members of the Management Board have an employment contract (or, in the case of Mr. B.Y.R. Chabas, a services contract) with SBM Offshore N.V. In these contracts it is stipulated that members of the Management Board may not compete with SBM Offshore N.V. In addition, the Code of Conduct of SBM Offshore regulates conflict of interest matters and is applicable to members of the Management Board and other employees. The members of the Management Board did not report any conflict of interest during the year 2011.

Mandates with third parties

No member of the Management Board is a member of the Supervisory Board of any other listed company. Acceptance by the members of the Management Board of no more than two mandates as a Supervisory Board member of a listed company requires the prior approval of the Supervisory Board to prevent conflicts of interest and reputational risks. Other appointments of material importance need to be notified to the Supervisory Board. Members of the Management Board are also appointed to the statutory board of SBM Offshore operational entities. The Company’s Code of Conduct does not permit employees and directors to accept gifts of value for themselves or their relatives, to provide advantages to third parties to the detriment of the Company or to take advantage of business opportunities to which SBM Offshore is entitled.

Loans or guarantees

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

Code of Conduct and reporting of alleged irregularities

The Company has a Code of Conduct which was updated in January 2010 and is posted on the Company's website. The Company also has a procedure allowing employees to report alleged irregularities with respect to the Code without jeopardising their employment position. The Board of Management decided to create a freephone or web-based reporting facility which employees will be able to use –anonymously if they wish- in their own language. The facility will be operated by an external provider, People Intouch, and is expected to be launched during the course of 2012 once all formalities required in the different jurisdictions where the Company operates, including data protection laws, have been satisfied.

The Company has developed a number of anti-corruption initiatives including:

- An Anti-Corruption Policy and Compliance Guide which is posted on the Company's website;
- Guidelines for use of Agents and Commercial Relations with Public Officials;
- Use of standard contracts and anti-corruption clauses in the Company's contracts;
- Creating a Partner and External Relations Management (PERM) Team which performs due diligence on any new Agents/Consultants, Partner and/ or Freight Forwarder/ Custom Brokers contracts/ relationships;
- Conducting routine Internal Audit checks to monitor Code of Conduct compliance.

3.5.4 Supervisory Board

As per 1 January 2011, the Supervisory Board consisted of six members. At the AGM of 5 May 2011 Mrs. K.A. Rethy was appointed as the seventh member of the Supervisory Board and was elected a member of the Technical & Commercial Committee. The second four-year term of office of Mr. H.C. Rothermund expired at the AGM and the proposal to re-appoint Mr. H.C. Rothermund for a third and last term of office received shareholder approval. Mr. H.C. Rothermund was thereupon re-elected as Chairman of the Supervisory Board.

The current term of office of Mr. F.G.H. Deckers member of the Supervisory Board and of the Audit Committee and Mr. T.M.E. Ehret , member of the Supervisory Board and chairman of the Technical & Commercial Committee, will expire at the forthcoming AGM of 16 May 2012. Both members of the Supervisory Board have informed the Chairman of their preparedness to stand for re-election. A proposal for their reappointment for a second term of office expiring at the AGM of 2016 will be submitted to shareholders for approval.

The Supervisory Board has three sub-committees: the Audit Committee, the Appointment & Remuneration Committee and the Technical & Commercial Committee.

Audit Committee

Mr. F.J.G.M. Cremers is the chairman of the Audit Committee and Mr. F.G.H. Deckers and Mr. H.C. Rothermund are members.

Appointment and Remuneration Committee

The Supervisory Board announced at the AGM of 14 April 2010 that it had resolved to merge the Selection and Appointment and the Remuneration Committees into one single Appointment and Remuneration Committee. This committee is chaired by Mr. F.R. Gugen and Mr. H.C. Rothermund is a member when the committee deals with remuneration matters. When dealing with selection and appointment matters Mr. H.C. Rothermund is chairman and Mr. F.R. Gugen is a member.

Technical and Commercial Committee

The Supervisory Board resolved to create a new Technical and Commercial Committee to enable the Supervisory Board to have a better understanding of the Company's exposure to technical risks and to facilitate its supervisory duties of technical and commercial matters. Mr. T.M.E. Ehret is chairman of the Technical and Commercial Committee and Mr. R. van Gelder and Mrs. K.A. Rethy are members.

More information about the Supervisory Board and its committees and personal details of the members of the Supervisory Board can be found in the Report of the Supervisory Board.

Duties of the Supervisory Board

The Supervisory Board challenges in a constructive way and with due regard to the interests of all stakeholders the actions and plans of the Management Board concerning the management of the Company's businesses. The Supervisory Board supervises the management of the Company and its businesses by the Management Board, the effectiveness and the integrity of the internal control and risk management systems and procedures implemented by the Management Board and the general conduct of affairs of SBM Offshore and its businesses. The Supervisory Board assists the Management Board with advice in accordance with the best practices of the Code and the Supervisory Board rules. In the performance of its duties the Supervisory Board is guided by the interests of the stakeholders of the Company, and the enterprises connected therewith.

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

Appointment of Supervisory Directors

Supervisory Directors are appointed by the GM. A Supervisory Director is appointed for a maximum period of four years, and, unless a Supervisory Director resigns earlier, his/her appointment period shall end on the day of the AGM, that will be held four years following the appointment. A Supervisory Director may be reappointed. A Supervisory Director may be a member of the Supervisory Board for a maximum period of twelve years. This period may or may not be interrupted, unless the GM resolves otherwise.

If one or more Supervisory Directors are to be appointed, the Supervisory Board may make a binding or a non-binding proposal, as referred to in the articles of association. As far as a binding nomination is concerned, the proposal should offer the choice between at least two candidates.

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

Suspension or dismissal of a Supervisory Director

At the AGM of 5 May 2011 an amendment to the Articles of Association was proposed to the effect that a resolution to suspend or dismiss a Supervisory Director may be passed only by the General Meeting with an absolute majority of the votes cast, such majority representing more than one-third (1/3) of the issued share capital. If this majority does not represent at least one-third (1/3) of the issued share capital, a new meeting can be convened in which meeting the resolution can be adopted by an absolute majority of the votes cast. This amendment was approved at the AGM and the Company has now become compliant with BP IV.1.1.

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

Conflicts of interest

The Supervisory Board report mentions how conflict of interest matters are being dealt with. All Supervisory Board members are independent from the Company within the meaning of best practice provision III.2.2 of the Code. None of the members is a member of the management board of a Dutch listed company in which a member of the management board of the Company is a Supervisory Board member. There are no interlocking directorships. None of the members represent directly or indirectly a shareholder of the Company or a supplier or customer of the Company. None of the members of the Supervisory Board provides any services to or has any direct or indirect ties with SBM Offshore outside his Supervisory Board membership.

In addition to his position as a Supervisory Director of the Company, Mr. T.M.E. Ehret is also a non-executive director of Dockwise Ltd. a supplier of logistical services for large and heavy structures and a member of the Supervisory Board of Huisman B.V., an offshore equipment design and manufacturing company. In the event of any perceived conflict of interest during the discussion of agenda points, Mr. T.M.E. Ehret does not participate in such discussions. Mr. F.G.H. Deckers is the CEO of Van Lanschot N.V., a financial institution established in The Netherlands. Kempen & Co., a subsidiary of Van Lanschot N.V. has acted in the past as the adviser of the Company and may be retained as adviser for future transactions. Mr. F.G.H. Deckers informed the Supervisory Board that “Chinese walls” are in place within the bank and that he had not been involved in the advisory services performed by Kempen & Co. nor would be involved should Kempen & Co. provide services in the future. The Supervisory Board felt satisfied there were no conflicts of interest in the year under review.

Regulations concerning ownership of and transactions in shares

The Supervisory Board rules contain provisions concerning the ownership of and transactions in shares held by members of the Supervisory Board in Dutch listed companies other than SBM Offshore N.V.

Remuneration – Shares held by the members of the Supervisory Board

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

The fee level and structure of the Supervisory Board and its sub-committees is published in the remuneration report of this report.

The total remuneration of the members of the Supervisory Board amounted to US$ 812,000 (2010: US$ 546,000). For the individual remuneration, please refer to note 4 to the consolidated financial statements. These amounts are gross amounts per year.

Diversity

The Supervisory Board rules state that the composition of the Supervisory Board shall be such that the combined experience, expertise and independence of its members enables the Supervisory Board to best carry out the full range of its responsibilities. The Supervisory Board considers that its current composition satisfies the best practice of diversity in terms of age, nationality (five different nationalities), financial and business management expertise and international experience in the oil and gas industries. A first step towards gender diversity has been made with the appointment at the AGM of 5 May 2011 of Mrs. K.A. Rethy to the Supervisory Board.

Sustainability / Corporate Social Responsibility

The Company publishes each year a Sustainability report, formerly entitled Corporate Social Responsibility (CSR) report. In this report, the Management Board reports on the different Sustainability issues which are relevant to the Company. CSR issues which are relevant to the Company's business were discussed with and taken into consideration at the Technical & Commercial Committee and by the Supervisory Board.

3.5.5 Shareholders

Share capital

At the AGM of 5 May 2011 a proposal was submitted to shareholders to amend the Articles of Association to increase the authorised share capital from 200,000,000 ordinary shares to 400,000,000 ordinary shares with a nominal value of EUR 0.25 and from 50,000,000 protective preference shares with a nominal value of EUR 1.00 to 400,000,000 protective preference shares with a nominal value of EUR 0.25, i.e. aligned with the nominal value of the ordinary shares. The preference shares can be issued as a protective measure as explained below in the section on the Stichting Continuiteit SBM Offshore N.V. The evolution of the number of issued ordinary shares is set out in section 1 under Stakeholders information.

As per 31 December 2011, 171,440,416 (2010:168,666,429) ordinary shares are issued. No preference shares have been issued.

General Meeting of Shareholders

Every year the AGM shall be held within 6 months after the start of a new calendar year. The agenda for this meeting shall include the following standard items: (i) the report of the Management Board concerning the Company's affairs and the management as conducted during the previous financial year, (ii) the report of the Supervisory Board and its committees, (iii) the adoption of the Company’s annual accounts, the allocation of profits and the approval of the dividend, (iv) the discharge of the Management Board and of the Supervisory Board, (v) Corporate Governance, (vi) the (re)appointment of the external accountant of the Company, (vii) the delegation of authority to issue shares and to restrict or exclude pre-emptive rights and (viii) the delegation of authority to purchase own shares and (ix) the composition of the Supervisory Board and of the Management Board . In addition, certain specific topics may be put on the agenda by the Supervisory Board.

Extraordinary GMs can be held whenever the Management Board and/or the Supervisory Board shall deem desirable.

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

Agenda of the meeting

Proposals of persons who are entitled to attend the shareholders meetings will only be included in the agenda if such proposal is made in writing to the Management Board not later than sixty (60) days before that meeting. The proposals can be made by persons who are entitled to attend GMs, solely or jointly representing shares amounting to at least 1% of the issued share capital, or with a market value of at least fifty million euro (€50,000,000), unless this would be contrary to important interests of the Company.

Responsibility of shareholders

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

Attendance and voting rights at the meeting

With reference to the articles of association, all Shareholders are entitled to attend the GMs, to address the GM and to vote. At the GM each Ordinary Share with a nominal value of EUR 0.25 each shall confer the right to cast one (1) vote. Each protective preference share with a nominal value of EUR 0.25 each shall confer the right to cast one (1) vote, when issued. Unless otherwise required by the law and articles of association all resolutions shall be adopted by an absolute majority of votes.

The Code's principles also require that proxy voting means are made available, with the intention of maximising shareholder participation in GMs of the Company. At the GM of 5 May 2011 a proxy voting system was provided through the Royal Bank of Scotland (RBS) and Algemeen Nederlands Trustkantoor B.V. (ANT) as independent third party.

At the AGM of 5 May 2011, 78,111,195 ordinary shares participated in the voting, equal to 46.23% (2010:34.48%) of the then total outstanding share capital of 168,997,250 ordinary shares. At the EGM of 14 December 2011, 85,224,632 ordinary shares participated in the voting, equal to 49.71% of the then outstanding capital of 171,440,416 ordinary shares.

All the proposed resolutions were approved with a vast majority of the votes with the exception (at the AGM) of the proposed resolution 7.2 concerning the dividend of the protective preference shares, once issued. The outcome of the voting was posted on the Company's website on the day following the respective meeting.

Notice to convene a meeting

The notice for the AGM was published within the required time in the official price list of Euronext Amsterdam N.V., the "Financieele Dagblad" newspaper, on the Securities Info website and on the Company's website. Following the approval by the GM of the proposal to amend the articles of association, the obligation to publish the agenda in a national newspaper has lapsed and the agenda for the EGM dated 14 December 2011 was published electronically only.

Dividend

The Management Board is authorised, subject to the approval of the Supervisory Board, to determine each year what part of the profits shall be transferred to the reserves, and what part will be distributed as dividend. The policy of the Company is to pay out 50% out of the net result of the Company's continuing operations, realised in the accounting year. Under the policy of the Company, 50% of net income is generally proposed for distribution as dividend but due to the negative result for 2011, no dividend will be proposed to the AGM to be held on 16 May 2012.

Major Shareholders

The Financial Markets Supervision Act (Wet op het financieel toezicht) imposes a duty to disclose percentage holdings in the capital and/or voting rights in the Company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the AFM without delay. After the disclosure to the AFM, the AFM notifies the Company. During the course of 2011, there were no shareholders holding shares in excess of the notification threshold of 5%. On 20 January 2012, Blackrock Inc. declared as per 18 January 2012 holding 5% of the voting rights of the Company's . On 27 January 2012, Sprucegrove Investment Management Limited disclosed that it owns 5.04% of shares of SBM Offshore.

3.5.6 Articles of Association

Issue of shares

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

The GM or the Management Board, subject to the approval of the Supervisory Board, shall set the price and further conditions of issue, with due observance of the provisions contained in the articles of association. Shares shall never be issued below par, except in the case as referred to in section 80, subsection 2, Book 2, of the Dutch Civil Code.

If the Management Board has been designated as the body authorised to issue shares the number and the class of shares must be specified in such designation. Upon such designation the duration of the designation shall be set, which shall not exceed five years. The designation may be extended, from time to time, for periods not exceeding five years. Unless such designation provides otherwise, it may not be withdrawn. A resolution of the GM to issue shares or to designate the Management Board as being authorised to issue shares, shall be valid only if accompanied by a prior or simultaneous resolution of approval by each group of shareholders of the same class whose rights are prejudiced by the issue. Although the duration of the designation as provided by law may be a maximum of five years, the Company adheres to the good practice of limiting this duration to eighteen months. At the AGM of 5 May 2011, the shareholders have delegated the authority to the Managing Directors for a period of eighteen months as from 5 May 2011 and subject to approval of the Supervisory Board to issue ordinary shares up to 10% of the total outstanding shares at that time. In case of Mergers or Acquisitions this percentage is increased to 20%. In the same meeting, the shareholders have delegated the authority to the Managing Directors for a period of eighteen months as from 5 May 2011 and subject to the approval of the Supervisory Board to restrict or withdraw preferential rights of the shareholders in respect of ordinary shares when ordinary shares are being issued. At the AGM of 16 May 2012, a similar proposal to authorise the Management Board to issue shares will be submitted to shareholders for approval.

Repurchase of own shares

The Management Board may, with the authorisation of the GM and the Supervisory Board and without prejudice to the provisions of sections 98 and sections 98d, Book 2, Dutch Civil Code and the articles of association cause the Company to acquire fully paid up shares in its own capital for valuable consideration. The Management Board may resolve, subject to the approval of the Supervisory Board, to dispose of shares acquired by the company in its own capital. No pre-emption right shall exist in respect of such disposal.

At the AGM of 2011, the shareholders have delegated their authority to the Managing Directors for a period of eighteen months, as from 5 May 2011 and subject to approval of the Supervisory Board, the right to acquire ordinary shares, up to ten percent of the total outstanding shares at that time. At the AGM of 16 May 2012, a similar proposal to authorise the Management Board to repurchase own shares will be submitted to shareholders for approval.

Amendment of the articles of association

The GM may adopt a resolution to amend the articles of association of the Company by an absolute majority of votes cast, but solely upon the proposal of the Management Board subject to the approval of the Supervisory Board.

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

At the AGM of 2011, KPMG Accountants N.V. was appointed as the auditor of SBM Offshore N.V. for a period expiring at the closure of the accounting year 2012. A thorough review of the external auditor's functioning was carried out which was facilitated by the KPMG client care manager and included private meetings with a number of Supervisory Board members and with the Management Board. The conclusions of this review were positive. At the AGM of 16 May 2012 it will be recommended to approve the proposal to re-appoint KPMG Accountants N.V. as the auditor of SBM Offshore N.V for a period expiring at the closure of the accounting year 2013. Mr. P.W.J. Smorenburg currently is the lead partner.

3.5.8 Stichting Continuiteit SBM Offshore N.V.

A Foundation 'Stichting Continuiteit SBM Offshore N.V. (the Foundation), formerly named 'Stichting tot Beheer van Preferente Aandelen in SBM Offshore N.V.', has been established with the objective of using the voting power on any preference shares in the Company which it may hold at any time, in the best interests of the Company and its stakeholders. The Foundation will perform its role, and take all actions required, at its sole discretion. In the exercise of its functions it will however be guided by the interests of the Company and the business enterprises connected with it, and all other stakeholders, including shareholders and employees.

The Foundation is managed by a Board, the composition of which is intended to ensure that an independent judgment may be made as to the interests of the Company. The Board consists of a number of experienced and reputable former senior executives of multinational companies. To be kept informed about the business and interest of the Company, the CEO is invited to attend the Foundation meetings to address this agenda item. On a regular basis, the Board members of the Foundation are informed about the developments in legislation.

The Board of the Foundation consists of: Mr. N.W.G. Buis, a former CEO of Smit Internationale N.V., Mr. P.J. Groenenboom, a former CEO of Imtech N.V., Mr. J.C.M. Hovers, a former CEO of Stork N.V. and of Océ N.V., Mr. H.A. van Karnebeek, a former Vice-Chairman of the Board of Management of Akzo and Mr. R. Voogd, a

former notary and presently a lawyer.

The Managing Directors, with the approval of the Supervisory Board at that time, have granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital, carrying voting rights, equal to one half of the voting rights carried by the ordinary shares outstanding immediately prior to the exercise of the option, enabling it effectively to perform its functions as it, at its sole discretion and responsibility, deems useful or desirable. The option was granted on 30 March 1989. In accordance with the by-laws of the Company, shareholders were advised of the reasons for granting this option in the Extraordinary GM of 28 April 1989.

In the same option agreement the Foundation granted a put option to the Company and the Company has decided on 3 March 2011 to definitively waive its rights under the put option. In the course of 2011, the option agreement was amended and restated to reflect the waiver by the Company of its put option and the change of the nominal value of the protective preference shares from EUR 1 to EUR 0.25 and the related increase in the number of protective preference shares as per the amended articles of association of the Company.

In the joint opinion of the Supervisory Board, the Management Board and the Foundation board members, the Foundation is independent as stipulated in clause 5:71 section 1 sub c Supervision Financial Market Act.

3.5.9 The European Directive on Take-Over bids and the publication requirements

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

- the articles of association do not provide for any limitation of the transferability of the ordinary shares
- the voting right is not subject to any limitation
- no agreement has been concluded with any shareholder that could give rise to any limitation of shares or any limitation of the voting rights
- the appointment, suspension and discharge of members of the Management Board and Supervisory Board are set out in this 'Corporate Governance' section
- the procedure for alteration of the articles of association is mentioned in this Corporate Governance section
- in the employment agreement (and in the services agreement as far as the new CEO is concerned) between the Company and each of the members of the Management Board a change of control clause is included. A severance payment amounting to no more than one year base salary will be paid if the employment contract would be terminated due to a change of control by a public take over bid. The Supervisory Board will have the discretionary power to settle the termination conditions
- SBM Offshore N.V. has a revolving credit facility of US$ 750 million under which the agreement of the participating banks must be obtained in the event of a change in control of the Company after a public takeover bid has been made
- exceptionally, certain vessel charters contain clauses to the effect that the prior consent of the client is required in case of a change of control or merger or where the company resulting from such change of control or merger would have a lower financial rating or where such change of control or merger would affect the proper execution of the contract. In addition, local bidding rules and regulations (e.g.in Brazil for Petrobras) may require client approval for changes in control affecting the charter

The following information is provided at the Corporate Governance Page on the website of the Company (www.sbmoffshore.com):

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

3.6 Risk Management

3.6.1 Introduction

SBM Offshore has developed Governance Risk and Compliance systems based on the COSO II Enterprise Risk Management model and ISO 31000.

The Company recognises that efficient and effective risk management of all its business and support activities is a prioritised strategic objective. It is achieved by ensuring that responsibility and accountability are managed at the correct level by business managers charged to develop, document and demonstrate effective business processes and controls whilst also effectively implementing risk management within their areas of remit. The Company's Management reviews and approves these processes and controls to ensure their effectiveness. The Company endeavours to improve its risk management processes on a continuous basis.

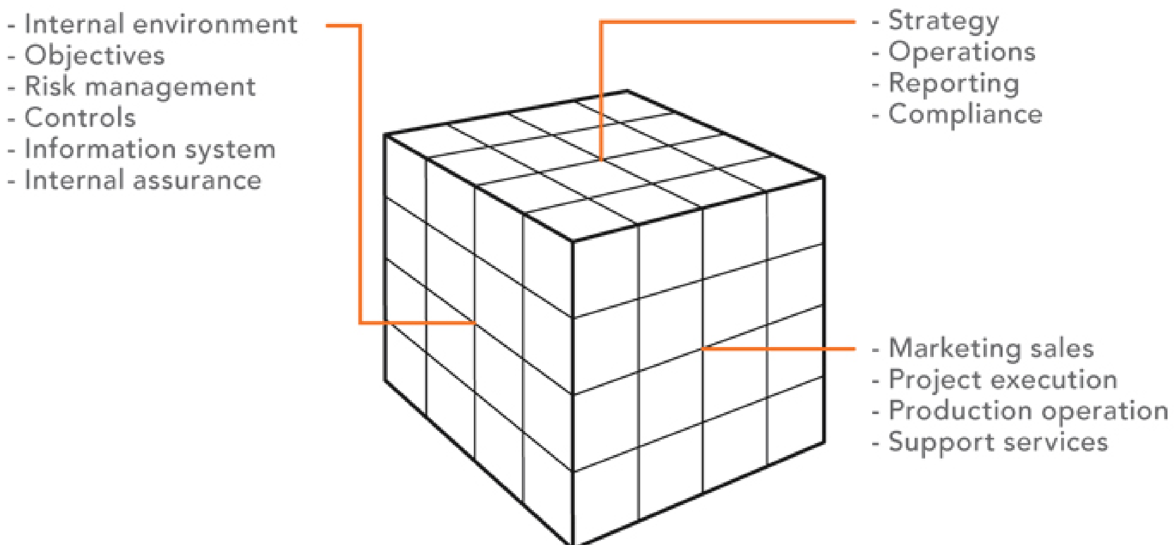
3.6.2 Developments in 2011

The Company appointed a new Group Risk Officer to manage Risk Management processes during 2011. His primary responsibility is to sustain efforts to define and implement appropriate Risk and Opportunity policies across the Company. He also ensures that risk processes and tools are both understood and used; and that teams share the cultural attitude towards risks promoted by the management.

The Group Risk officer has already established closer links between the Risk Management Department and SBM PC in order to establish more effective risk management processes for Production Operations. This move will render the ways in which risk is managed across the fleet more transparent at Group level.

3.6.3 SBM Model for Governance, Risk and Compliance

Company Risk Management Cube



This diagram is based on the COSO (www.coso.org) Enterprise Risk Management model. It provides a visual summary of the scope of Enterprise Risk Management in SBM Offshore.

The front face of the 'risk cube' lists activities undertaken across SBM Offshore to improve corporate governance; the top face summarises categories under which the Company has listed its commitments to its stakeholders. The right face lists the Company's organisational levels, known as 'Business Operating Areas'.

Each of the activities and commitments are discussed below, taking the Business Operating Areas into consideration.

3.6.4 Internal environment

The continued growth of the Company requires management to support the development of an integrated control environment. It has paid particular attention to the internal environment by raising the profile and importance of Risk Management, process control effectiveness and compliance. The Company is currently refining its definitions of roles, responsibility and accountability. Employees are already assessed in terms of their compliance with the Company's procedures and from 2012 onwards, their effectiveness in managing Risks and Opportunities will also be measured.

3.6.5 Objectives

To ensure that the Company's objectives are widely understood and provide reasonable assurance that they will be met, they are cascaded to employees on an individual basis. Employees' performance is measured against set objectives and specific action is taken to correct deficiencies or failures to meet them, as appropriate. For example, both strategic and contributory objectives have been formulated and shared with each Business Area.

3.6.6 Risk Management

The Risk Management principles that SBM Offshore follows are defined in the policy extract below:

- Risk and Opportunity appetite and tolerance levels are defined by the Board of Management and cascaded to all the entities within the Company
- all individuals within the Company are fully responsible for the management of Risks and Opportunities within their respective areas of responsibility
- at Projects, Departments, Business Areas and Corporate levels, Risks and Opportunities shall be tracked and managed at the appropriate, respective authority level
- all Company levels, shall pro-actively, transparently and objectively undertake systematic identification, assessment, treatment and reporting of Risks and Opportunities
- Risk and Opportunity outcomes are monitored regularly to ensure effectiveness of the processes
- Lessons learned related to Risk and Opportunity management are collected and shared across the SBM Offshore Group, contributing to knowledge, performance and profitability

At all levels, risk is managed using a standard process: risk identification, risk assessment and risk treatment actions. Both risks and opportunities are assessed using the same methodology.

With support from an independent Risk Officer, projects are required to conduct regular internal risk workshops from the proposal phase through to project completion. These workshops focus on critical and atypical aspects of projects.

Additional efforts are made to ensure that all associated risks and opportunities are highlighted and taken into consideration during the proposal phase of every project. A dedicated risk delegate examines all proposals to ensure a consistent approach to risk management, whilst at project start-up and project close-out the Risk register is formally handed over from one team to another to ensure continuity and re-validation of risk processes.

A comparable risk process to deal with fleet operations is also being implemented.

Throughout 2011, the Project Controls department continued work on various initiatives to improve project execution. Examples of these initiatives, which are becoming routine, are the Independent Project Review (IPR) - including a review of Risk Management processes - and the stage gate system used to assess project readiness status at key stages, including engineering, construction and sail-away. The risk management team also investigates the potential of new tools to undertake quantitative probability-based analysis of schedules and costs. At all times, Risk Management is supported by Legal, Quality Assurance, Health, Safety, Security & Environment (HSSE) and Internal Audit departments or by any other specialist function as required.

The Company made several improvements to its online risk management application during 2011, notably to the action tracking and reporting tools. During 2012, further improvements will be made to the way risks are quantified and to allow the creation of customised reports. The application has been benchmarked against existing software to ensure it is fit for purpose.

3.6.7 Controls

To ensure good corporate governance, the Company defines key processes and controls, which are continuously assessed by the Internal Audit team to ensure their effectiveness. Risk-based verification of controls, first used in Financial Reporting, is being introduced across all departments. A recent test of IT controls carried out by an external party confirmed a high level of protection and continuous improvement over recent years.

3.6.8 Information systems

A review of the Company's information systems was launched last year and is still on going. Initial findings are that business activities are adequately supported and no major risk areas have been identified. With help from an external consultancy, project teams have been created to optimise various reporting systems and improve the way they are integrated. These projects will continue next year in order to identify process weaknesses and formulate a roadmap for improvements in future

3.6.9 Internal assurance

The Internal Audit department is responsible for ensuring that all relevant activities conform to required audit standards and compliance with the Group Management System. Internal Audit operates independently, reporting to the Board of Management and the Audit Committee of the Supervisory Board. Its role is not only to carry out compliance tests but to assess the effectiveness of processes and controls.

In order to monitor compliance activities effectively, the internal assurance process is designed to consolidate all corporate and divisional audits by drawing on information from the Internal Audit and Quality Assurance disciplines as well as HSSE audits, Project & Group Risk Registers and discussions with GMS process owners, including Group Discipline Managers and Technical Authorities.

3.6.10 Risk profile

The risks inherent in SBM Offshore's core business activities did not change substantially during 2011, although a number of such risks were highlighted during the year. These include:

- The costs of completing facilities offshore, particularly in countries of operation where regulatory standards are the most stringent such as Norway and Canada. In the case of the Norwegian Yme platform, the fact that the platform is to be operated by the client has only amplified these difficulties
- The potential costs of environmental pollution following events in the Gulf of Mexico, which have resulted in a tendency for SBM Offshore's clients to try to allocate more liabilities to the Company

The nature of the risk categories confronting the Company and the way in which these are managed are explained below.

3.6.11 Strategy

Irregular order intake

Inherent to the oil and gas capital goods business is the irregular order intake of these high value projects. 2011 saw, with the award of 14 new FPSO projects, a further strengthening of the positive market situation of 2010. Moving forward, the Company intends to focus its marketing and sales efforts on core products, which have historically yielded good margins. This strategy is in line with the present market conditions, which are buoyant.

The Company takes steps to reduce the risks inherent in irregular orders, using the following strategies:

- concentrating its marketing activities on projects which are most likely to go ahead, given the resources and skills available
- a continuing emphasis on developing effective, low cost, technology-based solutions to build competitive advantage
- directly employing core teams of competent engineers and project managers, who work with hired temporary contractors supporting its design teams; and outsourcing detailed engineering to a shortlist of qualified subcontracting firms in low cost countries
- diversifying the locations in which projects are executed (Monaco, Houston, Schiedam and Kuala Lumpur) to provide greater flexibility and responsiveness to client needs whilst also broadening opportunities to source skills and reduce costs. Projects may be diversified even further in future in response to local content requirements
- growing both its lease and operate and parts and services businesses to generate a predictable and profitable long-term earnings stream
- outsourcing construction work to remove the risks inherent in under-utilisation, except in cases where local content offers a way to secure competitive advantage - for example, at the Paenal yard in Porto Amboim, Angola. This yard is operated under a joint venture with Sonangol and DSME to meet local content requirements. A partnership has been established in Brazil, through a JV with Synergy, to secure module and integration yard capacity
- maintaining R&D investment to develop new technologies

Business mix between supply and lease contracts

Sale contracts generate revenues and profits during execution. In most instances, related progress payments allow for, at least, a neutral cash flow, reducing the Company's need for capital. Lease and operate contracts are capital intensive, although lease payments generate long-term stable cash flow, EBIT and net income. The Company endeavours to maintain a balance between supply and lease contracts, but obviously clients select the contracting method most appropriate to their needs.

Cost structure and resources

The Company's flexible structure - incorporating globally diversified execution centres and a workforce comprising permanent employees and short-term contracts - provides protection and potential benefits from macro-economic forces.

Overall, the Company's internal costs are biased towards Europe exposing it to the European economy and Euro fluctuations. Short to medium term risks are managed by forward hedging although the long-term exposure remains. Exposure to the global shortage and high cost of experienced oil-field human resources remains a critical risk. This is minimised over the long-term by human resource development programmes.

In the past, securing contracts with suppliers and contractors in a very buoyant market has been a major challenge, and this situation could happen again. The Company has worked to mitigate this risk by developing its own trained and experienced resources whilst also identifying a wider number of external resource-providers. Pressure on margins is managed by securing long-term relationships, favourable commercial agreements, firm vendor commitments, escalation formulae and options.

3.6.12 Operational

Project execution

The Company runs risk workshops from project proposal through to completion on every project in order to highlight uncertain, unusual, unique or critical risk factors. The main purpose of these assessments is to reduce the variability of project outcomes and to ensure that the resources need to mitigate or contain critical risks are in place. They also ensure that Company exposure is widely understood. Those involved in projects attend workshops tailored to suit their specific needs.

Health, Safety, Security and Environment (HSSE) is a high priority for the Company throughout all project stages. The Company seeks to minimise HSSE-related incidents through:

- the application of continuously upgraded HSSE standards
- risk-based reviews of operations by HSSE professionals
- appropriate advice provided by SBM Offshore H&S staff to reduce risks to employees
- the development of appropriate security plans for specific geographical locations, in accordance with the International Ship & Port Facility Security (ISPS) Code for the offshore fleet and with country Security and Journey Management plans for onshore locations

The technical challenges presented by projects are addressed by:

- employing and developing in-house expertise and hiring external advice as appropriate

- strict adherence to the Group Management System, HSSE standards, Corporate Engineering Standards and Quality Assurance Procedures
- compliance with the requirements of, and review by, the relevant Classification Society
- including provisions in cost estimates and contingencies for particular technical and execution challenges, based on a thorough assessment of the inherent risks. This will be reinforced through the systematic use of probabilistic analysis of impacts and associated risks

The Company controls execution risks by monitoring the various engineering, procurement, construction, installation and start-up phases. Detailed monthly reports, forecast procedures and specific reviews such as IPR or gates reviews are also used. As a result, execution delays can be anticipated and budget overruns prevented. The consequences of accidental events encountered during execution are, where possible, insured under Construction All Risk (C.A.R.) insurance policies. A financial viability verification process is used for clients, major vendors and subcontractors and a tendering process is applied to procure quality equipment at competitive prices.

A key element of the Company’s cost control strategy is to own and control adequate means for the offshore installation of floating systems - namely the Company’s installation vessels. This strategy protects SBM Offshore from exposure to non-availability and cyclically high pricing of third party contractors. The decision taken in 2011 to invest in a new, versatile installation vessel will enable the Company to pursue the same strategy over the medium to long-term.

The Company maintains an inventory of tankers, suitable for conversion projects in future. Consequently it can provide more accurate cost estimates for future projects, based on a firm price for the hull and a detailed understanding of any necessary refurbishment or conversion work.

The Company operates globally, from different centres around the world. The continuity of operations in each of its principal locations is addressed in plans defining appropriate responses to significant risks, such as fire and re-establishing key functions including IT efficiently. The ability to operate from any of its main execution centres using the same tools and systems is one of SBM Offshore’s key strengths.

Production operations

The lease and operation of offshore production units, presents environmental, performance, health, security and safety risks, all of which must be identified, assessed and managed. In order to formalise and strengthen the appropriate management of those risks a new organisation will be implemented within SBM Production Contractors in 2012.

Environmental

Whilst there have been a small number of spill incidents, no significant environmental incident involving FPSOs or FSOs has occurred anywhere in the world - and in general FPSOs have very good environmental track record. However the consequences of the Deepwater Horizon incident in 2010 focused industry attention on pollution risks more than before. Recent events in Brazil, though not linked to SBM Offshore, also emphasise this particular risk and highlight the need for the Company to closely monitor the environmental impact and associated risks of its activities. It acknowledges that non-related incidents can have a knock-on effect on its projects and operations. The management of pollution risk starts with careful hull selection, conversion and refurbishment; it continues with a formal interrogation of the marine, oil and gas process system design to demonstrate integrity in safety, reliability and operability. All units presently owned by the Company have design service lives that extend beyond

their contractual commitments.

Once in service the general integrity of the fleet is maintained through:

- strict operating and Risk Management procedures along with preventive maintenance programmes
- careful selection and intensive training of high-quality personnel, with all positions of responsibility aboard units filled by direct employees
- a survey programme of Hull and Topsides set by the Classification Society
- management system accreditation and compliance with the requirements of the International Safety Management (ISM) Code 2002
- proactive regulatory compliance

It is important to emphasise that oil and gas offshore production activities have been subject to very strict regulatory regimes for many years, and that the Company is not active in the ownership or operation of drilling facilities, for which major new regulatory changes can be expected.

The Company purchases Protection and Indemnity Club pollution insurance for the maximum available cover. Indemnities effectively capping the exposure well below the insured amount are obtained from clients where possible. All offshore units are also insured under comprehensive Hull and Machinery insurance packages, providing protection against loss or damage to the unit itself. Insurance for named windstorm damage in the Gulf of Mexico is limited to policies available at a reasonable price bearing in mind risk probability and likely impacts.

Performance

If a production unit fails to perform in accordance with the contract, it is possible that the client will refuse to pay or only partially pay lease and/or operating rates or incentives. The Company seeks to safeguard system up-time by a design process based on direct operating experience. Reliability, availability and maintainability (RAM) modelling, planned and preventative maintenance as well as condition-based monitoring are also designed to maximise uptime. The Company has operated FSOs/FPSOs for over 200 vessel years, with a total operating downtime of less than 1% - a figure well below typical contractual allowances and above industry median performance. Insurance coverage for loss of earnings is only contracted when considered appropriate or when required in relation to debt obligations.

Offshore health & safety

The Company has a duty of care to protect all personnel involved in its operations from potential the health risks posed by hydro-carbon processing and toxic substances in an offshore environment. The employment of internal experts, a robust management system and vessel-specific design and Operational Safety Case studies are all important elements in evaluating and mitigating risks.

In addition, management system codes of practice covering the management of benzene, mercury and other hazardous substances, apply onboard FSOs/FPSOs.

Crisis management

The Management System includes Emergency Contingency Planning, which describes procedures for responding in an efficient, predetermined way to any emergency on board an offshore unit.

In case of an emergency, a Monaco Emergency Control Centre (MECC) is ready for use. It comprises:

- an Emergency Control Room, under the responsibility of the Production Operations Manager
- Infrastructure enabling direct lines of communication between all relevant parties
- a Relative Response Room, to facilitate direct communication with the families of the offshore crew
- a Media Response Room.

Corresponding emergency management arrangements are in place across all overseas management offices. The Company holds regular emergency response simulation exercises, involving offshore units and 'in country' management offices, the MECC, local facilities and clients. A debriefing takes place immediately following the end of exercises, all of which are fully documented so that any lessons learned can be incorporated into the Emergency Contingency Plan.

Payment risk

Before agreeing any major contract, experienced legal, financial and risk professionals compete a detailed review of the potential client's credit status and the proposed terms and conditions. Bank and parent company guarantees are negotiated with clients and if doubts remain concerning the client's financial health, payments due in respect of supply contracts are covered by Letters of Credit.

Payment risks involving banks and insurance companies are managed within reasonable credit limits, adjusted to take into account their credit ratings.

Lease risk

When making a proposal to lease a floating facility to a client, ten main risk factors are always evaluated:

- client credit reliability and exposure limits
- country stability, politics and exposure limits
- health, safety and security
- environmental conditions
- contractual rights and obligations
- performance criteria
- finance availability
- insurance availability
- tax exposure
- residual value exposure

The Company reduces its exposure in a number of ways, including guarantees, limited recourse financing, interest rate swaps and insurance. When necessary, finance structures may be arranged prior to bidding.

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

Company approaches proposals of this kind with extreme caution: firstly, by capping risks to an acceptable level in a worst-case scenario; secondly, by ensuring an appropriate balance between potential risks and rewards. The Company currently has only one lease contract (DeepDraft Semi™ Thunder Hawk for Murphy) under which revenues are partially linked to production throughput.

Residual value relates to the portion of any unit's value that is not amortised over the initial guaranteed lease period. To agree residual value, the likelihood of the lease being extended and the technical potential and market demand for re-deploying the unit must both be considered. Estimating the residual value has a significant effect on the lease rate calculation. The Company takes a cautious approach when establishing this key parameter: its calculation of residual value is based on economic life rather design life and set below the estimated future market value. In the past, almost all lease contracts have been extended and to date, no unit has been redelivered to the Company with a market value lower than its residual book value.

Operating cost risk

The Company's model operating contract is largely based on a reimbursable cost principle and an inflation-adjusted fixed fee covering its production management costs. The bidding rules set by clients, Petrobras for example, require a fixed price contract. In such cases the Company is exposed to cost inflation over the long-term. Contracts of this type are now subject to a formula compensating for inflation; however the Company is still exposed to shortfalls between revenue escalation under the formula and actual cost inflation. The Company takes a conservative approach in its lease pricing but some risk remains.

Political risk

The Company evaluates overall political and country risk and does not hold assets in countries where acceptable insurance cover is unavailable. It is exposed to revenue risks in Brazil, Angola and other countries; however, these are reduced through a combination of solid contracting parties or parent guarantee structures and specific country risk insurance. Overall country risk is evaluated objectively against credit limit guidelines relative to total equity. In 2012, a further step will be taken to evaluate country risk in terms of overall rating against a set of specific criteria relating to the specific details of SBM Offshore's operations in those countries.

Some operations take place in regions that present identifiable security risk, including the risk of terrorism. In these countries risks are assessed carefully, protection measures are put in place and crisis resolution plans established.

Funding risk

Success in obtaining new lease and operate contracts requires significant amounts of debt to be arranged. This places pressure on the Company's balance sheet, but also provides an excellent opportunity to leverage higher returns on equity. Because of its operating experience, track record and high quality contracts, the Company continues to be well supported by its banks. The funding risks on projects are monitored from project inception and no new lease project requiring finance is bid for or accepted without first having received positive indications of financial support. A five-year financial model is used to anticipate longer term financing requirements and to drive decisions on corporate and project finance.

Long-term debt facilities generally include financial and other covenants to the lenders. If covenants such as financial ratios are not met and the lenders are not willing to agree to a waiver request, premature repayment of the debt could be triggered. The Company's target is to always maintain 20% "headroom" on all of its financial

covenants which was achieved in 2011.

In view of the current market situation, several mitigating measures are taken to limit the Company's exposure to volatility in the financial markets. They include:

- Cash / deposits: Cash is held with minimum A- credit rated bank
- Corporate facilities: bank syndication is represented by approximately 15 solid institutions
- Derivatives: the risk of counterparty bank would lead to a cash settlement risk of the derivatives value but would not impact SBM profit. Moreover, the portfolio is spread amongst a diversified range of banks and the main counterparty is the best credit quality bank
- Bank guarantees: total opened bank guarantees are all issued by investment grade banks. All banks have a minimum of A- credit rating which is generally accepted by all clients

Diversification of financing sources will continue to be a focus for SBM Offshore in future. It is also anticipated that the Company will continue to share its equity exposure by bringing financial partners into newly-awarded projects, for example Mitsubishi Corporation

Litigation

From time to time, the Company has disputes with counterparties concerning contractual requirements and product performance. These are generally resolved amicably, but litigation and arbitration may arise, resulting in additional costs. Financial provisions are taken for any expected negative outcome, and recoveries are accrued when a positive result can be reliably projected and estimated. This was the case in 2011, when disputes with two major customers, Encana and Talisman, resulted in several litigation processes.

Treasury and liquidity risk

The Company is exposed to financial market risks, mainly relating to currency and interest rates. Its functional and reporting currency is US Dollars and almost all offshore revenues are earned in US Dollars. There are however significant costs and some investments denominated in Euros and other non-Dollar currencies, resulting in potential exposures on profit and equity. The lease business is particularly capital intensive and substantially financed with floating rate debt, giving rise to interest rate exposures.

Company policy is to minimise profit volatility and hedge all significant currency and interest rate exposures as soon as they arise, using mainly fixed-rate instruments. No speculative activities are engaged in using financial instruments. The market value risk on financial instruments (in particular interest rate swaps) can be significant and, under International Financial Reporting Standards (IFRS) rules, market value variations impact reported equity values or in some cases profitability where the hedge does not accurately match the underlying exposure. The notes to the Financial Statements provide details of financial instrument policies, sensitivities to exchange rate or interest rate movements, accounting treatments and market values.

As a departure from the policy of full hedging, the equity and profit from activities of non-US Dollar denominated subsidiaries are not fully hedged. The resultant volatility is not considered material in the overall financial context.

The Company does not use financial instruments to hedge during the bid phase for prospective projects but instead seeks to mitigate significant foreign exchange exposures through currency adjustment mechanisms in its tender prices. Where this is not possible, the Company is exposed to the currency and always to interest rate risk while the tender is valid.

Treasury prepares a twelve-month detailed cash plan on a quarterly basis to monitor liquidity and borrowing requirements with a high level two-year cash plan for a longer term view. The business unit cash plans are built up from the detail of each project to forecast liquidity as accurately as possible. Treasury reports cash and debt balances on a weekly basis, identifies and explains material divergences from the plan and takes corrective actions.

Treasury reports every month to the Board of Management and quarterly to the Audit Committee of the Supervisory Board.

3.6.13 Reporting

The Company's main external reports are the Annual Report, Half-year Reports, quarterly Trading Updates, the Sustainability Report and the published Analyst Presentations.

Every lease and operate contract, major project under construction and operating unit's result is reported on a monthly basis and reviewed by the Board of Management. The reports incorporate the original budgets, approved change orders and costs incurred to date, together with any important positive or negative variances incurred or identified as likely to be incurred, with explanations. The status of major projects are reported to the Supervisory Board every meeting.

The operating units' results are consolidated in a report to the Board of Management and the Supervisory Board. External financial reporting consists of the mid-year and full-year financial statements. The irregular nature of the new order intake and project deliveries can cause significant variations from one quarter to another in the Turnkey Systems reporting segment. Detailed quarterly figures are therefore not published, but trading updates are issued after the end of the first and third quarters.

The Company employs appropriately qualified and competent professionals and a seminar is held each year for key financial staff to review specific accounting, fiscal or other topics. An annual tax review meeting is also held, attended by tax managers from respective Group companies, and external advisors.

3.6.14 Compliance

The Company's operations, employees and assets span many jurisdictions and diligence is required at both an organisational and individual level to ensure compliance with applicable laws and regulations.

A dedicated function, reporting to the COO has been created to coordinate regulatory requirements on projects and preserve the Company's capability in this specialist area.

For environmental, health and safety legislation, an independent firm is used in the first instance to acquire an overview of requirements and provide specialist advice where required. Clients are helpful in this process as they have formal contact with local authorities and can therefore provide information on requirements.

A Classification Society is always engaged for floating projects to provide third party approval of engineering, construction and International Marine Organisation Convention certification. The Classification Society will conduct regular surveys to keep vessels in a valid Class Certificate, which is a requirement for insurance and maritime authorities.

When entering an unfamiliar jurisdiction, advice is taken from legal and tax specialists concerning country specific

legal and tax obligations. The Company maintains a system of continual updating and direct inquiry in the countries in which it operates.

Corporate Governance compliance is monitored and advised by the Corporate Secretary. Formal procedures and systems are in place and will be further developed for confirming compliance with Company rules concerning Code of Conduct, Inside Information and Reporting of Irregularities.

The activities and Commitments described above apply to all of SBM Offshore's Business Operating Areas: Sales & Marketing, Project execution, Production operations and Support services.

3.6.15 Internal control and Risk Management

The Dutch Corporate Governance Code under section II.1.4 requires the Management Board to examine strategic, operational, legal and regulatory, and financial reporting risks. The Management Board confirms that it is responsible for the Company's risk management and internal control systems and has performed reviews of their operational effectiveness for the year ended 31 December 2011. The outcome of these reviews and analysis as well as planned improvements for 2012, has been shared with the Audit Committee and the Supervisory Board and has been discussed with the Company's external auditors.

The Company's structure with respect to Internal Assurance and the interactions between the key players are summarised in the "three lines of defence" model presented below.

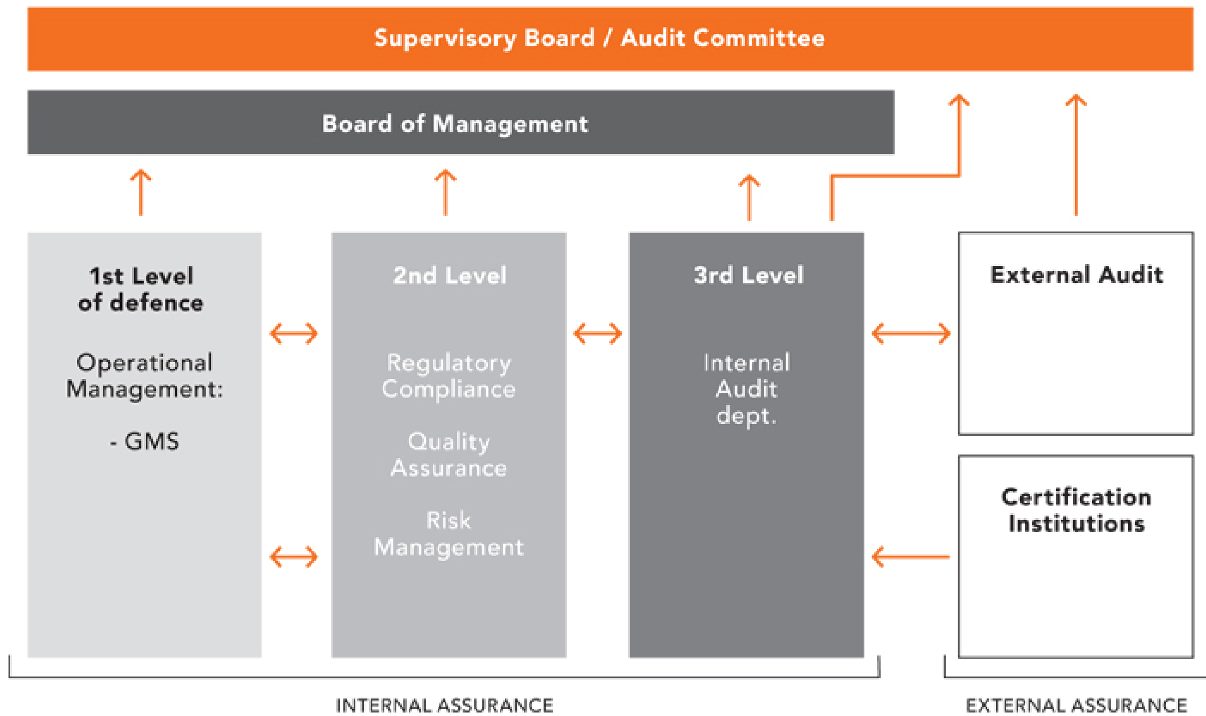
The Company tested compliance with its key controls in the fields of proposals, financial reporting, information systems, HSSE, quality assurance, tax, technical assurance and legal due diligence with satisfactory overall results.

In respect of financial reporting, the Management Board considers that :

- risk management systems and internal control measures provide reasonable assurance that financial reports do not contain any material inaccuracies
- there are no indications that risk management systems and internal control measures did not work properly in 2011

The statements above do not imply that the Company can provide certainty concerning the realisation of business and financial strategic objectives or that its approach to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of law or regulations. In respect of the major impairment charges incurred in 2011, financial reporting was based upon the best operational information available throughout the year and was promptly communicated.

In view of the above, the Management Board believes that it is in compliance with the requirements of II.1.4 of the Dutch Corporate Governance Code taking into account the recommendations of the Corporate Governance Monitoring Committee and the recent best practice provisions of the Amended Code.



3.6.16 Compliance statement

Due to the implementation of the European Transparency Directive in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht) the Management Board confirms to the best of its knowledge that:

- the annual Financial Statements for the year ended 31 December 2011 give a true and fair view of the assets, liabilities, financial position and profit and loss of SBM Offshore N.V. and its consolidated companies;

- the additional management information disclosed in the Annual Report gives a true and fair view of SBM Offshore N.V. and its related companies as at 31 December 2011 and the state of affairs during the financial year to which the report relates, and the Annual Report also describes the principal risks facing SBM Offshore N.V.

Management Board

Mr. B.Y.R Chabas, CEO

Mr. M.A.S. Miles, CFO

3.7 HSSE

3.7.1 HSSE Introduction

SBM Offshore continually strives to achieve ‘zero incidents’ in its onshore and offshore operations. The Company is committed to offer an incident free workplace to protect its most valuable asset – the men and women responsible for its success.

Relevant and effective HSSE (Health Safety, Security and Environment) workplace controls and procedures are in place to ensure a safe working environment. These are constantly monitored for effectiveness and enhanced where necessary. HSSE plans covering all of the Company’s activities and operating environments are also in place

SBM Offshore’s safety performance during 2011 highlights the challenges it faces to maintain high standards of safety management and meet its safety objectives and commitments - with the Total Recordable Injury Frequency Rate (TRIFR) increasing in both its fleet and construction yard operations. More detailed safety performance data is provided in Safety management section.

Notwithstanding the conclusion that more needs to be done to curb the safety performance deterioration, a range of HSSE improvement measures were implemented during 2011, including a number of programs and initiatives underpinning the Company’s ongoing commitment to its published HSSE principles and objectives.

This report provides an overview of the actions taken during the year to proactively improve safety performance, address ongoing issues and embed key HSSE programs across the SBM Offshore group.

3.7.2 Health Management

General

The Company makes workforce health its top priority. It works proactively to ensure employee health through many initiatives, to improve existing health procedures and to mitigate all health risks.

Offshore Production

All employees working offshore undergo regular, age-related medical examinations. All marine units run Health and Well-being programs and also provide gymnasium equipment, which employees are actively encouraged to use.

Employees at risk of contracting malaria are advised about appropriate prevention measures and provided with prophylaxis medication. They are also offered vaccination recommendations for the country or region in which they work.

Onshore Operations

In addition to the health promotion programs already in place, a number of new Health and Well-being initiatives were maintained and developed during 2012. These cover:

Stress Management

A workplace psychologist has been appointed in the Company's Monaco office to support employees facing stress-related problems.

Heat Stress

A number of measures are in place to counter the effects of heat stress, particularly in countries such as the United Arab Emirates. These may include reductions in working hours, the use of cool rooms and the provision of cool water.

3.7.3 Safety Management

General

SBM Offshore supports and invests in existing measures and new initiatives offshore and onshore, to improve its safety culture and its HSSE performance. The Company's HSSE Charter defines the foundation for promoting a safe place of work as:

- competency at all levels
- effective communications
- commitment from management
- commitment from the work force
- a proactive approach to the work taking place

During 2011 the Company enhanced its existing safety initiatives by improving and developing the following programmes:

- WISE (Workers Ideas for Safety Excellence)
- SBM Offshore's 12 Life-Saving Rules
- Permit-to-Work (Carros)
- Total Application of Safety Knowledge (TASK)
- Safety Training Observation Program (STOP)

You can read more about these initiatives in onshore operations section.

During 2011, the Company held a number of HSSE seminars. These included Group seminars in Monaco to exchange best practice and discuss relevant issues, as well as a seminar held in Singapore in October, which included participants from Group execution centres, the Monaco offices and the construction yards.

ISO 14001 certification for Dynamic Installer

The Company achieved ISO14001 certification for its wholly-owned installation marine unit 'Dynamic Installer' on the 15th December 2010, with the management office achieving ISO 14001 certification on the 30th December 2010. A number of successful follow-up audits were also completed by ABS:

Marine unit internal ISM and 14001 (audits 13-14 March 2011)

Marine unit internal ISPS (audit 3 July 2011)

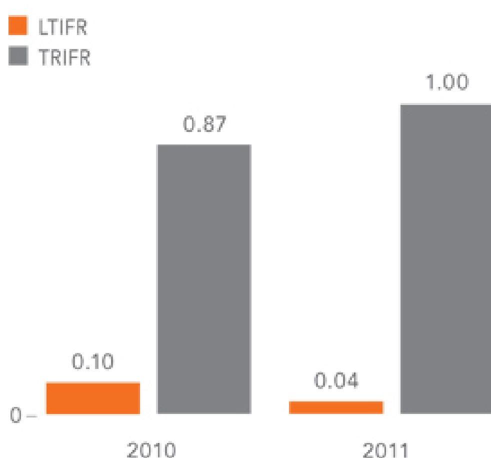
Office internal ISM and 14001 (audit 6 July 2011)

ABS annual Doc and 14001 (audit 12-13 October 2011)

Offshore Production

Offshore Production recorded an increase in its Total Recordable Incident Frequency Rate (TRIFR) to 1.00 in 2011, compared to 0.87 in 2010; and a Lost Time Incident Frequency Rate (LTIFR) of 0.04 in 2011, compared to 0.10 in 2010.

The Offshore fleet operations recorded a year-on-year increase in incidents. This is attributed to improved reporting and to a relatively high level of incidents on units during both the project works and production start–up phases - a result of the 'learning curve' effect. The Company expects this statistic to improve in future. The Company has put in place a series of measures to re-inforce safety awareness and training in order to drive down these statistics in 2012.



The methods used to calculate LTIFR and TRIFR are explained in the notes.

The length of operating time achieved without an LTI provides a good indicator of safety performance. In 2011, the SBM Offshore fleet was awarded 13 certificates for significant LTI-free periods, with one marine unit, the FSO Yetagun in Myanmar, achieving 11 years LTI-free.

As part of its drive for continuous improvement, SBM-PC has attained compliance recognition by ABS on a

voluntary basis in Brazil for Occupational Health and Safety Assessment Series (OHSAS) 18001. An implementation program in Angola and for selected elements of the Rest of the World Fleet was undertaken during 2011, following a successful implementation of the standard in Brazilian Shore Bases and on board FPSOs managed from Brazil. Total compliance to (OHSAS) 18001 for the fleet is targeted for 2012. For further information see the compliance table in section Corporate management systems.

Compliance to the mandatory International Safety Management (ISM) standard and the International Ship and Port Facility Security (ISPS) Code remains the cornerstone for effective fleet management across the Company.

Readiness to deal with any offshore emergency is also a top priority and in addition to extensive document procedures required to meet ISM certification, the Company's marine units also undertake regular emergency levels at four critical levels:

- marine unit level
- marine unit including shore base
- marine unit including shore base and Monaco Emergency Control Centre
- exercises initiated by other authorities, including clients

During 2011, SBM-PC also initiated an oil spill response capability review in partnership with a specialist company. Following completion of the review, any recommendations will be addressed and an action plan developed to further enhance the Company's oil spill response capability in 2012.

Onshore Operations

HSSE is an ongoing priority for the Company's four project execution centers and shore bases worldwide. Consequently, a number of recent initiatives have been launched to ensure a safe and healthy working environment for all its employees. These include:

Workers Ideas for Safety Excellence (WISE)

Having previously canvassed opinions and ideas from employees about how to improve safety standards, SBM Offshore developed Workers Ideas for Safety Excellence (WISE) - an initiative designed to develop the best ideas and incorporate them within the Group Management System.

During 2011, although still in development, WISE underpinned a Corporate HSSE Department safety programme intended to reduce motorcycle incidents involving employees on their way to and from work. Following discussion involving motorcyclists and the HSSE Group, a motorcycle road safety training programme was developed and promoted in the office using posters and leaflets.

SBM Offshore's 12 Life-Saving Rules

During 2010, the Company implemented measures to brief all SBM Offshore employees on its 12 Life-Saving Rules. At the end of 2011, all onshore and offshore staff had completed an appropriate verbal briefing session.

During the FPSO Espirito Santo project, SBM Offshore successfully utilised the Life-Saving Rules used by Royal Dutch Shell. Consequently, the decision was made to implement these rules along with other recognised best practice standards. This decision led to the creation of the SBM Offshore 12 Life-Saving Rules, which are now followed in all Group offices, construction yards and offshore operations.

The Rules focus on high-risk work activities that present a credible risk of serious injury or death. Compliance with them is mandatory for employees at work, although the Company also encourages them to apply the relevant safety principles in their daily lives. The Rules emphasise the need for all employees to accept personal responsibility and accountability for the safety of both people and assets.

Do not smoke outside designated smoking areas

Follow the Travel Management Plan

Conduct Atmospheric tests when required

Protect yourself against a fall when working at height

Verify isolation before work begins and use the specified life-protecting equipment

While driving, do not use your phone and do not exceed speed limits

Obtain authorisation before overriding or disabling safety-critical equipment

No alcohol or drugs while working or driving

Obtain authorisation before entering a confined space

Do not walk under a suspended load

Work with a valid Work Permit when required

Wear your seat belt

Permit-to-Work (Carros)

Safety is a high priority at the Company's Test Laboratory in Carros (France), where key activities including the prototype validation of seals and pressure testing for swivels are undertaken.

To ensure the highest possible safety standards are set in the laboratory, the Company has developed and fully implemented a Permit-to-Work system for activities considered high risk or non-routine. An effective Risk Assessment process has also been introduced.

The Corporate HSSE Group visits Carros regularly to advise laboratory staff on safety matters. Regular HSSE audits are also completed.

Safety Training Observation Program (STOP)

The entire SBM-PC fleet and all construction yards undertaking work for the Group follow the principles and practices set out in the Safety Training Observation Program (STOP).

STOP stands for the DuPont Safety Training Observation Program. It is designed to help managers, supervisors, team leaders and other employees eliminate incidents and injuries in the workplace. Central to STOP is the identification of both safe and unsafe human behaviour at work and subsequent adjustments to encourage safe working practices and eliminate as-risk behaviour.

Employees using the STOP system complete Observation Cards, recording both positive and negative behaviour. They then discuss their findings with those observed to help them improve their safety behaviours. A STOP database is also created so that negative trends can be identified and appropriate remedial actions initiated.

STOP was reviewed in 2011 and possible improvements identified. These include the introduction of more user-friendly observation cards and improved training methods. An automatic STOP card reader was also trialed during the year.

Total Application of Safety Knowledge (TASK)

The TASK initiative demonstrates the Company's commitment to improve safety across the board - in this instance, in its Conversion yards and throughout all phases of offshore operations.

During 2011, a number of TASK themes, all suggested by employees, were highlighted for a set period. They covered a range of safety issues, including: working at height, Permit to Work, risk assessment methods and effective Tool Box Talk sessions. The Company provided relevant information and advice to support these themes.

TASK is driven by a special TASK Team and Team Leader. The team works closely with relevant specialists at each stage of FPSO evolution, from conversion through to operations.

The Corporate HSSE Specialist provides ongoing support for all the initiatives summarised above, and for other new developments in competence-based training.

Skills-KP database

The Group HSSE training Specialist has introduced the Skills-KP database into construction yards, enabling them to record details of personnel training in order to highlight the training completed by individuals in different roles. During 2011, the Corporate HSSE Department successfully introduced the database into construction yards in Singapore and launched Skills-KP training users' sessions in all Group Execution Centres. Going forward, Skills-KP will allow managers and project teams to identify individuals with the skill-sets they require by accessing training records at all locations.

Process Safety

SBM conducted a review in 2011 on the approach and level of maturity of Process Safety Management in the organisation. The review and workshops indicated that the necessary Process Safety Management safeguards are in place, but also identified a number of improvement areas. A structured programme on Process Safety will be initiated in 2012 to address these improvement areas and solutions will be implemented progressively as the programme will develop.

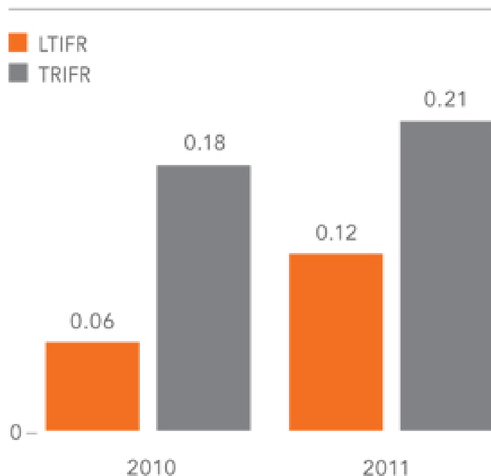
Safety results

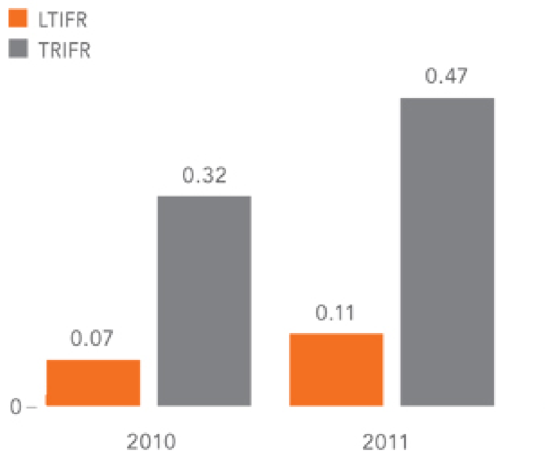
All construction yards undertaking work for SBM Offshore provide the Company with details of their safety records to support its reporting requirements in this area.

During 2011, there were no fatalities resulting from work-related incidents or illnesses connected to Company projects at any sub-contractor fabrication yards. Over the same period, the Company issued six certificates recognising periods of time worked at the yards without an LTI. These awards are made to yards which achieve a minimum of 1 million (1,000,000) LTI-free working hours.

In 2011, SBM Offshore offices recorded a TRIFR of 0.21 in 2011 and a LTIFR of 0.12, compared to a TRIFR of 0.18 and LTIFR of 0.06 in 2010. Onshore construction yard activities recorded a TRIFR of 0.47 in 2011 compared to 0.32 in 2010 and an LTIFR of 0.109 in 2011 compared to 0.07 in 2010.

These increases can be attributed to the more effective reporting processes outlined above. They also reflect the fact that with a greater number of Company safety personnel at construction yards, more incidents were recorded.





Although unhappy with the increases, the Company is determined to use them as a way to focus on problem areas and reduce incidents in future.

The methods used to calculate LTIFR and TRIFR are explained in the notes.

3.7.4 Security Management

Ensuring the security employees wherever they work is a key priority for managers and supervisors throughout the Company. Its Security Policy is intended to protect SBM Offshore employees wherever in the world they operate.

Risk assessments are always completed before construction contracts for marine units managed by the Company commence operations in areas that are designated 'high risk'; in addition, the SBM Offshore Global Security Manager (based in Lagos, Nigeria) monitors global security issues for onshore and offshore operations. He issues regular reports concerning security levels and standards around the world.

The Company is keenly aware of its 'Duty of Care' to employees and contractors. Consequently, it sources relevant security information from Drum Cussac and International SOS.

Offshore Production

Across the lease fleet, the ISPS (International Ship & Port Facility Security Code) is used as the basis of a system that safeguards personnel onboard, and provides overall protection for all Company facilities. During 2011, security drills, exercises and audits were carried out to ensure that procedures in place to deal with offshore incidents are comprehensive, fit for purpose and regularly tested by carrying out security drills. Transit risk assessments were carried out for the Group marine units transiting the Indian Ocean, either going to their operating field or returning from the field to a construction yard in Singapore.

Company Security Officers provide advice on security to the operating fleet, focusing their efforts on three main operating areas: Angola, Brazil and the Rest of the World.

Onshore Operations

Some of the countries in which SBM Offshore operates are designated as 'high risk' with respect to personnel security. The Company's Group Security Manager ensures that employees are fully aware of the risks they face, by running regular security briefings in Monaco, updating security files and participating in security risk assessment sessions as necessary.

Throughout 2011, the Company maintained a particular focus on the security aspects of travel between all locations in which it operates. It has appointed ISOS/Control Risks for 'Travel Security Services' to monitor all employee business travel security and to establish appropriate procedures for evacuation (including medivac support) if necessary.

3.7.5 Environmental Management

The Company endeavours to operate on its own behalf and on behalf of its clients in the most environmentally sustainable ways possible, in order to minimise damage to local ecosystems.

Offshore Production

The Company is aware of the potential environmental impacts associated with the handling of hydrocarbons offshore and is fully committed to safe operations and the protection of the environment. It pays particular attention to three key environmental challenges: avoiding oil spills; preventing unnecessary flaring or emissions to sea or air; minimising the use of energy and waste outputs by encouraging reduced consumption and re-use.

Company Policies, Procedures and Codes of Practice are tailored to provide the fleet with detailed guidelines relating to the safe and effective control of work, ensuring:

- compliance with local environmental laws
- compliance with MARPOL, the international marine environmental convention to minimize pollution of the seas;
- that the Company's Environmental Management Systems (EMS), meet the requirements of ISO 14001
- control and reduction of atmospheric and sea pollution emissions along with minimal waste generation
- compliance with Company procedures for the safe handling, storage, and disposal of all types of waste, including hazardous waste
- increased environmental awareness through training and instruction

The EMS for the fleet of marine units complies with international ISO 14001 requirements. EMS and stringent Codes of Practices are in place onboard each of the marine units. The Company is committed to identifying potential emission source points, implementing practical preventative measures and tracking emissions that have a direct impact on the environment.

The Company has integrated new environmental reporting criteria within SIRS (its in-house reporting application, the Single Incident Reporting System) in order to provide more accurate and detailed environmental reports on any released effluents. It also complies with relevant international oil industry standards, hence its ambitious plan to bring its entire fleet into compliance with the ISO 14001 standard by the end of 2011, having achieved certification for the Brazilian fleet in 2008 and 2009.

At year-end 2011, the Company had achieved ISO 14001 for its FPSOs Sanha, Mondo, Saxi Batuque, Serpentina, Yetagun and Kikeh, with plans to implement the standard onboard the FPSO Kuito in Angola during

2012.

The primary emissions from the SBM Offshore fleet are Greenhouse Gases (GHG) from combustion and flaring, which occur during operations. Flaring represents approximately 50% of these emissions, which do not fall within the scope of the Company's reporting activities, being reported by SBM's clients.

During production of oil and natural gas the most significant components of produced GHG are carbon dioxide (CO_2) and methane (CH_4). Emissions associated with the production of energy used by operating units, such as steam or electricity, are included in the Company's emissions records. The main sources of combustion-related GHGs are emissions from gas boilers, gas turbines and diesel engines.

Environmental Loss Statistics

The Company measures all unintentional and intentional emissions to land, sea, and the atmosphere on a regular basis. In 2011, the Offshore Production fleet reported 10 environmental events, of which 5 were contained within the marine unit, with no release to the sea, while the remaining 5 resulted in minor releases to the sea.

Total volume released to the sea is estimated to less than 0.4 bbls for 2011.

Emissions to Air

In general, the overall emissions (excluding flaring) dropped in comparison to the previous year.

Offshore Production Emissions to Air

	2011	2010	Change +/- %
CO2 from other sources in metric tonnes	**11 Units**	11 Units	
Brazil			
First full year of production of Capixaba	1,000,312	857,694	17%
Asia			
	4,360	5,017	(13%)
West Africa			
Xikomba disconnection mid-year	918,477	1,213,519	(24%)
Total	**1,923,149**	**2,076,230**	**(7%)**

In 2011, two vessels stopped production during the year to be relocated for use on new projects.

Onshore Operations

The Company has implemented a series of measures and initiatives intended to reduce the environmental footprint of its Onshore Activities. These include:

Construction Sites

Improved Environmental performance during fabrication at all constructions sites is ensured by focusing Company activities at construction yards that hold the Environmental Management System (EMS) certification (ISO 14001). In addition, compliance with regulatory requirements and contractual HSSE Standards is monitored throughout the project execution phase. Internal Environmental Audits are carried out as necessary to assess HSSE management standards.

Offices

Waste segregation programs have been launched in offices across the Company's project execution centers. Towards the end of 2011, the Monaco offices began preparation for the implementation of ISO 14001. This should be completed in 2012.

The Schiedam office runs a waste management programme that separates waste into different streams, including paper waste and cardboard waste, residual waste, small chemical waste. In addition, all IT residual waste is disposed of in the appropriate way.

The Houston office operates an IT computer-recycling program, which employees can use to dispose of personnel computers if they wish to do so. The Kuala Lumpur office sets specific objectives for office recycling and efficiency, including future reduction targets for energy and paper use.

Looking forward, the Company is assessing the potential of a number of energy efficiency measures and programmes designed to enhance employee's awareness of the need to protect the environment.

Travel

The Company offers a 50% reimbursement of all parking fees to employees in its Monaco offices who participate in a car-sharing scheme. The scheme helps to reduce global CO_2 emissions related to car travel.

In 2009, the Company installed a TelePresence network across its offices in order to reduce the need for and volume of business travel. In addition to the TelePresence centers available in Schiedam, Houston, Kuala Lumpar, Macae (Brazil), Luanda, Angola, three new ones were opened during 2011, in Monaco, Singapore and Rio de Janeiro. As with the car-sharing scheme available in Monaco, this initiative also helps to reduce SBM Offshore's operational carbon emissions.

3.8 Human Resources

3.8.1 Introduction

Business sustainability includes constructive management and development of all our resources, particularly our people who evolve with the Company and constitute its greatest asset.

This section provides an insight into the Company's specific HR practices whereby priority is given to making the best possible use of each person's skills within a safe work environment. The Company works hard to integrate social balance and equal opportunities whilst preserving the different cultures within its international organisation. Indeed, it is committed to being globally aware, promoting local development and operating with integrity. The Company also believes that social responsibility means investing in the well-being of its staff and maximising their opportunities for success by providing stimulating challenges, customised training and high levels of work satisfaction.

The intention of Group Human Resources (HR) is to create an environment conducive to generating positive team energy within which each staff member can contribute his/her skills and talents towards sustaining top performance and inspiring the success that yields shared rewards and recognition. The Company focuses on promoting these values throughout its Execution Centres with the underlying ambition to continue to excel in its field and shape future trends.

The Company also pursues an employment policy following the principles of equal opportunity, thereby preventing any discrimination on the basis of sex, age, race, religion, political or trade union affiliations, nationality or disability.

For reporting purposes, the global workforce is divided into two segments: Onshore Operations and Offshore Production. The workforce is hired under permanent or fixed-term contracts and can be divided by segment, employment type, region, gender, or age. The Company also identifies White Collar and Blue Collar employees.

3.8.2 Group Activities

Under the aegis of the Group HR Director (member of the Executive Committee), the HR Directors of each Execution Centre meet regularly throughout the year to share their best practices, capitalise on experiences, consolidate HR policy alignment, and follow up on Group HR projects.

The Lease Fleet HR activities, whilst constituting an integral part of the Group HR Policy, fall under the SBM-PC Execution Centre and specifically provide the adequate crew, their logistics, as well as suitable training, for the offshore activities. All data concerning these activities is reported under Worldwide Offshore Fleet.

Focus on Talent Management & Succession Planning

A series of programmes have been implemented within the framework of the Talent Management and Succession Planning process, creating the foundations on which to build future success. In 2010, an initiative called People Reviews was introduced and has been extended to all Execution Centres during the course of 2011. In addition to the long-established annual Performance Appraisal review, these recent programmes have the purpose of supporting business growth and securing key roles and competencies in line with the SBM Offshore Group Strategy.

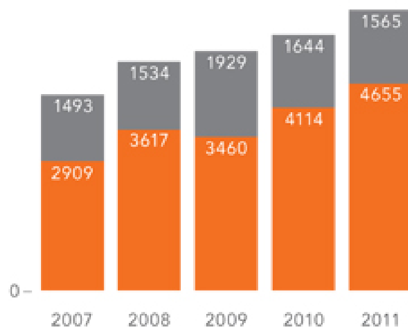
As a subsequent step to Talent Management, the Company launched in 2011 a customised Leadership and Management Development programme (please see more detailed information in sustainable intiatives). The objective of this Programme is to build a common leadership and management culture and to reinforce these skills throughout the Company. Consequently, particular focus is lent to visionary leadership, driving results, empowerment & people development, and cross-border communication. As the highest Executive level and Senior Management have already been onboarded, it is now the intention to cascade this initiative further within the Company.

3.8.3 Global Workforce Information

Headcount

Total Employees over past 5 years with breakdown between contractors and permanent employees

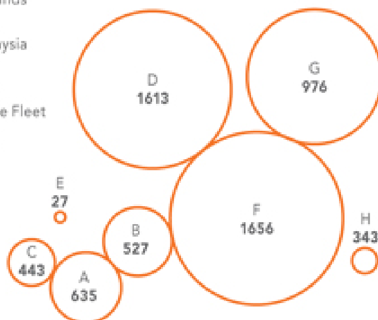
■ Total number of permanent employees
■ Total number of contract employees



Total Employee Headcount by Location

A Schiedam, Netherlands
B Houston, USA
C Kuala Lumpur, Malaysia
D Monaco
E Marly, Switzerland
F Worldwide Offshore Fleet
G Construction Sites
H Shorebases

Total: 6220



The total headcount is based on all Company employees registered on 31 December 2011 for Onshore Operations and Offshore Production. Headcount, therefore, equals 6,220 employees with an increase of nearly 8% compared to 2010.

The Company's workforce is distributed geographically over the locations of each of the seven Execution Centres, construction sites, shore bases and onboard the offshore fleet.

The Company's Marketing & Sales, Treasury & Group Functions (MSTG Functions) are spread over the Execution Centres, with a total of 131 employees at the end of the year 2011.

The headcount in Monaco comprises the aggregate of the following three Execution Centres: SBM-Monaco (Turnkey Systems), SBM-PC (Lease and Operate) and SBM Services (Turnkey Services).

The workforce in SBM-Monaco has increased by 16% compared to 2010 with a total of 2,238 employees. This boosted rate is in line with the level of activity at Monaco offices and on the construction sites.

The headcount at SBM-PC rose by 5.3% to 1,948 employees in 2011 compared with 1,850 employees in 2010. The new operated FPSO's, Aseng in E-G and the Deep Panuke PFC start-up and pre-operating phases explain this trend, which is largely related to the offshore fleet personnel and the shore base staff.

This upward curve was also experienced by SBM-Services' workforce (installation vessels included), which increased by 16% to 308 employees in 2011 compared with 266 employees in 2010, due to the increased volume of projects in these Execution Centres.

The Schiedam Execution Centre's workforce of 628 employees slightly increased by +2% compared with the previous year figure of 616 employees. In 2011, SBM Schiedam employs 498 persons and GustoMSC 130 persons.

SBM-Houston's staff numbers decreased by 14% to 518 employees in 2011 compared with 601 employees in 2010, thereby reflecting the delivery of 2 Rig projects managed by this Execution Centre.

In Kuala Lumpur, there was a 17% increase to attain a total workforce of 440 in 2011 compared with 377 in 2010. This increase can be attributed to the execution of large projects this year, particularly related to the FPSO Aseng and the FPSO Xikomba relocation early work.

At year end 2011, the headcount for permanent contract employees totaled 4,655 employees representing 75% of the Company workforce and the headcount for contractor staff totaled 1,565 employees representing 25% of the workforce.

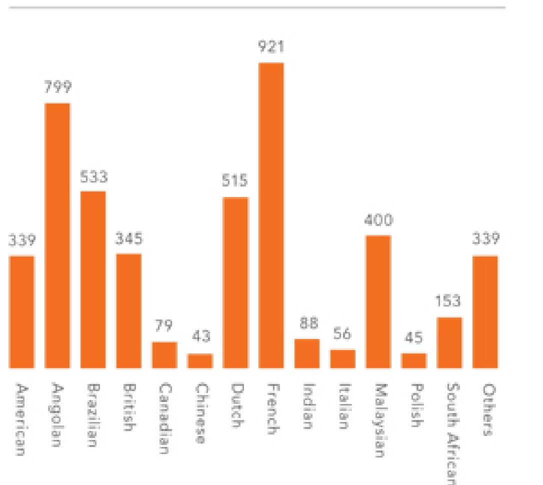
The 2011 yearly average ratio of contractors to staff is 27%.The reduction of the ratio compared with the 32% of year end 2010 is explained by the fact that recruitment efforts have been directed to increasing the permanent proportion of employees in order to maintain efficiency and keep core knowledge and expertise in house.

Workforce diversity

Over the decades, with its business spreading over 6 continents, the Company has embraced the challenges offered by different environments and adapted to this cultural mosaic. This need for adaption and in-country development has generated flexibility and diversity at all levels of the Company's workforce. Indeed, the Company has managed to turn this diversity into strength, building complementarities and synergies amongst its employees.

The Company's policy to recruit local-based employees whilst at the same time maintaining competency requirements through training, has led to the employment of over 55 different nationalities.

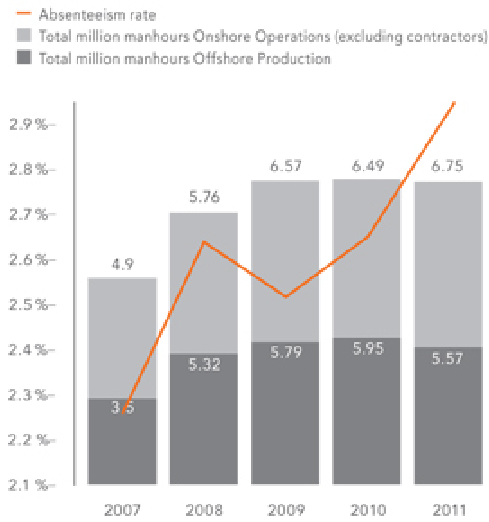
In 2011, the Group is composed of 4 main populations: French, Angolan, Brazilian and Dutch followed by 3 other key populations: Malaysian, British and American. This is explained by the geographical position of the Execution Centres, construction sites and offshore production units.



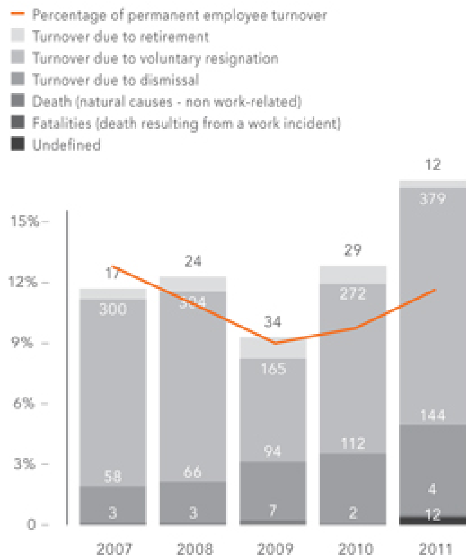
Absenteeism and turnover

The average rate of absenteeism due to normal illness remains relatively steady at 2.95% in 2011 (2.6% in 2010). Voluntary departures have been the main trigger for the Company's slight increase in turnover rate, which has risen from 10% in 2010 to 12% in 2011 and can be related to the economic up-turn in Houston and Kuala Lumpur. Nevertheless, the percentage of turnover remains low compared to the average rate given for similar industries in Europe and the USA. This can be attributed to the Company providing a competitive equitable remuneration package, good working conditions and overall professional satisfaction to its core resource: its employees.

Total manhours over 5 years with breakdown between offshore and onshore



Total permanent employees turnover over past 5 years with breakdown between causes and turnover percentage



3.8.4 Employment and remuneration

Equal opportunities

At SBM Offshore, employment conditions are strictly driven by the principle of equal opportunities. The salary scales are in line with a competency matrix and take into account qualifications and professional experience. The Company considers this as an attractive element of the recruitment strategy.

The offshore engineering business has long been male-dominated; however, the Company has adopted a recruitment strategy to increase the percentage of women employees, including in managerial positions, in the onshore segment over the past 15 years. This initiative has been successful to a certain degree, even though the number of graduates coming out of engineering schools and universities is still predominantly male, and this limits the gender ratio in engineering positions. Moreover, the operating crew onboard production units remains very much male as is the case for all operators in this area of business. The total percentage of female/male permanent employees from both Onshore Operations and Offshore Production was 21% women- 79% men in 2011, which is similar to the previous year.

This being said, the feminine population is indeed represented in the Management positions of the SBM Offshore Group, with 13% of these positions being held by women (onshore).

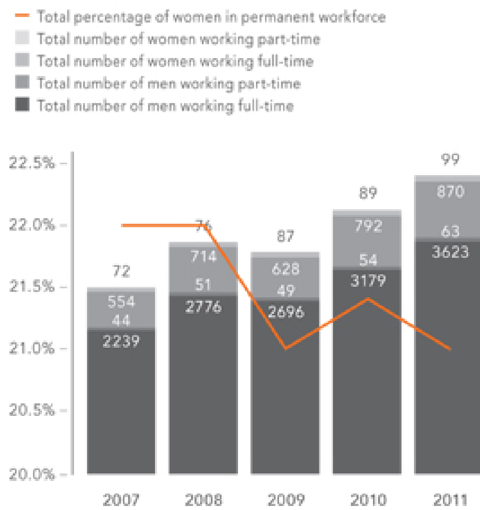
Compensation and Benefits

The compensation and benefits package offered to the Company's personnel remains one of the major elements in employee attraction and retention.

During the annual cash remuneration review (basic salary and bonus) of the individual staff members, the key factors of local market, annual inflation and individual performance are taken into account.

Salary benchmarking analysis is performed on a regular basis in each area where the Group has a strong presence to verify the competiveness of the Company's compensation package compared with peers in the Oil and Gas industry. The results continue to confirm that the Company's remuneration package and associated benefits remains competitive and attractive to potential new employees.

Permanent employees over past 5 years with breakdown between part time/full time and men/women



The Employee Share Ownership Plan, which encourages employees to invest in SBM Offshore shares, remains an attractive staff benefit, thanks to a significant contribution being paid by the Company.

A Restricted and Performance Share Unit Plan is in place and constitutes the Long-Term Incentive Plan for senior managers and other high potential staff.

The Company has an attractive pension benefit system for all its employees. As a multi-national company, it operates various pension schemes depending on the country of activity. The majority are “defined-contribution” plans, with a minor portion being “defined-benefit” plans.

Employee Well-being

Conscious of the need to protect its most important asset, the Company is continuously focused on the well-being of its personnel and provides a pleasant work environment. In this respect, several initiatives have been implemented over the past few years across the Company’s Execution Centres, namely:

- stress management & healthy living presentations to Managers (Monaco, Houston & Schiedam)
- employee care officer consultations available to employees (Schiedam & Monaco)
- stop smoking campaigns in Monaco
- fitness rooms in Houston and Monaco
- organisation of social events at all locations to favor interaction throughout the organisation
- bicycle plan in Schiedam
- life cycle based personnel policy in Schiedam
- SBM Nursery: this Monaco-based professionally-run nursery and pre-school structure welcomes 33 children from 3 months to school age

This comes on top of the safe work environment that the Company considers as a priority, as described under the HSSE section.

3.8.5 Performance and career development

Employees' performance review

To ensure business continuity, personnel satisfaction and efficiency are key factors on which the Company's Management maintains a keen focus. To help monitor those crucial indicators, the annual employee performance appraisal exercise (permanent employees) has proven to be a valuable tool. It is a long-established process at SBM Offshore and has been modernised over the years in order to take into consideration the Company's strategic objectives and the employee's career expectations.

All performance appraisals under Onshore Operations are made in accordance with the Company's Competency System whereby employees are appraised against specific competencies related to their position, as well as the fulfillment of set objectives. Once again this year, emphasis has been placed on the purposeful setting of individual career development objectives, in line with the overall needs of the Company.

The intranet-based electronic performance appraisal system has now been implemented in all Execution Centres. The tool has proven to be highly beneficial to the process; it enables the punctual tracking of the completion progress, and provides statistics for reporting, training and development purposes.

The annual performance reviews are one of the sources of valuable information for the Talent Management and Succession Planning processes.

Offshore Production appraisals are performed for all permanent and contract employees working onboard the production units. All employees are appraised in direct compliance with the offshore work activities and the assessments cover the fields of safety, teamwork and professional competence. This exercise is done via SBM Offshore HR crew management system.

The performance appraisal completion rate remained stable this year at 95%,confirming overall awareness of the great importance of this exercise.

Training and development

Development of competencies of employees through general and specific programmes is crucial to the Company's business continuity and changing environment. It is also a necessity for employees to be able to picture themselves as part of the Company's future.

The Company provides a range of training and development opportunities to enhance the skills of its employees worldwide. The total training hours recorded for 2011 is close to 133,000 and averages 29 hours of courses per person. In comparison with 2010 figures (excluding the Paenal Yard specific training programme), 2011 total training hours have increased by 5.3% and number of hours per employee increased by 4.3%.

White Collar Staff

Training is based on the Company's objectives. The need for training is discussed during the annual Performance Appraisal session and a training plan is developed for execution during the following year. The actual results are closely analysed to identify areas for improvement.

Training covers both in-house training, which is performed by Company staff or consultants, and external training, which is performed outside the Company's work centres by specialised training providers.

Training during 2011 was mainly technical and safety-related, followed by managerial-leadership training thanks to increased efforts to focus on this area. Attendance at conferences and seminars remained high on the agenda, indicating the continued desire to remain in touch with new developments in specific fields of study. Language lessons and computer software trainings were also well attended.

Internal training for management continues with the now long-established SBM-Schiedam Management School. Its programme focuses on specific development trainings with a target group of staff who are envisaged to have lead, supervisory or managerial positions in the future. For the 2011 session, 15 participants from the Schiedam and Monaco offices attended the programme, with a total amount of 1,410 hours of customised courses.

As a complementary approach to training and development, student internship programmes continue to function well and enable judiciously-selected graduates to obtain their first work experience in the Company and, in many cases, successful employment.

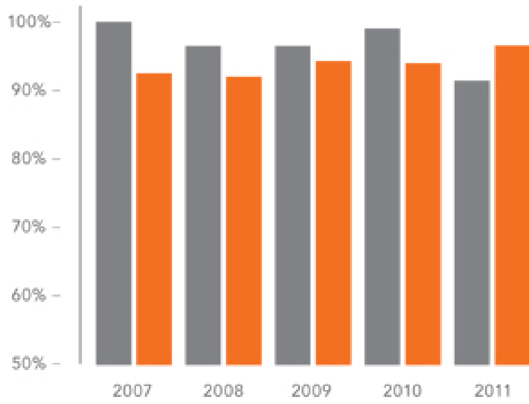
Blue Collar Staff

Given the significant technical and safety requirements of the operations onboard the production units and work at construction yards, the Company considers on-the-job training and external courses to be of utmost importance for all its personnel, whether permanent or contractor.

This principle applies not only to long-standing crew and technicians but also to the additional workforce available locally, which needs to familiarize itself with the specifics of the Company's activities. To meet this need, the Company supports nationalisation programmes, namely in Brazil, Angola & Malaysia.

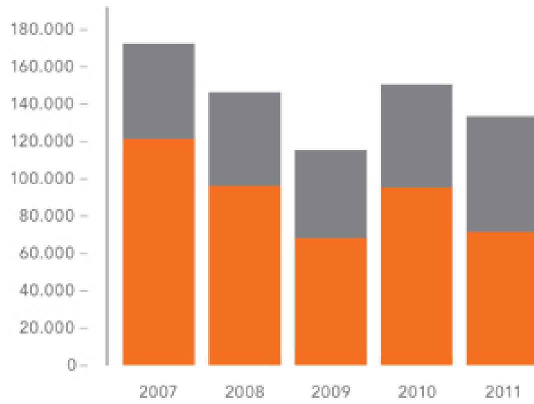
Performance appraisal offshore and onshore over past 5 years

- Performance appraisals for permanent employees - Onshore Operations
- Performance appraisals for permanent employees - Offshore Operations



Permanent employees training hours over past 5 years with breakdown between white and blue collar Staff

- Blue collar staff
- White collar staff



3.9 Sustainable Initiatives

3.9.1 Code of conduct and Anti- corruption policy

As a growing global business, SBM Offshore is committed to conducting its business honestly, ethically, and lawfully. It recognises the importance of ethical compliance and has reinforced its compliance programme around the world throughout 2011.

Reinforcing SBM Offshore's ethical standards

The Company has updated its Code of Conduct to match the requirements of the UK Bribery Act. It has also published an Anti-Corruption Policy & Compliance Guide, which provides SBM Offshore employees, partners, agents and subcontractor/suppliers with concrete guidelines on how to prevent corruption risks and deal with those that arise. All employees are required to adhere to the Company's ethical standards. They must comply with all applicable laws, and accurately record, and track transactions. Any non-compliance with required Ethical Standards is subject to disciplinary sanction. Employees, including all key personnel, receive yearly training on the Company's Business Ethics, including anti-corruption laws and practices. During 2011, the Company decided to supplement this training with an e-learning training dedicated to anti-corruption laws, notably the U.S. FCPA and UK Bribery Act. To date, 98% of all employees required to do so have completed the e-learning course.

Bribery and corruption

In 2011, the Company updated its ethical standards to comply with the requirements of the UK Bribery Act, as follows: *"The SBM Offshore Code of Conduct specifically prohibits the payment (directly or indirectly) of anything of value to a public official or a commercial decision maker to secure an improper business advantage".*

The Anti-Corruption Policy and Compliance Guide re-iterates this standard and provides detailed steps for employees to take if faced with corruption risks. The Company also ensures all transactions are properly authorised and accurately and completely recorded.

Business Relations

The Company makes it an essential requirement to maintain good business relations with partners, agents, supplier and other intermediaries. A good relationship requires trust and an understanding of one's business partners. Consequently, due diligence is carried out for all potential partners, agents, suppliers and other intermediaries.

During 2011, the Company continued its campaign to implement anti-corruption due diligence on all agents, freight forwarders, partners and major suppliers, completing 79 due diligence studies, with more currently underway.

The Company ensures that its relationships with intermediaries are formalised by written agreement by using template agreements that clearly document its policies covering corruption, conflict of interest situation, and compliance with applicable laws and regulations.

The Company requires that its intermediaries maintain accurate books and records and grant it the right to audit them. All business relationships are approved in accordance with internal procedures and the agreements are reviewed by the Company's Legal Department. The Company also shares both its Code of Conduct and

Anti-Corruption Policy and Compliance guide with all partners, agents, suppliers and other intermediaries, requiring them to comply with all published requirements. Any intermediary who does not comply with anti-corruption or anti-bribery laws or the Company's policies is deemed to be in breach of contract and will have their contract terminated.

Annual certification process

The Company completes an annual certification of compliance exercise to monitor employees' compliance with its Code of Conduct. The certification of compliance concerns all employees in positions of responsibility and in corporate and managerial roles. These certificates contain a personal confirmation that individuals understand the Company's Ethical Standards, and that both they and their teams operate in accordance with them.

SBM Offshore's goals for 2012

In 2012, the Company is committed to continual improvement of its compliance programmes. To that end, the Company has retained a specialist law firm to further enhance its existing anti-corruption policies and procedures. It includes its processes related to the retention and oversight of consultants and other third parties and its system of internal controls, with the goal of ensuring that the Company's compliance programme is consistent with established best practices in this area.

The Company plans to give all its employees access to its ethics e-learning course and to continue its due diligence campaign. The management will encourage all employees to protect and enhance the Company's high ethical reputation.

3.9.2 Supply Chain in Focus

SBM Offshore currently operates in 18 countries around the world - but works directly with suppliers from 46 countries. Its principal suppliers are mainly located in Europe, the US, Singapore and Brazil. In 2011, the Company procured 16.25% of all deliverables and services from developing countries.

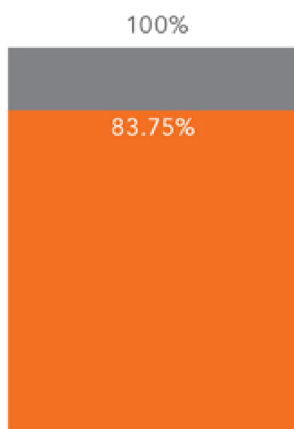
Vendors who wish to bid for contracts with the Company are assessed using a web-based Vendor Relationship Management (VRM) tool. In addition the Company ensures that its policies and standards regarding business ethics, insurance and other key matters, are covered in the Special Terms & Conditions set for all contracts. These are always shared with potential suppliers at the bidding stage of every project.

Compliance with the Company's Code of Conduct is mandatory for all suppliers and for their subcontractors and agents.

During 2011, the Company audited 43 suppliers using a product classification system, which ranks suppliers from A (main suppliers, such as construction yards) to D (suppliers of less critical equipment or services). All Vendors supplying A to C products are subjected to a quality assessment process; those categorised as A or B, are audited every 3 years. 53 corrective action reports were issued in 2011 following these audits.

Breakdown of volume of business in 2011

Developed countries
Developing countries



Vendor Relationship Management

Suppliers are selected upon compliance with the industry standards and market conditions. The Company's VRM portal is publicly listing the documents required to enter the pre qualification process hence needed for the evaluation of the supplier and proposed equipment:

- Completed standard Vendor Qualification Questionnaire
- ISO certifications
- Quality manual
- HSE manual

- Reference lists
- Organisation charts (company and group)
- Brochures, company profile, product descriptions and other relevant marketing materials
- All QA documentation

The Company only purchases products or services from suppliers who satisfy the full requirements for VRM pre-qualification. Those who meet the requirements are registered in the SBM Offshore Supply Chain system tool as approved suppliers.

As of year end 2011, more than 11,000 different products and services had been registered.

3.9.3 Local content

In a number of the countries in which SBM Offshore operates, host governments now set minimum levels for local content on oil and gas projects. The Company has always endeavoured to employ local people and to contract with local vendors. Now it is working with governments and other industry partners in several countries to ensure that local people and local communities benefit directly from its presence as a major employer and purchaser of goods and services.

Angola

The Company has been present in Angola since 1968. Over the last four decades, its activities there have included FPSO leasing, offshore installation and the construction of buoys, steel structures for turrets and topsides modules. Through continuous engagement and enduring relationships the Company has contributed to local communities by creating jobs and training opportunities.

In 1997, the Company formed a joint venture with Sonangol, the Angolan National Oil Company. Out of this union came Sonasing, a company established to promote Angolan participation in oil and gas activities, acquire FPSOs and FSOs and charter them to the Angolan oil industry.

In 2003 SBM Offshore and Sonangol formed OPS Serviços de Produção de Petróleos Ltd (OPS) in a joint venture, allowing both partners to operate and manage the Angolan fleet together. OPS also introduced training programmes to provide craft skills, safety training and offshore experience to a new generation of Angolan workers.

An expanding pool of skilled local labour was needed to maximise Angolan economic development resulting from the oil and gas sector, and through a third joint venture, the Porto Amboim Estaleiros Navais Lda (PAENAL) yard, the two partners extended the existing training programme. Together, they created a dedicated training facility in addition to a much-needed fabrication and integration yard. This training school was located in Porto Amboim to train locally hired people, particularly those previously unemployed. The first training programmes launched covered welding, fitting, rigging and scaffolding.

Newly trained workers begin with structural works. As they progress and gain experience, they move to more skilled labour related to topsides fabrication. The Porto Amboim Training School has capacity to teach around 150 trainees a year, with most courses taught to groups of 30 students and lasting 12 weeks. At the end of courses students undertake competency tests and those who graduate are issued with certificates. The success rate for most courses is more than 80%. All new students start their time at the school with two weeks of HSE training.

In 2011 SBM Offshore, Sonangol and a new partner DSME (Daewoo Shipbuilding & Marine Engineering) announced further investments to develop the PAENAL yard and to increase the scope of training to cover a wider range of technical skills to support dramatic growth in the yard's workforce.

The PAENAL (Porto Amboim Estaleiros Navais Lda) FPSO integration yard is one of the most significant investments ever made in fabrication in Angola. It delivers a major competitive advantage for the Company and its two partners. On completion, this ambitious, groundbreaking joint venture will strengthen Angola's ability to support its growing offshore oil and gas sector.

PAENAL's development has been planned in two phases allowing for a steady increase in capability and capacity. On completion it will become the only yard in Angola capable of fabricating topsides modules with a

quayside large enough to accommodate a VLCC and a heavy lift crane to facilitate integration, hook up and commissioning of large FPSOs.

Once fully operational, it will provide Angolan workers with approximately two million man-hours of work annually. The Porto Amboim Training School has already recorded a total of 202,736 hours of training for PAENAL's employees. Throughout its development, the ratio of expatriates to Angolans at PAENAL has remained stable at 1.3.

The progress made at the PAENAL yard demonstrates that the Company and its JV partner Sonangol are committed to bring benefits to the local community through job creation and training. With several new FPSO projects in the pipeline for Angola over the next few years, the PAENAL yard will undoubtedly play a key role in addressing the country's shortfall in fabrication capacity, whilst also to increase local content even further in future.

The ongoing expansion of PAENAL should encourage other international contractors and service providers to the Porto Amboim area. It will also provide an important stimulus for the local economy by using small and medium-sized companies from the region to serve the yard. The Company believes that these support services will grow in tandem with the yard itself - creating even more employment opportunities for local Angolans.

Brazil

The Company signed a first contract with Petrobras in 1996 for the lease and operate contract of FPSO II in Campos Basin. Since this date, it has delivered seven FPSOs to clients, including Chevron and Shell, for operation in Brazil.

In 2005, the Company launched a competency assurance training programme at a dedicated facility in Macae, to support its FPSO operations and achieve a nationalization target of 70%-plus Brazilian employees in its expanding fleet.

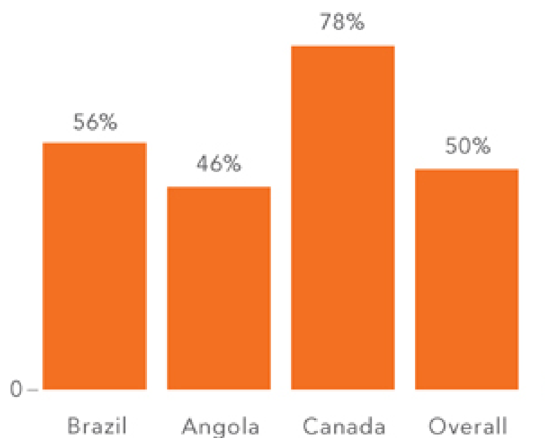
The Computer Based Training (CBT) module, available in Portuguese, provides detailed information about FPSO equipment and operations, but also safety. The Company trains around 70 Brazilian employees a year - covering everything from the fundamentals of petroleum production to an advanced process simulator course, for which it uses its own FPSO process control room simulator. The purpose of the DCS Simulator training centre is to improve operational performance offshore by exposing trainees to a wide variety of simulated conditions that demand operator response. This ensures that employees are well prepared to properly deal with any situation.

The Brazilian government recently issued laws requiring that apprentices must fill 5% of the technical workforce of every company. The Company supports the Brazilian Apprentice Programme in partnership with Casa do Menor, a non-governmental organisation which is accredited by the government to deliver basic education. The Company directly sponsors a maintenance course for 13 apprentices every year. The objectives of the course are to teach the basic theory and practice of mechanics and electricity. Apprentices are evaluated quarterly against offshore induction programme objectives. The Company offers the top two students an offshore assignment. In 2010, three apprentices expressed their enthusiasm and desire to join the maintenance team.

Equatorial Guinea

A very motivated group of young trainees from Equatorial Guinea has been selected by Noble Energy to be part of the nationalisation plan for the FPSO Aseng. SBM Offshore is privileged to be working with them. The trainees have undertaken English language training and been familiarised with basic oilfield equipment and systems.

In a major change from the Company's standard training programmes, the trainees were then assigned to the Aberdeen Skills and Enterprise Training Centre (ASET), in Scotland, where they are currently consolidating their knowledge over an 18-month practical programme. All training undertaken at ASET is practical, with a strong focus on the use of typical Safety Management System tools such as Risk Assessment, Permit to Work, COSHH, and Toolbox Talk. The trainees already learned the NEBOSH Safety Diploma material. Their progress is monitored regularly by the ASET centre Senior Instructor and the Company's Training Department, which keeps them up to date on the progress of the actual FPSO conversion project in Singapore. The Aseng trainees from Equatorial Guinea will benefit from 49, 000 training hours.



3.9.4 For a better future in Angola

SBM Offshore has operated in Angola for more than 44 years and throughout this time has tried to ensure that Angola and the Angolan people benefit directly from its presence in the country.

The Company has always endeavored to recruit and train local people to work in its offshore and onshore operations. It has also contributed to a number of social investment projects - intended to improve well being for Angolans and help them gain the skills and experience they need to secure long-term employment, with SBM Offshore, with other employers or as business owners themselves.

SBM Offshore's ongoing commitment to Angola, is demonstrated by its support for two unique institutions, both of which provide much-needed help for orphaned or disadvantaged children.

Centro de Acolhimento de Criancas Arnaldo Janssen

SBM Offshore has provided financial and practical support for the Centro de Acolhimento de Criancas Arnaldo Janssen, a school and training centre for boys in Luanda since 1997. The centre helps orphaned boys escape a life of poverty on the streets by gaining the basic education and hands-on training they need to find and hold onto jobs. The centre has been extremely successful - indeed, the Angolan government is now keen to extend its reach beyond Luanda.

Lar Nossa Senhora Das Dores

Lar Nossa Senhora Das Dores- a girls orphanage in Lubango, Southern Angola, was established in 1998 by Sister Bernadete N'Gueve, following a moving encounter with a young beggar girl on the streets of Sister Bernadete's home town. SBM Offshore has supported the orphanage since 2003

At that point in time, around 70 girls, aged between four to twenty years, were housed in an old colonial college, which they shared with a boy's orphanage. SBM Offshore provided clothes, bed linen, school supplies and other much needed equipment, to help Sister Bernadete and the girls in her care to make the best of the cramped, dilapidated conditions in which they lived.

In 2006, the orphanage was forced to relocate. Fortunately, Sister Bernadete had acquired a land concession of around 29 acres, thanks to support from the Archdiocese of Lubango - but she urgently required financial support and technical advice to transform the land into a long-term base for the orphanage.

Initially Bernadete, two other sisters and around 70 girls were housed in temporary structures onsite, an improvement on their first home, but still far from ideal. However, with support from SBM Offshore and regular visits from Company employees, steady progress was made in designing and planning a new 'orphan village' complex.

In 2011, SBM Offshore took its support for Lar Nossa Senhora Das Dores to a new level. Following a detailed evaluation of the orphanage's needs, the Company committed to invest US$1.8 million in a one-year construction project to provide a permanent home for up to 120 orphans and 4 sisters.

Following a competitive tender involving four local construction companies, SBM Offshore Angola awarded the contract to build the new orphan village to SOCONSTROI Construcoes da Huila- and in January 2011, 30 local builders working under the supervision of an Angolan site supervisor began construction work onsite. Throughout

the building process, an SBM team also provided project planning, scheduling and project management expertise as and when required.

The new Lar Nossa Senhora Das Dores orphan village

Thanks to the hard work and passion of all those involved, the new orphan village was completed nearly two and a half months ahead of schedule on 23 December 2011, with all works delivered within the set budget.

The new Lar Nossa Senhora Das Dores comprises eight residential houses, each with four bedrooms, a house for the sisters, a medical and training centre and a canteen equipped to cater for up to 120 residents. The new village has been designed to create a safe, hospitable environment for the girls, who will live in small 'family-sized' groups with the support of a caring adult - a very long way from the traditional idea of an orphanage.

Around 85 orphans are already in residence - enjoying excellent indoor facilities and a safe outdoor environment that provides garden areas in which they can grow their own vegetables and keep livestock.

Looking ahead, SBM Offshore is involved in plans to extend the orphan village by supporting measures to provide vocational training onsite. The Company is committed to play its part in making Lar Nossa Senhora Das Dores a 'transitional' loving home environment in which girls can lead healthy, constructive lives before moving on into secure employment as confident, independent young adults.

3.9.5 Leadership & Development Programme- Enhancing Group Performance through people

The Talent Management programme's objective has always been to accompany the growth of the Company by identifying and preparing the successors for key managerial positions and sharing common managerial competencies group-wide. Moreover, this leadership pipeline lays the groundwork for the career development of our employees as it provides the perfect framework within which challenging and diverse professional opportunities can be offered.

Indeed, the People Reviews implemented in 2009 confirmed the importance of people development and performance management, highlighting that they would become more and more critical as the Company and its projects grew and that leadership competencies would therefore be the pillars to support change.

On this basis, it was decided to launch in 2011, with the support of an external training provider, the **Leadership & Management Development Programme**.

As mentioned above, the Programme, which gathers leaders from all areas of the Company and takes place over several sessions, is anchored around 4 main themes, namely those of:

- **Visionary Leadership:**translating the Company's vision into something meaningful in all business areas across the organisation.
- **Cross border & Open Communication**: developing cross-border communication and synergies across geographies, departments, functions and cultures (team energy);
- **Empowerment & People Development:**empowering and developing people to drive them through their careers, taking a long-term view on the Company's success;
- **Driving results:**defining ambitious goals whilst establishing clear priorities and responsibilities to ensure results.

The Approach

Participation in the Programme commenced at the very top Executive level with the Board Members, followed by the rest of the Executive Committee members and then several small groups of Senior Managers.

The intention is now to cascade this initiative further within the Company.

3.10 Information regarding the Board of Management

Bruno Chabas

French, 1964

Chief Executive Officer

Bruno Chabas started his career in finance in 1991, first with a private equity company and subsequently with CIC Group (France). In 1992 he moved to Stolt Comex Seaway in various management positions in the USA, France and the UK, lastly as Managing Director. In 1999, Bruno Chabas was appointed Chief Financial Officer of Stolt Offshore, an offshore services company specialising in seabed to surface engineering and construction. In 2002, Bruno took the position of Chief Operating Officer. In 2006, Stolt Offshore became Acergy, which was listed on the Oslo stock exchange and on the NASDAQ until its merger earlier in 2011 with Subsea 7. Following completion of the Acergy-Subsea 7 merger, Bruno joined SBM Offshore in May 2011 as Chief Operating Officer of the Company. At the EGM of 14 December 2011, Bruno was appointed as Managing Director and Chief Executive Officer. He graduated in 1988 in economics at the University of Economic Sciences Aix-Marseille and obtained an MBA from Babson College Wellesley, MA, USA in 1990.

Mark Miles

British, 1964

Chief Financial Officer

Mark Miles joined the Company in 1994 as internal auditor and subsequently performed functions of increasing responsibility within the financial department, becoming Controller in the Monaco office. In May 2004, Mark was appointed Director and CFO of the Group. At the AGM of 15 May 2008, he was appointed as Managing Director and CFO. A graduate in Economics with Statistics of Bristol University and a Chartered Accountant, prior to joining SBM Offshore, Mark was an audit manager with Coopers & Lybrand in France.

Jean-Philippe Laurès

French, 1964

Chief Operating Officer

Jean-Philippe Laurès joined SBM Offshore's Monaco office in 1990 as a structural engineer and subsequently performed functions of increasing responsibility within Engineering, Operations, Production & Marketing Departments. In 1997, he became a Shore Base Manager in Nigeria and in 1999 was appointed as Regional Marketing Director in Angola. He returned to Monaco office in 2001 and has held various managerial positions in the Engineering Department. In 2005, Jean-Philippe became Area Sales Vice-President of Marketing & Sales and in 2007 moved to SBM Production Contractors (fleet operations) where he held the position of Vice-President and in 2009 President of this operating segment. In 2010, Jean-Philippe was appointed to the SBM Offshore Board of Management as Chief Commercial Officer. In January 2012, he was appointed as Chief Operating Officer. Prior to joining the Company, Jean-Philippe was a Product Engineer at INDIKOM (Metravib Instrument), and a Section Leader at the Welding Institute (TWI). A graduate from INSA, Lyon, and PhD graduate from Tufts University, Boston.

Michael Wyllie

British, 1958

Chief Technology Officer

Michael Wyllie joined the Company in 1995 as a senior process engineer, and subsequently worked in engineering management positions on several of the Company's major FPSO projects. In 2000 he moved into engineering department management, and was appointed Chief Engineer in SBM Offshore's Monaco office in 2002, a position which he held for 4 years. In 2006 he was assigned to a major bid as Proposal Director, before taking the position of Worldwide Director of Marketing & Sales in 2008. He was appointed to the Board of Management in January 2010, in the position of Chief Technology Officer. A graduate Chemical Engineer from Herriot-Watt University in Edinburgh in 1980, and a Fellow of the Institution of Chemical Engineers, he has previously worked for Foster Wheeler Energy and Total.

4 Financial Report 2011

4.1 Financial Review

4.1.1 Highlights

The consolidated result for 2011 is a net loss of US$ 440.6 million, (2010 net profit of US$ 276.0 million). This result includes impairment charges and other non recurring items which generated a net loss of US$ 921.0 million in 2011 (US$ 50.7 million loss in 2010). Net loss attributable to shareholders amounts to US$ 472.7 million (US$ 240.0 million profit in 2010).

The loss per share amounted to US$ 2.77, (Earnings per share of US$ 1.44 in 2010). In view of the loss recorded for the period, and applying the Company's stated dividend policy, it is proposed not to distribute dividend for 2011.

Net debt at the year-end amounted to US$ 1,958.5 million (US$ 1,644.3 million in 2010) with bank covenants comfortably met and available, committed bank facilities of US$ 916 million.

New orders in the year totalled US$ 8,552 million (split 37% / 59% / 4% between the Lease and Operate, the Turnkey Systems and the Turnkey Services segments respectively), compared to US$ 4,532 million of new orders in 2010.

Turnover increased by 3.3% to US$ 3,157 million, in comparison with US$ 3,056 million in 2010, mainly as a result of higher Lease and Operate revenues.

Total order portfolio at the end of the year was US$ 16,910 million compared to US$ 11,502 million at the end of 2010, an increase of 47% and a new record by far. Of this, 67% or US$ 11,310 million relates to the non-discounted value of the revenues from the Company's long-term lease contracts in portfolio at year-end.

EBITDA amounted to US$ 813.2 million, a 14.1% increase compared to US$ 712.4 million in 2010 (restated).

Operating result (EBIT) decreased to US$ 340.6 million loss due to the impairment charges mentioned earlier, compared with US$ 386.5 million (restated) profit in 2010.

The year was marked by the following financial highlights:

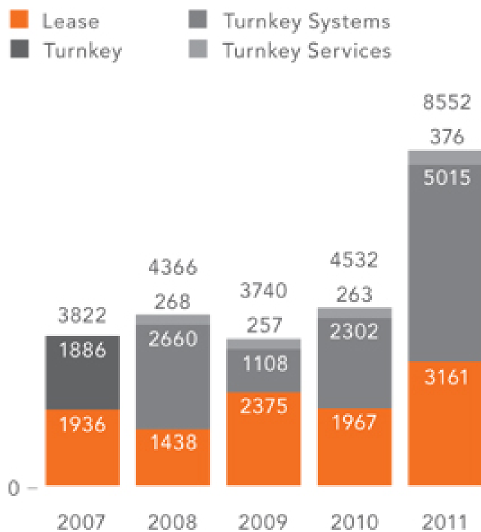
- record new order intake including a Letter of Intent for one major new order in the first half of the year (FPSO Cidade de Ilhabela finance lease), plus a contract in December for the FPSO Xikomba relocation project (also treated as a finance lease);
- impairment charges totalling US$ 857.0 million on the Yme MOPUstor™ and Deep Panuke platforms under construction for the Lease and Operate segment;
- impairment charges connected to revised strategic focus on core products and consequent write-off of prepayments and development costs incurred in prior years (US$ 37.6 million);
- impairment charge of US$ 19.3 million in respect of ThunderHawk platform due to revised assumptions concerning future production related revenues;
- introduction of a revised approach for recognising gross margin on large, complex projects whereby no margin is reported until a stage gate review (typically performed at 25% project progress) has been completed with satisfactory results. In 2011 the effect of this change is to defer US$ 57 million margin to future years;

- Capital expenditure in 2011 amounted to US$ 840 million, which is higher than in 2010 (US$ 519 million) and excludes investments in leases which are accounted for as finance leases and accordingly are not reported as property, plant and equipment but under construction contracts;
- improved margins on Turnkey Systems and Turnkey Services activities;
- the sale of two vessels from the Company's tanker inventory resulting in a non-recurring non-cash loss of US$ 8 million;
- new project finance facilities of US$ 1.0 billion for FPSO Cidade de Paraty.

Segmental information in respect of the three core businesses of the Company during 2011 is provided in the detailed financial analysis that follows. Turnover by geographical area is included in the notes to the Financial Statements.

4.1.2 New Orders

Total new booked orders for 2011 amounted to US$ 8,552 million. This total includes US$ 3.5 billion for a 20-year lease contract for the FPSO Cidade de Ilhabela for Petrobras and US$ 1.6 billion for a 12-year lease contract for the FPSO Xikomba for ENI. Due to the specific structures and terms these contracts are accounted for as finance leases and are therefore reported partly as Turnkey Systems sales (US$ 2.8 billion) and partly within Lease & Operate (US$ 2.3 billion).



4.1.3 Turnover

Total turnover rose marginally when compared with 2010 due to higher revenues recognised in the Lease and Operate and Turnkey Services segments. Turnkey Systems third party turnover of US$ 1,988 million represents 63% of total 2011 turnover (2010: US$ 1,984 million representing 65%). Lease and Operate turnover rose by 8% to US$ 867 million (27% of total revenues; 26% in 2010) as the first year of revenues from FPSO P-57 operations and demobilisation revenues on FPSO Espadarte more than compensated for the reduction in day-rate income resulting from the termination of the charter of FPSO Xikomba (July 2011) and of the FSO Unity operations (September 2011). Turnkey Services third party turnover increased by 11% to US$ 302 million and represents 10% of total revenues (9% in 2010).

The contract for the FPSO Aseng for Noble Energy is accounted for as a finance lease, fully consolidated in the financial statements, with elimination of the GEPetrol 40% share as minority interest. This means that the entire fair value of the asset is recognised as Turnkey Systems turnover during construction, with the return on investment recognised as lease income during the lease period. The project was completed in November 2011, signifying the beginning of the fifteen-year charter.

The contract for the FPSO Cidade de Ilhabela is accounted for as a finance lease in the same manner as the FPSO Cidade de Paraty. The joint venture is jointly controlled by SBM Offshore, and our 62.25% share of the JV is consolidated proportionately. Thus turnover recognised is equal to our partners' 37.75% share of the EPCI "sales" price of the FPSO from SBM Offshore to the JV (i.e. eliminating the inter-company portion of the sale), plus the Company's share of the fair value of the lease. As at 31 December 2011 the charter contracts with Petrobras had not been finalised, but are expected to be completed in the first quarter of 2012. Based upon the signed LOI from Petrobras, the Company has accounted for the project revenue in accordance with the stage of completion at the year-end.

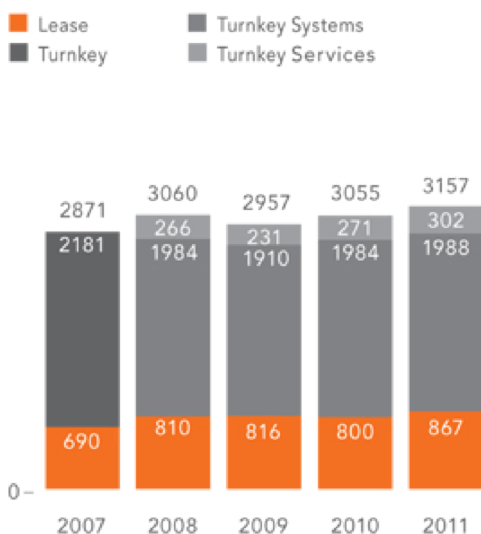
For the FPSO Cidade de Paraty (SBM share 50.5%) construction continued throughout 2011. In July 2011 the charter contracts with Petrobras were concluded and a US$ 1 billion project loan arranged with a syndicate of banks. Drawdowns totalling US$ 284 million (SBM share) were made during the second half of 2011.

The twelve-year lease contract with ENI for FPSO Xikomba is also accounted for as a finance lease. Turnover during construction is equal to our partner Sonangol's 50% share of the investment plus the Company's 50% share of the fair value of the lease, all on a percentage of completion basis.

In 2011, total Turnkey Systems turnover recognised in respect of construction of assets accounted for as finance leases amounted to US$ 1.159 million (2010: US$ 681 million).

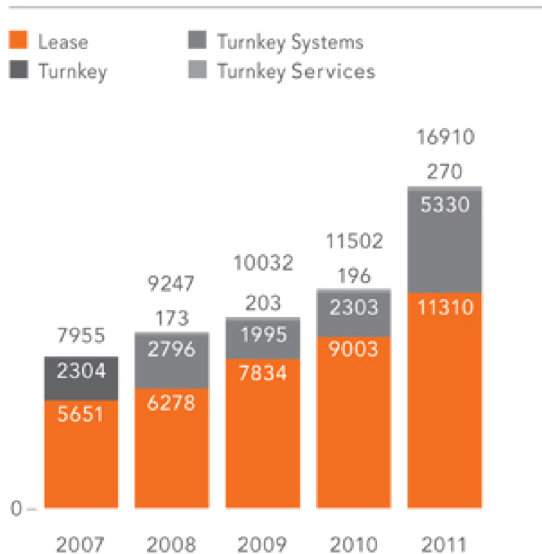
The ongoing charter contracts for FPSOs Mondo and Saxi Batuque are similarly accounted for as finance leases. Return on investment recognised in the Lease & Operate turnover in 2011 in respect of these contracts and the first two months of the FPSO Aseng charter amounted to US$ 20 million (2010: US$ 16 million).

Turnover
In millions of US$



4.1.4 Order Portfolio

The year-end order portfolio at US$ 16.91 billion is up 47.0% from last year's level of US$ 11.50 billion. The current order portfolio includes US$ 11.31 billion (2010: US$ 9.00 billion) for the non-discounted value of future revenues from the long-term charters of the lease fleet, of which US$ 4.5 billion (2010: US$ 4.7 billion) represents the bareboat element of the operating leases. Approximately 57% of the future bareboat revenues will be generated from the lease contracts which have yet to commence (FPSO Baleia Azul, MOPUstor™ Yme and MOPU Deep Panuke). The Turnkey Systems order portfolio more than doubled (US$ 2.30 billion in 2010) to US$ 5.33 billion, boosted by the finance lease treatment of the two new lease contracts, one turnkey sale FPSO and two large turret mooring systems, and represents approximately two years of turnover. Turnkey Services backlog increased by 38.1% to US$ 0.27 billion (approximately nine months of turnover).



The Company's order portfolio as at 31 December 2011 is expected to be executed as follows:

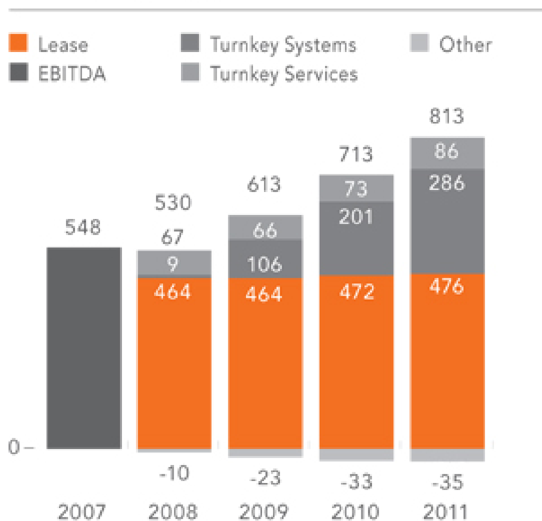
Order Portfolio at 31 December 2011

US$ billion	Turnkey Systems	Turnkey Services	Lease & Operate	**Total**
2012	2.6	0.3	0.9	3.8
2013	2.1	-	1.1	3.2
2014	0.6	-	1.0	1.6
Beyond 2014	-	-	8.3	8.3
Total	**5.3**	**0.3**	**11.3**	**16.9**

4.1.5 Profitability

The primary business segments of the Company are Lease and Operate, Turnkey Systems and Turnkey Services plus “Other”, non allocated corporate income and expense items. EBITDA and EBIT are analysed per segment but it should be recognised that business activities are closely related, and certain costs are not specifically related to either one segment or another. For example, when sales costs are incurred (including significant sums for preparing the bid), it is often uncertain whether the project will be leased or contracted on a turnkey lump sum basis. Furthermore, with IFRS limiting the capitalisation of General & Administrative overheads into the asset value of the lease fleet, segmental results are skewed in favour of the lease activities. Indeed much of the Company’s engineering and project management resources contribute to construction of the lease fleet ‘at cost’ without a Selling, General and Administration costs (S, G & A) mark-up, while the Lease and Operate segment results ‘benefit’ from lower capex and lower annual depreciation.

In recent years, lease contracts have tended to longer durations and are increasingly considered to be finance leases for accounting purposes, whereby 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 profits which would, in the case of an operating lease, be reported through the Lease & Operate segment during the lease.

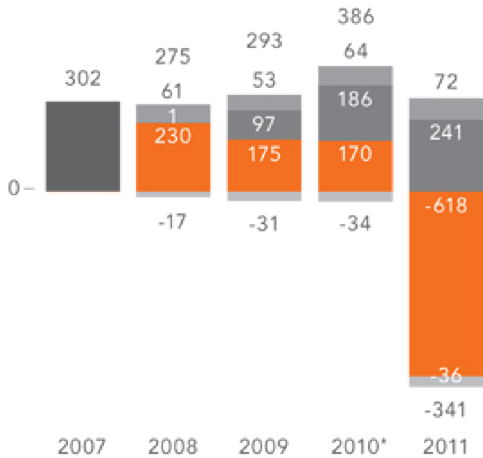


* 2010 figures have been restated for reclassification of project taxes from cost of sales to income taxes, 2007 EBIT figures do not show segmental split

EBITDA in 2011 of US$ 813.2 million (US$ 712.4 million in 2010, restated for tax reclassification) consisted of US$ 476.6 million (US$ 472.0 million in 2010) from Lease and Operate activities, US$ 286.1 million (US$ 200.8 million in 2010) from Turnkey Systems, US$ 85.7 million (US$ 72.8 million in 2010) from Turnkey Services, less US$ 35.2 million (US$ 33.1 million in 2010) of non-allocated corporate and other costs.

As a percentage of the higher turnover, EBITDA was 25.8% (2010: 23.3%, restated). Segmental EBITDA margins were for Lease and Operate 55.0% (2010: 59.0%, restated), Turnkey Systems 14.4% (2010: 10.1%) and Turnkey Services 25.2% (2010: 21.5%) including intercompany projects. The relative contributions to EBITDA from the three segments were 56% from Lease and Operate, 34% from Turnkey Systems and 10% from Turnkey Services.

In 2010 the corresponding split was 63% : 27% : 10%.



The operating loss in 2011 amounted to US$ 340.6 million (EBIT in 2010 US$ 386.5 million, restated) with the following highlights:

- higher contribution from the Turnkey Systems segment, as the good results generated from the more recent projects (including those projects accounted for as finance leases) become more predominant, and despite the introduction of a revised use of accounting estimates for recognising margin on large, complex projects which had the effect of deferring US$ 57 million of gross margin to future years. EBIT margin was 12.1% (9.4% in 2010);
- the performance of the Lease & Operate fleet in operation in 2011 exceeded expectations, although the year was severely impacted by impairment charges totalling US$ 857 million related to the Yme MOPUstor™ and Deep Panuke platforms. These impairments resulted from increased project costs as explained earlier in this report and from a revised assessment of the likely recoveries from the respective clients under ongoing legal proceedings. In particular for the Deep Panuke project, any decision from the Canadian court concerning the Company's substantial claim will not be obtained before 2013 at best and no revenue has therefore been accrued in respect of this dispute;
- excellent operating performance and higher contribution from the Turnkey Services activities despite a slow start to the year for the two installation vessels. EBIT margin on total turnover (including intercompany) was 21.4% (19.0% in 2010);
- Non-recurring non-cash losses were also incurred on the sale of the two tankers from inventory (US$ 8 million in Lease & Operate segment), the impairment of development costs relating mainly to LNG products (US$ 20 million allocated across all 3 segments), the impairment of other investments in LNG related products (US$ 17 million in Turnkey Systems) and the impairment of the ThunderHawk platform in the Gulf of Mexico due to revised production related revenues projections (US$ 19 million in Lease & Operate).

Non-allocated "Other" income and expenses showed a net cost of US$ 35.2 million in 2011, compared with US$ 34.1 million in 2010.

Net financing costs at US$ 49.9 million were 40% lower than in 2010 (US$ 83.7 million) mainly as a result of the Deep Panuke project interest rate hedge loss in 2010 which amounted to US$ 22 million.

More generally, once production units are brought into service the financing costs are expensed to P&L (whereas during construction interest is capitalised). It should be emphasised that the net profit contribution of newly operational leased units is limited by the relatively high interest burden during the first years of operation, although dedication of lease revenues to debt servicing leads to fast redemption of the loan balances and hence reduced interest charges going forward.

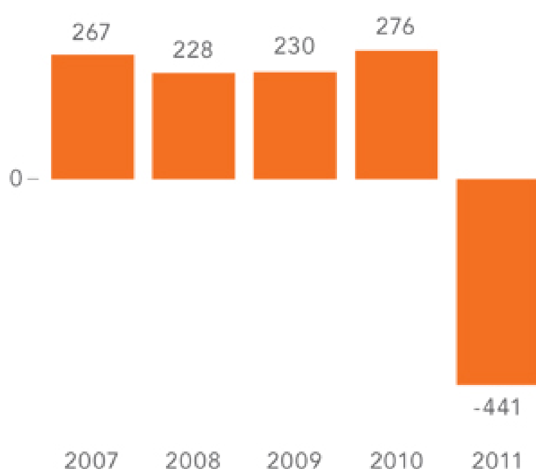
Interest income was again low in 2011 with the extremely low level of short-term US interest rates.

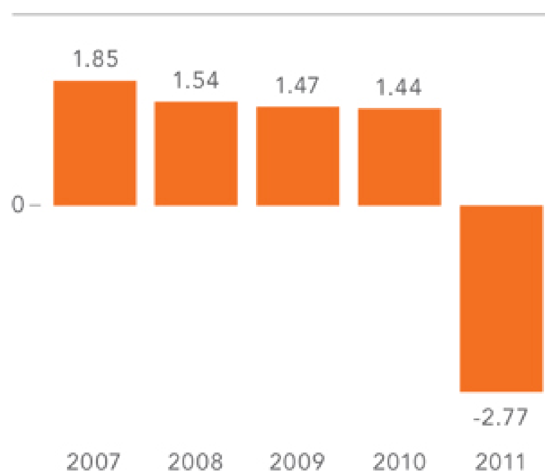
Net financing costs also include currency variances resulting from project and overhead hedges. These currency variances were much lower in 2011 than in 2010 (US$ 0.8 million vs US$ 13.8 million loss for prior year).

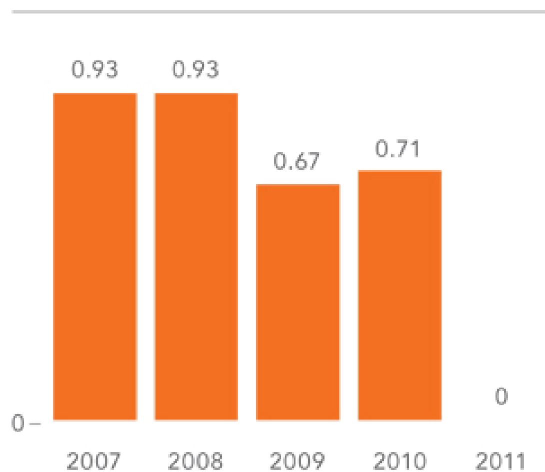
The reported Share of profit in associates was nil in 2011 as it was in 2010. In the future the Company's share of net results in any non-controlled joint ventures is likely to appear in this line item, but at the current time the Company's accounting policy for joint ventures continues to be the proportionate consolidation method whereby the Company's share of each income statement or balance sheet line item is included in the consolidated financial statements.

Income tax in 2011 was US$ 50.0 million including US$ 24.9 million of deemed profit taxes and withholding taxes levied outside each group company's country of incorporation, which were previously considered to be project costs and reported within cost of sales but which are now reported within income tax. In 2010 these taxes amounted to US$ 24.1 million and the 2010 income tax burden has been restated accordingly. After such restatement, the main reason for the increased tax burden in 2011 is the return to profitability of the Company's Dutch subsidiaries which had incurred significant losses in 2010.

Minority interest in the 2011 net result amounts to US$ 32.0 million which is below the 2010 minority share of US$ 36.1 million due to lower reported results from fully consolidated joint ventures where the Company has a minority partner (principally concerns FPSOs Aseng and Capixaba). Net result attributable to shareholders accordingly amounts to a loss of US$ 472.7 million (US$ 240.0 million profit in 2010).







In accordance with its stated policy to pay 50% of net result as dividend, the Company does not propose to pay a dividend on account of 2011.

4.1.6 Statement of financial position

Shareholders' equity decreased by 38% to US$ 1,283.6 million as a result of the net loss for the year and the negative value of the Company's hedge portfolio explained below. These unrealised losses are charged directly against equity in accordance with hedge accounting rules and result from the Company's policy of full hedging of identified interest rate and forex exposures and the significant movements in US interest rates and foreign exchange rates.

Capital Employed (Equity + Provisions + Deferred tax liability + Net Debt) at year-end 2011 is US$ 3,354 million which is US$ 458 million (12.0%) below last year's level (restated) despite the ongoing investments in leased production facilities (partly financed with new debt), due to the net loss and significant negative adjustments to equity in respect of derivative financial instruments. With the strengthening of the US$ (particularly against the

Euro) in the latter part of the year, equity has been negatively impacted by US$ 198 million in 2011 on marking to market the Company's portfolio of forward exchange contracts. In addition, with the exceptionally low level of interest rates, the mark to market of the interest rate hedge portfolio generated a negative impact in equity of US$ 73 million in 2011. The combined, cumulative reduction in Group equity from hedging contract valuation amounts to US$ 323 million.

At 31 December 2011 the Company has undrawn committed long-term bank facilities totalling US$ 916 million (Revolving Credit Facility, Cidade de Paraty - SBM 50.5% share, Deep Panuke and Aseng project loans) available for financing capital investment in 2012.

Net debt at the year-end amounted to US$ 1,958.5 million (US$ 1,644.3 million at 31 December 2010) with net gearing at 145.2% which is higher than expected due to the impairment charges booked in the second half of 2011 and due to the negative market values of the hedge portfolio explained above. Excluding the negative value of the hedging reserve, net gearing amounts to 117%. The relevant banking covenants (mainly solvency, net debt: EBITDA, interest cover) were all comfortably met.

There continues to be no off-balance sheet financing.

The current ratio decreased sharply to a more normalised level of 0.86 due to the completion of the FPSO Aseng and the transfer of the investment in this finance lease project from construction work in progress to other financial assets.

4.1.7 Capital Expenditure

Total capital expenditure for 2011 (comprising of additions to property, plant & equipment plus capitalised development expenditure) amounted to US$ 840 million (2010: US$ 519 million). The majority of this total is related to new investment in the lease fleet (operating leases only) for which the major elements are:

- ongoing expenditure on the conversion and equipment procurement for the MOPUstor™ jack-up facility for Talisman's Yme field in Norway, the MOPU gas platform for EnCana's Deep Panuke field in Canada, and the FPSO Espadarte upgrade for relocation to Petrobras' Baleia Azul field in Brazil;
- initial investment in the construction of a new diving support and construction vessel for the Turnkey Services division;
- ongoing expenditure on Phase II of the Angolan yard Paenal;
- two VLCC hulls for future conversion into FPSOs.

Capital expenditure in 2011 on the FPSO Aseng for Noble Energy, the FPSO Cidade de Paraty for Petrobras and first expenditure on FPSOs Cidade de Ilhabela and Xikomba is excluded from the total amount above. Due to the classification of the contracts as finance leases, investment in the units were recorded through construction contracts, with the investments in finance lease to be ultimately recorded in financial fixed assets.

The decrease in property, plant and equipment in 2011 to US$ 2,534 million (31 December 2010: US$ 2,942 million) resulted from capital expenditure in 2011 less depreciation, impairment and amortisation, less the disposal of two inventory tankers, and the transfer of three tankers to construction contracts.

The Company's investments comprise the external costs (shipyards, subcontractors, and suppliers), internal costs (manhours and expenses in respect of design, engineering, construction supervision, etc.), third party financial costs including interest, and such overhead allocation as allowed under IFRS. The total of the above costs (or a proportionate share in the case of joint ventures) is capitalised in the Company's consolidated balance sheet as the value of the respective facility. No profit is taken on completion/delivery of such a system for a lease and

operate contract which is classified as an operating lease.

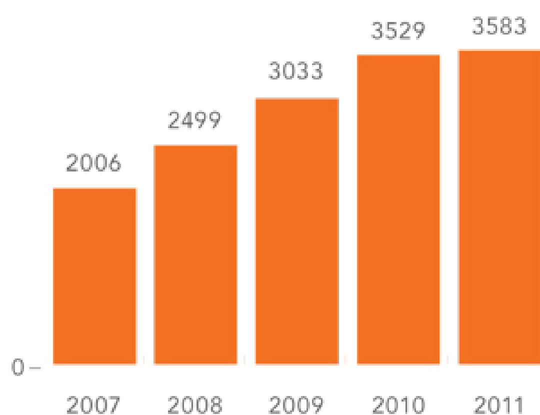
Statement of financial position

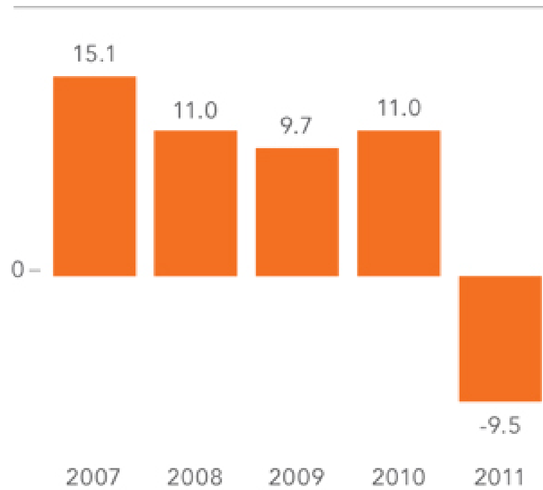
US$ million	2007	2008	2009	2010	**2011**
Capital employed	2,257.4	2,740.9	3,325.8	3,811.9	3,354.3
Total equity	1,337.7	1,240.9	1,816.8	2,123.4	1,349.0
Net Debt	874.7	1,464.0	1,464.0	1,644.3	1,958.5
Net gearing (%)	65.0	118.0	81.0	77.4	145.2
Net Debt: Unadjusted EBITDA ratio	1.60	2.76	2.39	2.31	2.41
Capital expenditure	551.0	999.8	656	519.0	840.6
Current ratio	1.15	0.79	0.91	1.48	0.86

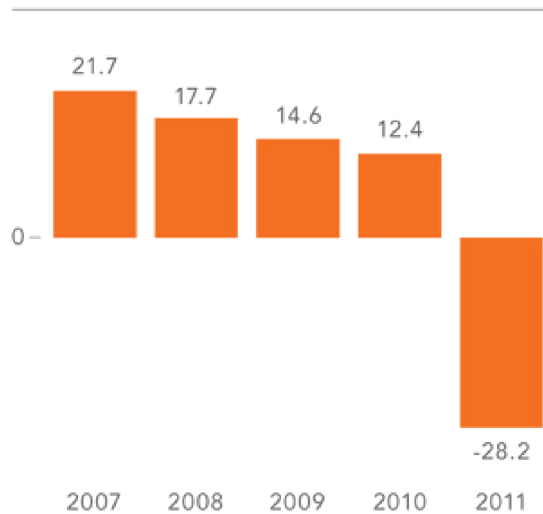
4.1.8 Return On Average Capital Employed and Equity

ROACE (Return On Average Capital Employed) at negative 9.5% and Return On average shareholders' Equity (ROE) at minus 28.2% both result from the major impairment charges taken in 2011, and were even amplified by the reductions in equity and capital employed due to the mark to market of the hedge portfolio explained earlier. The Company's objectives are to return to historically achieved returns of 15% for ROACE and 20% for ROE.

Average capital employed
In millions of US$







4.1.9 Cash flow / liquidities

EBITDA was above prior year mainly due to the increased contribution from Turnkey Systems activities.

Net liquidities increased to US$ 164.7 million, of which US$ 48.2 million can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilisation.

The EV to EBITDA ratio at year-end 2011 was at 6.8 lower than the previous year, due to the combination of the lower market capitalisation and higher EBITDA.

Cash flow/ Liquidities

US$ million	2007	2008	2009	2010	**2011**
EBITDA	548.3	530.1	613.3	712.4	813.2
Net liquidities/securities	274.1	230.1	146.7	103.4	164.7
Cash flow from operations	331.1	577.0	548.5	981.8	1,157.6
EV: EBITDA ratio at 31/12	9.9	6.4	7.7	7.6	6.8
EBITDA: interest cover ratio	24.5	13.1	10.2	8.2	16.3

*2010 data has been restated for comparison purposes

4.1.10 Future IFRS changes

Certain IFRS standards are in the process of being amended or replaced. Some of these future amendments and replacements will impact the consolidated financial statements of SBM Offshore significantly although the timing of the implementation of such changes can not yet be established. The amendment of the existing standards follows the convergence with US GAAP and will solve current inconsistencies between several standards. The standards that will impact the financial statements relate to revenue recognition, joint venture treatment in the consolidated financial statements and lease accounting.

Joint Ventures

The following standards were released in the first half of 2011:

- IFRS 10 – Consolidated Financial statements, which supersedes IAS 27 – Consolidated and separate financial statements, and SIC 12 – Consolidation: Special Purpose Entities.
- IFRS 11 – Joint arrangements, which supersedes IAS 31 – Interests in Joint Venture

Both will be applicable for annual periods beginning on or after 1 January 2013. IFRS 10 re-instates control as the basis for determining which entities are consolidated in the financial statements. IFRS 11 clarifies the distinction between Joint-Operations and Joint-Ventures, and for those entities, removes the option for proportionate consolidation, leaving the Equity method as the unique rule to account for joint-ventures.

During 2011, SBM Offshore has extensively reviewed the treatment of its jointly-controlled entities and such analysis leads to the conclusion that the impact of the new standards would be limited on the consolidated financial statements. Most of the Group’s jointly-controlled entities would qualify as Joint-Operations, with some exceptions as Joint-Ventures. This preliminary assessment will be further refined in the course of 2012.

Revenue recognition

In 2008, the IASB and the FASB together initiated a joint project to clarify the principles for recognising revenue from contracts with customers. A revised exposure draft was released in November 2011, after an extensive review of more than 1,000 comment letters received on the first Exposure Draft. A new comment period is open until March 2012 and the standard is expected to be issued in the second half of 2012. The effective date will probably not be earlier than January 2015.

The core principle of the exposure draft is that a company should recognise revenue to match the transfer of promised goods or services to a customer for an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Based on on-going analysis of its main contracts, SBM Offshore's revenue recognition pattern may not be significantly impacted by the envisaged changes and the cost-to-cost method SBM Offshore currently applies could therefore be maintained.

Leases

The standard setters aim to develop a new single approach to lease accounting that would ensure that all assets and liabilities under lease contracts are recognised in the statement of financial position. During the course of 2011, it has been confirmed that the right-of-use model would apply to all lease arrangements. Under that model, a lessee in an arrangement that is, or contains, a lease would recognise an asset representing its right to use an underlying asset during the lease term and a liability representing its obligation to make payments during the lease term.

For a lessor like SBM Offshore, the application of this right-to-use method is still under discussion.

A first exposure draft was open for public comments until 15 December 2010. A second exposure draft will be issued in the second half of 2012. SBM Offshore is currently following the developments but it is still too early to anticipate precisely the related impact.

4.2 Financial Statements

4.2.1 Consolidated income statement

in thousands of US$	*Notes*	2011	2010 (*)
Revenue	1	3,156,826	3,055,761
Cost of Sales	3	(3,317,774)	(2,520,269)
Gross margin	1	**(160,948)**	**535,492**
Other operating income	2	1,894	2,240
Selling and marketing expenses	3	(46,722)	(44,617)
General and administrative expenses	3	(84,435)	(85,977)
Research and development expenses	3 , 6	(50,408)	(20,659)
Operating profit/(loss) (EBIT)		**(340,619)**	**386,479**
Financial income	5	13,198	19,734
Financial expenses	5	(63,145)	(103,475)
Net financing costs		**(49,947)**	**(83,741)**
Profit/(Loss) before tax		**(390,566)**	**302,738**
Income tax expense	7	(50,048)	(26,727)
Profit/(Loss)		**(440,614)**	**276,011**

** restated for comparison purposes*

		2011	2010
Attributable to shareholders of the parent company		(472,657)	239,960
Attributable to non-controlling interests		32,043	36,051
Profit/(Loss)		**(440,614)**	**276,011**

	Note	2011	2010
Weighted average number of shares outstanding		170,342,173	167,095,777
Basic earnings/(loss) per share	8	US$ (2.77)	US$ 1.44
Fully diluted earnings/(loss) per share	8	US$ (2.77)	US$ 1.42

4.2.2 Consolidated statement of comprehensive income

in thousands of US$	Note	2011	2010
Profit/(Loss) for the period		**(440,614)**	**276,011**
Cash flow hedges, net of tax	20	(286,882)	64,306
Currency translation differences, net of tax		(6,693)	(10,642)
Other comprehensive income for the period, net of tax		**(293,575)**	**53,664**
Total comprehensive income for the period		**(734,189)**	**329,675**

		2011	2010
Attributable to shareholders of the parent company		(749,500)	293,593
Attributable to non-controlling interests		15,311	36,082
		(734,189)	**329,675**

4.2.3 Consolidated statement of financial position

in thousands of US$	Notes	2011	2010 (*)
ASSETS			
Property, plant and equipment	10	2,533,666	2,941,810
Intangible assets	11	47,300	67,924
Investment in associates		41	42
Other financial assets	12	963,497	221,146
Deferred tax assets	13	9,959	15,717
Derivative financial instruments	18	9,524	31,252
Total non-current assets		**3,563,987**	**3,277,891**
Inventories	14	27,915	29,280
Trade and other receivables	15	996,023	723,560
Income tax receivable	16	416	2,932
Construction work-in-progress	17	499,062	833,808
Derivative financial instruments	18	29,158	95,317
Cash and cash equivalents	19	173,500	110,648
Total current assets		**1,726,074**	**1,795,545**
TOTAL ASSETS		**5,290,061**	**5,073,436**
EQUITY AND LIABILITIES			
Issued share capital		55,504	56,420
Share premium reserve		674,913	658,532
Retained earnings		875,668	1,406,301
Other reserves		(322,517)	(48,083)
Equity attributable to shareholders of the parent company		**1,283,568**	**2,073,170**
Non-controlling interests		65,463	50,235
Total Equity	**20**	**1,349,031**	**2,123,405**
Loans and borrowings	21	1,531,887	1,471,260
Deferred Income	22	74,943	49,261
Provisions	23	44,443	43,188
Deferred tax liabilities	13 , 24	2,352	978
Derivative financial instruments	18 , 27	281,400	168,398
Total non-current liabilities		**1,935,025**	**1,733,085**
Loans and borrowings	25	600,096	283,698
Provisions	23	30,845	29,850
Trade and other payables	26	1,248,092	863,704
Income tax payable		10,961	11,617
Derivative financial instruments	18 , 27	116,011	28,077
Total current liabilities		**2,006,005**	**1,216,946**
TOTAL EQUITY AND LIABILITIES		**5,290,061**	**5,073,436**

** restated for comparison purposes*

4.2.4 Consolidated statement of changes in equity

in thousands of US$	Outstanding number of shares	Share capital	Share premium	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Note 20							
At 1 January 2011	**168,667,512**	**56,420**	**658,532**	**1,406,301**	**(48,083)**	**2,073,170**	**50,235**	**2,123,405**
Loss for the year	-	-	-	(472,657)	-	(472,657)	32,043	(440,614)
Foreign currency translation	-	(1,882)	-	-	(4,507)	(6,389)	(304)	(6,693)
Cash flow hedges/net investment hedges	-	-	-	-	(270,454)	(270,454)	(16,428)	(286,882)
Total comprehensive income for the year	**-**	**(1,882)**	**-**	**(472,657)**	**(274,961)**	**(749,500)**	**15,311**	**(734,189)**
Share based payments	-	-	-	9,981	-	9,981	-	9,981
Stock dividend	2,104,877	733	(733)	-	-	-	-	-
Share options/ bonus shares	668,027	233	17,114	(7,194)	-	10,153	-	10,153
Cash dividend	-	-	-	(60,763)	527	(60,236)	(83)	(60,319)
Total transactions with owners of the Company	**2,772,904**	**966**	**16,381**	**(57,976)**	**527**	**(40,102)**	**(83)**	**(40,185)**
At 31 December 2011	**171,440,416**	**55,504**	**674,913**	**875,668**	**(322,517)**	**1,283,568**	**65,463**	**1,349,031**

in thousands of US$	Outstanding number of shares	Share capital	Share premium	Retained earnings	Other reserves	**Total**	Non-controlling interests	**Total equity**
	Note 20							
At 1 January 2010	**164,459,980**	**58,963**	**632,963**	**1,216,343**	**(105,652)**	**1,802,617**	**14,215**	**1,816,832**
Profit for the year	-	-	-	239,960	-	**239,960**	36,051	**276,011**
Foreign currency translation	-	(3,936)	-	-	(6,737)	**(10,673)**	31	**(10,642)**
Cash flow hedges/net investment hedges	-	-	-	-	64,306	**64,306**	-	**64,306**
Total Comprehensive income for the year	**-**	**(3,936)**	**-**	**239,960**	**57,569**	**293,593**	**36,082**	**329,675**
Share based payments	-	-	-	11,040	-	**11,040**	-	**11,040**
Stock dividend	2,628,848	870	(870)	-	-	**-**	-	**-**
Share options/ bonus shares	1,578,684	523	26,439	(2,644)	-	**24,318**	-	**24,318**
Cash dividend	-	-	-	(58,398)	-	**(58,398)**	(62)	**(58,460)**
Total transactions with owners of the Company	**4,207,532**	**1,393**	**25,569**	**(50,002)**	**-**	**(23,040)**	**(62)**	**(23,102)**
At 31 December 2010	**168,667,512**	**56,420**	**658,532**	**1,406,301**	**(48,083)**	**2,073,170**	**50,235**	**2,123,405**

Within retained earnings, an amount of US$ 133.7 million (2010: US$ 129.3 million) relates to equity of joint ventures and other non-distributable items and should therefore be treated as legal reserve. Furthermore, a legal reserve of US$ 18.5 million (2010: US$ 38.2 million) should be maintained in respect of capitalised development expenditures.

4.2.5 Consolidated cash flow statement

in thousands of US$	2011	2010 (*)
Cash flow from operating activities		
Receipts from customers	2,517,081	2,445,617
Payments to suppliers and employees	(1,311,288)	(1,445,773)
Income tax received / (paid)	(48,189)	(18,040)
Net cash from operating activities	**1,157,604**	**981,804**
Cash flow from investing activities		
Investment in property, plant and equipment	(799,995)	(482,670)
Investment in finance leases	(572,529)	(681,027)
Investment in intangible assets	(5,757)	(9,565)
Additions to other financial assets	-	(21,290)
Redemptions of other financial assets	41,732	138,046
Interest received	10,898	11,318
Proceeds from sale of assets	14,450	-
Net cash used in investing activities	**(1,311,201)**	**(1,045,188)**
Cash flow from financing activities		
Additions to borrowings and loans	617,604	579,779
Repayments of borrowings and loans	(290,507)	(433,327)
Dividends paid to shareholders	(60,846)	(58,460)
Interest paid	(49,783)	(64,008)
Net cash from financing activities	**216,468**	**23,984**
Net increase/(decrease) in cash and cash equivalents	**62,871**	**(39,400)**
Cash and cash equivalents at 1 January	103,421	146,712
Currency differences	(1,592)	(3,891)
Cash and cash equivalents at 31 December	**164,700**	**103,421**

** restated for comparison purposes*

The reconciliation of the cash and cash equivalents as at 31 December with the corresponding amounts in the balance sheet is as follows:

	2011	2010
Cash and cash equivalents	173,500	110,648
Bank overdrafts	(8,800)	(7,227)
Cash and cash equivalents at 31 December	**164,700**	**103,421**

4.2.6 Notes to the consolidated financial statements

General information

SBM Offshore N.V. is a company domiciled in Rotterdam, the Netherlands. SBM Offshore N.V. is the holding company of a group of international, marine technology oriented companies. The consolidated financial statements for the year ended 31 December 2011 comprise the financial statements of SBM Offshore N.V. and its subsidiaries (together referred to as 'the Company') and the Company's interest in associates and jointly-controlled entities as at 31 December each year.

The Company serves on a global basis the offshore oil and gas industry by supplying engineered products, vessels and systems, and offshore oil and gas production services. The Company has its listing on the Euronext Amsterdam stock exchange.

Statement of compliance

The consolidated financial statements of SBM Offshore N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations, adopted by the EU where effective for financial years beginning after 1 January 2011. The consolidated financial statements are presented in thousands of US Dollars. The consolidated financial statements have been prepared under the historical cost convention except for:

- derivative financial instruments that are stated at fair value, and
- the defined benefit liability that is recognised as the present value of the defined benefit obligation less the fair value of the plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs.

These consolidated financial statements were authorised for issue by the Board of Management on 1 March 2012.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The presentation is consistent with prior years except for cashflow statement, income tax, warranty provision, transaction costs on borrowings and derivative financial instruments.

Overview of IFRS developments

(a) Standards, amendments and interpretations effective in 2011.

- None

(b) Standards, amendments and interpretations effective in 2011 but not relevant.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2011 but they are not relevant to the Company's operations:

- IAS 24 (amendment) 'Related party disclosures'

- IFRS 1 (amendment) 'First-time adoption of International Financial Reporting Standards'
- IFRIC 14 (amendment) 'Prepayments of a Minimum Funding Requirement (MFR)'
- IFRIC 19 (amendment) 'Extinguishing financial liabilities with equity instruments'
- IAS 32 (amendment) 'Classification of rights issue'

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company.

- IAS 1 (amendment) 'Presentation of items of other comprehensive income' (effective from 1 July 2012)
- IFRS 9 'Financial Instruments' (effective from 1 January 2013)
- IFRS 10 'Consolidated Financial Statements' (effective from 1 January 2013)
- IFRS 11 'Joint Arrangements' (effective from 1 January 2013)
- IFRS 12 'Disclosure of Interests in other Entities' (effective from 1 January 2013)
- IFRS 13 'Fair value measurement' (effective after 1 January 2013)
- IAS 19 (amendment) 'Employee Benefits' (effective from 1 January 2013)

(d) Standards, Amendments and interpretations to existing standards that are not yet effective and not relevant.

- IFRS 1 (amendment) , 'Severe hyperinflation and removal of fixed dates for first time adopters' (effective from annual period beginning on or after 1 July 2011)
- IFRS 7 'Transfers of financial assets' (effective from annual period beginning on or after 1 July 2011)
- IAS 12 'Deferred tax: recovery of underlying assets' (effective from 1 January 2012)
- IFRIC 20 'Stripping costs in the production phase of a surface mine' (effective from 1 January 2013)

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 venturers. 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.

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 Board of Management.

Management has determined the operating segments based on the reports reviewed by the Board of Management 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 Atlantia, SBM Schiedam, GustoMSC and SBM Malaysia.

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 recognized during the construction period within the Turnkey Systems segment and, where installation activities are effected, 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.

Management 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.

Foreign currency translation

Functional and reporting currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the offshore oil and gas activities is the US Dollar. The consolidated financial statements are presented in US Dollars, which is the reporting currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

At year-end 2011 the most significant rates were the Euro at US$ 1.295 (opening 2011: US$ 1.338) and the Brasilian Real at US$ 0.5366 (opening 2011: US$ 0.60266). The average Euro rate amounted to US$ 1.3926 (2010: US$ 1.3247) and the average Brasilian Real rate amounted to US$ 0.599 (2010: US$ 0.56924)

Group companies

The result and financial position of all Group companies that have a functional currency different from the reporting currency are translated into the reporting currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at the average exchange rate (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity (Translation reserve).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings of such investments, are taken to Group equity. When an operation denominated in foreign currency is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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 dayrates 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 unearned finance income. 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.

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:

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.	3-15 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 balance sheet 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.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. All business combinations are accounted for by applying the purchase method. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. In respect of business acquisitions occurring after 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which is the amount recorded under Dutch GAAP.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units are the 7 identified operating units.

Patents

Separately acquired patents are shown at historical cost. Patents acquired in a business combination are recognised at fair value at the acquisition date. Patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of 15 years. The Company assesses at the end of each reporting period whether there is any indication for impairment. If such indication exists, the Company estimates the recoverable amount of the patent and expenses the surplus as an impairment charge of the period.

Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as an intangible asset when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use it or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised from the point at which the asset is ready for use on a straight-line

basis over its useful life, not exceeding 5 years. The Company tests for impairment at least annually the carrying amount of capitalised development costs, which are not yet finalised.

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 balance sheet date.

Recoverable amounts are determined based on value-in-use calculations. These calculations require the use of estimates.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Financial assets

The Company classifies its financial assets in the following categories: the Loans and Receivables, the Available for sale and the financial assets at Fair value through profit or loss. The classification depends on the purpose of the financial asset. Management determines the classification at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables include finance lease receivables, other loans and receivables, and other financial assets.

Impairment of financial assets

The Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired at the end of each reporting date. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the obligor;

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

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

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

Impairment on trade and other receivables is described in the accounting policy with respect to trade and other receivables.

Inventories

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

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.

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.

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 - Derivatives financial instruments. Movements in the hedging reserve in equity attributable to shareholders are shown in the note 20 - Equity attributable to shareholders.

Cash and cash equivalents

Cash and cash equivalents consist primarily of highly liquid investments, such as bank deposits. Bank overdrafts are shown in borrowings and bank overdrafts as part of current liabilities in the balance sheet.

Share capital

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

When any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Borrowings (bank loans and other loans)

Borrowings are recognised initially at fair value and classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

As from 1 January 2011, bank loans are presented net of respective transaction costs to comply with the amortized cost method. Prior to 1 January 2011, transaction costs were presented within "Other Financial assets". The 2010 comparative figures of the statement of financial position and related note 12 - Other financial assets and note 21 - Loans and borrowings have been restated accordingly for comparison purposes.

Deferred income tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or are defined as multi employer plans. The payments in each case are determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Company pays fixed contributions to public or private pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions to defined contribution plans and multi-employer plans, are recognised as an expense in the income statement as incurred.

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

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions exceeding 10% of the value of plan assets or 10% of the defined benefit obligation are taken to the income statement over the expected average remaining working lives of the employees in the related plan.

Past-service costs are recognised immediately as an expense unless the changes of the pension plan are conditional on remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Other employee benefits

The other employee benefits provisions relate to other post-employment benefit obligations, termination and seniority benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Seniority benefits are paid upon reaching a pre-determined number of service years. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Share based payments

Within the Company there are four types of share based payments: share option plan (until 2008), RSU/PSU (as of 2009), performance shares and matching bonus shares. All types of share based payments qualify as equity settled plans.

The estimated total amount to be expensed over the vesting period related to share based payments is determined by reference to the fair value of the instruments determined at the grant date, excluding the impact of any non-market vesting conditions. Non market-vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. Main assumptions for estimates are revised at balance sheet date. Total cost for the period is charged or credited to the income statement, with a corresponding adjustment to equity. The proceeds received on exercise of the options net of any directly attributable costs are credited to equity. Fair value of share options is calculated using the average of the Black & Scholes and binomial valuation models.

When equity instruments are exercised the Company issues new shares.

Provisions

General

A provision is recognised in the balance sheet 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 and onerous contracts.

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.

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.

Prior to 1 January 2011, this provision was part of "Trade and Other payables". It is now presented separately in the Statement of financial position.The 2010 comparative figures of the statement of financial position and related note 23 - Provisions and note 26 - Trade and other payables have been restated accordingly for comparison purposes.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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’. 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:

- 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.

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. As from 1 January 2011, in view of aligning the presentation in accordance with *IAS 12 - Income Taxes* income tax expense also includes the corporate income taxes which are levied on a deemed profit basis and revenue basis (withholding taxes). This presentation better reflects SBM Offshore's global tax burden. The 2010 comparative Income statement figures and related note 7 - Income tax have been restated accordingly for comparison purposes.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the period in which the dividends are approved by the Company’s shareholders.

Cash flow statement

Over the past few years, the increasing accounting complexity related to finance leases, construction contracts and jointly-controlled entities have also complicated the presentation of the Company's cash inflows and outflows. To improve visibility to stakeholders, the Company has therefore conducted an extensive review which led to the following changes in its cash flow 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 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 previously reported, as operating activities

- During the lease period: cash inflows are treated as operating activities and not, as previously reported, as financing activities

- Interest-bearing loans to Jointly-controlled entities

These inflows / outflows were previously reported as financing activities. But given the nature of the commitments, however the Company believes that presentation under investing activities is more appropriate.

The 2010 cash flow statement has been restated accordingly for comparison purposes with the following effects: net cash from operating activities rises by US$ 688 million, net cash from investing activities decreases by US$ 534 million, net cash from financing activities decreases by US$ 154 million.

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 Company recognises that the increasing complexity of modern projects requires a revised approach to margin recognition. Complex projects will be submitted to gate reviews before margins can be recognised. These gate reviews will occur at an advanced degree of completion in engineering with overall project progress at typically around 25%. Until this point, no margin will be recognised. 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 revised approach in margin recognition has deferred in 2011 US$ 57 million of gross margin to future years.

- the impairment of property, plant and equipment and intangible fixed 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 provisions;
- the Company's exposure to litigation with third parties.

Note 1. Segment information

Business information

Sales between segments are carried out at arm’s length. The revenue to third parties reported to the Chief Operating Decision Maker is measured in a manner consistent with that in the income statement.

The amounts provided to the Chief Operating Decision Maker with respect to non-current assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Period ending 31 December 2011

in thousands of US$	Lease and Operate	Turnkey Systems	Turnkey Services	Other	Eliminations and adjustments	Consolidated
Third party	867,219	1,987,981	301,626	-	-	3,156,826
Inter-segment	-	1,636	38,208	-	(39,844)	-
Total revenue	**867,219**	**1,989,617**	**339,834**	**-**	**(39,844)**	**3,156,826**
Gross margin	(589,652)	338,940	89,764	-	-	(160,948)
Other operating income	21	1,782	-	91	-	1,894
Selling and marketing expenses	(9,195)	(30,196)	(7,331)	-	-	(46,722)
General and administrative expenses	(7,368)	(36,996)	(3,684)	(36,387)	-	(84,435)
Research and development expenses	(11,667)	(32,728)	(6,013)	-	-	(50,408)
EBIT	**(617,861)**	**240,802**	**72,736**	**(36,296)**	**-**	**(340,619)**
Net financing costs						(49,947)
Income tax expense						(50,048)
Profit/(Loss)						**(440,614)**
EBIT	(617,861)	240,802	72,736	(36,296)	-	(340,619)
Depreciation, amortization and impairment	1,094,508	45,252	12,970	1,119	-	1,153,849
EBITDA	**476,647**	**286,054**	**85,706**	**(35,177)**	**-**	**813,230**
Impairment charges	883,022	27,561	3,359	-	-	913,942
Capital expenditure	765,973	26,067	34,331	14,181	-	840,552
Non-current assets	3,220,314	126,821	81,773	135,079	-	3,563,987
Investments in associates	-	41	-	-	-	41

In 2011, the Company's results were severely impacted by impairment charges totalling US$ 914 million principally in relation to two jack-up platforms for the Norwegian Yme field and the Canadian Deep Panuke field respectively.

During 2011 both of these jack-up platforms were installed offshore. Costs have continued to increase however in line with significant offshore hook-up and commissioning workscope remaining to be completed, amplified by very poor productivity offshore, particularly for the Norwegian Yme platform. A first impairment charge of US$ 450 million was booked in the first half of 2011 in relation to the then estimated costs to bring the platforms to production readiness and the then estimated recoveries from the respective clients from ongoing legal proceedings. At the end of 2011 the Company has recorded a further impairment charge of US$ 407 million for the two platforms relating to the delay related additional costs mentioned above, and a reassessment of assumptions concerning recoveries from legal proceedings, which have been reduced to zero in the case of the Deep Panuke claim which is unlikely to be resolved by the Canadian courts before 2013 at the earliest.

The workscope for the Deep Panuke project is well defined and progressing in line with expectations for first gas production in the summer of 2012.

The timing of completion of the Yme platform will depend upon several factors including access to client supplied accomodation vessels, offshore weather conditions and offshore productivity.

The impairment charge recorded takes into account the Company's best estimate of costs related to a reasonable completion scenario although this has yet to be agreed with the client and actual net costs to the Company might differ from assumed net costs.

The Company will try to recover a significant part of the cost overruns in legal proceedings and/or arbitrations. If the Company proves to be successful, the impairment charge may be partly reversed in the future. The impairments are disclosed on an aggregate basis, because individual disclosure can be expected to prejudice seriously the position of the Company in the legal proceedings, arbitrations or settlement negotiations.

Period ending 31 December 2010

in thousands of US$	Lease and Operate (*)	Turnkey Systems	Turnkey Services (*)	Other	Eliminations and adjustments	**Consolidated (*)**
Third party	800,492	1,984,467	270,802	-	-	**3,055,761**
Inter-segment	-	259	67,927	-	(68,186)	**-**
Total revenue	**800,492**	**1,984,726**	**338,729**	**-**	**(68,186)**	**3,055,761**
Gross margin	189,319	270,431	75,742	-	-	**535,492**
Other operating income	26	2,130	-	84	-	**2,240**
Selling and marketing expenses	(7,495)	(31,806)	(5,316)	-	-	**(44,617)**
General and administrative expenses	(8,561)	(38,983)	(4,277)	(34,156)	-	**(85,977)**
Research and development expenses	(3,186)	(15,832)	(1,641)	-	-	**(20,659)**
EBIT	**170,103**	**185,940**	**64,508**	**(34,072)**	**-**	**386,479**
Net financing costs						**(83,741)**
Income tax expense						**(26,727)**
Profit/(Loss)						**276,011**
EBIT	170,103	185,940	64,508	(34,072)	-	**386,479**
Depreciation, amortization and impairment	301,847	14,818	8,297	1,003	-	**325,965**
EBITDA	**471,950**	**200,758**	**72,805**	**(33,069)**	**-**	**712,444**
Impairment charges	50,746	-	-	-	-	**50,746**
Capital expenditure	473,153	21,703	16,658	7,621	-	**519,135**
Non-current assets	2,922,165	151,574	67,611	136,541	-	**3,277,891**
Investments in associates	-	42	-	-	-	**42**

** restated for comparison purposes*

There were no contingent-based rents recognised in the 2011 income statement (2010: nil).

In 2011 and 2010, there has been no non-recurring revenue generated from the sale of the Company's production facilities.

Geographical information

The classification by country is determined by the final destination of the product.

The revenue by country can be analyzed as follows:

in thousands of US$	2011	2010
Netherlands	9,052	20,709
Angola	475,357	280,882
Australia	118,226	340,123
Brazil	1,279,764	1,101,657
USA	131,804	195,681
Norway	12,164	93,308
Malaysia	73,188	64,158
Equatorial Guinea	567,212	477,931
Nigeria	85,135	89,787
Other	404,924	391,525
Total revenue	**3,156,826**	**3,055,761**

The non-current assets by country can be analyzed as follows:

in thousands of US$	2011	2010 (*)
Netherlands	11,572	14,547
Angola	231,085	341,206
Brazil	998,502	864,635
USA	335,623	422,392
Equatorial Guinea	810,277	-
Norway	211,668	612,500
Canada	504,508	509,056
Malaysia	137,370	155,780
Nigeria	60,417	61,426
Other	262,965	296,349
Total non-current assets	**3,563,987**	**3,277,891**

** restated for comparison purposes*

Reliance on major customers

There are several major customers identified in the Lease and Operate segment, the Turnkey Systems segment and the Turnkey Services segment. Total revenue from the top three major customers amounts to US$ 1,659.9 million (2010: US$ 1,639.5 million).

Note 2. Other Operating Income

in thousands of US$	**2011**	2010
Proceeds from sales of Property, plant and equipment	598	1,084
Others	1,296	1,156
Total Other Operating Income	**1,894**	**2,240**

Note 3. Information on the nature of expenses

The table below sets out expenses by nature for all items included in EBIT for the years 2011 and 2010:

in thousands of US$	*Note*	**2011**	2010 (*)
Expenses stock and construction contracts		(1,310,821)	(1,404,326)
Employee benefits expenses	4	(653,616)	(608,059)
Selling expenses		(17,756)	(17,290)
Depreciation, amortisation and impairment		(1,153,849)	(325,965)
Other operating costs		(363,297)	(315,882)
Total expenses		**(3,499,339)**	**(2,671,522)**

** restated for comparison purposes*

Note 4. Employee benefits expenses

Information with respect to employee benefits:

in thousands of US$	**2011**	2010
Wages and salaries	(378,183)	(350,370)
Social security costs	(49,643)	(43,131)
Contributions to defined contribution plans	(37,147)	(30,726)
Increase in liability for defined benefit plans	(2,423)	(2,168)
Increase / (Decrease) in liability for other employee benefits	(1,025)	240
Equity settled transactions (share based payments)	(9,981)	(11,040)
Other employee benefits	(175,214)	(170,864)
Total employee benefits	**(653,616)**	**(608,059)**

Other employee benefits include, for a major part, expenses related to hired people.

Pensions and other post-employment benefit plans

The Company has defined benefit pension plans, based on final salary. The aforementioned pension plans require contributions to separately administered funds. The Company has also provided for certain seniority and termination benefits. These benefits are unfunded. The following tables summarize the components of net benefit expense recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated statement of financial position for the respective plans.

Net benefit expense recognised within employee benefits is:

	2011	2010	2011	2010	2011	2010
in thousands of US$	**Pension plans**		**Other employee benefits**		**Total**	
Current service cost	1,905	2,141	-	-	1,905	2,141
Interest cost on benefit obligation	2,269	2,368	-	-	2,269	2,368
Expected return on plan assets	(2,138)	(2,088)	-	-	(2,138)	(2,088)
Other	387	(253)	1,025	(240)	1,412	(493)
Net benefit expense	**2,423**	**2,168**	**1,025**	**(240)**	**3,448**	**1,928**

The benefit (asset)/liability included in the statement of financial position is:

	2011	2010	2011	2010	2011	2010
in thousands of US$	**Pension plans**		**Other employee benefits**		**Total**	
Defined benefit obligation	75,272	72,267	6,432	5,445	81,704	77,712
Fair value of plan assets	(66,638)	(67,137)	-	-	(66,638)	(67,137)
	8,634	**5,130**	**6,432**	**5,445**	**15,066**	**10,575**
Unrecognised net actuarial gains/(losses)	(6,264)	(1,710)	-	-	(6,264)	(1,710)
Benefit (asset)/liability	**2,370**	**3,420**	**6,432**	**5,445**	**8,802**	**8,865**

The historic overview of the deficit / (surplus) of the pension plans can be displayed as follows:

in thousands of US$	2011	2010	2009	2008	2007
Present value defined benefit obligation	75,272	72,267	70,336	57,195	62,626
Fair value of plan assets	(66,638)	(67,137)	(67,431)	(48,173)	(52,497)
Deficit / (Surplus)	**8,634**	**5,130**	**2,905**	**9,022**	**10,129**

Changes in the present value of the pension plans defined benefit obligation are as follows:

in thousands of US$	**2011**	2010
Opening defined benefit obligation	72,267	70,336
Interest cost	2,269	2,368
Current service cost	1,905	2,141
Benefits paid	(2,868)	(2,003)
Actuarial (gains)/losses on obligation	3,934	4,293
Other movements	498	(223)
Exchange differences on foreign plans	(2,733)	(4,645)
Closing defined benefit obligation at 31 December	**75,272**	**72,267**

Changes in the fair value of plan assets of the pension plans are as follows:

in thousands of US$	**2011**	2010
Opening fair value of plan assets	(67,137)	(67,431)
Expected return	(2,138)	(2,088)
Contributions by employer	(3,433)	(2,862)
Contribution by employee	(650)	(184)
Benefits paid	2,868	2,003
Actuarial (gains)/losses	1,044	(1,907)
Other movements	518	917
Exchange differences on foreign plans	2,290	4,415
Closing fair value of plan assets at 31 December	**(66,638)**	**(67,137)**

The actual return on plan assets is US$ 1.1 million (2010: US$ 3.9 million).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2011	2010
	%	%
Cash	5.0	10.2
Real estate	5.0	-
Alternative investments	5.0	-
Equities	20.0	24.0
Bonds	65.0	65.8
	100.0	**100.0**

The principal assumptions used in determining pension benefit obligations for the Company's plans are shown below:

	2011	2010
	%	%
Discount rate	2.75	2.75
Expected rate of return on assets	2.75	3.20
Future salary increases	4.00	4.00
Future pension increases	-	-

The overall expected rate of return on assets is determined on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The Company expects to contribute US$ 1.8 million to its defined benefit pension plans in 2012. With regard to the other employee benefits provision, expected outflow is US$ 0.3 million within one year (2010: US$ 0.2 million), US$ 1.2 million between one and five years (2010: US$ 1.2 million) and US$ 5.4 million after five years (2010: US$ 4 million).

Remuneration Key management personnel and Supervisory Board of the Company

The remuneration of key management personnel of the Company paid during the year, including pension costs and performance related Short Term Incentives (STI), amounted to US$ 13.3 million (2010: US$ 12.2 million).

The performance-related part of the remuneration, comprising both STI and LTI components, equals 42% (2010: 47%).

Euro denominated remuneration (including the Supervisory Board and Management Board) was affected by the higher Euro/US$ exchange rate in 2011 (5.1% higher average rate than in 2010).

The total remuneration and associated costs of the Managing Directors and other key management personnel (non-statutory directors and management of the main subsidiaries) can be specified as follows:

					2011	2010
in thousands of US$	**Salary, burden and emoluments**	**STI**	**Pension costs**	**IFRS 2 costs of share based payments**	**Total**	**Total**
A.J. Mace	973	396	307	198	1,874	1,542
M.A.S. Miles	723	319	128	113	1,283	1,229
Other key management personnel	5,048	2,726	588	1,824	10,186	9,448
Total remuneration	**6,744**	**3,441**	**1,023**	**2,135**	**13,343**	**12,219**

The STI is performance related in respect of the previous year, based on Economic Profit. There are no guarantees or obligations towards or on behalf of the Board of Management.

Share Option Plan

The Share Option Plan, which was terminated in 2008, has been replaced by Performance Shares and Restricted Shares schemes. Options were granted at market value, a three year vesting period, and a subsequent two year exercise period. Currently two years of vested and exercisable options are outstanding.

The number of outstanding options for both 31 December 2011 and 31 December 2010 can be summarised as follows:

Year	Number at 1 January 2011	Exercised in 2011	Forfeited / expired in 2011	Number at 31 December 2011	Exercise price in €	Exercisable
2006	1,369,000	326,500	1,042,500	-	19.05	-
2007	1,507,000	-	-	1,507,000	25.91	1,507,000
2008	1,535,100	-	80,000	1,455,100	25.82	1,455,100
Total	**4,411,100**	**326,500**	**1,122,500**	**2,962,100**		**2,962,100**
Weighted average exercise price in €	23.75	19.05	19.53	25.87		
Average price at exercise in €		20.35				

Year	Number at 1 January 2010	Granted in 2010	Exercised in 2010	Forfeited / expired in 2010	Number at 31 December 2010	Exercise price in €	Exercisable
2005	1,632,000		1,328,153	303,847	-	12.86	-
2006	1,369,000				1,369,000	19.05	1,369,000
2007	1,665,000	(130,000)		28,000	1,507,000	25.91	1,507,000
2008	1,605,100			70,000	1,535,100	25.82	-
Total	**6,271,100**	**(130,000)**	**1,328,153**	**401,847**	**4,411,100**		**2,876,000**
Weighted average exercise price in €	20.99	25.91	12.86	16.03	23.75		
Average price at exercise in €			13.74				

Instruments granted in 2010 with respect to the year 2007 is a negative movement which reflects the non-vesting of performance related stock options as included under the LTI with original exercise price.

The remaining average contractual life of the outstanding options as at 31 December 2011 is 0.87 years (2010: 1.42 years).

The end of vesting periods and expiry dates of the stock options are as follows:

Year	End of vesting period	Expiry date
2007	17 May 2010	17 May 2012
2008	15 May 2011	15 May 2013

Information with respect to the options granted to the (Former) Managing Directors, key management personnel and other personnel for the year 2011:

	Number at 1 January 2011	Exercised in 2011	Forfeited / expired in 2011	Number at 31 December 2011	Exercisable
A.J. Mace	88,000	-	44,000	44,000	44,000
Weighted average exercise price in €	22.48		19.05	25.91	
Average price at exercise in €					
M.A.S. Miles	-	-	-	-	-
Weighted average exercise price in €					
Average price at exercise in €					
Other key management personnel	638,000	26,000	178,000	434,000	434,000
Weighted average exercise price in €	23.69	19.05	19.05	25.87	
Average price at exercise in €		20.45			
Other personnel	3,685,100	300,500	900,500	2,484,100	2,484,100
Weighted average exercise price in €	23.79	19.05	19.65	25.87	
Average price at exercise in €		20.34			

Information with respect to the options granted to the (Former) Managing Directors, key management personnel and other personnel for the year 2010:

	Number at 1 January 2010	Granted in 2010	Exercised in 2010	Forfeited / expired in 2010	Number at 31 December 2010	Exercisable
A.J. Mace	128,000		40,000		88,000	88,000
Weighted average exercise price in €	19.47		12.86		22.48	
Average price at exercise in €			12.88			
M.A.S. Miles	132,000	(30,000)	102,000	-	-	-
Weighted average exercise price in €	15.83	25.91	12.86		-	
Average price at exercise in €			12.88			
D. Keller (to 15 May 2008)	278,000	(40,000)	119,000	119,000	-	-
Weighted average exercise price in €	14.74	25.91	12.86	12.86	-	
Average price at exercise in €			15.98			
Other key management personnel	1,258,000	(60,000)	520,000	40,000	638,000	424,000
Weighted average exercise price in €	18.97	25.91	12.86	12.86	23.69	
Average price at exercise in €			12.99			
Other personnel	4,475,100		547,153	242,847	3,685,100	2,364,000
Weighted average exercise price in €	22.15	-	12.86	18.10	23.79	
Average price at exercise in €			14.19			

The 2010 data on granted options reflect the non-vesting of the options for the Board of Management in respect of the 2007 provisional grants respectively, where the performance conditions had not been met. These were the

last options granted to the Board of Management under the old (2005) LTI. For all presently outstanding options, vesting is solely subject to fulfilling the continued employment condition.

Performance Shares

Performance shares introduced in 2005, and subsequently amended in 2008 and 2011 under renewed Remuneration Policies form part of the LTI for Board of Management members, and are subject to performance conditions. From 2008 until 2011, this was 100% based on an EPS growth threshold. From 2011, this was changed into 50% on EPS growth, and 50% on relative Total Shareholder Return (TSR) in comparison with the peer group defined in the 2011 Remuneration Policy. Performance shares vest three years after the provisional award date, and must be retained for two years from the vesting date.

As from 2008, under the Remuneration Policy 2008, the number of conditional performance shares awarded was such that their value is equivalent to 100% of the Managing Directors' base annual salary of the previous year, assuming "At target" EPS growth performance over the three year period following the period of reference. For the performance period 2009-2011, the EPS growth threshold of 5% was not achieved and consequently no performance shares have been issued to Board of Management members who were part of the LTI scheme in 2009.

As from 2011, under the Remuneration Policy 2011, the number of conditional performance shares awarded is such that their value is equivalent to 125% of the Managing Directors' base annual salary of the previous year, assuming "At target" EPS growth/TSR performance over the three year period following the period of reference. In 2011, the conditional awards were 39,443 shares for A.J. Mace and 27,610 for M.A.S. Miles. If the threshold average EPS growth/TSR over 2011 to 2013 is not achieved, these shares will not vest. The maximum possible award is 250% of the conditional award for the CEO, and 187.5% for other Managing Directors.

PSU and RSU plans

In 2009, new plans were approved by the Supervisory Board and implemented, replacing the previous Share Option Plan for senior employees. Under these plans, shares in the Company are awarded annually to eligible employees. The number of shares granted under the RSU plan in 2011 is 500,340 (2010: 397,750); no PSU shares were issued (2010: 128,740 at target) this year.

The annual award is based on individual performance. Concerning the PSU plan, a performance condition applies, based on a combination of EBIT margin and EBIT growth over a 3-year performance period. When at target, the conditionally granted number of shares will vest; a matrix of outcomes has been adopted including threshold and maximum vesting levels at 25% and 150% respectively of the at-target grant. The RSU plan has no performance condition, only a service condition, and will vest over a three year period, with 1/3 vesting on each anniversary date of the original grant date.

Main assumptions included in the calculation for the PSU plan are:

	2011
Expected departures (tranche 1/2/3)	0% / 2.5% / 5%
Fair value at grant date (excluding entitlement to dividends during vesting period), 1 July 2011	€ 17.89 / € 17.41/ € 16.96

Matching Shares

Under the STI plans for the Board of Management, management and senior staff of Group companies, 20% of the STI is or can be paid in shares. For Board of Management members, this share based element is compulsory but for other senior staff the scheme is optional. Subject to a vesting period of three years, an identical number of shares (matching shares) will be issued to participants. Assumed probability of vesting amounts to 100% for Board of Management members and 95% for other senior staff.

The amounts recognised in EBIT for all share-based payment transactions can be summarised as follows, taking into account both the provisional awards for the current year and the additional awards related to prior years:

in thousands of US$	**Share option plan**	**Performance shares and RSU / PSU**	**Matching shares**	**Total**
Instruments granted	1,059	7,048	764	8,871
Performance conditions	-	1,003	107	1,110
Total expenses 2011	**1,059**	**8,051**	**871**	**9,981**

in thousands of US$	Share option plan	Performance shares and RSU / PSU	Matching shares	**Total**
Instruments granted	4,799	3,633	861	**9,293**
Performance conditions	112	1,366	269	**1,747**
Total expenses 2010	**4,911**	**4,999**	**1,130**	**11,040**

Rules of conduct with regard to inside information are in place to ensure compliance with the Act on Financial Supervision. These rules forbid e.g. the exercise of options or other financial instruments during certain periods defined in the rules and more specifically when the employee is in possession of price sensitive information.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board, including the effect of the stronger Euro/US$ exchange rate in 2011, amounted to US$ 812,000 (2010: US$ 546,000) and can be specified as follows:

in thousands of US$		Basic remuneration 2011	Basic remuneration 2010	Committees 2011	Committees 2010	Total 2011	Total 2010
H.C. Rothermund	Chairman	125	101	20	11	145	112
R. van Gelder	Vice-Chairman (from 14 April 2010)	111	85	11	11	122	96
F.G.H. Deckers		104	80	11	9	115	89
T.M.E. Ehret		104	80	14	9	118	89
F.J.G.M. Cremers	From 15 April 2010	104	65	14	10	118	75
F.R. Gugen	From 6 July 2010	104	50	13	6	117	56
K.A. Rethy	From 5 May 2011	70	-	7	-	77	-
L.J.A.M. Ligthart	Vice-Chairman (until 14 April 2010)	-	23	-	6	-	29
Total		**722**	**484**	**90**	**62**	**812**	**546**

There are no options granted and no assets available to the members of the Supervisory Board. There are neither loans outstanding to the members of the Supervisory Board nor guarantees given on behalf of members of the Supervisory Board.

Number of employees

The number of direct employees was as follows:

By business segment:	Average 2011	Year-end 2011	Average 2010	Year-end 2010
Lease and operate	1,314	1,390	1,170	1,237
Turnkey Systems (including other)	2,858	3,049	2,412	2,667
Turnkey Services	213	216	205	210
Total	**4,385**	**4,655**	**3,787**	**4,114**

By geographical area:	Average 2011	Year-end 2011	Average 2010	Year-end 2010
The Netherlands	490	511	451	468
Worldwide	3,895	4,144	3,336	3,646
Total	**4,385**	**4,655**	**3,787**	**4,114**

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits. The employees working for joint ventures are included for 100% in the numbers above.

Note 5. Net financing costs

in thousands of US$	2011	2010
Interest income	10,900	10,628
Net forex exchange gain	2,298	-
Other financial income	-	9,106
Financial income	**13,198**	**19,734**

in thousands of US$	2011	2010
Interest expenses	(59,633)	(69,867)
Interest addition to provisions	(1,361)	(1,181)
Net forex exchange loss	-	(3,166)
Net ineffective portion in fair value of cash flow hedge	(2,151)	(29,261)
Financial expenses	**(63,145)**	**(103,475)**

The financial expenses are net of US$ 43.8 million capitalised interest (2010: US$ 32.6 million).

In 2010, the 'Other financial income' line included a non-recurring gain arising from the partial divestment in a joint-venture.

In 2010, the 'Net ineffective portion in fair value of cash flow hedge' line was mainly related to the fair value of the interest rate swap for the Deep Panuke project and foreign exchange contracts for the Aseng project due to the changes in underlying exposures.

Note 6. Research and development expenses

Research and development expenses consist of US$ 50.4 million (2010: US$ 20.7 million) charged directly to other operating expenses. This figure includes an impairment charge of US$ 20.2 million related to FLNG and renewable energy products and is triggered by a recent change in product focus in the Company strategy.

The amortisation of development costs is allocated to the cost of sales.

Note 7. Income tax

The Company's operational activities are subject to taxation at rates which range up to 35% (2010: 34%).

The respective tax rates, including fiscal privileges in several countries, tax-exempt profits and non-deductible costs and releases, result in an effective tax burden on continuing operations of 12.8% (2010 restated: 8.9%), calculated as 'Income tax expenses' divided by 'Profit before tax' in the income statement. The reconciliation of the effective tax rate on continuing operations is:

	2011		2010 (*)	
in thousands of US$	%		%	
Profit before tax		**(390,566)**		**302,738**
Income tax using the domestic corporation tax rate	25.0	97,642	25.5	(77,199)
Effect of tax rates in foreign jurisdictions	(30.7)	(119,903)	(25.6)	77,570
Withholding tax on revenues and tax on deemed profit basis	(6.4)	(24,919)	8.0	(24,078)
Non-deductible expenses	(0.7)	(2,868)	1.0	(3,020)
Non-taxable revenues	-	-	-	-
Recognised tax income / expense	**12.8**	**(50,048)**	**8.9**	**(26,727)**

** restated for comparison purposes*

Note 8. Earnings per share

The basic loss per share for the year amounts to US$ (2.77) (2010: earnings per share of US$ 1.44); the fully diluted loss per share amounts to US$ (2.77) (2010: earnings per share of US$ 1.42). Basic earnings / loss per share amounts are calculated by dividing net profit / loss for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted earnings / loss per share amounts are calculated by dividing the net profit / loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares.

The following reflects the share data used in the basic and diluted earnings per share computations:

	2011	2010
Number of shares outstanding at 1 January	168,667,512	164,459,980
Stock dividend	1,228,325	1,659,191
New shares issued	446,336	976,606
Weighted average number of shares 31 December	**170,342,173**	**167,095,777**
Potential dilutive shares from stock option scheme and other share-based payments	-	1,339,806
Weighted average number of shares (diluted) at 31 December	**170,342,173**	**168,435,583**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for issue of matching shares to the Board of Management and other senior management.

Note 9. Dividends paid and proposed

in thousands of US$	**2011**	2010
Cash dividend declared and paid during the year		
Final dividend for 2010	60,763	
Final dividend for 2009		58,398
	60,763	**58,398**
Proposed for approval of the AGM		
Final dividend 2011	-	
Final dividend 2010		119,754
	-	**119,754**
Dividend per share		
Final dividend 2011	US$ 0.00	
Final dividend 2010		US$ 0.71

As a consequence of the financial loss incurred during the year, the decision has been made not to distribute any dividends to shareholders in respect of the year ended 31 December 2011.

The dividend relating to the year ending 31 December 2010 amounted to US$ 0.71 per share and was paid as an optional dividend, resulting in a cash dividend of €0.48 per ordinary share or a stock dividend of 2 new ordinary shares for 75 existing ordinary shares. The payment of dividends took place on 6 June 2011 and resulted in a cash outflow of US$ 60.8 million.

Note 10. Property, plant and equipment

The movement of the property, plant and equipment during the year 2011 and 2010 can be summarised as follows:

	2011					
in thousands of US$	**Land and buildings**	**Vessels and floating equipment**	**Machinery and equipment**	**Other fixed assets**	**Assets under construction**	**Total**
Cost	123,152	2,829,375	43	111,087	1,342,203	4,405,860
Accumulated depreciation and impairment	(22,252)	(1,316,887)	(41)	(61,597)	(63,273)	(1,464,050)
Book value at 1 January	**100,900**	**1,512,488**	**2**	**49,490**	**1,278,930**	**2,941,810**
Additions	3,071	57,698	-	11,274	762,752	834,795
Disposals	-	(21,915)	-	(48)	-	(21,963)
Depreciation	(3,642)	(214,882)	(1)	(15,367)	-	(233,892)
Impairment	-	(19,303)	-	-	(874,482)	(893,785)
Exchange rate differences	(2,718)	-	-	(1,026)	(655)	(4,399)
Other movements / deconsolidation	999	(66,675)	-	4,735	(27,959)	(88,900)
Total movements	**(2,290)**	**(265,077)**	**(1)**	**(432)**	**(140,344)**	**(408,144)**
Cost	123,636	2,664,600	42	120,479	2,076,340	4,985,097
Accumulated depreciation and impairment	(25,026)	(1,417,189)	(41)	(71,421)	(937,754)	(2,451,431)
Book value at 31 December	**98,610**	**1,247,411**	**1**	**49,058**	**1,138,586**	**2,533,666**

	2010					
in thousands of US$	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Assets under construction	**Total**
Cost	129,906	2,651,634	46	102,604	1,084,903	**3,969,092**
Accumulated depreciation and impairment	(20,660)	(1,025,313)	(41)	(52,679)	(40,098)	**(1,138,791)**
Book value at 1 January	**109,246**	**1,626,321**	**5**	**49,925**	**1,044,805**	**2,830,302**
Additions	3	38,569	-	5,058	465,940	**509,570**
New in consolidation	-	-	-	-	-	**-**
Disposals	-	-	-	(566)	-	**(566)**
Depreciation	(3,688)	(255,432)	(3)	(13,493)	-	**(272,616)**
Impairment	-	(19,900)	-	-	(30,846)	**(50,746)**
Exchange rate differences	(5,052)	-	-	(1,166)	(117)	**(6,335)**
Other movements / deconsolidation	391	122,930	-	9,732	(200,852)	**(67,799)**
Total movements	**(8,346)**	**(113,833)**	**(3)**	**(435)**	**234,125**	**111,508**
Cost	123,152	2,829,375	43	111,087	1,342,203	**4,405,860**
Accumulated depreciation and impairment	(22,252)	(1,316,887)	(41)	(61,597)	(63,273)	**(1,464,050)**
Book value at 31 December	**100,900**	**1,512,488**	**2**	**49,490**	**1,278,930**	**2,941,810**

In 2011, the Company has recorded an aggregate impairment charge of US$ 894 million, which consists of

- Yme and Deep Panuke platforms: the developments on these two projects, for which impairment charges totalling US$ 857 million were booked, are described in Note 1.

- Thunderhawk platform: In late 2011, the Company received from its client projected production data which was lower than originally planned, partly due to the delay in drilling activities in the Gulf of Mexico. An impairment review was performed based on the estimated cash flows from existing operations and additional revenue sources from other potential producers located near to the Thunderhawk platform (tie-in of one or several wells). Various scenarios were analyzed and this resulted in an impairment charge of US$ 19 million.

- FLNG productions: for large FLNG units, the Company has decided to focus on edge technologies developed for turrets and offloading systems. For medium-sized FLNG units, the Company will maintain its focus on designing, constructing and operating the complete FPSO. These strategic changes to align the Company with its sustained focus on core products and markets resulted in an impairment charge of US$ 17 million in 2011.

In 2011, the line 'Other movements' mainly relate to allocation of inventory tankers to awarded projects.

In 2010, the line 'Other movements' included the impact of deconsolidation of 20% of the shares in the Paenal Yard joint venture.

These impairment charges have been included in the gross margin in the income statement under the Lease and Operate segment for MOPUstorTM, Deep Panuke and Thunderhawk platforms and under Turnkey Systems segment for FLNG products. The recoverable amount of these projects is based on the value in use, applying a discount rate of 8%.

Property, plant and equipment at year-end include:

- Nine (2010: ten) integrated floating production, storage and offloading systems (FPSOs), each consisting of a converted tanker, a processing plant and one mooring system; One of the FPSOs is in lay up at the end of December 2011 (2010: one).
- Two (2010: two) floating storage and offloading systems (FSOs), consisting of a converted or newbuild tanker and mooring system including the fluid transfer system;
- Two second-hand tankers (2010: four) and one barge (2010: one);
- One semi-submersible production platform (2010: one);
- Two MOPU(stor) facilities under construction (2010: two);
- The ‘Normand Installer’ and a new DSCV currently under construction, two deepwater installation vessels;
- The ‘Dynamic Installer’, a dynamically positioned diving support vessel.

An amount of US$ 34.8 million (2010: US$ 26.9 million) third party interest has been capitalised during the financial year under review as part of the additions to property, plant and equipment.

The fair value of the major part of the property plant and equipment cannot be estimated precisely but is expected to be in excess of carrying values. Fair value information is therefore not included in the notes to the financial statements.

Operating leases as a lessor

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements, which terminate between 2012 and 2030.

Leased facilities included in the 'Vessels and floating equipment' amount to:

In thousands of US$	2011	2010
Cost	2,506,764	2,634,848
Accumulated depreciation and impairment	(1,369,401)	(1,243,937)
Book value at 31 December	**1,137,363**	**1,390,911**

The nominal values of the future expected bareboat receipts (minimum lease payments of leases) in respect of those operating lease contracts are:

in millions of US$	2011	2010
Within 1 year	438	549
Between 1 and 5 years	2,056	2,101
After 5 years	2,036	2,073
Total	**4,529**	**4,723**

A number of agreements have extension options, which have not been included in the above table.

Note 11. Intangible assets

	2011			
in thousands of US$	Development costs	Goodwill	Patents	Total
Cost	40,658	25,048	12,633	78,339
Accumulated amortisation	(2,414)	-	(8,001)	(10,415)
Book value at 1 January	**38,244**	**25,048**	**4,632**	**67,924**
Additions	5,757	-	-	5,757
Amortisation	(5,173)	-	(842)	(6,015)
Impairment	(20,157)	-	-	(20,157)
FX on movements	(209)	-	-	(209)
Total movements	**(19,782)**	**-**	**(842)**	**(20,624)**
Cost	45,042	25,047	12,633	82,722
Accumulated amortisation and impairment	(26,579)	-	(8,843)	(35,422)
Book value at 31 December	**18,463**	**25,047**	**3,790**	**47,300**

in thousands of US$	2010 Development costs	Goodwill	Patents	Total
Cost	31,563	25,048	12,633	**69,244**
Accumulated amortisation	(664)	-	(7,159)	**(7,823)**
Book value at 1 January	**30,899**	**25,048**	**5,474**	**61,421**
Additions	9,565	-	-	**9,565**
Amortisation	(1,761)	-	(842)	**(2,603)**
FX on movements	(459)	-	-	**(459)**
Total movements	**7,345**	**-**	**(842)**	**6,503**
Cost	40,658	25,048	12,633	**78,339**
Accumulated amortisation and impairment	(2,414)	-	(8,001)	**(10,415)**
Book value at 31 December	**38,244**	**25,048**	**4,632**	**67,924**

All development costs arose from internal development and relate principally to LNG products.

In the course of 2011, as mentioned in the note 6 - Research and development expense and in note 10 - Property, plant and equipment, the Company has revisited its strategy regarding FLNG and renewable energy products. Given the relative lack of commercial applications in the near future, it has been decided to reduce the carrying value of the hose investment in the Cryogenic Offshore Offloading & Loading (COOL) system to a level which may be obtained in a possible divestment of the technology. In addition, the development work performed to date on renewable wave energy is not considered to be mature enough to justify capitalising such costs as intangible assets. These two items triggered a combined impairment charge of US$ 20.2 million that was recognized as part of Research and development expenses.

Amortisation of development costs is included in ‘Cost of sales’ in the income statement and amounts to US$ 5.2 million (2010: US$ 1.8 million).

Goodwill relates to the acquisition of the Houston based subsidiaries. The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates (2%). Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks (8%).

Note 12. Other financial assets

in thousands of US$	**2011**	2010 (*)
Non-current portion of finance lease receivables	856,589	72,060
Other financial assets	106,908	149,086
Total	**963,497**	**221,146**

(*) restated for comparison purposes

Non-current portion of finance lease receivables

Non-current portion of finance lease receivables relate to the finance leases of the FPSO Mondo and FPSO Saxi Batuque which were taken into production during the course of 2008 and the FPSO Aseng which started production in November 2011. The reconciliation between the total gross investment in the lease and the net investment in the lease at the balance sheet date is as follows:

in thousands of US$	*Note*	2011	2010
Gross receivable		1,309,419	180,247
Less: Unearned finance income		(305,621)	(31,760)
Total		**1,003,798**	**148,487**
Of which			
Current portion	*15*	147,209	76,427
Non-current portion		856,589	72,060

Included in the gross receivable is an amount related to unguaranteed residual values. No allowances for expected uncollectible minimum lease payments are deducted.

Gross receivables are expected to be invoiced to the lessee within the following periods:

in thousands of US$	2011	2010
within 1 year	210,760	86,185
between 1 and 5 years	796,579	65,298
after 5 years	302,080	28,764
Total Gross receivable	**1,309,419**	**180,247**

The table above does not include the amounts to be invoiced on the finance lease contracts that were awarded during the course of 2010 or 2011 which, at the end of 2011 were not yet delivered and therefore are included in 'Construction contracts'.

The following part of the net investment in the lease is included as part of the current assets within the balance sheet:

in thousands of US$	2011	2010
Gross receivable	210,760	86,185
Less: Unearned finance income	(63,551)	(9,758)
Current portion of finance lease receivable	**147,209**	**76,427**

Other financial assets

The item 'Other financial assets' relates to interest-bearing loans that have a remaining term of more than one year, essentially interest-bearing loans to joint ventures. Weighted average effective interest amounts to 5.66% (2010: 5.97%).

The maximum exposure to credit risk at the reporting date is the fair value of the interest-bearing loans and the finance lease receivables (2011: US$ 963.5 million, 2010: US$ 221.1 million) taking into account the risk of recoverability. None of the amounts are past due, and no reserve for partial impairment (2010: nil) is netted with the carrying amount. The Company does not hold any collateral as security.

Note 13. Deferred tax assets

The deferred tax assets and liabilities and offsetting of assets and liabilities can be summarised as follows:

	2011	2010	2011	2010	2011	2010
in thousands of US$	**Assets**		**Liabilities**		**Net**	
Property, plant and equipment	2,863	8,067	-	-	2,863	8,067
Intangible assets	(284)	(387)	(1,664)	-	(1,948)	(387)
Tax losses	-	2,575	-	-	-	2,575
Construction contracts	2,035	-	-	-	2,035	-
Other	5,345	5,462	(688)	(978)	4,657	4,484
Book value at 31 December	**9,959**	**15,717**	**(2,352)**	**(978)**	**7,607**	**14,739**

Expected net cash inflow of amounts relating to deferred tax positions is within one year US$ 0.4 million (2010: US$ 3.7 million), between one and five years US$ 2.5 million (2010: US$ 3.3 million) and after five years a cash outflow of US$ (0.3) million (2010: cash inflow US$ 0.8 million).

The Company has no available tax losses that are not valued in a deferred tax asset (2010: US$ 10 million).

Deferred tax assets per locations are as follows:

	2011	2010 (*)	2011	2010 (*)	2011	2010 (*)
in thousands of US$	**Assets**		**Liabilities**		**Net**	
Netherlands	2,109	4,959	(2,352)	(978)	(243)	3,981
USA	7,671	10,671	-	-	7,671	10,671
Other	179	87	-	-	179	87
Book value at 31 December	**9,959**	**15,717**	**(2,352)**	**(978)**	**7,607**	**14,739**

** restated for comparison purposes*

Note 14. Inventories

in thousands of US$	2011	2010
Materials and consumables	19,622	18,187
Goods for resale	8,293	11,093
Total	**27,915**	**29,280**

There is no material difference between fair value and cost as stated above.

In 2011 there was no write-down of inventories to net realisable value included in the income statement (2010: nil). There was no reversal of previous inventory write-offs (2010: nil).

Note 15. Trade and other receivables

in thousands of US$	*Note*	2011	2010
Trade debtors		510,386	369,205
Taxes and social security		23,607	16,831
Other receivables		75,441	54,007
Accrued income in respect of delivered orders		99,711	103,612
Current portion of finance leases	*12*	147,209	76,427
Securities		-	4
Other prepayments and accrued income		139,669	103,474
Total		**996,023**	**723,560**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables as mentioned above. The Company does not hold any collateral as security. Trade debtors do not include any retention (2010: US$ 15 million, which were fully repaid in 2011, without financial damages for the Company).

The carrying amounts of the Company's trade debtors are distributed in the following countries:

in thousands of US$	2011	2010
Netherlands	2,409	1,175
Angola	55,604	52,313
Australia	20,737	7,855
Brazil	263,627	132,972
USA	9,260	32,198
Norway	1,043	2,551
Malaysia	11,897	11,970
Equatorial Guinea	12,361	4,098
Nigeria	19,051	19,170
Other	114,397	104,903
Total trade debtors	**510,386**	**369,205**

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

in thousands of US$	2011	2010
Nominal amount	523,184	374,058
Impairment allowance	(12,798)	(4,853)
Total Trade debtors	**510,386**	**369,205**

The ageing of the nominal amounts of the trade debtors are:

	2011		2010	
in thousands of US$	Nominal	Impairment	Nominal	Impairment
Not past due	378,628	(8,308)	208,834	-
Past due 0-30 days	38,091	-	64,333	-
Past due 31-120 days	53,114	(162)	43,741	-
Past due 121- 365 days	39,146	(3,047)	28,956	-
More than one year	14,205	(1,281)	28,194	(4,853)
Total	**523,184**	**(12,798)**	**374,058**	**(4,853)**

Not past due are those receivables for which either the contractual or “normal” payment date has not yet elapsed. Past due are those amounts for which either the contractual or the “normal” payment date has passed. Amounts that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default or the receivable amount can be offset by amounts included in current liabilities.

For the amounts that are impaired, the movements in the allowance for impairment for trade debtors are as follows:

in thousands of US$	2011	2010
At 1 January	**(4,853)**	**(5,495)**
Addition	(12,447)	(223)
Recognised expenses	1,497	788
Released to profit	2,969	-
Foreign exchange difference	36	77
At 31 December	**(12,798)**	**(4,853)**

The allowance for impairment represents the Company’s estimate of losses in respect of trade debtors. The allowance is built on specific expected loss components that relate to individual exposures. The allowance is not discounted when created. The creation and release for impaired trade debtors have been included in gross margin in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery. The other classes within the trade and other receivables do not contain allowances for impairment.

Note 16. Income tax receivable

Apart from deferred taxation, no receivables have a duration of more than 1 year. For an explanation of the deferred tax position reference is made to note 13 - Deferred tax assets.

Note 17. Construction work in progress

in thousands of US$	*Note*	**2011**	2010
Cost incurred		3,363,352	3,800,083
Instalments invoiced		(3,160,271)	(3,210,367)
Instalments exceeding cost incurred	*26*	295,981	244,092
Total		**499,062**	**833,808**

The cost incurred includes the amount of recognised profits and losses to date. The instalments exceeding cost incurred comprise the amounts of those individual contracts of which the total instalments exceed the total cost incurred. The instalments exceeding cost incurred are reclassified to other current liabilities. Advances received from customers are included in other current liabilities. For both aforementioned details, reference is made to note 26 - Trade and Other payables.

Note 18. Derivative financial instruments

For a description of the financial risk management objectives and policies, reference is made to note 29 - Financial Risk Management.

At 31 December 2011 in the ordinary course of business and in accordance with its hedging policies, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of variable interest rate bearing debt.

The fair value of the derivative financial instruments included in the balance sheet can be summarised as follows:

in thousands of US$	2011 Assets	2010	2011 Liabilities	2010	2011 Net	2010
Interest rate swaps cash flow hedge	6,888	31,066	237,641	173,456	(230,753)	(142,390)
Forward currency contracts cash flow hedge	23,797	91,174	158,819	21,847	(135,022)	69,327
Forward currency contracts fair value hedge	7,014	3,548	748	1,172	6,266	2,376
Forward currency contracts net foreign investment hedge	-	352	-	-	-	352
Commodity swap cash flow hedge	983	429	203	-	780	429
Total	**38,682**	**126,569**	**397,411**	**196,475**	**(358,729)**	**(69,906)**
Non-current portion	9,524	31,252	281,400	168,398	(271,876)	(137,146)
Current portion	29,158	95,317	116,011	28,077	(86,853)	67,240

The ineffective portion recognised in the income statement (see note 5 - Net financing costs) arises from cash flow hedges and amounts to US$ 2.1 million (2010: US$ 29.3 million). There was no ineffectiveness recognised in the income statement related to foreign investment hedges (2010: none). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

Forward currency contracts

The notional principal amounts of the outstanding forward currency contracts at 31 December 2011 were US$ 3.2 billion (2010: US$ 3.1 billion) of which US$ 2.5 billion will mature in the next 12 months.

Gains and losses recognised in the hedging reserve on forward currency contracts as of 31 December 2011 are recognised in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognised in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset, or the gain or loss is included in the initial amount recognised in the carrying amount of the cost incurred on construction contracts in which case recognition is based on the ‘percentage-of-completion method’.

Interest rate swaps

The principal amounts of the outstanding interest rate swap contracts at 31 December 2011 were US$ 1.8 billion (2010: US$ 1.8 billion) and US$ 3.5 billion (2010: US$ 3.0 billion) including forward-start contracts.

The most important floating rate is US$ 3-month LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2011 will be continuously released to the income statement until the final repayment of the bank borrowings (see note 20 - Equity attributable to shareholders) . Details of interest percentages of the long-term debt are included in the note 21 - Loans and borrowings.

Note 19. Cash and cash equivalents

in thousands of US$	2011	2010
Cash and bank balances	158,542	88,183
Short-term deposits	14,958	22,465
Total	**173,500**	**110,648**

The cash and cash equivalents dedicated for debt and interest payments amounts to US$ 48.2 million (2010: US$ 27.7 million). Short-term deposits are made for varying periods up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Note 20. Equity attributable to shareholders

For a consolidated overview of changes in equity reference is made to the consolidated statement of changes in equity.

Issued capital

As approved by the AGM held on 5 May 2011, the authorised share capital has been increased to € 200,000,000 divided into 400,000,000 ordinary shares each of € 0.25 and 400,000,000 preference shares, each of € 0.25. At 31 December 2011 no preference shares were outstanding (31 December 2010: none). During the financial year the movements in the outstanding number of ordinary shares are as follows:

	2011	2010
Outstanding at 1 January	**168,667,512**	**164,459,980**
Share issue	-	-
Exercise employee share options	326,500	1,328,153
Share issue re stock dividend	2,104,877	2,628,848
Share-based payment remuneration	341,527	250,531
Outstanding 31 December	**171,440,416**	**168,667,512**

Of the ordinary shares 83,078 shares were held by managing directors at 31 December 2011 (31 December 2010: 73,333).

Share premium

The share premium reserve is fully available for distribution free of taxes for shareholders, and amounts to € 555.1 million (31 December 2010: € 543.3 million).

Other reserves

The other reserves comprise the hedging reserve and the foreign currency translation reserve. The movement and breakdown of the other reserves can be stated as follows:

in thousands of US$	Hedging reserve	Translation reserve	Total other reserves
Balance at 1 January 2010	**(117,422)**	**11,770**	**(105,652)**
Cash flow hedges			
Recognised in equity	(7,231)	-	(7,231)
Transfer to financial income and expenses	38,349	-	38,349
Transfer to construction contracts and property, plant and equipment	31,842	-	31,842
Net investment hedge	1,346	-	1,346
Currency translation differences			
Group companies	-	(6,737)	(6,737)
Balance at 31 December 2010	**(53,116)**	**5,033**	**(48,083)**
Cash flow hedges			
Recognised in equity	(351,792)	-	(351,792)
Transfer to financial income and expenses	13,353	-	13,353
Transfer to construction contracts and property, plant and equipment	67,276	-	67,276
Net investment hedge	709	-	709
Currency translation differences			
Group companies	-	(3,980)	(3,980)
Balance at 31 December 2011	**(323,570)**	**1,053**	**(322,517)**

Hedging reserve

The hedging reserve consists of the effective portion of cash flow and net foreign investment hedging instruments related to hedged transactions that have not yet occurred.

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Note 21. Loans and borrowings

Bank interest-bearing loans and other borrowings

As from 2011, loans and borrowings are presented net of transaction costs, to reflect the amortized cost method. Prior to 2011, transaction costs were presented separately within 'Other financial assets'. This represents an amount of US$ 27.5 million for 2011 (2010: US$ 17.6 million). 2010 Statement of financial position and the following tables have been restated accordingly.

The movement in the bank interest bearing loans and other borrowings is as follows:

in thousands of US$	*Note*	2011	2010 (*)
Non-current portion		1,471,260	1,205,084
Add: Current portion		276,471	321,918
Remaining principal at 1 January		**1,747,731**	**1,527,002**
Additions		663,430	606,622
Redemptions		(290,507)	(387,646)
Transaction costs amortisation		2,529	1,753
Movements		**375,452**	**220,729**
Remaining principal at 31 December		**2,123,183**	**1,747,731**
Less: Current portion	*25*	(591,296)	(276,471)
Non-current portion		**1,531,887**	**1,471,260**
Excluding transaction costs			
Remaining principal at 31 December		**2,150,697**	**1,765,282**
Less: Current portion		(600,095)	(277,828)
Non-current portion		**1,550,602**	**1,487,454**

** restated for comparison purposes*

The bank interest-bearing loans and other borrowings have the following forecasted repayment schedule, excluding the transaction costs amounting to US$ 27.5 million (2010: US$ 17.5 million):

in thousands of US$	2011	2010
Within one year	600,095	277,828
Between 1 and 2 years	392,495	381,522
Between 2 and 5 years	963,530	950,762
More than 5 years	194,577	155,170
Remaining principal at 31 December	**2,150,697**	**1,765,282**

The bank interest-bearing loans and other borrowings include at 31 December:

in thousands of US$	Original repayment period	Interest per annum on the remaining loan balance	Remaining loan balance 2011	Remaining loan balance 2010
US$ project finance facilities drawn:				
March 2005 (Sanha LPG FPSO)	6 ½ years	5.40%	-	9,860
October 2006 (FPSO Capixaba)	6 ½ years	6.50%	54,590	103,200
May 2010 (FPSO Capixaba relocation)	6 years	5.44%	200,000	200,000
December 2006 / March 2008 (FPSO Kikeh)	7 years	5.18%	96,025	124,954
November 2007 / March 2008 (FPSO Mondo)	6 years	3.70%	13,095	50,920
April / May / September 2008 (FPSO Saxi Batuque)	6 years	3.70%	36,572	77,969
September 2007 / March 2009 / July 2009 (Thunder Hawk)	5 ½ years	5.60%	141,297	217,561
November 2008 / February 2009 (FPSO Espirito Santo)	6 ¼ years	5.03%	185,710	229,440
US $ guaranteed project finance facilities drawn:				
December 2010 (FPSO Aseng)	5 years	5.92%	360,521	300,000
June 2009 (MOPU Deep Panuke)	5 ¼ years	7.58%	214,153	208,192
July 2011 (FPSO Cidade de Paraty)	10 years	5.45%	284,563	-
Revolving credit facility				
US $750 million revolving credit facility	5 years	variable	230,000	95,000
Other				
Other long term debt			334,171	148,186
Remaining principal at 31 December			**2,150,697**	**1,765,282**

The 'Other long term debt' includes loans received from minority partners in subsidiaries.

For the project finance facilities, the respective vessels are mortgaged to the banks. Interest expensed on long-term debt during 2011 amounted to US$ 53.8 million (2010: US$ 63.6 million) and interest capitalised amounted to US$ 43.8 million (2010: US$ 32.6 million).

The following important financial covenants have been agreed with the respective lenders (unless stated otherwise, these relate to both SBM Offshore N.V. and SBM Holding Inc. S.A. consolidated financial statements), after adjustment of EBITDA and net debt for certain items and proposed dividend, as defined in the relevant financing facilities. For the new Revolving Credit Facility concluded in 2010, covenants and definitions (at SBM Offshore level) vary from those of the old facility, which however still apply to certain existing Project Finance Facilities, and are therefore still reported.

- Consolidated tangible net worth to Consolidated total tangible assets (Solvency) of minimum 25% of SBM Offshore N.V. The actual solvency at year-end 2011 is 30.0% (2010: 39.6%, restated for comparison purposes)
- Minimum tangible net worth of SBM Holding Inc. S.A. of US$ 490 million. Actual tangible net worth is US$ 1,112 million (2010: US$ 1,894 million). Minimum tangible net worth of SBM Offshore N.V. of US$ 570 million. Actual tangible net worth is US$ 1,236 million (2010: US$ 2,005 million);
- Leverage (net debt : EBITDA ratio) of maximum 3.75 : 1 at year-end. Actual leverage is 2.74 (2010: 2.54) and 2.41 (2010: 2.49) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively; for the new Revolving Credit Facility, with Adjusted EBITDA definition, the actual leverage at year-end 2011 is 2.23 (2010: 2.30);
- Interest cover ratio (EBITDA : net interest expense) of minimum 5.0 : 1; Actual interest cover ratio is 20.6 (2010: 10.3, restated for comparison purposes) and 16.3 (2010: 8.2) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively. For the new Revolving Credit Facility, with an Adjusted EBITDA definition, the actual interest cover ratio is 17.9 (2010: 9.0);

- Consolidated Adjusted EBITDA of SBM Holding Inc. S.A. must be > 75% of the Consolidated Adjusted EBITDA of the Company. At year end 2011 the actual percentage is 92% (2010: 102%).

The Company has no 'off-balance sheet' financing through special purpose entities. All long-term debt is included in the Consolidated statement of financial postion.

No carrying amounts of long term debt were in default at the balance sheet date nor at any time during the year. During the year 2011 and 2010 there were no breaches of the loan arrangement terms and hence no default needed to be remedied, or the terms of the loan arrangement renegotiated, before the financial statements were authorised for issue.

The Company has available borrowing facilities resulting from the undrawn part of the revolving credit facility (RCF) and the undrawn part of project facilities. The expiry date of the undrawn facilities are:

in thousands of US$	**2011**	2010
Floating rate:		
Expiring within one year	175,326	141,808
Expiring beyond one year	740,437	755,000
Total	**915,763**	**896,808**

In December 2011, the Company executed short term facilities of US$ 400 million effective January 2012 to pre-finance the refurbishment and relocation of the FPSO Espadarte.

Note 22. Deferred income

in thousands of US$	**2011**	2010
Deferred income on operating lease contracts	74,943	49,261
Deferred income	**74,943**	**49,261**

The revenue for one of the operating lease units reflects a degressive day-rate schedule. As income is shown in the income statement on a straight-line basis with reference to *IAS 17 - Leases*, the difference between the yearly straight-line revenue and the contractual day rates is included as deferred income. The deferral will increase then stabilise until 2019 when the release of the deferral will commence.

Note 23. Provisions

in thousands of US$	Note	2011	2010 (*)
Demobilisation		35,623	34,263
Warranty		30,845	29,850
Employee benefits	4	8,802	8,865
Reorganisation		18	60
Total		**75,288**	**73,038**
of which			
Non-current portion		44,443	43,188
Current portion		30,845	29,850

** restated for comparison purposes*

The movements in the provisions, other than those on employee benefits described in the note 4 - Employee benefits expense, are:

in thousands of US$	Reorganisation	Demobilisation	Warranty
Balance at 1 January 2010	**124**	**33,311**	**21,195**
Arising during the year	-	-	29,757
Unwinding of interest	-	1,181	-
Utilised	(56)	(243)	(7,396)
Released to profit	-	-	(12,274)
Currency differences	(8)	14	(41)
Balance at 31 December 2010	**60**	**34,263**	**29,850**
Arising during the year	-	-	17,130
Unwinding of interest	-	1,360	-
Utilised	(43)	-	(16,117)
Released to profit	-	-	-
Currency differences	1	-	(18)
Balance at 31 December 2011	**18**	**35,623**	**30,845**

Reorganisation provision

The provision for reorganisation costs was established in 2003 in relation to the closure of van der Giessen-de Noord N.V., for which the obligations were substantially discharged in prior years.

Demobilisation

The provision for demobilisation relates to the costs for demobilisation of the F(P)SO fleet at the end of the respective lease periods. The obligations are valued at net present value, and on a yearly basis interest is added to this provision. The recognised interest is included in financial expenses (see note 5 - Net financing costs). The net present value is calculated at the inception date of the lease, at a rate of 4.31% which is unchanged compared with last year. Expected outflow of amounts is within one year: US$ 4.5 million (2010: US$ 4.6 million), between one and five years US$ 15.6 million (2010: US$ 14.6 million) and after five years US$ 15.5 million (2010: US$ 15.1 million).

Warranty

As from 1 January 2011, the warranty provision is presented separately on the face of the Statement of financial position, as a current provision (previously reported under 'Trade and other payable').

For most Turnkey sales, the Group gives warranties to its clients. Under the terms of the contracts, the Group undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client.

Note 24. Deferred tax liability

For an explanation of the deferred tax liability reference is made to note 13 - Deferred tax assets.

Note 25. Loans and borrowings

in thousands of US$	*Note*	2011	2010 (*)
Bank interest-bearing loans and other borrowings	*21*	591,296	276,471
Bank overdrafts		8,800	7,227
Total		**600,096**	**283,698**

** restated for comparison purposes*

Bank overdrafts relate to short-term credit lines under which one day advances are permitted.

For interest percentages, guarantees and other information, reference is made to note 21 - Loans and borrowings.

The Company maintains lines of credit for financial derivatives, bank guarantees and bank overdrafts, secured by SBM Offshore N.V. or SBM Holding Inc. S.A. guarantees.

The fair values of the borrowings and bank overdrafts are equal to their carrying amount, as the impact of discounting is not significant.

Note 26. Trade and other payables

in thousands of US$	*Note*	2011	2010 (*)
Trade payables		258,659	153,709
Other payables		53,999	74,305
Taxation and social security costs		9,673	12,568
Pension costs		11,439	5,612
Instalments exceeding cost incurred	*17*	295,981	244,092
Advances received from customers		180,796	23,323
Accruals regarding delivered orders		74,000	83,865
Non-trade payables and accrued expenses		363,544	266,229
Total		**1,248,091**	**863,704**

** restated for comparison purposes*

The contractual maturity of the trade payables is as follows:

in thousands of US$	2011	2010
Within 1 month	204,558	143,007
Between 1 and 3 months	49,508	5,767
Between 3 months and 1 year	2,209	2,462
More than one year	2,384	2,473
Total Trade payables	**258,659**	**153,709**

Note 27. Derivative financial instruments

For a detailed explanation of the derivative financial instruments reference is made to note 18 - Derivative financial instruments.

Note 28. Commitments and contingencies

Guarantees

Under the terms of financing arrangements and as security for credit facilities made available to several subsidiaries, property of these Group companies has been mortgaged and movable assets and current assets have been given in lien to the Group's bankers.

At 31 December 2011, outstanding bank guarantees amounted to US$ 537.1 million (31 December 2010: US$ 225.3 million).

Commitments

Certain investment commitments have been entered into principally in respect of the Yme MOPUstor™, the FPSO Espadarte 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$ 580.9 million (2010: US$ 644.5 million).

The obligations in respect of operating lease, rental and leasehold obligations, are as follows:

	2011				2010
in thousands of US$	**< 1 year**	**1-5 years**	**> 5years**	**Total**	**Total**
Operating lease	2,699	3,728	-	6,427	**7,959**
Rental and leasehold	19,363	54,322	90,607	164,292	**85,587**
Total	**22,062**	**58,050**	**90,607**	**170,719**	**93,546**

The increase in rental and leasehold obligations in 2011 includes the impact of new long-term rental agreements for office space in Houston and Monaco.

Note 29. Financial risk management

This note presents information about the Company's exposure to risk resulting from its use of financial instruments, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Management. Generally the Company seeks to apply hedge accounting in order to manage volatility in the profit and loss account. The purpose is to manage the interest rate and currency risk arising from the Company's operations and its sources of finance. Derivatives are only used to hedge closely correlated underlying business transactions.

The Company's principal financial instruments, other than derivatives, comprise trade debtors and creditors, bank loans and overdraft, cash and cash equivalents (including short term deposits) and financial guarantees. The main purpose of these financial instruments is to finance the Company's operations and/or result directly from the operations.

Risk management is carried out by a central treasury department under policies approved by the Board of Management and the Supervisory Board. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries and the CFO. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risks.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from transactional currency exposures, primarily with respect to the Euro, Singapore Dollar, and Brasilian Real. The exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Company requires all its operating units to use forward currency contracts to eliminate the currency exposure on any significant individual transaction for which payment is anticipated more than one month after the Company has entered into a firm commitment for a sale or a purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Company's policy not to enter into forward contracts until a firm commitment is in place.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2011			31 December 2010		
In local currency x 1,000	**EUR**	**SGD**	**BRL**	EUR	SGD	BRL
Fixed assets	86,965	-	11,249	81,921	-	6,235
Current assets	149,980	1,340	53,505	73,592	(154)	53,848
Long term liabilities	(1,923)	-	-	(1,126)	-	-
Current liabilities	(129,795)	(23,870)	(30,526)	(95,598)	(24,591)	(22,003)
Gross balance sheet exposure	**105,227**	**(22,530)**	**34,228**	**58,789**	**(24,745)**	**38,080**
Estimated forecast sales	16,788			21,694	-	-
Estimated forecast purchases	(727,363)	(666,356)	(973,489)	(474,996)	(656,923)	(400,000)
Gross exposure	**(605,348)**	**(688,886)**	**(939,261)**	**(394,513)**	**(681,668)**	**(361,920)**
Forward exchange contracts	670,716	685,218	982,794	457,590	681,514	400,000
Net exposure	**65,368**	**(3,668)**	**43,533**	**63,077**	**(154)**	**38,080**

The estimated forecast sales and purchases relate to project revenues and expenditures for up to 3 years.

Overhead expenses are 100% hedged for the coming year, and 66% (2010: 66%) hedged for the year thereafter. Included in the statement above are the overhead expenses for one year and the corresponding forward exchange contracts. The following significant exchange rates applied during the year:

	2011	2010	**2011**	2010
	Average rate		**Closing rate**	
EUR 1	1.3926	1.3247	1.2950	1.3380
SGD 1	0.7962	0.7346	0.7709	0.7804
BRL 1	0.5990	0.5692	0.5366	0.6027

The sensitivity on equity and income statement resulting from a change of 10 percent of the US Dollar's value against the following currencies at 31 December would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain

constant. The analysis is performed on the same basis as for 2010.

in thousands of US$	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2011				
EUR	2,609	(2,609)	(102,734)	102,734
SGD	349	(349)	(51,035)	51,035
BRL	729	(729)	(48,856)	48,856
31 December 2010 (*)				
EUR	1,888	(1,888)	(71,563)	71,563
SGD	23	(23)	(54,364)	54,364
BRL	(1,595)	1,595	(23,502)	23,502

** restated for comparison purposes*

Interest rate risk

The Company's exposure to risk for changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. In respect of controlling interest rate risk, the floating interest rates of long-term loans are hedged by fixed rate swaps for the entire maturity period. The revolving credit facility is intended for fluctuating needs of construction financing of facilities and bears interest at floating rates, which is also swapped for fixed rates when exposure is significant.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

in thousands of US$	2011	2010
Fixed rate instruments		
Financial assets	1,054,251	197,976
Financial liabilities	(94,594)	(166,351)
Total	**959,657**	**31,625**
Variable rate instruments		
Financial assets	56,455	99,046
Financial liabilities	(2,056,103)	(1,648,191)
Financial liabilities (future)	(1,499,934)	(1,455,932)
Total	**(3,499,582)**	**(3,005,077)**

in thousands of US$	2011	2010
Variable rate instruments	(3,499,583)	(3,005,077)
Less: IRS contracts	3,437,352	3,016,500
Exposure	**(62,231)**	**11,423**

At 31 December 2011, it is estimated that a general increase of 100 basis points in interest rates would increase the Company's profit before tax for the year by approximately US$ 1.5 million (2010: increase of US$ 2.7 million) since 88.3% (2010: 107.3%) of the operating debt is hedged by fixed interest rate swaps.

The sensitivity on equity and income statement resulting from a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2010.

	Profit or loss		Equity	
in thousands of US$	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2011				
Variable rate instruments	(425)	159	-	-
Interest rate swap	1,930	(2,147)	114,051	(151,431)
Sensitivity (net)	**1,505**	**(1,988)**	**114,051**	**(151,431)**
31 December 2010				
Variable rate instruments	(1,004)	360	-	-
Interest rate swap	3,736	(3,145)	79,491	(86,912)
Sensitivity (net)	**2,732**	**(2,785)**	**79,491**	**(86,912)**

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other financial assets, trade and other receivables (including committed transactions), derivative financial instruments and cash and cash equivalents.

	2011		2010	
in thousands of US$	Assets	Liabilities	Assets	Liabilities
AAA	-	-	11,015	34,096
AA+	-	-	-	-
AA	440	88,091	40,585	37,776
AA-	13,347	53,942	4,338	3,827
A+	7,780	94,351	64,526	104,783
A	16,071	121,986	2,010	11,063
A-	325	19,620	-	-
BBB+	-	-	-	-
BBB	-	19,227	-	4,930
BBB-	-	194	-	-
Other and intercompany	719	-	4,095	-
Derivative financial instruments	**38,682**	**397,411**	**126,569**	**196,475**
AAA	4	-	15	-
AA+	-	-	2,242	2,242
AA	-	-	17,607	-
AA-	11,845	-	6,261	-
A+	62,575	8,800	46,233	4,985
A	64,837	-	11,013	-
A-	1	-	57	-
BBB	-	-	121	-
BBB-	6,640	-	13,482	-
BB	112	-	-	-
BB-	-	-	-	-
B+	5,145	-	1,991	-
Other	22,341	-	11,626	-
Cash and cash equivalents and bank overdrafts	**173,500**	**8,800**	**110,648**	**7,227**

It is Company policy to limit cash invested per counterparty as follows: A rating US$ 10.0 million, AA rating US$ 50 million and AAA rating US$ 100 million. Cash held in 'Other' is mainly held in primary banks in Angola.

For trade debtors the credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Management. At balance sheet date there is one customer that has an outstanding balance with a percentage over 10% of the total of trade and other receivables. Reference is made to note 15 - Trade and Other receivables for information on the distribution of the receivables by country and an analysis of the ageing of the receivables.

As set out in the paragraphs above, the Company aims by managing interest rate and currency risks to reduce the impact of short-term fluctuations on the Company’s earnings. Over the longer-term however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity is monitored using rolling forecasts of the Company's liquidity reserves on the basis of expected cash flows. Flexibility is secured by maintaining availability under committed credit lines.

The table below analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. As of 31 December 2011, the future interest cash flows for borrowings and derivative financial instruments are based on forecast Libor rates provided by primary info-providers.

in thousands of US$	*Note*	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
31 December 2011					
Borrowings (ex finance lease liabilities)		484,117	507,621	1,140,663	289,412
Derivative financial instruments		59,831	42,036	103,107	98,008
Trade payables	26	256,275	2,384	-	-

in thousands of US$	*Note*	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
31 December 2010					
Borrowings (ex finance lease liabilities)		320,111	442,649	1,076,324	176,583
Derivative financial instruments		48,861	48,602	94,637	67,157
Trade payables	26	151,236	2,473	-	-

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including the short term part of the long term debt and bank overdrafts as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

During 2011, the Company's strategy which was unchanged from 2010, was to target a gearing ratio between

50% and 60%. This target is subject to maintaining headroom of 20% of all banking covenants. The gearing ratios at 31 December 2011 and 2010 were as follows:

in thousands of US$	2011	2010 (*)
Total borrowings	2,123,184	1,747,730
Less: net cash and cash equivalents	(164,700)	(103,421)
Net debt	**1,958,484**	**1,644,309**
Total equity	1,349,031	2,123,405
Total capital	**3,307,515**	**3,767,714**
Gearing ratio	59.2%	43.6%

** restated for comparison purposes*

Fair value estimation

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the balance sheet, which require disclosure of fair value measurements by level:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

Derivative financial instruments are the only assets and liabilities valued at fair value and they can be categorised as level 2 (2010: level 2). The derivative financial instruments are not traded in an active market. The fair value of these instruments is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Other risks

In respect of controlling political and credit risk, the Company has a policy of thoroughly reviewing risks associated with contracts, whether turnkey or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained. In respect of credit risk, bank or parent company guarantees are negotiated with customers. Furthermore, limited recourse project financing removes a large part of the risk on long term-leases.

Note 30. Auditor's Fees and Services

KPMG fees included in Other operating costs related to the Company's external auditor can be summarized as follows:

in thousands of US$	2011	2010
Audit fees	1,092	987
Audit related fees	39	149
Tax fees	280	203
Other	120	80
Total	**1,531**	**1,419**

Note 31. Events after the balance sheet date

There are no reportable events after the balance sheet date.

Note 32. List of Group companies

In accordance with legal requirements a list of Group companies which are included in the consolidated financial statements of SBM Offshore N.V. has been deposited at the Chamber of Commerce in Rotterdam.

Note 33. Interest in joint ventures

The Company has several joint ventures. Included in the consolidated financial statements are the following items that represent the Company's interest in the assets, liabilities, revenues and expenses of the joint ventures:

in thousands of US$	2011	2010 (*)
Non-current assets	717,168	857,483
Current assets	782,456	295,564
Non-current liabilities	(916,086)	(700,781)
Current liabilities	(420,835)	(293,311)
Net assets / (liabilities)	**162,703**	**158,955**
Income	369,915	384,281
Expenses	(288,209)	(321,649)
Net income / (expenses)	**81,706**	**62,632**

** restated for comparison purposes*

Included in the figures above are the following significant joint ventures:

	% of ownership	Consolidation method	Reporting date
Gas Management (Congo) Ltd.	49.00	Proportionate	31 December
Malaysia Deepwater Floating Terminal (Kikeh) Limited	49.00	Proportionate	31 December
Malaysia Deepwater Production Contractors Sdn Bhd.	49.00	Proportionate	31 December
Solgaz S.A.	49.00	Proportionate	31 December
Anchor Storage Ltd.	49.00	Proportionate	31 December
Advanced Deep Sea Installation Inc.	49.90	Proportionate	31 December
Normand Installer S.A.	49.90	Proportionate	31 December
Sonasing Sanha Ltd.	50.00	Proportionate	31 December
Sonasing Kuito Ltd.	50.00	Proportionate	31 December
Sonasing Xikomba Ltd.	50.00	Proportionate	31 December
Sonasing Mondo Ltd.	50.00	Proportionate	31 December
Sonasing Saxi Batuque Ltd.	50.00	Proportionate	31 December
OPS-Serviços de Produção de Petroleos Ltd.	50.00	Proportionate	31 December
OPS Sucursal de Angola	50.00	Proportionate	31 December
FPSO Firenze Produção de Petróleo Ltda.	50.00	Proportionate	31 December
FPSO Mystras - Produção de Petróleo Ltda.	50.00	Proportionate	31 December
South East Shipping Co. Ltd.	75.00	Proportionate	31 December
FPSO Brasil Venture S.A.	51.00	Proportionate	31 December
SBM Operações Ltda.	51.00	Proportionate	31 December
SBM Systems Inc.	51.00	Proportionate	31 December
SBM Ship Yard Ltd.	33.33	Proportionate	31 December
PAENAL - Porto Amboim Estaleiros Navais	30.00	Proportionate	31 December
OPS Production Ltd	50.00	Proportionate	31 December
Brazilian Deepwater Floating Terminals Ltd.	51.00	Proportionate	31 December
Brazilian Deepwater Production Ltd.	51.00	Proportionate	31 December
Brazilian Deepwater Production Contractors Ltd.	51.00	Proportionate	31 December
Operações Marítimos em Mar Profundo Brasileiro Ltd	51.00	Proportionate	31 December
Vasilikos LNG Ltd	51.00	Proportionate	31 December
Tupi Nordeste Ltd	50.50	Proportionate	31 December
Guara Norte SARL	62.25	Proportionate	31 December

Note 34. Related party transactions

During 2011, no major related party transactions requiring additional disclosure in the financial statements took place.

For relations with Supervisory Board Members, Managing Directors and other key personnel reference is made to note 4 - Employee benefits expense.

4.2.7 Company balance sheet

Company balance sheet

in thousands of US Dollars	*Notes*	2011	2010
ASSETS			
Property, plant and equipment	1	1	2
Investment in Group companies and associates	2	1,269,148	2,023,855
Deferred Tax Assets		-	2,575
Total non-current assets		**1,269,149**	**2,026,432**
Other receivables	3	26,150	75,565
Income tax receivable		-	2,531
Cash and cash equivalents		5	283
Total current assets		**26,155**	**78,379**
TOTAL ASSETS		**1,295,304**	**2,104,811**
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		55,504	56,420
Share premium reserve		674,913	658,532
Retained earnings		723,433	1,238,701
Legal reserves		153,287	172,633
Other reserves		(323,569)	(53,116)
Shareholders' equity	4	**1,283,568**	**2,073,170**
Provisions	5	688	7,583
Group companies		-	2,377
Total non-current liabilities		**688**	**9,960**
Other current liabilities	6	11,048	21,681
Total current liabilities		**11,048**	**21,681**
TOTAL EQUITY AND LIABILITIES		**1,295,304**	**2,104,811**

4.2.8 Company income statement

Company income statement

in thousands of US Dollars	2011	2010
Company result	(15,402)	(14,986)
Result of Group companies	(457,255)	254,946
	(472,657)	**239,960**

4.2.9 Notes to the Company financial statements

General

The separate financial statements are part of the 2011 financial statements of SBM Offshore N.V. With reference to the separate income statement of SBM Offshore N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

Principles for the measurement of assets and liabilities and the determination of the result

SBM Offshore N.V. uses the option provided in section 2:362 (8) of the Netherlands Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of SBM Offshore N.V. are the same as those applied for the consolidated financial statements. These consolidated financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to the notes to the consolidated financial statements ('Summary of significant accounting policies') for a description of these principles. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method.

Results on transactions, involving the transfer of assets and liabilities between SBM Offshore N.V. and its participating interests or between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

1. Property, plant and equipment

The movement in the property, plant and equipment during the year can be summarised as follows:

in thousands of US$	2011
Cost	
Accumulated depreciation and impairment	
Book value at 1 January 2011	**2**
Additions	-
Depreciation	(1)
Currency differences	-
Total movements	**(1)**
Cost	333
Accumulated depreciation and impairment	(332)
Book value at 31 December 2011	**1**

2. Investment in Group companies and associates

The movements in the item Investment in Group companies and associates are as follows:

in thousands of US$	2011	2010
Balance at 1 January	2,023,855	1,701,856
Provisions	(53,164)	(50,309)
Investments at net asset value	**1,970,691**	**1,651,547**
Result of Group companies	(457,255)	254,946
Investments and other changes	(270,437)	64,284
Dividends received	(11,871)	-
Currency differences	(6,611)	(86)
Movements	**(746,174)**	**319,144**
Balance at 31 December	1,269,148	2,023,855
Provisions	(44,631)	(53,164)
Investments at net asset value	**1,224,517**	**1,970,691**

The investments and other changes relate to investments in subsidiaries and other direct equity movements.

3. Other receivables

in thousands of US$	2011	2010
Amounts owed by Group companies	23,537	74,407
Other debtors	2,613	1,158
Total	**26,150**	**75,565**

4. Shareholders' equity

For an explanation of the shareholders equity, reference is made to the consolidated statement of changes in equity and note 20 - Equity attributable to shareholders.

The legal reserve consists of:

in thousands of US$	2011	2010
Joint venture equity non-distributable	133,772	129,355
Capitalized development expenditure	18,463	38,245
Translation reserve	1,052	(5,033)
Total	**153,287**	**162,567**

Under the Dutch guidelines for financial reporting which apply to the Company balance sheet, a legal reserve must be maintained for the above-mentionned items.

5. Provisions

in thousands of US$	2011	2010
Deferred tax liability	688	978
Provisions with respect to subsidiaries	-	6,605
Total	**688**	**7,583**

The provisions with respect to subsidiaries can be specified as follows:

in thousands of US$	2011	2010
Participation in Group Companies	44,631	53,164
Amounts owed by Group	(44,631)	(46,559)
Total	**-**	**6,605**

This item relates to van der Giessen-de Noord N.V., XNK and Gusto subsidiaries.

6. Other current liabilities

in thousands of US$	2011	2010
Amounts owed to Group companies	5,421	20,302
Taxation and social security costs	5,319	51
Other creditors	308	1,328
Total	**11,048**	**21,681**

Commitments and contingencies

The Company has issued performance guarantees for contractual obligations to complete and deliver projects in respect of several Group companies, and fulfilment of obligations with respect to F(P)SO long-term lease/operate contracts. Furthermore, the Company has issued parent company guarantees in respect of several Group companies' financing arrangements.

The Company is head of a fiscal unity in which almost all Dutch Group companies are included. This means that these companies are jointly and severally liable in respect of the fiscal unity as a whole.

Schiedam, 1 March 2012

Management Board:
B.Y.R. Chabas, CEO [1, 2]
M.A.S. Miles, CFO[1]

Supervisory Board:
H.C. Rothermund, Chairman
R. van Gelder, Vice-Chairman
F.J.G.M. Cremers
F.G.H. Deckers
T.M.E Ehret
F.R. Gugen
K.A. Rethy

[1] Managing Director

[2] As from 1 January 2012

4.3 Other information

4.3.1 Appropriation of profit

With regard to the appropriation of profit, article 29 of the Articles of Association states:

1. When drawing up the annual accounts, the Board of Management shall charge such sums for the depreciation of the Company's fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.

2. Any distribution of profits pursuant to the provisions of this article shall be made after the adoption of the annual accounts from which it appears that the same is permitted.

The Company may make distributions to the shareholders and to other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law.

A deficit may be offset against the statutory reserves only to the extent permitted by law.

3. a. The profit shall, if sufficient, be applied first in payment to the holders of preference shares of a percentage as specified in b. below of the compulsory amount due on these shares as at the commencement of the financial year for which the distribution is made.

3. b.The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of twelve months – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by two hundred basis points.

4. The management board is authorised, subject to the approval of the supervisory board, to determine each year what part of the profits shall be transferred to the reserves, after the provisions of the preceding paragraph have been applied.

5. The residue of the profit shall be at the disposal of the general meeting of shareholders.

6. The general meeting of shareholders may only resolve to distribute any reserves upon the proposal of the management board, subject to the approval of the supervisory board.

With the approval of the Supervisory Board, it is proposed that the result shown in the Company income statement be appropriated as follows (in US$):

	2011
Profit/Loss attributable to shareholders	(472,657,000)
In accordance with Article 29 clause 4 to be transferred to retained earnings	(472,657,000)
At the disposal of the General Meeting of Shareholders	**-**

As a consequence of the loss incurred during the year, the decision has been made not to distribute any dividends to shareholders in respect to the year ended 31 December 2011.

4.4 INDEPENDENT AUDITOR'S REPORT

4.4.1 To the Annual General Meeting of Shareholders of SBM Offshore N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of SBM Offshore N.V., Rotterdam as set out in section 4.2. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2011, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Management, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report of the Board of Management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 1 March 2012

KPMG ACCOUNTANTS N.V.

P.W.J. Smorenburg RA

4.5 Key figures

Key figures

in millions of US Dollars, unless stated otherwise	*Note*	2011	2010 (*)	2009	2008	2007
Turnover		3,156.8	3,055.8	2,956.5	3,060.3	2,871,2
New orders		8,552.2	4,531.9	3,799.9	4,365.5	3,822.5
Order portfolio at 31 December		16,910.0	11,501.5	10,032.3	9,246.9	7,954.6
Results						
Net profit/(loss) (continuing operations)		(440.6)	276.0	230.0	227.9	266.8
Dividend		-	119.8	110.2	135.4	133.3
Operating profit (EBIT)		(340.6)	386.5	293.4	275.1	302.0
EBITDA		813.2	712.4	613.3	530.1	548.3
Shareholders' equity at 31 December		1,283.6	2,073.2	1,802.6	1,234.7	1,333.4
Net debt		1,958.5	1,644.3	1,464.0	1,464.0	874.7
Capital expenditure		840.6	519.0	656.0	999.8	551.3
Depreciation, amortisation and impairment		1,153.8	326.0	319.8	255.0	246.3
Number of employees (average)		4,385.0	3,787.0	3,539.0	3,263.0	2,715.0
Employee benefits		653.6	608.1	585.0	590.8	504.1
Ratios (%)						
Shareholders' equity : net assets		39	54	57	46	58
Current ratio		86	148	91	79	115
Return on average capital employed		(9.5)	11.0	9.7	11.0	15.1
Return on average shareholders' equity		(28.2)	12.4	14.6	17.7	21.7
Operating profit (EBIT) : net turnover		(10.8)	12.6	9.9	9.0	10.5
Net profit/(loss) : net turnover		(14.0)	9.0	7.8	7.4	9.3
Net debt : total equity		145	77	81	118	65
Enterprise value/EBITDA		6.8	7.6	7.7	6.4	9.9
Information per share (US$)						
Net profit/(loss)	*1*	(2.77)	1.44	1.47	1.54	1.85
Dividend		-	0.71	0.67	0.93	0.93
Shareholders' equity at 31 December	*2*	7.49	12.29	10.96	8.48	9.30
Share price (€)						
- 31 December		15.92	16.77	13.78	9.35	21.60
- highest		20.93	17.16	15.30	26.77	31.52
- lowest		11.75	11.41	9.00	8.72	19.85
Price / earnings ratio	*2*	NA	15.8	14.7	8.5	17.3
Number of shares issued (x 1,000)		171,440	168,668	164,460	145.614	143,324
Market capitalisation (US$ mln)		3,534.5	3,783.5	3,248.9	1,902.9	4,557.6
Turnover by volume (x 1,000)		287,478	259,924	279,932	448,354	340,769
Number of options exercised		326,500	1,328,153	604,400	759,200	1,098,040
Number of shares issued re stock dividend		2,104,877	2,628,848	4,221,744	1,300,774	1,432,296
Number of shares issued		-	-	13,896,880		

1 Based upon weighted average number of shares.

2 Based upon number of shares outstanding at 31 December.

** restated for comparison purposes*

5 Performance indicators

5.1 Reporting scope

The reporting scope is divided into two main segments, Onshore Operations and Offshore Production. Depending on the performance indicators being reported, the segment can be split further.

The results are reported as performance indicators and are presented for both 2010 and 2011 to facilitate comparison. To highlight medium term trends, the Company has in some cases decided to show multiple years of reporting.

5.1.1 Health, Safety and Security Reporting

Performance indicators are applied to the Company for both Onshore Operations and Offshore Production. Indicators take into account all permanent employees, part-time employees, local employment staff from agencies on the construction sites, offices and onboard the offshore production fleet, i.e. all people working for SBM Offshore.

HSSE incident reporting is registered and managed through the Single Incident Reporting System (SIRS) database for the Company.

SIRS is a reporting system that is used to collect data on all incidents on all units operated by the Company. The system is a web based application and is accessible worldwide from all the locations to facilitate data entry.

The Company also reports on any incidents at subcontractor’s construction facilities if the incident occurs while working on one of the Company’s projects.

Manhours are calculated in three different ways depending on the segment; Offshore Production, Onshore Operations and Onshore construction.

The Company records manhours for Offshore Production based on the unit POB (Persons on Board). Onshore, the Company personnel record their manhours, using an internal Time REGistration system (TREG). Onshore construction yard manhours are reported to the Company by the yards themselves as total manhours worked.

The Company uses manhours records and SIRS data to calculate Health and Safety performance indicators.

The safety statistics are reported based on the incident classifications defined by OSHA, (Occupational Safety and Health Administration) International Industry Standard.

The SIRS system will also record an incident that is classed as environmental, i.e. any unwanted release of pollutants to the environment.

In addition to the SIRS monitoring application; the Monthly HSSE Report issued by the Corporate Head of HSSE, consolidates HSSE records and events for the Group, covering onshore and offshore.

5.1.2 Environmental Reporting

Environmental performance of the 11 production and/or storage units is reported taking into account the following reporting boundaries:

- units in the Company's fleet producing and/or storing hydrocarbons under lease and operate contracts during 2011;
- units in which the Company exercises full operational management control;
- units in which the Company has full ownership or participates in a Joint Venture (JV) partnership, where the Company controls 50% or more of the shares.

Offshore Production environmental performance results are chosen according to the performance indicators relative to GRI. This includes greenhouse gases referred to as GHG, which are N2O, CH4 and CO2, in addition to other non-GHG air emissions, such as CO, NOx, SO2 and VOC. The air emissions calculation from the offshore production units are performed using as the basis for the calculation the method recommended by Oil & Gas UK (OGUK).

The Company uses the WRI Greenhouse Gas Protocol (GHG Protocol) method to calculate CO2 equivalents. Carbon dioxide equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO2 that would have the same global warming potential (GWP), when measured over a specified timescale (generally, 100 years). For more information on the GHG protocol and country specific calculation methods, please see their website: http://www.ghgprotocol.org/calculation-tools.

Environmental spills to air, water or land for the units are reported.

All reported air emissions exclude flaring, as this factor, related to the produced fluids from the oil/gas reservoirs, is reported by the Company’s clients.

5.1.3 Human Resource Reporting

The Company’s Human Resource data covers the worldwide workforce and is broken down into segments of operating units, employment type, gender, and age. The performance indicators report the workforce status at year end on the 31st December 2011.

It includes all staff who were assigned on permanent and fixed-term contracts, employee hires and departures, total number of locally-employed staff from agencies and all crew working onboard the offshore production units. The performance indicators continue to report using the categories of White Collar and Blue Collar staff in 2011. White Collar is defined as staff working at the Company’s corporate and engineering offices and project execution centres. Blue Collar is defined as personnel working in project execution and construction activities onshore at construction yards, as well as offshore personnel employed onboard the offshore production units.

Performance Reviews / Skills management / Training

In order to ensure people development and optimal distribution of resources within the Group, the Company conducts annual performance reviews for all employees. Globally, the Company uses the Hay Competency system to grade and evaluate all permanent staff.

As a complementary parallel to this long-established annual performance review, the Talent Management and Succession Planning programs have been launched in 2009. A process called “People Review” is in place to discuss the strengths, development needs and potential future career paths of SBM employees, taking into account a certain number of criteria, and identify those who have the potential to take on greater leadership roles today and tomorrow. New indicators report on number of people reviewed in 2011.

The total training hours for all Company staff, for both Blue Collar staff and White Collar staff, are included in this report.

5.2 Performance Indicators

5.2.1 Economic

Share Price

Listed as SBM Offshore N.V. on the Euronext Stock Exchange, Amsterdam	2011	2010
Turnover as % of share capital	176.53	161.38
Highest share price in €	20.93	17.16
Lowest share price in €	11.75	11.41
Closing share price in €	15.92	16.77
Closing share price in US$	20.62	22.43

In million of US$ (unless stated otherwise)	2011	2010
Net Profit	(440.6)	276.0
EBIT	(340.6)	362.4
EBITDA	813.2	688.4
Capital expenditure	840.6	519.0
Total equity at year end	1,349.0	2,123.4
Turnover	3,156.8	3,055.8
Total assets at year end	5,290.1	5,073.4
Shareprice (€) at year end	15.92	16.77
AEX-Index at year end	312.5	354.6
Market Capitalisation US$ at year end	3,534.50	3,783.00

2010 is restated for comparison purpose

Total Production of Hydrocarbons

Offshore Production by region	Units	MMbbls	Number of Offloads
Brazil	5	90,474,226	216
Asia	1	3,887,481	10
West Africa	5	66,856,011	123
Total	**11**	**161,217,718**	**349**

5.2.2 Health, Safety, Security (H.S.S.)

SBM Offshore Occupational Health and Safety

	2011	2010
Average absence due to normal illness (percentage days lost through illness per employee)	2.95%	2.6%
Total consolidated million manhours SBM Offshore (including Offshore Production Fleet)	12.32	12.45
Total consolidated million manhours Onshore Operations (excluding Subcontractors)	6.75	6.49
Total consolidated million manhours Offshore Production (excluding installation vessels)	5.57	5.95
Lost Time Accident Frequency Onshore Operations	0.12	0.06
Lost Time Accident Frequency Offshore Production	0.04	0.10
Death during service (natural causes- non work-related)	4	2
Fatalities (death resulting from a work-related incident or illness)	-	-

Subcontractor manhours

	Manhours
Projects	23,828,497

2011 Exposure Hours

	Total
SBM-Monaco	2,621,201
SBM-Atlantia	1,204,802
SBM-Malaysia	846,059
SBM-PC	253,331
SBM-Services	502,471
SBM- Schiedam & SBM- GustoMSC	1,318,834
Dynamic Installer	226,445
Subcontractors	23,828,497
Total	**30,801,640**

Health, Safety and Security

		2011	2010
HSS Accident Statistics for Onshore Operations			
Exposure Hours		6,746,698	6,494,150
Fatality	FAT	-	-
Lost Time Incident	LTI	4	2
Restricted Work Case	RWC	1	1
Medical Treatment Case	MTC	2	3
Near Miss	NM	4	1
LTI Days Lost	Days Lost	12	57
Lost Time Incident Severity Rate	**LTISR**	**0.36**	**1.76**
Lost Time Incident Frequency Rate	**LTIFR**	**0.12**	**0.06**
Total Recordable Incidents	**TRI**	**7.00**	**6.00**
Total Recordable Incident Frequency Rate	**TRIFR**	**0.21**	**0.18**
HSS Accident Statistics Offshore Production			
Exposure Hours		5,573,445	5,950,897
Fatality	FAT	-	-
Lost Time Incident	LTI	1	3
Restricted Work Case	RWC	9	8
Medical Treatment Case	MTC	18	15
Near Miss	NM	63	74
LTI Days Lost	Days Lost	19	64
Lost Time Incident Severity Rate	**LTISR**	**0.68**	**2.15**
Lost Time Incident Frequency Rate	**LTIFR**	**0.04**	**0.10**
Total Recordable Incidents	**TRI**	**28.00**	**26**
Total Recordable Incident Frequency Rate	**TRIFR**	**1.00**	**0.87**
HSS Accident Statistics for Subcontractors (Fabrication/Conversion Yards)			
Exposure Hours		23,828,497	29,817,880
Fatality	FAT	-	-
Lost Time Incident	LTI	13	10
Restricted Work Case	RWC	37	20
Medical Treatment Case	MTC	6	17
Near Miss	NM	63	82
LTI Days Lost	Days Lost	120	170
Lost Time Incident Severity Rate	**LTISR**	**1.01**	**1.14**
Lost Time Incident Frequency Rate	**LTIFR**	**0.11**	**0.07**
Total Recordable Incidents	**TRI**	**56.00**	**47.00**
Total Recordable Incident Frequency Rate	**TRIFR**	**0.47**	**0.32**

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HSS Accident Statistics for Dynamic Installer

Exposure Hours		226,445
Fatality	FAT	-
Lost Time Incident	LTI	-
Restricted Work Case	RWC	2
Medical Treatment Case	MTC	-
Near Miss	NM	4
LTI Days Lost	Days Lost	-
Lost Time Incident Severity Rate	**LTISR**	**-**
Lost Time Incident Frequency Rate	**LTIFR**	**-**
Total Recordable Incidents	**TRI**	**2.00**
Total Recordable Incident Frequency Rate	**TRIFR**	**1.77**

5.2.3 Environmental data

Environmental Data Offshore Production, Recordable Spills

	2011	2010
Offshore Production Units	7	11
Contained Spills Onboard	5	15
External Spills to Environment	6	5

GHG Emissions excluding Flaring

	2011		
Values expressed in millions of tonnes CO2 equivalent	CO_2	CH_4	N_2O
Brazil			
Marlim Sul	0.225	0.001	0.005
Brasil	0.167	0.001	0.004
Espadarte	0.017	-	-
Capixaba	0.354	0.002	0.008
Espirito Santo	0.237	0.002	0.006
Asia			
Yetagun	0.004	-	0.093
West Africa			
Xikomba	0.024	-	0.001
Mondo	0.375	0.003	0.009
Saxi Batuque	0.326	0.002	0.008
Kuito	0.187	0.001	0.004
Sanha	0.005	-	-
Total	**1.923**	**0.012**	**0.138**

Other Atmospheric Emissions excluding Flaring

Values expressed in tonnes	2011 CO	NOx	SO2	VOC's
Brazil				
Marlim Sul	211	446	14	3
Brasil	173	369	5	3
Espadarte	13	37	7	0
Capixaba	364	756	13	5
Espirito Santo	247	512	5	3
Asia				
Yetagun	11	50	5	1
West Africa				
Xikomba	18	57	15	1
Mondo	390	797	3	5
Saxi Batuque	341	652	4	4
Kuito	161	385	59	5
Sanha	1	4	5	0
Total	**1,930**	**4,066**	**135**	**30**

Greenhouse Gas Emissions Comparison

Values expressed in tonnes	2011	2010
Number of Offshore Production Units	11	11
N2O	147	159
CH4	580	640
CO2	1,923,149.6	2,076,229.8

Source: DEFRA - Environmental Key Performance Indicators; Reporting Guidelines for UK Business; Chapter 4. Page 28 4.1 Emissions to Air KPI 1 Greenhouse Gases

Non Greenhouse Gas Emissions Comparison

Values expressed in tonnes	2011	2010
Number of Offshore Production Units	11	11
CO	1,930	2,325
NOx	4,066	5,310
SO2	135	128
VOC	30	61

Regional CO2 Emissions

Values expressed in tonnes	2011	2010
Number of Offshore Production Units	11	11
Brazil	1,000,312	857,694
Asia	4,360	5,017
West Africa	918,477	1,213,519
Total	**1,923,149**	**2,076,230**

Indirect Energy Consumption

	2011	2010
Electrical Usage		
Total electrical usage kWh	10,846,367	10,339,123
Total electrical usage tonnes C02 equivalent	4,290	4,063
Heating Fuel Consumption		
Total heating fuel consumption in kWh	213,501	-
Total office energy consumption		
Total office energy consumption in kWh	**11,059,868**	**10,339,123**
Total office energy consumption in CO2 equivalent	**4,347**	**4,063**

Calculated using World Resource Insititute Greenhouse Gas Protocol: www.ghgprotocol.org/calculation-tools

5.2.4 Human Resources (H.R.)

Permanent Employees Headcount by Operating Unit and Gender

	Female	Male	Total	Ratio of females
SBM- GustoMSC	13	97	110	12%
SBM- Schiedam	82	314	396	21%
SBM- Atlantia	133	348	481	28%
SBM- Malaysia	133	300	433	31%
SBM- Monaco	391	1,137	1,528	26%
SBM- Services	47	169	216	22%
SBM- PC	141	1,249	1,390	10%
SBM Offshore- Group functions	59	72	131	45%
Onshore	**90%**	**69%**	**73%**	**26%**
Offshore	**10%**	**31%**	**27%**	**8%**
Total	**969**	**3,686**	**4,655**	**21%**

Permanent and Contract Employees Headcount by Operating Unit

	Headcount permanent employees	Headcount contract employees	Total headcount employees	Ratio of contract employees
SBM- GustoMSC	110	20	130	15%
SBM- Schiedam	396	102	498	20%
SBM- Atlantia	481	37	518	7%
SBM- Malaysia	433	7	440	2%
SBM- Monaco	1,498	740	2,238	33%
SBM- Services	216	41	257	16%
SBM- PC	1,390	609	1,999	
SBM Offshore- Group functions	131	9	140	6%
Blue collar	**1,930**	**908**	**2,838**	**32%**
White collar	**2,725**	**657**	**3,382**	**19%**
Total	**4,655**	**1,565**	**6,220**	**25%**

Permanent Employees Headcount by Operating Unit by Age Brackets

	Under 30 Years	30-50 Years	Above 50 Years
SBM- GustoMSC	18	69	23
SBM- Schiedam	65	257	74
SBM- Atlantia	47	306	128
SBM- Malaysia	85	314	34
SBM- Monaco	562	816	120
SBM- Services	42	137	37
SBM- PC	225	830	335
SBM Offshore- Group functions	12	91	28
Total	**1,056**	**2,820**	**779**

Permanent Employees Headcount by Operating Unit by Seniority

	Under 5 Years	Between 5 to 10 Years	Between 10 to 15 Years	Above 15 Years
SBM- GustoMSC	49	26	17	18
SBM- Schiedam	212	100	54	30
SBM- Atlantia	256	180	35	10
SBM- Malaysia	362	60	9	2
SBM- Monaco	1,134	202	88	74
SBM- Services	112	59	27	18
SBM- PC	925	326	106	33
SBM Offshore- Group functions	69	22	17	23
Total	**3,119**	**975**	**353**	**208**

Permanent Part Time Employees Headcount by Operating Unit

	% Part Time employees	% Female Employees	% Male Employees
SBM- GustoMSC	24%	31%	69%
SBM- Schiedam	20%	47%	53%
SBM- Atlantia	1%	33%	67%
SBM- Malaysia	0%	0%	0%
SBM- Monaco	2%	97%	3%
SBM- Services	3%	100%	0%
SBM- PC	1%	86%	14%
SBM Offshore- Group functions	9%	100%	0%
Total	**3%**	**61%**	**39%**

Permanent Employees Turnover Headcount by Operating Unit

	Turnover headcount	Total headcount	Turnover rate
SBM- GustoMSC	7	110	6%
SBM- Schiedam	29	396	7%
SBM- Atlantia	100	481	21%
SBM- Malaysia	57	433	13%
SBM- Monaco	123	1,498	8%
SBM- Services	12	216	6%
SBM- PC	206	1,390	15%
SBM Offshore- Group functions	17	131	13%
Total	**551**	**4,655**	**12%**

excluding internal changes of staff between execution centres and UAE yard figures

Permanent Employees Turnover by Category

	Turnover headcount	Total headcount Permanent	Turnover rate
Resignation	379		8.1%
Dismissal	144		3.1%
Retirement	12		0.3%
Fatalities non work related	4		0.1%
Fatalities work related	-		0.0%
Undefined	12		0.3%
Total	**551**	**4,655**	**11.8%**

Permanent Employees Turnover by Age Brackets

	Turnover Headcount	Total permanent headcount	Turnover rate
Age <30	137	4,655	11.8%
Age 30-50	280		
Age >50	134		
Total	**551**		

Employees Training Hours by Operating Unit

	Total number of training hours	Total training hours per eligible employee
SBM- GustoMSC	1,685	15.3
SBM- Schiedam	14,737	37.2
SBM- Atlantia	5,827	12.1
SBM- Malaysia	7,219	16.7
SBM- Monaco	24,313	2.5
SBM- Services	5,203	24.1
SBM- PC	70,154	-
SBM Offshore- Group functions	3,810	28.9
Offshore	**67,284**	**55.3**
Onshore	**65,664**	**18.6**
Total	**132,948**	

Eligible employee scope includes all permanent employees+ some contractors (Fleet)+ Paenal staff

Employees Training Hours for Fleet only

Total training hours for 2011	67,284
Training indicator hours/ eligible employees	55.3

Eligible employee scope includes all permanent employees + some contractors

Permanent Employees Performance Appraisals and skill mapping and developping process

Employees headcount eligible to Performance Appraisals	3,429
Performance appraisals completed	96.1%
Employees headcount eligible to People Review	1,298
People Review indicator	100.0%

All permanent employees are eligible to performance appraisal+ some long term contractors

Women Men Equality

% of Women in management position	11%
% of Women in management position Offshore	4%
% of Women in management position Onshore	13%
Ratio basic salary women/ men for Onshore	67%

5.2.5 Donations

SBM Offshore Donations

In thousand US$	Total
Total	**2,133.27**

5.3 GRI Index Level C

GRI Index Level C

	GRI	Links
Vision and Strategy		
Sustainability. vision and strategy	1.1	1.6.4, 2.1.7.3, 3.3
Organisational Profile		
Name of organisation	2.1	1.3.2
Primary products	2.2	1.1, 1.3.1
Operational structure	2.3	Company org. chart, 1.3.2
Location of HQ	2.4	1.3.1
Countries of operation	2.5	1.8, 1.6.4.2
Nature of ownership	2.6	1.5, 4.2.6.1
Markets served	2.7	1.3.1.1, 1.8, 3.1, 3.2
Scale of reporting organisation	2.8	1.4, 1.5.3, Company org. chart, 3.2, 3.8.3.1, 4.2.6.37, 5.2.4
Significant changes	2.9	1.5, 3.1.2
Awards received	2.10	3.4.3.2
Report Parameters		
Reporting period	3.1, 3.2, 3.3, 3.4	4.2.6.1, 5.1
Reporting boundaries	3.5, 3.6, 3.7	1.5.6, 1.8, Company org. chart, 3.9.2, 4.2.6.37
Basis for reporting including JV	3,8	5
Re-statements	3,10	5, 5.2.3
Significant changes	3.11	
GRI tables	3.12	
Governance, Commitments, and Engagement		
Governance	4.1, 4.2, 4.3, 4.4	1.3, 1.5, 1.6, 3.5.1, 3.5.4
Stakeholder engagement	4.14	1.3.2, 1.5.3, 3.9.2, 3.9.3
Economical Performance indicators		
Employees	EC3	1.4
Environmental Performance indicators		
Direct and indirect energy consumption	EN3. EN4	5.2.3
Initiatives and reductions in energy requirements	EN6	1.7.2, 3.7.5.4.2
GHG and non GHG Emissions	EN16. EN17. EN20	5.2.3, 3.7.5.3
Number and volume of spills	EN23	5.2.3, 3.7.5.2
Labour practices and decent work		
Employment	LA1. LA2	5.2.4
Labour/ Management relations	LA4	3.8.5.1
Health and Safety	LA7. LA8	5.2.2, 3.7.2.2, 3.7.2.3, 3.6.12.5
Training and Education	LA10. LA11. LA12	3.8.5, 3.8.5.2, 3.9.5, 3.8.2.1, 5.2.4
Diversity and Equal opportunity	LA13	3.8.3.2, 5.2.4
Society		
Community	SO1	3.9.3, 1.6.4.2, 5.2.5
Corruption	SO2, SO3	3.9.1

5.4 Notes

5.4.1 Note 1

The exposure hours, incidents and frequency rates shown below include all hours recorded on TREG (including SBM-PC) and any incidents recorded at SBM Offices and premises.

5.4.2 Note 2

FAT: Fatality

LTI: Lost Time Incident

RWC: Restricted Work Case

MTC: Medical Treatment Case

NM: Near Miss

Days Lost: LTI Days Lost

LTISR: Lost Time Incident Severity Rate

LTIFR: Lost Time Incident Frequency Rate

TRI: Total Recordable Incidents

TRIFR: Total Recordable Incident Frequency Rate

5.4.3 Note 3

The Total Recordable Incidents is the sum of the Fatalities, Lost Time, Restricted Work Case and Medical Treatment Case incidents, but exclude First Aid Case and Near Miss Incidents.

TRI = FAT+LTI+RWC+MTC

TRIFR = (TRI x 200,000)/ EH

Where:

TRI = Total Recordable Incidents

200,000 = base for 100 equivalent full-time workers

(Working 40hrs per week, 50 weeks per year)

EH = Exposure Hours, total hours worked by all employees

LTIFR = (LTI x 200,000)/ EH

Where:

LTI = the number of Lost Time Incidents

200,000 = base for 100 equivalent full-time workers

(Working 40hrs per week, 50 weeks per year)

EH = Exposure Hours, total hours worked by all employees

LTISR = (Days Lost x 200,000)/ EH

Where:

Days Lost = LTI Days Lost

200,000 = base for 100 equivalent full-time workers

(Working 40hrs per week, 50 weeks per year)

EH = Exposure Hours, total hours worked by all employees

5.5 Key sustainability figures

Key Sustainability Figures

	2011	2010	2009	2008	2007
HSS					
LTIFR Offshore Production	0.04	0.10	0.03	0.04	0.03
TRI Offshore Production	28	26	17	16	40
TRIFR Offshore Production	1.00	0.87	0.59	0.60	2.29
LTIFR Onshore Operations	0.12	0.06	-	0.13	-
TRI Onshore Operations	7	6	1	6	4
TRIFR Onshore Operations	0.21	0.18	0.03	0.21	0.16
LTIFR Subcontractors	0.11	0.07	0.04	0.11	0.04
TRIFR Subcontractors	0.47	0.32	0.22	0.44	0.18
Fatalities (1)	-	-	-	-	-
Fatalities during service (natural causes - non work related)	4	2	7	3	3
Absence due to normal illness	2.95%	2.60%	2.50%	2.60%	2.30%
Total consolidated million manhours SBM Offshore Group (including Offshore Production Fleet)	12.32	12.45	12.36	11.08	8.5
Environment					
CO2 Emission from Offshore Production in millions of tonnes (2)	1.923	2.076	1.824	1.737	1.2967
Electricity usage in kWh	11,059,868	10,339,123	10,478,068	10,554,568	10,056,021
Indirect CO2 emissions in tonnes	4,347	4,063	4,113	4,008	3,924
Human Resources					
Total Employees	6,220	5,758	5,389	5,151	4,402
Contract Permanent ratio	25%	29%	36%	42%	51%
Total Permanent employees	4,655	4,114	3,460	3,617	2,909
Total contractors	1,565	1,644	1,929	1,534	1,493
Total percentage of women in permanent workforce	21.0%	21.5%	21.0%	22.0%	22.0%
Total Offshore Employees	1,862	1,829	1,488	1,562	1,587
Total Onshore Employees	4,358	3,929	3,901	3,589	2,815
Total number of part-time employees	162	143	136	127	116
% of part time workforce	3.0%	3.0%	2.5%	3.5%	2.6%
% of part time female	61%	62%	64%	60%	62%
% of part time male	39%	38%	36%	40%	38%
Employee Turnover Rate					
Turnover rate	11.9%	10.1%	8.7%	11.0%	13.0%
Resignation	8.1%	6.6%	4.8%	8.4%	10.3%
Dismissal	3.1%	2.7%	2.7%	1.8%	2.0%
Retirement	0.3%	0.7%	1.0%	0.7%	0.6%
Death in Service (3)	0.1%	0.0%	0.2%	0.1%	0.1%
undefined	0.3%	-	-	-	-
Appraisals					
Permanent Staff- Onshore	96.0%	92.0%	94.0%	91.5%	92.5%
Permanent Staff - Offshore	90.0%	98.0%	96.0%	95.7%	100.0%
Competency Training Indicators					
Offshore Production Training hours per eligible employee	55.3	41.7	22.5	26.6	41.4
Onshore Operation training hours per eligible employee (including PAENAL)	18.6	28.3	26.9	42.6	16.4

(1) from work related incidents

(2) CO2 emissions form offshore production has been re-stated for 2009

(3) Natural causes

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