SBM Offshore

Annual Report 2008

Technology Creating Value



SBM Offshore
Annual Report 2008


FPSO FRADE
NASSAU

Message from the CEO

Looking back, 2008 has been a year with both positives and negatives. We have seen record turnover and our order backlog reached a new high. The lease fleet and our services business continued to provide excellent results, however, our net profit was disappointing as two of our major FPSO projects incurred cost and schedule overruns during their finalisation phase. These projects faced problems essentially caused by an overheating market for equipment and construction services which diverged significantly from the market conditions assumed in the bid proposal and was incompatible with contractual requirements. Much focus has been placed on understanding the underlying problems and implementing enhanced procedures and controls to ensure that project execution performance returns to the level that the Company has traditionally achieved.

In 2008, we were engaged with the execution of eleven major projects of which three were delivered during the course of the year. The increase in our business over the last years, with the associated build-up of our execution capability, has established SBM Offshore as one of the major contractors in the offshore oil and gas sector.

The strong order book puts us in a relatively secure position going forward, with several important project deliveries planned in 2009 and 2010. The recent oil price collapse and the subsequent expected slow down in the award of new contracts, makes it however difficult at this time to provide a full year profit expectation for 2009.

We expect that the demand for our products and services will remain strong in the medium to long term due to the necessary increasing development of deepwater oil and gas reserves to meet world energy requirements. We are developing further innovative technology to meet these future needs. We continue to aim for steady growth, sustaining our market leader position as a service provider and reliable partner for our clients.

We are convinced that the Company has a robust business model, as has been demonstrated by past performance, providing attractive returns to you our shareholder. We thank our employees for their efforts. Their dedication is essential to the further development of SBM Offshore.

Tony Mace

FPSO Frade departure from Dubai

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FPSO Saxi Batuque in operation offshore Angola

Corporate Profile

Introduction

SBM Offshore N.V. (SBM Offshore, 'the Company') is a multinational group of companies selling systems and services to the Oil and Gas industry. The Company's clients are mainly the offshore oil and gas producing companies, both private and government owned, and its market position has been established in a strongly competitive environment. SBM Offshore operates through operating companies that are among the leaders in their respective niche markets. The Company currently employs over 5,000 people.

Product line

SBM Offshore's activities include the engineering, supply and offshore installation of floating facilities for the production, storage and export of crude oil, gas and Liquefied Natural Gas (LNG). These comprise Floating Production Storage and Offloading systems (FPSOs), Floating Storage and Offloading systems (FSOs), Tension Leg Platforms (TLPs), monohull and semi-submersible Floating Production Units (FPUs), as well as self elevating Mobile Offshore Production Units (MOPUs).

SBM Offshore was the pioneer in 1979 in offering an integrated oil and gas production service to an oil company through the investment in an F(P)SO for its own account and the leasing and operation of the facility offshore. This concept is now considered as a mainstream production means by the oil industry, particularly in deep and remote waters, and the lease and operate business has become a major component of the Company's activity.

Included in the product line are all the systems, mostly based on the Single Point Mooring principle, used to moor crude oil and gas carriers in open seas for the purpose of loading or offloading cargoes. Derived from the same technology, the complex mooring systems required to keep floating production facilities on station on the oil and gas fields are also a core product of the Company; they are of various types such as fixed heading or weathervaning, permanent or disconnectable.

In addition to these activities, the Company provides design and engineering services, and for certain opportunities enters into turnkey supply contracts for crane vessels, pipelay barges and drilling units of all types, such as monohull, jack-up and semi-submersible.

FPSO Frade - Detail of Turret and Topsides during departure from Dubai

In support of all the above, another steady activity which represents a substantial element in the Company's business is the provision of specialised services such as maintenance, spare parts, repairs and offshore installation. This forms an essential complement to the sales of facilities, offering to clients a comprehensive and integrated service.

The Company has added the LNG FPSO to its product line to respond to the expected future demand for offshore production of LNG from stranded gas fields.

Strategy and organisation

SBM Offshore currently operates from four main execution centres: Engineering and Project Management resources are located in Schiedam, Monaco, Houston and Kuala Lumpur with regional management supported by corporate functions. The operation of the leased production/storage units is managed by region and supported from Monaco and corporate functions are located in each of Schiedam, Marly (Switzerland) and Monaco. In addition to these main centres, the Company is present in several countries for regional marketing and sales, local management of offshore operations and construction activities.

The Company sells or leases offshore facilities generally by outsourcing all hardware components and construction services. Therefore, it does not own any manufacturing plant, construction yard or shipyard with the exception of a partially owned construction yard currently being built in Angola. However, it possesses in-house all the engineering, project management and offshore installation competencies to execute large complex systems, without having to rely on external resources, except for the LNG FPSO topsides, as explained later.

In respect of the Company's activities including both the sales of facilities and the lease and operate activities, there is a set of established and centrally controlled financial and strategic rules as well as a Group Management System defining the Company procedures. The Company's Corporate Engineering Standards ensure a common design approach in the four execution centres and facilitate the optimal use of the skills and global resources available for the execution of large and complex projects.

The corporate culture is characterised by market-oriented technology innovation. SBM Offshore is a trendsetter in the development of new cost-saving solutions which optimally respond to clients' changing needs. In order to protect and expand its leading market position, it devotes significant attention to research, development, and the protection of Intellectual Property, as well as to the management of financial and technical risks.

The 'Normand Installer' in action during hookup at FPSO Espirito Santo in Brazil

Snapshot 2008

Item (US$ mln)	2008	2007	Movement	%	Comment
Net profit	**227.9**	266.8	(38.9)	(14.6)	Operational profits down in Turnkey
Per share (US$)	**1.54**	1.85	(0.31)	(16.8)	Operational profits down in Turnkey
EBIT	**275.1**	302.0	(26.9)	(8.9)	Expanding lease fleet; Turnkey cost overruns
EBITDA	**530.1**	548.3	(18.2)	(3.3)	Expanding lease fleet; Turnkey cost overruns
Enterprise value (EV)	**3,366.8**	5,432.3	(2,065.5)	(38.0)	Market capitalisation down; net debt increased
Net debt	**1,464.0**	874.7	589.3	67.4	Lease fleet investments require new debt
Net Debt: EBITDA	**2.76**	1.60	1.16	72.5	Comfortably within bank covenants
EV : EBITDA	**6.4**	9.9	(3.5)	(35.4)	EV down
Turnover	**3,060.3**	2,871.2	189.1	6.6	Lease and operate revenue up
EBIT: Turnover (%)	**9.0**	10.5	(1.5)	(14.3)	Turnkey margins suffered
Cash flow	**482.9**	513.1	(30.2)	(5.9)	Expanding lease fleet; Turnkey cost overruns
Per share (US$)	**3.34**	3.61	(0.27)	(7.5)	
Net cash	**230.1**	274.1	(44.0)	(16.1)	Comfortable level
Capital expenditure	**999.8**	551.3	448.5	81.4	High level of investment in operating leases
Total Equity	**1,240.9**	1,337.7	(96.8)	(7.2)	Mark to market of hedge portfolio reduced equity
Capital employed	**2,740.9**	2,257.4	483.5	21.4	Net debt increased
ROACE (%)	**11.0**	15.1	(4.1)	(27.2)	EBIT down; average capital employed increased
ROE (%)	**17.7**	21.7	(4.0)	(18.4)	Net profit down, average equity down
Net Debt: Equity (%)	**118.0**	65.4	52.6	80.4	Well within target range
EBITDA interest cover	**13.1**	24.5	(11.4)	(46.5)	Higher net interest charge
New orders:					
- Leases	**1,437.8**	1,936.5	(498.7)	(25.8)	One major lease contract
- Turnkey	**2,927.7**	1,886.1	1,041.6	55.2	Includes two complex FPSOs
Backlog:					
- Leases	**6,278.0**	5,650.3	627.7	11.1	A new record
- Turnkey	**2,968.9**	2,304.3	664.6	28.8	Over 1 year equivalent turnover
Share price 31/12 (€)	**9.35**	21.60	(12.25)	(56.7)	
AEX-index	**245.9**	515.8	(269.9)	(52.3)	
Market capitalisation (€)	**1,361.3**	3,095.8	(1,734.5)	(56.0)	Share price fall
Market capitalisation (US$)	**1,902.9**	4,557.6	2,654.7	(58.2)	Share price fall and € weakened against US$
Proposed dividend (US$)	**0.93**	0.93	-	-	Maintained at prior year level

Highlights 2008

Financial

- net profit of US$ 227.9 million (US$ 266.8 million in 2007);
- non-recurring sales of assets generated net profit of US$ 31 million (US$ 5 million in 2007);
- dividend of US$ 0.93 per share payable 50% in cash, 50% in shares (US$ 0.93 in 2007);
- EBITDA of US$ 530.1 million (US$ 548.3 million in 2007);
- EBIT of US$ 275.1 million (US$ 302.0 million in 2007);
- EBIT margin 9.0% (10.5% in 2007);
- new orders totalled US$ 4,365 million (US$ 3,822 million in 2007);
- turnover up to US$ 3,060 million (US$ 2,871 million in 2007);
- investment in fixed assets of US$ 1,000 million (US$ 551 million in 2007);
- excellent performance of the FPSO fleet generated substantial bonus revenues.

Lease & Operate

- FPSO Mondo started operation offshore Angola;
- FPSO Saxi Batuque started operation offshore Angola;
- FPSO Espirito Santo installed offshore Brazil;
- new 12 year lease contract from Petrobras for the existing FPSO Capixaba for Cachalote field in Brazil;
- one-year extension from Exxon Mobil for the FPSO Falcon;
- end of lease contracts for FPSO Mystras, FPSO Tantawan Explorer, FPSO Rang Dong I and FSO Okha.

Turnkey Supply & Services

- turnkey supply contract for FPSO P-57 with Petrobras for Brazil;
- turnkey supply contract for FPSO Okha (replacement of FPSO Cossack Pioneer) with Woodside Energy Ltd. for Australia;
- a call off frame contract for the supply of FPSOs for Angola with BP Angola.

Expectations 2009

- in the current economic climate, awards of a number of oil and gas projects targeted by the Company in 2009 are likely to be delayed. As a result the Company is not in a position at this time to provide net profit expectations for full-year 2009;
- EBIT contribution from the Lease and Operate segment is expected to be close to the level achieved in 2008, excluding the impact of non-recurring items;
- investment in fixed assets of US$ 0.5 billion (excluding any new operating lease contracts to be obtained in 2009);
- average EBIT margins in 2009 in the Turnkey Supply and Services segment are expected to return to the 5% - 10% range;
- net interest charge in 2009 will double compared to 2008 due to start of operations on major lease contracts and low expected interest income on liquidities;
- projected gearing at or below the current level, with debt ratios well within all financing covenants;
- quarterly trading updates will be provided in 2009.

Shareholder information

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 0.62% on 31 December 2008. Options on Company shares have been traded since 7 July 1993 on the Euronext Amsterdam Derivative Markets.

Share price development

The share price decreased by 56.7% from € 21.60 at the start of the year to € 9.35 at 31 December 2008, compared to a decrease of the AEX index of 52.3% over the same period. In US Dollar terms the decrease of the share price in 2008 was 58.9%, from US$ 31.80 to US$ 13.07.

Average daily liquidity in 2008 amounted to around 1.75 million shares, equivalent to 310% of the average number of outstanding shares on an annual basis.

Market capitalisation at 31 December 2008 was € 1,361 million compared with € 3,096 million at the end of 2007, a decrease of 56.0%. The equivalent figures in US Dollars show a market capitalisation at the end of 2008 of US$ 1,903 million, down by 58.2% from US$ 4,558 million at 31 December 2007.

Number of outstanding ordinary shares

The total number of ordinary shares in SBM Offshore showed the following movements during the year 2008:

Balance 1 January 2008	143,323,681
Stock dividend	1,300,774
Options exercised	759,200
Bonus and performance shares	230,333
Balance 31 December 2008	145,613,988

Shareholders

As the shares are being 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, of whom the large majority is Anglo-American.

FPSO Espirito Santo at anchorage in Singapore prior to sail-away to Brazil

	Turnover as % of share capital	Highest share price in €	Lowest share price in €	Closing Share price In €	Closing share price in US$
2004	179.69	11.77	8.39	11.69	15.87
2005	170.26	18.14	11.44	17.06	20.10
2006	221.22	26.45	17.19	26.05	34.33
2007	240.52	31.52	19.85	21.60	31.80
2008	309.94	26.77	8.72	9.35	13.07

Share prices for the years 2004 through 2006 are restated for the four for one share split effected on 2 June 2006.

At 31 December 2008, three institutional investors, Capital Research and Management Company and Capital Income Builder Inc, both from the United States of America, and Schroders Investment Management from the United Kingdom have, as required under the Major Holdings in Listed Companies Disclosure Act, disclosed an interest in the capital of SBM Offshore in excess of 5%.

At 31 December 2008, employees of the Company own 727,472 shares in SBM Offshore through an Employee Share Ownership Plan (ESOP).

Dividend

The dividend proposal will be to maintain the same dividend level as for 2007, at US$ 0.93 per share, representing an exceptional pay-out ratio of 60%. To preserve balance sheet flexibility and cash-flow predictability the dividend will also, exceptionally, be payable 50% in cash and 50% in shares.

As in previous years, the annual dividend will be calculated in US Dollars, but will be payable in Euros. The conversion into Euros will be effected on the basis of the exchange rate on 14 May 2009. The same exchange rate will apply for the dividend payment in shares of SBM Offshore.

Based on the year-end closing price, the proposed dividend of US$ 0.93 per share gives a yield of 7.12% per share.

It is the Company's intention to return to the usual 50% of net profit pay-out ratio for 2009, with the choice of payment of the dividend in cash or in shares of SBM Offshore at the election of each shareholder.

Tow-out of semi-submersible production platform Thunder Hawk for Gulf of Mexico

Business Drivers and Competitive Position

Business drivers

- Global oil and gas supply/demand determining the oil price level: the main driver fuelling E&P budgets;
- Exploration and discoveries in deep and ultra deep offshore;
- Upcoming market for LNG export/import infrastructure and services;
- Longer term market for offshore floating LNG production plants;
- Discovery of satellite reservoirs for tie-back to central production facilities in deep water;
- Continuing demand for sea borne oil transportation.

Threats

- Competition from Korean and Chinese shipyards for large turnkey FPSO projects;
- Competition from existing FPSO companies gaining experience and market share;
- Shortage of qualified engineering and project management resources in the industry;
- Volatility of input costs particularly on the equipment supply sector (pressure decreasing on construction and shipyard capacity);
- Lower oil price potentially causing delay in project sanction by oil companies;
- Credit restrictions causing some oil companies to cancel or postpone projects and limiting the Company's ability to grow the lease fleet.

Competitive edge

- Flexibility in capacity with four execution centres;
- All construction outsourced;
- New, cost effective, patented, technical solutions for producing in increasingly deep water;
- Comprehensive toolbox for deepwater developments;
- In-house integrated competence to manage, design, supply, install and operate complete, complex offshore oil and gas production facilities;
- Fit-for-purpose F(P)SO concept, based on 168 years of cumulative F(P)SO operating experience;
- Patented technology on LNG components;
- Leading position in the development of an LNG floating production project;
- Track record – Clients' high opinion on safety and performance;
- Financial strength and reputation;
- Strategic partnerships with e.g. Sonangol, Petronas Group, Linde;
- Extension of lease contracts or redelivery of units with available residual life.

Competitive disadvantages

- Less competitive edge on the low end of the FPSO market.

SBM Offshore Corporate Mission

Towards Clients

- to provide superior products and services through innovative, fit-for-purpose and competitive solutions for the offshore oil and gas industry;
- to design, construct, install, maintain and operate such facilities in a safe and environmentally sound manner.

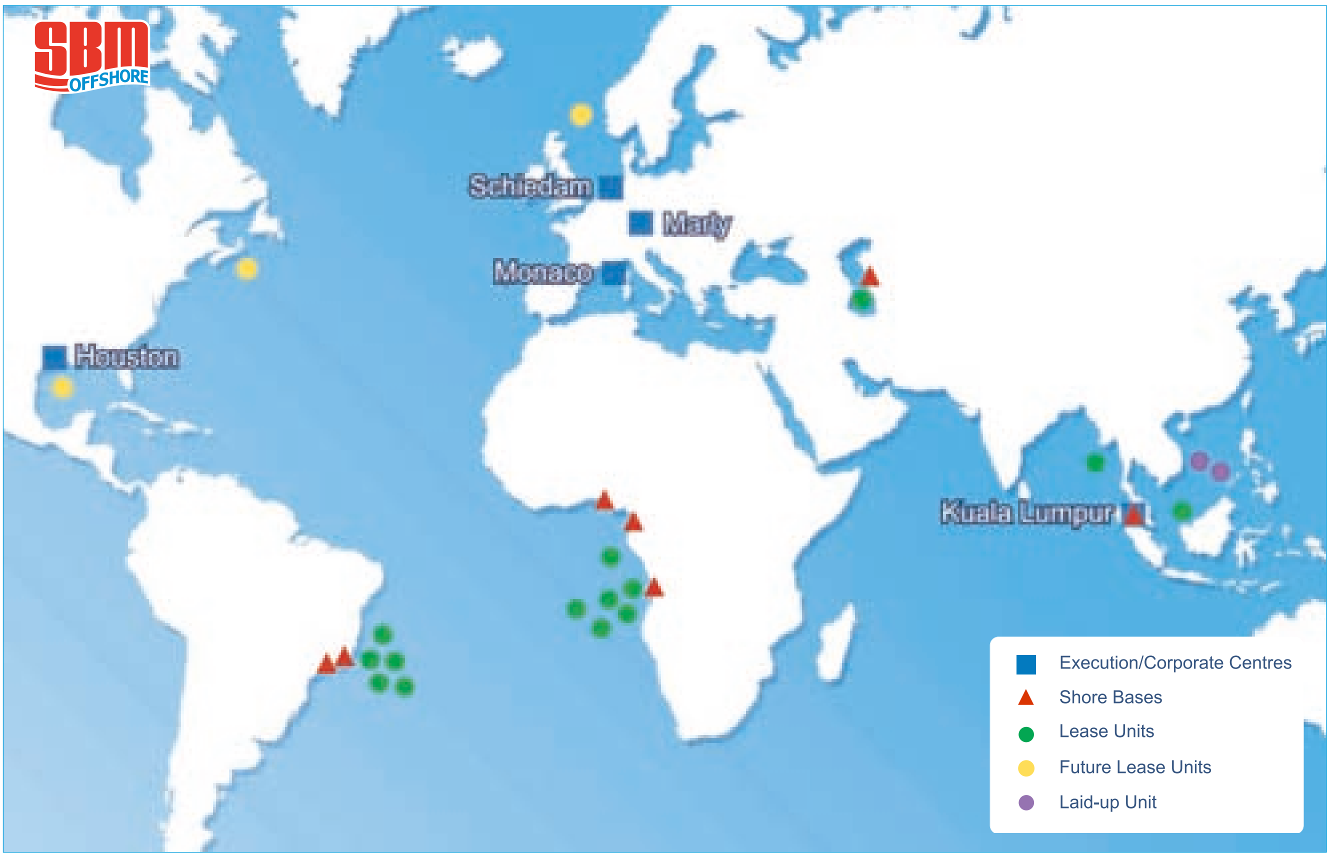
Towards Employees

- to generate an attitude of enthusiasm and pride throughout the Company, through developing high-technology products and providing a most favourable environment for professional and personal development, and to highly reward it.

Towards Shareholders

- to constantly improve our know-how and efficiency, with the objective to generate returns well above cost of capital;
- to maintain a high degree of transparency and reliability;
- to provide double digit average yearly EPS growth.

SBM Offshore Worldwide



Section II
Report of the Supervisory Board

A 'bird's-eye' view of the deck of the FPSO Espirito Santo

Report of the Supervisory Board

Introduction

The Supervisory Board of SBM Offshore N.V., hereby presents the Annual Report 2008 incorporating the Financial Statements to be discussed and adopted in the Annual General Meeting of Shareholders on Thursday 14 May 2009. 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 annual 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 annual 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.

In the context of the financial crisis and with the objective of demonstrating its confidence that the failure to meet the guidance has been an exceptional event the Management Board has made a dividend proposal at the same level as last year 2007, US$ 0.93 per share, and, in order to maintain balance sheet flexibility and predictable cash flow the dividend will, exceptionally, be payable 50% in cash and 50% in shares. The Supervisory Board is in agreement with the proposal made.

Composition of the Supervisory Board

At the Annual General Meeting (AGM) of 15 May 2008, Mr. J.D.R.A. Bax and Mr. R.H. Matzke stepped down. The shareholders reappointed Mr. L.J.A.M. Ligthart and appointed Mr. F.G.H. Deckers, Mr. T. Ehret and Mr. D.H. Keller as Supervisory Directors.

Mr. R. van Gelder has reached the end of his first four-year term as a Supervisory Director, of which for the past two years he was Chairman of the Remuneration Committee. Mr. van Gelder's all-round knowledge of contracting industries and Corporate Governance matters have been of significant benefit to the Company and the Supervisory Board will propose to the AGM of 2009 to reappoint Mr. van Gelder for a second four-year term.

Assembly of the MOPUstor™ substructure

Composition of the Committees of the Supervisory Board

In his role as Supervisory Director, Mr. Ligthart was appointed Vice-Chairman of the Supervisory Board, Chairman of the Audit Committee and member of the Selection & Appointment Committee. Mr. Deckers, was appointed a member of the Audit Committee.

The Chairman of the Remuneration Committee, Mr. van Gelder, was appointed as a statutory director of Heijmans N.V. on 1 July 2008. In this respect, the position of Mr. van Gelder as Chairman of the Remuneration Committee is no longer in line with best practice provision III.5.11 of the Dutch Corporate Governance Code. However, as the position of Mr. van Gelder is a temporary position in a Dutch based company primarily active on the Dutch market, the Supervisory Board is of the opinion that there is no conflict of interest and therefore the Supervisory Board has requested Mr. van Gelder to continue in his role as Chairman of the Remuneration Committee.

The newly appointed Supervisory Directors, Mr. Ehret and Mr. Deckers are following an induction programme. During this programme, the overall strategy of the Company, its organisation, its business model and the associated risks as well the general financial, social and legal affairs are presented. In addition, visits to the various execution centres and meetings with their respective management have taken place or are scheduled for 2009. So far the execution centres in Schiedam, Monaco and Houston have each been visited.

Meetings of the Supervisory Board

In 2008, the Supervisory Board held eight meetings, of which six were regular meetings and two were extra-ordinary meetings. Between meetings, there was regular contact between the Chairman and the CEO, as well as regular contact between Supervisory Directors and the Board of Management.

The regular Supervisory Board meetings were in each case preceded by a pre-meeting in which the following items were discussed: succession planning of the Supervisory Board, composition of the committees of the Supervisory Board, and composition of the Management Board. One pre-meeting was dedicated to discussing the performance of the Supervisory Board as a whole and its individual Directors. In addition, the performance of the Board of Management and its individual members was discussed with the CEO and continued in a private session amongst the Supervisory Directors.

All Supervisory Directors attended the Supervisory Board meetings on a regular basis. There were no repeated absences of any of the Supervisory Directors.

In early May 2008, members of the Supervisory Board travelled to the Middle East to visit the Company's ongoing construction operations in the region. The TDS drilling rig projects, the Talisman MOPUstor™ Yme project, and the Chevron FPSO Frade project were all visited at their respective construction yard or shipyard locations. At each site, project management was interviewed and information about the project progress was provided.

Other than its general activities and responsibilities as laid down in the Articles of Association and the Rules governing the Supervisory Board principles and best practices, the subjects that the Supervisory Board has followed particularly closely in 2008 include:

- strategy of the Company for achieving long-term growth and enhancing shareholder value, including new products and markets, contracting structures and finance strategy;
- succession planning for the Board of Management and the Supervisory Board;
- remuneration of the Management Board;
- risk management systems and controls;

- corporate social responsibility;
- safety performance;
- developments in legislation and corporate governance regulations and best practice;
- meetings with senior staff in Houston and Monaco;
- material tenders and contract awards;
- impact on the Company of the financial crisis;
- Company's storage vessel operations in Myanmar.

An extraordinary Supervisory Board meeting was held on 11 July 2008. The Management Board informed the Supervisory Board of the unexpected increase in cost overruns on two major projects and the consequence of a downward adjustment to the US$ 280 million net result forecast. The Management Board made an announcement to the financial markets on the same day.

The Management Board assigned a third party to analyse the cost overruns and the business processes applied on some major contracts. This report was distributed by the Management Board to the Supervisory Board and discussed in the subsequent meeting. More information can be found in the Report of the Board of Management.

In the second extraordinary Supervisory Board Meeting, the Supervisory Board reviewed the recommendation of the Management Board (upon award of the BP Angola FPSO frame contract) to proceed with Sonangol on the joint development of a construction and integration yard at Porto Amboim (Angola) in order to secure the local content requirements of this and future contracts. To assess the financial analysis and investment risks, this meeting was preceded by an extraordinary Audit Committee meeting.

Independency of the Supervisory Directors

The personal details, gender, term of (re)appointment and position within the various committees of each Supervisory Director are described in the Information section, at the end of this report.

The Supervisory Board confirms that all members are independent as mentioned under BP IIII.2.2 of the Corporate Governance Code, except for Mr. Keller who was, prior to his appointment, the CEO of the Company. In addition to his position as a Supervisory Director of the Company, Mr. Ehret is also a non-executive director of Acergy S.A., an engineering and construction company. In the event of any perceived conflict of interest during discussion of agenda points, Mr. Ehret does not participate in such discussions.

Meetings of the Supervisory Board Committees

Audit Committee

The Audit Committee convened for six regular meetings in 2008, with one additional meeting, as mentioned above, which reviewed the Angolan construction yard investment. The regular Audit Committee meetings were held on the afternoon preceding the Supervisory Board meeting, in which the Audit Committee Chairman reported on the principal issues discussed. The complete minutes of the meeting of the Audit Committee were reviewed in the next meeting of the Supervisory Board. The CEO, CFO and the external auditor attended all the meetings. On each occasion, a separate discussion was held with the external auditor without the CEO or CFO being present.

The main items that were discussed during the year were:

- annual and half-yearly Financial Statements and financial data to be included in press releases;
- quarterly financial reports;
- analysis of the financial results of projects;
- acceleration of financial reporting timetable;
- risk management, internal control and audit, and discussion of the Company's In Control statement;
- reports by external auditors and compliance with recommendations and observations;
- relations with the external auditor, including, in particular, the independence, remuneration and non-audit services provided for the Company. Analysis of the KPMG fees is disclosed within note 3 of the notes to the Financial Statements;
- performance of the external auditor. The assessment of the external auditor's performance 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 the annual proposal to reappoint KPMG Accountants N.V. as external auditor for a period of one year;
- responsibilities concerning fraud or other irregularities;
- specific accounting issues such as the classification of lease contracts as either operating or financial leases;
- fiscal policy and position of the Company;
- dividend policy;
- financing of the Company, including bank covenant compliance, and balance sheet gearing;
- discussion of the impact and exposures relating to the financial crisis;
- applications of Information and Communication Technology (ICT);
- adequacy of staffing of finance and administration functions;
- adequacy of insurance programmes;
- budgets and forecasts for the Company as a whole, and for its major projects;
- reports on Treasury exposures and forecasts covering foreign exchange, interest rates, cash flows and guarantees;
- the report prepared by a third party, on the origins of the cost overruns on major projects.

Close-up view of process facilities on FPSO Espirito Santo

Remuneration Committee

The Remuneration Committee met four times in 2008. In between the meetings there was regular contact between the members of the Committee and the Managing Directors.

At the AGM of 2008, the Remuneration Policy 2008 was approved. This Remuneration Policy is the basis for the remuneration of the Management Board. The remuneration elements for the current Managing Directors (Base Salary, Short-Term and Long-Term Incentives) were established in accordance with the policy. More information can be found in the Remuneration Report hereafter.

Selection and Appointment Committee

The Selection & Appointment Committee met twice during the year. The main item discussed was the succession planning in general and the reappointment of Mr. van Gelder, as a Supervisory Director.

In Conclusion

The Supervisory Board expresses its gratitude to the Company's employees and the Board of Management for their commitment to the Company and the performance achieved in 2008 despite the difficult circumstances. The Supervisory Board is confident that the Company is taking the appropriate steps to maintain and develop its product line and position itself for the future business opportunities required to secure long-term growth.

Schiedam, 10 March 2009.

Supervisory Board
H.C. Rothermund, Chairman
L.J.A.M. Ligthart, Vice-Chairman
R. van Gelder
D.H. Keller
F. G. H. Deckers
T. Ehret

FPSO Frade departure from Dubai

Remuneration Report

The Remuneration Report serves to inform shareholders and other stakeholders on the remuneration of the members of the Management Board. The report has been prepared by the Remuneration Committee. It is divided into the following separate sections:

Section 1:	Introduction
Section 2:	About the Remuneration Committee
Section 3:	Summary of Remuneration Policy 2008
Section 4:	Management Board's remuneration
Section 5:	Outlook for 2009
Section 6:	Dutch Corporate Governance Code

Section 1: Introduction

In 2008, the Remuneration Committee took a number of specific actions in respect of executive remuneration.

Firstly, the Remuneration Committee engaged the services of independent remuneration consultants, in order to:

- benchmark the various components of the remuneration package of the members of the Management Board; and
- review and analyse the interpretation and implementation of the Remuneration Policy that applied in 2005, 2006 and 2007 (hereafter referred to as the "RP2005").

Based on the results of this in-depth remuneration review, the Supervisory Board submitted a proposal to amend the Remuneration Policy to the AGM on 15 May 2008, which adopted the new Remuneration Policy (applicable as from 2008), hereafter referred to as "RP2008". A summary of the RP2008 is set out in Section 3 of this report.

Secondly, the AGM of 15 May 2008 approved the following changes in the composition of the Management Board:

- Mr. D.H. Keller retired as CEO of the Company effective 15 May 2008;
- Mr. A.J. Mace was appointed CEO of the Company as from 15 May 2008;
- Mr. M.A.S. Miles, CFO, was appointed Managing Director (formerly: Director) as from 15 May 2008.

SBM Offshore workers

The Remuneration Committee prepared remuneration proposals with respect to Mr. Mace and Mr. Miles, which are covered by new employment contracts. These have been formulated in accordance with the relevant principles and best practice provisions of the Dutch Corporate Governance Code and the RP2008. The contracts provide for an adjustment clause stipulating the discretionary authority of the Supervisory Board to adjust the payout of any variable remuneration component conditionally awarded if such component would produce an unfair result on account of incorrect financial data or special circumstances during the performance period. The main elements of these contracts, as previously published (**www.sbmoffshore.com**), are set out below:

Thirdly, the Remuneration Committee reviewed the retirement arrangements for former Managing Directors. Following Mr. Keller's retirement on 15 May 2008, his Short-Term Incentives and Long-Term Incentives outstanding at the time have been and will be settled in accordance with RP2005 and RP2008. No additional bonus was paid to Mr. Keller in relation to his retirement.

		A.J. Mace	M.A.S. Miles
Base salary 2008		EUR 420,000	EUR 395,500
Variable Pay	**Short-Term Incentive**	Cash (80%) Shares (20%) Matching Shares	
	Long-Term Incentive	Performance Shares	
Severance payment		Limited to one year of gross annual base salary (unless termination occurs during the first term in office and is deemed manifestly unreasonable in which case the payment is limited to twice the gross annual base salary).	
Change of control clause		In the event of a termination by the Company as a result of a change of control, the same conditions apply as under 'Severance payment'.	
Pension arrangement		Participation in the Company pension plan. Back service entitlements will be evenly built-up during the period 15 May 2008 until 15 May 2012. One third of the total pension premium will be paid by the Managing Director, subject to an annual cap of 20% of base salary.	

Section 2: About the Remuneration Committee

During 2008, the Remuneration Committee consisted of the following members:

- Mr. R. van Gelder (Chairman of the Remuneration Committee); and
- Mr. H.C. Rothermund.

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

The Chairman of the Remuneration Committee, Mr. R. van Gelder, was appointed as a statutory director of Heijmans N.V. on 1 July 2008. In this respect, the position of Mr. van Gelder as Chairman of the Remuneration Committee is no longer in line with best practice provision III.5.11 of the Dutch Corporate Governance Code. However, as the position of Mr. van Gelder is a temporary position in a Dutch based company primarily active on the Dutch Market, the Supervisory Board is of the opinion that there is no conflict of interest and therefore the Supervisory Board has requested Mr. van Gelder to continue in his role as Chairman of the Remuneration Committee.

During 2008, the Remuneration Committee addressed the following main issues:

- reviewing and amending the Remuneration Policy and the Long-Term Incentive;
- determining the actual pay-out under the Short-Term Incentive in respect of performance year 2007 and setting the targets for the Short-Term Incentive performance year 2008;
- measuring the achievement of the performance criteria for the Long-Term Incentive vesting in 2008 and the corresponding vesting level;
- setting the targets for the Long-Term Incentives awarded in 2008;
- developing operating guidelines relating to the implementation of RP2008 and the Long-Term Incentive;
- reviewing the remuneration of former Managing Directors; and
- updating the format of the Remuneration Report. The Remuneration Committee has reviewed the RP2008 and the actual remuneration packages of the Management Board members in light of the new Dutch Corporate Governance Code. The conclusions of this review are pointed out in Section 6 of this report. No major changes to the RP2008 are expected in 2009.

In addition to the Rules Governing the Supervisory Board's Remuneration Committee, the Remuneration Committee considers it its responsibility to monitor, control and advise SBM Offshore on all share and option based remuneration arrangements. The current share option plan for senior management and other employees is under revision in 2009.

Section 3: Summary of Remuneration Policy 2008 – Objectives and Structure

The RP2008 has been designed to ensure that Managing Directors receive a remuneration package for their work which enables the Company to attract, promote and retain internationally oriented, qualified and expert persons.

The Managing Directors' total remuneration will consist of the following elements:

		Type of Payment	Objective
Fixed	Base Salary	Cash	Reflect position and responsibilities
	Pension	Cash	Provide funding for retirement
Variable	Short-Term	Cash (80%) Shares (20%) Matching Shares	Promote continued employment Create economic value
	Long-Term Incentive	Shares	Create sustainable growth and align with shareholders' interests

Variable Remuneration

The variable part of the Managing Directors' remuneration is linked to the achievement of predetermined, measurable and influenceable targets, expressed as target zones. It is designed to strengthen the Managing Directors' commitment to the Company and its objectives and to align their interests with those of shareholders.

The variable remuneration consists of:

- a Short-Term Incentive: an annual bonus linked to the Company's performance (Economic Profit) over the past financial year, payable partly in cash (80%) and partly in shares (20%). "At-target" performance will result in a bonus payment equal to 100% of the annual base salary received by the Managing Director in the performance year to which the bonus relates. The target zone for the Short-Term Incentive includes a threshold, i.e. bonus pay-out level if the minimum performance level is realised for any payment to occur (20% of annual base salary), as well as a cap, i.e. maximum bonus pay-out level (200% of annual base salary). To further align the interests of the Managing Director with those of the shareholders, there is a matching share arrangement aimed at strengthening the Managing Directors' longer term commitment to the Company.
- a Long-Term Incentive: an award of performance shares linked to the Company's performance (annual average normalised growth of earnings per share) over three financial years, starting with the year in which the conditional shares are awarded. The number of conditional performance shares at the award date is, in value, the equivalent of 100% of the Managing Director's base annual salary of the year preceding the year in which the conditional award is made. The target zone for the Long-Term Incentive specifies a threshold performance level required for any award to be confirmed (corresponding to 50% of annual base salary), 'at target' performance (100% of annual base salary) with a cap amounting to 150% of annual base salary. The Supervisory Board has the discretionary power to adjust the actual vesting level if vesting of the Long-Term Incentive, in spite of the applicable threshold and cap, would result in an unreasonable or unintended outcome of the Long-Term Incentive within the spirit of the Remuneration Policy. Vested performance shares are to be retained on a blocked securities account by the Managing Directors for a period of two years from the vesting date.

The full text of the RP2008 can be found on **www.sbmoffshore.com**.

The Company applies the RP2008 to all members of the Board of Management, irrespective of their formal position as statutory director or non-statutory director. However, the remuneration components of individual non-statutory directors are not disclosed in this Remuneration Report.

Section 4: Management Board's remuneration

This section provides an overview of the remuneration of the Company's Managing Directors being Mr. Keller (until 15 May 2008), Mr. Mace (from 15 May 2008) and Mr. Miles (from 15 May 2008). Both Mr. Mace and Mr. Miles are long serving employees of the Company and received remuneration prior to their appointment as Managing Director, but the overviews in this section of the Remuneration Report only include remuneration related to their employment as Managing Director of the Company, i.e. for the period 15 May 2008 up to and including 31 December 2008.

The remuneration reported therefore consists of:

- Base salary 2008;
- Short-Term Incentive derived from the Company's 2008 performance, charged against 2008 results and payable in 2009;
- Long-Term Incentive awarded conditionally in 2008, charged against results over the three-year period commencing in 2008, and vesting in 2011 subject to achievement of performance criteria.

It should be noted that the Euro denominated remuneration data provided in this report is not directly comparable to the US Dollar denominated remuneration information presented in note 4 of the notes to the Financial Statements given that, in accordance with accounting and legal standards, note 4 refers to the Short-Term Incentives payable in 2008 and derived from the Company's 2007 performance, whilst the Short-Term Incentive earned by the Managing Directors on account of performance year 2008 is payable in 2009.

Earnings of Managing Directors in 2008

	Base salary [1] (EUR 000)	Short-Term Incentive Cash [2] (EUR 000)	Short-Term Incentive Shares [3] (Number of shares)
D.H. Keller	187	119	2,989
A.J. Mace	263	268	6,720
M.A.S. Miles	247	252	6,328

The Short-Term Incentive relating to performance year 2008 is based upon the Economic Profit (EP) of the year 2008, i.e. Return On Average Capital Employed (ROACE) exceeding an assumed Weighted Average Cost of Capital (WACC), adjusted where appropriate for exceptional items and extraordinary circumstances.

Awards made under the Long-Term Incentive to Managing Directors in 2008

	Target number of performance shares conditionally awarded in 2008 [4]	Minimum vesting opportunity (number of performance shares)	Maximum vesting opportunity (number of performance shares)
D.H. Keller	24,498	0	36,747
A.J. Mace	20,035	0	30,053
M.A.S. Miles	18,237	0	27,356

[1] These amounts are pro-rated for Mr. Keller (1 January to 15 May), Mr. Mace and Mr. Miles (15 May to 31 December) and exclusively relate to the period they performed duties as a Managing Director.

[2] This amount represents 80% of the full Short-Term Incentive (not pro-rated for time) earned in respect of performance year 2008, which becomes payable in cash in 2009. The amount of the bonus is computed in Euro, based upon the Economic Profit.

[3] This amount represents 20% of the full Short -Term Incentive (not pro-rated for time) earned in respect of performance year 2008, which becomes payable in shares in 2009. The number of shares is 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 2008

[4] The number of performance shares that vest for the performance period 2008-2009-2010 will be determined in March 2011, upon finalisation of the financial accounts for the year 2010. Following the vesting of the performance shares, the performance shares are blocked for a further two years.

The value of the conditional award of performance shares in 2008 equals 100% of base salary in the year preceding the award, i.e. 2007 [5] . 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 that may vest if 'at-target' performance is achieved. Threshold performance will result in the vesting of 50% of the target number of conditionally awarded performance shares (with no performance shares awarded if threshold EPS growth is not achieved), whilst the maximum number of performance shares that may vest is capped at 150% of the target number of shares (in numbers not value).

Share based incentives outstanding as per 31 December 2008

Mr. Miles' awards are included in this overview although he was not appointed as Managing Director until 15 May 2008. However, he did receive Long-Term Incentives in his capacity as Director of the Company prior to his appointment. As he is now a Managing Director these awards are also included in the table below. Mr. Mace's awards are also included although he did not participate in the Long-Term Incentive plan prior to 1 January 2008. He received unconditional share options instead.

[5] The number of conditionally awarded performance shares for Mr. Mace has been calculated on the basis of his base salary on 1 January 2008.

'Lone Star' dynamically positioned drilling unit (TDS 2000Plus design) during final construction phase

Share based incentives outstanding as per 31 December 2008

Numbers of Shares or Options	D.H. Keller	A.J. Mace	M.A.S. Miles
Matching shares			
Awarded in 2006 and vested on 1 January 2009	3,353	-	3,671
Awarded in 2007 and vesting in 2010	2,291	-	4,261
Awarded in 2008 and vesting in 2011	482	2,440	3,284
Performance shares			
Performance shares awarded in 2005, vested in 2008 and subject to two year lock up period	49,980	-	21,420
Performance shares awarded in 2006 and vesting in 2009	12,000	-	9,000
Performance shares awarded in 2007 and vesting in 2010	10,000	-	7,500
Performance shares awarded in 2008 and vesting in 2011	24,498	20,035	18,237
Performance options			
Options granted in 2004 and vested in 2007	40,000	28,000	16,000
Exercise Price in Euro :	€ 9.49	€ 9.49	€ 9.49
Options granted in 2005 and vested in 2008	238,000	40,000	102,000
Exercise Price in Euro :	€12.86	€ 12.86	€ 12.86
Options granted in 2006 and vesting in 2009	40,000	44,000	30,000
Exercise Price in Euro :	€ 19.05	€ 19.05	€ 19.05
Options granted in 2007 and vesting in 2010	40,000	44,000	30,000
Exercise Price in Euro :	€ 25.91	€ 25.91	€ 25.91

With respect to the conditional awards made in 2006 (under the LTI 2005), the three year performance period ended upon completion of the financial year 2008. Based upon the audited Financial Statements, the three-year period 2006-2008 did not generate average annualised EPS growth which meets the vesting threshold of 5%, and none of the conditional performance share awards or conditional option grants made in 2006 have therefore vested in 2009.

Pension and extraordinary remuneration

The Managing Directors participate in the applicable Company pension plan which currently provides for retirement at the age of 62 with a maximum pension equal to 70% of final salary, earned at the rate of 2% for each year of service within the SBM Group.

Costs incurred by the Company in 2008 in respect of the remuneration of Managing Directors (All amounts in EUR000).

	Base salary	Short-Term Incentive [6]	Expense recognised for share-based payments [7]	Benefits excluding pension payments	Pension payments	Total costs
D.H. Keller	187	149	474	195	240	1,245
A.J. Mace	263	335	200	57	160	1,015
M.A.S. Miles	247	315	270	63	61	956

Section 5: Outlook for 2009

For 2009 and onwards, the Remuneration Committee will focus on target setting for the Short-Term Incentive as well as the Long-Term Incentive. Especially in light of the current economic climate and the share price of the Company, it should be ascertained that the performance targets set are challenging but realistic and result in payout levels that reflect the Company's performance and strategic goals.

The annual base salary of Mr. Mace has been increased by 16.7% to € 490,000 as per 1 January 2009 (€ 420,000 per annum in 2008) in order to bridge the gap between his 2008 salary and a market conform salary level for CEOs in companies of similar size and complexity. The new level approaches the 2008 annual salary of the former CEO, Mr. Keller. The 2009 annual base salaries of other Managing Directors and Directors are frozen at the 2008 level. The ratio between the salary of the CEO and the salary of the other members of the Board of Management is considered appropriate after this increase.

The Supervisory Board will revisit the roles and responsibilities of the Remuneration Committee to take into account best practices under the amended Dutch Corporate Governance Code. In this context the Remuneration Committee will review the pay differentials within the Company, for example the total remuneration ratio between Management Board members and senior management. The targets set for the Short-Term Incentive and Long-Term Incentive will be disclosed retroactively (ex-post) if appropriate. No changes to either the Remuneration Policy or the Long-Term Incentive for the Management Board are expected for 2009 as these were amended in 2008. However, the Remuneration Committee will continue to monitor the remuneration of the Managing Directors and the effects of the RP2008 to ensure that the results are in line with the objectives of the Company.

[6] 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%).

[7] The fair value of all share-based payments, i.e. the expense recognised in 2008 as a pro rata over the entire vesting period. Reference is made to Note 4 of the notes to the Financial Statements (prepared in US Dollars, being the Company's reporting currency).

Section 6: Dutch Corporate Governance Code

The amended Dutch Corporate Governance Code was published in December 2008. Although it does not yet apply to the Annual Report 2008, the Supervisory Board has considered the changes to the Code and their impact on the RP2008, the actual remuneration of Managing Directors and the Remuneration Report to ensure compliance with the latest insights and best practices in respect of good governance as regards executive remuneration. In this respect the Supervisory Board wishes to specifically mention the following:

- scenario analyses of the Long-Term Incentive awards made in 2008 (for the performance period 2008-2009-2010) and the awards to be made in 2009 (for the performance period 2009-2010-2011) have been carried out by the Remuneration Committee with the assistance of independent remuneration consultants. These remuneration consultants do not advise any of the Managing Directors;
- the total remuneration package consists of an appropriate mix of fixed and variable remuneration elements contributing to the increase in long-term value of the Company. Both the Short-Term and the Long-Term Incentive arrangements contribute to long-term value creation: the Short-Term Incentive by partly paying out in shares and the matching component; the Long-Term Incentive by linking the vesting to the average EPS growth over a three year period;
- the RP2008 has contributed to a more simple and transparent remuneration structure;
- the remuneration structure and elements do not encourage risk taking that is not in line with the risk profile of the Company;
- a ceiling (cap) applies to the vesting of the Long-Term Incentive.

'Normand Installer' during installation of the FPSO Saxi Batuque

Information regarding the Supervisory Board

Mr. H.C. Rothermund - Nationality: Swiss (1943)
Gender: Male

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

Other Supervisory Board memberships:

- Member of the Supervisory Board of Rohoel A.G.

Other Board memberships:

- Member of the Board of Petrotechnics Ltd.
- Member of the Board of E.ON Ruhrgas UK Exploration & Production Ltd.

First appointment: 2003
Reappointment: 2007
Current term of office: 2007-2011

Mr. L.J.A.M. Ligthart - Nationality: Dutch (1938)
Gender: Male

- A former Vice-Chairman of the Managing Board of Directors of DSM N.V.

Other Supervisory Board memberships:

- Vice-Chairman of the Supervisory Board of Nutreco N.V.
- Chairman of the Supervisory Board of Nutreco Nederland B.V.

Other:

- Vice-Chairman of Mines Council of Minister of Economic Affairs

First appointment: 2004
Reappointment: 2008
Current term of office: 2008-2010

Mr. R. van Gelder - Nationality: Dutch (1945)
Gender: Male

Current position:

- Chief Executive Officer of Heijmans N.V.

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

Other Supervisory Board memberships:

- Member of the Supervisory Board of Holcim Western Europe

Other:

- Member of the Board of the VEUO

First appointment: 2005
Current term of office: 2005-2009

FPSO Espirito Santo hooked up to its mooring system offshore Brazil

Mr. F.G.H. Deckers - Nationality: Dutch (1951)
Gender: Male

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

Other Supervisory Board memberships:
- 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
- Member of the Supervisory Committee of SieBold Huis
- Member of the Supervisory Committee of Stichting Alzheimer Nederland

Other:
- Member of the Advisory Council of Euronext Amsterdam N.V.
- Member of Advisory Counsel Woman Capital

First appointment: 2008
Current term of office: 2008-2012

Mr. T. Ehret - Nationality: French (1952)
Gender: Male

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

Other Board memberships:
- Non-executive member of the Board of Acergy S.A.
- Member of the Board of Directors of Venture Production Plc.
- Non-executive member of the Board of Dockwise Ltd.
- Non-executive member of the Board of Comex S.A.

First appointment: 2008
Current term of office: 2008-2012

Mr. D.H. Keller - Nationality: French (1946)
Gender: Male

- A former Managing Director (CEO) of SBM Offshore N.V. (Non-Independent member SB)

First appointment: 2008
Current term of office: 2008-2012

Seafastening of suction anchors for transport to site for offshore installation of FPSO Espirito Santo, Brazil

Section III
Report of the Board of Management

Lifting of production facilities onto hull of semi-submersible production platform Thunder Hawk for the Gulf of Mexico

Report of the Board of Management

Introduction

The net profit for the year was 14.6% lower than the result in 2007 and 18.6% below the guidance issued at the start of 2008. This financial result for the year was very disappointing considering that the Company started the year with a record high order book, and in earlier years had generally been able to outperform initial guidance. The management had to issue a profit warning in July when it was realised that the 2008 forecast would not be achieved. The final annual result is slightly above the revised figure.

The reasons for these financial difficulties have been explained in detail during the year and were mainly attributable to two large FPSO projects in the execution phase (Saxi Batuque and Frade), which have suffered significant cost overruns. To re-quote a statement in the last two years' Annual Reports, SBM Offshore outsources all equipment and services and has suffered on the supply side from short bid validities, high prices, tough conditions, inflexibility and long deliveries from vendors and subcontractors. Those difficulties were not anticipated to the full extent in 2005 at the time when bids were submitted and therefore not sufficiently factored into the cost estimates of proposals. These projects for which the contracts were awarded in 2006, had already negatively affected the 2007 results, but were still in the execution phase in 2008. One of these projects was delivered from the conversion shipyard in March 2008 and the second in January 2009. Both projects suffered significant cost overruns right up to delivery. For both projects the Company had to implement acceleration programs in the shipyards in order to expedite the finalisation of the FPSO construction work, which had become very late itself

due to late equipment deliveries and sub-construction activities. The costs of these acceleration programmes were difficult to forecast due to the uncertainty in predicting the effectiveness/efficiency of the actual work.

Apart from these two projects, the Company was also engaged in the execution of a further nine major projects, which kept the Group companies working at a high level of activity. This has enabled the Company to continue its progression into the big league with respect to the execution of large billion dollar projects, which is expected to be the case in the future as offshore oil production moves into deeper water and ever more complex production schemes. The recent projects obtained are expected to contain sufficient cost budgets and have suitable delivery schedules so that expected margins should be obtained.

The two other major activities in which the Company is engaged, the operation of the lease fleet and services activities have obtained financial results above budget. The lease operation of FPSOs and FSOs attains very good performance and has obtained almost maximum bonuses where these are available within the individual lease contracts. The services activities comprising after sales services, offshore installation/construction using the Company's two vessels, mooring terminal projects etc has also performed above expectation producing good financial results.

Although the lease and turnkey segments are reported separately, it should be noted that the Company operates as an integrated organisation, using the same project teams for execution of the projects, be they a turnkey supply to a third party client or a leased unit that will join the Company's fleet. Operational experience from the lease fleet units is continually used to update the Company's set of internal standards and operational procedures which are the basis of the design and operation of the new leased units and have been fully endorsed by our major clients. These standards are now frequently used on turnkey supply contracts on units for sale. The integrated nature of the Company's activities and the related positive synergy represents an important strength of the Company.

A major external event which has dominated 2008 has been the rapid development of a world recession following the banking and credit crisis and the ensuing decline in the oil price. The Company has a robust financial structure which will enable it to operate satisfactorily through 2009 and is confident that the Company's relationship banks will be available to support the financing needs for the Company's ongoing projects during the year. The lower oil price has caused some Oil & Gas Companies to reduce their exploration and production budgets, but most of the oil majors have sustained their budgets at prior years' level. The effect on the Company's new business could be that the sanction of new oil/gas field developments are in some cases either postponed or cancelled while the lower oil price regime remains. The general consensus amongst analysts and industry experts is that the oil price may remain at a lower level during 12 to 18 months, but will then gradually increase thereafter as demand starts to exceed supply. The Company still has a large order backlog which will keep it well employed during 2009 but will continue to seek new business opportunities, whilst also making use of the expected slow down to consolidate and enhance its execution performance and efficiency, which was stretched during the last couple of years.

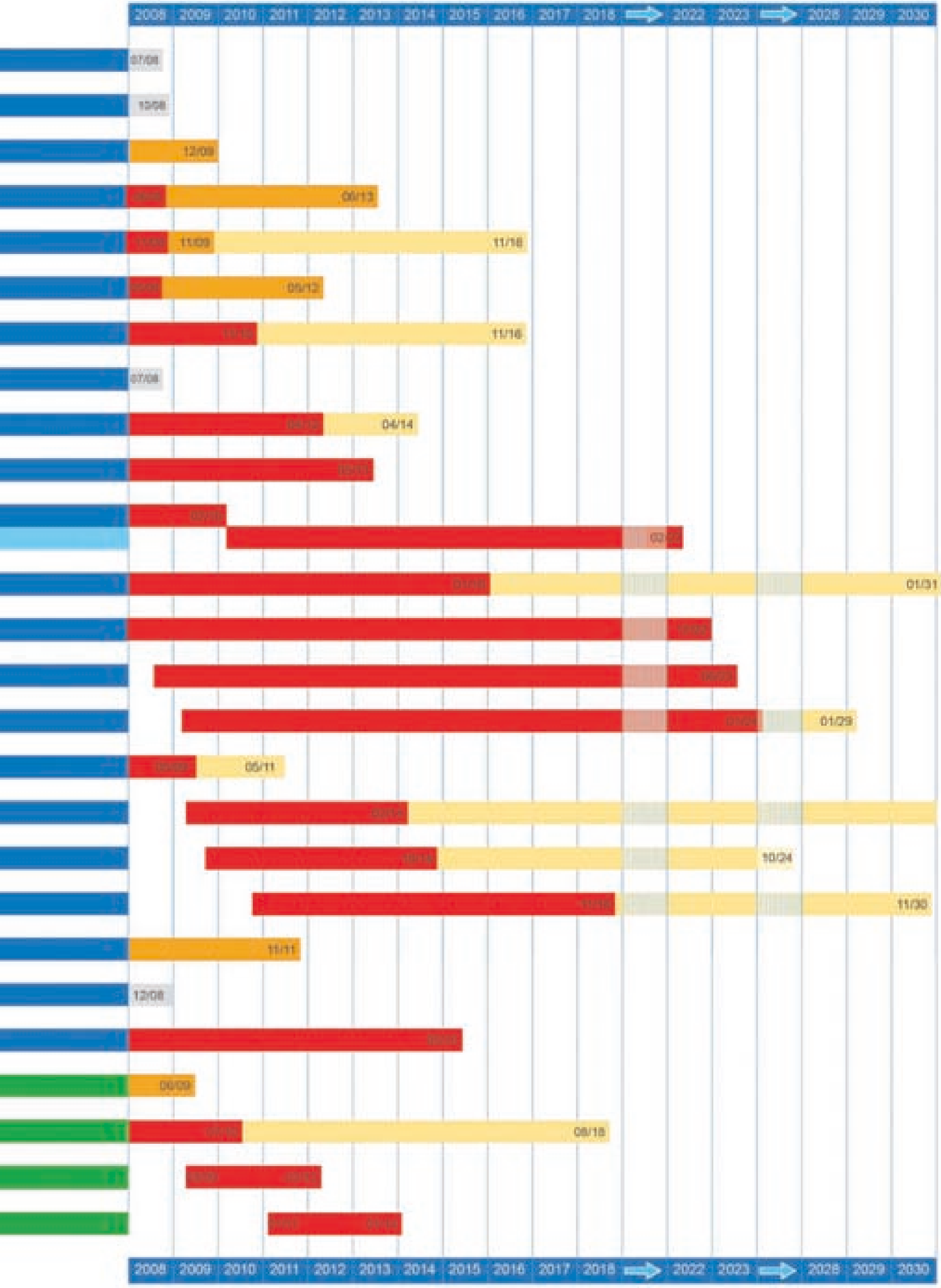
Despite the fact that the Company has a predictable and solid income stream from the lease business, the expected slow down in new business makes it difficult to predict the business outcome for 2009. As such the Company has not issued bottom-line guidance.

From left to right: M.A.S. Miles, CFO (1964, British), D.J. van der Zee, Director (1948, Dutch), F. Blanchelande, Director (1949, French), A.J. Mace, CEO (1951, British)

Field Name	Client	Country	Vessel Name	Type	Year
TANTAWAN	Chevron	Thailand	Tantawan Explorer	FPSO	1997
RANG DONG	JVPC	Vietnam	Rang Dong I	FPSO	1998
KUITO	Chevron	Angola	Kuito	FPSO	1999
ESPADARTE	Petrobras	Brazil	Espadarte FPSO	FPSO	2000
	ExxonMobil		FPSO Falcon	FPSO	2002
RONCADOR	Petrobras	Brazil	FPSO Brasil	FPSO	2002
XIKOMBA	ExxonMobil	Angola	FPSO Xikomba	FPSO	2003
OKONO	Agip	Nigeria	FPSO Mystras	FPSO	2004
MARLIM SUL	Petrobras	Brazil	FPSO Marlim Sul	FPSO	2004
SANHA	Chevron	Angola	Sanha LPG FPSO	FPSO	2005
GOLFINHO	Petrobras	Brazil	FPSO Capixaba	FPSO	2006
CACHALOTE	Petrobras	Brazil	FPSO Capixaba	FPSO	2010
KIKEH	Murphy Oil	Malaysia	FPSO Kikeh	FPSO	2007
MONDO	ExxonMobil	Angola	FPSO Mondo	FPSO	2008
SAXI BATUQUE	ExxonMobil	Angola	FPSO Saxi	FPSO	2008
BC-10	Shell	Brazil	FPSO Espirito Santo	FPSO	2009
BARINOV	Petronas	Turkmenistan	Oguzhan	MOPU/FSO	2006
THUNDER HAWK	Murphy	USA		Semi-Sub	2009
YME	Talisman	Norway		MOPUstor	2009
DEEP PANUKE	EnCana	Canada		MOPU	2010
NKOSSA	Total	Congo	Nkossa II	FSO	1996
PA	SEIC	Russia	Okha	FSO	1999
YETAGUN	Petronas	Myanmar	Yetagun FSO	FSO	2000
AMENAM	Total	Nigeria	FSO Unity	FSO	2003
ZAFIRO	ExxonMobil	Eq. Guinea	FPSO Serpentina	FPSO	2003
FRADE	Chevron	Brazil	FPSO Frade	FPSO	2009
JUBARTE	Petrobras	Brazil	P-57	FPSO	2011

Lease and Operate   Operate

Balance of Initial Lease | Confirmed Extension | Contractual Extension Option | Lease Ended



The Board of Management continuously evaluates whether diversification or consolidation would be required to maintain a measured expansion of the Company's activities through the long term. The management's opinion is that despite the present market conditions which are currently hesitant in the sudden lower oil price regime, the longer term view is that demand for the Company's products and services will return to a high level as seen over the last few years. As such, the management does not intend to diversify and in principle organic growth will continue to be the strategy, however in the current business downturn, there is a higher likelihood of strategic business opportunities arising, for which the management will be on constant alert.

The Company is well aware of the need to adapt its product line and business methodology to suit the needs of the continually evolving market in order to remain in a leading position in its field. SBM Offshore therefore gives the highest importance to the development of new technology that addresses and will enable the future requirements of the offshore energy industry. The long-term strategy in this respect is further developed in this report in the section addressing the Company's future (page 75).

At the AGM 2008 the composition of the Management Board changed with the retirement of Mr. Keller. At the meeting Mr. Mace and Mr. Miles were appointed as Managing Directors for a period of four years and Mr. Mace was subsequently appointed as Chief Executive Officer by the Supervisory Board.

Group Activities 2008

Summary

All operating units contributed positively to the results of the Company in 2008. The execution of many of the contracts has benefited from the synergy between the operating units and from the complementary nature of the different disciplines and specialisations available in the respective Group companies. Turnover increased 7% compared to last year and the Company's execution capacity has stabilised after several years of substantial growth. Risk and cost control systems have been further improved in all operating units during the year to increase control on project costs and delivery schedules developed.

The most noticeable events in the year have been:

Lease and Operate Activities

- A one-year extension, until 23 November 2009, of the lease and operate contract for the FPSO Falcon from Esso Deepwater Limited, a subsidiary of Exxon Mobil;
- A lease and operate contract with Petrobras for the Company's existing FPSO Capixaba for a period

Semi-submersible production platform Thunder Hawk for the Gulf of Mexico

of 12 years at the Cachalote field offshore Brazil. Disconnection from the Golfinho field is planned for June 2009, followed by an upgrade of the unit in Singapore with first oil at the Cachalote field in February 2010;

- In January, start of operation of the FPSO Mondo in the Kizomba 'C' field offshore Angola under the fifteen year lease contract with Exxon Mobil;
- In July, start of operation of the FPSO Saxi Batuque in the Kizomba 'C' field offshore Angola under the fifteen year lease contract with Exxon Mobil;
- At the end of December, hook up of the FPSO Espirito Santo in the BC-10 field offshore Brazil under the fifteen year lease contract with Shell. The lease commenced on 1 January 2009.
- In May, the FPSO Mystras, previously owned by FPSO Mystras Produção de Petroleo LTDA (FMPP), a 50% owned subsidiary of the Company, has been purchased by Agip Energy and Natural Resources (Nigeria) Ltd. (AENR);
- In July, the FPSO Tantawan Explorer in Thailand has been purchased by Chevron Offshore Thailand Ltd. at the end of the lease and operate contract;
- At the end of October, FPSO Rang Dong I in Vietnam has been redelivered to the Company by Japan Vietnam Petroleum Company Ltd. (JVPC) at the end of the confirmed lease period including a short extension. The unit has been disconnected and decommissioned and is currently laid up;
- The FSO Okha has been redelivered to the Company by Sakhalin Energy Investment Company Ltd. (SEIC) in December 2008, at the end of the lease period. The FSO will be converted into a FPSO as replacement of the Cossack Pioneer FPSO for Woodside Energy Limited.

Turnkey Supply and Services Activities

- Completion of an external turret for an FSO for Tanker Pacific Offshore Terminal Pte Ltd. (TPOT) for operation in the Su Tu Vang field offshore Vietnam;
- Delivery of a turret for the LPG FSO for the Belanak field in Indonesia for ConocoPhillips;
- Delivery of a deepwater CALM buoy for Total for the Akpo field development offshore Nigeria;
- Mechanical completion of the Frade FPSO at Dubai Drydocks;
- A contract was obtained from Petrobras for the turnkey supply and three years of operation of the P-57 FPSO to be installed on Jubarte field offshore Brazil. The delivery of the unit in Brazil, ready for installation, is planned for end of 2010;
- A contract was awarded by Woodside Energy Limited and the Cossack Wanaea Lambert Hermes (CWLH) Joint Venture for the turnkey supply of the

Transfer of a cargo from the FSO Okha into a shuttle tanker moored in tandem offshore the northern part of Sakhalin Island, Russia

disconnectable FPSO Okha, to be installed offshore Australia as replacement of the existing FPSO Cossack Pioneer. Delivery of the unit is scheduled for the fourth quarter of 2010;

- A call off frame contract was obtained from BP Angola for the supply of FPSOs offshore Angola;
- A contract was awarded by Total E&P Angola to a consortium of SBM Offshore/APL for the supply and installation of the Oil Loading System on the Pazflor project. The Company's scope of work consists of supply of the (2) Oil Offloading Lines, to be based on the Trelline™, and the offshore installation of the complete Oil Loading System;
- A contract was obtained from Resolution Shipping Ltd. (Cyprus), a subsidiary of Vroon Group, for the supply of two 1,000 ton cranes and two jacking systems, with a total jacking capacity of 22,500 tons each, for two wind turbine installation jack-up vessels (SBM Offshore group design).

Details of these main events and of the other activities in the year 2008 are presented hereafter.

Lease and Operate Activities

At the start of 2008 there were twenty-two long-term lease and operate contracts in hand for production and/or storage systems, seventeen of which were at that date in operation and the other five units under construction. Furthermore, there were contracts for the management of the operation of three client owned units.

All units in operation performed without any major problems during the year at a cumulative average throughput rate just above 850,000 barrels per day. A total of 311 million barrels were exported from the fleet in the year 2008, representing a total of 545 tanker offloading operations. Total production uptime of the fleet reached 99%. This high uptime has been the basis for the payment of substantial bonuses, in particular for the units operating under long-term contracts with Petrobras and the FPSOs operating for ExxonMobil, for which the operating contracts are subject to bonus schemes taking into account not only the production performance but also safety and environmental statistics and adherence to the operating budget.

On 1 January 2008, FPSO Mondo started operations in the Kizomba 'C' field offshore Angola under a fifteen year lease and operate contract with Exxon Mobil. The unit has been in operation for over a year and has achieved 99.7% up time and an average daily production of approximately 90,000 barrels of oil per day.

In July, FPSO Saxi Batuque started operations in the Kizomba 'C' field offshore Angola under the fifteen year lease and operate contract with Exxon Mobil. The unit has been in operation for 184 days on 31 December 2008 and achieved 96.9% up time with an average daily production of approximately 90,000 barrels of oil per day.

With FPSO Mondo and FPSO Saxi Batuque in operation, the total number of leased FPSOs in production in Angola in partnership with Sonangol has now reached five.

In May 2008, the Company received a one-year extension of the lease and operate contract for the FPSO Falcon with Esso Deepwater Limited, a subsidiary of Exxon Mobil. The FPSO Falcon, which is fully owned and operated by the Company is consequently under contract until 23 November 2009. The FPSO is currently laid up in anticipation of Exxon Mobil finding a suitable field development for which it can mobilise the FPSO.

Also in May 2008, FPSO Mystras Produção de Petroleo LTDA (FMPP), a 50% owned subsidiary of SBM Offshore N.V., received a notice from Agip Energy and Natural Resources (Nigeria) Ltd. (AENR), exercising AENR's option under the Service Agreement to purchase the FPSO Mystras. The delivery of the unit took place on station in the Okono and Okpoho fields offshore Nigeria on 16 July 2008.

In early June 2008, the Company received a lease and operate contract from Petrobras for the Company's existing FPSO Capixaba for a period of 12 years at the Cachalote field offshore Brazil. The FPSO Capixaba will be disconnected from its current location at the Golfinho field offshore Brazil and after transfer to Keppel shipyard in Singapore, where the FPSO will be modified and upgraded for the new application, it will then transfer back to Brazil for offshore hook up, installation and operation on the Cachalote field. The execution schedule extends for a period of eight months, from planned disconnection at the Golfinho field in June 2009, to first oil on the Cachalote field in February 2010. The relocation and upgrade works will require a significant additional capex investment in the unit resulting in an amended lease contract with a new lease rate which will be payable from the date of start-up on the Cachalote field.

In July 2008, the FPSO Tantawan Explorer in Thailand was purchased by Chevron Offshore Thailand Ltd. at the end of the lease and operate contract. The initial lease and operate contract of the unit started in February 1997 and the unit was operational under the Company's management and ownership for 4,199 days with a 99.4 % up time. A total of 245 billion standard cubic feet of gas was produced and exported via pipeline with associated oil production of 27 million barrels of oil with a total of 99 offloads.

In October 2008, the FPSO Rang Dong I in Vietnam was redelivered to the Company by Japan Vietnam Petroleum Company Ltd. (JVPC) at the end of the ten-year lease period plus a short extension. The unit was disconnected and decommissioned and is currently laid up. The unit operated for a total of 3,704 days with an up time of 99.6%. A total of 153 million barrels of oil were produced during that period with a total of 377 offloads.

The unit is currently laid up in anticipation of a new lease contract, scrap or sale to a third party.

In December 2008, the FSO Okha was redelivered to the Company by Sakhalin Energy Investment Company Ltd. (SEIC) at the end of an extended lease period of over nine years. The FSO successfully operated during the 'summer' months at the northern tip of Sakhalin Island as a storage and offloading facility for Sakhalin production for a total of 1,818 days. Each winter the unit was removed from location as ice formation prohibited safe operation. The FSO was connected to the seabed by a SALM type mooring arrangement, which was lowered onto the seabed to avoid damage during the winter months when disconnected. A total of 104 million barrels of oil were stored during the charter with 171 offloads. The FSO Okha is currently in Keppel shipyard in Singapore for conversion into a FPSO (FPSO Okha) as replacement of the Cossack Pioneer FPSO for Woodside Energy Limited.

At the end of December, FPSO Espirito Santo, jointly owned by SBM Offshore and MISC, was hooked up to the mooring lines in the BC-10 field offshore Brazil for a fifteen year lease and operate contract with Shell. The lease commenced on 1 January 2009. The FPSO is designed to produce 100,000 barrels of oil with gravity ranging from 16° API to 42° API, and to treat up to 45 million standard cubic feet of gas for injection or export. It is the deepest moored FPSO of the Company's fleet and the first turret moored FPSO in the world using steel catenary risers for fluid transfer.

The construction of the Semi-Submersible production unit Thunder Hawk at the Kiewit yard at Ingleside, Texas has been finalised with the production facilities lifted and secured on the Semi-Submersible hull, which was shipped from Singapore to Texas in the third quarter of 2008. Integration and pre-commissioning of the unit has been completed and the unit towed to the field for installation with first oil production expected mid 2009.

The seabed supported storage tank for the MOPUstorTM for the Yme project has been installed offshore Norway and stands safely on the seabed. The tank was built in Malaysia and has been shipped to the Netherlands on a transportation vessel for installation of the caisson on the tank, before starting offshore works. This allowed the client Talisman Energy Norge AS to start drilling activities for dry tree well head completions. The production platform is under construction in Abu Dhabi and scheduled for completion this summer. Some delays have been encountered with the construction of the platform due to the implementation of modifications to meet Norwegian regulations. The platform is then planned to be transported to Norway for offshore installation, which consists of jacking it up on its three legs on top of the storage tank and connecting the dry trees to the production facilities at deck level. Production is expected late 2009 for an initial lease period of five years. The MOPUstorTM concept is a patented design of SBM Offshore and was first applied for the development of the Siri field in the Danish sector of the North Sea.

Engineering and procurement of equipment for EnCana's Deep Panuke Production Field Centre is on schedule with the construction of the MOPU structure still at a very early phase. The hull is being constructed in the dry dock of GPC in Abu Dhabi, where integration of the MOPU production facilities will also take place. On completion the unit will be shipped to Canada for offshore installation and first production is scheduled in the fourth quarter of 2010 for an initial eight-year lease with EnCana Corporation.

Resulting from the developments within the lease portfolio described above, the Company had at year-end fifteen owned or part-owned units on charter, one unit laid up with a further three units under construction for start of operation in the course of 2009 and 2010. In addition, the Company currently performs offshore operations for two client owned facilities (Exxon Mobil's FPSO Serpentina in Equatorial Guinea and Total's FSO Unity in Nigeria), with operate only contracts in hand for two further units still under construction/completion and not yet in production (FPSO Frade for Chevron and FPSO P-57 for Petrobras).

Oil storage operations in Myanmar

In 1997, a SBM Offshore Company signed a contract to operate a FSO offshore Myanmar at the Yetagun field. Operations commenced in 2000 and will terminate in 2015.

This contract took effect prior to the campaign of international appeals for sanctions against the Myanmar regime. SBM Offshore has previously explained that the Company cannot cancel a signed contractual commitment. Repeated efforts to sell the contract have been made and

The storage tank of the MOPUstor™ for Yme ready for offshore installation in Norway

discussions continue with interested parties as the clear intent of SBM Offshore is to withdraw from this Myanmar based operation at the earliest opportunity taking into account contractual and other obligations. The Company continues to declare that it will not enter into any other contractual commitment in Myanmar as long as the current regime remains in place. This policy has not changed and no further investment has taken place nor has any new business been contracted.

The Company is committed to compliance with SA 8000 norms for social accountability for its operations in Myanmar. The FSO Yetagun is operated with a crew consisting of more than 90% Myanmar nationals, all contracted under direct employment or through exclusive manning agencies. The Company seeks to give all employees the best employment standards in accordance with the Company Code of Conduct and Social Accountability Policy. The Company operates with standards that comply with international human rights and international labour guidelines. This commitment implies in particular the continuous and traceable checking in Myanmar of the Company's suppliers and sub suppliers in relation to forced labour and child labour in compliance with Social Accountability standards set-out in the Company's Social Accountability manual. The Company further audits all suppliers and agencies against these internal procedures. It is important to note however that the Company cannot currently be audited against the SA 8000 Social Accountability standard due to the owners of the standard (SAI Inc. of New York) prohibiting its use in Myanmar. Therefore the Company and its suppliers in Myanmar are measured against SBM Offshore's own internal Social Accountability standards and procedures – which meet the requirements of SA 8000.

Turnkey Supply and Services Activities

Ongoing work on a number of large turnkey supply contracts, obtained in 2007 or before, was carried forward into 2008. New order intake in this segment of activities increased compared to last year and reached a new record high portfolio value at year end of US$ 2.97 billion. The activities in 2008 are described hereafter by type of product or service.

Large Production Systems

At the end of January 2009, FPSO Frade left Dubai for transit to Brazil and subsequent offshore installation, with first oil expected in mid 2009. The Company will operate the unit offshore for three years after which Chevron will take over the operations. The FPSO will be moored in 1,200 metres of water by an internal turret able to accommodate 33 risers and is capable to handle a daily production capacity of 100,000 barrels of oil, treatment and compression of 106 million standard cubic feet of gas, and treatment and injection of 150,000 barrels of water.

A new order was obtained at the end of January 2008, from Petrobras for the supply of the FPSO P-57 for production on the Jubarte field offshore Brazil. The unit will be capable of handling a daily production capacity of 180,000 barrels of oil with total gas compression of 71 million standard cubic feet. The delivery of the unit in Brazil, ready for installation, is planned for the end of 2010. The VLCC tanker 'Accord', from the Company's inventory, is currently being converted in Keppel shipyard in Singapore, where five new modules will also be installed on the deck. On arrival in Brazil, the remainder of the topsides modules, which are currently being fabricated at local yards, will be lifted and integrated on the FPSO at BrasFels yard near Rio de Janeiro. The project execution plan is in accordance with the contractual requirements for Brazilian local content fabrication. The contract represents a portfolio value of US$ 1.25 billion, inclusive of three years of operating services and represents a major step in the Company's business growth as this unit is one size up from previously supplied or leased FPSOs.

In December, the Company obtained a contract from Woodside Energy Ltd. for the full scope turnkey supply of a disconnectable FPSO for the Cossack Wanaea Lambert Hermes (CWLH development) Joint Venture. The project had already started in May 2008 under a Letter of Intent and has progressed satisfactorily since. The FPSO Okha will replace the existing FPSO Cossack Pioneer, currently producing oil from the CWLH fields offshore Australia, at the end of 2010. The Company owned FSO Okha has been disconnected from its mooring offshore north of Sakhalin Island and sailed to Singapore, where the conversion and integration of the process modules and disconnectable turret will be performed at Keppel shipyard. The FPSO is scheduled for completion in October 2010.

In July 2008, a call off frame contract has been obtained from BP Angola in support of a development programme offshore Angola. The initial contract call off has been signed for early engineering and fabrication works to support enhanced local fabrication capability in the region. However the call off for the first full FPSO is no longer expected before 2010. Subsequent FPSOs may be called off subject to future projects sanction.

A joint venture company named "Paenal" has been formed with Sonangol, the national oil company of Angola, to develop a FPSO integration yard in Angola near the coastal town of Porto Amboim, south of the capital Luanda. Investment and preliminary development of the yard had started in 2007 and some small fabrication activities have commenced. Full yard development was pending sanction and contract award of a FPSO project. In view of the delay in the award of the first FPSO contract (from BP Angola), the full yard development has now been put on hold and in the meantime it is planned to obtain fabrication work to keep the yard work force occupied. Full yard development will only be re-commenced when an FPSO order has been obtained.

Large Mooring Systems

In January 2008, a contract was obtained from MISC/PTSC for the supply of an external turret mooring system for an FPSO to be located offshore Vietnam on the Ruby field for Petronas/Petrovietnam. The project is being executed in the Kuala Lumpur office with delivery of the system in June 2009.

Construction of the internal turret for BP Norge AS for the Skarv development in Norway has commenced at Keppel Shipyard with completion scheduled for February 2010. The turret will then be shipped to Samsung Heavy Industries in Korea for integration by BP into the FPSO hull. It will be the largest turret in the world in terms of mooring loads and is of the well proven SBM bogie-wheel type design similar to that supplied for the BP Schiehallion FPSO and other large units recently installed on Brazilian deepwater fields.

The external turret mooring system for an FSO owned by Tanker Pacific Offshore Terminals for operation in the Su Tu Vang field offshore Vietnam was delivered to the client on schedule in April 2008. This was the first turnkey supply contract fully executed by the Company's office in Kuala Lumpur and a major milestone in the development of that execution centre.

The external turret mooring system for the permanent LPG FSO for the Belanak field, which is operated by ConocoPhillips Indonesia Inc was also delivered on schedule. The turret was incorporated in the bow of a new built LPG FSO in South Korea. The turret will be hooked-up in the anchoring and riser pattern of the CALM system supplied by the Company in 2006 for the mooring of a chartered LPG tanker, used as a temporary storage unit at Belanak.

Deepwater Export Systems

Deepwater export CALM buoys moor shuttle tankers for the transfer of crude from the FPSO by means of two or three large diameter flowlines, either steel pipe or bonded rubber type, suspended between the FPSO and the buoy.

The Akpo Deepwater CALM buoy was completed, launched and handed over to Saipem mid December 2008, for offshore installation on the Akpo field offshore Nigeria. It will function as the oil offloading system for the Akpo FPSO which is owned by Total. The buoy and the suction piles for the anchoring system were constructed entirely in a local Nigerian yard in line with local content requirements.

In July 2008, a consortium of SBM Offshore and APL (part of BW Offshore) was awarded a contract by Total E&P Angola for the Engineering, Procurement, Supply, Construction and Installation (EPSCI) of the Oil Loading System on the Pazflor project. The SBM Offshore scope of work consists of Engineering, Procurement and Supply of the (2) Oil Offloading Lines, to be based on the Trelline™, a large diameter reinforced bonded rubber hose, which will be suspended between the FPSO and the deepwater CALM buoy and the offshore installation of the complete Oil Loading System. Delivery of the complete system including the Oil Offloading Lines is scheduled for the second quarter of 2010, followed by offshore installation with the Company owned installation vessel 'Normand Installer'.

Tanker Loading and Discharge Terminals

The market for the supply of traditional near shore tanker loading and discharge terminals of the Catenary Anchor Leg Mooring (CALM) type has been rather steady over recent years and although competition on price has been very severe in a number of projects, the Company has been successful in maintaining a large market share of approximately 80% of all supplied systems. It is worthwhile to note that new orders are not only for units to replace older installations but also for expansion of existing terminals and terminals at new locations.

The following new terminal orders were secured in 2008:

- from Zakum Development Company for the supply of a second replacement CALM buoy for 'Alpha' terminal at Zirku Island, Abu Dhabi;
- from CEPSA for the supply of a replacement CALM buoy for their terminal at Huelva, Spain;
- from Reliance Industries for a spare products export CALM buoy for their Jamnagar Refinery in India;
- from Shell Gabon S.A. for a replacement CALM buoy for their Gamba terminal in Gabon;
- from SAPREF for supply and installation of a replacement CALM system for their Durban terminal, South Africa;

Deepwater CALM buoy for the AKPO development offshore Nigeria

- from Leighton Contractors on behalf of Ceylon Petroleum Company for supply of a replacement CALM buoy for their Muthurajawella terminal in Sri Lanka;
- from Occidental Petroleum of Qatar Limited for a CALM system for their new terminal in Qatar;
- from Inelectra on behalf of PDVSA for supply of a complete CALM system for their new Jose terminal, offshore Venezuela;
- from HPCL-MITTAL Pipelines Limited for supply of a complete CALM system to be located at Mundra Port for their Bathinda Pipeline project in India.

The engineering for these terminals was performed in Monaco and Houston.

Two of the TDS 2000 semi-submersible dynamically positioned drilling units at the GPC yard, Abu Dhabi

Supply of Drilling Units

The high demand from the oil companies for drilling units for exploration and development drilling has over recent years resulted in a boom in the construction of new jack-up and semi-submersible drilling rigs. Several orders have been obtained for the supply of design packages and special components for both jack-up and semi-submersible drilling units. Clients for these orders were either the drilling contractors, or the yards specialised in the construction of drilling units.

With the saturation of the capacity of the traditional rig building yards, and drilling contractors still requiring new rigs to honour long-term drilling contracts signed with the oil companies, a business opportunity was identified. By combining its extensive rig design competency with the experience acquired in subcontracting and managing construction of large structures for the offshore oil industry, the Company was able to offer a turnkey solution to the drilling contractors.

This approach resulted in 2006 and 2007 in the signing of three contracts for the supply of dynamically positioned semi-submersible drilling units which are being executed today.

The construction of the first dynamically positioned drilling unit of the TDS 2000Plus design for Queíroz Galvão Perfuraçoes S.A. is well in progress, with float out of the semi-submersible hull from the dry dock in Abu Dhabi in April 2008, for delivery in the third quarter of 2009. The unit will be able to operate in water depths up to 2,400 metres and be capable of drilling up to 7,500 metres below the seabed.

The construction of the second TDS 2000Plus drilling unit for Odebrecht Drilling Services is progressing and the semi-submersible hull was floated out of the dry dock in January 2009. Completion of the unit is scheduled for the fourth quarter of 2009. The unit will be able to operate in water depths up to 2,000 metres and be capable of drilling up to 7,500 metres below the seabed. Construction of the third drilling unit of the TDS 2500 design for Delba Drilling International Coöperatie U.A. started in early 2008 and construction in the dry dock has commenced following float out of the hull of rig number 2. This drilling rig will be able to operate in water depths up to 2,400 metres and be capable of drilling up to 10,000 metres below the seabed. This rig will be delivered in the second quarter of 2010.

The engineering for all three drilling rigs is executed by the Houston office.

Design Services and Supply of Special Components

In addition to the orders for the turnkey supply of drilling units described above a large variety of orders were obtained for design services for drilling units and offshore construction vessels, in certain cases combined with the supply of proprietary design and hardware components.

This activity is mainly based in the Schiedam office and has generated another record year in turnover in these products. The most important orders include:

Drilling Jack-Ups

- an order from an undisclosed yard for the supply of the basic design, the jacking systems, the fixation systems and the XY-skidding systems for two CJ46X100D jack-ups.

Drilling Semi-Submersibles

- an order from Keppel Fels for the supply of the basic design for a second DSS38 semi-submersible for Queiroz Galvão Perfuraçoes;
- an order from Keppel Fels for the supply of the basic design for a third DSS38 semi-submersible for Scorpion Drilling;
- An order from Keppel Fels for the supply of the basic design for a DSS20 accommodation semi-submersible for Floatel International.

Drillships

- an order for the supply of a GustoMSC PRD-12000 drillship design for Frontier Drilling Inc. This is the second unit of this customised PRD-12000 design (designated “the Bully” by the Shell/Frontier JV) that has been ordered by Frontier Drilling Inc. The vessel is designed for arctic conditions, comprising both a dynamic positioning system and a conventional mooring system. The Company received a hardware order for the supply of the thrusters retrieval systems for both vessels;
- an order for the supply of two basic designs for GustoMSC P-10000 drillships under the license agreement with HHI of Korea. HHI was awarded a contract from Metrostar for the construction of both P-10000 drillships.

Multi Purpose Jack-ups

- the basic design and the jacking systems for two GustoMSC NG2500 multi-purpose jack-ups for Gulf Marine Services;
- an order from JackupBarge BV for the basic design and jacking systems for one SEA2750 jack-up suitable for construction support, maintenance, accommodation and light drilling in water depths up to 40 metres, to be built at the Batam yard of Drydocks World;
- an order from Resolution Shipping for the basic design and supply of two sets of jacking systems and two 1000 tonne cranes for two NG-7500/6-HPE wind turbine installation vessels, to be built at Cosco shipyard in China;
- an order from GeoSea N.V. for the basic design and jacking systems for one SEA2000 jack-up suitable for construction support, maintenance and accommodation in water depths up to 40 metres to be built by Lemandts in Belgium.

Pipelay vessels, Crane vessels and Offshore Cranes

- An order for the basic design for Heerema's planned new semi-submersible crane vessel. The scope comprised the naval architectural, structural, marine systems and electrical system design and the integration of the crane and pipelaying equipment.

Engineering Orders

- completion of the Front End Engineering & Design study (FEED) for the topsides production facilities for the P-55 production unit for Petrobras;
- an order from Petrobras for the design of a range of pipelay stingers for the pipelaying vessel BGL-1;
- the engineering work for Teekay Petrojarl required to document the suitability of the GustoMSC CJ70-150MC jack-up carrying a production module and supporting 16 well risers on the DetNorske Froy field;
- a study to upgrade the jack-up Saturn to a Cantilever drilling jack-up for GSP Drilling;
- the basic design and engineering of "add-footings" for Master Marine for the first ServiceJack jack-up under construction at the Drydocks World yard in Batam;
- an order from Parker Drilling for detailed engineering of the Pipebarn structure of their Arctic rig for the Arkutun-Dagi project on Sakhalin Island;
- an order for detailed engineering for upgrades to two self-contained platform drilling rigs for Statoil's Peregrino project offshore Brazil.

Offshore Contracting

Offshore Contracting

Both dynamically positioned installation vessels, the 'Normand Installer' and 'Dynamic Installer' were fully occupied during 2008 with installation works related to several of the Company's EPCI contracts and a series of contracting jobs for third parties.

The 'Normand Installer' has installed all the new FPSOs as part of 'in-house' work, with a good amount of third party work resulting in a record year for occupancy. It was the vessel's second full year of operations and the wide range of operations handled has fully demonstrated her prominent qualities: 'safety, efficiency, redundancy, and versatility'.

In chronological sequence the following main jobs have been completed by the "Normand Installer":

- installation of the mooring system and hook up of the FPSO Agbami and deepwater CALM buoy, offshore Nigeria;
- flowlines repair for MEGI Opalo, offshore Equatorial Guinea;
- repairs to the Bonga deepwater CALM buoy outboard pipe swivel, offshore Nigeria;
- mooring system and anchor piles installation for FPSO Frade, offshore Brazil;
- anchor piles installation for FPSO Espirito Santo on BC-10 field, offshore Brazil;
- installation of mooring system of FPSO Espirito Santo for Shell in Brazil;
- hook up of FPSO Saxi Batuque, offshore Angola;
- risers and jumpers installation on FPSO Saxi Batuque, offshore Angola;
- gas lift jumper relocation on Oveng field for Hess, offshore Equatorial Guinea;
- subsea manifold installations on Corrib field, Yme and Rey fields for Technip in North Sea (UK and Norway);
- SLS installation for Talisman, offshore Norway;
- subsea piles installation on Azurite field, offshore Congo;
- rig move and mooring installation for Total, offshore Congo.

The Dynamic Installer has executed essentially third party contracts:

- platform inspection for Stapem, offshore Angola;
- umbilical laying for Hess, offshore Equatorial Guinea;
- laying of electrical cable and floating hoses and buoy change out for Total, offshore Cameroon;
- saturation diving works for drilling rig assistance for Stapem Oombo, offshore Angola;
- retensioning of FPSO Kuito CALM buoy chains for Chevron in Angola;
- cable laying and ROV inspection on Sendji field for Total, offshore Congo;
- chain retensioning of FPSO Palanca for Sonangol, offshore Angola;
- CALM buoy change out for CNL, offshore Nigeria;
- cable laying for Eni, offshore Congo;
- saturation diving works for DSME, offshore Angola.

After Sales Services

With over three hundred CALM type terminals and fifty FPSO and FSO mooring systems supplied by the Company currently in operation, the supply of spare parts and overhauls of such systems reached a record year in sales with good margins.

The type and complexity of this activity covers a very wide range but included:

- refurbishment of the soft yoke and swivel stack for the CNOOC BZ28 FPSO offshore China;
- overhaul of two CALM buoys in Nigeria;
- supply of a very large roller bearing for Vietsovpetro CALM soft Yoke mooring for Chi Linh FSO;
- replacement of anchor chains of the Palanca FSO for Sonangol in Angola;
- refurbishment of the swivel stack of FPSO Curlew for Maersk in the UK.

Swivel and mechanical components manufacturing

Manufacturing of proprietary mechanical components for the turret system, like swivel stacks, bearings and articulations is an increasingly active part of the overall services activities. For the manufacturing of these parts the Company has created long-term relationships with key fabricators in order to ensure that the stringent quality and safety requirements for manufacturing are met. In the majority of the cases this group is serving in-house projects as an internal supplier, but external clients are served as well. Externally the Company has supplied the Norne replacement swivel stack for StatoilHydro, which was delivered and installed in 2008, and five other swivel stacks supplied for the Company's FPSO projects during the year.

The 'Normand Installer' preparing for installation of suction piles for FPSO Espirito Santo offshore Brazil

Corporate Governance

Corporate Governance Structure

SBM Offshore N.V. is a public limited company ("Naamloze Vennootschap") with its statutory seat in Rotterdam and incorporated according to the rules and regulations of the Dutch legislation. 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 and articles of association.

Dutch Corporate Governance Code

The Corporate Governance Monitoring Committee has published the amended Dutch Corporate Governance Code on 10 December 2008 (Amended Code). SBM Offshore is currently studying the Amended Code. In the Annual Report 2009, SBM Offshore will report on its compliance with the principles and best practices of the Amended Code or explain why principles and best practices are not applied. For the Annual Report 2008, the principles and best practices of the Corporate Governance Code 2003 (Code) are applicable, including best practice provisions of the Corporate Governance Monitoring Committees until December 2008.

SBM Offshore complies with all applicable principles and best practices provisions of the Code except for:

BP.III.5.11: The Remuneration Committee shall not be chaired by a Supervisory Board member who is a managing board member of another listed Company. The Chairman of the Remuneration Committee holds a temporary position in a Dutch listed Company, primarily active on the Dutch market. In the opinion of the Supervisory Board there is no conflict of interest and therefore the Supervisory Board has requested the Chairman of the Remuneration Committee to continue in this role.

BP IV.1.1.: This provision mentions that the general meeting of shareholders of a company not having a specific formal structure (known as "structuurregime") may pass a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a certain proportion of the issued capital, but such proportion should not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to dismiss a board member, a new meeting may be convened. At that meeting a resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital of that meeting.

Under the rules of the articles of association, a member of the Supervisory Board or Management Board can be

Tow-out of semi-submersible production platform Thunder Hawk for the Gulf of Mexico

dismissed by a majority of two thirds of the votes cast, such majority representing more than 50% of the issued share capital. The Management Board is of the opinion that in order to take a strategic decision in a balanced manner, all shareholders should be able to be involved in the decision taking process and therefore the Best Practice provision is not applied.

The Company has explained above its deviations from the Code. Material (future) developments in Corporate Governance might justify other deviations and would in such circumstances be explained by the Company.

Management Board

The Management Board consists of 2 statutory directors, the CEO and the CFO. The statutory directors and non-statutory directors form together the Board of Management.

Duties of the Management Board

The Company is managed by the Management Board, under the supervision of a 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 2009 has been discussed and approved in the Supervisory Board Meeting of 9 December 2008.

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 a term of not more than four years at a time, with due observance of the provision in the previous sentence.

In case of an appointment of one or more Managing Directors, the Supervisory Board may make a binding or a non-binding proposal. As far as it concerns a binding nomination, the Management Board shall invite the Supervisory Board to make a proposal 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.

Suspension or dismissal of a Managing Director

The GM may at any time suspend and dismiss Managing Directors. Unless at the proposal of the Supervisory Board, a resolution to suspend or dismiss a Managing Director may be passed only by the GM with a majority of two-thirds of the votes cast, such majority representing more than half of the issued capital. As stated in the articles of association it shall not be permitted to convene a second GM pursuant to section 120, subsection 3, Book 2, Dutch Civil Code. 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 the maintaining of 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 control 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 and transaction in shares

As required by the Code, members of the Management Board as well as the non-statutory directors notify the Company Secretary, acting as Compliance Officer on a quarterly basis, concerning the ownership and transactions in shares held by members of the Board of Management in Dutch listed companies other than SBM Offshore N.V. The Company Secretary received the quarterly statements.

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 page 27 of this report and note 20 of the notes to the Financial Statements.

Conflict of interest

The members of the Management Board have an employment contract with SBM Offshore N.V. in line with the Code and recommendations made by the Corporate Governance Monitoring Committees. In these employment 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 a conflict of interest during the year 2008. No member of the Management Board is a member of the Supervisory Board of any other listed company.

Loans or guarantees

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

Supervisory Board

The Supervisory Board consists of six members. The Supervisory Board has established an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee. More information about the Supervisory Board and its committees can be found in the Report of the Supervisory Board.

Duties of the Supervisory Board

The Supervisory Board supervises 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 Dutch Corporate Governance Code. In the performance of their duties the Supervisory Board is guided by the interests of the Company, and the enterprises connected therewith.

In addition, (material) decisions -as stipulated in the law or articles of association or the Rules of the Supervisory Board governing best practices and provisions- taken by the Management Board, need prior approval of the Supervisory Board.

Appointment of Supervisory Directors

Supervisory Directors shall be 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 first annual GM, that will be held four years following the appointment. A Supervisory Director may be reappointed with due observance of the provision in the previous sentence. 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

The GM may at any time suspend and dismiss Supervisory Directors. A resolution to suspend or remove a Supervisory director may be passed only by the GM with a majority of two-thirds of the votes cast, such majority representing more than half of the issued capital. As stated in the articles of association it shall not be permitted to convene a second GM pursuant to section 120, subsection 3, Book 2, Dutch Civil Code.

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 Rules governing Supervisory Board principles and best practices contain strict rules on conflicts of interest as well as setting out in what manner to abide by the regulations. Conflict of interest matters and how they are dealt with, is mentioned in the Supervisory Board report.

Regulations concerning ownership and transactions in shares

As required by the Code, members of the Supervisory Board notify the Company Secretary, acting as Compliance Officer on a quarterly basis, 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. The Company Secretary received the quarterly statements.

Shares held by the members of the Supervisory Board

No members of the Supervisory Board other than Mr. Keller reported to hold shares (or other financial instruments) in SBM Offshore N.V. Information on the amount of shares or options held can be found on page 27 of this report and note 20 of the notes to the Financial Statements.

Diversity

The Corporate Governance Code Monitoring Committee recommended, in its advisory report of 4 June 2008, diversity in the composition of the Supervisory Boards of Companies listed at Euronext Amsterdam. The Supervisory Board considers that the current composition of the board fulfills this recommendation

Shareholders

Share capital

The authorised share capital of the Company is one hundred million euro (EUR 100,000,000). This share capital is divided into two hundred million (200,000,000) ordinary shares with a nominal value of twenty-five eurocent (EUR 0.25) each and fifty million (50,000,000) preference shares, with a nominal value of one euro (EUR 1) each. Currently, 145,613,988 ordinary shares are issued and no preference shares. The preference shares can be issued as a protective measure as explained in the section of the Stichting Continuiteit SBM Offshore N.V.

A Maersk Contractors jack-up rig built to GustoMSC design

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 items: the consideration of the written Annual Report of the Management Board concerning the Company's affairs and the management as conducted during the previous financial year; the adoption of the Financial Statements. In addition, the proposal to discharge the Managing Directors for their management performed during a financial year and/or discharge to Supervisory Directors for their supervision during a financial year.

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 one-hundredth (1/100) of the issued share capital, or with a market value of at least fifty million euro (EUR 50,000,000), unless this would be contrary to important interests of the Company.

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 shall confer the right to cast one (1) vote. Each protective preference share shall confer the right to cast four (4) votes, 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. A proxy voting system is provided but electronic voting means will not yet be implemented as at the current moment uncertainty exists about the verification of the identities of shareholders attending meetings using electronic means. The Company is presently studying the changes that will be required to its articles of association in order to anticipate the future developments in the way and manner that shareholders' meetings are likely to be conducted. There are currently no means provided for shareholders to communicate with other shareholders.

Notice to convene a meeting

The Management Board or the Supervisory Board may convene a GM by means of an advertisement in the official price list of Euronext Amsterdam N.V., 14 days prior to the meeting as stipulated in the articles of association of the Company.

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, with reference to the articles of association. Unless legal obligations determine otherwise, it is Company policy to distribute as dividend 50% of net income. As an exception to this general principle, a dividend of US$ 0.93 per share representing 60% of net income will be proposed to the AGM of 2009, of which 50% will be payable in cash and 50% payable in Company shares.

Major Shareholders

As at 31 December 2008, the following companies have reported to the Netherlands Authority for the Financial Market a major shareholding in SBM Offshore N.V.:

- Capital Research and Management Company has a total capital interest of 6.53%;
- Schroders Investment Management has a total capital interest of 9.98%;
- Capital Income Builder Inc, has a total capital interest of 5.93%.

Installation of the storage tank of the MOPUstor™ for Yme field, Norway

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.

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 upon further issues of shares; as long as the Management Board is authorised to issue shares, the GM may not pass a resolution to further 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 resolve upon further issues of shares the number and the class of shares must be specified on 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.

At the AGM of 2008, the shareholders have delegated the authority to the Managing Directors for a period of eighteen months as from 15 May 2008 and subject to approval of the Supervisory Board to issue ordinary shares up to ten per cent of the total outstanding shares at that time. In the same meeting, the shareholders have delegated the authority on the Managing Directors for a period of eighteen months as from 15 May 2008 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.

Workers at Dubai Drydocks with FPSO Frade Topsides Modules in background

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 2008, the shareholders have delegated their authority to the Managing Directors for a period of eighteen months, as from 15 May 2008 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.

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.

Appointment of the Auditor of SBM Offshore N.V.

At the AGM of 2008, KPMG Accountants N.V. was appointed as the auditor of SBM Offshore N.V. for a period of 1 year. At the AGM of 14 May 2009 it will be recommended to approve the proposal to reappoint KPMG Accountants N.V. as the auditor of SBM Offshore N.V. for a further period of one year, ending at the AGM of 2010.

Stichting Continuiteit SBM Offshore N.V.

The Group remains firmly opposed to a takeover by a third party when in its opinion the ultimate aim of such takeover is to dismantle or unbundle the activities of the Company or otherwise to act against the best interests of the Company including its shareholders, employees and other stakeholders.

In order to allow sufficient time for an appraisal of an unsolicited public offer for the shares of the Company or any other attempt to take over the Company, the Management Board has, with the cooperation of the shareholders, made use of the possibilities open to a company under Dutch law and in the Dutch business sphere.

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 the business conducted by the Company. 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 judgement 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. 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 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 Financial Markets Supervision Act.

The European Directive on takeover 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 takeover 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 the Corporate Governance section;
- in the employment agreement between the Company and each of the current members of the Management Board a change of control clause is included. A severance payment will be paid if the employment contract will 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;
- a subsidiary of SBM Offshore N.V. has a revolving credit facility of US$ 500 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.

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;
- Supervisory Board rules, including rules for the three committees reporting to the Supervisory Board;
- Supervisory Board profile and retirement schedule for its members;
- rules for reporting of alleged irregularities of a general, operational or financial nature ('Whistleblowing' rules);
- regulations concerning Inside Information and the holding of and effecting transactions in shares and other financial instruments;
- Remuneration Policy;
- agenda, minutes and presentations held at previous GMs.

Risk Management

Introduction

The Company continues to develop and improve its Corporate Governance systems along the lines of the COSO Enterprise Risk Management model. Risk Management has been separated from Quality Assurance and a dedicated Risk Management team reporting to the Management Board has been established. The Internal Audit team is also being expanded to provide enhanced assurance on compliance with the policies and procedures. The overall objective is to ensure management control of all business activities.

Internal Environment

The continued growth of the Company requires management to continually develop and improve Corporate Governance as an integral business activity. Particular attention has been given to the Internal Environment by raising the profile and importance of risk management and controls. Emphasis is also being placed on improving role definitions, responsibility and accountability, personnel competence as well as logical and well defined processes.

Objectives

The Company's objectives are translated down to the individual level in the organisation to ensure alignment and increase the probability that the overall Company objectives will be met. Performance is measured against set objectives and specific actions are undertaken to correct deficiencies and failures to meet objectives.

Risk Management

Risk Management operates on three fronts through a standard process of risk identification, risk assessment, and risk management responses. Firstly, business processes are subject to risk assessments and key controls updated where necessary. Secondly, major projects are subject to ongoing risk workshops by an independent Risk Management team as from the early proposal phase until project completion.

SBM Risk Cube

Thirdly, the Risk Management process is reinforced with dedicated Legal, Quality Assurance, and HSSE (Health, Safety, Security and Environment) departments.

Controls

To ensure good Corporate Governance, the Company maintains a documented system of key processes and controls. The Company recognises the need for ongoing development in this area and attention is being devoted to assess the effectiveness of those processes and key controls as well as the implementation of a continual improvement process. Consultants have been employed and project teams appointed with the objective of completing the documentation to substantiate the approach and improve management control. A manager of the Group Management System has been newly appointed.

Communication

The Company maintains a relatively flat organisation structure with short lines of communication. Information flows upwards to the appropriate department managers and decision making is made in consultation with other department managers where necessary.

Monitoring

Compliance monitoring is performed by the Internal Audit and Quality Assurance functions, both of which are independent from the business line functions and report directly to the Management Board and the Audit Committee. As noted previously, Internal Audit is being strengthened commensurate with the organisational growth.

Risk Profile

The nature of the risks inherent to the Company's business have not substantially changed although the economic crisis has amplified certain risks and the results of some specific projects have highlighted the need to focus on specific risks identified in the proposals and project execution activities. Independent consultants were engaged to assist the Company in identifying the reasons for the significant losses incurred in the Frade FPSO project. The principal lessons learned were:

- the estimated sales price and delivery schedule bid in 2005 to the client was not backed up by a sufficient level of firm bids from qualified suppliers/ subcontractors and was not compatible with contractual requirements. In the context of the overheated market where all input prices were rising rapidly, major budget overruns were experienced on many external cost packages;
- the estimated schedule for the project was based upon previous experience and did not anticipate lengthening delivery times from vendors and yards. The Company was therefore faced with a situation where its original execution plan could not be met and work had to be performed out of sequence, sometimes re-performed, and without an accurate estimate of remaining activities to achieve project completion. Furthermore, in an attempt to maintain a reasonable delivery schedule for the FPSO, acceleration costs were incurred in the latter stages of the project execution which proved to be difficult to forecast.

The origin of the project execution issues encountered can largely be attributed therefore to the proposals phase of the project, and although the relevant controls were already enhanced in 2006, the consequences and full extent of the financial impact were not apparent until much later, leading to the Company's profit warning in July 2008.

Specific corrective actions continue to be implemented and the Risk Management function has been expanded to ensure identification and the proper management of those risks.

The nature and management of risk categories faced by the Company are explained hereafter.

Strategic

Irregular order intake

Inherent to the oil and gas capital goods business is the highly irregular nature of the new order intake. The current situation of economic uncertainty, declining oil and commodity prices further encourages oil companies to delay investments. The Company attempts to mitigate these risks with the following strategies:

- prioritising its marketing activities on the projects most likely to go ahead and according to the resource skills available;
- diversifying its product line and offering solutions to oil and gas producers in a range of different field development configurations;
- direct employment of a core of competent engineers and project managers around which temporary contractors can be hired dependent on demand;
- diversified project execution locations – Monaco, Houston, Schiedam and Kuala Lumpur – to provide flexibility and responsiveness to client needs. This also provides diversification in the sourcing of skills;
- growth in the lease-and-operate as well as parts and services business to generate a predictable and profitable long-term earnings stream;
- out-sourcing construction work to eliminate the risk of irregular utilisation of construction capacity except where local content provides a means of securing a competitive advantage such as construction at the Paenal yard in Porto Amboim, Angola. This yard will be operated under a joint venture with Sonangol to satisfy the local content ambitions of the authorities;
- investing in offshore wind and wave energy technology.

Business mix between supply and lease contracts

Sale contracts generate revenues and profits during execution, and in most cases the related progress payments provide at least a neutral cash flow and thereby reduce the Company's need for capital. Lease and operate contracts are capital intensive although the lease payments generate long-term stable cash flow, EBIT and net income. While the Company's preference is to maintain a balance between turnkey supply and lease contracts, it has to be recognised that clients usually themselves select the contracting method most appropriate for each specific project.

Cost Structure and Resources

The flexible structure of the Company is set up to provide protection and even benefit from macro-economic forces with globally diversified execution centres and a workforce composed of permanent employees and short-term contractors. Overall, the Company's internal costs are biased towards Europe giving an exposure to the European economy and currency. The short to medium term is managed by forward hedging although the long-term exposure remains. The exposure to a worldwide shortage and high cost of experienced oil-field resources remains a critical risk that is best managed over the long-term with the ongoing human resource development programmes.

A major challenge has been the contracting of suppliers and subcontractors in a very buoyant market. Being situated at the "buyers" end of the supply market, the pressure on margins is minimised by using long-term relationships, commercial agreements, firm vendor commitments, escalation formulae and options. This challenge may be less acute in 2009 as demand slackens however the Company believes that this respite is likely to be only temporary and demand for hydrocarbons and consequently the Company's products will return to previous levels.

Operational

Project Execution

The Company provides custom built solutions according to clients' requirements. Project Risk workshops are conducted from the proposal phase through to project completion by experienced risk management personnel to assure good risk management on all subjects critical to a project's success.

The Company makes health, safety, security and environmental protection a high priority in the execution of its projects and minimising the occurrence of health, safety, security and environmental events is addressed by:

- the application of continually upgraded HSSE standards;
- risk based reviews of operations by health, safety, security and environmental professionals;
- internal health and safety officers have the power to direct operations as necessary to minimise risk to levels as low as reasonably practical.

The technical challenges of each project are addressed by:

- in-house and external expertise to manage the technical challenges identified for each project;
- strict adherence to the Group Management System, HSSE standards, Corporate Engineering Standards and Quality Assurance Procedures;
- review by, and compliance with, the requirements of the relevant Classification Society;
- including provisions in cost estimates and contingencies for particular commercial, technical, and execution challenges.

The commercial and contractual risks are reviewed during risk monitoring workshops.

Execution risk is controlled through on-going risk monitoring during the construction, installation and start-up phases. A detailed monthly reporting and forecast procedure is used to anticipate and prevent execution delays and budget overrun. The consequences of accidental events encountered in execution are insured under comprehensive Construction All Risk (CAR) insurance policies. The financial viability verification process is being strengthened for clients, major vendors and subcontractors and a tendering process is applied to procure quality equipment at competitive prices.

A key element of the strategy is to own and control adequate means for the offshore installation of the floating systems, by means of the Company's installation vessels. This provides protection from the non-availability and the cyclically high pricing of third party contractors.

The Company operates globally from different centres and the continuity of operations from each of the principal locations is addressed by plans setting out appropriate responses to major potential events such as fire and re-establishing key functions efficiently including IT. The ability to work from any of the main execution centres using the same tools and systems is an important strength.

Production Operations

The lease and operation of offshore production units brings other risks including environmental, performance, health, security & safety, each requiring management.

Environmental

No major environmental incident involving FPSOs or FSOs has occurred anywhere in the world although pollution does remain a latent risk. Management of pollution risk starts, for all converted units, with environmental studies, stringent hull selection and refurbishment procedures and continues with the formal interrogation of the design of process facilities to prove safety, reliability and operability. All units presently owned by the Company have certified service lives that extend far beyond their contractual commitments.

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

- strict operating procedures and preventive maintenance programmes;
- careful selection and intensive training of high-quality personnel and direct employment of all positions of responsibility aboard the units;
- continuous survey programme of Hull and Topsides by the Classification Society;
- management system accreditation by the Classification Society and compliance with the requirements of the International Safety Management (ISM) Code 2002.

Pollution insurance is purchased for the maximum available cover from a Protection & Indemnity Club and indemnities effectively capping the exposure are usually obtained from clients. All of the offshore units are also insured under comprehensive Hull and Machinery insurance packages protecting against loss or damage to the unit itself.

Windstorm insurance for the Gulf of Mexico is currently limited in availability. On this subject the lease contract for the Thunder Hawk platform provides for a combination of procured insurance and / or self insurance by the field producers, but given current market circumstances the Company is exposed on its equity share to an incident involving total loss or similar extensive damage. This exposure is expected to decrease over time.

Performance

Lease rates may not be paid or only partially paid by clients if units do not perform as per the contract requirements. System availability is assured by a mature design process, reliability and maintainability (RAM) modelling, verified construction and planned, preventive maintenance as well as condition-based monitoring. The Company has operated F(P)SOs for over 168 vessel years with a total operating downtime of less than 1%, which is well below the typical contractual allowance. Insurance cover for loss of earnings is contracted only if considered appropriate or as is sometimes required in relation to debt obligations.

Offshore Health & Safety

The Company has a duty of care to protect personnel within its operations from the potential health hazards posed by hydro-carbon processing and by toxic substances. Internal expertise and a management system in this area are supported by the preparation of vessel-specific Operational Safety Case studies.

In particular, asbestos is covered by a strict policy onboard the F(P)SOs. Units in operation have an asbestos register recording the material type and location of any asbestos, while any work in the vicinity of asbestos material is only executed by a licensed asbestos removal contractor. Units are converted to F(P)SOs as asbestos-free, i.e. all known asbestos is removed during the conversion period.

Further, codes of practice covering benzene and mercury management apply onboard F(P)SOs.

Crisis management

The Management System includes Emergency Contingency Planning which describes the procedures for responding efficiently in a predetermined way to an emergency on board an offshore unit.

In case of an emergency, a Monaco Emergency Control Centre (MECC) is ready to be activated, consisting of:

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

Emergency response simulation exercises are held regularly involving the offshore units and the 'in country' shore bases, the MECC, the clients and external specialised contractors playing the roles of families and the media. A debriefing takes place immediately following the termination of the exercise which is fully documented with the lessons learnt being incorporated into the Emergency Contingency Plan (revised annually).

Payment risk

Before the acceptance of each major contract, a credit review is made and a detailed review of its terms and conditions is carried out by experienced financial, risk, legal and commercial professionals. Bank and/or parent company guarantees are negotiated with customers, and if any doubts remain as to the financial strength of the customer, payments due in respect of supply contracts are covered by Letters of Credit. Payment risks on banks and insurance companies are managed within reasonable credit limits adjusted to account for credit ratings of the institutions.

Lease risk

When making a proposal to lease a floating facility to a client, nine main risk factors must be evaluated:

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

The Company protects its exposure by a package of means including guarantees, limited recourse financing, interest rate swaps and insurance. When necessary, finance arrangements may be pre-committed.

Beyond the traditional fixed day-rate lease model, there is an increasing tendency for clients to look to contractors to share risk, sometimes by linking part of revenues to production throughput or even to oil price. A very careful approach to such proposals is taken, firstly by capping the risk to an acceptable level in a worst-case scenario and secondly by ensuring an appropriate balance between the potential risks and rewards. The Company has currently only one lease contract (Thunder Hawk semi-submersible for Murphy Oil) where revenues are partially linked to production throughput.

Residual value risk relates to the portion of the unit which is not amortised over the initial guaranteed lease period. Deciding on that value involves taking a view on the likelihood of the lease being extended, the technical reusability of the unit and the expected market demand. A cautious approach is taken when establishing this key parameter, hence setting the residual value below the estimated future market value. Experience shows that almost all lease contracts have been extended and so far no unit has been redelivered with a book value higher than the market value.

Country Risk

The Company has in the past evaluated overall country risk in discussions with banks and does not hold assets in countries where insurance cover is unavailable. The Company is exposed to revenues from Brazil and Angola and parent guarantee structures and insurance mitigate most of that risk. The Company is now in the process of evaluating country risk objectively and establishing credit limits relative to total equity. Some operations are held in regions which present identifiable risks of terrorism and general security and one asset (FPSO Mystras, now sold) has been targeted. In such countries, the Company endeavours to ensure that adequate protection measures are in place and in the event that the available measures are not adequate, the Company has declined to operate and even sold its interest.

Funding Risk

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

The current financial crisis is restricting the number of banks which are willing to engage in project financing activities, and has raised the margins required by those banks continuing to offer liquidity.

The issue of credit availability is being addressed by studying alternative sources of finance, including export credit agencies and capital markets. The increased margin costs will be incorporated in new lease bid rates, and are currently mitigated by the exceptionally low level of US$ base interest rates.

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 causing additional costs. The Company is not currently engaged in any litigation which it considers is likely to have a significant effect on the Company's future profits.

Treasury and Liquidity risk

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

The 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 IFRS rules, variations do impact reported equity values or 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 treatment and market values.

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

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 does seek to mitigate significant foreign exchange exposures through currency adjustment mechanisms in its tender prices.

Treasury prepares a twelve-month cash plan on a quarterly basis to monitor liquidity and borrowing requirements The business unit cash plans are built up from the detail of each project to accurately forecast liquidity. Treasury reports cash and debt balances on a weekly basis to identify any divergence from the plan, thus driving decisions on corporate and project finance.

Financial Reporting Risk

Financial Reporting risks are mitigated through system procedures, use of international accounting standards, authorisations and approvals, segregation of duties, historical and budget comparisons, monthly reviews and other key controls.

Every lease and operate contract, major project under construction and subsidiary result is reported on a monthly basis and reviewed by the Board of Management. The report incorporates 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. Once per quarter, the status of the major projects and subsidiaries are reported to the Supervisory Board.

Operating companies' 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 supply reporting segment. Detailed quarterly figures are therefore not published. The Company employs appropriately qualified and competent professionals and a Controllers' seminar is held each year to review specific accounting, fiscal or other topics. The Key Controls giving assurance for the reliability of Financial Reporting in 2008 have been compliance tested with satisfactory overall results.

Legal Compliance

Operations span many diversified jurisdictions with employees and assets present in each location, and much diligence is required of the organisation and its individuals to avoid breaching any laws and regulations.

A dedicated function has been appointed to manage the regulatory change risk on projects and preserve the knowledge within the Company. For environmental, health and safety legislation, an independent firm is used in the first instance to gain an overview of requirements and obtain specialist advice where required. Clients are also helpful to assist in this process and provide valuable information.

A Classification Society is always engaged for floating projects to give 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 about the obligations concerning the project being undertaken. 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 Whistleblowing.

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, internal control systems and has reviewed the operational effectiveness of these systems for the year ended 31 December 2008. The outcome of this review and analysis as well as planned improvements for 2009, has been shared with the Audit Committee and the Supervisory Board and has been discussed with the Company's external auditors.

In respect of 2008, the Company tested compliance with its key controls with satisfactory overall results and the Management Board considers that in respect of financial reporting:

- 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 2008.

The above however does not imply that the Company can provide certainty as to the realisation of business and financial strategic objectives, nor can the Company's approach to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of law or regulations.

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 Frijns Corporate Governance Monitoring Committee and the recent best practice provisions of the Amended Code.

Compliance statement

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

- the Financial Statements for the year ended 31 December 2008 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 2008 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
A.J. Mace, CEO
M.A.S. Miles, CFO

Human Resources

This section is a summary of the Human Resources (HR) activities given in the Corporate Social Responsibility (CSR) report for 2008.

Labour

On corporate level, an important development in 2008 was the creation of a succession planning project within the Group to make provisions for the replacement of key personnel. Further progress will be made on this plan in 2009 with the assistance of professional advisors.

Reflecting the continued increase in workload the Company again expanded its permanent and contract staff in 2008.

Lifting of the manifold structure (a section of the turret) onto the FPSO Espirito Santo

In Schiedam, GustoMSC increased its staff mainly with specialists or graduates to be trained for specialist functions. Gusto's Management School programme organised a fourth session with the target group consisting of staff that are envisaged to have lead, supervisory or managerial positions in the future. A dedicated in-house training facility has been created.

In Monaco the main focus was on recruitment and the training of Managers. The majority of new personnel have been recruited to increase project execution capacity for new projects and to staff the three additional FPSOs, which were added to the fleet in 2008 (FPSO Saxi Batuque, FPSO Mondo and FPSO Espirito Santo).

In Houston, efforts were continued to maintain the staff numbers required to meet the needs of the high workload in a very dynamic recruitment market. Staff numbers reduced slightly in comparison with 2007 reflecting economies made by the integration of shared support services of the (now merged) operating companies (SBM Atlantia and GustoMSC).

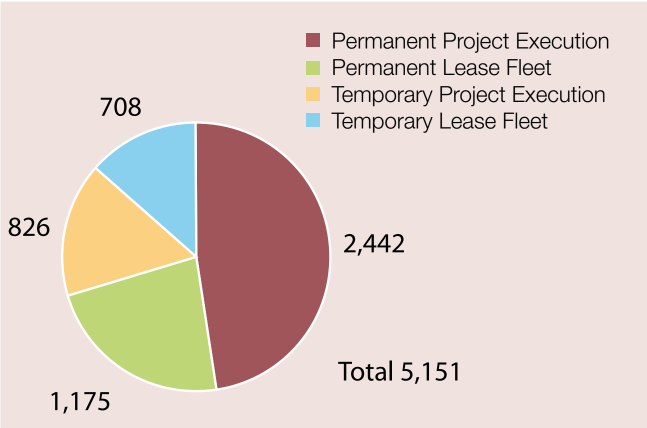
At the Company's fourth execution centre in Kuala Lumpur, there was a large increase from 187 staff at the end of 2007 to 317 at the end of 2008. SBM Malaysia has until now been handling large engineering projects and has expanded to have project management capabilities to handle complete FPSO projects and other turnkey work.

This year four of the Company's leased vessels have ceased production and three new FPSOs started production requiring a redistribution of senior offshore staff.

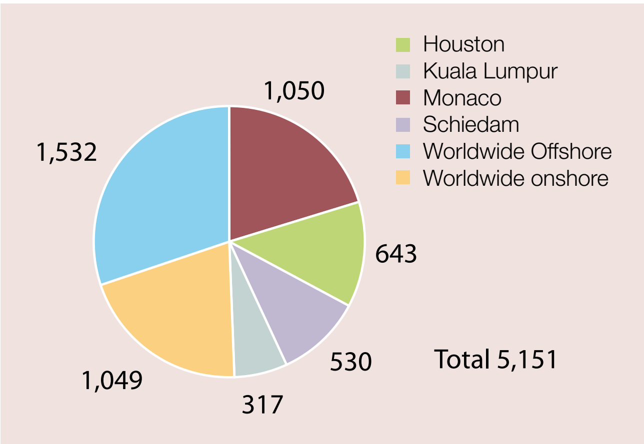
The overall number of personnel has increased to 5,151 at year end 2008, an increase of 17% in comparison with the end of 2007. However, taking into account the fact that 1,101 persons work in Joint Venture companies, apportioning the JV participation percentage of the

Company would result in a reduction of 537 to an adjusted total number of personnel of 4,614.

The distribution of the total number of personnel at year end 2008 between lease fleet activities and project execution activities and the split between permanently employed and temporary personnel are shown in the following chart.



The second chart shows the distribution of the total number of staff, over the four main execution centres, the staff in other offices and shore bases worldwide onshore, and the worldwide offshore manning of the fleet.



The internship programme continued to function well and enabled high quality graduates to obtain their first work experience in the Company. Judicious selection from this intake has allowed the number of graduates employed over the last 6 years to reach more than 100.

Remuneration

A salary benchmarking analysis has been commenced to enable the Company to have a clear picture of the competiveness of its compensation package compared to other Oil & Gas groups of similar or larger size. This has confirmed the Company's remuneration principle of rewarding high performing permanent staff well above market average. This is achieved through a system where the variable, performance related element is high.

Salaries have again been adjusted to maintain the attractiveness of the remuneration package in order to retain the loyalty of employees and to be competitive for recruitment of quality staff.

In the annual review of the basic salaries, the local market, annual inflation and the performance of the individuals are taken into account.

The Employee Share Ownership Plan (ESOP) continues to be offered to staff with a significant contribution paid by the Company encouraging employees to invest in SBM Offshore shares.

Staff Absence

For 2008, staff absence was 2.6% (2.3% in 2007).

Training

The training programme for all staff was increased during 2008. For onshore staff external training focused on managerial training, specific technical subjects and attendance at seminars and conferences. For internal training the main focus was on technical FPSO courses, language lessons and software classes. In the Company's CSR report the training programme is highlighted in more detail.

Product and Technology Development

Introduction

The Company is active in the development of new systems and components to enable safe and economic energy recovery from offshore oil and gas fields. The major focus of the present R&D effort remains on deepwater floating production and systems for the LNG supply chain. R&D expenditures amounted to US$ 21 million in 2008. A similarly high level of R&D expenditure will be maintained during 2009.

Development of new products and technology remains at the heart of the Company's growth strategy. The focus is on delivering solutions to meet the known and anticipated needs of the energy sector in deep water. Recent political developments have given a significant push for renewables, including offshore wind and wave power, and continued expansion of the Company's R&D efforts in this sector is planned.

'Normand Installer' with the J-Lay system for SCR installation

Current R&D activities include:

Deepwater systems
- Steel catenary risers;
- TLP depth extension;
- Mooring systems.

LNG Production, transfer and storage systems
- Floating production of LNG;
- Floating storage and regasification;
- LNG hose.

Renewable energy systems
- Offshore wind turbine installation jack-ups;
- Offshore wind turbine transportation vessels;
- Wave energy conversion farms;
- Wind farms.

Examples of achievements in these areas are described below:

Deepwater Systems

Steel Catenary Riser (SCR)

In ultra-deep water, beyond 2,000 m (6,600 ft), riser systems become increasingly technically challenging and comprise a major part of the overall field development costs. Large external pressures and high production temperatures in these great depths cause traditional flexible solutions to run into weight, temperature and cost problems. Steel pipes do not have these temperature limits. The great depths enable steel pipe configurations to remain within acceptable bending tolerances when following floater movements and thus makes them suitable for deepwater riser use. The FPSO with its large displacement is ideally suited to carry a large number of such deepwater SCRs. SCR bending fatigue concerns in this use have been addressed and shown not to be a problem in moderate environments, and deepwater SCRs are to be deployed in 2009 on the Company's leased FPSO Espirito Santo.

Traditional installation of SCRs is done with welded pipe using expensive S or J-lay vessels. The normal weld procedures used with these vessels limit the pipe steel strength. In deep to ultra-deep water with high pressure / high temperature wells this pipe strength limits the use of these welded SCRs. Internal R&D studies have been focusing on means to reduce the expensive offshore time required for SCR laying and also increase the pipe strength that can be used. This will be accomplished with the use of fatigue resistant threaded mechanical connectors to connect the SCR joints rather than with the traditional use of field welded joints. A qualification programme for this type of connector was started in 2007. Twelve of these connectors were built in 2008, and these are undergoing qualification tests to the ISO/DIS 21329 standard. Qualification of this connector is anticipated early 2009.

A separate programme is developing a high speed, efficient J-lay system for the installation of these mechanically connected SCRs. This lay system will be modular and able to be used on vessels such as the Company's 'Normand Installer', or cantilevered over the side of a deepwater FPSO. When the SCRs are J-layed from the FPSO, anchor handling type tugs will be used to pull out the SCR to subsea wells or manifolds.

The above described threaded pipe installation method is also suitable for use in the installation of mid-water Oil Offloading Lines (OOLs). These large OOLs are suspended mid-water between an FPSO and export buoy and suffer bending fatigue due to the wave induced floater movements. The use of the mechanical connectors in the OOLs improves their fatigue life and allows for the use of larger diameter lines thus reducing oil export pumping costs.

SCR analytical studies have been completed for the development of clamp on, buoyant and non-buoyant, added mass and damping devices. These devices are used to make slight SCR configuration changes, which greatly reduce dynamic bending response at the SCR touchdown point. This development shows significant improvement of the SCR fatigue life and model tests will be carried out to confirm these findings in 2009. Additionally, analytic studies of low stress steel flex-joints for SCRs suitable for high pressure, high temperature and sour (H_2S) service were completed in 2008. A prototype will be built of this steel flex-joint for confirmatory testing during 2009.

The objective of the various SCR developments described above is to enable the use of SCRs on semi-submersibles and FPSOs for service conditions found in virtually any deep to ultra-deep development area.

To further enhance understanding of riser response, the Company continues its research into Vortex Induced Vibrations (VIV) of risers and tendons. This work continues to deliver better solutions for suppression of VIV loads and motions in deepwater, high current areas. Recent work includes development and testing of a new and improved fairing with a fairing/strake supplier, and continual update of the MIT/SBM-Atlantia Shear7 software for the more than 40 industry users that currently subscribe to this industry standard software.

TLP Depth Extension

The use of TLPs has generally been thought to be limited to depths up to 2,000 metres. This limit arises as a consequence of TLP mooring physics. The stiffness of the vertical mooring tendon reduces with depth, causing the TLP mass and spring system to move to longer periods. These longer periods are excited by commonly occurring short waves which cause fatigue in the tendons. Increasing tendon size to reduce periods adds weight to the structure and cost to the tendons, thus making the TLP less competitive in deep water.

A passive air damping system has been developed that can be placed on the TLP columns to damp out the dynamics caused by the longer periods on the tendons. Work has progressed to incorporate this air damping system in the TLP to enable the economic use of this product in water depths up to 3,000 metres. Tests carried out previously have provided essential information for design of these systems. Work in 2007 developed numerical methods for simulating and designing these TLP systems. In 2008 a preliminary design of a 2,400 m depth TLP was produced. A test of this design will be carried out in 2009.

Mooring Systems

There are a number of offshore hydrocarbon development areas that experience extreme seasonal storms such as hurricanes and typhoons, requiring platform evacuation of personnel during these events. Passage of these storms over facilities often causes large amounts of damage incurring significant costs and delayed restarts. To avoid these evacuations and economic losses, floating systems can be designed with turret disconnect systems that allow for release and sailaway from such storms. These disconnectable systems enable cost savings to be realised on both evacuation expenses and the cost of the mooring system, as they can be designed for lower environmental conditions.

One focus area for these developments has been the deep water Gulf of Mexico (GOM). A particular challenge for FPSO disconnect systems in this area is the incorporation of SCRs as their weight requires a large, buoyant disconnect structure. In 2007, the Company completed the design of an SCR capable FPSO disconnect system named MoorSpar™ Riser Buoy. The system was successfully tested for this environment and is now ready for application in the GOM and other locations around the globe.

The MoorSpar™ Riser Buoy expands the opportunities for the use of the disconnectable FPSO to include SCRs, which leads to significant cost reductions in the overall riser and mooring system. The MoorSpar™ can also lead to cost savings for less severe, non-disconnect developments: any delay in the arrival of a conventional FPSO can seriously impact project schedule and costs associated with the SCR lay vessels. A MoorSpar™ construction and installation, by contrast, can be completed well ahead of FPSO arrival giving a wider window for the riser installation. This also leads to a much faster start-up at FPSO arrival as risers are already installed.

MoorSpar™ Riser Buoy, disconnectable mooring system for FPSOs incorporating SCRs

LNG Production, Transfer and Storage

Floating Production of LNG

The Company has completed a generic FEED study of a Floating LNG Production, Storage and Offloading vessel (LNG FPSO) in a capacity range of around 2.5 million tonnes per year, demonstrating the technical feasibility of the concept. The plant is suited for use in remote areas where pipeline infrastructure necessary for transportation of the gas to a land based LNG facility is technically or economically not feasible. Further details on the LNG FPSO development are reported in the Company's Future section (page 75).

Floating (Storage and) Regasification Unit (F(S)RU)

Worldwide LNG import continues to grow strongly. Reliance on a few major pipeline suppliers presents risks to consumer countries, and supports the drive to expand LNG import capabilities. In 2007 the Company developed to maturity numerous alternative solutions for FSRUs. Development support work has continued through 2008 in carrying out client specific studies.

A key problem with LNG import is the inherent risks associated with the product, and a desire not to have the shuttle tankers offload at the shore. One solution is to moor the LNG shuttle tanker offshore and regas onboard whilst offloading. Existing systems for mooring such LNG regas shuttle tankers in shallow water require complex and expensive bottom mounted disconnectable turret mooring systems, which have the disadvantage of reducing ship storage capacity and increasing fuel costs when sailing due to increased drag at the keel penetration. The Company has developed the Counterweight Articulated Mooring (CAM), a simple, low cost external disconnectable turret mooring specifically designed for integration into high speed LNG (and similar) shuttle tankers with minimum impact on the hull and no impact on fuel costs.

Generally, the regasification process onboard a FSRU or FRU would be based on the use of seawater. In areas where seawater use is prohibited because of environmental concerns or in sufficiently warm climates, with minimum temperatures of about 5 degrees Celsius, the use of Ambient Air Vaporisers may potentially be considered instead. Development continues in assessing whether these vaporisers can be used effectively for floating applications.

COOL™ Floating LNG Hose: LNG flow test at Ebara testing facilities, USA

LNG import is generally supplied to generate electricity. The process of revaporisation, export and combustion requires the consumption of power at each stage. One major efficiency gain comes from using the waste heat of a gas turbine to vaporise the LNG, and then export the resultant electricity directly. In support of this concept the Company has developed a 100 MW, high voltage swivel to allow an electrical power exporting FSRU to weathervane. Recent developments in Norway have focused on means of supplying the offshore oil industry with electricity from shore based power plants. In this way the CO_2 emissions can be minimised, or eliminated by capture, reinjection or use of hydropower. The electrical swivel makes it possible to power weathervaning FPSOs from shore based power.

Floating LNG Hose

Open sea ship-to-ship LNG transfer is presently possible only in benign environmental conditions. A component that will enable tandem transfers in more severe sea states is the floating hose, as commonly used with crude oil tankers. A four year programme to develop such an LNG compatible hose was initiated in 2006. The hose design is based on a patented hose-in-hose (HIH) system, which combines two proven hose technologies.

GustoMSC designed wind turbine installation jack-up units operating in the North Sea

The design combines a standard marine hose with the proven composite LNG hose. The cavity between the hoses is filled with insulating materials with the required thermal and elastic properties over the full range of ambient to cryogenic temperatures. Having proved the feasibility of the concept with an 8 inch hose in 2007, an 18 inch prototype of this hose was built and successfully tested in 2008, the results of which were presented to selected clients and partners at a two day workshop in Monaco and the Company's laboratory in November 2008. Certification of this HIH design is anticipated by the end of 2009.

Renewable Energy Systems

The Company is running several initiatives to leverage its in-house expertise to develop large scale equipment for the offshore renewables sector that is complementary to existing marine based business. The Company continues to focus on helping reverse the negative impact of fossil fuel emissions through the supply of clean fuels - a strategy to help sustain and grow the supply of clean and "green" (or "blue" marine) energy.

The sectors of the renewables market which are expected to have the largest near term potential offshore are the wind and wave energy generation sectors. The Company sees opportunities to provide support to the rapidly growing wind sector through the provision of vessels both for transportation, and for the installation and maintenance of wind turbines. Wave energy conversion is very much a nascent industry, with no commercial farms in place at all so far. The Company is working on a prototype wave energy generator based on breakthrough technologies.

The Company's Future

Strategy

A Strategy has been developed in order to ensure that the Company maintains its growth in the mid and long-term. This strategy is formally reviewed annually but is continually developed and is adapted to suit the changing business environment. The strategy has not been changed substantially over the last year and continues to focus on organic growth opportunities.

The key objectives of the business strategy are as follows:

Expand the product line through development of new technologies

- develop innovative, cost effective technical solutions in order to maintain a position of leader in the supply of offshore facilities and production services;
- continue to develop new technology for the upcoming gas market particularly in the domain of infrastructures to produce and handle liquefied natural gases offshore;
- develop technical solutions for the production of "green" energy offshore.

Expand the lease business model, to increase the portfolio of long-term, predictable revenues

- continue to grow the fleet of leased production facilities (FPSO and others) while maintaining high returns on capital employed;
- maintain the position of preferred contractor in the oil and gas production services on the grounds of quality and reliability. Focus on marketing strategies and partnerships to leverage that position. Aim at the high standard, demanding end of the product line;
- develop the lease business in the Gulf of Mexico and other new geographical areas and expand the concept to that of hub service for ultra-deep developments;
- establish a pole position in the market of offshore gas exploitation, including the leasing of LNG FPSOs and other facilities.

Maintain a high level of focus on after sales services and offshore contracting and grow this stable, predictable business segment.

Consolidate and develop the expertise and efficiency of the engineering and project management resources which have reached a capacity of approximately 3.2 million manhours.

Deepwater technology

Over the past few years, the product line has been expanded to provide comprehensive solutions for the development of deep and ultra-deep offshore oil and gas fields. One of the main objectives in the development of the technology has been to make such facilities independent of water depth through the use of surface and near-surface technology and the reduction of the amount of equipment installed on the seabed. In ultra-deep water such equipment is not only expensive in both Capex and Opex terms but also creates difficulties with respect to accessibility, operation and maintenance.

Another advantage of surface, and near-surface solutions is reducing the footprint on the seabed minimising the impact on the environment.

The vision of a deepwater field development is illustrated in the artist's impression 'SBM Offshore Deepwater Field Development Systems' on the following page. The near-surface transfer systems shown in this illustration have been in operation for more than a year and perform exactly to expectations i.e.:

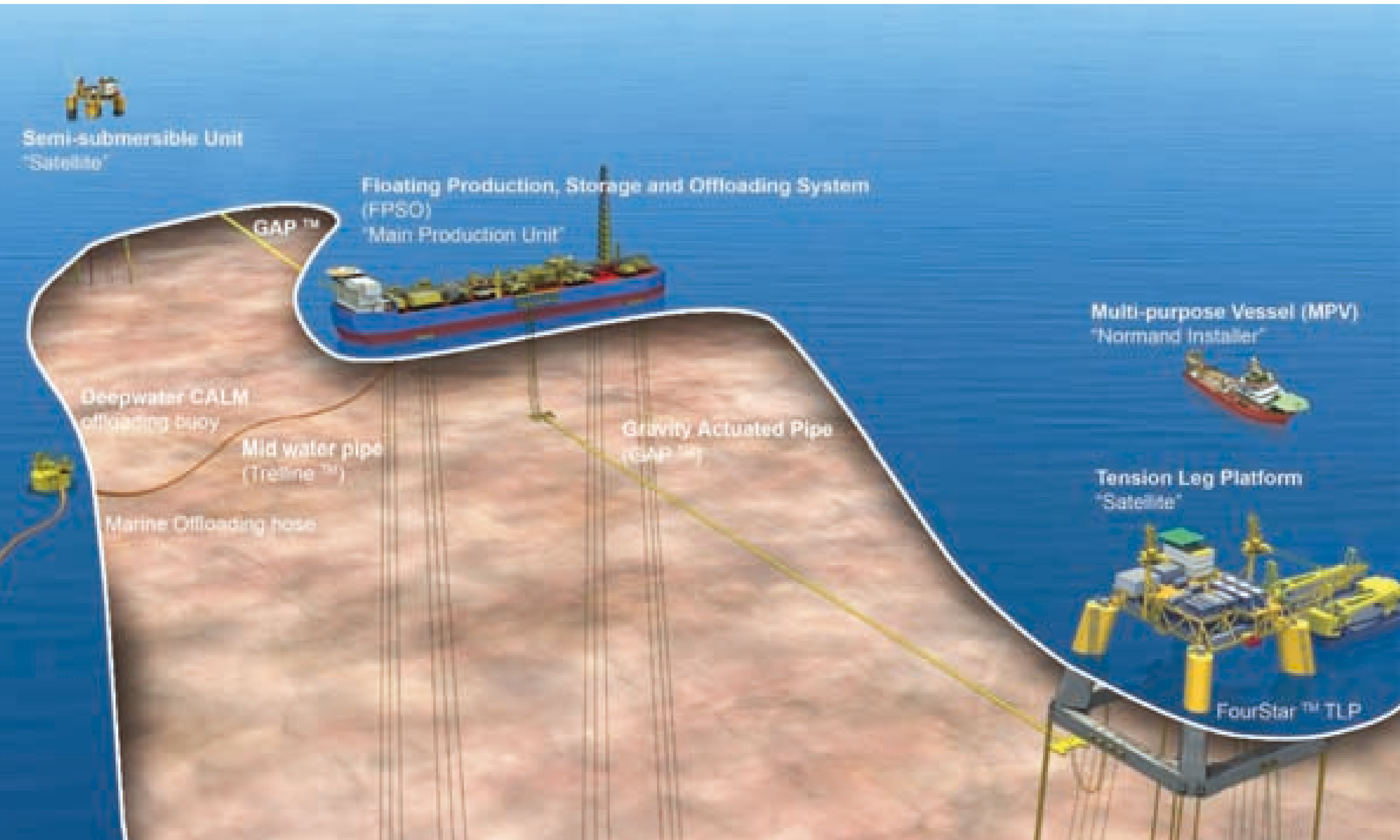
- the GAP™ transfers live crude oil, gases, injection water, utilities and controls over a long distance between the main production facility (FPSO) and the satellite wellhead production unit (SPAR) in the Kikeh field, offshore Malaysia;
- the Trelline™ bonded hose between the Bonga FPSO and the crude oil export buoy operates to the client's full satisfaction (Shell). Pressure losses measured have been found substantially lower than other non-bonded flexible solutions in service on the same export facility.

The Company is progressing on the development and application of steel catenary risers (SCRs) with FPSOs in ultra-deepwater, including FPSOs of a disconnectable type for hurricane environment such as the deep water Gulf of Mexico (GOM) where flexible risers would not be feasible. A design of an SCR capable FPSO disconnect system named MoorSpar™ Riser Buoy has been successfully model tested and further developed for this environment.

By placing high emphasis on the priority for the development of technology, the strategy is to continuously generate and improve cost effective solutions in order to have in-house, in the Company's own tool box, all the pieces of the puzzle needed for ultra-deepwater developments.

In parallel to the development of cost effective solutions, in particular for extreme applications, the strategy is also to develop and maintain within the Group companies the integrated competences and resources required for a one-stop-shop approach covering the full range of technical competences required for the Company's products. It is Management's opinion that one of the main risk control principles is to avoid having to subcontract competence from outside when promoting state-of-the-art or innovative ideas.

SBM Offshore Deepwater Field Development Systems



Gas & Power Activities

General

Anticipating the future growth of energy consumption and also the importance of gas as a world energy source, a ‘Gas and Power’ division was created in January 2004 to develop technologies, in particular for the offshore production of Liquefied Natural Gas (LNG) and the infrastructures to handle the liquid gases from the production sites to the delivery points. Since then, several development projects have been ongoing on themes related to: 1) Offshore LNG Production, 2) Offshore LNG Offloading, 3) Offshore LNG Regasification and 4) Green Energy Production.

As the new products reach technical maturity they are being and will be proposed to the gas industry. They will play a major role in the future growth of the Company, in much the same way as the products developed in the past for the oil business have been the fuel for growth over the last 30 years.

Offshore LNG Production

The most important project and the one which should significantly impact the future profile of SBM Offshore is the LNG FPSO; a means to develop, in a cost effective manner, gas reserves that were previously perceived as being either stranded (remotely offshore) or impractical or uneconomic for development by means of traditional schemes (pipeline export or onshore liquefaction). The significance of providing a solution for floating liquefaction of natural gas is that the industry may re-look and rethink the way it values gas assets.

As such the LNG FPSO is considered a strategic asset with a lot of inherent value, yet at the same time it is technically complex and capital intensive. A partnership has been established early 2007 with Linde A.G., a major German-based public listed company with a leading position in gas processing and liquefaction technology and having significant ‘build, own and operate’ experience in cryogenic gas plants. Linde is one of the global leaders in the process of hydrocarbon gases.

The companies have formed a partnership to develop a business for the design, construction and subsequent sale or lease and operation of LNG FPSOs.

A very significant technical effort was started in 2007, and extended and consolidated in 2008 to design an LNG FPSO that is robust, safe, uses only proven components and is economically feasible. Additionally the design is generic, meaning that the same, or very similar design, will be suitable for many different applications such that it is flexible enough to enable deployment at the majority of fields with different gas compositions. It is envisaged that this generic approach will allow a series of very similar LNG FPSOs to be developed in a relatively short time scale, thereby taking advantage of the business prospects that are expected to flourish with this ‘enabling technology’.

The design’s robustness, reliability and safety are obtained by a combination of the following features:

- using a proven liquefaction process and an experienced LNG plant designer and operator as a partner;
- providing the Company’s design and operation experience for offshore facilities;
- a LNG containment system that is designed to accommodate sloshing loads;
- a safe topsides layout.

The LNG FPSO has been designed as a fully stand-alone system for field development and as such has extensive pre-treatment facilities that can handle untreated well fluids, making it independent of any infrastructure and eliminating the need for new pipelines, platforms, etc. The FPSO facility will be able to treat, fractionate, liquefy, store and export the LNG as well as any by-products from the gas field production such as LPG and condensates. The nominal size of the developed facility provides an output of 2.5 million tonnes per year of LNG which, therefore, is typically suitable for fields in excess of 1 trillion cubic feet (tcf) recoverable gas reserves. The generic topside design concept will enable processing of most conventional natural gas compositions.

For the hull, which is a major critical component of the LNG FPSO, SPB LNG tank technology has been retained for the storage of liquefied gas. The choice was driven by considerations such as accessibility for maintenance, robustness and therefore long-term offshore life availability and redeployability.

The objective of this LNG FPSO initiative, complemented by other products, is to provide the industry with a solution to monetise energy resources that otherwise would be untapped and by doing so, to place the Company as a pioneer in this market and to maintain a leading position in the long term.

A detailed market research exercise has been carried out which had identified a significant number of prospective projects on which the LNG FPSO could be deployed. Some of these are near term prospects, while others are medium and long term. Overall, this gives confidence of a long-term business of LNG FPSOs.

During 2008, in addition to finalising the basic design of the facility, the project execution plan has been developed in detail with relevant shipyard building slots for the hull that would permit a four year time schedule to first LNG production. Concurrently, extensive marketing activities have continued with the development of a short list of realistic project opportunities. In parallel, discussions were held with several banks to anticipate financing issues and identify potential lease and operate structures should such an opportunity develop.

SBM Offshore/Linde's objectives during 2009 are to develop a business opportunity with the start and execution of a field/project specific front end engineering design study (FEED) for a client, being one of the major steps in the route to the sanction of an LNG FPSO.

Offshore LNG Offloading

The LNG industry has reached its critical mass over recent years to the extent that it can be referred to as a global industry. The next step is now for the industry to grow the LNG markets further and increase the destination flexibility for LNG cargoes leading ultimately to a 'spot' LNG market. It is here where the industry expects offshore LNG terminals

LNG FPSO

to play an important role, just as SPM-type terminals did for the oil industry decades ago.

Rather than spending a lot of development efforts on a single offshore LNG terminal design, SBM Offshore has concentrated its efforts to develop and control the key enabling technologies to be used in a wide range of LNG terminal component designs i.e.Subsea LNG pipeline, toroidal LNG swivel, LNG Hose with connector and Soft Quay Mooring system (SQM).

Based on these technologies, a suite of offloading terminal designs, which are well known and proven in oil applications, have been developed.

Subsea LNG pipeline

In contrast to oil terminals where there are numerous pipeline suppliers, there are only a limited number of companies active on sub-sea LNG pipeline development. One of the leading technology players is ITP from France which is the only company so far to have achieved the fitness for service certificates from a Class Authority.

The cooperation agreement signed with ITP in 2007 has been strengthened with the execution, during 2008, by SBM Offshore and ITP of the FEED contract for a Nigerian LNG project which may lead to the formal bid for the facilities. Furthermore, various other projects have shown interest in an offshore LNG terminal using such a subsea LNG pipeline rather than traditional jetty-type near shore LNG offloading arrangements, usually driven by concerns related to the damage to the environment of the latter arrangement.

Offshore LNG Regasification

A generic new-build FSRU concept has been developed for a wide range of LNG storage and regasification requirements to meet the higher range of gas send out demand. For smaller gas send out requirements the Company would propose an FSRU based on the conversion of an existing LNG Carrier.

Gas Link™

The Gas Link™ arrangement patented by SBM Offshore is specifically designed to supply LNG to small and isolated markets. It allows energy users currently running on diesel or fuel to use cheaper and cleaner LNG without the need for large upfront investments.

The challenge of controlling the project economics for the smaller size terminals is basically achieved through the use of the Ambient Air Vaporisers. Due to the simplicity of the regasification system, the supporting utilities can be kept to a minimum and all can be fitted on a conventional steel barge. The LNG is then stored separately onboard a chartered and permanently moored LNG Carrier, lowering the investment hurdles for new terminals in the smaller LNG markets.

Green Power Generation

A new, promising development direction is the generation of electricity in an environmentally friendly manner. Offshore waters contain an enormous amount of potential energy and so leveraging on the Company’s extensive knowledge and experience in providing systems in the offshore wave and current environment, it was decided late 2006 to explore ways of capturing a portion of that energy in an sustainable manner: green power.

After reviewing various energy potential sources (current energy, thermal/density, solar, etc) it was found that Wave Energy Conversion systems (WEC), have a good application potential both from a technical feasibility and commercial viability perspective. A creative team of engineers has therefore been working on a range of WEC concepts.

Lease of Production Facilities

The engineering, supply, installation and operation of oil and gas production facilities is the main component of the operating results and the Company holds a position of leader in the FPSO leasing market.

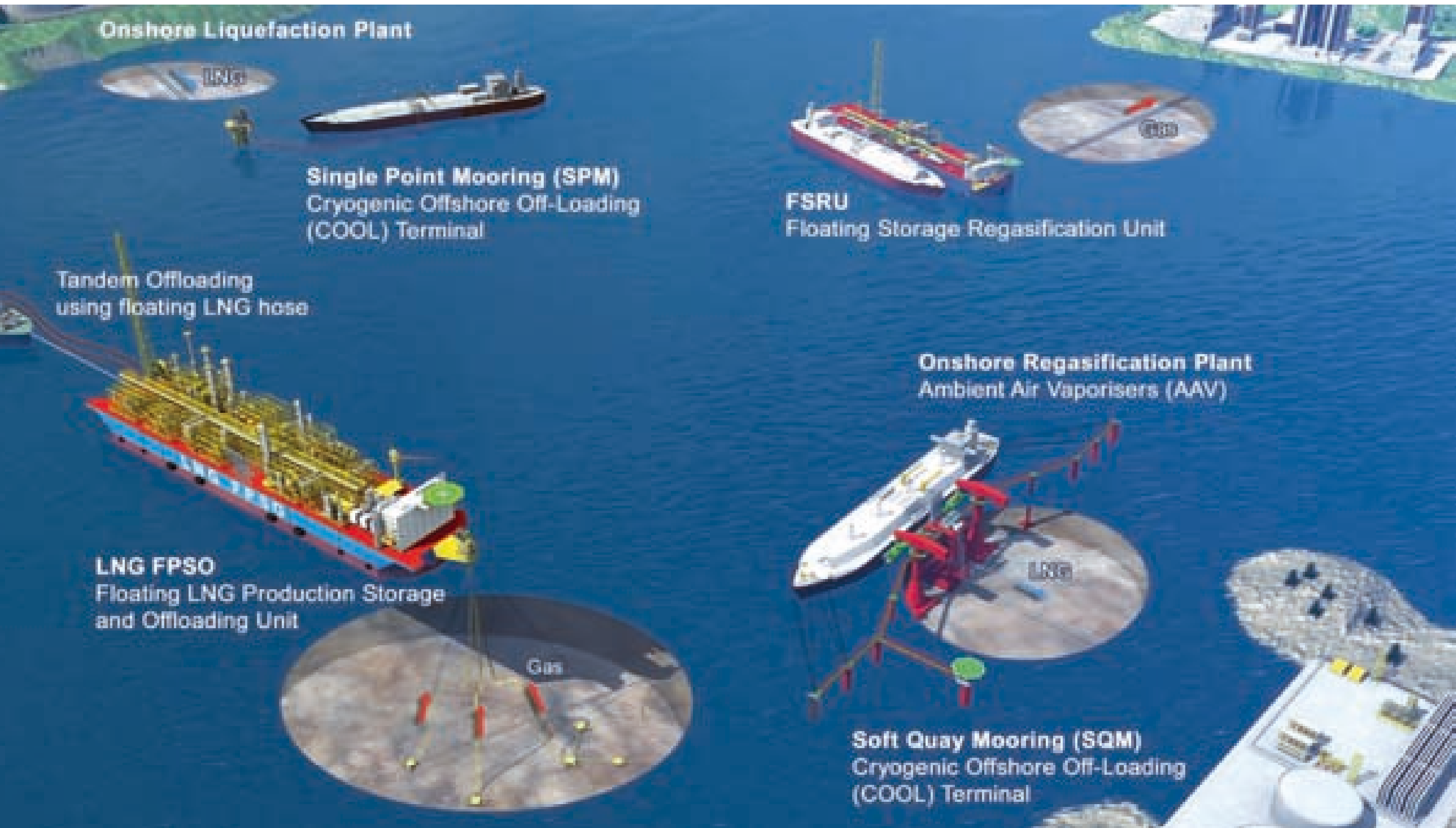
It is the intention to retain this position while remaining focused on high standard, complex demand, as this requires integrated competence and large resources in engineering and project management.

The merit of the leasing activity is essentially that it provides long-term visibility of cash flows and earnings; however, it requires tight management of the complex financial, operational and contractual risks involved. The Company started this activity as a pioneer in 1979 and has acquired unrivalled experience over the last 29 years with the result that it now operates safely and comfortably in this environment.

Lease and operation of such facilities is a capital intensive business and the strategy of the Company is to continue to approach this activity carefully, particularly in the current economic climate where capital is scarce. The following series of principles are applied in a consistent manner:

- no investment on speculation, invest only on the basis of a contract in hand, except for the acquisition of existing tankers or hulls suitable for conversion into an FPSO;
- convert only quality tankers avoiding thin walled hulls using high tensile steel;
- contract for firm lease periods ideally in excess of five years;
- revenues not exposed to oil price variations;
- revenues not, or only to a limited extent, linked to reservoir performance;
- interest and currency exchange rate risks hedged upon contract award;
- where appropriate use Project Financing for around 80% of Capex by first oil date;

SBM Offshore LNG Solutions



- project debt fully serviced by lease income from initial lease duration;
- apply conservative policy with respect to depreciation;
- manage fleet operations in-house;
- engage all senior staff for the fleet under direct employment;
- place safety and environmental protection as a primary concern.

The strategy includes the further expansion of the lease and operate business as a major component of the future growth. The lease of other types of facilities, such as MOPUstor™, MOPU, semi-subs etc., is now often being pursued, as the same principles can apply to any oil and gas production unit provided that it has at least the same relocatability potential as an FPSO. Recent examples of such facilities are being developed for new geographical areas including the North Sea, Canada and the Gulf of Mexico. It is expected that the efforts made during the past four years in the development of gas related technology will offer the lease business another area for expansion in the coming years with FSRUs and LNG/LPG FPSOs.

Partnership

Sometimes, partnership is considered an efficient way to pursue and secure business. In the lease and operate segment, the partners are in general responsible for a pre-defined part of the project. They also acquire a certain percentage of the ownership of the production facility. Reasons for having equity partners onboard include:

- getting access to certain specific expertise not available within the Company;
- getting access to a tanker under construction in order to meet the required delivery time schedule;
- mitigating business risks, especially for units where the initial lease contract is relatively short;
- taking mutual advantage of a client's preference for a particular company, which does not itself have the necessary competence to supply and install a complete FPSO;
- financing of the equity investment as well as enlarging the potential banking group through access to the partner's relationship banks.

Partnership is only engaged when it both enhances the probability of securing the business and in the long run adds value to the Company's performance.

After Sales Services and Offshore Contracting

The Company currently owns and operates two dynamic positioning offshore construction vessels, the older smaller vessel 100 percent owned by the Company and the newer larger vessel owned by a 50/50 JV between SBM Offshore and Solstad. The larger vessel was designed for and has been engaged in the installation of the Company's deepwater moorings, whilst the smaller vessel has been engaged in many different types of offshore construction work. The supply of spare parts and engineering and inspection services for the Company's existing three hundred plus terminals also has been a very important activity, which will continue to expand in the future.

Development of Engineering and Project Resources

The Company's execution capability has been expanded very significantly over the last few years with a large increase in the number of staff employed in the Group. As with new employees in any company, it takes a certain amount of time for them to become knowledgeable and proficient with the Company's products and procedures. This has been especially challenging at a time when the Company has been working at a very high level of loading. Management considers that the Company has reached a suitable level of project execution capacity and will now concentrate on improving competency and efficiency of the work force.

Section IV

Financial Review
Financial Statements 2008

FPSO Espirito Santo

Financial Review

Highlights

The consolidated result for 2008 is a net profit of US$ 227.9 million, a 14.6% decrease in comparison with the 2007 net profit of US$ 266.8 million. After adjusting for non recurring sales of assets or activities (net gain US$ 31 million in 2008 versus US$ 5 million in 2007) operational profits show a decrease of approximately 24.9%.

Earnings per share amounted to US$ 1.54, compared to US$ 1.85 in 2007, but proposed dividend per share is maintained at US$ 0.93, representing a pay-out ratio of 60%.

New orders in the year totalled US$ 4,365 million (split 67% / 33% between the Turnkey Systems and Services and the Lease and Operate segments respectively), compared to US$ 3,822 million of new orders in 2007.

Turnover increased to US$ 3,060 million, a 6.6% increase in comparison with US$ 2,871 million in 2007, mainly as a result of expanded lease and operate activities.

Total order portfolio at the end of the year was US$ 9,247 million compared to US$ 7,955 million at the end of 2007, an increase of 16.2%. Of this, 67.9% or US$ 6,278 million relates to the non-discounted value of the revenues from the Company's long-term lease contracts in portfolio at year-end.

Operating profit (EBIT) decreased to US$ 275.1 million compared with US$ 302.0 million in 2007. EBIT margin decreased to 9.0% compared to 10.5% in 2007 while the net profit margin decreased to 7.4% (9.3% in 2007). Both decreases result mainly from higher materials, equipment and subcontractors costs than budgeted on certain major projects, which severely impacted the profitability of the Turnkey Systems and Services segment in the first half 2008.

EBITDA amounted to US$ 530.1 million, compared to US$ 548.3 million in 2007.

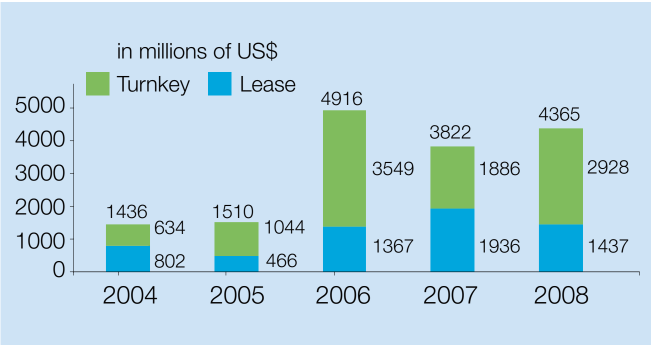
The year was marked by the following highlights:

- a healthy inflow of new orders, from turnkey contracts (including two orders for FPSOs on a sales basis) and a major upgrade and contract extension for the FPSO Capixaba;
- the sale of the FPSO Mystras (50% owned by the Company) to Agip Energy Natural Resources (Nigeria Ltd.) (AENR) in May 2008 and the FPSO Tantawan Explorer to Chevron Offshore Thailand Ltd. in August 2008 under the client's contractual purchase options;
- the sale of the Alblasserdam South land remaining from the Company's previous Dutch shipbuilding activities;
- the delivery of one major lease project, the FPSO Espirito Santo for Shell in Brazil;
- the total investment in fixed assets in 2008 amounted to US$ 1.00 billion, which is much higher than in 2007 (US$ 551 million) and which excludes the costs of completing the investment in the FPSO Saxi Batuque contract which is accounted for as a finance (capital) lease.

Segmental information in respect of the two core businesses of the Company during 2008 is provided in the detailed financial analysis which follows. Turnover by geographical area is included in the Notes to the Consolidated Financial Statements.

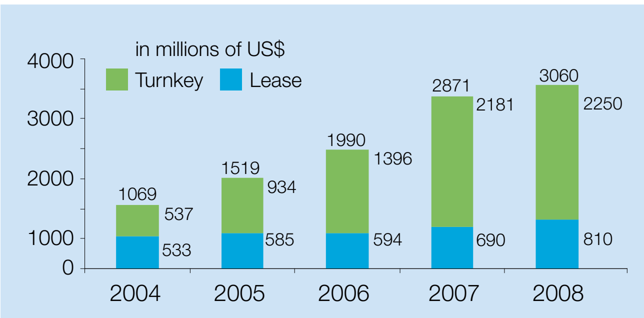
Order portfolio

New Orders



Total new booked orders for 2008 amounted to US$ 4,365 million. This amount includes a major contract amendment for the relocation of the FPSO Capixaba to Petrobras' Cachalote field in Brazil contracts, other lease extensions (FPSO Falcon, FPSO Rang Dong I and FSO Sakhalin Okha) as well as substantial turnkey contracts (Petrobras P-57 FPSO, Woodside Cossack FPSO).

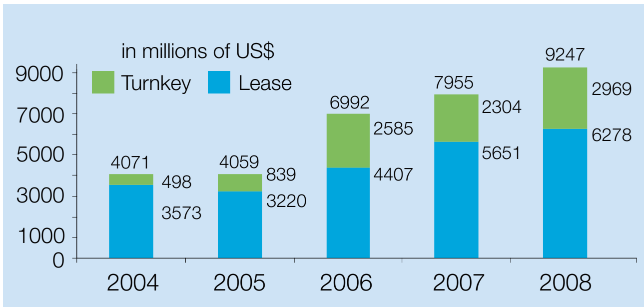
Turnover



Total turnover increased when compared with 2007, with turnkey business representing 74% of total turnover in 2008 (76% in 2007). Lease and operate turnover increased by 17% compared with 2007 as the first revenues from FPSO Saxi Batuque and full year revenues from the FPSO Kikeh and FPSO Mondo more than compensated for the reduction in revenues resulting from the sale of FPSO Mystras (May 2008), sale of FPSO Tantawan Explorer (August 2008) and termination of Rang Dong I charter (October 2008).

The contracts for the FPSO Mondo and FPSO Saxi Batuque for ExxonMobil consist of significant lump sum elements, plus fifteen year front loaded leases, which are accounted for as finance leases. This means that the entire capital values are recognised as turnkey turnover during construction, but with only the return on investment recognised as lease income during the lease period, thus negatively impacting turnkey margins and improving lease margins. Under an operating lease treatment only the partner's 50% share of the Capex investment would have been accounted for as a turnkey sale and the Company's 50% share of full revenues recognise as lease turnover during the charter. In 2008, total turnover recognised in respect of construction of assets accounted for as finance leases amounted to US$ 61 million (2007: US$ 315 million).

Order Portfolio



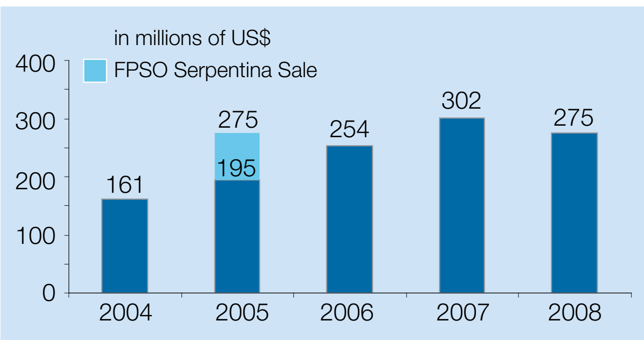
The year-end order portfolio at US$ 9.25 billion is up 16.2% from last year's level of US$ 7.96 billion and represents a year-end record. The current order portfolio includes US$ 6.28 billion (2007: US$ 5.65 billion) for the non-discounted value of future revenues from the long-term charters of the lease fleet, of which US$ 4.25 billion (2007: US$ 3.86 billion) represents the bareboat element of the operating leases. The turnkey order backlog increased by 29% and represents more than one year of turnkey turnover.

Profitability

The primary business segments of the Company are the Lease and Operate activities versus Turnkey Systems and Services. However, given that both activities are closely related, and each demand the same core technological know-how, all costs are not specifically related to either one segment or the other. 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 further 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 FPSO/FSO fleet results 'benefit' from lower capex and lower annual depreciation. For these reasons, the Company does not present detailed analysis of segment net profits. In approximate terms however, two-thirds of S, G & A and other operating costs and revenues can be attributed to the turnkey sale segment, meaning that in 2008 23.6% of EBIT is contributed by turnkey sales and 76.4% by Lease and Operate activities.

The Company will implement the requirements of IFRS 8 'Operating Segments' as from 1 January 2009, which will provide a more precise analysis of segmental profitability.

EBIT (Operating Profit)



Gross margin in 2008 of US$ 413.6 million (US$ 435.6 million in 2007) consisted of US$ 256.3 million (US$ 223.9 million in 2007) from Lease and Operate activities and US$ 157.3 million (US$ 211.7 million in 2007) from Turnkey Systems and Services.

EBIT decreased compared to 2007 due to:

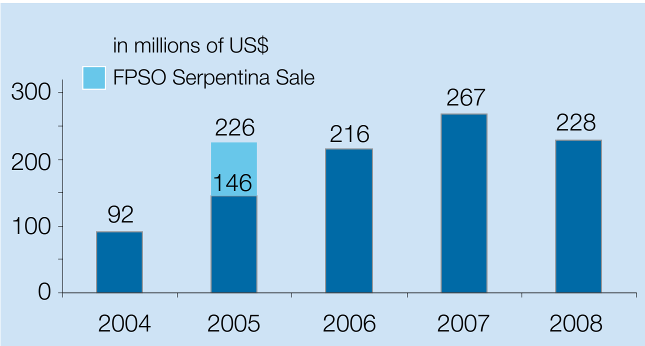
- much lower contribution from major turnkey projects, particularly due to cost overruns on the FPSO Frade, FPSO Saxi Batuque and (to a lesser extent) drilling rig series;
- continuing growth from the lease fleet as mentioned earlier. It should be repeated however that the net profit contribution of newly operational leased units is limited by the relatively high interest burden during the first years of operation. Full dedication of lease revenues to debt servicing leads to fast amortisation of the loan balances and hence reduced interest charges going forward;
- sale of FPSOs Mystras and Tantawan Explorer and sale of the Company's Alblasserdam South, resulting in a combined net gain of US$ 31.4 million (including release of FPSO demobilisation provisions);
- slightly lower R&D charge.

As a percentage of the higher turnover, operating profit therefore decreased to 9.0% (2007: 10.5%).

Net financing costs were higher as a result of the beginning of the charters in 2007 and 2008 of the FPSO Kikeh, FPSO Mondo and FPSO Saxi Batuque. Once production units are brought into service the financing costs are expensed to P&L (whereas during construction interest is capitalised). Although net debt increased significantly during 2008, the major part of this increase concerned production units still under construction. Interest income fell sharply in the second half of 2008 with the reduction in short-term US interest rates.

The 2008 tax burden was US$ 9.4 million (4.0% of profit before tax), reflecting in particular the profitability of the Dutch operations of the Company, combined with the relatively low tax burden elsewhere. This compares to a net tax burden of US$ 14.9 million (5.3% of pre-tax profit) in 2007. The corporate tax burden (excluding withholding taxes and other project taxes) for the Company is expected to average between 5% and 10% of pre-tax profits for the foreseeable future.

Net Profit



For the reasons stated before, no detailed allocation of net profit between Lease and Turnkey business segments is provided.

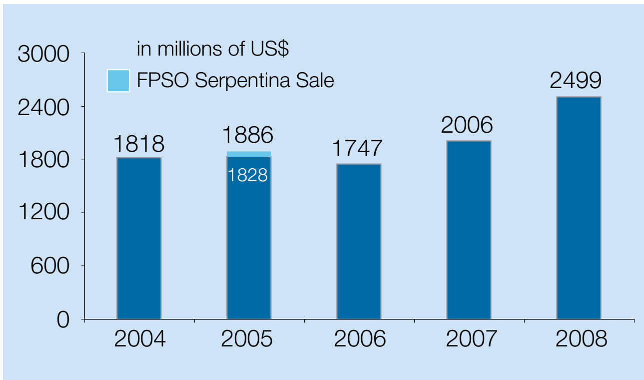
Weighted average earnings per share*

Dividend per share*

As reported earlier the dividend proposal will be to maintain the dividend at the same level as paid in 2008 (US$ 0.93 per share), which represents a 60% pay-out ratio, payable 50% in cash and 50% in SBM Offshore shares

Return On average Capital Employed and Equity

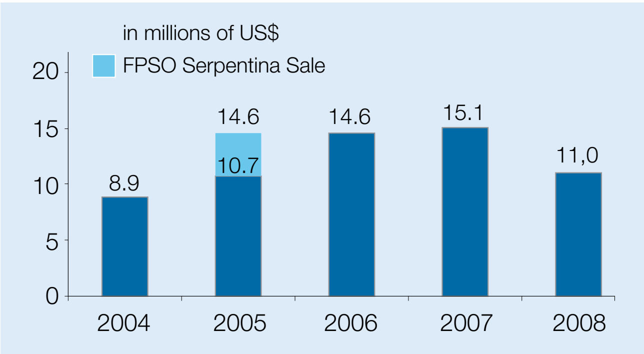
(Weighted) Average Capital Employed



Capital Employed (Equity + Provisions + Deferred tax liability + Net Debt) at year-end 2008 is US$ 483 million above last year's level due to the increasing investments in leased production facilities (and consequently net debt), plus retained profits less adjustments to equity in respect of financial instruments.

With the strengthening of the US Dollar and the dramatic reduction in US interest rates in the second half of the year, equity has been negatively impacted by US$ 269 million in 2008 on marking to market the Company's portfolio of forward exchange contracts and interest rate swaps.

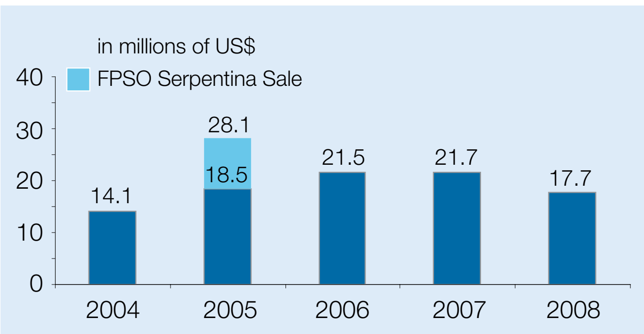
Return on Average Capital Employed (%)



ROACE (Return On Average Capital Employed) decreased in 2008 to 11.0%. This is the combined result of two main factors, namely:

- low profitability of Turnkey Systems and Services segment;
- high profitability from the Lease and Operate segment but with growing average capital employed.

Return on Average Equity (%)



Return On average Equity (ROE) at 17.7% was well below the level achieved in recent years due to the impact of the turnkey project cost overruns in the first half of 2008 and despite the attractive returns achieved on the lease fleet.

Cash flow / liquidities

US$ million	2004	2005	2006	2007	2008
Net profit	91.7	225.8	216.3	266.8	227.9
Depreciation and amortisation	209.6	206.8	223.3	246.3	255.0
Cash flow	301.3	432.6	439.6	513.1	482.9
EBITDA	370.8	482.2	477.5	548.3	530.1
Net cash and cash equivalents	145.1	144.8	339.7	274.1	230.1
Cash flow from operations*	93.1	831.0	592.4	331.1	577.0
EV: EBITDA ratio at 31/12	8.8	7.4	11.3	9.9	6.4
EBITDA: interest cover ratio	6.1	9.4	15.2	24.5	13.1

** As per the consolidated statement of cash flows*

Cash flow and EBITDA were each lower than prior years with the reduced contribution from Turnkey activities outweighing the impact of the growing lease fleet.

Net liquidities decreased to US$ 230 million, of which US$ 62.2 million can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilisation.

Balance sheet

US$ million	2004	2005	2006	2007	2008
Capital employed	1,846.1	1,740.9	1,754.0	2,257.4	2,740.9
Shareholders' equity	662.4	895.0	1,118.7	1,333.4	1,234.7
Net Debt	1,139.6	804.7	585.8	874.7	1,464.0
Net gearing (%)	172	90	52	65	118
Net Debt: EBITDA ratio	3.1	1.7	1.2	1.6	2.76
Investment in fixed assets	237.3	398.5	309.0	551.3	999.8
Current ratio	0.96	0.78	1.14	1.15	0.79

Shareholders' equity decreased by 7.4% to US$ 1,235 million as a result of the negative change in value in the Company's portfolio of interest rate and foreign exchange hedges. 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 in the latter part of 2008. Capital employed increased by 21.4% when taking into account the expansion of net debt. The Company remains clearly focused on the Company's gearing and other balance sheet ratios. The relevant banking covenants (principally Net Debt: EBITDA ≤ 3.75) are summarised in the Notes to the Financial Statements and were all more than comfortably met.

Before deduction of accrued interest, at 31 December 2008 the Company has undrawn committed bank facilities totalling US$ 404 million (Revolving Credit Facility, Thunder Hawk and BC-10 project loans) available for financing capital investment in 2009.

There continues to be no off-balance sheet financing.

Capital Expenditure

Total capital expenditure for 2008 (comprising of additions to property, plant & equipment plus capitalised R&D expenditure) amounted to US$ 999.8 million (2007: US$ 551 million). The majority of this total is related to new investment in the lease fleet for which the major elements are:

- completion of the FPSO Espirito Santo for Shell, Brazil (51%);
- ongoing expenditure on the conversion and equipment procurement for the semi-submersible for Murphy Thunder Hawk (US Gulf of Mexico), the MOPUstor™ jack-up facility for Talisman's Yme field in Norway, and for the MOPU gas platform for EnCana's Deep Panuke field in Canada.

Capital expenditure in 2008 on the FPSO Saxi Batuque for ExxonMobil, Angola, is excluded from the total amount above. Due to the classification of the contract as a finance lease, investment in the unit was recorded through construction contracts with the investment in finance lease ultimately recorded in financial fixed assets.

In order to understand better what is meant by capital expenditure, it is useful to define the cost elements which constitute the Company's investments. These 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.

Consolidated income statement

For the years ended 31 December in thousands of US Dollars

	Notes	2008	2008	2007	2007
Revenue	1, 2	**3,060,276**		2,871,214	
Cost of Sales		**(2,646,660)**		(2,435,624)	
Gross margin			**413,616**		435,590
Other operating income	3	**10,345**		1,313	
Selling and marketing expenses	3	**(37,510)**		(36,234)	
General and administrative expenses	3	**(90,022)**		(76,496)	
Other operating expenses	3	**(21,365)**		(22,158)	
			(138,552)		(133,575)
Operating profit (EBIT)			**275,064**		302,015
Financial income		**24,932**		20,870	
Financial expenses		**(65,276)**		(43,222)	
Net financing costs	5		**(40,344)**		(22,352)
Share of profit of associates			**2,535**		1,964
Profit before tax			**237,255**		281,627
Income tax	7		**(9,380)**		(14,861)
Profit			**227,875**		266,766

	2008	2007
Attributable to shareholders	**223,172**	262,885
Attributable to minority interests	**4,703**	3,881
Profit	**227,875**	266,766

	Note	2008	2007
Weighted average number of shares outstanding	8	**144,659,503**	142,274,874
Basic earnings per share		**US$ 1.54**	US$ 1.85
Fully diluted earnings per share		**US$ 1.53**	US$ 1.82

Consolidated balance sheet

at 31 December in thousands of US Dollars (before appropriation of profit)

	Notes	2008		2007	
ASSETS					
Property, plant and equipment	10	**2,565,388**		1,962,395	
Intangible assets	11	**46,782**		35,571	
Investment in associates		**69**		71	
Other financial assets	12	**420,372**		92,550	
Deferred tax asset	13	**12,922**		8,596	
Total non-current assets			**3,045,533**		2,099,183
Inventories	14	**23,305**		15,448	
Trade and other receivables	15	**672,795**		569,344	
Income tax receivable	16	**829**		224	
Construction contracts	17	**292,542**		513,644	
Derivative financial instruments	18	**79,661**		156,095	
Cash and cash equivalents	19	**230,329**		280,684	
Total current assets			**1,299,461**		1,535,439
TOTAL ASSETS			**4,344,994**		3,634,622
EQUITY AND LIABILITIES					
Equity attributable to shareholders	20				
Issued share capital		**50,885**		52,750	
Share premium reserve		**383,274**		363,057	
Retained earnings		**1,053,780**		890,697	
Other reserves		**(253,211)**		26,933	
		1,234,728		1,333,437	
Minority interests		**6,207**		4,297	
Total equity			**1,240,935**		1,337,734
Long-term loans and other liabilities	21	**1,430,319**		921,505	
Provisions	22	**35,275**		44,110	
Deferred tax liability	23	**709**		812	
Total non-current liabilities			**1,466,303**		966,427
Trade and other payables	24	**1,039,467**		909,081	
Current income tax liabilities		**21,144**		16,414	
Borrowings and bank overdrafts	25	**263,970**		233,868	
Derivative financial instruments	26	**313,175**		171,098	
Total current liabilities			**1,637,756**		1,330,461
TOTAL EQUITY AND LIABILITIES			**4,344,994**		3,634,622

Consolidated statement of changes in equity

in thousands of US Dollars

	Attributable to shareholders						Minority interests	Total equity
	Outstanding number of shares Note 20	Issued share capital Note 20	Share premium reserve Note 20	Retained earnings Note 20	Other reserves Note 20	Total		
At 1 January 2007	**140,715,535**	**46,359**	**344,326**	**677,636**	**50,379**	**1,118,700**	**323**	**1,119,023**
Foreign currency translation		5,524	–	(5,617)	8,821	8,728	93	8,821
Cash flow hedges/ net investment hedges		–	–	–	(32,267)	(32,267)	–	(32,267)
Share based payments		–	–	14,099	–	14,099	–	14,099
Net income directly recognised in equity		5,524	–	8,482	(23,446)	(9,440)	93	(9,347)
Profit for the year		–	–	262,885	–	262,885	3,881	266,766
Total income and expense for the year		5,524	–	271,367	(23,446)	253,445	3,974	257,419
Stock dividend	1,432,296	476	(476)	–	–	0	–	0
Share options/bonus shares	1,175,850	391	19,207	–	–	19,598	–	19,598
Cash dividend		–	–	(58,306)	–	(58,306)	–	(58,306)
At 31 December 2007	**143,323,681**	**52,750**	**363,057**	**890,697**	**26,933**	**1,333,437**	**4,297**	**1,337,734**
Foreign currency translation		(2,740)	–	2,931	(10,669)	(10,478)	(189)	(10,667)
Cash flow hedges/ net investment hedges		–	–	–	(269,475)	(269,475)	–	(269,475)
Share based payments		–	–	16,844	–	16,844	–	16,844
Net income directly recognised in equity		(2,740)	–	19,775	(280,144)	(263,109)	(189)	(263,298)
Profit for the year		–	–	223,172	–	223,172*	4,703	227,875
Total income and expense for the year		(2,740)	–	242,947	(280,144)	(39,937)	4,514	(35,423)
Stock dividend	1,300,774	498	(498)	–	–	0	–	0
Share options/bonus shares	989,533	377	20,715	–	–	21,092	–	21,092
Cash dividend		–	–	(79,864)	–	(79,864)	(2,604)	(82,468)
At 31 December 2008	**145,613,988**	**50,885**	**383,274**	**1,053,780**	**(253,211)**	**1,234,728**	**6,207**	**1,240,935**

Within retained earnings an amount of US$ 102.0 million (2007: US$ 100.3 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$ 15.4 million (2007: US$ 3.4 million) should be maintained in respect of capitalised development expenditures.

* *The proposed appropriation of the profit for the year is set out in the other information on page 141 of the annual report.*

Consolidated cash flow statement

For the years ended 31 December in thousands of US Dollars

	2008	2008	2007	2007
Cash flow from operating activities				
Receipts from customers	**2,958,493**		2,537,426	
Payments to suppliers and employees	**(2,376,261)**		(2,203,177)	
Income tax received / (paid)	**(5,254)**		(3,187)	
Net cash from operating activities		**576,978**		331,062
Cash flow from investing activities				
Interest received	**22,861**		19,156	
Interest paid	**(64,017)**		(35,620)	
Investment in property, plant and equipment	**(987,570)**		(555,757)	
Investment in intangible fixed assets	**(12,217)**		(3,365)	
Investment in associated and group companies	**–**		–	
Disposals of property, plant and equipment	**9,833**		3,659	
Disposal of intangible fixed assets	**–**		–	
Dividends received from associated companies	**2,535**		1,964	
Net cash from investing activities		**(1,028,575)**		(569,963)
Cash flow from financing activities				
Proceeds from issue of shares	**12,141**		16,898	
Additions to borrowings and loans	**682,350**		383,472	
Repayments of borrowings and loans	**(204,967)**		(170,919)	
Investments in other financial fixed assets	**(1,488)**		(2,080)	
Dividends paid to shareholders	**(79,864)**		(58,284)	
Net cash from financing activities		**408,172**		169,087
Net increase in cash and cash equivalents		**(43,425)**		(69,814)
Cash and cash equivalents at 1 January		**274,088**		339,687
Net cash divestments		**–**		(286)
Currency differences		**(526)**		4,501
Cash and cash equivalents at 31 December		**230,137**		274,088

The reconciliation of the cash and cash equivalents as at 31 December with the corresponding amounts in the balance sheet is as follows:

	2008	2007
Cash and cash equivalents	**230,329**	280,684
Bank overdrafts	**(192)**	(6,596)
Cash and cash equivalents at 31 December	**230,137**	274,088

Notes to the consolidated financial statements

General information

SBM Offshore N.V. is a company domiciled in Rotterdam, the Netherlands. The consolidated financial statements for the year ended 31 December 2008 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.

These consolidated financial statements were authorised for issue on 10 March 2009.

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 the years presented, unless otherwise stated.

Basis of preparation

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 2008. The financial statements are presented in thousands of US Dollars. The financial statements have been prepared under the historical cost convention except for derivative financial instruments that are stated at fair value.

Preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the paragraph 'Use of estimates'.

(a) Standards, amendments and interpretations effective in 2008.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit of IAS 19 on the amount of pension surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's financial statements, as the Company currently has a pension deficit and is not subject to any minimum requirements.

(b) Standards, amendments and interpretations effective in 2008 but not relevant.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Company's operations:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'
- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 13, 'Customer loyalty programmes'

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company.

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply IAS 1 (revised) from 1 January 2009. It is likely that both the income statement and the statement of comprehensive income will be presented as performance statements.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
  - The amendment clarifies that a pension plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

  The Company will apply the IAS 19 (Amendment) from 1 January 2009.
- IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to this standard is still subject to endorsement of the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. As the Company already capitalises the directly attributable borrowing costs, this amendment will not affect the Company's financial statements.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires accounting for changes in ownership interests by the Company in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Company's 2010 consolidated financial statements, are not expected to have a significant impact on the Company's financial statements.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. An investment in an associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Company will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for the value-in-use calculation should be made. The Company will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or other parties, should receive the same accounting treatment. The Company will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have material impact on the Company's financial statements.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard incorporates the following changes:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  The Company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendments to IFRS 1: 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for each subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS. The Company will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segmental information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by the Company.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Company will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the Company's financial statements.

(d) Standards, Amendments and interpretations to existing standards that are not yet effective and not relevant.

- IAS 1 (Amendment), 'Presentation of financial statements'
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 37) (effective from 1 January 2009).
- IAS 32 (Amendment), 'Financial instruments: Presentation' and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
- IAS 39 (Amendment), 'Financial instruments Recognition and measurement' (effective from 1 January 2009).
- IAS 40 (Amendment), 'Investment property' and consequential amendments to IAS 16, 'Property, plant and equipment' (effective from 1 January 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18' 'Revenue', IAS 29 (amendment), 'Financial reporting in hyperinflationary economies' and IAS 34, 'Interim financial reporting' which are part of the IASB's annual improvements project published in May 2008 (effective from 1 January 2009).
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

Basis of 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 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, plus costs directly attributable to the acquisition. 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 minority 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.

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.

Joint ventures
Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement. The financial statements include the Company's proportionate share of the joint venture entities' assets, liabilities, revenue and expenses, with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

The Company recognises the portion of gains and losses on the sale of assets by the Company to the joint venture that is attributable to the other venturers.

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
A segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other segments. A geographical segment relates to the provision of products or services within a particular economic environment that is subject to risks and returns that are different from other economic environments. The classification by geographical area is determined by the final destination of the product.

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 where hedge accounting is applied.

At year-end 2008 the most important rate was the Euro at US$ 1.398 (opening 2008: US$ 1.472). The average Euro rate amounted to US$ 1.469 (2007: US$ 1.368).

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).

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings of such investments, are taken to Group equity on consolidation. 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.

Derivative financial instruments and hedging activities

General

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. 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 a hedge relationship, 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 note 18 of the financial statements. Movements in the hedging reserve in equity attributable to shareholders are shown in note 20 of the financial statements.

Leasing

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.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. 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.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight line basis.

Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment, except for 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. Investment subsidies (with 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;	10-15 years
• 'non-recoverable' investments costs which are incurred for a specific project e.g. installation costs, transport costs, cost of anchor lines, anchor points, risers etc. are depreciated over the period of the contract to which they relate;	3-15 years
• investment in facilities these 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 average depreciation period for a converted F(P)SO amounts to 10 years.

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 is recognised in the acquisition of subsidiaries, associates and joint ventures. 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 stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and as of 1 January 2004 is no longer amortised but is tested annually for impairment.

Patents

Patents acquired from third parties are capitalised and amortised over their anticipated useful lives. The amortisation is charged to the income statement on a straight-line basis. The estimated useful life for patents is 15 years. The patents are tested annually for impairment.

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.

Impairment of assets

Assets that have an indefinite useful life 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.

The Company tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of cash-generating units have been 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: Fair value through profit or loss, Loans and Receivables, and Available for sale. 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. The costs are based on 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 contracts

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 included in other current liabilities.

Receivables

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 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 receivable is 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 receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the income statement.

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 in current liabilities in the balance sheet.

Borrowings (long-term loans and other liabilities)

Borrowings are recognised initially at fair value. Borrowings are 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. As of 2007 the attributable transaction costs are capitalised in financial assets. In previous years attributable transaction costs were capitalised in the related property, plant and equipment. Reference is made to note 21 of the notes to the financial statements for details of capitalised transaction costs.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of the asset and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

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 in net income, 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 three types of share based payments: share option plan, matching bonus shares and performance shares. All three 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 options 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.

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.

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

Construction contracts
As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed on a cost to cost basis unless the physical progress significantly differs. An expected loss on a contract is recognised immediately in the income statement.

Lease and operate contracts
Turnover (the total of the earned day-rates) of long-term operating lease and operate contracts are reported annually on a straight-line basis over the period of the contract once the system has been brought into service. Turnover 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 recognised in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed on a cost to cost basis unless the physical progress significantly differs. An expected loss on a contract is recognised immediately in the income statement.

Income tax
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 on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Income tax expenses comprise corporate income tax due in countries of incorporation of the Company's main subsidiaries levied on actual profits. Corporate income taxes which are levied on a deemed profit basis and withholding taxes in other jurisdictions are treated as project taxes and included in gross margin.

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.

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:
- estimation of the anticipated useful life of the leased facilities;
- lease classification;
- revenue recognition on construction contracts based on the stage of completion method;
- estimated impairment of intangible fixed assets;
- estimated impact of variation orders and recoveries from clients where negotiations or discussions are at a sufficiently advanced stage.

1. Segment reporting

Segment information

The primary segment-reporting format is determined to be business segments since the Company's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

Business segments

The following tables present revenue and profit and certain asset and liability information regarding the Company's business segments for the years ended 31 December 2008 and 2007. For both aforementioned periods there are no intersegment revenues.

Year ended 31 December 2008 *(in US$000)*	**Lease**	**%**	**Turnkey**	**%**	**Consolidated**
Segment revenue	810,158	26.5	2,250,118	73.5	3,060,276
Gross margin	256,348		157,268		413,616
Other income	44		356		400
Unallocated income and expenses					(138,952)
Operating profit (EBIT)					275,064
Net financing costs					(40,344)
Share of profit of associates					2,535
Income tax					(9,380)
Profit					**227,875**
Assets and liabilities					
Segment assets	3,397,875		878,547		4,276,422
Investment in associates	24		45		69
Unallocated assets					68,453
Total assets					**4,344,944**
Segment liabilities	2,352,440		682,637		3,035,077
Unallocated liabilities					68,982
Total liabilities					**3,104,059**
Other segment information					
Capital expenditure					
• PP&E	936,251		46,014		
• Intangible fixed assets	–		12,217		
Depreciation	(234,118)		(13,692)		
Amortisation	–		–		

Year ended 31 December 2007 *(in US$000)*	**Lease**	**%**	**Turnkey**	**%**	**Consolidated**
Segment revenue	689,729	24.0	2,181,485	76.0	2,871,214
Gross margin	223,879		211,711		435,590
Other income	522		475		997
Unallocated income and expenses					(134,572)
Operating profit (EBIT)					302,015
Net financing costs					(22,352)
Share of profit of associates					1,964
Income tax					(14,861)
Profit					**266,766**
Assets and liabilities					
Segment assets	2,763,031		789,541		3,552,572
Investment in associates	24		47		71
Unallocated assets					81,979
Total assets					**3,634,622**
Segment liabilities	1,704,472		511,560		2,216,032
Unallocated liabilities					80,856
Total liabilities					**2,296,888**
Other segment information					
Capital expenditure					
• PP&E	511,373		29,567		
• Intangible fixed assets	–		3,365		
Depreciation	(231,211)		(8,914)		
Amortisation	–		–		

The turnkey segment comprises results from sales of facilities and services. The lease segment comprises the total of the earned day-rates and profit of long-term lease and operate contracts, except when such contracts are accounted for as finance leases. In the case of a finance lease, revenue and costs of sales are recognised during the construction period within the turnkey segment, and as of the commencement date of the lease contract the income is shown in the lease segment. There were no contingent-based rents recognised in the 2008 income statement (2007: nil).

Geographical segments

The following tables present revenue, capital expenditure and certain asset information regarding the Company's geographical segments for the years ended 31 December 2008 and 2007.

In US$000	**2008**	**%**	2007	%
Revenue				
Europe	**301,717**	**10**	88,128	3
North, Middle and South America	**1,466,707**	**48**	1,149,411	40
Africa	**687,147**	**22**	1,102,134	38
Middle-East / Asia / Australia	**604,705**	**20**	531,541	19
Total revenue	**3,060,276**	**100**	2,871,214	100
Assets				
Europe	**662,752**	**15**	516,869	14
North, Middle and South America	**1,977,093**	**46**	1,322,181	37
Africa	**1,044,046**	**24**	1,204,097	33
Middle-East / Asia / Australia	**661,103**	**15**	591,475	16
Total assets	**4,344,994**	**100**	3,634,622	100
Capital expenditure				
Europe	**287,807**	**29**	121,504	22
North, Middle and South America	**515,359**	**52**	297,223	54
Africa	**41,701**	**4**	21,648	4
Middle-East / Asia / Australia	**154,920**	**15**	110,937	20
Total capital expenditure	**999,787**	**100**	551,312	100

2. Revenue

The recognised revenue can be broken down into the following categories:

	2008 *US$000*	**2007 *US$000***
Lease & Operate	**810,158**	689,729
Turnkey sales	**2,250,118**	2,181,485
Revenue	**3,060,276**	2,871,214

Minimum lease payments

The Company leases facilities under various agreements, which terminate between 2009 and 2023. A number of agreements include extension options. The nominal values of the future expected bareboat receipts (minimum lease payments of leases) in respect of lease & operate contracts are:

	2008 *US$ mln*	**2007 *US$ mln***
Within 1 year	**576**	476
Between 1 and 5 years	**2,097**	2,137
After 5 years	**1,583**	1,248
Total	**4,256**	3,861

3. Other income and expenses

Other operating income	**2008**	**2007**
	US$000	***US$000***
Net gains on disposal of PP&E	**9,802**	494
Other operating income	**543**	819
Other operating income	**10,345**	1,313

Information on the nature of expenses

The tables below set out the reconciliation between expenses by function and expenses by nature for all items included in EBIT for the years 2008 and 2007:

In US$000	Lease	Turnkey	Selling and marketing	General and administrative expenses	Other expenses	**Total**
Revenue	810,158	2,250,118	–	–	–	**3,060,276**
Cost of sales	(553,810)	(2,092,850)	–	–	–	**(2,646,660)**
Gross margin	256,348	157,268	–	–	–	**413,616**
Other operating income	44	356	–	9,945	–	**10,345**
Employee benefits	(135,175)	(344,768)	(16,873)	(86,985)	(6,970)	**(590,771)**
Selling expenses	–	–	(16,542)	–	–	**(16,542)**
Depreciation and amortisation	(234,118)	(13,692)	(175)	(6,635)	(373)	**(254,993)**
Other operating costs	(198,561)	(56,719)	(3,920)	3,598	(14,022)	**(269,624)**
Transfer to cost of sales	567,854	415,179	–	–	–	**983,033**
Total expenses	0	0	(37,510)	(90,022)	(21,365)	**(148,897)**
Operating profit (EBIT) 2008	256,392	157,624	(37,510)	(80,077)	(21,365)	**275,064**

Sale of the FPSO Mystras

On 16 July 2008 Agip Energy and Natural Resources (Nigeria) Ltd. exercised its purchase option to purchase the FPSO Mystras. The income relating to this transaction is shown in the turnkey segment.

Sale of the FPSO Tantawan Explorer

On 11 June 2007 the notification to Exercise the purchase option to purchase the 'Tantawan Explorer' was received from Chevron Offshore (Thailand) Ltd. The transfer of the vessel to Chevron took place in August 2008. The income related to this transaction is shown in the turnkey segment.

Sale of Alblasserdam South

On the 16th of April 2008 the land located in Alblasserdam South was sold to an external party. The income is included in Other operating income and shown as part of the general and administrative segment.

The combined effect of the abovementioned transactions on the 2008 income statement amount to US$ 31.4 million.

In US$000	Lease	Turnkey	Selling and marketing	General and administrative expenses	Other expenses	**Total**
Revenue	689,729	2,181,485	–	–	–	**2,871,214**
Cost of sales	(465,850)	(1,969,774)	–	–	–	**(2,435,624)**
Gross margin	223,879	211,711	–	–	–	**435,590**
Other operating income	522	475	–	316	–	**1,313**
Employee benefits	(113,915)	(301,474)	(19,514)	(64,893)	(4,256)	**(504,052)**
Selling expenses	–	(53)	(18,317)	(3)	–	**(18,373)**
Depreciation and amortisation	(231,211)	(8,914)	(176)	(5,637)	(344)	**(246,282)**
Other operating costs	(129,950)	(42,997)	1,773	(5,963)	(17,558)	**(194,695)**
Transfer to cost of sales	475,076	353,438	–	–	–	**828,514**
Total expenses	0	0	(36,234)	(76,496)	(22,158)	**(134,888)**
Operating profit (EBIT) 2007	224,401	212,186	(36,234)	(76,180)	(22,158)	**302,015**

Sale of 20% of Capixaba

On 19 March 2007 20% of the shares in the owning and operating companies of the FPSO Capixaba were sold to Star International Drilling (STAR). STAR shares in the net result of the FPSO from the start of the operations in May 2006.

Sale of NKI activities

The activities of NKI Group B.V. and NKI Aviobridge B.V. were sold during the course of 2007 to external parties.

The combined effect of the two aforementioned transactions on the 2007 income statement is around US$ 5 million.

KPMG Fees

Fees included in Other operating costs related to the Company's external auditor can be summarized as follows:

In US$000	**2008**	**2007**	**2006**	**2005**
Audit fees	**756.2**	703.6	731.9	898.6
Audit related fees	**79.9**	61.6	68.3	290.5
Tax fees	**289.2**	239.6	10.0	15.0
Other	–	90.8	261.0	562.4
Total	**1,125.3**	1,095.6	1,071.2	1,766.5

4. Employee benefit expense

Information with respect to employee benefits	**2008** *US$000*	**2007** *US$000*
Wages and salaries	**318,704**	278,122
Social security costs	**36,051**	30,160
Contributions to defined contribution plans	**28,248**	20,111
Increase in liability for defined benefit plans	**3,192**	6,545
Increase in liability for other employee benefits	**1,714**	1,130
Equity settled transactions (share based payments)	**16,844**	14,099
Other employee benefits	**186,018**	153,885
Total employee benefits	**590,771**	504,052

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 table summarises the components of net benefit expense recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated balance sheet for the respective plans.

Net benefit expense recognised within employee benefits:

In US$000	**Pension plans**		**Other employee benefits**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Current service cost	**1,293**	3,769	**–**	–	**1,293**	3,769
Interest cost on benefit obligation	**2,196**	2,166	**–**	–	**2,196**	2,166
Expected return on plan assets	**(2,402)**	(2,096)	**–**	–	**(2,402)**	(2,096)
Other expenses	**2,105**	2,706	**1,714**	1,130	**3,819**	3,836
Net benefit expense	**3,192**	6,545	**1,714**	1,130	**4,906**	7,675

The actual return on plan assets is not significantly different from the expected return.

The benefit (asset)/liability included in the balance sheet:

In US$000	**Pension plans**		**Other employee benefits**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Defined benefit obligation	**57,195**	62,626	**5,202**	4,478	**62,397**	67,104
Fair value of plan assets	**(48,173)**	(52,497)	**–**	–	**(48,173)**	(52,497)
	9,022	10,129	**5,202**	4,478	**14,224**	14,607
Unrecognised net actuarial gains/(losses)	**(5,635)**	(4,753)	**–**	–	**(5,635)**	(4,753)
Benefit (asset)/liability	**3,387**	5,376	**5,202**	4,478	**8,589**	9,854

The historic overview of the deficit / (surplus) of the pension plans can be displayed as follows:

In US$000	**2008**	**2007**	**2006**	**2005**	**2004**
Present value defined benefit obligation	**57,195**	62,626	50,156	36,341	38,789
Fair value of plan assets	**(48,173)**	(52,497)	(42,648)	(32,378)	(35,099)
Deficit / (Surplus)	**9,022**	10,129	7,508	3,963	3,690

Changes in the present value of the pension plans defined benefit obligation are as follows:

	2008	2007
	US$000	*US$000*
Opening defined benefit obligation	**62,626**	50,156
Interest cost	**2,196**	2,166
Current service cost	**1,293**	3,769
Benefits paid	**(1,725)**	(1,274)
Actuarial (gains)/losses on obligation	**(6,854)**	5,539
Other movements	**2,708**	(4,071)
Exchange differences on foreign plans	**(3,049)**	6,341
Closing defined benefit obligation at 31 December	**57,195**	62,626

Changes in the fair value of plan assets of the pension plans are as follows:

	2008	2007
	US$000	*US$000*
Opening fair value of plan assets	**(52,497)**	(42,648)
Expected return	**(2,402)**	(2,096)
Contributions by employer	**(4,999)**	(8,435)
Benefits paid	**1,725**	1,274
Actuarial gains/(losses)	**8,035**	(645)
Other movements	**(602)**	5,392
Exchange differences on foreign plans	**2,567**	(5,339)
Closing fair value of plan assets at 31 December	**(48,173)**	(52,497)

The Company expects to contribute US$ 2.8 million to its defined benefit pension plans in 2009.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2008	2007
	%	%
Cash	**3.7**	1.6
Equities	**13.1**	22.0
Bonds	**83.2**	76.4
	100.0	100.0

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 principal assumptions used in determining pension benefit obligations for the Company's plans are shown below:

	2008	2007
	%	%
Discount rate	**3.5**	3.5
Expected rate of return on assets	**5.0**	5.0
Future salary increases	**4.0**	4.0
Future pension increases	**0.0**	1.0

Remuneration Key management personnel and Supervisory Board of the Company
The remuneration of key management personnel of the Company, including pension costs and performance related bonuses, amounted to US$ 17.9 million (2007: US$ 17.5 million).
The performance related part of the remuneration equals (comprising both STI and LTI components) 49% (2007: 61%).

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:

			2008			2007*
In US$000	Salary, burden and emoluments	Bonus	Pension costs	IFRS 2 costs of share based payments	**Total**	Total
D. Keller (to 15 May 2008)	561	773	353	697	**2,384**	3,894
A.J. Mace (from 15 May 2008)	471	–	235	294	**1,000**	–
M.A.S. Miles (from 15 May 2008)	456	–	89	396	**941**	–
Other key management personnel	3,684	3,759	3,364	2,765	**13,572**	13,559
	5,172	**4,532**	**4,041**	**4,152**	**17,897**	**17,453**

** The 2007 figures are restated for comparison purposes.*

The bonus is performance related in respect of the previous year, based on Economic Profit. Only Mr. Keller was a Managing Director for the relevant period. There are no guarantees or obligations towards or on behalf of the Board of Management.

In 2005 the Annual General Meeting of Shareholders approved a Long-Term Incentive plan (hereafter referred to as LTI) for the Board of Management consisting of Share options and performance shares. The LTI was amended to a performance shares only plan as part of the new Remuneration Policy adopted by the 2008 Annual General Meeting of Shareholders.

Share Option Plan
In 1991 the Supervisory Board of the Company introduced a share option plan which allows management and senior staff of the Group companies to acquire shares of the Company. As from 15 May 2008 the Board of Management no longer participates in this plan in which around one hundred and forty senior employees participate. The annual issue of options is based on the preceding year's financial results and individual performance. All options are issued at market price on the date of issue and can be exercised for a period of five years from the date of issue, with a vesting period of three years. The date of issue is the first date on which shares are traded ex-dividend following the Annual General Meeting of Shareholders.

Main assumptions taken to calculate expenses related to the share option plan are:

	2008	**2007**
Expected volatility	**27.5%**	23.5%
Expected option life at grant date (years)	**5**	5
Risk-free interest rate	**4%**	4%
Dividend yield	**2.5%**	2.5%
Fair value at grant date	**€ 6.04**	€ 6.48
Expected departures	**5%**	5%

The 2008 share volatility parameter is derived from the average of the historic 3-year and 5-year volatility at grant date. In prior years the future expected volatility was also taken into account.

During the financial year 2,357,300 (2007: 1,771,000) share options were issued, including final awards (in 2008 only) and provisional awards (in 2007 only) to Board of Management members. The number of outstanding options for both 31 December 2008 and 31 December 2007 can be summarised as follows:

Year	Number at 1 January 2008	Granted in 2008	Exercised in 2008	Forfeited/ expired in 2008	Number at 31 December 2008	Exercise price in €	Excercisable
2003	522,200	–	522,200	–	0	9.81	
2004	638,400	–	70,000	–	568,400	9.49	568,400
2005	1,177,000	658,000	167,000	–	1,668,000	12.86	1,668,000
2006	1,548,500	–	–	21,500	1,527,000	19.05	–
2007	1,771,000	–	–	22,000	1,749,000	25.91	–
2008	–	1,699,300	–	6,200	1,693,100	25.82	–
Total	**5,657,100**	**2,357,300**	**759,200**	**49,700**	**7,205,500**		**2,236,400**
Weighted average exercise price in €	17.98	22.20	10.45	22.93	20.12		
Average price at exercise in €			22.78				

Instruments granted in 2008 with respect to 2005 consist of additional vesting of performance related stock options as included under the LTI with original exercise price.

Year	Number at 1 January 2007	Granted in 2007	Exercised in 2007	Forfeited/ expired in 2007	Number at 31 December 2007	Exercise price in €	Excercisable
2002	505,380	–	505,380	–	0	13.88	
2003	838,460	–	309,060	7,200	522,200	9.81	522,200
2004	922,000	–	283,600	–	638,400	9.49	638,400
2005	1,185,000	–	–	8,000	1,177,000	12.86	–
2006	1,578,000	–	–	29,500	1,548,500	19.05	–
2007	–	1,771,000	–	–	1,771,000	25.91	–
Total	**5,028,840**	**1,771,000**	**1,098,040**	**44,700**	**5,657,100**		**1,160,600**
Weighted average exercise price in €	13.78	25.91	11.60	16.45	17.98		
Average price at exercise in €			27.44				

The remaining average contractual life of the outstanding options as at 31 December 2008 is 2.73 years (2007: 3.01 years).

The expiry dates of the stock options are as follows:

Year	End of vesting period	Expiry date
2003	26 March 2006	23 April 2008
2004	14 May 2007	11 June 2009
2005	24 May 2008	18 June 2010
2006	23 May 2009	23 May 2011
2007	17 May 2010	17 May 2012
2008	15 May 2011	15 May 2013

Information with respect to the options granted to the Managing Directors, key management personnel and other personnel for the year 2008:

	Number at 1 January 2008	Granted in 2008	Exercised in 2008	Forfeited/ expired in 2008	Number at 31 December 2008	Excercisable
D. Keller (to 15 May 2008)	215,000	203,000	60,000	–	358,000	278,000
Weighted average exercise price in €	14.96	12.86	9.81	–	14.64	
Average price at exercise in €			23.67			
A.J. Mace (from 15 May 2008)	169,000	–	13,000	–	156,000	68,000
Weighted average exercise price in €	17.08	–	9.81	–	17.68	
Average price at exercise in €			23.52			
M.A.S. Miles (from 15 May 2008)	122,000	72,000	16,000	–	178,000	118,000
Weighted average exercise price in €	16.75	12.86	9.81	–	15.80	
Average price at exercise in €			23.38			
Other key management personnel	526,000	457,000	8,000	–	975,000	556,000
Weighted average exercise price in €	17.95	15.95	9.81	–	17.08	
Average price at exercise in €			21.00			
Other personnel	4,625,100	1,625,300	662,200	49,700	5,538,500	1,216,400
Weighted average exercise price in €	18.18	25.54	10.54	22.93	21.22	
Average price at exercise in €			22.69			

The average exercise price of options granted in 2008 results from stock options granted in 2008 combined with the additional vesting of performance related stock options under the LTI.

Information with respect to the options granted to the Managing Director, key management personnel and other personnel for the year 2007:

	Number at 1 January 2007	Granted in 2007	Exercised in 2007	Forfeited/ expired in 2007	Number at 31 December 2007	Excercisable
D. Keller	235,000	40,000	60,000	–	215,000	100,000
Weighted average exercise price in €	12.82	25.91	13.88	–	14.96	
Average price at exercise in €			26.21			
Other key management personnel	754,000	232,000	169,000	–	817,000	171,000
Weighted average exercise price in €	13.37	25.91	10.21	–	17.59	
Average price at exercise in €			27.85			
Other personnel	4,039,840	1,499,000	869,040	44,700	4,625,100	889,600
Weighted average exercise price in €	13.91	25.91	11.71	16.45	18.18	
Average price at exercise in €			27.45			

The 2007 figures are adjusted for comparison purposes. The adjustments consist of movement between other key management personnel and other personnel. The movement did not affect the total of the options.

For current participants in the Company's share option plan there are no performance criteria attached to the grant of options. For Board of Management members who were part of the LTI scheme between 2005 and 2007 inclusive under such LTI the grant of options was conditional on achieving at least 5% average compounded EPS growth over a three-year period following the reference year. For growth in excess of 5%, additional options are granted as follows:

	CEO		**Other Board of Management**	
	2008	2007	**2008**	2007
Options if 5% EPS growth	**n/a**	40,000	**n/a**	30,000
Additional options for each 1% surplus EPS growth	**n/a**	8,000	**n/a**	6,000

As from 2008 under the Remuneration Policy, no options are awarded to the CEO or Board of Management members. At the end of 2007, the first three-year period under the LTI scheme adopted in 2005 ended. Average EPS growth over the period amounted to 34% and accordingly a total of 238,000 options (2005 base award plus performance related) were awarded to Mr. Keller and 510,000 to other Board of Management members who were part of the LTI scheme in 2005. At the end of 2008, the second three-year period under the former LTI scheme has ended. Average EPS growth over the period has not reached the 5% threshold and accordingly no performance related options are earned and the options provisionally awarded in 2006 will be cancelled.

Performance Shares

Performance shares under both former LTI and the amended 2008 LTI form part of the LTI for Board of Management members, and are subject to an EPS growth threshold. Performance shares vest three years after the provisional award date and must be retained for two years from the vesting date.

Main assumptions included in the calculation for performance shares are:

	2008	**2007**
Expected departures	**0%**	0%
Fair value at grant date	**€ 25.82**	€ 25.91

As from 2008, under the Remuneration Policy the number of conditional performance shares awarded is such that their value is equivalent to 100% of the Managing Director's base annual salary of the previous year, assuming 'At target' EPS growth performance over the three year period following the period of reference. In 2008 the conditional awards were 24,498 shares for Mr. Keller, 20,035 shares for Mr. Mace and 18,237 shares for Mr. Miles. If the threshold average EPS growth over 2008 to 2010 is not achieved the conditional awards will be cancelled. The maximum possible award is 150% of the conditional award.

In respect of conditional performance shares awarded in 2005 on account of performance year 2004, the three year measurement period 2005-2007 generated average EPS growth over 2005-2007 amounting to 34%. Under the former LTI scheme, performance shares were awarded conditionally assuming a 5% EPS growth threshold, plus additional performance shares for each percentage point EPS growth above the 5% threshold.

Accordingly a total of 49,980 performance shares (2005 base award plus performance related) were awarded to Mr. Keller and 107,100 to other Board of Management members who were part of the LTI scheme in 2005. For the period 2006-2008 the EPS growth threshold of 5% was not obtained and no performance shares (base award nor performance related) will be issued to Board of Management members who were part of the LTI scheme in 2006.

Matching Shares

Under the bonus plans for the Board of Management, management and senior staff of Group companies 20% of the bonus 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 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 US$000	Share option plan	Performance shares	Matching shares	**Total**
Instruments granted	11,927	–	1,133	**13,060**
Performance conditions	1,832	1,517	435	**3,784**
Total expenses 2008	**13,759**	**1,517**	**1,568**	**16,844**

In US$000	Share option plan	Performance shares	Matching shares	**Total**
Instruments granted	7,854	–	534	8,388
Performance conditions	2,434	2,568	709	5,711
Total expenses 2007	**10,288**	**2,568**	**1,243**	**14,099**

Rules of conduct with regard to inside information are in place to ensure compliance with the Act on Financial Supervision. These rules forbid e.g. the exercise of options or other financial instruments during certain periods defined in the rules and more specifically when the employee is in possession of price sensitive information.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board amounted to US$ 479,000 (2007: US$ 396,000) and can be specified as follows:

In US$000		Basic remuneration		Committees		**Total**	
		2008	2007	**2008**	2007	**2008**	2007
H.C. Rothermund	Chairman	**93**	82	**–**	–	**93**	82
J.D.R.A. Bax	Vice-Chairman (to 15 May 2008)	**29**	68	**5**	8	**34**	76
L.J.A.M. Ligthart	Vice-Chairman (from 15 May 2008)	**73**	59	**17**	12	**90**	71
R.H. Matzke [1]	To 15 May 2008	**51**	100	**–**	–	**51**	100
R. van Gelder		**66**	59	**13**	8	**79**	67
D. Keller	From 15 May 2008	**42**	–	**–**	–	**42**	–
F.G.H. Deckers	From 15 May 2008	**42**	–	**6**	–	**48**	–
T.M.E. Ehret	From 15 May 2008	**42**	–	**–**	–	**42**	–
Total		**438**	368	**41**	28	**479**	396

[1] *Including allowance for travel from the USA.*

There are no options other than those granted to Mr. Keller in his former capacity as CEO of the Company, 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:	2008		2007	
	Average	**Year-end**	**Average**	**Year-end**
Lease	**1,075**	**1,175**	937	976
Turnkey (including unallocated)	**2,188**	**2,442**	1,778	1,933
	3,263	**3,617**	2,715	2,909

By geographical area:	2008		2007	
	Average	**Year-end**	**Average**	**Year-end**
The Netherlands	**372**	**399**	360	346
Worldwide	**2,891**	**3,218**	2,355	2,563
	3,263	**3,617**	2,715	2,909

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits.

5. Net financing costs

	2008	2007
	US$000	***US$000***
Interest income	**21,989**	18,805
Net forex exchange gain	**1,599**	–
Net commodity hedge result	**1,329**	–
Dividend income	**15**	14
Other financial income	**–**	2,051
Financial income	**24,932**	20,870

	2008	2007
	US$000	***US$000***
Interest expenses	**(62,115)**	(43,102)
Interest addition to provisions	**(1,248)**	(1,333)
Net foreign exchange losses	**–**	(2,958)
Net ineffective portion in fair value of cash flow hedge	**(587)**	4,827
Other financial expense	**(1,326)**	(656)
Financial expenses	**(65,276)**	(43,222)

The financial expenses are net of US$ 21.7 million (2007: US$ 16.7 million) capitalised.

The exchange differences (charged)/credited to the income statement are included as follows:

	2008	2007
	US$000	***US$000***
EBIT	**120**	161
Net financing costs	**1,599**	(2,958)
	1,719	(2,797)

6. Research and development expense

Research and development costs consists of US$ 21.4 million (2007: US$ 22.2 million) charged directly to other operating expenses. Development costs amounting to US$ 12.2 million (2007: US$ 3.4 million) were capitalised within intangible fixed assets (note 11).

7. Income tax

The Company's operational activities are subject to taxation at rates, which range up to 34% (2007: 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 4.0% (2007: 5.3%), 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:

	2008		**2007**	
	%	***US$000***	**%**	***US$000***
Profit before tax		**237,255**		281,627
Income tax using the domestic corporation tax rate	25.5	**(60,500)**	25.5	(71,815)
Effect of tax rates in foreign jurisdictions	(22.7)	**54,022**	(21.3)	60,128
Non-deductible expenses	1.5	**(3,548)**	1.3	(3,682)
Deferred deductibility of expenses	–	**–**	–	–
Non-taxable revenues	(0.3)	**646**	(0.2)	508
Non-valued tax losses	–	**–**	–	–
(Under)/over provided in prior years and other	–	**–**	–	–
Recognised tax income / expense	4.0	**(9,380)**	5.3	(14,861)

Income tax expenses comprise corporate income tax due in countries of incorporation of the Company's main subsidiaries levied on actual profits. Corporate income taxes which are levied on a deemed profit basis and withholding taxes in other jurisdictions are treated as project taxes and included in gross margin.

8. Earnings per share

The basic earnings per share for the period amounts to US$ 1.54 (2007: US$ 1.85); the fully diluted earnings per share amounts to US$ 1.53 (2007: US$ 1.82).
Basic earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.
Diluted earnings per share amounts are calculated by dividing the net profit 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:

	2008	**2007**
Number of shares outstanding at 1 January	**143,323,681**	140,715,535
Stock dividend	**728,576**	831,909
New share issue	**607,246**	727,430
Weighted average number of shares 31 December	**144,659,503**	142,274,874
Potential dilutive shares from stock option scheme and other share-based payments	**1,084,392**	1,856,586
Weighted average number of shares (diluted) at 31 December	**145,743,895**	144,131,460

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 stock options exercised in accordance with the stock option scheme and issue of matching shares to the Board of Management.

9. Dividends paid and proposed

	2008 US$000	2007 US$000
Cash dividend declared and paid during the year		
Final dividends for 2007	**79,864**	–
Final dividends for 2006	**–**	58,306
	79,864	58,306
Proposed for approval of the AGM		
Final dividend 2008	**135,421**	–
Final dividend 2007	**–**	133,291
	135,421	133,291
Dividend per share		
Final dividend 2008	**US$ 0.93**	–
Final dividend 2007	**–**	US$ 0.93

The dividends paid in 2008 and 2007 were US$ 0.93 per share and US$ 0.77 per share respectively. A dividend in respect of the year ended 31 December 2008 of US$ 0.93 per share, amounting to a total dividend of US$ 135,421,000 is to be proposed at the Annual General Meeting on 14 May 2009. These financial statements do not reflect this dividend payable.

10. Property, plant and equipment

The movement of the property, plant and equipment during the year 2008 and 2007 can be summarised as follows:

In US$000	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Assets under construction	**Total**
2008						
Cost	99,879	2,503,665	58	72,289	488,592	3,164,483
Accumulated depreciation and impairment	(15,710)	(1,146,111)	(33)	(40,234)	–	(1,202,088)
Book value at 1 January	**84,169**	**1,357,554**	**25**	**32,055**	**488,592**	**1,962,395**
Additions	539	2,826	–	8,697	975,508	987,570
New in consolidation	–	–	–	–	–	–
Disposals	–	(51,446)	–	(22)	–	(51,468)
Depreciation	(2,542)	(238,563)	(10)	(13,036)	–	(254,151)
Exchange rate differences	(4,418)	–	(1)	(1,622)	(76)	(6,117)
Other movements	8,544	108,000	–	13,117	(202,502)	(72,841)
Total movements	**2,123**	**(179,183)**	**(11)**	**7,134**	**772,930**	**602,993**
Cost	103,650	2,316,110	41	85,041	1,261,522	3,766,364
Accumulated depreciation and impairment	(17,358)	(1,137,739)	(27)	(45,852)	–	(1,200,976)
Book value at 31 December	**86,292**	**1,178,371**	**14**	**39,189**	**1,261,522**	**2,565,388**

In US$000	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Assets under construction	**Total**
2007						
Cost	92,743	2,328,146	476	59,562	197,252	2,678,179
Accumulated depreciation and impairment	(14,537)	(966,483)	(435)	(34,502)	–	(1,015,957)
Book value at 1 January	**78,206**	**1,361,663**	**41**	**25,060**	**197,252**	**1,662,222**
Additions	–	994	29	12,439	534,485	547,947
Disposals	(1,743)	(1,000)	(38)	(2,771)	–	(5,552)
Depreciation	(2,025)	(234,262)	(9)	(9,143)	–	(245,439)
Exchange rate differences	8,914	1	2	2,534	170	11,621
Other movements / deconsolidation	817	230,158	–	3,936	(243,315)	(8,404)
Total movements	**5,963**	**(4,109)**	**(16)**	**6,995**	**291,340**	**300,173**
Cost	99,879	2,503,665	58	72,289	488,592	3,164,483
Accumulated depreciation and impairment	(15,710)	(1,146,111)	(33)	(40,234)	–	(1,202,088)
Book value at 31 December	**84,169**	**1,357,554**	**25**	**32,055**	**488,592**	**1,962,395**

Property, plant and equipment at year-end include:

- ten (2007: twelve) integrated floating production, storage and offloading systems (FPSOs), each consisting of a converted tanker, a processing plant and a mooring system;
- two (2007: three) floating storage and offloading systems (FSOs), consisting of a converted or newbuild tanker and mooring system including the fluid transfer system;
- one Extended Well Test System (2007: one);
- three second-hand tankers and one barge (2007: one barge); The tankers are used for trading purposes until used for future projects;
- one FPSO and one semi-submersible production platform under construction (2007: one FPSO and one semi-submersible production platform);
- two MOPU(stor) facilities under construction (2007: two);
- the 'Normand Installer', a deepwater installation vessel;
- the 'Dynamic Installer', a dynamically positioned diving support vessel.

An amount of US$ 20.1 million (2007: US$ 10.5 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.
The category vessels and floating equipment mainly relates to the facilities leased to third parties.

Vessels and floating equipment includes a net carrying amount of USD 89.0 million (2007: nil) relating to finance lease arrangements of three second-hand tankers where the Company is the lessee. The leases will mature in 2014 or sooner if the tankers will be required for FPSO conversion projects. Until allocated to specific projects, the tankers will be used for trading purposes.

11. Intangible assets

In US$000	Development costs	Goodwill	Patents	**Total**
2008				
Cost	3,365	25,048	12,633	41,046
Accumulated amortisation	–	–	(5,475)	(5,475)
Book value at 1 January	**3,365**	**25,048**	**7,158**	**35,571**
Additions	12,217	–	–	12,217
Amortisation	–	–	(842)	(842)
Disposal	–	–	–	–
FX on movements	(164)	–	–	(164)
Total movements	**12,053**	**–**	**(842)**	**11,211**
Cost	15,418	25,048	12,633	53,099
Accumulated amortisation	–	–	(6,317)	(6,317)
Book value at 31 December	**15,418**	**25,048**	**6,316**	**46,782**

In US$000	Development costs	Goodwill	Patents	**Total**
2007				
Cost	–	25,048	12,633	37,681
Accumulated amortisation	–	–	(4,633)	(4,633)
Book value at 1 January	**–**	**25,048**	**8,000**	**33,048**
Additions	3,365	–	–	3,365
Amortisation	–	–	(842)	(842)
Total movements	**3,365**	**–**	**(842)**	**2,523**
Cost	3,365	25,048	12,633	41,046
Accumulated amortisation	–	–	(5,475)	(5,475)
Book value at 31 December	**3,365**	**25,048**	**7,158**	**35,571**

Amortisation of patents and development costs is included in ’Cost of sales’ in the income statement. All development costs arose from internal development and relate principally to LNG products.

Goodwill relates to the acquisition of the Houston 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 (9%).

12. Other financial assets

	2008	2007
	US$000	*US$000*
Trade and other receivables	**212,445**	–
Other financial assets	**207,927**	92,550
	420,372	92,550

Trade and other receivables

Trade and other receivables relate to the lease of the FPSO Mondo and FPSO Saxi Batuque. The FPSOs were taken into production during the course of 2008. 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:

	2008	2007
	US$000	*US$000*
Gross receivable	**345,003**	–
Less: Unearned finance income	**(70,263)**	–
	274,740	–

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 expected to be invoiced to the lessee within the following periods:

	2008	2007
	US$000	*US$000*
within 1 year	**83,804**	–
between 1 and 5 years	**216,990**	–
after 5 years	**37,847**	–
	338,641	–

The following part of the net investment in the lease is included as part of the current assets within the balance sheet:

	2008	2007
	US$000	*US$000*
Gross receivable	**83,804**	–
Less: Unearned finance income	**(21,509)**	–
	62,295	–

The item Other financial assets relate mainly to interest bearing loans that have a remaining term of more than one year, including interest bearing loans to joint ventures. Weighted average effective interest amounts to 5.07% (2007: 5.65%).

The maximum exposure to credit risk at the reporting date is the fair value of the interest bearing loans and the finance lease receivables (2008: US$ 416.4 million, 2007: US$ 89.8 million). None of the amounts are past due, and no reserve for partial impairment (2007: US$ 8.5 million) is netted with the carrying amount. The Company does not hold any collateral as security.

13. Deferred tax asset

The deferred tax assets and liabilities and offsetting of assets and liabilities can be summarised as follows:

In US$000	**Assets**		**Liabilities**		**Net**	
	2008	2007	**2008**	2007	**2008**	2007
Property, plant and equipment	**9,512**	4,732	**–**	–	**9,512**	4,732
Intangible assets	**3,410**	3,864	**–**	–	**3,410**	3,864
Other investments	**–**	–	**(709)**	(812)	**(709)**	(812)
Tax assets / (liabilities)	**12,922**	8,596	**(709)**	(812)	**12,213**	7,784
Offset assets / (liabilities)	**–**	–	**–**	–	**–**	–
Book value at 31 December	**12,922**	8,596	**(709)**	(812)	**12,213**	7,784

Expected net cash inflow of amounts relating to deferred tax positions is within one year: US$ 0.4 million (2007: US$ 0.4 million), between one and five years US$ 1.6 million (2007: US$ 1.6 million) and after five years US$ 0.7 million (2007: US$ 1.3 million).

The movements in temporary differences during the years ended 31 December 2008 and 2007 is summarised in the table below:

	2008	**2007**
	US$000	***US$000***
Net deferred tax position 1 January	**7,784**	11,574
Movement	**4,429**	(3,790)
Net deferred tax position 31 December	**12,213**	7,784

The Company has approximately US$ 0 million (2007: US$ 5 million) available in tax losses.

14. Inventories

	2008	**2007**
	US$000	***US$000***
Materials and consumables	**14,301**	8,483
Goods for resale	**9,004**	6,965
	23,305	15,448

There is no material difference between fair value and cost as stated above.

In 2008 there was no write-down of inventories to net realisable value included in the income statement. There were no reversals of previous inventory write-offs. The write-down is included as part of the cost of sales.

15. Trade and other receivables

	2008	**2007**
	US$000	***US$000***
Trade debtors	**318,125**	313,611
Non-consolidated group companies	**1,044**	1,167
Taxes and social security	**26,698**	15,086
Other receivables	**64,617**	35,058
Accruals in respect of delivered orders	**81,082**	63,583
Current portion finance leases	**62,295**	–
Securities	**1,527**	2,041
Other prepayments and accrued income	**117,407**	138,798
	672,795	569,344

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above. The Company does not hold any collateral as security. Trade debtors include retentions of US$ 0.3 million (2007: US$ 2.3 million).

The carrying amounts of the Company's trade and other receivables are distributed in the following geographical areas:

	2008	**2007**
	US$000	***US$000***
Europe	**26,292**	59,769
North, Middle and South America	**93,339**	140,684
Africa	**108,691**	63,670
Middle-East / Asia / Australia	**89,803**	49,488
	318,125	313,611

The amount of trade debtors is the net of the nominal value less an allowance for estimated impairment losses. A breakdown of aforementioned amounts is as follows:

	2008	**2007**
	US$000	***US$000***
Nominal amount	**319,642**	314,951
Impairment allowance	**(1,517)**	(1,340)
	318,125	313,611

The ageing of the nominal amounts of the trade debtors are:

	2008		2007	
	US$000		***US$000***	
	Gross	**Impairment**	Gross	Impairment
Not past due	**173,429**	**(23)**	217,966	(77)
Past due 0-30 days	**53,262**	**–**	47,588	–
Past due 31-120 days	**53,450**	**–**	27,625	(28)
Past due 121- 365 days	**32,172**	**–**	8,853	(62)
More than one year	**7,329**	**(1,494)**	12,919	(1,173)
Total	**319,642**	**(1,517)**	314,951	(1,340)

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 past due and impaired the movements in the allowance for impairment for trade debtors are as follows:

	2008	**2007**
	US$000	***US$000***
At 1 January	**(1,340)**	(1,131)
Addition	**(303)**	(283)
Recognised expenses	**3**	37
Reversal	**77**	121
Foreign exchange difference	**46**	(84)
At 31 December	**(1,517)**	(1,340)

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.

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 of the notes to the financial statements.

17. Construction contracts

	2008	**2007**
	US$000	***US$000***
Cost incurred (total)	**3,371,940**	2,612,633
Instalments invoiced (total)	**(3,127,387)**	(2,158,217)
Instalments exceeding cost incurred	**47,989**	59,228
	292,542	513,644

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 24 of the notes to the financial statements.

Details with respect to the amount of retentions are included in the note to the trade and other receivables; reference is made to note 15 of the notes to the financial statements.

18. Derivative financial instruments

For a description of the financial risk management objectives and policies, reference is made to note 28 of the notes to the financial statements.

At 31 December 2008, the Company held several forward exchange contracts designated as hedges of expected future transaction 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 US$000	**Assets**		**Liabilities**		**Net**	
	2008	2007	**2008**	2007	**2008**	2007
Interest rate swaps cash flow hedge	**33,203**	34,494	**198,071**	75,567	**(164,868)**	(41,073)
Forward currency contracts cash flow hedge	**41,188**	121,601	**112,465**	85,582	**(71,277)**	36,019
Forward currency contracts fair value hedge	**2,310**	–	**–**	8,942	**2,310**	(8,942)
Forward currency contracts net foreign investment hedge	**1,168**	–	**–**	1,007	**1,168**	(1,007)
Commodity swap cash flow hedge	**1,792**	–	**2,639**	–	**(847)**	–
Total	**79,661**	156,095	**313,175**	171,098	**(233,514)**	(15,003)

The ineffective portion recognised in the income statement arises from cash flow hedges amounts to US$ 0.6 million (2007: US$ 4.8 million). There was no ineffectiveness recognised in the income statement related to foreign investment hedges (2007: none). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

Forward currency contracts

The notional principal amounts of the outstanding forward currency contracts at 31 December 2008 were US$ 2.1 billion (2007: US$ 2.2 billion) of which US$ 1.8 billion will mature in the next 12 months.

Gains and losses recognised in the hedging reserve (note 20 of the notes to the financial statements) on forward currency contracts as of 31 December 2008 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 of the construction contracts in which case recognition is based on the stage of completion of the contract.

Interest rate swaps

The notional amounts of the outstanding interest rate swap contracts at 31 December 2008 were US$ 2.2 billion (2007: US$ 2.5 billion).

The main floating rate is US$ 3-month LIBOR. Gains and losses recognised in the hedging reserve in equity (note 20 of the notes to the financial statements) on interest rate swap contracts as of 31 December 2008 will be continuously released to the income statement until the repayment of the bank borrowings. Details of interest percentages of the long-term debt are included in note 21 of the notes to the financial statements.

19. Cash and cash equivalents

	2008	**2007**
	US$000	***US$000***
Cash and bank balances	**123,895**	110,236
Short-term deposits	**106,434**	170,448
	230,329	280,684

The cash and cash equivalents are available for debt and interest payments US$ 28.9 million (2007: US$ 14.5 million), and for day to day activities. An amount of US$ 33.3 million (2007: US$ 29.9 million) relates to restricted cash in escrow account. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

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

The authorised share capital amounts to € 100,000,000 divided into 200,000,000 ordinary shares each of € 0.25 and 50,000,000 preference shares, each of € 1. During the financial year 759,200 (2007: 1,098,040) new ordinary shares were issued in respect of the exercise of employee share options, and 1,300,774 (2007: 1,432,296) new ordinary shares in respect of stock dividend, and 230,333 (2007: 77,810) new ordinary shares in respect of the share-based part of the remuneration. The total number of ordinary shares outstanding at the end of the year was 145,613,988 (2007: 143,323,681), of which 42,673 were held by Managing Directors in office as at 31 December 2008 (31 December 2007: 36,201), and as at 31 December 2008 167,155 were held by a former Managing Director.

Share premium

The share premium reserve is fully available for distribution free of taxes for private investors, and amounts to € 344.4 million (31 December 2007: € 331.2 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 US$000	Hedging reserve	Translation reserve	**Total other reserves**
Balance at 1 January 2007	50,407	(28)	**50,379**
Cash flow hedges:			
• Recognised in equity	8,104	–	**8,104**
• Transfer to financial income and expenses	(13,066)	–	**(13,066)**
• Transfer to construction contracts and property, plant and equipment	(30,346)	–	**(30,346)**
Net investment hedge	3,041	–	**3,041**
Currency translation differences:			
• Group companies	–	8,821	**8,821**
Balance at 31 December 2007	18,140	8,793	**26,933**
Cash flow hedges:			
• Recognised in equity	(227,168)	–	**(227,168)**
• Transfer to financial income and expenses	(14,462)	–	**(14,462)**
• Transfer to construction contracts and property, plant and equipment	(30,270)	–	**(30,270)**
Net investment hedge	2,425	–	**2,425**
Currency translation differences:			
• Group companies	–	(10,669)	**(10,669)**
Balance at 31 December 2008	**(251,335)**	**(1,876)**	**(253,211)**

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 the foreign subsidiaries.

21. Long-term loans and other liabilities

Long term loans and other liabilities comprise bank interest bearing loans and borrowings and other loans. The breakdown is as follows:

	2008 *US$000*	**2007** *US$000*
Bank interest bearing loans and borrowings	**1,349,983**	921,505
Other loans	**80,336**	–
	1,430,319	921,505

Bank interest bearing loans and borrowings

The movement in the Bank interest bearing loans and borrowings is as follows:

	2008	2007
	US$000	*US$000*
Long term portion	**921,505**	754,649
Add: Short term portion	**227,272**	170,810
Remaining principal at 1 January	**1,148,777**	925,459
Additions	**694,385**	398,438
Redemptions	**(237,992)**	(175,120)
Movements	**456,393**	223,318
Remaining principal at 31 December	**1,605,170**	1,148,777
Less: Short term portion	**(255,187)**	(227,272)
Long term portion	**1,349,983**	921,505

The bank interest bearing loans and borrowings have the following forecasted repayment schedule:

	2008	2007
	US$000	*US$000*
Within one year	**255,187**	227,272
Between 1 and 2 years	**217,197**	254,979
Between 2 and 5 years	**1,047,888**	624,111
More than 5 years	**84,898**	42,415
Balance at 31 December	**1,605,170**	1,148,777

The interest bearing loans and borrowings include at 31 December:

	Original repayment period	Interest per annum on the remaining loan balance	Remaining loan balance 2008 US$000	Remaining loan balance 2007 US$000
US$ project finance facilities drawn:				
Mid 2000 (FSO Yetagun)	10 years	7.22%	10,117	15,473
July / November 2003 (FPSO Xikomba)	6 years	4.55%	11,602	31,777
April / June 2004 (FPSO Marlim Sul)	7½ years	4.32%	54,162	100,984
March 2005 (Sanha LPG FPSO)	6½ years	5.40%	55,925	75,608
May 2006 (FPSO Espadarte)	5 years	5.26%	55,460	90,427
October 2006 (FPSO Capixaba)	6½ years	5.44%	193,330	235,800
December 2006 / March 2008 (FPSO Kikeh) *	7 years	5.18%	178,269	160,797
November 2007 / March 2008 (FPSO Mondo) *	6 years	4.90%	120,926	140,000
April / May / September 2008 (FPSO Saxi Batuque)	6 years	4.69%	154,847	–
			834,638	**850,866**
US $ guaranteed project finance facilities drawn:				
September 2007 (Thunder Hawk)	5½ years	5.22%	126,519	121,723
November 2008 (FPSO Espirito Santo)	6¼ years	5.03%	199,734	–
			326,253	**121,723**
US $500 million revolving credit facility	5 years	variable	395,000	120,000
Other long term debt			49,279	56,188
Remaining principal at 31 December			**1,605,170**	**1,148,777**

**) Both FPSO Kikeh and FPSO Mondo finance facilities were US$ guaranteed project finance facilities as at 31 December 2007.*

For the project finance facilities the respective vessels are mortgaged to the banks. Interest expensed on long-term debt during 2008 amounted to US$ 48.8 million (2007: US$ 40.8 million) and interest capitalised amounted to US$ 21.7 million (2007: US$ 16.7 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:

- minimum tangible net worth of SBM Holding Inc. S.A. of US$ 490 million. Actual tangible net worth is US$ 1,115 million (2007: US$ 1,207 million). Minimum tangible net worth of SBM Offshore N.V. of US$ 570 million. Actual tangible net worth is US$ 1,053 million (2007: US$ 1,165 million);
- leverage (net debt : EBITDA ratio) of maximum 3.75 : 1 at year-end. Actual leverage is 3.21 (2007: 1.79) and 2.76 (2007: 1.60) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively;
- operating leverage (adjusted for construction financing) of maximum 2.75 : 1. Actual operating leverage is 1.69 (2007: 0.92) and 1.38 (2007: 0.75) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively;
- interest cover ratio (EBITDA : net interest expense) of minimum 5.0 : 1; Actual interest cover ratio is 14.7 (2007: 35.6) and 13.1 (2007: 24.5) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively.

The Company has no 'off-balance sheet' financing through special purpose entities. All long-term debt is included in the Consolidated balance sheet.

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 2008 and 2007 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:

	2008	**2007**
	US$000	***US$000***
Floating rate:		
• Expiring within one year	**292,097**	58,450
• Expiring beyond one year	**105,000**	580,000
	397,097	638,450

The RCF facility has been arranged to help finance the Company's temporary cash requirements related to the supply of turnkey projects or the assets under construction where project finance is not planned or not yet put in place.

All transaction costs related to the long term loans and other liabilities are capitalised in the balance sheet. Transaction costs are included in the construction budget for property, plant and equipment. Furthermore, the long term debt is repaid using dedicated cash flows. The aforementioned implies that the actual repayments can differ from projected repayments and an amortised cost calculation is consequently too complex and time consuming to be implemented. As of 2007 transaction costs are capitalised within financial fixed assets. Prior to 2007 costs are included in property, plant and equipment. At the balance sheet date approximately US$ 2.8 million (2007: US$ 3.7 million) is included in the carrying amount of property, plant and equipment related to capitalised transaction costs and an amount of US$ 4.0 million (2007: US$ 2.8 million) is included in financial fixed assets.

Other loans

The other loans relate to a finance lease arrangement of four second-hand tankers. The loans bear an average interest rate of 9.0% and will mature until 2013 or sooner if the tankers will be used for projects. The other loans have the following forecasted repayment schedule:

	2008	2007
	US$000	*US$000*
Within one year	**8,591**	–
Between 1 and 2 years	**9,378**	–
Between 2 and 5 years	**49,812**	–
More than 5 years	**21,146**	–
Balance at 31 December	**88,927**	–

22. Provisions

In US$000	Re-organisation	Employee benefits	De-mobilisation	Total
Balance at 31 December 2007	256	9,854	34,000	44,110
Arising during the year	–	606	2,941	3,547
Addition of interest on net present value	–	2,195	1,248	3,443
Utilised / release	(98)	(2,537)	(11,653)	(14,288)
Deconsolidation / disposal	–	–	–	–
Other	–	(1,168)	–	(1,168)
Currency differences	(8)	(361)	–	(369)
At 31 December 2008	**150**	**8,589**	**26,536**	**35,275**
Current 31 December 2008	150	2,000	3,675	5,825
Non-current 31 December 2008	–	6,589	22,861	29,450
	150	**8,589**	**26,536**	**35,275**
Current 31 December 2007	256	2,233	8,907	11,396
Non-current 31 December 2007	–	7,621	25,093	32,714
	256	**9,854**	**34,000**	**44,110**

The other movements within the provision for employee benefits relate mainly to the recognition of actuarial gains and losses during the year.

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.

Employee benefits

The provisions for employee benefits relate to pension obligations, other post-employment benefit obligations and termination and seniority benefits. For a detailed calculation of the pension obligations and principal assumptions, reference is made to note 4 (employee benefits) of the notes to the financial statements. Expected outflow for the other employee benefits provision is within one year US$ 0.3 million (2007: US$ 0.5 million), between one and five years US$ 1.4 million (2007: US$ 1.9 million) and after five years US$ 3.5 million (2007: US$ 2.1 million). For the provision related to pension plans the expected outflow has no direct relationship with the amount of provision at year end, and therefore no expected outflow of this provision is disclosed.

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. The net present value is calculated at the inception date of the lease. The net present value of the provision is calculated at a rate of 4.31% which is unchanged compared with last year. Expected outflow of amounts is within one year: US$ 3.7 million (2007: US$ 8.9 million), between one and five years US$ 18.0 million (2007: US$ 15.9 million) and after five years US$ 4.8 million (2007: US$ 9.2 million).

23. Deferred tax liability

For an explanation of the deferred tax liability reference is made to note 13 of the notes to the financial statements.

24. Trade and other payables

	2008	**2007**
	US$000	***US$000***
Trade payables	**253,582**	146,076
Other payables	**59,001**	76,347
Taxation and social security costs	**25,026**	9,976
Pension costs	**4,035**	3,623
Instalments exceeding cost incurred	**47,989**	59,228
Advances	**177,235**	316,839
Accruals regarding delivered orders	**64,601**	97,939
Non-trade payables and accrued expenses	**407,998**	199,053
	1,039,467	909,081

The contractual maturity of the trade and other payables is as follows:

	2008	**2007**
	US$000	***US$000***
Within 1 month	**209,961**	124,888
Between 1 and 3 months	**30,481**	13,932
Between 3 months and 1 year	**5,789**	1,336
More than one year	**7,351**	5,920
Total	**253,582**	146,076

25. Borrowings and bank overdrafts

	2008	**2007**
	US$000	***US$000***
Short term portion long term debt	**263,778**	227,272
Bank overdrafts	**192**	6,596
	263,970	233,868

For interest percentages, guarantees and other notes to the short term part of the long term debt reference is made to note 21 of the notes to the financial statements.

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 equal their carrying amount, as the impact of discounting is not significant.

26. Derivative financial instruments

For a detailed explanation of the derivative financial instruments reference is made to note 18 of the notes to the financial statements.

27. Commitments and contingencies

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 2008, outstanding bank guarantees amounted to US$ 455 million (31 December 2007: US$ 467 million).

Certain investment commitments have been entered into principally in respect of the BC-10 FPSO, the Thunder Hawk semisubmersible, the Yme MOPUstor™, the Cachalote FPSO and EnCana MOPU. At year-end the remaining contractual commitments for acquisition of property, plant and equipment and investment in leases amounted to US$ 380.3 million (2007: US$ 486.1 million).

Certain legal disputes with customers or subcontractors exist. Management is of the opinion that amounts provided for these disputes are adequate.

The obligations in respect of operating lease, rental and leasehold obligations, are as follows:

In US$000		2008			2007
	< 1 year	1-5 years	> 5 years	**Total**	
Operating lease	2,980	5,317	–	**8,297**	5,195
Rental and leasehold	13,462	26,215	5	**39,682**	49,441
	16,442	**31,532**	**5**	**47,979**	54,636

28. 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 British pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. 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:

In local currency x 1,000	**31 December 2008**			**31 December 2007**		
	EUR	**SGD**	**GBP**	**EUR**	**SGD**	**GBP**
Fixed assets	87,229	–	–	139,969	–	–
Current assets	111,662	2,758	1,578	466,194	59	69
Long term liabilities	(888)	–	–	(54,738)	–	–
Current liabilities	(122,913)	(37,911)	(2,792)	(452,132)	(9,606)	(6,511)
Gross balance sheet exposure	**75,090**	**(35,153)**	**(1,214)**	**99,293**	**(9,547)**	**(6,442)**
Estimated forecast sales	3,000	–	–	26,000	–	500
Estimated forecast purchases	(646,000)	(400,000)	(75,000)	(700,000)	(525,000)	(70,000)
Gross exposure	**(567,910)**	**(435,153)**	**(76,214)**	**(574,707)**	**(534,547)**	**(75,942)**
Forward exchange contracts	594,572	434,387	75,351	595,084	524,491	68,076
Net exposure	**26,662**	**(766)**	**(863)**	**20,377**	**(10,056)**	**(7,866)**

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, 48% 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:

	Average rate		**Closing rate**	
	2008	2007	**2008**	2007
EUR 1	**1.4695**	1.3684	**1.3978**	1.4722
SGD 1	**0.7041**	0.6638	**0.6970**	0.6959
GBP 1	**1.8487**	2.0021	**1.4566**	2.0039

The sensitivity on equity and income statement resulting from a change of a 10 percent strengthening of the US Dollar 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 2007.

In US$000	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2008				
EUR	**(273)**	**273**	**(12,190)**	**12,190**
SGD	**(67)**	**67**	**(1,119)**	**1,119**
GBP	**(55)**	**55**	**(2,108)**	**2,108**
31 December 2007 *				
EUR	(420)	420	(5,631)	5,631
SGD	7	(7)	(1,825)	1,825
GBP	(84)	84	(600)	600

** The 2007 equity impact is 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:

	2008	**2007**
	US$000	***US$000***
Fixed rate instruments		
Financial assets	**351,553**	20,747
Financial liabilities	**(27,025)**	(7,209)
	324,528	13,538
Variable rate instruments		
Financial assets	**127,035**	77,538
Financial liabilities	**(1,578,145)**	(1,141,568)
Financial liabilities (future)	**(759,097)**	(1,461,500)
	(2,210,207)	(2,525,530)

	2008	**2007**
	US$000	***US$000***
Variable rate instruments	**(2,210,207)**	(2,525,530)
Less: IRS contracts	**2,225,353**	2,537,012
Exposure	**15,146**	11,482

At 31 December 2008, it is estimated that a general increase of 100 basis points in interest rates would decrease the Company's profit before tax for the year by approximately US$ (0.1) million (2007: decrease of US$ 0.4 million) since 103.2% (2007: 98.7%) 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 2007.

In US$000	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2008				
Variable rate instruments	**468**	**(468)**	**–**	**–**
Interest rate swap	**(520)**	**(183)**	**56,913**	**(60,685)**
Sensitivity (net)	**(52)**	**(651)**	**56,913**	**(60,685)**
31 December 2007				
Variable rate instruments	(127)	127	–	–
Interest rate swap	(242)	242	60,083	(60,083)
Sensitivity (net)	(369)	369	60,083	(60,083)

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 trade and other receivables (including committed transactions), derivative financial instruments and cash and cash equivalents.

In US$000	**2008**		**2007**	
	Assets	**Liabilities**	Assets	Liabilities
Rating				
AAA	967	49,966	54	12,068
AA+	16,985	32,065	846	966
AA	8,047	11,680	26,337	27,147
AA–	15,543	31,620	52,983	60,350
A+	1,437	135,298	4,974	699
A	3,478	10,339	–	–
A–	–	–	62,223	69,868
BBB+	–	26,546	–	–
BBB–	15,565	15,661	–	–
Other and intercompany	17,639	–	8,678	–
Derivative financial instruments	**79,661**	**313,175**	156,095	171,098
AAA	1,133	–	9,845	–
AA+	19,515	–	7,882	–
AA	44,831	–	104,513	–
AA–	89,887	–	131,537	6,596
A+	58,232	192	20,429	–
A	3,876	–	118	–
A–	44	–	1,163	–
BBB	1,258	–	–	–
BBB–	6,708	–	–	–
BB–	624	–	–	–
B+	17	–	–	–
Other	4,204	–	5,197	–
Cash and cash equivalents and bank overdrafts	**230,329**	**192**	280,684	6,596

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 BBB- is held for debt servicing.

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 were no individual customers that have outstanding balances with a percentage over 10% of the total of trade and other receivables. Reference is made to note 15 of the notes to the financial statements 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.

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 2008, the Company's strategy which was unchanged from 2007, was to target a gearing ratio between 50% and 60%. The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	**2007**
	US$000	***US$000***
Total borrowings	**1,694,097**	1,148,777
Less: net cash and cash equivalents	**(230,137)**	(274,088)
Net debt	**1,463,960**	874,689
Shareholders' equity	**1,234,728**	1,333,437
Total capital	**2,698,688**	2,208,126
Gearing ratio	**54.2%**	39.6%

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. The Company reduces its exposure to the maximum extent possible.

29. Events after the balance sheet date

There are no reportable events after the balance sheet date.

30. 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.

31. 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:

	2008	2007
	US$000	*US$000*
Non-current assets	**1,201,387**	636,750
Current assets	**185,200**	296,529
Non-current liabilities	**(928,701)**	(571,793)
Current liabilities	**(335,065)**	(209,315)
Net assets / liabilities	**122,821**	152,171
Income	**312,801**	246,168
Expenses	**(233,934)**	(187,391)
Net profit	**78,867**	58,777

Included in the figures above are the following significant joint ventures and the relevant percentage of ownership:

- Gas Management (Congo) Ltd., 49%
- Malaysia Deepwater Floating Terminal (Kikeh) Limited, 49%
- Malaysia Deepwater Production Contractors Sdn Bhd., 49%
- Solgaz S.A., 49%
- Anchor Storage Ltd., 49%
- Advanced Deep Sea Installation Inc., 49.9%
- Sonasing Sanha Ltd., 50%
- Sonasing Kuito Ltd., 50%
- Sonasing Xikomba Ltd., 50%
- Sonasing Mondo Ltd., 50%
- Sonasing Saxi Batuque Ltd., 50%
- OPS-Serviços de Produção de Petroleos Ltd., 50%
- FPSO Firenze Produção de Petróleo Ltda., 50%
- FPSO Mystras - Produção de Petróleo Ltda., 50%
- SBM Diamond Venture S.A., 70%
- South East Shipping Co. Ltd., 75%
- FPSO Brasil Venture S.A., 51%
- SBM Operações Ltda., 51%
- SBM Systems Inc., 51%
- SBM Ship Yard Ltd., 55.55%
- Brazilian Deepwater Floating Terminals Ltd., 51%
- Brazilian Deepwater Production Ltd., 51%
- Normand Installer S.A., 49.9%

Company balance sheet

At 31 December in thousands of US Dollars (before appropriation of profit)

	Notes	2008	2008	2007	2007
ASSETS					
Property, plant and equipment	1	37		74	
Investment in Group companies and associates	2	1,251,192		1,332,835	
Total non-current assets			1,251,229		1,332,909
Other receivables	3	24,167		10,502	
Cash and cash equivalents		3,172		9,430	
Total current assets			27,339		19,932
TOTAL ASSETS			1,278,568		1,352,841
EQUITY AND LIABILITIES					
Equity attributable to shareholders					
Issued share capital		50,885		52,750	
Share premium reserve		383,274		363,057	
Retained earnings		1,053,780		890,697	
Other reserves		(253,211)		26,933	
Shareholders' equity	4		1,234,728		1,333,437
Provisions	5	0		4,657	
Group companies		23,450		–	
Total non-current liabilities			23,450		4,657
Other current liabilities	6	9,993		13,911	
Current income tax liability		10,397		836	
Total current liabilities			20,390		14,747
TOTAL EQUITY AND LIABILITIES			1,278,568		1,352,841

Company income statement

For the years ended 31 December in thousands of US Dollars

	2008	2007
Company result	(21,130)	(21,245)
Result Group companies	244,302	284,130
	223,172	262,885

Notes to the Company financial statements

General

The separate financial statements are part of the 2008 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 pages 94 to 103 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 US$000	Other fixed assets
Cost	424
Accumulated depreciation and impairment	(350)
Book value at 1 January 2008	**74**
Additions	–
Depreciation	(35)
Currency differences	(2)
Total movements	**(37)**
Cost	403
Accumulated depreciation and impairment	(366)
Book value at 31 December 2008	**37**

2. Investment in Group companies and associates

The movements in the item Investment in Group companies and associates are as follows:

	2008 US$000	2007 US$000
Balance at 1 January	1,332,835	1,120,403
Provisions	(60,345)	(52,622)
Investments at net asset value	**1,272,490**	1,067,781
Results for the year	244,302	284,130
Investments and other changes	(268,096)	(31,900)
Dividends received	(46,409)	(52,099)
Currency differences	(2,080)	4,578
Movements	**(72,283)**	204,709
Balance at 31 December	1,251,192	1,332,835
Provisions	(50,985)	(60,345)
Investments at net asset value	**1,200,207**	1,272,490

The investments and other changes relate to investments in subsidiaries and other direct equity movements.

3. Other receivables

	2008 US$000	2007 US$000
Amounts owed by Group companies	**23,141**	9,506
Other debtors	**1,026**	996
	24,167	10,502

4. Shareholders' equity

For an explanation of the shareholders equity, reference is made to the statement of changes in equity and note 20 of the consolidated financial statements.

5. Provisions

	2008 US$000	2007 US$000
Participation in Group Companies	**50,985**	60,345
Amounts owed by Group	**(50,985)**	(55,688)
	0	4,657

This item relates to van der Giessen-de Noord N.V. and XNK subsidiaries.

6. Other current liabilities

	2008 US$000	2007 US$000
Amounts owed to Group companies	**6,212**	10,257
Taxation and social security costs	**156**	53
Other creditors	**3,625**	3,601
	9,993	13,911

7. 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, 10 March 2009

Board of Management
A.J. Mace, CEO [1]
F. Blanchelande [2]
D.J. van der Zee [2]
M.A.S. Miles, CFO [1]

Supervisory Board
H.C. Rothermund, Chairman
L.J.A.M. Ligthart, Vice-Chairman
R. van Gelder
D. Keller
F.G.H. Deckers
T. Ehret

[1] *Managing Director*
[2] *Director*

Other information

Appropriation of profit

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.
   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. From the balance of the profit then remaining, the holders of ordinary shares shall if possible receive a dividend of four per cent on the nominal value of their share holding.

6. The residue of the profit shall be at the disposal of the general meeting of shareholders.

7. 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 profit shown in the Company income statement be appropriated as follows (in US$):

Profit attributable to shareholders	223,172,000
In accordance with Article 29 clause 4 to be transferred to retaining earnings	87,751,000
Remains	135,421,000
In accordance with Article 29 clause 5 holders of ordinary shares will receive a dividend of 4% on the nominal value of their shares i.e. 4% of € 36,403,497	2,035,000
At the disposal of the General Meeting of Shareholders	133,386,000

Pursuant to the provisions of Article 29 clause 5 of the Articles of Association, it is proposed that the balance be distributed among the shareholders. The dividend will be paid 50% in cash and 50% in stock. Full details are given in the Agenda for the Annual General Meeting of Shareholders of SBM Offshore N.V. to be held on 14 May 2009, under agenda item number 3 and in the notes thereto.

To the shareholders of SBM Offshore N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements for the year 2008 of SBM Offshore N.V., Rotterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company income statement for the year then ended and the notes.

Management's responsibility

Management of the Company 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 2008, and of its result and its cash flow 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 2008, 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 requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Board of Management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 10 March 2009

KPMG ACCOUNTANTS N.V.
J.C.M. van Rooijen RA

Key figures

in millions of US Dollars, unless stated otherwise

	Notes	2008	2007	2006	2005	2004
Turnover		**3,060.3**	2,871.2	1,989.7	1,519.3	1,068.7
New orders		**4,365.5**	3,822.5	4,915.7	1,510.1	1,435.9
Order portfolio at 31 December		**9,246.9**	7,954.6	6,992.4	4,058.3	4,070.9
Results						
Net profit (continuing operations)		**227.9**	266.8	216.3	225.8	91.7
Dividend		**135.4**	133.3	108.4	113.7	57.1
Operating profit (EBIT)		**275.1**	302.0	254.3	275.3	161.2
EBITDA		**530.1**	548.3	477.5	482.2	370.8
Shareholders' equity at 31 December		**1,234.7**	1,333.4	1,118.7	895.0	662.4
Net debt		**1,464.0**	874.7	585.8	804.7	1,139.6
Cash flow		**482.9**	513.1	439.6	432.6	301.3
Capital expenditure		**999.8**	551.3	309.0	398.5	237.3
Depreciation and amortisation		**255.0**	246.3	223.3	206.8	209.6
Number of employees (average)		**3,263**	2,715	2,356	2,253	1,982
Employee benefits		**590.8**	504.1	363.7	302.2	266.2
Ratios (%)						
Shareholders' equity : net assets		**46**	58	58	53	38
Current ratio		**79**	115	114	78	96
Return on average capital employed		**11.0**	15.1	14.6	14.6	8.9
Return on average equity		**17.7**	21.7	21.5	28.1	14.1
Operating profit (EBIT) : net turnover		**9.0**	10.5	12.8	18.1	15.1
Net profit : net turnover		**7.4**	9.3	10.9	14.9	8.6
Cash flow : average equity		**38**	42	44	56	51
Cash flow : average capital employed		**19**	26	23	23	17
Net debt : shareholders' equity		**118**	65	52	90	172
Enterprise value/EBITDA		**6.4**	9.9	11.3	7.4	8.8
Information per share (US$)						
Net profit	1	**1.54**	1.85	1.55	1.66	0.69
Dividend		**0.93**	0.93	0.77	0.83	0.43
Shareholders' equity at 31 December	2	**8.48**	9.30	7.95	6.50	4.81
Cash flow	1	**3.34**	3.61	3.15	3.18	2.43
Share price (€) – 31 December		**9.35**	21.60	26.05	17.06	11.69
– highest		**26.77**	31.52	26.45	18.14	11.77
– lowest		**8.72**	19.85	17.19	11.44	8.39
Price / earnings ratio	2	**8.5**	17.3	22.1	12.1	22.9
Number of shares issued (x 1,000)		**145,614**	143,324	140,716	137,774	134,236
Market capitalisation (US$ mln)		**1,902.9**	4,557.6	4,830.6	2,769.7	2,130.1
Turnover by volume (x 1,000)		**448,354**	340,769	308,840	241,376	237,220
Number of options exercised		**759,200**	1,098,040	1,319,580	1,801,480	593,600
Number of shares issued re stock dividend		**1,300,774**	1,432,296	1,606,528	1,723,508	1,703,504

Where (significant) changes in accounting principles occurred during this five year period, previous years have been restated for comparison. The information per share has been restated to reflect the four for one share split affected on 2 June 2006.

[1] Based upon weighted average number of shares.
[2] Based upon number of shares outstanding at 31 December.

SBM Offshore N.V.

Schiedam (The Netherlands)

Board of Management:

D.H. Keller, Managing Director and CEO until 15 May 2008
A. J. Mace, Managing Director and CEO from 15 May 2008
M.A.S. Miles, Managing Director from 15 May 2008 and CFO
D.J. van der Zee, Director, CTO and President SBM Production Contractors
F. Blanchelande, Director, COO

Group Companies

Single Buoy Moorings Inc

Marly (Switzerland) / Monaco

Management: A. J. Mace
D.J. van der Zee
F. Blanchelande

Activities:

SBM Systems: Mooring technology, process engineering, project management, construction supervision, technology development;

SBM Production Contractors: Management of the lease fleet;

SBM Services: Offshore contracting, spare parts, after-sales services;

SBM Gas & Power: Offshore technology applications in the LPG and LNG industry.

SBM Atlantia Inc

Houston (USA)

Management: B. van Leggelo, President

Activities: Mooring technology, process engineering, project management, after-sales services, design and supply of deepwater production systems (TLPs, semi-submersibles), design and supply of semi-submersible drilling units.

SBM Malaysia Sdn Bhd

Kuala Lumpur (Malaysia)

Management: I. Replumaz, Director

Activities: Mooring technology, process engineering, project management.

Gusto B.V.

Schiedam (The Netherlands)

Management: S.A.W. Janse, Managing Director

Activities: Offshore design, engineering and consultancy services, naval architecture, process engineering.

Marine Structure Consultants (MSC) B.V.

Schiedam (The Netherlands)

Management: C.J. Mommaas, Managing Director

Activities: Offshore design, engineering and consultancy services, naval architecture, process engineering.

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SBM Offshore N.V.

Postal address
P.O. Box 31
3100 AA Schiedam
The Netherlands

Street address
Karel Doormanweg 66
3115 JD Schiedam
The Netherlands

Telephone	(+31) 10 2320900
Telefax	(+31) 10 2320999
E-mail	sbm@sbmoffshore.com

Full information regarding SBM Offshore is available on the Company's website at www.sbmoffshore.com