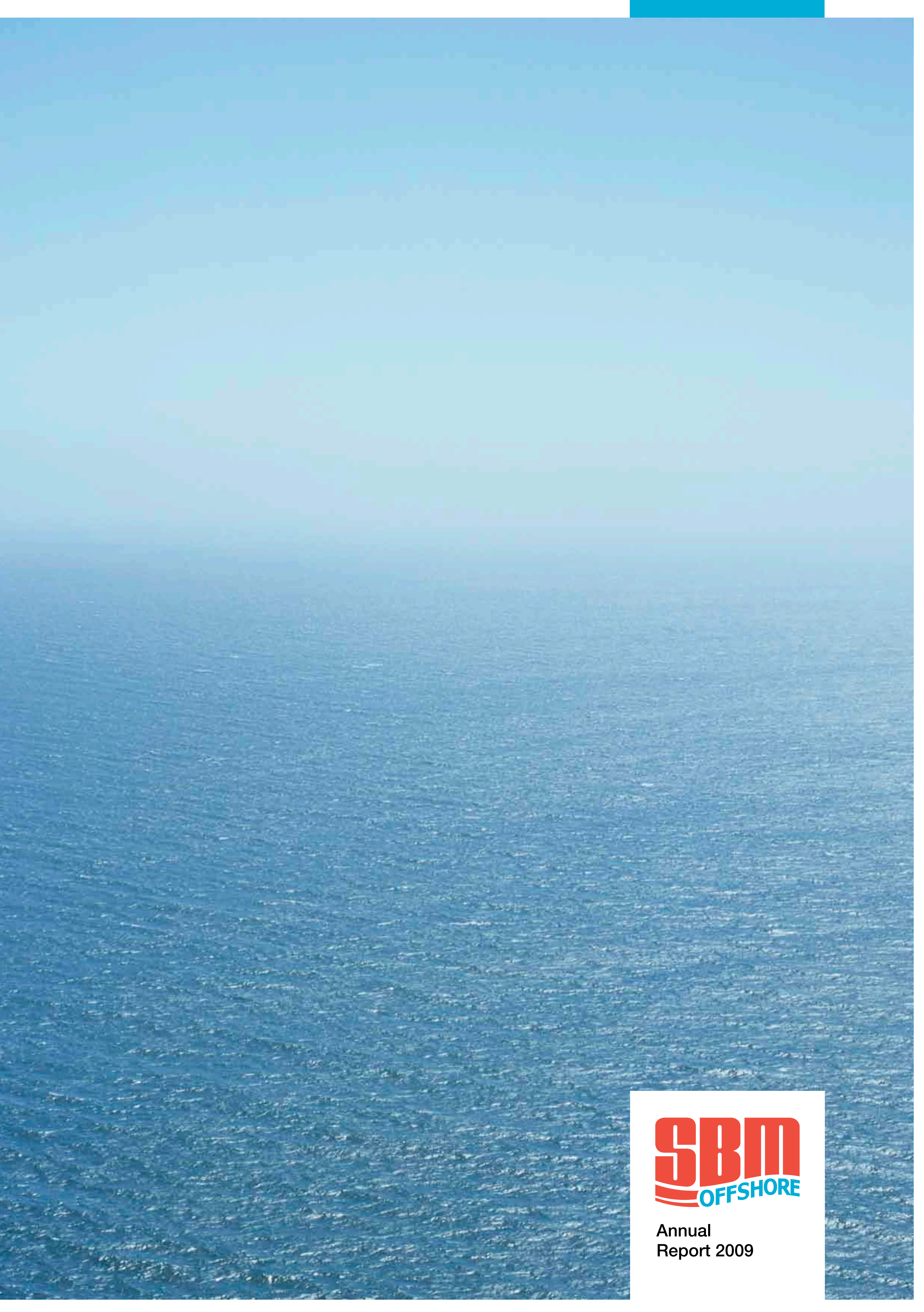
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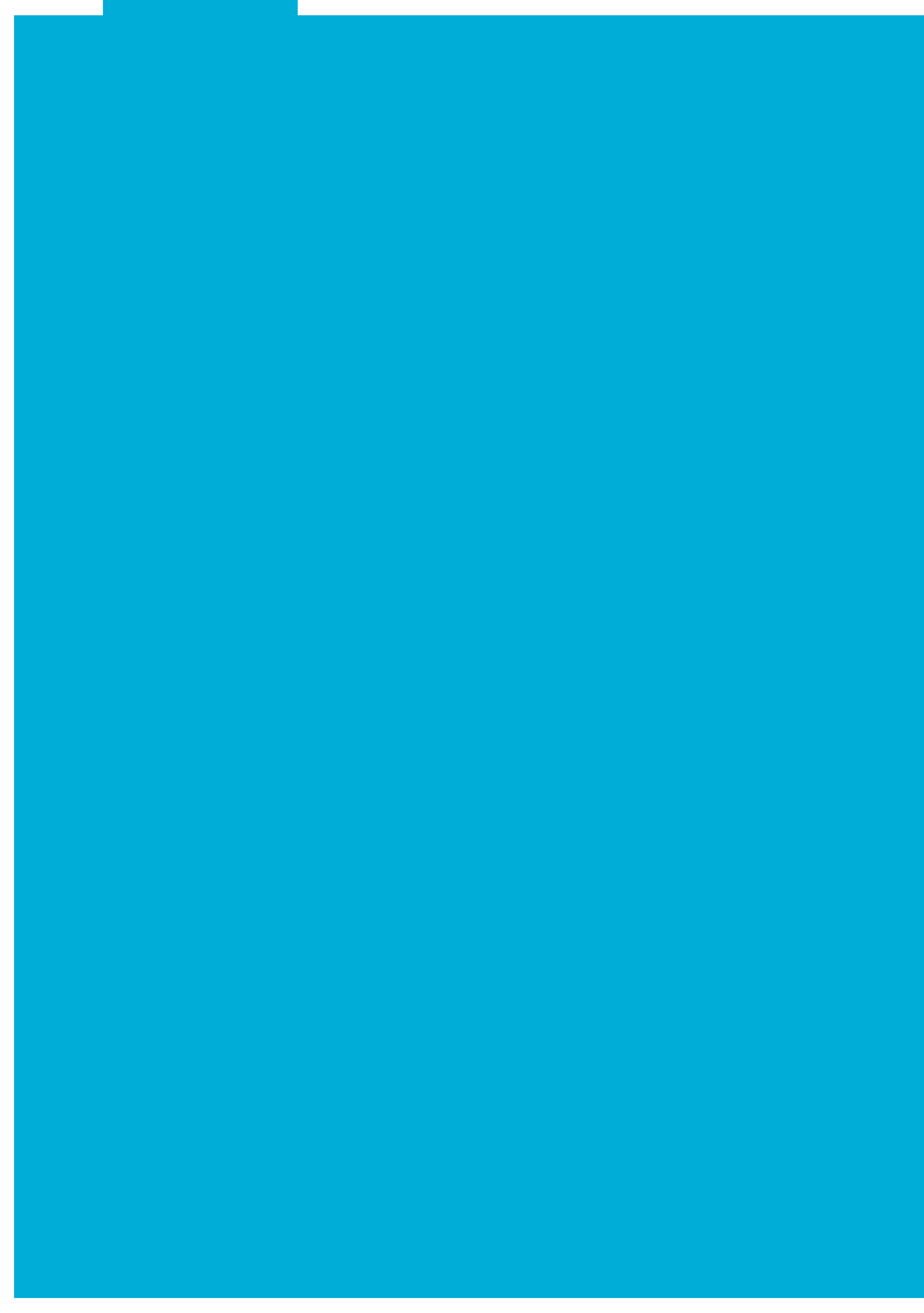

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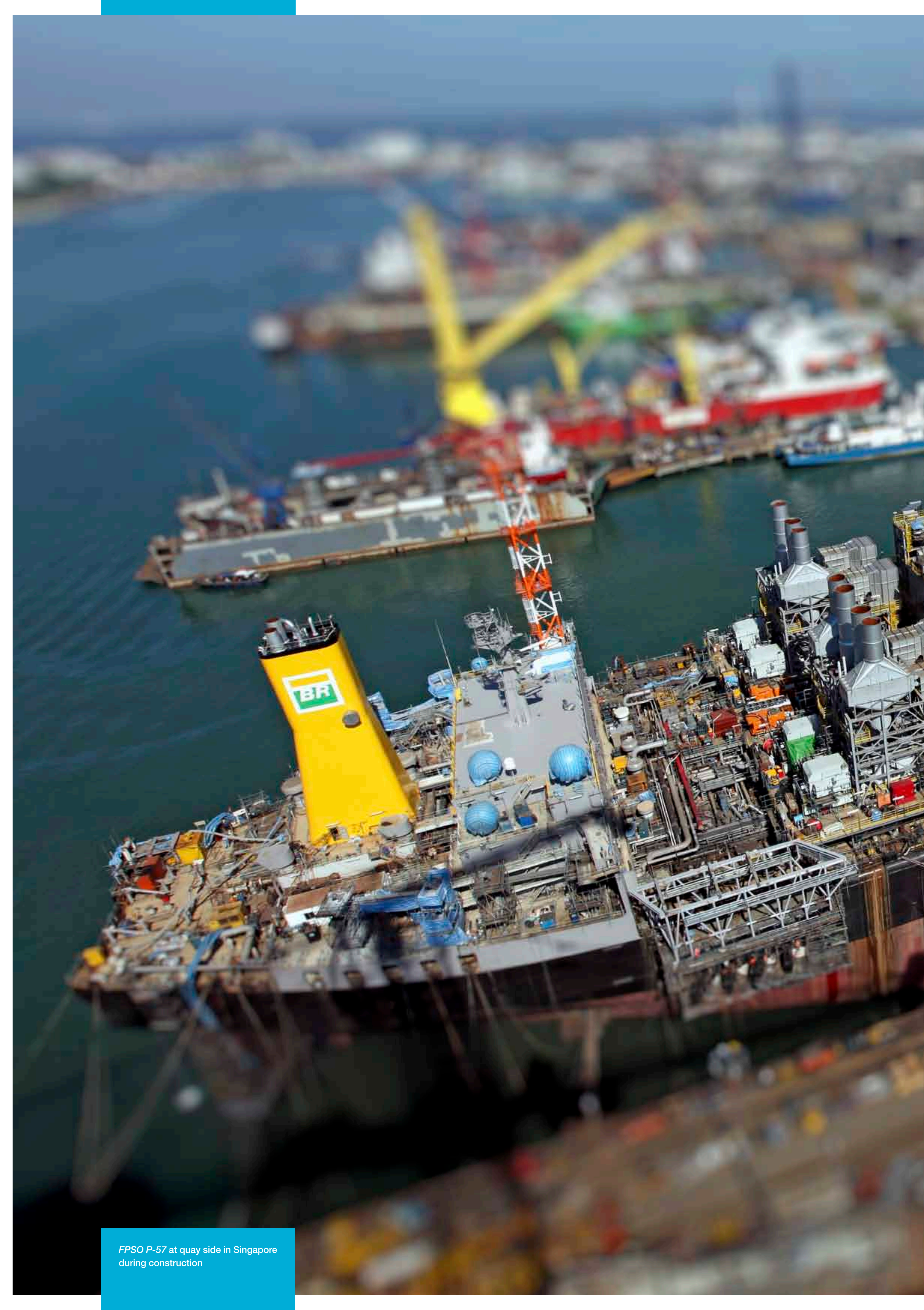
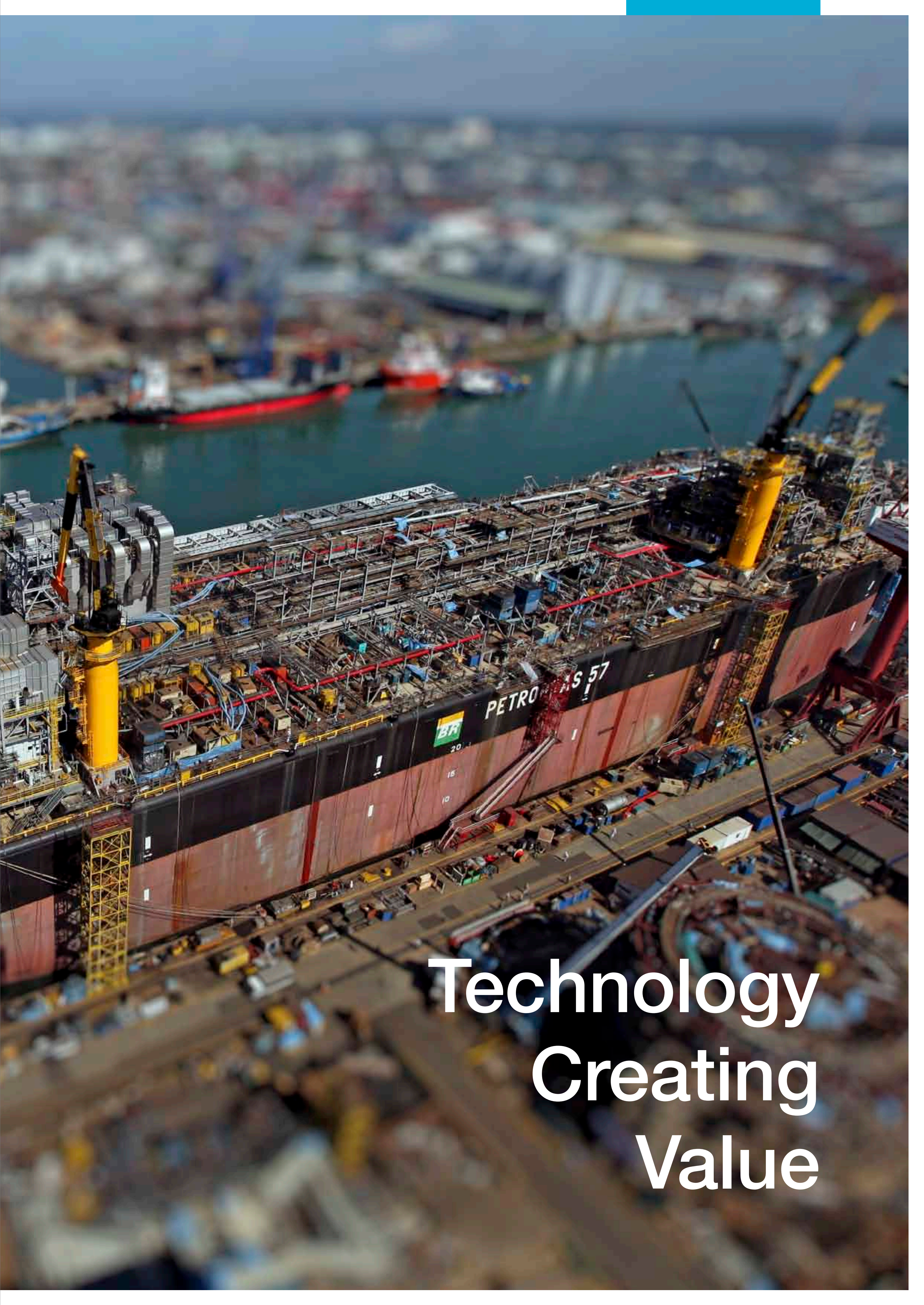


FPSO P-57 at quay side in Singapore during construction


Technology
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Semi-submersible production platform *Thunder Hawk* in operation in the Gulf of Mexico

MURPHY-THUNDER HAWK
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Message from the CEO

The oil and gas business sector has been extensively affected by low oil prices, resulting from the world recession and consequential reduction in energy demand. This has caused an almost complete halt in investment by oil and gas companies in new projects, which had already started in the last months of 2008 and continued during a large part of 2009. For SBM Offshore this has meant that we had to endure a long period without securing any significant new orders, but because the Company has the long term lease business providing a highly reliable source of income, as well as a record order backlog at the start of the year we have come through 2009 relatively unscathed and produced an end result which is marginally above the prior year.

The Company has been very busy with the execution of eleven major projects of which two were delivered during the year and the others will continue into 2010 for completion. The Company's order backlog comprises a few older projects still to be delivered which have incurred further cost overruns during the year, as well as several newer projects which are producing good results well in line with the Company's objectives. One benefit from the recession has been the slight easing of manpower capacity in the subcontractor yards that the Company uses for its construction activities and the flattening off in the increase of prices for materials and equipment that the Company buys for incorporation into its products. Our lease fleet operations and our services business have again produced very good results.

We have implemented several initiatives during the year aimed at improving and strengthening the Company's project execution performance. This has covered the bidding phase of new projects as well as the control of project execution from the cost and schedule standpoint. A more decentralized management structure has also been introduced in order to increase the responsibility of local management for individual unit operating performance at each of the Company's four project execution centres.

We were pleased to obtain two important new lease orders during the second half of the year, the effect of which has increased our year end order backlog to a new record. We have also obtained our first significant order related to our floating LNG production business with the award of a front end engineering study for such a system offshore Brazil.

The Company has a very robust balance sheet with the successful share issue in November, which raised € 180.7 million. The last share offering of this type was in 2001 and since then the Company has grown its lease fleet and significantly increased its project execution capabilities. The new equity will enable and facilitate the Company to further increase its investment in new leased production facilities.

Despite the recent recovery in the award of new orders for our products, we expect there to be a slow recovery of business in the near term but that the level of activity will gradually pick-up in the mid term. We will continue to strive for improved project execution performance, whilst expanding our business model to provide attractive returns to you our shareholder. We thank our employees for their dedicated effort which is essential to the Company's success.

Company Profile

Introduction

SBM Offshore N.V. (SBM Offshore, 'the Company') designs and provides offshore energy systems on a lease or sale basis to our clients worldwide based on in-house engineering and project management expertise. The Company's clients are mainly offshore oil and gas producing companies, both private and government owned. The Company has established its position as a specialised service provider in the middle to upper segment of the floating production industry where it is one of the market leaders. The Company operates globally under the name SBM Offshore with seven operating units. Each operating unit is among one of the leaders in its respective niche market. The Company currently employs over 5,000 people worldwide.

Product line

The Company's activities include the engineering, supply and offshore installation of 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).

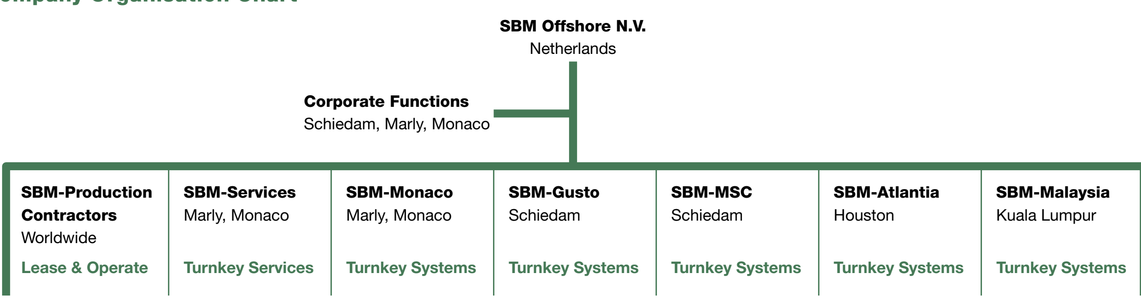
Over 30 years ago, the Company was the first to offer clients an integrated oil and gas service by providing turnkey supply of floating production vessels, as well as leasing options where the Company operates the facility. This concept is now considered as a mainstream production means by the oil industry, particularly in deep and remote waters, and the lease and operate business has become a major component of the Company's activities.

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. In 2009 SBM Offshore celebrated the 50th anniversary of the first CALM buoy, which was designed and delivered to Shell in 1959. Derived from the same technology are complex mooring systems, which anchor the floating production facilities in oil and gas fields and are the core products of the Company. There are various types of mooring systems 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 monohulls, jack-ups and semi-submersibles.

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 through the Company owned installation vessels. This forms an essential complement to the sales of facilities, offering clients a comprehensive and integrated service.

Company Organisation Chart



The Company has added the LNG FPSO to its product line to respond to the expected future demand for off-shore production of LNG from stranded gas fields and is also developing renewable energy systems for the marine environment.

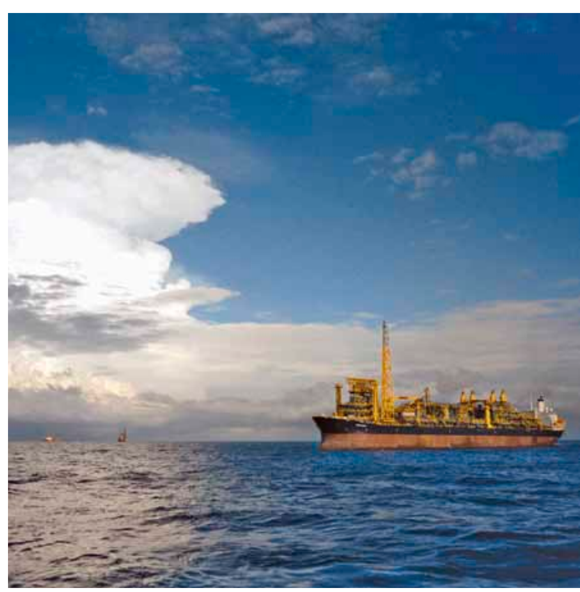
Organisation

SBM Offshore currently operates from four main project execution centres with engineering and project management resources located in Schiedam (Netherlands), Monaco (Monaco), Houston (USA) and Kuala Lumpur (Malaysia). The Company has a corporate structure consisting of seven operating units, supported by corporate functions, which all report to the Board of Management. The organisation chart on page 10 shows the individual units, their location and their financial reporting segment.

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.

In respect of the Company's activities, including both the supply of facilities on a sale basis and the lease and operate activities, there is a Group Management System defining the Company's procedures. The Company's Corporate Engineering Standards ensure a common design approach in the four centres and facilitate the optimal use of the skills and global resources available for the execution of large and complex projects.

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 in Angola, which will be developed into an FPSO integration facility should the Company be awarded FPSO contracts requiring enhanced local content. One of the Company's strengths is that it possesses all the engineering, project management and offshore installation competencies in-house to execute large complex systems, without having to rely on external resources, except for the liquefaction technology related to LNG FPSO topsides.



Top: *CALM buoy*
Middle: *FPSO Frade* in operation in Brazil
Bottom: Semi-submersible production platform *Thunder Hawk*

Future focus

The Company's business direction is characterised by market-oriented technology innovation. The Company is a trendsetter in the development of new, cost effective, technologically fit-for-purpose solutions which optimally respond to clients' changing needs. Today, the Company's focus is on providing solutions for ultra-deep water production, arctic environment floating production and Floating LNG (FLNG) developments. The Company is also engaged in development work for renewable energy systems in the marine environment. In order to protect and expand its leading market position, the Company devotes significant attention to research, development, and the protection of Intellectual Property.

Snapshot 2009

Item (US$ mln.)	2009	2008	Movement	%	Comment
Net profit	230.0	227.9	2.1	0.9	Improved Turnkey Systems contribution; Yme MOPUstor™ impairment
Per share (US$)	1.47	1.54	(0.07)	(4.5)	Higher average number of shares
EBIT	293.4	275.1	18.3	6.7	Improved Turnkey Systems contribution; Yme MOPUstor™ impairment
EBITDA	613.3	530.1	83.2	15.7	Improved Turnkey Systems contribution
Enterprise value (EV)	4,712.9	3,366.8	1,346.1	40.0	Market capitalisation increased
Net debt	1,464.0	1,464.0	-	-	Lease fleet investments offset by new equity
Net Debt: EBITDA	2.39	2.76	(0.37)	(13.4)	Comfortably within bank covenants
EV: EBITDA	7.7	6.4	1.3	20.3	EV increased with share price
Turnover	2,956.5	3,060.3	(103.8)	(3.4)	Turnkey Systems revenue down
EBIT: Turnover (%)	9.9	9.0	0.9	10.0	Improved Turnkey Systems contribution; Yme MOPUstor™ impairment
Cash flow	549.8	482.9	66.9	13.9	Improved Turnkey Systems contribution
Per share (US$)	3.66	3.34	0.32	9.6	Improved Turnkey Systems contribution
Net cash	146.7	230.1	(83.4)	(36.2)	Comfortable level
Capital expenditure	655.9	999.8	(343.9)	(34.4)	Reflects slow order intake before H2 2009
Total Equity	1,816.8	1,240.9	575.9	46.4	Equity issue; Hedge portfolio value improved
Capital employed	3,325.8	2,740.9	584.9	21.3	Equity increased
ROACE (%)	9.7	11.0	(1.3)	(11.8)	EBIT up; Average capital employed increased more
ROE (%)	15.0	17.7	(2.7)	(15.3)	Net profit stable; Average equity up
Net Debt: Equity (%)	80.6	118.0	(37.4)	(31.7)	Capacity to finance growth
EBITDA interest cover	10.2	13.1	(2.9)	(22.1)	Higher net interest charge
NEW ORDERS:					
– Leases	2,374.4	1,437.8	936.6	65.1	Includes one major FPSO operating lease contract
– Turnkey Systems	1,108.6	2,660.1	(1,551.5)	(58.3)	Includes one FPSO (finance lease)
– Turnkey Services	256.9	267.6	(10.7)	(4.0)	Exceeded 2009 turnover
TOTAL	**3,739.9**	**4,365.5**	**(625.6)**	**(14.3)**	
BACKLOG:					
– Leases	7,834.3	6,278.0	1,556.3	24.8	A new record
– Turnkey Systems	1,995.0	2,796.2	(801.2)	(28.7)	1 year equivalent turnover
– Turnkey Services	203.0	172.7	30.3	17.5	Normal level
TOTAL	**10,032.3**	**9,246.9**	**785.4**	**8.5**	
Share price 31/12 (€)	13.78	9.35	4.43	47.4	
AEX-index	335.3	245.9	89.4	36.4	
Market capitalisation (€)	2,265.4	1,361.3	904.1	66.4	Share price rose and new shares issued
Market capitalisation (US$)	3,248.9	1,902.9	1,346.0	70.7	Share price rose and US$ weakened against €
Proposed dividend (US$)	0.67	0.93	(0.26)	(28.0)	50% of net profit

Highlights 2009

Financial

- turnover slightly down to US$ 2,957 million (US$ 3,060 million in 2008);
- new orders totalled US$ 3,740 million (US$ 4,366 million in 2008);
- EBITDA of US$ 613.3 million (US$ 530.1 million in 2008);
- EBIT of US$ 293.4 million (US$ 275.1 million in 2008);
- EBIT margin 9.9% (9.0% in 2008);
- net profit of US$ 230.0 million (US$ 227.9 million in 2008);
- non-recurring sales of assets generated net profit of US$ 32.4 million (US$ 31.4 million in 2008);
- earnings per share of US$ 1.47 (US$ 1.54 in 2008);
- dividend of US$ 0.67 per share (US$ 0.93 in 2008);
- investment in fixed assets of US$ 656 million (US$ 1,000 million in 2008);
- € 180.7 million raised through 9.2% equity issue.

Lease & Operate

- FPSO Espirito Santo started operation offshore Brazil;
- Semi-submersible production platform Thunder Hawk started operation in the Gulf of Mexico;
- FPSO Frade started operation offshore Brazil (operate contract, following supply of the unit);
- FPSO Capixaba disconnected from Golfinho field for upgrade and relocation to Cachalote field;
- 12 months lease extension from Total for the FSO Unity operations;
- Exxon Mobil terminated the lease contract and redelivered FPSO Falcon, following a period of standby;
- Petronas exercised Purchase Option at end of lease contract for the Turkmenistan MOPU/FSO;
- new 15 year lease contract from Noble Energy for the Aseng FPSO in Equatorial Guinea;
- new 18 year lease contract from Petrobras for the existing Espadarte FPSO for the Baleia Azul field in Brazil.

Turnkey Supply & Turnkey Services

- delivery and start up of the FPSO Frade for Chevron in Brazil;
- framework contract arrangement from Shell for supply of turrets for FLNG facilities;
- Front End Engineering Design (FEED) study for an LNG FPSO for Petrobras;
- a contract for the engineering and supply of equipment for the Deepwater CALM buoy for the Usan Oil Offloading Line (OOL) for Total;
- good utilisation level of both installation vessels;
- delivery of the first segments of the turret for the Skarv FPSO for BP.

Expectations 2010

- turnover to be in the same range as 2009;
- average EBIT margin in the Turnkey Systems segment is expected to be solidly within the 5% – 10% range;
- Turnkey Services average EBIT margin expected around lower end of 15% – 20% range due to potentially lower utilisation rate for one installation vessel;
- the EBIT contribution from the Lease and Operate segment is expected to be below the level achieved in 2009 due to the end of certain lease contracts in 2009 and lower expected operating bonuses;
- net interest charge will increase by up to 20% compared to 2009 due to start of operations on major lease contracts and low expected interest income on liquidities;
- capital expenditure, excluding any new operating lease contracts to be obtained in 2010, is expected to amount to around US$ 0.5 billion;
- net gearing at year-end 2010 is expected to remain below 100%, with all financial ratios well within banking covenants.

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 0.79% on 31 December 2009. Options on Company shares have been traded since 7 July 1993 on the Euronext Amsterdam Derivative Markets.

Share price development

The share price increased by 47.4% from € 9.35 at the start of the year to € 13.78 at 31 December 2009, compared to a increase of the AEX Index of 36.4% over the same period. In US Dollar terms the increase of the share price in 2009 was 51.1%, from US$ 13.07 to US$ 19.75.

Average daily liquidity in 2009 amounted to around 1.14 million shares, equivalent to 194% of the average number of outstanding shares on an annual basis.

Market capitalisation at 31 December 2009 was € 2,265 million compared with € 1,361 million at the end of 2008, an increase of 66.4%. The equivalent figures in US Dollars show a market capitalisation at the end of 2009 of US$ 3,249 million, up by 70.7% from US$ 1,903 million at 31 December 2008.

Number of outstanding ordinary shares

In November 2009, the Company raised € 180.7 million through an accelerated bookbuild offering of 13,896,880 new ordinary Shares, representing 9.2% of issued capital, at a price of € 13.00 per share. This was the first such offering by the Company since 2001.

The total number of ordinary shares in SBM Offshore showed the following movements during the year 2009:

Number of ordinary shares

Balance 1 January 2009	**145,613,988**
Stock dividend	4,221,744
Options exercised	604,400
Bonus and performance shares	122,968
Shares issued (equity increase)	13,896,880
Balance 31 December 2009	**164,459,980**

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 concerning the identity of the shareholders are available. According to information provided by the largest banks and financial institutions, the shares are mainly in the hands of institutional investors.

Share Prices

	Turnover as % of share capital	Highest share price in €	Lowest share price in €	Closing share price in €	Closing share price in US$
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
2009	193.63	15.30	9.00	13.78	19.75

Share prices for the years 2005 through 2006 are restated for the four for one share split effected on 2 June 2006.

One institutional investor, Schroders Plc from the United Kingdom has, as required under the Major Holdings in Listed Companies Disclosure Act, disclosed an interest in the capital of SBM Offshore in excess of 5%. The interest disclosed amounts to 9.98% of the Company's share capital.

At 31 December 2009, employees of the Company own 988,431 shares in SBM Offshore through an Employee Share Ownership Plan (ESOP).

Based on the year-end closing price, the proposed dividend of US$ 0.67 per share gives a yield of 3.4% per share (7.1% in 2008).

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 April 2010, the day the Annual General Shareholders Meeting is held. The same exchange rate will apply for the dividend payment in shares of SBM Offshore.

Dividend

The Company's dividend proposal returns 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.

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 water offshore and arctic areas;
- Market for LNG export/import infrastructure and services;
- Upcoming market for offshore Floating LNG production plants;
- Requirement for more complex floating production systems to process fluids from more challenging reservoirs;
- Continuing demand for sea borne oil transportation;
- Exploration activities increasing the demand for offshore drilling rig equipment;
- Governments promoting renewable energy which increases the demand for wind turbine installation vessels and other renewable energy solutions.

Threats

- Competition from Korean and Chinese shipyards for large turnkey FPSO projects;
- Competition from other FPSO contractors 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;
- Capex of large FPSOs with high local content obligations creating complexity in raising project funding.

Competitive strength

- Flexibility in capacity with four project execution centres;
- All construction outsourced;
- New, cost effective, patented, technical solutions for producing in increasingly deep water;
- Comprehensive toolbox for deep water developments;
- In-house integrated competence to manage, design, supply, install and operate complete, complex offshore oil and gas production facilities;
- Fit for purpose FPSO concept, based on 184 years of cumulative F(P)SO operating experience;
- Patented technology on LNG components;
- Leading position in the development of a Floating LNG production project;
- Track record – Clients' high opinion on safety and performance;
- Financial strength and reputation;
- Strategic partnerships with several companies;
- Extension of lease contracts or redelivery of units with available residual life.

Competitive disadvantages

- Less competitive on the low end of the FPSO market;
- High Euro increases cost of European based engineers.

Company Mission and Principles

Towards Clients

- to provide superior products and services through innovative, fit-for-purpose and competitive solutions for the offshore energy 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 promoting high-technology products and providing a most favourable environment for professional and personal development, and to highly reward it;

Towards Suppliers

- to support fair competition and strive for long-term stability in the relationships;
- to jointly improve social and environmental performance;

Towards Society / Communities

- to support and promote human rights and contribute to social welfare in the communities where we operate;
- to support and promote business practices free of bribery and corruption;

Towards the Environment

- to minimize the negative impact and risks of our activities on the environment and co-operate with business partners to improve performance;

Towards Shareholders / Capital providers

- to constantly improve our know-how and efficiency, with the objective to generate returns well above the cost of capital;
- to maintain a high degree of transparency and reliability by providing accurate financial and non-financial information;
- to achieve the highest standards of corporate governance;
- to provide EPS growth ahead of the expected EPS growth of the relevant oil and gas industry's indices.

Corporate Strategy

The Company has enhanced its Corporate Strategic Planning process in 2009 and developed a new Corporate Strategic Plan, defining the Company's objectives for the coming three years. The Corporate Plan is supported by Business Area Plans, across the Company's main areas of activities: Lease and Operate, Turnkey Systems and Turnkey Services. The strategy draws upon the outcome of a number of Strategy Seminars held with the senior management team and will be reviewed on an annual basis taking into account significant developments in the market place and any external events that would affect the Company's business.

The Company's Corporate Strategic Planning process, as outlined below, starts with the Company's Mission statement and the definition of the Company's Strategic Objectives. The Strategy Formulation consists of the development of the Business Area Objectives in support of the Corporate Objectives. Progress will be measured regularly and used as feedback for both the Business Area Objectives as well as the Corporate Objectives.

Company mission

The Company's mission statement reads:
To provide solutions for the offshore energy industry.

The mission statement has changed in 2009 from one focussing solely on the oil and gas industry into a broader statement 'energy industry' in order to include the Company's ambitions related to renewable energy solutions.

The expression of this mission statement in a few major objectives with respect to the key stakeholders is highlighted in the previous section.

The Company's motto is: Technology Creating Value.

The key targets driving the Company's strategy for the three business segments will be growth, performance, leadership and the development of new markets.

Corporate Strategic Planning

Lease and Operate

The lease 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. 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 complex financial, operational and contractual risks. The strategy is to retain this leader position with growth of the lease fleet, while remaining focused on high standard and complex client demand, as this requires integrated competence and large resources in engineering and project management. In view of the increased size of new projects, strategic partnerships will be pursued further where necessary to leverage the current position.

For the Company's fleet operations the objective is to concentrate on performance and further increase reliability of the units, maximize production uptime for our clients and strive for excellence in our fleet operations.

The lease of other types of facilities, such as MOPUstor™, MOPU and semi-submersible production units are now often being pursued using the same principles that apply to any oil and gas production unit provided that it has at least the same relocation potential as an FPSO. Recent examples of such facilities being developed for new geographical areas include 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 Floating Storage Re-gasification Unit (FSRU) and Liquified Natural Gas (LNG)/Liquified Petroleum Gas (LPG) FPSOs.

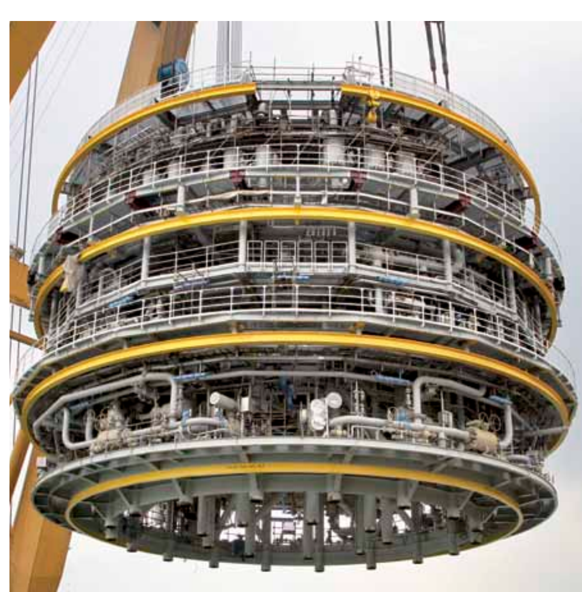
Lease and operate principles

The lease and operation of floating production units 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. 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 excluding 'early' double hulls;
- 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 up to 80% of capex by first oil date;
- project debt fully repaid by lease income from initial lease duration;
- apply conservative policies with respect to depreciation;
- manage fleet operations in-house;
- engage all senior staff for the fleet under direct employment;
- place safety performance and environmental protection as primary objectives.

Lease partnerships

The Company aims to further diversify its sources of capital through the use of partnerships. Engaging in long term partnerships is becoming particularly important due to the increasing size and capital requirements of our future projects. So far, in the lease and operate segment, the Company's partners have been responsible for a pre-defined part of the project as well as acquiring a certain percentage of the ownership of the production facility.



Top: SBM Offshore employees
Middle: Manifold section of the *Skarv turret* for BP
Bottom: Windturbine installation vessel

Reasons for having equity partnerships include:
- obtaining access to certain specific expertise not available within the Company;
- obtaining 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 sources of debt through access to the partner's relationship banks and/or Export Credit Agencies.

Partnerships are only engaged in order to both enhance the probability of securing new business and in the long run to add value to the Company's performance.

Turnkey Systems

The Company is a leader in the supply of complex mooring systems, FPSOs, TLPs and Semi-Submersible units and other innovative technology such as the Gravity Actuated Pipe (GAP) system.

The strategy is to maintain this leadership position and to develop new markets and growth in the Turnkey Systems segment based on a selective approach depending on the complexity of the technology, the client and the contracting conditions. The focus is to develop technological solutions to suit our clients' needs and sell these solutions on a turnkey basis while engaging an acceptable risk and reward balance. The Company will aim to identify the clients' needs and propose innovative, fit for purpose, robust solutions with suitable delivery schedules and appropriate prices.

An improved execution performance is targeted for the Turnkey Systems segment focusing on robust procedures, increased project management and enhanced project controls. The plan is to raise the level of expertise and efficiency of the engineering and project management resources, which have now reached an annual capacity of more than 3 million manhours.

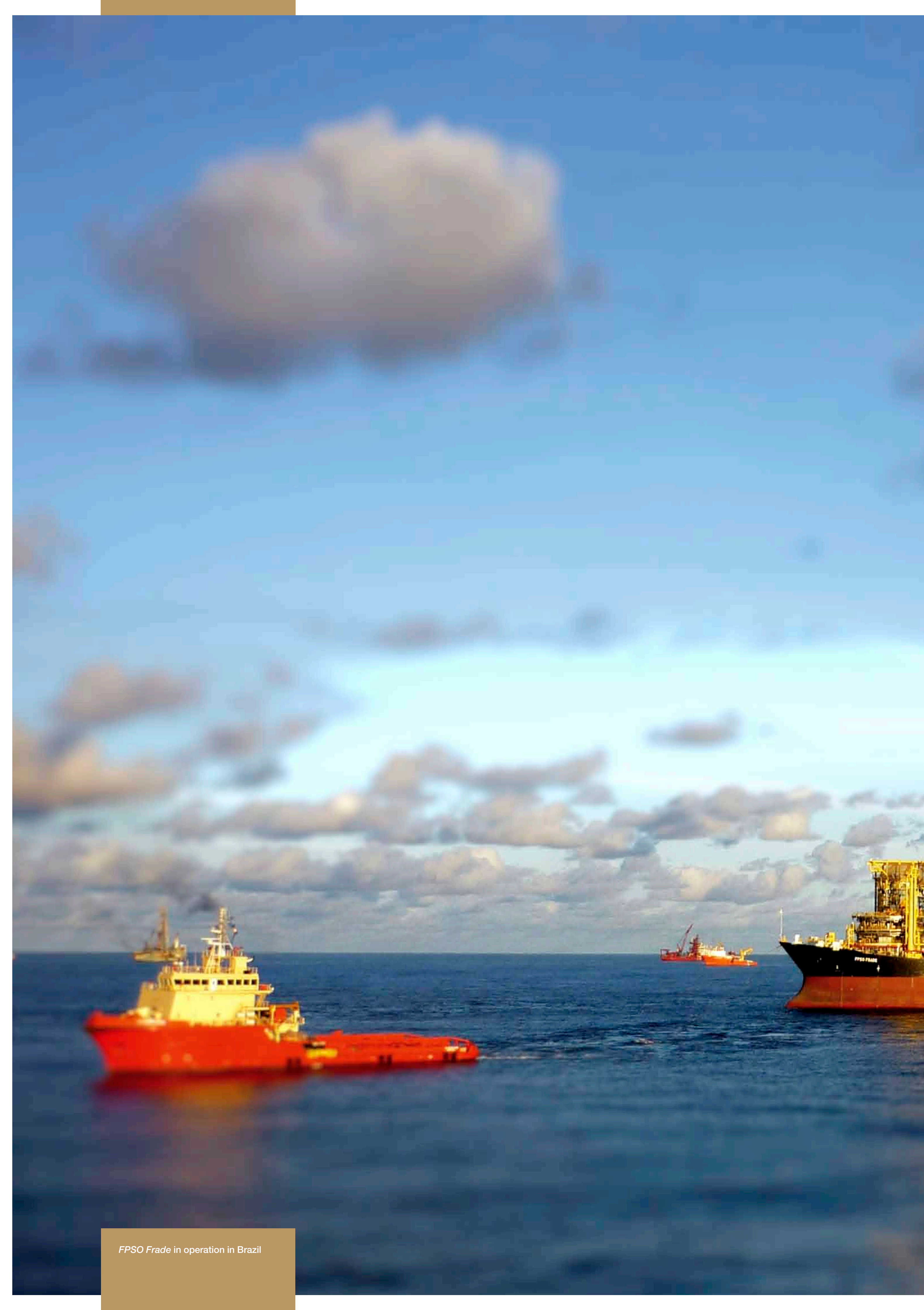
For the LNG and gas markets development the focus is on selling the LNG FPSO and development of the cryogenic flexible hose and a series of downstream offshore gas solutions will also be pursued. In addition, the Company is developing marine energy technologies. Both LNG and Renewables are part of the diversification of the Company's income streams, geographical markets and client base in the long run.

Turnkey Services

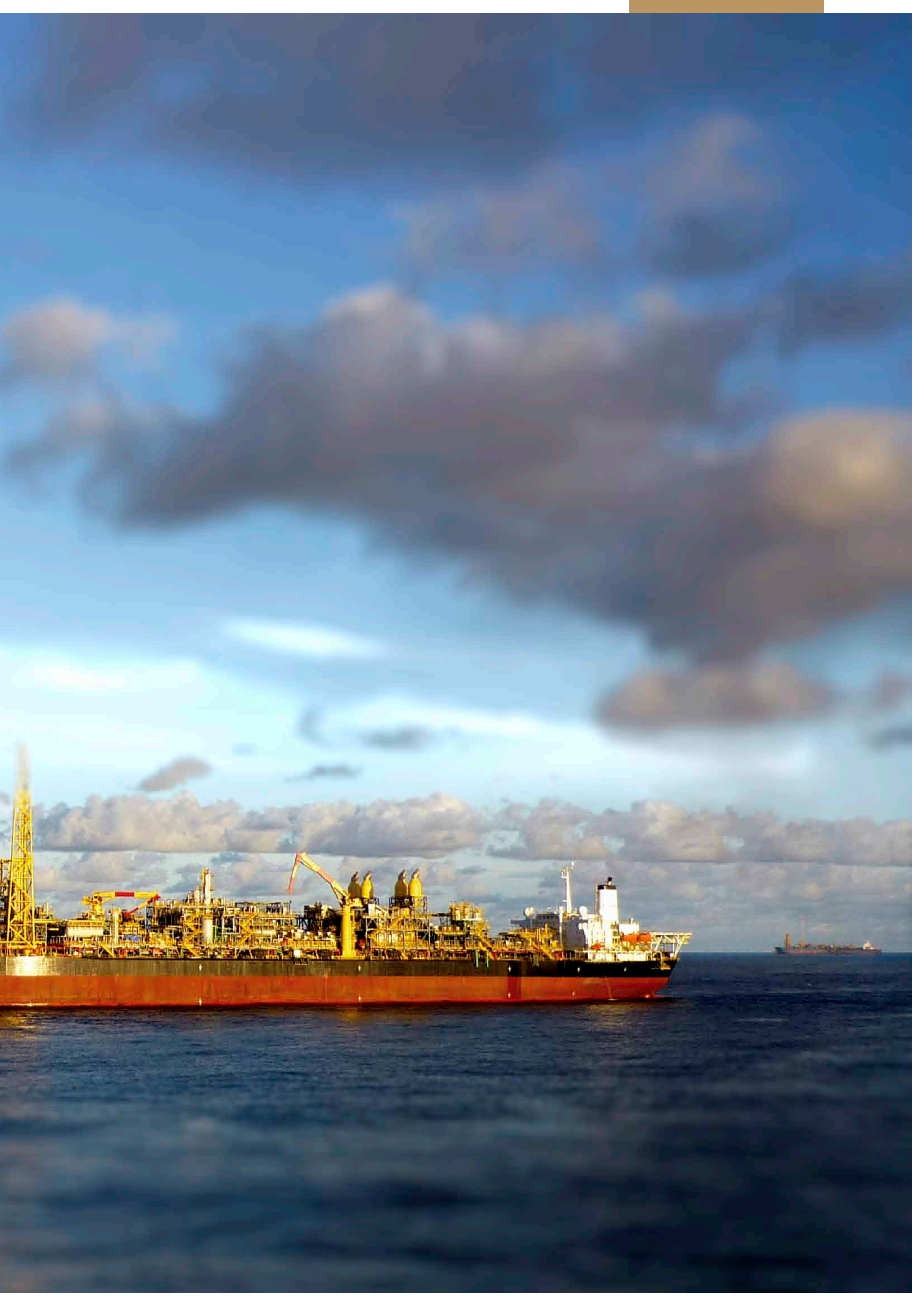
The Company has always owned and operated an offshore installation vessel with the capabilities to install the Company supplied products, either for the lease fleet or on a turnkey sales basis. The main objective of this vessel is strategic, creating a competitive edge for the Company as it can include and estimate the costs, often two to three years from award, of offshore installation of the units. The Normand Installer is the Company's third generation installation vessel, owned in joint venture with Solstad, and in addition to internal work, it also works for third parties. Recently the vessel was upgraded with a facility to install flexible pipe, which increased its capability and marketability. The Dynamic Installer is the Company's second installation vessel, for the installation of CALM buoys, and other shallow water work including diving services.

The focus for the coming three years will be to successfully deploy the Company's owned installation vessels, both to support installation of the Company's units as well as to provide services to third parties. The Company plans to maintain its leading position for the supply of CALM buoys, swivels and services. The supply of spare parts, engineering and inspection services for the Company supplied terminals (more than 400 worldwide) has also been a very important activity, which will continue to expand in the future.

World Map of SBM Offshore



FPSO Frade in operation in Brazil



Report of the Supervisory Board

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Introduction

The Supervisory Board of SBM Offshore N.V., hereby presents the Annual Report 2009 incorporating the Financial Statements to be discussed and adopted in the Annual General Meeting of Shareholders on Wednesday 14 April 2010. 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 yearly 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 yearly financial statements pursuant to their statutory obligations under article 2: 101(2) of the Dutch Civil Code and article 5:25c (2) (c) of the Financial Market Supervision Act.

The Management Board has made a dividend proposal of US$ 0.67 per share (2008: US$ 0.93) payable at the shareholders' choice, either in cash or in shares. The Supervisory Board is in agreement with the proposal made.

Composition of the Supervisory Board

At the Annual General Meeting (AGM) of 14 May 2009, Mr. R. van Gelder reached the end of his first four-year term as a Director of the Supervisory Board and was re-appointed for a second four-year term. Following his re-appointment, Mr. R. van Gelder was also re-appointed chairman of the Remuneration Committee. Effective September 15, 2009, Mr. D.H. Keller resigned as a Director of the Supervisory Board. The Supervisory Board expresses its gratitude to Mr. D.H. Keller for his valuable contribution to the Supervisory Board and to the Company in general during his long career with SBM Offshore.

The Supervisory Board is chaired by Mr. H.C. Rothermund, Mr. L.J.A.M. Ligthart is the vice-chairman and Mr. F.G.H. Deckers, Mr. T. Ehret and Mr. R. van Gelder are Supervisory Directors.

Upon the advice of the Selection and Appointment Committee, the Supervisory Board will make a non-binding proposal to the AGM to appoint Mr. F.J.G.M. Cremers as a Supervisory Director.

Composition of the Committees of the Supervisory Board

Mr. L.J.A.M. Ligthart is the Chairman of the Audit Committee and Mr. F.G.H. Deckers is a member of the Audit Committee.

Following his re-appointment as a Supervisory Director, Mr. R. van Gelder, was re-appointed by the Supervisory Board as the Chairman of the Remuneration Committee. Mr. H.C. Rothermund is a member of the Remuneration Committee.

The Selection & Appointment Committee is chaired by Mr. H.C. Rothermund. Mr. L.J.A.M. Ligthart is a member of the Selection & Appointment Committee.

The Supervisory Directors who were appointed in 2008, Mr. T. Ehret and Mr. F.G.H. Deckers, have completed their induction programme and have visited all of the Company's project execution centres.

Meetings of the Supervisory Board

During the course of the year under review, the Supervisory Board held eight meetings according to a pre-set meeting schedule. In addition to these meetings, there was regular informal contact between the Chairman and the CEO, as well as regular contact between Supervisory Directors and the Board of Management.

Certain Supervisory Board meetings were 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, either physically or by telephone whereby the Supervisory Director who could not attend the meeting physically could follow the proceedings of the meeting and voice his opinion. There were no repeated absences of any of the Supervisory Directors.

All but two meetings of the Supervisory Board were held at the statutory offices of the Company in Schiedam, The Netherlands. In November 2009, the Supervisory Board met in Monaco and in December 2009, the Supervisory Board travelled to Singapore and Malaysia. In Singapore, the Company's ongoing P-57 FPSO conversion work was visited at the Keppel Shipyard and the ongoing topsides construction work was visited at Dyna-Mac, a major subcontractor. At the Monaco and Kuala Lumpur project execution centres, project management and senior management were interviewed and information about the major project progress and the state of affairs at the respective centres was received.

In its role of supervising the policies of the Company and advising the Board of Management, the Supervisory Board challenges in a constructive way and with due regard to the interests of all stakeholders the actions and plans of the Management Board concerning the management of the Company's businesses. 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 2009 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;
- support for the various performance improvement initiatives identified and progressed by the Board of Management;
- remuneration of the Management Board;
- risk management systems and controls, insurance and legal claims;
- corporate social responsibility;
- safety performance;
- compliance with the Revised Corporate Governance Code which came into force on 1 January 2009;
- meetings with senior staff in Monaco and Kuala Lumpur;
- material tenders and contract awards;
- impact on the Company of the financial crisis;
- the raising of € 180.7 million through an equity offering of 13,896,880 ordinary shares at a price of € 13.00 per share through an accelerated bookbuild offering;
- technical and R&D matters and reports and the subsequent resolution to create a Technical committee of the Supervisory Board.

In addition, extraordinary meetings of the Supervisory Board were held on 13 May 2009, 28-29 May 2009, 22 June 2009 and on 29 October 2009 to discuss and subsequently to approve the Management Board's proposals concerning the Q1 Trading Update, the organisational structure of the Company, the preparation of the sub 10% equity emission, and the relocation of the Espadarte FPSO.

Independency of the Supervisory Directors

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

The Supervisory Board confirms that all members who served during the year are independent as mentioned under BP IIII.2.2 of the Corporate Governance Code, except for Mr. D.H. Keller who was, prior to his appointment, the CEO of the Company. Mr D.H. Keller resigned as a Supervisory Director with effect from 15 September 2009.

Meetings of the Supervisory Board Committees

Audit Committee

The Audit Committee convened for six regular meetings in 2009 and in addition held one meeting by telephone conference. The regular Audit Committee meetings were held on the afternoon preceding the Supervisory Board meeting, where the Audit Committee Chairman reported on the principal issues discussed. The 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. At each of the meetings there was a private meeting 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;
- risk management, internal control and audit, insurance and legal claims;
- discussion of the Company's Internal Control Framework and its In Control statement;
- reports by external auditors and follow-up of the recommendations and observations;
- relations with the external auditor, including, in particular, the independence, remuneration and non-audit related services provided to the Company. Analysis of the KPMG fees is disclosed within note 2 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 a proposal to re-appoint KPMG Accountants N.V. as external auditor until the closure of the accounting year 2011;
- fraud or other irregularities;
- specific accounting issues such as the impairment test on the Company's assets and 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;
- the equity offering referred to above;
- discussion of the impact and exposures relating to the financial crisis;
- Information Systems and 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.

Remuneration Committee

The Remuneration Committee met five times in 2009. The meetings of the Remuneration Committee were held prior to the Supervisory Board meetings where the Remuneration Committee Chairman reported on the principal subjects discussed. The minutes of the Remuneration Committee were reviewed in the next meeting of the Supervisory Board. In addition, 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.

The main subjects discussed by the Remuneration Committee were the following:
- remuneration of the Managing Directors and benchmarking;
- remuneration matters related to former Managing Directors;

- Short Term and Long Term Incentives;
- share plan for the Managing Directors;
- the replacement of the stock option plan for Senior SBM employees by a share based LTI plan;
- retirement arrangements for the Managing Directors and employees.

The Remuneration Committee received advice from a specialist remuneration consultant.

Selection and Appointment Committee

The Selection and Appointment Committee met twice during the year. The main subjects discussed were the succession planning in general, the re-appointment of Mr. R. van Gelder as a Supervisory Director, the resignation of Mr. D.H. Keller as a Supervisory Director and the selection of Mr. F.J.G.M. Cremers as a Supervisory Board 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 2009 in a difficult business and financial environment. The Supervisory Board believes that the successful issuance of equity and the organisational changes implemented during the year under review will better position the Company to realise its ambition of achieving its targets for shareholder value growth.

Schiedam, 25 February 2010

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

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: About the Remuneration Committee
Section 2: Dutch Corporate Governance Code
Section 3: Summary of the current Remuneration Policy
Section 4: The employment contracts of the members of the Management Board and their actual remuneration in 2009

Section 1: About the Remuneration Committee

During 2009, the Remuneration Committee consisted of the following members:
- Mr. R. van Gelder (Chairman of the Remuneration Committee); and
- Mr. H.C. Rothermund

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

Mr. R. van Gelder took up the position of CEO of Heijmans N.V. as of 1 July 2008 for a term of two years. Consequently, the position of Mr. R. van Gelder as Chairman of the Remuneration Committee was no longer in line with best practice provision III.5.11 of the Dutch Corporate Governance Code. However, given the fact that Mr. R. van Gelder's role at Heijmans N.V. concerns a temporary position in a Dutch-based company primarily active on the Dutch market, there is, in the opinion of the Supervisory Board, no conflict of interest and therefore the Supervisory Board has requested Mr. R. van Gelder to continue in his role as Chairman of the Remuneration Committee. This non-compliance is due to terminate since Heijmans N.V. issued a press-release to the effect that Mr. R. van Gelder will retire from the Management Board of Heijmans N.V. at the 2010 AGM thereof.

During 2009, the Remuneration Committee addressed the following main issues:
- analysis of the implications of the revised Corporate Governance Code and update of the Supervisory Board and Management Board rules where required to enable the implementation of the Code's best practices;
- determination of the actual pay-out under the Short-Term Incentive in respect of performance year 2008 and setting of the targets for the Short-Term Incentive for the performance year 2009;
- measurement of the achievement of the performance criteria for the Long-Term Incentive vesting in 2009 and the corresponding vesting level;
- setting of the targets for the Long-Term Incentives awarded in 2009;
- benchmarking of the remuneration of the Managing Directors
- introduction of a global restricted share plan for a number of senior managers and staff throughout the Company replacing the stock option plan;
- review of the retirement arrangements throughout the Company;
- review and follow-up on a dispute with a former Management Board member who left the Company in 2004.

The Remuneration Committee has reviewed the Remuneration Policy 2008 and the current terms and conditions of employment of the Management Board members in light of the Code. The conclusions of this review are set out in section 4 of this report.

In addition to its supervisory, monitoring and advisory role to the Supervisory Board in matters of remuneration of the Management Board, the Remuneration Committee also supervises, monitors and advises on the remuneration policies for senior managers, and other employees, particularly in respect of shares or share based remuneration, as applied by the Management Board throughout the Company.

For 2010 and onwards, the Remuneration Committee will focus on conducting scenario analyses on a regular basis and 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 needs.

The annual base salaries for 2010 of Mr. A.J. Mace and Mr. M.A.S. Miles were kept at the 2009 level.

Section 2: Dutch Corporate Governance Code

The Corporate Governance Monitoring Committee has published the amended Dutch Corporate Governance Code on 10 December 2008 and on 21 December 2009, the Amended Code has been designated by law as the Corporate Governance Code (Code) on the basis of which companies should report. During the year under review, the Remuneration Committee devoted much attention to the assessment of the implications of the Code on the Company's 2008 Remuneration Policy. In this respect the Supervisory Board wishes to make the following statements:

- scenario analyses of the Long-Term Incentive awards granted in 2008 (for the performance period 2008-2009-2010) and in 2009 (for the performance period 2009-2010-2011) and of the grant to be made pursuant to the Company's Remuneration Policy in 2010 have been carried out by the Remuneration Committee. The remuneration consultants who advised the Supervisory Board 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; (i) the Short-Term Incentive by partly paying out in shares and the related share matching component; (ii) the Long-Term Incentive by linking the vesting to the average EPS growth over a three-year period;
- the Remuneration Policy 2008 has contributed to a more simple and transparent remuneration structure.
- the Supervisory Board rules, the Management Board rules and the individual employment contracts with the Managing Directors contain an adjustment clause according to which the Supervisory Board may adjust upwards or downwards the value of any variable remuneration component conditionally awarded in a previous financial year when, in its opinion, such variable remuneration component would produce an unfair result on account of incorrect financial data or special circumstances in the period in which the predetermined performance criteria have been or should have been achieved;
- the remuneration structure and the variable remuneration components 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 number of conditional performance shares under the Long-Term Incentive plan.

Section 3: Summary of Remuneration Policy 2008

Objective and Structure

The Remuneration Policy 2008 has been designed to ensure that Managing Directors receive for their work a remuneration package which enables the Company to attract, promote and retain internationally oriented, qualified and expert persons.

The total remuneration package and the different elements and levels of remuneration are bench-marked periodically, with the assistance of an external remuneration adviser to the Supervisory Board, against those prevailing in a peer group of companies to assert the continued effectiveness of the Remuneration Policy. The Company uses two different peer groups:

- a group of similar sized Dutch based companies consisting of smaller size AEX-listed and larger size AMX-listed companies, and
- an international group of direct competitors in the international oil and gas offshore industry.

The Managing Directors' total remuneration consists of the following elements:

Total Remuneration of Managing Directors

	Type of Payment	Objective
FIXED		
Base Salary	Cash	Reflect position and responsibilities
Pension	Cash	Provide funding for retirement
VARIABLE		
Short-Term	Cash (80%)	Create economic value
	Shares (20%)	Retention of management
	Matching Shares	
Long-Term Incentive	Shares	Create sustainable growth and align with shareholders' interests
OTHERS		
Car	Advantage in kind	
Fringe benefits	Advantage in kind	

Implementation of Remuneration Policy 2008

Base salary

The fixed part or base salary of the Managing Directors' total remuneration relates to the activities of the Company and the need to attract highly-qualified, internationally-orientated management. The base salary is reviewed on a yearly basis to ascertain that its level remains competitive compared to the peer groups referred to in the preceding paragraph.

Pension

Managing directors participate in a defined benefits 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 Offshore group of companies. Premium is payable for 2/3 by the Company and for 1/3 by the Managing Director which amount is capped at 20% of the base salary. This plan, and other retirement benefits plans applying to senior management and staff, are reviewed on a regular basis by the Supervisory Board who can make adjustments to the pension plans for Managing Directors when appropriate.

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.

This matching share arrangement consists of the conditional grant of a number of shares equal to the number of shares granted as part payment of the bonus. These shares become unconditional upon completion of a three-year vesting period, subject to the Managing Directors' continued employment with the Company until the vesting date. In case of retirement during the vesting period, matching shares will vest pro-rata. In case the Managing Director resigns during his term as Managing Director, all unvested matching shares lapse immediately;

- a Long-Term Incentive: an award of conditional 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 includes a threshold below which no performance shares will vest. This threshold is 50% of the targeted annual averaged normalised EPS growth. At-target performance means realising a challenging averaged normalised EPS growth and results in a vesting of 100% of the number of shares granted. The maximum earnings possibility under the LTI plan is limited to 150% of the number of shares granted. For the year 2009, the target annual averaged normalised EPS growth was set at 10% by the Supervisory Board, upon recommendation of the Remuneration Committee. The vesting period is three years. 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 Company applies the Remuneration Policy 2008 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 required to be disclosed in this Remuneration Report.

Section 4: The employment contracts of the members of the Management Board and their actual remuneration in 2009

Employment contracts of the members of the Management Board

The employment contracts of Mr. A.J. Mace, CEO, and Mr. M.A.S. Miles, CFO, who were appointed to the Management Board at the Annual General Meeting of Shareholders of 15 May 2008, were drafted in accordance with the relevant principles and best practice provisions of the Code and the Remuneration Policy 2008. The contracts provide for an adjustment clause stipulating the discretionary authority of the Supervisory Board to adjust upwards or downwards the payout of any variable remuneration component conditionally awarded if such component would produce an unfair or unintended result as a consequence of extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved. In addition, a claw-back provision is included in the employment contracts enabling the Company to recover variable remuneration components on account of incorrect financial data.

Both Mr. Mace and Mr. Miles are long-term employees of the Company. Their previous employment contracts were suspended by mutual agreement and may be resumed upon termination of their employment contract as Managing Director.

The main elements of these contracts, as published on www.sbmoffshore.com, are as follows:

Employment Contracts of Managing Directors

	A.J. Mace	M.A.S. Miles
BASE SALARY		
	€ 490,000 per annum	€ 395,500 per annum
VARIABLE PAY		
Short-Term Incentive (STI)	• Cash (80%) • Shares (20%) • Matching Shares: equal to the number of "bonus" shares. Matching shares are subject to the incumbent's continued employment with the Company until the vesting date.	
Targets	• Based on Economic Profit, i.e. Return On Average Capital Employed (ROACE) exceeding an assumed Weighted Average Cost of Capital (WACC)	
Target Zone	• Threshold performance: payout of 20% of base salary • At-target performance: payout of 100% of base salary • Maximum STI opportunity: payout of 200% of base salary	
Long-Term Incentive (LTI)	Performance Shares	
Target	10% average annualised (normalised) growth of earnings per share (EPS) over a three-year performance period.	
Vesting period	3 years	
Target Zone	• Payout as percentage of base allocation (equivalent in value to 100% of base salary of the previous year): • Threshold performance: 50%, i.e. for 2009, 5% annualised (normalised) EPS growth over a 3-year performance period • At-target performance: 100% • Maximum LTI opportunity (capped): 150% of the number of shares granted • Linear increase within the target zone	
Lock-up	2 years starting on the vesting date	
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. One third of the total pension premium is paid by the Managing Director, subject to an annual cap of 20% of base salary. For Mr. A. Mace, back service entitlements will be evenly built-up during the period 15 May 2008 until 15 May 2012.	

Actual Remuneration of the Members of the Management Board in 2009

This section provides an overview of the actual remuneration of Managing Directors, Mr. Mace, CEO, and Mr. Miles, CFO, earned during the year under review, with an indication of threshold, at-target and maximum earnings possibility for both the Short-Term Incentives (STI) and the Long-Term Incentives (LTI).

Earnings of Managing Directors in 2009

In thousands of €	Base salary	Short-Term Incentive Cash [1]	Short-Term Incentive Shares [2]
A.J. Mace	490	286	71
M.A.S. Miles	396	230	58

[1] This amount represents 80% of the Short Term Incentive earned in respect of performance year 2009, which becomes payable in cash in 2010. The amount of the bonus is computed in Euros based upon the Economic Profit.

[2] This amount represents 20% of the Short Term Incentive earned in respect of performance year 2009, which becomes payable in shares in 2010. 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 2009.

The Short-Term Incentive relating to the performance year 2009 is based upon the Economic Profit (EP) of the year 2009, 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. Because of the sensitive nature of the short term incentive targets, it is Company policy not to disclose these.

Awards made under the Long-Term Incentive to Managing Directors in 2009

	Target number of performance shares conditionally awarded in 2009 [3]	Minimum vesting opportunity (number of performance shares)	Maximum vesting opportunity (number of performance shares)
A.J. Mace	42,126	0	63,189
M.A.S. Miles	39,669	0	59,504

[3] The number of performance shares that vest for the performance period 2009-2010-2011 will be determined in March 2012, upon finalisation of the financial accounts for the year 2011. Following the vesting of the performance shares, a lock-up of two years applies to the performance shares.

The value of the conditional award of performance shares in 2009 equals 100% of base salary in the year preceding the award, i.e. 2008. 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 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 2009

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 did not participate in the Long-Term Incentive plan prior to 1 January 2008. He received unconditional share options instead.

Share Based Incentives for Managing Directors

	A.J. Mace	M.A.S. Miles
MATCHING SHARES		
Awarded in 2007 and vesting in 2010	-	Number: 4,261 Value at award: € 110,400
Awarded in 2008 and vesting in 2011	Number: 2,440 Value at award: € 63,000	Number: 3,284 Value at award: € 84,800
Awarded in 2009 and vesting in 2012	Number: 6,720 Value at award:€ 67,000	Number: 6,328 Value at award:€ 63,090
PERFORMANCE SHARES		
Performance shares awarded in 2005, vested in 2008 and subject to two year lock up period	-	Number: 21,420 Value at grant: € 275,400 Lock-up until March 2010
Performance shares awarded in 2006, vested in 2009 and subject to two year lock-up period	-	Number: 9,000 Value at award: € 171,450 Vested: 0
Performance shares awarded in 2007 and vesting in 2010	-	Number: 7,500 Value at award: € 194,325
Performance shares awarded in 2008 and vesting in 2011	Number: 20,035 Value at award: € 395,500	Number: 18,237 Value at award: € 360,000
Performance shares awarded in 2009 and vesting in 2012	Number: 42,126 Value at award: € 420,000	Number: 39,669 Value at award: € 395,500
Performance options (discontinued in 2008 – no grant in 2008)		
Options granted in 2005 and vested in 2008	Number: 40,000 Exercise Price: € 12.86 Value at grant: € 108,000	Number: 102,000 Exercise Price: € 12.86 Value at grant: € 275,400
Options granted in 2006 and vesting in 2009	Number: 44,000 Exercise Price: € 19.05 Value at grant:€ 251,680	Number:30,000 Exercise Price: € 19.05 Value at grant: € 171,600 Vested: 0
Options granted in 2007 and vesting in 2010	Number: 44,000 Exercise Price: € 25.91 Value at grant: € 285,120	Number: 30,000 Exercise Price: € 25.91 Value at grant: € 194,400

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 generated an average annualised EPS growth below the threshold of 5%. The conditional performance share awards and conditional option grants made in 2006 therefore did not vest in March 2009. Equally, with regard to the conditional grants made in 2007, the target threshold was not reached and therefore none of the conditional performance share awards or conditional option grants made in 2007 will vest in March 2010.

Costs incurred by the Company in 2009 in respect of the Remuneration of Managing Directors

In thousands of €	Base salary	Short-Term Incentive [5]	Expense recognised for share-based payments (NOT ONLY LTI) [6]	Benefits excluding pension payments	Pension payments	**Total costs**
A.J. Mace	490	357	424	110	540	**1,921**
M.A.S. Miles	396	288	(35)	109	33	**791**

[5] 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%).

[6] The fair value of all share-based payments, i.e. the expense recognised in 2009 as a pro rata over the entire vesting period. Reference is made to note 3 to the financial statements (prepared in US Dollars, being the Company's reporting currency).

Information regarding the Supervisory Board members

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 non-executive Board memberships:
- Member of the Board of Petrotechnics Ltd.
- Member of the Board of E.ON Ruhrgas UK Exploration & Production Ltd.

First appointment: 2003
Re-appointment: 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:
- Vice-Chairman of Mines Council of Minister of Economic Affairs

First appointment: 2004
Re-appointment: 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. (until 28 April 2010)
- 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 VEUO

First appointment: 2005
Current term of office: 2009 – 2013

Mr. T. Ehret

Nationality: French (1952)
Gender: Male

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

Other Board memberships:
- Deputy-Chairman of the Board of Acergy S.A.
- Deputy-Chairman of the Board of Dockwise Ltd.
- Non-executive member of the Board of Comex S.A.
- Chairman of Viking Moorings Ltd.

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

Mr. F.G.H. Deckers

Nationality: Dutch (1950)
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

FPSO Capixaba at anchorage in Singapore following upgrade for the Cachalote field requirements

Report of the Board of Management

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Board of Management,
Mr M. Wyllie,
Mr A. Mace,
Mr D. van der Zee,
Mr M. Miles and
Mr F. Blanchelande.
(from left to right)

Introduction

The world recession and consequential low oil price had a significant effect on our new order intake in the first half of 2009. However, because of the large order backlog, the Company has been very busy during the whole of the year on the execution of existing projects. The resulting net profit for the year is marginally above the level of 2008, fully in line with the guidance issued at the first quarter trading update.

Despite the contraction in the credit markets in the earlier part of the year, we have been successful in arranging substantial loans for the EnCana MOPU platform lease project for Canada and the FPSO Capixaba upgrade for Petrobras' Cachalote field. The Company also successfully raised € 180.7 million through an accelerated book build offering in November. The proceeds of this offering will be used to fund the growth of the lease fleet and increases financial flexibility for the Company.

This year the Company has delivered and started production operations on three new facilities of which one had been installed at the end of 2008 as well as continued the construction of nine other projects to be delivered in 2010.

We are pleased to report that there has been an improvement on the Turnkey Systems segment profit margin during the year which is a result of the better performance of the newer projects in our order portfolio. The Lease and Operate segment again delivered good operational performance and bonuses, but was adversely impacted by the impairment charge taken on the Yme MOPUstor™. The Turnkey Services segment, which is reported separately for the first time this year, has shown strong results.

Following the slow start to the order intake, the Company was successful in securing two major lease contracts in the second half of the year as well as an important FEED study for an LNG FPSO project. The Company's order backlog at the end of 2009 stands at a new record high.

Lease and Operate

Operations started in July 2009 on the DeepDraft Semi™ Thunder Hawk in the Gulf of Mexico which joined our fleet of leased units. The FPSO Espirito Santo was delivered in Brazil and joined the lease fleet at the end of 2008, but only started operations mid 2009. The third facility to commence operations was the FPSO Frade which was delivered on a turnkey sales basis to our client, with the Company providing the first three years operation of the FPSO.

These two FPSOs are the most technically complex units the Company has designed, supplied and operate. FPSO Frade has the largest topside production facility in terms of weight and is designed according to the client's challenging specifications. The FPSO Espirito Santo is designed to handle a wide range of oil specifications and interfaces with a complex subsea development scheme; the FPSO is anchored in ultra-deep water with a special turret mooring system, which supports steel catenary risers, the first time that such a riser design is connected to a mooring system.

The DeepDraft Semi™ Thunder Hawk lease contract is noteworthy as it is based on a production handling agreement with revenues based partially on production volume throughput, in addition to a fixed daily rate.

The Yme MOPUstor™ project has encountered delay and additional cost due to having to implement late design changes required to meet Norwegian regulatory requirements. Special focus has been placed on overcoming these difficulties and the project is now scheduled for delivery in mid 2010.

The Company did achieve the target of securing two new lease and operate contracts during the year. The first order was for a fifteen year lease and operate contract of an FPSO for the Aseng development in Equatorial Guinea and the second order consists of an upgrade of the Company owned FPSO Espadarte with an eighteen year lease and operate contract on the Baleia Azul field in Brazil. Both FPSOs are scheduled to start operations in 2012.

In line with its declared intention to withdraw from its Myanmar based involvement in the lease and operate contract for the FSO Yetagun, which took effect prior to the campaign of international appeals for sanctions against Myanmar, the Company pursued, without success as yet, its efforts to dispose of its share in the vessel. During the course of the year under review the Company requested an external audit of its shore based operation in Myanmar with respect to the SBM Production Contractors Social Accountability Manual and has obtained a Statement of Confirmation that these operations were in compliance. The Company currently is in dialogue with the Dutch National Contact Point at the Ministry of Economic Affairs in connection with its operation in Myanmar.

The lease and operation of FPSOs and FSOs continues to show very good performance and high bonuses have been achieved where available within the individual lease contracts. The overall number of vessels in the lease fleet at year end stands at fourteen with two units having left the fleet during the year, being the Turkmenistan MOPU and FSO, where Petronas Carigali exercised its contractual purchase option, and the redelivery of the FPSO Falcon from ExxonMobil. The FPSO Falcon is now in lay-up but is being actively marketed for new lease and operate contracts. In addition, the FPSO Rang Dong I, which had been laid-up in 2008, was sold for scrap. Three new lease units are currently in the construction phase being the Yme MOPUstor™, the EnCana MOPU and the Aseng FPSO.

Turnkey Systems

The Company has made progress on the fabrication of three complex semi-submersible drilling rigs which are being constructed in Abu Dhabi. The drilling rig projects have faced engineering delays, which have caused knock on construction delays and associated extra costs. The engineering work is now complete and the rigs are scheduled for delivery in 2010.

The order backlog also includes three other larger projects in the portfolio, FPSO P-57, FPSO Okha and the turret for Skarv, which are proceeding according to plan in terms of meeting budget objectives and schedule and the overall impact has been to increase the profit margin on the Turnkey Systems segment compared to 2008. These orders are scheduled for completion in 2010.

The Company signed a framework arrangement for the supply of turret mooring systems for a series of FLNG facilities for Shell. These turrets are technically challenging and this arrangement confirms the Company's leadership in turret technology.

A Front-End Engineering and Design (FEED) contract was awarded to the Company for a FLNG facility for Petrobras in Brazil. This is an important contract as it represents the first phase in development of FLNG in Brazil and a key step in the Company's FLNG strategy.

Turnkey Services

The services business was very active with good occupancy level for the Company's two installation vessels with work for the Company as well as for third parties. The supply and maintenance of CALM buoy systems, specialised equipment, spare parts and services also continued at a high level.

The year end Turnkey Services portfolio covers about nine months of work which is normal given the short/medium term nature of this business. Following the absence of FPSO contract awards during the period mid 2008 to mid 2009, FPSO installation work in 2010 is expected to be relatively low, which may result in an average year in terms of offshore contracting work.

Business model

Although the Company reports on three business segments, being the Lease and Operate, Turnkey Systems and Turnkey Services, it should be noted that the Company operates as an integrated organisation using the same project teams for execution of projects, irrespective of whether they are turnkey supply to a third party client or whether these units are to join the Company's fleet. Operational experience from the lease fleet units is continuously used to update the Company's internal standards and operational procedures which are the basis of the design and operation of the new leased units. These Company standards have been fully endorsed by our major clients and are frequently used on turnkey supply contracts for units for sale. The integrated nature of the Company's activities and the related positive synergy represent an important strength of the Company.

Company improvements

During the course of 2009 the Board of Management has implemented a number of improvement initiatives which resulted in part from lessons learned from audits of major projects by external consultants. These initiatives included more robust proposals procedures, strengthened project control procedures, enhanced risk management procedures and an expanded internal assurance system. The Company revised its management structure in the second half of the year in order to delegate accountability and responsibility for the main operations to operating unit presidents, reporting to the Board of Management of the Company. The organisation has been restructured accordingly into seven operating units, with a corporate support structure as described in section 1 of this report. The Company strategic direction for the next three years has been carefully reviewed by the Management team during the course of 2009 and results in a revised strategic plan which is also outlined in section 1 of this report.

Market

The year 2009 has been very slow in terms of major orders awarded in the sector and despite the award of two lease contracts to the Company in the second half of the year, there is still a degree of hesitation from some of our clients and also from drilling companies for placing orders for new products or equipment. The level of sales and bidding activity for prospects however, is still high, with the Company's main areas of focus being deepwater developments in Brazil, West Africa, Malaysia and the Gulf of Mexico.

The offshore LNG sector is showing signs of further development with Shell's FLNG initiative and with Petrobras' award for the FEED study for floating LNG for the pre-salt developments offshore Brazil.

It is expected that there will be a gradual return of demand during the course of the next twelve to eighteen months and this will build up to the previously high level of activity again in the mid to long term.

Members of the Board of Management

There was a change in the Board of Management on 31 December 2009 with the retirement of Mr. Dick van der Zee and the appointment of Mr. Michael Wyllie.

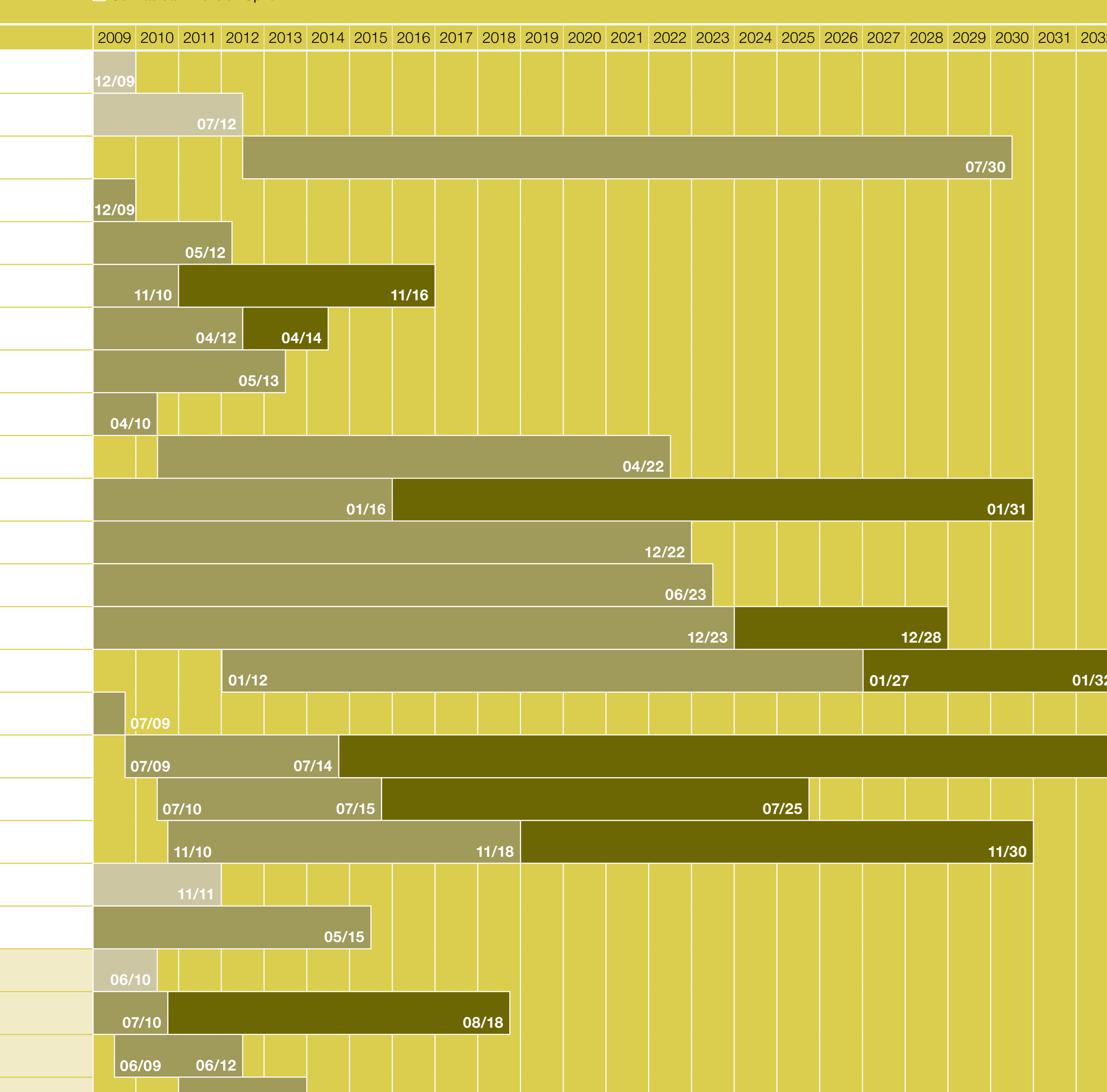
Mr. van der Zee joined SBM Offshore in 1996 as Managing Director of subsidiary Company IHC Gusto Engineering in Schiedam. In 2000 he became a member of the Board of Management as Chief Operating Officer. He was appointed Chief Technology Officer and President of SBM Production Contractors in 2007. Mr. van der Zee's contribution has been key in developing the topsides capabilities of the Group which has been one of the drivers to grow the Company into the leading FPSO contractor that it is today.

Mr. Wyllie has been appointed Chief Technology Officer and a Director in the Board of Management of SBM Offshore N.V. with effect from 1 January 2010. Mr. Wyllie (British, 1958), who has 30 years experience in the oil and gas business, joined the Company as a senior process engineer in 1995 and during his career with SBM Offshore has held positions of Engineering Project Manager on several FPSO projects, Chief Engineer in the SBM Monaco office, and most recently Director of Marketing and Sales for the Group.

SBM Offshore Lease Fleet

Lease and Operate
Operate only

Field Name	Client		Country	Vessel Name	Type	Year
KUITO	Chevron	Chevron	Angola	Kuito	FPSO	1999
ESPADARTE	Petrobras	BR PETROBRAS	Brazil	Espadarte FPSO	FPSO	2000
BALEIA AZUL	Petrobras	BR PETROBRAS	Brazil	Espadarte FPSO	FPSO	2012
	ExxonMobil	ExxonMobil		FPSO Falcon	FPSO	2002
RONCADOR	Petrobras	BR PETROBRAS	Brazil	FPSO Brasil	FPSO	2002
XIKOMBA	ExxonMobil	ExxonMobil	Angola	FPSO Xikomba	FPSO	2003
MARLIM SUL	Petrobras	BR PETROBRAS	Brazil	FPSO Marlim Sul	FPSO	2004
SANHA	Chevron	Chevron	Angola	Sanha LPG FPSO	FPSO	2005
GOLFINHO	Petrobras	BR PETROBRAS	Brazil	FPSO Capixaba	FPSO	2006
CACHALOTE	Petrobras	BR PETROBRAS	Brazil	FPSO Capixaba	FPSO	2010
KIKEH	Murphy Oil	MURPHY	Malaysia	FPSO Kikeh	FPSO	2007
MONDO	ExxonMobil	ExxonMobil	Angola	FPSO Mondo	FPSO	2008
SAXI BATUQUE	ExxonMobil	ExxonMobil	Angola	FPSO Saxi	FPSO	2008
BC-10	Shell		Brazil	FPSO Espirito Santo	FPSO	2008
ASENG	Noble Energy	noble energy	Eq. Guinea	FPSO Aseng	FPSO	2012
BARINOV	Petronas	PETRONAS	Turkmenistan	Oguzhan	MOPU/FSO	2006
THUNDER HAWK	Murphy	MURPHY	USA		Semi-Sub	2009
YME	Talisman	TALISMAN ENERGY	Norway		MOPUstor	2009
DEEP PANUKE	EnCana	EnCana	Canada		MOPU	2010
NKOSSA	Total	Total	Congo	Nkossa II	FSO	1996
YETAGUN	Petronas	PETRONAS	Myanmar	Yetagun FSO	FSO	2000
AMENAM	Total	Total	Nigeria	FSO Unity	FSO	2003
ZAFIRO	ExxonMobil	ExxonMobil	Eq. Guinea	FPSO Serpentina	FPSO	2003
FRADE	Chevron	Chevron	Brazil	FPSO Frade	FPSO	2009
JUBARTE	Petrobras	BR PETROBRAS	Brazil	P-57	FPSO	2011



Balance of Initial Lease
Confirmed Extension
Contractual Extension Option
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
12/09
07/12
07/30
12/09
05/12
11/10 11/16
04/12 04/14
05/13
04/10
04/22
01/16 01/31
12/22
06/23
12/23 12/28
01/12 01/27 01/32
07/09
07/09 07/14
07/10 07/15 07/25
11/10 11/18 11/30
11/11
05/15
06/10
07/10 08/18
06/09 06/12
01/11 01/14

Group Activities 2009

Summary

All operating units have been fully occupied with the execution of projects and operation of the lease fleet. 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 was 3% below last year's record and the Company's execution capacity has stabilised after several years of substantial growth. Risk management and project control procedures have been further improved in all operating units during the year to increase control on project costs and delivery schedules.

The most noteworthy events in the year for lease and operate activities appear below.

Lease and Operate Activities

- In May 2009, Esso Deepwater Limited, a subsidiary of Exxon Mobil extended the lease and operate contract for the FPSO Falcon for one year until November 2010, but subsequently terminated the contract in December 2009.
- In June 2009, Petronas Carigali (Turkmenistan) Sdn Bhd exercised its purchase option for both the FSO and MOPU under the terms of the Service Agreement entered into with the Company in January 2005.
- In June 2009, the FSO Unity operations contract has been extended by Total Exploration Production Nigeria Limited (TEPN) for 12 months up to 30 June 2010.
- In June 2009, the Company started the three year operations contract following first oil production on the FPSO Frade for Chevron in Brazil.
- In July 2009, the FPSO Espirito Santo for Shell Brazil located in the BC-10 deep water field development in the Campos Basin offshore Brazil achieved first oil production. The Company will operate this vessel for fifteen years on a lease and operate contract in joint venture with MISC.
- In July 2009, the Company's DeepDraft Semi™ production platform Thunder Hawk started operations under a minimum five year lease and production handling agreement for Murphy and other Producers in the Gulf of Mexico. The unit is fully owned by the Company but operated by Murphy.
- In August 2009, FPSO Capixaba was disconnected from Petrobras Golfinho field offshore Brazil, sailed to Singapore and started conversion works for re-deployment of the unit at the new Cachalote field offshore Brazil. The unit will be under contract with Petrobras for a twelve year lease and operate period which is scheduled to commence in April 2010.
- In September 2009, The Company received notification of termination of the lease and operate contract of the FPSO Falcon from Esso Deepwater Limited, and the unit was redelivered in December.
- In October 2009, Noble Energy awarded a contract for the provision and fifteen year lease and operate of an FPSO for the Aseng development offshore Equatorial Guinea confirming a Letter of Intent issued in August 2009. A Joint Venture between GEPetrol (40%) and SBM Offshore (60%) will own and operate the unit.
- In December 2009, the Company received a Letter of Intent from Petrobras for the upgrade of the Company's existing FPSO Espadarte and lease and operate contract for a period of 18 years on the Baleia Azul field offshore Brazil.

Details of these main events and of other activities in the year 2009 are presented hereafter.

At the start of 2009 there were eighteen long-term lease and operate contracts in hand for production and/or storage systems, fifteen of which were at that date on hire and three units under construction. Furthermore, there were four operate contracts for the management of the operation of client owned units.

All units in operation performed without any major problems during the year at a cumulative average throughput rate around 317 million barrels per day with a total average export from the units of 900,000 barrels of oil per day. It is anticipated that in the first quarter of 2010 the Company will achieve a production level of over 1 million barrels per day, when production from

Top left: *FPSO Espirito Santo* sailing offshore location in Brazil
Top right: *FPSO Frade* on location
Middle right: *MOPUstor™* for Yme field ready for load out in Abu Dhabi
Bottom right: Lifting operation of bow mounted turret
Bottom left: One of the drilling rigs being floated out of the dock

FPSO Frade and FPSO Espirito Santo ramp up. This will mark a milestone for SBM Offshore as it will be the first time that daily average production from units either leased or operated by the Company exceeds this landmark level.

The organisation of HSSE management has been adapted to meet the growing fleet requirements with a more decentralized approach. Information on HSSE can be found in the SBM Offshore Corporate Social Responsibility Report 2009.

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 ExxonMobil, the latter including bonus schemes taking into account not only the production performance but also safety and environmental measures and adherence to the operating budget.

FPSO Frade

The FPSO Frade is the most complex unit that the Company has supplied in terms of topsides production facilities, with a topsides weight of around 15,000 Tonnes. The unit is moored in 1,080 metres of water depth. The total project construction including offshore installation until first oil production took 36 months from signing of the contract in 2006. The FPSO Frade sailed from the construction yard in Dubai in January 2009 to Rio de Janeiro where it arrived mid March 2009. Installation and hook up of the unit in the Frade field offshore Brazil was performed by the Company's installation vessel Normand Installer. A total of approximately 18 million work-hours were spent to design and construct the FPSO and first oil production was achieved on 20 June 2009. This FPSO was supplied to Chevron on a Turnkey supply basis with a separate Operating contract for a period of three years, which started on 19 June 2009.

FPSO Espirito Santo
The FPSO Espirito Santo started first oil production in July 2009 offshore Brazil in the Campos Basin. Initial start-up of this unit has been challenging because of subsea and topsides complexity, however the unit was producing in line with expectation at year end 2009. The FPSO is moored in approximately 1,800 metres of water depth and is designed to process 100,000 barrels of oil per day with API gravity ranging from 16° to 42°, and to treat up to 45 million standard cubic feet of gas per day 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 FPSO is chartered by the BC-10 Joint Venture, which is operated by Shell with ONGC Campos Ltda. and Petróleo Brasilieiro S.A. (Petrobras) as co-venturers, from SBM Offshore in joint venture with MISC, under a fifteen year lease and operate contract.

FPSO Capixaba
The FPSO Capixaba was disconnected from the Golfinho field offshore Brazil and sailed to Singapore for conversion works in Keppel shipyard. New modules have been installed on the FPSO and the unit departed from Singapore for Brazil mid February 2010, for deployment on the Cachalote field. The unit will be under contract with Petrobras for a twelve year lease and operate agreement, which is expected to commence in April 2010 when first oil production is scheduled.

FPSO Espadarte
A Letter of Intent was received from Petrobras for the relocation of the FPSO Espadarte under a new eighteen year lease and operate contract on the Baleia Azul field. The FPSO Espadarte will be disconnected from its current location at the Espadarte field offshore Brazil and after transfer to a shipyard, the FPSO will be modified and upgraded for the new project. It will then be transferred back to Brazil for offshore hook up, installation and operation on the Baleia Azul field. The planned disconnection of the FPSO from the Espadarte field is in April 2011 and first oil at the Baleia Azul field is planned in July 2012. The FPSO will require a significant additional capex investment for the Baleia Azul field.

FPSO Kuito
The current lease and operate contract is expected to be extended for a year until 31 December 2010. Discussions continue with Chevron's subsidiary company Cabinda Gulf Oil Company (CABGOC) in Angola with respect to additional extension of the FPSO Kuito lease and operate contract.

FPSO Aseng
A contract has been signed with Noble Energy EG Ltd., a subsidiary of leading US-based independent energy company Noble Energy Inc., for the provision and fifteen year lease and operation of an FPSO for the development of the Aseng field located in approximately 1,000 metres of water in Block I, offshore Equatorial Guinea. The Company will execute the contract through a joint venture it has entered into with Compania Nacional de Petroleo de Guinea Ecuatorial (GEPetrol), the state oil company of Equatorial Guinea, for the ownership and operation of the Aseng unit. Under this agreement, the Company will own a 60% share of the joint venture with GEPetrol holding the remaining 40%. The FPSO, which is based on the conversion of a VLCC hull from the Company's inventory, will serve not only the Aseng field, but also establish a liquids hub for Noble Energy's future developments in the area with processing capacity for 120,000 barrels of liquids per day, including 80,000 barrels of oil, and injection capacity of up to 150,000 barrels per day of water, as well as handling 170 million standard cubic feet per day of gas. The unit will have storage capacity for 1.6 million barrels of oil including up to 500,000 barrels of condensate. First oil production is scheduled for early 2012.

FPSO Falcon
The FPSO Falcon has been redelivered to the Company in December 2009 by Esso Deepwater Limited, a subsidiary of Exxon Mobil following notification of termination of the existing lease and operate contract in September 2009. The Company is actively marketing the unit for new FPSO developments worldwide. Until a new contract has been obtained the FPSO Falcon will remain in lay up conditions in the Far East.

FPSO Rang Dong

The FPSO Rang Dong was disconnected and laid up at the end of 2008 in anticipation of new projects. No suitable projects were identified and the Company has now sold the unit, which will be scrapped.

FSO & MOPU Turkmenistan

Petronas Carigali (Turkmenistan) Sdn Bhd (PCTSB) exercised its purchase option in June 2009 for both the FSO and MOPU under the terms of the Service Agreement entered into with the Company in January 2005. Both units were delivered to PCTSB as is where is, in July 2009 at their production location in Diyarbekir Field, Block 1 offshore Turkmenistan in the Caspian Sea.

FSO Unity

Total Exploration Production Nigeria Limited (TEPN) has extended the Consortium Operate and Maintenance Contract for 1 year. FSO Unity has been operated and maintained by a Consortium of Saipem and SBM Offshore since 2003.

DeepDraft Semi™ Thunder Hawk

Construction of the DeepDraft Semi™, Thunder Hawk, was completed in early 2009 and the unit was installed in the Gulf of Mexico in a water depth of approximately 1,750 metres. First production commenced in July 2009 and the unit is owned by the Company but operated by Murphy. The minimum five year lease contract is based on a production handling agreement which includes a part of the dayrate payment related to production volume.

MOPUstor™ Yme

The seabed supported storage tank of the Mobile Offshore Production Unit with storage tank (MOPUstor™) for the Yme Development was installed offshore Norway in September 2008. The installation of the tank allowed the client Talisman Energy Norge AS to start drilling activities for dry tree wellhead completions. The production platform or “Deck” is under construction in Abu Dhabi and scheduled for completion in March 2010. The complexity of the project and notably compliance with Norwegian regulations has caused the project to be delayed. On completion, the Deck (which has been designed as a MOPU) will be shipped on a Heavy Lift Vessel to Norway for offshore installation. Installation consists of jacking the Deck up on its three legs on top of the storage tank and connecting the dry trees to the production platform at deck level. Production is targeted in July 2010 for an initial lease period of five years. The MOPUstor™ concept is a patented design of SBM Offshore.

MOPU Deep Panuke

The hull and production facilities of the MOPU structure for EnCana’s Deep Panuke Production Field Centre are being constructed in Abu Dhabi. The hull is presently under assembly in a drydock, where also the integration of the topside production facilities will take place. On completion in the second half of 2010, the platform will be shipped to Nova Scotia, Canada for offshore installation, which consists of jacking it up on its four legs and connecting the production trees via subsea flowlines to the production platform. The facility will be on an initial eight year lease period with Encana Corporation who plans first production in 2011.

Portfolio development

Resulting from the developments within the lease portfolio described above, the Company had at year end fourteen owned or part-owned units on charter, one unit (FPSO Falcon) laid up, with a further three units with lease and operate contracts under construction. In addition, the Company currently operates three client owned facilities (Exxon Mobil’s FPSO Serpentina in Equatorial Guinea, Total’s FSO Unity in Nigeria and Chevron’s FPSO Frade in Brazil), and has in hand one further operation contract for the FPSO P-57 for Petrobras, which is still under construction.

Oil storage operations in Myanmar

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

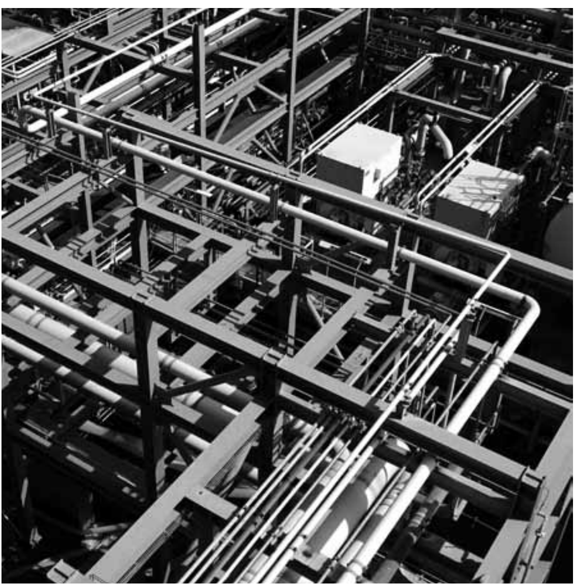
This contract took effect prior to the campaign of international appeals for sanctions against the Myanmar regime. The Company has previously explained that it cannot cancel a signed contractual commitment. Repeated efforts to sell the contract have been made

and discussions continue with interested parties as the clear intent of the Company 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 SA8000 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 SA8000 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 the Company's own internal Social Accountability standards and procedures, which meet the requirements of SA8000.

Turnkey Systems Activities

Ongoing work on a large number of Turnkey Systems supply contracts obtained in 2008 or before was carried forward into 2009 with delivery of most projects scheduled for 2010. New order intake in this segment of activities decreased compared to last year



Top: Process facilities on *FPSO Capixaba*
Bottom left: Semi-submersible production platform *Thunder Hawk* on location
Bottom middle: Typical process module fabrication
Bottom right: Lift of a module onto *FPSO P-57* for Petrobras

(restated following separate disclosure of Turnkey Services segment) with a portfolio value at year end of US$ 2.0 billion. The activities in 2009 are described hereafter by type of product or service.

The most noteworthy events in the year have been:

- in April 2009, a contract was signed with Total for the engineering and supply of equipment for the Deepwater CALM buoy for the Usan OOL;
- in June 2009, the Company completed and supplied an external turret mooring system for an FPSO to be located offshore Vietnam on the Ruby field for Petronas/Petrovietnam;
- in August 2009, a framework agreement was signed with Shell Global Solutions International BV for the supply of Turret Mooring Systems for Shell's Floating LNG (FLNG) facilities;
- in December 2009, a FEED contract was signed with Petrobras for a LNG FPSO for the Tupi field development in Brazil;
- at year end, the Company delivered the sub assemblies of the Internal Turret for the BP Norge Skarv FPSO for BP. The remaining sections will be delivered in the first quarter of 2010.

Large production systems

FPSO P-57 – Petrobras

Construction of the FPSO P-57 for Petrobras for the Jubarte field offshore Brazil is well underway. The hull conversion and fabrication of five topsides modules is performed in Singapore, from where the vessel will sail to the BrasFels yard in Brazil in the first quarter of 2010. In parallel, the remainder of the topsides modules are being constructed in Brazil, in accordance with the contractual requirements for Brazilian local content fabrication. Upon arrival of the vessel in Brazil, those topside modules will be lifted and integrated on the FPSO. After the commissioning phase, the FPSO will be installed in the Jubarte field offshore Brazil, with first oil production expected in late 2010. The Company has a three years operating services contract for the FPSO P-57.

FPSO Okha – Woodside

FPSO Okha is a turnkey supply of a disconnectable FPSO for the Cossack Wanaea Lambert Hermes (CWLH development) supplied to Woodside Energy Ltd. The FPSO Okha will replace the existing FPSO Cossack Pioneer. The FSO Okha which was previously owned by the Company and operated as an FSO in the summertime north of Sakhalin Island for Sakhalin Energy Investment Company (SEIC) has been used as the basis for the FPSO Okha. The hull refurbishment and conversion, integration of process modules and construction of the disconnectable turret is ongoing in Keppel shipyard, with the modules being built in adjacent Singaporean module construction yards. The FPSO Okha is scheduled to sail away from the conversion yard during the last quarter of 2010, after which it will be installed and commissioned in the CWLH development offshore Australia.

Large mooring systems

Skarv – BP

The fabrication of the Internal Turret for the BP Norge A.S. Skarv FPSO is progressing well. By the end of the first quarter 2010, all main turret sub-assemblies will have been handed over to Samsung Heavy Industries in Korea, where they are being integrated into the FPSO hull. The Skarv Turret is one of the most complex turrets ever built and one of the world's largest in terms of mooring loads. It is based on the Company's bogie-wheel type design similar to that used in the BP operated Schiehallion FPSO and the large units recently installed on Brazilian deep water fields.

FLNG – Shell

In August 2009, a framework agreement was signed with Shell Global Solutions International BV for the supply of Turret Mooring Systems for Shell's Floating LNG (FLNG) facilities. The agreement will run for up to fifteen years, and covers the design, procurement and construction of turret mooring systems for a series of Shell's FLNG projects. In December 2009, the Company began a FEED for the development of the turret design and project execution strategy. This FEED is scheduled to run until the fourth quarter of 2010.

Ruby Field – Petronas/Petrovietnam

The Company completed and supplied an external turret mooring system for an FPSO to be located offshore Vietnam on the Ruby field for Petronas/Petrovietnam in June 2009.

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.

Pazflor – Total E&P

The Company is working in consortium with APL for the engineering, procurement, supply, construction and installation of the Oil Loading System for the Pazflor project. The Company's scope of work consists of the Engineering, Procurement and Supply of the two offloading lines, which are based on Trelline™ rubber hoses. The complete system is scheduled for delivery in the second quarter of 2010, followed by installation with the Company's vessel 'Normand Installer'.

USAN – Total E&P

The Company received an order from Total for the engineering and supply of Free Issue Equipment for the Deepwater CALM buoy for the Usan OOL. The buoy itself will be fabricated in Nigeria and the Company is responsible for the integration of the equipment and commissioning. This phase of the project has not commenced yet, but the project is still on schedule for load out in the second quarter of 2011.

Drilling units

The Company is supplying three TDS2000Plus and 2500 series Dynamically Positioned Semi-Submersible Drilling Units, which were ordered in late 2006 and early 2007. These units are fitted with the latest drilling controls and automation and capable of operating in water depths from 2,000 to 2,400 metres and drilling up to 7,500 metres below the seabed. All three contracts are Engineering, Procurement and Construction (EPC) contracts and the engineering for all three drilling units is executed by the SBM-Atlantia operating unit in Houston. The three drilling units are well into construction and commissioning has commenced on the first unit.

TDS2000Plus drilling unit – Lone Star for Queiroz Galvão Perfuraçoes (QGP) S.A.

Construction of the drilling unit is now complete with commissioning activities having commenced late 2009 at its construction site in Abu Dhabi. Sea trials and handover to QGP is planned for the second quarter of 2010 offshore Abu Dhabi.

TDS2000Plus drilling unit – Norbe VI for Odebrecht Oil & Gas

Construction of the second drilling unit is progressing with commissioning activities planned to commence by first quarter 2010 at its construction site in Abu Dhabi. Sea trials and handover to Odebrecht is planned for the third quarter of 2010 offshore Abu Dhabi.

Third TDS2500 drilling unit – Delba III for Delba Drilling International Coöperative U.A.

Construction of the third drilling rig is in progress and the unit was floated out of the dry dock in the fourth quarter of 2009. Equipment installation is well underway at its construction site in Abu Dhabi. Sea trials and handover to Delba is planned for the fourth quarter of 2010 offshore Abu Dhabi.

Design services and supply of special components

Several orders were obtained for design services for drilling units and offshore construction vessels and in certain cases these were combined with the supply of proprietary design and hardware components.

This activity is mainly executed by the operating units SBM-Gusto and SBM-MSC located in Schiedam.

Orders received

The following orders for proprietary designs were received:

- one SEA2750 Light Drilling Jack-up from Jack-up Barge/Swift Drilling, to be built by Drydocks World-SE Asia in Batam, Indonesia;
- one NG2500X Multi Purpose Jack-up Vessel from NPCC, to be built by NPCC;
- one NG9000C Wind Turbine Installation Jack-up Vessel from Drydocks World-SE Asia, to be built by Drydocks World-SE Asia in Batam, Indonesia.

These orders included the supply of the following equipment:

- three Jacking Systems;
- one XY- Skidding System;
- one Around the leg Crane (800 tonne).

Orders delivered
In 2009 six construction yards around the world delivered fourteen Jack-up units based on the proprietary design as listed below:
- three SEA2000 multi purpose Jack-ups; two for Jack-up Barge, both built by Drydocks World-SE Asia in Batam Indonesia and one for GeoSea, which is being built at Lemants in Belgium;
- two NG2500X Multi Purpose Jack-up Vessels for Seajacks both built at Lamprell in Dubai;
- two CJ50 Cantilever Drilling Jack-ups for Maersk Drilling, both built at KeppelFels in Singapore;
- one DSS51 Drilling Semi-Submersible for Transocean, built at KeppelFels in Singapore;
- one DSS21 Drilling Semi-Submersible for Maersk Drilling, built at KeppelFels in Singapore;
- four CJ46 Cantilever Drilling Jack-ups: one for UMW-Standard Drilling and one for Saipem, both built at Drydocks World-SE Asia in Batam Indonesia and two for COSL of which one is built at CMHI and the other at DSOC, both in China;
- one DSS38 Drilling Semi-Submersible for Queiroz Galvao Oleo e Gas, built at KeppelFels in Singapore.

These orders included the supply of the following equipment:
- seven Jacking Systems;
- six XY- Skidding Systems;
- six Fixation Systems.

Cranes
The Company is supplying six cranes of GustoMSC designs for offshore lifting activities with capacities up to 5,000 tonnes. Three cranes will have a lifting capacity between 500 to 1,000 tonnes and are specifically designed for the installation of wind turbines in offshore locations. The other three cranes with a lifting capacity ranging between 550 and 5,000 tonnes are intended for general offshore installation work. The 5,000 tonnes offshore crane encountered construction defects with the steel structures of the slewing platform and tub collar which have been built in China. Extensive repairs were needed which has resulted in cost overruns and provisions have been taken in 2009. Five cranes, including the 5,000 tonnes crane are scheduled to be delivered in 2010, with one crane scheduled for delivery early 2011.

Turnkey Services Activities

The Turnkey Services activities are managed by the SBM Services operating unit.

Tanker loading and discharge terminals

The market for tanker loading and discharge terminals has been depressed during the first half of 2009, but despite this several orders were obtained during the year. The orders are distributed almost equally between replacement buoys and new terminals and were all obtained in the second half of the year accounting for an 80% share of the market.

The following replacement and new terminal orders were secured in 2009:
- from Acc-Leader/Alstom/Fapco for the supply of a Conventional Buoy Mooring (CBM) for their power plant in Fujairah, UAE;
- from NAOC for the leasing of a refurbished CALM buoy for their Brass terminal, Nigeria;
- from GEOCEAN/GECOL for the supply of a new CALM system for their new power station in Sirte, Libya;
- from NNPC for the supply and installation of a replacement CALM system for their Atlas Cove terminal in Lagos, Nigeria;
- from KJO, Al Khafji for the supply of an SBM stock CALM buoy, Saudi Arabia;
- from EIL/HMPL for the supply of a new CALM system for their Mundra Bathinda pipeline system, India;
- from Inelectra for the supply of a new CALM system for their Jose pipeline system, Venezuela.

Offshore contracting

Both the Normand Installer and Dynamic Installer vessels were fully occupied during 2009.

In January 2009, the Normand Installer installed the Chevron FPSO Frade in Brazil, and spent the remainder of the year on various contracting jobs for external clients.

This year also saw the vessel's first dry dock in South Africa at the Dormac Shipyard in Durban. This was also the opportunity to install a 2,000 tonne capacity Carousel inside the Normand Installer's cargo hold which now adds an attractive feature to the vessel's equipment. This addition to the vessel expands the

Company's ability to perform wider scope projects where the laying of flexible lines, such as risers and umbilicals is required, and hence opening a new market for the vessel.

The following main jobs were completed by the Normand Installer in 2009:
- subsea works for Subsea 7 on the Golfinho field, offshore Brazil;
- mooring legs pre-installation, riser hook-up and subsea assets installation for Prosafe, on the Azurite field, offshore Congo;
- FPSO Frade hook-up for Chevron, offshore Brazil;
- ROV survey of FPSO Marlim Sul mooring legs, offshore Brazil;
- stand-by mooring lines installation for Total, on the Akpo field, offshore Nigeria;
- CALM buoy change out for SAPREF, offshore Durban, South Africa;
- anchors and mooring legs pre-installation for FPSO Armada Perdana for Bumi Armada Berhad, on the Oyo field, offshore Nigeria;
- FSO chains replacement and electrical cable laying for Sonangol, on the Palanca field, offshore Angola;
- rigid jumpers installation for Total, on the Moho Bilondo field, offshore Congo;
- Xmas Tree intervention and flexible jumper installation for Murphy, on the Azurite field, offshore Congo.

The Dynamic Installer has been fully occupied all year on essentially third party contracts:
- anchor legs re-tensioning for Total at Djeno terminal, offshore Congo;
- pipeline underwater repair for ENI at Kitina field, offshore Congo;
- CALM buoy change-out, for CNL at Pennington field, offshore Nigeria;
- buoy repair for CNL, at Agbami field, offshore Nigeria;
- CALM buoy change-out for SPDC at Forcados terminal, offshore Nigeria;
- flexible and electrical cable laying for Total at Yanga field, offshore Congo;
- piles driving and 2 x buoys hook up for CABGOC MTOE project, offshore Cabinda, Angola;
- buoy change-out for Shell at Gamba Terminal, offshore Gabon;
- disconnection of Escravos LPG FSO with replacement of mooring and riser systems for CNL at Escravos terminal, offshore Nigeria.

Other projects carried out not involving either the Normand Installer or Dynamic Installer:
- Petrobras – FPSO Capixaba disconnection, offshore Brazil;
- Talisman – MOPUstor™ Phase II (offshore Norway) with the connection of the SLS flowline;
- Vaalco – ROV survey works performed on Etame field, offshore Congo, using the DOF Geograph.

Offshore Contracting also provided general assistance to the Company's FPSOs in production worldwide on various operations such as UWILDs, surveys, riser pull-ins/pull-outs and floating lines installation.

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After sales services

For the second year in a row, the supply of spare parts has reached a new record with more than 237 orders obtained in 2009.

Most significant orders included:
- overhaul parts including a very large Main Roller Bearing for Vietsovpetro in Vietnam for the refurbishment of their Chi Linh FSO;
- parts and the provision of a team of Service Engineers to help Shell bring their EA field in Nigeria back into production;
- supply of several swivels for Statoil for the FPSO Norne (replacement of one unit and as spares);
- overhaul of the oldest operational IMODCO CALM buoy first commissioned in 1970.

Swivel and mechanical components manufacturing

Manufacturing of proprietary mechanical components for the turret systems, like swivel stacks, bearings and articulations forms an important part of the Company's activities. This year has been a demanding

year, whereby the high occupation level of the manufacturing industry was still a constraint for the first half of the year, but eased in the second half.

Two swivel stacks were fabricated for the Company's projects, one for the Woodside FPSO Okha project and another is currently under fabrication for the BP Skarv turret mooring system.

As well as these swivels stacks, a number of key mechanical components were delivered to the two projects, such as the unijoint for Okha and the bogie weathervaning system of the Skarv turret.

In respect of external clients, some large orders have been executed. These included the refurbishment of the swivel stack on the FPSO Curlew for Maersk in record time, and the replacement program for the Asgard swivel stack for Statoil which is still in the execution phase.

Top left:
Dynamic Installer
Bottom left:
Normand Installer in operation in Brazil
Bottom middle:
Normand Installer in operation in Brazil
Bottom left: Installation of *Deepwater CALM buoy* using the *Normand Installer*

Corporate Governance

Corporate Governance Structure

SBM Offshore N.V. is a limited liability company ("Naamloze Vennootschap") incorporated under the laws of The Netherlands with its statutory seat in Rotterdam. 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 and on 21 December 2009, the Amended Code has been designated by law as the Corporate Governance Code (Code) on the basis of which companies should report. During the course of the year under review the Management Board and the Supervisory Board have reviewed the Corporate Governance structure of the Company and the best practices of the Code. In this section of the Annual Report, the Company reports on compliance with the Code.

SBM Offshore complies with all applicable principles and best practices provisions 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 his role. This non-compliance is due to terminate since Heijmans N.V. issued a press-release to the effect that Mr. R. van Gelder will retire from the Management Board of Heijmans N.V. at its 2010 AGM.

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 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 two 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 Operational Plan 2010 has been discussed and approved in the Supervisory Board

Meeting of 8 December 2009 and a special session was dedicated to the Company's strategy on the afternoon of that same day.

Appointment of a Managing Director

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

In case of an appointment of one or more Managing Directors, the Supervisory Board may make a binding or a non-binding proposal. 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

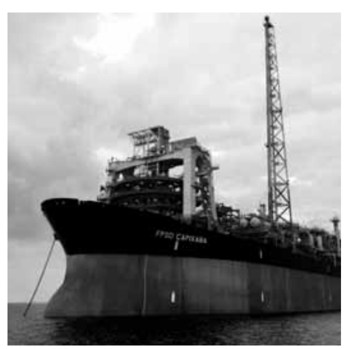
This subject is dealt with in the Risk Management section later in this report.

Regulations concerning ownership of and transactions in shares

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

Shares held by members of the Management Board

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



Top: *FPSO Capixaba* at anchorage in Singapore
Middle: *FPSO Capixaba* leaving the quay side in Singapore
Bottom: Installation of a deepwater *CALM buoy*

Conflicts 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 2009.

Mandates with third parties

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

Loans or guarantees

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

Supervisory Board

During the course of the year under review it was announced in a press release dated 10 September 2009 that one member of the Supervisory Board, Mr. D.H. Keller, resigned with effect from 15 September 2009. As per 31 December 2009, the Supervisory Board consisted of five members. In a press release dated 24 December 2009, it was announced that the Supervisory Board intended to nominate Mr. F.J.G.M. Cremers as a Supervisory Director, subject to the approval of the GM.

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 and personal details of the members of the Supervisory Board can be found in the Report of the Supervisory Board.

Duties of the Supervisory Board

The Supervisory Board supervises the management of the Company and its businesses by the Management Board, the effectiveness and the integrity of the internal control and risk management systems and procedures implemented by the Management Board and the general conduct of affairs of SBM Offshore and its businesses. The Supervisory Board assists the Management Board with advice in accordance with the best practices of the Code. In the performance of its duties the Supervisory Board is guided by the interests of the Company, and the enterprises connected therewith.

In addition, certain (material) decisions – as stipulated in the law or articles of association or the Rules of the Supervisory Board – taken by the Managing 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. 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 Supervisory Board Rules contain provisions designed to prevent 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. As a former CEO of the Company, Mr. D.H. Keller did not qualify as an independent Supervisory Director. Since his resignation on 15 September 2009, all Supervisory Board members are independent from the Company within the meaning of best practice provision III.2.2 of the Code. None of the members is a member of the management board of a Dutch listed company in which a member of the management board of the Company

which he supervises is a Supervisory Board member. There are no interlocking directorships. None of the members represent directly or indirectly a shareholder of the Company or a supplier or customer of the Company. None of the members of the Supervisory Board provides any services to or has any direct or indirect ties with SBM Offshore outside his Supervisory Board membership.

In addition to his position as a Supervisory Director of the Company, Mr. T. 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. T. Ehret does not participate in such discussions. Mr. F.G.H. Deckers is the CEO of Van Lanschot N.V., a financial institution established in The Netherlands. Kempen & Co., a subsidiary of Van Lanschot N.V. acted as the adviser of the Company in relation to the issuance of 13,896,880 ordinary shares on 11 November 2009. Mr. F.G.H. Deckers informed the Supervisory Board that "Chinese walls" were in place within the bank and that he had not been involved in the advisory services performed by Kempen & Co. The Supervisory Board felt satisfied there were no conflicts of interest in the year under review.

Regulations concerning ownership of and transactions in shares

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

Remuneration – Shares held by the members of the Supervisory Board

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

No increase in the individual remuneration of the members of the Supervisory Board of SBM Offshore N.V. and its committees took place in 2009. The total remuneration of the members of the Supervisory Board amounted to US$ 433,000 (2008: US$ 479,000).

For the individual remuneration, please refer to note 3 to the consolidated financial statements. These amounts are gross amounts per year. The remuneration of the Supervisory Board is reviewed once a year.

Diversity

The Supervisory Board rules state that the composition of the Supervisory Board shall be such that the combined experience, expertise and independence of its members enables the Supervisory Board to best carry out the full range of its responsibilities. The Supervisory Board considers that its current composition satisfies the best practice of diversity in terms of financial and business management expertise and international experience in the oil and gas industries. The Supervisory Board has the intention in the future to achieve gender diversity and has asked its Selection & Appointment Committee to specifically take this into account in the selection process of any new Supervisory Directors.

Corporate Social Responsibility

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

Shareholders

Share capital

The authorised share capital of the Company is one hundred million euro (€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 (€0.25) each and fifty million (50,000,000) Preference Shares, with a nominal value of one euro (€1) each. As per 31 December 2009, 164,459,980 (2008:145,613,988) ordinary shares are issued and no preference shares. The preference shares can be issued as a protective measure as explained below in the section on the Stichting Continuiteit SBM Offshore N.V. The evolution of the number of issued ordinary shares is set out in section 1 under Shareholder information.

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

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

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

Agenda of the meeting
Proposals of persons who are entitled to attend the shareholders meetings will only be included in the agenda if such proposal is made in writing to the Management Board not later than sixty (60) days before that meeting. The proposals can be made by persons who are entitled to attend GMs, solely or jointly representing shares amounting to at least one-hundredth (1/100) of the issued share capital, or with a market value of at least fifty million euro (€50,000,000), unless this would be contrary to important interests of the Company.

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 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. At the GM of 14 May 2009 a proxy voting system was provided and the Company intends to facilitate the provision of proxies to an independent third party and to enhance the use of electronic communication to the extent possible since the articles of association now contain the provisions enabling the Company to do so.

At the AGM of 14 May 2009, 35,474,165 ordinary shares participated in the voting, equal to 24.36% of the then total outstanding share capital of 145,637,210 ordinary shares. All the proposed resolutions were approved with a vast majority of the votes. The outcome of the voting was posted on the Company's website soon after the AGM.

Notice to convene a meeting
The notice for the AGM was published ahead of the statutorily required time in the official price list of Euronext Amsterdam N.V., the "Financieele Dagblad" newspaper and on the Company's website.

Dividend
The Management Board is authorised, subject to the approval of the Supervisory Board, to determine each year what part of the profits shall be transferred to the reserves, and what part will be distributed as dividend. The dividend for 2009 is proposed to revert back to the original policy of the Company to distribute as a 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 was proposed to, and approved by the AGM of 2009, of which 50% was payable in cash and 50% payable in Company shares. At the AGM of 14 April 2010, a resolution will be submitted to approve the payment of a dividend amounting to US$ 0.67 per ordinary share, which will be converted into Euro at the ECB reference rate published on the date of the meeting.

Major Shareholders

Up until 31 December 2009 the following investors have reported to the Netherlands Authority for the Financial Market (AFM) a major shareholding in SBM Offshore N.V.:

- Capital Research & Management Company had a total capital interest of 4.60% (2008: 6.53%);
- Schroders PLC. had a total capital interest of 9.98% (2008: 9.98%);
- Capital Income Builder Inc, had a total capital interest of 4.84% (2008: 5.93%).

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.

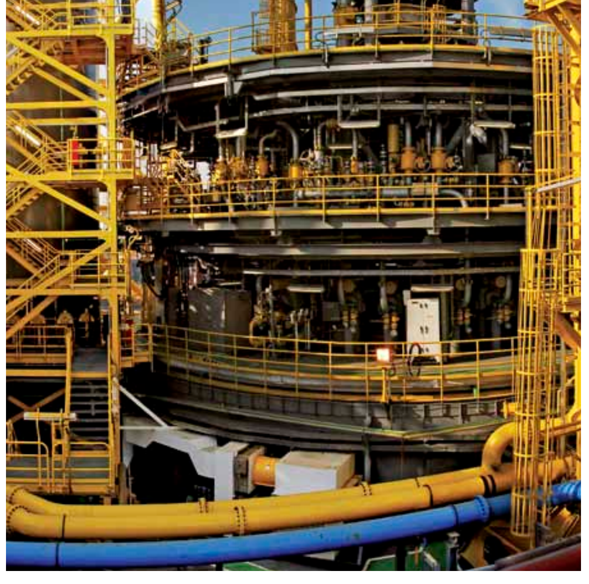
Articles of Association

Issue of shares

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

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

If the Management Board has been designated as the body authorised to issue shares the number and the class of shares must be specified in such designation. Upon such designation the duration of the designation shall be set, which shall not exceed five years. The designation may be extended, from time to time, for periods not exceeding five years. Unless such designation provides otherwise, it may not be withdrawn. A resolution of the GM to issue shares or to designate the Management Board as being authorised to issue shares, shall be valid only if accompanied by a prior or simultaneous resolution of approval by each group of shareholders of the same class whose rights are prejudiced by the issue. Although the duration of the designation as provided by law may be a maximum of five years, the Company adheres to the good practice of limiting this duration to eighteen months. At the AGM of 14 May 2009, the shareholders have delegated the authority to the Managing Directors for



Left: Manifold section of the turret of *FPSO Capixaba*
Right: Lifting operation of the lower section of the *Skarv FPSO*

a period of eighteen months as from 14 May 2009 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 to the Managing Directors for a period of eighteen months as from 14 May 2009 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.

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 2009, the shareholders have delegated their authority to the Managing Directors for a period of eighteen months, as from 14 May 2009 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 2009, 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 April 2010 it will be recommended to approve the proposal to re-appoint KPMG Accountants N.V. as the auditor of SBM Offshore N.V for a period expiring at the closing of the accounting year 2011.

Stichting Continuiteit SBM Offshore N.V.

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

The Foundation is managed by a Board, the composition of which is intended to ensure that an independent 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 Supervision Financial Market Act.

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

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

- the articles of association do not provide for any limitation of the transferability of the ordinary shares;
- the voting right is not subject to any limitation;
- no agreement has been concluded with any shareholder that could give rise to any limitation of shares or any limitation of the voting rights;
- the appointment, suspension and discharge of members of the Management Board and Supervisory Board are set out in this 'Corporate Governance' section;
- the procedure for alteration of the articles of association is mentioned in this Corporate Governance section;
- in the employment agreement 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;
- exceptionally, certain charters contain clauses to the effect that the prior consent of the client is required in case of a change of control or merger or where the company resulting from such change of control or merger would have a lower financial rating or where such change of control or merger would affect the proper execution of the contract. In addition, local bidding rules and regulations (e.g.in Brazil for Petrobras) may require client approval for changes in control affecting the charter.

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

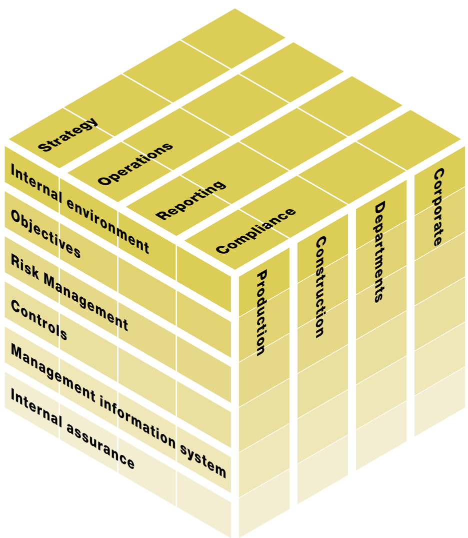
- Articles of association;
- Company code of conduct;
- Supervisory Board rules, including rules for the three committees reporting to the Supervisory Board;
- Supervisory Board profile and retirement schedule for its members;
- Management Board rules
- Rules for reporting of alleged irregularities of a general, operational or financial nature ('Whistleblowing' rules);
- 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 has progressed in developing its Corporate Governance systems based on the COSO Enterprise Risk Management model. Risk Management, Quality Assurance and Internal Audit have been strengthened in 2009. An experienced Corporate Internal Audit manager has been recruited to provide enhanced assurance on compliance with the policies and procedures.

Company Risk Management Cube



The objective of efficient and effective control of all business activities has been raised by Management to the level of a strategic priority. This is best achieved by ensuring that responsibility and accountability are delegated to the business managers who are also responsible to develop, document and demonstrate effective business processes and controls. Company Management review and approve the processes and controls to ensure their adequacy. This is however a long term programme and improvements will be sought on a continual basis.

Internal environment

The continued growth of the Company requires Management to support the development of an integrated control environment. Particular attention has been given to the internal environment by raising the profile and importance of Risk Management, process control effectiveness and compliance. Continued emphasis is being applied to improve role definitions, responsibility and accountability and training. Employee assessments and rewards include compliance as a criterion affecting remuneration incentives. Objectives, performance measurement and reporting are all areas that Management has started a concerted and explicit effort to improve and these programs are communicated within the Company to encourage adhesion. The new corporate structure implemented in 2009 will relieve Management from the burden of the day to day business activities and increase its focus on strategy and Company management.

Objectives

The Company's objectives are translated down to the individual level in the organisation to ensure alignment and give greater assurance that the overall Company objectives will be met. Performance is measured against set objectives and specific actions are undertaken to correct deficiencies or failures to meet objectives where appropriate. Further work has been done in 2009 to improve objectives that precisely reflect the overall Company objectives and develop accompanying key performance indicators (KPIs) to measure achievements.

Risk Management

Risk Management operates on three fronts through a standard process of risk identification, assessment, and risk management actions. Firstly, business processes are subject to risk assessments and key controls are updated where necessary. In 2009, a concerted effort using consultants was made to assess risks and the business processes of Proposals, Financial Reporting and Marketing and Sales. Secondly, major projects are subject to ongoing risk workshops by an independent Risk Management team as from the early proposal phase until project completion. A dedicated department was also established to improve project controls. The project Risk Management process is reinforced with dedicated Legal, Quality Assurance, and Health, Safety, Security and Environment (HSSE) departments. Thirdly, a Corporate Risk Register has been introduced to manage corporate level risks.

Risk Management was reinforced during the year with the introduction of an on-line risk management tool. The principles of Risk Management in SBM Offshore are:
- integration of Risk Management into the general management process;
- comprehensive Risk Management assurance based on a matrix of agreed objectives and the development of a complete spectrum of risks origins to be analysed;
- communication involving all critical personnel contributing to the Risk Register;
- agreement on actions and controls in a workshop;
- Risk Management function providing facilitation, monitoring and reporting to Company Management.

The policy of SBM Offshore is to accept risks which are inherent to its business activity and for which it has competence and an agreed control process.

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. In 2009, consultants were employed and project teams appointed to improve and document the processes and controls in Proposals, Marketing and Sales and Financial Reporting, financing, tax, cash planning and treasury using a risk based approach. This process will continue in all other departments based on an objective and risk assessed approach.

Management information systems

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. SBM Offshore has requested an external review of its information systems network. The first conclusions are that the systems support the business activities and there are no areas of major risk. As expected, there is opportunity for optimisation and improved integration of the various reporting systems. Project teams are being formed to address the weaknesses and propose a roadmap for the future.

Internal assurance

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 has been strengthened with the recruitment of a Corporate Audit Manager. Compliance testing of critical controls will be expanded in 2010. The objective of Internal Audit and Quality Assurance is not only compliance testing in respect of procedures and controls but also to form an independent opinion on the effectiveness of the underlying processes and controls.

To best monitor compliance activities, an Internal Assurance Plan aggregating all types of Corporate and Divisional audits has been set up and endorsed by the Audit Committee. It is constructed using a variety of tools, including information from Risk registers, discussions with Group Management Systems Process Owners and Quality Assurance and HSSE audits as required by regulation, contract compliance and work plans.

Risk profile

The nature of the risks inherent to the Company's business have not substantially changed in 2009. The projects of smaller and financially weaker clients have been delayed and high value leases are now more expensive and difficult to finance. The Company has been active in identifying strong financial partners to participate in such leases. The extensive resources dedicated to improving Company performance could not change the course of some earlier awarded projects and their disappointing performance continued to affect the Company's results in 2009. The origin of the project execution issues encountered can be largely attributed to the Proposals phase of projects and construction yard management. Improvements have been and continue to be made in these areas and both the probability and impact of similar events occurring on future projects have been considerably reduced.

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 irregular nature of the order intake. The 2009 situation of stable-to-rising oil prices resulted in the sanctioning of some new projects. The future looks promising in our markets despite ongoing delays in some projects in the industry. The Company attempts to mitigate the risk of an irregular order intake with the following strategies:

- prioritising its marketing activities on the projects most likely to go ahead and according to the resource skills available;
- a continued emphasis on developing low cost and effective technology based solutions to provide a competitive advantage;
- 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 and cost reduction opportunities;
- 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 the sustainable technologies of offshore wind and wave energy technology.

Business mix between supply and lease contracts

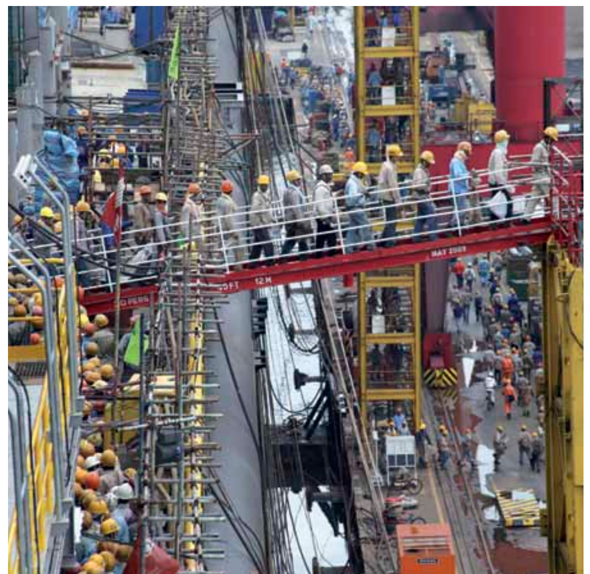
Sale contracts generate revenues and profits during execution, and in most cases the related progress payments allow for a neutral cash flow and thereby reduce the Company's need for capital. Lease and operate contracts are capital intensive although the lease payments generate long-term stable cash flow, EBIT and net income. While the Company's preference is to maintain a balance between supply and lease contracts, it has to be recognised that clients usually 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 both 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 in the past has been the contracting of suppliers and subcontractors in a very buoyant market. This buoyant market situation may well return and

Top left: Semi-submersible production platform
Middle left: Offshore workers replacing a gasket
Bottom left: Wind turbine installation vessel during commissioning of jack-up system
Top right: Lifting operation of crane house of the 5,000 tonnes of crane
Bottom right: Construction workers in Singapore



the Company has been working to mitigate the risk by developing its own resources with training and experience and also by identifying and diversifying external resource providers. 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 was less acute in 2009 as demand slackened, however the Company believes that this respite is likely to be only temporary and demand for hydrocarbons, and consequently for equipment and services, 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 personnel to assure good Risk Management on all subjects critical to a project's success.

The Company makes HSSE protection a high priority in the execution of its projects and minimising the occurrence of HSSE events is addressed by:
- the application of continually upgraded HSSE standards;
- risk based reviews of operations by HSSE professionals;
- internal health and safety staff advise line management as necessary to minimise the level of risk to employees;
- security issues relating to specific geographical risks

are identified and mitigating plans developed in accordance with, in the case of the offshore fleet, the International Ship & Port Facility Code (ISPS) Code and for onshore locations, in country security and Journey Management plans.

The technical challenges of each project are addressed by:

- employing and developing in-house expertise and external advice when appropriate;
- 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 identified and recorded on a Risk Register by key personnel and reviewed during risk monitoring workshops.

Execution risk is controlled through on-going 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 (C.A.R.) 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 cost control 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 remains a latent risk. The management of pollution risk starts with careful hull selection, conversion and refurbishment, and continues with a formal interrogation of the marine, oil and gas process system design to demonstrate integrity in safety, reliability and operability. All units presently owned by the Company have design service lives that extend beyond their contractual commitments.

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

- strict operating and Risk Management 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 and compliance with the requirements of the International Safety Management (ISM) Code 2002;
- regulatory compliance.

Protection and Indemnity Club pollution insurance is purchased for the maximum necessary and available cover. 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. Insurance for named windstorm damage in the Gulf of Mexico is limited to that available for a reasonable price considering the risk probability and likely impact.

Performance
Lease rates may not be paid or only partially paid by clients if a unit does not perform as per the contract requirements in some cases and in other cases incentives may be reduced or lost. System availability is assured by design process matured from experience, reliability and maintainability (RAM) modelling, planned and preventive maintenance as well as condition-based monitoring. The Company has operated F(P)SOs for over 184 vessel years with a total operating downtime of less than 1%, which is well below typical contractual allowances. Insurance coverage 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 the personnel within its operations from the potential health hazards posed by hydro-carbon processing and toxic substances in an offshore environment. Internal expertise supported by a robust management system and vessel-specific design and Operational Safety Case studies are important elements in evaluating and mitigating risks.

Furthermore, management system codes of practice covering benzene and mercury management as well as other hazardous substances apply onboard F(P)SOs.

Crisis management
The Management System includes Emergency Contingency Planning which describes the procedures for responding efficiently and 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.

Corresponding emergency management arrangements are provided in the overseas management offices. Emergency response simulation exercises are held regularly involving the offshore units and the ‘in country’ management offices, the MECC, local facilities, and clients. A debriefing takes place immediately following the termination of the exercise which is fully documented with the lessons learned being incorporated into the Emergency Contingency Plan.

Payment risk
Before the acceptance of each major contract, a credit review and a detailed review of the terms and conditions are carried out by experienced financial, risk, legal and commercial professionals. Bank and/or parent company guarantees are negotiated with customers, and if 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, ten main risk factors must be evaluated:
- client credit reliability and exposure limits;
- country stability, politics and exposure limits;
- health, safety and security;
- environmental conditions;
- contractual rights and obligations;
- performance criteria;
- finance availability;
- insurance availability;
- tax exposure;
- residual value exposure.

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

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 a part of the revenues to production throughput or even to the 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 (DeepDraft Semi™ Thunder Hawk for Murphy) 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. Correctly estimating the residual value is an important component of the lease rate calculation. A cautious approach is however taken when establishing this key parameter and the residual book value is calculated based on an economic life less than the design life and 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 market value lower than the residual book value.

Operating cost risk

The SBM Offshore model operating contract is based on a reimbursable cost principle and an inflation adjusted fixed fee covering the Company's production management costs. The bidding rules of some clients such as Petrobras require a fixed price contract and in such cases the Company is exposed to cost inflation over the long term. Such contracts are now subject to a formula compensating for inflation although the Company remains exposed to shortfalls between revenue escalation under the formula and actual cost inflation. The Company takes a conservative approach in its lease pricing but some risk remains.

Political risk

The Company evaluates overall political and country risk in discussions with banks and does not hold assets in countries where acceptable insurance cover is unavailable. The Company is exposed to revenue risks from Brazil, Angola and other countries and risks are reduced by a combination of solid contracting parties or parent guarantee structures and insurance. Overall country risk is evaluated objectively against credit limit guidelines relative to total equity. Some operations are held in regions which present identifiable security risks and even terrorism. In such countries the risks are assessed, protection measures are put in place and crisis resolution plans established.

Funding risk

Success in obtaining new lease and operate contracts requires significant amounts of debt to be arranged. This places pressure on the 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 high quality 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, thus driving decisions on corporate and project finance.

The financial crisis restricted availability of funds and the number of banks willing to engage in project financing activities, and raised the margins required by those banks continuing to offer liquidity. The market has been slowly improving since the third quarter of 2009.

The issue of credit availability is being addressed by studying alternative sources of finance, including export credit agencies, capital markets and partners. The increased margin costs are incorporated in new lease bid rates, and were up to now mitigated by lower levels of US Dollars 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 has only one case of litigation of significant substance and provisions have been made for the expected outcome.

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 costs and some investments denominated in Euros and other non-Dollar currencies leading to potential exposures on profit and equity. The lease business is particularly capital intensive and substantially financed with floating rate debt giving rise to interest rate exposures.

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 International Financial Reporting Standards (IFRS) rules, market value variations impact reported equity values or in some cases profitability where the hedge does not accurately match the underlying exposure. The notes to the Financial Statements provide details of financial instrument policies, sensitivities to exchange rate or interest rate movements, accounting treatments and market values.

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

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

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, identifies and explains material divergences from the plan and takes corrective actions.

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

Financial reporting risk

Financial reporting risks are mitigated through procedures, controls and international accounting standards. In 2009, a complete review of the financial reporting process was performed by an appointed project team working with the assistance of qualified consultants. The objectives and risks were assessed and the control system redesigned to further consolidate the “in control” assertion in respect of financial reporting. The critical controls giving assurance for the reliability of Financial reporting in 2009 have been compliance tested with good overall results.

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.

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

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

Top left: Paenal yard in Angola
Top right: Topsides view of *FPSO Capixaba*
Middle left: SBM Offshore construction employees on a facility
Middle right: Marine offloading hose string
Bottom right: Local Equipment Room on *FPSO*

Legal compliance

Operations span many diversified jurisdictions with employees and assets present in each location, and diligence is required of the organisation and its individuals to ensure compliance with applicable laws and regulations.

A dedicated function has been appointed to manage the regulatory requirements 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 country specific legal and tax obligations. The Company maintains a system of continual updating and direct inquiry in the countries in which it operates.

Corporate Governance compliance is monitored and advised by the Corporate Secretary. Formal procedures and systems are in place and will be further developed for confirming compliance with Company rules concerning Code of Conduct, Inside Information and 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 and internal control systems and has performed reviews of their operational effectiveness for the year ended 31 December 2009. The outcome of this review and analysis as well as planned improvements for 2010, has been shared with the Audit Committee and the Supervisory Board and has been discussed with the Company's external auditors.

In respect of 2009, 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 2009.

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 Dutch Financial Markets Supervision Act (Wet op het financieel toezicht) the Management Board confirms to the best of its knowledge that:
- the annual Financial Statements for the year ended 31 December 2009 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 2009 and the state of affairs during the financial year to which the report relates, and the Annual Report also describes the principal risks facing SBM Offshore N.V.

Management Board
Mr. A.J. Mace, *CEO*
Mr. M.A.S. Miles, *CFO*

Top: Hook up operation of the marine offloading hose to a deepwater *CALM buoy*
Bottom: SBM Offshore employee

Human Resources

The reorganisation of the Company's corporate structure with individual operating units has resulted in the creation of a Corporate Human Resources (HR) function responsible for all Company HR activities except for the lease fleet. The lease fleet HR activities are organised separately under the SBM-Production Contractors operating unit and specifically provide the crew and logistics for the offshore activities.

Corporate activities

A Corporate Talent Management and Succession Planning Project was launched in response to the growth experienced by the Company over the last eight years and to the scheduled retirement of a significant proportion of upper management within the next five years. This project has identified the key roles and competencies required for future growth. The first phase of the Project was based on a structured, pragmatic and result-orientated process which has provided the following results:

- defined Succession Plans for upper management;
- most short term critical successions have been secured;
- identification of top employees for future core functions.

The next phase of the project will concentrate on including line managers into the planning process with the objective of identifying and growing Company talent.

The Company's competency system was extended to include the production shorebase staff in Brazil, Angola and construction staff at yards in the United Arab Emirates. The system enables staff performance assessments to be performed annually in accordance with the Company's standards.

A benchmark survey of the Company's project managers was completed by an external consultant with the focus on improving the management skills of project managers, project staffing procedures and updating the competency requirements.

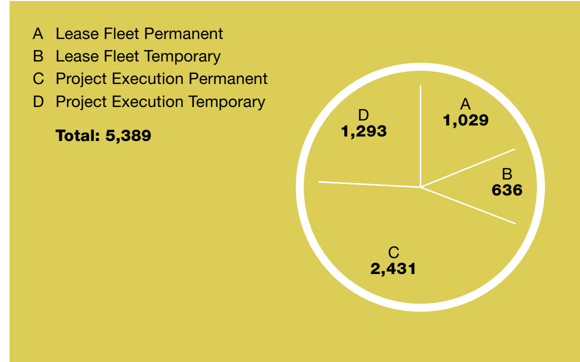
The Company's global workforce of 5,389 in 2009 remained stable, as required by the current projects and project backlog.

More details regarding the Company's Human Resources activities can be found in the Company's CSR report.

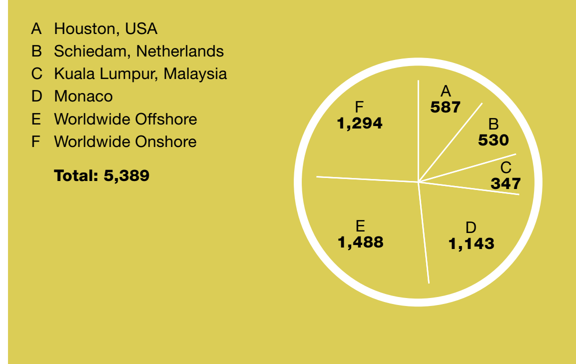
Project execution centres

There was a small increase in the number of employees in the Monaco office, while the number of employees in Schiedam remained constant. In Houston, staff numbers reduced slightly in comparison with 2008 reflecting economies made by the integration of shared support services of the merged companies SBM-Atlantia and GustoMSC Inc. and also is the result of a reduction in activities due to the completion of a major project at the end of 2008. In Kuala Lumpur there was an approximate 10% increase in employees in 2009, which was necessary to expand the project management and engineering capabilities to be able to execute large engineering projects such as complete FPSO projects and other turnkey work.

Total number of SBM Offshore employees at year end 2009



Total number of SBM Offshore employees at year end 2009



A student 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 a number of graduates to gain successful employment within the Company.

The distribution of the total number of personnel at year end 2009 between lease fleet activities and project execution activities and the split between permanently employed and temporary personnel are shown in the first chart above.

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

Remuneration

The local market situation and annual inflation are taken into account in the annual review of the basic salary and bonus of each staff member, together with their individual performance.

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

A new Long Term Incentive Plan was implemented for senior staff by changing the Company's Stock Option Plan into a new Restricted and Performance Share Plan.

Staff absence

For 2009, staff absence was 2.5% (2.6% in 2008).

Training

Training continues in all of the Company's project execution centres with particular focus on lead, supervisory and management level positions.

The Company provides internal training courses on the technical aspects of FPSOs, language lessons and software classes. In the Company's CSR report the training programme is described in more detail.

The FPSO Frade and FPSO Espirito Santo started up production in Brazil in 2009. The new crews were initially trained during the construction phase at the shipyard and finished their training offshore on the units with live systems.

Product and Technology Development

Introduction

SBM Offshore maintains a strong commitment to invest in research and development. The Company continues to be active in the development of new systems and components to enable safe and economic production from offshore oil and gas fields in challenging environments focussing on deepwater floating production and systems for the Liquefied Natural Gas (LNG) supply chain. The Company is also pursuing activities in the marine renewable energy sector with the development of a wave energy conversion system. Research and Development expenditure amounted to around US$ 39 million in 2009.

The major development activities include:
Deepwater systems:
- Dry-tree semi-submersible
- Tension Leg Platform
- Mooring systems and swivels
- Gravity Actuated Pipe
- Steel Catenary Risers

LNG Production, transfer and storage systems:
- Floating production of LNG
- COOL™ Floating LNG Hose and LNG offloading
- Floating storage and regasification

Jack-up and Crane Technologies:
- Jacking systems
- Cranes

Renewable Energy Systems:
- Offshore wind turbine installation jack-ups
- Wave energy converters

Deepwater Systems

The Company's product line continues to expand with comprehensive solutions for the development of deep and ultra-deep water offshore oil and gas fields. The deepwater challenges are numerous as ultra-deep water subsea equipment is very expensive and also difficult to access, operate and maintain. Our objective remains to develop solutions that reduce the overall field development costs, through:
- decoupling the installation of subsea systems from surface facilities;
- cost effective deepwater riser solutions;
- reduction of equipment on the sea bed with new surface and near-surface technologies.

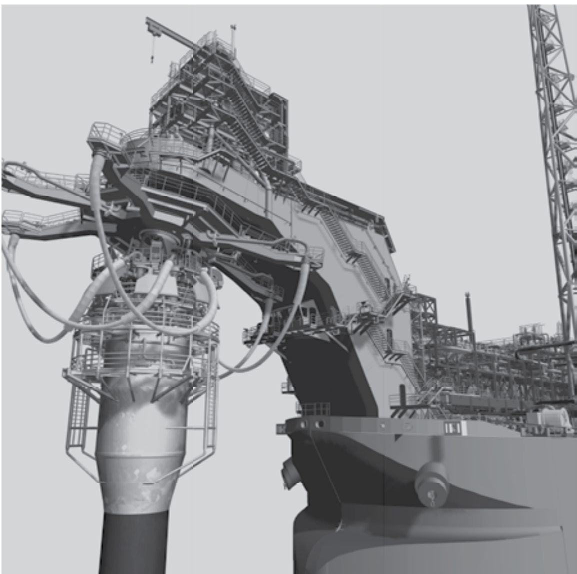
Dry-tree semi-submersible and TLP designs

For reservoirs requiring frequent well access, surface located trees can offer significant advantages over subsea trees and the Company has initiated several systems which support surface tree systems.

The Company has developed an alternative solution for non-hurricane, deepwater environments based on a dry-tree semi-submersible design with long-stroke hydraulic tensioners to support the top-tensioned production risers and surface trees. The hull design has been specifically developed in order to reduce motions to an acceptable level, while providing sufficient stability for quayside integration of the topsides.

Tension Leg Platforms (TLPs) typically support surface trees and provide superior motion characteristics compared to semi-submersibles, and design work continues to extend the applicable water depth range for TLPs. A passive air damping system has been developed that can be placed on the TLP columns to dampen the heave motions caused by the longer tendons. Model tests have validated the designs, and Computational Fluid Dynamics (CFD) analysis has been performed to demonstrate the feasibility of the system.

Both the semi-submersible and the TLP can also be used with subsea trees, using either Steel Catenary Risers (SCRs) or unbonded flexible risers to connect to the seabed wells. Engineering work continues to allow the application of these technologies in deeper water.



Top: Image from the PDMS model showing a disconnectable turret for arctic application
Middle: *COOL™ LNG* hose during line test with *LNG*
Bottom: Image from the PDMS model showing the disconnectable turret for *FPSO Okha*

Mooring systems and Swivels

Several ongoing mooring projects with designs of large complex systems operating in harsh environments have made a significant contribution to the expansion of the Company's technical knowledge and capabilities in the supply of large scale weathervaning mooring solutions.

There are a number of offshore hydrocarbon development areas that experience extreme seasonal conditions, including tropical cyclones and winter ice. Floating facilities can be designed with turret disconnectable systems that allow for release and sail away from these events minimizing the risk of damage to the facility, harm to the crew and reducing down time. These systems are also usually designed for lower environmental conditions, which decreases investment costs.

A complex disconnectable mooring system has been developed for use in arctic conditions. This system, which is a further development of the disconnectable systems supplied previously by the Company will allow the floating production unit (FPU) to remain connected under most ice load conditions, but to disconnect and move to safe location in case of excessive ice loads or iceberg risks. This system involves several new features, which have been successfully model tested in 2009. The Company is currently working on a paid Front-End Engineering and Design (FEED) study and tender in joint venture with other oil services companies for a disconnectable FPU in arctic conditions.

Incorporation of SCRs for FPSOs with disconnectable turret systems is a challenge the for the ultra-deep water fields as their weight requires a large, buoyant disconnectable structure. The Company has developed such a disconnectable turret, named MoorSpar™, which enables SCRs to be deployed with a disconnectable FPSO. The MoorSpar™ Riser Buoy has been successfully tested in a wave basin expanding the project opportunities for disconnectable FPSOs. The combination of disconnection capability with SCRs leads to significant cost reductions in the overall riser, mooring system and field operations.

The MoorSpar™ can also provide cost effective solutions for less severe, non-disconnectable developments as the mooring system and SCRs can be installed

independently before the arrival of the FPSO. This facilitates hook up of the FPSO on arrival in the field and will reduce the time required for start up of the operations.

The Company continues to develop and increase the capacity of High Voltage (HV) electrical swivels. Tests were performed to confirm the proper functioning of a swivel at 36 kV, with operating Amperage values up to 1500 Amp, enabling the Company to meet the increasing demands of the industry for HV power transfer systems.

Gravity Actuated Pipe

The Gravity Actuated Pipe (GAP) was developed a few years ago and is now successfully in operation in the Kikeh field in Malaysia where it connects the Company owned FPSO Kikeh with a satellite floating production facility. Development of the GAP product continues with specific focus on increasing the operating envelope in terms of higher payload and increasing the distance between the two floating bodies.

Steel Catenary Risers

In ultra-deep water riser systems comprise an increasingly significant part of the overall field development costs and have become more technically challenging. Traditional unbonded flexible riser solutions become increasingly heavy and expensive, and are at the limit of their application range. Steel Catenary Risers (SCRs) offer advantages over unbonded flexible risers by being more cost effective while having a wider range of application in these ultra-deep water conditions.

A breakthrough in the use of SCRs was achieved in 2009 with the first ever deployment on a turret moored FPSO. The Company successfully connected and commissioned a Lazy-Wave SCR system to our FPSO Espirito Santo, in Brazil. This innovation was recognised at the 2009 Deep Offshore Technology International conference, with the “Best Technical Innovation” award. Operating in approximately 1,800 metres, this system is classified as an ultra-deep water project. In 2009 study work continued to expand the operational range of SCRs for use in harsher environments and at reduced water depths down to around 1,000 metres. This allows the Company to offer SCRs with FPSOs, TLPs and semi-submersibles for service conditions found in almost all deep to ultra-deep development areas.

Traditional installation of SCRs is with welded pipe using expensive S or J-lay installation vessels. The normal weld procedures used with these installation vessels precludes the use of some very high grade steels, which are required at greater depths with high pressure and/or high temperature wells. The Company has developed a competitive alternative SCR fabrication and installation method with the use of fatigue resistant threaded mechanical connectors to allow relatively quick field-connection of the SCR joints and avoids the need for traditional field welded joints. This method allows for the use of high grade steel pipe required for deepwater wells and also reduces installation time offshore. The qualification programme for the Company’s connector was completed in 2009 in accordance with ISO/DIS 21329 standard, making this connector now commercially available.

LNG Production, Transfer and Storage Systems

Acknowledging the growing importance of gas as a world energy source, the Company has maintained its focus on developing technologies and infrastructure associated with bringing remote offshore sources of gas to market in liquid form as LNG. Offshore LNG projects are starting to be developed by several leading oil and gas operators and the required technology is rapidly maturing in a number of areas, including offshore production of LNG in the form of:

- the LNG FPSO;
- offshore LNG offloading using LNG hose technology;
- offshore LNG regasification.

The Company remains at the forefront of these developments and the expectation is that these technologies will play an increasing role in the development of the offshore oil and gas industry and thus in the growth of the Company.

Offshore Production of LNG

The LNG FPSO development project is expected to impact the future profile of the Company as it could significantly augment the fleet of oil producing FPSOs over time. The LNG FPSO (also referred to in industry as Floating-LNG or FLNG) presents a cost-effective

means to develop stranded gas reserves, which may allow the industry to reassess the way it values gas assets. The Company is committed to securing a contract for supply of a unit at the earliest opportunity.

The LNG FPSO is typically a fully stand-alone system for gas field development, with extensive pre-treatment facilities able to receive raw gases and well fluids, similar to the majority of oil producing FPSOs operating today. The hull, a major critical component of the LNG FPSO, will be fitted with Self-supporting Prismatic-shape IMO type B (SPB) tanks for storage of the LNG and Liquefied Petroleum Gas (LPG), to provide robustness and accessibility for maintenance, and therefore reliable long-term offshore service. The hull further supports all required topsides facilities and utility systems required for the processing of the incoming field gas stream. The LNG FPSO will therefore be able to treat, fractionate, liquefy, store and then export LNG, associated LPGs and condensate by-products.

The Company's development efforts have been deliberately concentrated on LNG FPSO with 'medium-size' LNG production capacities, typically around 2.5 million tonnes per year (mtpa) of LNG, as this presents what is seen as the best balance in terms of technical and commercial viability. The current list of LNG FPSO project opportunities predominantly require LNG production capacities in the range 2 to 3 mtpa, for the development of a gas field in excess of 1.5 trillion cubic feet (tcf) of recoverable gas reserves.

The Company finalised the basic design of its generic medium-size LNG FPSO facility in 2008, developing a detailed project execution plan with our partners, and shipyard building slots for the hull have been secured. The development effort resulted in a comprehensive 'generic LNG FPSO design toolbox' in 2009. The established toolbox approach allows easy and rapid adaptation of the LNG FPSO design to the specific requirements of offshore gas projects, whilst maintaining control of the safety aspects, execution risks and cost understanding for each particular case.

It is envisaged that this generic approach will allow a series of LNG FPSOs to be developed in a relatively short time, helping to reduce schedules and costs, and hence also improve the economics of subsequent projects. Working in partnership with vessel manufacturers and cryogenic technology companies, extensive marketing efforts have continued throughout 2009 to all major potential clients. As a consequence the Company, in consortium with partners, has been awarded a FEED study by Petrobras for an LNG FPSO, which is proposed to be operated as a gas gathering station for several oil FPSOs in the Tupi field in Brazil.

Offshore LNG Offloading

Currently, open sea ship-to-ship LNG transfer is only possible in benign environmental conditions in a side-by-side configuration. Offloading operations from LNG FPSOs or loading of FSRUs outside of these areas favours the use of tandem transfers as it improves both the safety and the uptime availability, similar to the offloading of oil FPSOs to crude oil tankers. In several key target areas for FLNG projects around the world, tandem offloading is mandatory and a solution to transfer the LNG by a floating hose is required.

The Company initiated a programme to develop a LNG compatible hose to be used in a floating or submerged configuration. The hose design is based on a patented hose-in-hose system, which combines two proven hose technologies. The design is comprised of a standard outer marine hose with a proven inner composite LNG hose. The cavity between the hoses is filled with insulating materials with thermal and elastic properties over the full range of ambient to cryogenic temperatures. Having proven the feasibility of the concept with an eight inch internal diameter (ID) hose, an eighteen inch ID hose is now nearing the end of a full qualification and certification program. Interest in the COOL™ Floating LNG Hose remains strong amongst all the major potential clients.

Offshore LNG Regasification

The Company maintains in its portfolio a generic new-build FSRU concept, developed for a wide range of LNG storage and regasification requirements to meet the higher capacity range of gas supply contracts. For smaller gas supply rates, the Company proposes LNG Carrier conversion based FSRUs, or the Company's patented Gas Link™ arrangement. This system is designed to supply LNG to small and isolated markets,

and possibly requiring the Company developed cryogenic hoses and swivels, allowing consumers currently running on diesel to use cheaper and cleaner LNG without the need for large upfront investments.

Jack-up and Crane Technologies

The Company further developed its core technology of the 'pin-in-hole' type hydraulic cylinder jacking system, into a patented, continuous-motion, version.

The Company has extended the space saving 'crane around the jack-up leg' concept by incorporating the bogie based bearing, allowing an increase in leg diameter, increased bearing capacities, and benefits for integration and maintenance. This bearing concept has already been applied in the large offshore cranes as well as at the core of the Company's largest internal turret moorings.

A series of designs for self propelled jack-up vessels, the NG series, with associated jacking systems and cranes, have been developed and sold for the installation of offshore bottom fixed wind turbines with capacities ranging from 2,500 tonnes/leg to 9,000 tonnes/leg. The most recent development was the NG9000 with a capacity of 9,000 tonnes/leg. This latest unit, sold in December 2009, features both the new continuous hydraulic jacking system and the space saving crane around the leg.

Renewable Energy Systems

The Company is currently developing a wave energy converter based on existing engineering and technological expertise, which is transferred for use in marine renewable energy systems.

Significant efforts are planned for wave energy conversion over the next several years, focusing on producing a prototype wave energy converter based on breakthrough technologies.

These renewable energy initiatives are described in more detail in the Corporate Social Responsibility report.

Information regarding the Board of Management

Tony Mace

British, 1951

Tony Mace joined the Company as an engineer in the Design Department of Single Buoy Moorings in Monaco in 1977. During his career at SBM Offshore he has held various managerial positions in the Engineering Department as well as functions in the Project Management and Sales Departments. He was appointed Director of Engineering in 2000 and then moved to Houston in 2002 being appointed as President of SBM-Imodco. He was subsequently appointed as President of Atlantia, also in Houston. He returned to the Monaco office in 2007 as director of LNG Project Development and was appointed a non-statutory Director of SBM Offshore in August 2007. At the AGM of 15 May 2008, Tony was appointed as Managing Director and CEO. He graduated from London University with a BSc in Mechanical Engineering/Naval Architecture and an MSc in Ocean Engineering.

Mark Miles

British, 1964

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

Dick van der Zee

Dutch, 1948

Dick van der Zee joined SBM Offshore in 1996 as Managing Director of subsidiary company IHC Gusto Engineering in Schiedam. In 2000 he became a member of the Board of Management as Chief Operating Officer and was appointed Chief Technology Officer and President of SBM Production Contractors in 2007. Dick retired at the end of 2009.

Francis Blanchelande

French, 1949

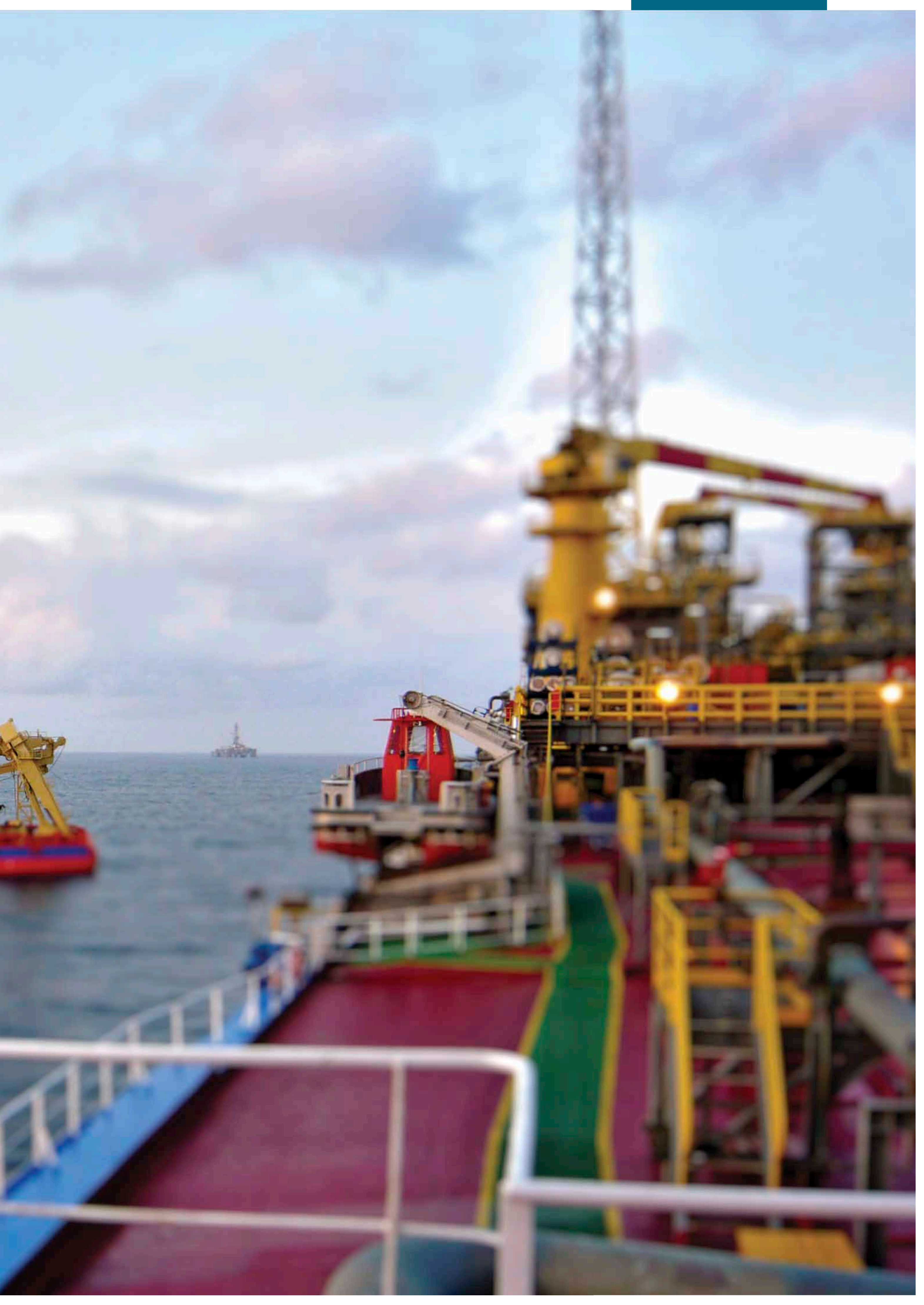
Francis Blanchelande joined the Company in 1978 as an engineer in the Offshore Installation Department. In 1984, he became the Operations Manager of the Services Division, then in 1991 Project Manager for the construction of the FSO XV, a floating storage facility for Elf Nigeria. In 1992, Francis was appointed Marine Operations Manager based in Nigeria. Following his return to Europe in 1995, he was appointed Vice President Marine, first based in Aberdeen and then in Monaco. In 1996, after the restructuring of Single Buoy Moorings into two business units, supply of systems and operation of the fleet of production vessels, Francis became Director of Operations of SBM Offshore Systems and in 1998 President of SBM Offshore Systems and a Director on the Board of Management for the Group. In 2001, he moved to the position of President of SBM Production Contractors. In 2007, he was appointed Chief Operating Officer. A graduate from the University of Geneva in Physics and a post-graduate at the Ecole Supérieure des Travaux Publics of Paris, Francis is a Director for the Standard P&I Club and sits on the Council of ABS.

Michael Wyllie

British, 1958

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

SBM owned installation vessel *'Dynamic Installer'* during installation of the *FPSO Espirito Santo*.



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Financial Review

Highlights

In accordance with IFRS 8 accounting rules for segmental reporting, the Company now provides separate disclosure of its Turnkey Services activities, which were previously combined with the Turnkey Systems activities. Specific allocation of Selling and Marketing, and General and Administrative expenses are now made to the reporting segments, and the 2008 comparative figures have been restated accordingly.

Turnover decreased by 3.4% to US$ 2,957 million, in comparison with US$ 3,060 million in 2008, mainly as a result of lower Turnkey Systems revenues. Turnkey Systems contributed 65%, Turnkey Services 8% and Lease and Operate 27%. In 2008 the corresponding split was 65%, 9%, 26%.

EBITDA amounted to US$ 613.3 million, an increase of 16% compared to US$ 530.1 million in 2008.

Operating profit (EBIT) increased by 6.7% to US$ 293.4 million compared with US$ 275.1 million in 2008. The EBIT margin increased to 9.9% compared to 9.0% in 2008.

Before allocation of “Other” income and expenses, segmental EBIT margins are as follows:

- In the Turnkey Systems segment the good results generated from the more recent projects become more predominant, and despite some further schedule and cost increases on the drilling rigs series and on a heavy lift crane project, the EBIT margin increased to 5.0% (2008: 0%).
- In the Turnkey Services activities excellent operating performance was offset by full impairment (US$ 7.7 million) of the Pyrodriver installation tool, development of which has been discontinued. The EBIT margin increased slightly to 20.3% (2008: 19.9%).
- Although turnover in the Lease and Operate activities was stable, EBIT was negatively impacted by the impairment charge of US$ 32.5 million related to the Yme MOPUstor™ (lower than provided for in the first half of 2009 due to variation orders agreed with our client), and an operating loss of US$ 25.1 million incurred on the tanker inventory which was laid-up for most of the year following the collapse of the trading market. This resulted in a decrease in EBIT margin to 21.4% (2008: 28.4%).

Non-allocated “Other” income and expenses amounted to US$ 31 million in 2009 (2008: US$ 17 million). This mainly relates to the cost of general management and corporate functions, as well as the cost of various corporate improvement projects undertaken in 2009.

Net financing costs were 48.6% higher than in 2008 as a result of the start of the charters in 2008 of the FPSO Saxi Batuque and in 2009 of the FPSO Espirito Santo and Semi-Submersible Thunder Hawk. Interest income fell sharply in 2009 with the reduction in short-term US interest rates.

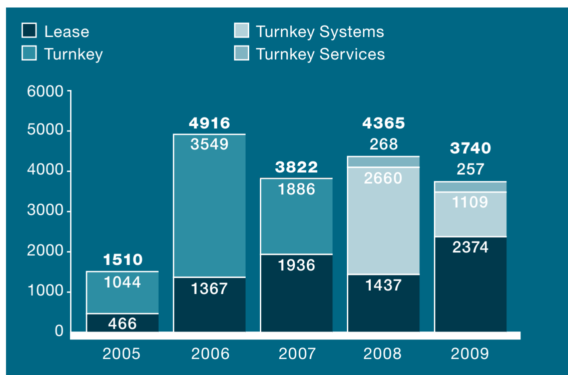
The 2009 tax burden was US$ 3.7 million (1.6% of profit before tax), reflecting in particular small losses in the Dutch and US operations of the Company, combined with the relatively low tax burden elsewhere. This compares to a net tax burden of US$ 9.4 million (4.0% of pre-tax profit) in 2008.

The consolidated result for 2009 is a net profit of US$ 230.0 million, a 0.9% increase in comparison with the 2008 net profit of US$ 227.9 million. This result includes non recurring sales of assets which generated a net gain of US$ 32.4 million in 2009 (US$ 31.4 million in 2008). The net profit margin rose to 7.8% (7.4% in 2008).

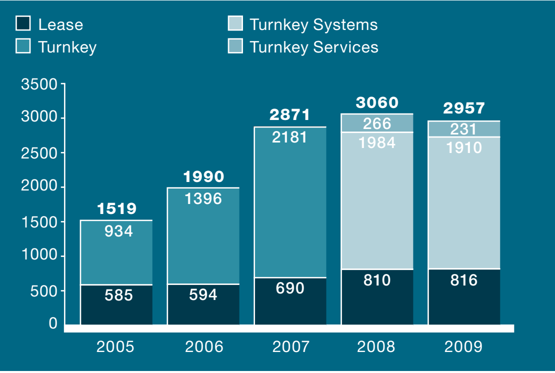
Earnings per share amounted to US$ 1.47, compared to US$ 1.54 in 2008.

- In November 2009, the Company raised € 180.7 million of fresh capital through a successful 9.2% equity issue.
- Dividend proposal of US$ 0.67 per share representing the Company’s normal pay-out ratio of 50%.

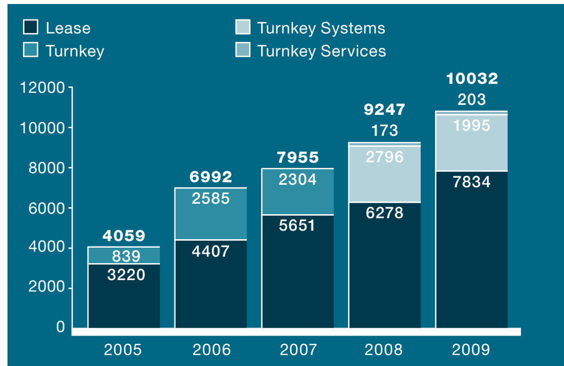
New orders
In millions of US$



Turnover
In millions of US$



Order portfolio
In millions of US$



- Net debt at 31 December 2009 amounted to US$ 1,464 million with cash and cash equivalent balances of US$ 146.7 and committed, undrawn, long-term bank facilities of US$ 703 million. Net gearing reduced to 81% (year end 2008: 118%) providing significant financial headroom for growth.
- The Company arranged new project finance facilities of US$ 350 million for EnCana Deep Panuke MOPU and US$ 200 million for Petrobras FPSO Cachalote relocation.
- The total investment in fixed assets in 2009 amounted to US$ 656 million, which is much lower than in 2008 (US$ 1,000 million) due to the slowdown in order intake between mid 2008 and mid 2009;

New orders in the year totalled US$ 3,740 million (split 63% / 30% / 7% between the Lease and Operate, the Turnkey Systems and the Turnkey Services segments respectively), compared to US$ 4,366 million of new orders in 2008.

Total order portfolio at the end of the year was US$ 10,032 million compared to US$ 9,247 million at the end of 2008, an increase of 8.5%. Of this, 78% (2008: 68%) or US$ 7,834 million relates to the non-discounted value of the revenues from the Company's long-term lease contracts in portfolio at year-end.

Segmental information in respect of the core businesses of the Company during 2009 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

Total new booked orders for 2009 amounted to US$ 3,740 million. This amount includes a major contract amendment for the relocation of the FPSO Espadarte to Petrobras' Baleia Azul field in Brazil for a period of 18 years, which is assumed to be treated as an operating lease contract. The total also includes a 15 year lease contract for an FPSO for Noble Energy's Aseng field in Equatorial Guinea. Due to the specific contract structure and terms this contract is accounted for as a finance lease.

Total turnover reduced marginally when compared with 2008 due to lower revenues recognised in the Turnkey Systems segment as the completion of certain major projects (e.g. FPSO Frade, FPSO Espirito Santo) outweighed the higher progress and associated turnover on more recent projects (e.g. FPSO P-57, FPSO Okha). Turnkey Systems third party turnover of US$ 1,910 million represents 65% of total 2009 turnover (2008: US$ 1,984 million representing 65%). Lease and Operate turnover rose by 1% to US$ 816 million (27% of total revenues; 26% in 2008) as the first revenues from FPSO Espirito Santo and Semi-Submersible Thunder Hawk, and full year revenues from the FPSO Saxi Batuque compensated for the reduction in dayrate income resulting from the sale of FPSO Mystras (May 2008), sale of FPSO Tantawan Explorer (August 2008), sale of MOPU/FSO Oguzhan (June 2009), termination of the charters of Rang Dong I (October 2008) and FPSO Falcon (December 2009) and the idle tanker inventory. Turnkey Services third party turnover decreased by 13% to US$ 231 million and represents 8% of total revenues (9% in 2008).

The contract for the FPSO Aseng for Noble Energy is a fifteen year front-loaded lease performed in a 60/40 joint venture with GEPetrol, which is accounted for as a finance lease. This means that the entire capital value is recognised as turnkey turnover during construction with related gross margin, but with a return on investment recognised as lease income during the lease period. Under an operating lease treatment only the partner's 40% share of the Capex investment would have been accounted for as a turnkey sale. In 2009, total turnover recognised in respect of construction of assets accounted for as finance leases amounted to US$ 95 million (2008: US$ 61 million).

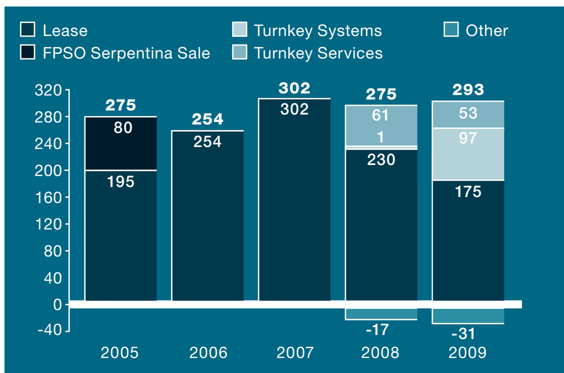
The contracts for FPSOs Mondo and Saxi Batuque are similarly accounted as finance leases. Return on investment recognised in the Lease & Operate turnover in 2009 in respect of these contracts amounted to US$ 19 million (2008: US$ 19 million).

The year-end order portfolio at US$ 10.03 billion is up 8.5% from last year's level of US$ 9.25 billion and represents a year-end record. The current order portfolio includes US$ 7.83 billion (2008: US$ 6.28 billion) for the non-discounted value of future revenues from the long-term charters of the lease fleet, of which US$ 4.84 billion (2008: US$ 4.18 billion) represents the bareboat element of the operating leases. Approximately two thirds of the future bareboat revenues will be generated from the lease contracts which have yet to commence (FPSOs Cachalote and Baleia Azul, MOPUstor™ Yme and MOPU Deep Panuke). The Turnkey Systems order portfolio decreased by 29% but still represents one year of turnover. Turnkey Services backlog increased by 15% to US$ 0.2 billion (approximately nine months of turnover).

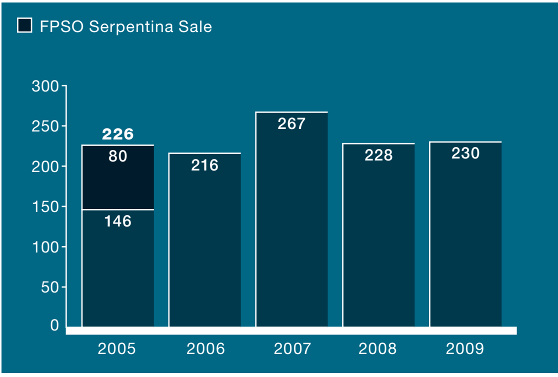
The Company's order portfolio as at 31 December 2009 is expected to be executed as follows:

US$ billion	Turnkey Systems	Turnkey Services	Lease & Operate	Total
2010	1.4	0.2	0.8	2.4
2011	0.6	-	0.9	1.5
2012	-	-	0.9	0.9
Beyond 2012	-	-	5.2	5.2
TOTAL	**2.0**	**0.2**	**7.8**	**10.0**

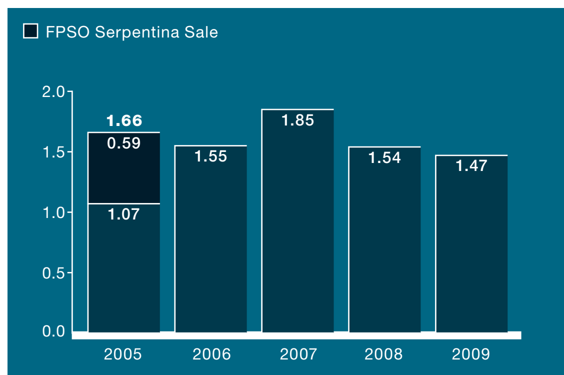
EBIT (Operating Profit)
In millions of US$



Net profit
In millions of US$



Weighted average earnings per share*
In US$



Restated for the four to one share split in 2006

Profitability

The primary business segments of the Company are Lease and Operate, Turnkey Systems and Turnkey Services plus "Other", non allocated corporate income and expense items. EBIT is analysed per segment but it should be recognised that business activities are closely related, and certain costs are not specifically related to either one segment or another. For example, when sales costs are incurred (including significant sums for preparing the bid), it is often uncertain whether the project will be leased or contracted on a turnkey lump sum basis. Furthermore, with IFRS limiting the capitalisation of General & Administrative overheads into the asset value of the lease fleet, segmental results are skewed in favour of the lease activities. Indeed much of the Company's engineering and project management resources contribute to construction of the lease fleet 'at cost' without a Selling, General and Administration costs (S, G & A) mark-up, while the Lease and Operate segment results 'benefit' from lower capex and lower annual depreciation.

For management reporting purposes the "Other" income and expense items are allocated to the three operating segments as follows: Turnkey Systems 62.5%, Lease and Operate 25% and Turnkey Services 12.5%.

Gross margin in 2009 of US$ 452.3 million (US$ 399.0 million in 2008) consisted of US$ 195 million (US$ 252 million in 2008) from Lease and Operate activities, US$ 187 million (US$ 71 million in 2008) from Turnkey Systems, and US$ 70 million (US$ 76 million in 2008) from Turnkey Services.

EBIT increased by 6.7% compared to 2008 to US$ 293.4 million due to:

- much higher contribution from the Turnkey Systems segment, as the good results generated from the more recent projects become more predominant, and despite some further schedule and cost increases on the drilling rigs series and on a heavy lift crane project;
- although turnover on Lease and Operate activities was stable, EBIT was negatively impacted by the impairment charge of US$ 32.5 million related to the Yme MOPUstor™ (lower than provided for in the first half of 2009 due to variation orders agreed with our client), and an operating loss of US$ 25.1 million

incurred on the tanker inventory which was laid-up for most of the year following the collapse of the trading market;
- excellent operating performance from the Turnkey Services activities offset by full impairment (US$ 7.7 million) of the Pyrodriver installation tool, development of which has been discontinued;
- non-recurring gains of US$ 32.4 million from sale of assets in 2009 (MOPU/FSO Oguzhan) were marginally lower than the pre-tax gains of US$ 34 million realised in 2008 (sales of FPSOs Mystras, Tantawan Explorer and Alblasserdam South real estate). The FPSO Rang Dong I was sold in the last quarter of 2009 with the gain on sale of US$ 2 million matching the unit's lay-up costs incurred during the year;
- slightly higher R&D charge.

Dividend per share*
In US$

Restated for the four to one share split in 2006

As a percentage of the lower turnover, operating profit increased to 9.9% (2008: 9.0%). Before allocation of "Other" income and expenses, segmental EBIT margins were for Lease and Operate 21.4% (2008: 28.4%), Turnkey Systems 5.0% (2008: 0%) and Turnkey Services 20.3% (2008: 19.9%). The relative contributions to EBIT from the three segments were 54% from Lease and Operate, 30% from Turnkey Systems and 16% from Turnkey Services. In 2008 the corresponding split was 79% : 0% : 21%.

Non-allocated "Other" income and expenses relate mainly to the cost of general management and corporate functions and activities including Treasury, Finance, Tax, Risk Management, HSSE, Internal Assurance and IR, as well as the cost of various corporate improvement projects undertaken in 2009. The net cost of US$ 31 million in 2009 is compared with US$ 17 million in 2008, when notably the sale of the Alblasserdam South land realised a pre-tax gain of US$ 10 million.

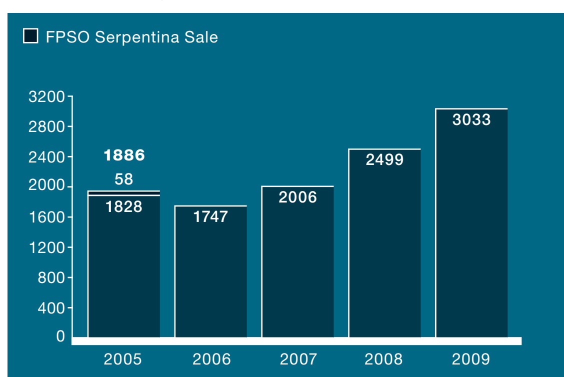
Net financing costs were 48.6% higher than in 2008 as a result of the beginning of the charters in 2008 of the FPSO Saxi Batuque and in 2009 of the FPSO Espirito Santo and Semi-Submersible Thunder Hawk. Once production units are brought into service the financing costs are expensed to P&L (whereas during construction interest is capitalised). It should be emphasised that the net profit contribution of newly operational leased units is limited by the relatively high interest burden during the first years of operation, although dedication of lease revenues to debt servicing leads to fast amortisation of the loan balances and hence reduced interest charges going forward. Interest income fell sharply in 2009 with the reduction in short-term US interest rates.

The reported Share of profit in associates was much lower in 2009 than in 2008 due to the termination of a lease structure related to one of the fleet units.

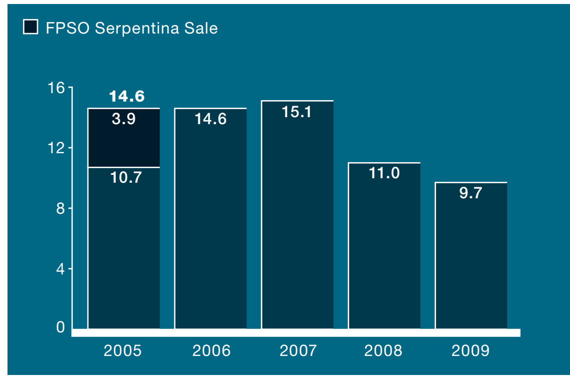
The 2009 tax burden was US$ 3.7 million (1.6% of profit before tax), reflecting in particular small losses in the Dutch and US operations of the Company, combined with the relatively low tax burden elsewhere. This compares to a net tax burden of US$ 9.4 million (4.0% of pre-tax profit) in 2008. The corporate tax burden excludes deemed profit taxes and withholding taxes levied outside each group company's country of incorporation, which are considered to be project costs and reported within cost of sales. In 2009 these taxes amounted to US$ 29 million (2008: US$ 22 million).

As reported earlier, and taking into account the higher number of shares, the dividend proposal will be US$ 0.67 per share, which represents a 50% pay-out ratio, payable in cash or in SBM Offshore shares with a rounding premium for those shareholders selecting the latter option. For the 2008 dividend a higher pay-out ratio was exceptionally applied.

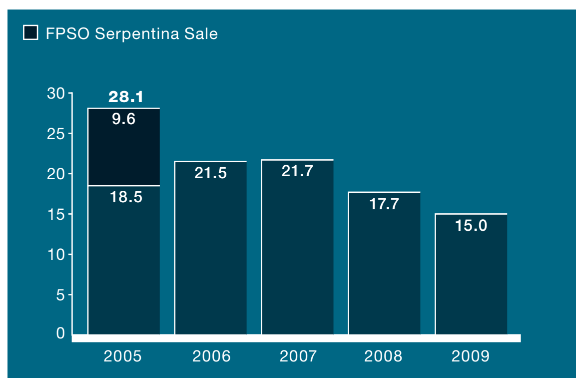
(Weighted) Average capital employed
In millions of US$



Return on average capital employed
(in %)



Return on average equity
(in %)



Return On Average Capital Employed and Equity

Capital Employed (Equity + Provisions + Deferred tax liability + Net Debt) at year-end 2009 is US$ 3,326 million which is US$ 585 million above last year's level due to the ongoing investments in leased production facilities (partly financed with new debt), the November equity issue plus retained profits and adjustments to equity in respect of derivative financial instruments. With the weakening of the US Dollar and the steepening of the yield curve for US interest rates, equity has been positively impacted by US$ 134 million in 2009 on marking to market the Company's portfolio of forward exchange contracts and interest rate swaps.

ROACE (Return On Average Capital Employed) decreased in 2009 to 9.7%, which is still well above the Company's weighted average cost of capital. This is the combined result of three main factors, namely:

- profitability from the Lease and Operate activities was impacted significantly by the impairment charge on the Yme MOPUstor™ and the tanker inventory costs;
- higher average capital employed finances assets still under construction (or brought into service during the year) without commensurate EBIT contribution;
- growth in capital employed was amplified by the movement in the market value of the exchange rate/ interest rate hedge portfolio.

Return On average Equity (ROE) at 15.0% was below the level achieved in recent years due to the same factors as mentioned above, plus the 9.2% equity issue of November 2009.

Cash flow / liquidities

US$ million	2005	2006	2007	2008	2009
Net profit	225.8	216.3	266.8	227.9	230.0
Depreciation and amortisation	206.8	223.3	246.3	255.0	319.8
Cash flow	432.6	439.6	513.1	482.9	549.8
EBITDA	482.2	477.5	548.3	530.1	613.3
Net liquidities/securities	144.8	339.7	274.1	230.1	146.7
Cash flow from operations*	831.0	592.4	331.1	577.0	459.2
EV: EBITDA ratio at 31/12	7.4	11.3	9.9	6.4	7.6
EBITDA: interest cover ratio	9.4	15.2	24.5	13.1	10.2

**As per the consolidated statement of cash flows*

Cash flow and EBITDA were each well above prior year due to the increased contribution from Turnkey Systems activities.

Net liquidities decreased to US$ 146.7 million, of which US$ 40.6 million can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilisation.

Statement of financial position

US$ million	2005	2006	2007	2008	2009
Capital employed	1,740.9	1,754.0	2,257.4	2,740.9	3,325.8
Shareholders' equity	895.0	1,118.7	1,333.4	1,234.7	1,802.6
Net Debt	804.7	585.8	874.7	1,464.0	1,464.0
Net gearing (%)	90	52	65	118	81
Net Debt: EBITDA ratio	1.7	1.2	1.6	2.76	2.39
Investment in fixed assets	398.5	309.0	551.3	999.8	656.0
Current ratio	0.78	1.14	1.15	0.79	0.91

- Shareholders' equity increased by 46% to US$ 1,802.6 million as a result of the share issue and the reduction of the negative value of 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. Capital employed increased by 21%.
- At 31 December 2009 the Company has undrawn committed long-term bank facilities totalling US$ 703 million (Revolving Credit Facility, Deep Panuke and Cachalote project loans) available for financing capital investment in 2010. The relevant banking covenants (principally Net Debt: EBITDA ≤ 3.75) are summarised in the notes to the Financial Statements and were all comfortably met.
- There continues to be no off-balance sheet financing.

Capital Expenditure

Total capital expenditure for 2009 (comprising of additions to property, plant & equipment plus capitalised development expenditure) amounted to US$ 656 million (2008: US$ 1,000 million). The majority of this total is related to new investment in the lease fleet for which the major elements are:

- completion of the Thunder Hawk Semi-Submersible for Murphy Oil and the FPSO Espirito Santo for Shell;
- ongoing expenditure on the conversion and equipment procurement for the MOPUstor™ jack-up facility for Talisman's Yme field in Norway, the MOPU gas platform for EnCana's Deep Panuke field in Canada, and the FPSO Capixaba upgrade for relocation to Petrobras' Cachalote field in Brazil;
- completion of Phase I of the Angolan yard Paenal;
- LNG FPSO development work and patents;
- a VLCC hull for future conversion into a FPSO.

The Company's investments comprise the external costs (shipyards, subcontractors, and suppliers), internal costs (manhours and expenses in respect of design, engineering, construction supervision, etc.), third party financial costs including interest, and such overhead allocation as allowed under IFRS. The total of the above costs (or a proportionate share in the case of joint ventures) is capitalised in the Company's consolidated balance sheet as the value of the respective facility. No profit is taken on completion/delivery of such a system for a lease and operate contract.

Capital expenditure in 2009 on the FPSO Aseng for Noble Energy 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 to be ultimately recorded in financial fixed assets.

Future IFRS changes

Certain IFRS standards are in the process of being amended or replaced. Some of these future amendments and replacements will impact the consolidated financial statements of the Company significantly although the timing of the implementation of such changes can not yet be established. The amendment of the existing standards follows the convergence with US GAAP and will solve current inconsistencies between several standards. The standards that will impact the financial statements relate to revenue recognition, joint venture treatment in the consolidated financial statements and lease accounting.

The revised revenue recognition standard will eliminate current inconsistencies between the revenue recognition standard, the standard for construction contracts and recognition criteria. The proposal of the IASB is to recognise revenue once a contractual performance obligation is met. For the Company this might lead to a different revenue recognition pattern and hence to a different gross margin recognition pattern compared to the currently used cost to cost method of measuring progress.

Joint ventures are now proportionately consolidated in the financial statements of the Company. The proposed amendments describe the treatment of all jointly controlled entities. Based on the new standard to be issued the Company will review the current treatment of its jointly controlled entities in the financial statements and such review might lead to joint ventures being either fully consolidated or recognised as an investment in the statement of financial position (with proportionate consolidation no longer an alternative). This may have a significant impact on consolidated turnover, EBITDA, EBIT, property, plant & equipment, net debt and other elements of the financial statements.

The standard for lease accounting aims to include all lease contracts within the statement of financial position. First the existing standard will be replaced for lessees. For lessors the current standard will continue to exist with an amendment planned to be issued later. At this moment it is therefore not possible to describe the impact on the financial statements of the Company.

Financial Statements

Consolidated income statement

For the years ended 31 December

In thousands of US$	Notes		2009		2008*
Revenue	1	2,956,545		3,060,276	
Cost of Sales		(2,504,211)		(2,661,318)	
Gross margin			**452,334**		**398,958**
Other operating income	2	1,080		10,345	
Selling and marketing expenses	2	(57,102)		(40,556)	
General and administrative expenses	2	(80,072)		(72,318)	
Other operating expenses	2	(22,801)		(21,365)	
			(158,895)		**(123,894)**
Operating profit (EBIT)			**293,439**		**275,064**
Financial income	4	17,278		24,932	
Financial expenses	4	(77,248)		(65,276)	
Net financing costs			**(59,970)**		**(40,344)**
Share of profit of associates			185		2,535
Profit before tax			**233,654**		**237,255**
Income tax	6		(3,673)		(9,380)
Profit			**229,981**		**227,875**

Restated for comparison purposes

	2009	2008
Attributable to shareholders	221,001	223,172
Attributable to non-controlling interests	8,980	4,703
Profit	**229,981**	**227,875**

	Notes	2009	2008
Weighted average number of shares outstanding		150,100,926	144,659,503
Basic earnings per share	7	US$ 1.47	US$ 1.54
Fully diluted earnings per share	7	US$ 1.46	US$ 1.53

Consolidated statement of comprehensive income

In thousands of US$	Notes		2009		2008
Profit for the period			**229,981**		**227,875**
OTHER COMPREHENSIVE INCOME					
Cash flow hedges, net of tax	19	133,913		(269,475)	
Currency translation differences, net of tax	19	13,646		(10,667)	
Other comprehensive income for the period, net of tax			**147,559**		**(280,142)**
Total comprehensive income for the period			**377,540**		**(52,267)**

	2009	2008
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Attributable to shareholders	368,332	(56,781)
Attributable to non-controlling interests	9,208	4,514
	377,540	**(52,267)**

Consolidated statement of financial position

at 31 December (before appropriation of profit)

In thousands of US$	Notes	2009	2009	2008	2008
ASSETS					
Property, plant and equipment	9	2,830,302		2,565,388	
Intangible assets	10	61,421		46,782	
Investment in associates		46		69	
Other financial assets	11	377,234		420,372	
Deferred tax asset	12	13,087		12,922	
Total non-current assets			**3,282,090**		**3,045,533**
Inventories	13	25,763		23,305	
Trade and other receivables	14	681,562		672,795	
Income tax receivable	15	3,014		829	
Construction contracts	16	458,234		292,542	
Derivative financial instruments	17	61,106		79,661	
Cash and cash equivalents	18	146,712		230,329	
Total current assets			**1,376,391**		**1,299,461**
TOTAL ASSETS			**4,658,481**		**4,344,994**
EQUITY AND LIABILITIES					
Equity attributable to shareholders	19				
Issued share capital		58,963		50,885	
Share premium reserve		632,963		383,274	
Retained earnings		1,216,343		1,053,780	
Other reserves		(105,652)		(253,211)	
		1,802,617		1,234,728	
Non-controlling interests		14,215		6,207	
Total equity			**1,816,832**		**1,240,935**
Long-term loans and other liabilities	20	1,282,468		1,430,319	
Provisions	21	43,924		35,275	
Deferred tax liability	22	1,048		709	
Total non-current liabilities			**1,327,440**		**1,466,303**
Trade and other payables	23	1,005,421		1,039,467	
Current income tax liabilities		8,431		21,144	
Borrowings and bank overdrafts	24	328,237		263,970	
Derivative financial instruments	25	172,120		313,175	
Total current liabilities			**1,514,209**		**1,637,756**
TOTAL EQUITY AND LIABILITIES			**4,658,481**		**4,344,994**

Consolidated statement of changes in equity

In thousands of US$	Outstanding number of shares	Issued share capital	Share premium reserve	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Attributable to shareholders							
	Note 19	Note 19	Note 19	Note 19	Note 19			
At 1 January 2008	**143,323,681**	**52,750**	**363,057**	**890,697**	**26,933**	**1,333,437**	**4,297**	**1,337,734**
Profit for the year		-	-	223,172	-	223,172	4,703	227,875
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)
Comprehensive income for the period		**(2,740)**	**-**	**226,103**	**(280,144)**	**(56,781)**	**4,514**	**(52,267)**
Share based payments		-	-	16,844	-	16,844	-	16,844
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**
Profit for the year		-	-	221,001	-	221,001	8,980	229,981
Foreign currency translation		1,591	-	(1,819)	13,646	13,418	228	13,646
Cash flow hedges/ net investment hedges		-	-	-	133,913	133,913	-	133,913
Comprehensive income for the period		**1,591**	**-**	**219,182**	**147,559**	**368,332**	**9,208**	**377,540**
Share issue	13,896,880	4,835	241,842	-	-	246,677	-	246,677
Share based payments	-	-	-	13,300	-	13,300	-	13,300
Stock dividend	4,221,744	1,409	(1,409)	-	-	0	-	0
Share options/ bonus shares	727,368	243	9,256	-	-	9,499	-	9,499
Cash dividend	-	-	-	(69,919)	-	(69,919)	(1,200)	(71,119)
At 31 December 2009	**164,459,980**	**58,963**	**632,963**	**1,216,343**	**(105,652)**	**1,802,617**	**14,215**	**1,816,832**

**The proposed appropriation of the profit for the year is set out in the other information on page 160 of the annual report*

Within retained earnings an amount of US$ 100.7 million (2008: US$ 102.0 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$ 30.9 (2008: US$ 15.4 million) should be maintained in respect of capitalised development expenditures.

Consolidated cash flow statement

For the years ended 31 December

In thousands of US$		2009		2008
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	2,631,497		2,958,493	
Payments to suppliers and employees	(2,153,705)		(2,376,261)	
Income tax received / (paid)	(18,572)		(5,254)	
Net cash from operating activities		**459,220**		**576,978**
CASH FLOW FROM INVESTING ACTIVITIES				
Interest received	14,385		22,861	
Interest paid	(69,447)		(64,017)	
Investment in property, plant and equipment	(635,768)		(987,570)	
Investment in intangible assets	(15,945)		(12,217)	
Investment in associated and group companies	(906)		-	
Disposals of property, plant and equipment	801		9,833	
Dividends received from associated companies	-		2,535	
Net cash from investing activities		**(706,880)**		**(1,028,575)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	254,522		12,141	
Additions to borrowings and loans	463,746		682,350	
Repayments of borrowings and loans	(481,913)		(204,967)	
Investments in other financial assets	(10,052)		(1,488)	
Dividends paid to shareholders	(69,919)		(79,864)	
Net cash from financing activities		**156,384**		**408,172**
Net increase in cash and cash equivalents		**(91,276)**		**(43,425)**
Cash and cash equivalents at 1 January		230,137		274,088
Currency differences		7,851		(526)
Cash and cash equivalents at 31 December		**146,712**		**230,137**

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

	2009	2008
Cash and cash equivalents	146,712	230,329
Bank overdrafts	-	(192)
Cash and cash equivalents at 31 December	**146,712**	**230,137**

Notes to the consolidated financial statements

General information

SBM Offshore N.V. is a company domiciled in Rotterdam, the Netherlands. SBM Offshore N.V. is the holding company of a group of international, marine technology oriented companies. The consolidated financial statements for the year ended 31 December 2009 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 25 February 2010.

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 2009. The consolidated financial statements are presented in thousands of US Dollars. The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments that are stated at fair value.

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".

The allocation of IFRS 2: 'Share-based' payments, to the various segments has been changed during the course of 2009. The costs were mainly allocated to the general and administrative expenses and are with the new principle allocated based on the segment in which the employees are allocated. The comparative 2008 figures are adjusted accordingly. The change impacted neither the equity nor the profit reported in the 2008 financial statements.

Overview IFRS developments

(a) Standards, amendments and interpretations effective in 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 has applied IFRS 2 (Amendment) from 1 January 2009. The amendment has no impact on the Company's financial statements.
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure non-controlling interest

in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. 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 7, 'Financial Instruments – Disclosures' (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the previously reported turnkey segment has been split into Turnkey Systems and Turnkey Services segments.
  Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (hereafter referred to as: CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Management. Reference is made to the summary of significant accounting policies paragraph on segmentation and note 1 of the notes to the financial statements for further information.
- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits 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' are required to be shown in a performance statement.
  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).
  The Company has elected to present two statements: an income statement and a statement of comprehensive income. The Company's financial statements have been prepared under the revised disclosure requirements.
- 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 applies this standard but the change has no impact on 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 has applied 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 applied the amendment and the required disclosures are included in the Company's financial statements.
- 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', apply to the hedged item. The Company applied this amendment as from 1 January 2009 but with no impact on the Company's financial statements.

(b) Standards, amendments and interpretations effective in 2009 but not relevant.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not relevant to the Company's operations:

- IFRS 1 (amendment), 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment 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 to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those costs is removed. The amendment has no impact on the Company's financial statements as the Company already capitalised directly attributable borrowing costs.
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).
- IFRIC 17, 'Distribution of Non-cash Assets to Owners' (effective from 1 July 2009).
- IFRIC 18, 'Transfers of Assets from Customers' (effective from 1 July 2009).
- Other improvements to IFRSs 2008. The IASB issued amendments to various standards collectively referred to as "Improvements to IFRSs". The amendments were separated into Part I and Part II. Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes. Part II includes 11 terminology or editorial amendments that the IASB expected to have either no or only minimal effects on accounting. The amendments are effective as from 1 January 2009 except the amendment to IFRS 5, 'Non-current assets Held for Sale and Discontinued Operations', which is effective as from 1 July 2009. The effect of the amendments, if not separately disclosed, have no to very limited (only wording) effect on the Company's financial statements.

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

- IFRS 9, 'Financial Instruments' (effective from 1 January 2013).
- IAS 24 (amendment), 'Related Party Disclosures' (effective from 1 January 2011).
- IFRIC 14 (amendment), 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their interactions' (effective from 1 January 2011).
- Improvements to IFRSs (2009). The IASB issued amendments to various standards with various effective dates. The improvements to IFRSs 2009 comprise 15 amendments to 12 standards. It is expected that the amendments will have no to very limited impact on the Company's financial statements.

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

- IFRS 1 (amendment), 'First time adoption of IFRS' (effective from 1 January 2010)
- IFRS 2 (amendment), 'Share-based Payments, Group Cash-settled Share-based Payments' (effective from 1 January 2010).
- IAS 32 (amendment), 'Financial Instruments: Presentation', Classification of rights issues (effective from 1 February 2010).
- IFRIC 19, 'Extinguishing Financial liabilities with Equity' (effective from 1 July 2010).

Consolidation

Subsidiaries

Subsidiaries are entities (including special purpose entities) controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that presently are exercisable or convertible are considered when assessing whether the Company controls another entity. The figures of the subsidiaries are included in the financial statements from the date that control commences until such control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, 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 non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Transactions and non-controlling interests

The Company applies a policy of recognizing trading transactions with non-controlling interests as transactions with external parties. Disposals to non-controlling interests result in gains and losses for the Company and are recorded in the income statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the non-controlling interest.

Associates

Associates are those entities for which the Company has significant influence, but not control, over the financial and operating policies. The financial statements include the Company's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associates includes goodwill identified on acquisitions, net of any accumulated impairment loss.

Joint ventures
The Company's interest in joint ventures are accounted for by proportionate consolidation, from the date that joint control commences until the date that joint control ceases. Joint ventures are those entities over whose activities the Company has joint control, established by contractual arrangement.

The Company combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements. The Company recognises the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other venturers. The Company does not recognise its share of profits or losses from the joint venture that result from the Company's purchase of assets from the joint venture until it sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Transactions eliminated on consolidation
Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions (which are made at arms length), are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Company's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Management.

Foreign currency translation
Functional and reporting currency
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the offshore oil and gas activities is the US Dollar. The consolidated financial statements are presented in US Dollars, which is the reporting currency of the Company.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

At year-end 2009 the most important rate was the Euro at US$ 1.434 (opening 2009: US$ 1.398). The average Euro rate amounted to US$ 1.392 (2008: US$ 1.469).

Group companies
The result and financial position of all group companies that have a functional currency different from the reporting currency are translated into the reporting currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at the average exchange rate (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity (Translation reserve).

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

Leases: Accounting by lessor
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases.

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 from operating leases is recognised over the term of the lease on a straight line basis. This implies the recognition of deferred income in the balance sheet when the contractual dayrates are not constant during the original term of the lease contract.

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, with the exception of the Thunder Hawk facility. The depreciation charge for the Thunder Hawk facility is calculated based on its future anticipated economic benefits. This results in a depreciation charge partly based on the units of production method and for the other part based on the straight line method. Investment subsidies (with the exception of investment premiums) are directly deducted from the historical costs of the assets.

The anticipated useful lives of the categories of property, plant and equipment are as follows:

LAND AND BUILDINGS (UNLESS UNLIMITED LIVES)	30-50 years
VESSELS AND FLOATING EQUIPMENT:	
– converted tankers, including refurbishment;	10-20 years
– 'non-recoverable' 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 assets' residual values are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds (less attributable costs) with the carrying amount. These are included in the income statement.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. All business combinations are accounted for by applying the purchase method. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. In respect of business acquisitions occurring after 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which is the amount recorded under Dutch GAAP.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units are the 7 identified operating units.

Patents

Separately acquired patents are shown at historical cost. Patents acquired in a business combination are recognised at fair value at the acquisition date. Patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of 15 years. The 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 non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at each balance sheet date.

Recoverable amounts are determined based on value-in-use calculations. These calculations require the use of estimates.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Financial assets

The Company classifies its financial assets in the following categories: 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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables include financial lease receivables, other loans and receivables and other financial assets.

Impairment of financial assets

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- national or local economic conditions that correlate with defaults on the financial assets.

The Company first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement. Impairment on trade and other receivables is described in the accounting policy with respect to trade and other receivables.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories comprise semi-finished products, finished products and spare parts. Semi-finished and finished products are valued at cost including attributable overhead. Spare parts are stated at the lower of purchase price and market value.

Construction 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.

Trade and other receivables
Trade receivables are amounts due from customers for sales performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the income statement.

Derivative financial instruments and hedging activities
The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such financial instruments are initially recognised at fair value on

the date on which a financial contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative financial instruments are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on financial instruments that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles using quoted market rates. The fair value of interest rate swap contracts is determined by reference to market rates for similar contracts.

For hedge accounting, hedges are classified as:
- fair value hedges when hedging exposure to changes in fair value of a recognised asset or liability or a firm commitment (fair value hedge);
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge);
- hedges of net investments in a foreign operation (net investment hedge).

At the inception of the transaction, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instruments, the hedged item, or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in the fair value of the hedged item or cash flows and are assessed periodically to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The Company uses cash flow hedges and hedges of net investments in a foreign operation.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows: the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are added or deducted from the recognised value of the hedged item upon its recognition and to the income statement when the hedged transaction affects the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecasted transaction is ultimately recognised in the income statement.

If the forecasted transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 17 of the financial statements. Movements in the hedging reserve in equity attributable to shareholders are shown in note 19 of the notes to the financial statements.

Cash and cash equivalents
Cash and cash equivalents consist primarily of highly liquid investments, such as bank deposits. Bank overdrafts are shown in borrowings and bank overdrafts as part of current liabilities in the balance sheet.

Share capital
Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

When any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's share holders until the shares are cancelled or reissued. Where such shares

are subsequently reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in equity attributable to the Company's share holders.

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 date. As of 2007 the attributable transaction costs are capitalised in financial assets and amortized to net interest expenses based on the expected repayment period of the debt for which the costs were capitalised. Before 2007 the attributable transaction costs were capitalised in the related property, plant and equipment. Reference is made to note 11 of the notes to the financial statements for details of capitalised transaction costs.

Deferred income tax
Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits
Pension obligations
Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or are defined as multi employer plans. The payments in each case are determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Company pays fixed contributions to public or private pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions to defined contribution plans and multi-employer plans, are recognised as an expense in the income statement as incurred.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions exceeding 10% of the value of plan assets or 10% of the defined benefit obligation are taken to the income statement over the expected average remaining working lives of the employees in the related plan.

Past-service costs are recognised immediately 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 predetermined number of service years. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Share based payments
Within the Company there are four types of share based payments: share option plan (until 2008), RSU/PSU (as of 2009), performance shares and matching bonus shares. All types of share based payments qualify as equity settled plans.

The estimated total amount to be expensed over the vesting period related to share based payments is determined by reference to the fair value of the instruments determined at the grant date, excluding the impact of any non-market vesting conditions. Non market-vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. Main assumptions for estimates are revised at balance sheet date. Total cost for the period is charged or credited to the income statement, with a corresponding adjustment to equity. The proceeds received on exercise of the options net of any directly attributable costs are credited to equity. Fair value of share options is calculated using the average of the Black & Scholes and binomial valuation models.

When equity instruments are exercised the Company issues new shares.

Provisions
General
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, when appropriate, the risk specific to the liability. Subsequently, the interest accrued on discounted provisions will be recognised as financial expenses. Discounting of provisions mainly concerns fleet demobilisation obligations.

Reorganisation
Provisions for reorganisation costs relate to costs for termination of employment and onerous contracts.

Demobilisation obligations
The provision for demobilisation obligations relates to estimated costs for demobilisation of leased facilities at the end of the respective lease period. The net present value of the future obligations is included in property, plant and equipment with a corresponding amount included in the provision for demobilisation. As the remaining duration of each lease reduces, and the discounting effect on the provision unwinds, accrued interest is recognised as part of financial expenses and added to the provision.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

Construction contracts
As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement using the 'percentage-of-completion method'. The stage of completion is measured by reference to the total cost incurred up to the end of the reporting period as a percentage of the total estimated cost for each contract, unless the physical progress significantly differs. An expected loss on a contract is recognised immediately in the income statement.

Variations in contract work, claims and incentive payments are included in the contract revenue to the extent negotiations with the customer are sufficiently far advanced and the outcome is capable of being reliably measured.

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 using the 'percentage-of-completion method'. The stage of completion is measured by reference to the total cost incurred up to the end of the reporting period as a percentage of the total estimated cost for each contract, unless the physical progress significantly differs.

An expected loss on a contract is recognised immediately in the income statement.

Variations in contract work, claims and incentive payments are included in the contract revenue to the extent negotiations with the customer are sufficiently far advanced and the outcome is capable of being reliably measured.

Income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 information

Management has determined the operating segments based on the reports reviewed by the Board of Management that are used to make strategic decisions, comprising information from the individual business units and from a product and services perspective. The Company's reportable segments are identified as follows:
* Lease and Operate
* Turnkey Systems
* Turnkey Services
* Other. The “other” category consists of corporate overhead functions and other units

For management purposes, the Company is organized into seven operating units based on their products and services. For financial reporting purposes the Turnkey Systems segment combines the results of five of these units being SBM Monaco, SBM Atlantia, SBM Gusto, SBM MSC and SBM Malaysia.

The Turnkey Systems segment derives its revenues from turnkey supply contracts. Turnkey supply contracts consist of among others: large production systems, large mooring systems, deepwater export systems, fluid transfer systems, tanker loading and discharge terminals, supply of drilling units, design services and supply of special components and proprietary designs and equipment. The Turnkey Services segment derives its revenues from offshore contracting and after sales services. The Lease and Operate segment comprises the total of earned day-rates on long-term operating lease and operate contracts. In the case of a finance lease revenue is recognized during the construction period within the Turnkey Systems segment and, where installation activities are effected, within the Turnkey Services segment. As of the commencement date of the finance lease contract the interest income is shown in the Lease and Operate segment.

Management monitors the operating results of operating segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on net result which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Inter-segment revenues are made at prices that approximate market prices.

Period ending 31 December 2009

In thousands of US$	Lease and Operate	Turnkey Systems	Turnkey Services	Other	Eliminations and adjustments	**Consoli-dated**
REVENUES						
Third party	815,995	1,909,679	230,871	-	-	2,956,545
Inter-segment	-	14,817	30,704	-	(45,521)	0
Total revenues	**815,995**	**1,924,496**	**261,575**	**-**	**(45,521)**	**2,956,545**
PROFIT						
Gross margin	195,344	187,255	69,735	-	0	452,334
Other operating income	207	688	-	185	-	1,080
Selling and marketing	(9,046)	(38,924)	(9,132)	-	-	(57,102)
General and administrative	(8,201)	(36,330)	(4,099)	(31,442)	-	(80,072)
Other operating expenses	(3,473)	(15,855)	(3,473)	-	-	(22,801)
EBIT	**174,831**	**96,834**	**53,031**	**(31,257)**	**0**	**293,439**
Net financing costs						(59,970)
Income tax expense						(3,673)
Share of profit of associates						185
Profit						**229,981**
EBITDA						
EBIT	174,831	96,834	53,031	(31,257)	0	293,439
Depreciation and amortization and impairment	291,274	13,255	14,174	1,135	-	319,838
EBITDA	**466,105**	**110,089**	**67,205**	**(30,122)**	**0**	**613,277**
OTHER SEGMENT INFORMATION						
Impairment charges	32,428	-	7,670	-	-	40,098
Segment Assets	3,558,694	780,155	196,123	123,509	-	4,658,481
Investments in associates	-	46	-	-	-	46
Capital expenditure	602,283	36,392	7,148	10,143	-	655,966
Segment liabilities	2,136,102	483,450	125,513	96,584	-	2,841,649

Period ending 31 December 2008

In thousands of US$	Lease and Operate	Turnkey Systems	Turnkey Services	Other	Eliminations and adjustments	**Consoli-dated**
REVENUES						
Third party	810,158	1,983,615	266,503	-	-	3,060,276
Inter-segment	-	-	41,130	-	(41,130)	0
Total revenues	**810,158**	**1,983,615**	**307,633**	**-**	**(41,130)**	**3,060,276**
PROFIT						
Gross margin	252,583	70,560	75,815	-	0	398,958
Other operating income	44	356	-	9,945	-	10,345
Selling and marketing	(11,536)	(22,289)	(6,731)	-	-	(40,556)
General and administrative	(6,589)	(35,620)	(3,295)	(26,814)	-	(72,318)
Other operating expenses	(4,560)	(12,245)	(4,560)	-	-	(21,365)
EBIT	**229,942**	**762**	**61,229**	**(16,869)**	**0**	**275,064**
Net financing costs						(40,344)
Income tax expense						(9,380)
Share of profit of associates						2,535
Profit						**227,875**
EBITDA						
EBIT	229,942	762	61,229	(16,869)	0	275,064
Depreciation and amortization and impairment	235,681	12,578	6,399	335	-	254,993
EBITDA	**465,623**	**13,340**	**67,628**	**(16,534)**	**0**	**530,057**
OTHER SEGMENT INFORMATION						
Impairment charges	-	-	-	-	-	-
Segment Assets	3,361,756	708,604	141,289	133,345	-	4,344,994
Investments in associates	24	45	-	-	-	69
Capital expenditure	938,976	53,169	2,511	5,131	-	999,787
Segment liabilities	2,335,211	535,240	118,548	115,060	-	3,104,059

There were no contingent-based rents recognised in the 2009 income statement (2008: nil).

Sales between segments are carried out at arm's length. The revenue to third parties reported to the Chief Operating Decision Maker is measured in a manner consistent with that in the income statement.

The amounts provided to the Chief Operating Decision Maker with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment.

Geographical segments
The revenues from external customers can be analysed by geographical segment as follows:

In thousands of US$	2009	2008
Netherlands	19,035	30,994
Angola	300,118	365,793
Australia	227,999	100,575
Brasil	1,391,665	1,465,549
USA	106,975	25,066
Norway	221,415	162,267
Malaysia	66,400	60,715
Other	622,938	849,317
Total revenues from external customers	**2,956,545**	**3,060,276**

The classification by geographical area is determined by the final destination of the product.

The location of the non-current assets by geographical segment is as follows:

In thousands of US$	2009	2008
Netherlands	14,326	21,056
Angola	527,318	577,503
Australia	-	-
Brasil	835,808	851,440
USA	510,415	464,006
Norway	511,076	378,153
Malaysia	165,360	182,509
Other	717,787	570,866
Total non-current assets	**3,282,090**	**3,045,533**

Reliance on major customers
There are several major customers identified in the Lease and Operate segment, the Turnkey Systems segment and the Turnkey Services segment. Total revenues from the top three major customers amount to US$ 1,394.5 million (2008: US$ 1,375.9 million).

2. Other income and expenses

Other operating income

In thousands of US$	2009	2008
Net gains on disposal of PP&E	147	9,802
Other operating income	933	543
Other operating income	**1,080**	**10,345**

The 2008 income mainly relates to the sale of Alblasserdam South land. Reference is made to the narratives under the 2008 information on the nature of expenses table.

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 2009 and 2008:

In thousands of US$	Lease and operate	Turnkey Systems	Turnkey Services	Selling and marketing	General and adminis-trative expenses	Other expenses	Total
Revenue 3rd parties	815,995	1,909,679	230,871	-	-	-	2,956,545
Cost of sales	(620,651)	(1,722,424)	(161,136)	-	-	-	(2,504,211)
Gross margin	**195,344**	**187,255**	**69,735**	**-**	**-**	**-**	**452,334**
Other operating income	207	688	-	-	185	-	1,080
Employee benefits	(140,161)	(314,667)	(37,992)	(18,565)	(59,736)	(13,900)	(585,021)
Selling expenses	-	-	-	(29,346)	-	-	(29,346)
Depreciation, amortisation and impairment	(289,556)	(9,253)	(13,241)	(146)	(6,777)	(865)	(319,838)
Other operating costs	(200,554)	(44,029)	(37,328)	(9,045)	(13,559)	(8,036)	(312,551)
Transfer to cost of sales	630,271	367,949	88,561	-	-	-	1,086,781
Total expenses	**0**	**0**	**0**	**(57,102)**	**(80,072)**	**(22,801)**	**(159,975)**
Allocation of Selling and Marketing, General and administrative and other expenses	(20,720)	(91,109)	(16,704)	57,102	48,630	22,801	0
Operating profit (EBIT) 2009	**174,831**	**96,834**	**53,031**	**0**	**(31,257)**	**0**	**293,439**

Sale of MOPU/FSO Oguzhan

In June 2009 Petronas Carigali has exercised its purchase option over the MOPU and FSO facilities (MOPU/FSO Oguzhan) currently operating in Turkmenistan. The execution of the purchase option generated a non-recurring turnover of US$ 51.5 million, and a post-tax profit of around US$ 32.4 million, included in the Turnkey Systems segment, and cash flow resulting from this transaction is included in the cash flow from operating activities.

In thousands of US$	Lease and operate	Turnkey Systems	Turnkey Services	Selling and marketing	General and adminis-trative expenses	Other expenses	**Total**
Revenue 3rd parties	810,158	1,983,615	266,503	-	-	-	**3,060,276**
Cost of sales	(557,575)	(1,913,055)	(190,688)	-	-	-	**(2,661,318)**
Gross margin	**252,583**	**70,560**	**75,815**	**-**	**-**	**-**	**398,958**
Other operating income	44	356	-	-	9,945	-	**10,345**
Employee benefits	(138,943)	(309,798)	(45,860)	(17,645)	(71,555)	(6,970)	**(590,771)**
Selling expenses	-	-	-	(16,542)	-	-	**(16,542)**
Depreciation, amortisation and impairment	(234,118)	(8,068)	(5,623)	(178)	(6,632)	(373)	**(254,992)**
Other operating costs	(198,561)	(30,778)	(25,942)	(6,191)	5,869	(14,022)	**(269,625)**
Transfer to cost of sales	571,622	348,644	77,425	-	-	-	**997,691**
Total expenses	**0**	**0**	**0**	**(40,556)**	**(72,318)**	**(21,365)**	**(134,239)**
Allocation of Selling and Marketing, General and administrative and other expenses	(22,685)	(70,154)	(14,586)	40,556	45,504	21,365	**0**
Operating profit (EBIT) 2008	**229,942**	**762**	**61,229**	**0**	**(16,869)**	**0**	**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 Systems 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 Systems segment.

Sale of Alblasserdam South land

On the 16th of April 2008 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 amounted to US$ 31.4 million.

KPMG Fees

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

In thousands of US$	**2009**	**2008**
Audit fees	787.4	756.2
Audit related fees	124.6	79.9
Tax fees	166.9	289.2
Other	249.3	-
Total	**1,328.2**	**1,125.3**

Minimum lease payments
The Company leases facilities under various operating lease agreements, which terminate between 2010 and 2027. A number of agreements include extension options. The nominal values of the future expected bareboat receipts (minimum lease payments of leases) in respect of operating lease contracts are:

In millions of US$	2009	2008*
Within 1 year	500	554
Between 1 and 5 years	2,238	2,063
After 5 years	2,102	1,568
Total	**4,840**	**4,185**

**restated for comparison purposes*

3. Employee benefit expense

Information with respect to employee benefits

In thousands of US$	2009	2008
Wages and salaries	328,884	318,704
Social security costs	40,004	36,051
Contributions to defined contribution plans	29,706	28,248
Increase in liability for defined benefit plans	2,976	3,192
Increase in liability for other employee benefits	965	1,714
Equity settled transactions (share based payments)	13,300	16,844
Other employee benefits	169,186	186,018
Total employee benefits	**585,021**	**590,771**

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 thousands of US$	2009	2008	2009	2008	2009	2008
	Pension plans		Other employee benefits		Total	
Current service cost	1,879	1,293	-	-	1,879	1,293
Interest cost on benefit obligation	1,961	2,196	-	-	1,961	2,196
Expected return on plan assets	(2,183)	(2,402)	-	-	(2,183)	(2,402)
Other expenses	1,319	2,105	965	1,714	2,284	3,819
Net benefit expense	**2,976**	**3,192**	**965**	**1,714**	**3,941**	**4,906**

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

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

In thousands of US$	2009	2008	2009	2008	2009	2008
	Pension plans		Other employee benefits		Total	
Defined benefit obligation	70,336	57,195	5,840	5,202	67,472	62,397
Fair value of plan assets	(67,431)	(48,173)	-	-	(58,727)	(48,173)
	2,905	**9,022**	**5,840**	**5,202**	**8,745**	**14,224**
Unrecognised net actuarial gains/(losses)	1,744	(5,635)	-	-	1,744	(5,635)
Benefit (asset)/liability	**4,649**	**3,387**	**5,840**	**5,202**	**10,489**	**8,589**

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

In thousands of US$	2009	2008	2007	2006	2005
Present value defined benefit obligation	70,336	57,195	62,626	50,156	36,341
Fair value of plan assets	(67,431)	(48,173)	(52,497)	(42,648)	(32,378)
Deficit / (Surplus)	**2,905**	**9,022**	**10,129**	**7,508**	**3,963**

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

In thousands of US$	2009	2008
Opening defined benefit obligation	57,195	62,626
Interest cost	1,961	2,196
Current service cost	1,879	1,293
Benefits paid	(1,822)	(1,725)
Actuarial (gains)/losses on obligation	-	(6,854)
Other movements	9,550	2,708
Exchange differences on foreign plans	1,573	(3,049)
Closing defined benefit obligation at 31 December	**70,336**	**57,195**

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

In thousands of US$	2009	2008
Opening fair value of plan assets	(48,173)	(52,497)
Expected return	(2,183)	(2,402)
Contributions by employer	(1,837)	(4,999)
Benefits paid	1,822	1,725
Actuarial (gains)/losses	(5,983)	8,035
Other movements	(9,550)	(602)
Exchange differences on foreign plans	(1,527)	2,567
Closing fair value of plan assets at 31 December	**(67,431)**	**(48,173)**

The other movements relate mainly to a newly included defined benefit plan as sufficient information to prepare the calculations became available in 2009.

The Company expects to contribute US$ 2.8 million to its defined benefit pension plans in 2010.

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

	2009	2008
	%	%
Cash	2.9	3.7
Equities	18.1	13.1
Bonds	79.0	83.2
	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:

	2009	2008
	%	%
Discount rate	3.5	3.5
Expected rate of return on assets	3.2	5.0
Future salary increases	4.0	4.0
Future pension increases	0.0	0.0

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$ 12.2 million (2008: US$ 17.9 million). The performance related part of the remuneration equals (comprising both STI and LTI components) 37% (2008: 49%).

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:

In thousands of US$	Salary, burden and emoluments	Termination benefits	Bonus	Pension costs	IFRS 2 costs of share based payments	2009 Total	2008 Total
A.J. Mace (from 15 May 2008)	835	-	466	752	589	2,642	1,000
M.A.S. Miles (from 15 May 2008)	702	-	439	47	(49)	1,139	941
D. Keller (to 15 May 2008)	-	-	207	-	(348)	(141)	2,384
Other key management personnel	3,380	475	2,209	1,503	987	8,554	13,572
	4,917	**475**	**3,321**	**2,302**	**1,179**	**12,194**	**17,897**

The bonus is performance related in respect of the previous year, based on Economic Profit. There are no guarantees or obligations towards or on behalf of the Board of Management.

In 2008 the existing LTI for the Board of Management was amended to a performance shares only plan as part of the new Remuneration Policy, and adopted by the Annual General Meeting of Shareholders, in replacement of the 2005 LTI, consisting of a combination of Share options and Performance shares.

Share Option Plan

In 2009 it has been decided to replace the Share Option Plan by Performance Shares and Restricted Shares, which then has been fully implemented (see under the heading of PSU/RSU plan).

This replaces the share option plan, originally introduced in 1991 to allow management and senior staff of the Group companies to acquire shares of the Company. As from 2008 the Board of Management was already excluded from this plan by amending the LTI (see above). Through 2008, around one hundred and forty senior employees participated. The annual issue of options was based on the preceding year's financial results and individual performance. All options were 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 were (2009 not applicable anymore):

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

The share volatility parameter is derived from the average of the historic 3-year and 5-year volatility at grant date.

During the financial year no share options were issued (2008: 2,357,300). The number of outstanding options for both 31 December 2009 and 31 December 2008 can be summarised as follows:

Year	Number at 1 January 2009	Granted in 2009	Exercised in 2009	Forfeited / expired in 2009	Number at 31 December 2009	Exercise price in €	Exercisable
2004	568,400	-	568,400	-	0	9.49	
2005	1,668,000	-	36,000	-	1,632,000	12.86	1,632,000
2006	1,527,000	(130,000)	-	28,000	1,369,000	19.05	1,369,000
2007	1,749,000	-	-	84,000	1,665,000	25.91	-
2008	1,693,100	-	-	88,000	1,605,100	25.82	-
Total	**7,205,500**	**(130,000)**	**604,400**	**200,000**	**6,271,100**		**3,001,000**
Weighted average exercise price in €	20.12	19.05	9.69	24.91	20.99		
Average price at exercise in €			12.32				

Year	Number at 1 January 2008	Granted in 2008	Exercised in 2008	Forfeited / expired in 2008	Number at 31 December 2008	Exercise price in €	Exercisable
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	22.2	10.45	22.93	20.12		
Average price at exercise in €			22.78				

Instruments granted in 2009 with respect to 2006 is a negative movement which reflects the non-vesting of performance related stock options as included under the LTI with original exercise price.

The remaining average contractual life of the outstanding options as at 31 December 2009 is 1.92 years (2008: 2.73 years).

The expiry dates of the stock options are as follows:

Year	End of vesting period	Expiry date
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 (Former) Managing Directors, key management personnel and other personnel for the year 2009:

	Number at 1 January 2009	Granted in 2009	Exercised in 2009	Forfeited / expired in 2009	Number at 31 December 2009	Exercisable
A.J. Mace	156,000	-	28,000	-	128,000	84,000
Weighted average exercise price in €	17.68	-	9.49	-	19.47	
Average price at exercise in €			12.18			
M.A.S. Miles	178,000	(30,000)	16,000	-	132,000	102,000
Weighted average exercise price in €	15.80	19.05	9.49	-	15.83	
Average price at exercise in €			12.18			
D. Keller (to 15 May 2008)	358,000	(40,000)	40,000	-	278,000	238,000
Weighted average exercise price in €	14.64	19.05	9.49	-	14.74	
Average price at exercise in €			12.26			
Other key management personnel	1,312,000	(60,000)	98,000	-	1,154,000	700,000
Weighted average exercise price in €	18.19	19.05	9.49	-	18.88	
Average price at exercise in €			12.14			
Other personnel	5,201,500	-	422,400	200,000	4,579,100	1,877,000
Weighted average exercise price in €	21.21	-	9.77	24.91	22.10	
Average price at exercise in €			12.38			

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	Exercisable
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	-	15.8	
Average price at exercise in €			23.38			
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			
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			
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 2009 data on granted options reflect the non-vesting of the options for the Board of Management in respect of the 2006 grants, where the performance condition had not been met.

For current participants in the Company's share option plan there were 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 grant of options was conditional on achieving a 5% average compounded EPS growth over a 3-year period following the reference year. For growth in excess of 5%, additional options were to be granted. Since 2008 under the Remuneration Policy, no options are awarded to the CEO or Board of Management members.

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 did not vest. At the end of 2009, the last three-year period under the old (2005) 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 2007 will not vest.

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.

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 2009 the conditional awards were 18,735 shares for Mr. Keller (pro rata), 42,126 shares for Mr. Mace and 39,669 shares for Mr. Miles. If the threshold average EPS growth over 2009 to 2011 is not achieved the conditional awards will not vest. The maximum possible award is 150% of the conditional award.

In respect of conditional performance shares awarded in 2006, the three year measurement period 2006-2008 generated average EPS growth below the threshold of 5%. 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 no performance shares (2006 base award plus performance related) were awarded to the Board of Management. Equally for the performance period 2007-2009 the EPS growth threshold of 5% was not achieved either and consequently no performance shares (neither base award nor additional performance related) will be issued to Board of Management members who were part of the LTI scheme in 2007.

PSU and RSU plans
In 2009, new plans were approved by the Supervisory Board and implemented, replacing the previous Share Option Plan for senior employees. Under these plans, shares in the Company are issued annually to eligible employees. In 2009 15 people participate in the Performance Share Unit plan (PSU), and 116 in the Restricted Share Unit plan (RSU). The respective number of shares granted under these plans in 2009 are 116,300 (PSU, at target) and 320,380 (RSU).

The annual issue is based on individual performance. Concerning the PSU plan, a performance condition applies, based on a combination of EBIT margin and EBIT growth over a 3-year performance period. When at target, the conditionally granted number of shares will vest; a grade table has been adopted including threshold and maximum vesting levels at 25% and 150% respectively of the at-target grant. The RSU plan has no performance condition, only a service condition, and will vest over a three year period, with 1/3 vesting on each anniversary date of the original grant date.

Main assumptions included in the calculation for the PSU plan are:

	2009
Expected departures	5%
Fair value at grant date (excluding entitlement to dividends during vestion period), 1 July 2009	€ 10.05

For the RSU plan, the assumptions are as follows:

	2009
Expected departures (tranche 1/2/3)	0% / 2.5% / 5%
Fair value at grant date (excluding entitlement to dividends during vesting period), 1 July 2009	€ 10.98 / € 10.50/ € 10.05

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 all share based payment transactions can be summarised as follows, taking into account both the provisional awards for the current year and the additional awards related to prior years:

In thousands of US$	Share option plan and PSU/RSU	Performance shares	Matching shares	Total
Instruments granted	10,146	1,433	1,361	**12,940**
Performance conditions	(892)	799	453	**360**
Total expenses 2009	**9,254**	**2,232**	**1,814**	**13,300**

In thousands of US$	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**

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$ 433,000 (2008: US$ 479,000) and can be specified as follows:

In thousands of US$		Basic remuneration 2009	Basic remuneration 2008	Committees 2009	Committees 2008	Total 2009	Total 2008
H.C. Rothermund	Chairman	88	93	-	-	88	**93**
J.D.R.A. Bax	Vice-Chairman (to 15 May 2008)	-	29	-	5	-	**34**
L.J.A.M. Ligthart	Vice-Chairman (from 15 May 2008)	73	73	17	17	90	**90**
R.H. Matzke*	To 15 May 2008	-	51	-	-	-	**51**
R. van Gelder		63	66	13	13	76	**79**
D. Keller	From 15 May 2008 to 15 September 2009	45	42	-	-	45	**42**
F.G.H. Deckers	From 15 May 2008	63	42	8	6	71	**48**
T. Ehret	From 15 May 2008	63	42	-	-	63	**42**
Total		**395**	**438**	**38**	**41**	**433**	**479**

**Including allowance for travel from the USA*

There are no options granted and no assets available to the members of the Supervisory Board. There are neither loans outstanding to the members of the Supervisory Board nor guarantees given on behalf of members of the Supervisory Board.

Number of employees
The number of direct employees was as follows:

By business segment:	2009		2008	
	Average	Year-end	Average	Year-end
Lease and operate	1,139	1,103	1,075	1,175
Turnkey Systems (including other)	2,187	2,158	1,983	2,216
Turnkey Services	213	199	205	226
	3,539	**3,460**	**3,263**	**3,617**

By geographical area:	2009		2008	
	Average	Year-end	Average	Year-end
The Netherlands	416	433	372	399
Worldwide	3,123	3,027	2,891	3,218
	3,539	**3,460**	**3,263**	**3,617**

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits. The employees working for the joint ventures are included for 100% in the numbers above.

4. Net financing costs

In thousands of US$	2009	2008
Interest income	14,490	21,989
Net forex exchange gain	2,788	1,599
Net commodity hedge result	-	1,329
Dividend income	-	15
Financial income	**17,278**	**24,932**

In thousands of US$	2009	2008
Interest expenses	(72,213)	(62,115)
Interest addition to provisions	(1,148)	(1,248)
Net ineffective portion in fair value of cash flow hedge	(3,020)	(587)
Other financial expense	(867)	(1,326)
Financial expenses	**(77,248)**	**(65,276)**

The financial expenses are net of US$ 28.3 million (2008: US$ 21.7 million) capitalised interest.

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

In thousands of US$	2009	2008
EBIT	(94)	120
Net financing costs	2,788	1,599
	2,694	**1,719**

5. Research and development expense

Research and development costs consist of US$ 22.8 million (2008: US$ 21.4 million) charged directly to other operating expenses. Development costs amounting to US$ 15.9 million (2008: US$ 12.2 million) were capitalised within intangible fixed assets (note 10 of the notes to the financial statements).

6. Income tax

The Company's operational activities are subject to taxation at rates, which range up to 34% (2008: 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 1.6% (2008: 4.0%), 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:

		2009		2008
In thousands of US$	%		%	
Profit before tax		**233,654**		**237,255**
Income tax using the domestic corporation tax rate	25.5	(59,582)	25.5	(60,500)
Effect of tax rates in foreign jurisdictions	(25.3)	59,360	(22.7)	54,022
Non-deductible expenses	1.5	(3,604)	1.5	(3,548)
Non-taxable revenues	(0.1)	153	(0.3)	646
Recognised tax income / expense	**1.6**	**(3,673)**	**4.0**	**(9,380)**

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.

7. Earnings per share

The basic earnings per share for the period amounts to US$ 1.47 (2008: US$ 1.54); the fully diluted earnings per share amounts to US$ 1.46 (2008: US$ 1.53).

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:

	2009	2008
Number of shares outstanding at 1 January	145,613,988	143,323,681
Stock dividend	2,364,638	728,576
New share issue	2,122,300	607,246
Weighted average number of shares 31 December	**150,100,926**	**144,659,503**
Potential dilutive shares from stock option scheme and other share-based payments	960,924	1,084,392
Weighted average number of shares (diluted) at 31 December	**151,061,850**	**145,743,895**

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 and other senior management.

8. Dividends paid and proposed

In thousands of US$	2009	2008
CASH DIVIDEND DECLARED AND PAID DURING THE YEAR		
Final dividends for 2008	69,919	-
Final dividends for 2007	-	79,864
	69,919	**79,864**
PROPOSED FOR APPROVAL OF THE AGM		
Final dividend 2009	110,188	-
Final dividend 2008	-	135,421
	110,188	**135,421**
DIVIDEND PER SHARE		
Final dividend 2009	US$ 0.67	-
Final dividend 2008	-	US$ 0.93

The dividend relating to the year ending 31 December 2008 amounting to US$ 0.93 per share was paid 50% in cash and 50% as a stock dividend. This resulted in a cash dividend of € 0.345 per ordinary share and a stock dividend of 2 new ordinary shares for 69 existing ordinary shares. The payment of dividends took place on 9 June 2009 and resulted in a cash dividend distribution of US$ 69.9 million (converted against average rate).

A dividend in respect of the year ended 31 December 2009 of US$ 0.67 per share, amounting to a total dividend of US$ 110.2 million is to be proposed at the Annual General Meeting on 14 April 2010. These financial statements do not reflect this dividend payable.

9. Property, plant and equipment

The movement of the property, plant and equipment during the year 2009 and 2008 can be summarised as follows:

						2009
In thousands of US$	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Assets under construction	**Total**
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 1 January	**86,292**	**1,178,371**	**14**	**39,189**	**1,261,522**	**2,565,388**
Additions	2,859	2,724	4	4,802	628,732	639,121
New in consolidation	-	900	-	-	-	900
Disposals	-	(58,918)	-	(693)	-	(59,611)
Depreciation	(2,635)	(261,649)	(13)	(13,971)		(278,268)
Impairment	-	-	-	-	(40,098)	(40,098)
Exchange rate differences	2,332	-	0	925	(448)	2,809
Other movements / deconsolidation	20,398	764,893	-	19,673	(804,903)	61
Total movements	**22,954**	**447,950**	**(9)**	**10,736**	**(216,717)**	**264,914**
Cost	129,906	2,651,634	45	102,604	1,084,903	3,969,092
Accumulated depreciation and impairment	(20,660)	(1,025,313)	(40)	(52,679)	(40,098)	(1,138,790)
Book value at 31 December	**109,246**	**1,626,321**	**5**	**49,925**	**1,044,805**	**2,830,302**

The impairment charges relate to the reduction of the carrying amount to its recoverable amount of the MOPUstor™ unit under construction and to the full impairment of an installation tool that was built by the services department but for which development has been discontinued. These impairment losses have been included in the gross margin in the income statement under the Lease and Operate segment and the Turnkey Services segment respectively. The recoverable amount for the MOPUstor™ is calculated with a discount rate of 8% and is based on the value in use of the asset.

In thousands of US$	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Assets under construction	2008 Total
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**

Property, plant and equipment at year-end include:
- Ten (2008: ten) integrated floating production, storage and offloading systems (FPSOs), each consisting of a converted tanker, a processing plant and a mooring system; One of the FPSOs is in lay up by the end of December 2009 and one FPSO is upgraded;
- two (2008: two) floating storage and offloading systems (FSOs), consisting of a converted or new-build tanker and mooring system including the fluid transfer system;
- no Extended Well Test System (2008: one);
- four second-hand tankers (2008: three) and one barge (2008: one);
- one semi-submersible production platform (2008: under construction);
- two MOPU(stor) facilities under construction (2008: two);
- the 'Normand Installer', a deepwater installation vessel;
- the 'Dynamic Installer', a dynamically positioned diving support vessel.

An amount of US$ 28.3 million (2008: US$ 20.1 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 US$ 47.8 million (2008: US$ 89.0 million) relating to finance lease arrangements of two (2008: 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.

10. Intangible assets

In thousands of US$	Development costs	Goodwill	Patents	2009 Total
Cost	15,418	25,048	12,633	53,099
Accumulated amortisation	-	-	(6,317)	(6,317)
Book value at 1 January	**15,418**	**25,048**	**6,316**	**46,782**
Additions	15,945	-	-	15,945
Amortisation	(653)	-	(842)	(1,495)
FX on movements	189	-	-	189
Total movements	**15,481**	**-**	**(842)**	**14,639**
Cost	31,563	25,048	12,633	69,244
Accumulated amortisation	(664)	-	(7,159)	(7,823)
Book value at 31 December	**30,899**	**25,048**	**5,474**	**61,421**

In thousands of US$	Development costs	Goodwill	Patents	2008 Total
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)
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**

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 based subsidiaries. The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates (2%). Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks (8%).

11. Other financial assets

In thousands of US$	2009	2008
Trade and other receivables	146,345	212,445
Other financial assets	230,889	207,927
	377,234	**420,372**

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:

In thousands of US$	2009	2008
Gross receivable	261,300	345,003
Less: Unearned finance income	(46,083)	(70,263)
	215,217	**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 are expected to be invoiced to the lessee within the following periods:

In thousands of US$	2009	2008
within 1 year	83,804	83,804
between 1 and 5 years	141,501	216,990
after 5 years	29,532	37,847
	254,837	**338,641**

The table above does not include the amounts to be invoiced on the finance lease contract that was awarded during the course of 2009 which is at the end of 2009 included under construction contracts.

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

In thousands of US$	2009	2008
Gross receivable	83,804	83,804
Less: Unearned finance income	(14,932)	(21,509)
	68,872	**62,295**

The item Other financial assets relate 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 5.85% (2008: 5.07%). Furthermore the other financial assets include an amount of US$ 13.4 million (2008: US$ 4.0 million) relating to the book value of capitalised financing costs. Further reference with respect to the capitalised financing costs is made to note 20 of the notes to the financial statements.

The maximum exposure to credit risk at the reporting date is the fair value of the interest bearing loans and the finance lease receivables (2009: US$ 363.8 million, 2008: US$ 416.4 million) taking into account the risk of recoverability. None of the amounts are past due, and no reserve for partial impairment (2008: nil) is netted with the carrying amount. The Company does not hold any collateral as security.

12. Deferred tax asset

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

In thousands of US$	2009 Assets	2008 Assets	2009 Liabilities	2008 Liabilities	2009 Net	2008 Net
Property, plant and equipment	8,576	9,512	-	-	8,576	9,512
Intangible assets	240	3,410	-	-	240	3,410
Other investments	-	-	-	(709)	-	(709)
Tax losses	1,956	-	-	-	1,956	-
Other	2,315	-	(1,048)	-	1,267	-
Book value at 31 December	**13,087**	**12,922**	**(1,048)**	**(709)**	**12,039**	**12,213**

Expected net cash inflow of amounts relating to deferred tax positions is within one year: US$ 3.9 million (2008: US$ 0.4 million), between one and five years a cash outflow of US$ 0.7 million (2008: cash inflow US$ 1.6 million) and after five years US$ 0.3 million (2008: US$ 0.7 million).

The movements in temporary differences during the years ended 31 December 2009 and 2008 is summarised in the table below:

In thousands of US$	2009	2008
Net deferred tax position 1 January	12,213	7,784
Movement	(174)	4,429
Net deferred tax position 31 December	**12,039**	**12,213**

The Company has no (2008: US$ nil) available tax losses that are not valued in a deferred tax asset.

The geographical locations of the deferred tax assets are as follows:

In thousands of US$	2009 Assets	2008 Assets	2009 Liabilities	2008 Liabilities	2009 Net	2008 Net
Netherlands	8,576	9,512	(1,048)	(709)	7,528	8,803
USA	4,511	3,410	-	-	4,511	3,410
Book value at 31 December	**13,087**	**12,922**	**(1,048)**	**(709)**	**12,039**	**12,213**

13. Inventories

In thousands of US$	2009	2008
Materials and consumables	18,274	14,301
Goods for resale	7,489	9,004
	25,763	**23,305**

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

In 2009 there was no write-down of inventories to net realisable value included in the income statement (2008: nil). There were no reversals of previous inventory write-offs (2008: nil). The write-down is included as part of the cost of sales.

14. Trade and other receivables

In thousands of US$	2009	2008
Trade debtors	384,671	318,125
Non-consolidated group companies	-	1,044
Taxes and social security	31,899	26,698
Other receivables	41,945	64,617
Accruals in respect of delivered orders	59,467	81,082
Current portion finance leases	68,872	62,295
Securities	1,710	1,527
Other prepayments and accrued income	92,998	117,407
	681,562	**672,795**

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$ 15.0 million (2008: US$ 0.3 million).

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

In thousands of US$	2009	2008
Netherlands	557	868
Angola	64,180	81,600
Australia	19,342	21,831
Brazil	114,694	71,190
North America and Canada	26,491	18,928
Norway	2,225	13,958
Malaysia	11,544	13,212
Other	145,638	96,538
Total trade debtors	**384,671**	**318,125**

The trade debtors balance is the nominal value less an allowance for estimated impairment losses as follows:

In thousands of US$	2009	2008
Nominal amount	390,166	319,642
Impairment allowance	(5,495)	(1,517)
	384,671	**318,125**

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

	2009		2008	
In thousands of US$	Gross	Impairment	Gross	Impairment
Not past due	217,356	-	173,429	(23)
Past due 0-30 days	74,444	-	53,262	-
Past due 31-120 days	50,134	-	53,450	-
Past due 121- 365 days	33,386	-	32,172	-
More than one year	14,846	(5,495)	7,329	(1,494)
Total	**390,166**	**(5,495)**	**319,642**	**(1,517)**

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:

In thousands of US$	2009	2008
At 1 January	**(1,517)**	**(1,340)**
Addition	(4,319)	(303)
Recognised expenses	371	3
Reversal	-	77
Foreign exchange difference	(30)	46
At 31 December	**(5,495)**	**(1,517)**

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.

15. 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 12 of the notes to the financial statements.

16. Construction contracts

In thousands of US$	2009	2008
Cost incurred (total)	4,254,499	3,371,940
Instalments invoiced (total)	(4,175,348)	(3,127,387)
Instalments exceeding cost incurred	379,083	47,989
	458,234	**292,542**

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 23 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 14 of the notes to the financial statements.

17. Derivative financial instruments

For a description of the financial risk management objectives and policies, reference is made to note 27 of the notes to the financial statements.

At 31 December 2009, the Company held several forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of variable interest rate bearing debt.

The fair value of the derivative financial instruments included in the balance sheet can be summarised as follows:

	2009	2008	2009	2008	2009	2008
In thousands of US$	Assets		Liabilities		Net	
Interest rate swaps cash flow hedge	22,294	33,203	123,327	198,071	(101,033)	(164,868)
Forward currency contracts cash flow hedge	37,850	41,188	41,463	112,465	(3,613)	(71,277)
Forward currency contracts fair value hedge	895	2,310	5,064	-	(4,169)	2,310
Forward currency contracts net foreign investment hedge	-	1,168	2,266	-	(2,266)	1,168
Commodity swap cash flow hedge	67	1,792	-	2,639	67	(847)
Total	**61,106**	**79,661**	**172,120**	**313,175**	**(111,014)**	**(233,514)**

The ineffective portion recognised in the income statement arises from cash flow hedges and amounts to US$ 3.0 million (2008: US$ 0.6 million). There was no ineffectiveness recognised in the income statement related to foreign investment hedges (2008: 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 2009 were US$ 2.3 billion (2008: US$ 2.1 billion) of which US$ 2.0 billion will mature in the next 12 months.

Gains and losses recognised in the hedging reserve (note 19 of the notes to the financial statements) on forward currency contracts as of 31 December 2009 are recognised in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognised in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset, or the gain or loss is included in the initial amount recognised in the carrying amount of the cost incurred on construction contracts in which case recognition is based on the 'percentage-of-completion method'.

Interest rate swaps

The principal amounts of the outstanding interest rate swap contracts at 31 December 2009 were US$ 1.6 billion (2008: US$ 2.2 billion).

The most important floating rate is US$ 3-month LIBOR. Gains and losses recognised in the hedging reserve in equity (note 19 of the notes to the financial statements) on interest rate swap contracts as of 31 December 2009 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 20 of the notes to the financial statements.

18. Cash and cash equivalents

In thousands of US$	2009	2008
Cash and bank balances	66,750	123,895
Short-term deposits	79,962	106,434
	146,712	**230,329**

The cash and cash equivalents are available for debt and interest payments US$ 40.6 million (2008: US$ 28.9 million), and for day to day activities. There are no amounts (2008: US$ 33.3 million) relating 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.

19. 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. At 31 December 2009 no preference shares were outstanding (31 December 2008: none). During the financial year the movements in the outstanding number of ordinary shares are as follows:

	2009	2008
Outstanding at 1 January	**145,613,988**	**143,323,681**
Share issue	13,896,880	-
Exercise employee share options	604,400	759,200
Share issue re stock dividend	4,221,744	1,300,774
Share-based payment remuneration	122,968	230,333
Outstanding 31 December	**164,459,980**	**145,613,988**

Of the ordinary shares 56,959 shares were held by managing directors at 31 December 2009 (31 December 2008: 42,673).

Share premium

The share premium reserve is fully available for distribution free of taxes for private investors, and amounts to € 524.1 million (31 December 2008: € 344.4 million). An amount of US$ 4.8 million transaction costs (net of US$ 1.3 million) relating to the share issue are deducted from the share premium reserve in 2009.

Other reserves

The other reserves comprise the hedging reserve and the foreign currency translation reserve. The movement and breakdown of the other reserves can be stated as follows:

In thousands of US$	Hedging reserve	Translation reserve	**Total other reserves**
Balance at 1 January 2008	**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)**
Cash flow hedges:			
Recognised in equity	94,706	-	**94,706**
Transfer to financial income and expenses	11,093	-	**11,093**
Transfer to construction contracts and property, plant and equipment	29,420	-	**29,420**
Net investment hedge	(1,306)	-	**(1,306)**
Currency translation differences:			
Group companies	-	13,646	**13,646**
Balance at 31 December 2009	**(117,422)**	**11,770**	**(105,652)**

Hedging reserve

The hedging reserve consists of the effective portion of cash flow and net foreign investment hedging instruments related to hedged transactions that have not yet occurred.

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

20. 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:

In thousands of US$	2009	2008
Bank interest bearing loans and borrowings	1,217,394	1,349,983
Deferred income	24,634	-
Other loans	40,440	80,336
	1,282,468	**1,430,319**

Bank interest bearing loans and borrowings

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

In thousands of US$	2009	2008
Long term portion	1,349,983	921,505
Add: Short term portion	255,187	227,272
Remaining principal at 1 January	**1,605,170**	**1,148,777**
Additions	494,443	694,385
Redemptions	(559,223)	(237,992)
Movements	**(64,780)**	**456,393**
Remaining principal at 31 December	**1,540,390**	**1,605,170**
Less: Short term portion	(322,996)	(255,187)
Long term portion	**1,217,394**	**1,349,983**

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

In thousands of US$	2009	2008
Within one year	322,996	255,187
Between 1 and 2 years	425,311	217,197
Between 2 and 5 years	618,948	1,047,888
More than 5 years	173,135	84,898
Balance at 31 December	**1,540,390**	**1,605,170**

The interest bearing loans and borrowings include at 31 December:

In thousands of US$	Original repayment period	Interest per annum on the remaining loan balance	Remaining loan balance 2009	Remaining loan balance 2008
US$ PROJECT FINANCE FACILITIES DRAWN:				
Mid 2000 (FSO Yetagun)	10 years	3.86%	4,271	10,117
July / November 2003 (FPSO Xikomba)	6 years	4.55%	-	11,602
April / June 2004 (FPSO Marlim Sul)	7 ½ years	4.32%	-	54,162
March 2005 (Sanha LPG FPSO)	6 ½ years	5.40%	34,352	55,925
May 2006 (FPSO Espadarte)	5 years	2.55%	28,708	55,460
October 2006 (FPSO Capixaba)	6 ½ years	6.43%	149,310	193,330
December 2006 / March 2008 (FPSO Kikeh)	7 years	5.18%	152,341	178,269
November 2007 / March 2008 (FPSO Mondo)	6 years	4.90%	86,826	120,926
April / May / September 2008 (FPSO Saxi Batuque)	6 years	4.69%	117,416	154,847
September 2007 / March 2009 / July 2009 (Thunder Hawk)	5 ½ years	5.22%	303,369	126,519
November 2008 / February 2009 (FPSO Espirito Santo)	6 ¼ years	5.03%	271,064	199,734
US $ GUARANTEED PROJECT FINANCE FACILITIES DRAWN:				
June 2009 (MOPU Deep Panuke)	5 ¼ years	7.58%	202,333	-
US $500 million revolving credit facility	5 years	variable	145,000	395,000
Other long term debt			45,400	49,279
Remaining principal at 31 December			**1,540,390**	**1,605,170**

For the project finance facilities the respective vessels are mortgaged to the banks. Interest expensed on long-term debt during 2009 amounted to US$ 60.0 million (2008: US$ 48.8 million) and interest capitalised amounted to US$ 28.3 million (2008: US$ 21.7 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$ 1,566 million (2008: US$ 1,115 million). Minimum tangible net worth of SBM Offshore N.V. of US$ 570 million. Actual tangible net worth is US$ 1,631 million (2008: US$ 1,053 million);
- leverage (net debt : EBITDA ratio) of maximum 3.75 : 1 at year-end. Actual leverage is 2.43 (2008: 3.21) and 2.39 (2008: 2.76) 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 1.63 (2008: 1.69) and 1.57 (2008: 1.38) 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 12.2 (2008: 14.7) and 10.2 (2008: 13.1) 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 statement of financial postion.

No carrying amounts of long term debt were in default at the balance sheet date nor at any time during the year. During the year 2009 and 2008 there were no breaches of the loan arrangement terms and hence no default needed to be remedied, or the terms of the loan arrangement renegotiated, before the financial statements were authorised for issue.

The Company has available borrowing facilities resulting from the undrawn part of the revolving credit facility (RCF) and the undrawn part of project facilities. The expiry date of the undrawn facilities are:

In thousands of US$	2009	2008
FLOATING RATE:		
Expiring within one year	200,000	292,097
Expiring beyond one year	502,667	105,000
	702,667	**397,097**

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 were included in property, plant and equipment. At the balance sheet date approximately US$ 2.0 million (2008: US$ 2.8 million) is included in the carrying amount of property, plant and equipment related to capitalised transaction costs and an amount of US$ 13.4 million (2008: US$ 4.0 million) is included in financial fixed assets.

Deferred income

The day rates for one of the operating lease units reflect a decreasing day rate schedule. As income is shown in the income statement on a straight-line basis the difference between the yearly straight line revenue and the contractual day rates is included as deferred income. The deferral will be released as of 2019 and will increase until the release of the deferral will commence.

Other loans

The other loans relate to a finance lease arrangement of two (2008: 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 or otherwise removed from the scheme. The other loans have the following forecasted repayment schedule:

In thousands of US$	2009	2008
Within one year	5,241	8,591
Between 1 and 2 years	5,693	9,378
Between 2 and 5 years	34,747	49,812
More than 5 years	-	21,146
Balance at 31 December	**45,681**	**88,927**

21. Provisions

In thousands of US$	Reorgan-isation	Employee benefits	Demobil-isation	Total
Balance at 31 December 2008	**150**	**8,589**	**26,536**	**35,275**
Arising during the year	-	1,980	7,000	8,980
Addition of interest on net present value	-	1,961	1,148	3,109
Utilised / release	(29)	(2,248)	(1,373)	(3,650)
Deconsolidation / disposal	-	-	-	-
Other	-	(14)	-	(14)
Currency differences	3	221	-	224
At 31 December 2009	**124**	**10,489**	**33,311**	**43,924**
Current 31 December 2009	65	268	2,355	2,688
Non-current 31 December 2009	59	10,221	30,956	41,236
	124	**10,489**	**33,311**	**43,924**
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**

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 3 (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 (2008: US$ 0.3 million), between one and five years US$ 1.5 million (2008: US$ 1.4 million) and after five years US$ 4.0 million (2008: US$ 3.5 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$ 2.4 million (2008: US$ 3.7 million), between one and five years US$ 18.0 million (2008: US$ 18.0 million) and after five years US$ 12.7 million (2008: US$ 4.8 million).

22. Deferred tax liability

For an explanation of the deferred tax liability reference is made to note 12 of the notes to the financial statements.

23. Trade and other payables

In thousands of US$	2009	2008
Trade payables	201,230	253,582
Other payables	63,768	59,001
Taxation and social security costs	34,344	25,026
Pension costs	4,681	4,035
Instalments exceeding cost incurred	379,083	47,989
Advances	2,806	177,235
Accruals regarding delivered orders	32,929	64,601
Non-trade payables and accrued expenses	286,580	407,998
	1,005,421	**1,039,467**

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

In thousands of US$	2009	2008
Within 1 month	170,771	209,961
Between 1 and 3 months	13,014	30,481
Between 3 months and 1 year	15,595	5,789
More than one year	1,850	7,351
Total	**201,230**	**253,582**

24. Borrowings and bank overdrafts

In thousands of US$	2009	2008
Short term portion long term debt	328,237	263,778
Bank overdrafts	-	192
	328,237	**263,970**

For interest percentages, guarantees and other notes to the short term part of the long term debt reference is made to note 20 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.

25. Derivative financial instruments

For a detailed explanation of the derivative financial instruments reference is made to note 17 of the notes to the financial statements.

26. 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 2009, outstanding bank guarantees amounted to US$ 478.2 million (31 December 2008: US$ 455 million).

Certain investment commitments have been entered into principally in respect of the FPSO Aseng, 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$ 248.5 million (2008: US$ 380.3 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:

				2009	2008
In thousands of US$	< 1 year	1-5 years	> 5 years	Total	Total
Operating lease	2,908	4,836	-	7,744	8,297
Rental and leasehold	13,219	19,983	2,052	35,254	39,682
	16,127	**24,819**	**2,052**	**42,998**	**47,979**

27. 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:

	31 December 2009			31 December 2008		
In local currency x 1,000	EUR	SGD	GBP	EUR	SGD	GBP
Fixed assets	81,887	-	-	87,229	-	-
Current assets	110,326	1,526	3,095	111,662	2,758	1,578
Long term liabilities	(1,106)	-	-	(888)	-	-
Current liabilities	(187,524)	(12,599)	(4,138)	(122,913)	(37,911)	(2,792)
Gross balance sheet exposure	**3,583**	**(11,073)**	**(1,043)**	**75,090**	**(35,153)**	**(1,214)**
Estimated forecast sales	26,505	-	1,127	3,000	-	-
Estimated forecast purchases	(629,606)	(747,520)	(85,016)	(646,000)	(400,000)	(75,000)
Gross exposure	**(599,518)**	**(758,593)**	**(84,932)**	**(567,910)**	**(435,153)**	**(76,214)**
Forward exchange contracts	638,838	769,920	88,799	594,572	434,387	75,351
Net exposure	**39,320**	**11,327**	**3,867**	**26,662**	**(766)**	**(863)**

The estimated forecast sales and purchases relate to project revenues and expenditures for up to 3 years.

Overhead expenses are 100% hedged for the coming year, and 33% (2008: 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:

	2009	2008	2009	2008
	Average rate		Closing rate	
EUR 1	1.3917	1.4695	1.4341	1.3978
SGD 1	0.6877	0.7041	0.7138	0.697
GBP 1	1.5631	1.8487	1.6164	1.4566

The sensitivity on equity and income statement resulting from a change of 10 percent of the US Dollar's value against the following currencies at 31 December would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2008.

	Profit or loss		Equity	
In thousands of US$	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 DECEMBER 2009				
EUR	(1,391)	1,391	(7,035)	7,035
SGD	(376)	376	(217)	217
GBP	(434)	434	(420)	420
31 DECEMBER 2008				
EUR	(273)	273	(12,190)	12,190
SGD	(67)	67	(1,119)	1,119
GBP	(55)	55	(2,108)	2,108

Interest rate risk

The Company's exposure to risk for changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. In respect of controlling interest rate risk, the floating interest rates of long-term loans are hedged by fixed rate swaps for the entire maturity period. The revolving credit facility is intended for fluctuating needs of construction financing of facilities and bears interest at floating rates, which is also swapped for fixed rates when exposure is significant.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

In thousands of US$	2009	2008
FIXED RATE INSTRUMENTS		
Financial assets	317,237	351,553
Financial liabilities	(18,723)	(27,025)
	298,514	**324,528**
VARIABLE RATE INSTRUMENTS		
Financial assets	115,542	127,035
Financial liabilities	(1,521,663)	(1,578,145)
Financial liabilities (future)	(1,240,400)	(759,097)
	(2,646,521)	**(2,210,207)**

In thousands of US$	2009	2008
Variable rate instruments	(2,646,521)	(2,210,207)
Less: IRS contracts	2,700,969	2,225,353
Exposure	**54,448**	**15,146**

At 31 December 2009, 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$ 1.0 million (2008: decrease of US$ 0.1 million) since 102.9% (2008: 103.2%) 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 2008.

	Profit or loss		Equity	
In thousands of US$	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 DECEMBER 2009				
Variable rate instruments	(1,068)	1,068	-	-
Interest rate swap	40	(149)	65,727	(71,195)
Sensitivity (net)	**(1,028)**	**919**	**65,727**	**(71,195)**
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)**

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other financial assets, trade and other receivables (including committed transactions), derivative financial instruments and cash and cash equivalents.

In thousands of US$	2009		2008	
Rating	Assets	Liabilities	Assets	Liabilities
AAA	5,722	42,101	967	49,966
AA+	-	-	16,985	32,065
AA	6,331	13,814	8,047	11,680
AA-	2,416	4,507	15,543	31,620
A+	26,182	80,694	1,437	135,298
A	880	6,143	3,478	10,339
BBB+	-	-	-	26,546
BBB	-	14,723	-	-
BBB-	9,959	10,138	15,565	15,661
Other and intercompany	9,616	-	17,639	-
Derivative financial instruments	**61,106**	**172,120**	**79,661**	**313,175**
AAA	17,301	-	1,133	-
AA+	-	-	19,515	-
AA	29,694	-	44,831	-
AA-	15,474	-	89,887	-
A+	61,539	-	58,232	192
A	14,187	-	3,876	-
A-	86	-	44	-
BBB	1,862	-	1,258	-
BBB-	3,133	-	6,708	-
BB-	-	-	624	-
B+	1,052	-	17	-
Other	2,384	-	4,204	-
Cash and cash equivalents and bank overdrafts	**146,712**	**-**	**230,329**	**192**

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 14 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.

The table below analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for borrowings and derivative financial instruments are based on the year-end Libor rates.

In thousands of US$	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
31 DECEMBER 2009				
Borrowings (ex finance lease liabilities)	345,746	449,250	671,083	174,944
Finance lease liabilities	8,841	8,841	37,984	-
Derivative financial instruments	56,258	51,644	92,225	3,125
Trade and other payables	199,380	1,850	-	-

In thousands of US$	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
31 DECEMBER 2008				
Borrowings (ex finance lease liabilities)	282,794	240,150	1,123,422	90,732
Finance lease liabilities	15,945	15,945	82,253	-
Derivative financial instruments	49,069	56,493	143,869	-
Trade and other payables	246,231	7,351	-	-

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 2009, the Company's strategy which was unchanged from 2008, was to target a gearing ratio between 50% and 60%. The share issue in November 2009 reduced the ratio below this range. The gearing ratios at 31 December 2009 and 2008 were as follows:

In thousands of US$	2009	2008
Total borrowings	1,610,705	1,694,097
Less: net cash and cash equivalents	(146,712)	(230,137)
Net debt	**1,463,993**	**1,463,960**
Shareholders' equity	1,802,617	1,234,728
Total capital	**3,266,610**	**2,698,688**
Gearing ratio	44.8%	54.2%

Fair value estimation
Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, which requires disclosure of fair value measurements by level of the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

Derivative financial instruments are the only assets and liabilities valued at fair value and they can be categorised as level 2 (2008: level 2). The derivative financial instruments are not traded in an active market. The fair value of these instruments is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Other risks
In respect of controlling political and credit risk, the Company has a policy of thoroughly reviewing risks associated with contracts, whether turnkey or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained. In respect of credit risk, bank or parent company guarantees are negotiated with customers. Furthermore, limited recourse project financing removes a large part of the risk on long term-leases. The Company reduces its exposure to the maximum extent possible.

28. Events after the balance sheet date

There are no reportable events after the balance sheet date.

29. 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.

30. Interest in joint ventures

The Company has several joint ventures. Included in the consolidated financial statements are the following items that represent the Company's interest in the assets, liabilities, revenues and expenses of the joint ventures:

In thousands of US$	2009	2008
Non-current assets	1,024,192	1,201,387
Current assets	264,385	185,200
Non-current liabilities	(874,067)	(928,701)
Current liabilities	(284,249)	(335,065)
Net assets / liabilities	**130,261**	**122,821**
Income	384,851	312,801
Expenses	(337,972)	(233,934)
	46,879	**78,867**

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%
- Normand Installer S.A., 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%
- 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%
- Brazilian Deepwater Production Contractors Ltd., 51%
- Aseng Production Company Ltd., 60%
- Gepsing Ltd., 60%

31. Related party transactions

During 2009 no major related party transactions requiring additional disclosure in the financial statements took place.

For relations with Supervisory Board Members, Managing Directors and other key personnel reference is made to note 3 of the notes to the financial statements.

Company balance sheet

At 31 December (before appropriation of profit)

In thousands of US$	Notes	2009	2009	2008	2008
ASSETS					
Property, plant and equipment	1	5		37	
Investment in Group companies and associates	2	1,701,856		1,251,192	
Total non-current assets			**1,701,861**		**1,251,229**
Other receivables	3	114,781		24,167	
Income tax receivable		3,014			
Cash and cash equivalents		3,130		3,172	
Total current assets			**120,925**		**27,339**
TOTAL ASSETS			**1,822,786**		**1,278,568**
EQUITY AND LIABILITIES					
Equity attributable to shareholders					
Issued share capital		58,963		50,885	
Share premium reserve		632,963		383,274	
Retained earnings		1,216,343		1,053,780	
Other reserves		(105,652)		(253,211)	
Shareholders' equity	4		**1,802,617**		**1,234,728**
Provisions	5	1,048		0	
Group companies		2,547		23,450	
Total non-current liabilities			**3,595**		**23,450**
Other current liabilities	6	16,574		9,993	
Current income tax liability		-		10,397	
Total current liabilities			**16,574**		**20,390**
TOTAL EQUITY AND LIABILITIES			**1,822,786**		**1,278,568**

Company income statement

For the years ended 31 December

In thousands of US$	2009	2008
Company result	(16,762)	(21,130)
Result Group companies	237,763	244,302
	221,001	**223,172**

Notes to the Company financial statements

General
The separate financial statements are part of the 2009 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 100 to 113 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.

Property, plant and equipment
The movement in the property, plant and equipment during the year can be summarised as follows:

In thousands of US$	Other fixed assets
Cost	403
Accumulated depreciation and impairment	(366)
Book value at 1 January 2009	**37**
Additions	4
Depreciation	(36)
Currency differences	0
Total movements	**(32)**
Cost	418
Accumulated depreciation and impairment	(413)
Book value at 31 December 2009	**5**

Investment in Group companies and associates

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

In thousands of US$	2009	2008
Balance at 1 January	1,251,192	1,332,835
Provisions	(50,985)	(60,345)
Investments at net asset value	**1,200,207**	**1,272,490**
Results for the year	237,763	244,302
Investments and other changes	231,638	(268,096)
Dividends received	(20,972)	(46,409)
Currency differences	2,911	(2,080)
Movements	**451,340**	**(72,283)**
Balance at 31 December	1,701,856	1,251,192
Provisions	(50,309)	(50,985)
Investments at net asset value	**1,651,547**	**1,200,207**

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

Other receivables

In thousands of US$	2009	2008
Amounts owed by Group companies	112,363	23,141
Other debtors	2,418	1,026
	114,781	**24,167**

Shareholders' equity

For an explanation of the shareholders equity, reference is made to the statement of changes in equity and note 19 of the notes to the consolidated financial statements.

Provisions

In thousands of US$	2009	2008
Deferred tax liability	1,048	-
Provisions with respect to subsidiaries	0	0
	1,048	**0**

The provisions with respect to subsidiaries can be specified as follows:

In thousands of US$	2009	2008
Participation in Group Companies	50,309	50,985
Amounts owed by Group	(50,309)	(50,985)
	0	**0**

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

Other current liabilities

In thousands of US$	2009	2008
Amounts owed to Group companies	11,209	6,212
Taxation and social security costs	271	156
Other creditors	5,094	3,625
	16,574	**9,993**

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, 25 February 2010

Board of Management
A.J. Mace, *CEO* [1]
M.A.S. Miles, *CFO* [1]
F. Blanchelande [2]
M. Wyllie [2]

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

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

Other information

Appropriation of profit

With regard to the appropriation of profit, article 29 of the Articles of Association states:

1. When drawing up the annual accounts, the Board of Management shall charge such sums for the depreciation of the Company's fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.

2. Any distribution of profits pursuant to the provisions of this article shall be made after the adoption of the annual accounts from which it appears that the same is permitted.

The Company may make distributions to the shareholders and to other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law.

A deficit may be offset against the statutory reserves only to the extent permitted by law.

3. a. The profit shall, if sufficient, be applied first in payment to the holders of preference shares of a percentage as specified in b. below of the compulsory amount due on these shares as at the commencement of the financial year for which the distribution is made.

3. b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of twelve months – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by two hundred basis points.

4. The management board is authorised, subject to the approval of the supervisory board, to determine each year what part of the profits shall be transferred to the reserves, after the provisions of the preceding paragraph have been applied.

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

6. The general meeting of shareholders may only resolve to distribute any reserves upon the proposal of the management board, subject to the approval of the supervisory board.

With the approval of the Supervisory Board, it is proposed that the profit shown in the Company income statement be appropriated as follows (in US$):

	2009
Profit attributable to shareholders	221,000,000
In accordance with Article 29 clause 4 to be transferred to retained earnings	110,812,000
At the disposal of the General Meeting of Shareholders	**110,188,000**

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 either in cash or 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 April 2010, under agenda item number 4.2 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 2009 of SBM Offshore N.V., Rotterdam as set out on pages 95 to 160. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2009, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2009, the company income statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2009, 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, 25 February 2010

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

Key figures

In millions of US$, unless stated otherwise	Notes	2009	2008	2007	2006	2005
Turnover		2,956.5	3,060.3	2,871.2	1,989.7	1,519.3
New orders		3,739.9	4,365.5	3,822.5	4,915.7	1,510.1
Order portfolio at 31 December		10,032.3	9,246.9	7,954.6	6,992.4	4,058.3
RESULTS						
Net profit (continuing operations)		230.0	227.9	266.8	216.3	225.8
Dividend		110.2	135.4	133.3	108.4	113.7
Operating profit (EBIT)		293.4	275.1	302.0	254.3	275.3
EBITDA		613.3	530.1	548.3	477.5	482.2
Shareholders' equity at 31 December		1,802.6	1,234.7	1,333.4	1,118.7	895.0
Net debt		1,464.0	1,464.0	874.7	585.8	804.7
Cash flow		549.8	482.9	513.1	439.6	432.6
Capital expenditure		656.0	999.8	551.3	309.0	398.5
Depreciation and amortisation		319.8	255.0	246.3	223.3	206.8
Number of employees (average)		3,539	3,263	2,715	2,356	2,253
Employee benefits		585.0	590.8	504.1	363.7	302.2
RATIOS (%)						
Shareholders' equity: net assets		57	46	58	58	53
Current ratio		91	79	115	114	78
Return on average capital employed		9.7	11.0	15.1	14.6	14.6
Return on average equity		15.0	17.7	21.7	21.5	28.1
Operating profit (EBIT): net turnover		9.9	9.0	10.5	12.8	18.1
Net profit: net turnover		7.8	7.4	9.3	10.9	14.9
Cash flow: average equity		36	38	42	44	56
Cash flow: average capital employed		18	19	26	23	23
Net debt: shareholders' equity		81	118	65	52	90
Enterprise value/EBITDA		7.7	6.4	9.9	11.3	7.4
INFORMATION PER SHARE (US$)						
Net profit	1	1.47	1.54	1.85	1.55	1.66
Dividend		0.67	0.93	0.93	0.77	0.83
Shareholders' equity at 31 December	2	10.96	8.48	9.30	7.95	6.50
Cash flow	1	3.66	3.34	3.61	3.15	3.18
Share price (€)						
– 31 December		13.78	9.35	21.60	26.05	17.06
– highest		15.30	26.77	31.52	26.45	18.14
– lowest		9.00	8.72	19.85	17.19	11.44
Price / earnings ratio	2	14.7	8.5	17.3	22.1	12.1
Number of shares issued (× 1,000)		164,460	145.614	143,324	140,716	137,774
Market capitalisation (US$ mln)		3,248.9	1,902.9	4,557.6	4,830.6	2,769.7
Turnover by volume (× 1,000)		279,932	448,354	340,769	308,840	241,376
Number of options exercised		604,400	759,200	1,098,040	1,319,580	1,801,480
Number of shares issued re stock dividend		4,221,744	1,300,774	1,432,296	1,606,528	1,723,508
Number of shares issued		13,896,880				

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.

Disclaimer

Some of the statements contained in this report that are not historical facts are statements of future expectations and other forward-looking statements based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those in such statements. Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of the Company's business to differ materially and adversely from the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this presentation as anticipated, believed, or expected. SBM Offshore NV does not intend, and does not assume any obligation, to update any industry information or forward-looking statements set forth in this presentation to reflect subsequent events or circumstances.

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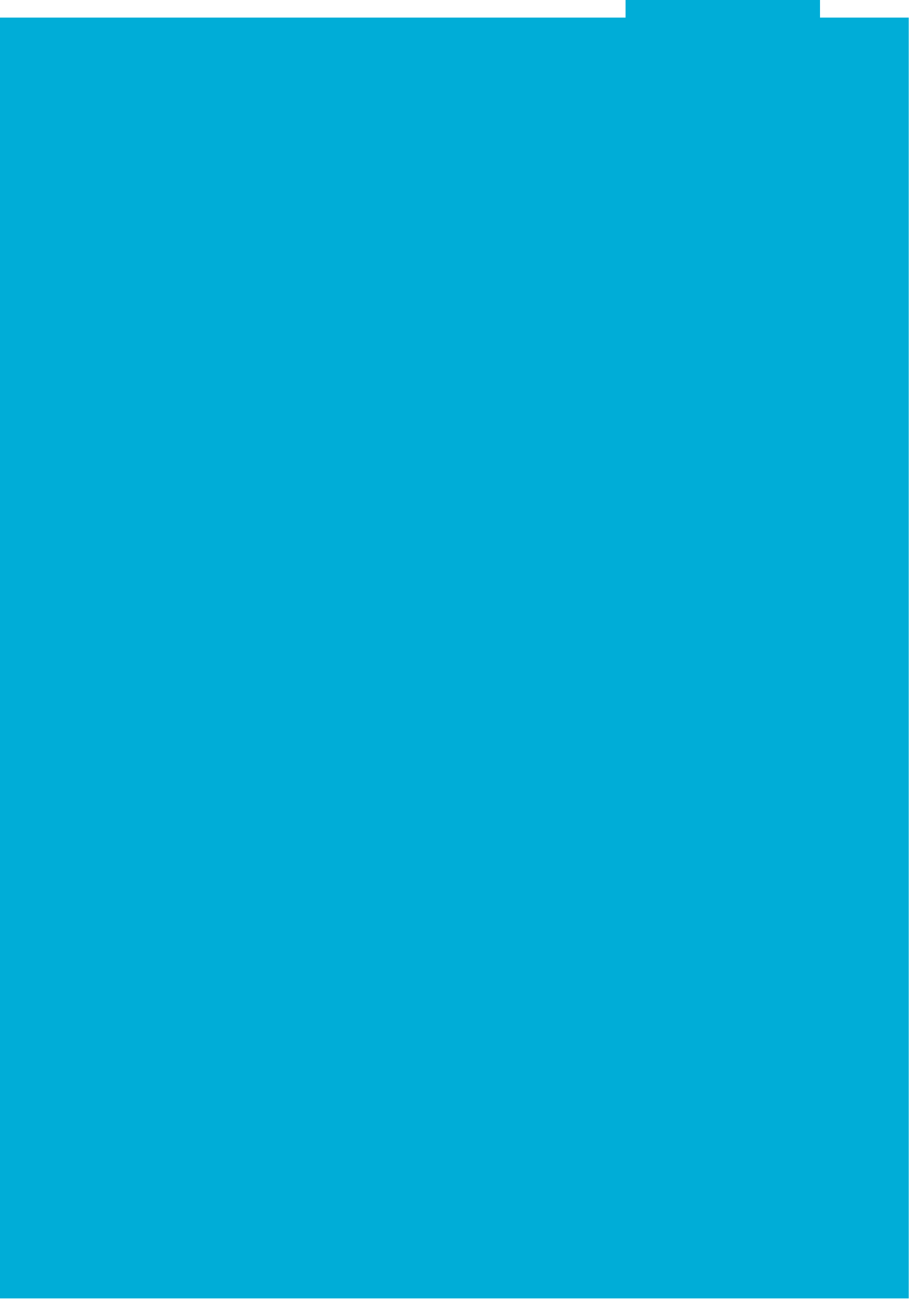

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