Annual
Report 2010

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Report 2010

FPSO Espirito Santo in Brazil

Technology Creating Value

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Semi-Submersible Drilling Rig

Semi-submersible Production Platform

Tension Leg Platform

MOPUstor™

FPSO

Our Product Line

SBM Offshore designs and provides offshore energy systems on a lease or sale basis to our clients world-wide based on in-house engineering and project management expertise.

Deck view of the FPSO Espirito Santo offshore Brazil at sunset

Overview

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I am pleased to report that the Company has delivered financial results for the year 2010 which show an increase in profit compared to the previous year and notably an improved EBIT margin in the Turnkey Systems segment. This has resulted from improved execution performance on several of the more recent projects in the order portfolio despite continued difficulty on some earlier remaining projects. The Company was busy with the execution of several major projects and two drilling rigs, two FPSOs and a complex turret mooring system were delivered to clients during the course of the year. The P-57 project for Petrobras should get a special mention, as we delivered this FPSO two months ahead of schedule and within budget, while meeting tough local content requirements in Brazil for the first time. The Turnkey Systems business also includes the supply of proprietary designs and equipment for the drilling platforms and offshore construction industry, which continues to show growth and good margins.

We had another robust year with our lease fleet operations with outstanding uptime and good safety performance generating substantial bonus revenues. Activity in the Lease and Operate segment increased with the start up of two new oil fields which were brought on stream in Brazil.

Activity in the Turnkey Services segment was good despite low utilisation of the Company's two installation vessels in the latter part of the year. This segment continues to show good profitability and market growth potential and we intend to expand our activities in this business. Part of this expansion will include the investment in a new DSCV (Diving Support Construction Vessel) which will be delivered in 2013.

The market for the Company's products showed a significant recovery during the year after the slow period during the recession and the Company's new order intake was satisfactory with the order backlog reaching a new record level.

On the financing side, we achieved some important targets with the signature of a new project financing facility for the FPSO Aseng and an expanded 5-year revolving credit facility. The recently announced partnership with Mitsubishi Corporation will strengthen the Company's financing capacity for lease business and support our objective to grow the fleet of leased units.

We applied for and obtained membership of the Dow Jones Sustainability Index Europe for the first time in 2010. This confirms our efforts over the last couple of years to implement a sustainability strategy with transparent reporting. The Company reports sustainability in a separate sustainability report.

The Company's technology development will focus on the growing areas of deepwater oil and gas production, arctic area solutions, offshore LNG production and renewable energy initiatives, where the Company sees good opportunities for its product lines in the coming years. We have been active for several years in the development of floating LNG facilities and this future business sector is now showing signs of movement with significant activity on several projects in which the Company has an interest. Looking to the future as the world economy recovers from the recent recession, it is anticipated that there will be an increasing demand for energy and consequent oil and gas production which are the basic drivers for our business. Indeed, we have seen most oil companies increase their planned expenditure in E&P activities over the coming year. As a consequence, the Company feels it is well positioned for a number of potential new orders in 2011, with several FPSO and large turret mooring system prospects.

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.

'Tony Mace'

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 5,700 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 weather-vaning, 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.

The Company has added the LNG FPSO to its product line to respond to the expected future demand for offshore production of LNG from stranded gas fields 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 13 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.

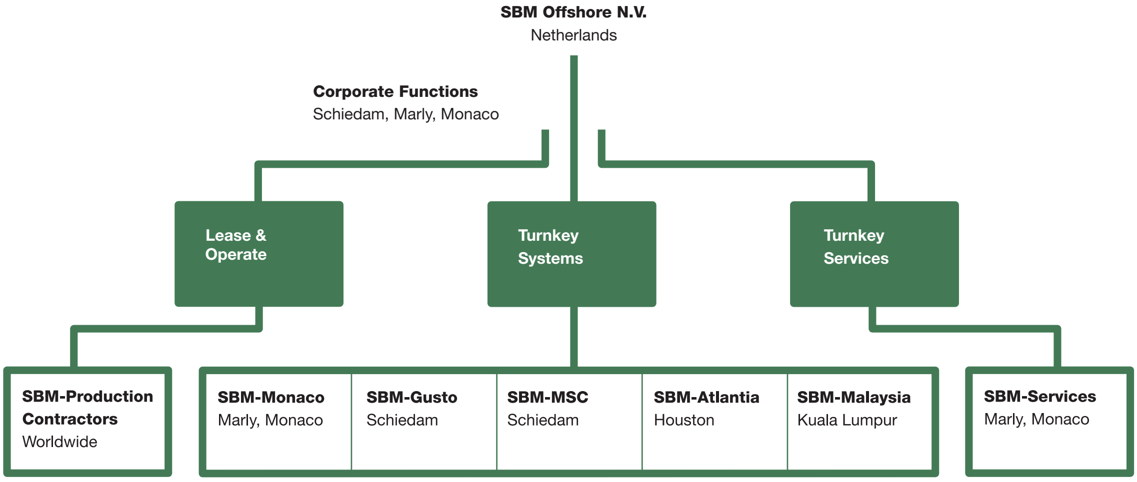
In respect of the Company's activities, including both the supply of facilities on a sale basis and the lease and operate activities, there is a Group Management System defining the Company's procedures. The Company's Corporate Engineering Standards ensure a common design approach in the four centres 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. 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.

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.

Company Organisation Chart



Snapshot 2010

Item (US$ mln.)	2010	2009	Movement	%	Comment
Net profit	276.0	230.0	46.0	20.0%	Turnkey Systems results up; MOPUstor & tankers impairment
Net profit per share (US$)	1.44	1.47	(0.03)	(2.0%)	Higher minority interest and average number of shares
Turnover	3,055.8	2,956.5	99.3	3.4%	Turnkey Systems revenues increased
EBITDA	688.4	613.3	75.1	12.2%	Much higher Turnkey Systems contribution
Cash flow	602.0	549.8	52.2	9.5%	Turnkey Systems results increased
Cash flow per share (US$)	3.60	3.66	(0.06)	(1.6%)	Turnkey Systems results increased; higher average number of shares
EBIT	362.4	293.4	69.0	23.5%	Turnkey Systems results up; MOPUstor & tankers impairment
EBIT: Turnover (%)	11.9	9.9	2.0	20.2%	Turnkey Systems results increased
Capital expenditure	519.0	655.9	(136.9)	(20.9%)	Excludes investments in finance leases
Total Equity	2,123.4	1,816.8	306.6	16.9%	Net profit and hedge portfolio value increased
Net cash	103.4	146.7	(43.3)	(29.5%)	Optimised level
Net debt	1,711.1	1,464.0	247.1	16.9%	Lease fleet investments
Capital employed	3,878.7	3,325.8	552.9	16.6%	Equity and net debt increased
Net Debt: Unadjusted EBITDA	2.49	2.39	0.10	4.2%	Well within all bank covenants
Net Debt: Total equity (%)	80.6	80.6	-	0.0%	Strong financing capacity
EBITDA interest cover	9.0	10.2	(1.2)	(11.8%)	Higher interest charge due to hedge ineffectiveness
ROACE (%)	10.1	9.7	0.4	4.1%	EBIT growth
ROE on shareholders' equity (%)	12.4	14.6	(2.2)	(15.1%)	Net profit growth but higher average equity
NEW ORDERS:					
- Leases	1,966.9	2,374.4	(407.5)	(17.2%)	Includes one large FPSO (finance lease) plus several lease extensions
- Turnkey Systems	2,301.7	1,108.6	1193.1	107.6%	Includes one large FPSO (finance lease)
- Turnkey Services	263.3	256.9	6.4	2.5%	Normal level
TOTAL	**4,531.9**	**3,739.9**	**792.0**	**21.2%**	
BACKLOG:					
- Leases	9,003.3	7,834.3	1,169.0	14.9%	Record level
- Turnkey Systems	2,302.7	1,995.0	307.7	15.4%	Over 1 year equivalent turnover
- Turnkey Services	195.5	203.0	(7.5)	(3.7%)	9 months of turnover
TOTAL	**11,501.5**	**10,032.3**	**1,469.2**	**14.6%**	
Share price 31/12 (€)	16.765	13.775	2.99	21.7%	
AEX-index	354.6	335.3	19.3	5.7%	
Market capitalisation (€)	2,827.7	2,265.4	562.3	24.8%	Share price rose and new shares issued
Market capitalisation (US$)	3,783.5	3,248.9	534.6	16.5%	US$ strengthened against €
Proposed dividend (US$)	0.71	0.67	0.04	6.0%	50% of net profit to shareholders

Highlights 2010

Financial

- Turnover up to US$ 3,056 million (US$ 2,957 million in 2009);
- new orders totalled US$ 4,532 million (US$ 3,740 million in 2009);
- EBITDA of US$ 688.4 million (US$ 613.3 million in 2009);
- EBIT of US$ 362.4 million (US$ 293.4 million in 2009);
- EBIT margin 11.9% (9.9% in 2009);
- net profit of US$ 276 million (US$ 230 million in 2009);
- record backlog US$ 11,502 million (US$ 10,032 million in 2009);
- earnings per share of US$ 1.44 (US$ 1.47 in 2009);
- dividend of US$ 0.71 per share (US$ 0.67 in 2009);
- investment in fixed assets of US$ 519 million (US$ 656 million in 2009);
- non-recurring net income of US$ 9 million (US$ 32.4 million in 2009).

Lease & Operate

- The lease and operate contract for the Kuito FPSO was extended by one year;
- a Letter of Intent from Petrobras for a twenty-year lease and operate contract for the FPSO Cidade de Paraty on the Lula Nordeste Field, in part offshore Brazil (Finance lease, in part reported financially through Turnkey Systems);
- FPSO Capixaba started operation following re-deployment at Cachalote field;
- the operate contract for the FPSO Serpentina was extended for one year;
- the operate contract for FSO Unity was extended for one year;
- the lease and operate contract for the FSO Nkossa II was extended for a firm period of five years with options for further extension;
- a Letter of Agreement was signed for a five-year lease and operate contract for a DeepDraft Semi™- submersible production facility for the Tubular Bells development;
- the lease and operate contract for the FPSO Xikomba was extended for one year.

Turnkey Supply & Turnkey Services

- Final delivery of the Skarv turret;
- delivery and start up of the FPSO P-57;
- a contract for the design of two windmill installation jack-up vessels including equipment;
- delivery of the first two out of three Semi-submersible drilling rigs;
- several FEED studies for production facilities and turrets;
- several CALM buoys, swivel stacks, offshore contracting and other services related orders.

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 1.00% on 31 December 2010. 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 21.7% from € 13.775 at the start of the year to € 16.765 at 31 December 2010, compared to a increase of the AEX Index of 5.7% over the same period. In US Dollar terms, the increase of the share price in 2010 was 13.6%, from US$ 19.75 to US$ 22.43.

Average daily liquidity traded via Euronext in 2010 amounted to around 1.045 million shares, equivalent to 161% of the average number of outstanding shares on an annual basis.

Market capitalisation at 31 December 2010 was € 2,828 million compared with € 2,265 million at the end of 2009, an increase of 24.8%. The equivalent figures in US Dollars show a market capitalisation at the end of 2010 of US$ 3,783 million, up by 16.5% from US$ 3,249 million at 31 December 2009.

Number of outstanding ordinary shares

The total number of ordinary shares in SBM Offshore showed the following movements during the year 2010:

Number of ordinary shares

Balance 1 January 2010	**164,459,980**
Stock dividend	2,628,848
Options exercised	1,328,153
Bonus and performance shares	250,531
Balance 31 December 2010	**168,667,512**

Shareholders

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

Share prices

	Turnover as % of share capital	Highest share price in €	Lowest share price in €	Closing share price in €	Closing share price in US$
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
2010	161.38	17.16	11.41	16.765	22.43

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

One institutional investor, Schroders Investment Management from the United Kingdom has during 2010, as required under the Major Holdings in Listed Companies Disclosure Act, disclosed a reduction of its interest in the capital of SBM Offshore to below 5%.

At 31 December 2010, employees of the Company own 1,147,000 shares in SBM Offshore through an Employee Share Ownership Plan (ESOP), representing 0.7% of the outstanding share capital.

Dividend

The Company proposes its usual dividend payment of 50% of net profit for 2010, with the choice of payment of the dividend in cash or in shares of SBM Offshore at the election of each shareholder.

Based on the year-end closing price and closing number of shares, the proposed dividend of US$ 0.71 per share gives a yield of 3.2% per share (3.4% in 2009).

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 5 May 2011, the day the Annual General Shareholders Meeting is held. The same exchange rate will apply for the dividend payment in shares of SBM Offshore.

Business Drivers and Competitive Position

Business drivers

- Global oil 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;
- 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;
- Market for LNG export/import infrastructure and services;
- Upcoming market for offshore Floating LNG production plants;
- Governments promoting renewable energy which increases the demand for renewable energy solutions and related installation equipment.

Threats

- Capex of large FPSOs with high local content obligations creating complexity in raising project funding;
- Competition from other FPSO contractors gaining experience and market share;
- Competition from Korean and Chinese shipyards for large new build FPSO projects;
- Shortage of qualified engineering and project management resources in the industry;
- Volatility of input costs particularly on the equipment supply sector;
- Lower oil price potentially causing delay in project sanction by oil companies.

Competitive strength

- Financial strength and track record;
- New, cost effective, patented, technical solutions for producing in increasingly deep water and from ever more challenging reservoirs;
- In-house key competences to manage, design, supply, install and operate complete, complex offshore oil and gas production facilities;
- Proximity to key markets with four project execution centres;
- All construction outsourced;
- Leading position in the development of a Floating LNG production project and patented technology on LNG components;
- 200 years of cumulative F(P)SO operating experience;
- Fleet operations track record: Clients' high opinion on safety and performance;
- 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.

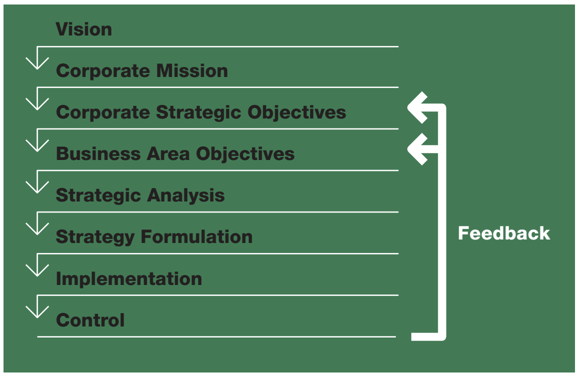
SBM Offshore employee climbing up the flare tower on the MOPUstor™ in Norway

Corporate Strategy

In line with the Corporate Planning Process, the Company has developed a new Strategy Plan for the time frame 2011 – 2015. The improved market conditions are reflected in the strategic objectives for the coming five years, which have been enhanced compared to the previous Strategic 2010-2012 Plan. The objectives are structured in 3 broad categories; top-line increase, bottom-line enhancement and optimization of business processes and asset utilization. The Corporate Objectives are 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 continue to 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.

Corporate Strategic Planning



The Company's Corporate Strategic Planning process, as outlined above, starts with the Company's Vision, followed by the 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.

Vision

The Company's Vision for the long term is:

"SBM Offshore will be the acknowledged leading company in the development of solutions for offshore energy production and the preferred supplier of these systems on a lease or sale basis".

Mission

The Corporate Mission reads:

"To provide safe, reliable and innovative offshore solutions for the energy industry".

The mission statement has changed from one focusing solely on the Oil & Gas sector into the broader statement of 'energy industry' to also include technologies for energy generation from Renewable forms of energy.

The expression of this mission statement in a few major objectives with respect to the key stakeholders reads as follows:

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;
- to provide satisfaction to our clients with reliable products and services so as to create long term relationships.

Towards Employees

- to generate an attitude of enthusiasm and pride throughout the Company;
- to provide a most favourable environment for professional and personal development with high rewards.

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

Towards Shareholders / Capital providers

- to constantly improve our know-how and efficiency, with the objective to generate returns well above cost of capital;
- to maintain a high degree of transparency and reliability 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 & Gas Industry's indices.

The Company's motto is:
"Technology Creating Value".

Lease and Operate

The lease and operation of oil and gas production facilities is a major component of the operating results and the Company is a recognised leader in the FPSO leasing market. The Lease & Operate segment of the Company's business provides long-term visibility of cash flows and earnings, but requires tight management of complex financial, operational and contractual risks. The strategy is to retain the Company's market leadership position with a focus on the high end, complex units the market requires to best capitalize on the large in-house resources in engineering and project management, to further grow the lease fleet and to diversify our geographical presence. In view of the increased size of new projects, strategic partnerships will be pursued.

For the Company's fleet operations the objective is to concentrate on performance and further increase reliability of the units, maximizing production uptime for our clients and strive for a continual improvement in the HSSE record 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. In the recent years we have seen examples of such facilities being developed for new geographical areas include the North Sea, Canada and the Gulf of Mexico. The Company will also continue to promote Production Handling Agreement type of contracts where appropriate, as these can provide a way for clients to develop marginal fields, and can differentiate the Company in a competitive marketplace. It is expected that the efforts made during the past 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 Units (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. 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;
- 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 90% 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.

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.

Several of the above reasons have lead to a long-term cooperation agreement, which has been finalised at the beginning of 2011, with Mitsubishi Corporation to jointly pursue FPSO lease and operate projects worldwide in which both companies will be equity partners.

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), turrets supporting Steel Catenary Riser (SCR) systems, MoorSpar™ and disconnectable turrets for, typhoon, cyclone, hurricane or arctic developments.

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 has been implemented for the Turnkey Systems segment focusing on robust procedures, increased project management and enhanced project controls. The plan is to continually 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 man-hours.

For the LNG and gas markets development, the focus is on selling the FLNG together with the cryogenic flexible hose; a series of downstream offshore gas solutions will also be pursued. In addition, the Company is developing technologies for generating power offshore from Renewable resources. Both LNG and Renewables are part of the diversification of the Company's income streams, geographical markets and client base in the long run.

The Company also provides designs and supplies components for systems for the oil services sector related to exploration and construction activities. The strategic focus is to grow this business by continued development of these proprietary designs and the supply of specialised components for drilling units, offshore cranes and wind turbine installation vessels.

Turnkey Services

Turnkey Services has been a separate reporting segment for the Company since 2009 and comprises activities the Company has always been executing in the area of offshore contracting, the supply of CALM buoys and other mooring systems, after sales services including overhauls and the supply of spare parts.

The Normand Installer is the Company's third generation installation vessel, owned in joint venture with Solstad. In addition to installing the Company supplied products, either for the lease fleet or on a turnkey sales basis, it also works for third parties. The vessel was upgraded in 2009 with a facility to install flexible pipe, which increased its capability and marketability. 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 Company's units. The Dynamic Installer is the Company's second installation vessel and is used for the installation of CALM buoys and other shallow water work including diving services.

A new offshore construction/installation vessel is planned to be commissioned for a planned entry into the market in 2013. This multi purpose vessel will fulfil

World Map of SBM Offshore

DSV, ROVSV and construction functions as well as deep water mooring installation works. Having three installation vessels capable of supporting our core business will give greater flexibility to our offshore contracting business by being able to enter into other markets and geographical regions, such as greater sustained support to the SURF industry and long term campaign work in Brazil.

The focus for the coming years will be to substantially increase activities primarily in the area of Offshore Contracting. 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.

Topsides of the *FPSO Okha* in Singapore


FIRE CYLIND
CABINET
FM-200

Report of the Supervisory Board

2

Introduction and Meetings of the Supervisory Board Committees

Introduction

The Supervisory Board of SBM Offshore N.V., hereby presents the Annual Report 2010 incorporating the Financial Statements to be discussed and adopted in the Annual General Meeting of Shareholders on Thursday 5 May 2011. 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$ 0.71 per share (2009: US$ 0.67) 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 of Shareholders (AGM) of 14 April 2010, Mr. L.J.A.M. Ligthart reached the end of his term of office as a Director of the Supervisory Board and did not stand for re-appointment. The Supervisory Board expresses its gratitude to Mr. L.J.A.M. Ligthart for his valuable contribution to the Supervisory Board as vice-chairman and chairman of the Audit Committee.

Upon recommendation of the Selection and Appointment Committee, the Supervisory Board proposed to appoint Mr. F.J.G.M. Cremers as member of the Supervisory Board. At the AGM held on 14 April 2010, Mr. F.J.G.M. Cremers was appointed to the Supervisory Board and the Supervisory Board decided to appoint him as chairman of the Audit Committee. The Supervisory Board announced at the AGM that it was the intention to expand the Supervisory Board to seven members because of the increased workload, the requirements for committee chairmanship and membership and diversity considerations.

Upon the recommendation of the Appointment and Remuneration Committee dealing with appointment matters, the Supervisory Board proposed to appoint Mr. F.R. Gugen as member of the Supervisory Board and this proposal received the approval of shareholders at an Extraordinary General Meeting of Shareholders held on 6 July 2010. Mr. F.R. Gugen was subsequently appointed as chairman of the Appointment and Remuneration Committee, dealing with remuneration matters.

Both newly appointed members of the Supervisory Board have their induction program and have met in one-on-one sessions the members of the Board of Management and a number of key managers and staff which are relevant to the work of the committees chaired by each of them and the work of the Supervisory Board in general.

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

Composition of the Committees of the Supervisory Board

Audit Committee

Mr. L.J.A.M. Ligthart was the chairman of the Audit Committee until 14 April 2010 and Mr. F.J.G.M. Cremers succeeded Mr. L.J.A.M. Ligthart as the chairman of the Audit Committee as from 14 April 2010. Mr. F.G.H. Deckers is a member of the Audit Committee.

Appointment and Remuneration Committee

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

Technical and Commercial Committee

The Supervisory Board resolved to create a new Technical and Commercial Committee to enable the Supervisory Board to have a better understanding of the Company's exposure to technical risks and to facilitate its supervisory duties of technical and commercial matters. The Technical and Commercial Committee consists of Mr. T.M.E. Ehret (Chairman) and Mr. R. van Gelder is a member.

Meetings of the Supervisory Board

During the course of the year under review, the Supervisory Board held six meetings according to a pre-set meeting schedule. The Board of Management prepares detailed supporting documents and attends the formal meetings of the Supervisory Board. Sometimes the formal Supervisory Board meetings are either preceded or followed by a private meeting of the Supervisory Board. In addition to these meetings, a number of telephone conferences were held and there was regular informal contact between the Chairman and the CEO, as well as regular contact between Supervisory Directors and the Board of Management. Meetings are usually spread over two days, starting on the first day with the meetings of the Audit Committee, the Technical and Commercial Committee and the Appointment and Remuneration Committee. The corporate secretary is the secretary of the Supervisory Board, of the Appointment and Remuneration Committee and of the Technical and Commercial Committee, and attends the meetings of the Audit Committee.

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

Following one of the Supervisory Board meetings, the Supervisory Board reflected on the subjects to be reviewed by the Supervisory Board, and on the sequence of the different agenda items with a view to enable a better business focus and to enhance the effectiveness of the meetings. This was achieved by delegating the detailed discussion of a number of recurrent items to the sub-committees, the chairmen of which report at the Supervisory Board meeting on the key points handled by each of the sub-committees and submit resolutions to be taken by the Supervisory Board.

All Supervisory Directors attended all of the Supervisory Board meetings. In the case of the telephone conferences held in addition to the six scheduled meetings, the Supervisory Directors attending the call could follow the proceedings of the meeting and be heard by the other Supervisory Directors.

All but two meetings of the Supervisory Board and of the sub-committees were held at the statutory offices of the Company in Schiedam, The Netherlands. In November 2010, the Supervisory Board met at the Company's project execution centre in Monaco and in December 2010, the Supervisory Board travelled to the Company's project execution centre in Houston, TX, U.S.A.

At the Monaco and Houston project execution centres, project management and senior management were interviewed by each of the Supervisory Directors in one-on-one sessions and information about the progress of the major projects and the state of affairs at the respective 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.

Main subjects reviewed by the Supervisory Board

Standard items

Standard items on the agenda are:
- the approval of the minutes of the previous meetings and the review of actions arising;
- the management and financial report;
- the operating plan 2011;
- reports of the Audit Committee, the Technical & Commercial Committee and the Appointment & Remuneration Committee;
- approval of the Company's annual and half-year results and of the Q1 and Q3 trading updates;
- financing of the Company (five year US$ 750 million Revolving Credit Facility (RCF) and project financing)
- Health Safety Security and Environment;
- Mergers & Acquisitions;
- Corporate Governance;
- Corporate Social Responsibility matters;
- Review of legal claims.

Major projects, tenders and investments

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

Strategy

A full meeting was dedicated to the Company's Operating Plan 2011 and the 2011-2015 Strategic Plan developed by the Management Board which included input provided by senior management at a two day strategy seminar. The plan focuses on the strategy of the Company for achieving long-term growth and enhancing shareholder value, including new products and markets, contracting structures and finance strategy.

Sustainability (CSR)

The Supervisory Board received reports on Health, Safety, Security and Environment matters at each of its meetings and reviewed the Company's CSR report of 2009. Sustainability has now been made formally part of the Technical and Commercial Committee's remit. The Supervisory Board was pleased to note that the Company has now been included in the Dow Jones Sustainability Index.

Personal details and independence of the Supervisory Directors

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

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

Meetings of the Supervisory Board Committees

Audit Committee

The Audit Committee convened for six regular meetings in 2010 and in addition held a number of telephone conferences. The regular Audit Committee meetings are held the day prior to the Supervisory Board meeting, where the Audit Committee Chairman reports on the principal issues discussed and gives the Committee's recommendations on those matters requiring a decision by the Supervisory Board. The CEO, CFO, the corporate finance and tax manager, the internal audit executive, the corporate secretary and the external auditor attended all the meetings. There were regular private meetings of the Audit Committee with the external auditor without the CEO and CFO being present.

The main items discussed during the year under review were:
- annual and half-yearly Financial Statements and financial data to be included in press releases;
- the dividend policy;
- Q1 and Q3 trading updates;
- Analysis of the financial results of ongoing projects;
- the Company's Internal Control Framework and its In Control statement;
- the working and staffing of the internal audit department;
- the Management Letter, the external audit reports and the follow-up of the recommendations of the external auditor;
- relations with the external auditor, including, in particular, the independence, remuneration and non-audit related services provided to the Company. An analysis of the KPMG fees is disclosed in note 2 to the Financial Statements;
- the AFM report on general findings regarding audit quality and quality control monitoring and the external auditor's reaction in general and for the Company in particular;
- the performance of the external auditor and the rotational change of the lead partner;
- the financing of the Company: the refinancing of the existing US$ 500 million revolving credit facility (RCF) with a new US$ 750 million RCF and project financing;
- treasury reports, the working of the treasury department and compliance with bank covenants;
- Information Systems and Information and Communication Technology (ICT);
- adequacy of insurance programmes;
- compliance with the Code of Conduct and the whistleblower policy and matters related thereto;
- fraud and other irregularities;
- the 2011 operating plan (budget);
- review of tax planning and fiscal positions.

The Audit Committee paid specific attention to risk management. In conjunction with the Technical and Commercial Committee, major risks related to the Company's projects were reviewed, with an in depth analysis of the risks related to the rigs 1,2 and 3 projects, the MOPUstor™ and MOPU projects and the 5,000 tonnes crane project.

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 2012;

Appointment and Remuneration Committee

The Appointment and Remuneration Committee met six times in 2010. The first meeting was held in the former configuration of a separate Remuneration Committee and a separate Selection and Appointment Committee. The meetings of the Appointment and Remuneration Committee are held prior to the Supervisory Board meetings where the respective chairmen report on the selection and appointment matters and on the remuneration matters reviewed by the Committee and give the Committee's recommendations on those matters requiring a decision by the Supervisory Board. In addition, there is regular contact between the members of the Committee and the Management Board.

At the AGM of 2008, the Remuneration Policy 2008 (RP 2008) was approved. This Remuneration Policy is the basis for the remuneration of the Management Board. The remuneration components for the current Managing Directors (Base Salary, Short-Term and Long-Term Incentives and pensions) were established in accordance with this policy. More information can be found in the Remuneration Report of this report. During the course of 2010 it was decided to review RP 2008 and it is the intention to submit a new Remuneration Policy for approval at the AGM of 2011. The vision which the Management Board and the Appointment and Remuneration Committee pursued in designing this new Remuneration Policy is as set out in the Remuneration Report of this Annual Report.

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

Remuneration:
- remuneration of the Managing Directors and its benchmarking;
- remuneration matters related to a former Managing Director;
- determination of Short Term and Long Term Incentive amounts by reference to the performance targets agreed with the Management Board for the year 2009, and the determination of the Short Term Incentive performance targets related to the year 2010 and of Long Term Incentive performance targets related to the period 2010 to 2012;
- retirement arrangements for members of the Board of Management;
- remuneration of the Supervisory Board: a proposal to increase the remuneration of the Supervisory Board received shareholders approval at the Extraordinary General Meeting held on 6 July 2010.

Appointment:
- selection of Mr. F.R. Gugen as a new member of the Supervisory Board;
- ongoing selection process of a seventh member of the Supervisory Board;
- selection of two new non-statutory directors, members of the Board of Management. Mr. M. Wyllie was appointed Chief Technology Officer and Mr. J.P. Laurès was appointed later in the year as Chief Commercial Officer;
- selection of Mr. B. Chabas as Chief Operating Officer succeeding Mr. F. Blanchelande following his forthcoming retirement in 2011.

The Appointment and Remuneration Committee received advice from specialist selection and remuneration consultants, particularly as regards design of RP 2011.

Technical and Commercial Committee

The Supervisory Board resolved to create a new Technical and Commercial Committee to enable the Supervisory Board to have a better understanding of the Company's exposure to technical risks and to facilitate its supervisory duties of technical and project management matters. This new Committee was installed and started work in May 2010. The Committee met four times and in addition, held telephone conferences. The meetings of the Technical and Commercial Committee are held prior to the meetings of the Supervisory Board at which the chairman reports on the principal issues discussed and gives the Committee's recommendations on those matters requiring a decision by the Supervisory Board.

The main subjects discussed by the Technical and Commercial Committee were the following:
- setting the terms of reference of the Committee, identifying the matters to be reviewed and deciding on the reporting requirements;
- reviewing the risk management report, focusing on technical risks;
- reviewing the major projects with input from external consultants on the drilling rigs;
- reviewing the bids status and sales prospects;
- Mergers & Acquisition opportunities;
- Management Information Systems and IT projects;
- the Research & Development plan;

Sustainability (CSR) matters which are relevant to the Company have now been moved to the Technical and Commercial Committee's remit.

Performance evaluation

One pre-meeting was dedicated to discussing the performance of the Supervisory Board as a whole and its individual Directors. The Supervisory Board used a self-assessment questionnaire to facilitate the performance evaluation. In addition, the performance of the Board of Management and its individual members was discussed with the CEO and in a private session amongst the Supervisory Directors.

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 2010 in a challenging business and financial environment. The Supervisory Board was pleased to note that good progress was made on the implementation of performance improvement processes during the year under review. The Supervisory Board believes that the successful refinancing of the Company's RCF, the successful delivery of a number of legacy projects such as rigs 1 and 2, the finalisation in 2011 of rig 3 and the MOPU platforms and the achievement of a record backlog during the year, positions the Company well to achieve its targets for growth and for shareholder return.

Schiedam, 3 March 2011

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

Yme MOPUstor™ stand-by for offshore installation in Norway

Remuneration Report

The Remuneration Report serves to inform shareholders and other stakeholders on the implementation of the Company's Remuneration Policy as was approved by shareholders at the AGM of 2008 and on the actual remuneration of the members of the Management Board. The report has been prepared by the Appointment and Remuneration Committee, dealing with remuneration matters. It is divided into the following separate sections:

Section 1: About the Appointment and Remuneration Committee (A&RC).
Section 2: Dutch Corporate Governance Code.
Section 3: Summary of the current Remuneration Policy and highlights of the New Remuneration Policy 2011.
Section 4: The employment contracts of the members of the Management Board and their actual remuneration in 2010.

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

Until the AGM dd. 14 April 2010, the Remuneration Committee consisted of the following members:
- Mr. R. van Gelder (Chairman of the Remuneration Committee) and;
- Mr. H.C. Rothermund.

At the AGM of 14 April 2010, shareholders were informed of the resolution of the Supervisory Board to merge the Selection and Appointment and the Remuneration Committees into a single Appointment and Remuneration Committee (A&RC). The new Committee consisted of two members of the Supervisory Board, Mr. H.C. Rothermund and Mr. R. van Gelder until 6 July 2010, date of the Extraordinary General Meeting of Shareholders (EGM) at which Mr. F.R. Gugen was appointed to the Supervisory Board and was subsequently elected to chair the A&RC when dealing with remuneration matters. Mr. H.C. Rothermund chairs the A&RC for agenda items dealing with Selection and Appointment matters.

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

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

Remuneration:
- remuneration of the Managing Directors and benchmarking;
- remuneration matters related to a former Managing Director;
- the determination of the Short Term Incentive payout based on actual performance compared with the performance targets agreed with the Management Board for the year 2009 and the determination of the Short Term Incentive performance targets related to the year 2010;
- the determination of the Long Term Incentive grant 2010;
- retirement arrangements for members of the Board of Management;
- review of the remuneration of the Supervisory Board and recommendation to the Supervisory Board to submit a proposal to shareholders to increase the remuneration of the Supervisory Board and its committees.

Appointment:
- selection of Mr. F.J.G.M. Cremers as a new member of the Supervisory Board;
- selection of Mr. F.R. Gugen as a new member of the Supervisory Board;
- ongoing selection process of a seventh member of the Supervisory Board;
- selection of two new non-statutory directors, members of the Board of Management. Mr. M. Wyllie was appointed Chief Technology Officer and Mr. J.P. Laurès was appointed later in the year as Chief Commercial Officer;
- selection of Mr. B. Chabas as Chief Operating Officer to succeed Mr. F. Blanchelande following his forthcoming retirement in 2011.

The Appointment and Remuneration Committee received advice from specialist selection and remuneration consultants. These consultants do not advise the Management Board on similar matters.

Remuneration

Supervisory Board

The search for new Supervisory Board members in the international market triggered a review of the remuneration of the Supervisory Board. This review was conducted with the assistance of outside remuneration consultants and advisors to the Supervisory Board who focused on:
(i) options for the structure of the Supervisory Board remuneration scheme and
(ii) on benchmarks for remuneration levels in an international context.

The conclusions of this review were:
(i) The existing structure of remuneration, consisting of retainers for the Chairman, the Vice-chairman and the members of the Supervisory Board, and a fee for the chairman and the members of the three committees should be maintained. The introduction of an attendance fee was considered but was eventually rejected on the basis that the members of the Supervisory Board are meant to attend all the meetings of the Supervisory Board and the relevant committee meetings for which additional fee is not payable.

(ii) The level of remuneration on offer must be such that the Company remains competitive when recruiting in the relevant international market, in order to attract internationally oriented, qualified and expert persons. The existing level of remuneration was found to be uncompetitive in an international context and did not recognise sufficiently the ever growing level of commitment in time and effort by the Chairman, the chairmen of the committees and the other Supervisory Board members, nor did it recognise the commitment to permanent education and the requirement to develop skills and knowledge by attending boardroom development programmes.

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

Fee level and structure of Supervisory Board

	Previous	Approved at AGM
Chairman Supervisory Board	63,000	90,000
Vice-chairman Supervisory Board	52,500	80,000
Member Supervisory Board	45,200	75,000
Chairman Audit Committee	9,500	10,000
Member Audit Committee	6,000	8,000
Chairman Appointment & Remuneration Committee dealing with Appointment matters	8,000	9,000
Chairman Appointment & Remuneration Committee dealing with Remuneration matters	8,000	9,000
Member Appointment & Remuneration Committee	n.a.	8,000
Chairman Technical & Commercial Committee	6,000	10,000
Member Technical & Commercial Committee	4,000	8,000

The retainer and committee fee levels will be reviewed every second year.

Management Board
The A&RC has reviewed the Remuneration Policy 2008 and the current terms and conditions of employment of the Management Board members in light of the Code and applicable best practice. It was concluded that a new Remuneration Policy (RP 2011) should be submitted for approval at the AGM of 2011. The key points of the new RP 2011 are set out in Section 3.

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

Section 2: Dutch Corporate Governance Code and the Company's Remuneration Policy

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 2009 (for the performance period 2009-2010-2011) and of the grant made pursuant to the Company's Remuneration Policy in 2010 (for the performance period 2010-2011-2012) have been carried out by the A&RC with the assistance of remuneration consultants. The remuneration consultants who advised the Supervisory Board do not advise the Management Board.
- The total remuneration package consists of an appropriate mix of fixed and variable remuneration elements designed to contribute to both current results and 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 over a three-year period, to the average Earnings Per Share (EPS) growth and potentially, after 1 January 2011, partly to relative Total Shareholders Return (TSR) if the RP 2011 were to be approved at the AGM of 5 May 2011.
- 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 if such component would produce an unfair or unintended result as a consequence of extraordinary circumstances during the period in which the pre-determined performance criteria have been or should have been achieved. In addition, a claw-back provision is included in the employment contracts enabling the Company to recover variable remuneration components on account of incorrect financial data.
- 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 and highlights of Remuneration Policy 2011

Objective and Structure

The Remuneration Policy 2008 has been designed to ensure that Managing Directors receive for their work a remuneration package that 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 benchmarked periodically, with the assistance of an external remuneration adviser to the Supervisory Board.

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%)	Deliver targets and create economic value
	Shares (20%)	Share component to encourage management retention
	Matching Shares	
Long-Term Incentive	Shares	Create sustainable growth aligned with shareholders' interests and management retention
OTHERS		
Car	Advantage in kind	Reflect position and responsibilities
Fringe benefits	Advantage in kind	Reflect position and responsibilities

Implementation of Remuneration Policy 2008 (RP 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 regular basis, but at least annually to ascertain that its level remains competitive.

Pension
Managing Directors participate in a defined benefits Company pension plan which 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 is reviewed on a regular basis by the Supervisory Board who can make adjustments 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 2010, 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.

New Remuneration Policy 2011 (RP2011)

Reasons for reviewing the existing RP 2008
It is part of the Company's policy to review the Remuneration Policy every three years. The RP 2008

was approved at the Company's AGM of 2008.
In the course of the year 2010 the A&RC undertook, with the assistance of specialised consultants, to review the RP 2008. This review was carried out with the assistance of two independent consultants, one advising the Company in drafting the RP 2011 and the second advising the A&RC in its review of the draft prepared by the Company.

Vision for the new RP 2011
In developing the RP2011, the following Vision was developed which has received the support of the A&RC and of the Supervisory Board.

The RP2011 is designed based on the following remuneration principles:

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

Submission of the new RP 2011 to the AGM
The new RP 2011 will be submitted for approval to the AGM to be held on 5 May 2011. A detailed explanation of the new RP 2011 will be published in the explanatory notices to the agenda of the AGM dd. 5 May 2011.

Section 4: The employment contracts of the members of the Management Board and their actual remuneration in 2010

Employment contracts of the members of the Management Board

The employment contracts of Mr. A. Mace, CEO, and Mr. M. Miles, CFO, who were appointed to the Management Board at the Annual General Meeting of Shareholders of 15 May 2008, were drafted in accordance with the relevant principles and best practice provisions of the Code and RP 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 pre-determined 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. A. Mace and Mr. M. 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 IN 2010 (UNCHANGED COMPARED TO 2009)		
	€ 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 of performance shares (equivalent in value at time of initial award to 100% of base salary of the previous year): • Threshold performance: 50%, i.e. for 2010, 5% annualised (normalised) EPS growth over a 3-year performance period • At-target performance: 100%, i.e. for 2010, 10% annualised (normalised) EPS growth over a 3-year performance period. • Maximum LTI opportunity (capped): 150% of the number of shares granted, i.e. for 2010, 20% annualised (normalised) EPS growth over a 3-year performance period. • 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 will be 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 2010

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

Earnings of Managing Directors in 2010

In thousands of €	Base salary	Short-Term Incentive Cash [1]	Short-Term Incentive Shares [2]
A.J. Mace	490	285	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 was paid in cash in 2010. The amount of the bonus is computed in US Dollars (the Company's functional currency) and then converted for payment in Euros at the average exchange rate on the five trading days following the date of publication of the final results for the year 2009.

(2) This amount represents 20% of the Short Term Incentive earned in respect of performance year 2009, which became payable in shares in 2010. The number of shares was calculated by using the average closing price of the share on the five trading days following the date of publication of the final results for the year 2009. An equal number of matching shares will vest after the three-year period ending 31 December 2012.

The Short-Term Incentive relating to the performance year 2010 is based upon the Economic Profit (EP) of the year 2010, i.e. Return On Average Capital Employed (ROACE) exceeding an assumed Weighted Average Cost of Capital (WACC). Because of the sensitive nature of the short term incentive targets, it is Company policy not to disclose these.

Awards made under Long-Term Incentive to Managing Directors in 2010

	Target number of performance shares conditionally awarded in 2010 [3]	Minimum vesting opportunity (number of performance shares)	Maximum vesting opportunity (number of performance shares)
A.J. Mace	35,709	0	53,564
M.A.S. Miles	28,822	0	43,233

(3) The number of performance shares that vest for the performance period 2010-2011-2012 will be determined in March 2013, upon finalisation of the financial accounts for the year 2012. 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 2010 equals 100% of base salary in the year preceding the award, i.e. 2009. 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 2010

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
STI MATCHING SHARES		
Awarded in 2007 and vesting on 1st January 2010	-	Number: 4,261 Value at award: € 110,400 Number of shares vested: 4,261 Value at vesting date: € 58,695
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
Awarded in 2010 and vesting in 2013	Number: 5,201 Value at award: € 71,362	Number: 4,198 Value at award: € 57,599
LTI 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 till 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, vested in 2010 and subject to two year lock-up period	-	Number: 7,500 Value at award: € 194,325 Vested: 0
Performance shares awarded in 2008, vesting in 2011 and subject to two year lock-up period	Number: 20,035 Value at award: € 395,500	Number: 18,237 Value at award: € 360,000
Performance shares awarded in 2009, vesting in 2012 and subject to two year lock-up period	Number: 42,126 Value at award: € 420,000	Number: 39,669 Value at award: € 395,500
Performance shares awarded in 2010, vesting in 2013 and subject to two year lock-up period	Number:35,709 Value at award: € 490,000.	Number: 28,822 Value at award: € 395,500.
LTI Performance options (discontinued in 2008 – no grant in 2008 and thereafter)		
Options granted in 2005 and vested in 2008	Number: 40,000 Exercise Price: € 12.86 Value at grant: € 108,000 Exercised: 40,000	Number: 102,000 Exercise Price: € 12.86 Value at grant: € 275,400 Exercised: 102,000
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 Vested: 0

With respect to the options granted in 2005, both Managing Directors exercised their options upon expiry at the prevailing share price of €12.88 and received no net proceeds from such exercise.

With respect to the conditional awards made in 2007 (under the LTI 2005), the three year performance period ended upon completion of the financial year 2009. Based upon the audited financial statements, the three-year period 2007-2009 generated an average annualised EPS growth below the threshold of 5%. The conditional performance share awards and conditional option grants made in 2007 therefore did not vest in March 2010. With regard to the conditional grants made in 2008, the target threshold was not reached and therefore none of the conditional performance share awards made in 2008 will vest in March 2011.

Costs incurred by the Company in 2010 in respect of the Remuneration of Managing Directors

In thousands of €	Base salary	Short-Term Incentive [4]	Expense recognised for share-based payments (NOT ONLY LTI) [5]	Benefits excluding pension payments	Pension payments	**Total costs**
A.J. Mace	490	357	146	105	66	**1,164**
M.A.S. Miles	396	288	104	101	38	**927**

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

[5] *The fair value of all share-based payments, i.e. the expense recognised in 2010 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).*

Top:
Detail of the Deep Panuke Production Field Centre

Bottom:
'Delba III' Drilling Rig in Abu Dhabi

Information regarding the Supervisory Board members

Mr. H.C. Rothermund

Swiss, 1943

Function: Chairman
Committee: Chairman of the Appointment and Remuneration Committee dealing with selection and appointment matters and member of the Appointment and Remuneration Committee dealing with remuneration matters.

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

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

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

Mr. R. van Gelder

Dutch, 1945

Function: Vice Chairman
Committee: Member Technical and Commercial Committee

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

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

Other Supervisory Board memberships:
- Member of the Supervisory Board of Holcim Western Europe
- Member of the Supervisory Board of Heijmans N.V.
- Member of the Supervisory Board of Koninklijke Ten Cate N.V.

Other:
- Member of the Board of VEUO

Mr. F.J.G.M. Cremers

Dutch, 1952

Function: Member
Committee: Chairman Audit Committee

First appointment: 2010
Current term of office: 2010-2014

- A former CFO of Shell Expro UK
- A former CFO and member of the Board of Management of VNU N.V.

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

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

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

Mr. F.G.H. Deckers

Dutch, 1950

Function: Member
Committee: Member Audit Committee

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

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

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

Other:
- Member of Advisory Counsel Woman Capital

Mr. T.M.E. Ehret

French, 1952

Function: Member
Committee: Chairman Technical and Commercial Committee

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

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

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

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

Mr. F.R. Gugen

British, 1949

Function: Member
Committee: Chairman of the Appointment and Remuneration Committee dealing with remuneration matters and member of the Appointment and Remuneration Committee dealing with selection and appointment matters.

First appointment: 2010
Current term of office: 2010-2014

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

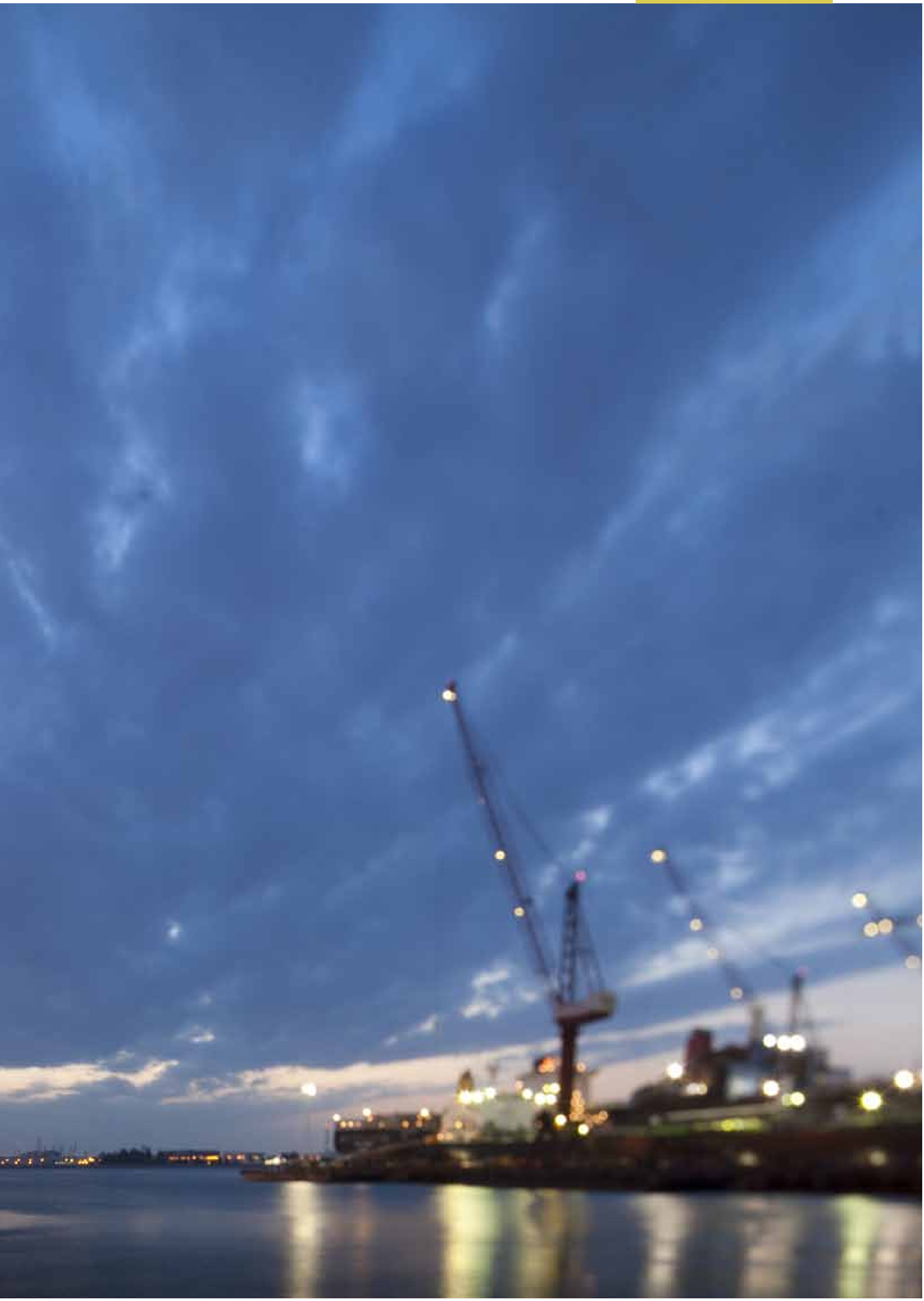
Listed Companies:
- Chairman of the Board of Petroleum Geo-Services ASA and of IGas Energy plc

Private Companies:
- Chairman of CEOC Limited, Chrysaor Limited, and Fraudscreen Limited

Advisory:
- To BNRI, a division of the Economic Affairs Committee of the CBI; a major UK trade association

Charity:
- Chairman of Raft, a medical research charity

Disconnectable Turret of the FPSO Okha in Singapore



Report of the Board of Management

3

Introduction

The relatively high oil price regime that continued during the course of the year drove the increase in demand for offshore production facilities and resulted in the award of multiple orders for floating production units in the sector in 2010. The Company was very active in marketing and sales activities and was successful with obtaining a Letter of Intent and a Letter of Agreement for two lease contracts and multiple smaller orders which contributed to the record year end order portfolio and annual order intake close to the record level achieved in 2006.

In addition to the new project sales activity, the Company was very busy throughout the year with the execution of existing projects. The net profit for 2010 reached a record level, resulting from a significant improvement in EBIT margin recorded in the Turnkey Systems segment, which was achieved despite continued problems on some of the older projects. The performance improvement processes implemented by the Company over the last two years have contributed to the overall result.

To support growth in the Lease and Operate segment, the Company has augmented its investment capabilities for lease projects with a new revolving credit facility of US$ 750 million, generally used to finance the construction phase of projects, and entered into a long-term cooperation agreement with Mitsubishi Corporation to jointly pursue FPSO lease and operate projects worldwide.

The Company delivered several large projects in the Turnkey Systems segment during 2010. The highlights of the year were the delivery of FPSO P-57 to Petrobras two months ahead of schedule, as well as the completion of the first two in a series of three complicated drilling rig projects. The third drilling rig and the FPSO Okha are scheduled for delivery in the first half of 2011. Progress was also made on the more difficult projects still under construction in the Lease and Operate segment with the anticipated start up of the MOPUstor™ for Yme and the Production Field Centre for Deep Panuke which will begin to generate day rate income in 2011. The completion of the drilling rig projects and both MOPU platforms, will mark the end of the difficult projects which have been affecting the Company performance during the last couple of years. Construction on the more recent projects for the lease fleet, FPSO Aseng and FPSO Cidade de Paraty, is progressing well.

In 2010, the Company expanded its HSSE reporting scope to include all onshore activities in the statistics. Consequently, the safety record performance is inferior to last year as a result of a high rate of incidents in onshore activities compared to offshore activities. The offshore safety performance has shown stable results, which is positive as they are better than industry standard. Nevertheless, the Company is paying close attention to ensure that improvements are achieved.

The Company’s strategic direction for the next five years has been carefully developed by the Management team over the course of 2010 as outlined in section 1 of this report.

The annual Sustainability Report provides detailed information on the Company’s HSSE and Human Resources activities and strategy. Acceptance into the Dow Jones Sustainability Index Europe is the result of the Company’s transparent reporting on sustainability issues.

Market

The year 2010 displayed a recovery in terms of major orders awarded in the sector, notably two new letters of intent/agreement for lease contracts were obtained by SBM Offshore. The considerable value associated with the FPSO Cidade de Paraty Lease and Operate contract for Lula Nordeste project (formerly Tupi Nordeste), coupled with an increase in ‘smaller’ projects, extensions and upgrade work, has placed the Company's order portfolio at a record high. The level of sales and bidding activity for prospects was high. The Company's main areas of focus are deepwater developments in Brazil, West Africa, Malaysia and the Gulf of Mexico.

The offshore LNG sector is showing signs of further development with a variety of projects. Shell's FLNG initiative is starting to focus on the development of a specific field, the FEED for Petrobras' FLNG for the pre-salt developments offshore Brazil has been completed and several different FEED studies are equally being performed for other clients, mostly in the Asia region.

Lease and Operate

The Company obtained two new Lease and Operate awards and several extensions on existing contracts during the year. The first order was a Letter of Intent for a twenty-year Lease and Operate contract of FPSO Cidade de Paraty for the Lula Nordeste development in Brazil. The second order consisted of a Letter of Agreement for a five-year Lease and Operate contract of a DeepDraft Semi ® submersible production facility on the Tubular Bells field in the Gulf of Mexico. With final project sanction from our client not due until in the first half of 2011, the future revenues from this latter charter have not been included in the order portfolio at 31 December 2010. Both units are scheduled to start operations in 2013.

The FPSO Capixaba was relocated to the Cachalote field offshore Brazil in February following an upgrade of the unit carried out in record time at Keppel Shipyard in Singapore. Oil production on the unit commenced in May and a total of 19 offloads were performed during the remainder of the year. The unit is on a lease and operate contract to Petrobras for twelve years.

The relocation of the FPSO Capixaba is the first of several FPSO relocation projects the Company is expected to complete. Orders have also been received for the relocation of FPSO Espadarte to the Baleia Azul field in Brazil for Petrobras. Both FPSO Brasil and FPSO Marlim Sul are potential candidates for relocation in Brazil in the future.

The Yme MOPUstor™ platform was completed in Norway at the end of the year. The unit is currently on weather standby waiting for a suitable weather window for offshore installation and it is anticipated the MOPUstor™ will start production in 2011.

The construction of the Deep Panuke Production Field Centre had reached the final stages of completion by year end. Following completion and load out in Abu Dhabi, the unit will be shipped to Nova Scotia for offshore installation and production start up in 2011. The Company has issued several major change orders related to additional work requested by our client; agreement in relation to which is still under discussion.

Construction during the year on FPSO Aseng for Noble Energy Equatorial Guinea and FPSO Cidade de Paraty for Petrobras Brazil progressed in accordance with the schedule. Project financing has been secured for the FPSO Aseng under new project finance facilities of US$ 602 million.

The Company has previously declared its intention to withdraw from its Myanmar-based involvement in the Lease and Operate contract for the FSO Yetagun, which contract took effect prior to the international campaign of appealing for sanctions against Myanmar. To date, despite considerable efforts the Company has not been able to dispose of its share in the vessel to this effect. The Company has paid special attention to ensure that operations comply with the highest standard of social accountability. Accordingly, the Company subjected the operators in the contract to an independent audit by Bureau Veritas in order to verify compliance with the Company's Social Accountability manual and no corrective actions were identified.

The Lease and Operation of FPSOs and FSOs continues to show excellent performance. High bonuses have been achieved where available within individual lease contracts. The overall number of vessels in operation in the lease fleet at year end stands at fourteen. The FPSO Falcon is in lay-up but is actively being marketed for new contracts. Five new lease units, currently in the construction phase, are the Yme MOPUstor™, the Deep Panuke Production Field Center MOPU, the FPSO Aseng, the FPSO Cidade de Paraty and the DeepDraft Semi™ submersible production facility for Tubular Bells.

Turnkey Systems

A major highlight of 2010 was the completion and delivery of the FPSO P-57 to Petrobras in Brazil. The unit was supplied two months early, within budget and exceeded the high local content requirement with a substantial amount of work being performed in Brazil. This is the first FPSO the Company has supplied to Petrobras on a Turnkey Supply basis. Upon delivery of the unit, the Company started the three-year operations contract.

Among other projects, the Company delivered a turret for BP to the FPSO construction yard in Korea where integration works were completed for the Skarv FPSO.

The FPSO Okha construction progressed well during the year and is on schedule for completion in the first half of 2011, which is slightly behind the original schedule, but in line with the client's requirements.

The Company successfully delivered two of the three semi-submersible drilling rigs in 2010. The third rig is scheduled for completion in the first half of 2011 at the construction yard in Abu Dhabi. All three drilling rig projects have suffered significant cost overruns for which provisions have been accounted for in full in 2010.

The Company continued Front-End Engineering and Design (FEED) work as part of the framework arrangement for the supply of turret mooring systems for a series of FLNG facilities for Shell with specific focus on the Prelude field development offshore Australia.

Additionally a FEED contract, which has been conducted together with Chiyoda from Japan for an FLNG facility for Petrobras in Brazil, has been completed. During 2011, the Company expects to provide Petrobras with a commercial proposal for supply of the system during 2011 as part of its bidding process.

Turnkey Services

Due to the global downturn in the offshore construction business, during the year the offshore contracting part of SBM Offshore's Services Unit was affected, with neither of the Company's installation vessel being fully utilised. However, the supply and maintenance of CALM buoy systems, specialised equipment, spare parts and services, showed an increase during 2010.

The year end Turnkey Services order portfolio covers about nine months of work, which is normal given the short/medium term nature of this business.

PAENAL Yard

In Angola, the original joint venture partners (Sonangol and SBM Offshore) of PAENAL Yard in Porto Amboim, Angola and Daewoo Shipbuilding & Marine Engineering (DSME) of South Korea signed an agreement under which DSME acquired a 30% share in the PAENAL Joint Venture. The effective shareholdings after the transaction are Sonangol 40%, SBM Offshore 30% and DSME 30%.

DSME has also signed a Letter of Agreement with PAENAL Joint Venture to perform module and associated FPSO construction and integration works at the yard for the CLOV FPSO for Total. This contract triggers the start of Phase II of the yard development which foresees investment in completion of the quayside to allow berthing of VLCCs, installation of a heavy lift crane to lift modules on to the vessel and construction of module fabrication facilities, as well as the training of personnel. With the completion of Phase II, the yard will be fully ready for FPSO topsides process modules fabrication and integration.

The association with DSME enhances the PAENAL Joint Venture's investment capacity for Phase II, as well as complements the production and construction expertise of the yard.

Business model

Although the Company reports under three business segments: 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 are to join the Company's lease 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 synergies represent an important strength of the Company.

Company improvements

During the last two years, the Board of Management has implemented a number of improvement initiatives which partially resulted from lessons learned from audits of major projects by external consultants. These initiatives included more robust proposal procedures, strengthened project control procedures, enhanced risk management procedures and expanded internal assurance activities. The Company revised its management structure in 2009, and the organisation was restructured accordingly into seven operating units with a corporate support structure. These improvements are starting to show positive results with improved margins in the Turnkey Systems segment during 2010.

Members of the Board of Management

At the start of the year 2010, Mr. Michael Wyllie was appointed as Chief Technology Officer and Director of the Board of Management of SBM Offshore N.V. Mr. Wyllie is a British citizen and has 30 years experience in the oil & gas business and joined the Company as a senior process engineer in 1995. During his career with the Company he has held positions of Engineering Project Manager on several FPSO projects, Chief Engineer and most recently Director of Marketing and Sales for the Company. Mr. Wyllie is a graduate Chemical Engineer from Herriot-Watt University in Edinburgh.

At the end of the year 2010, Mr. Jean-Philippe Laurès was appointed Chief Commercial Officer and a Director in the Board of Management of SBM Offshore N.V. Mr. Laurès has been an employee of the Company since 1990 and has performed senior management functions within each of the Engineering, Project Management, Marketing & Sales and Fleet Operations activities. He is a French citizen and has a PhD from Tufts University, Massachusetts, USA.

In January of 2011, the Company also announced that Mr. Bruno Chabas will be appointed as Chief Operating Officer and a Director in the Board of Management of SBM Offshore N.V. with effect from 1 May 2011, succeeding Mr. Francis Blanchelande who is due to retire in 2011. Mr. Chabas joins the Company from Acergy, one of the leading oilfield service companies, where he has held the position of COO for the past 8 years. He is a French citizen and has an MBA from Babson College, Massachusetts, USA.

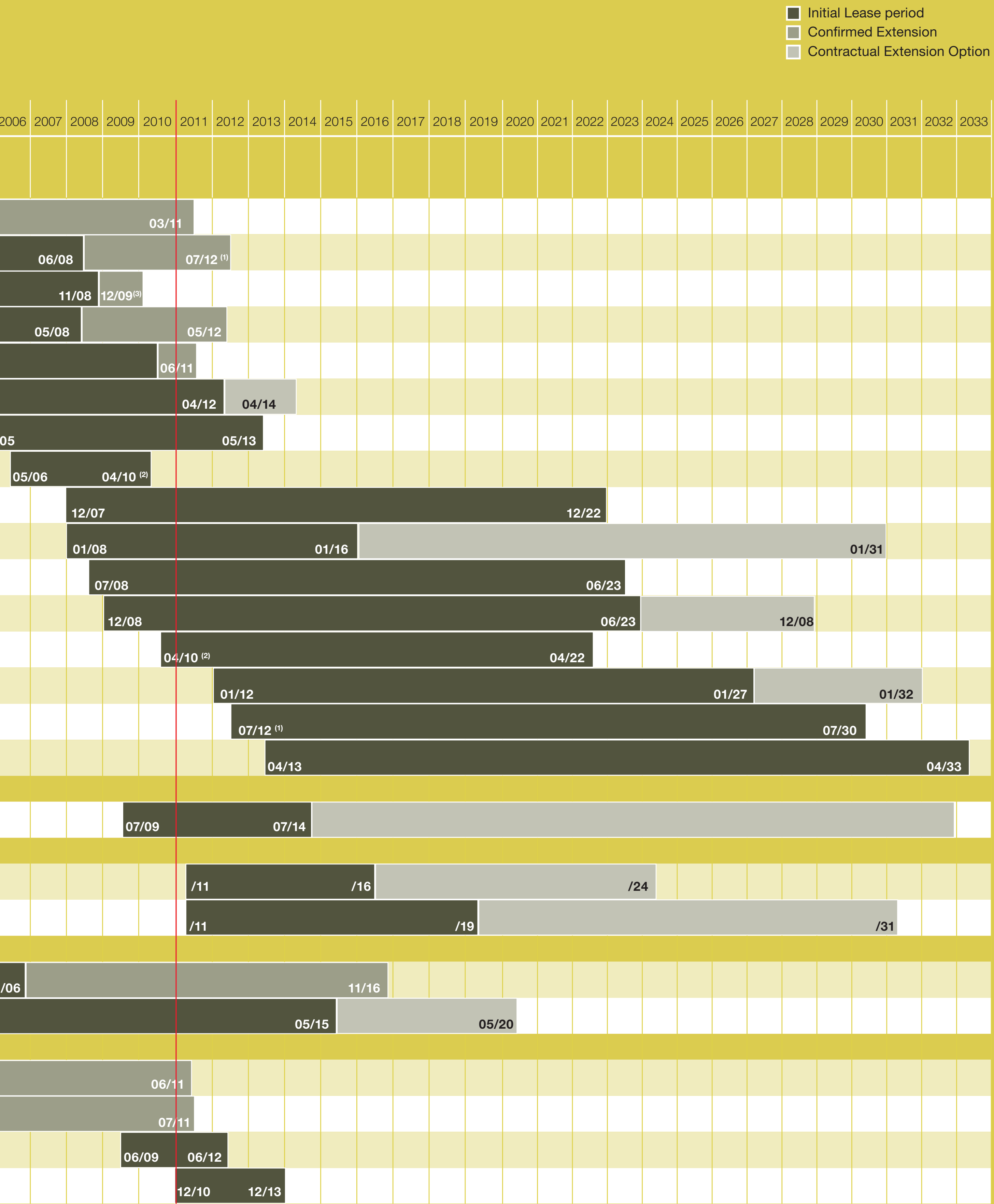
Top:
Deep Panuke
Production Field
Centre in Abu Dhabi

Bottom:
Semi-Submersible
driling rig 'Delba III'
in Abu Dhabi

SBM Offshore Lease Fleet

Vessel Name	Field Name	Client	Country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
LEASE AND OPERATE													
FPSO													
Kuito	KUITO	Chevron	Angola					12/99				12/04	
Espadarte FPSO (1)	ESPADARTE	PETROBRAS	Brazil					01/00					
FPSO Falcon (3)										11/02			
FPSO Brasil	RONCADOR	PETROBRAS	Brazil							12/02			
FPSO Xikomba	XIKOMBA	ExxonMobil	Angola								11/03		
FPSO Marlim Sul	MARLIM SUL	PETROBRAS	Brazil									06/04	
Sanha LPG FPSO	SANHA	Chevron	Angola										05/
FPSO Capixaba (2)	GOLFINHO	PETROBRAS	Brazil										
FPSO Mondo	MONDO	ExxonMobil	Angola										
FPSO Kikeh	KIKEH	MURPHY	Malaysia										
FPSO Saxi	SAXI BATUQUE	ExxonMobil	Angola										
FPSO Espirito Santo	BC-10	Shell	Brazil										
FPSO Capixaba (2)	CACHALOTE	PETROBRAS	Brazil										
FPSO Aseng	ASENG	noble energy	Eq. Guinea										
Espadarte FPSO (1)	BALEIA AZUL	PETROBRAS	Brazil										
FPSO Cidade de Paraty	LULA NE	PETROBRAS	Brazil										
Semi-sub Production Platform													
	THUNDER HAWK	MURPHY	USA										
MOPUstor / MOPU													
	YME	TALISMAN ENERGY	Norway										
	DEEP PANUKE	EnCana	Canada										
FSO													
Nkossa II	NKOSSA	TOTAL	Congo	11/96									11
Yetagun FSO	YETAGUN	PETRONAS	Myanmar					05/00					
OPERATE													
FSO Unity	AMENAM	TOTAL	Nigeria								06/03		
FPSO Serpentina	ZAFIRO	ExxonMobil	Eq. Guinea								07/03		
FPSO Frade	FRADE	Chevron	Brazil										
P-57	JUBARTE	PETROBRAS	Brazil										

(1) relocation of FPSO Espadarte from field to Baleia Azul field.
(2) relocation of FPSO Capixaba from Golfinho field to Cachalote field.
(3) FPSO Falcon is currently laid up and being marketed for a new project.


Initial Lease period
Confirmed Extension
Contractual Extension Option
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
03/11
06/08 07/12 (1)
11/08 12/09 (3)
05/08 05/12
06/11
04/12 04/14
05 05/13
05/06 04/10 (2)
12/07 12/22
01/08 01/16 01/31
07/08 06/23
12/08 06/23 12/08
04/10 (2) 04/22
01/12 01/27 01/32
07/12 (1) 07/30
04/13 04/33
07/09 07/14
/11 /16 /24
/11 /19 /31
/06 11/16
05/15 05/20
06/11
07/11
06/09 06/12
12/10 12/13

Operating Activities 2010

Lease and Operate Activities

The Year at a Glance

Month	Unit	Client	Activity
January	Kuito FPSO	Cabinda Gulf Oil Company Ltd.	Lease and operate contract extended by one year to 26 January 2011. Since year-end the contract was extended until 31 March 2011.
February	FPSO Capixaba	Petrobras	Completion of conversion works in Singapore; re-deployment at the new Cachalote field offshore Brazil.
May	FPSO Capixaba	Petrobras	First oil achieved; unit is under a twelve-year lease and operate contract.
	FPSO Serpentina	Mobil Equatorial Guinea Inc.	Operate contract extended for one year up to August 2011.
	FPSO Cidade de Paraty	Petrobras	Company received a Letter of Intent from for a twenty-year lease and operate contract (commencing March 2013) on the Lula Nordeste field offshore Brazil.
June	FSO Unity	Total Exploration Production Nigeria Limited	Operate contract extended for a year up to 30 June 2011.
	LPG FSO Nkossa II	Total Congo	Lease and operate contract extended for a firm period of five years with options for further extension.
August	FPSO Espadarte	Petrobras	New eighteen-year lease and operate contract was signed for relocation on the Baleia Azul field.
September	Deep Draft®Semi-submersible production facility	Hess	Letter of Agreement was received for a five-year lease and operate agreement for the Tubular Bells field. The agreement contains an element of production throughput related revenue.
October	FPSO Xikomba	Esso Angola Exploration Limited	Lease and operate contract extended for one year with a 90-day notice period for termination. Since year-end the Company has received notification of termination from EEAL and expects that the unit will be released mid-2011.
December	FPSO P-57	Petrobras	First oil achieved; 33-month construction period in both Singapore and Brazil. The Company will operate the FPSO for the coming three years.

At the start of 2010, the Company owned a total of fourteen production and/or storage systems with long-term lease and operate contracts on charter, with an additional three facilities under construction as well as one facility (FPSO Falcon) laid up. In addition, the Company had three operate-only contracts for client-owned units.

All units in operation performed well during the year at a cumulative average throughput rate around 0.92 million barrels of oil per day, performing more than 460 export operations for a total volume circa 336 million barrels of oil.

The operations on all units are managed and executed under strict Health, Safety, Security and Environmental (HSSE) regulations and operating standards. Records are carefully kept of all incidents and the overall offshore safety record for the year was good compared to the industry average. The organisation of HSSE management has grown and been decentralised across the three operating sub-divisions of Brazil, Angola and the Rest of the World to meet growing fleet requirements, a broadened scope and geographical concentrations. Information on HSSE can be found in the SBM Offshore Sustainability Report 2010.

Total production up-time of the fleet was maintained at 99%. This high up-time remains the basis for the payment of performance incentive bonuses, in particular for the units operating under long-term contracts with Petrobras, Chevron and ExxonMobil; the latter two including bonus schemes taking into account not only the production performance but also safety and environmental metrics and operating budget compliance.

Portfolio development

Resulting from the developments during the year within the lease portfolio, at the end of the year the Company owned a total of fourteen production and/or storage systems with long-term lease and operate contracts on charter, with an additional five facilities under construction as well as one facility (FPSO Falcon) laid up. Furthermore, the Company has four operate-only contracts for client-owned units.

At year end the Company also owned four hulls (two VLCCs, one Suezmax and one Aframax), which are available as inventory for conversion projects in the future.

Including the hulls, the Company maintains full or partial ownership of twenty-four of the twenty-eight assets under management.

Production facilities

Brazil

FPSO Capixaba
The FPSO Capixaba sailed from Singapore for deployment on the Cachalote field, offshore Brazil in February after conversion works and the addition of new modules in the Keppel shipyard in Singapore. The unit was delivered two weeks ahead of schedule and achieved first oil in May; it is under a twelve-year lease and operate contract with Petrobras.

FPSO Espadarte
In August a new eighteen-year lease and operate contract was signed with Petrobras for the relocation of the FPSO Espadarte on the Baleia Azul field. During the first half of 2011, 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 disconnection of the FPSO from the Espadarte field is planned in April 2011 and first oil at the Baleia Azul field is planned in the second half of 2012.

FPSO Cidade de Paraty
In May, a Letter of Intent from Petrobras Netherlands B.V. and Petroleo Brasileiro S.A. – Petrobras as Operator of the Consortium BM-S-11 was received for a twenty-year lease and operate contract for the FPSO Cidade de Paraty for the Lula Nordeste development in the pre-salt area offshore Brazil.

The Lula Nordeste field is located in block BM-S-11 in the Santos Basin approximately 265 kilometres offshore and in 2,100 metres water depth. The FPSO will include topside facilities to process 150,000 barrels per day of production fluids, associated gas treatment for 5 million cubic metres per day with compression and carbon dioxide removal and a water injection facility for 150,000 barrels per day. The unit will be owned and operated by a consortium comprising affiliated companies of SBM Offshore, QGOG, Nippon Yusen Kabushiki Kaisha (NYK), and ITOCHU Corporation (ITOCHU). The Company's final shareholding in the Joint Venture will in principle be 50.5% but will ultimately depend upon financing decisions yet to be finalised. In any case the Company's share will not be less than 44.4%.

FPSO P-57
The Company started operations on the FPSO P-57 for Petrobras following delivery and start up of the unit offshore Brazil in December 2010. The Company will operate the FPSO for the coming three years (more information regarding this project is provided under the Turnkey Supply Activities section of this report).

Angola

FPSO Kuito
The lease and operate contract was extended for one year until 26 January 2011 and then for a further period until 31 March 2011. Discussions continue with Chevron's subsidiary company Cabinda Gulf Oil Company (CABGOC) in Angola with respect to a life extension project and further extensions to the FPSO Kuito lease and operate contract.

FPSO Xikomba
At the beginning of the year, Esso Angola Exploration Limited extended the lease and operate contract for the FPSO Xikomba by one year with a 90-day notice period for termination. Notice of termination has duly been received with the unit scheduled to complete its service at Xikomba field in mid 2011.

West Africa

FPSO Aseng
The main focus in 2010 for the Aseng project was engineering and procurement, as well as the start of refurbishment and conversion works of the vessel at Keppel shipyard and module construction at yards in Singapore. Engineering and procurement activities are practically complete and overall progress on construction is satisfactory and in line with the scheduled departure for Equatorial Guinea by late summer 2011. The start of oil production is forecast at the beginning of the year 2012 in accordance with the contractual start date of the fifteen year lease and operate period of the unit for Noble Energy EG Ltd.

Financing of the investment in the FPSO asset for the project has been secured with a US$ 602 million Project Debt facility for the Aseng Production Company Limited of which the Company owns a 60% share and GEPetrol holds the remaining 40%. The facility is a combination of a Bank Loan of US$ 400 million and a GEPetrol Shareholder Loan of US$ 202 million with a five-year tenor.

FSO Unity
Total Exploration Production Nigeria Limited (TEPN) has extended the Consortium Operation and Maintenance Contract for one year from June 2010, and submissions are to be made early in 2011 with a view to continuing for additional years. FSO Unity has been operated and maintained by a Consortium of Saipem and SBM Offshore since 2003.

LPG FSO Nkossa II
The lease and operate contract for the Nkossa II with Total Congo was extended for a firm period of five years with options for further extension. The initial lease and operate contract commenced in 1996 when the Company delivered and started operation of the unit offshore Congo. The unit is owned by Maersk Ltd (51%) and SBM Offshore (49%).

Laid Up

FPSO Falcon
The FPSO Falcon was redelivered to the Company in December 2009 by Esso Deepwater Limited, a subsidiary of ExxonMobil 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 is obtained, the FPSO Falcon will be maintained in lay-up status in Asia.

Under Construction

MOPUstor™ Yme
The seabed-supported storage tank of the Mobile

Offshore Production Unit with storage (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 complete drilling activities along with installation of the associated dry tree wellheads.

The complexity of the project and compliance with Norwegian regulations caused significant delay and substantial cost overruns. The magnitude of the capex cost overruns in 2009 were such that the Company had to incur an impairment charge to maintain a return on investment equal to the weighted average cost of capital during the lease period. In 2010 further costs led to an additional impairment charge.

Construction of the MOPUstor™ was completed in Abu Dhabi mid-August 2010 and the MOPU was then shipped to Stavanger in Norway on a Heavy Lift Vessel where it arrived mid-September 2010.

The unit is currently ready for offshore installation with production targeted for the summer of 2011; actual start-up date is dependent on the occurrence of a suitable weather window to enable the safe installation of the MOPU offshore in the Yme field. The initial lease contract is a bareboat charter for a five-year period and excludes the operating activities. The MOPUstor™ concept is a patented design of SBM Offshore.

SBM Offshore employees on board an FPSO

Deep Panuke Production Field Centre
The hull and production facilities of the MOPU structure for Encana's Deep Panuke Production Field Centre are in the final stage of integration and commissioning in Abu Dhabi. On completion in the first half of 2011, the platform will be shipped to Nova Scotia in Canada for offshore installation, which consists of jacking the deck 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 and operate contract with Encana Corporation with first production scheduled in 2011.

During the project, modifications to the original design were requested by the client and implemented by the Company resulting in increased construction time and significant additional costs. The Company has claimed these additional costs from the client through change orders to the contract. The Company and client have so far not been able to reach an agreement on the level of compensation for the cost increases and extended construction time associated with the changes. Further discussions are in progress.

DeepDraft Semi ® Tubular Bells
A Letter of Agreement was signed with BP (since replaced as field operator by partner Hess) for a new DeepDraft Semi®-submersible to produce from the Tubular Bells field at Mississippi Canyon Block 725 off New Orleans in the Gulf of Mexico in 1,280 metres water depth and with a maximum throughput of 60,000 barrels of oil per day. The final lease and operate

FPSO Espirito Santo
offshore Brazil

contract will be based on a production handling agreement for an initial five-year period. The Company will design, build, install and operate the production facility. The initially committed value is limited to US$ 170 million and final project sanction is scheduled for the second quarter of 2011.

Oil storage operations in Myanmar
In 1997, the Company signed a contract to operate an FSO offshore Myanmar at the Yetagun field. Operations commenced in 2000 and the initial lease period will terminate in 2015. However, the contract also contains an optional five year extension by the lessee.

This contract took effect prior to the international campaign of appealing for sanctions against the Myanmar regime. The Company has previously explained that it cannot cancel a signed contractual commitment and so has made repeated efforts to sell the contract but these have not proven successful. The Company does not intend to enter into any further contractual commitment in Myanmar as long as the current regime remains in place. The Company has adherred to this policy and no further investment has taken place during the year nor has any new business been contracted.

The Company is committed to complying 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 best employment standards in accordance with the Company's 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 standards set-out in the Company's Social Accountability manual. The Company further audits all suppliers and agencies against these internal standards. 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. In 2010, the Bureau Veritas has audited the Company's Social Accountability in Myanmar and certification has been obtained.

Turnkey Supply Activities

FPSO P-57
In December, two months ahead of schedule, the Company delivered FPSO P-57 to Petrobras and commenced oil production on the Jubarte field offshore Brazil.

The initial contract for the supply of the FPSO to Petrobras was signed in February 2008, with delivery of the unit planned thirty-three months later, and another two months scheduled for installation and hook up. Construction works were performed both in Singapore and Brazil and the contractual 65% Brazilian content requirement was exceeded.

The Company will operate the facility for the first three years of production in the Jubarte field, in the Espírito Santo portion of the Campos Basin, 80 km off the Espírito Santo coast. The FPSO P-57 is anchored at a water depth of 1,260 metres producing oil of 17 degrees API through 22 wells, 15 of which are producers and 7 water injectors. With its ability to process heavy oil, the FPSO P-57 is the first unit of this complexity to operate on the Espírito Santo coast.

The FPSO P-57 is a spread moored vessel and has the capability to offload both forward and aft. With a daily production capacity of 180,000 barrels of oil per day and 2 million cubic metres of gas per day, it is the largest FPSO in terms of throughput that the Company has ever built.

The topsides weigh 14,500 tonnes and the spread mooring arrangement is complex with 21 mooring lines of varying lengths.

This project is one of the most technically complex facilities the Company has designed and built for

Petrobras, and also one of the most challenging in terms of project execution bearing in mind the high local content requirement for construction in Brazil.

The FPSO is the first the Company has sold to Petrobras on a turnkey contract basis and is the first time the Company has been contracted to build a vessel for sale, to SBM Offshore specifications. Given the success of FPSO P-57, both in design and cost, Petrobras states the design of the unit will serve as a model for future FPSOs intended for use in the Santos Basin pre-salt area.

FPSO Pazflor Oil Loading System

The consortium SBM Offshore & APL (SBAP) is in the process of finalising deliveries of hardware packages for the Oil Offloading System for the Pazflor FPSO of Total Exploration & Production Angola with the deepwater CALM buoy and piles (APL scope), and the Trelline™ rubber offloading hoses, the Fiber Optical Cable and the interface connecting pieces (SBM Offshore scope) being shipped to the mobilisation point for installation offshore Angola. The installation will be performed by the Company's vessel, the Normand Installer, and is split into two phases with final completion scheduled for the second half of 2011.

FPSO Okha

FPSO Okha is a disconnectable FPSO which is being delivered under a turnkey supply contract to Woodside Energy Ltd. The FPSO Okha will replace the existing FPSO Cossack Pioneer. The Okha was previously operated by the Company as an FSO north of Sakhalin Island for Sakhalin Energy Investment Company (SEIC) in the summertime. The hull has now been upgraded for the FPSO Okha. At the end of 2010, the hull refurbishment, the conversion, and the integration of process modules and the turret were all close to completion with commissioning works ongoing in Keppel shipyard. The FPSO Okha is scheduled to sail away from the conversion yard during the first half of 2011, after which it will be installed and commissioned in the Cossack Wanaea Lambert Hermes (CWLH) development offshore Australia.

FPSO Skarv Turret

In March 2010, all the main turret sub-assemblies of the Internal Turret for the BP Norge A.S. Skarv FPSO were delivered to Korean construction yard, Samsung Heavy Industries, for integration with the FPSO hull. The Company mobilised a project team in Korea to provide assistance for the integration and commissioning activities. The Company will also provide assistance to BP for the offshore installation of the FPSO in Norway in 2011.

FPSO Quad 204 Turret

BP intends to upgrade its production facilities on the UK Continental Shelf Schiehallion field by replacing the existing FPSO with a new-build FPSO which is to be moored at the same location using new anchors and anchor lines. In June 2010, BP awarded the Company a contract covering the Front End Engineering and Design (FEED) and the Engineering, Procurement and Construction (EPC) of the complete Turret Mooring System. The Company started work on the FEED Study in June 2010; full project sanction by BP and its partners is expected later in 2011. The Quad 204 Internal Turret is technically very challenging and will be one of the most complex turrets ever built.

FLNG Turret

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 Liquefied Natural Gas (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 a generic turret design and project execution strategy as a subcontractor of Technip. This generic FEED is ongoing, and is being complemented with a project-specific FEED for the Prelude field offshore Australia.

Semi-Submersible Drilling Rigs

The Company was contracted to supply 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 are 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 were Engineering, Procurement and Construction (EPC) contracts and the engineering for all three drilling units has been executed by the SBM-Atlantia operating unit in Houston.

The Semi-Submersible drilling rig "Lone Star" was delivered and handed over to our client Queiroz Galvão Perfuraçoes S.A. offshore Abu Dhabi on 13 October 2010.

The Semi-Submersible drilling rig "Norbe VI" was delivered and handed over to our client Odebrecht Oil & Gas offshore Abu Dhabi on 23 November 2010.

Construction and commissioning of the third Semi-Submersible drilling rig "Delba III" for Delba Drilling International Coöperative U.A. is progressing for delivery in the first half of 2011.

All three drilling rigs projects have suffered further cost overruns in 2010 with significant charges having been taken into account during this year to complete the first two drilling rigs and to provide fully for completion of the third rig.

Proprietary Technology and Supply of Special Equipment

Several orders were obtained for the basic designs of drilling units and offshore construction vessels and in most cases these were combined with the supply of associated specialised equipment.

This year most orders for Jack-up systems were specifically designed for the installation of offshore Wind Turbines. These activities are mainly executed under the brand name GustoMSC.

Orders received

The following new orders for proprietary designs were received:

- two NG9000C Wind Turbine Installation Jack-ups from Lamprell Energy Limited, to be built for Fred Olsen Windcarrier;
- one NG9000C Wind Turbine Installation Jack-up from Cosco Shipyard for A2Sea;
- one NG5500C Wind Turbine Installation Jack-up from Lamprell Energy Limited, to be built for Sea Jacks;
- one SEA3250 Multi Purpose Jack-up from Drydocks World SE Asia to be built for JackBarge;
- one SEA2500 Multi Purpose Jack-up from IHC Merwede to be built for GeoSea.

These orders included the supply of the following equipment:

- six Jacking Systems;
- four "around the leg" Cranes (800 tonnes).

Orders delivered

In 2010, the following offshore units were delivered based on GustoMSC designs :

- one Wind Turbine Installation vessel Windlift I built by Western Shipyard for BARD;
- one DSS 21 Drilling Semisubmersible Maersk Deliverer for Maersk Drilling built by KeppelFels;
- two CJ 46 Drilling Jack-ups built by Drydock World SE Asia, the Perro Negro 8 for Saipem and the Naga 3 for UMW Standard Drilling;
- one N2500X General Purpose Installation Jack-up GMS Endurance, built by GMS yard for GMS;
- one P10000 Dynamic Positioned Drillship, Deepwater Champion, built by Hyundai Heavy industries for Transocean;
- one General Purpose Installation Jack-up, ARB-3, built at Jurong shipyard for Aramco.

These orders included the supply of the following equipment:

- five Jacking Systems;
- two XY- Skidding Systems;
- two Fixation Systems;

two Offshore Cranes, one 500-tonnes hydraulic crane and one electric 550-tonnes crane.

Offshore Cranes

The Company received contracts for two large offshore cranes in 2007. A 5,000-tonnes crane for end user Seaway Heavy Lifting, which has been delivered to IHC Merwede for integration into a vessel and a 4,000-tonnes crane for COOEC, also due for integration into a vessel.

Both cranes were scheduled for delivery in 2010 but incurred delays and will now be delivered in 2011. The delay of the 4,000-tonnes crane was due to the late delivery of the vessel into which it is to be integrated by the shipyard. The delay of the 5,000-tonnes crane was caused by extensive weld repair required on part of the crane-supporting structure and by mechanical problems encountered during commissioning of the winches. The additional work required and the disruption of the schedule resulted in a major cost overrun which has been taken into account in the 2010 consolidated financial results.

Several crane projects ordered after 2007 are progressing according to schedule and within budget. These orders include two 1,000-tonnes cranes ordered in 2008 and five 800-tonnes cranes ordered in late 2009 and 2010, which are all intended for wind turbine installation vessels.

Turnkey Services Activities

Tanker loading and discharge terminals

The market for tanker loading and discharge CALM terminals returned to a sound level in 2010. With a total of ten terminals sold, the Company secured the majority of the global market share and expects this trend to continue in 2011, with a large number of proposals currently in progress or pending investment decisions.

The following overhauls, replacements and new terminal orders were obtained in 2010:
- from Leighton/ TPA (Tanzania Port Authority) for a complete CALM system connected to the Dar Es Salaam tank farm, Tanzania;
- from South Oil Company for the supply of three complete CALM systems and one spare CALM buoy for the development of the offshore loading facilities in Southern Iraq;
- from DMB/ Pertamina Hulu Energi ONWJ for the supply of a replacement CALM buoy for their storage and discharge facilities at Ardjuna field, offshore North West Java, Indonesia;
- from Indian Oil Corporation Ltd. an order for two new Terminals for a Crude Handling Facility at Paradip on the East Indian Coast;
- From Essar a replacement buoy including surge system for the existing Vadinar Terminal on the West Indian Coast;
- from Reliance a CALM buoy replacement for the Hazira Terminal located in Gulf of Cambay, West Indian Coast.

Offshore Contracting

Neither the Normand Installer nor the Dynamic Installer vessels were fully occupied during 2010, reflecting the global downturn in the offshore construction business. Nevertheless, the Normand Installer worked on several contracting jobs for external clients, the most significant of which was the repair of the Shell EA Sea Eagle FPSO Soft Yoke bearing and temporary leg replacement.

During 2010, the Dynamic Installer underwent a significant extended dry docking at DakarNave Shipyard in Senegal. This was to carry out a major overhaul of the vessel with the replacement of the main propellers and thrusters, the installation of new generators in the Engine Room and the replacement of the air-diving station to meet the latest IMCA recommendations. This major overhaul will allow the vessel to continue to operate effectively and safely for several more years.

The following contracts were completed by the Normand Installer in 2010:
- Installation of subsea jumpers for Total Congo at Moho Bilondo field;
- Repair of the Shell EA Sea Eagle FPSO Soft Yoke bearing and leg;
- Installation of 3 electric cables for ENI Congo at Longo and Zatchi fields;
- Replacement of a mooring leg at Dalia FPSO for Total Angola;
- Replacement of the main bearing of the deep water Girassol CALM buoy for Total Angola;

Semi-Submersible
drilling rig 'Delba III'
in Abu Dhabi

- Installation of a Deep Water mooring system for Tullow at Jubilee field, Ghana.

The Dynamic Installer was occupied on several third party contracts:

- Completion of the Escravos LPG FSO mooring system replacement and FSO hook up for Chevron Nigeria;
- Subsea hose replacement for Marathon in Equatorial Guinea at Punta del Este Terminal;
- Subsea hose replacement for Fred Olsen in Nigeria at Antan Terminal;
- Crane recovery for Transocean Nigeria from their drilling rig;
- Flow-line, electrical cable and tube installations for Total Congo at Sendji field.

Various other offshore projects not involving the Normand Installer nor Dynamic Installer were also carried out by the Company, namely:

- Petrobras – FPSO P-57 hook-up offshore Brazil;
- Petrobras – reconnection of Cachalote FPSO / ex-Capixaba offshore Brazil;
- Talisman – MOPUstor™ load out in Abu Dhabi and delivery to Stavanger in Norway prior to offshore installation;
- Towing of vessels for the future FPSOs Aseng and Cidade de Paraty from lay-up location to conversion yards.

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.

After Sales Services

The level of activity was very high in 2010 bringing record results for the After Sales group. The most significant orders included:

- Supply of a complete new anchoring system and other major components for the repair and overhaul of the CACT Buoyant Turret Mooring (BTM) located in the South China Sea damaged by a typhoon in late 2009;
- Supply of components, offshore repair work and the provision of a team of Service Engineers for Shell's FPSO EA in Nigeria;
- Supply of a Trelline™ hose line, flushing station and project management for the modification of BP's Schiehallion FPSO as a replacement system following shuttle tanker damage to the original offloading hose reel;
- Supply of parts and yard supervision during the refurbishment of CNOOC's Ming Zhu FPSO; this FPSO is now being used temporarily until a new unit is available;
- Supply of several swivels to Statoil for Asgard and Norne FPSOs and to Maersk for Curlew FPSO.

Swivel and Mechanical Components manufacturing

The manufacturing of proprietary mechanical components for the turret systems, such as swivel stacks, bearings and articulations, forms an important part of the Company's activities.

2010 was a busy and varied year with the workload remaining high due to the fabrication and delivery of swivel stacks for projects such as BP Skarv (2010), Baleia Azul and Aseng, (both deliveries early 2011) as well as other companies' projects.

A large turnkey project was also received from Statoil for the design and delivery of a replacement swivel stack for Asgard, noteworthy because it includes delivery of a large capacity High Voltage electric swivel which is a first of its kind. This type of swivel will enable the Company to meet clients' increasing demands for more electric power to be transferred from the vessel to shore or vice versa.

Top:
SBM Services repairing the Soft Yoke turret mooring on the Shell EA Sea Eagle with the Normand Installer

Bottom:
FPSO P-57 at anchorage in Brazil

Product and Technology Development

Introduction

SBM Offshore is committed to innovation through continuous investment in product and technology development. The Company's focus is on the constant development of existing products, as well as research and development for new products. As a result, the Company continues to seek opportunities for diversification into areas of offshore LNG production, as well as renewable energy.

Research and Development expenditure amounted to US$ 30 million in 2010, part of which is capitalised within intangible assets. Activity was focused on deepwater systems, floating production of LNG (FLNG), jack-up and crane technologies and renewable energy systems.

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 both technical (to overcome the significant challenges of ultra-deep water production) and commercial (to make such technology economically viable for our clients). Some of the ongoing development projects are described below.

Dry-tree semi-submersible and TLP designs

For certain reservoirs, including those requiring frequent well access, surface-located wellheads and Xmas Trees can offer significant advantages over subsea Xmas Trees. The Company has already developed systems which support surface tree systems, such as TLP platforms, and continues to expand the range of products capable of supporting these.

The Company has developed an alternative solution for non-hurricane, deepwater environments based on a 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.

SBM Offshore's Tension Leg Platforms (TLPs) already support surface trees and development work focuses on extending the allowable water depth limits for this product. A passive air-dampening system has been developed to dampen the heave motions caused by the longer tendons in ultra-deep water. Computational Fluid Dynamics (CFD) analysis and model tests have been performed to confirm 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.

Mooring Systems and Swivels

The Company continues to be the global leader in the supply of complex mooring systems for deep water and harsh environments, and is currently working on several very challenging projects for turret systems in the Northern Atlantic and Barents Sea.

A complex, disconnectable mooring system has been developed for use in arctic conditions to allow the vessel to move away from the field in case of threat from severe ice conditions or icebergs. This system, which is a further development of the disconnectable systems supplied previously by the Company, was successfully model-tested in 2009. The Company is currently working on a paid Front-End Engineering and Design (FEED) study and tender jointly with other contractors for a disconnectable FPU in arctic conditions.

Ultra-deepwater FPSOs in hurricane-prone regions, such as the Gulf of Mexico, face a specific challenge related to the combined need for steel catenary risers and a disconnectable mooring system to allow them to evade extreme storm events. For these SCR applications, the steel riser weight must be supported by a large buoyant structure when disconnected. The Company has therefore developed a specific product for this application, the MoorSpar™, which now enables SCRs to be deployed with a disconnectable FPSO. The MoorSpar™ expands the opportunities for disconnectable FPSOs into ultra-deepwater or difficult reservoirs where SCRs are required.

The Company continues to develop and increase the capacity of its proprietary swivel systems. Current work includes expanding the pressure and temperature range of our existing fluid swivels, and developing a new large-capacity High Voltage (HV) electrical swivel. For the HV swivel, qualification tests have been performed at 36 kV and up to 1500 Amps, 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 several years ago and is now successfully in operation in the Kikeh field in Malaysia where it acts as a mid-water connection between the Company-owned FPSO Kikeh with a satellite floating dry tree wellhead unit. Further development of the GAP™ product continues with specific focus on increasing the operating envelope in terms of higher payload and longer 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-deepwater 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 steel riser system (supplied by others) to the 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 water depth, this system is classified as an ultra-deepwater project. Further study work to expand the operational range of SCRs for use in harsher environments and at reduced water depths down to around 1,000 metres was completed. 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.

The traditional design of SCRs utilises welded pipe sections which require 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 would be very advantageous in greater depths with high-pressure and/or high-temperature wells. The Company has therefore developed a competitive alternative method for SCR fabrication and installation using fatigue-resistant threaded mechanical connectors. This allows much faster offshore jointing of the SCR sections and avoids the need for traditional field-welded joints. This method therefore allows and facilitates use of very high-grade steel pipe required for some ultra-deepwater wells, and also significantly reduces installation time offshore. The qualification programme for the Company’s connector was completed in 2009 in accordance with the 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 enabling offshore floating LNG-based projects. Such projects are now starting to be developed by several leading oil and gas operators and the required technology is rapidly maturing in a number of areas. The Company is currently working in the following areas for LNG projects:

- the FLNG for offshore production of LNG;
- cryogenic floating hose for LNG transfer;
- offshore floating LNG storage, regasification and export to pipeline.

The Company, together with its partners, remains at the forefront of these developments. SBM Offshore believes 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 FLNG presents a cost-effective means to develop stranded gas reserves, and may allow the industry to reassess the way it values gas assets. The Company is committed to securing, together with partners, a contract for the supply of an FLNG vessel at the earliest opportunity.

The FLNG 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 FLNG, will be fitted with tanks for storage of the LNG and Liquefied Petroleum Gas (LPG). The hull further supports all required topsides facilities and utility systems required for the processing of the incoming field gas stream. The FLNG 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 an FLNG with 'medium-size' LNG production capacities, typically around 2.5 million tonnes per year (mtpa) of LNG, as this presents the best balance in terms of technical and commercial viability. The current list of FLNG project opportunities predominantly require LNG production capacities in the range 2-3 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 FLNG facility in 2008. With partners, SBM Offshore has developed a detailed project execution plan, and shipyard building slots for the hull have been secured. The development effort resulted in a comprehensive 'generic FLNG design toolbox' in 2009. The established toolbox approach allows easy and rapid adaptation of the FLNG design to the specific requirements of offshore gas projects, whilst maintaining control of the safety aspects, execution risks and cost for each particular case.

It is envisaged that this generic approach will allow a series of FLNGs 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 continued throughout 2010 to all major potential clients. As a consequence, the Company, in consortium with partners, was awarded a FEED study by Petrobras for an FLNG, which will operate as a gas-gathering station for several oil FPSOs in the Santos Basin pre-salt fields offshore 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 tankers mooring in tandem to the FPSO, as commonly used for the offloading of oil from FPSOs to oil tankers, as it improves both the safety and the up-time availability. In several key target areas for FLNG projects around the world, tandem offloading is mandatory thus requiring safe, efficient LNG transfer to an LNG tanker.

The Company therefore initiated a programme to develop a cryogenic hose to be used in a floating or submerged configuration for LNG transfer. 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 8-inch internal diameter (ID) hose, an 18-inch ID hose has now completed a full qualification and certification program. Interest in the COOL™ Hose remains strong amongst all the major potential clients.

Offshore LNG Regasification

The Company maintains in its portfolio a range of generic FSRU concepts, 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, allowing consumers currently running on diesel to use cheaper and cleaner LNG without the need for large upfront investments. The Gas Link™ arrangement provides additional opportunities for the Company-developed cryogenic hoses and swivels.

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 also 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 more 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 upwards from 2,500 tonnes per leg. The most recent development is the NG9000 with a capacity of 9,000 tonnes per leg. This latest unit 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 transferred for use in marine renewable energy systems.

Significant efforts are planned for wave energy conversion over the coming years, focusing on producing a prototype wave energy converter based on breakthrough technologies.
These renewable energy initiatives are described in greater detail in the Company's Sustainability Report.

Top:
Deep Panuke Production Field Centre in Abu Dhabi

Bottom:
Deep Panuke Production Field Centre in Abu Dhabi

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, the articles of association and the Supervisory and Management Board rules.

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

Dutch Corporate Governance Code

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

SBM Offshore complies with all applicable principles and best practices provisions 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. Mr. R. van Gelder, chairman of the Remuneration Committee at the beginning of the year was holding a temporary position in Heijmans N.V., a Dutch listed company, primarily active on the Dutch market, which is not a competitor of the Company. In the opinion of the Supervisory Board there was no conflict of interest and therefore the Chairman of the Remuneration Committee continued in his role. This non-compliance has ceased in the course of the year under review since Mr. R. van Gelder has retired from the Management Board of Heijmans N.V. at its 2010 AGM. The Supervisory Board decided, moreover, to merge the Remuneration Committee and the Selection and Appointment Committee in one single committee with alternating chairmanship depending on the type of matters handled. When dealing with selection and appointment matters, the Chairman of the Supervisory Board assumes chairmanship of the Committee. When dealing with remuneration matters, Mr. F.R. Gugen, who was appointed a member of the Supervisory Board at the Extraordinary General Meeting of Shareholders of 6 July 2010, is the chairman of the Committee. As a consequence, the Company is now fully compliant with this best practice.

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. The "structure regime" does not apply to the Company. 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 has been 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 was not applied. The Management Board and the Supervisory Board have now reviewed this position and a proposal to amend the Articles of Association of the Company will be submitted to the shareholders at the AGM. As a consequence of the proposed amendment this non-compliance will cease and the Company will become fully compliant with this best practice IV.1.1. and is compliant with all other best practices of the Code.

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 Chief Executive Officer (CEO), Mr. Tony Mace and the Chief Financial Officer (CFO), Mr. Mark Miles. The statutory directors and non-statutory directors form together the Board of Management. The non-statutory directors are the Chief Operating Officer (COO), Mr. Francis Blanchelande, the Chief Technology Officer (CTO), Mr. Michael Wyllie and the Chief Commercial Officer (CCO), Mr. Jean-Philippe Laurès.

Duties of the Management Board

The Company is managed by the Management Board, under the supervision of the Supervisory Board. Each year the Management Board presents to the Supervisory Board, the operational and financial objectives of the Company, the strategy designed to achieve the objectives and the parameters applicable in relation to the strategy. The Operating Plan 2011 which includes the budget has been discussed and approved in the Supervisory Board Meeting of 10 December 2010 and a special session was dedicated to the Company's strategy on the same day.

Appointment of a Managing Director

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

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

Both Managing Directors have been appointed in 2008 and their current term of office will expire for the first time at the AGM of 2012.

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

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

Sensitivity of the results to external factors and variables

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

Regulations concerning ownership of and transactions in shares

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

Shares held by members of the Management Board

For information about the shares (or other financial instruments) held in SBM Offshore N.V. by members of the Management Board, refer to notes 4 and 20 to the consolidated financial statements.

Conflicts of interest

The members of the Management Board have an employment contract with SBM Offshore N.V.. 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 any conflict of interest during the year 2010.

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.

Code of Conduct and reporting of alleged irregularities

The Company has a Code of Conduct which was updated in January 2010 and is posted on the Company’s website. Each year the Supervisory Board, the Board of Management and a wide range of line managers and corporate staff are required to sign backward and foreword looking compliance certificates. The Company also has a procedure allowing employees to report alleged irregularities with respect to the Code without jeopardising their employment position. The Board of Management decided to create a freephone or web-based reporting facility which employees will be able to use –anonymously if they wish- in their own language. The facility will be operated by an external provider, People Intouch, and is

Verification of equipment on the FPSO 'Okha'

expected to be launched during the course of 2011 once all formalities required in the different jurisdictions where the Company operates, including data protection laws, have been satisfied.
The Company has developed a number of anti-corruption initiatives including:

- guidelines for use of Agents and Commercial Relations with Public Officials;
- use of standard contracts and anti-corruption clauses in the Company's contracts;
- creating a Partner and External Relations Management (PERM) Team which performs due diligence on any new Agents/Consultants, Partner and/or Freight Forwarder/Custom Brokers contracts/relationships;
- conducting routine Internal Audit checks to monitor Code of Conduct compliance.

Supervisory Board

As per 1 January 2010, the Supervisory Board consisted of five members. At the AGM of 14 April 2010, Mr. L.J.A.M. Ligthart stepped down as the vice-chairman of the Supervisory Board and chairman of the Audit Committee and Mr. F.J.G.M. Cremers was appointed to the Supervisory Board and was elected as chairman of the Audit Committee. At an Extraordinary General Meeting of Shareholders held on 6 July 2010 Mr. F.R. Gugen was appointed to the Supervisory Board and was elected chairman of the Appointment and Remuneration Committee, dealing with remuneration matters. At the AGM the Supervisory Board also announced its intention to appoint a seventh member of the Supervisory Board taking into account the best practice of ensuring diversity in the composition of the Supervisory Board. A recruitment process for this seventh member of the Supervisory Board is ongoing.

The current term of office of Mr. H.C. Rothermund, Chairman of the Supervisory Board, will expire at the forthcoming AGM of 5 May 2011. A proposal for his reappointment for a third and last four year term of office expiring at the AGM of 2015 will be submitted to shareholders for approval.

Until the AGM of 14 April 2010, the Supervisory Board had three sub-committees: the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee.

Audit Committee

Mr. L.J.A.M. Ligthart was the chairman of the Audit Committee until 14 April 2010 and Mr. F.J.G.M. Cremers succeeded Mr. L.J.A.M. Ligthart as the chairman of the Audit Committee as from 14 April 2010. Mr. F.G.H. Deckers is a member of the Audit Committee.

Appointment and Remuneration Committee

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

Technical and Commercial Committee

The Supervisory Board resolved to create a new Technical and Commercial Committee to enable the Supervisory Board to have a better understanding of the Company's exposure to technical risks and to facilitate its supervisory duties of technical and commercial matters. The Technical and Commercial Committee consists of Mr. T.M.E. Ehret (Chairman) and Mr. R. van Gelder is a member.

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 and the Supervisory Board rules. In the performance of its duties the Supervisory Board is guided by the interests of the stakeholders of the Company, and the enterprises connected therewith.

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

Appointment of Supervisory Directors

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

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

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

Suspension or dismissal of a Supervisory Director

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

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

Conflicts of interest

The Supervisory Board 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. 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.M.E. Ehret was in 2010 also a non-executive director of Acergy S.A., an engineering and construction company and of Dockwise Ltd. a supplier of logistical services for large and heavy structures. In the event of any perceived conflict of interest during the discussion of agenda points, Mr. T.M.E. Ehret does not participate in such discussions. Mr. F.G.H. Deckers is the CEO of Van Lanschot N.V., a financial institution established in The Netherlands. Kempen & Co., a subsidiary of Van Lanschot N.V. has acted as the adviser of the Company and may be retained as adviser for future transactions. Mr. F.G.H. Deckers informed the Supervisory Board that “Chinese walls” are in place within the bank and that he is not 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 and Shares held by the members of the Supervisory Board

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

The search for new Supervisory Board members in the international market triggered a review of the remuneration of the Supervisory Board. This review was conducted with the assistance of outside remuneration consultants and advisors who focused on:

- options for the structure of the Supervisory Board remuneration scheme and
- on benchmarks of remuneration levels in an international context.

The conclusions of this review were:

- The existing structure of remuneration, consisting of retainers for the Chairman, the vice-chairman and the members of the Supervisory Board, and a fee for the chairman and the members of the three committees should be maintained. The introduction of an attendance fee was considered but was eventually rejected on the basis that the members

of the Supervisory Board are meant to attend all the meetings of the Supervisory Board and the relevant committee meetings for which no specific fee should be attributed.
- The level of remuneration on offer must be such that the Company remains competitive in recruiting in the relevant international market, in order to attract internationally oriented, qualified and expert persons. The then current level of remuneration was found to be uncompetitive in an international context and did not recognise sufficiently the ever growing level of commitment in time and effort by the Chairman, the chairmen of the committees and the other Supervisory Board members, nor did it recognise the commitment to permanent education and the requirement to develop skills and knowledge by attending boardroom development programmes.

The proposed and approved fee level and structure of the Supervisory Board is published on page 34 of section 2 of this report.

The total remuneration of the members of the Supervisory Board amounted to US$ 546,000 (2009: US$ 433,000). For the individual remuneration, please refer to note 4 to the consolidated financial statements. These amounts are gross amounts per year.

Diversity
The Supervisory Board rules state that the composition of the Supervisory Board shall be such that the combined experience, expertise and independence of its members enables the Supervisory Board to best carry out the full range of its responsibilities.
The Supervisory Board considers that its current composition satisfies the best practice of diversity in terms of 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 Appointment and Remuneration Committee, dealing with selection and appointment matters to specifically take this into account in the selection process of any new Supervisory Directors. There is already adequate diversity in terms of age (born between 1943 and 1952) and nationality (four different nationalities).

Sustainability / Corporate Social Responsibility
The Company publishes each year a Sustainability report, formerly entitled Corporate Social Responsibility (CSR) report. In this report, the Management Board reports on the different Sustainability issues which are relevant to the Company. CSR issues which are relevant to the Company's business were discussed with and taken into consideration 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 2010, 168,667,512 (2009:164,459,980) ordinary shares are issued. No preference shares have been issued. 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.

A proposal to amend the Articles of Association will be submitted to shareholders for approval at the AGM of 5 May 2011. One of the proposed amendments relates to an increase of the authorised share capital from the current 200,000,000 ordinary shares to 400,000,000 ordinary shares with a nominal value of EUR 0.25 and from the current 50,000,000 protective preference shares with a nominal value of EUR 1.00 to 400,000,000 protective preference shares with a nominal value of EUR 0.25, i.e. aligned with the nominal value of the ordinary shares.

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 1% of the issued share capital, or with a market value of at least fifty million euro (€50,000,000), unless this would be contrary to important interests of the Company.

Responsibility of shareholders

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

Attendance and voting rights at the meeting

With reference to the articles of association, all Shareholders are entitled to attend the GMs, to address the GM and to vote. At the GM each Ordinary Share with a nominal value of EUR 0.25 each shall confer the right to cast one (1) vote. Each protective preference share with a nominal value of EUR 1.00 each shall confer the right to cast four (4) votes, when issued. Subject to the approval of the amendment of the Articles of Association which will be submitted to shareholders' approval at the AGM of 5 May 2011, the nominal value of ordinary and protective preference shares shall be the same and each ordinary share or protective preference share (when issued) shall carry the same voting right. 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 April 2010 a proxy voting system was provided through the Royal Bank of Scotland (RBS) and Algemeen Nederlands Trustkantoor B.V. (ANT) as independent third party.

At the AGM of 14 April 2010, 57,803,607 ordinary shares participated in the voting, equal to 34.48% (2009:24.36%) of the then total outstanding share capital of 164,474,980 ordinary shares.

At the EGM of 6 July 2010, 58,481,088 ordinary shares participated in the voting, equal to 35.5% of the then outstanding capital of 167,898,955 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 on the day following the respective meeting.

Notice to convene a meeting

The notices for the AGM and for the EGM were published within the required time in the official price list of Euronext Amsterdam N.V., the "Financieele Dagblad" newspaper, on the Securities Info website and on the Company's website. Subject to the approval by the GM of the proposal to amend the articles of association, the obligation to publish the agenda in a national newspaper will lapse and the agenda will in the future be published electronically only.

Dividend

The Management Board is authorised, subject to the approval of the Supervisory Board, to determine each year what part of the profits shall be transferred to the reserves, and what part will be distributed as dividend. As per policy of the Company, 50% of net income is proposed for distribution as dividend for 2010. At the AGM of 5 May 2011 a resolution will be submitted to approve the payment of a dividend amounting to US$ 0.71 per ordinary share (2010: US$ 0.67 per ordinary share), which will be converted into Euro at the European Central Bank (ECB) reference rate published on the date of the AGM.

Major Shareholders

Schroders PLC had a declared total capital interest of 9.98% until 13 May 2010, at which date Schroders PLC notified the AFM that it had reduced its stake in the Company's share capital below the 5% threshold.

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. There are currently no shareholders who declared holding shares in excess of the notification threshold of 5%.

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 April 2010, the shareholders have delegated the authority to the Managing Directors for a period of eighteen months as from 14 April 2010 and subject to approval of the Supervisory Board to issue ordinary shares up to 10% of the total outstanding shares at that time, which percentage will be increased to 20% in case of mergers and acquisitions. In the same meeting, the shareholders have delegated the authority to the Managing Directors for a period of eighteen months as from 14 April 2010 and subject to the approval of the Supervisory Board to restrict or withdraw preferential rights of the shareholders in respect of ordinary shares when ordinary shares are being issued. At the AGM of 5 May 2011, a similar proposal to authorise the

Management Board to issue shares will be submitted to shareholders for approval.

Repurchase of own shares

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

At the AGM of 2010, the shareholders have delegated their authority to the Managing Directors for a period of eighteen months, as from 14 April 2010 and subject to approval of the Supervisory Board, the right to acquire ordinary shares, up to ten percent of the total outstanding shares at that time. At the AGM of 5 May 2011, a similar proposal to authorise the Management Board to repurchase own shares will be submitted to shareholders for approval.

Amendment of the articles of association

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

At the AGM of 5 May 2011 a proposal to amend the articles of association will be submitted for approval to the shareholders. The proposed amendments can be summarised as follows:

- Increase of the authorised share capital from EUR 100 Million to EUR 200 Million consisting of 400 Million ordinary shares with a nominal value of EUR 0.25 each and of 400 Million protective preference shares with a nominal value of EUR 0.25 each. Each share, whether ordinary or protective preference carries one vote;
- Increase of the dividend payable to protective preference shares from Euribor + 200 basis points to Euribor + 300 basis points;
- This amendment of the articles of association also provided the opportunity to make a number of changes of a technical nature, or to bring the articles of association in line with recent changes in Dutch company law:
  - 42 days prior notification of the agenda for AGM/EGM,
  - 28 days record date
  - Deletion of the limitation of 10% of the issued share capital to buy back shares
  - Increase of the maximum term to buy back shares from 18 months to 5 years
  - Deletion of the special majority of 2/3 representing more than ½ of the issued share capital to dismiss or suspend a Managing Director or Supervisory Director in accordance with the best practices of the Corporate Governance Code.

Routine inspection on
the Yme MOPUstor™
in Norway

Appointment of the Auditor of SBM Offshore N.V.

At the AGM of 2010, KPMG Accountants N.V. was appointed as the auditor of SBM Offshore N.V. for a period expiring at the closure of the accounting year 2011. At the AGM of 5 May 2011 it will be recommended to approve the proposal to re-appoint KPMG Accountants N.V. as the auditor of SBM Offshore N.V for a period expiring at the closure of the accounting year 2012. Mr. J.C.M. van Rooijen who currently is the lead audit partner will step down after the 2011 AGM in accordance with the standard practice within KPMG Accountants N.V. to rotate partners every seven years. He will be replaced as lead audit partner by Mr. P.W.G. Smorenburg.

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 same option agreement the Foundation granted a put option to the Company and the Company has decided on 3 March 2011 to definitively waive its rights under the put option.

In the 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 amounting to no more than one year base salary will be paid if the employment contract would be terminated due to a change of control by a public take over bid. The Supervisory Board will have the discretionary power to settle the termination conditions;
- a subsidiary of SBM Offshore N.V. has a revolving credit facility of US$ 750 million under which the agreement of the participating banks must be obtained in the event of a change in control of the Company after a public takeover bid has been made;
- exceptionally, certain 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 of the Supervisory Board;
- Supervisory Board profile and retirement schedule for its members;
- Management Board rules;
- Rules for reporting of alleged irregularities of a general, operational or financial nature ('Whistleblowing' rules); these rules are designed to enable employees to report alleged irregularities without jeopardising their employment position and are also available on the Company's intranet site;
- Remuneration policy;
- Regulations concerning inside information and the holding of and effecting transactions in shares and other financial instruments;
- Agenda, minutes, resolutions and presentations given at previous GMs.

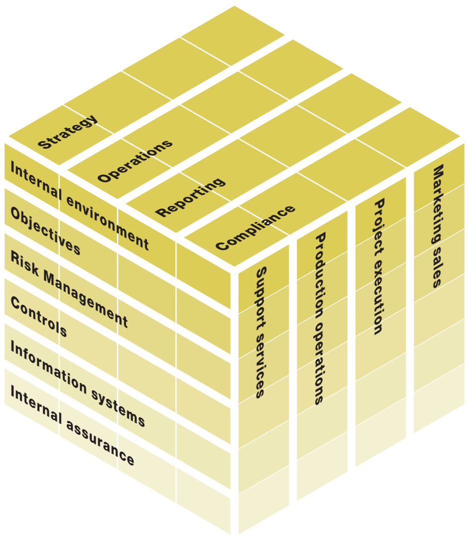
Risk Management

Introduction

The Company has progressed in developing its Corporate Governance systems mainly based on the COSO II Enterprise Risk Management model as well as developments in ISO 31000. The Internal Audit team has been strengthened again in 2010 to meet the increased audit requirements.

The objective of efficient and effective control of all business and support 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.

Company Risk Management Cube



This cube has been developed from the COSO Enterprise Risk Management model to represent the scope of Corporate Governance as it applies to SBM Offshore.

As put forth by COSO (www.coso.org), the front face lists the Activities that go on in the Group to maintain and improve Corporate Governance. The top recalls the categories of Commitments that the Group has towards its stakeholders. The right hand side reflects the Organisational Levels of the Group; we call these the Business Operating Areas. Of course, these should not be considered simply as faces but as seams that run through the 3D model.

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 where Management has started a concerted and explicit effort to improve and these programs are communicated within the Company to encourage compliance.

Objectives

The Company's objectives are translated down to the individual level in the organisation to ensure alignment and provide reasonable 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. In 2010, focus was placed on revising the Company Group Management System (GMS) processes to more explicitly demonstrate how Company objectives are cascaded down to detailed activities. This effort will be pursued through 2011.

Risk Management

Risk Management operates on three fronts through a standard process of risk identification, risk assessment, and risk mitigation actions. Firstly, business processes are subject to risk assessments and key controls are updated where necessary. Continuing projects initiated in previous years, additional Internal Control workshops took place, particularly related to Financial Reporting.

Secondly, major projects are subject to ongoing risk workshops by an independent Risk Management team from early in the proposal phase until project completion. The dedicated Project Controls department continued to work on specific improvement initiatives in the field of project execution. An important development in 2010 was the introduction of a formal Independent Project Review (IPR) process. The Project Risk Management process is reinforced by dedicated Legal, Quality Assurance, Health, Safety, Security & Environment (HSSE) and Internal Audit departments.

Risk Management was reinforced during the year with the roll-out of a bespoke, on-line risk management tool "eRisk". 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 at risk and analysis of the complete spectrum of sources of risk to be analysed;
- communication involving all critical personnel contributing to the Risk Register;
- agreement on mitigating actions and controls in a risk 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, that are within its risk appetite 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 application of a continual improvement process. Financial reporting controls were reviewed and tested in detail in each of the project execution centres, using a risk based approach. This process will continue in all other departments based on an objective and risk assessed approach. IT controls were tested by an external party with results showing a strong level of protection and continued improvement over recent years.

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. The Company 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 were formed and a consultant employed to help identify the process weaknesses and information gaps and propose a roadmap for the future.

Internal assurance

Conformance to Audit standards and compliance with Company procedures (GMS) are under the joint responsibility of the Internal Audit and Quality Assurance disciplines. Both operate independently from the business line functions and report directly to the Management Board and the Audit Committee. 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. The audit functions of these two disciplines are planned to be combined in 2011.

To best monitor compliance activities, the Internal Assurance process has been designed to consolidate all Corporate and Divisional audits. It is constructed using a variety of tools, including information from both the Internal Audit and Quality Assurance disciplines but also from risk registers, discussions with Group Management System process owners 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 2010. The projects of smaller and financially weaker clients have been delayed and high value leases require appropriate (and sometimes complex) financing solutions. The Company has been active in identifying strong financial partners to participate in such leases and has recently announced a long-term cöoperation with Mitsubishi Corporation. 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 2010. The project execution issues encountered can be largely attributed to mistakes in the Proposals phase, delays in timely completion of engineering deliverables and consequent disruption and delays in the construction yards. 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.

SBM Offshore employee overlooking the 'Delba III' Drilling Rig in Abu Dhabi

Strategic

Irregular order intake

Inherent to the oil and gas capital goods business is the irregular nature of the (high value projects) order intake. The 2010 situation of stable-to-rising oil prices resulted in the sanctioning of new projects throughout the sector. 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, and detailed engineering can be outsourced, 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. Further project-based diversification may occur in response to specific local content requirements;
- 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 and new partner DSME 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

Salecontracts 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 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. In the current market situation, the Company believes this challenge is more acute than in the last two years as demand for oil services related products and equipment seems to be increasing 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 highlight the novel aspects and assure good Risk Management on all subjects critical to each project's success. A key objective of Project Risk Assessments is to reduce the variability of Project outcomes/results.

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 Security (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 based on a thorough assessment of the inherent risks.

Significant technical, commercial and contractual risks are identified and recorded on a Risk Register by key personnel and reviewed in 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, in the shape of the Company's installation vessels. This provides protection from the non-availability and the cyclically high pricing of third party contractors. The decision to invest in a new, versatile installation vessel will enable this strategy to be pursued in the medium to long-term.

The Company maintains an inventory of tankers for conversion projects in the future. This allows the Company to improve the accuracy of the estimated costs of a future project by using a firm price for the hull and detailed knowledge of the required refurbishment and conversion work for the hull.

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 risks, each requiring identification, assessment and management.

Environmental

No major environmental incident involving FPSOs or FSOs has occurred anywhere in the world although the consequences of the Deepwater Horizon incident in 2010 have focused the industry's attention on pollution risk even more than before. 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;
- proactive regulatory compliance.

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

Protection and Indemnity Club pollution insurance is purchased for the maximum necessary and available cover. Indemnities effectively capping the exposure well below the insured amount 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 uptime is assured by a design process matured from experience, reliability, availability and maintainability (RAM) modelling, planned and preventive maintenance as well as condition-based monitoring. The Company has operated F(P)SOs for over 200 vessel years with a total operating downtime of less than 1%, which is well below typical contractual allowances and above industry median performance. 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, with a second project (Tubular Bells, for Hess and partners) currently in the early engineering phase under a Letter of Intent arrangement, to be confirmed by full project sanction later in 2011.

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 to the Company 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 take place 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 project finance market continued to recover throughout 2010 and the refinancing and expansion of the revolving credit facility in June 2010 and the project debt financing for the Aseng project showed increased liquidity at attractive terms.

The issue of credit availability is also being addressed by studying alternative sources of finance, including export credit agencies, capital markets and partners.

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. Financial provisions are taken for any expected negative outcome, and recoveries are accrued when a positive result can be reliably projected and estimated.

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 effectively 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. This was the case in 2010 when interest rate swaps for the Deep Panuke platform were confirmed to exceed the actual interest rate exposure for that project. 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 detailed cash plan on a quarterly basis to monitor liquidity and borrowing requirements with a high level two-year cash plan for a longer term view. The business unit cash plans are built up from the detail of each project to 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.

Reporting

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

Financial reporting risks are mitigated through procedures, controls and international accounting standards. In 2010, a complete review of the financial reporting process was performed by an appointed project team working with the assistance of qualified consultants (Internal Control over Financial Reporting (ICOFR)). The objectives and risks were assessed and the control system redesigned to further consolidate the "in control" statement in respect of financial reporting. The critical controls giving assurance for the reliability of Financial reporting in 2010 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 units' results are consolidated in a report to the Board of Management and the Supervisory Board. External financial reporting consists of the mid-year and full-year financial statements. The irregular nature of the new order intake and project deliveries can cause significant variations from one quarter to another in the Turnkey Systems reporting segment. Detailed quarterly figures are therefore not published, but trading updates are issued after the end of the first and third quarters.

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

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 exists to manage the regulatory requirements on projects and preserve the knowledge within the Company and it is intended to further consolidate all regulatory compliance activities under a single reporting line in 2011. 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 Reporting of Irregularities.

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

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 2010. The outcome of this review and analysis as well as planned improvements for 2011, has been shared with the Audit Committee and the

Supervisory Board and has been discussed with the Company's external auditors.

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

The Company tested compliance with its key controls 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 2010.

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

Compliance statement

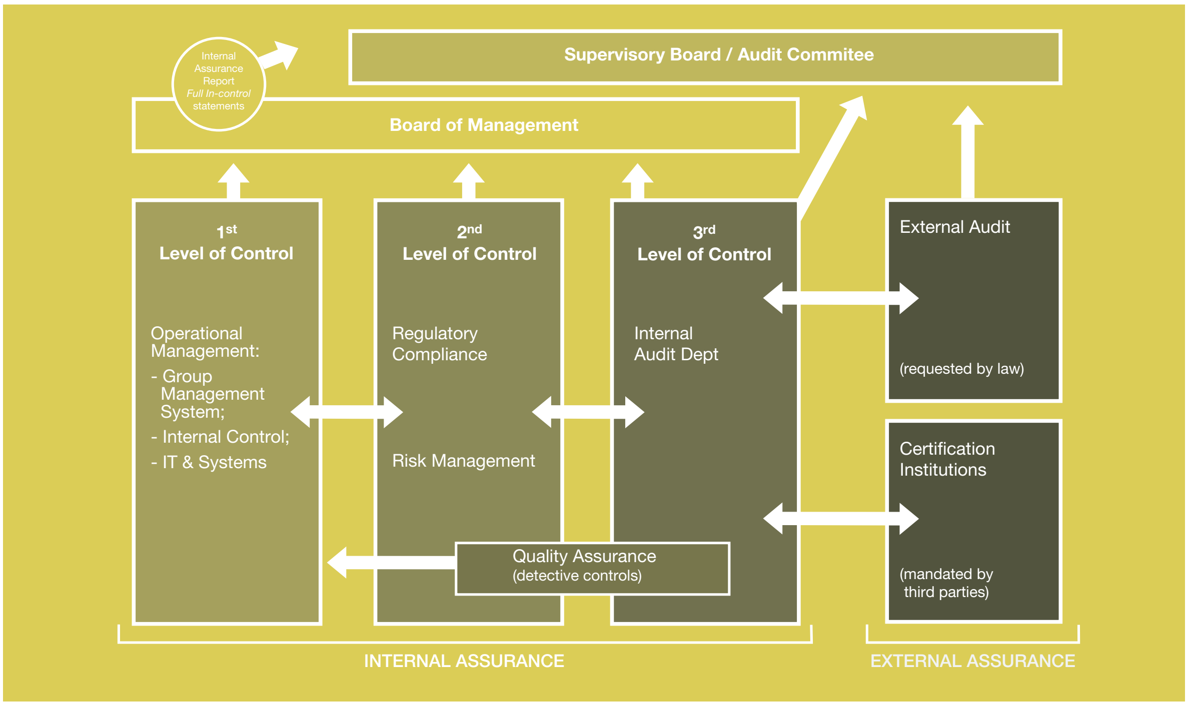
Due to the implementation of the European Transparency Directive in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht) the Management Board confirms to the best of its knowledge that:

- the annual Financial Statements for the year ended 31 December 2010 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 2010 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

Interactions between In-control key players



Information regarding the Board of Management

Tony Mace

British, 1951
Chief Executive Officer

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
Chief Financial Officer

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

Francis Blanchelande

French, 1949
Chief Operating Officer

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
Chief Technology Officer

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

Jean-Philippe Laurès

French, 1964
Chief Commercial Officer

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

P-57 FPSO at anchorage in Brazil.


PETROBRAS 57

Financial Report 2010

4

Financial Review

Highlights

The consolidated result for 2010 is a net profit of US$ 276.0 million, a 20.0% increase in comparison with the 2009 net profit of US$ 230.0 million. This result includes non recurring items which generated a net gain of US$ 9.0 million in 2010 (US$ 32.4 million in 2009). Net profit attributable to shareholders amounts to US$ 240.0 million (US$ 221.0 million in 2009).

Earnings per share amounted to US$ 1.44, which is 2.0% below the level of US$ 1.47 in 2009. EPS did not increase in line with net profit due to the larger portion of net profit attributable to minority interests and due to a higher average number of shares. Proposed dividend per share is US$ 0.71, representing the Company's normal pay-out ratio of 50% of net profit.

New orders in the year totalled US$ 4,532 million (split 43% / 51% / 6% between the Lease and Operate, the Turnkey Systems and the Turnkey Services segments respectively), compared to US$ 3,740 million of new orders in 2009.

Turnover increased by 3.4% to US$ 3,056 million, in comparison with US$ 2,957 million in 2009, mainly as a result of higher Turnkey Systems revenues.

Total order portfolio at the end of the year was US$ 11,502 million compared to US$ 10,032 million at the end of 2009, an increase of 14.7% and a new record. Of this, 78% or US$ 9,003 million relates to the non-discounted value of the revenues from the Company's long-term lease contracts in portfolio at year-end.

Operating profit (EBIT) increased by 23.5% to US$ 362.4 million compared with US$ 293.4 million in 2009. EBIT margin increased to 11.9% compared to 9.9% in 2009 while the net profit margin rose to 9.0% (7.8% in 2009).

EBITDA amounted to US$ 688.4 million, a 12.2% increase compared to US$ 613.3 million in 2009.

The year was marked by the following highlights:

- a Letter of Intent for one major new order in the first half of the year (FPSO Cidade de Paraty finance lease), plus a Letter of Agreement for the Tubular Bells project, several lease extensions, variation orders, and various smaller projects;
- the sale of 20% of the Company's stake in the Paenal construction yard to DSME resulting in a non-recurring reduction of net financing costs of US$ 9.0 million;
- first oil from two major projects for Petrobras, the FPSO Capixaba relocation to the Cachalote field, and the FPSO P-57 turnkey delivery and start of the 3-year operating contract;
- improved margins on Turnkey Systems activities, but impairment charges totalling US$ 50.7 million incurred on the Yme MOPUstor™ platform under construction for the Lease and Operate segment and the tanker inventory;
- Capital expenditure in 2010 amounted to US$ 519 million, which is lower than in 2009 (US$ 656 million) but excludes investments in two leases which are accounted for as finance leases and accordingly are not reported as property, plant and equipment but under construction contracts;
- new project finance facilities of US$ 602 million for FPSO Aseng and a new, expanded 5-year Revolving Credit Facility of US$ 750 million.

Segmental information in respect off reporting segments the three core businesses of the Company during 2010 is provided in the detailed financial analysis that follows. Turnover by geographical area is included in the notes to the Financial Statements.

New Orders

Total new booked orders for 2010 amounted to US$ 4,532 million. This total includes US$ 2.5 billion for a 20-year lease contract for the FPSO Cidade de Paraty for Petrobras. Due to the specific contract structure and terms this contract is accounted for as a finance lease and is therefore reported partly as a Turnkey Systems sale (US$ 1.3 billion) and partly within Lease & Operate (US$ 1.2 billion).

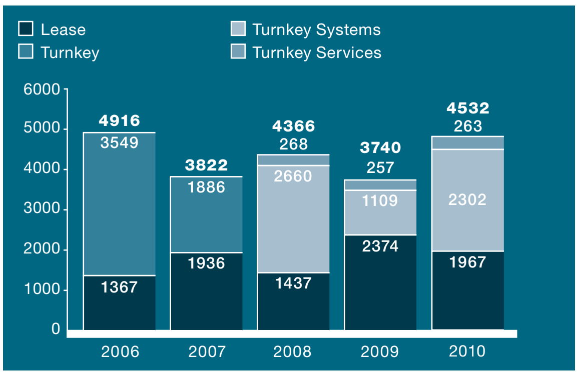
Turnover

Total turnover rose marginally when compared with 2009 due to higher revenues recognised in the Turnkey Systems segment as the progress of certain major projects (e.g. FPSO P-57, FPSO Okha) was combined with the recognition of turnover on two contracts accounted for as finance leases (see below). Turnkey Systems third party turnover of US$ 1,984 million represents 65% of total 2010 turnover (2009: US$ 1,910 million representing 65%). Lease and Operate turnover fell by 2% to US$ 800 million (26% of total revenues; 27.6% in 2009) as the first full year of revenues from Semi-Submersible Thunder Hawk, largely compensated for the reduction in day-rate income resulting from the sale of MOPU/FSO Oguzhan (June 2009), and termination of the charter of FPSO Falcon (December 2009). Turnkey Services third party turnover increased by 17% to US$ 271 million and represents 9% of total revenues (8% in 2009).

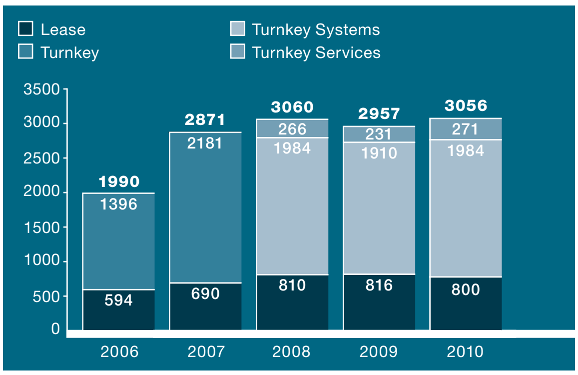
The contract for the FPSO Aseng for Noble Energy is a fifteen year front-loaded lease performed in a 60/40 joint venture with GEPetrol, which is accounted for as a finance lease. The joint venture company is considered to be under the control of SBM Offshore and is fully consolidated in the financial statements, with elimination of the GEPetrol 40% share as minority interest. This means that the entire fair value of the asset is recognised as Turnkey Systems turnover during construction with related gross margin, with the return on investment recognised as lease income during the lease period. The project was funded through 2010 by cash calls to the JV partners, with amounts contributed by GEPetrol accounted for as long term debt. On 31 December 2010 a first drawdown (US$ 300 million) on the project loan facilities was effected.

The contract for the FPSO Cidade de Paraty is also accounted for as a finance lease, but in this case the joint venture is jointly controlled by SBM Offshore, and our 50.5% share of the JV is consolidated proportionately. Thus turnover recognised is equal to our partners' 49.5% share of the EPCI "sales" price of the FPSO from SBM Offshore to the JV (i.e. eliminating the inter-company portion of the sale), plus the Company's share of the fair value of the lease. As at 31 December 2010 the charter contracts with Petrobras had not been finalised, but are expected to be completed in the first quarter of 2011. Based upon the signed LOI from Petrobras, the Company has accounted for the project

New orders
In millions of US$



Turnover
In millions of US$

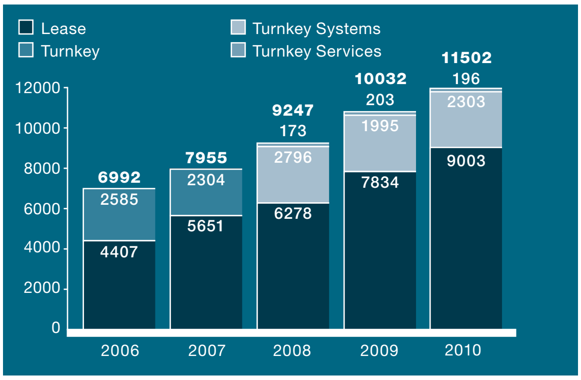


revenue and expenses in accordance with the stage of completion at the year-end.

In 2010, total Turnkey Systems turnover recognised in respect of construction of assets accounted for as finance leases amounted to US$ 681 million (2009: US$ 95 million).

The ongoing charter contracts for FPSOs Mondo and Saxi Batuque are similarly accounted for as finance leases. Return on investment recognised in the Lease & Operate turnover in 2010 in respect of these contracts amounted to US$ 16 million (2009: US$ 19 million).

Order portfolio
In millions of US$



Order Portfolio

The year-end order portfolio at US$ 11.50 billion is up 14.7% from last year's level of US$ 10.03 billion. The current order portfolio includes US$ 9.00 billion (2009: US$ 7.83 billion) for the non-discounted value of future revenues from the long-term charters of the lease fleet, of which US$ 4.7 billion (2009: US$ 4.8 billion) represents the bareboat element of the operating leases. Approximately 55% of the future bareboat revenues will be generated from the lease contracts which have yet to commence (FPSO Baleia Azul, MOPUstor™ Yme and MOPU Deep Panuke). The Turnkey Systems order portfolio increased by 15.5% to US$ 2.30 billion and represents more than one year of turnover. Turnkey Services backlog decreased by 3.7% to US$ 0.20 billion (approximately nine months of turnover).

The Company's order portfolio as at 31 December 2010 is expected to be executed as follows:

Order Portfolio at 31 December 2010

US$ billion	Turnkey Systems	Turnkey Services	Lease & Operate	Total
2011	1.6	0.2	0.9	2.7
2012	0.4	-	0.9	1.3
2013	0.3	-	0.9	1.2
Beyond 2013	-	-	6.3	6.3
TOTAL	**2.3**	**0.2**	**9.0**	**11.5**

Profitability

The primary business segments of the Company are Lease and Operate, Turnkey Systems and Turnkey Services plus "Other", non allocated corporate income and expense items. 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.

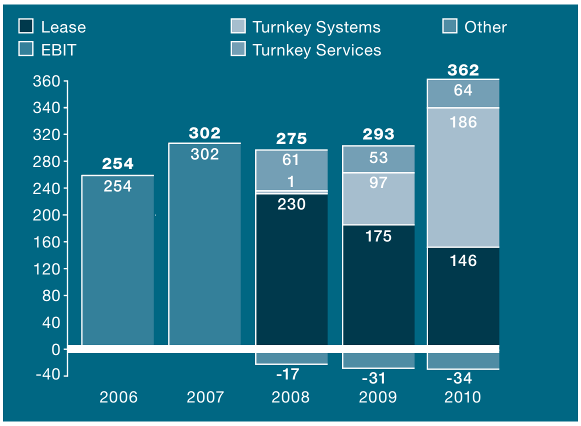
In recent years, lease contracts have tended to longer durations and are increasingly considered to be finance leases for accounting purposes, whereby the fair value of the leased asset is recorded as a Turnkey Systems "sale" during construction. This has the effect of recognising in the Turnkey Systems segment, during construction, part of the lease profits which would, in the case of an operating lease, be reported through the Lease & Operate segment during the lease.

Gross margin in 2010 of US$ 511.4 million (US$ 452.3 million in 2009) consisted of US$ 165.6 million (US$ 195.3 million in 2009) from Lease and Operate activities, US$ 270.4 million (US$ 187.3 million in 2009) from Turnkey Systems, and US$ 75.4 million (US$ 69.7 million in 2009) from Turnkey Services.

EBIT increased by 23.5% compared to 2009 to US$ 362.4 million with the following highlights:

- much higher contribution from the Turnkey Systems segment, as the good results generated from the more recent projects (including those projects accounted for as finance leases) become more predominant, and despite some further schedule and cost increases on the drilling rigs series and heavy lift crane project;

EBIT (Operating Profit)*
In millions of US$



(*)2006 & 2007 EBIT figures do not show segmental split

- the performance of the Lease & Operate fleet in operation in 2010 exceeded expectations, although the year was negatively impacted by impairment charges of US$ 30.8 million related to the Yme MOPUstor™, and US$ 19.9 million incurred on the tanker inventory which was laid-up for the year. The MOPUstor™ impairment resulted from additional costs. The tanker inventory impairment reduces the carrying values of two tankers (Navajo Spirit and Ballina) to market value;
- excellent operating performance and higher contribution from the Turnkey Services activities despite a lower occupancy of the two installation vessels than expected at the beginning of the year;
- there were no operating gains from sale of assets in 2010 whereas in 2009 pre-tax gains of US$ 32.4 million were realised (sale of MOPU/FSO Oguzhan);
- lower Selling and Marketing and R&D charges, partially offset by higher General & Administration costs.

As a percentage of the higher turnover, operating profit increased to 11.9% (2009: 9.9%). Segmental EBIT margins were for Lease and Operate 18.3% (2009: 21.4%), Turnkey Systems 9.4% (2009: 5.0%) and Turnkey Services 18.9% (2009: 20.3%) including intercompany projects. The relative contributions to EBIT from the three segments were 37% from Lease and Operate, 47% from Turnkey Systems and 16% from Turnkey Services. In 2009 the corresponding split was 54% : 30% : 16%.

Non-allocated "Other" income and expenses showed a net cost of US$ 34.1 million in 2010, compared with US$ 31.3 million in 2009.

Net financing costs at US$ 83.7 million were 40% higher than in 2009 (US$ 60.0 million) mainly as a result of the Deep Panuke project interest rate hedge which became partially ineffective (value of hedge contract exceeded underlying interest rate exposure) as reported in the mid-year financial statements. This meant that the (negative) market value of the ineffective part of the hedge contract at that time had to be charged directly to the income statement (non-cash item). In the latter part of the year the realised interest cost of the overhedged portion has also been charged to the income statement. Total impact in the 2010 results from this item amounts to US$ 22 million. Net financing costs were however favourably impacted by a non-recurring release of provisions related to financing of the Paenal Yard (US$ 9.0 million), upon divestment of 20% of the Company's shareholding.

More generally once production units are brought into service the financing costs are expensed to P&L (whereas during construction interest is capitalised). It should be emphasised that the net profit contribution of newly operational leased units is limited by the relatively high interest burden during the first years of operation, although dedication of lease revenues to debt servicing leads to fast amortisation of the loan balances and hence reduced interest charges going forward.

Interest income was low in 2010 with the extremely low level of short-term US interest rates.

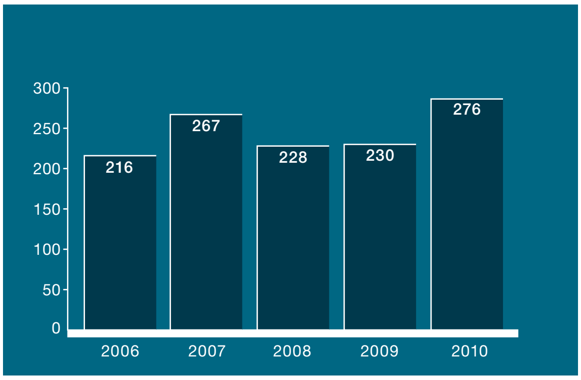
Net financing costs also include currency variances resulting from project and overhead hedges. These currency variances were much higher in 2010 than in 2009 (US$ 13.8 million vs US$ 0.3 million for prior year) due to differences in actual currency expenditure in certain projects compared to original (hedged) expectations. This led to enhanced project results (within gross margin) but higher financial costs.

The reported Share of profit in associates was nil in 2010. In the future the Company's share of net results in non-controlled joint ventures is likely to appear in this line item, but at the current time the Company's accounting policy for such joint ventures continues to be the proportionate consolidation method whereby the Company's share of each income statement or balance sheet line item is included in the consolidated financial statements.

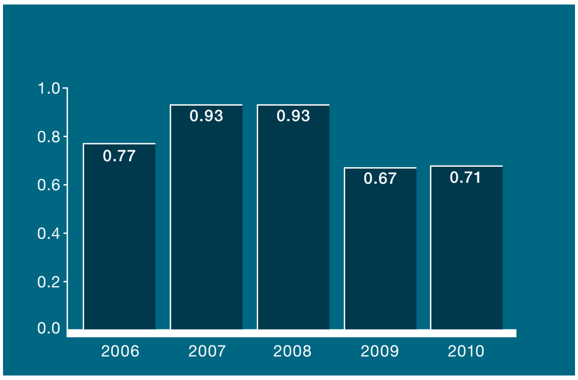
Income tax in 2010 was US$ 2.65 million (1.0% of pre-tax profit), reflecting significant losses in the Dutch operations of the Company, the recognition of a research tax credit in the U.S. and the relatively low tax burden elsewhere. This compares to a net tax burden of US$ 3.7 million (1.6% of pre-tax profit) in 2009. 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 2010 these taxes amounted to US$ 33 million (2009: US$ 29 million).

Detailed allocation of net profit between business segments is not provided. Minority interest in the 2010 net profit amounts to US$ 36.1 million which is well above the 2009 minority share of US$ 9 million due to higher reported results from fully consolidated joint ventures where the Company has a minority partner (principally concerns FPSOs Aseng and Capixaba). Net profit attributable to shareholders accordingly amounts to US$ 240.0 million (US$ 221.0 million in 2009).

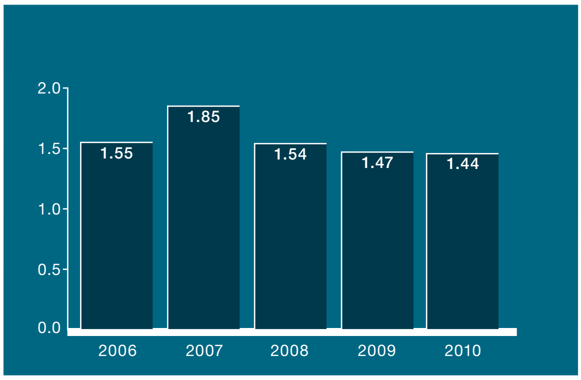
Net profit
In millions of US$



Dividend per share
In US$



Weighted average earnings per share
In US$



As reported earlier the dividend proposal will be US$ 0.71 per share, which represents a 50% pay-out ratio, payable 50% in cash or in SBM Offshore shares with a rounding premium for those shareholders selecting the latter option.

Statement of financial position

Shareholders' equity increased by 15.0% to US$ 2,073 million as a result of the retained profit and the reduction of the negative value of the Company's hedge portfolio explained below. These unrealised losses are charged directly against equity in accordance with hedge accounting rules and result from the Company's policy of full hedging of identified interest rate and forex exposures and the significant movements in US interest rates and foreign exchange rates.

Capital Employed (Equity + Provisions + Deferred tax liability + Net Debt) at year-end 2010 is US$ 3,878.7 million which is US$ 553 million (16.6%) above last year's level due to the ongoing investments in leased production facilities (partly financed with new debt), plus retained profits and adjustments to equity in respect of derivative financial instruments. With the strengthening of the US$ in the early part of the year, followed by weakness in the latter few months, equity has been positively impacted by US$ 90 million in 2010 on marking to market the Company's portfolio of forward exchange contracts. On the other hand, and despite the increase in longer term swap rates towards the end of the year, the mark to market of the interest rate hedge portfolio generated a negative impact in equity of US$ 26 million. The combined equity impact amounted to US$ 64 million (positive).

At 31 December 2010 the Company has undrawn committed long-term bank facilities totalling US$ 897 million (Revolving Credit Facility, Deep Panuke and Aseng project loans) available for financing capital investment in 2011. The relevant banking covenants were all comfortably met.

There continues to be no off-balance sheet financing.

The current ratio increased sharply due to the ongoing investments in assets for which the lease contracts are accounted for as finance leases. Until completion of these investments, the assets are recorded within construction contracts.

Capital Expenditure

Total capital expenditure for 2010 (comprising of additions to property, plant & equipment plus capitalised development expenditure) amounted to US$ 519 million (2009: US$ 656 million). The majority of this total is related to new investment in the lease fleet for which the major elements are:

- completion of the FPSO Capixaba for Petrobras;
- ongoing expenditure on the conversion and

equipment procurement for the MOPUstor™ jack-up facility for Talisman's Yme field in Norway, the MOPU gas platform for EnCana's Deep Panuke field in Canada, and the FPSO Espadarte upgrade for relocation to Petrobras' Baleia Azul field in Brazil;
- completion of Phase I of the Angolan yard Paenal;
- LNG related products development work and patents;
- a VLCC hull for future conversion into a FPSO.

Capital expenditure in 2010 on the FPSO Aseng for Noble Energy and the FPSO Cidade de Paraty for Petrobras is excluded from the total amount above. Due to the classification of the contracts as finance leases, investment in the units were recorded through construction contracts, with the investments in finance lease to be ultimately recorded in financial fixed assets.

The increase in property, plant and equipment in 2010 to US$ 2,942 million (31 December 2009: US$ 2,830 million) resulted from capital expenditure in 2010 less depreciation and amortisation and less the impact of deconsolidation of 20% of the shares in the Paenal Yard joint venture to DSME, and the transfer of one tanker to construction contracts.

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

Return On Average Capital Employed and Equity

ROACE (Return On Average Capital Employed) rose marginally in 2010 to 10.1%. This was achieved through improved operating performance and despite the following:
- profitability from the Lease and Operate activities was impacted significantly by the impairment charges on the Yme MOPUstor™ and the tanker inventory;
- higher average capital employed finances assets still under construction without commensurate EBIT contribution (no new leases commenced in 2010, except for the relocated FPSO Capixaba);
- growth in capital employed was also amplified by the upward movement in the total market value of the exchange rate/interest rate hedge portfolio.

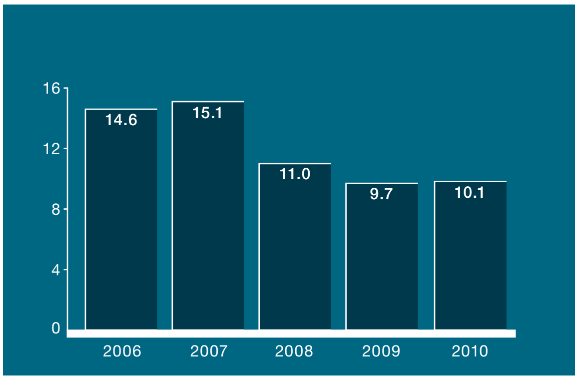
Return On average shareholders' Equity (ROE) at 12.4 % was below the level achieved in recent years due to the same factors as mentioned above, the increased net financing costs (including the hedge losses explained earlier), plus the 9.2% equity issue of November 2009.

As noted earlier the minority share of 2010 net profit is higher than in previous years and accordingly has a significant impact on ROE. Return on total equity (before deduction of minority) amounted to 14.0% in 2010 (2009: 15.0%).

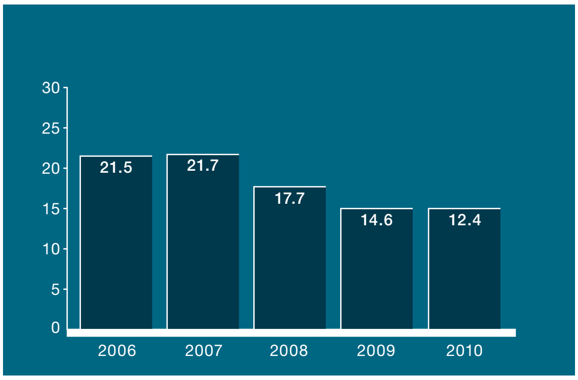
Statement of financial position

US$ million	2006	2007	2008	2009	2010
Capital employed	1,754.0	2,257.4	2,740.9	3,325.8	3,878.7
Total equity	1,119.0	1,337.7	1,240.9	1,816.8	2,123.4
Net Debt	585.8	874.7	1,464.0	1,464.0	1,711.1
Net gearing (%)	52	65	118	81	81
Net Debt: Unadjusted EBITDA ratio	1.23	1.60	2.76	2.39	2.49
Capital expenditure	309.0	551.0	999.8	656.0	519.0
Current ratio	1.14	1.15	0.79	0.91	1.32

Return on average capital employed
(in %)



Return on average equity
(in %)



Cash flow / liquidities

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

Net liquidities decreased to US$ 103.4 million, of which US$ 28 million can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilisation.

The EV to EBITDA ratio at year-end 2010 was at 8.1 higher than the previous year, due to the respective growth in market capitalisation (16.5%) and net debt (16.9%) exceeding the growth in EBITDA (12.2%).

Cash flow / liquidities

US$ million	2006	2007	2008	2009	2010
Net profit	216.3	266.8	227.9	230.0	276.0
Depreciation and amortisation	223.3	246.3	255.0	319.8	326.0
Cash flow	439.6	513.1	482.9	549.8	602.0
EBITDA	477.5	548.3	530.1	613.3	688.4
Net liquidities/securities	339.7	274.1	230.1	146.7	103.4
Cash flow from operations (*)	592.4	331.1	577.0	548.5	293.5
EV: EBITDA ratio at 31/12	11.3	9.9	6.4	7.7	8.1
EBITDA: interest cover ratio (**)	15.2	24.5	13.1	10.2	9.0

(*)As per the consolidated statement of cash flows
(**) From 2010 based on adjusted EBITDA

Future IFRS changes

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

Revenue recognition

The IASB and the FASB together initiated a joint project to clarify the principles for recognizing revenue from contracts with customers. The proposal of IASB introduces the principles of “contractual performance obligation” and suggests recognizing revenue only once this contractual performance obligation is met.

Based on on-going analysis of main contracts, SBM Offshore revenue recognition pattern may not be significantly impacted and the cost-to-cost method SBM Offshore currently applies could be maintained.

The standard is expected to be released in the first half of 2011.

Joint Ventures

The objective of the project is to develop an IFRS that enhances the accounting for, and the quality of information being reported about, joint arrangements. The project shall increase consistency, transparency and comparability of the reporting of these arrangements by addressing principally two aspects:

- The structure of the arrangement will no longer be the most significant factor in determining the accounting treatment;
- Accounting options will be eliminated, in particular the proportionate consolidation method.

SBM Offshore is currently reviewing the treatment of its Joint Ventures and such analysis might lead to the Joint Ventures being either fully consolidated or recognized as investment in associates, which may in turn have a significant impact on consolidated turnover, EBITDA, EBIT, property, plant & equipment, net debt and other elements of the financial statements.

The standard is expected to be released in the first half of 2011.

Leases

The aim of the project is to develop a new single approach to lease accounting that would ensure that all assets and liabilities under lease contracts are recognized in the statement of financial position. For lessors like SBM Offshore, two main approaches would co-exist:

- When the lease transfers significant risks or benefits of the underlying asset to the lessee, the lessor would apply the De-recognition approach (similar to the current approach of finance lease);
- When the lessor retains exposure to significant risks or benefits, the lessor would apply the Performance Obligation approach. The Performance Obligation approach requires the lessor to keep the underlying asset on its balance sheet and to record a right to receive lease payments and a liability to permit the lessee to use the underlying asset. This would lead to the expansion of balance sheet asset and liabilities.

The exposure draft was open for public comments until 15 December 2010. SBM Offshore is currently following the developments but it is still too early to anticipate precisely the related impact.

Financial Statements

Consolidated income statement

For the years ended 31 December

in thousands of US$	Notes	2010	2009
Revenue	1	3,055,761	2,956,545
Cost of Sales	3	(2,544,347)	(2,504,211)
Gross margin	1	**511,414**	**452,334**
Other operating income	2	2,240	1,080
Selling and marketing expenses	3	(44,617)	(57,102)
General and administrative expenses	3	(85,977)	(80,072)
Research and development expenses	3/6	(20,659)	(22,801)
Operating profit (EBIT)		**362,401**	**293,439**
Financial income	5	19,734	17,278
Financial expenses	5	(103,475)	(77,248)
Net financing costs		**(83,741)**	**(59,970)**
Share of profit of associates		-	185
Profit before tax		**278,660**	**233,654**
Income tax	7	(2,649)	(3,673)
Profit		**276,011**	**229,981**

	2010	2009
Attributable to shareholders of the parent company	239,960	221,001
Attributable to non-controlling interests	36,051	8,980
Profit	**276,011**	**229,981**

	Notes	2010	2009
Weighted average number of shares outstanding		167,095,777	150,100,926
Basic earnings per share	8	US$ 1.44	US$ 1.47
Fully diluted earnings per share	8	US$ 1.42	US$ 1.46

Consolidated statement of comprehensive income

in thousands of US$	Note	2010	2009
Profit for the period		**276,011**	**229,981**
Cash flow hedges, net of tax	20	64,306	133,913
Currency translation differences, net of tax		(10,642)	13,646
Other comprehensive income for the period, net of tax		**53,664**	**147,559**
Total comprehensive income for the period		**329,675**	**377,540**

	2010	2009
TOTAL COMPREHENSIVE INCOME:		
Attributable to shareholders of the parent company	293,593	368,332
Attributable to non-controlling interests	36,082	9,208
	329,675	**377,540**

Consolidated statement of financial position

at 31 December (before appropriation of profit)

in thousands of US$	Notes	2010	2009
ASSETS			
Property, plant and equipment	10	2,941,810	2,830,302
Intangible assets	11	67,924	61,421
Investment in associates		42	46
Other financial assets	12	238,697	377,234
Deferred tax assets	13	15,717	13,087
Total non-current assets		**3,264,190**	**3,282,090**
Inventories	14	29,280	25,763
Trade and other receivables	15	723,560	681,562
Income tax receivable	16	2,932	3,014
Construction work in progress	17	833,808	458,234
Derivative financial instruments	18	126,569	61,106
Cash and cash equivalents	19	110,648	146,712
Total current assets		**1,826,797**	**1,376,391**
TOTAL ASSETS		**5,090,987**	**4,658,481**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Issued share capital		56,420	58,963
Share premium reserve		658,532	632,963
Retained earnings		1,406,301	1,216,343
Other reserves		(48,083)	(105,652)
Equity attributable to shareholders of the parent company		**2,073,170**	**1,802,617**
Non-controlling interests		50,235	14,215
Total Equity	20	**2,123,405**	**1,816,832**
Interest-bearing loans and other liabilities	21	1,536,714	1,282,468
Provisions	22	43,188	43,924
Deferred tax liabilities	23	978	1,048
Total non-current liabilities		**1,580,880**	**1,327,440**
Trade and other payables	24	893,554	1,005,421
Income tax payable		11,617	8,431
Interest-bearing loans and other liabilities	25	285,056	328,237
Derivative financial instruments	18/26	196,475	172,120
Total current liabilities		**1,386,702**	**1,514,209**
TOTAL EQUITY AND LIABILITIES		**5,090,987**	**4,658,481**

Consolidated statement of changes in equity

in thousands of US$	Outstanding number of shares	Issued share capital	Share premium reserve	Retained earnings	Other reserves	Attributable to share-holders	Non-controlling interests	Total Equity
	Note 20	Note 20	Note 20	Note 20	Note 20			
At 1 January 2009	**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)	-	-	-	-	-
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**
Profit for the year	-	-	-	239,960	-	239,960	36,051	276,011
Foreign currency translation	-	(3,936)	-	-	(6,737)	(10,673)	31	(10,642)
Cash flow hedges/net investment hedges	-	-	-	-	64,306	64,306	-	64,306
Comprehensive income for the period	**-**	**(3,936)**	**-**	**239,960**	**57,569**	**293,593**	**36,082**	**329,675**
Share based payments	-	-	-	11,040	-	11,040	-	11,040
Stock dividend	2,628,848	870	(870)	-	-	-	-	-
Share options/ bonus shares	1,578,684	523	26,439	(2,644)	-	24,318	-	24,318
Cash dividend	-	-	-	(58,398)	-	(58,398)	(62)	(58,460)
At 31 December 2010	**168,667,512**	**56,420**	**658,532**	**1,406,301**	**(48,083)**	**2,073,170**	**50,235**	**2,123,405**

Within retained earnings, an amount of US$ 129.3 million (2009: US$ 100.7 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$ 38.2 million (2009: US$ 30.9 million) should be maintained in respect of capitalised development expenditures.

Consolidated cash flow statement

For the years ended 31 December

in thousands of US$	2010	2009 (*)
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	2,445,617	2,660,120
Payments to suppliers and employees	(2,149,428)	(2,093,086)
Income tax received / (paid)	(2,649)	(18,572)
Net cash from operating activities	**293,540**	**548,462**
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in property, plant and equipment	(509,570)	(635,768)
Investment in intangible assets	(1,834)	(15,945)
Investment in associated and group companies	-	(906)
Disposals of property, plant and equipment	-	801
Net cash from investing activities	**(511,404)**	**(651,818)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	254,522
Additions to borrowings and loans	612,538	494,438
Repayments of borrowings and loans	(433,327)	(587,599)
Additions to other financial assets	(21,784)	(65,378)
Redemptions of financial assets	138,046	41,078
Dividends paid to shareholders	(58,460)	(69,919)
Interest received	11,318	14,385
Interest paid	(69,867)	(69,447)
Net cash from financing activities	**178,464**	**12,080**
Net increase/decrease in cash and cash equivalents	**(39,400)**	**(91,276)**
Cash and cash equivalents at 1 January	146,712	230,137
Currency differences	(3,891)	7,851
Cash and cash equivalents at 31 December	**103,421**	**146,712**

(*) restated for comparison purposes

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

	2010	2009
Cash and cash equivalents	110,648	146,712
Bank overdrafts	(7,227)	-
Cash and cash equivalents at 31 December	**103,421**	**146,712**

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 2010 comprise the financial statements of SBM Offshore N.V. and its subsidiaries (together referred to as 'the Company') and the Company's interest in associates and jointly controlled entities as at 31 December each year.

The Company serves on a global basis the offshore oil and gas industry by supplying engineered products, vessels and systems, and offshore oil and gas production services. The Company has its listing on the Euronext Amsterdam stock exchange.

Statement of compliance

The consolidated financial statements of SBM Offshore N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations, adopted by the EU where effective for financial years beginning after 1 January 2010. 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.

These consolidated financial statements were authorised for issue by the Board of Management on 3 March 2011.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Overview of IFRS developments

(a) Standards, amendments and interpretations effective in 2010.

- IFRS 3 (revised), 'Business combinations' and IAS 27 (amended), 'Consolidated and Separate Financial Statements'

IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and the future reported results. IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.
These changes in accounting policy were applied prospectively and had no impact on the financial statements as no transaction occurred during the year 2010.

- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' .The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The change in accounting policy was applied prospectively and had no impact on the financial statements as no transaction occurred during the year 2010.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The change in accounting policy was applied prospectively and had no impact on the financial statements as no

transaction occurred during the year 2010.
- IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments'. The change in accounting policy was applied prospectively and had no impact on the financial statements.

(b) Standards, amendments and interpretations effective in 2010 but not relevant.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but they are not relevant to the Company's operations:
- IFRIC 9 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement' (effective from 1 July 2009).
- 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).

(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).

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

- 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)

Consolidation

Subsidiaries

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

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

Transactions and non-controlling interests

The Company applies a policy of 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.

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 organised into seven operating units based on their products and services. For financial reporting purposes, the Turnkey Systems segment combines the results of five of these units being SBM Monaco, SBM Atlantia, SBM 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 for assessing performance. Segment performance is evaluated based on net result, which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Inter-segment revenues are made at prices that approximate market prices.

Foreign currency translation

Functional and reporting currency

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

Transactions and balances

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

At year-end 2010 the most significant rate was the Euro at US$ 1.338 (opening 2010: US$ 1.434). The average Euro rate amounted to US$ 1.3247 (2009: US$ 1.392).

Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at the average exchange rate (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity (Translation reserve).

On consolidation exchange differences arising from the translation of the net investment in foreign entities, and of borrowings of such investments, are taken to Group equity. When an operation denominated in foreign currency is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Leases: Accounting by lessor

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

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, with the exception of land, which is shown at cost less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of such items. The capital value of a facility to be leased and operated for a client is the sum of external costs (such as shipyards, subcontractors, suppliers), internal costs (design, engineering, construction supervision, etc.), third party financial costs including interest paid during construction and attributable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The costs of assets include the initial estimate of costs of demobilisation of the asset. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets are depreciated by using the straight-line method over their anticipated useful life, taking into account a residual value for the vessels and floating equipment, with the exception of the ThunderHawk facility. The depreciation charge for the ThunderHawk facility is calculated based on its future anticipated economic benefits. This results in a depreciation charge partly based on the units of production method and for the other part based on the straight line method. Investment subsidies (with the exception of investment premiums) are directly deducted from the historical costs of the assets.

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

Land and Buildings (Unless unlimited lives)	30-50 years
Vessels and floating equipment	
- converted tankers, including refurbishment;	10-20 years
-'non-recoverable' investments costs which are incurred for a specific project, e.g. installation costs, transport costs,costs of anchor lines, anchor points, risers etc., are depreciated over the period of the contract to which they relate;	3-15 years
- investments in facilities which include the mooring system, swivel stack, vessel conversion, process equipment if relevant etc. In case of long-term contracts these items are fully depreciated over the contract duration, For shorter-term contracts, a decision is taken as to which percentage of these costs should be depreciated.	3-15 years
Machinery and equipment	5-20 years
Other fixed assets	2-20 years

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

The assets' residual values are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

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

Intangible assets

Goodwill

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

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

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

Patents

Separately acquired patents are shown at historical cost. Patents acquired in a business combination are recognised at fair value at the acquisition date. Patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of 15 years. The 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: the Loans and Receivables, the Available for sale and the financial assets at Fair value through profit or loss. The classification depends on the purpose of the financial asset. Management determines the classification at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables include finance lease receivables, other loans and receivables, and other financial assets.

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

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:
- significant financial difficulty of the obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- national or local economic conditions that correlate with defaults on the financial assets.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment on trade and other receivables is described in the accounting policy with respect to trade and other receivables.

Inventories
Inventories are stated at the lower of cost and net

realisable value. Cost is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

Construction work in progress
Construction work in progress is stated at cost plus profit recognised to date less a provision for foreseeable losses and less invoiced instalments. Cost includes all expenditures related directly to specific projects and attributable overhead. Where instalments exceed the value of the related costs, the excess is included in current liabilities. Advances received from customers are included in current liabilities.

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the income statement.

Derivative financial instruments and hedging activities
The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such financial instruments are initially recognised at fair value on the date on which a financial contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative financial instruments are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in the note 18 - Derivatives financial instruments. Movements in the hedging reserve in equity attributable to shareholders are shown in the note 20 - Equity attributable to shareholders.

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

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

When any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's 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 the note 12 - Other financial assets 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 work in progress
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 advanced and it is probable that the outcome can be 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, revenue basis or other taxes not based on taxable profits 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:

- the anticipated useful life and residual value of the leased facilities;
- the lease classification;
- the revenue recognition on construction contracts based on the stage of completion method;
- the impairment of tangible and intangible fixed assets;
- the impact of variation orders and recoveries from clients where negotiations or discussions are at a sufficiently advanced stage;
- the future costs to complete for construction projects and required contingencies;
- the demobilisation provisions;
- the Company's exposure to litigation with third parties.

1. Segment information

Business information

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

The amounts provided to the Chief Operating Decision Maker with respect to non-current assets and non-current 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.

The segmental analysis of the consolidated income statement is as follows:

Period ending 31 December 2010

in thousands of US$	Lease and Operate	Turnkey Systems	Turnkey Services	Other	Eliminations and adjustments	Consoli-dated
REVENUES						
Third party	800,492	1,984,467	270,802	-	-	3,055,761
Inter-segment	-	259	67,927	-	(68,186)	-
Total revenues	**800,492**	**1,984,726**	**338,729**	**-**	**(68,186)**	**3,055,761**
Gross margin	165,566	270,431	75,417	-	-	511,414
Other operating income	26	2,130	-	84	-	2,240
Selling and marketing	(7,495)	(31,806)	(5,316)	-	-	(44,617)
General and administrative	(8,561)	(38,983)	(4,277)	(34,156)	-	(85,977)
Research and development	(3,186)	(15,832)	(1,641)	-	-	(20,659)
EBIT	**146,350**	**185,940**	**64,183**	**(34,072)**	**-**	**362,401**
Net financing costs						(83,741)
Income tax expense						(2,649)
Share of profit of associates						-
Profit						**276,011**
EBITDA						
EBIT	146,350	185,940	64,183	(34,072)	-	362,401
Depreciation and amortization and impairment	301,847	14,818	8,297	1,003	-	325,965
EBITDA	**448,197**	**200,758**	**72,480**	**(33,069)**	**-**	**688,366**
OTHER SEGMENT INFORMATION						
Impairment charges	50,746	-	-	-	-	50,746
Capital expenditure	473,153	21,703	16,658	7,621	-	519,135
Non-current assets	2,909,742	150,891	67,611	135,946	-	3,264,190
Investments in associates	-	42	-	-	-	42

There were no contingent-based rents recognised in the 2010 income statement (2009: nil).

In 2010, there has been no non-recurring revenue generated from the sale of the Company's production facilities.

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)	-
Total revenues	**815,995**	**1,924,496**	**261,575**	**-**	**(45,521)**	**2,956,545**
Gross margin	195,344	187,255	69,735	-	-	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)
Research and development	(3,473)	(15,855)	(3,473)	-	-	(22,801)
EBIT	**174,831**	**96,834**	**53,031**	**(31,257)**	**-**	**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)	-	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)**	**-**	**613,277**
OTHER SEGMENT INFORMATION						
Impairment charges	32,428	-	7,670	-	-	40,098
Capital expenditure	602,283	36,392	7,148	10,143	-	655,966
Non-current assets	2,861,495	222,888	56,377	141,330	-	3,282,090
Investments in associates	-	46	-	-	-	46

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

Geographical information
The classification by country is determined by the final destination of the product.

The revenue by country can be analyzed as follows:

in thousands of US$	2010	2009 (*)
Netherlands	20,709	19,035
Angola	280,882	300,118
Australia	340,123	227,999
Brazil	1,101,657	1,391,665
USA	195,681	106,975
Norway	93,308	221,415
Malaysia	64,158	66,400
Equatorial Guinea	477,931	89,354
Nigeria	89,787	139,031
Other	391,525	394,553
Total revenue	**3,055,761**	**2,956,545**

(*) restated for comparison purposes

The non-current assets by country can be analyzed as follows:

in thousands of US$	2010	2009 (*)
Netherlands	14,547	14,326
Angola	338,203	527,318
Brazil	850,922	835,808
USA	424,033	510,415
Norway	612,500	511,076
Canada	514,996	329,194
Malaysia	147,377	165,360
Nigeria	61,426	60,947
Other	300,186	327,646
Total non-current assets	**3,264,190**	**3,282,090**

(*) restated for comparison purposes

Reliance on major customers
There are several major customers identified in the Lease and Operate segment, the Turnkey Systems segment and the Turnkey Services segment. Total revenue from the top three major customers amounts to US$ 1,639.5 million (2009: US$ 1,394.5 million).

2. Other Operating Income

Detail of Other Operating Income

in thousands of US$	2010	2009
Proceeds from Property, Plant and Equipment sales	1,084	147
Others	1,156	933
Total Other Operating Income	**2,240**	**1,080**

3. Information on the nature of expenses

The table below sets out expenses by nature for all items included in EBIT for the years 2010 and 2009:

in thousands of US$	Note	2010	2009 (*)
Expenses stock and construction contract		(1,404,326)	(1,386,416)
Employee benefits	4	(608,059)	(585,021)
Selling expenses		(17,290)	(29,346)
Depreciation, amortisation and impairment		(325,965)	(319,838)
Other operating costs		(339,960)	(343,565)
Total expenses		**(2,695,600)**	**(2,664,186)**

(*) restated for comparison purposes

4. Employee benefits expense

Information with respect to employee benefits:

in thousands of US$	2010	2009
Wages and salaries	(350,370)	(328,884)
Social security costs	(43,131)	(40,004)
Contributions to defined contribution plans	(30,726)	(29,706)
Increase in liability for defined benefit plans	(2,168)	(2,976)
Increase / (Decrease) in liability for other employee benefits	240	(965)
Equity settled transactions (share based payments)	(11,040)	(13,300)
Other employee benefits	(170,864)	(169,186)
Total employee benefits	**(608,059)**	**(585,021)**

Other employee benefits include, for a major part, expenses related to hired people.

Pensions and other post-employment benefit plans
The Company has defined benefit pension plans, based on final salary. The aforementioned pension plans require contributions to separately administered funds. The Company has also provided for certain seniority and termination benefits. These benefits are unfunded. The following tables summarize the components of net benefit expense recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated statement of financial position for the respective plans.

Net benefit expense recognised within employee benefits is:

	2010	2009	2010	2009	2010	2009
in thousands of US$	Pension plans		Other employee benefits		Total	
Current service cost	2,141	1,879	-	-	2,141	1,879
Interest cost on benefit obligation	2,368	1,961	-	-	2,368	1,961
Expected return on plan assets	(2,088)	(2,183)	-	-	(2,088)	(2,183)
Other	(253)	1,319	(240)	965	(493)	2,284
Net benefit expense	**2,168**	**2,976**	**(240)**	**965**	**1,928**	**3,941**

The benefit (asset)/liability included in the statement of financial position is:

	2010	2009	2010	2009	2010	2009
in thousands of US$	Pension plans		Other employee benefits		Total	
Defined benefit obligation	72,267	70,336	5,445	5,840	77,712	76,176
Fair value of plan assets	(67,137)	(67,431)	-	-	(67,137)	(67,431)
	5,130	**2,905**	**5,445**	**5,840**	**10,575**	**8,745**
Unrecognised net actuarial gains/(losses)	(1,710)	1,744	-	-	(1,710)	1,744
Benefit (asset)/liability	**3,420**	**4,649**	**5,445**	**5,840**	**8,865**	**10,489**

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

in thousands of US$	2010	2009	2008	2007	2006
Present value defined benefit obligation	72,267	70,336	57,195	62,626	50,156
Fair value of plan assets	(67,137)	(67,431)	(48,173)	(52,497)	(42,648)
Deficit / (Surplus)	**5,130**	**2,905**	**9,022**	**10,129**	**7,508**

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

in thousands of US$	2010	2009
Opening defined benefit obligation	70,336	57,195
Interest cost	2,368	1,961
Current service cost	2,141	1,879
Benefits paid	(2,003)	(1,822)
Actuarial (gains)/losses on obligation	4,293	-
Other movements	(223)	9,550
Exchange differences on foreign plans	(4,645)	1,573
Closing defined benefit obligation at 31 December	**72,267**	**70,336**

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

in thousands of US$	2010	2009
Opening fair value of plan assets	(67,431)	(48,173)
Expected return	(2,088)	(2,183)
Contributions by employer	(2,862)	(1,837)
Benefits paid	2,003	1,822
Actuarial (gains)/losses	(1,907)	(5,983)
Other movements	733	(9,550)
Exchange differences on foreign plans	4,415	(1,527)
Closing fair value of plan assets at 31 December	**(67,137)**	**(67,431)**

The other movements of 2009 were related mainly to a newly included defined benefit plan as sufficient information to prepare the calculations became available at that date.

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

	2010	2009
	%	%
Cash	10.2	2.9
Equities	24.0	18.1
Bonds	65.8	79.0
	100.0	**100.0**

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

	2010	2009
	%	%
Discount rate	2.75	3.50
Expected rate of return on assets	3.20	3.20
Future salary increases	4.00	4.00
Future pension increases	-	-

The overall expected rate of return on assets is determined on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The Company expects to contribute US$ 1.6 million to its defined benefit pension plans in 2011. As regard to the other employee benefits provision, expected outflow is US$ 0.2 million within one year (2009: US$ 0.3 million), US$ 1.2 million between one and five years (2009: US$ 1.5 million) and US$ 4 million after five years (2009: US$ 4 million).

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 (2009: US$ 12.2 million).

The performance-related part of the remuneration, comprising both STI and LTI components, equals 47% (2009: 37%).

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	Bonus	Pension costs	IFRS 2 costs of share based payments	2010 Total	2009 Total
A.J. Mace	788	473	88	193	1,542	2,642
M.A.S. Miles	659	382	50	138	1,229	1,139
D. Keller (to 15 May 2008)	-	-	-	(221)	(221)	(141)
Other key management personnel	4,088	2,544	773	2,264	9,669	8,554
Total remuneration	**5,535**	**3,399**	**911**	**2,374**	**12,219**	**12,194**

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.

Share Option Plan

The Share Option Plan, which was terminated in 2008, has been replaced by Performance Shares and Restricted Shares schemes. Options were granted at market value, a three year vesting period, and a subsequent two year exercise period. Currently two years of vested and exercisable options are outstanding, and one year of option grants with vesting in 2011.

During the financial year 2010, no share options were issued (2009: nil). The number of outstanding options for both 31 December 2010 and 31 December 2009 can be summarised as follows:

Year	Number at 1 January 2010	Granted in 2010	Exercised in 2010	Forfeited / expired in 2010	Number at 31 December 2010	Exercise price in €	Exercisable
2005	1,632,000		1,328,153	303,847	-	12.86	-
2006	1,369,000				1,369,000	19.05	1,369,000
2007	1,665,000	(130,000)		28,000	1,507,000	25.91	1,507,000
2008	1,605,100			70,000	1,535,100	25.82	-
Total	**6,271,100**	**(130,000)**	**1,328,153**	**401,847**	**4,411,100**		**2,876,000**
Weighted average exercise price in €	20.99	25.91	12.86	16.03	23.75		
Average price at exercise in €			13.74				

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	-	-	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				

Instruments granted in 2010 with respect to the year 2007 is a negative movement which reflects the non-vesting of performance related stock options as included under the LTI with original exercise price (same for 2009 with respect to the year 2006).

The remaining average contractual life of the outstanding options as at 31 December 2010 is 1.42 years (2009: 1.92 years).

The end of vesting periods and expiry dates of the stock options are as follows:

Year	End of vesting period	Expiry date
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 2010:

	Number at 1 January 2010	Granted in 2010	Exercised in 2010	Forfeited / expired in 2010	Number at 31 December 2010	Exercisable
A.J. Mace	128,000		40,000		88,000	88,000
Weighted average exercise price in €	19.47		12.86		22.48	
Average price at exercise in €			12.88			
M.A.S. Miles	132,000	(30,000)	102,000	-	-	-
Weighted average exercise price in €	15.83	25.91	12.86		-	
Average price at exercise in €			12.88			
D. Keller (to 15 May 2008)	278,000	(40,000)	119,000	119,000	-	-
Weighted average exercise price in €	14.74	25.91	12.86	12.86	-	
Average price at exercise in €			15.98			
Other key management personnel	1,258,000	(60,000)	520,000	40,000	638,000	424,000
Weighted average exercise price in €	18.97	25.91	12.86	12.86	23.69	
Average price at exercise in €			12.99			
Other personnel	4,475,100		547,153	242,847	3,685,100	2,364,000
Weighted average exercise price in €	22.15	-	12.86	18.10	23.79	
Average price at exercise in €			14.19			

Information with respect to the options granted to the 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			

The 2009 and 2010 data on granted options reflect the non-vesting of the options for the Board of Management in respect of the 2006 and 2007 provisional grants respectively, where the performance conditions had not been met. These were the last options granted to the Board of Management under the old (2005) LTI. For all presently outstanding options, vesting is solely subject to fulfilling the continued employment condition.

Performance Shares

Performance shares 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.

Under the former (2005) 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. In respect of conditional performance shares awarded in 2007, the three year measurement period 2007-2009 (the last period governed by the 2005 LTI scheme) generated average EPS growth below the threshold of 5%. Accordingly no performance shares (2007 base award plus performance related) were awarded to the Board of Management.

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 Directors' base annual salary of the previous year, assuming "At target" EPS growth performance over the three year period following the period of reference. In 2010, the conditional awards were 30,490 shares for M.Mace and 28,711 shares for M.Miles. If the threshold average EPS growth over 2010 to 2012 is not achieved, the conditional awards will not vest. The maximum possible award is 150% of the conditional award.

For the performance period 2008-2010, the EPS growth threshold of 5% was not achieved and consequently no performance shares will be issued to Board of Management members who were part of the LTI scheme in 2008.

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. The respective number of shares granted under these plans in 2010 are 128,470 (PSU, at target) and 397,750 (RSU) (2009: 116,300 for PSU and 320,380 for 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 matrix of outcomes has been adopted including threshold and maximum vesting levels at 25% and 150% respectively of the at-target grant. The RSU plan has no performance condition, only a service condition, and will vest over a three year period, with 1/3 vesting on each anniversary date of the original grant date.

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

	2010
Expected departures	5%
Fair value at grant date (excluding entitlement to dividends during vestion period), 1 July 2010	€ 10.19

For the RSU plan, the assumptions are as follows:

	2010
Expected departures (tranche 1/2/3)	0% / 2.5% / 5%
Fair value at grant date (excluding entitlement to dividends during vesting period), 1 July 2010	€ 11.12 / € 10.64/ € 10.19

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	Performance shares and RSU / PSU	Matching shares	Total
Instruments granted	4,799	3,633	861	**9,293**
Performance conditions	112	1,366	269	**1,747**
Total expenses 2010	**4,911**	**4,999**	**1,130**	**11,040**

in thousands of US$	Share option plan	Performance shares and RSU / PSU	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**

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$ 546,000 (2009: US$ 433,000) and can be specified as follows:

in thousands of US$		Basic remuneration 2010	Basic remuneration 2009	Committees 2010	Committees 2009	Total 2010	Total 2009
H.C. Rothermund	Chairman	101	88	11	-	112	**88**
L.J.A.M. Ligthart	Vice-Chairman (from 15 May 2008 to 14 April 2010)	23	73	6	17	29	**90**
R. van Gelder	Vice-Chairman (from 14 April 2010)	85	63	11	13	96	**76**
D. Keller	From 15 May 2008 to 15 September 2009	-	45	-	-	-	**45**
F.G.H. Deckers	From 15 May 2008	80	63	9	8	89	**71**
T. Ehret	From 15 May 2008	80	63	9	-	89	**63**
F.J.G.M. Cremers	From 15 April 2010	65	-	10	-	75	**-**
F. Gugen	From 6 July 2010	50	-	6	-	56	**-**
Total		**484**	**395**	**62**	**38**	**546**	**433**

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:

	2010		2009	
By business segment:	Average	Year-end	Average	Year-end
Lease and operate	1,170	1,237	1,139	1,103
Turnkey Systems (including other)	2,412	2,667	2,187	2,158
Turnkey Services	205	210	213	199
Total	**3,787**	**4,114**	**3,539**	**3,460**

	2010		2009	
By geographical area:	Year-end	Average	Year-end	Year-end
The Netherlands	451	468	416	433
Worldwide	3,336	3,646	3,123	3,027
Total	**3,787**	**4,114**	**3,539**	**3,460**

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.

5. Net financing costs

in thousands of US$	2010	2009
Interest income	10,628	14,490
Net forex exchange gain	-	2,788
Other financial income	9,106	-
Financial income	**19,734**	**17,278**

in thousands of US$	2010	2009
Interest expenses	(69,867)	(72,213)
Interest addition to provisions	(1,181)	(1,148)
Net forex exchange loss	(3,166)	-
Net ineffective portion in fair value of cash flow hedge	(29,261)	(3,020)
Other financial expense	-	(867)
Financial expenses	**(103,475)**	**(77,248)**

The 'Other financial income' includes a non-recurring gain arising from the partial divestment in a joint-venture.

The financial expenses are net of US$ 32.6 million capitalised interest (2009: US$ 28.3 million).

The 'Net ineffective portion in fair value of cash flow hedge' essentially relates to the fair value of the interest rate swap for the Deep Panuke project and foreign exchange contracts for the Aseng project due to the change in underlying exposures.

6. Research and development expense

Research and development costs consist of US$ 20.7 million (2009: US$ 22.8 million) charged directly to other operating expenses. Development costs amounting to US$ 9.6 million (2009: US$ 15.9 million) were capitalised within intangible fixed assets (see note 11 - Intangible Assets).

7. Income tax

The Company's operational activities are subject to taxation at rates, which range up to 34% (2009: 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 1.0% (2009: 1.6%), 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:

in thousands of US$	%	2010	%	2009
Profit before tax		**278,660**		**233,654**
Income tax using the domestic corporation tax rate	25.5	(71,059)	25.5	(59,582)
Effect of tax rates in foreign jurisdictions	(25.6)	71,430	(25.3)	59,360
Non-deductible expenses	1.1	(3,020)	1.5	(3,604)
Non-taxable revenues		-	(0.1)	153
Recognised tax income / expense	**1.0**	**(2,649)**	**1.6**	**(3,673)**

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, revenue basis or other taxes not based on taxable profit are treated as project taxes included in gross margin.

8. Earnings per share

The basic earnings per share for the period amounts to US$ 1.44 (2009: US$ 1.47); the fully diluted earnings per share amounts to US$ 1.42 (2009: US$ 1.46).

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:

	2010	2009
Number of shares outstanding at 1 January	164,459,980	145,613,988
Stock dividend	1,659,191	2,364,638
New shares issued	976,606	2,122,300
Weighted average number of shares 31 December	**167,095,777**	**150,100,926**
Potential dilutive shares from stock option scheme and other share-based payments	1,339,806	960,924
Weighted average number of shares (diluted) at 31 December	**168,435,583**	**151,061,850**

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.

9. Dividends paid and proposed

in thousands of US$	2010	2009
CASH DIVIDEND DECLARED AND PAID DURING THE YEAR		
Final dividends for 2009	58,398	-
Final dividends for 2008	-	69,919
	58,398	**69,919**
PROPOSED FOR APPROVAL OF THE AGM		
Final dividend 2010	119,754	-
Final dividend 2009	-	110,188
	119,754	**110,188**
DIVIDEND PER SHARE		
Final dividend 2010	US$ 0.71	-
Final dividend 2009	-	US$ 0.67

A dividend in respect of the year ended 31 December 2010 of US$ 0.71 per share, amounting to a total dividend of US$ 119.8 million, is to be proposed to the Annual General Meeting on 5 May 2011. These financial statements do not reflect this dividend payable.

The dividend relating to the year ending 31 December 2009 amounted to US$ 0.67 per share and was paid as an optional dividend, resulting in a cash dividend of €0.49 per ordinary share or a stock dividend of 2 new ordinary shares for 57 existing ordinary shares. The payment of dividends took place on 14 May 2010 and resulted in a cash outflow of US$ 58.4 million.

10. Property, plant and equipment

The movement of the property, plant and equipment during the year 2010 and 2009 can be summarised as follows:

						2010
in thousands of US$	**Land and buildings**	**Vessels and floating equipment**	**Machin-ery and equipment**	**Other fixed assets**	**Assets under construction**	**Total**
Cost	129,906	2,651,634	46	102,604	1,084,903	3,969,092
Accumulated depreciation and impairment	(20,660)	(1,025,313)	(41)	(52,679)	(40,098)	(1,138,791)
Book value at 1 January	**109,246**	**1,626,321**	**5**	**49,925**	**1,044,805**	**2,830,302**
Additions	3	38,569	-	5,058	465,940	509,570
New in consolidation	-	-	-	-	-	-
Disposals	-	-	-	(566)	-	(566)
Depreciation	(3,688)	(255,432)	(3)	(13,493)	-	(272,616)
Impairment	-	(19,900)	-	-	(30,846)	(50,746)
Exchange rate differences	(5,052)	-	-	(1,166)	(117)	(6,335)
Other movements / deconsolidation	391	122,930	-	9,732	(200,852)	(67,799)
Total movements	**(8,346)**	**(113,833)**	**(3)**	**(435)**	**234,125**	**111,508**
Cost	123,152	2,829,375	43	111,087	1,342,203	4,405,860
Accumulated depreciation and impairment	(22,252)	(1,316,887)	(41)	(61,597)	(63,273)	(1,464,050)
Book value at 31 December	**100,900**	**1,512,488**	**2**	**49,490**	**1,278,930**	**2,941,810**

in thousands of US$	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Assets under construction	2009 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	-	-	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**

In 2010, the line 'other movements' includes the impact of deconsolidation of 20% of the shares in the Paenal Yard joint venture.

For 2010, the impairment charges relate to an additional reduction of the carrying amount to its recoverable amount of the MOPUstor™ unit under construction and to the partial impairment of two inventory tankers.
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.
Based on an impairment analysis, the book value of two inventory tankers was reduced to its lower fair value less cost to sale.
These impairment losses have been included in the gross margin in the income statement under the Lease and Operate segment.

For 2009, the impairment charge was related to the impairment of the MOPUstor™ unit under construction and to the full impairment of an installation tool that was built by services department but for which development has been discontinued. These impairment losses were included in the gross margin in the income statement under the Lease and Operate segment and the Turnkey Services segment respectively.

Property, plant and equipment at year-end include:
- Ten (2009: 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 at the end of December 2010.
- Two (2009: two) floating storage and offloading systems (FSOs), consisting of a converted or newbuild tanker and mooring system including the fluid transfer system;
- Four second-hand tankers (2009: four) and one barge (2009: one);
- One semi-submersible production platform (2009: one);
- Two MOPU(stor) facilities under construction (2009: two);
- The ‘Normand Installer’, a deepwater installation vessel;
- The ‘Dynamic Installer’, a dynamically positioned diving support vessel.

An amount of US$ 26.9 million (2009: US$ 28.3 million) third party interest has been capitalised during the financial year under review as part of the additions to property, plant and equipment.

The fair value of the major part of the property plant and equipment cannot be estimated precisely but is expected to be in excess of carrying values. Fair value information is therefore not included in the notes to the financial statements.

Operating leases as a lessor

The category 'Vessels and floating equipment' mainly relates to facilities leased to third parties under various operating lease agreements, which terminate between 2010 and 2027.

Leased facilities included in the 'Vessels and floating equipment' amount to:

In thousands of US$	2010	2009
Cost	2,634,848	2,487,417
Accumulated depreciation and impairment	(1,243,937)	(1,002,390)
Book value at 31 December	**1,390,911**	**1,485,027**

The nominal values of the future expected bareboat receipts (minimum lease payments of leases) in respect of those operating lease contracts are:

in millions of US$	2010	2009
Within 1 year	549	500
Between 1 and 5 years	2,101	2,238
After 5 years	2,073	2,102
Total	**4,723**	**4,840**

A number of agreements have extension options, which have not been included in the above table.

Finance lease as a lessee

In 2009, vessels and floating equipment included a net carrying amount of US$ 47.8 million relating to finance lease arrangements of two second-hand tankers where the Company was the lessee. Both vessels have been repurchased during the course of 2010 and are now fully owned by the Company.

11. Intangible assets

in thousands of US$	Development costs	Goodwill	Patents	2010 Total
Cost	31,563	25,048	12,633	69,244
Accumulated amortisation	(664)	-	(7,159)	(7,823)
Book value at 1 January	**30,899**	**25,048**	**5,474**	**61,421**
Additions	9,565	-	-	9,565
Amortisation	(1,761)	-	(842)	(2,603)
FX on movements	(459)	-	-	(459)
Total movements	**7,345**	**-**	**(842)**	**6,503**
Cost	40,658	25,048	12,633	78,339
Accumulated amortisation	(2,414)	-	(8,001)	(10,415)
Book value at 31 December	**38,244**	**25,048**	**4,632**	**67,924**

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**

Amortisation of 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%).

12. Other financial assets

in thousands of US$	2010	2009
Non-current portion of finance lease receivables	72,060	146,345
Other financial assets	166,637	230,889
Total	**238,697**	**377,234**

Non-current portion of finance lease receivables

Non-current portion of finance lease receivables relate to the finance leases of the FPSO Mondo and FPSO Saxi Batuque. 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$	Note	2010	2009
Gross receivable		180,247	261,300
Less: Unearned finance income		(31,760)	(46,083)
Total		**148,487**	**215,217**
Of which			
Current portion	15	76,427	68,872
Non-current portion		72,060	146,345

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$	2010	2009
within 1 year	86,185	83,804
between 1 and 5 years	65,298	141,501
after 5 years	28,764	35,995
Total Gross receivable	**180,247**	**261,300**

The table above does not include the amounts to be invoiced on the finance lease contracts that were awarded during the course of 2010 which, at the end of 2010, are 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$	2010	2009
Gross receivable	86,185	83,804
Less: Unearned finance income	(9,758)	(14,932)
Current portion of finance lease receivable	**76,427**	**68,872**

Other financial assets

The item 'Other financial assets' relates 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 5.97% (2009: 5.85%). Furthermore, the other financial assets include an amount of US$ 17.6 million (2009: US$ 13.4 million) relating to the book value of capitalised financing costs. Further reference with respect to the capitalised financing costs is made to note 21 - Interest-bearing loans and borrowings.

The maximum exposure to credit risk at the reporting date is the fair value of the interest bearing loans and the finance lease receivables (2010: US$ 221.1 million, 2009: US$ 363.7 million) taking into account the risk of recoverability. None of the amounts are past due, and no reserve for partial impairment (2009: nil) is netted with the carrying amount. The Company does not hold any collateral as security.

13. Deferred tax assets

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

	2010	2009	2010	2009	2010	2009
in thousands of US$	Assets		Liabilities		Net	
Property, plant and equipment	8,067	8,576	-	-	8,067	8,576
Intangible assets	(387)	240	-	-	(387)	240
Tax losses	2,575	1,956	-	-	2,575	1,956
Other	5,462	2,315	(978)	(1,048)	4,484	1,267
Book value at 31 December	**15,717**	**13,087**	**(978)**	**(1,048)**	**14,739**	**12,039**

Expected net cash inflow of amounts relating to deferred tax positions is within one year: US$ 3.7 million (2009: US$ 3.9 million), between one and five years US$ 3.3 million (2009: cash outflow US$ 0.7 million) and after five years US$ 0.8 million (2009: US$ 0.3 million).

The Company has US$ 10.0 million available tax losses that are not valued in a deferred tax asset (2009: US$ nil).

Deferred tax assets per locations are as follows:

	2010	2009	2010	2009	2010	2009
in thousands of US$	Assets		Liabilities		Net	
Netherlands	10,740	8,576	(978)	(1,048)	9,762	7,528
USA	4,890	4,511	-	-	4,890	4,511
Other	87	-	-	-	87	-
Book value at 31 December	**15,717**	**13,087**	**(978)**	**(1,048)**	**14,739**	**12,039**

14. Inventories

in thousands of US$	2010	2009
Materials and consumables	18,187	18,274
Goods for resale	11,093	7,489
Total	**29,280**	**25,763**

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

In 2010 there was no write-down of inventories to net realisable value included in the income statement (2009: nil). There was no reversal of previous inventory write-offs (2009: nil).

15. Trade and other receivables

in thousands of US$	Note	2010	2009
Trade debtors		369,205	384,671
Taxes and social security		16,831	31,899
Other receivables		54,007	41,945
Accrued income in respect of delivered orders		103,612	59,467
Current portion of finance leases	12	76,427	68,872
Securities		4	1,710
Other prepayments and accrued income		103,474	92,998
Total		**723,560**	**681,562**

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 (2009: US$ 15 million). The most significant item within retentions shall be resolved early in 2011 as an agreement was reached with the client in December 2010.

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

in thousands of US$	2010	2009
Netherlands	1,175	557
Angola	52,313	64,180
Australia	7,855	19,342
Brazil	132,972	114,694
USA	32,198	26,491
Norway	2,551	2,225
Malaysia	11,970	11,544
Equatorial Guinea	4,098	2,344
Nigeria	19,170	35,588
Other	104,903	107,706
Total trade debtors	**369,205**	**384,671**

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

in thousands of US$	2010	2009
Gross amount	374,058	390,166
Impairment allowance	(4,853)	(5,495)
Total Trade debtors	**369,205**	**384,671**

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

	2010		2009	
in thousands of US$	Gross	Impairment	Gross	Impairment
Not past due	208,834	-	217,356	-
Past due 0-30 days	64,333	-	74,444	-
Past due 31-120 days	43,741	-	50,134	-
Past due 121- 365 days	28,956	-	33,386	-
More than one year	28,194	(4,853)	14,846	(5,495)
Total	**374,058**	**(4,853)**	**390,166**	**(5,495)**

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$	2010	2009
At 1 January	**(5,495)**	**(1,517)**
Addition	(223)	(4,319)
Recognised expenses	788	371
Foreign exchange difference	77	(30)
At 31 December	**(4,853)**	**(5,495)**

The allowance for impairment represents the Company's estimate of losses in respect of trade debtors. The allowance is built on specific expected loss components that relate to individual exposures. The allowance is not discounted when created. The creation and release for impaired trade debtors have been included in gross margin in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery. The other classes within the trade and other receivables do not contain allowances for impairment.

16. Income tax receivable

Apart from deferred taxation, no receivables have a duration of more than 1 year. For an explanation of the deferred tax position reference is made to note 13 - Deferred tax assets.

17. Construction work in progress

in thousands of US$	Note	2010	2009
Cost incurred		3,800,083	4,254,499
Instalments invoiced		(3,210,367)	(4,175,348)
Instalments exceeding cost incurred	24	244,092	379,083
Total		**833,808**	**458,234**

The cost incurred includes the amount of recognised profits and losses to date. The instalments exceeding cost incurred comprise the amounts of those individual contracts of which the total instalments exceed the total cost incurred. The instalments exceeding cost incurred are reclassified to other current liabilities.

Advances received from customers are included in other current liabilities. For both aforementioned details, reference is made to note 24 - Trade and Other payables.

Details with respect to the amount of retentions are included in the note to the trade and other receivables; reference is made to note 15 - Trade and Other receivables.

18. Derivative financial instruments

For a description of the financial risk management objectives and policies, reference is made to note 28 - Financial Risk Management.

At 31 December 2010, 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:

	2010	2009	2010	2009	2010	2009
in thousands of US$	Assets		Liabilities		Net	
Interest rate swaps cash flow hedge	31,066	22,294	173,456	123,327	(142,390)	(101,033)
Forward currency contracts cash flow hedge	91,174	37,850	21,847	41,463	69,327	(3,613)
Forward currency contracts fair value hedge	3,548	895	1,172	5,064	2,376	(4,169)
Forward currency contracts net foreign investment hedge	352			2,266	352	(2,266)
Commodity swap cash flow hedge	429	67		-	429	67
Total	**126,569**	**61,106**	**196,475**	**172,120**	**(69,906)**	**(111,014)**

The ineffective portion recognised in the income statement (see note 5 - Net financing costs) arises from cash flow hedges and amounts to US$ 29.3 million (2009: US$ 3.0 million). There was no ineffectiveness recognised in the income statement related to foreign investment hedges (2009: 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 2010 were US$ 3.1 billion (2009: US$ 2.3 billion) of which US$ 2.7 billion will mature in the next 12 months.

Gains and losses recognised in the hedging reserve on forward currency contracts as of 31 December 2010 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 2010 were US$ 1.8 billion (2009: US$ 1.6 billion).

The most important floating rate is US$ 3-month LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2010 will be continuously released to the income statement until the final repayment of the bank borrowings (see note 20 - Equity attributable to shareholders) . Details of interest percentages of the long-term debt are included in the note 21 - Long-term loans and other liabilities.

19. Cash and cash equivalents

in thousands of US$	2010	2009
Cash and bank balances	88,183	66,750
Short-term deposits	22,465	79,962
Total	**110,648**	**146,712**

The cash and cash equivalents dedicated for debt and interest payments amounts to US$ 27.7 million (2009: US$ 40.6 million). Short-term deposits are made for varying periods up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

20. Equity attributable to shareholders

For a consolidated overview of changes in equity reference is made to the consolidated statement of changes in equity.

Issued capital

The authorised share capital amounts to € 100,000,000 divided into 200,000,000 ordinary shares each of € 0.25 and 50,000,000 preference shares, each of € 1. At 31 December 2010 no preference shares were outstanding (31 December 2009: none). During the financial year the movements in the outstanding number of ordinary shares are as follows:

	2010	2009
Outstanding at 1 January	**164,459,980**	**145,613,988**
Share issue	-	13,896,880
Exercise employee share options	1,328,153	604,400
Share issue re stock dividend	2,628,848	4,221,744
Share-based payment remuneration	250,531	122,968
Outstanding 31 December	**168,667,512**	**164,459,980**

Of the ordinary shares 73,333 shares were held by managing directors at 31 December 2010 (31 December 2009: 56,959).

Share premium
The share premium reserve is fully available for distribution free of taxes for private investors, and amounts to € 543.3 million (31 December 2009: € 524.1 million).

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

in thousands of US$	Hedging reserve	Translation reserve	Total other reserves
Balance at 1 January 2009	**(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)**
Cash flow hedges:			
Recognised in equity	(7,231)	-	(7,231)
Transfer to financial income and expenses	38,349	-	38,349
Transfer to construction contracts and property, plant and equipment	31,842	-	31,842
Net investment hedge	1,346	-	1,346
Currency translation differences:			
Group companies		(6,737)	(6,737)
Balance at 31 December 2010	**(53,116)**	**5,033**	**(48,083)**

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.

21. Interest-bearing loans and other liabilities

The breakdown is as follows:

in thousands of US$	2010	2009
Bank interest-bearing loans and borrowings - non current portion	1,487,454	1,217,394
Deferred income	49,260	24,634
Other loans	-	40,440
Total	**1,536,714**	**1,282,468**

Bank interest-bearing loans and borrowings

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

in thousands of US$	Note	2010	2009
Non-current portion		1,217,393	1,349,983
Add: Current portion		322,996	255,187
Remaining principal at 1 January		**1,540,389**	**1,605,170**
Additions		612,539	494,443
Redemptions		(387,646)	(559,223)
Movements		**224,893**	**(64,780)**
Remaining principal at 31 December		**1,765,282**	**1,540,390**
Less: Current portion	25	(277,828)	(322,996)
Non-current portion		**1,487,454**	**1,217,394**

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

in thousands of US$	2010	2009
Within one year	277,828	322,996
Between 1 and 2 years	381,522	425,311
Between 2 and 5 years	950,762	618,948
More than 5 years	155,170	173,135
Remaining principal at 31 December	**1,765,282**	**1,540,390**

The bank 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 2010	Remaining loan balance 2009
US$ PROJECT FINANCE FACILITIES DRAWN:				
Mid 2000 (FSO Yetagun)	10 years	3.86%	-	4,271
March 2005 (Sanha LPG FPSO)	6 ½ years	5.40%	9,860	34,352
May 2006 (FPSO Espadarte)	5 years	2.55%	-	28,708
October 2006 (FPSO Capixaba)	6 ½ years	6.43%	103,200	149,310
May 2010 (FPSO Capixaba relocation)	6 years	5.44%	200,000	
December 2006 / March 2008 (FPSO Kikeh)	7 years	5.18%	124,954	152,341
November 2007 / March 2008 (FPSO Mondo)	6 years	4.90%	50,920	86,826
April / May / September 2008 (FPSO Saxi Batuque)	6 years	4.30%	77,969	117,416
September 2007 / March 2009 / July 2009 (Thunder Hawk)	5 ½ years	5.22%	217,561	303,369
November 2008 / February 2009 (FPSO Espirito Santo)	6 ¼ years	5.03%	229,440	271,064
US $ GUARANTEED PROJECT FINANCE FACILITIES DRAWN:				
June 2009 (MOPU Deep Panuke)	5 ¼ years	7.58%	208,192	202,333
December 2010 (FPSO Aseng)	5 years	5.52%	300,000	
REVOLVING CREDIT FACILITY				
US $750 million revolving credit facility	5 years	variable	95,000	145,000
OTHER				
Other long term debt			148,186	45,400
Remaining principal at 31 December			**1,765,282**	**1,540,390**

In 2010, the 'Other long term debt' includes loans received from minority partners in subsidiaries.

For the project finance facilities, the respective vessels are mortgaged to the banks. Interest expensed on long-term debt during 2010 amounted to US$ 63.6 million (2009: US$ 60.0 million) and interest capitalised amounted to US$ 32.6 million (2009: US$ 28.3 million).

The following important financial covenants have been agreed with the respective lenders (unless stated otherwise, these relate to both SBM Offshore N.V. and SBM Holding Inc. S.A. consolidated financial statements), after adjustment of EBITDA and net debt for certain items and proposed dividend, as defined in the relevant financing facilities. For the new Revolving Credit Facility concluded in 2010, covenants and definitions (at SBM Offshore level) vary from those of the old facility, which however still apply to existing Project Finance Facilities, and are therefore still reported.

- Consolidated tangible net worth to Consolidated total tangible assets (Solvency) of minimum 25% of SBM Offshore N.V. The actual solvency at year-end 2010 is 41.9%
- Minimum tangible net worth of SBM Holding Inc. S.A. of US$ 490 million. Actual tangible net worth is US$ 1,894 million (2009: US$ 1,566 million). Minimum tangible net worth of SBM Offshore N.V. of US$ 570 million. Actual tangible net worth is US$ 2,005 million (2009: US$ 1,631 million);
- Leverage (net debt : EBITDA ratio) of maximum 3.75 : 1 at year-end. Actual leverage is 2.54 (2009: 2.43) and 2.49 (2009: 2.39) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively; for the new Revolving Credit Facility, with Adjusted EBITDA definition, the actual leverage at year-end 2010 is 2.30;
- Interest cover ratio (EBITDA : net interest expense) of minimum 5.0 : 1; Actual interest cover ratio is 11.1 (2009: 12.2) and 8.2 (2009: 10.2) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively. For the new Revolving Credit Facility, with an Adjusted EBITDA definition, the actual interest cover ratio is 9.0;
- Consolidated Adjusted EBITDA of SBM Holding Inc. S.A. must be > 75% of the Consolidated Adjusted EBITDA of the Company. At year end 2010 the actual percentage is 102%.

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

No carrying amounts of long term debt were in default at the balance sheet date nor at any time during the year. During the year 2010 and 2009 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$	2010	2009
FLOATING RATE:		
Expiring within one year	141,808	200,000
Expiring beyond one year	755,000	502,667
Total	**896,808**	**702,667**

In June 2010, the Company completed the refinancing and expansion of its revolving credit facility of US$ 500 million to a new US$ 750 million facility.

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. As per IAS 23, 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. Since it is too complex to collect the required information, and also taking into account the relative materiality, amortised cost calculations have not been prepared. As of 2007 transaction costs are capitalised within 'Other financial assets'. Prior to 2007, costs were included in property, plant and equipment. At the balance sheet date approximately US$ 1.3 million (2009: US$ 2 million) is included in the carrying amount of property, plant and equipment related to capitalised transaction costs and an amount of US$ 17.6 million (2009: US$ 13.4 million) is included in 'Other financial assets'.

Deferred income

The revenue for one of the operating lease units reflects a degressive day rate schedule. As income is shown in the income statement on a straight-line basis 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

In 2009, the other loans related to a finance lease arrangement of two second-hand tankers. As mentioned in note 10 - Property, plant and equipment, the vessels have been re-purchased in the course of 2010 and are now fully owned by the Company.

22. Provisions

in thousands of US$	Note	2010	2009
Reorganisation		60	124
Employee benefits	4	8,865	10,489
Demobilisation		34,263	33,311
Total		**43,188**	**43,924**

The movements in the provisions, other than those on employee benefits described in the note 4 - Employee benefits expense, are:

in thousands of US$	Reorganisation	Demobilisation
Balance at 31 December 2008	**150**	**26,536**
Arising during the year	-	7,000
Unwinding of interest	-	1,148
Utilised	(29)	-
Released to profit	-	(1,373)
Currency differences	3	-
Balance at 31 December 2009	**124**	**33,311**
Arising during the year	-	-
Unwinding of interest	-	1,181
Utilised	(56)	(243)
Released to profit	-	-
Currency differences	(8)	14
Balance at 31 December 2010	**60**	**34,263**

Reorganisation provision
The provision for reorganisation costs was established in 2003 in relation to the closure of van der Giessen-de Noord N.V., for which the obligations were substantially discharged in prior years.

Demobilisation
The provision for demobilisation relates to the costs for demobilisation of the F(P)SO fleet at the end of the respective lease periods. The obligations are valued at net present value, and on a yearly basis interest is added to this provision. The recognised interest is included in financial expenses (note 5 - Net financing costs). The net present value is calculated at the inception date of the lease, at a rate of 4.31% which is unchanged compared with last year. Expected outflow of amounts is within one year: US$ 4.6 million (2009: US$ 2.4 million), between one and five years US$ 14.6 million (2009: US$ 18.0 million) and after five years US$ 15.1 million (2009: US$ 12.7 million).

23. Deferred tax liability

For an explanation of the deferred tax liability reference is made to note 13 - Deferred tax asset.

24. Trade and other payables

in thousands of US$	Note	2010	2009
Trade payables		153,709	201,230
Other payables		74,305	63,768
Taxation and social security costs		12,568	34,344
Pension costs		5,612	4,681
Instalments exceeding cost incurred	17	244,092	379,083
Advances received from customers		23,323	2,806
Accruals regarding delivered orders		83,865	32,929
Non-trade payables and accrued expenses		296,080	286,580
Total		**893,554**	**1,005,421**

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

in thousands of US$	2010	2009
Within 1 month	143,007	170,771
Between 1 and 3 months	5,767	13,014
Between 3 months and 1 year	2,462	15,595
More than one year	2,473	1,850
Total Trade payables	**153,709**	**201,230**

25. Interest-bearing loans and borrowings - current portion

in thousands of US$	Note	2010	2009
Bank interest-bearing loans and borrowings - current portion	21	277,828	328,237
Bank overdrafts		7,227	-
Total		**285,056**	**328,237**

Bank overdrafts relate to short-term credit lines under which one day advances are permitted.

For interest percentages, guarantees and other information, reference is made to note 21 - Interest-bearing loans and borrowings.

The Company maintains lines of credit for financial derivatives, bank guarantees and bank overdrafts, secured by SBM Offshore N.V. or SBM Holding Inc. S.A. guarantees.

The fair values of the borrowings and bank overdrafts equal their carrying amount, as the impact of discounting is not significant.

26. Derivative financial instruments

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

27. Commitments and contingencies

Guarantees
Under the terms of financing arrangements and as security for credit facilities made available to several subsidiaries, property of these Group companies has been mortgaged and movable assets and current assets have been given in lien to the Group's bankers.

At 31 December 2010, outstanding bank guarantees amounted to US$ 225.3 million (31 December 2009: US$ 478.2 million).

Commitments
Certain investment commitments have been entered into principally in respect of the FPSO Aseng, the Yme MOPUstor™, the FPSO Espadarte relocation, the FPSO Cidade de Paraty and the EnCana MOPU. At year-end, the remaining contractual commitments for acquisition of property, plant and equipment and investment in leases amounted to US$ 644.5 million (2009: US$ 248.5 million).

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

				2010	2009
in thousands of US$	< 1 year	1-5 years	> 5years	Total	Total
Operating lease	2,908	5,051	-	7,959	7,744
Rental and leasehold	16,771	31,884	36,932	85,587	35,254
Total	**19,679**	**36,935**	**36,932**	**93,546**	**42,998**

The increase in rental and leasehold obligations in 2010 includes the impact of new long-term rental agreements for office space in Kuala Lumpur and Monaco.

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

At year-end 2010, the Company accounts for the Cidade de Paraty project with Petrobras, for which the final lease contract has not yet been signed, as construction work in progress. Based on a signed letter of intent from Petrobras and a signed letter of intent between the joint venture partners, the Company has accounted for the project's revenue and expenses based on its stage of completion as at 31 December 2010.

28. Financial risk management

This note presents information about the Company's exposure to risk resulting from its use of financial instruments, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Management. Generally the Company seeks to apply hedge accounting in order to manage volatility in the profit and loss account. The purpose is to manage the interest rate and currency risk arising from the Company's operations and its sources of finance. Derivatives are only used to hedge closely correlated underlying business transactions.

The Company's principal financial instruments, other than derivatives, comprise trade debtors and creditors, bank loans and overdraft, cash and cash equivalents (including short term deposits) and financial guarantees. The main purpose of these financial instruments is to finance the Company's operations and/or result directly from the operations.

Risk management is carried out by a central treasury department under policies approved by the Board of Management and the Supervisory Board. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries and the CFO. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risks.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from transactional currency exposures, primarily with respect to the Euro, Singapore Dollar, and Brasilian Real. As of December 2010, transactional currency exposures with the British pound are henceforth not significant 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 2010			31 December 2009		
In local currency x 1,000	EUR	SGD	BRL	EUR	SGD	BRL
Fixed assets	81,921	-	6,235	81,887	-	5,809
Current assets	73,592	(154)	53,848	110,326	1,526	133,964
Long term liabilities	(1,126)	-	-	(1,106)	-	-
Current liabilities	(95,598)	(24,591)	(22,003)	(187,524)	(12,599)	(97,344)
Gross balance sheet exposure	**58,789**	**(24,745)**	**38,080**	**3,583**	**(11,073)**	**42,429**
Estimated forecast sales	21,694	-	-	26,505	-	71,255
Estimated forecast purchases	(474,996)	(656,923)	(400,000)	(629,606)	(747,520)	-
Gross exposure	**(394,513)**	**(681,668)**	**(361,920)**	**(599,518)**	**(758,593)**	**113,684**
Forward exchange contracts	457,590	681,514	400,000	638,838	769,920	(71,255)
Net exposure	**63,077**	**(154)**	**38,080**	**39,320**	**11,327**	**42,429**

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

Overhead expenses are 100% hedged for the coming year, and 66% (2009: 33%) 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:

	2010	2009	2010	2009
	Average rate		Closing rate	
EUR 1	1.3247	1.3917	1.3380	1.4341
SGD 1	0.7346	0.6877	0.7804	0.7138
BRL 1	0.5692	0.5066	0.6027	0.5738

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 2009.

	Profit or loss		Equity	
in thousands of US$	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 DECEMBER 2010				
EUR	1,888	(1,888)	(13,871)	13,871
SGD	23	(23)	(7,013)	7,013
BRL	(1,595)	1,595	(2,966)	2,966
31 DECEMBER 2009				
EUR	(1,391)	1,391	(7,035)	7,035
SGD	(376)	376	(217)	217
BRL	(670)	670	(3,650)	3,650

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$	2010	2009
FIXED RATE INSTRUMENTS		
Financial assets	197,976	317,237
Financial liabilities	(166,351)	(18,723)
Total	**31,625**	**298,514**
VARIABLE RATE INSTRUMENTS		
Financial assets	99,046	115,542
Financial liabilities	(1,648,191)	(1,521,663)
Financial liabilities (future)	(1,455,932)	(1,240,400)
Total	**(3,005,077)**	**(2,646,521)**

in thousands of US$	2010	2009
Variable rate instruments	(3,005,077)	(2,646,521)
Less: IRS contracts	3,016,500	2,700,969
Exposure	**11,423**	**54,448**

At 31 December 2010, it is estimated that a general increase of 100 basis points in interest rates would increase the Company's profit before tax for the year by approximately US$ 2.7 million (2009: decrease of US$ 1.0 million) since 107.3% (2009: 102.9%) 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 2009.

	Profit or loss		Equity	
in thousands of US$	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 DECEMBER 2010				
Variable rate instruments	(1,004)	360	-	-
Interest rate swap	3,736	(3,145)	79,491	(86,912)
Sensitivity (net)	**2,732**	**(2,785)**	**79,491**	**(86,912)**
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)**

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.

Rating	2010		2009	
in thousands of US$	Assets	Liabilities	Assets	Liabilities
AAA	11,015	34,096	5,722	42,101
AA+	-	-	-	-
AA	40,585	37,776	6,331	13,814
AA-	4,338	3,827	2,416	4,507
A+	64,526	104,783	26,182	80,694
A	2,010	11,063	880	6,143
BBB+	-	-	-	-
BBB	-	4,930	-	14,723
BBB-	-	-	9,959	10,138
Other and intercompany	4,095	-	9,616	-
Derivative financial instruments	**126,569**	**196,475**	**61,106**	**172,120**
AAA	15	-	17,301	-
AA+	2,242	2,242	-	-
AA	17,607	-	29,694	-
AA-	6,261	-	15,474	-
A+	46,233	4,985	61,539	-
A	11,013	-	14,187	-
A-	57	-	86	-
BBB	121	-	1,862	-
BBB-	13,482	-	3,133	-
BB-	-	-	-	-
B+	1,991	-	1,052	-
Other	11,626	-	2,384	-
Cash and cash equivalents and bank overdrafts	**110,648**	**7,227**	**146,712**	**-**

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 mainly held in primary banks in Brazil and Angola.

For trade debtors the credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Management. At balance sheet date there were no individual customers that have outstanding balances with a percentage over 10% of the total of trade and other receivables. Reference is made to note 15 - Trade and Other receivables for information on the distribution of the receivables by country and an analysis of the ageing of the receivables.

As set out in the paragraphs above, the Company aims by managing interest rate and currency risks to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity is monitored using rolling forecasts of the Company's liquidity reserves on the basis of expected cash flows. Flexibility is secured by maintaining availability under committed credit lines.

The table below analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. As of 31 December 2010, the future interest cash flows for borrowings and derivative financial instruments are based on forecast Libor rates provided by primary info-providers. As of December 2009, the future interest cash flows for borrowings and derivative financial instruments were based on the year-end Libor rates.

in thousands of US$	Note	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
31 DECEMBER 2010					
Borrowings (ex finance lease liabilities)		320,111	442,649	1,076,324	176,583
Finance lease liabilities		-	-	-	-
Derivative financial instruments		48,861	48,602	94,637	67,157
Trade payables	24	151,236	2,473	-	-

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 payables	199,380	1,850	-	-

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 2010, the Company's strategy which was unchanged from 2009, was to target a gearing ratio between 50% and 60%. This target is subject to maintaining headroom of 20% of all banking covenants. The gearing ratios at 31 December 2010 and 2009 were as follows:

in thousands of US$	2010	2009
Total borrowings	1,814,542	1,610,705
Less: net cash and cash equivalents	(103,421)	(146,712)
Net debt	**1,711,121**	**1,463,993**
Total equity	2,123,405	1,816,832
Total capital	**3,834,526**	**3,280,825**
Gearing ratio	**44.6%**	**44.8%**

Fair value estimation

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the balance sheet, which require disclosure of fair value measurements by level:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

Derivative financial instruments are the only assets and liabilities valued at fair value and they can be categorised as level 2 (2009: 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.

29. Auditor's Fees and Services

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

in thousands of US$	2010	2009
Audit fees	987	1,096
Audit related fees	149	173
Tax fees	203	232
Other	80	347
Total	**1,419**	**1,848**

30. Events after the balance sheet date

There are no reportable events after the balance sheet date.

31. 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.

32. 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$	2010	2009
Non-current assets	858,592	1,024,192
Current assets	295,564	264,385
Non-current liabilities	(701,678)	(874,067)
Current liabilities	(293,523)	(284,249)
Net assets / (liabilities)	**158,955**	**130,261**
Income	384,281	384,851
Expenses	(321,649)	(337,972)
Net income / (expenses)	**62,632**	**46,879**

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

	% of ownership	Consolidation method
Gas Management (Congo) Ltd.	49.00	Proportionnate
Malaysia Deepwater Floating Terminal (Kikeh) Limited	49.00	Proportionnate
Malaysia Deepwater Production Contractors Sdn Bhd.	49.00	Proportionnate
Solgaz S.A.	49.00	Proportionnate
Anchor Storage Ltd.	49.00	Proportionnate
Advanced Deep Sea Installation Inc.	49.90	Proportionnate
Normand Installer S.A.	49.90	Proportionnate
Sonasing Sanha Ltd.	50.00	Proportionnate
Sonasing Kuito Ltd.	50.00	Proportionnate
Sonasing Xikomba Ltd.	50.00	Proportionnate
Sonasing Mondo Ltd.	50.00	Proportionnate
Sonasing Saxi Batuque Ltd.	50.00	Proportionnate
OPS-Serviços de Produção de Petroleos Ltd.	50.00	Proportionnate
OPS Sucursal de Angola	50.00	Proportionnate
FPSO Firenze Produção de Petróleo Ltda.	50.00	Proportionnate
FPSO Mystras - Produção de Petróleo Ltda.	50.00	Proportionnate
South East Shipping Co. Ltd.	75.00	Proportionnate
FPSO Brasil Venture S.A.	51.00	Proportionnate
SBM Operações Ltda.	51.00	Proportionnate
SBM Systems Inc.	51.00	Proportionnate
SBM Ship Yard Ltd.	33.33	Proportionnate
PAENAL - Porto Amboim Estaleiros Navais	30.00	Proportionnate
OPS Production Ltd	50.00	Proportionnate
Brazilian Deepwater Floating Terminals Ltd.	51.00	Proportionnate
Brazilian Deepwater Production Ltd.	51.00	Proportionnate
Brazilian Deepwater Production Contractors Ltd.	51.00	Proportionnate
Operações Marítimos em Mar Profundo Brasileiro Ltd	51.00	Proportionnate
Vasilikos LNG Ltd	51.00	Proportionnate
Tupi Nordeste Ltd	50.50	Proportionnate

33. Related party transactions

During 2010, no major related party transactions requiring additional disclosure in the financial statements took place.

For relations with Supervisory Board Members, Managing Directors and other key personnel reference is made to note 4 - Employee benefits expense.

Company balance sheet

At 31 December (before appropriation of profit)

in thousands of US Dollars	Notes	2010	2009
ASSETS			
Property, plant and equipment	1	2	5
Investment in Group companies and associates	2	2,023,855	1,701,856
Deferred Tax Assets		2,575	-
Total non-current assets		**2,026,432**	**1,701,861**
Other receivables	3	75,565	114,781
Income tax receivable		2,531	3,014
Cash and cash equivalents		283	3,130
Total current assets		**78,379**	**120,925**
TOTAL ASSETS		**2,104,811**	**1,822,786**
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Issued share capital		56,420	58,963
Share premium reserve		658,532	632,963
Retained earnings		1,406,301	1,216,343
Other reserves		(48,083)	(105,652)
Shareholders' equity	4	**2,073,170**	**1,802,617**
Provisions	5	7,583	1,048
Group companies		2,377	2,547
Total non-current liabilities		**9,960**	**3,595**
Other current liabilities	6	21,681	16,574
Total current liabilities		**21,681**	**16,574**
TOTAL EQUITY AND LIABILITIES		**2,104,811**	**1,822,786**

Company income statement

For the years ended 31 December in thousands of US Dollars

in thousands of US Dollars	2010	2009
Company result	(14,986)	(16,762)
Result of Group companies	254,946	237,763
	239,960	**221,001**

Notes to the Company financial statements

General

The separate financial statements are part of the 2010 financial statements of SBM Offshore N.V. With reference to the separate income statement of SBM Offshore N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

Principles for the measurement of assets and liabilities and the determination of the result

SBM Offshore N.V. uses the option provided in section 2:362 (8) of the Netherlands Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of SBM Offshore N.V. are the same as those applied for the consolidated financial statements. These consolidated financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to the notes to the consolidated financial statements ('Summary of significant accounting policies') for a description of these principles. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method.

Results on transactions, involving the transfer of assets and liabilities between SBM Offshore N.V. and its participating interests or between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

1. Property, plant and equipment

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

in thousands of US$	**Other fixed assets**
Cost	418
Accumulated depreciation and impairment	(413)
Book value at 1 January 2010	**5**
Additions	-
Depreciation	(3)
Currency differences	-
Total movements	**(3)**
Cost	344
Accumulated depreciation and impairment	(342)
Book value at 31 December 2010	**2**

2. Investment in Group companies and associates

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

in thousands of US$	2010	2009
Balance at 1 January	1,701,856	1,251,192
Provisions	(50,309)	(50,985)
Investments at net asset value	**1,651,547**	**1,200,207**
Result of Group companies	254,946	237,763
Investments and other changes	64,284	231,638
Dividends received	-	(20,972)
Currency differences	(86)	2,911
Movements	**319,144**	**451,340**
Balance at 31 December	2,023,855	1,701,856
Provisions	(53,164)	(50,309)
Investments at net asset value	**1,970,691**	**1,651,547**

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

3. Other receivables

in thousands of US$	2010	2009
Amounts owed by Group companies	74,407	112,363
Other debtors	1,158	2,418
Total	**75,565**	**114,781**

4. Shareholders' equity

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

5. Provisions

in thousands of US$	2010	2009
Deferred tax liability	978	1,048
Provisions with respect to subsidiaries	6,605	-
Total	**7,583**	**1,048**

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

in thousands of US$	2010	2009
Participation in Group Companies	53,164	50,309
Amounts owed by Group	(46,559)	(50,309)
Total	**6,605**	**-**

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

6. Other current liabilities

in thousands of US$	2010	2009
Amounts owed to Group companies	20,302	11,209
Taxation and social security costs	51	271
Other creditors	1,328	5,094
Total	**21,681**	**16,574**

7. Commitments and contingencies

The Company has issued performance guarantees for contractual obligations to complete and deliver projects in respect of several Group companies, and fulfilment of obligations with respect to F(P)SO long-term lease/operate contracts. Furthermore, the Company has issued parent company guarantees in respect of several Group companies' financing arrangements.

The Company is head of a fiscal unity in which almost all Dutch Group companies are included. This means that these companies are jointly and severally liable in respect of the fiscal unity as a whole.

Schiedam, 3 March 2011

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

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

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$):

	2010
Profit attributable to shareholders	239,960,000
In accordance with Article 29 clause 4 to be transferred to retained earnings	120,206,000
At the disposal of the General Meeting of Shareholders	**119,754,000**

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 5 May 2011, under agenda item number 3 and in the notes there to.

Independent Auditor's Report

To the Annual General Meeting of Shareholders of SBM Offshore N.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of SBM Offshore N.V., Rotterdam as set out on pages 110 to 178. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2010, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2010 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 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Management, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub4 of the Netherlands Civil Code.

Rotterdam, 3 March 2011

KPMG ACCOUNTANTS N.V.

J.C.M. van Rooijen RA

Key figures

in millions of US Dollars, unless stated otherwise	Note	2010	2009	2008	2007	2006
Turnover		3,055.8	2,956.5	3,060.3	2,871,2	1,989.7
New orders		4,531.9	3,739.9	4,365.5	3,822.5	4,915.7
Order portfolio at 31 December		11,501.5	10,032.3	9,246.9	7,954.6	6,992.4
RESULTS						
Net profit (continuing operations)		276.0	230.0	227.9	266.8	216.3
Dividend		119.8	110.2	135.4	133.3	108.4
Operating profit (EBIT)		362.4	293.4	275.1	302.0	254.3
EBITDA		688.4	613.3	530.1	548.3	477.5
Shareholders' equity at 31 December		2,073.2	1,802.6	1,234.7	1,333.4	1,118.7
Net debt		1,711.1	1,464.0	1,464.0	874.7	585.8
Cash flow		602.0	549.8	482.9	513.1	439.6
Capital expenditure		519.0	656.0	999.8	551.3	309.0
Depreciation and amortisation		326.0	319.8	255.0	246.3	223.3
Number of employees (average)		3,787.0	3,539.0	3,263.0	2,715.0	2,356.0
Employee benefits		608.1	585.0	590.8	504.1	363.7
RATIOS (%)						
Shareholders' equity : net assets		56	57	46	58	58
Current ratio		132	91	79	115	114
Return on average capital employed		10.1	9.7	11.0	15.1	14.6
Return on average shareholders' equity		12.4	14.6	17.7	21.7	21.5
Operating profit (EBIT) : net turnover		11.9	9.9	9.0	10.5	12.8
Net profit : net turnover		9.0	7.8	7.4	9.3	10.9
Cash flow : average shareholder's equity		31	36	38	42	44
Cash flow : average capital employed		17	18	19	26	23
Net debt : total equity		81	81	118	65	52
Enterprise value/EBITDA		8.1	7.7	6.4	9.9	11.3
INFORMATION PER SHARE (US$)						
Net profit	1	1.44	1.47	1.54	1.85	1.55
Dividend		0.71	0.67	0.93	0.93	0.77
Shareholders' equity at 31 December	2	12.29	10.96	8.48	9.30	7.95
Cash flow	1	3.60	3.66	3.34	3.61	3.15
SHARE PRICE (€)						
- 31 December		16.77	13.78	9.35	21.60	26.05
- highest		17.16	15.30	26.77	31.52	26.45
- lowest		11.41	9.00	8.72	19.85	17.19
Price / earnings ratio	2	15.8	14.7	8.5	17.3	22.1
Number of shares issued (x 1,000)		168,668	164,460	145.614	143,324	140,716
Market capitalisation (US$ mln)		3,783.5	3,248.9	1,902.9	4,557.6	4,830.6
Turnover by volume (x 1,000)		259,924	279,932	448,354	340,769	308,840
Number of options exercised		1,328,153	604,400	759,200	1,098,040	1,319,580
Number of shares issued re stock dividend		2,628,848	4,221,744	1,300,774	1,432,296	1,606,528
Number of shares issued		-	13,896,880			

1 Based upon weighted average number of shares.

2 Based upon number of shares outstanding at 31 December.

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Design
Mattmo Concept | Design, Amsterdam

Printing
B.V. Drukkerij De Eendracht, Schiedam

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