



2013
ANNUAL REPORT

NEW HORIZONS

Table of contents

1 Overview	2
1.1 Message from the CEO	2
1.2 Company Profile	3
1.3 Snapshot 2013	5
1.4 Stakeholder Information	8
1.5 Corporate Strategy	12
1.6 Assurances	18
1.7 Group Management Systems and Compliance Table	19
1.8 SBM Offshore World Map	22
1.9 Interactive Infographic FPSO Cidade de Anchieta	23
1.10 Photo Story Paenal Yard Angola	23
2 Report of the Supervisory Board - Governance and Compliance	23
2.1 Information regarding the Supervisory Board Members	23
2.2 Report of the Supervisory Board	26
2.3 Remuneration Report	33
2.4 Corporate Governance	42
2.5 Compliance	52
3 Report of the Management Board	55
3.1 Report of the Management Board – Introduction	55
3.2 SBM Offshore Lease Fleet	63
3.3 Technology Development	64
3.4 Risk Management	67
3.5 HSSE	76
3.6 Human Resources	83
3.7 Sustainable Initiatives	91
3.8 Company Tax Policy	94
3.9 Information regarding the Management Board members	95
3.10 Internal Control and Risk Management	97
3.11 Compliance Statement	98
4 Financial Report 2013	99
4.1 2013 Overview	99
4.2 Financial Statements	121
4.3 Other Information	199
4.4 Independent Auditor's Report	201
4.5 Key Figures	205
5 Performance Indicators	206
5.1 Reporting Scope	206
5.2 Performance Indicators	209

5.3 Notes	221
5.4 Key sustainable figures- 5 Years	223
6 Disclaimer	225

1 Overview

1.1 Message from the CEO

By any measure, SBM Offshore finished 2013 in much better shape than we began. The legacy projects are now largely behind us and the balance sheet is secured. As a result, we have the focus and financial flexibility to pursue the projects we wish to win. And we are winning them: *Cidade de Maricá and Cidade de Saquarema* for Petrobras, together with *Stones* for Shell, represent our future. Culturally, we are making critical transitions. We are becoming a more client focused organisation.

The Company's competitive advantage, for several decades, has been its technological edge, especially at the ever advancing deepwater frontier. Above all, we sell reliability. So while maintaining our investment in innovation was critical in 2013, so was flawless execution and operation. Our consistent uptime across the fleet of over 99% demonstrates this to be without exception.

Across the Company, we expect our teams to start by listening to the client, identifying the problem to be solved and directing their intellectual and engineering efforts to that purpose. These behaviours will be critical in the era our industry is entering.

The oilfield services sector faces a structural shift. Big oil companies and independents alike are under pressure to reduce expenditure: costs are rising while free cash flow is in decline. Clients are asking service providers to be more cost effective. At the same time, National Oil Companies are increasingly taking the lead responsibility for ambitious projects and scrutiny of costs. Despite these trends, the attraction of an FPSO as a life-of-field solution has not diminished; the economics remain compelling at around US\$5 per barrel produced.

So, what exactly do clients seek in this new era? Simply put, they require reduced CAPEX spend through better design, shorter build or fit-out times and reduced operating costs. They must, of course, have a dependable provider for the entire life of the field – a partnership of between 15 and 25 years. This plays to our strengths: great engineering is the key to simpler, cheaper, better designs. We can deliver an FPSO and assure our client that we will be there long term. But re-design and reliability do not mean cutting corners. We will never bid a price dependent on upfront cost savings that risk causing problems down the line. We will never compromise on built-in redundancy, or systems resilience, which ensure uninterrupted production and the strongest safety regime.

Additionally, being equally comfortable with the sale or lease of FPSOs, the Company offers a financing choice. Oil companies looking to minimise pre-production costs can opt for Lease & Operate. This is a commercial advantage for the Company, both in securing projects and appealing to investors through the down-cycle. The Company's lease portfolio represents consistent long term cash flow with an average fleet duration of 14.5 years, providing unrivalled long-term visibility in the oil services sector.

The transformational programme begun two years ago made great strides in 2013. I have already referred to our renewed focus on listening to our customers. As a business with an ethical code of conduct, we are highly conscious of our own guidelines in two vital respects; the ways we work with clients and the importance of working within rules. This is not merely my impression: clients are providing evidence they support our transparent ways of working. Also, assessment surveys show that our people understand what is required, and why. This is a critical element in boosting the pride of those working for SBM Offshore.

Let me address safety. Our performance has shown a slight, yet undeniable, deterioration in 2013. This direction must be reversed. But it must also be understood. We have pushed rapidly into new geographies and significantly more complex processes. It is essential for us to adapt to these new conditions and learn swiftly, which we are doing.

So what is our agenda for 2014? Our industry faces different conditions from twelve months ago. We can only take advantage of these circumstances through consistency. 2013's standards of quality and delivery need to be made permanent while we relentlessly drive our productivity forward. It will be equally vital to extend our leadership in technology. In the main, this will come from our own R&D, but we may identify opportunities in the market. Above all, in a changing environment, we must keep listening to our clients to propose adapted solutions. We have achieved much and created encouraging momentum. I thank all SBM staff for their contribution and dedication. But there is a great deal more to play for.

1.2 Company Profile

SBM Offshore's business is the provision of floating production solutions to the offshore energy industry, over the full product life-cycle.

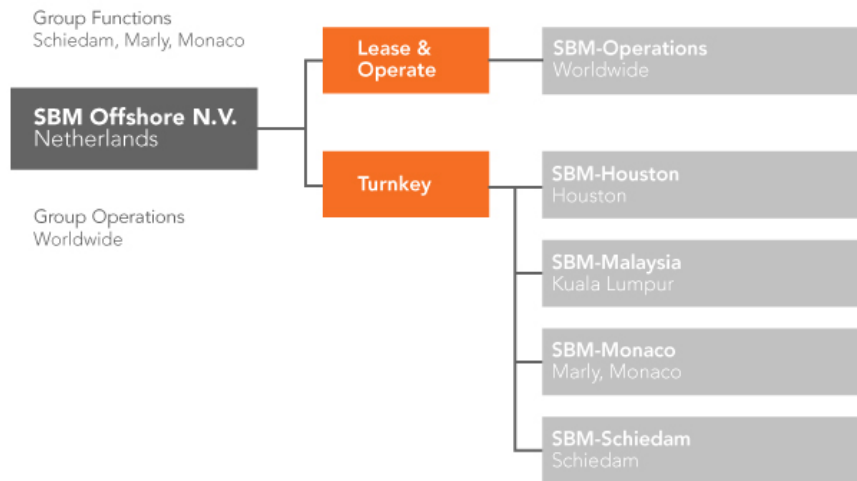
The Company's main activity is the design, supply, installation and operation of Floating Production, Storage and Offloading (FPSO) vessels.

These are either owned and operated by the Company and leased to its clients, in which case the project is financed by the Company and in some cases joint venture partners. Alternatively, the Company undertakes FPSO projects for clients on a turnkey sale basis, where these vessels can either be operated by the client, or operated by the Company under a separate service contract. In this case, financing is provided by the client.

With 16 units currently in operation worldwide, over 195 years of cumulative FPSO operational experience and an unrivalled reputation within the industry, the Company is the market leader in providing leased production floating systems.

Headquartered in Schiedam in The Netherlands, the Company employs over 9,900 people worldwide, spread over five main Execution Centres, 10 operational shore bases, several construction yards and the fleet of vessels.

Company Organisation Chart



1.3 Snapshot 2013

Snapshot 2013

(US\$ mln)	2013	2012(1)	Movement	%	Comment
Directional(2) Financial Results					
Net profit (loss) attributable to shareholders	(58)	(175)	117	67%	US\$433mln negative non-recurring items in 2013, strong underlying performance
Net profit (loss) per share (US\$)	(0.28)	(1.00)	0.72	72%	Decreased net loss
Revenue	3,445	3,059	386	13%	Growth in Lease & operate and Turnkey segments
EBITDA	577	623	(46)	(7%)	Includes US\$248mln negative non-recurring items
EBIT	98	(79)	177		Includes US\$437mln negative non-recurring items
Total Directional order intake (US\$ bn)	10.0	1.4	8.6	614%	3 awards in 2013
Directional(2) Backlog (US\$ bn):					
- Lease and Operate	20.1	13.6	6.5	48%	3 additional lease contracts giving visibility up to 2036
- Turnkey	2.9	2.9		0.0%	Mix of sales to JVs partners in Lease contracts and sale of turrets
IFRS Financial Results					
Net profit (loss)	111	(79)	190		US\$434mln negative non-recurring items in 2013: Yme settlement costs, impairment charges
Net profit (loss) per share (US\$)	0.55	(0.45)	1.00		Loss under Directional reporting turned into profit under IFRS reporting
Revenue	4,803	3,639	1,164	32%	US\$1.4bn reported as revenue under IFRS in comparison with Directional but not invoiced
EBITDA	700	681	19	3%	Includes US\$252mln negative non-recurring items
EBIT	293	38	255		Includes US\$442mln negative non-recurring items
Capital expenditure and investments in finance leases	1,423	1,217	206	17%	Investments in Generation 3 FPSOs
Total Equity	2,135	1,530	605	40%	Rights issue, IFRS profit, Derivatives
Net cash and undrawn facilities	1,434	2,048	(614)	(30%)	Includes US\$854mln dedicated to specific project or restricted in their utilisation
Net debt	2,691	1,816	875	48%	Investments in Generation 3 FPSOs, Yme cash settlement
Capital employed	4,947	3,420	1,275	37%	Rights issue, IFRS profit and net debt increase
Solvency ratio (%)	30	27	300bps	41%	Improvement
Net Debt: Total equity (%)	126	119	700bps	6%	Slight increase despite Rights issue due to Yme cash settlement
ROACE (%)	7.0	1.1	590bps		Improved results
ROE on average equity (%)	6.3	(5.8)	12,100bps		Improved results

(1) Restated for comparison purposes

(2) Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting

Snapshot 2013

	2013	2012	Movement	%	Comment
Health and Safety					
Fatalities					No work related fatalities
TRI Offshore Operations	28	25	3	12%	Increased number of total recordable injuries
TRIFR Offshore Operations	0.81	0.71	0.10	14%	TRIFR Target of 0.30 not met, improvements stalled
LTIFR Offshore Operations	0.17	0.08	0.09	113%	LTIFR Target of 0.05 not met
TRI Onshore Projects	67	58	9	16%	Increased number of total recordable injuries proportional to increased of exposure hours (+17%)
TRIFR Onshore Projects	0.31	0.32	(0.01)	(3%)	Onshore projects safety performance in line with TRIFR target of 0.30
LTIFR Onshore Projects	0.12	0.06	0.06	100%	LTIFR impacted by work on new yards, target of 0.05 not met
Environment					
CO2 Emissions from Offshore Operations in millions of tonnes - excluding flaring	2.40	2.07	0.33	16%	Start of production of FPSO Cidade de Paraty and MOPU Deep Panuke
GHG Emissions from Offshore Production in million of tonnes CO2 equivalent	2.47	2.13	0.34	16%	Start of production of FPSO Cidade de Paraty and MOPU Deep Panuke
Human Resources					
Total Employees	9,936	7,493	2,443	33%	Increase in Construction Yards Staff
Total Offshore Employees	2,101	2,256	(155)	(7%)	Offshore management now reported as Onshore staff
Total Onshore Employees	4,125	5,237	(1112)	(21%)	Construction yards staff now reported separately
Construction Yards	3,710	n/a			New
Contract / Permanent ratio (%)	22%	21%	100bps	5%	
Offshore Operations Training hours per permanent employee	95	47	48.0	102%	Significant investment in technical, HSSE and local regulations training especially in Brazil and Angola
Onshore Projects Training hours per permanent employee	28	21	7.0	33%	Significant investment in technical, HSSE and local regulations training especially in Brazil and Angola

1.4 Stakeholder Information

1.4.1 Share Listing

The shares of SBM Offshore N.V. have been listed on the Amsterdam stock exchange since 11 October 1965, originally under the name IHC Holland and later as IHC Caland. The shares have been included in the AEX Index of Euronext Amsterdam since 4 March 2003 with a weighting of 0.90% on 31 December 2013. IHC Caland became SBM Offshore in 2005. Options on Company shares have been traded since 7 July 1993 on the Euronext Amsterdam Derivative Markets.

1.4.2 Share Price Development

The share price increased by 41.0% from € 10.50 at the start of the year to € 14.80 at 31 December 2013, compared to an increase of the AEX Index of 17.2% over the same period. In US Dollar terms, the increase of the share price in 2013 was 46.9%, from US\$ 13.85 to US\$ 20.35.

Average daily liquidity traded via Euronext in 2013 amounted to around 1,455,430 million shares, equivalent to 191% of the average number of outstanding shares on an annual basis.

Market capitalisation at 31 December 2013 was € 3,089 million compared with € 1,985 million at the end of 2012, an increase of 55.6%, reflecting both share price movement and an increase in the Company's equity through a rights issue in April 2013. The equivalent figures in US Dollars show a market capitalisation at the end of 2013 of US\$ 4,247 million, up by 62.1% from US\$ 2,625 million at 31 December 2012.

The total number of ordinary shares in the Company showed the following movements during the year 2013:

Number of Ordinary Shares

Balance 1 January 2013	189,142,215
Rights Issue April 2013	18,914,221
Options exercised	
Bonus, restricted and performance shares	690,752
Balance 31 December 2013	208,747,188

1.4.3 Shareholders

As the shares are held through the collective depot as mentioned in the Act on Securities Transactions by Giro (Wet Giraal Effectenverkeer), no detailed information of the shareholders is available. Following a private placement of 10% new equity with HAL Investments B.V. in December 2012, and their subsequent underwriting of a rights issue in April 2013, HAL Investments B.V. owns approximately 13.5% of the Company's shares. According to information provided by the largest banks and financial institutions, the other shares are mainly owned by institutional investors.

No notification as required under the Major Holdings in Listed Companies Disclosure Act has occurred in 2013.

	Turnover as % of share capital	Highest share price in €	Lowest share price in €	Closing share price in €	Closing share price in US\$
2009	197%	15.28	8.98	13.76	19.74
2010	164%	17.14	11.39	16.75	22.41
2011	180%	20.91	11.73	15.90	20.60
2012	292%	16.39	7.71	10.50	13.85
2013	191%	16.18	10.04	14.80	20.35

Following settlement of the Yme project in March 2013, the Company raised additional equity by means of a Rights Offering in April 2013. In the Rights Offering the Company offered new ordinary shares representing 10% of the share capital issued at that date. 18,507,445 Offer Shares were subscribed at an issue price of EUR 10.07 per ordinary share.

Furthermore, the remaining 406,776 Offer Shares that were issuable upon the exercise of rights, but that were not subscribed for during the exercise period, have been subscribed and paid for by HAL Investments B.V..

After the issuance of, payment for and delivery of the Offer Shares in April 2013, HAL Investments B.V. held 28,074,871 ordinary shares in the Company, representing 13.5% of the issued share capital of SBM Offshore. The shares HAL Investments B.V. acquired through the rights offering and the private placement on 20 December 2012 were subject to a lock-up period of one year starting 20 December 2012.

At 31 December 2013, current and former employees of the Company owned 1,496,039 shares in the Company through an Employee Share Ownership Plan (ESOP), representing 0.72% of the outstanding share capital.

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

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

1.4.4 Dividend

In order to preserve and improve the Company's equity and liquidity position, the Management Board proposes not to distribute a dividend for the financial year 2013.

1.4.5 Investor Relations

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

The Company attended 25 roadshows and 12 conferences during 2013.

1.4.6 Stakeholder Engagement

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

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

The Company strives for internal and external stakeholder engagement. This year the Company held an online employee engagement survey. It was conducted with the involvement of all full-time employees, group-wide.

The Company hosts Town Hall sessions where employees can interact and learn about the Company's objectives and strategy relevant to their Execution Centre.

The Company hosts one-on-one stakeholder engagement interviews with clients, peers, NGOs and suppliers. Through these interviews the Company seeks to understand its clients' expectations, identify areas for improvement and create long term relationships with the focus on sustainable development.

1.4.7 Reporting

Dow Jones Sustainability World Index

For the fourth consecutive year, the Company has been selected to be part of the Dow Jones Sustainability Index (DJSI), setting a high sustainability benchmark for investor portfolios. The inclusion in the DJSI World index recognises the Company's commitment to corporate sustainability leadership in the Oil Equipment and Services sector. Only seven companies from this sector have been chosen as a DJSI index participant, out of 43 companies worldwide. It should be noted that the other six organisations are not considered direct competitors of the Company. Integration in DJSI demonstrates the Company's commitment to conduct business in a sustainable and responsible manner.

Carbon Disclosure Project

The Company has participated in the Carbon Disclosure Project (CDP) for the Netherlands since 2009. The Company responded to CDP as a supplier for the first time in 2012. The Carbon Disclosure Leadership Index assesses the quality and depth of a company's response to the annual CDP questionnaire for its internal management of data related to GreenHouse Gases (GHG) emissions and its understanding of the business-related issues that climate change presents.

Transparantie Benchmark

The "Transparantie Benchmark" is an initiative launched in 2004 by the Dutch Ministry of Economic Affairs, to improve transparency of corporate social responsibility reporting by Dutch companies. The Company has been involved since the initiative was launched, as one of The Netherlands' largest 500 organisations. In 2013, the Company achieved a score of 59 (132 in 2012) out of a possible 200. The Company is currently ranked 134 (88 in 2012) out of the 460 participating organisations.

1.5 Corporate Strategy

1.5.1 Introduction

Underlying global demand for oil, gas and energy will continue to support the Company's business model for decades to come. Despite the emergence of alternative fuels, hydrocarbons are expected to remain the main energy source through 2040, driven by population growth particularly in regions with increasing standards of living and urbanisation. The expectation that the world population will increase by approximately 2 billion to a total of around 9 billion individuals by 2040 helps support the notion of strengthened energy demand.

The fact that existing producing fields are depleting rapidly while demand is increasing, will also contribute to the Company's success. Oil companies are facing strong pressure to replace reserves and develop proven fields, inducing them to explore opportunities increasingly further offshore in deeper water, under more complex conditions. Almost 70% of the oil discovered over the past three years have been in deep water. These opportunities most often require high-end floating production solutions, where the Company's main competitive advantage lies. The fact that FPSOs are cost competitive solutions including low abandonment costs, also adds to their appeal.

However, despite strong demand for energy, current market developments continue to challenge oil companies and the Company must remain alert. With an increasing number deepwater fields to be developed as well as more complex reservoirs also comes increased technical challenge, which has contributed to increasing lead times between project award and first oil delivery. This enhanced technical challenge, together with growing material and human capital input costs, have contributed to rising breakeven oil prices and delayed orders for the FPSO industry. These market conditions are expected to persist, and will thus continue to drive the Company's strategy formulation and execution. Strong attention is being focused on improving productivity, decreasing unit cost and enhancing risk-adjusted returns.

1.5.2 Medium-term strategic plan (3-year plan)

The Group's updated 3-year strategic plan, adopted as of December 31, 2013, addressed the period from 2014 to 2016. In line with previous years, the plan draws on thorough external analysis of the market, customers, competitors and technological developments, coupled with extensive internal analysis across the Company's activities. The Management Board and the Supervisory Board have reviewed and approved the plan.

The Company remains dedicated to its restated focus on core products with good margins. These include floating production and mooring systems, production operations as well as terminals and services. Over the long term, the Company continues to see strong potential at the high-end of the converted FPSO sector, supported by a strong macro-economic outlook and favourable industry-specific trends. Medium-term strategy will therefore be focused on penetrating the current market more profitably by deploying best practice in terms of reliability, talent management, customer value and technology leadership.

Reliability – Consistently doing the right thing at the right time

It is the Company's ambition to operate and deliver in a safe and reliable manner, in terms of HSSE, quality, compliance and project execution, despite increasingly complex dynamics. Reliability also encapsulates sufficient financial security to install a sense of trust and confidence amongst our stakeholders in the resilience of our business model, as well as being best placed to exploit growth opportunities.

Operational excellence

Several internal initiatives, focusing on improved HSSE and Compliance in recent years, have already started to deliver results across the organisation, even if 2013 HSSE statistics themselves have fallen short of internal expectations. The Company expects progress to translate into actual shareholder value as new processes and standards are fully adopted.

The execution of the Company's transformation programme is expected to contribute significantly to operational and financial reliability by improving ways of working, project control and competencies. The programme is extensive and will be given careful attention across the organisation in the coming years. [Read more about the transformation programme](#)

In order to facilitate strategic decision-making and deliver further management efficiency, the Company has simplified its governance structure from three layers, comprising the Supervisory Board, Management Board and Board of Management to two, by removing the Board of Management. A new position of 'Group Executive Managing Director' has been created, reporting to the CEO. Bernard van Leggelo, formerly Managing Director of the SBM Houston Execution Centre, has been appointed to this new role. He will focus on the execution of the Company's operational strategy and long-term planning. Additionally, a broad portfolio of responsibilities has been assigned to the Managing Directors responsible for the performance of their Execution Centre. All Managing Directors will thus report directly to the CEO and have functional reporting lines to the new Group Executive Managing Director.

It is the Company's intention that these efforts, together with previous reorganisational pursuits, will continue to streamline the organisation and enhance transparency, ensuring successful delivery and execution of large complex FPSO projects in the future.

Striving for a balanced portfolio

The Company continues to engage both in the lease & operation segment as well as the turnkey sale segment. Leasing provides long-term visibility of cash flows and earnings; however, it is capital intensive and requires tight management of complex financial, operational and contractual risks. Turnkey sales contracts generate revenues and profits as the project (during the construction phase) progresses, minimizing capital requirements from the Company. Balancing both types of activity allows the Company continually to improve its track record, while managing its balance sheet exposure and the cyclicity of the industry.

An important advantage of the Company's business model revolves around the full life-cycle aspects of the business. By leasing and operating its assets, the Company can feed back its operational knowledge into its engineering process, which allows for continuous improvement and innovation. This loop results in further business opportunities such as relocations, vessel refurbishments and other brown-field projects, but it also contributes to an in-depth understanding of the effects of age on components, better life-cycle costing and asset integrity management.

The fact that the Company's activity spans both the lease and turnkey sale segments is an important competitive advantage. For floating production systems, it is essentially the client's choice whether to opt for lease or purchase, which decision is often taken relatively late in the contracting process. However, it is the overall risk profile of each project, which determines the risk/reward balance for the Company and influences the appetite for exposing its balance sheet.

The Company aims to grow primarily through the organic growth of its lease fleet of FPSOs, but may consider acquisition opportunities that match its financial, operation and strategic criteria. The Company aims to maintain its leadership in Brazil and Angola, but simultaneously aims to secure new, suitable projects in geographical areas such as the Far East, Australia, North Sea, Mexico, and West Africa to diversify its geographic spread, while also keeping its high-end positioning.

Better Risk / Reward Balance

With increasing complexity and technical risk characterising the market, recent risk-adjusted returns in the FPSO sector have proved unsustainable and a call for a more appropriate risk/reward profile. It therefore remains a main objective for the Company to grow selectively, and lead the industry in improving the risk and reward balance. The fact that the Company remains the largest and most experienced player in a niche market with high barriers to entry should allow the Company to become increasingly selective in its bidding policy. Additionally, the Company has initiated a review of country-specific risk exposure and set its risk appetite.

More specifically, the Company intends to achieve a better risk/reward balance by continuing its dialogue with clients on risk-sharing and only tendering for FPSO projects that meet its stringent risk-return profile. Ultimately, the Company's risk appetite and risk management will be inextricably linked with its strategy.

Partnerships

Entering into partnerships will contribute to the Company's ability to finance continued growth of its lease fleet as well as in developing the local content component of FPSO projects.

Current key commercial partners include Sonangol, MISC, QGOG and GEPetrol; key financial partners include Mitsubishi Corporation, NYK and Itochu; key technical partners include DSME and Synergy. Key technology partners include Linde, Ivanhoe Energy and CompactGTL. Long-term equity alliances are becoming particularly important as the scale and capital requirements of future projects increase.

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

Divestment of Non-core Activities

In line with the focused strategy around FPSOs, the Company has continued its divestment of non-core assets throughout the year.

The sale and leaseback of a part of the Company's Monaco office portfolio has progressed, with sale and lease back transactions completed for two of three buildings. The remaining building is now expected to be sold in 2014. Sales proceeds thus far exceed US\$100 million, resulting in a book profit of US\$27 million.

The sale of the DSCV SBM Installer, a new build Diving Support and Construction Vessel will be pursued during

2014.

Talent management – growing talent in order to grow our company

The Company operates in a market where competition for increasingly scarce talent is fierce. It therefore remains a significant priority for the Company to focus on talent development, in order to secure the necessary skills and capabilities for the future and maintain its technology leadership. Consequently, numerous internal initiatives have been progressed and continue to be initiated in order to fulfill the Company's ambition to become an excellent training ground for newly educated engineers and other graduates, as well as for more senior people within the organisation. For example, the Company implemented a customised Leadership and Management Development (LMD) programme and a Middle Management Development Programme (MDP). Additionally, efforts have been, and continue to be targeted at improving succession planning and mobility schemes. [Read more about Talent management](#)

Customer centricity – valuing customers to build value

Throughout the year, efforts have been targeted at improving organisational structures and procedures guiding how the Company engages with clients in order to establish best possible collaboration and value creation for everyone involved. Amongst others, a new Client Management process system has been formalised with assigned gates and responsibilities to ensure the most effective interaction. Furthermore, the Company has organised client technology days, a forum for client alignment and discussion on technology trends and opportunities. The purpose of these is to focus on value creation and improve commerciality and competitive advantage.

As implementation proceeds, the Company expects considerable benefits to be reaped from these initiatives, particularly in terms of project execution, operational excellence and technology insight. Additionally, it remains the Company's belief that improved client interaction will contribute to greater alignment of views on the appropriate risk/reward balance, in a manner beneficial to the Company and its stakeholders.

Technology leadership – defining the market instead of being defined

The Company has an outstanding reputation as a technology leader for large and complex FPSOs, as well as turrets and mooring systems, on which the Company continues to build. To maintain this leading position, the strong focus on talent management and the customer is coupled with continued emphasis on P&TD (Product and Technology Development). In addition, investment has been targeted at formalising P&TD processes, to ensure the best possible investment allocation and commerciality of initiatives. The Company believes that these efforts, further enhanced by improved feedback, are likely to result in improved customer collaboration and will start to translate into shareholder value over the medium term.

1.5.3 Corporate Sustainability Strategy

Introduction

In 2013, the Company strengthened its commitment to sustainability through the creation of the Sustainability Group Function reporting to the Chief Governance and Compliance Officer. The function has been created to help the Company meet its business objectives while ensuring that the stakeholder communities see benefits today and in the future.

The Company strives to achieve this by developing its business based on the shared value of economic, social and environmental performance. The Company believes in being an employer of choice for employees who are committed to assisting in the implementation of sustainable objectives.

The Company is committed to the Triple P concept; **People, Planet, and Profit:**

People- This means improving people's lives today while also taking into account future generations with an emphasis on safety, education and well-being of SBM employees and partners;

Planet- This means developing technical, innovative solutions to reduce the environmental impact throughout the supply chain and by optimising on-going operations;

Profit- This means that activities need to be economically sustainable as well as being conducted in an ethical manner.

The Company will continue to engage with its stakeholders to develop sustainable business solutions with these factors in mind.

The rules and guidelines set out in the Group's Code of Conduct dictate policy and objectives for sustainable development within the Company.

Specific focus will be directed to the following objectives as per the Company's strategic plan:

- Be an employer of choice for employees committed to sustainability objectives through integration of the core values: working as one, performing, and shaping the future
- Create a strong sustainability culture throughout the Company
- Reinforce adherence to the Code of Conduct with clients, partners and suppliers
- Focus on the supply chain to minimise environmental impact
- Reduce environmental impact through innovative eco technology solutions, through optimisation and lifecycle solutions for fleet operations
- Develop local initiatives and local content in a sustainable manner
- Create social opportunities in local communities where the Company operates
- Initiate and/or support sustainable social development programs for local communities.

The Company will also focus on expanding its sustainability reporting scope with a high level of transparency. It will identify material Key Performance Indicators (KPIs) and measure their performance against set targets of the sustainability business drivers.

Objectives

The Company has identified additional areas in which it can have an impact on sustainable business development with appropriate objectives. These objectives will provide a clear focus for future sustainability initiatives and sustainability reporting. These objectives are as follows: reporting, external assurance, strategic analysis and disclosure.

Reporting

The Company publishes an annual sustainability report which is incorporated into the annual report.

The report contains data and KPIs calculated using existing reporting systems. The information is compiled and consolidated using an automated web-based system and considers the implications of results reported and provides updates on active sustainability initiatives throughout the Company.

The Company reports at Global Reporting Initiative (GRI) Level C in accordance with GRI guidelines.

External Assurance

An external auditor verifies the Company's sustainability data providing external limited assurance including:

- Atmospheric Emissions
- Lost Time Injury Frequency Rate
- Energy Consumption
- Waste Generation

The third party verification report will be available in May 2014 in the sustainability section of the Company's website.

Strategic Analysis

To benchmark its practices, the Company participates in the annual Dow Jones Sustainability Index (DJSI) assessment. For the fourth consecutive year, the Company has been selected to feature in the index. [Read more about DJSI](#)

1.6 Assurances

The discussion of risk management in [chapter 3.5](#) and the discussion of compliance in [chapter 2.5](#) reflect a greater focus within the Company on the so-called three lines of defence:

- The first line of defence consists of the various policies, codes, Company standards and other rules and procedures as captured in the Company's General Management System (GMS) and the manner in which the line managers incorporate these in the performance of their duties and responsibilities;
- The second line of defence is formed by the functions that have as their primary task to assist in the roll-out and observation of all that is contained in GMS and other applicable laws, rules and regulations. Functions such as HSSE and Quality Control but also Group Financial Control, Risk and Compliance play an important role in ensuring best practice in each of their respective disciplines;
- Internal Audit is the Group function that is mostly engaged in the third line of defence activities. Through the audits that are part of the annual audit plan and any specific audit undertaken as circumstances require, Internal Audit investigates whether activities performed have been carried out in compliance with the relevant external and internal applicable standards.

Internal Audit's regular reports to the Audit Committee ensure that the highest levels of management in the Company are made aware of the general condition of assurance.

1.7 Group Management Systems and Compliance Table

The Group Management Systems for project execution and for FPSO operations are based on the following internationally recognised standards and regulations:

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

Within the Odyssey 24 transformation programme, the two currently applicable management systems will be integrated into one system, which will be applicable for all SBM Offshore operations. [Read more about Odyssey 24](#)

The integrated management system GEMS (Global Enterprise Management System) will follow the above international codes and standards, and will in addition follow Process Safety Management standards.

1.7.1 Quality Management

The Group Management System and its related procedures are consistently applied in all Execution Centres. These entities are audited twice a year by the American Bureau of Shipping Quality Evaluation (ABS QE). All are ISO 9001:2008 certified through one Group ISO certificate.

The Company aims to ensure that SBM Offshore do Brasil and SBM Operations, also become ISO 9001:2008 certified, respectively in 2014 and 2016 following the implementation of the revised framework of procedures.

1.7.2 Environment

The Company implements ISO 14001 and seeks accreditation voluntarily. Implementation started in Brazil in 2009 and continued in 2013 with the recently installed units in operation, FPSO *Cidade de Anchieta* and FPSO being accredited against ISO14001.

1.7.3 Health, Safety and Security

The Group's Fleet Management System complies with the International Safety Management (ISM) standard and the International Ship and Port Facility Security (ISPS) Code, which is a mandatory requirement.

The Company voluntarily aims to ensure that its operations comply with the Occupational Health and Safety Standard (OHSAS) 18001, which requires all shore bases and operating units to verify occupational health and safety practices.

Deep Panuke and the shore base supporting its operations are expected to receive OHSAS 18001 and ISO 14001 certification in 2014.

The more recent installed units in operation, FPSO *Cidade de Anchieta* and FPSO *Cidade de Paraty* were accredited against OHSAS 18001 in 2013.

For *Cidade de Paraty* ISM and ISPS accreditation was achieved in 2013.

1.7.4 Employment Standards

The Company endeavours to match the highest level of employment standards for all its employees in-line with the Group's Code of Conduct and Social Accountability Manual. These standards meet and most often exceed International Human Rights and International Labour Guidelines.

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

1.7.5 Social Accountability

The Company is presently taking steps to ensure all operations offices comply with the Group's Social Accountability Manual Standard, which is based on SA8000 standards. The standard was implemented in Brazil in 2009, Equatorial Guinea and Malaysia in 2011, and Angola in 2012.

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

Following an independent audit by Bureau Veritas, the Social Accountability Certificate for Myanmar was issued in February 2010.

1.7.6 Compliance table

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

Management System Compliance Table

Execution Centres	ISO 9001			
Marly	yes			
Monaco	yes			
Schiedam	yes			
Houston	yes			
Kuala Lumpur	yes			
Shorebases	ISM	ISO 14001	OHSAS 18001	Social Accountability
Angola	yes	yes	yes	yes
Brazil	yes	yes	yes	yes
Equatorial Guinea	yes	yes	yes	no (1)
Malaysia	yes	yes	yes	yes
Myanmar	yes	yes	yes	yes
Canada	n/a (2)	2014	2014	2014

Offshore Production Fleet

Angola	ISM	ISPS	ISO 14001	OHSAS 18001
FPSO Kuito	yes	yes	yes	yes
FPSO Mondo	yes	yes	yes	yes
FPSO Saxi Batuque	yes	yes	yes	yes
Brazil	ISM	ISPS	ISO 14001	OHSAS 18001
FPSO Cidade de Anchieta	yes	yes	yes	yes
FPSO Brasil	yes	yes	yes	yes
FPSO Marlim Sul	yes	yes	yes	yes
FPSO Capixaba	yes	yes	yes	yes
FPSO Espirito Santo	yes	yes	yes	yes
Myanmar	ISM	ISPS	ISO 14001	OHSAS 18001
FSO Yetagun	yes	yes	yes	yes
Equatorial Guinea	ISM	ISPS	ISO 14001	OHSAS 18001
FPSO Aseng	yes	yes	yes	yes
Canada	ISM	ISPS	ISO 14001	OHSAS 18001
PFC Deep Panuke	n/a (2)	n/a (3)	2014	2014

(1) Social Accountability accreditation of the shore base in Equatorial Guinea was erroneously reported as obtained in the 2012 report. Accreditation is scheduled for 2014.

(2) ISM code applies to the safeguard the operation of ships. The PFC Deep Panuke (Canada) is a fixed platform and ISM code is not applicable.

(3) ISPS code measures the security of ships and port facilities. The PFC Deep Panuke (Canada) is a fixed platform and ISPS code is not applicable.

1.8 SBM Offshore World Map



2 Report of the Supervisory Board - Governance and Compliance

2.1 Information regarding the Supervisory Board Members

The Selection and Appointment Committee noted that Mr R. van Gelder's second term of office expired at the AGM of 2013 and that he would not stand for re-election at the AGM. The Supervisory Board thanked Mr R. van Gelder for his valuable contribution to the Supervisory Board and to the Technical and Commercial Committee.

The first term of office of Mr F.J.G.M. Cremers, vice chairman of the Supervisory Board and chairman of the Audit Committee and Mr F.R. Gugen, member of the Supervisory Board and chairman of the Appointment & Remuneration Committee dealing with remuneration matters is coming to an end at the AGM of 17 April 2014. Upon the recommendation of the Appointment and Remuneration Committee, the Supervisory Board proposes to re-appoint Mr F.J.G.M. Cremers and Mr F.R. Gugen for a second term of office expiring at the AGM of 2018.

Composition of the Committees of the Supervisory Board

	Audit Committee Chairman	Audit Committee Member	Appointment & Remuneration Chairman	Appointment & Remuneration Committee Member	Technical & Commercial Committee Chairman	Technical & Commercial Committee Member
H.C. Rothermund		X	X	X		X
			Appointment	Remuneration		
R. van Gelder ¹						X
F.J.G.M. Cremers	X					
F.G.H. Deckers		X				
T.M.E. Ehret					X	
F.R. Gugen			X	X		
			Remuneration	Appointment		
K.A. Rethy				X		X

(1) Until May 2013

2.1.1 Mr. H.C. Rothermund

Mr Rothermund is Swiss and was born in 1943. In 2003 he was appointed as a Member of the Supervisory Board of SBM Offshore N.V. before being elected Chairman in 2006; his current term of office is 2011-2015.

He is Chairman of the Appointment and Remuneration Committee and since May 2011 Member of the Audit Committee.

He is a former Managing Director of Shell EP International B.V..

He is Member of the Board of Petrotechnics Ltd and an advisor to the management and supervisory boards of Rohöl-Aufsuchungs-AG.

2.1.2 Mr. F.J.G.M. Cremers

Mr Cremers is Dutch and was born in 1952. He was appointed as a member of the Supervisory Board of SBM Offshore N.V. in 2010. He is Chairman of the Audit Committee and his current term of office is 2010-2014.

He is a former CFO of Shell Expro UK, and CFO of VNU N.V. where he was also a member of the Executive Board.

Mr Cremers is a member of the Supervisory Board of Nederlandse Spoorwegen NV (as Vice-Chairman), Royal Vopak NV, Royal Imtech N.V. (as Vice Chairman), Luchthaven Schiphol NV, Unibail-Rodamco S.E. and Parcom Capital Management BV. He is also a member of the Capital Markets committee of the AFM, member of the Board of Stichting Preferente Aandelen Heijmans and member of the Board of Stichting Preferente Aandelen Philips.

2.1.3 Mr. F.G.H. Deckers

Mr Deckers is Dutch and was born in 1950. In 2008 he was appointed as a member of the Supervisory Board of SBM Offshore N.V.; his current term of office is 2012-2016. He is a member of the Audit Committee.

He is a former CEO of Van Lanschot Bankiers N.V.. He is Chairman of the Supervisory Board of Deloitte Nederland B.V. and a member of the Supervisory Board of IBM Nederland N.V. Mr. Deckers is also a member of the Board of Arklow Shipping (Ireland) and of the Vlerick School of Management in Belgium. Mr Deckers is a senior adviser for the Benelux to Apollo Management International LLP, a major US Private Equity firm.

2.1.4 Mr. T.M.E. Ehret

Mr Ehret is French and was born in 1952. He was appointed as member of the Supervisory Board of SBM Offshore N.V. in 2008. His current term of office is 2012-2016. He is Chairman of the Technical and Commercial Committee.

He is a former President and Chief Executive Officer of Acergy S.A..

Mr Ehret is Chairman of Harkland Global Holdings Ltd. and a non-executive Director of Comex S.A., Green Holdings Corporation and International Sports Media Ltd.. He is also a member of the Supervisory Board of Huisman Equipment B.V.

2.1.5 Mr. F.R. Gugen

Mr Gugen is British and was born in 1949. In 2010 he was appointed as a Member of the Supervisory Board of SBM Offshore N.V.; his current term of office is 2010-2014.

He is 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.

He is a former CEO and Finance Director of Amerada Hess Corporation in Europe.

He is currently Chairman of the Board of Petroleum Geo-Services ASA and of IGas Energy plc, and of the privately held Chrysaor Limited and Fraudscreens Ltd.. He is also Chairman of Raft, a medical research charity

and of various of its associated companies.

2.1.6 Mrs. K.A. Rethy

Mrs Rethy is Canadian and was born in 1956. In 2011 she was appointed as member of the Supervisory Board of SBM Offshore N.V. and her current term of office is 2011-2015. She is a member of the Technical and Commercial Committee and since 2013 of the Appointment and Remuneration Committee.

She is a former Senior Vice President, Global Services, of Falconbridge Ltd..

Her current Board Memberships include Equitable Bank and Toromont Industries Ltd., both in Canada and she is also President of KAR Development Corporation, her own leadership consulting company.

2.1.7 Mr. R. van Gelder

Mr van Gelder was a member of the Supervisory Board and of the Technical and Commercial Committee until the AGM of 23 May 2013 when his current term of office expired.

2.2 Report of the Supervisory Board

2.2.1 Message from the Chairman of the Supervisory Board

Dear Shareholders,

As Chairman of the Supervisory Board of SBM Offshore N.V., I am pleased to present you this report of the Supervisory Board for 2013.

Key areas of attention of the Supervisory Board in its supervision of the Management Board were the resolution of the legacy projects, the potentially improper sales practices and the strengthening of the Company's balance sheet.

Yme Project

The Supervisory Board, directly and through its Audit Committee and Technical and Commercial Committee was kept fully up to date by the Management Board throughout the different stages of the negotiations with the client of the Yme project and received regular reports on the financial consequences of the transaction being negotiated and the terms of the Settlement Agreement which the Management Board was able to reach as announced on 12 March 2013.

Strengthening the Company's Balance Sheet

On 20 December 2012 the Company achieved a successful private placement of 9.95% of newly issued shares to HAL Investments B.V.. Reaching a Settlement Agreement with Talisman Energy Norge AS was a condition precedent for a 10% Rights Offering fully underwritten by HAL which received the approval at the AGM of 2 April 2013 and which was successfully launched on 3 April 2013.

The divestment program of non-core business assets continued and will further strengthen the Company's statement of financial position.

Potentially Improper Sales Practices

The internal investigation into potentially improper sales practices is ongoing and the Company is in active dialogue with the relevant authorities. The Supervisory Board monitored the implementation of the new compliance structure which has been put in place by the Management Board.

New orders

The Supervisory Board was pleased to see that the Company secured important orders, notably two FPSO's for Petrobras and one for Shell.

Speaking on behalf of my colleagues in the Supervisory Board, I am pleased to see that the turnaround which was started in 2012 has manifested itself in the year under review and the actions taken by the Management Board, under the Supervisory Board's close supervision, have started bearing fruit enabling the Company to close the year with a profit and to move to 2014 on a stronger footing.

I wish to thank my fellow colleagues in the Supervisory Board for their dedication in the supervision of the Management Board and all the staff for their relentless work in getting the Company back on track.

Sincerely yours,

H.C. Rothermund

Chairman of the Supervisory Board

2.2.2 Activities of the Supervisory Board

During the course of the year under review, the Supervisory Board held six meetings according to a pre-set schedule. The first meeting of the year was for reasons of efficiency, a combined meeting of the Supervisory Board and of the Audit Committee. The Management Board prepares detailed supporting documents and attends the formal meetings of the Supervisory Board. The regular meetings last about five hours. Pre-set meetings are usually spread over two days, starting on the first day with the meetings of the Audit Committee, the Technical and Commercial Committee and the Appointment and Remuneration Committee (A&RC). The Company secretary is the secretary of the Supervisory Board and its sub-committees. Each of the regular Supervisory Board meetings is preceded by a pre-meeting to which the CEO and, as the case may be, other members of the Management Board are invited. 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.

With the exception of Mr. R. van Gelder who was prevented from attending two Supervisory Board meetings and meetings of the Technical & Commercial Committee for health reasons, and Mr F.G.H. Deckers for one of the Supervisory Board meetings, the Supervisory Directors attended all of the regular Supervisory Board meetings and the sub-committee meetings, physically or in exceptional cases by phone.

Subjects reviewed at the sub-committee meetings cover the list of standard items set out in the Regulations of the respective committees. These regulations are published on the Company website. Standard items on the agenda of the Supervisory Board are:

- A review of the Health, Safety, Security and Environment performance in the period under review;
- An update of the Management Board on
 - the operational and financial performance
 - the commercial prospects
 - corporate governance and compliance including risk management
 - technology developments
 - organisational developments.
- A report by the chairpersons of the sub-committees on the review and discussions of the subjects handled in the sub-committee meetings.
- Approval of the minutes of the preceding meeting or the record note of conference calls and various housekeeping matters.

In addition to the review of these standard items, the following main topics were reviewed:

February meeting of the Supervisory Board and of the Audit Committee

- Project Yme status update; status of the negotiations and analysis of the financial implications under different scenarios
- 2012 Financial statements and resolution to propose not paying a dividend
- Budget 2013

April meeting

- AGM preparation and election of the vice-chairman following the expiry of the second term of office of Mr R. van Gelder
- Review and approval of the prospectus for the Rights Offering and the coordination agreement

May meeting

- Risk/reward balance
- Q1 2013 Trading Update

August meeting

- Interim Financial Statements 2013
- Medium term financing plan

November meeting

- Q3 2013 Trading Update
- Visit to the Brasa topsides fabrication yard and the company offices in Rio de Janeiro. Visit to the Petrobras R&D Centre Cenpes

December meeting

- Strategy Plan 2014 – 2016
- Review of residual values and decommissioning costs

Specific topics discussed

In addition to the pre-set meetings as described above, the Supervisory Board and the sub-committees held a significant number of telephone conferences. These telephone conferences focused on specific subjects, more particularly, progress on the Yme settlement, the potential improper sales practices and the further strengthening of the Company's statement of financial position with the Rights Offering of 10% new shares.

2.2.3 The Supervisory Board Committees

Audit Committee

The Audit Committee convened for five regular meetings in 2013 of which one was combined with a meeting of the Supervisory Board. The regular Audit Committee meetings are held the day prior to the Supervisory Board meeting, where the Audit Committee Chairman reports on the principal issues discussed, on actions arising and the follow-up on such actions and makes recommendations on those matters requiring a decision by the Supervisory Board. Meetings last three to four hours. The Management Board, the Group internal audit manager, the Group Controller and the external auditor attend the meetings. There were regular private meetings of the Audit Committee with the external auditor without management being present.

The main items discussed during the year under review were, besides the standard topics:

- The introduction of Directional Reporting of financials next to the IFRS reporting
- The Yme settlement negotiations and Settlement Agreement and its impact on the Company's financials
- The possibly improper sales practices
- The Rights Offering for 10% new shares and the related documentation and prospectus
- The divestment of non-core assets
- The medium term financing plan
- The selection process of the external auditor in view of the compulsory rotation of audit firms and the handover plan to the selected external auditor
- The introduction of IFRS 10 & 11 standards on the accounting treatment of Joint Ventures
- The Group's tax structure, including transfer pricing policies
- The charges related to the updated residual values and decommissioning costs

The Audit Committee pays specific attention to risk management. At each meeting a Risk and Opportunity report is presented and discussed and the Audit Committee liaises with the Technical and Commercial Committee where the technical and project execution risks are discussed. 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.

In compliance with the new Dutch Audit Profession Act (WAB) the Management Board has initiated a selection process with the aim to submit a proposal for appointment of a new external audit firm at the AGM of 2014. The proposed firm is PWC Accountants N.V. with Mr W. Jansen as lead partner.

Appointment and Remuneration Committee

The Appointment and Remuneration Committee met four times in 2013 in scheduled meetings and there were numerous conference calls and additional meetings to discuss progress on the development of remuneration policy for 2015 and beyond (RP2015) and succession matters. The meetings of the Appointment and Remuneration Committee are held prior to the Supervisory Board meetings. The respective chairmen report on the selection and appointment matters and on the remuneration matters reviewed by the Committee, on actions arising and the follow-up of such actions. They make recommendations on those matters requiring a decision of the Supervisory Board. The meetings are attended by the Management Board and the Group HR Director, except where the committee chooses to discuss matters in private. Meetings last approximately three hours. In addition, several conference calls were held on remuneration of the Management Board under the existing RP2011 as amended, the adjustment of the number of conditional share awards following the rights issue dilution and the

study and drafting with the assistance of the A&RC's remuneration advisor of a new Remuneration Policy which will be submitted to the AGM of 2014 to become effective on 1 January 2015.

The main subjects discussed by the Appointment and Remuneration Committee besides the standard topics were the following:

Remuneration

- Determination of Short Term and Long Term Incentive amounts by reference to the performance targets agreed with the Management Board for the year 2012 in accordance with the RP 2011, and the determination of the Short Term Incentive performance targets related to the year 2013 and of Long Term Incentive performance targets related to the vesting period 2013 to 2015 in accordance with the new Remuneration Policy (RP2011aa)
- Share based incentives for senior management
- Benchmarking of the remuneration of the Management Board and recommendation to align the base salary of the CEO with the median of the peer group as per the policy, effective 1 July 2013
- Recommendation to increase the number of LTI shares for the Management Board by 1.9187% in accordance with the Performance Share Plan Rules published on the Company website
- Planning and drafting of a new Remuneration Policy with the assistance of the A&RC advisors and recommendation to submit the draft to the AGM of 2014 to become effective on 1 January 2015 (RP2015)
- Benchmarking the Management Board's remuneration followed by recommendations to the Supervisory Board
- Reviewing the Supervisory Board's remuneration

Selection and Appointments

- The assessment of the functioning of the Supervisory Board by an external consultant and the follow-up of its conclusions
- The end of term resignation of Mr. R. van Gelder and his decision not to stand for re-election
- Succession planning of the Supervisory Board, the Management Board and senior management positions
- Selection of a new Supervisory Board member whose appointment will be submitted to the AGM on 17 April 2014

Technical and Commercial Committee

The Committee met formally five times and in addition, held a number of telephone conferences. The meetings of the Technical and Commercial Committee last three to four hours and are held prior to the meetings of the Supervisory Board at which the chairman reports on the principal issues discussed, on actions arising and the follow-up of such actions and makes recommendations on those matters requiring a decision by the Supervisory Board. The meetings are attended by the CEO, the COO (until the August meeting), the CGCO, the Group Sales Director and the Group Technology Director. Other executives are asked to give presentations on specific topics within the remit of the TCC.

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

- Quality improvement
- Lessons learned from the Yme project
- Corporate Social Responsibility in the Company and Health, Safety, Security and Environment performance
- Commercial prospects and the international competitive environment
- Fleet performance and asset integrity
- Regular updates on the Deep Panuke project

In addition, separate conference calls were held to discuss the technical, financial and risk management aspects

of the offers for two FPSO's for Petrobras and one disconnectable ultra deep water FPSO for Shell in the Gulf of Mexico. As announced in press releases, these projects were eventually awarded to the Company and are currently in progress.

2.2.4 Performance Evaluation of the Supervisory Board

As mentioned in the Annual Report of 2012, the Supervisory Board resolved to entrust the performance evaluation of the Supervisory Board as a whole and its individual Directors in the year then under review to a specialised external advisory firm. The resulting performance evaluation report listed a number of recommendations. The report and the recommendations were first discussed amongst the Supervisory Directors privately, and the recommendations and conclusions of the report which were relevant to the Management Board were shared with the Management Board. During the year now under review, the Supervisory Board undertook follow-up actions to the recommendations coming out of the performance evaluation report.

2.2.5 Conclusion

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 Management Board. The auditors have expressed an unqualified opinion on the Financial Statements.

The Supervisory Directors have signed the 2013 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 2013 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 Supervisory Board of SBM Offshore N.V. recommends that the Annual General Meeting of Shareholders adopts the Annual Report 2013 incorporating the Financial Statements for the year 2013 and the proposal not to pay out a dividend.

The Supervisory Board is pleased to note that a full and final settlement could be reached at acceptable terms for the Yme project which was a condition precedent for the Rights Offering of 10% new shares and allowed the Company to further strengthen its balance sheet. The Supervisory Board welcomed the three major FPSO projects awarded to the Company as well as the Production Acceptance Notice from the client for the Deep Panuke legacy project. The Supervisory Board finally noted with satisfaction that the results of the year 2013 have returned to a profit which it trusts will pave the way for a completion in 2014 of the turnaround undertaken by the Company in 2012 under the leadership of the new Management Board.

Schiedam, 19 February 2014

Supervisory Board

H.C. Rothermund, Chairman

F.J.G.M. Cremers, Vice-Chairman

F.G.H. Deckers

T.M.E. Ehret

F.R. Gugen

K.A. Rethy

2.3 Remuneration Report

Dear Shareholders,

As Chairman of the Appointment and Remuneration Committee (“A&RC”), dealing with remuneration matters, I am pleased to present you this Remuneration Report.

2.3.1 Remuneration of the Management Board

In 2010, the A&RC conducted a detailed review of the Remuneration Policy 2008 to ensure continued alignment with the Company’s strategic priorities, remuneration principles, external market developments and best practices. Based on the outcome of this evaluation, a new Remuneration Policy (‘RP2011’) was designed. At the Annual General Meeting (‘AGM’) of Shareholders dated 5 May 2011, RP 2011 was adopted. For a detailed description of RP2011, reference is made to the 2011 Annual Report, pages 35-41.

RP2011 was then amended at an Extraordinary General Meeting of Shareholders (EGM) held on 27 June 2012, by the adoption of RP2011aa (“aa” connoting “as amended”). The amendments in RP2011aa were specifically designed to overcome the rigidity of the variable remuneration parameters of RP2011, which was an impediment to the appropriate remuneration of a new Management Board, all of who were appointed in the course of 2012, and who faced the challenging task of achieving a turnaround of the company. For a detailed description of RP2011aa, reference is made to the 2012 Annual Report, pages 34-36.

RP2011aa applies to the Board of Management which consisted of the Management Board, being the CEO, the CFO and the CGCO as statutory directors, plus the COO (until his dismissal on 7 November 2013) and the CTO (until the revision of the senior management structure on 3 December 2013) as non-statutory directors. Disclosure of the remuneration was and will remain limited to the remuneration of the Management Board members. Going forward and with the discontinuation of the Board of Management committee on 3 December 2013, RP2011aa for the remainder of its term and RP2015 will apply to the Management Board members only, being the statutory directors of the Company.

The A&RC has recognised that it would be inappropriate to retain certain of the measures that were introduced in RP2011aa, such as the Special Incentive, after the end of the turnaround period as those were designed to govern the turnaround years of 2012, 2013 and 2014. Following the positive resolution of a number of the Company’s legacy project issues and the successful strengthening of the Company’s statement of financial position (through a Private Placement of 9.95% new shares to HAL Investments B.V. on 20 December 2012, and the 10% rights offering of new ordinary shares of 3 April 2013), it is expected that the turnaround will be largely completed by the start of 2015. Accordingly, the A&RC decided that it will be necessary to revise RP2011aa with the aim to develop a robust, sustainable remuneration policy for 2015 and beyond (to be called RP2015). Shareholders’ approval of the RP 2015 will be sought at the AGM of 17 April 2014.

2.3.2 Remuneration Policy RP2011aa and remuneration components

Base Salary

Base salaries for the Management Board are determined by the Supervisory Board upon the recommendation of the A&RC and after consideration of various factors as explained in detail in the Annual Report 2011. During the course of 2013, the A&RC reviewed the implementation of RP2011aa and engaged a specialist remuneration consultant to carry out a remuneration benchmarking study. This study showed that the base salary of the CEO was not compliant with the RP2011aa principle of remunerating at the median of the Peer Group and required an increase. The A&RC recommended raising the CEO's base salary from €677,200 p.a. to €800,000 p.a. effective 1 July 2013 and the Supervisory Board endorsed this recommendation.

Average base salary of the CEO for the year 2013 amounted to €738,600. Base salary amounts for all Members of the Management Board were increased effective 1 January 2013 in line with the market in general with 2.6%.

During the year under review, base salaries p.a. of the Management Board were as set out below. The exact amount paid, expressed in USD which is the Company's reporting currency, is mentioned in the [note 4](#) to the Annual Accounts.

Base Salary

€	2013	2012
B.Y.R. Chabas, CEO	738,600	660,000
P.M. van Rossum, CFO	492,500	480,000
S. Hepkema, CGCO	590,000	575,000

Peer Group

Each year, the A&RC evaluates the Peer Group based on market circumstances (mergers, acquisitions, de-listings, etc.) and recommends adjustments to the Supervisory Board for approval. In 2013, the Peer Group remained the same as in 2012 and consisted of the following 18 companies:

Peer Group

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

Short Term Incentive (STI)

The STI is designed to reward Management Board members for the previous year's Company performance and

for their individual performance against pre-set performance targets. A minimum 1/3 of the STI opportunity is based on Company performance, and a maximum 2/3 of the STI opportunity is based on individual performance. The appropriate split between the percentage attributable to Company and individual performance is set by the Supervisory Board upon recommendation of the A&RC at the beginning of each financial year for each director based on his specific responsibilities, and in particular during these turnaround years taking into account the extent to which each is responsible for Legacy Projects and compliance enhancement.

The table below shows the percentages of base salary that can be earned depending on the score achieved by each individual director compared to targets.

STI description

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

80% of the STI pay-out is paid in cash and 20% is mandatorily paid in Company shares. These STI shares are restricted for a period of three years. At the end of the restriction period and subject to continued employment, the Company awards an additional unrestricted matching share for every STI share held (1:1 match).

STI pay-out in 2013 on account of performance in 2012

In the Annual Report 2012, disclosure was made of the Company performance element which given the negative results shown in the Annual Accounts 2012 were not met and therefore it was determined by the Supervisory Board upon recommendation of the A&RC that no STI payment would be made related to Company performance in 2012. The individual performance of each member of the Management Board was scored against the pre-set personal objectives. These objectives were based on the following pillars: (i) Work as One, (ii) Perform and (iii) Shape the Future and can be summarized as specific goals related to the following critical activities:

- Effectively implementing the new organisation structure and change programme
- Strengthening the Company's balance sheet
- Managing the legacy projects
- Embedding compliance throughout the Company
- Improving the Company's safety performance

The A&RC evaluated each Management Board member's individual performance and recommended a score which was endorsed by the Supervisory Board. This resulted in a pay-out of the STI as indicated in the table below.

Base Salary and STI 2012

€	Base salary 2012	Short-Term Incentive (1)
B.Y.R. Chabas	660,000	770,000
P.M. van Rossum (2)	240,000	208,000
S. Hepkema (2)	431,250	362,117

(1) This is the total amount of the Short Term Incentive, i.e. the part payable in shares (20%) and the part payable in cash (80%) earned in respect of performance year 2012, which was paid in 2013, as modified by the CSR Multiplier as referred to below

(2) Base salaries and STI amounts are only for that part of 2012 that the CGCO and the CFO were employed

STI payable in 2014 on account of performance in 2013

The STI relating to the performance year 2013 is based on the Economic Profit (EP) of the year 2013, i.e. Return On Average Capital Employed (ROACE) exceeding an assumed Weighted Average Cost of Capital (WACC), adjusted as appropriate for exceptional items and extraordinary circumstances. The Company performance criteria which have a weight of 1/3 of the 2013 STI opportunity, have been scored at 160% for the CEO and 130% for the CFO and CGCO, resulting in a Company Performance share in the STI of 52.8% for the CEO and 42.9% for the CFO and the CGCO. The individual objectives for Management Board members in 2013 were similar to those set for 2012, recognizing that 2013 is the second of what is expected to be a three year turnaround period for the Company. Individual performance had a weight of 2/3 of the 2013 STI opportunity and the Supervisory Board, acting on the advice of the A&RC, resolved to score the individual performance for each one of the Management Board members at maximum, thus rewarding the teamwork approach taken by the Management Board in delivering on each Member's individual objectives which resulted in tangible results for the Company and its shareholders. Pay-out of the STI in 2014 on account of performance in the year 2013 is therefore as follows:

Base Salary and STI 2013

€	Base salary on 31 December 2013	Short-Term Incentive (1)
B.Y.R. Chabas	800,000	1,494,400
P.M. van Rossum	492,500	706,245
S. Hepkema	590,000	846,060

(1) This is the total amount of the Short Term Incentive, i.e. the part payable in shares (20%) and the part payable in cash (80%) earned in respect of performance year 2013, which will be paid in 2014, as modified by the CSR Multiplier as referred to below

CSR Multiplier

In its business plan and performance objectives, the Management Board has specific operational Health, Safety, Security and Environment ("HSSE") objectives. As mentioned at the EGM of 27 June 2012, however, due to the urgency and priority of achieving the operational and financial business objectives of the Company, no other specific CSR objectives were set for the purpose of the CSR multiplier in 2012. Since the CSR multiplier is calculated as a multiple of the Company performance element that, in 2012, was nil, the CSR multiplier outcome was equally nil, despite a marked improvement in HSSE performance.

HSSE Performance in the year 2013 was assessed and the Supervisory Board, on advice of the A&RC, scored the CSR multiplier at 100%. Consequently, this score does not modify the STI payable in 2014 on account of performance in 2013.

Long Term Incentive (LTI)

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

Threshold, target and maximum LTI opportunities expressed as a percentage of base salary are as follows:

LTI description

Management Board	Threshold LTI	Target LTI as % of base salary	Maximum LTI as % of base salary
CEO	50%	125%	250%
Other Statutory Directors	50%	125%	187.5%

At the start of each year performance shares are conditionally awarded at the target level of base salary. The target number of performance shares conditionally awarded is determined by dividing the LTI target opportunity outlined in the table above by the average closing price of the Company shares over the five trading days following the date of publication of the final results for the previous financial year. At the end of the three-year performance period performance against agreed targets is assessed and scored by the Supervisory Board acting upon the recommendation of the A&RC, and the target number of performance shares is adjusted upwards or downwards based on that assessment to arrive at the final number of shares awarded.

In 2013, following the successful rights issue in April, in accordance with the LTI Performance Share regulations which are posted on the Company website, the A&RC recommended and the Supervisory Board endorsed increasing the number of conditionally awarded shares by 1.9187%, being the Theoretical Ex Rights Price correction factor as applied by Euronext Amsterdam for the adjustment of derivatives pursuant to the NYSE Euronext Corporate Actions Policy for the Euronext Derivatives Markets.

LTI shares

	Target number of performance shares conditionally awarded in 2013 (1)	Threshold-Minimum vesting opportunity (number of performance shares)	Maximum vesting opportunity (number of performance shares)
B.Y.R. Chabas	88,913	35,565	177,825
P.M. van Rossum	59,287	23,715	88,931
S. Hepkema	71,024	28,410	106,537

(1) The number of LTI shares that vest for the performance period 2013-2014-2015 will be determined in March 2016, upon finalisation of the financial accounts for the year 2015. Following the vesting of performance shares, a lock-up of two years applies to the performance shares

RP2011aa LTI Performance Targets

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

- Special Incentive (SI): the Supervisory Board was given the power to award SI's to individual directors based on the achievement of predefined goals set by the Supervisory Board. The SI, introduced in 2012, only allows for vesting of LTI shares up to but not exceeding the maximum LTI opportunity as set out in the table above. The SI performance metrics which were predefined before the beginning of the performance period 2012 – 2014, and 2013 – 2015 will be disclosed in 2015 in the 2014 Annual Report for the conditional awards made in 2012 and in 2016 in the 2015 Annual Report for the conditional awards made in 2013

When assessing, early in 2016, the vesting conditions of the LTI shares conditionally awarded in 2013, the Supervisory Board intends to fully take into account the achievements so far of the Management Board, both collectively and individually, having:

- taken control of the Legacy Projects generally and having, in particular, reached a full and final settlement with the client of the Yme project
- strengthened the Company's balance sheet with record levels of project financing, the introduction of a well-respected corner stone investor (HAL Investments B.V.) and a successful rights offering of 10% new shares; and
- refocused the business on FPSOs and achieved a very strong order intake with three new vessels so far, leading to a record order book

Conditional award of LTI Performance shares

The average closing price of the Company share over the five trading days following the date of publication of the final results for the financial year 2013 was € 11.874. The number of conditional shares awarded to the Management Board for the performance period 2014-2015-2016 is as set out in the table below:

LTI performance shares

	Target number of performance shares conditionally awarded in 2014 (1)	Threshold-Minimum vesting opportunity (number of performance shares)	Maximum vesting opportunity (number of performance shares)
B.Y.R. Chabas	84,218	33,687	168,435
P.M. van Rossum	51,846	20,739	77,770
S. Hepkema	62,110	24,844	93,166

(1) The number of LTI shares that vest for the performance period 2011-2011-2011 will be determined in March 2016, upon finalisation of the financial accounts for the year 2015. Following the vesting of performance shares, a lock-up of two years applies to the performance shares

Pensions

Of the current Management Board, none has a defined benefits pension plan. Two of the three members of the Management Board participate in a defined contributions pension scheme the parameters of which may be amended in the context of the base salary for each member of the Management Board taking into account the relevant country competitive practice, tax and legal environment.

Scenario Analysis

As required by the Dutch Corporate Governance Code the Supervisory Board did analyse possible outcomes of the variable income components and the effect on the Management Board remuneration.

2.3.3 Actual Remuneration of the Members of the Management Board in 2013

Costs incurred by the Company in 2013 in respect of the Remuneration of Managing Directors:

Costs incurred in 2013

€	Base salary	Short-Term Incentive (1)	Expense recognised for share-based payments (NOT ONLY LTI) (2)	Benefits excluding pension payments	Pension payments	Total costs
B.Y.R. Chabas	739,000	770,000	1,236,000	201,000	437,000	3,383,000
P.M. van Rossum	492,500	208,000	595,000	219,000	135,000	1,649,500
S. Hepkema	590,000	362,000	740,000	47,000	152,000	1,891,000

(1) This is the total amount of the Short-Term Incentive, i.e. the part payable in shares (20%) and the part payable in cash (80%) earned in respect of performance year 2012, which was paid in 2013 (€ 1,072,000)

(2) The fair value of all share-based payments, i.e. the expense recognised in 2013 as a pro rata over the entire vesting period. Reference is made to note 4 to the financial statements (prepared in US Dollars, being the Company's reporting currency).

Share-based Incentives Outstanding as per 31 December 2013

	B.Y.R. Chabas	P.M. van Rossum	S. Hepkema
STI Shares (no matching shares awarded yet, happens only after the 3 year period) (2)			
Awarded in 2012 and vesting end of 2014	Number: 1,520	Number: n/a	Number: n/a
	Value at award: € 23,400	Value at award: n/a	Value at award: € n/a
Awarded in 2013 and vesting end of 2015	Number: 14,831	Number: 4,006	Number: 6,976
	Value at award: € 154,000	Value at award: € 41,600	Value at award: € 72,435
LTI Performance Shares (1) (2)			
Performance shares awarded in 2011 and vesting in 2014	Number: 18,581	Number: n/a	Number: n/a
	Value at award : € 346,662	Value at award: n/a	Value at award: n/a
Performance shares awarded in 2012 and vesting in 2015	Number: 53,571	Number: 32,454	Number: 41,748
	Value at award : € 825,013	Value at award: € 499,808	Value at award: € 642,940
Performance shares awarded in 2013 and vesting in 2016	Number: 88,913	Number: 59,287	Number: 71,024
	Value at award : € 923,250	Value at award : € 615,625	Value at award : € 737,500

(1) Numbers mentioned are subject to vesting and are for on target performance. Depending on the performance score decided by the Supervisory Board the number of shares vesting as set out earlier in this report may differ from these numbers

(2) All numbers of shares have been adjusted upwards for the bonus part of the Rights Offering with the official Euronext factor of 1.9187%

Proposal for new Remuneration Policy 2015 (RP2015)

The proposed remuneration policy for 2015 and beyond is designed to ensure that the remuneration of the Management Board is transparent, fully aligned with shareholders' interests and supportive of the Company's Strategy and Operating Plans. Reference is made to the agenda of the AGM to be held on 17 April 2014 and the explanatory notice with the full RP2015 text and a detailed explanation of its rationale.

Remuneration of the Supervisory Board

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

The following fee level and structure was proposed to and approved by the EGM on 6 July 2010, effective 1 July 2010:

€	
	Chairman Supervisory Board
90.000	
	Vice-chairman Supervisory Board
80.000	
	Member Supervisory Board
75.000	
	Chairman Audit Committee
10.000	
	Member Audit Committee
8.000	
	Chairman Appointment & Remuneration Committee dealing with Appointment Matters
9.000	
	Chairman Appointment & Remuneration Committee dealing with Remuneration Matters
9.000	
	Member Appointment & Remuneration Committee
8.000	
	Chairman Technical & Commercial Committee
10.000	
	Member Technical & Commercial Committee
8.000	

The total remuneration of the members of the Supervisory Board amounted to € 567,000 (2012: € 615,000). For the individual remuneration, please refer to [note 4](#) to the consolidated financial statements (reported in US\$). These amounts are gross (i.e. before tax) amounts per year.

The Supervisory Board and sub-committee fee levels are to be reviewed every second year. A review was due to be carried out in 2012 but the Supervisory Board, on the advice of the A&RC, concluded that it would not be appropriate to revise Supervisory Board remuneration at that time. In 2014 the A&RC has, with the assistance of its own remuneration consultant and other advisors, reviewed the existing fee levels led by the consideration that the Supervisory Board will only be in a position to fulfill the demands of its tasks if its approach to Supervisory Board work is commensurate with today's broad and global requirements, for which it needs to attract internationally oriented, qualified and expert persons. This review recognized that the level of remuneration on offer must be such that the Company remains competitive in recruiting in the relevant international market. The existing fees, which have remained unchanged since the EGM of 2010, were benchmarked against Supervisory Board and committee fees at AEX companies and at relevant international companies, and were compared with the current market trends. Based on this work, it was concluded that certain changes are required and a proposal to that effect will be submitted at the AGM of 2015.

I am looking forward to answering any questions which may arise from this Report at the AGM of 17 April 2014.

Yours faithfully,

Francis R. Gugen

2.4 Corporate Governance

2.4.1 Corporate Governance Structure

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

SBM Offshore complies with all applicable principles and best practice provisions of the Dutch Corporate Governance Code, the full text of which can be found on www.mccg.nl.

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 strategy of the Company and the operational and financial objectives designed to implement the strategy. The Company’s Strategy Plan 2014 – 2016 which includes the Operating Plan for 2014 has been discussed with and received the support of the Supervisory Board at the meeting of 18 December 2013. The 2014 budget was formally adopted at the February 2014 meeting of the Supervisory Board.

Appointment of a member of the Management Board (Managing Director)

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

In case of an appointment of one or more Managing Directors, the Supervisory Board may make a binding or a non-binding proposal to the GM. In case of a binding nomination, the Management Board shall invite the Supervisory Board to make a proposal for at least one alternative candidate within sixty days so that for each appointment a choice can be made between at least two candidates. The Supervisory Board has resolved not to use the option of making a binding proposal for the appointment of Managing Directors unless in situations of threatened or actual unsolicited takeover.

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

Suspension or Dismissal of a Managing Director

The GM may at any time suspend and dismiss Managing Directors. The resolution to suspend or dismiss a

Managing Director requires an absolute majority of the votes cast at the GM, 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 enabling the resolution to be adopted by an absolute majority of the votes cast.

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

Supervisory Board

The Supervisory Board currently consists of six members and has three subcommittees: the Audit Committee, the Appointment & Remuneration Committee and the Technical & Commercial Committee.

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 the Company and its businesses. The Supervisory Board assists the Management Board with advice in accordance with the best practice of the Code and the Supervisory Board rules which are published on the Company's website. 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 Members of the Supervisory Board (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. The Supervisory Board resolved not to use the option of making a binding proposal for the appointment of Managing Directors unless in situations of threatened or actual unsolicited takeover.

Suspension or Dismissal of a Supervisory Director

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.

If the General Meeting 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 General Meeting has passed the resolution to maintain the suspension. If the General Meeting 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.

Board Compliance

Regulations concerning Ownership of and Transactions in Shares

The Supervisory Board and Management Board rules contain a provision with regard to the ownership of and transactions in shares in the Company and in shares of 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. For information about the shares (or other financial instruments) held in SBM Offshore N.V. by members of the Management Board, refer to [note 4](#) to the consolidated financial statements.

Conflicts of Interest

Management Board

The members of the Management Board have a services contract with SBM Offshore N.V.. In these contracts it is stipulated that members of the Management Board may not compete with the Company. In addition, the Management Board Rules and the Code of Conduct of the Company regulate conflict of interest matters and are applicable to members of the Management Board and other employees.

The Company's Code of Conduct does not permit employees and directors to accept gifts of value for themselves or their relatives, to provide advantages to third parties to the detriment of the Company or to take advantage of business opportunities to which SBM Offshore is entitled.

A recently enacted law further enhances the prevention of conflicts of interests and these provisions apply to the Supervisory Board and the Management Board of the Company.

The members of the Management Board did not report any conflict of interest during the year 2013.

Supervisory Board

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 are on the Management Board of a Dutch listed company in which a member of the Management Board of the Company is a Supervisory Board member. There are no interlocking directorships. None of the members represent directly or indirectly a shareholder of the Company or a supplier or customer of the Company. None of the members of the Supervisory Board provides any services to or has any direct or indirect ties with the Company outside his/her Supervisory Board membership. Mr F. Deckers is Chairman of the supervisory board of Deloitte Nederland B.V. and therefore the Audit Committee recommended, and the Supervisory Board resolved not to invite Deloitte to participate in the tender to become the new external auditor of the Company, the appointment of which was submitted to the AGM of 2014.

Mandates with Third Parties

The Company is fully compliant with Best Practice II.1.8 of the Dutch Corporate Governance Code, 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 the Company's operational entities.

Loans or Guarantees

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

Code of Conduct and Reporting of Alleged Irregularities

The Company has a Code of Conduct which was updated in January 2010 and is posted on the Company's website. The Company also has a procedure allowing employees to report alleged irregularities with respect to the Code without jeopardising their employment position. The Management Board decided to create a freephone or web-based reporting facility (the SBM Offshore Integrity Line) which employees can use - anonymously if they wish - in their own language. The facility is operated by an external provider, People Intouch.

The Company continues to enhance a number of its anti-corruption initiatives, including:

- Code of Conduct containing a section on the use of agents and commercial relations with Public Officials
- Anti-Corruption Policy and Compliance Guide
- Due diligence and third party vetting procedures
- Rules of conduct to report suspected irregularities, including a hotline "SBM Offshore Integrity Line"
- Internal Audit Anti-corruption modules for third party audits and SBM companies
- Internal training sessions and e-learning courses
- Use of standard contracts and anti-corruption and conflict of interest clause in contracts
- Increase of internal controls, notably ICOFR /IFRS system and new finance and accounting policies

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 that is obtainable in this segment in terms of diversity, age, nationality (five different nationalities), financial and business management expertise and international experience in the oil and gas industries. The Supervisory Board intends to submit to the AGM on 17 April 2014 the appointment of Mrs. L. Armstrong as a member of the Supervisory Board. When appointed, the composition of the Supervisory Board will meet the legal requirements of gender diversity.

Executive Committee

Towards the end of 2012 the Management Board created an Executive Committee (Excom) comprised of the Management Board, the Managing Directors of the Company's various Execution Centers, the MD of Brazil and a number of Group Directors. During 2013 the composition of the Excom was finally determined to be 14 members. Upon the departure of the Chief Operating Officer in November 2013 and the discontinuation of the BoM [INSERT LINK TO 3.1.8], the newly created function of Group Executive Managing Director also is a member of the Excom. The Excom meets by telepresence for a two to three hour session every month and once a quarter for a full day face-to-face meeting. In the meetings both strategic and operational topics are discussed. The Excom facilitates decision making without detracting from the exercise of statutory responsibilities by the members of the Management Board and the internal Company authority matrix.

Shareholders

Share Capital

The authorised share capital of the Company amounts EUR 200 Million and is divided in to 400,000,000 ordinary shares with a nominal value of EUR 0.25 and 400,000,000 protective preference shares with a nominal value of EUR 0.25. The preference shares can be issued as a protective measure, as explained below in the section on the Stichting Continuïteit SBM Offshore N.V.. The evolution of the number of issued ordinary shares is set out in section 1 under Stakeholders information.

On 20 December 2012, the Company announced having placed 17,111,757 ordinary shares with HAL Investments B.V.. In a notification made the same day to the Autoriteit Financiële Markten (AFM), the Dutch financial markets regulator, HAL Trust notified holding (through Hal Investments B.V.) 25,152,814 ordinary shares, or 13.30% of the total issued share capital of the Company.

The Company announced on 22 April in connection with its 1 for 10 rights offering of 18,914,221 new ordinary shares in its capital with a nominal value of EUR 0.25 each (the "Offer Shares"), that the issuance of, payment for and delivery of 18,507,445 Offer Shares which were subscribed for through the exercise of transferable subscription rights had taken place. The remaining 406,776 Offer Shares that were issuable upon the exercise of rights, but that had not been subscribed for during the exercise period, have been subscribed and paid for by HAL Investments B.V. (HAL). The issue of the 18,914,221 new ordinary shares was notified by the Company to the AFM on 22 April 2013 pursuant to article 5:34, 5:35 and 5:43 of the Wet Financieel Toezicht. In addition, quarterly notifications were made of share issues.

After the issuance of, payment for and delivery of the Offer Shares, HAL holds 28,074,871 ordinary shares, representing 13.5% of the issued share capital of the Company.

As per 31 December 2013, 208,747,188 (2012: 189,142,215) ordinary shares are issued. No preference shares have been issued.

General Meeting of Shareholders

Every year the GM 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 Financial Statements, the allocation of profits and the approval of the dividend, (iv) the discharge of the Management Board and of the Supervisory Board, (v) Corporate Governance, (vi) the (re)appointment of the external accountant of the Company, (vii) the delegation of authority to issue shares and to restrict or exclude pre-emptive rights and (viii) the delegation of authority to purchase own shares and (ix) the composition of the Supervisory Board and of the Management Board. In addition, certain specific topics may be put on the agenda by the Supervisory Board.

An Extraordinary GM can be held whenever the Management Board and/or the Supervisory Board shall deem this necessary.

The GM 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).

Notice to convene a Meeting

The notice for the AGM was published within the required time electronically on the Company website and on www.rbs.com/evoting. Publication of the agenda was announced in a press release.

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 Management 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 Management Board or of the Supervisory Board, the Management Board shall be given the opportunity to stipulate a reasonable response period which may not exceed 180 days. The Management 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 GM, to address the GM and to vote. At the GM each Ordinary Share with a nominal value of EUR 0.25 each shall confer the right to cast one (1) vote. Each protective preference share with a nominal value of EUR 0.25 each shall confer the right to cast one (1) vote, when issued. None of the protective preference shares have been issued to date. Unless otherwise required by the law and articles of association all resolutions shall be adopted by an absolute majority of votes.

The Corporate Governance Code's principles also require that proxy voting means are made available, with the intention of maximising shareholder participation in GMs of the Company. The proxy voting system used at the AGM is provided through ABN Amro and Algemeen Nederlands Trustkantoor B.V. (ANT) as independent third party.

At the AGM of 2 April 2013, 105,548,703 ordinary shares participated in the voting, equal to 55,71% (2012: 52.47%) of the then total outstanding share capital of 189,212,333 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.

The latest notifications to the AFM were on 5 November 2012 from Sprucegrove Investment Management Ltd. of a holding of 5.02%, BlackRock Inc. on 30 November 2012 of a holding of 4.38% and on 20 December 2012 of HAL Trust of a holding (through HAL Investments B.V.) of 13.30%.

2.4.2 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 2 April 2013, the shareholders have delegated to the Management Board for a period of eighteen months and subject to the approval of the Supervisory Board, the authority to issue ordinary shares up to 10% of the total outstanding shares at that time. In case of Mergers or Acquisitions this percentage is increased

to 20%. In the same meeting, the shareholders have delegated the authority to the Managing Directors for a period of eighteen months as from 2 April 2013 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 17 April 2014, 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 2013, the shareholders have delegated the authority to the Management Board for a period of eighteen months as from 2 April 2013 and subject to approval of the Supervisory Board, to acquire up to 10% of the total outstanding shares at that time. At the AGM of 2014, 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.

The Articles of Association are reviewed on a regular basis.

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

At the AGM of 2012, 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 2013. In view of the new Dutch law on compulsory rotation of external auditors, the Company has started the selection process for a new external audit firm during the course of 2013. The outcome of the selection process was discussed with the Audit Committee which supported the recommendation of the Management Board to propose PricewaterhouseCoopers Accountants N.V. with Mr W. Jansen as lead partner to the AGM in 2014 as the new external auditors of the Company for the financial year 2014 and following. The Supervisory Board agreed with the recommendation and the appointment will be put before the AGM of 2014 for approval.

2.4.4 Stichting Continuïteit SBM Offshore N.V.

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

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

The Board of the Foundation consists of: Mr. R.P. Voogd, Chairman, a former notary and presently a lawyer, Mr. H.A. van Karnebeek, a former Vice-Chairman of the Board of Management of Akzo, Mr. A.W. Veenman, a former CEO of the Nederlandse Spoorwegen, Mr. C.J.M. van Rijn, a former CFO of Nutreco N.V. and Mr. R.H. Berkvens, CEO of Damen Shipyard. Mr. N.W.G. Buis stepped down at the end of his third and last term of office as director and Chairman of the board of the Foundation.

The Management Board, with the approval of the Supervisory Board at that time, has granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital, carrying voting rights, equal to one half of the voting rights carried by the ordinary shares outstanding immediately prior to the exercise of the option, enabling it effectively to perform its functions as it, at its sole discretion and responsibility, deems useful or desirable.

The option was granted on 30 March 1989. In accordance with the by-laws of the Company, shareholders were advised of the reasons for granting this option in the Extraordinary GM of 28 April 1989.

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

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

2.4.5 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
- Other than as disclosed in the Prospectus for the Rights Offering with regard to HAL Investments B.V. 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 of this report
- The procedure for alteration of the articles of association is mentioned in this Corporate Governance section of this report
- In the services agreement between the Company and each of the members of the Management Board a change of control clause is included. A severance payment amounting to no more than one year base salary will be paid if the employment contract would be terminated due to a change of control by a public take-over bid unless this would be manifestly unreasonable in the case of a termination during the first term of office in which case the amount payable could amount up to two years base salary at the most. The Supervisory Board will have the discretionary power to settle the termination conditions
- SBM Offshore N.V. has a revolving credit facility of US\$ 750 million under which the agreement of the participating banks must be obtained in the event of a change in control of the Company after a public take-over bid has been made
- Under exceptional circumstances, certain vessel charters contain clauses to the effect that the prior consent of the client is required in case of a change of control or merger or where the company resulting from such change of control or merger would have a lower financial rating or where such change of control or merger would affect the proper execution of the contract. In addition, local bidding rules and regulations (e.g. in Brazil for Petrobras) may require client approval for changes in control affecting the charter.

The Investor Relations Centre and the Corporate Governance section of the Company website (www.sbmoffshore.com) provide extensive information including:

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

2.5 Compliance

2.5.1 Compliance Objectives

The Company is committed to conducting its business activities in an honest, ethical, respectful, and professional manner. Its ability to achieve sustainable business success is reliant on the Company's commitment to maintaining the highest standards of professional and ethical behaviour, and compliance with laws.

In April 2012, in order to enhance compliance as part of the corporate culture, a Chief Governance and Compliance Officer (CGCO) position was created. The CGCO is member of the Management Board (MB) and regularly reports in the Management Board and to the Supervisory Board on the current status of the Company's compliance activities.

2.5.2 Compliance Programme and Organisation

The Company has further enhanced its Compliance Programme to protect the Company and its employees from wrong decisions and to promote a culture of transparency and ownership. In the following paragraphs the activities will be described per category, i.e. anti-corruption initiatives, third party integrity management and competition law compliance.

A Compliance Department has been established to drive the implementation and execution of the Group's compliance programme, and to ensure the systematic integration of compliance aspects into the Company's business processes. The Compliance Department consists of five permanent members of staff. To further develop the compliance organisation, local compliance champions have been appointed in all Execution Centres. These champions are the point of contact for compliance issues, within their Execution Centre, and act as the interface between the Execution Centre and the Group Compliance Department. They also support local management in adhering to the Group's policies and its compliance programme.

2.5.3 Anti-corruption Initiatives

The Company continues to progress on its anti-corruption initiatives, such as:

- In the Code of Conduct: a section on the use of agents and commercial relations with Public Officials (an Anti-Corruption Policy and a Compliance Guide), the promulgation of Rules of conduct to report suspected irregularities, including use of the "SBM Offshore Integrity Line"
- Internal Audit anti-corruption modules for third party audits
- Internal training sessions and e-learning courses
- The use of standard contracts and anti-corruption and conflict of interest clauses in contracts
- Increase of internal controls, following ICOFR principles

2.5.4 Third Party Integrity Management

In 2012, the Company fundamentally revised and improved its procedure for identifying and mitigating integrity risks with regard to sales intermediaries. The procedure includes intensive due diligence on existing and new sales intermediaries as well as tightened internal controls around transactions involving sales intermediaries. The due diligence on sales intermediaries is approved by a newly established Validation Committee consisting of members of the Management Board and the Sales Director and the Group Controller. This procedure is a key element of the Group's third party integrity management.

In 2014, the Company expects to start risk-based due diligence on supply chain vendors within the framework of its supplier qualification process.

2.5.5 Competition law

In the course of 2013 Competition Law Compliance Guidelines were developed and discussed in face-to-face training sessions with higher management levels, including senior members of the Sales department. To reinforce these guidelines, a module for the e-learning course will be developed. This is meant to increase awareness of proper practice in the context of competitive bidding and other relevant settings.

2.5.6 Communications and Training

Employees of the Company are continually informed about the importance of ethical behaviour and compliance. Senior management regularly issue statements promoting compliance at events, as well as in internal communications and online media.

In addition, the Company provides a comprehensive programme of compliance training. In 2013 employees received web-based training on the prevention of corruption, and employees received in-depth classroom training provided in 23 sessions on corruption prevention. It is the intention during 2014 to start compliance training in the Company's major joint ventures in Angola and Brazil.

2.5.7 Point of Contact

Employees of the Company are encouraged to contact the Compliance Department to seek clarification or to report any concerns regarding compliance. In addition, employees can raise concerns anonymously by calling the SBM Offshore Integrity Line. The Integrity Line is a hotline operated by an external provider and available in all relevant languages for employees wishing to bring to the attention of management any perceived breaches of the Company's Code of Conduct and other procedures. Since its inception, a number of incidents were reported which were investigated.

2.5.8 Internal Controls

The Company is committed to ensuring that its anti-corruption related policies and guidelines are properly applied and monitored throughout the Company. The Company has supplemented its current internal control framework by additional anti-corruption specific controls. Recommendations for improvements to the controls from an international accountants firm were implemented in the course of 2013. The proper execution of these controls will be tested by the Group's Internal Audit Function.

2.5.9 Regulatory Compliance

The Regulatory Compliance Function has created a process to ensure that the offshore facilities of all Company Projects comply with all applicable conditions of project regulatory approval, host government regulations, statutes, and permitting requirements. Once established, all applicable regulatory requirements are shared with relevant functions such as engineering, construction, supply chain and HSSE. Regulatory Compliance also coordinates the activities of the functions involved to safeguard that projects conform to all regulatory requirements throughout their lifecycle.

The Regulatory Compliance Function also has responsibility for coordinating the Classification process. Compliance with the Classification Society Rules in accordance with respective assigned Class notations is defined and achieved according to respective Project terms and conditions.

The Regulatory Compliance team is divided between the Group function and the Company's various execution centres and this discipline is acknowledged throughout the cycle of the Company's activities.

2.5.10 Investigation

In April 2012 the Company reported that it had become aware of certain sales practices involving third parties which may have been improper. As reported in the Company's press release published on 28 March 2013, outside counsel and forensic accountants were engaged to investigate these practices thoroughly and the Company also took the necessary steps designed to terminate any such practices. The Company is in active dialogue with the relevant authorities. The investigation is still ongoing. Consequently, at this point it is not possible to provide an estimate of the financial effect or information on possible cash outflows such as fines and penalties, if any. On 7 February 2014, the Company issued a press release anticipating questions that might be raised as a result of a Wikipedia posting by a disgruntled former employee. On 10 February 2014, the Company published on its website a facts summary on the investigation.

3 Report of the Management Board

3.1 Report of the Management Board – Introduction

2013 was a year of significant achievements for the Company. During the early months, the Company successfully resolved challenging legacy issues and significantly strengthened its financial position. Within the operations, the reconfiguration of resources around an exclusively FPSO-led strategy has renewed the Company's sense of purpose. These gains taken together have paved the way for securing an increasing share of high-end, technologically complex projects.

In a decisive move to remedy outstanding legacy issues, the Company reached final agreement with Talisman Energy to decommission the Yme MOPUstor™ platform for a settlement by the Company of US\$470 million in March. This contribution covered the termination of existing agreements and arbitration procedures and the decommissioning of the platform. As the Company had already taken a provision of US\$200 million for decommissioning costs in December 2012, the balance of US\$270 million was recognised in the first half of 2013, with the total cash settlement of US\$470 million paid to Talisman during the first quarter.

Responsibility for decommissioning and barge-loading the platform now falls to Talisman, to be completed no later than 2016. The Company will take charge of transporting the platform to a yard for scrapping.

Following several months of installation works to safely bring the platform to full production capacity, the Deep Panuke platform was commissioned in December, prompting production acceptance and the start of the lease contract.

Meanwhile, the internal investigation into potentially improper sales practices, announced in the second quarter 2012, is on-going. The Company is in active dialogue with the relevant authorities.

The Company's financial position was significantly strengthened in April, following a successful 1 for 10 rights offering, of which 97.7% was taken up by existing shareholders, and the remainder subscribed and paid for by HAL Investments B.V., raising US\$247 million in total.

The Company had also received an additional payment of US\$27 million from HAL as a result of the announced settlement with Talisman. This was paid in cash as a share premium contribution on the shares HAL acquired through a private placement in December 2012, according to a pre-agreed formula.

Raising capital in this manner was complemented by the non-core asset disposal programme, which continued during 2013, in line with Group strategy. In December 2013, the Company reported a sale and lease back transaction and a sale and purchase agreement for two of three office buildings it owns in Monaco. The remaining building is now expected to be sold in 2014. Sales proceeds thus far exceed US\$100 million, resulting in a book profit of US\$27 million. This process followed the sale and licence of the "COOL™ hose" technology assets.

The Company continued to make progress in the strategic pursuit of the larger, more complex production facilities, which clients are increasingly demanding. In July, the Company announced the finalisation of two twenty year charter and operation contracts for new FPSOs, *Cidade de Maricá* and *Cidade de Saquarema* for Petrobras. Both FPSOs are destined for the Lula field in the pre-salt province, offshore Brazil, and will follow the blueprint provided by FPSO *Cidade de Ilhabela* scheduled for launch next year.

In addition, *Maricá* and *Saquarema* will benefit from the technological expertise and experience acquired during

the completion of *FPSO Cidade de Paraty* – the first of SBM Offshore’s state-of-the-art, pre-salt FPSOs to start production offshore Brazil. Planned delivery for the two FPSOs is expected by end of 2015 and early 2016, respectively.

Also in July, a contract was announced with Shell to supply and lease an FPSO for its Stones development project in the Gulf of Mexico, the deepest oil and gas development in the world. Delivery is expected in first half of 2016. The contract envisages an initial ten year lease with extension options up to twenty years.

In June the Company reported the successful delivery of *FPSO Cidade de Paraty* to client Petrobras under a 20 year lease and operate contract. In September the Company successfully delivered the *OSX2 FPSO* to client OSX under a turnkey sale contract.

SBM Offshore finished 2013 with a strong underlying financial performance, ahead of expectations. The Company has now put most of its legacy projects to rest, secured the balance sheet and refocused its activity around the FPSO-led strategy. Directional¹ revenue increased 13% to US\$3,445 million, while Directional¹ backlog reached US\$23 billion. This was reinforced by strong operational performance with consistently high uptime across the fleet of over 99%.

[Read more about 2013 financial review](#)

¹ *Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting*

3.1.1 Risk/reward balance

During 2013, the Company has taken steps to improve the risk/reward balance in the provision of FPSOs. Historically this has been a challenge for the entire industry, but with the escalation of value and complexity in FPSOs in recent years, tackling this issue has become imperative. Naturally, improving this balance must be achieved while preserving and protecting value for the client and the Company has consulted extensively with its customers.

An important first step in this respect has been to focus attention across the industry on improving and regularising standard terms for FPSO contracts. Within the Company there has been a close focus on disciplined tendering procedures, and identifying the niche opportunities where the Company brings to bear its leading edge expertise and avoids competing as a commodity provider. For clients, the Company has focused on service excellence, in particular, on maximising uptime at levels above 99%.

3.1.2 Focus on high end segment of the converted FPSO market

Over the course of 2013 the Company continued to reshape its project management capabilities and invest in operational development to accommodate the increasingly complex large-scale FPSO projects. This resulted in the successful execution of a number of significant conversion project awards:

- the twenty-year charter and operation of the two FPSOs *Cidade de Maricá* and *Cidade de Saquarema* for Petrobras. Jointly this was the largest project award in Company’s history. [Read more about Maricá and Saquarema](#)
- the ten-year charter of a FPSO for the Stones development project in the Gulf of Mexico, the Company’s first project in this region. The *FPSO Stones* is one of the most challenging designs, customized for conditions in the Gulf of Mexico, where hurricanes pose a real threat. When installed, the project will cement the Company’s leading position in deep water operations. [Read more about FPSO Stones](#)

3.1.3 Directional reporting

In June 2013, the Company introduced the "Directional Reporting" methodology in addition to IFRS, to provide greater transparency of the underlying business performance. The new reporting method enabled a non-IFRS operating lease presentation of Company results, more in line with operating cash flows, and was included alongside accounts presented under International Financial Reporting Standards (IFRS).

This change was driven by two factors. Firstly, the IFRS concept of finance lease accounting causes significant disparity between cash flow and revenue recognition. Secondly, the Company's business model, which combines Turnkey sales, construction and lease and operate projects, means that the Company builds FPSOs that it puts in its own lease and operate portfolio, adding a layer of complexity in respect of the IFRS concept of finance lease accounting. IFRS rules applied to the Company's business model result in an accelerated recognition of revenues, profit and equity, in advance of any rents paid by client.

2013 has been an important year in demonstrating and promoting the understanding of Directional Reporting as the primary indicator for Company performance and analysis. Directional Reporting will continue to be a regular disclosure feature, complementing IFRS reporting. For 2014, the Company's guidance will be based on Directional results. The management believes that these disclosures allow for a level playing field when investors compare the Company with other services companies in the Oil and Gas sector.

Introduction on IFRS 10 & 11 standards and Directional Reporting

IFRS 10 & 11 standards will be introduced in 2014.

It implies, for the Company, discontinuation of proportional accounting of Joint Ventures (JVs), to be replaced by:

- Full consolidation of controlled JVs, mainly Brazilian ventures
- Equity accounting of jointly controlled JVs, mainly African ventures

These changes will chiefly impact the balance sheet, where the relatively young Brazilian fleet increases the size of the asset base and loan portfolio, only partially offset by the de-consolidation of the African assets and loans.

The changes in IFRS will not affect the calculation method under the Company's loan covenants, as the loan agreements stipulate the correction back to the old standards in case of changes.

Also applying new IFRS 10 & 11 under directional reporting to the project portfolio removes the revenue the Company generates during the project phase from its JVs partners from the income statement. The effect is to grossly understate the operating cash flow, and thereby invalidate the concepts of Directional reporting, which is cash based.

Consequently, Directional reporting from 2014 onwards will:

- Classify all leases as operating leases as before
- Treat all production facilities on a proportional accounting basis

As a consequence, Directional revenue and results will only be marginally impacted by the IFRS 10 & 11 introduction.

3.1.4 Company Transformation Programme

In 2013 the Company identified the need for improved efficiency and ways of working across multiple disciplines and the Group. The increasing complexity and size of the FPSO projects, the need to manage and deliver projects from multiple execution centres, and the increasing integration of the 'innovate', 'win', 'execute' and 'operate' activities are demanding a new mind-set to ensure reliable and consistent project delivery and operation on behalf of the clients.

The focus of the transformation programme, which is a 24 month journey, named Odyssey 24, is:

- on harmonisation and simplification
- on a common language and seamless processes which span all disciplines
- on quality, control and compliance and how we drive continuous improvement
- on 'purchase to pay' and finance processes
- and finally on the human resources needed to run the Company as an integrated multinational organisation.

Odyssey 24 is not an Enterprise Resource Planning (ERP) implementation programme or a new FPSO prototype model; it is about establishing the foundation to consistently deliver outstanding performance and to secure a stronger future.

During 2014 and 2015, the programme will deliver various improvements. The Company is using several external advisors, each for their own area of expertise, while the programme is led by SBM senior staff members, dedicated for the project duration.

3.1.5 HSSE

Over the course of 2013 the Company delivered a stable safety performance on a range of its business activities. The Company has managed to achieve a similar safety performance in comparison to 2012 with a Total Recordable Injury Frequency Rate (TRIFR) of 0.40 in 2013 compared to 0.38 in 2012, despite a number of challenges in safe working practices on one specific project. However the Lost Time Injury Frequency Rate (LTIFR) has deteriorated for both construction activities and offshore operations. A number of corrective actions have been taken to help raise the standards, especially on the above mentioned project. [Read more about our HSS performance](#)

Over the year, SBM Offshore has significantly improved its environmental performance reporting. The Company now reports its environmental performance in accordance with best practice OGP (Oil & Gas Producers) guidelines. [Read more about our environmental performance](#)

3.1.6 Sustainability

CSR and Sustainability are increasingly important elements of the Company's business performance. The implementation of a group wide CSR and Sustainability policy will support performance and focus on ethical, environmental, health and safety indicators.

As part of the Company's continued endeavor for improvement of the reporting scope and implementation of sustainable initiatives, the Company created a new position, the Corporate Social Responsibility Director, reporting to the CGCO in June 2013.

The CSR Director is responsible for managing the Company's CSR and sustainability policy, implementation of strategy, internal and external stakeholder engagement and CSR reporting to third parties. A number of initiatives will be developed in 2014 around the impact the Company has on its employees and other stakeholders in the course of the business.

3.1.7 Local Content

The Company continued to strengthen its position and operational capabilities in Latin America and West Africa, in line with increasingly stringent local content requirements. Importantly, the Company's continued enthusiasm and commitment continued to help create sustainable value and operational infrastructure in countries where it generates revenues and profits. The Company has been present in Angola and Brazil since 1968 and continues to be one of the community strongholds in its areas of operation.

In 2013, both territories saw the successful development and installation of state-of-the-art lift cranes, providing infrastructure and capacity to facilitate large scale FPSO projects in Angola and enhancing the Company's competitive advantage in the Brazilian FPSO integration market.

Brazil

Work continued at the Company's joint venture Brasa construction yard in Rio de Janeiro on ten of the eighteen topsides modules for the FPSO *Cidade de Ilhabela*.

Further to the full refurbishment of the yard premises in 2012, and with a skilled workforce of over 2700 employees, Brasa remains a key strategic asset for the Company in Latin America, and a strong base of support for the FPSOs *Cidade de Maricá* and *Cidade de Saquarema* projects for Petrobras. [Family Programmes in Brasa- text to be added].

In 2013 the Company successfully installed BSL's Pelicano 1 crane, the highest capacity barge crane in Latin America. The crane completed its first lift at the Atlantico Sul Shipyard, in the State of Pernambuco, Brazil in early October 2013.

Angola

During 2013, the Company completed the infrastructure changes at the Paenal yard in Angola, enabling full FPSO module integration, hook up and commissioning activities as well as fabrication of process modules to be carried out to world class standards. With 490 metres of quay side and 10 metres water-depth, Paenal is the only yard on the West African coast able to accommodate VLCC tankers. FPSO *CLOV*, the first ever FPSO to berth in Africa arrived at the Paenal quayside in early November 2013.

The Paenal Joint Venture installed a 2,500 tonnes heavy lift crane, enabling greater operational flexibility. In November 2013 the first ever topside module integration in Africa was performed by Jamba - the Heavy Lift Crane (HLC) on board of the FPSO *CLOV*.

Additionally, in consortium with DSME, Paenal has been awarded the fabrication of two well head platforms for the Mafumeira Sul Field, with completion due in December 2014.

3.1.8 Operations

Deep Panuke

In the early part of 2013, the Company focused on ensuring that the platform's path to production continued on track. The Deep Panuke project now produces and processes natural gas from the Deep Panuke field, approximately 250 kilometres (155 miles) southeast of Halifax, Nova Scotia on the Scotian Shelf. The platform is designed to produce up to 300 million cubic feet per day (MMcf/d) of natural gas.

The platform had been producing sales gas since early August. Through the autumn, the operational team of Deep Panuke continued commissioning activities leading up to production acceptance and the start of the lease contract. These activities involved achieving a steady state of production and taking the time required to safely start the gas platform. Production Acceptance Notification was obtained in December. The facility is now on hire.

The terms of the lease and operate contract are for a minimum period of eight years with annual extension provisions of up to a maximum of twelve additional years. A charge of US\$ 35 million related to the delayed start-up and associated cost was taken in 2013.

FPSO Cidade de Paraty

FPSO Cidade de Paraty was formally on hire from June 7, 2013, following full system acceptance by the client, Petrobras. The facility was constructed in 34 months from Letter of Intent in June 2010, and met the local content requirements for Brazilian FPSOs. The FPSO will operate under twenty year charter and operate contract on the Lula Nordeste development in the pre-salt area, offshore Brazil. It is a first of its kind third generation FPSO, which carries topside loads of about 18,000 tonnes to 23,000 tonnes to meet the advanced processing requirements of Brazil's pre-salt projects. The vessel is designed to produce 120,000 barrels per day and is equipped to deal with high volumes of associated gas.

FPSO OSX-2

The Company announced the successful turnkey sale delivery to the client, OSX 2 Leasing B.V., on time and in line with the contract, in early September 2013. With a total topside weight of over 10,000 tonnes and a production capacity of 100,000 barrels of oil per day, the facility had been constructed in 27 months from contract award to delivery. The Company has no further financial exposure to the client.

FPSO N'Goma

By mid-2013, the first phase of FPSO N'Goma, consisting of construction and refurbishment work at the Keppel shipyard in Singapore had reached the required level of completion to enable the lifting of process modules. This was followed by the completion of a successful lifting of nine modules, which work commenced in mid-July and concluded at the end of August 2013.

The addition of these nine modules triggered the next phase – the start of integration, mechanical completion and commissioning activities on these modules. This will take place alongside on-going refurbishment works on 12 existing modules that were kept on board the FPSO, as well as the turret integration, before moving into the final phase of commissioning activities.

The FPSO will subsequently sail to Paenal in Angola, where the next stage will see the two final modules

integrated onto the FPSO.

The schedule foresees the start of production in 2014 at a design capacity of 100,000 barrels per day. In autumn 2013, a project loan of US\$600 million was secured from a consortium of international banks at a weighted average cost of debt of 4.7%.

Shell Prelude FLNG Turret Mooring System

This large and complex turret, which is progressing on schedule, represents a substantial part of the Turnkey segment. As with other large turret projects currently being undertaken, Prelude required advanced technology solutions for high mooring loads and will have a total weight of 11,000 tonnes with a height of 100 meters.

Design work on the turret started towards the end of 2008, when Shell selected the Company to handle the design, procurement and construction of the Turret Mooring Systems (TMS) for their FLNG facilities. The project moved into the construction phase in May 2012 with the first module delivered in September 2013. The four remaining turret modules are scheduled for delivery progressively over 2014 to the SHI shipyard in South Korea, where they will be integrated with the FLNG substructure. The Prelude FLNG, which will be the world's largest floating facility, is expected to sail towards its final destination off Western Australia in 2016.

QUAD 204 Turret

In June 2010, BP awarded the Company the contract to supply the Quad 204 FPSO turret, which will be one of the largest in the world with a mooring force of 2,250 tonnes. Delivery of the turret was phased during the year to facilitate the FPSO construction sequence with the final phase of delivery to the HHI shipyard in Korea taking place towards the end of November 2013. The mechanical completion activities of the integrated turret are planned to commence in mid-2014. As per the project agreement, this phase will be managed by the customer, with the assistance of the Company.

FPSO Cidade de Ilhabela

Cidade de Ilhabela remains the largest and most complex FPSO the Company has ever undertaken. The topside process modules will weigh close to 20,000 tonnes, including large and complex gas processing facilities. During 2013, construction of FPSO Cidade de Ilhabela made satisfactory progress, with the completion of refurbishment and conversion at the Chinese shipyard in Guangzhou. The vessel set sail for Brazil in early November and construction of the process modules at the Brasa yard continued in anticipation of the arrival of the FPSO. Start-up of the facility is expected in the second half of 2014.

Ichthys Turret

In 2012, the Company was awarded a contract for the engineering, procurement, fabrication and supply of a turret and mooring system for the Ichthys FPSO. The turret and mooring system will be integrated by the client into the Ichthys FPSO and installed offshore NW Australia. The contract also includes assistance during the integration of the turret into the FPSO as well as during installation on the field offshore.

The turret will have a diameter of 19 meters, a height of 85 meters, and a weight of over 7,000 tonnes. It will accommodate up to 15 risers and will be designed for 40 years of operation without the need for disconnection.

Fabrication of the turret, in Singapore, has commenced and is scheduled for completion in the second half of 2014. Installation of the Turret and Mooring system in the field is anticipated in 2015.

FSO Yetagun

The Company has a lease and operate contract for the FSO Yetagun which runs until 2015, with extension options for up to 5 years. This contract was awarded prior to an international campaign to impose sanctions against Myanmar. In 2003, the Company stated in a press release that it had decided not to seek any new contract in Myanmar but confirmed its commitment to complete its existing contract.

The Company is still committed not to extend its existing contract past the expiry date as long as international sanctions against Myanmar continue to apply. Should the international sanctions be suspended or lifted, the Company may want to reassess its position with regard to operating in Myanmar.

The Company has ensured that all operations comply with the highest social accountability standards. The Company commissioned Bureau Veritas to conduct an independent audit of the operators. This audit confirmed full compliance with the Group's Social Accountability Policy.

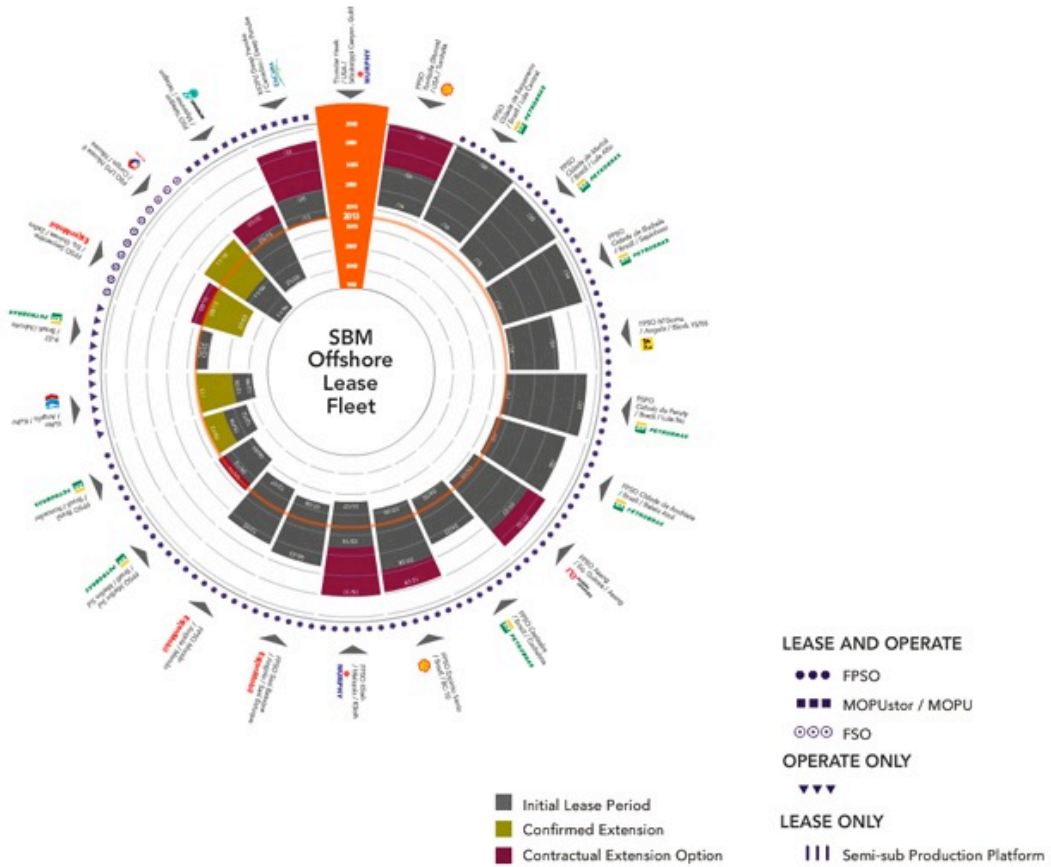
3.1.9 Simplification of senior management structure

In order to facilitate strategic decision-making and enhance management efficiency the Company has reduced the top of its governance structure from three layers, comprising of the Supervisory Board, Management Board and Board of Management, to two by removing the Board of Management. The Management Board (comprised of the CEO, CFO and CGCO) and the Company business model remain unchanged. Senior management is aligned with the Management Board through the Executive Committee. [Read more about it](#)

3.2 SBM Offshore Lease Fleet

Download PDF: [SBM Offshore Lease Fleet](#)

Open interactive version: [SBM Offshore Lease Fleet](#)



3.3 Technology Development

3.3.1 Introduction

During 2013 the Company focused on enhancing its market-leading position in complex floating production systems, and their associated mooring systems. SBM Offshore continued to identify key technology trends in the offshore oil & gas market, prioritising development work to address gaps in key areas of demand and offer cost effective field development solutions to clients. Total Technology Expenditure reached US\$ 23 million in 2013.

The Company's technology development is guided by a three strand strategy:

- *Our product development plan will be driven by market demand, and will reflect the current and future challenges faced by our clients in the offshore industry.*
- *We will benefit from our technology developments to improve safety and increase our overall rate of return on investment through reduced costs, increased efficiency and improved performance.*
- *We will continuously strive to build our competitive advantage by retaining our technology leadership position in the market.*

3.3.2 FPSO Technology

SBM Offshore positions itself at the premium end of the leased FPSO market, focusing on the largest and most complex projects. Over the years, the complexity of the Company's FPSO fleet has grown significantly and 'Generation 3' FPSOs now represent the core of new business activity.

The Company has developed an optimised and cost effective design for the Generation 3 FPSOs which are needed to produce the pre-salt fields in Brazil, in ultra-deep water conditions. These units require extensive gas conditioning systems, including gas phase membranes for CO² removal, together with large gas and carbon dioxide compression plants for gas re-injection at very high pressure.

The Company is building a series of four of these complex FPSOs for charter to Petrobras. The first unit successfully entered service during 2013, with three more under construction. When complete, these vessels will be able to produce 570,000 bpd in aggregate, and compress 22 million Nm³ /d (775MMSCFD) of gas.

3.3.3 Mooring System & Riser Technology

The Company is recognised as the world leader in complex mooring systems. Throughout 2013, the Company has continued to develop its mooring technology to retain and strengthen this position.

The Company's largest ever internal turret mooring system, for the Shell Prelude FLNG, is currently under construction. Two further complex turrets are also underway for the *Ichthys FPSO* and the *Quad 204 FPSO*. All of these projects have very high mooring loads, and benefit from the Company's proprietary technology for turret bearing systems and fluid swivels.

The *FPSO Stones* project for Shell in the Gulf of Mexico represents a significant step change in terms of disconnectable mooring systems. This project will achieve a number of industry firsts: the first disconnectable FPSO with steel risers; the deepest production facility in the world at 2900m water depth; and the largest ever disconnectable mooring buoy.

This highly complex turret mooring system has been made possible by extensive development work in recent years. In particular, two components have recently completed qualification testing: a high capacity locking mechanism for use with disconnectable turret moorings and an In-Line Mooring Connector (ILMC), improving offshore safety by avoiding the need for divers.

The Company's laboratory, located in France, is dedicated to the rigorous testing and qualification of advanced fluid swivels, swivel sealing systems and mooring components. Many of these represent significant advances in the industry, by expanding the allowable operating envelope of turret mooring systems.

A new fluid swivel design for ultra-high pressure applications, designed to allow re-injection of gas and water into high pressure ultra-deep reservoirs (such as the lower tertiary of the Gulf of Mexico), has completed a rigorous qualification test programme in the Company's laboratory and is now market-ready.

The growing trends for production operations in ultra-deep water fields and High Pressure/High Temperature fields has increased the industry focus on steel riser systems as an alternative to unbonded flexible risers or hybrid riser towers. The Company's *FPSO Espirito Santo* is the world's first turret moored FPSO to be equipped with steel risers, and has now successfully completed over four years of service. The Company continues to develop an enhanced version of this turret design, with capacity for a greater number of steel risers in ultra-deep water conditions.

3.3.4 Other Floating Production Units

The Company continued to develop its 'dry tree' configuration of the proven Deep Draft Semisubmersible™ hull, in order to allow the use of surface-mounted Christmas trees in ultra-deep water fields in Brazil and the Gulf of Mexico. Development work is progressing well, with further model basin testing performed during 2013 to refine the conceptual design.

This new product has the potential to overcome the inherent water depth limitation of TLP platforms which are limited by tendon cost, and consequently offers great potential for ultra-deep water fields, especially for High Pressure/High Temperature reservoirs, where dry trees may be preferred.

As part of the continued development of this Dry Tree Semi, the Company has identified and has a patent pending for an innovative way to optimise drilling operations, called the Drilling Riser Trip Saver™, which won a coveted 'Spotlight on New Technology' award at the Offshore Technology Conference (OTC) held in Houston in May 2013.

3.3.5 Gas Processing Units

The Company has long promoted the development of LNG FPSOs. This new technology is now gaining wide acceptance and the first new-build FLNG project sanctioned, the Prelude FLNG for which the Company is providing the turret, is well into construction. With further FLNG projects being sanctioned, this solution for offshore gas monetisation is gaining momentum.

The Company has developed, and patented, an innovative midscale FLNG concept, which draws on our expertise of tanker conversion. This concept, called the Twin Hull™, is based on the conversion of two LNG tankers, in order to provide simultaneously adequate storage volume and deck space for topsides, and has been further developed during 2013. With a design capacity of 1.5 to 2.0 million tonnes per annum, this new concept enables a highly economical approach for exploiting small and medium sized offshore gas fields, with faster delivery and

lower investment than required for other concepts currently on the market.

The Company has a Commercial Development Agreement with UK based CompactGTL Ltd, the pioneer of modular gas-to-liquid solutions, to work exclusively together on offshore projects. The use of GTL technology significantly reduces gas flaring, by transforming associated gas into synthetic crude oil which can be blended in to the produced crude oil. This product continues to be developed jointly with CompactGTL, and is being actively marketed to clients.

3.3.6 Intellectual Property

The Company maintains a significant Intellectual Property (IP) portfolio including patents, trademarks, and copyrights. The Company's extensive patent portfolio of over 200 patent families covers a wide range of items including FPSO mooring and turret systems, hydrocarbon transfer and processing systems including LNG and gas processing, drilling and riser technologies, and offshore installation. During 2013, the Company was granted 60 new patents in different countries. The Company also filed over 20 applications for new patents.

3.3.7 Technical Standards

In 2003 the Company introduced a set of proprietary Technical Standards, which defined design, procurement, construction, commission and installation processes for FPSO products. These have continued to evolve over the past decade, adopting the accumulated learnings from project execution and fleet operation. Today, the standards are unique in being the only set of FPSO-specific Technical Specifications in the offshore industry. Capturing the accumulated experience from over 200 years of FPSO operations, they provide a valuable foundation for the Company's leased FPSO projects.

The Company has now put in place a system of Technical Authorities to continue the development of these standards, and to ensure that they are correctly applied on our projects.

3.4 Risk Management

3.4.1 Process and Activities

Introduction

The Company recognises that efficient and effective risk management throughout its business and support activities must be a prioritised strategic objective.

The Company has developed Governance Risk and Compliance systems following the general principles and recommendation of ISO 31000.

The Company also recognises the importance of regular review, and ongoing improvement, of its risk management processes.

Risk Management Policy

The Company's risk management principles are defined in a Group Policy which is part of SBM Offshore's Group Management System.

The pyramid below represents the different levels of the Company (Operational, Management and Supervisory Board) demonstrating how risk management is enforced across the Company, with clear accountability.

All individuals within the Company are fully accountable for the management of Risks & Opportunities (R&O) within their respective areas of responsibility. At Project, Department, Business Area and Group Level, R&O is tracked and managed by the respective authority.

Risk Management Pyramid



The Process Cycle Risk & Opportunity circle illustrates the complete process of risk management commencing with identification and spanning assessment, response, monitoring and reporting.

Process Cycle Risk & Opportunity



This process has been made applicable across every level of the business.

Developments during 2013

Structure

The reporting structure that was put in place in 2012 remains unchanged, with the Group Risk Officer reporting to the Chief Governance and Compliance officer (CGCO).

Risk Team

In 2013, the Group Risk Team focused on training and developing the methodologies that were previously put in place, to ensure uniform understanding and adoption across the business, with the objective of propagating the appropriate culture.

Risk Network

At Execution Centre level, risk management responsibilities have been assigned to the Finance Manager. He will support each Managing Director in their relevant execution centre in the management of R&O. However, for the fleet operation execution centre (SBM Operations), a dedicated Risk Manager supports the R&O processes across the whole fleet. In addition, on some major projects, a full time dedicated Risk Delegate has been assigned to assist the Project Manager.

Engineering and Construction Risk Institute

The Company is now a recognised member of the Engineering and Construction Risk Institute (ECRI). This gives the Company access to industry best practice, training, and peer networking in relation to risk management. This

allows the Company continuously to improve its approach to risk, through a combination of presentations of the SBM risk framework, regular attendance to ECRI sponsor meetings, risk maturity surveys or other activities facilitated by the institute; all contribute to continuous improvement. Training sessions organised by ECRI are regularly attended by Company Personnel across all execution centres to reinforce the culture and knowledge of risk management.

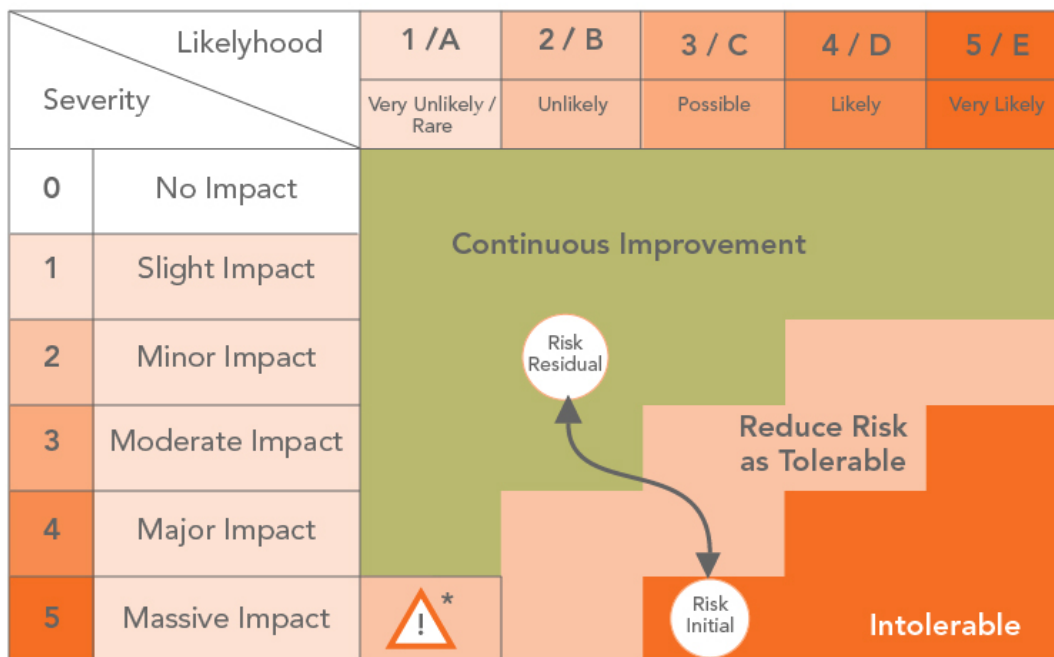
Procedures

The processes developed to ensure consistent and systematic application of risk and opportunity management activities across the Company have now been tested, formalised and progressively implemented within the framework of the Group Management System. Some outstanding procedures and work instructions are under finalisation and will be issued by the end of the first quarter of 2014.

Group Risk matrix

A standardised risk matrix has been developed and is now enforced within the Company across all disciplines and activities.

Qualitative Assessment - Ranking



* Massive Risk, Rare Probability

The purpose is to ensure a consistent and systematic approach to any risk assessment that is performed in the Company.

The matrix is divided into 3 different areas: green, orange and dark orange areas to translate the risk tolerance level onto the matrix:

- Green: Continuous improvement. Can require the implementation of risk response.

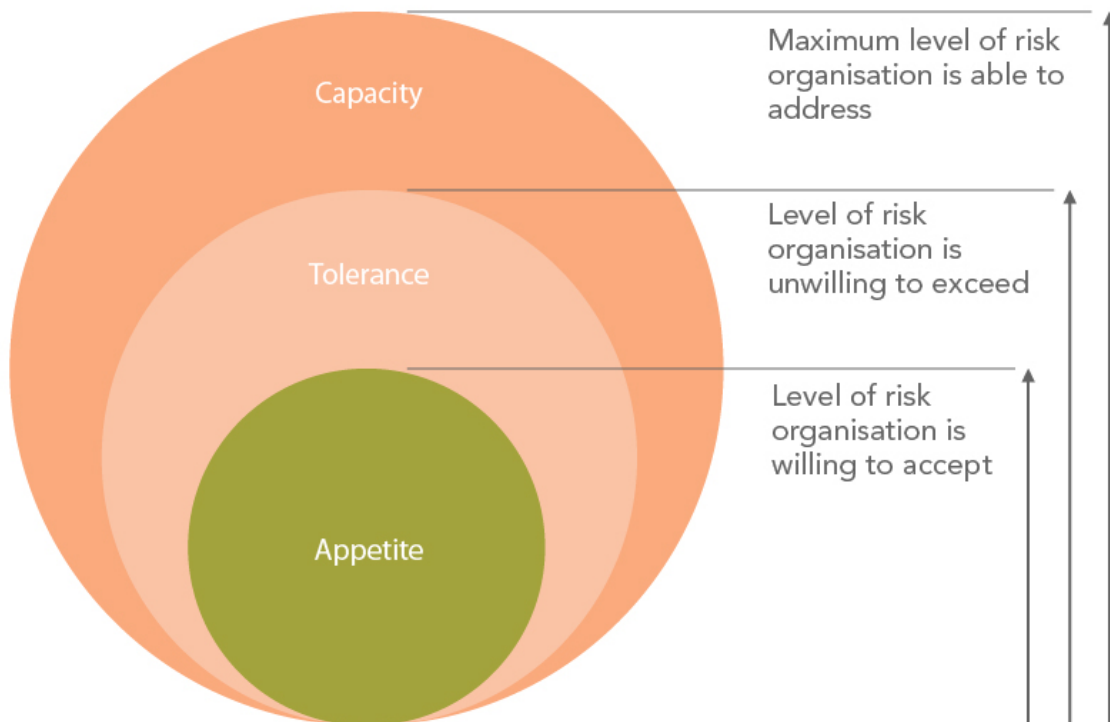
- Orange: Reduce risk. Should require the implementation of risk response.
- Dark orange: Intolerable. Must require the implementation of risk response immediately.

Severity and likelihood thresholds have been defined for different activities (e.g. Health & Safety, Environment, Security, Reputation, Information Technology, CAPEX, Schedule, OPEX) and constitute general guidelines to allow a qualitative assessment rather than firm a prescriptive limit.

Risk Appetite

In order to ensure maximum effectiveness, the Group’s risk appetite framework has been defined in line with SBM Offshore’s three-year strategic plan. The Group’s risk appetite and associated thresholds are revised once a year. The Management Board defines the risk appetite of the Company i.e. the level of risk that the Company should take to achieve its objectives and reviews regularly the Group Risk profile as reported.

Language



Execution Centre and Group Function Risk Review

Reviews of individual execution centre and group function reviews are now performed on a quarterly basis by the Group risk management team, together with the management teams.

They aim to identify, assess, address and monitor Risks and Opportunities (R&O) and their associated response strategies within each execution centre or Group function. The output of such review is a detailed risk register and matrix illustrating the top risks and opportunities.

Quantitative and Qualitative Risk Analysis

The Group risk management team has developed and implemented a methodology to quantify the impact of risks which shall be included in an estimate (at tender stage) and managed throughout a project execution. This is

based on the statistical Monte Carlo method. The forecasts produced from these simulations help to quantify exposure to risk, reducing uncertainties, and establishing, with the proposal and project control team, the appropriate contingency levels to be maintained during project execution.

Risk Aggregation

All risks identified throughout the Group's activities are aggregated and classified in terms of impact and probability in order to maintain a global overview of the Group Risk profile.

Risk registers are updated on a regular basis for each proposal and project, and major risks and opportunities are reported through the weekly and monthly reports and dashboard to the management team. Similar reports are generated for each of the fleet units.

For all risk reporting, specific key performance indicators as well as key risks indicators are being progressively developed and implemented.

Reporting

The outcome is a quarterly R&O report which covers proposal, projects and fleet individual risks, as well as Group Functions and Execution Centres and is made available to the Management Board and Supervisory Board. The R&O report provides an overview of the top 10 risks and top 10 opportunities as well as the latest Risk Profile versus the defined Risk Appetite status to the Management Board and Supervisory Board.

Developments for 2014

Risk Appetite

The risk appetite will be revisited on an annual basis to align with the Group strategy but the actual status of the Group risk profile versus its appetite will continue to be reported on a quarterly basis.

Business Continuity

A plan to review, update, test and maintain the existing business continuity plans in a more comprehensive and integrated manner will be proposed to the Management Board and is to be implemented in 2014.

Finalise risk processes within Group Management System

Any outstanding work instructions will be finalised and issued and, where necessary, previous procedures will be updated to reflect continuous improvements changes and feedback.

Governance, Risk and Compliance (GRC)

The Group risk team is actively involved and aligned with Odyssey 24, SBM Offshore's transformation programme, particularly in relation to the governance risk and compliance work stream and will participate in the development of the associated framework and tools.

Communication

A regular series of risk road shows will continue to inform managers and leaders in the main construction sites, shore bases and selected units of the fleet.

Training

Risk related training of staff across the Company will continue in various forms, including through the Group's membership of the ECRI, external training sessions in specialist areas such as schedule risk analysis and quantitative tools, and internal training.

ECRI Review / Audit

It is foreseen to use the services of ECRI to conduct an external audit of SBM risk management framework in order to identify areas of improvements.

Risk Profile

The risks inherent in the Company’s core business activities did not change substantially during 2013, although a number of new risks were identified and ranked as shown in qualitative assessment matrix below. These include:

- 1 The potential costs of environmental pollution following events in the Gulf of Mexico have resulted in a tendency for the Company’s clients to try to allocate more potential liabilities for pollution to the Company. In general, the trend towards tougher contractual requirements has continued during 2013.
- 2 The ongoing compliance investigation into potentially improper sales practices may expose the Company to the risk of penalties or fines.
- 3 The Company is exposed to the industry wide risk overall shortage of competencies in the total range of skills required in the Company’s activities.
- 4 A strong focus on asset integrity aims at improving long term overall fleet safety and performance.
- 5 Transforming the Company may create uncertainty for some employees and may lead to detract their attention from assisting in delivery of the Company’s objectives.

Qualitative Assessment - Ranking

Likelihood \ Severity		1 / A	2 / B	3 / C	4 / D	5 / E
		Very Unlikely / Rare	Unlikely	Possible	Likely	Very Likely
0	No Impact					
1	Slight Impact					
2	Minor Impact					
3	Moderate Impact					
4	Major Impact					
5	Massive Impact					

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

3.4.2 Risk Categories / Risk Factors

The table below describes the main risks in our activities. The risk categories column is based on the Group risk breakdown structure and the response plan represents measures taken to address the risk. It is important to note that the table is not exhaustive. Read more about risk regarding financial instruments in note 30 to financial statements.

Risk Categories / Risk Factors

Fleet Operations

Example

The operation of offshore production units, presents environmental, performance, health, security and safety risks which must be identified, assessed, and managed.

- Production Operations / Maintenance
- HSSE
- Regulatory Compliance / Local content
- Crisis Management

Response Plan

- Safeguard system uptime by a design process based on direct operating experience. Reliability, Availability, and Maintainability (RAM) modelling, planned and preventative maintenance as well as condition-based monitoring are also designed to maximise uptime.
- SBM Offshore has operated FSOs/FPSOs for over 200 contract years, with a total operating downtime of less than 1%.
- Strict operating and Risk Management procedures along with preventive maintenance programs.
- Careful selection and intensive training of high quality personnel.
- A survey program of Hull and Topsides set by the Classification Societies.
- Management system accreditation and compliance with the requirements of the International Safety Management (ISM) Code 2002.
- Proactive regulatory compliance / Training and awareness
- Crisis Management exercise / training;

Proposal & Project Execution

Example

The proposal and project execution phase presents engineering, performance, quality, health, security and safety risks which must be identified, assessed, and managed.

- Engineering / Technical challenges
- Construction
- Start-up phases
- Workload and resources
- Regulatory compliance / local content
- Performance

Response Plan

- Employing and developing in-house expertise and hiring external advice as appropriate.
- Strict adherence to the Group Management System, HSSE, Corporate Engineering Standards and Quality Assurance Procedures.
- Provisions in cost estimates and contingencies for technical and execution challenges.
- Systematic use of probabilistic analysis of impacts and associated risks.
- Proactive regulatory compliance / Training and awareness
- Operational excellence.

Human Resources

Example

- Competency / knowledge
- People availability

Response Plan

- Succession plan, Talent development;
- Retention plan;
- New appraisal and evaluation processes.

Reputation / Market

Example

- Irregular Order Intake
- Business Mix between Supply and Lease Contracts
- Technology
- Product / Client / Country concentration
- Long term strategy
- Reputation Loss (Clients, Shareholders, Banks...)

Response Plan

- Concentrating on projects which fit our portfolio;
- Diversifying Products / Country / Client;
- Growing both sales and lease and operate as well as parts and services businesses;
- Maintaining R&D investment to develop new technologies;
- 3 years plan / 10 years SBM vision;
- External communication.

Legal / Compliance

Example

- Litigation
- Contract management
- Compliance issue

Response Plan

- Address risk/reward balance improve contract management;
- Increase internal compliance awareness through training, making policies live documents

Health Security Safety Environment

Example

- Environmental
- Offshore Health and Safety
- Yard Health and Safety

Response Plan

- Application of continuously upgraded HSSE standards;
- Risk-based reviews of operations by HSSE professionals;
- Appropriate advice provided by SBM Offshore's Health & Safety staff;
- Development of appropriate security plans for specific geographical locations.

Assets / Technology

Example

- First of kind
- Emerging technology
- Intellectual Property ownership

Response Plan

- Technology Readiness Level;
- Product Technology & Development to ensure Technology Watch.

Finance/ IT

Example

- Payment Risk / Lease Risk
- Country stability, politics and exposure limits
- Finance availability
- Treasury and liquidity
- Internal Control & Reporting
- Currency risk (trapped cash, exchange rate)
- Tax / change in law

Response Plan

- Credit reliability and exposure limits;
- Country stability, politics and exposure limits;
- Financing diversification (Export Credit Agency, Debt Capital Market, Project bond);
- Reinforced organization;
- Hedging, cash management;
- Change in law clauses.

Quality

Example

- Product quality
- Services / Suppliers quality

Response Plan

- Strengthened quality organization;
- Quality control Audit;
- Quality Controller may be assigned to our supplier's office;

3.5 HSSE

3.5.1 Introduction

SBM Offshore is committed to protecting people, preventing pollution and safeguarding the environment. The Company strives to offer an incident free workplace and minimize the risks to the health and safety of all its personnel.

During 2013 the Company delivered a stable safety performance on a range of its business activities. The Company has managed to achieve a similar safety performance in comparison to 2012 with a Total Recordable Injury Frequency Rate (TRIFR) of 0.40 in 2013 compared to 0.38 in 2012, despite a number of challenges in safe working practices on one specific project. However, the Lost Time Injury Frequency Rate (LTIFR) has deteriorated for both construction activities and offshore operations. A number of corrective actions have been taken to help raise the standards, especially on the above mentioned project, and are detailed [further below](#).

[Detailed safety performance data is provided in the Occupational Health and Safety Management section.](#)

Over the year, the Company has significantly improved its environmental performance reporting. The Company now reports its environmental performance in accordance with best practice OGP (Oil & Gas Producers) guidelines (1). As outlined in the section 5 on Performance Indicators, a solid environmental performance has been achieved from the offshore units, compared to the oil and gas industry average. Further details on the Company environmental performance can be found in the [Environmental Management section](#).

The Company has endorsed a new Process Safety Management framework and continues to deliver a sound performance in Security. The summary of actions taken during 2013 to proactively improve security and process safety management across the Company is [provided below](#).

(1) Environmental performance indicators. 2011 data. Report No. 2011e. October 2012. International Association of Oil & Gas Producers.

3.5.2 Occupational Health and Safety Management

General

During 2013, the Company continued to improve its occupational health and safety initiatives by enhancing existing programmes and development of new ones.

The main improvements introduced in 2013 across the Company included:

- Introduction of leadership objectives for management and HSSE principles for all SBM personnel as part of the annual appraisal system
- Strengthening of the HSSE capability and resources in the new yards
- Introduction and monitoring of leading indicators in order to measure and benchmark safety performance and pro-actively take corrective actions, providing a clear picture of senior management engagement visits, training delivery and safety observation programs
- Development of a Group Risk Matrix to ensure a consistent and systematic approach to any HSSE Risk Assessment performed throughout the Company
- Enhancement of the training delivery on onshore operations with development of e-learning modules and increased training capacity

- Issue of 4,141 certificates to onshore personnel on basic and supervisory safety training
- Introduction of Life-Saving Rules in all execution centres as part of the induction programme for new staff
- Continued integration of HSSE in the lifecycle of the Company's products
- Internal incident management system upgrades

Safety Results

SBM Offshore Operations

The fleet of FPSOs recorded an increase in its TRIFR in 2013 (0.81 compared to 0.71 in 2012) and its Lost Time Incident Frequency Rate (LTIFR) (0.17 in 2013, compared to 0.08 in 2012).

During 2013, a series of new initiatives has been put in place to emphasise management system compliance and enhance dynamic risk awareness and behaviours.

The length of operating time achieved without recordable incidents provides a good indicator of safety performance throughout the industry. In 2013, the offshore fleet was awarded eight Safety Milestone Certificates for recordable incident-free periods, with one offshore unit, the FPSO *Saxi Batuque* in Angola, achieving four years recordable incident-free.

As part of its drive for continuous improvement, SBM Offshore Operations has attained compliance recognition by ABS on a voluntary basis for Occupational Health and Safety Assessment Series (OHSAS) 18001. Following a successful implementation of the standard in Brazilian Shore Bases in 2009 and on-board FPSOs managed from Brazil in 2010, the process continued in Angola and for the Rest of the World Fleet in 2011 and 2012.

[For further information, see the compliance table in Part 1.7 Group Management Systems and Compliance Table.](#)

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

Onshore Projects

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

In 2013, the onshore operations recorded a stable performance in its Total Recordable Incident Frequency Rate (TRIFR) (0.31 compared to 0.32 in 2012), while the Lost Time Incident Frequency Rate (LTIFR) has increased to 0.12, compared to 0.06 in 2012.

Despite solid performance on a number of yards and projects, the Company's overall safety performance has been impacted in 2013 by the challenges in safe working practices on one of its projects.

Following the deteriorating performance on this project, SBM launched several initiatives aimed at improving safety onsite including:

- Increased number of safety resources
- Improvement and strengthening of the Permit to Work System used

- Improved scaffolding
- Reinforcement of the safety observations programme in place
- Implementation of positive incentive schemes
- Extension of the existing basic safety training and safety training for supervisors
- Improved communication around HSSE on the yard : tool box talks, weekly newsletter, safety stand downs...
- Review of the yard management system by two external consultancy companies
- Improvement of the start-up process starting from the tendering phase.

3.5.3 Process Safety Management

Following the launch in 2012 of a structured programme to address the improvement areas in Process Safety Management (PSM), the Company has further developed a framework and associated tools for implementation of a comprehensive PSM programme based on a well-established industry standard “Guidelines for Risk Based Process Safety” by the Center for Chemical Process Safety (CCPS), part of the American Institute for Chemical Engineers (AIChE).

When applied throughout the lifecycle of SBM products, the twenty framework elements have the potential to reduce the risk of catastrophic events, with the ultimate aim of minimising these risks on any of its facilities worldwide.

The implementation of the PSM Framework will be through the Group Management System to ensure that the Process Safety Management controls are fully integrated in the SBM business activities and processes.

3.5.4 Security Management

Ensuring the security of employees wherever they work is a key priority for managers and supervisors throughout the Company. The Group’s Security Policy, procedures and controls are intended to protect its employees wherever they operate in the world.

In those areas of the world identified as ‘high risk’, risk assessments are always completed before construction contracts for offshore units managed by the Company commence. In addition, the Group’s Security Manager monitors global security issues for onshore and offshore operations. Daily security reports are issued throughout the year to all SBM sites and operations as well as Daily Threat Analysis for personnel operating in High Risk Locations. Security Alerts are issued when applicable.

The Company recognises its ‘Duty of Care’ to employees and contractors on security matters. Relevant security information is being compiled and distributed from security information suppliers, as well as through network of security contacts. This is particularly important when the Company vessels are operating in areas assessed as a ‘high risk’ location.

To support the above, face-to-face security briefings, as well as Security Awareness training, were delivered in 2013 to project personnel traveling to locations with specific security threats.

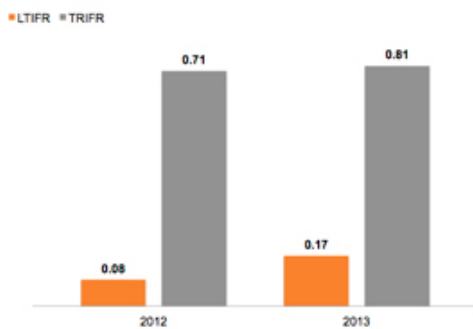
Offshore Operations

Across the lease fleet, the ISPS (International Ship & Port Facility Security Code) is used as the basis of a system that safeguards personnel onboard, and provides overall protection for all Company facilities. During 2013, security drills, exercises and audits were carried out to ensure that the procedures in place to deal with offshore incidents were comprehensive, fit for purpose and regularly tested. These exercises were particularly relevant for an offshore project in Nigeria, where the Company completed the Brass Buoy change-out. The Company has operated in high risk areas of Nigeria for a period of more than six years without security incidents involving SBM personnel or assets.

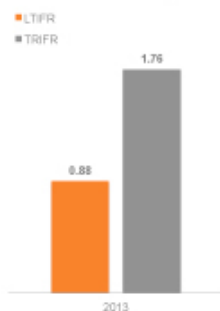
Transit risk assessments were carried out for the Company offshore units transiting the Indian Ocean, either going to their operating field or returning from the field to a construction yard in China. Security Training was also carried out onboard an FPSO in China prior to sail-away.

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

Offshore Operations



Offshore Contracting



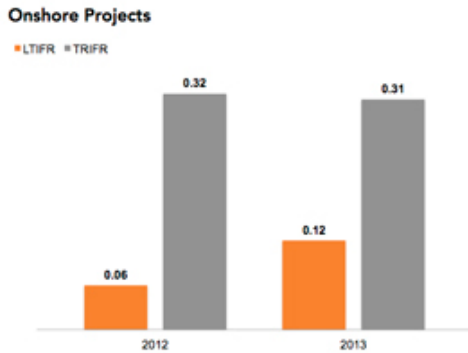
Onshore Projects

Certain countries in which the Company operates are designated as 'high risk' with respect to personnel security.

Throughout 2013, the Company maintained a particular focus on the security aspects of travel between all locations in which it operates. It continued to deploy ISOS/Control Risks for 'Travel Security Services' to monitor all employee business travel security and to establish appropriate procedures for evacuation (including medevac

support) if necessary and give the appropriate briefings.

Country Evacuation plans have been developed for various countries. The programme has been extended to Equatorial Guinea and China for 2013.



3.5.5 Environmental Management

The Company endeavours to operate on its own behalf and on behalf of its clients in an environmentally sustainable way, in order to minimise damage to local ecosystems.

The Company pays particular attention to three key environmental challenges:

- Avoiding oil spills
- Preventing unnecessary flaring or emissions to sea or air
- Minimising the use of energy and waste outputs by encouraging reduced consumption and re-use.

The ambitious plan of the Company to bring its entire fleet into compliance with ISO 14001 was achieved in early 2013 with the accreditation of the FPSO *Cidade de Anchieta*. All the FPSO units are now compliant with the ISO 14001 standards.

During 2013, The Company has aligned its environmental performance reporting with the reporting guidelines from the International Association of Oil & Gas Producers (2). As a consequence the Company reports additional environmental related performance data and has decided to group fleet data by region. The 2012 data have been reported accordingly, by region as well, for comparison purposes.

Emissions to Air

The primary emissions from the offshore fleet are Greenhouse Gases (GHG) caused by energy generation and flaring.

During production of oil and natural gas, the most significant components of produced GHG are Carbon Dioxide (CO₂) and Methane (CH₄).

Emissions reported in the Company's emissions records include:

- GHG emissions for the production of energy. Records GHG emissions from steam boilers, gas turbines and diesel engines used by the operating units.
- GHG emissions from gas flared. Records of the volume of gas flared attributable to SBM account and/or attributable to the client account

The records of gas flared include the volume of emissions below the limit defined by the client, and the volume of emissions above the limit attributable to SBM account, or at the request of the client to optimise production.

Emissions reported do not take into account any fugitive emissions nor emissions from cargo tank venting.

In general, the overall GHG emissions from [energy generation and gas flared](#) increased by 9 % in comparison to 2012, but still remain 9% below the OGP average (159 tonnes of GHG per thousand tonnes of hydrocarbon produced (3)).

The [total gas flared in 2013](#) was 18.4 tonnes of gas flared per thousand tonnes of hydrocarbons produced, 17% above the OGP average (15.7 tonnes of gas flared per thousand tonnes of hydrocarbon produced (4)) with 37% of the gas flared recorded on SBM account and 63% on client account for production optimisation or not exceeding the client allowance.

The high level of gas flared in 2013 is mainly due to start-up of two new oil production units in Canada (Deep Panuke) and Brazil (FPSO *Cidade de Paraty*), which typically flare a substantial amount of gas during this phase as systems are being tested and commissioned with hydrocarbons. Once production is stabilised emissions levels will drop as these systems have been designed to produce without flaring gas, unless for safety reasons.

Energy Consumption

The energy used to produce oil and gas covers a range of activities, including:

- Driving pumps producing the hydrocarbons or re-injecting produced water
- Heating produced oil for separation
- Producing steam
- Powering compressors to re-inject produced gas
- Driving turbines to generate electricity needed for operational activities.

The main source of energy consumption of offshore units is Fuel Gas and Marine Gas Oil.

Energy consumption of the [Company units](#) was 33 % better in 2013 than the OGP average (1.57 gigajoules of energy per tonnes of hydrocarbon produced in 2012(5)).

Oil in Produced Water Discharges

Produced water is a high volume liquid discharge generated during the production of oil and gas. After extraction, produced water is separated and treated (de-oiled) before discharge to surface water.

The quality of produced water is most widely expressed in terms of its oil content. Limits are imposed on the concentration of oil in the effluent discharge stream (generally expressed in the range of 15-30 ppm) or discharge is limited where re-injection is permitted back into the reservoir. The overall efficiency of the oil in water treatment and as applicable reinjection can be expressed as tonnes of oil discharged per million tonnes of hydrocarbon produced.

The Company's result has been stable as compared to 2012. In 2013, the average volume of oil discharged was 3.98 tonnes of oil discharged to sea [per million tonnes of hydrocarbon production](#), which represents less than half of the OGP average (8.8 tonnes of oil discharged per million tonnes of hydrocarbon production in 2012(6)).

Environmental Releases

In 2013, the Offshore Operations fleet reported 37 environmental incidents, 33 of which were contained within the offshore unit, with no release to the sea, while the remaining 4 resulted in releases to the sea.

Total volume of these releases to the sea is estimated to 0.019 cubic meters for 2013 compared to 0.076 cubic meters in 2012.

For offshore operations, there were no spills recorded in the category of reportable spills in accordance with the OGP guidelines (i.e. above 1 barrel / 159 Litres).

Waste

In 2013, the Company has improved its environmental reporting with the consolidation of the volume of waste produced on all its offshore units.

Total volume of waste generated by the operating units was 2,340 tonnes in 2013, of which 46 % was [non-restricted waste](#).

(2) Environmental performance indicators. 2011 data. Report No. 2011e. October 2012. International Association of Oil & Gas Producers.

(3) Page 11 of Report No. 2011e. October 2012. International Association of Oil & Gas Producers.

(4) Page 17 of Report No. 2011e. October 2012. International Association of Oil & Gas Producers.

(5) Page 16 of Report No. 2011e. October 2012. International Association of Oil & Gas Producers.

(6) Page 22 of Report No. 2011e. October 2012. International Association of Oil & Gas Producers.

3.6 Human Resources

3.6.1 Introduction

The Company believes that its employees are its most valuable asset. They play a pivotal role in realising the Company's strategic goals and ensuring a consistent global quality in the delivery of all its products and services, within the framework of a customer-focused culture.

In conducting its business activities, the Company strives to:

Work As One

- Maintain an employment policy focusing on ethics, transparency and equity
- Attract, develop and retain, within a safe working environment, a pool of high-calibre individuals
- Promote internal & international mobility to enhance the development of its employees.

Perform

- Encourage an environment of excellence and ambition within which each employee can maximise his/her skills
- Invest in training and development of its employees
- Promote creativity, accountability and responsibility of each individual to maintain and further develop the Company's leading market position.

Shape The Future

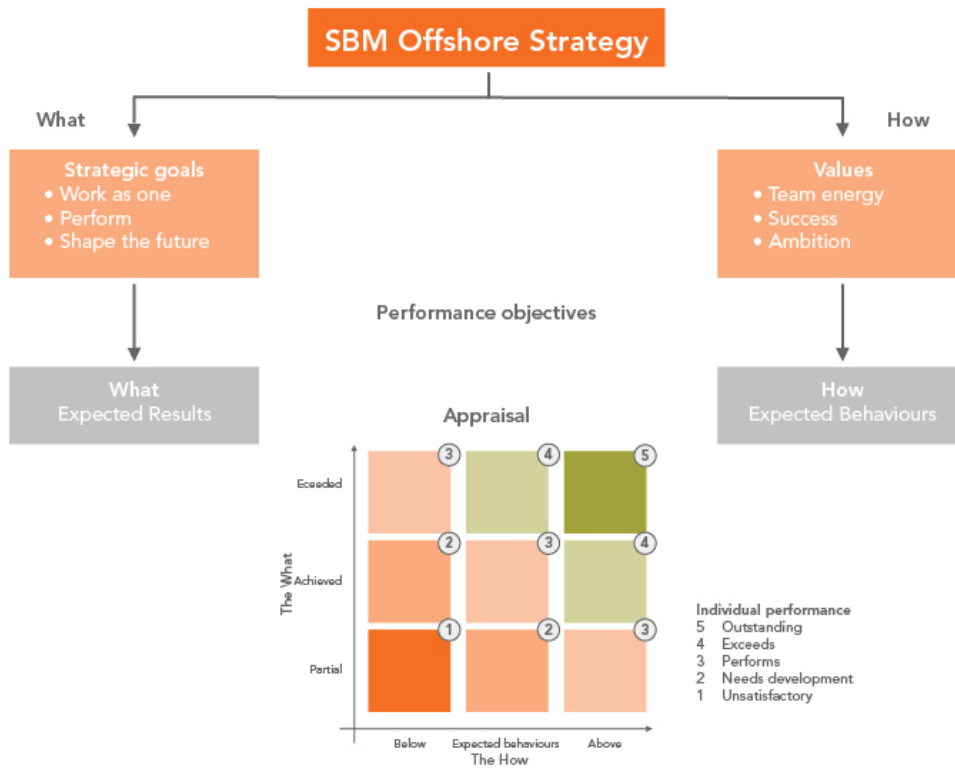
- Ensure that it develops the next generation of leaders, thereby building the foundations for its continued success
- Promote equal opportunities and social responsibility in order to cultivate a diverse, multicultural and respectful workforce whose principal drivers are team energy and pride.

In line with last year, and with the aim of ensuring a consistent global quality in all the Company's services, products and performance as well as promoting one business model across the Company, new ways of working have been implemented, based on autonomy and coherence, accountability and responsibility.

3.6.2 Employees Performance Appraisal

The Annual Performance Appraisals have proven to be a valuable source of information for the Talent Management and Succession Planning processes. The process has been reviewed in order to anchor the Company's new set of values into day-to-day practices and ensure that the strategy of the Company is cascaded down the Organisation at all levels.

New Performance Appraisal Process



This review has led to a number of new features with a view to promoting higher value interaction between Managers and their employees:

- Competencies: a simplified and integrated competency framework founded upon the Leadership and Management Development & Middle Management Development Programme competencies as well as an internal competency matrix and external best practice
- Performance rating: a new overall performance 5-level rating scale, taking into account both tangible achievements and targeted behaviours, i.e. the What (expected results & priorities) and the How (a simplified 8 competencies model)
- Objectives: a framework which promotes the setting of SMART objectives (Specific, Measurable, Achievable, Realistic and Time-bound), aligned with corporate priorities
- Development: a new section highlighting employees' career expectations

This review has led to a number of new features with a view to promoting more effective interaction between Managers and their employees.

In addition, there is now a direct impact of individual performance on the Short-Term Incentive.

This new process was piloted by a group of Senior Managers in 2012 and rolled out across the Company in 2013.

Appraisals Figures

At the date of issuing this Report, the performance appraisal completion rate attained 90%.

3.6.3 Training & Development

The Company encourages an environment of development and empowerment, enabling each staff member to contribute his/her skills and talents towards sustaining high performance and achieving rewards and recognition.

In these times of increasingly complex projects and technical challenges, when the competition for the best energy industry talent is more intense than ever, it is the Company's aim to develop from within and retain the in-house and technical know-how for which the Company is renowned and which remains a key asset.

Over recent years, a series of programmes have been implemented within the framework of the Talent Management and Succession Planning process, thereby building the foundations for the Company's continued success.

The global and local People Reviews take place on a yearly basis and help the Company ensure that it has the necessary successors ready for key positions.

In 2011, the Company implemented a customised Leadership and Management Development (LMD) programme with the objective of building a common leadership and management culture and reinforcing these skills throughout the Company. 153 participants have attended the LMD since 2011.

In parallel, 2012 saw the launching of a Middle Management Development Programme (MDP) that embodies the Company's ambitions and is inspired by the LMD. Scheduled over a total of 6 days, it focuses on the following key skills: open communication and organisational buy-in, driving results, building and leading teams, decision-making and problem-solving and cross-border collaboration. A total of 215 participants have attended the MDP since September 2012.

A mentoring process has also been developed within the framework of these programmes, with the objective of solidly anchoring the Company Management competencies and behaviours across the Company. This personal learning contract includes a 360° survey for the participant (the Mentee) generating 3 strong points and 3 points for improvement. The Mentor and the Mentee then jointly define development objectives and implement actions derived from the programme, culminating in a final individual development plan discussion. Following their active participation, attendees become Mentors for future participants in order to guide and challenge them throughout the process as well as provide continued support beyond the end of the training.

Two new programmes have been designed over the course of 2013, including one dedicated to the Discipline Lead Engineers and a Project/Unit Management programme.

Both programmes are scheduled for a Company-wide rollout in 2014.

In addition, the Company continues to offer international career opportunities to a significant number of employees to enhance their experience within the Company and contribute to the "Work as One" strategic goal.

Finally a Company induction path has been developed for all newcomers. It is available on the Company's intranet system.

Additionally, the Company provides a wide range of training and development opportunities to enhance the skills of its employees in all locations worldwide. A total of 7,350 permanent employees took part in 22,054 courses, which amounted to a total of 306,555 training hours over the course of 2013.

Onshore Staff

Training policy is closely aligned with the Company's objectives and strategy. In addition to Group programmes that are provided, the need for training and development is also discussed during the Annual Performance Appraisal sessions between employees and managers, resulting in individual training plans.

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

The majority of training courses are around technical and HSSE topics, including technical and scientific software use. Over the last few years, focus has been given to managerial and leadership training, with the development of the Group's programmes in addition to individual training courses.

Offshore Staff

Given the significant technical and safety requirements of the operations onboard, the Company considers on-the-job training, distance learning and external courses to be of utmost importance for all its offshore personnel, whether employed on a permanent or contract basis.

HSSE topics and safety in particular represent the vast majority of training courses that are provided to Company's offshore staff.

In addition to the above, specific programmes have been rolled-out in 2012, such as Management and Communications training for OIMs (Offshore Installation Managers) and Superintendents and Supervisory Skills training for Supervisors and people moving to a Supervisory position. The Company has an obvious and extensive commitment to industry best practice, and has embedded OPITO Training and Competence standards, where possible, throughout the Training Plan and Competence Assurance System. Proof of the extent of this approach was recognized by winning, in November 2013, OPITO's 'Employer of the Year Award' in Abu Dhabi.

The importance given to training and development applies not only to long-standing crew and technicians but also to the additional workforce available locally, that needs to familiarise itself with the specifics of the Company's activities. To meet this need, the Company supports nationalisation programmes, specifically in Brazil, Angola, Equatorial Guinea and Malaysia. These programmes include enrolment of personnel into higher education, technical colleges and professional institutions either in their country of origin or even abroad (e.g. Scotland), special leadership and management courses and personal development courses. The Company has also established process simulators (replicating the central control rooms of the FPSOs) located in Brazil and Angola in order to support our training and development activities; these play a key role in our nationalisation programmes.

3.6.4 Compensation and Benefits

The Company's Compensation and Benefits Policy is designed to attract, motivate and retain the high calibre talent within the organisation and deliver Company strategy, in line with the core business principles " Work as One – Perform – Shape the future " .

To enhance the Policy and add significant value to the business results, a new dedicated team has been created within the corporate HR organisation. The efficiency of this policy will be measured and monitored via the Employee Engagement Survey.

Attraction

The Company strives to attract the best talent in the oil and gas industry. To attain high calibre candidates, the Company offers competitive total reward packages in all operating locations.

Annual benchmarking surveys are performed to ensure competitiveness of all available packages (base salary, variable pay, long-term incentives and benefits packages).

The Company offers attractive pension plans to all employees: various pension schemes are in place depending on geographic location.

Motivation

The wellbeing of all employees is paramount for attaining their best possible performance and output. As a Company, SBM Offshore offers a non-cash benefits package which is among the best in the industry.

Incentive programmes have been designed to cascade company objectives down to individual levels and reward every employee for individual achievements, as well as for their collective contribution. The Company has also developed numerous non-financial recognition programmes to celebrate key project milestones and reward significant individual achievements.

A new bonus plan has been implemented in 2013 for all onshore employees worldwide to achieve this objective. To optimise employee engagement and to achieve performance levels, incentive plans, including KPIs and targets are now communicated to all employees with full transparency.

The same philosophy for performance incentive plans will be initiated within the Offshore population throughout 2014.

Retention

Retaining key talent is essential to delivering the corporate strategy and achieving defined goals. This is of paramount importance given the increasing shortage of skills faced by the industry as a whole. Primarily the Company aims to retain talent through career development opportunities and by offering its employees the possibility to work on the best FPSO projects in the industry. The Company's Compensation & Benefits Policy supports this goal through the implementation of several long-term incentive schemes to reward long-term commitment to the Company. Although those plans may be difficult to implement consistently in all locations, the Company is making every effort to bring those plans to fruition.

The core principle of long-term initiatives are outlined below:

- A Restricted Stock Unit plan is offered to senior managers, high potential and key talents on a yearly basis. The RSUs vest over a 3-year period with 1/3rd vesting upon each annual anniversary of the grant date
- The Employee Share Ownership Plan (ESOP) encourages every employee, depending on local regulations, to invest in Company shares, offering a significant contribution from the Company to the plan.

3.6.5 Employee Wellbeing

The Company, conscious of the need to protect its most important asset, is focused on the wellbeing of its personnel and the need to provide a pleasant work environment. In this respect, several initiatives have been implemented over the past few years across its execution centres, such as:

- Implementation of International SOS/Control Risks Medical evacuation, repatriation and travel security coverage worldwide
- Stress management and healthy living presentations to Managers (Monaco, Houston and Schiedam)
- Employee care officer consultations available to employees (Schiedam and Monaco).
- Stop smoking campaigns in Monaco
- Fitness rooms in Houston and Monaco
- Organisation of social events at all locations to encourage interaction
- Bicycle plan in Schiedam
- SBM Nursery: the Monaco-based professionally-run nursery and pre-school structure welcomes 34 children from 3 months to school age.

The Company's focus on employee wellbeing complements the emphasis on ensuring a safe working environment, which the Company considers as a priority.

In November 2013, the Company launched their initial global Employee Engagement Survey with the aim of gauging workplace perceptions and awareness of the Company's objectives and programmes. The Survey approached issues including strategy, transformation, and compensation to name a few. The Survey provider began analysing responses in mid-December 2013. Results will have direct impact on 2014 Action Plans and will be shared broadly with employees following a presentation to management.

3.6.6 Equal Opportunities

The Company's employment policy follows the principles of equal opportunity, thereby preventing any discrimination on the basis of sex, age, race, religion, political or trade union affiliations, nationality or disability. Salary scales are in line with a competency matrix and take into account qualifications and professional experience. The Company considers this as an attractive element of the recruitment strategy.

The Offshore engineering business has long been male-dominated; however, the Company has adopted a recruitment strategy to increase the percentage of female employees, including in managerial positions, in the onshore segment over the past 15 years. This initiative has been successful but only to a degree, as the number of graduates coming out of engineering schools and universities is still predominantly male, which limits the gender ratio in engineering positions. Moreover, the operating crew onboard production units remain overwhelmingly male as is the case for all operators in the offshore industry. The total percentage of female/male permanent employees from both Onshore Operations and Offshore Production was 24%/76% in 2013; a similar ratio to the previous year. However, it is to be noted that in the Onshore-based population, the total percentage of permanent female employees reached 30% and in terms of Management positions, the female population

represented 22%.

3.6.7 Social Responsibility

The Company works hard to integrate social balance and equal opportunities whilst preserving cultural diversity. The Company is committed to being globally aware, promoting local development and operating with integrity. The Company also believes that social responsibility means investing in the wellbeing of its staff and maximising employee opportunities for success by providing stimulating challenges, customised training and high levels of work satisfaction, all within a safe working environment.

3.6.8 Global Workforce Information

Headcount

The total headcount is based on all the Company's personnel (permanent staff and contractors) registered as at 31 December 2013 for Onshore Projects and Offshore Operations.

The Company's headcount totalled 9,936 (compared with 7,493 in 2012) which represents an increase of 33%. This includes the yard joint ventures Brasa-BSL in Brazil RJ (2,666 employees) and Paenal Angola (1,044 employees). [Read more about Headcount](#)

The 2013 main increase in the global headcount is explained by the increase in activities in Brasa-BSL with associated growth in personnel +2,191 permanent and contractors.

At year-end 2013, the headcount of a permanent employees totalled 8,358, representing 84% of the Company's workforce. The headcount of contractor staff totalled 1,578 employees, representing 16% of the workforce.

Workforce Diversity

Over the decades, with its business spreading over six continents, the Company has embraced the challenges offered by different environments and adapted to this cultural mosaic. The need for in-country adaptation and development has created greater flexibility and diversity at all levels of the workforce. Indeed, the Company has managed to turn diversity into a strength, building stronger links and synergies amongst its personnel.

The Company's policy to recruit local-based employees whilst at the same time maintaining competency requirements through training, has led to the employment of just over 90 different nationalities.

In 2013, the Company employed seven main nationalities: Brazilian 42%, French 13%, Angolan 12%, Malaysian 7%, Dutch 5%, American 4% and British 4%.

This is explained by the geographical position of the execution centers, construction sites and offshore operations units and shore bases.

Absenteeism and Turnover

The average rate of absenteeism related to standard illness has decreased in 2013 to 2.69% .

The net turnover rate (excluding retirement and non work related deaths) for 2013 was 13.1% and comprise firstly

of resignations followed by dismissals; the highest turnover being in Rio de Janeiro office, SBM Operations, followed by Houston and Schiedam EC's due to the buoyant markets and a shortage of skilled resources in these locations.

3.7 Sustainable Initiatives

3.7.1 Supply Chain in Focus

The Company currently operates in 18 countries around the world and works directly with suppliers from 62 countries. Suppliers are mainly located in Europe, the US, Singapore and Brazil. In 2013, the Company procured 19.9 % of all deliverables and services from developing countries⁽¹⁾.

Vendors who wish to bid for contracts with the Company are assessed using a web-based Vendor Relationship Management (VRM) tool. The second version of the tool, VRM 2.0 was launched in 2013 with improved system performance and enhanced graphical interface. The tool is now more user friendly for both the Company's employees and vendors which will help to improve long term relationships.

In addition the Company ensures that its policies and standards regarding business ethics, insurance, health and safety and other key matters, are covered in the Special Terms & Conditions set for all contracts. These are always shared with potential suppliers at the bidding stage of every project.

Compliance with the Company's Code of Conduct is mandatory for all suppliers and for their subcontractors and agents. Employees working for the supply chain function receive annual training on Group's ethics and compliance, to prepare them to recognize the risks of corruption. In 2013, 76% of all eligible personnel working within the supply chain attended the specialised training session. During 2013, the Company completed 146 audits of its suppliers using a product classification system, which ranks suppliers from A (main suppliers, such as construction yards) to D (suppliers of less critical equipment or services). All Vendors supplying A to C products are subjected to a quality assessment process; those categorized as A or B, are audited every 3 years. 176 corrective action reports were issued in 2013 following these audits.

Vendor Relationship Management

Supplier selection is dependent on compliance with the Company's standards, rules and regulations. The Company's VRM portal publically lists the documents required to enter the pre-qualification process and hence needed to evaluate compliance of the supplier and proposed equipment:

- Completed standard Vendor Qualification Questionnaire
- ISO certifications
- Quality manual
- HSE manual
- Reference lists
- Organisation charts (Company and Group)
- Brochures, company profile, product descriptions and other relevant marketing materials
- All QA documentation

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

(1) Based on the World Bank 2013 definition of developing countries

3.7.2 Neptune Building

The Company's Monaco execution centre is looking forward to relocating into its newly refurbished Neptune Building during 2014: office accommodation which has been retrofitted to internationally recognised environmental standards.

In line with the Company's sustainability values, the building was refurbished to deliver environmental performance in accordance with BREEAM (1) International Environmental Standards. The Company has implemented many improvements and has ensured that the construction work adheres to standards of best practice in sustainable design to achieve BREEAM's prestigious 'Very Good' rating.

The objective of the refurbishment was to dramatically transform the space and upgrade the energy performance of the building. As part of this endeavour, the project team conducted employee stakeholder assessment to establish which features the Company's employees wanted to see in their new offices. The project team integrated this feedback into the building design, where possible.

Prior to the refurbishment, the building's energy costs were high for an office building of its size. Thanks to this investment it is expected that the new building will consume only 80 kWh/m²/year. This significant improvement in energy saving is almost equivalent to the energy costs of constructing a new environmentally sustainable building, which today typically consumes 50 kWh/m²/year.

To achieve this cost reduction, the Company will take advantage of Monaco's sunny climate through the use of 650 sq. meters of solar panels. The solar panels will produce 10 to 15% of the electricity required. In addition to the solar panels, a solar hot water heating system will supply 70% of the building's hot water needs.

The overall energy consumption for the building has been greatly reduced due to several innovative features such as lifts equipped with an energy recovery system, and low consumption lighting with motion and luminosity sensors. In addition, a special solar treated triple-skin façade with special curtains will help regulate the building's temperature, thus reducing heating and cooling costs.

The Company's environmental footprint will be further reduced through the building's connection to Monaco's urban heating and cooling system. Today, Monaco's central cooling system uses seawater heat pumps which draw cold seawater for cooling buildings throughout the Principality. After use, the water is discharged back into the sea at a temperature which does not harm the Mediterranean marine ecosystem.

The Company plans to move 850 employees to the new premises by the second quarter of 2014. The new facility will assist the promotion of the Company's "Work as One" initiative, by locating the majority of its employees in the same building.

(1) Building Research Establishment Environmental Assessment Method (BREEAM). BREEAM addresses wide-ranging environmental and sustainability issues and enables developers, designers and building managers to demonstrate the environmental credentials of their buildings to clients, planners and other initial parties.

3.7.3 Brasa Fabrication Yard

Estaleiro Brasa is a Joint Venture company with Naval Ventures Corp (part of the Synergy Group) established to:

- Develop and operate the Brasa fabrication yard and a FPSO integration quayside at Niterói / Brazil for the construction and pre-commissioning of topside modules and other systems and equipment.
- Upgrade and operate the Pelicano 1 floating crane to provide heavy lift solutions and services.

The Estaleiro Brasa module construction yard is located next to the Rio-Niteroi Bridge in Guanabara Bay in the southeast state of Rio de Janeiro. The Joint Venture is geared toward meeting stringent local content requirements set by the Brazilian authorities and the yard's location provides both comprehensive support infrastructure and access to a large skilled workforce.

The yard has been transformed since the beginning of 2011, from a barren site to a fully operational module construction area. By the end of 2013, over 2,600,000 man-hours had been completed and a combined workforce of over 3,000 were working on site to deliver the first modules for load-out, scheduled for the first half of January 2014.

Ten topside modules, destined for the Company's FPSO *Cidade de Ilhabela*, were nearing the end of construction phase, and the units were being prepared for lifting using the Company's Pelicano 1 floating crane, at the year end. The floating crane had been upgraded to meet the heavy lifting (> 500T) requirements for placing modules and equipment onto an FPSO deck. These heavy lifting capabilities are unique to Brasa in South America.

The FPSO arrived in the Rio de Janeiro bay at the end of 2013, where lifting, integration and commissioning is to be conducted by Brasa over the following seven months.

Brasa is fully dedicated to the construction, integration and commissioning of the FPSO which is on track to produce first oil in the third quarter of 2014.

- Despite being in its early stages, Estaleiro Brasa was able to meet local content construction requirements set in Brazil and in line with the Company's objectives to maximise positive impact for the local communities in which it operates.
- Initiatives to engage and benefit the local community have included: donations of provisions to families affected by flash flooding in Xerem (RJ),
 - a winter clothes collection,
 - sponsoring under privileged youth on Children's Day (Brazil),
 - a monthly food distribution for a nursing home in São Gonçalo.

Brasa was also a sponsor of the 68th Navy School Regatta, the biggest nautical event in Latin America.

3.8 Company Tax Policy

The Company operates in a global context, with global competitors, global clients, global suppliers and a global workforce. Some three quarters of the Company's activities, measured by revenue, consist of large project developments, each project costing typically between US\$0.5 and US\$2.0 billion. A typical FPSO project sees a hull conversion in Asia, topsides construction in Asia, Africa and South America, engineering in Europe, Asia or the USA and large scale procurement from dozens of companies in as many countries across the globe. In each of these countries the Company complies with local regulations, and pays direct and indirect taxes on local value added, labour and profits, and in some cases pays a revenue based tax. To coordinate the international nature of its operations and its value flows and to consolidate its global activities, the Company created in 1969 'Single Buoy Moorings Inc', which continues to perform this function today from our offices in Marly, Switzerland.

The Company's tax policy is summarised as follows:

- The Company aims to minimise its overall tax burden to be cost competitive, while fully complying with local and international tax laws;
- The Company aims to be a good corporate citizen in the countries it operates in, by complying with the law, and by contributing to the country's progress and prosperity through employment, training and development, local spending, and through payment of the various taxes it is subject to, including wage tax, personal income tax, withholding tax, sales tax and other state and national taxes as appropriate.

The Company takes its guidance from the OECD transfer pricing guidelines, and has re-tested and refined its internal rules in 2013. The Company makes use of the availability of international tax treaties to avoid double taxation. The Company does not use intellectual property as a means to shift profits, nor does it use digital sales. Furthermore, the Company does not apply aggressive intra-company financing structures such as hybrids. The Company treats tax as a cost, which needs to be managed and optimised in order to compete effectively in the global competitive arena.

In 2013, the Company had a corporate income tax liability of US\$ 30.8 million (US\$ 54.8 million in 2012). Due to the large losses incurred on the legacy projects, significant tax loss carry forward positions exist at the global contracting company which are limiting the current tax payments in Switzerland.

3.9 Information regarding the Management Board members

3.9.1 Bruno Chabas

Position: Chief Executive Officer
Nationality: French
Born: 1964

Bruno Chabas studied Economics at the University of Economic Sciences Aix-Marseille and graduated in 1988. He subsequently obtained an MBA from Babson College, Massachusetts, USA, in 1990.

Bruno Chabas started his career in finance, in 1991, working for a Private Equity Company before joining the CIC Group (France). In 1992, he moved to Stolt Comex Seaway where he worked in various managerial positions in the USA, France and the UK, before his appointment as Managing Director. In 1999, Bruno Chabas was appointed Chief Financial Officer of Stolt Offshore, an offshore services company specialising in seabed to surface engineering and construction. In 2002, Bruno Chabas was appointed Chief Operating Officer.

In 2006, Stolt Offshore became Acergy, which was listed on the Oslo Stock Exchange and the NASDAQ until its merger in 2011 with Subsea 7.

Following completion of the Acergy-Subsea 7 merger, Bruno Chabas joined SBM Offshore in May 2011 as Chief Operating Officer. At the EGM on 14 December 2011, Bruno Chabas was appointed Managing Director and Chief Executive Officer.

3.9.2 Peter van Rossum

Position: Chief Financial Officer
Nationality: Dutch
Born: 1956

Peter van Rossum studied Business Economics at the Free University of Amsterdam. In 1982, Peter van Rossum graduated as a Master of Business Economics.

After graduation, Peter van Rossum started a 24 year career with Shell working in Europe, the Middle East, the USA and Asia. During this time he worked in different positions in all key sectors, these included upstream, downstream, chemicals and corporate.

In 2004, Peter van Rossum joined Woodside Petroleum as a Non-Executive Director. In 2006, Peter van Rossum was appointed Chief Financial Officer of Rodamco Europe N.V., and following the 2007 merger with Unibail, of Unibail- Rodamco S.E., the French/Dutch Real Estate investor.

At the EGM on 27 June 2012, Peter van Rossum was appointed Chief Financial Officer.

3.9.3 Sietze Hepkema

Position: Chief Governance and Compliance Officer

Nationality: Dutch

Born: 1953

Sietze Hepkema studied law at Erasmus University in Rotterdam (1975), before attending Harvard Law School where he was awarded an LL.M. (Master of Laws) (1977).

Sietze Hepkema has spent his career practicing law. Between 1980 and 1987, Sietze Hepkema worked for the international law firm of Graham & James in San Francisco and Singapore.

In 1987, Sietze Hepkema was appointed partner at Benelux Law Firm Loeff Claey's Verbeke, followed by an appointment, in 2000, as senior partner at Allen & Overy. Sietze Hepkema primarily advised on Mergers & Acquisition transactions and Corporate Governance. He sat on the Board of Management and was head of Global Corporate Practice until 2011.

Sietze Hepkema is a member of the Supervisory Board of Royal Bank of Scotland N.V. and Chairman of the Supervisory Board of Wavin N.V..

As from 27 June 2012, Sietze Hepkema joined the SBM Offshore Board of Management in the newly created position of Chief Governance and Compliance Officer (CGCO).

3.10 Internal Control and Risk Management

The Dutch Corporate Governance Code, under section II.1.4, requires that the Management Board examines strategic, operational, legal and regulatory, and financial reporting risks. The Management Board confirms that it is responsible for the Group's risk management and internal control systems and has performed reviews of their operational effectiveness for the year ended 31 December 2013. The outcome of these reviews and analysis as well as planned improvements for 2014, has been shared with the Audit Committee and the Supervisory Board and has been discussed with the Company's external auditors.

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

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

- Risk management systems and internal control measures provide reasonable assurance that financial reports do not contain any material inaccuracies
- There are no indications that risk management systems and internal control measures did not work properly in 2013

The statements above do not imply that the Company's can provide certainty concerning the realisation of business and financial strategic objectives or that its approach to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of law or regulations. In respect of the impairment charges incurred in 2012 and 2013, financial reporting was based upon the best operational information available throughout the year and was promptly communicated. In respect of the investigation into potentially improper sales practices, investigations are ongoing and no conclusions or updates are available as of the date of this report.

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

3.11 Compliance Statement

In accordance with 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 2013 as presented under International Financial Reporting Standards, and supplemented by essential non-IFRS disclosures (Directional Reporting) 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 2013 and the state of affairs during the financial year to which the report relates, and the Annual Report also describes the principal risks facing SBM Offshore N.V.

Management Board

Mr. B.Y.R Chabas, CEO

Mr. P.M. van Rossum, CFO

Mr. S. Hepkema, CGCO

4 Financial Report 2013

4.1 2013 Overview

4.1.1 2013 Company Overview

Introduction

The Company began its transformation in 2012, re-focusing its strategy around FPSOs and related products and services, followed by far reaching changes to the organisational structure emphasising accountability, transparency and compliance. The results, strong revenue growth, good core performance and record backlog clearly began to emerge in 2013. The transformation continues as the Company focuses on strengthening project controls, support functions and operational disciplines across the business. This is being achieved through a programme to improve ways of working for people, and through processes and systems designed to increase effectiveness, deliver control and allow the Company to “work as one.”

Apart from the on-going internal investigation into potentially improper sales practices, the Company has largely consigned its legacy issues to the past. The Yme settlement was signed in March and the Deep Panuke platform achieved Production Acceptance in December 2013. Asset values have been adjusted where required. Through the corporate and project financing activities completed in the year, the financial position of the Company is markedly strengthened enabling it to competitively address the increasing demand for larger and more complex projects from our clients.

The project award delays encountered in 2012, combined with a strong commercial effort, resulted in record order levels in 2013 with Directional¹ Order Intake of US\$10.0 billion and Directional¹ Backlog of US\$23.0 billion.

Consistent with the Company’s strategy to focus on its core business and to further strengthen the financial position, a number of non-core asset divestments were made during the period, which include the sale and lease back transactions of two out of three office properties in Monaco and the sale of its non-core “COOL™ hose” technology.

In the first half of the year, the Company strengthened its financial position through a 1 for 10 rights offering of new ordinary shares raising US\$247 million and, as a result of the settlement with Talisman, an additional US\$27 million top-up from HAL Investments B.V. (HAL) as a share premium contribution on the new ordinary shares it acquired through a private placement in December 2012.

The Company secured a Project Loan facility for FPSO N’Goma for US\$600 million and bilateral credit facilities for FPSO Cidade de Maricá and Cidade de Saquarema for US\$600 million. The additional liquidity and greater financial flexibility have further improved the Company’s risk profile for securing funding for future projects.

Directional Reporting

In 2013, in order to provide its shareholders with clarity on business performance above and beyond the regular IFRS-based disclosures, the Company introduced Directional¹ reporting. Directional¹ reporting addresses the complexity in the Group's business model whereby turnkey sales are combined with construction projects for its own lease & operate portfolio. Furthermore, the Company's FPSO lease & operate contracts are increasingly classified as 'finance leases', which adds further complexity by accelerating revenue and profit recognition into the construction phase, well before rents are invoiced to, and paid by, the client. The Directional¹ view extends reporting with non-IFRS disclosures showing revenues and results more in line with operating cash flows to simplify some of these complexities. This is designed to increase transparency and understanding of performance and provide disclosures of Backlog and Income Statement based on Directional¹ principles.

Directional¹ reporting principles are:

- Directional¹ reporting is an additional disclosure to IFRS reporting
- Directional¹ reporting assumes all lease contracts are classified as operating lease
- Directional¹ reporting is limited to restating revenue and operating income; no balance sheet restatements are made
- Directional¹ reporting is included in the Financial Review

In order to introduce Directional¹ reporting, the Company achieved the following steps:

- Disclosure of Directional¹ income statement and Backlog for H1 2013 and the H1 2012 comparison was made in August with the Half-Year results
- 2013 transition period to promote Directional¹ reporting as the main indicator for Company performance and variance analysis
- Full Year 2013 Directional¹ income statement disclosed with 2012 comparison
- 2014 guidance for Directional¹ revenue

The need for the introduction of Directional¹ reporting is acute and significant: revenue reported under IFRS rules exceeds the Directional¹ view by some US\$1.4 billion in 2013. This represents the present value of future income to be invoiced and realised over the next 20 years. Under IFRS the Company reports a US\$111 million positive net income attributable to shareholders for 2013, while the Directional¹ view shows a loss of US\$58 million. The Management Board highlights these fundamental and significant differences to allow investors a balanced understanding of the results, giving insight in both rules and reality.

Directional reporting

in US\$ million	2013			2012 ²		
	Directional ¹	IFRS Adjustment	IFRS	Directional ¹	IFRS Adjustment	IFRS
Total Revenues	3,445	1,358	4,803	3,059	580	3,639
	Lease and Operate					
Third parties revenues	1,078	(59)	1,018	977	(45)	932
Gross Margin	(154)	13	(141)	(313)	14	(299)
EBIT	(177)	13	(164)	(341)	14	(327)
Deprec., amort. and impairment	(463)	73	(390)	(678)	59	(619)
EBITDA	285	(59)	226	337	(45)	292
	Turnkey					
Third parties revenues	2,367	1,418	3,784	2,082	625	2,706
Gross Margin	443	182	625	307	103	410
EBIT	296	182	478	311	103	414
Deprec., amort. and impairment	(15)	-	(15)	(23)	-	(23)
EBITDA	311	182	493	334	103	437
	Other					
Other operating income	33		33			
Selling & marketing expenses						
General & administrative expenses	(53)		(53)	(49)		(49)
EBIT	(21)		(21)	(49)		(49)
Total EBIT	98	195	293	(79)	118	38
Total EBITDA	577	122	700	623	59	681
Net financing costs	(100)		(100)	(79)		(79)
Income from associated companies	1		1	4		4
Income tax expense	(54)	(26)	(80)	(22)	16	(38)
Profit/ (Loss)	(55)	169	114	(176)	101	(75)
Non controlling interest	3		3	(1)	5	5
Net Profit attributable to shareholders	(58)	169	111	(175)	96	(79)

¹ Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting

² Restated for comparison purposes

Figures are expressed in million US\$ and may not add up due to rounding.

Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting

HSSE

Over the course of 2013 the Company achieved a stable safety performance in a range of its business activities, and similar to that of 2012 with a Total Recordable Injury Frequency Rate (TRIFR) of 0.40 in 2013 compared to 0.38 in 2012. However, the Lost Time Injury Frequency Rate (LTIFR) deteriorated to 0.15 in 2013 from 0.06 from 2012. A number of corrective actions have been taken to help raise our standards.

Compliance

In 2012, the Company announced it had initiated an internal investigation, conducted by outside counsel and forensic accountants, into potentially improper sales practices. The Company has disclosed the results of the internal investigation to the appropriate authorities and remains in active dialogue. As the investigation is still in progress it is not possible to provide further information or an estimate of the outcome, financial or otherwise. The Company has continued and expanded its efforts, started in 2012, to enhance its compliance programme.

Yme

In March 2013, the Company reached an agreement with Talisman to terminate the Yme MOPU^{stor} contract for a settlement of US\$470 million. The settlement included the termination of the existing agreements and arbitration procedures and the decommissioning of the MOPU. As the Company had already made a provision of US\$200 million in 2012, the difference of US\$270 million was recognised in the 2013 results.

Deep Panuke

The Company completed the debottlenecking process, and brought the Deep Panuke platform to full production capacity safely and received a Production Acceptance Notice (PAN) from the client in December 2013. The platform is currently on hire and generating full day rate.

Strategy

Last year the Company re-focused its strategy on its core business of FPSOs and associated products and services. Since the beginning of 2013, new award announcements for two FPSOs for Petrobras in Brazil and one FPSO for Shell in the Gulf of Mexico demonstrate progress is well underway. As the industry leader, the Company continues to strive for an improved risk/reward balance for its FPSO products and services and has identified an encouraging pipeline of projects in the medium term.

Investing in our Future

Over the course of 2013, the Management Board focused its attention on three core strands of activity to develop and improve SBM Offshore's future performance. During 2014, these programmes will carry incremental costs equivalent to 2.5%-3% of Directional¹ revenue.

With the lengthening life spans of FPSOs, there is an emerging need for a defined fleet maintenance programme, over and above the standard operational expenditure on individual vessels. This will be a focused two year investment programme with clear operational and financial benefits.

Despite recent progress, there is a distinct need to permanently embed improved efficiency and ways of working

across multiple disciplines. A two year transformation programme, named Odyssey 24, will create the foundation to deliver consistently outstanding performance. The programme is led by SBM senior staff members, dedicated for the project duration, and using external advisors.

Maintaining its technological lead position in complex floating production systems, and associated mooring systems, is critical for SBM Offshore. The company will continue to identify technology trends in the offshore oil & gas market, prioritising development work to address key areas of demand.

¹ *Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting*

Outlook and Guidance 2014

2013 has been a strong year for SBM Offshore. Revenue growth and underlying EBIT margins were excellent as the Company successfully progressed its EPC and Lease & Operate portfolio.

The Company is providing 2014 guidance on the basis of Directional¹ results. Directional¹ revenue is expected to come in at similar levels as in 2013, approximately US\$3.4 billion, which is based on conservative award assumptions. Turnkey and Lease & Operate revenues are also expected to be approximately in line with 2013 levels.

The Company expects a level of capital investments higher than 2013 levels. Furthermore, the Company will continue to attract necessary project financing for the funding of new, or recently awarded, leased FPSOs under construction.

¹ *Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting*

Dividend

The Management Board reiterates that the Company will not pay a dividend over 2013, in view of the losses incurred in 2011 and 2012 and the need to strengthen the balance sheet. The Management Board intends to discuss at the Annual General Meeting (AGM) in 2015 a change of dividend policy, making dividends dependent on available free cash flow as opposed to the existing policy of paying out 50% of IFRS net income. Given the on-going execution of the Group's record project backlog, the Management Board does not expect positive free cash flow for 2014 or 2015. Following the 2015 Annual General Management meeting the Management Board intends to propose a payout ratio of between 25% and 35% of Directional¹ net income subject to the availability of free cash flow.

¹ *Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting*

4.1.2 Financial Review

Highlights

The consolidated Directional¹ result for 2013 is a net loss of US\$55 million (2012 Directional¹ net loss of US\$176 million). This result includes divestment profits, impairment charges, and other non-recurring items which generated a net loss of US\$433 million in 2013 (US\$473 million in 2012). Directional¹ net loss attributable to shareholders amounts to US\$58 million (US\$175 million loss in 2012). Excluding divestment profits, impairment charges, and other non-recurring items, the underlying consolidated Directional¹ result attributable to shareholders for 2013 improved by 26% to a net profit of US\$375 million (2012 net profit of US\$298 million).

Taking into account IFRS adjustments related to finance lease contracts totalling US\$169 million and representing mainly the deemed net profit on the Company's share in the Joint Ventures (JV) acquiring the FPSOs under construction, the consolidated IFRS result for 2013 is a net profit of US\$114 million (2012 net loss of US\$75 million). IFRS net income attributable to shareholders amounts to US\$111 million (US\$79 million loss in 2012).

The Directional¹ loss per share amounted to US\$0.28 (loss per share of US\$1.00 in 2012). Adjusted for divestment profits, impairment charges, and other non-recurring items underlying Directional¹ net income per share increased by 8% for 2013 despite dilution to US\$1.84 per share, compared with US\$1.70 in 2012.

Net debt at the year-end amounted to US\$2,691 million (US\$1,816 million in 2012) with bank covenants met and available committed bank facilities of US\$1,234 million.

Total Directional¹ orders in the year came to US\$10,012 million (split 43% / 57% between the Lease & Operate and the Turnkey segments respectively), compared to US\$1,440 million achieved in 2012.

Directional¹ turnover increased by 12.6% to US\$3,445 million, in comparison with US\$3,059 million in 2012, mainly as a result of higher Turnkey revenues. Taking into account IFRS adjustments related to finance lease contracts representing mainly the deemed revenues on the Company's share in the JV acquiring the FPSOs under construction, IFRS turnover increased by 32.0% to US\$4,803 million, in comparison with US\$3,639 million in 2012, mainly as a result of higher Turnkey revenues.

Total Directional¹ order portfolio at the end of the year was US\$23,025 million compared to US\$16,459 million at the end of 2012, an increase of 40% reflecting the high level of orders in 2013. Of this, US\$20,146 million relates to the non-discounted value of the revenues from the Company's long-term lease contracts in portfolio at year-end.

Directional¹ EBITDA amounted to US\$577 million (including non-recurring items of US\$248 million), representing an approximately 7% decrease compared to US\$623 million in 2012.

IFRS EBITDA amounted to US\$700 million (including non-recurring items of US\$252 million), representing an approximately 3% increase compared to US\$681 million in 2012.

Directional¹ operating result (EBIT) increased to US\$98 million profit after impairment charges, divestment profits and non-recurring items for US\$437 million compared to US\$79 million EBIT loss in 2012 which included US\$499 million of non-recurring items related to the Yme and Deep Panuke projects.

IFRS operating result (EBIT) increased to US\$293 million profit after impairment charges, divestment profits and non-recurring items for US\$442 million compared to US\$38 million EBIT profit in 2012 which included US\$499 million of non-recurring items related to the Yme and Deep Panuke projects.

The year was marked by the following financial highlights:

- Strong order intake of US\$10.0 billion boosting Directional¹ backlog to a record high level of US\$23.0 billion
- Talisman Yme MOPUstor project settlement of US\$470 million (US\$200 million recognised in 2012, the difference of US\$270 million recognised in 2013)
- The Deep Panuke platform went on hire following the receipt of Production Acceptance Notice in December. Additional costs associated with the delay and debottlenecking totaled US\$37 million in the period
- The carrying value of the ThunderHawk facility has been impaired by US\$65 million. This was based on production trends from current reserves, and projections from planned new fields. As such, total deliverable volumes were determined to be insufficient to sustain the asset's book value. The ThunderHawk semisubmersible production facility in the US Gulf of Mexico is the only facility in SBM Offshore's Lease fleet portfolio which bears exposure to reservoir risk
- The FPSO Falcon and VLCC Alba, laid up since 2009 and 2011 respectively, have been classified as held for sale and consequently have been impaired by US\$53 million to their estimated market value in the second half of 2013
- With the upcoming expiration of contracts for FPSO Kuito and FPSO Brasil, the Company has undertaken the reassessment of decommissioning costs. As a consequence, a Company-wide review was conducted in Q4 to reassess decommissioning expenses of all other vessels, resulting in a charge to income of US\$40 million
- FPSO OSX-2 was successfully delivered as per contract in early September with no further financial exposure to the client
- FPSO Cidade de Paraty began oil production and went on hire in June 2013 following full systems acceptance by the client. The unit is owned and operated by a consortium of affiliated companies of SBM Offshore (50.5%), QCOG, Nippon Yusen Kabushiki Kaisha (NYK), and ITOCHU Corporation (ITOCHU)
- As part of the disposal programme of non-core assets announced in 2012, the Company completed sale and lease back transactions for two of three office buildings in Monaco. The remaining building is now expected to be sold in 2014. Sales proceeds thus far exceed US\$100 million, resulting in a book profit of approximately US\$27 million, including the sale of the "COOL™ hose" technology.
- Capital expenditure and investments in finance leases in 2013 amounted to US\$1,423 million, exceeding 2012 level of US\$1,217 million.
- New financing agreements totaling US\$600 million for FPSO N'Goma and four bilateral credit facilities for FPSO Cidade de Maricá and Cidade de Saquarema for US\$600 million arranged in December.
- Cash plus undrawn facilities amounted to US\$1.4 billion at the end of December 2013 compared to US\$2.0 billion in 2012.
- The Company finalised in April a 1 for 10 rights offering of new ordinary shares raising US\$247 million and an additional US\$27 million from HAL as a top-up to the share premium contribution on the new ordinary shares it acquired through a private placement in December 2012.

Segmental information in respect of the two core business segments of the Company is provided in the detailed financial analysis.

¹ Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting

Orders

Total Directional¹ orders for 2013 amounted to US\$10.0 billion. This total includes new orders signed for US\$9,401 million and variation orders signed for US\$611 million.

The Company continued to capitalise on its strength and expertise in its core FPSO market, securing new orders including:

FPSO Stones (Gulf of Mexico)

The Company secured a contract from Shell for the supply and lease of an FPSO for the Stones development project in the Gulf of Mexico. The contract includes an initial period of ten years with future extension options up to a total of twenty years. The Stones development is located in 2,900m (9,500ft) of water approximately 320km (200 miles) offshore Louisiana in the Walker Ridge area.

FPSOs Cidade de Maricá and Cidade de Saquarema for Petrobras

Contracts have been executed with BM-S-11 subsidiary Tupi BV for the twenty-year charter and operation of the two FPSOs Cidade de Maricá and Cidade de Saquarema. Both FPSOs are destined for the Lula field in the pre-salt province offshore Brazil. BM-S-11 block is under concession to a consortium comprised of PETROBRAS (65%), BG E&P Brasil Ltda. (25%), and Petrogal Brasil S.A. (10%). The FPSOs will be owned and operated by a Joint Venture owned by SBM Offshore, Mitsubishi Corporation, Nippon Yusen Kabushiki Kaisha, and Queiroz Galvão Óleo e Gás S.A. with an SBM Offshore share of 56%. SBM Offshore is in charge of the construction. Planned delivery for FPSOs Cidade de Maricá and Cidade de Saquarema is expected by the end 2015 and early 2016 respectively.

¹ Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting

Turnover

Total Directional¹ turnover rose significantly in the year due to higher revenues recognised in the Turnkey segment, especially under the strong contribution of the contracts signed in early 2013.

Turnover
in millions of US\$



* restated for comparison purposes

Turnkey third party Directional¹ turnover of US\$2,367 million rose by 14% and represents 69% of total 2013 turnover (2012: US\$2,082 million representing 68%) as a result of a full year of construction progress on a number of FPSOs, such as FPSOs Cidade de Maricá and Cidade de Saquarema, FPSO Cidade de Ilhabela, FPSO N'Goma, and increased year on year construction progress of the three major turrets, offset by the completion of FPSO OSX-2 and FPSO Cidade de Paraty and the loss of revenue due to the sale of Gusto MSC completed at the end of 2012.

Construction commenced for the finance lease FPSO Stones. The project is fully controlled by SBM Offshore, as the Company currently owns 100% of the project.

Construction commenced for the finance lease of FPSOs Cidade de Maricá and Cidade de Saquarema. The joint venture (JV) is controlled by SBM Offshore, and is consolidated proportionately to the Company's 56% share of the JV. Directional¹ turnover reflects SBM's income generated by invoicing the JV partners for their 44% share in the EPCI lump-sum cost of the FPSO under construction. IFRS adds to this the revenue calculated as the present value of the 56% SBM share of the future lease income.

Construction continued for the finance lease FPSO Cidade de Ilhabela throughout 2013, with refurbishment and conversion at the Chinese shipyard completed. The vessel is currently in Brazil where the process modules at the Brasa yard will be installed. Start-up of the facility is expected in the second half of 2014. The joint venture (JV) is jointly controlled by SBM Offshore, and is consolidated proportionately to the Company's 62.25% share of the JV. Thus Directional¹ turnover reflects SBM's income generated by invoicing the JV partners for their 37.75% share in the EPCI lump-sum cost of the FPSO under construction. IFRS adds to this the revenue calculated as the present value of the 62.25% SBM share of the future lease income.

Construction was completed and the vessel has been on hire since June 2013 for the finance lease FPSO Cidade de Paraty contract (SBM Offshore share 50.5%). Directional¹ turnover reflects SBM's income generated by invoicing the JV partners for their 49.5% share in the EPCI lump-sum cost of the FPSO under construction. IFRS adds to this the revenue calculated as the present value of the 50.5% SBM share of the future lease income.

The twelve-year lease contract with ENI for FPSO N'Gomais also accounted for as a finance lease. Construction, refurbishment and the lifting of process modules at the shipyard in Singapore is complete. The FPSO will sail to Angola for integration and start of production currently forecast in the second half of 2014. Directional¹ turnover reflects SBM's income generated by invoicing Sonangol for their 50% share in the EPCI lump-sum cost of the FPSO under construction. IFRS adds to this the revenue calculated as the present value of the 50% SBM share of the future lease income.

Lease & Operate Directional¹ turnover increased by 10% to US\$1,078 million (31% of total revenues; 32% in 2012), as a result of the start-up of FPSO Cidade de Paraty in July 2013, the full year operation of FPSO Cidade de Anchieta, and despite the exit from the fleet of FPSO Sanha.

Total IFRS turnover rose significantly in the year due to higher revenues recognised in the Turnkey segment, especially under the strong contribution of the finance lease contracts under construction, including the Siakap North Petai extension to FPSO Kikeh, classified as a finance lease in 2013.

The ongoing charter contracts for FPSOs Cidade de Paraty, Aseng, Mondoand Saxi Batuqueare similarly accounted for as finance leases, as per IAS 17 Leases. Earned interest in Lease & Operate turnover in 2013 in respect of these contracts amounted to US\$87 million (2012: US\$64 million).

¹ Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting

Ongoing Construction Contracts

FPSO Stones (US Gulf of Mexico)

Construction continued for the finance leased vessel throughout 2013, with refurbishment and conversion work being done at Keppel Singapore. The charter contract includes an initial period of 10 years with future extension options up to a total of 20 years. When installed at almost 3 kilometers of water depth, the FPSO Stones will be the deepest offshore production facility of any type in the world. The vessel is a typical Generation 2 design, with a disconnectable internal turret and processing facility capacity of 60,000 barrels of oil per day (bpd) and 15 mmscf/d of gas treatment and export.

FPSO Cidade de Maricá and Cidade de Saquarema (Brazil)

Construction is ongoing for the two finance leased vessels. Refurbishment and conversion work progressed throughout 2013 at a Chinese yard. The charter contract for both vessels includes a period of 20 years with options for extension. The two double hull sister vessels will be moored in approximately 2,300 meters water depth and with a storage capacity of 1.6 million barrels each. The topside facilities of each FPSO weigh approximately 22,000 tons, will be able to produce 150,000 bpd of well fluids and have associated gas treatment capacity of 6,000,000 Sm³/d. The water injection capacity of the FPSOs will be 200,000 bpd each.

FPSO Cidade de Ilhabela

Construction continued for the finance leased vessel throughout 2013, with refurbishment and conversion at the Chinese shipyard completed. The vessel arrived at year end 2013 in Brazil where the process modules at the Brasa yard will be installed. The FPSO will include topside facilities to process 150,000 bpd of production fluids, with processing of the substantial volumes of associated gas from the pre-salt field for export. Start-up of the

facility is expected in the second half of 2014.

FPSO N'Goma

The construction, refurbishment, and module work at Keppel shipyard in Singapore is nearing completion. The FPSO is expected to arrive in Paenal, Angola for lifting of the remaining modules and completion of the FPSO. The schedule foresees a production start in 2014 at a design capacity of 100,000 bpd.

Turret Mooring Systems

The three large complex turrets for Prelude FLNG, Quad204 and Ichthys are progressing well and on schedule at their respective stages of completion of the project. These three turrets represent a substantial proportion of the Turnkey segment with delivery of sections in 2013 reaching completion with the superstructure of Ichthys as the last section in 2014. All three turrets contain elements that require advanced technology solutions for high mooring loads; total weight of 11,000 tons with a height of 95 meters for Prelude, fluid throughput of 320,000 bpd in the swivel stack on Quad 204 and 40 years of continuous operation in harsh environment on Ichthys.

Main Projects Overview

Main Projects Overview

Project	Contract	SBM Share	Capacity, Size	POC	Target Year	Notes
Paraty, FPSO	20 year finance lease	50.5%	150,000 bpd	> 100%	Delivered	Completed on time and on budget. On hire and producing following systems acceptance June 2013.
Deep Panuke, MOPU	8 year operating lease	100%	54,000 boe/day	> 100%	Delivered	Debottlenecking process completed and Production Acceptance Notice received December 2013. Platform on hire and generating full day rate.
OSX2, FPSO	Turnkey sale	100%	100,000 bpd	> 100%	Delivered	Delivered to the client in September 2013. On time and on budget.
N'Goma, FPSO	12 year finance lease	50%	100,000 bpd	< 75%	2014	Construction, refurbishment and module work at Keppel shipyard in Singapore nearing completion. Next stop Paenal, Angola for lifting of remaining modules and completion. Delivery planned 2H14.
Ilhabela, FPSO	20 year finance lease	62.25%	150,000 bpd	< 75%	2014	Refurbishment and conversion work in China completed. Vessel arrived end of 2013 in Brazil where process modules will be installed at the Brasa yard. Delivery planned 2H14.
Quad204, Turret	Turnkey sale	100%	320,000 bpd	< 75%	2014	Construction work completed in Singapore. Arrived in Korea 4Q13 where integration with the vessel will take place.
			28 risers			
Prelude, Turret	Turnkey sale	100%	95m height,	50% < 75%	2014	Fabrication in Dubai progressing well. Engineering and procurement still to be completed.
			11,000 tons			
Ichthys, Turret	Turnkey sale	100%	60m height,	25% < 50%	2015	Engineering, procurement and construction progressing well in Singapore.
			7,000 tons			
Marica, FPSO	20 year finance lease	56%	150,000 bpd	< 25%	2015	Vessel in the shipyard in China, engineering and procurement progressing.
Saquarema, FPSO	20 year finance lease	56%	150,000 bpd	< 25%	2016	Vessel in the shipyard in China, engineering and procurement progressing.
FPSO Stones	10 year finance lease	100%	60,000 bpd disconnectable	25% < 50%	2016	Refurbishment and conversion has progressed well at Keppel shipyard in Singapore.

Order Portfolio

Year-end Directional¹ order portfolio at US\$23.0 billion is higher by 39.4% from last year's level of US\$16.5 billion reflecting the effect of a high level of orders in 2013. The current Directional¹ order portfolio includes US\$20.1 billion (2012: US\$13.6 billion) for the non-discounted value of future revenues from the long-term charters of the lease fleet. Approximately 53% of the total future revenues from the long-term charters of the lease fleet will be generated from the lease contracts which have yet to commence (FPSOs Cidade de Ilhabela, N'Goma, Cidade de Maricá and Cidade de Saquarema and Stones).

Turnkey Directional¹ order portfolio remained stable at US\$2.9 billion (US\$2.9 billion in 2012), representing approximately 1.2 year's equivalent turnover.

The Company's order portfolio as of December 31, 2013 is expected to be executed as per the table below.

Directional¹ Order Portfolio as of December 31, 2013

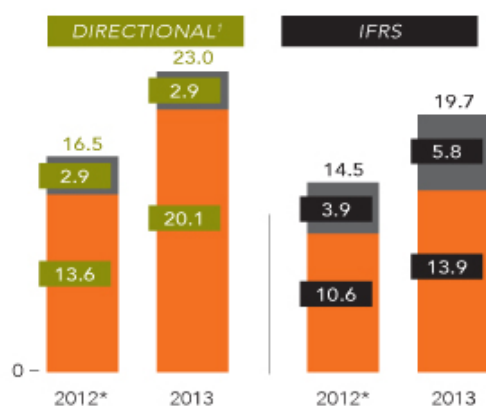
in billions of US\$

	Turnkey	Lease & Operate	Total
2014	2.0	1.1	3.1
2015	0.8	1.2	2.0
2016		1.5	1.6
Beyond 2016		16.4	16.4
Total	2.9	20.1	23.0

¹ Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting

Order Portfolio *in billions of US\$*

■ Lease & Operate
■ Turnkey



* Restated for comparison purposes

¹ Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting

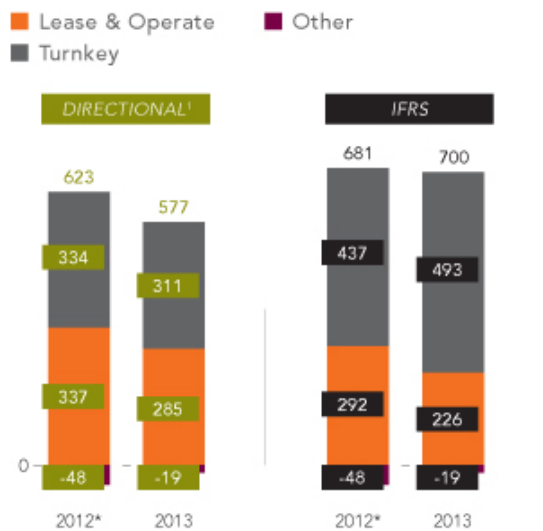
Profitability

The primary business segments of the Company are Lease & Operate and Turnkey plus “Other” non-allocated corporate income and expense items. EBITDA and EBIT are analysed per segment but it should be recognised that business activities are closely related, and certain costs are not specifically related to either one segment or another. For example, when sales costs are incurred (including significant sums for preparing the bid), it is often uncertain whether the project will be leased or contracted on a turnkey lump sum basis.

In recent years, new lease contracts are showing longer duration and are increasingly classified as finance leases for accounting purposes, whereby the fair value of the leased asset is recorded as a Turnkey “sale” during construction. This has the effect of recognising, in the Turnkey 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.

EBITDA

in millions of US\$



* Restated for comparison purposes

Directional¹ EBITDA in 2013 of US\$577 million (US\$623 million in 2012) consisted of US\$285 million (US\$337 million in 2012) from Lease & Operate activities, US\$311 million (US\$334 million in 2012) from Turnkey, less US\$19 million (US\$48 million in 2012) of non-allocated corporate, other costs and the 2013 book profit resulting from divesting activities. Restated for divestment profits, impairment charges, and other non-recurring items, the underlying Directional¹ EBITDA for 2013 increased by 19% to US\$825 million compared to 2012 underlying Directional¹ EBITDA of US\$694 million.

IFRS EBITDA in 2013 of US\$700 million (US\$681 million in 2012) consisted of US\$226 million (US\$292 million in 2012) from Lease & Operate activities, US\$493 million (US\$437 million in 2012) from Turnkey, less US\$19 million (US\$48 million in 2012) of non-allocated corporate and other costs and the 2013 book profit resulting from divestment activities. Restated for divestment profits, impairment charges, and other non-recurring items underlying IFRS EBITDA for 2013 increased by 26% to US\$951 million compared to 2012 underlying IFRS EBITDA of US\$753 million.

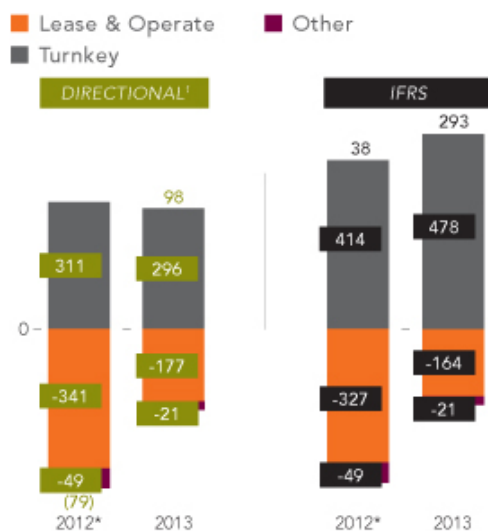
As a percentage of turnover, Directional¹ EBITDA was 16.8% (2012: 20.3%). Segmental Directional¹ EBITDA margins for Lease & Operate stood at 26.4% (2012: 34.5%), Turnkey 13.1% (2012: 16.0%) excluding intercompany projects.

The relative contribution to Directional¹ EBITDA from the segments was 48% from Lease & Operate and 52% from Turnkey. In 2012, the corresponding split was 50% / 50%.

As a percentage of turnover, IFRS EBITDA was 14.6% (2012: 18.7%). Segmental IFRS EBITDA margins for Lease & Operate stood at 22.2% (2012: 31.3%), Turnkey 13.0% (2012: 16.1%) and the relative contribution to IFRS EBITDA from the segments was 32% from Lease & Operate and 68% from Turnkey. In 2012, the corresponding split was 40% / 60%.

EBIT

in millions of US\$



* Restated for comparison purposes

The Directional¹ operating profit in 2013 amounted to US\$98 million (EBIT loss in 2012 US\$79 million) with the following highlights:

- High contribution from the Turnkey segment, with a strong EBIT margin of 12.5% (14.9% in 2012 and 8.8% excluding GustoMSC and SBM Dynamic Installer divestments), driven by good projects execution and positive settlements on projects completed in 2013
- The level of Lease & Operate fleet activity was slightly higher to that of 2012 and resulted in an EBIT loss of 16.4% or a 26.6% profit excluding impairment charges and other non-recurring items (-34.9% and 29.2% excluding impairment charges and other non-recurring items in 2012)

Restated for divestment profits, impairment charges, and other non-recurring items underlying Directional¹ EBIT for 2013 increased by 28% at US\$535 million compared to 2012 underlying Directional¹ EBIT of US\$420 million.

Taking into account IFRS adjustments related to finance lease contracts totalling US\$195 million and representing mainly the deemed net profit on the Company's share in the Joint Venture acquiring the FPSOs under

construction, IFRS EBIT in 2013 amounted to US\$293 million (EBIT profit in 2012 US\$38 million).

Non-allocated "Other" income and expenses showed a net cost of US\$21 million in 2013, compared with US\$49 million in 2012, and includes US\$27 million of book profit relating to divesting activities in 2013.

Net financing costs increased to US\$100 million compared to 2012 (US\$78 million) mainly as a result of interest paid on the US Private Placement set up for FPSOs Cidade de Anchieta and FPSO Cidade de Paraty project loan. The average cost of debt came to 5.3% in 2013 (5.3% in 2012).

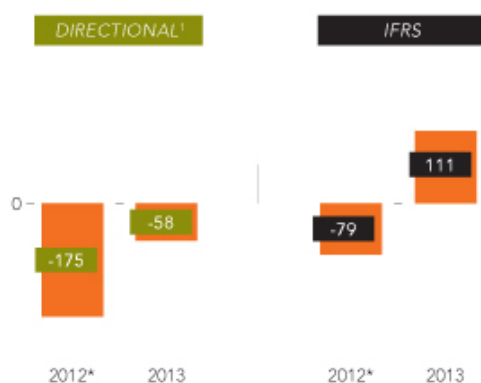
More generally, once production units are brought into service the financing costs are expensed to the income statement whereas during construction interest is capitalised. It should be emphasised that the net profit contribution of newly operating leased units is limited by the relatively high interest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

Interest income on the Company's cash balances was again very low in 2013 due to the low level of short-term US interest rates. Main interest income of the Company is derived from interest bearing loans to joint ventures and associates.

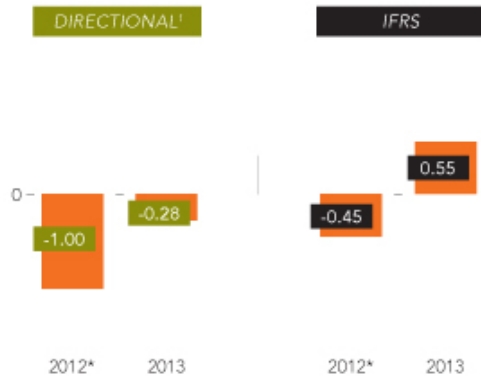
The reported share of profit in associates was minimal in 2013 (US\$1 million) as it was in 2012 (US\$4 million). In the future the Company's share of net results in any non-controlled joint ventures (as defined by IFRS 11 Joint Arrangements) will appear in this line item, but at present the Company's accounting policy for joint ventures continues to be the proportionate consolidation method whereby the Company's share of each income statement or statement of financial position line item is included in the consolidated financial statements.

The underlying Directional¹ Effective Tax Rate in 2013 was stable at 13.6% compared to 14.0% in 2012.

Net Income attributable to shareholders
in millions of US\$



Basic Weighted Average EPS
in US\$



* Restated for comparison purposes

IFRS non-controlling interests in the 2013 net result amounted to income of US\$3 million compared to the 2012 minority share of US\$5 million due to reported results from fully consolidated joint ventures where the Company has a minority partner (principally concerns FPSOs Asengand Capixaba).

IFRS net result attributable to shareholders accordingly amounts to income of US\$111 million (US\$79 million loss in 2012).

As previously advised, the Company will not pay a dividend over 2013.

Dividend per share
in US\$



¹ Directional view is a non-IFRS disclosure, which corrects the non-cash effects on revenue and earnings introduced by IFRS finance lease accounting

Statement of Financial Position

Total assets were US\$7.1 billion as of 31 December 2013 (31 December 2012: US\$6.3 billion). The increase is largely a result of the growing investments and activities recorded in 2013, and the proceeds from divestment of non-core assets and the rights offering.

Shareholders' equity increased from US\$1,458.6 million to US\$2,064.2 million due to 2013 net income of US\$111 million, the 1 for 10 rights offering of new ordinary shares raising US\$247 million and the US\$27 million top-up to the December 2012 private placement with HAL and the US\$201 million income in Other Comprehensive Income resulting from the variation of hedging reserve related to financial instruments.

Capital Employed (Equity + Provisions + Deferred Tax Liability + Net Debt) at year-end 2013 amounted to US\$4,946.8 million and increased by 45% compared to last year's level (US\$3,419.9 million). This was due to the positive contribution to equity of the rights offering, increase to the private placement realised at the end of December 2012 and the increase of net debt.

Capital Employed

in millions of US\$



At 31 December 2013, the Company has undrawn committed long-term bank facilities totalling US\$1,234 million (Revolving Credit Facility, FPSO N'Goma, FPSO Cidade de Ilhabela - SBM 62.25% share and bilateral credit facilities for FPSO Cidade de Maricá and Saquarema) available for financing capital investment in 2014 onwards.

Net debt at the year-end amounted to US\$2,691 million (US\$1,816 million at 31 December 2012) with net gearing at 126.0% which is slightly higher than last year despite the rights offering and HAL private placement top-up, due to the increase of the net debt driven by the US\$470 million settlement with Talisman. The relevant banking covenants (main solvency, net debt/adjusted EBITDA, interest cover) were all met.

As in previous years, the Company has no off-balance sheet financing.

In 2012, the Company announced a plan to sell and lease back its premises owned in Monaco. The Company completed sale and lease back transactions for two of three office buildings. The remaining building is now expected to be sold in 2014. As a consequence, the Company's related property, plant and equipment continues to be classified as assets held for sale for their carrying value in the Company statement of financial position as of 31 December 2013, together with three non-core vessels, the DSCV SBM Installer, the FPSO Falcon, and the VLCC Alba.

The current ratio defined as “current assets/current liabilities” increased to 1.67 mainly due to the increasing construction activities on finance lease contracts, and the reduction of the current portion of loans and borrowings.

Statement of Financial Position

<i>in millions of US\$</i>	2009	2010	2011	2012*	2013
Capital employed	3,325.8	3,811.9	3,354.3	3,420.0	4,947.0
Total equity	1,816.8	2,123.4	1,349.0	1,529.8	2,135.0
Net Debt	1,464.0	1,644.3	1,958.5	1,815.8	2,690.8
Net gearing (%)	81.0	77.4	145.2	118.7	126.0
Net debt: unadjusted EBITDA ratio	2.39	2.31	2.41	2.7	3.8
Current ratio	0.91	1.48	0.86	1.17	1.67
Solvency ratio	NA	39.6	30.0	27.1	30.2

* restated for comparison purposes

Capital Structure

Following the successful private placement of the Company’s shares with HAL in December 2012, the subsequent top-up of the private placement of the Company’s shares with HAL and the 1 for 10 rights offering of new ordinary shares in early 2013, the financial position of the Company is secure. The anticipated future proceeds from the non-core asset disposals and frozen dividend payments, will provide further equity support. The Company’s medium-term objective remains to strengthen the balance sheet to a point that it will be able to obtain an investment grade credit rating in order to access the corporate bond market.

Investments and Capital Expenditures

Total investments made in 2013 increased to US\$1,423 million compared to US\$1,217 million in 2012 and were recorded as:

- Capital expenditures of US\$201 million (US\$655 million in 2012).
- Investments in finance leases for US\$1,222 million (US\$563 million in 2012).

Total capital expenditures for 2013 (comprised of additions to property, plant & equipment plus capitalised development expenditure) amounted to US\$201 million (2012: US\$655 million). The majority of this total is related to new investments in the lease fleet (operating leases only) and other ongoing investments for which the major elements are:

- Final expenditure on the commissioning for the MOPU gas platform for EnCana’s Deep Panuke field in Canada.
- Ongoing investment in the Brasa integration yard in Brazil.
- Refurbishment of a newly leased office “Le Neptune” in Monaco.

Expenditures in 2013 on the FPSOs Cidade de Paraty, Cidade de Ilhabela, Cidade de Maricá and Cidade de Saquarema for Petrobras, FPSO Stones for Shell, and on FPSO N’Goma for ENI are excluded from the total amounts 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 non-current financial assets. The net investment in these finance lease contracts amounted to US\$1,222 million in 2013

(US\$563 million in 2012) and are reported as investing activities in the consolidated cash flow statement.

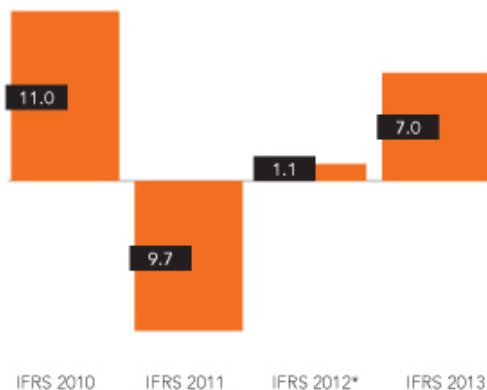
The decrease in property, plant and equipment in 2013 to US\$2,023 million (31 December 2012: US\$2,414 million) resulted from capital expenditure in 2013 less depreciation, impairment and amortisation, the reclassification as asset held for sale of the SBM Installer(Diving Support and Construction Vessel), the FPSO Falcon and the VLCC Alba.

The Company's investments comprise the external costs (shipyards, subcontractors, and suppliers), internal costs (man-hours 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 statement of financial position as the value of the respective facility. No profit is taken on completion/delivery of such a system for a lease & operate contract which is classified as an operating lease, apart from the profit realised by SBM Offshore with external partners on the construction contract with a joint venture proportionally consolidated.

Return on Average Capital Employed (ROACE)

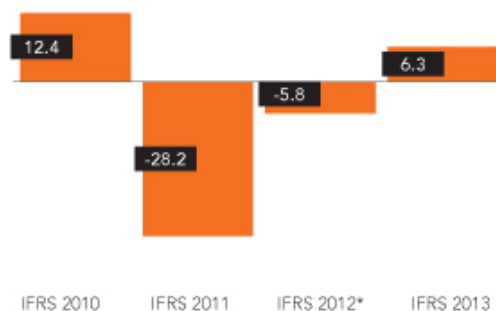
ROACE (Return On Average Capital Employed) increased to 7.0% and Return On average shareholders' Equity (ROE) also increased to 6.3%, both resulting from the increased activity and improved results in 2013 and the increase in equity and capital employed due to the top-up of the private placement of the Company's shares with HAL and the 1 for 10 rights offering of new ordinary shares.

Return on Average Capital Employed in %



Return on Average Equity

in %



* Restated for comparison purposes

Cash Flow/Liquidities

IFRS EBITDA increased from the previous year mainly due to increased activity and improved results.

Net cash and undrawn facilities decreased slightly to US\$1,434 million, of which US\$854 million can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilisation.

The Enterprise Value to EBITDA ratio at year-end 2013 stood at 9.9; higher than the previous year due mainly to increased market capitalisation.

Cash Flow/ Liquidities

in millions of US\$	2009	2010	2011	2012*	2013
EBITDA	613.3	712.4	813.2	681.0	699.6
Net liquidities/securities	146.7	103.4	164.7	715.1	199.5
Cash flow from operations	548.5	981.8	1157.6	1,133.6	471.0
EV: EBITDA ratio at 31/12	7.7	7.6	6.8	6.3	9.9
EBITDA: interest cover ratio	10.2	8.2	16.3	10.5	12.7

* restated for comparison purposes

4.2 Financial Statements

4.2.1 Consolidated Income Statement

Consolidated income statement (1/3)

Figures are expressed in millions of US\$ and may not add up due to rounding

	Notes	2013	2012 (*)
Revenue	1	4,803	3,639
Cost of Sales	3	(4,319)	(3,527)
Gross margin	1	484	111
Other operating income	2	28	130
Selling and marketing expenses	3	(34)	(50)
General and administrative expenses	3	(161)	(129)
Research and development expenses	3/6	(23)	(25)
Operating profit/(loss) (EBIT)		293	38
Financial income	5	26	24
Financial expenses	5	(126)	(102)
Net financing costs		(100)	(78)
Share of profit of equity-accounted investees		1	4
Profit/(Loss) before tax		194	(37)
Income tax expense	7	(80)	(38)
Profit/(Loss)		114	(75)

(*) restated for comparison purposes

Consolidated income statement (2/3)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Attributable to shareholders of the parent company	111	(79)
Attributable to non-controlling interests	3	5
Profit/(Loss)	114	(75)

Consolidated income statement (3/3)

	Note	2013	2012
Weighted average number of shares outstanding		203,857,784	175,586,103
Basic earnings/(loss) per share	8	US\$ 0.55	US\$ (0.45)
Fully diluted earnings/(loss) per share	8	US\$ 0.54	US\$ (0.45)

4.2.2 Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income (1/2)

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	2013	2012 (*)
Profit/(Loss) for the period		114	(75)
Cash flow hedges, net of tax	21	206	66
Currency translation differences, net of tax		(9)	2
Items that are or may be reclassified to profit or loss		198	68
Remeasurements of defined Benefit liabilities (assets), net of tax		10	(4)
Items that will never be reclassified to profit or loss		10	(4)
Other comprehensive income for the period, net of tax		208	64
Total comprehensive income for the period		321	(11)

(*) restated for comparison purposes

Consolidated statement of comprehensive income (2/2)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Attributable to shareholders of the parent company	313	(21)
Attributable to non-controlling interests	8	10
Total comprehensive income for the period	321	(11)

(*) restated for comparison purposes

4.2.3 Consolidated Statement of Financial Position

Consolidated statement of financial position

Figures are expressed in millions of US\$ and may not add up due to rounding

	Notes	2013	2012 (*)
ASSETS			
Property, plant and equipment	10	2,023	2,414
Intangible assets	11	30	29
Investment in associates		-	-
Other financial assets	12	1,522	948
Deferred tax assets	13	25	41
Derivative financial instruments	18	54	11
Total non-current assets		3,654	3,443
Inventories	14	27	20
Trade and other receivables	15	1,218	876
Income tax receivable	16	10	0
Construction work-in-progress	17	1,733	1,160
Derivative financial instruments	18	98	26
Cash and cash equivalents	19	200	715
Assets held for sale	20	177	77
Total current assets		3,463	2,875
TOTAL ASSETS		7,118	6,318
EQUITY AND LIABILITIES			
Issued share capital		72	62
Share premium reserve		1,145	867
Retained earnings		919	800
Other reserves		(72)	(270)
Equity attributable to shareholders of the parent company		2,064	1,459
Non-controlling interests		71	71
Total Equity	21	2,135	1,530
Loans and borrowings	22	2,514	1,907
Provisions	24	87	74
Deferred income	23	145	110
Deferred tax liabilities	13/25	34	1
Derivative financial instruments	18/28	125	229
Total non-current liabilities		2,905	2,321
Loans and borrowings	26	376	624
Provisions	24	64	235
Trade and other payables	27	1,501	1,512
Income tax payable		54	49
Derivative financial instruments	18/28	82	48
Total current liabilities		2,077	2,467
TOTAL EQUITY AND LIABILITIES		7,118	6,318

(*) restated for comparison purposes

4.2.4 Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity

	Outstanding number of shares	Share capital	Share premium reserve	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Note 21							
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>								
At 31 December 2012	189,142,215	62	867	800	(260)	1,469	71	1,540
Change in accounting policy	-	-	-	-	(10)	(10)	-	(10)
At 1 January 2013 (*)	189,142,215	62	867	800	(270)	1,459	71	1,530
Profit for the period	-	-	-	111	-	111	3	114
Foreign currency translation	-	3	-	-	(12)	(9)	0	(9)
Remeasurements of defined benefit liabilities (assets)	-	-	-	-	10	10	-	10
Cash flow hedges/net investment hedges	-	-	-	-	201	201	6	206
Comprehensive income for the period	-	3	-	111	199	313	8	321
Issue of shares	18,914,221	6	267	-	-	273	-	273
Share based payments	-	-	-	15	-	15	-	15
Share options bonus shares	690,752	0	11	(9)	-	2	-	2
Cash dividend	-	-	-	-	-	-	(7)	(7)
Other movements	-	-	-	2	-	2	(2)	715
At 31 December 2013	208,747,188	72	1,145	919	(72)	2,064	71	2,135

* restated for comparison purposes

Consolidated statement of changes in equity

	Outstanding number of shares	Share capital	Share premium reserve	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Note 21							
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>								
At 31 December 2011	171,440,416	56	675	876	(323)	1,285	65	1,350
Change in accounting policy	-	-	-	-	(6)	(6)	-	(6)
At 1 January 2012 (*)	171,440,416	56	675	876	(328)	1,279	65	1,344
Loss for the period	-	-	-	(79)	-	(79)	5	(75)
Foreign currency translation	-	1	-	-	1	2	(0)	2
Remeasurements of defined benefit liabilities (assets)	-	-	-	-	(4)	(4)	-	(4)
Cash flow hedges/net investment hedges	-	-	-	-	61	61	6	66
Comprehensive income for the period	-	1	-	(79)	58	(21)	10	(11)
Share issue	17,111,757	6	183	-	-	189	-	189
Share based payments	-	-	-	11	-	11	-	11
Share options bonus shares	590,042	0	9	(8)	-	1	-	1
Cash dividend	-	-	-	-	-	-	(4)	(4)
Other movements	-	-	-	0	-	0	-	0
At 31 December 2012 (*)	189,142,215	62	867	800	(270)	1,459	71	1,530

* restated for comparison purposes

Within the equity, an amount of US\$ 482 million (2012: US\$ 162 million) should be treated as legal reserve (please refer to 4.2.9 Notes to the Company financial statements).

4.2.5 Consolidated Cash Flow Statement

Consolidated cash flow statement

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Cash flow from operating activities		
Receipts from customers	3,311	2,587
Payments to suppliers and employees	(2,334)	(1,402)
Final settlement Talisman	(470)	-
Income tax received / (paid)	(35)	(52)
Net cash from operating activities	471	1,134
Cash flow from investing activities		
Investment in property, plant and equipment	(184)	(626)
Investment in intangible assets	(1)	-
Investment in finance leases	(1,200)	(552)
Additions to funding loans	(263)	(17)
Redemption of funding loans	161	8
Interest received	10	-
Net proceeds from disposal of financial participations	-	143
Net proceeds from disposal of property, plant and equipment	20	16
Net cash used in investing activities	(1,457)	(1,029)
Cash flow from financing activities		
Proceeds from issue of shares	273	189
Additions to borrowings and loans	945	1,003
Repayments of borrowings and loans	(612)	(616)
Dividends paid to shareholders	(7)	(4)
Interest paid	(122)	(99)
Direct contribution in equity	1	0
Net cash from financing activities	477	473
Net increase/(decrease) in cash and cash equivalents	(509)	578
Cash and cash equivalents at 1 January	715	136
Net cash increase/(decrease)	(509)	578
Currency differences	(7)	1
Cash and cash equivalents at 31 December	200	715

(*) restated for comparison purposes

Reconciliation of the cash and cash equivalents as at 31 December

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Cash and cash equivalents	200	715
Bank overdrafts	-	-
Cash and cash equivalents at 31 December	200	715

(*) restated for comparison purposes

4.2.6 Notes to the Consolidated Financial Statements

General information

SBM Offshore N.V. is a company domiciled in Rotterdam, the Netherlands. SBM Offshore N.V. is the holding company of a group of international, marine technology oriented companies. The consolidated financial statements for the year ended 31 December 2013 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.

The Company serves globally 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.

The consolidated financial statements of the Company have been prepared on the historical cost basis except for the revaluation of certain financial instruments and are presented in millions of US Dollars, except when otherwise indicated. The consolidated financial statements were authorised for issue by the Management Board on 19 February 2014.

Accounting Principles

A. Accounting Framework

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the EU where effective for financial years beginning 1 January 2013.

Effective standards, that apply to the Company

The Company has adopted the following new standards with a date of initial application of 1 January 2013:

- **IAS 19** "Employee Benefits":

The Company has changed its accounting policy with respect to the treatment of actuarial gains and losses on post-employment defined benefit plans. Under the revised standard, the Company recognises actuarial gains and losses directly in other comprehensive income.

The former "corridor" method applied by the Company has therefore been discontinued effective 1 January 2013. The accumulated actuarial losses recognised in other comprehensive income under the revised standard amounts to US\$ 0.04 million as of 31 December 2013 and US\$ 9.9 million as of 31 December 2012. The impact on the income statement of the Company is immaterial (additional pension cost of US\$ 0.7 million accounted for in the 2013 results).

- **IFRS 13** "Fair Value Measurement":

Establishes a single framework for measuring fair value and making disclosures about fair value measurements. The change had no impact on the measurement of the Company's assets and liabilities, however the Company has included additional disclosures in this regard in Note 30. Financial Instruments - Fair values and risk

management.

- **Amendments to IAS 1** "Presentation of items of Other Comprehensive Income":

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to the income statement at a future point in time (for example, exchange differences on translation of foreign operations and net movement on cash flow hedges) will be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendment affects presentation only and hence had no impact on the Company's financial position or performance.

- **Disclosure amendments to IFRS 7** "Offsetting Financial Assets and Financial Liabilities" and **IAS 36** "Recoverable Amount Disclosures for Non-Financial Assets":

As a result of the amendments to IFRS 7 and IAS 36, there is no impact to the Company's disclosures.

Standards effective after 31 December 2013, that apply to the Company

Contrary to the Company's original intention, the Company's financial statements as of 31 December 2013 do not include the impact of standards published as of 31 December 2013, but which application is mandatory as per European Union as from financial years subsequent to the current year.

IFRS 10 "Consolidated Financial Statements", **IFRS 11** "Joint Arrangements" and **IFRS 12** "Disclosure of Interests in other Entities":

IFRS 10 introduces a new control model to determine whether an investee should be consolidated. This new model focuses on whether a Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and its ability to use its power to affect those returns.

IFRS 11 changes the accounting treatment for interests in joint arrangements by distinguishing two types of joint arrangements:

- a company's interest in a joint operation, which is an arrangement in which a company has rights to the assets, and obligations for the liabilities, will be accounted for on the basis of the Company's interest in those assets and liabilities; and
- a company's interest in a joint venture, which is an arrangement in which a company has rights only to the net assets, will be equity-accounted.

When making this assessment, IFRS 11 requires consideration of the structure of joint arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

In accordance with these new standards, the Company has reviewed the treatment of its jointly controlled entities. As a consequence, the Company expects the following changes in accounting treatment of its interests in joint arrangements as from 1 January 2014:

IFRS 10 and IFRS 11 - Analysis of impact

Investee	% of ownership	Current accounting treatment		Expected accounting treatment under IFRS 10 and IFRS 11	
		Qualification under IAS 28 & 31	Accounting Treatment	Qualification under IFRS 10 & 11	Accounting Treatment
Sonasing Sanha Ltd.	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Sonasing Kuito Ltd.	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Sonasing Mondo Ltd.	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Sonasing Saxi Batuque Ltd.	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Sonasing Xikomba Ltd.	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
OPS-Serviços de Produção de Petroleos Ltd.	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
OPS Sucursal de Angola	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Malaysia Deepwater Floating Terminal (Kikeh) Limited	49.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Malaysia Deepwater Production Contractors Sdn Bhd.	49.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Estaleiro Brasa Ltda	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Brasil Superlift Servicos Içamento Ltda	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
SNV Offshore Ltd	50.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Gas Management (Congo) Ltd.	49.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Solgaz S.A.	49.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Anchor Storage Ltd.	49.00	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Advanced Deep Sea Installation Inc.	49.90	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
Normand Installer S.A.	49.90	Joint Venture	Proportionate Consolidation	Joint Venture	Equity-accounting
FPSO Brasil Venture S.A.	51.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
SBM Operações Ltda.	51.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
SBM Systems Inc.	51.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Brazilian Deepwater Floating Terminals Ltd.	51.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Brazilian Deepwater Production Ltd.	51.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Brazilian Deepwater Production Contractors Ltd.	51.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Operações Marítimos em Mar Profundo Brasileiro Ltd	51.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Tupi Nordeste Ltd	50.50	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation

IFRS 10 and IFRS 11 - Analysis of impact

Investee	% of ownership	Current accounting treatment		Expected accounting treatment under IFRS 10 and IFRS 11	
		Qualification under IAS 28 & 31	Accounting Treatment	Qualification under IFRS 10 & 11	Accounting Treatment
Guara Norte SARL	62.25	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Guara Norte Holding Ltd	62.25	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Guara Norte Operacoes Maritimas Ltda	62.25	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Alfa Lula Alto Sarl	56.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Beta Lula Central Sarl	56.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Alfa Lula Alto Holding Ltd	56.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Beta Lula Central Holding Ltd	56.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Alfa Lula Central Operacoes Maritimas LTDA	56.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
Beta Lula Central Operacoes Maritimas LTDA	56.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation
South East Shipping Co. Ltd.	75.00	Joint Venture	Proportionate Consolidation	Controlled Subsidiary	Full Consolidation

Based on the Company's assessment, in 2014 the new standards will have a limited impact on the Company's Revenue and Profit Attributable to Shareholders, while the Company's value of total assets will significantly increase, mainly as an effect of the full consolidation of Brazilian investees.

IFRS 12 brings together into a single standard all of the disclosure requirements about the nature, risks and financial effects of an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

These standards will be applicable as of 1 January 2014 in the European Union.

Restatements of comparative period

The Company reassessed its control over the joint ventures SBM Ship Yard Ltd (Company ownership 33.33%) and Paenal (Company ownership 30%) and decided to change the accounting treatment for both entities from proportionate consolidation to equity method starting 1 January 2013.

The change had no impact on equity and profit but led to a different presentation of the Company's financial position, comprehensive income and cash flow statement. The 2012 comparative figures have been restated accordingly for comparison purposes.

B. Consolidation principles

All the companies which are controlled exclusively by the Company are consolidated using the global integration method. This includes special purpose entities, for which the Company has the power to govern the financial and operating policies.

Proportionate consolidation is used for joint ventures for which the activities are executed by jointly controlled entities. The list of the Company's proportionally consolidated joint controlled entities is provided in Note 34. Interest in joint ventures and associates.

The equity method is used for investments over which the Company has significant influence, but not control, over operational and financial policies.

The main affiliates of the Company close their accounts as of 31 December and all consolidated companies apply Company accounting standards.

All intercompany balances and transactions, as well as internal income and expenses, are fully eliminated.

Subsidiaries are consolidated as of the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date control ceases.

C. Critical accounting policies

The distinction between current assets and liabilities, and non-current assets and liabilities is based on their maturity. Assets and liabilities are classified as "current" if their maturity is less than twelve months or "non-current" if their maturity exceeds twelve months.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are material, are disclosed in the paragraphs below.

(a) Use of estimates

In the preparation of the financial statements, it is necessary for 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 judgments 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 judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are:

- the anticipated useful life and residual value of the leased facilities;
- the lease classification;
- the revenue and margin recognition on construction contracts based on the stage of completion method;
- the impairment of property, plant and equipment and intangible assets;
- the impact of variation orders, incentives and claims from clients where negotiations or discussions are at a sufficiently

advanced stage;

- the future costs to complete for construction projects and required contingencies;
- the timing and estimated cost of demobilisation;
- the Company's taxation; and
- the Company's exposure to litigation with third parties and non-compliance.

(b) Leases: Accounting by lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. The asset is included in the statement of financial position as property, plant and equipment. Lease income is recognised over the term of the lease on a straight-line basis. This implies the recognition of deferred income when the contractual day rates are not constant during the initial term of the lease contract.

When assets are leased under a finance lease, the present value of the lease payments is recognised as a financial asset. The difference between the gross receivable and the present value of the receivable is recognised as revenue. Lease income is, as of the commencement date of the lease contract, recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. During the construction period of the facility, the contract is treated as a construction contract, whereby the stage of completion method is applied.

(c) Impairment of non-financial assets

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

(d) Impairment of financial assets

The Company assesses whether there is objective evidence that a financial asset or group of financial assets (together referred to as "financial asset") is impaired at the end of each reporting date. A financial asset is impaired and impairment losses are recognised 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 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, grant 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 later in Section D. Significant accounting policies.

(e) Revenue

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

- **Construction contracts:**

Construction contracts are accounted for using the percentage-of-completion method. Revenue and gross margin are recognised each period based upon the advancement of the work-in-progress.

The percentage-of-completion is calculated based on the ratio of costs incurred to date to total estimated costs. Provisions for anticipated losses are made in full in the period in which they become known.

Complex projects that present a high risk profile due to technical novelty, complexity or pricing arrangements agreed with the client are subject to gate reviews at advanced degrees of completion in engineering prior to recognition of margin, typically around 25% complete. Until this point, no margin is recognised, with revenue recognised to the extent of cost incurred.

Due to the nature of the services performed, variation orders and claims are commonly billed to clients in the normal course of business. Additional contract revenue arising from variation orders is recognised when it is more than probable that the client will approve the variation and the amount of revenue arising from the variation can be reliably measured. Revenue resulting from claims is recognised in contract revenue only when negotiations have reached an advanced stage such that it is more than probable that the client will accept the claim and that the amount can be measured reliably.

- **Lease and operate contracts:**

Revenue from long-term operating lease contracts is reported on a straight-line basis over the period of the contract once the system has been brought into service. The difference between straight-line revenue and the contractual day-rates, which may not be constant throughout the charter, is included as deferred income. Revenue from 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.

(f) Construction work in progress

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

(g) Cash flow statement

To improve visibility to stakeholders, the Company applies the following presentation. Whereas the structure of cash outflows and inflows for finance leases is similar to operating leases because no cash is received from the client during the construction period (except any advance payments) and the investment is repaid during the lease period through the bareboat charter, the Company has therefore aligned its finance lease presentation with operating leases as follows:

- during the construction period cash outflows are treated as investing activities and not as operating activities;
- during the lease period cash inflows are treated as operating activities and not as investing activities.

Given the nature of the commitments, inflows and outflows from interest-bearing loans to joint ventures and associates are treated as investing activities.

D. Significant accounting policies

(a) Financial assets

The Company classifies its financial assets into finance lease receivables and other financial assets.

Finance leases 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 twelve months after the end of the reporting period, which are classified as non-current assets.

Other financial assets relates primarily to interest-bearing loans to joint ventures that have a remaining term of more than one year.

(b) Borrowings (bank and other loans)

Borrowings are recognised initially at fair value, measured at amortised cost and classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

(c) Segment information

As per IFRS 8, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the entity's chief operating decision maker; and
- for which distinct financial information is available.

Effective as from 1 January 2013, the Turnkey Services segment has been merged with the Turnkey Systems segment to form a new Turnkey segment.

The three business segments as reported to the chief operating decision maker, the Management Board, are therefore organised as follows:

- the Lease and Operate segment includes all earned day-rates on long-term operating lease and operate contracts. In the case of a finance lease, revenue is recognised during the construction and installation period within the Turnkey segment. As of the commencement date of a finance lease contract, interest income is shown in this segment;
- the Turnkey segment includes Monaco, Houston, Schiedam and Kuala Lumpur execution centres that derive revenues from turnkey supply contracts and after-sales services, which consist mainly of large production systems, large mooring systems, deep water export systems, fluid transfer systems, tanker loading and discharge terminals, design services and supply of special components and proprietary designs and equipment;
- Other, which consists of corporate overhead functions and other units.

(d) Foreign currency transactions and financial instruments

Foreign currency transactions are translated into the functional currency, the US Dollar, at the exchange rate applicable on the transaction date. At the closing date, monetary assets and liabilities stated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. Resulting exchange gains or losses are directly recorded in the income statement, except exchange gains or losses on cash accounts eligible for future cash flow hedging on net foreign currency investments.

Translation of foreign currency income statements of subsidiaries into US Dollars are converted at the average exchange rate prevailing during the year. Statements of financial position are translated at the exchange rate at the closing date. Differences arising in the translation of financial statements of foreign subsidiaries are recorded in other comprehensive income as foreign currency 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 Company equity.

Derivative financial instruments held by the Company are aimed at hedging risks associated with foreign currency and interest rate fluctuations. A derivative instrument qualifies for hedge accounting (cash flow hedge or net investment hedge) when there is formal designation and documentation of the hedging relationship, and of the effectiveness of the hedge throughout the life of the contract. A cash flow hedge aims to reduce risks incurred by variations in the value of future cash flows that may impact net income. A net investment hedge aims to reduce risks incurred by variations in the value of the net investment in a foreign operation.

In order for a derivative to be eligible for hedge accounting treatment, the following conditions must be met:

- its hedging role must be clearly defined and documented at the date of inception; and
- its efficiency should be proven at the date of inception and as long as it remains highly effective in offsetting exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

All derivative instruments are recorded and disclosed in the statement of financial position at fair value. Where a portion of a financial derivative is expected to be realised within twelve months of the reporting date, that portion should be presented as current; the remainder of the financial derivative should be shown as non-current.

Changes in fair value of derivatives designated in cash flow or net investment hedge relationships are recognised as follows:

- the effective portion of the gain or loss of the hedging instrument is recorded directly in other comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement. The exchange gain or loss which is deferred in equity, is reclassified to the net income in the period(s) in which the specified hedged transaction affects the income statement; and
- the changes in fair value of derivative financial instruments that do not qualify as hedging in accounting standards are directly recorded in the income statement.

When measuring the fair value of a financial instrument, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. Further information about the fair value measurement of financial derivatives is included in the Note 30. Financial Instruments - Fair values and risk management.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

(f) Provisions

Provisions are recognised if and only if the following criteria are simultaneously met:

- the Company has an ongoing obligation (legal or constructive) as a result of a past event;
- the settlement of the obligation will likely require an outflow of resources embodying economic benefits; and
- the amount of the obligation can be reliably estimated; provisions are measured according to the risk assessment or the exposed charge, based upon best-known elements.

Demobilisation obligations relate to estimated costs for demobilisation of leased facilities at the end of the respective lease period. For operating leases, 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. For finance lease contracts, demobilisation obligations are analysed as a component of the sale recognized under *IAS 17 - Leases*, and accrued for as deferred income until demobilisation occurs.

Warranties, where the Company makes good, by repair or replacement, defective items that become apparent within an agreed period starting from final acceptance of the delivered system are provided to customers on most turnkey sales. This provision is classified as current by nature as it coincides with the production cycle of the Company.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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 assets' 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.

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate line items of property, plant and equipment. With the exception of the ThunderHawk facility, depreciation is calculated on a straight-line basis as follows:

- Converted tankers 10-20 years (including in Vessels and floating equipment)
- Floating equipment 3-15 years (including in Vessels and floating equipment)
- Buildings 30-50 years
- Other assets 2-20 years
- Land is not depreciated

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.

Residual values, useful lives and methods of depreciation are reviewed at least annually, and adjusted if appropriate.

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

Gains and losses arising on disposals or retirement of assets are determined by comparing any sales proceeds and the carrying amount of the asset. These are reflected in the income statement in the period that the asset is disposed of or retired.

(h) Intangible assets

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.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of the annual impairment testing.

Patents are amortised over their useful life on a straight-line basis over fifteen years.

Research costs are expensed when incurred. In compliance with IAS 38, **development** costs are capitalised and amortised over its useful life if all of the following criteria are met:

- the projects are clearly defined;
 - the Company is able to reliably measure expenditures incurred by each project during its development;
 - the Company is able to demonstrate the technical feasibility of the project;
 - the Company has the financial and technical resources available to achieve the project;
 - the Company can demonstrate its intention to complete, to use or to commercialise products resulting from the project;
- and

- the Company is able to demonstrate the existence of a market for the output of the intangible asset, or, if it is used internally, the usefulness of the intangible asset.

The development costs capitalised in 2013 are contained in Note 11. Intangible assets.

The carrying value of intangible assets is reviewed for impairment whenever internal or external events indicate that there may be impairment, in which case, an impairment loss is recognised.

(i) Assets (or disposal groups) held for sale

The Company classifies assets or disposal groups as being held for sale when the following criteria are met:

- management has committed to a plan to sell the asset or disposal group;
- the asset or disposal group is available for immediate sale in its present condition;
- an active program to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated;
- the sale of the asset or disposal group is highly probable;
- transfer of the asset or disposal group is expected to qualify for recognition as a completed sale, within one year;
- the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assets or disposal groups classified as held for sale are measured at the lower of their carrying value or fair value less costs of disposal. Non-current assets are not depreciated once they meet the criteria to be held for sale and are shown separately on the face of the consolidated statement of financial position.

(j) Inventories

Inventories are stated at the lower of cost or 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 cost of completion and selling expenses. Inventories comprise semi-finished and finished products valued at cost including attributable overheads and spare parts stated at the lower of purchase price or market value.

(k) Trade and other receivables

At each balance sheet date, the Company assesses whether any indications exist that a financial asset or group of financial assets is impaired.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Company may not be able to collect all of the amounts due. Impaired trade receivables are derecognised when they are determined to be uncollectible.

Other receivables are carried at amortised cost using the effective interest rate method. Interest income, together with gains and losses when the receivables are derecognised or impaired, is recognised in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and in hand fulfilling the following criteria: a maturity of usually

less than three months, highly liquid, a fixed exchange value and an extremely low risk of loss of value.

(m) Share capital

Ordinary Shares and Protective 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.

(n) Income tax

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

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made.

Income tax expenses comprise corporate income tax due in countries of incorporation of the Company's main subsidiaries and levied on actual profits. Income tax expense also includes the corporate income taxes which are levied on a deemed profit basis and revenue basis (withholding taxes). This presentation adequately reflects SBM Offshore's global tax burden.

(o) 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. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(p) Employee benefits

Pension obligations: the Company operates various pension schemes that are generally funded through payments determined by periodic actuarial calculations to insurance companies or are defined as multi-employer plans. 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

obligation 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 statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position 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 are recognised immediately in comprehensive income.

Past-service costs are recognised immediately as an expense in the income statement.

Share based payments: within the Company there are three types of share based payment plans that qualify as equity settled:

- RSU/PSU;
- Performance shares;
- Matching bonus shares.

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 shares that the employee will ultimately receive. Main assumptions for estimates are revised at statement of financial position date. Total cost for the period is charged or credited to the income statement, with a corresponding adjustment to equity.

When equity instruments are exercised, the Company issues new shares.

Note 1. Segment information

Business information

As a result from an internal reorganisation effective 1 January 2013, the 'Turnkey Services' segment was merged with the 'Turnkey Systems' segment into a new 'Turnkey' segment. Comparative data for 2012 has been restated accordingly. Thus, the Company's reportable segments are identified as follows:

- Lease and operate;
- Turnkey;
- Other (This category consists of corporate overhead functions and other units).

Sales between segments are carried out at arm's length. The revenue to third parties and non-current assets reported to the chief operating decision maker, the Management Board, are measured in a manner consistent with that in the income statement and statement of financial position. These assets are allocated based on the operations of the segment.

Business information

Period ending 31 December 2013

Figures are expressed in millions of US\$ and may not add up due to rounding

	Lease and Operate	Turnkey	Other	Eliminations and adjustments	Consolidated
Revenue					
Third party	1,018	3,784	-	-	4,803
Inter-segment	-	349	-	(349)	-
Total revenue	1,018	4,134	-	(349)	4,803
Gross margin	(141)	625	-	0	484
Other operating income/expense	(0)	(5)	33	-	28
Selling and marketing expenses	(3)	(31)	(0)	-	(34)
General and administrative expenses	(20)	(88)	(53)	-	(161)
Research and development expenses	-	(23)	0	-	(23)
EBIT	(164)	478	(21)	0	293
Net financing costs					(100)
Share of profit of equity-accounted investees					1
Income tax expense					(80)
Profit/(Loss)					114
EBITDA					
EBIT	(164)	478	(21)	0	293
Depreciation, amortisation and impairment	390	15	1	-	406
EBITDA	226	493	(19)	0	700
Other segment information					
Impairment charges	190	-	-	-	190
Capital expenditure	111	54	35	-	200
Non-current assets	3,341	255	59	-	3,654

Business information

Period ending 31 December 2012

Figures are expressed in millions of US\$ and may not add up due to rounding

	Lease and Operate	Turnkey (*)	Other	Eliminations and adjustments	Consolidated (*)
Revenue					
Third party	932	2,706	-	-	3,639
Inter-segment	-	118	-	(118)	-
Total revenue	932	2,824	-	(118)	3,639
Gross margin	(299)	410	(0)	-	111
Other operating income	0	130	0	-	130
Selling and marketing expenses	(9)	(41)	0	-	(50)
General and administrative expenses	(18)	(62)	(49)	-	(129)
Research and development expenses	(1)	(24)	-	-	(25)
EBIT	(327)	414	(49)	-	38
Net financing costs					(79)
Share of profit of equity-accounted investees					4
Income tax expense					(38)
Profit/(Loss)					(75)
EBITDA					
EBIT	(327)	414	(49)	-	38
Depreciation, amortisation and impairment	619	23	1	-	643
EBITDA	292	437	(48)	-	681
Other segment information					
Impairment charges	427	-	-	-	427
Capital expenditure	511	139	5	-	655
Non-current assets	3,004	386	53	-	3,443

(*) restated for comparison purposes

The year was marked by the following financial highlights:

Divestment programme for non-core assets

As part of the disposal program of non-core assets announced in 2012, the Company completed sale of its non-core "COOL™ hose" technology, and the sale and lease back transactions of two out of three office properties in Monaco. Sales proceeds thus far exceed US\$ 100 million, resulting in a book profit of approximately US\$ 27 million reported as "Other Operating Income" in 2013.

YME Project

In March 2013, the Company reached an agreement with Talisman to terminate the Yme MOPUSTOR contract for a settlement of US\$ 470 million. The settlement includes the termination of the existing agreements and arbitration procedures and the decommissioning of the MOPU. As the Company had already made a provision of US\$ 200 million for estimated decommissioning costs in 2012, the difference of US\$ 270 million was recognised in the 2013 results as cost of sales.

The Company is currently investigating the possibility to recover losses incurred in connection with the Yme development project from insurers. Under the terms of the settlement agreement with Talisman, all pending and

future claim recoveries (after expenses and legal costs) relating to the Yme development project under the relevant construction all risks insurance shall be shared 50/50 between the Company and Talisman.

During 2013, the Company has started with the preparation for the future demobilisation works of the platform, and as such, it has incurred related costs. A call for tender for the transportation from the 500 meters zone and the scrapping of the platform was issued and responses were being evaluated at year-end 2013. On this basis, the Company has reviewed and updated the necessary accruals for these future works, which are currently anticipated to occur during summer 2015.

Deep Panuke project

The Company completed the debottlenecking process, and brought the platform to full production capacity safely and received a Production Acceptance Notice (PAN) from the client on 11 December 2013. The platform is currently on hire and generating the full day rate as per contract terms. Additional costs associated with the delay and debottlenecking lead to an additional impairment charge of US\$ 27 million accounted for in the 2013 results.

ThunderHawk

The ThunderHawk semisubmersible production facility in the US Gulf of Mexico, is the only facility in the Company lease fleet portfolio which bears exposure to reservoir risk.

During the second half of 2013, there have been two new triggering events for impairment:

- Production has declined more quickly than originally projected due to a lack of reservoir drive compounded by a higher than anticipated water cut;
- The Company has engaged in commercial discussions around potential tie-backs to the facility.

The revised estimates of future deliverable volumes (derived from production trends from current reserves and projections from planned new fields) including a potential tie-back in 2015, and the expected rates (derived from recent commercial discussions) will be insufficient to sustain the asset's current book value.

As a result, an impairment charge of US\$ 65 million has been accounted for in the 2013 results.

Decommissioning review

With the upcoming expiration of contracts for FPSO Kuito and FPSO Brasil, the Company has undertaken the reassessment of decommissioning costs. As a consequence, a Company-wide review was conducted in the last quarter of 2013 to reassess decommissioning expenses of all other vessels. This review was conducted while taking into consideration various contractual obligations resulting from the contracts with customers, and revised decommissioning costs estimates derived from the quotes received for imminent decommissioning of certain vessels resulting in a charge of US\$ 40 million accounted for in the 2013 results.

Residual value of laid-up vessels

The FPSO Falcon and VLCC Alba laid up since 2009 and 2011, respectively, have been classified as assets held for sale, and were subsequently written down to their estimated market value, resulting in an impairment of US\$ 53 million.

Geographical information

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

The revenue by country is analysed as follows:

Geographical information (revenue by country)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Brazil	2,436	1,810
Angola	802	577
Australia	347	138
USA	344	128
Malaysia	203	105
Equatorial Guinea	138	142
Nigeria	17	69
Netherlands	2	26
Norway	-	53
Other	515	591
Total revenue	4,803	3,639

() restated for comparison purposes*

The non-current assets by country are analysed as follows:

Geographical information (non-current assets by country)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Brazil	1,721	1,132
Canada	631	575
Equatorial Guinea	541	681
Angola	335	265
USA	159	289
Malaysia	117	146
Netherlands	14	8
Nigeria	0	59
Norway	-	2
Other	136	286
Total non-current assets	3,654	3,443

() restated for comparison purposes*

Reliance on major customers

There are several major customers identified in the Lease and Operate segment and the Turnkey segment. Total revenue from the top three major customers amounts to US\$ 3,161 million (2012: US\$ 2,029 million).

Note 2. Other operating income

Other operating income

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Gains from sale of financial participations, Property, plant and equipment	27	128
Others	1	3
Total Other operating income	28	130

(*) restated for comparison purposes

In 2013, the gains from sale of Investments, Property, plant and equipment include, for the most part, gains resulting from the Sales and Lease back of two Monaco office properties.

In 2012, the gains resulted from the disposal of GustoMSC and the Dynamic Installer support vessel.

Note 3. Information on the nature of expenses

The table below sets out expenses by nature for all items included in EBIT for the years 2013 and 2012:

Information on the nature of expenses

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	2013	2012 (*)
Expenses on construction contracts		(2,531)	(1,683)
Employee benefit expenses	4	(843)	(750)
Depreciation, amortisation and impairment		(406)	(643)
Selling expenses		(16)	(29)
Other operating costs		(741)	(627)
Total expenses		(4,537)	(3,731)

(*) restated for comparison purposes

In 2013, the line "Other operating costs" includes the US\$ 270 million impact of the settlement with Talisman recognised in the first quarter of 2013. In 2012 "Other operating costs" included the provision of US\$ 200 million for the contribution to the cost of decommissioning of the Yme MOPUSTOR.

Note 4. Employee benefit expenses

Information with respect to employee benefits:

Employee benefit expenses

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Wages and salaries	(467)	(445)
Social security costs	(62)	(55)
Contributions to defined contribution plans	(34)	(32)
Increase in liability for defined benefit plans	(2)	(2)
Increase in liability for other employee benefits	(18)	0
Equity settled transactions (share based payments)	(15)	(11)
Other employee benefits	(244)	(204)
Total employee benefits	(843)	(750)

() restated for comparison purposes*

Other employee benefits include, for the most part, expenses related to contractor's staff, not under the Company's payroll, training and travel costs.

Pensions and other (post-employment) benefit plans

The Company has defined benefit pension plans, based on final salary. During the second half of 2013, the Company has undertaken a review of its other long-term employee benefits such as long term service awards and retirements indemnities. The measurements of these other long-term employees benefits are recognised in increase in liability for other employees benefits in the consolidated income statement.

The following tables summarise 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.

Net benefit expense recognised within employee benefits is:

Pensions and other (post employment) benefit plans (net benefit expense recognised within employee benefits)

	2013	2012	2013	2012	2013	2012
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	Pension plans		Other employee benefits		Total	
Current service cost	2	2	-	-	2	2
Interest cost on benefit obligation	1	2	-	-	1	2
Expected return on plan assets	(1)	(2)	-	-	(1)	(2)
Other	-	0	18	(0)	18	(0)
Net benefit expense	2	2	18	(0)	20	2

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

Pensions and other (post employment) benefit plans (benefit asset/liability included in the statement of financial position)

	2013	2012 (*)	2013	2012	2013	2012 (*)
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	Pension plans		Other employee benefits		Total	
Defined benefit obligation	66	72	24	6	90	78
Fair value of plan assets	(60)	(59)	-	-	(60)	(59)
Benefit (asset)/liability	6	13	24	6	30	19

(*) restated for comparison purposes

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

Pensions and other (post employment) benefit plans (changes in the present value of the pension plans defined benefit obligation)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Opening defined benefit obligation	72	75
Interest cost	1	2
Current service cost	2	2
Benefits paid	(3)	(4)
Actuarial (gains)/losses arising from demographic assumptions	5	-
Actuarial (gains)/losses arising from financial assumptions	(5)	10
Actuarial (gains)/losses arising from experience adjustment	(10)	0
Other movements / deconsolidation*	0	(15)
Exchange differences on foreign plans	3	2
Closing defined benefit obligation at 31 December	66	72

* Mainly includes the deconsolidation of GustoMSC pension plan following disposal of the subsidiary.

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

Pensions and other (post employment) benefit plans (changes in the fair value of plan assets of the pension plans)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Opening fair value of plan assets	(59)	(67)
Expected return	(1)	(2)
Contributions by employer	(0)	(2)
Contribution by employee	(0)	(0)
Benefits paid	3	4
Actuarial (gains)/losses arising from demographic assumptions	-	-
Actuarial (gains)/losses arising from financial assumptions	-	(2)
Actuarial (gains)/losses arising from experience adjustment	(0)	(2)
Other movements / deconsolidation*	0	13
Exchange differences on foreign plans	(3)	(1)
Closing fair value of plan assets at 31 December	(60)	(59)

* Mainly includes the deconsolidation of GustoMSC pension plan following disposal of the subsidiary.

The actual return on plan assets is US\$ 1.5 million (2012 : US\$ 3.9 million).

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

Pensions and other (post employment) benefit plans (major categories of plan assets as a percentage of the fair value of total plan assets)

	2013	2012
	%	%
Cash	5.0	5.0
Real estate	5.0	5.0
Alternative investments	5.0	5.0
Equities	20.0	20.0
Bonds	65.0	65.0
	100.0	100.0

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

Pensions and other (post employment) benefit plans (principal assumptions used in determining pension benefit obligations)

	2013	2012
	%	%
Discount rate	2.25 - 3.30	2.00
Expected rate of return on assets	2.15	2.00
Future salary increases	3.00 - 3.50	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\$ 0.5 million to its defined benefit pension plans in 2014 (2013: US\$ 2 million).

Reasonably possible changes at the reporting date of one of the relevant actuarial assumptions holding other assumptions constant would have affected the defined benefit obligation by the amounts shown below.

Sensitivity analysis

Figures are expressed in millions of US\$ and may not add up due to rounding

	Increase	Decrease
Discount Rate (0.5% movement)	(4)	5
Future salary growth (0.5% movement)	1	(1)

Remuneration Key management personnel of the Company

The remuneration of key management personnel of the Company paid during the year, including pension costs and performance related Short Term Incentives (STI), amounted to US\$ 14.3 million (2012: US\$ 12.8 million).

The performance-related part of the remuneration, comprising both STI and LTI components, equals 46% (2012: 27%).

The remuneration (including the Management Board's remuneration which is Euro denominated), was affected by the weakening US\$ in 2013 (3.3% higher average rate than in 2012).

The total remuneration and associated costs of the Managing Directors (which includes the economic crisis charge levied in the Netherlands in the amount of US\$ 0.1 million) and other key management personnel (non-statutory directors and management of the main subsidiaries) is specified as follows:

Remuneration Key management personnel of the Company

					2013	2012
<i>Figures are expressed in thousands of US\$ and may not add up due to rounding</i>	Salary and emoluments	Bonus (cash and shares)	Pension costs (1)	Valuation of share-based payments (2)	Total	Total (3)
B.Y.R. Chabas	1,248	1,023	580	1,642	4,493	1,799
S. Hepkema	846	481	203	983	2,513	1,083
P.M. van Rossum	946	276	180	791	2,192	789
Other key management personnel (4)	3,633	1,640	113	(285)	5,101	9,157
Total remuneration	6,672	3,420	1,076	3,130	14,299	12,828

(1) Including pensions premiums of prior years for an amount of US\$ 281 thousands, following implementation of new scheme

(2) This represents the fair value of all share-based payments, i.e. the expense recognized in 2013 as a pro-rata over the entire vesting period, and includes true-ups on performance and employment conditions

(3) 2012 total remuneration relates for Mr P.M van Rossum to a 6-month period and for Mr S.Hepkema to a 9-month period

(4) In 2012, other key management personnel were including Mr T.A.J Mace (former CEO) and Mr M.A.S. Miles (former CFO)

The bonuses are performance related, based partially on Economic Profit and partially on personal performance. There are no guarantees or obligations towards or on behalf of the members of the former Board of Management and current Management Board.

The bonus reflects bonuses paid over 2012 in 2013. For bonus approved, accrued and to be paid in 2014 in respect of 2013 to the Management Board, please refer to section 2.3.1 Remuneration Report.

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, with a three year vesting period, and a subsequent two year exercise period. As at year-end 2013 there are no vested and exercisable options outstanding anymore.

The movements and number of outstanding options for both 2013 and 2012 can be summarised as follows:

Share option plan (number of outstanding options)

Year	Granted	Number at 1 January 2013	Exercised in 2013	Forfeited / expired in 2013	Number at 31 December 2013	Exercise price in €
2008	1,699,300	1,455,100	-	1,455,100	-	25.82
Total		1,455,100	-	1,455,100	-	
Weighted average exercise price in €		25.82		25.82		

Share option plan (number of outstanding options)

Year	Granted	Number at 1 January 2012	Exercised in 2012	Forfeited / expired in 2012	Number at 31 December 2012	Exercise price in €
2007	1,771,000	1,507,000	-	1,507,000	-	25.91
2008	1,699,300	1,455,100	-	-	1,455,100	25.82
Total		2,962,100	-	1,507,000	1,455,100	
Weighted average exercise price in €		25.87		25.91	25.82	

Information with respect to the options granted to the (Former) Managing Directors, key management personnel and other personnel for the year 2013:

Share option plan (options granted to the Managing directors, key management personnel and other personnel)

	Number at 1 January 2013	Exercised in 2013	Forfeited / expired in 2013	Number at 31 December 2013	Exercisable
Other key management personnel	214,000	-	214,000	-	-
Weighted average exercise price in €	25.82		25.82	NA	
Other personnel	1,241,100	-	1,241,100	-	-
Weighted average exercise price in €	25.82		25.82	NA	

Information with respect to the options granted to the (Former) Managing Directors, key management personnel and other personnel for the year 2012:

Share option plan (options granted to the Managing directors, key management personnel and other personnel)

	Number at 1 January 2012	Exercised in 2012	Forfeited / expired in 2012	Number at 31 December 2012	Exercisable
A.J. Mace	44,000	-	44,000	-	-
Weighted average exercise price in €	25.91		25.91	NA	
Other key management personnel	434,000	-	220,000	214,000	214,000
Weighted average exercise price in €	25.87		25.91	25.82	
Other personnel	2,484,100	-	1,243,000	1,241,100	1,241,100
Weighted average exercise price in €	25.87		25.91	25.82	

Performance Shares

Performance shares introduced in 2005, and subsequently amended in 2008 and 2011 under renewed Remuneration Policies form part of the LTI for the members of the former Board of Management and current Management Board, and are subject to performance conditions. From 2011, this was based on 50% on EPS growth, and 50% on relative Total Shareholder Return (TSR) in comparison with the peer group defined in the 2011 Remuneration Policy. Performance shares vest three years after the provisional award date, and must be retained for two years from the vesting date.

As from 2008, under the Remuneration Policy 2008, the number of conditional performance shares awarded was such that their value is equivalent to 100% of the Managing Directors' base annual salary of the previous year, assuming "At target" EPS growth performance over the three year period following the period of reference. For the performance period 2010-2012, the EPS growth threshold of 5% was not achieved and consequently no performance shares have been issued to the members of the former Board of Management and current Management Board who were part of the LTI scheme in 2010.

As from 2011, under the Remuneration Policy 2011, the number of conditional performance shares awarded is such that their value is equivalent to 125% of the Managing Directors' base annual salary of the previous year, assuming "At target" EPS growth/TSR performance over the three year period following the period of reference. In 2013, the conditional awards were 88,913 shares for Mr. B. Chabas, 71,024 for Mr. S. Hepkema, and 59,287 shares for Mr. P. van Rossum. If the threshold average EPS growth/TSR over 2012 to 2014 is not achieved, these shares will not vest. The maximum possible award (including Special Incentive at the discretion of the Supervisory Board, which amendment of the Remuneration Policy was approved in the EGM of 27 June 2012) is 250% of the conditional award for the CEO, and 187.5% for other Managing Directors.

PSU and RSU plans

In 2009, new plans were approved by the Supervisory Board and implemented, replacing the previous Share Option Plan for senior employees. Under these plans, shares in the Company are awarded annually to eligible employees. The number of shares granted under the RSU plan in 2013 is 845,380 (2012: 702,500). Furthermore, in 2013 a number of 206,400 additional RSU shares were granted (2012: 720,000). No shares were granted under the PSU plan since 2011.

The annual award is based on individual performance. 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. The so-called additional RSU shares also has a service condition only, and vests at the end of three year continuing service; upon vesting these shares are subject to a further two year lock-up period.

Main assumptions included in the calculation for the PSU and RSU plans are:

PSU and RSU plans

	2013
Expected departures (tranche 1/2/3)	0% / 2.5% / 5%
Fair value at grant date (excluding entitlement to dividends during vesting period), 1 July 2013	€ 12.48 / € 12.00 / € 11.55

For the additional RSU grants, departures and fair value equal those of the 3rd tranche, as these vest on the same date.

Matching Shares

Under the STI plans for the Board of Management, management and senior staff of Group companies, 20% of the STI is or can be paid in shares. For Board of Management members, this share based element is compulsory but for other senior staff the scheme is optional. Subject to a vesting period of three years, an identical number of shares (matching shares) will be issued to participants. Assumed probability of vesting amounts to 100% for the members of the former Board of Management and current Management Board and 95% for other senior staff.

The amounts recognised in EBIT for all share-based payment transactions is summarised as follows, taking into account both the provisional awards for the current year and the additional awards related to prior years:

Figures are expressed in thousands of US\$ and may not add up due to rounding

	Performance shares and RSU / PSU	Matching shares	Total
Instruments granted	11,917	861	12,778
Performance conditions	1,940	162	2,102
Total expenses 2013	13,857	1,023	14,880

Figures are expressed in thousands of US\$ and may not add up due to rounding

	Performance shares and RSU / PSU	Matching shares	Total
Instruments granted	9,988	677	10,665
Performance conditions	528	100	628
Total expenses 2012	10,516	777	11,293

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\$ 756,000 (2012: US\$ 789,000) and can be specified as follows:

Remuneration of the Supervisory Board

		Basic remuneration		Committees		Total	
		2013	2012	2013	2012	2013	2012
<i>Figures are expressed in thousands of US\$ and may not add up due to rounding</i>							
H.C. Rothermund	Chairman	120	116	31	22	151	138
R. van Gelder	Vice-Chairman (thru April 2, 2013)	27	103	3	10	30	113
F.G.H. Deckers		100	96	11	10	111	106
T.M.E. Ehret		100	96	13	13	113	109
F.J.G.M. Cremers	Vice-Chairman (from April 2, 2013)	105	96	13	13	118	109
F.R. Gugen		100	96	12	12	112	108
K.A. Rethy		100	96	21	10	121	106
Total		652	699	104	90	756	789

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

Number of employees (by business segment)

By business segment:	Average	Year-end	Average	Year-end
	2013	2012	2013	2012
Lease and operate	1,594	1,523	1,528	1,665
Turnkey	5,532	6,835	3,747	4,228
Total	7,126	8,358	5,275	5,893

Number of employees (by geographical area)

By geographical area:	Average	Year-end	Average	Year-end
	2013	2012	2013	2012
The Netherlands	431	432	470	429
Worldwide	6,695	7,926	4,805	5,464
Total	7,126	8,358	5,275	5,893

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

100% included in the numbers above.

Note 5. Net financing costs

Net financing costs (financial income)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Interest income	21	14
Net forex exchange gain	-	8
Interest rate swap result	5	1
Financial income	26	24

() restated for comparison purposes*

Net financing costs (financial expenses)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Interest expenses	(119)	(92)
Interest addition to provisions	(1)	(1)
Net forex exchange loss	(2)	-
Net ineffective portion in fair value of cash flow hedge	(4)	(10)
Financial expenses	(126)	(102)

The increase in interest expenses in 2013 was mainly related to interest paid on the US private placement put in place in 2012 upon commencement of production of FPSO Cidade de Anchieta.

The 'Net ineffective portion in fair value of cash flow hedge' in 2012 was mainly related to the fair value of interest rate swap for the Deep Panuke project.

The 'Net ineffective portion in fair value of cash flow hedge' in 2013 was essentially related to foreign exchange contracts for OSX 2 project due to change in underlying currency exposure.

The interest expenses are net of US\$ 39.8 million capitalised interest (2012: US\$ 40.5 million).

Note 6. Research and development expenses

Research and development expenses consist of US\$ 23.2 million (2012: US\$ 25.3 million) charged directly to other operating expenses.

The amortisation of development costs is allocated to the cost of sales.

Note 7. Income tax

The relationship between the Company's income tax expense and profit before income tax (referred to as 'Effective tax rate') can vary significantly from period to period considering, among other factors, (a) changes in the blend of income that is taxed based on gross revenues versus profit before taxes and (b) the location of the Company's operations. Generally, annual marginal tax rate is lower than annual effective tax rate. Consequently, income tax expense does not change proportionally with income before income taxes. Significant decreases in profit before income tax typically lead to a higher effective tax rate, while significant increases in profit before income taxes can lead to a lower effective tax rate, subject to the other factors impacting income tax expense noted above.

The components of the Company's (provision) benefit for income taxes were as follows:

Income tax recognised in the consolidated Income Statement

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Tax charged in the Income Statement :		
Current tax :		
Corporation tax on profits for the year	(32)	(70)
Adjustments in respect of prior years	6	(0)
Total current income tax	(26)	(70)
Deferred tax	(54)	31
Total	(80)	(38)
Attributable to :		
Continuing operations	(80)	(38)
Discontinued operations	-	-
Total	(80)	(38)

The Company's operational activities are subject to taxation at rates which range up to 35% (2012: 35%).

The respective tax rates, including fiscal privileges in several countries, tax-exempt profits and non-deductible costs and releases, result in an effective tax on continuing operations of 41% (2012: 106%). The reconciliation of the effective tax rate on continuing operations is:

Reconciliation of total income tax charge

Figures are expressed in millions of US\$ and may not add up due to rounding	2013		2012	
		%		%
Profit before tax		194		(37)
Corporate tax				
Income tax using the domestic corporation tax rate (25% for Netherlands)	25	(49)	25	9
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other jurisdictions	(19)	26	(130)	(47)
Withholding taxes and taxes based on deemed profits	31	(60)	(80)	(29)
Non-deductible expenses	3	(6)	(8)	(3)
Non-taxable income	(2)	3	88	32
Adjustments related to prior years	3	6	-	(0)
Total of tax charge on the consolidated Income Statement	41	(80)	(104)	(38)

With respect to the annual effective tax rate calculation for the year 2013, a significant portion of the income tax expense of the Company was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola, Brazil, Equatorial Guinea and Malaysia. Conversely, the most significant countries in which the Company operated during this period that impose income taxes based on income before income tax include the Netherlands, Monaco, Switzerland and the U.S.

Details of the withholding taxes and other taxes levied on gross revenues are as follows:

Withholding taxes and taxes based on deemed profits

Figures are expressed in millions of US\$ and may not add up due to rounding	2013			2012		
	Withholding tax	Taxes based on deemed profit	Total	Withholding tax	Taxes based on deemed profit	Total
Angola	(42)	-	(42)	(7)	-	(7)
Equatorial Guinea	(3)	-	(3)	(4)	-	(4)
Malaysia	(1)	-	(1)	(0)	-	(0)
Brazil	(0)	(13)	(13)	(0)	(13)	(14)
Other (*)	(1)	-	(1)	(5)	-	(5)
Total withholding and overseas taxes	(47)	(13)	(60)	(16)	(13)	(29)

(*) Other includes Myanmar, Nigeria, Canada, Congo and Indonesia

Tax returns and tax contingencies

The Company files federal and local tax returns in several jurisdictions throughout the world. Tax returns in the major jurisdictions in which the Company operates are generally subject to examination for periods ranging from three to six years. Tax authorities in certain jurisdictions are examining tax returns and in some cases have issued assessments. The Company is defending its tax positions in those jurisdictions. The Company provides taxes for the amounts of taxes that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. While the Company cannot predict or provide assurance as to the final outcome of these proceedings, the Company does not expect the ultimate liability to have a material adverse effect on its consolidated statement of financial position or results of operations, although it may have a material adverse effect on its consolidated cash flows.

Each year management completes a detailed review of uncertain tax positions across the Company and makes provisions based on the probability of the liability arising. The principal risks that arise for the Company are in respect of permanent establishment, transfer pricing and other similar international tax issues. In common with other international groups, the conflict between the Company's global operating model and the jurisdictional approach of tax authorities often leads to uncertainty on tax positions.

As a result of the above, in the period, the Company recorded a net tax decrease of US\$ 3 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. The decrease arises from both adjustments that the Company has agreed with the relevant tax authorities and re-estimates that it has made. It is possible that the ultimate resolution of these matters could result in tax charges that are materially higher or lower than the amount provided.

The Company conducts operations through its various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, the Company may identify changes to previously evaluated tax positions that could result in adjustments to its recorded assets and liabilities. Although the Company is unable to predict the outcome of these changes, it does not expect the effect, if any, resulting from these adjustments to have a material adverse effect on its consolidated statement of financial position, results of operations or cash flows.

Note 8. Earnings/Loss per share

The basic earnings per share for the year amounts to US\$ 0.55 (2012: loss per share of US\$ (0.45)); the fully diluted earnings per share amounts to US\$ 0.54 (2012: loss per share of US\$ (0.45)). Basic earnings / loss per share amounts are calculated by dividing net profit / loss for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted earnings / loss per share amounts are calculated by dividing the net profit / loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares. The following reflects the share data used in the basic and diluted earnings per share computations:

Earnings per share

	2013	2012
Number of shares outstanding at 1 January	189,142,215	171,440,416
Stock dividend	-	-
New shares issued (stock options and other share-based payments)	291,429	324,443
Shares issued (private placement)	14,424,140	3,821,244
Weighted average number of shares 31 December	203,857,784	175,586,103
Potential dilutive shares from stock option scheme and other share-based payments	1,147,343	-
Weighted average number of shares (diluted) at 31 December	205,005,127	175,586,103

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for issue of matching shares to the Management Board and other senior management.

Note 9. Dividends paid and proposed

The decision has been made not to distribute any dividends to shareholders in respect of the year ended 31 December 2013.

In respect of the year ended 31 December 2012, no dividend was paid either, as a result of the loss incurred.

Note 10. Property, plant and equipment

The movement of the property, plant and equipment during the year 2013 is summarised as follows:

Property, plant and equipment

	2013				Total
	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>					
Cost	10	3,157	88	2,172	5,428
Accumulated depreciation and impairment	(2)	(1,601)	(63)	(1,347)	(3,014)
Book value at 1 January (*)	8	1,555	26	825	2,414
Additions	0	3	11	186	200
Disposals	(0)	-	(0)	-	(0)
Depreciation	(2)	(202)	(11)	-	(215)
Impairment	-	(162)	-	(27)	(188)
Exchange rate differences	(1)	-	(1)	1	(1)
Other movements / deconsolidation	12	715	5	(919)	(187)
Total movements	9	355	5	(759)	(391)
Cost	21	3,931	103	66	4,121
Accumulated depreciation and impairment	(4)	(2,022)	(72)	-	(2,098)
Book value at 31 December	17	1,910	31	66	2,023

* restated for comparison purposes

Property, plant and equipment

	2012 (*)				
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	96	2,665	96	2,064	4,921
Accumulated depreciation and impairment	(22)	(1,417)	(65)	(938)	(2,443)
Book value at 1 January	74	1,247	31	1,127	2,479
Additions	0	15	7	633	655
Disposals	0	(8)	(0)	-	(8)
Depreciation	(2)	(197)	(12)	-	(211)
Impairment	-	-	-	(427)	(427)
Exchange rate differences	1	(0)	0	(0)	1
Other movements / deconsolidation	(65)	498	0	(507)	(74)
Total movements	(66)	308	(5)	(302)	(65)
Cost	10	3,157	88	2,172	5,428
Accumulated depreciation and impairment	(2)	(1,601)	(63)	(1,347)	(3,014)
Book value at 31 December (*)	8	1,555	26	825	2,414

* restated for comparison purposes

During the 2013 period the following main events occurred:

- Main addition to Property, plant and equipment during 2013 concerns the finalisation of the Deep Panuke platform, the completion of the DSVB SBM Installer and the ongoing refurbishment of the Neptune office building in Monaco.
- Following termination of the contract, no further economic benefits were expected to flow from the Yme MOPUSTOR asset. The asset has therefore been derecognised as of 11 March 2013 in accordance with IAS 16 - *Property, Plant and Equipment*. The derecognition did not impact 2013 results as the gross value of the asset was fully impaired in December 2012.
- An aggregate of US\$ 145 million impairment charges has been recorded for the Deep Panuke platform, the ThunderHawk semisubmersible production facility, the FPSO Falcon and the VLCC Alba (please refer to Note 1. Segment information).
- An additional US\$ 43 million impairment charges has been recorded following reassessment of decommissioning costs (please refer to Note 1. Segment information).

In 2013, the line 'Other movements/deconsolidation' mainly relates to the classification of the DSCV SBM Installer, FPSO Falcon and the VLCC Alba as asset held for sale (please refer to Note 20. Assets held for sale), the transfer of the Deep Panuke platform from Assets under construction to Vessels and floating equipment following first gas and the transfer of the Lea Vessel to the FPSO Cidade de Maricá project.

In 2012, the Company recorded an aggregate of US\$ 427 million impairment charges, which consisted of:

- Yme platform for US\$ 398 million; and
- Deep Panuke platform for US\$ 29 million.

In 2012, the line 'Other movements/deconsolidation' was mainly related to the classification of the office buildings in Monaco as asset held for sale (please refer to Note 20. Assets held for sale), the transfer of the FPSO Cidade De Anchieta from Assets under construction to Vessels and floating equipment following first oil and the deconsolidation of GustoMSC following disposal of the subsidiaries.

Property, plant and equipment at year-end include:

- eight (2012: nine) integrated floating production, storage and offloading systems (FPSOs), each consisting of a converted tanker, a processing plant and one mooring system;
- two (2012: two) floating storage and offloading systems (FSOs), consisting of a converted or newbuild tanker and mooring system including the fluid transfer system;
- two second-hand tankers (2012: two) and no barge (2012: nil);
- one semi-submersible production platform (2012: one); and
- one MOPU facility (2012: two under construction).

An amount of US\$ 16.3 million (2012: US\$ 29.6 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 most of the properties, plants and equipments 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 2014 and 2030.

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

Leased facilities included in the Vessels and floating equipment

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Cost	3,848	3,036
Accumulated depreciation and impairment	(1,998)	(1,574)
Book value at 31 December	1,850	1,462

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

Nominal values of the future expected bare boat receipts

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Within 1 year	408	505
Between 1 and 5 years	1,295	1,499
After 5 years	1,615	1,777
Total	3,318	3,781

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

Note 11. Intangible assets

Intangible assets

	2013				
	Development costs	Goodwill	Software	Patents	Total
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>					
Cost	8	25	-	13	46
Accumulated amortisation	(3)	-	-	(10)	(12)
Accumulated impairment	(4)	-	-	-	(4)
Book value at 1 January	1	25	-	3	29
Additions	1	-	-	-	1
Amortisation	(1)	-	(0)	(1)	(2)
Impairment	-	-	-	-	-
Other movements	-	-	2	-	2
Exchange rate differences	-	-	0	-	0
Total movements	(0)	-	2	(1)	1
Cost	5	25	2	13	45
Accumulated amortisation and impairment	(4)	-	(0)	(11)	(14)
Book value at 31 December	1	25	2	2	30

Intangible assets

<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	2012			Total
	Development costs	Goodwill	Patents	
Cost	45	25	13	83
Accumulated amortisation	(6)	-	(9)	(15)
Accumulated impairment	(20)	-	-	(20)
Book value at 1 January	18	25	4	47
Additions	-	-	-	-
Amortisation	(4)	-	(1)	(5)
Impairment	-	-	-	-
Other movements/deconsolidation	(13)	-	-	(13)
Exchange rate differences	(0)	-	0	(0)
Total movements	(17)		(1)	(18)
Cost	8	25	13	46
Accumulated amortisation and impairment	(7)	-	(10)	(17)
Book value at 31 December	1	25	3	29

Amortisation of development costs is included in 'Cost of sales' in the income statement and amounts to US\$ 1 million (2012: US\$ 4 million).

Goodwill relates to the acquisition of the Houston based subsidiaries. The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-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%).

In 2012, the line 'Other movements/deconsolidation' was mainly related to the deconsolidation of GustoMSC intangible assets following the disposal of this subsidiary, and the classification of the "COOL™ hose" system development costs as assets held for sale (please refer to Note 20. Assets held for sale).

Note 12. Other financial assets

Other financial assets

<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	2013	2012 (*)
Non-current portion of finance lease receivables	1,219	721
Other financial assets	303	227
Total	1,522	948

* restated for comparison purposes

The maximum exposure to credit risk at the reporting date is the fair value of the interest-bearing loans and the finance lease receivables (2013: US\$ 1,522 million, 2012: US\$ 948 million) taking into account the risk of recoverability. The company does not hold any collateral as security.

Non-current portion of finance lease receivables

Non-current portion of finance lease receivables relate to the finance leases of the FPSO Mondo and FPSO Saxi Batuque which were taken into production during the course of 2008, the FPSO Aseng which started production in November 2011 and the FPSO Cidade de Paraty which started production in June 2013. The reconciliation between the total gross investment in the lease and the net investment in the lease at the statement of financial position date is as follows:

Finance lease receivables (reconciliation gross / net investment)

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	2013	2012
Gross receivable		2,244	1,100
Less: Unearned finance income		(864)	(242)
Total		1,379	858
Of which			
Current portion	15	160	137
Non-current portion		1,219	721

Included in the gross receivable is an amount related to unguaranteed residual values. Allowances for uncollectible minimum lease payments are nil.

Gross receivables are expected to be invoiced to the lessee within the following periods:

Finance lease receivables (gross receivables invoiced to the lessee within the following periods)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
within 1 year	261	191
between 1 and 5 years	805	709
after 5 years	1,177	200
Total Gross receivable	2,244	1,100

The table above does not include the amounts to be invoiced on the finance lease contracts that were awarded during the course of 2012 or 2013 which, at the end of 2013 were not yet delivered and therefore are included in 'Construction contracts'.

The following part of the net investment in the lease is included as part of the current assets within the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Gross receivable	261	191
Less: Unearned finance income	(101)	(54)
Current portion of finance lease receivable	160	137

Other financial assets

The item 'Other financial assets' relates to interest-bearing loans that have a remaining term of more than one year, essentially interest-bearing loans to joint ventures and associates. Weighted average effective interest on interest-bearing loans to joint ventures and associates amounts to 5.3% (2012: 7.19%, restated for comparison purposes).

A reserve for partial impairment amounting to US\$ 9 million (2012: nil) and the provision for the Company's share in negative net assets of the joint ventures SBM Ship Yard Ltd and Paenal amounting to US\$ 18 million are netted against the carrying amount.

Further disclosure about the fair value measurement is included in the Note 30. Financial Instruments - Fair values and risk management.

Note 13. Deferred tax assets

The deferred tax assets and liabilities and associated offsets are summarised as follows:

Deferred tax assets (summary)

	2013	2012	2013	2012	2013	2012
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	Assets		Liabilities		Net	
Property, plant and equipment	5	6	-	-	5	6
Tax losses	12	26	-	-	12	26
Construction contracts	5	5	(34)	-	(29)	5
R&D credits	3	5	-	-	3	5
Other	0	(1)	-	(1)	0	(2)
Book value at 31 December	25	41	(34)	(1)	(9)	40

Movements in net deferred tax assets (liabilities)

	2013	2012
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>		
Deferred tax at the beginning period	40	8
Credited/charged to :		
Consolidated Income Statement (statutory and subsidiaries)	(54)	31
Consolidated Statement of changes in Equity	-	1
Transfer to current tax	4	-
Exchange variances	1	-
Movements of the period	(49)	33
Deferred tax at the end of the period	(9)	40

Expected realisation and settlement of deferred tax positions is within one year US\$ 4 million (2012: US\$ 9 million) and between one and five years US\$ 5 million (2012: US\$ 21 million). The deferred tax losses are expected to be recovered, based on the anticipated profit in the order book in the applicable jurisdiction.

The Company has no available tax losses that are not valued in a deferred tax asset (2012: nil).

Deferred tax assets per locations are as follows:

Deferred tax assets (liabilities) per locations

	2013	2012	2013	2012	2013	2012
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	Assets		Liabilities		Net	
Switzerland	11	26	-	-	11	26
USA	8	10	-	-	8	10
Netherlands	5	5	-	(1)	5	4
Angola	-	-	(34)	-	(34)	-
Other	1	0	-	-	1	0
Book value at 31 December	25	41	(34)	(1)	(9)	40

Note 14. Inventories

Inventories

	2013	2012
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>		
Materials and consumables	24	17
Goods for resale	3	3
Total	27	20

There is no material difference between fair value and cost as reported in the above table.

In 2013 there was a write-down of US\$ 1 million of inventories to net realisable value included in the income statement (2012: nil). There was no reversal of previous inventory write-offs (2012: nil).

Note 15. Trade and other receivables

Trade and other receivables (summary)

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	2013	2012 (*)
Trade debtors		366	399
Other receivables		324	61
Other prepayments and accrued income		238	187
Current portion of finance leases	12	160	137
Accrued income in respect of delivered orders		103	64
Taxes and social security		27	28
Total		1,218	876

* restated for comparison purposes

The increase of "Other receivables" is mainly related to advances made to suppliers (US\$ 146 million on contracts in early stage such as FPSO Shell Stones and FPSOs Cidade de Marica and Saquarema) and receivables from the disposal of office buildings (US\$ 83 million).

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables as mentioned above. The Company does not hold any collateral as security. Trade debtors do not include any retention (2012: nil).

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

Trade debtors (countries where company's trade debtors are distributed)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Brazil	149	100
Angola	86	140
Australia	22	47
Malaysia	19	17
Equatorial Guinea	18	14
Nigeria	14	5
USA	6	12
Netherlands	2	6
Norway	-	9
Other	50	49
Total trade debtors	366	399

* restated for comparison purposes

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

Trade debtors (trade debtors balance)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Nominal amount	383	417
Impairment allowance	(17)	(18)
Total trade debtors	366	399

* restated for comparison purposes

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

Trade debtors (ageing of the nominal amounts of the trade debtors)

	2013		2012 (*)	
	Nominal	Impairment	Nominal	Impairment
Not past due	269	-	218	(1)
Past due 0-30 days	38	-	110	-
Past due 31-120 days	28	(3)	36	(0)
Past due 121- 365 days	32	(10)	43	(14)
More than one year	15	(5)	10	(3)
Total	383	(17)	417	(18)

* restated for comparison purposes

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default or the receivable amount can be offset by amounts included in current liabilities.

For the amounts that are impaired, the movements in the allowance for impairment for trade debtors are as follows:

Trade receivables (impairment allowance)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
At 1 January	(18)	(13)
Addition	(12)	(16)
Recognised expenses	2	9
Released to profit	9	1
Foreign exchange difference	1	(0)
At 31 December	(17)	(18)

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

Note 16. Income tax receivable

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

Note 17. Construction work-in-progress

Construction work-in-progress

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	2013	2012 (*)
Cost incurred		4,832	4,243
Instalments invoiced		(3,193)	(3,378)
Instalments exceeding cost incurred	27	95	295
Total		1,733	1,160

* restated for comparison purposes

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 for 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 27. Trade and other payables.

Note 18. Derivative financial instruments

Further information about the financial risk management objectives and policies, the fair value measurement and hedge accounting of financial derivative instruments is included in the Note 30. Financial Instruments - Fair values and risk management.

In the ordinary course of business and in accordance with its hedging policies at 31 December 2013, the Company held multiple forward exchange contracts designated as hedges of expected future transactions for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of interest rate financing exposure.

The fair value of the derivative financial instruments included in the statement of financial position is summarised as follows:

Derivative financial instruments

	2013	2012	2013	2012	2013	2012
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	Assets		Liabilities		Net	
Interest rate swaps cash flow hedge	90	3	113	222	(23)	(219)
Forward currency contracts cash flow hedge	60	34	88	51	(28)	(17)
Forward currency contracts fair value through profit and loss	1	0	5	3	(4)	(3)
Forward currency contracts net foreign investment	-	-	-	-	-	-
Commodity contracts cash flow hedge	0	-	-	0	0	(0)
Total	152	37	207	277	(55)	(240)
Non-current portion	54	11	125	229	(71)	(218)
Current portion	98	26	82	48	16	(22)

The ineffective portion recognised in the income statement (see Note 5. Net financing costs) arises from cash flow hedges totalling US\$ 4.5 million loss (2012: US\$ 9.8 million loss). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

Forward currency contracts

The gross notional amounts of the outstanding forward currency contracts at 31 December 2013 were US\$ 3.6 billion (2012: US\$ 2.6 billion) of which US\$ 2.9 billion will mature in the next twelve months.

The net notional amounts of the outstanding forward currency contracts at 31 December 2013 were US\$ 2.6 billion (2012: US\$ 1.8 billion) of which US\$ 2.0 billion will mature in the next twelve months.

Interest rate swaps

The gross notional amounts of the outstanding interest rate swap contracts at 31 December 2013 were US\$ 2.1 billion (2012: US\$ 2.4 billion) and US\$ 4.6 (2012: US\$ 3.8 billion) including forward-start contracts.

The net notional amounts of the outstanding interest rate swap contracts at 31 December 2013 were US\$ 1.5 billion (2012: US\$ 1.4 billion) and US\$ 3.9 billion (2012: US\$ 2.8 billion) including forward-start contracts.

The most important floating rate is the US\$ 3-month LIBOR. Details of interest percentages of the long-term debt are included in the Note 22. Loans and borrowings.

Note 19. Cash and cash equivalents

Cash and cash equivalents

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Cash and bank balances	166	196
Short-term deposits	34	519
Total	200	715

* restated for comparison purposes

The cash and cash equivalents dedicated for debt and interest payments amounts (restricted) to US\$ 61.8 million (2012: US\$ 76.4 million). Short-term deposits are made for varying periods up to one year depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Further disclosure about the fair value measurement is included in the Note 30. Financial Instruments - Fair values and risk management.

Note 20. Assets held for sale

In 2012, the Company announced a plan to sell and lease back its premises owned in Monaco, a process that is in advanced stages. The Company completed sale and lease back transactions for two of three office buildings. Efforts to sell the remaining office building are ongoing as of 31 December 2013 and is now expected to be sold in 2014.

As a consequence, the related property, plant and equipment continues to be classified as asset held for sale for its carrying value in the Company statement of financial position as of 31 December 2013, together with three non-core vessels, the DSCV SBM Installer, the FPSO Falcon, and the VLCC Alba.

Note 21. 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 of the Company is two hundred million euro (EUR 200,000,000). This share capital is divided into four hundred million (400,000,000) Ordinary Shares with a nominal value of twenty-five eurocent (EUR 0.25) each and four hundred million (400,000,000) Protective Preference Shares, with a nominal value of twenty-five eurocent (EUR 0.25) each.

During the financial year the movements in the outstanding number of ordinary shares are as follows:

Issued capital

	2013	2012
Outstanding at 1 January	189,142,215	171,440,416
Share issue	18,914,221	17,111,757
Exercise employee share options	-	-
Share issue re stock dividend	-	-
Share-based payment remuneration	690,752	590,042
Outstanding 31 December	208,747,188	189,142,215

In April 2013, the Company strengthened its financial position through a 1 for 10 rights offering of 18,914,221 new ordinary shares, which was taken up for 97.7% by existing shareholders and the remaining 406,776 shares subscribed and paid for by HAL Investments B.V. (HAL) at € 10.07 per share, raising US\$ 247 million additional equity net of transaction costs. During the first quarter, the Company received an additional payment of US\$ 27 million from HAL as a result of the announced settlement with Talisman. HAL paid this additional amount in cash as share premium contribution on the 17.1 million new ordinary shares acquired through a private placement on 20 December 2012.

All shares issued were fully paid at 31 December 2013.

Of the ordinary shares 26,938 shares were held by managing directors, in office as at 31 December 2013 (31 December 2012: 1,491).

Share premium

The share premium reserve is fully available for distribution free of taxes for shareholders, and amounts to € 913 million (31 December 2012: € 700 million).

Other reserves

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

Other reserves

Figures are expressed in millions of US\$ and may not add up due to rounding

	Hedging reserve	Actuarial gain/(loss) on remeasured defined benefits liability/asset	Foreign currency translation reserve	Total other reserves
Balance at 31 December 2011	(324)	-	1	(323)
Change in accounting policy	-	(6)	-	(6)
Balance at 1 January 2012 (*)	(324)	(6)	1	(328)
Cash flow hedges				
Recognised in equity	18	-	-	18
Transfer to financial income and expenses	13	-	-	13
Transfer to construction contracts and property, plant and equipment	30	-	-	30
Net investment hedge	-	-	-	-
Actuarial gain/(loss) on remeasured defined benefits liability/asset				
Recognised in equity	-	(4)	-	(4)
Currency translation differences				
Group companies	-	-	1	1
Balance at 31 December 2012 (*)	(263)	(10)	2	(270)
Cash flow hedges				
Recognised in equity	119	-	-	119
Transfer to financial income and expenses	11	-	-	11
Transfer to construction contracts and property, plant and equipment	71	-	-	71
Net investment hedge	-	-	-	-
Actuarial gain/(loss) on remeasured defined benefits liability/asset				
Recognised in equity	-	10	-	10
Currency translation differences				
Group companies	-	-	(12)	(12)
Balance at 31 December 2013	(62)	(0)	(10)	(72)

** restated for comparison purposes*

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

Actuarial gain/(loss) on remeasured defined benefits liability/asset is used to remeasure defined benefit pension plans.

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

Note 22. Loans and borrowings

Bank interest-bearing loans and other borrowings

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

Bank interest bearing loans and other borrowings (movement)

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	2013	2012
Non-current portion		1,907	1,532
Add: Current portion		624	591
Remaining principal at 1 January		2,531	2,123
Additions		967	1,019
Redemptions		(612)	(616)
Transaction and amortised costs		5	5
Movements		359	408
Remaining principal at 31 December		2,890	2,531
Less: Current portion	26	(376)	(624)
Non-current portion		2,514	1,907
Transaction and amortised costs		35	40
Remaining principal at 31 December (excluding transaction and amortised costs)		2,925	2,571
Less: Current portion		(381)	(633)
Non-current portion		2,545	1,937

Further disclosures about the fair value measurement are included in the Note 30. Financial Instruments - Fair values and risk management.

The bank interest-bearing loans and other borrowings have the following forecasted repayment schedule, excluding the transaction costs and amortised costs amounting to US\$ 34.9 million (2012: US\$ 39.6 million):

Bank interest bearing loans and other borrowings (forecasted repayment schedule)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Within one year	381	633
Between 1 and 2 years	826	361
Between 2 and 5 years	711	833
More than 5 years	1,008	744
Balance at 31 December	2,925	2,571

The bank interest-bearing loans and other borrowings at 31 December include:

Figures are expressed in millions of US\$ and may not add up due to rounding

	Original repayment period	Interest per annum on the remaining loan balance	Remaining loan balance 2013	Remaining loan balance 2012
US\$ project finance facilities drawn:				
May 2010 (FPSO Capixaba relocation)	6 years	5.44%	149	200
December 2006 / March 2008 (FPSO Kikeh)	7 years	4.37%	33	65
November 2007 / March 2008 (FPSO Mondo)	6 years	4.25%	-	1
April / May / September 2008 (FPSO Saxi Batuque)	6 years	3.70%	1	6
September 2007 / March 2009 / July 2009 (Thunder Hawk)	5 ½ years	3.05%	20	84
November 2008 / February 2009 (FPSO Espirito Santo)	6 ¼ years	4.47%	91	139
December 2010 (FPSO Aseng)	5 years	5.92%	224	321
July 2011 (FPSO Cidade de Paraty)	10 years	5.45%	491	452
June 2012 (Normand Installer)	5 years	3.87%	35	38
October 2012 US Private Placement (FPSO Cidade de Anchieta)	15 years	6.39%	478	500
US \$ guaranteed project finance facilities drawn:				
June 2009 (MOPU Deep Panuke)	5 ¼ years	7.58%	-	221
August 2012 (FPSO Cidade de Ilhabela)	10 years	6.03%	637	270
July 2013 (FPSO N'Goma)	7 years	4.70%	156	-
Bilateral credit facilities				
US \$600 million bilateral credit facilities (Marica and Saquarema)	3 years	variable	-	-
Revolving credit facility				
US \$750 million revolving credit facility	5 years	variable	385	-
Other				
Other long term debt			226	272
Remaining principal at 31 December			2,925	2,571

Annual interest rates comprise fixed interest rate payment on financial derivatives.

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 or to note holders. Interest expensed on long-term debt during 2013 amounted to US\$ 107.0 million (2012: US\$ 87.4 million) and interest capitalised amounted to US\$ 39.8 million (2012: US\$ 40.5 million). The average cost of debt came to 5.3% in 2013 (2012: 5.3%).

The following key financial covenants apply to facilities currently outstanding, as agreed with the respective lenders, and (unless stated otherwise), relate to SBM Offshore N.V. consolidated financial statements:

- Leverage Ratio (Consolidated Net Borrowings : (adjusted) EBITDA < 3.75);
- Solvency (Tangible Net Worth : Total Tangible Assets > 25%);
- Interest Cover Ratio (Net Interest Payable : (adjusted) EBITDA > 5.0);
- Consolidated adjusted EBITDA of SBM Holding Inc.SA > 75% of same at SBM Offshore N.V. level.

Covenants

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Tangible Net Worth	2,096	1,702
Total Tangible Assets	6,935	6,269
Solvency	30.2%	27.1%
Consolidated Net Borrowings	2,707	1,844
Adjusted EBITDA (SBM Offshore N.V.)	1,087	916
Adjusted EBITDA (SBM Holding Inc. SA)	1,083	876
As a percentage of SBM Offshore N.V. -level	99.6%	95.7%
Leverage Ratio	2.5	2.0
Net Interest Payable	86	87
Interest Cover Ratio	12.7	10.5

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

None of the loans and borrowings in the statement of financial position were in default as at the reporting date or at any time during the year. During 2013 and 2012 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 short-term credit lines and borrowing facilities resulting from the undrawn part of the revolving credit facility (RCF), bilateral facilities and the undrawn part of project facilities. In December 2013, the Company executed bilateral credit facilities for a total aggregate amount of US\$ 600 million to finance the construction of FPSOs Cidade de Marica and Cidade de Saquarema.

The expiry date of the undrawn facilities and unused credit lines are:

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Floating rate:		
Expiring within one year	269	147
Expiring beyond one year	965	1,153
Total	1,234	1,300

Note 23. Deferred income

Deferred income

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Deferred income on operating lease contracts	123	99
Other	22	12
Deferred income	145	110

** restated for comparison purposes*

The deferred income on operating lease contracts is mainly related to the revenue for one of the operating lease units, which reflects a degressive day-rate schedule. As income is shown in the income statement on a straight-line basis with reference to *IAS 17 - Leases*, the difference between the yearly straight-line revenue and the contractual day rates is included as deferred income. The deferral will increase then stabilise until 2019 when the release of the deferral will commence.

Note 24. Provisions

Provisions (summary)

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	2013	2012 (*)
Demobilisation		81	34
Onerous contract		-	200
Warranty		41	35
Employee benefits	4	30	19
Other		-	20
Total		151	309
of which			
Non-current portion		87	74
Current portion		64	235

* restated for comparison purposes

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

Provisions (movements)

Figures are expressed in millions of US\$ and may not add up due to rounding

	Demobilisation	Onerous contracts	Other	Warranty
Balance at 1 January 2012 (*)	36	-	0	31
Arising during the year	3	200	-	66
Unwinding of interest	1	-	-	-
Utilised	-	-	-	(61)
Released to profit	(2)	-	-	-
Other	(3)	-	20	-
Currency differences	-	-	0	(0)
Balance at 31 December 2012 (*)	34	200	20	35
Arising during the year	46	-	-	42
Unwinding of interest	1	-	-	-
Utilised	-	(200)	-	(13)
Released to profit	-	-	(0)	(24)
Currency differences	-	-	-	-
Other	-	-	(20)	-
Balance at 31 December 2013	81	-	-	41

* restated for comparison purposes

Demobilisation

The provision for demobilisation relates to the costs for demobilisation of the F(P)SO fleet at the end of the respective operating lease periods. The obligations are valued at net present value, and on a yearly basis interest is added to this provision. The recognised interest is included in financial expenses (see Note 5. Net financing costs). The net present value is calculated at the inception date of the lease, at a rate of 5%. The increase of the provision in 2013 results from the Company-wide review conducted in the last quarter of 2013 to reassess decommissioning expenses of all vessels (please refer to Note 1. Segment information).

Expected outflow of amounts is within one year: US\$ 23 million (2012: US\$ 4 million), between one and five years

US\$ 8 million (2012: US\$ 13 million) and after five years US\$ 49 million (2012: US\$ 17 million).

Onerous Contracts

Following the settlement reached with Talisman on 11 March 2013, the Company paid the total settlement value of US\$ 470 million and used the US\$ 200 million provision for onerous contracts accrued for as of December 2012.

Other provisions

The other provisions included the Company's share in negative net assets of the joint ventures SBM Ship Yard Ltd (Company ownership 33.33%) and Paenal (Company ownership 30%) as of 31 December 2012.

These provisions have been revalued and offset against the carrying value of the Company interest-bearing loans granted to joint ventures as of 31 December 2013 (please refer to Note 12. Other financial assets).

Warranty

For most Turnkey sales, the Company gives warranties to its clients. Under the terms of the contracts, the Company undertakes to make good, by repair or replacement, defective items that become apparent within an agreed period starting from the final acceptance by the client.

Note 25. Deferred tax liability

For an explanation of the deferred tax liability reference is made to Note 13. Deferred tax assets.

Note 26. Loans and borrowings

Loans and borrowings

Figures are expressed in millions of US\$ and may not add up due to rounding

	<i>Note</i>	2013	2012
Bank interest-bearing loans and other borrowings	22	376	624
Bank overdrafts		-	-
Total		376	624

Further disclose about the fair value management is included in the Note 30. Financial instruments - Fair values and risk management.

For interest percentages, guarantees and other information, reference is made to Note 22. 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.

Note 27. Trade and other payables

Trade and other payables (summary)

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	2013	2012 (*)
Accruals on projects		590	692
Trade payables		402	208
Accruals regarding delivered orders		151	87
Other payables		99	77
Instalments exceeding cost incurred	17	95	295
Advances received from customers		78	87
Pension costs		19	16
Taxation and social security costs		8	7
Other non-trade payables		59	44
Total		1,501	1,512

* restated for comparison purposes

The contractual maturity of the trade payables is as follows:

Trade and other payables (contractual maturity of the trade payables)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Within 1 month	396	184
Between 1 and 3 months	3	15
Between 3 months and 1 year	3	2
More than one year	0	6
Total Trade payables	402	208

* restated for comparison purposes

Note 28. Derivative financial instruments

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

Note 29. Commitments and contingencies

Guarantees

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

At 31 December 2013, outstanding bank guarantees amounted to US\$ 495.4 million (31 December 2012: US\$ 479.6 million).

Commitments

Certain investment commitments have been entered into, principally the FPSO N'Goma, the FPSO Shell Stones and the FPSOs Cidade de Marica and Saquarema. At year-end, the remaining contractual commitments for acquisition of property, plant and equipment and investment in leases amounted to US\$ 1,687 million (2012: US\$ 817 million).

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

Commitments

	2013			Total	2012 (*)
	< 1 year	1-5 years	> 5years		Total
Operating lease	2	2	-	4	13
Rental and leasehold	34	122	182	338	185
Total	36	124	182	342	198

Figures are expressed in millions of US\$ and may not add up due to rounding

** restated for comparison purposes*

Contingent liabilities

The Company reported with a press release on 10 April 2012 that it had become aware of certain sales practices involving third parties which may have been improper. An investigation was commenced in 2012 at the request of the Company into alleged payments involving sales intermediaries in certain African countries in the period 2007 through 2011, in order to determine whether these alleged payments violated anti-corruption laws. In the course of the investigation, allegations were made of improper payments in countries outside Africa but to date no conclusive proof of such allegations has been established. The investigation is being carried out by outside legal counsel and forensic accountants, with the support of the Chief Governance and Compliance Officer and under the oversight of the Audit Committee.

As the investigation is not yet concluded, the Company cannot make any definitive statements regarding the findings of the investigation. The initial feedback received to date is that there are indications that substantial payments were made, mostly through intermediaries, which appear to have been intended for government officials.

The Company's new Management Board, appointed in the course of 2012, has introduced new policies, processes and systems, established an independent compliance function, enhanced its internal controls and monitoring systems and continues to emphasise awareness of proper compliance throughout the Company up to the highest management levels.

The Company voluntarily disclosed the investigation to the Dutch Public Prosecution Service (Openbaar Ministerie; OM) and the United States Department of Justice (DoJ) in 2012 and has remained in active dialogue with these authorities. The Company disclosed the initial feedback from the investigation to the authorities, actively cooperates with them and continues to give follow-up on specific questions.

At this stage it is not possible to state anything on the outcome of the investigation, financial or otherwise, but failure to comply with anti-corruption laws, once established, could give rise to criminal prosecution by the OM, the DoJ or any local authorities, civil claims or administrative proceedings against the Company. This could result in the Company paying damages or significant fines or penalties imposed by the OM, the DoJ or any local authorities, as well as disgorgements, debarment or other remedies, which could have a material financial impact on the Company; however a reasonable estimate cannot be made at this stage.

Note 30. Financial instruments - Fair values and 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.

Accounting classifications and fair values

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the statement of financial position, 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).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classification and fair values

31 December 2013

		Carrying amount					Fair value				
	Note	Fair Value	Fair value - hedging instruments loss	Loans and receivables	IAS 17 Leases	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>											
Financial assets measured at fair value											
Interest rate swaps	18	-	90	-	-	-	90	-	90	-	90
Forward currency contracts	18	1	60	-	-	-	61	-	61	-	61
Commodity contracts	18	-	-	-	-	-	-	-	-	-	-
		1	150	-	-	-	151				
Financial assets not measured at fair value											
Trade and other receivables	15	-	-	690	-	-	690	-	-	-	-
Cash and cash equivalents	19	-	-	200	-	-	200	-	-	-	-
Finance leases receivables	12/15	-	-	-	1,379	-	1,379	-	-	-	-
Other interest bearing loans	12	-	-	303	-	-	303	-	-	304	304
		-	-	1,193	1,379	-	2,572				
Financial liabilities measured at fair value											
Interest rate swaps	18	-	113	-	-	-	113	-	113	-	113
Forward currency contracts	18	5	88	-	-	-	94	-	94	-	94
Commodity contracts	18	-	-	-	-	-	-	-	-	-	-
		5	201	-	-	-	207				
Financial liabilities not measured at fair value											
US\$ project finance facilities drawn	22/26	-	-	-	-	1,504	1,504	-	1,506	-	1,506
US \$ guaranteed project finance facilities drawn	22/26	-	-	-	-	777	777	-	777	-	777
Revolving credit facility / Bilateral credit facilities	22/26	-	-	-	-	384	384	-	384	-	384
Bank overdrafts	26	-	-	-	-	-	-	-	-	-	-
Other long term debt	22/26	-	-	-	-	226	226	-	-	223	223
Trade and other payables	27	-	-	-	-	501	501	-	-	-	-
		-	-	-	-	3,392	3,392				

Additional information

- In the above table, the Company has disclosed the fair value of each class of financial assets and financial liabilities in a way that permits the information to be compared with the carrying amounts;
- Classes of financial instruments that are not used are not disclosed;
- The Company has not disclosed the fair values for financial instruments such as finance leases receivables, short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values as the impact of discounting is not significant;

- No instruments were transferred between Level 1 and Level 2;
- None of the instruments of the Level 3 hierarchy are carried at fair value in the statement of financial position.

Accounting classification and fair values

31 December 2012

Figures are expressed in millions of US\$ and may not add up due to rounding	Note	Carrying amount		Loans and receivables	IAS 17 Leases	Other financial liabilities	Total	Fair value			Total
		Fair Value through profit or loss	Fair value - hedging instruments					Level 1	Level 2	Level 3	
Financial assets measured at fair value											
Interest rate swaps	18	-	3	-	-	-	3	-	3	-	3
Forward currency contracts	18	-	34	-	-	-	34	-	34	-	34
Commodity contracts	18	-	-	-	-	-	-	-	-	-	-
		-	37	-	-	-	37				
Financial assets not measured at fair value											
Trade and other receivables	15	-	-	462	-	-	462	-	-	-	-
Cash and cash equivalents	19	-	-	715	-	-	715	-	-	-	-
Finance leases receivables	12/15	-	-	-	858	-	858	-	-	-	-
Other interest bearing loans	12	-	-	227	-	-	227	-	-	224	224
		-	-	1,404	858	-	2,262				
Financial liabilities measured at fair value											
Interest rate swaps	18	-	222	-	-	-	222	-	222	-	222
Forward currency contracts	18	3	51	-	-	-	54	-	55	-	55
Commodity contracts	18	-	-	-	-	-	-	-	-	-	-
		3	273	-	-	-	276				
Financial liabilities not measured at fair value											
US\$ project finance facilities drawn	22/26	-	-	-	-	1,342	1,342	-	1,351	-	1,351
US \$ guaranteed project finance facilities drawn	22/26	-	-	-	-	917	917	-	917	-	917
Revolving credit facility / Bilateral credit facilities	22/26	-	-	-	-	-	-	-	-	-	-
Bank overdrafts	26	-	-	-	-	-	-	-	-	-	-
Other long term debt	22/26	-	-	-	-	272	272	-	-	264	264
Trade payables	27	-	-	-	-	285	285	-	-	-	-
		-	-	-	-	2,816	2,816				

Measurement of fair values

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Measurement of fair values

Type	Level 2 and level 3 instruments	Level 3 instruments	Inter-relationship between significant unobservable inputs and fair value measurement
	Valuation technique	Significant unobservable inputs	
Financial instrument measured at fair value			
Interest rate swaps	Income approach - Present value technique	Not applicable	Not applicable
Forward currency contracts	Income approach - Present value technique	Not applicable	Not applicable
Commodity contracts	Income approach - Present value technique	Not applicable	Not applicable
Financial instrument not measured at fair value			
Other interest bearing loans	Income approach - Present value technique	Forecast revenues - Risk-adjusted discount rate (2013 : 5%-7%)	The estimated fair value would increase (decrease) if : - the revenue were higher (lower) - the risk-adjusted discount rate were lower (higher)
Loans and borrowings	Income approach - Present value technique	Not applicable	Not applicable
Other long term debt	Income approach - Present value technique	Forecast revenues - Risk-adjusted discount rate (2013 : 5%-8%)	The estimated fair value would increase (decrease) if : - the revenue were higher (lower) - the risk-adjusted discount rate were lower (higher)

Derivative assets and liabilities designated as cash flow hedges

The following table indicates the period in which the cash flows associated with the cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for interest rate swaps are estimated using the Libor rates as at the reporting date.

	Expected cash flows				Total
	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>					
31 December 2013					
Interest rate swaps	(23)	(62)	(241)	(138)	(441)
Forward currency contracts	(28)	(11)	(17)	-	(28)
Commodity contracts	-	-	-	-	-
31 December 2012					
Interest rate swaps	(219)	(67)	(260)	(211)	(538)
Forward currency contracts	(17)	(19)	1	-	(18)
Commodity contracts	-	-	-	-	-

The following table indicates the period in which the cash flows hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

	Expected profit or loss impact				Total
	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>					
31 December 2013					
Interest rate swaps	(23)	(62)	(241)	(138)	(441)
Forward currency contracts	(28)	(11)	(17)	-	(28)
Commodity contracts	-	-	-	-	-
31 December 2012					
Interest rate swaps	(219)	(67)	(260)	(211)	(538)
Forward currency contracts	(17)	(19)	1	-	(18)
Commodity contracts	-	-	-	-	-

Interest rate swaps

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the final repayment of the bank borrowings (see Note 21. Equity attributable to shareholders).

Forward currency contracts

Gains and losses recognised in the hedging reserve on forward currency contracts are recognised in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within twelve months from the statement of financial position 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'.

Financial risk management

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, interest rate risk, commodity 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 in the Group Policy. 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.

Financial risk management is carried out by a central treasury department under policies approved by the Management Board. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries and the Chief Financial Officer (CFO). The Management 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 speculative in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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 Brazilian Real. The exposure arises from sales or purchases in currencies other than the Company's functional currency. The Company uses forward currency contracts to eliminate the currency exposure once the Company enters into a firm commitment of a project contract. The forward currency contracts must be in the same currency as the hedged item.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The main Company's exposure to foreign currency risk is as follows based on notional amounts:

Foreign exchange risk (summary)

<i>In million local currency</i>	31 December 2013			31 December 2012		
	EUR	SGD	BRL	EUR	SGD	BRL
Fixed assets	58	-	63	86	-	30
Current assets	128	6	242	250	30	113
Long term liabilities	(15)	-	-	(4)	-	-
Current liabilities	(165)	(12)	(393)	(103)	(23)	(223)
Gross balance sheet exposure	6	(6)	(88)	229	7	(80)
Estimated forecast sales	-	-	-	1	-	-
Estimated forecast purchases	(1,028)	(541)	(1,185)	(556)	(345)	(568)
Gross exposure	(1,022)	(547)	(1,273)	(326)	(338)	(647)
Forward exchange contracts	1,053	547	1,240	508	324	619
Net exposure	31	-	(33)	182	(15)	(28)

In 2012, the increase of net exposure in EUR resulted from the disposal of the GustoMSC entities. The cash from this disposal has been converted to USD in 2013.

Estimated forecast purchases have significantly increased in 2013 following the awards of three FPSO projects (Cidade de Marica, Cidade de Saquarema and Shell Stones).

The estimated forecast purchases relate to project expenditures for up to three years.

The main currency exposures of overhead expenses are 100% hedged for the coming year, 66% hedged for the year thereafter, and 33% for the subsequent year. 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:

Foreign exchange risk (exchange rates applied)

	2013	2012	2013	2012
	Average rate		Closing rate	
EUR 1	1.3286	1.2861	1.3747	1.3199
SGD 1	0.7992	0.8004	0.7915	0.8187
BRL 1	0.4650	0.5136	0.4233	0.4879

The sensitivity on equity and the income statement resulting from a change of ten 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 2012.

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>				
31 December 2013				
EUR	8	(8)	(157)	157
SGD	-	-	(43)	43
BRL	-	-	(51)	51
31 December 2012				
EUR	2	(2)	(122)	122
SGD	1	(1)	(28)	28
BRL	(1)	1	(27)	27

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:

Interest rate risk (summary)

	2013	2012 (*)
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>		
Fixed rate instruments		
Financial assets	1,489	907
Financial liabilities	(591)	(609)
Total	898	298
Variable rate instruments		
Financial assets	193	64
Financial liabilities	(2,334)	(1,962)
Financial liabilities (future)	(1,928)	(866)
Total	(4,069)	(2,764)

* restated for comparison purposes

Interest rate risk (exposure)

	2013	2012 (*)
<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>		
Variable rate instruments	(4,069)	(2,764)
Less: IRS contracts	3,916	2,808
Exposure	(153)	44

* restated for comparison purposes

At 31 December 2013, 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\$ 2.9 million (2012: increase of US\$ 5.3 million) since 95.8% (2012: 105.5%) of the debt relating to the Lease and Operate is hedged by fixed interest rate swaps. The sensitivity on equity and the 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 2012.

Interest rate risk (sensitivity)

<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2013				
Variable rate instruments	(1)	-	-	-
Interest rate swap	3	(3)	136	(162)
Sensitivity (net)	2	(3)	136	(162)
31 December 2012				
Variable rate instruments	1	(0)	-	-
Interest rate swap	4	(4)	99	(97)
Sensitivity (net)	5	(4)	99	(97)

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.

Credit risk

<i>Figures are expressed in millions of US\$ and may not add up due to rounding</i>	2013		2012	
	Assets	Liabilities	Assets	Liabilities
AAA	-	-	-	-
AA+	-	-	-	-
AA	-	-	-	-
AA-	25	60	5	56
A+	44	76	11	127
A	82	58	20	59
A-	1	11	1	15
BBB+	-	-	-	-
BBB	-	3	-	18
BBB-	-	-	-	-
Non-investment grade	-	-	0	0
Derivative financial instruments	152	207	37	277
AAA	-	-	0	-
AA+	0	-	-	-
AA	-	-	-	-
AA-	52	-	243	-
A+	42	-	287	-
A	63	-	125	-
A-	26	-	25	-
BBB+	-	-	-	-
BBB	12	-	22	-
BBB-	-	-	-	-
Non-investment grade	4	-	13	-
Cash and cash equivalents and bank overdrafts	200	-	715	-

The Company has amended its policy on cash investment in 2012 and limits per counterparty were set to: A- and A rating US\$ 25 million, A+ rating US\$ 50 million, AA- and AA rating US\$ 80 million and AA+ and above rating US\$ 100 million. Cash held in BBB rating is held in one of the largest banks in Brazil and cash held in 'Non-investment grade' is mainly held in primary banks in Angola and Nigeria.

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 Management Board. At the statement of financial position date there is no customer that has an outstanding balance with a percentage over 10% of the total of trade and other receivables. Reference is made to Note 15. Trade and other receivables for information on the distribution of the receivables by country and an analysis of the ageing of the receivables.

As set out above, (by managing interest rate and currency risks) the Company aims 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, derivative financial liabilities and derivative financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for borrowings and derivative financial instruments are based on the Libor rates as at the reporting date.

Liquidity risk

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2013				
Borrowings		442	1,754	1,146
Derivative financial assets	18	114	150	24
Derivative financial liabilities	18	(37)	108	114
Trade payables	27	402	-	-
Total		921	2,012	1,284

Liquidity risk

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2012 (*)				
Borrowings		662	1,358	823
Derivative financial assets	18	86	259	211
Derivative financial liabilities	18	2	-	-
Trade payables	27	202	6	-
Total		952	1,623	1,034

* restated for comparison purposes

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, 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The Company's strategy which has not changed from 2012, is 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 2013 and 2012 were as follows:

Capital risk management

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Total borrowings	2,890	2,531
Less: net cash and cash equivalents	(200)	(715)
Net debt	2,691	1,816
Total equity	2,135	1,530
Total capital	4,826	3,346
Gearing ratio	55.8%	54.3%

* restated for comparison purposes

Other risks

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

Note 31. Auditor's Fees and Services

Fees included in Other operating costs related to KPMG the Company's external auditor, are summarised as follows:

Auditor's fees and services

Figures are expressed in thousands of US\$ and may not add up due to rounding

	2013	2012
Audit fees	1,273	1,452
Audit related fees	635	356
Tax fees	162	177
Other	-	513
Total	2,069	2,498

Note 32. Events after the balance sheet date

There are no reportable events after the balance sheet date.

Note 33. List of Group companies

In accordance with legal requirements a list of the Company's entities which are included in the consolidated financial statements of SBM Offshore N.V. has been deposited at the Chamber of Commerce in Rotterdam.

Note 34. Interest in joint ventures and associates

The Company has several joint ventures and associates. 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 and associates:

Interest in joint ventures (summary)

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012 (*)
Non-current assets	1,161	570
Current assets	2,425	1,531
Non-current liabilities	(1,786)	(1,165)
Current liabilities	(502)	(449)
Net assets / (liabilities)	1,298	486
Income	2,046	1,365
Expenses	(1,832)	(1,222)
Net income / (expenses)	214	143

** restated for comparison purposes*

Included in the figures above are the following significant joint ventures and associates:

Interest in joint ventures and associates (significant JV)

	% of ownership	Consolidation method	Reporting date
Gas Management (Congo) Ltd.	49.00	Proportionate	31 December
Malaysia Deepwater Floating Terminal (Kikeh) Limited	49.00	Proportionate	31 December
Malaysia Deepwater Production Contractors Sdn Bhd.	49.00	Proportionate	31 December
Solgaz S.A.	49.00	Proportionate	31 December
Anchor Storage Ltd.	49.00	Proportionate	31 December
Normand Installer S.A.	49.90	Proportionate	31 December
Sonasing Sanha Ltd.	50.00	Proportionate	31 December
Sonasing Kuito Ltd.	50.00	Proportionate	31 December
Sonasing Xikomba Ltd.	50.00	Proportionate	31 December
Sonasing Mondo Ltd.	50.00	Proportionate	31 December
Sonasing Saxi Batuque Ltd.	50.00	Proportionate	31 December
OPS-Serviços de Produção de Petróleo Ltd.	50.00	Proportionate	31 December
OPS Sucursal de Angola	50.00	Proportionate	31 December
FPSO Firenze Produção de Petróleo Ltda.	50.00	Proportionate	31 December
FPSO Mystras - Produção de Petróleo Ltda.	50.00	Proportionate	31 December
South East Shipping Co. Ltd.	75.00	Proportionate	31 December
FPSO Brasil Venture S.A.	51.00	Proportionate	31 December
SBM Operações Ltda.	51.00	Proportionate	31 December
SBM Systems Inc.	51.00	Proportionate	31 December
OPS Production Ltd	50.00	Proportionate	31 December
Brazilian Deepwater Floating Terminals Ltd.	51.00	Proportionate	31 December
Brazilian Deepwater Production Ltd.	51.00	Proportionate	31 December
Brazilian Deepwater Production Contractors Ltd.	51.00	Proportionate	31 December
Vasilikos LNG Ltd	51.00	Proportionate	31 December
Tupi Operações Marítimos Ltda	50.50	Proportionate	31 December
Tupi Nordeste SARL	50.50	Proportionate	31 December
Tupi Nordeste Holding Ltd	50.50	Proportionate	31 December
Guara Norte SARL	62.25	Proportionate	31 December
Guara Norte Holding Ltd	62.25	Proportionate	31 December
Guara Norte Operacoes Maritimas Ltda	62.25	Proportionate	31 December
Tupi Nordeste Ltd	50.50	Proportionate	31 December
Estaleiro Brasa Ltda	50.00	Proportionate	31 December
Brasil Superlift Servicos Içamento Ltda	50.00	Proportionate	31 December
SNV Offshore Ltd	50.00	Proportionate	31 December
Alfa Lula Alto Sarl	56.00	Proportionate	31 December
Beta Lula Central Sarl	56.00	Proportionate	31 December
Alfa Lula Alto Holding Ltd	56.00	Proportionate	31 December
Beta Lula Central Holding Ltd	56.00	Proportionate	31 December
Alfa Lula Central Operacoes Maritimas LTDA	56.00	Proportionate	31 December
Beta Lula Central Operacoes Maritimas LTDA	56.00	Proportionate	31 December
SBM Ship Yard Ltd.	33.33	Equity	31 December
PAENAL - Porto Amboim Estaleiros Navais	30.00	Equity	31 December

Note 35. Related party transactions

During 2013, 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.

Loans and trade receivables with related parties

As disclosed in Note 34. Interest in joint ventures and associates, the Company has provided loans to joint ventures and associates at rates comparable to the commercial rates of interest amounting to US\$ 290 million (2012: US\$ 254 million). At 31 December 2013, the Company also had trade receivables due from associates and joint venture entities of US\$ 164 million (2012: US\$ 144 million).

Trading transactions with joint ventures and associates

During the period, the Company entered into transactions with joint ventures and associates which are reported in Note 34. Interest in joint ventures and associates and are made on terms equivalent to those that prevail in arm's length transactions.

4.2.7 Company Balance Sheet

Company balance sheet

Figures are expressed in millions of US\$ and may not add up due to rounding

	Notes	2013	2012
ASSETS			
Property, plant and equipment		0	0
Investment in Group companies and associates	1	1,856	1,057
Other financial Assets		4	4
Total non-current assets		1,861	1,061
Other receivables	2	198	416
Income tax receivable		12	6
Cash and cash equivalents		7	1
Total current assets		218	423
TOTAL ASSETS		2,079	1,484
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		72	62
Share premium reserve		1,145	867
Retained earnings		428	640
Legal reserves		482	162
Other reserves		(62)	(263)
Shareholders' equity	3	2,065	1,469
Provisions		-	1
Total non-current liabilities		-	1
Other current liabilities	4	14	15
Total current liabilities		14	15
TOTAL EQUITY AND LIABILITIES		2,079	1,484

4.2.8 Company Income Statement

Company income statement

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Company result	(3)	(16)
Result of Group companies	114	(185)
Result of divestment of group companies	-	121
	111	(79)

4.2.9 Notes to the Company financial statements

General

The separate financial statements are part of the 2013 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 set 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 ('Accounting Principles') 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. Investment in Group companies and associates

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

Investment in Group companies and associates

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Balance at 1 January	1,057	1,269
Reclassification to other receivables	(45)	(45)
Investments at net asset value	1,011	1,225
Result of Group companies	114	(185)
Investments and other changes	695	59
Divestments	-	(67)
Dividends received	(21)	(22)
Currency differences	3	1
Movements	791	(213)
Balance at 31 December	1,856	1,057
Reclassification to other receivables	(54)	(45)
Investments at net asset value	1,803	1,011

The reclassification to other receivables relates to the negative equity value of van der Giessen-de Noord N.V. and XNK.

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

2. Other receivables

Other receivables

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Amounts owed by Group companies	197	411
Other debtors	1	5
Total	198	416

3. Shareholders' equity

For an explanation of the shareholders equity, reference is made to the consolidated statement of changes in equity and Note 21. Equity attributable to shareholders.

The legal reserve consists of:

Legal reserve

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Joint venture equity non-distributable	490	151
Capitalised development expenditure	1	9
Translation reserve	(9)	2
Total	482	162

Under the Dutch guidelines for financial reporting which apply to the Company statement of financial position, a legal reserve must be maintained for the above-mentioned items.

4. Other current liabilities

Other current liabilities

Figures are expressed in millions of US\$ and may not add up due to rounding

	2013	2012
Amounts owed to Group companies	6	6
Taxation and social security costs	4	2
Other creditors	3	7
Total	14	15

5. 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, 19 February 2014

Management Board:

B.Y.R. Chabas, Chief Executive Officer

P.M. van Rossum, Chief Financial Officer

S. Hepkema, Chief Governance Compliance Officer

Supervisory Board:

H.C. Rothermund, Chairman

F.J.G.M. Cremers, Deputy Chairman

F.G.H. Deckers

T.M.E. Ehret

F.R. Gugen

K.A. Rethy

4.3 Other Information

4.3.1 Appropriation of Result

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

1. When drawing up the annual accounts, the Management Board shall charge such sums for the depreciation of the Company's fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.
2. Any distribution of profits pursuant to the provisions of this article shall be made after the adoption of the annual accounts from which it appears that the same is permitted.

The Company may make distributions to the shareholders and to other persons entitled to distributable profits

only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law.

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

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

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

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

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

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

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

Appropriation of result

Figures are expressed in millions of US\$ and may not add up due to rounding		2013
Profit/Loss attributable to shareholders		111
In accordance with Article 29 clause 4 to be transferred to retained earnings		111
At the disposal of the General Meeting of Shareholders		-

The decision has been made not to distribute any dividends to shareholders in respect to the year ended 31 December 2013.

4.4 Independent Auditor's Report

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

Report on the audit of the Financial Statements

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 2013, 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 (EU-IFRS) and with Part 9 of Book 2 of the Dutch 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 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Our engagement

We have audited the financial statements 2013 of SBM Offshore N.V., Rotterdam (the Company), as set out in section 4.2 of the annual report. 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 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section Our responsibility for the audit of the financial statements of our report. We are independent of SBM Offshore N.V. within the meaning of the relevant Dutch ethical requirements as included in the 'Verordening op de gedrags- en beroepsregels accountants' (VGBA) and the 'Verordening inzake de onafhankelijkheid van accountants' (ViO) and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The key audit matters from our audit

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Management Board and the Supervisory Board, but are not intended to represent all matters that were discussed with them.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Revenue recognition on construction contracts involves significant judgement

The engineering and construction of Floating Production Storage and Offloading systems (FPSOs) is complex and exposes the Company to various business and financial reporting risks. Revenue arising from construction contracts, in its Turnkey segment, represents more than 75% of the Group's total revenue. The recognition of revenue and the estimation of the outcome of construction contracts requires significant management judgement, in particular with respect to estimating the cost to complete and the amounts of variation orders to be recognised. In addition, significant management judgement is required to assess the consequences of various legal proceedings in respect of construction contracts. Reference is made to 4.2.6 Notes to the Consolidated Financial Statements, Accounting principles, C. Critical accounting policies, (e) Revenue: Construction contracts.

We identified revenue from construction contracts as a significant risk, requiring special audit consideration. Our audit procedures included an evaluation of the significant judgements made by management, among others based on an examination of the associated project documentation and discussion on the status of projects under construction with finance and technical staff of the Company. We also tested the controls that the Company has put in place over its process to record contract costs and contract revenues and the calculation of the stage of completion. In addition we visited two projects under construction. Furthermore, we discussed the status of legal proceedings in respect of construction contracts, examined various documents in this respect and obtained lawyers' letters.

Lease classification is complex and requires significant judgement

The Company's primary business is to enter into lease agreements for FPSOs with its clients. This concerns both finance leases, in which the risks and rewards are substantially transferred to the client and operating leases, in which the Company retains significant risks of ownership of the FPSO. The classification of a lease agreement, either as a finance lease or an operating lease, is complex and requires significant management judgement. Furthermore, the classification determines the timing of revenue recognition and the presentation in the statement of financial position. Reference is made to 4.2.6 Notes to the Consolidated Financial Statements, Accounting principles, C Critical accounting policies, (b) Leases: Accounting by lessor.

Our audit procedures included an examination of new lease agreements and modifications thereof, an evaluation of the significant management's judgements with respect to the classification, based on the criteria for finance lease or operating lease, as described in IAS 17 Leases. Furthermore, we assessed the proper recognition of revenues and the presentation in the statement of financial position in respect of the lease agreements.

Contingent liability following internal investigation into alleged improper sales practices

The Company announced with a press release on 10 April 2012 that it had become aware of certain sales practices involving third parties which may have been improper. Reference is made to 4.2.6 Notes to the Consolidated Financial Statements, Note 29 Commitments and contingencies. The investigation identified that there are indications that substantial payments were made, mostly through intermediaries, which appear to have been intended for government officials. This matter required special audit consideration due to its nature.

We have assessed the progress and the findings from the investigation and examined various documents in this respect. Our procedures included regular discussions with the Management Board and lawyers responsible for

the investigation, an assessment of the remediation measures taken by the Company, verification of agents' fees paid during the year and obtaining lawyers' letters with respect to their activities. Furthermore we assessed the adequacy of the disclosure in this respect in Note 29, which describes that the outcome of the investigation may lead to significant penalties, fines or other consequences, which may have a material financial impact on the Company, however a reliable estimate can not be made at this stage. Therefore, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a provision has not been recognised in the statement of financial position as at 31 December 2013.

Going concern

The Company's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we concur with management's use of the going concern basis of accounting in the preparation of the Company's financial statements.

Management has not identified a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements.

Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Company's ability to continue as a going concern.

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibility for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Dutch Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and business activities within the Company to express an opinion on the financial statements.

We are required to communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We are also required to provide Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the report of the Management Board and other information

Pursuant to the legal requirement under Part 9 of Book 2 of the Dutch Civil Code regarding our responsibility to report on the report of the Management Board and the other information:

- We have no deficiencies to report as a result of our examination whether the report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the other information as required by Part 9 of Book 2 has been annexed.
- We report that the report of the Management Board, to the extent we can assess, is consistent with the financial statements.

Rotterdam, 19 February 2014

KPMG Accountants N.V.

P.W.J. Smorenburg RA

4.5 Key Figures

Key figures

Figures are expressed in millions of US\$ and may not add up due to rounding

	Note	2013	2012 (*)	2011	2010	2009
Turnover		4,803	3,639	3,157	3,056	2,957
Order intake		10,081	1,322	8,552	4,532	3,800
Order portfolio at 31 December		19,750	14,473	16,910	11,502	10,032

Results

Net profit/(loss) (continuing operations)		114	(75)	(441)	276	230
Dividend		-	-	-	120	110
Operating profit (EBIT)		293	38	(341)	386	293
EBITDA		700	681	813	712	613
Shareholders' equity at 31 December		2,064	1,459	1,284	2,073	1,803
Net debt		2,691	1,816	1,959	1,644	1,464
Capital expenditure		201	655	841	519	656
Depreciation, amortisation and impairment		406	643	1,154	326	320
Number of employees (average)		7,126	5,275	4,385	3,787	3,539
Employee benefits		843	750	654	608	585

Ratios (%)

Shareholders' equity : net assets		41	38	39	54	57
Current ratio		167	117	86	148	91
Return on average capital employed		7.0	1.1	(9.5)	11.0	9.7
Return on average shareholders' equity		6.3	(5.8)	(28.2)	12.4	14.6
Operating profit (EBIT) : net turnover		6.1	1.0	(10.8)	12.6	9.9
Net profit/(loss) : net turnover		2.4	(2.1)	(14.0)	9.0	7.8
Net debt : total equity		126	119	145	77.4	81
EBITDA/Enterprise value		9.9	6.5	6.8	7.6	7.7

Information per Share (US\$)

Net profit/(loss)	1	0.55	(0.44)	(2.77)	1.44	1.47
Dividend		-	-	-	0.71	0.67
Shareholders' equity at 31 December	2	9.89	7.71	7.49	12.29	10.96

Share price (€)

- 31 December		14.80	10.50	15.90	16.75	13.76
- highest		16.18	16.39	20.91	17.14	15.28
- lowest		10.04	7.71	11.73	11.39	8.98
Price / earnings ratio	2	38.2	NA	NA	15.8	14.7
Number of shares issued (x 1,000)		208,747	189,142	171,440	168,668	164,460
Market capitalisation (US\$ mln)		4,247	2,625	3,535	3,784	3,249
Turnover by volume (x 1,000)		359,517	481,719	287,478	259,924	279,932
Number of options exercised		-	-	326,500	1,328,153	604,400
Number of shares issued re stock dividend		-	-	2,104,877	2,628,848	4,221,744
Number of shares issued		18,914,221	17,111,757	-	-	13,896,880

1 Based upon weighted average number of shares.

2 Based upon number of shares outstanding at 31 December.

* restated for comparison purposes

5 Performance Indicators

5.1 Reporting Scope

The main Financial, Social, Health, Safety, Security and Environmental indicators are listed in the following pages of the report. Financial and HSSE data is presented for both 2012 and 2013 to allow comparison. Human Resources data is presented for 2013 exclusively.

This year the Company has completed the new organisation structure and these changes have been reflected in the reporting scope with the inclusion of new entities based on location and type of activities. As part of the reorganization SBM Offshore has identified a new category of workforce, Construction Yards. Construction Yard employees are non-traditional type of SBM Offshore workforce who work on construction yards, which SBM Offshore owns and/or operates in Joint Venture, and are allocated to non-SBM Offshore projects.

The change in reporting structure has resulted in some entities not being comparable to last year. Details of the reporting scope for the specific performance indicators can be found below under their corresponding heading.

5.1.1 Health, Safety and Security Reporting

Performance indicators are applied to the Company and take into account all permanent employees, part-time employees, locally employed agency staff (contractors and subcontractors) in the fabrication sites, offices, and offshore workers, i.e. all people working for the Company.

Reporting of indicators for Health, Safety and Security (HSS) are divided into four main sections: Onshore Projects, Offshore Operations, Offshore Contracting and Construction Yards. Onshore Projects consists of SBM Offshore employees and contractors in all offices, yards and SBM Operations employees based in the Monaco office. Offshore Operations includes all vessels operated and owned by SBM Offshore and their respective supporting shorebases. Offshore Contracting specifically refers to the Normand Installer crew and onshore support staff. Construction Yards employees for HSS reporting consist of employees from the Brazil based yards which SBM Offshore owns and/or operates in Joint Venture.

HSSE incident reporting is registered and managed through the Company's Single Incident Reporting System (SIRS) database. SIRS is a reporting system that is used to collect data on all incidents on all units operated by the Company. SIRS is a web based application which allows data entry from anywhere in the world.

The SIRS system will also record an incident that is classed as environmental, i.e. any unwanted release of pollutants to the environment.

Incidents are reported based on the incident classifications as defined by Oil and Gas Producers (OGP). The Company also reports incident data from subcontractor's construction facilities if the incident is related to a SBM Offshore project.

The Company uses manhours records and SIRS data to calculate Health and Safety performance indicators set by SBM Offshore.

In addition to the SIRS monitoring application; the Monthly HSSE Report issued by the Group HSSE Department consolidates HSSE records and events for the Company, covering onshore and offshore.

5.1.2 Environmental Reporting

The environmental performance of the Company's twelve offshore units is reported after taking into account the following reporting boundaries:

- Units in the Company's fleet producing and/or storing hydrocarbons under lease and operate contracts during 2013
- Units in which the Company exercises full operational management control
- Units in which the Company has full ownership or participates in a Joint Venture (JV) partnership, where the Company controls 50% or more of the shares

Offshore operations environmental performance results are chosen according to the performance indicators relative to GRI and OGP guidelines^[1]. This includes:

- Greenhouse Gases, referred to as GHG which are N₂O (Nitrous Oxide), CH₄ (Methane) and CO₂ (Carbon Dioxide)
- GHG emissions per hydrocarbon production from flaring
- GHG emissions per hydrocarbon production from energy generation
- Gas flared per hydrocarbon production
- Energy consumption per hydrocarbon production
- Oil in Produced Water per hydrocarbon production

The environmental performance of the Company is reported by region: Brazil, Angola and Rest of the World.

Based on the criteria stated above SBM Offshore reports on the environmental performance for following vessels:

- Brazil - FPSO Brasil, FPSO Marlim Sul, FPSO Espirito Santo, FPSO Capixaba, FPSO Cidade de Anchieta and FPSO Cidade de Party
- Angola – FPSO *Kuito*, FPSO Mondo and FPSO Saxi Batuque
- Rest of World – FPSO Aseng, FSO Yetagun and PFC Deep Panuke

The segmental reporting for 2013 has changed from last year and the reporting of some 2012 performance indicators have been revised to allow for year-to-year comparison.

The average for SBM Offshore at the bottom of each table is a weighted average, calculated pro rata the volume of hydrocarbon production per region.

The calculation of air emissions from offshore operations units is by the method recommended by Oil & Gas UK (OGUK).

The Company uses the World Resources Institute Greenhouse Gas Protocol (GHG Protocol) method to calculate CO₂ equivalents. CO₂ equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO₂ that would have the same global warming potential (GWP), when measured over a specified timescale (generally, 100 years). For further information on the GHG protocol and country specific calculation methods, please refer to their website: <http://www.ghgprotocol.org/calculation-tools>.

Environmental spills to air (except gas leaks which are not quantifiable), water or land from the offshore operations units are reported using the data recorded in the Single Incident Reporting System (SIRS) database.

Environmental waste include restricted, non-restricted and [Naturally Occurring Radioactive Material](#)(NORM) waste. Generated waste is reported every month by offshore operations units on a specific form.

Environmental Waste is reported for twelve vessels following the reporting boundaries described at the beginning

of this section.

[1] Environmental performance indicators. 2011 data. Report No. 2011e. October 2012. International Association of Oil & Gas Producers.

5.1.3 Human Resources Reporting

The Company's Human Resource data covers the global workforce and is broken down into parts which are; operating units, employment type, gender, and age. The performance indicators report the workforce status at year ending 31 December 2013. It includes all staff who were assigned on permanent and fixed-term contracts, employee hires and departures, total number of locally-employed staff from agencies, and all crew working onboard the offshore operations units.

For reporting purposes certain performance indicators report on Construction Yard employees separately as they represent a non-traditional SBM Offshore employee working on yards on non-SBM Offshore Projects. Construction Yards employees for Human Resources reporting purposes consist of employees for yards located in Brazil and Angola.

For some performance indicators the Company makes a split between Onshore and Offshore activities. Onshore includes all SBM Offshore employees and contractors in onshore offices, yards and SBM Operations employees based in Monaco. Offshore includes all fleet and their respective supporting shore base. This breakdown does not include Construction Yard employees.

Performance Reviews / Skills Management / Training

In order to ensure people development and optimal distribution of resources within the Company, the Company conducts annual performance reviews for all employees. Globally, the Company uses the Hay Competency system to grade and evaluate all permanent staff.

As a complementary parallel to this long-established annual performance review, the Talent Management and Succession Planning programmes have been launched in 2009. A process called "People Review" is in place to discuss the strengths, development needs and potential future career paths of SBM Offshore employees, taking into account certain criteria, and identify those who have the potential to take on greater leadership roles today and tomorrow.

5.2 Performance Indicators

5.2.1 Economic

Share Price

Listed as SBM Offshore N.V. on the Euronext Stock Exchange, Amsterdam

	2013	2012
Turnover as % of share capital	191	292
Highest share price in €	16.18	16.39
Lowest share price in €	10.04	7.71
Closing share price in €	14.80	10.50
Closing share price in US\$	20.35	13.85

IFRS Financials

In million of US\$ (unless stated otherwise)

	2013	2012(1)
Net Profit	114	(75)
EBIT	293	38
EBITDA	700	681
Revenue	4,803	3,639
Capital expenditure & Investments in Finance Leases	1,223	1,235
Total equity at year end	2,135	1,530
Total assets at year end	7,118	6,318
Shareprice (€) at year end	14.80	10.50
AEX-Index at year end	402.0	343
Market Capitalisation US\$ at year end	4,247	2,619

(1) Restated for comparison purposes

5.2.2 Health, Safety, Security (H.S.S.)

SBM Offshore Occupational Health and Safety

	2013	2012
Average absence due to illness (percentage days lost through illness per employee)	2.69%	3.80%
Total Consolidated million man-hours SBM Offshore	52.64	43.64
Total Consolidated million man-hours Onshore Projects	43.04	36.58
Total Consolidated million man-hours Offshore Operations	6.84	7.06
Total Consolidated million man-hours Construction Yards	2.2	n/a(1)
Total Consolidated million man-hours Offshore Contracting	0.45	n/a(1)
Lost Time Incident Frequency SBM Offshore	0.15	0.06
Lost Time Incident Frequency Onshore Projects	0.12	0.06
Lost Time Incident Frequency Offshore Operations	0.17	0.08
Lost Time Incident Frequency Construction Yards	0.45	n/a(1)
Lost Time Incident Frequency Offshore Contracting	1.76	n/a(1)
Total Recordable Incident Frequency Rate SBM Offshore (including Construction Yards)	0.4	0.38
Total Recordable Incident Frequency Rate Onshore Projects	0.31	0.32
Total Recordable Incident Frequency Rate Offshore Operations	0.81	0.71
Total Recordable Incident Frequency Rate Construction Yards	0.63	n/a(1)
Total Recordable Incident Frequency Rate Offshore Contracting	0.88	n/a(1)
Fatalities non work related	5	8
Fatalities work related		

(1) Data was not consolidated in 2012 in a way which separated Construction Yards or Offshore Contracting. Please see section 5.1. Performance Indicators for details.

Health, Safety and Security

		2013	2012
HSS Accident Statistics for Onshore Projects (1)			
Exposure Hours		43,039,017	36,577,826
Fatality	FAT		
Lost Time Incident	LTI	27	11
Restricted Work Case	RWC	22	33
Medical Treatment Case	MTC	18	14
Lost Time Incident Frequency Rate	LTIFR	0.12	0.06
Total Recordable Incidents	TRI	67	58
Total Recordable Incident Frequency Rate	TRIFR	0.31	0.32
HSS Accident Statistics for Offshore Operations (2)			
Exposure Hours		6,843,585	7,064,937
Fatality	FAT		
Lost Time Incident	LTI	6	3
Restricted Work Case	RWC	11	11
Medical Treatment Case	MTC	11	11
Lost Time Incident Frequency Rate	LTIFR	0.17	0.08
Total Recordable Incidents	TRI	28	25
Total Recordable Incident Frequency Rate	TRIFR	0.81	0.71
HSS Accident Statistics for Construction Yard (3)			
Exposure Hours		2,222,781	n/a
Fatality	FAT		n/a
Lost Time Incident	LTI	5	n/a
Restricted Work Case	RWC	2	n/a
Medical Treatment Case	MTC		n/a
Lost Time Incident Frequency Rate	LTIFR	0.45	n/a
Total Recordable Incidents	TRI	7	n/a
Total Recordable Incident Frequency Rate	TRIFR	0.63	n/a
HSS Accident Statistics for Offshore Contracting (4)			
Exposure Hours		453,178	n/a
Fatality	FAT		n/a
Lost Time Incident	LTI	2	n/a
Restricted Work Case	RWC		n/a
Medical Treatment Case	MTC	2	n/a
Lost Time Incident Frequency Rate	LTIFR	0.88	n/a
Total Recordable Incidents	TRI	4	n/a
Total Recordable Incident Frequency Rate	TRIFR	1.76	n/a

(1) Includes SBM Employees, Contractors in all Offices, Yards and SBM Operations Office in Monaco.

(2) Includes all SBM Worldwide Offshore Fleet and Shorebases.

(3) Includes Brasa and BSL Yards exclusively.

(4) Includes Normand Installer Crew and onshore support staff.

Data was not consolidated in 2012 in a way which separated Construction Yards or Offshore Contracting. Please see section 5.1 Performance Indicators for details.

5.2.3 Environmental data

Volume of Greenhouse Gas (GHGs) Emissions excluding Gas Flared (1)

Values expressed in tonnes of CO₂ equivalent

	2013	2012 (2)
Number of Offshore Operations Units	12 units	11 units
Brazil	1,250,857	1,043,896
Angola	843,092	884,751
Rest of World	376,738	204,070
Total Volume	2,470,687	2,132,717

(1) GHGs includes CO₂, N₂O and CH₄.

(2) 2012 GHG data revised in line with new segmental reporting. Please see section 5.1 Performance Scope for details.

Total GHG Emissions excluding Gas Flaring per production

Values expressed in tonnes of GHG per thousand tonnes of hydrocarbon production

	2013	2012
Number of Offshore Operations Units	12 units	11 units
Brazil	82.0	85.3
Angola	104.8	89.7
Rest of World	80.7	45.6
SBM Average	88.4	80.3

Total GHG Emissions from Energy Generation and Gas Flared per production

Values expressed in tonnes of GHG per thousand tonnes of hydrocarbon production

	2013	2012
Number of Offshore Operations Units	12 units	11 units
Brazil	119.5	176.3
Angola	174.8	149.5
Rest of World	199.0	144.6
Total Volume	148.5	136.6

Total Gas Flared per production

Values expressed tonnes of gas flared per thousand tonnes of hydrocarbon production

	2013	2012
Number of Offshore Operations Units	12 units	11 units
Brazil	11.3	13.1
Angola	21.4	18.5
Rest of World	36.4	30.6
SBM Average	18.4	18.0

Total of gas flared below flaring limit and when exceeded at request of client or on SBM account. Expressed in tonnes of gas flared per thousand tonnes of the hydrocarbon production

Proportion of Total Gas Flared on SBM's Account (1)

Values expressed as a percentage of total gas flared

	2013	2012
Number of Offshore Operations Units	12 units	11 units
Brazil	62.2%	32.9%
Angola	41.9%	25.5%
Rest of World	6.7%	8.7%
SBM Average	37.0%	23.2%

(1) Percentage of gas flared due to SBM Account when the Client limit is exceeded

GHG Emissions excluding Flaring

Values expressed in tonnes

	2013	2012
Number of Offshore Operations Units	12 units	11 units
N ₂ O	180	156
CH ₄	680	607
CO ₂	2,400,392	2,071,616

Source: DEFRA - Environmental Key Performance Indicators; Reporting Guidelines for UK Business; Chapter 4. Page 28 4.1 Emissions to Air KPI 1 Greenhouse Gases

Regional CO₂ Emissions

Values expressed in tonnes

	2013	2012 (1)
Number of Offshore Operations Units	12 units	11 units
Brazil	1,215,085	1,013,680
Asia	819,232	859,843
West Africa	366,073	198,093
Total	2,400,392	2,071,616

(1) 2012 GHG data revised in line with new segmental reporting. Please see section 5.1 Performance Scope for details.

Offshore Operations Energy Consumption

Volumes expressed in gigajoules of energy per tonne of hydrocarbon production

	2013	2012
Number of Offshore Operations Units	12 units	11 units
Brazil	1.02	1.83
Angola	1.22	1.19
Rest of World	0.87	0.65
SBM Average	1.05	1.39

Offshore Operations Oil in Produced Water Discharges

<i>Tonnes of oil discharged to sea per million tonnes of hydrocarbon production</i>		2013	2012
Number of Offshore Operations Units		12 units	11 units
Brazil		2.07	1.22
Angola		4.42	2.64
Rest of World		9.46	4.20
SBM Average		3.98	2.25

Offshore Operations Environmental Releases

<i>Tonnes of oil discharged to sea per million tonnes of hydrocarbon production</i>		2013	2012
Number of Offshore Operations Units		12 units	11 units
Number of uncontained hydrocarbon liquid spills to environment		4	10
Total volume of uncontained hydrocarbon liquid spills to environment (m3)		0.019	0.076
Number of liquid spills > 1 bbl per million tons of hydrocarbon production			

Offshore Operations Waste Production

<i>Value expressed in tonnes</i>		2013
Number of Offshore Operations Units		12
Restricted Waste		1,201
Non-Restricted Waste		1,085
NORM (1)		54
Total Volume		2,340

(1) Naturally Occurring Radioactive Material (NORM).

Total Hydrocarbon Production

<i>Value expressed in tonnes</i>		2013	2012
Number of Offshore Operations Units		12 units	11 units
Brazil		15,250,070	12,233,654
Angola		8,044,540	9,856,145
Rest of World		4,665,767	4,437,980
Total Volume		27,960,378	26,563,779

Indirect Energy Consumption

	2013	2012
Electrical Usage		
Total electrical usage kWh	10,693,276	10,808,748
Total electrical usage tonnes CO2 equivalent	3,986	4,276
Heating Fuel Consumption		
Total heating fuel consumption in kWh	326,435	262,562
Total office energy consumption		
Total office energy consumption in kWh	11,019,711	11,071,310
Total office energy consumption in tonnes CO2 equivalent	4,073	4,346

Calculated using World Resource Insititute Greenhouse Gas Protocol: www.ghgprotocol.org/calculation-tools

Indirect Energy Consumption

	2013	2012
Electrical Usage		
Total electrical usage kWh	10,693,276	10,808,748
Total electrical usage tonnes CO2 equivalent	3,986	4,276
Heating Fuel Consumption		
Total heating fuel consumption in kWh	326,435	262,562
Total office energy consumption		
Total office energy consumption in kWh	11,019,711	11,071,310
Total office energy consumption in tonnes CO2 equivalent	4,073	4,346

Calculated using World Resource Insititute Greenhouse Gas Protocol: www.ghgprotocol.org/calculation-tools

5.2.4 Human Resources (H.R.)

Permanent Headcount by Gender

	Female	Male	Total	Ratio of Females
SBM - Schiedam	97	330	427	23%
SBM - Houston	145	400	545	27%
SBM - Malaysia	198	457	655	30%
SBM - Monaco	203	544	747	27%
SBM - Operations	228	1,514	1,742	13%
SBM - Rio	63	104	167	38%
Group Operations	73	198	271	27%
Group Functions	136	169	305	45%
Total	1,143	3,716	4,859	24%
Construction Yards	141	3,358	3,499	4%
Grand Total	1,284	7,074	8,358	15%

Permanent Headcount by Gender

	Female	Male	Total	Ratio of Females
Onshore	990	2,346	3,336	30%
Offshore	153	1,370	1,523	10%
Total	1,143	3,716	4,859	24%

Permanent and Contractors Employees Headcount

	Headcount Permanent Employees	Headcount Contract Employees	Total Headcount Employees	Ratio of Contract Employees
SBM - Schiedam	427	107	534	20%
SBM - Houston	545	54	599	9%
SBM - Malaysia	655	20	675	3%
SBM - Monaco	747	96	843	11%
SBM - Operations	1,742	547	2,289	24%
SBM - Rio	167	1	168	1%
Group Operations	271	535	806	66%
Group Functions	305	7	312	2%
Total	4,859	1,367	6,226	22%
Construction Yards	3,499	211	3,710	6%
Grand Total	8,358	1,578	9,936	16%

Permanent Employees Headcount by Age Brackets

	Under 30 Years	30-50 Years	Above 50 Years
SBM - Schiedam	58	279	90
SBM - Houston	60	329	156
SBM - Malaysia	94	499	62
SBM - Monaco	147	509	91
SBM - Operations	383	998	361
SBM - Rio	47	116	4
Group Operations	34	177	60
Group Functions	37	226	42
Total	860	3,133	866
Construction Yards	1,226	1,980	293
Grand Total	2,086	5,113	1,159

Permanent Employees Headcount by Seniority

	Under 5 Years	Between 5 to 10 Years	Between 10 to 15 Years	Above 15 Years
SBM - Schiedam	221	109	62	35
SBM - Houston	299	163	67	16
SBM - Malaysia	444	198	9	4
SBM - Monaco	388	208	86	65
SBM - Operations	1,102	419	171	50
SBM - Rio	166	1		
Group Operations	148	58	37	28
Group Functions	172	62	35	36
Total	2,940	1,218	467	234
Construction Yards	3,499			
Grand Total	6,439	1,218	467	234

Permanent Part Time Employees Headcount

	% Part Time Employees	% Female Employees	% Male Employees
SBM - Schiedam	17%	62%	38%
SBM - Houston	0%	50%	50%
SBM - Malaysia	0%	0%	0%
SBM - Monaco	4%	94%	6%
SBM - Operations	0%	80%	20%
SBM - Rio	0%	0%	0%
Group Operations	3%	86%	14%
Group Functions	6%	95%	5%
Total	3%	75%	25%
Construction Yards	0%	0%	0%
Grand Total	2%	75%	25%

Permanent Employees Turnover Headcount

	Net Turnover Headcount	Net Turnover Rate
SBM - Schiedam	67	15.7%
SBM - Houston	84	15.4%
SBM - Malaysia	80	12.2%
SBM - Monaco	57	7.6%
SBM - Operations	282	16.2%
SBM - Rio	41	24.6%
Group Operations	31	11.4%
Group Functions	30	9.8%
Total	672	13.8%
Construction Yards	419	12.0%
Grand Total	1,091	13.1%

Net turnover calculation excludes retirement and fatalities

Permanent Employees Turnover by Category excluding Construction Yards

	Turnover Headcount	Turnover Rate
Resignation	490	10.1%
Dismissal	182	3.7%
Net turnover	672	13.8%
Retirement	21	0.4%
Fatalities non work related	5	0.1%
Fatalities work related		0.0%
Total	698	14.4%

Net turnover calculation excludes retirement and fatalities

Construction Yards Permanent Employees Turnover by Category

	Turnover Headcount	Turnover Rate
Resignation	79	2.3%
Dismissal	340	9.7%
Net turnover	419	12.0%
Retirement	1	0.0%
Fatalities non work related	3	0.1%
Fatalities work related		0.0%
Total	423	12.1%

Net turnover calculation excludes retirement and fatalities

Permanent Employees Turnover by Age Brackets excluding Construction Yards

	Turnover Headcount	Turnover Rate
Age <30	133	2.7%
Age 30-50	484	10.0%
Age >50	81	1.7%
Total	698	14.4%

Construction Yard Permanent Employees Turnover by Age Brackets

	Turnover Headcount	Turnover Rate
Age <30	173	4.9%
Age 30-50	214	6.1%
Age >50	36	1.0%
Total	423	12.1%

Number of New Comers

Permanent Employees(1)	1,001
Construction Yards Employees	2,620
Total	3,621

(1) Excluding Construction Yard Employees

Employees Training Hours

	Total Training Hours	Total Training Hours per Permanent Employee
SBM - Schiedam	18,084	42
SBM - Houston	18,549	34
SBM - Malaysia	17,856	27
SBM - Monaco	21,348	29
SBM - Operations	150,471	86
SBM - Rio	4,033	24
Group Operations	1,845	7
Group Functions	6,988	23
Total	239,174	49
Construction Yards	67,381	19
Grand Total	306,555	37

Employees Training Hours

	Total Number of Training Hours	Total Training Hours per Permanent Employee
Onshore	93,756	28
Offshore	145,418	95
Total	239,174	49

Employee Training Hours by Category of Training excluding Construction Yards

Technical Training	56,817	24%
Non-Technical Training	58,972	25%
Compliance and Ethics Training	3,626	2%
HSSE Training	91,124	38%
SBM Leadership and Management	8,288	3%
Languages Training	20,347	9%
Total number of Training hours	239,174	

Construction Yard Employee Training Hours by Category of Training

Technical Training	14,258	21%
Non-Technical Training	906	1%
Compliance and Ethics Training	498	1%
HSSE Training	46,199	69%
SBM Leadership and Management	336	0%
Languages Training	5,184	8%
Total number of Training hours	67,381	

Total Training Costs in Thousand US\$

Total training costs in US\$ thousand	9,473
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Permanent Employees Performance Appraisals and Developing Process

Employees Headcount Eligible for Performance Appraisals	4828
Performance Appraisals Completed	90%
Percentage of Employee Eligible for People Review	10%
People Reviews Completed	100%

Equality

% of Females in Management Positions	15%
% of Females in Management Positions Offshore	5%
% of Females in Management Positions Onshore	22%
Ratio Basic Salary Female/Male	80%
Ratio of training hours Female/Male	1.34%

5.3 Notes

5.3.1 Note 1

The exposure hours, incidents and frequency rates shown below include all hours recorded on TREG (including SBM-PC) and any incidents recorded at SBM offices and premises.

5.3.2 Note 2

FAT: Fatality

LTI: Lost Time Incident

RWC: Restricted Work Case

MTC: Medical Treatment Case

NM: Near Miss

Days Lost: LTI Days Lost

LTISR: Lost Time Incident Severity Rate

LTIFR: Lost Time Incident Frequency Rate

TRI: Total Recordable Incidents

TRIFR: Total Recordable Incident Frequency Rate

5.3.3 Note 3

The Total Recordable Incidents is the sum of the Fatalities, Lost Time, Restricted Work Case and Medical Treatment Case incidents, but exclude First Aid Case and Near Miss Incidents.

$TRI = FAT + LTI + RWC + MTC$

$TRIFR = (TRI \times 200,000) / EH$

Where:

TRI = Total Recordable Incidents

200,000 = base for 100 equivalent full-time workers

(Working 40hrs per week, 50 weeks per year)

EH = Exposure Hours, total hours worked by all employees

$$\text{LTIFR} = (\text{LTI} \times 200,000) / \text{EH}$$

Where:

LTI = the number of Lost Time Incidents

200,000 = base for 100 equivalent full-time workers

(Working 40hrs per week, 50 weeks per year)

EH = Exposure Hours, total hours worked by all employees

$$\text{LTISR} = (\text{Days Lost} \times 200,000) / \text{EH}$$

Where:

Days Lost = LTI Days Lost

200,000 = base for 100 equivalent full-time workers

(Working 40hrs per week, 50 weeks per year)

EH = Exposure Hours, total hours worked by all employees

5.4 Key sustainable figures- 5 Years

Five Year Key Sustainability Figures

	2013	2012	2011	2010	2009
HSS					
LTIFR Offshore Operations	0.17	0.08	0.04	0.10	0.03
TRI Offshore Operations	28	25	28	26	17
TRIFR Offshore Operations	0.81	0.71	1.00	0.87	0.59
LTIFR Onshore Projects	0.12	0.06	0.12	0.06	
TRI Onshore Projects	67	58	63	53	
TRIFR Onshore Projects	0.31	0.32	0.21	0.18	0.03
LTIFR Construction Yards (1)	0.45				
TRI Construction Yards	7				
TRIFR Construction Yards	0.63				
Fatalities work related					
Fatalities non work related	5	8	4	2	7
Absence due to normal illness	2.69%	3.80%	2.95%	2.60%	2.50%
Total consolidated million man-hours SBM Offshore	56.64	43.6	36.15	42.26	
Environment					
CO2 Emissions from Offshore Operations in millions of tonnes - excluding flaring(2)	2.400	2.071	1.923	2.076	1.824
Electricity Usage in kWh	11,019,711	11,071,310	11,059,868	10,339,123	10,478,068
Indirect CO2 emissions in tonnes	4,073	4,346	4,347	4,063	4,113
Human Resources (2)					
Total Employees (including Construction Yards)	9,936	7,493	6,220	5,758	5,389
Contract / Permanent Ratio	22%	21%	25%	29%	36%
Total Permanent Employees (including Construction Yards)	8,358	5,893	4,655	4,114	1,929
Total Contractors (including Construction Yards)	1,578	1,600	1,565	1,644	3,460
Total percentage of Females in Permanent Workforce	24%	20%	21%	22%	21%
Total Offshore Employees (3)	1,523	1,665	1,862	1,829	1,488
Total Onshore Employees (3)	3,336	4,228	4,358	3,989	3,901
% of Part-time Workforce	3%	2%	3%	3%	3%
% of Part-time Females	75%	70%	61%	62%	64%
% of Part-time Males	25%	30%	39%	38%	36%
Employee Turnover Rate (2)					
Turnover Rate	13.8%	11.7%	11.9%	10.1%	8.7%
Resignation	10.1%	8.2%	8.1%	6.6%	4.8%
Dismissal	3.7%	3.6%	3.1%	2.7%	2.7%
Retirement	0.4%	0.5%	0.3%	0.7%	1.0%
Fatalities non work related	0.1%	0.1%	0.1%	0.0%	0.2%
Appraisals					
Performance Appraisals Completed	90%	84%	92%	96%	95%
Competency Training Indicators					
Offshore Operations Training Hours per Eligible Employee	95	47	55	41	23
Onshore Projects Training Hours per Eligible Employee	28	21	18	28	27

(1) Construction Yards data was consolidated differently prior to 2013. Please see section 5.1 Performance Scope for details.

(2) Does not include Construction Yards except if specified otherwise.

(3) Onshore/Offshore was consolidated differently in 2013. Please see section 5.1 Performance Scope for details.

6 Disclaimer

Some of the statements contained in this report that are not historical facts are statements of future expectations and other forward-looking statements based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those in such statements. Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of the Company's business to differ materially and adversely from the forward-looking statements.

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report as anticipated, believed, or expected. SBM Offshore NV does not intend, and does not assume any obligation, to update any industry information or forward-looking statements set forth in this report to reflect subsequent events or circumstances.