Annual REPORT

SBM OFFSHORE

2015

Table of Contents

AT A GLANCE

1

Bruno Chabas
Chief Executive Officer

Looking back at 2015, as SBM Offshore's CEO I have much to be proud of, in particular how every SBMer contributed to the Company's achievements in this challenging market.

1.1 Message from the CEO

This year complex projects have progressed and been delivered to our clients, our fleet performed steadily, we obtained funding at attractive pricing and we reduced our net debt beyond the target, while exceeding the revenue target. At the same time, the industry continues to experience oversupply resulting in depressed oil prices, which has forced our clients to delay or cancel investment decisions. SBM Offshore is not immune to this situation. We have seen our Turnkey order book shrink, with low visibility on meaningful short term improvement. The Company's Lease and Operate segment however, is generating income, turning SBM Offshore's cash flow into positive territory in 2016. In 2015, we continued the reorganization of the Company, in order to reduce costs and become more client focused, while retaining the core talent that are the foundation of the road to recovery, once the market turns. It is regrettable that we have had to let go 3,200 staff during the year, both in our own managed activities as well as the Joint Venture yards.

Before going into a bit more detail on some of these events, a few words on our ongoing compliance case in Brazil. Further to the March 2015 announcement, that we were engaged in discussions with the relevant authorities in Brazil to reach a leniency agreement, we have worked hard and cooperated constructively towards a settlement. The discussions are complex, involve different authorities as well as Petrobras and need time to ensure alignment of all parties' interests. Although at the time of writing this report the final settlement is yet to be concluded, talks have advanced to the point where we have been able to make a provision in the 2015 accounts of US$ 245 million. Being invited back on the tender list of our client Petrobras has been a first positive outcome of the discussions and I hope that we can close out this legacy issue in the course of 2016. At the end of January 2016, we have been informed by the US Department of Justice that the inquiry regarding SBM Offshore has been re-opened. We are currently seeking further clarification about the scope of this inquiry and remain committed to close out discussions on this legacy issue as well.

At SBM Offshore, we take great pride in our technical capabilities, both during design and construction, as well as during long term offshore operations of our vessels. 2015 was no exception, with successful delivery of projects such as the Ichthys, QUAD204 and Prelude large turrets, which represent ground-breaking projects for the industry, while the FPSO projects *Cidade de Maricá* for offshore Brazil and *Turritella* for the Gulf of Mexico, were completed and arrived on location around year end, with first oil expected in 2016. Our fleet continued its long-running oil uptime record at 99.4% for the year, without any major unplanned shutdowns or operational setbacks.

Tendering for new FPSO projects is ongoing, despite the adverse industry climate, but is not resulting in final awards, as the industry is effectively 'on hold' until the future of the crude oil supply/demand situation becomes clearer. With the progressive delivery of our current projects, this implies increasing overcapacity in our engineering and project management staff. We have been anticipating this situation for more than a year now, workforce reductions over the period totaled approximately 3,200 positions. 1,500 were full-time employees and contractor staff. On top of that, we lost 1,700 staff in our Joint Venture yards in Brazil and Angola due to a reduction in construction workload. Through specialization of our Regional Centers and applying new technology, we have established the minimum required workforce to deal with a market upturn, in terms of awards.
I realize that this implies an investment in 2016 and possibly 2017 in underutilization of our workforce, but that is inevitable to retain our competitive

strength and to be ready to capitalize on the upturn. In the meantime, our staff is engaged in sales support, pre-FEED and FEED studies, in several cases client funded, as well as further technology development.

In terms of technology, I am very excited about our progress on the Fast4Ward program. The essence of this program allows us to reduce the time to market of an FPSO from three to two years, through rigorous standardization of all suitable components, most notably the FPSO hull. Fast4Ward, in combination with Odyssey 24 – the transformation program, ended in 2015 – give us the necessary tools to build FPSOs that can operate profitably in a US$ 50/barrel world. We intend to order our first Fast4Ward hull in 2016, in time to be ready when the awards start picking up again.

We were included in the Dow Jones Sustainability Index for the sixth year running, with an overall improved position. This does credit to our efforts to incorporate all Environmental, Social and Governance (ESG) elements in our day-to-day considerations and how we deal with all our stakeholders. Sustainability is at the heart of our long-term business development and we continue to work on local initiatives emerging from a social impact assessment and the development of CO_2 reduction solutions with an internal CO_2 challenge program launched in 2015.

2015 has seen a few remarkable funding events. First of all, we completed a US$ 1.55 billion project loan for FPSO *Cidade de Saquarema*. This project loan, which carries a large Export Credit Agency (ECA) support tranche, has a 15-year maturity and carries a 5.0% all-in-cost of finance. This was our first ECA supported loan and the largest project loan ever taken by SBM Offshore. For FPSO *Turritella*, we achieved partner buy-in for a 45% share by Mitsubishi Corporation and Nippon Yusen Kabushiki Kaisha mid-year 2015. In December, the partnership announced an US$ 800 million project loan for the vessel with a 10-year maturity and an all-in cost of just 3.3%.

In the absence of new Engineering, Procurement and Construction (EPC) awards and following delivery of the last three FPSOs early 2016, we are not investing cash in new FPSOs for our lease portfolio. This has a positive effect on our free cash flow (defined as cash from operations minus CAPEX) in 2016. SBM Offshore's lease-and-operate model is not affected by the oil price environment, nor by actual production levels. This gives us a solid cash income basis, that will see us through these difficult times. Our improving cash position allows us to return to a dividend payment over the underlying 2015 profit and I am very pleased to announce that we are proposing US$ 0.21 dividend per share, to be paid in cash (in euros) following approval at the AGM in April 2016.

During the year, we have seen a number of moves in our boards. Firstly, we said farewell to our long-standing chairman Mr. Heinz Rothermund, who retired after completing his third and final term at the Supervisory Board. We were happy to welcome Mr. Frans Cremers as our new chairman and Mrs. Sherry Richard and Mrs. Laurence Mulliez as new members to the Supervisory Board. Mr. Sietze Hepkema retired from the Management Board in April and was subsequently appointed as a Supervisory Board member. At the Management Board level we welcomed Mr. Erik Lagendijk as our new Corporate Governance and Compliance Officer, replacing Mr. Sietze Hepkema and we added the role of Chief Operating Officer to the Management Board with the appointment of Mr. Philippe Barril.

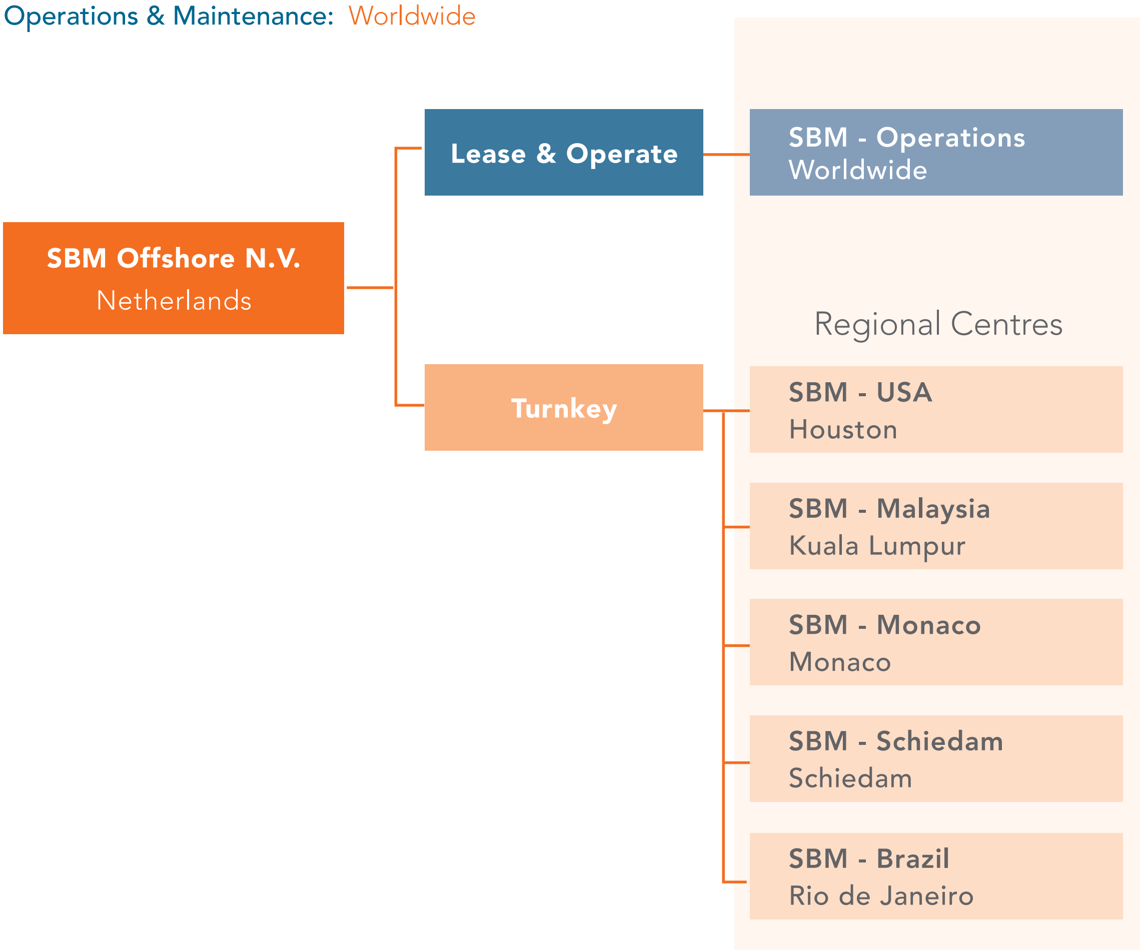
In conclusion, I am proud to see progress being made by our teams across the globe on projects and operations.

1.2 About SBM Offshore and Global Presence

SBM Offshore provides floating production solutions to the offshore energy industry, over the full product life-cycle. The Company is market leading in leased floating production systems with multiple units currently in operation and has a remarkable operational experience in this field.

Company Organization Chart (simplified version)

Corporate Headquarters: Amsterdam
Group Functions: Amsterdam, Marly, Monaco
Operations & Maintenance: Worldwide

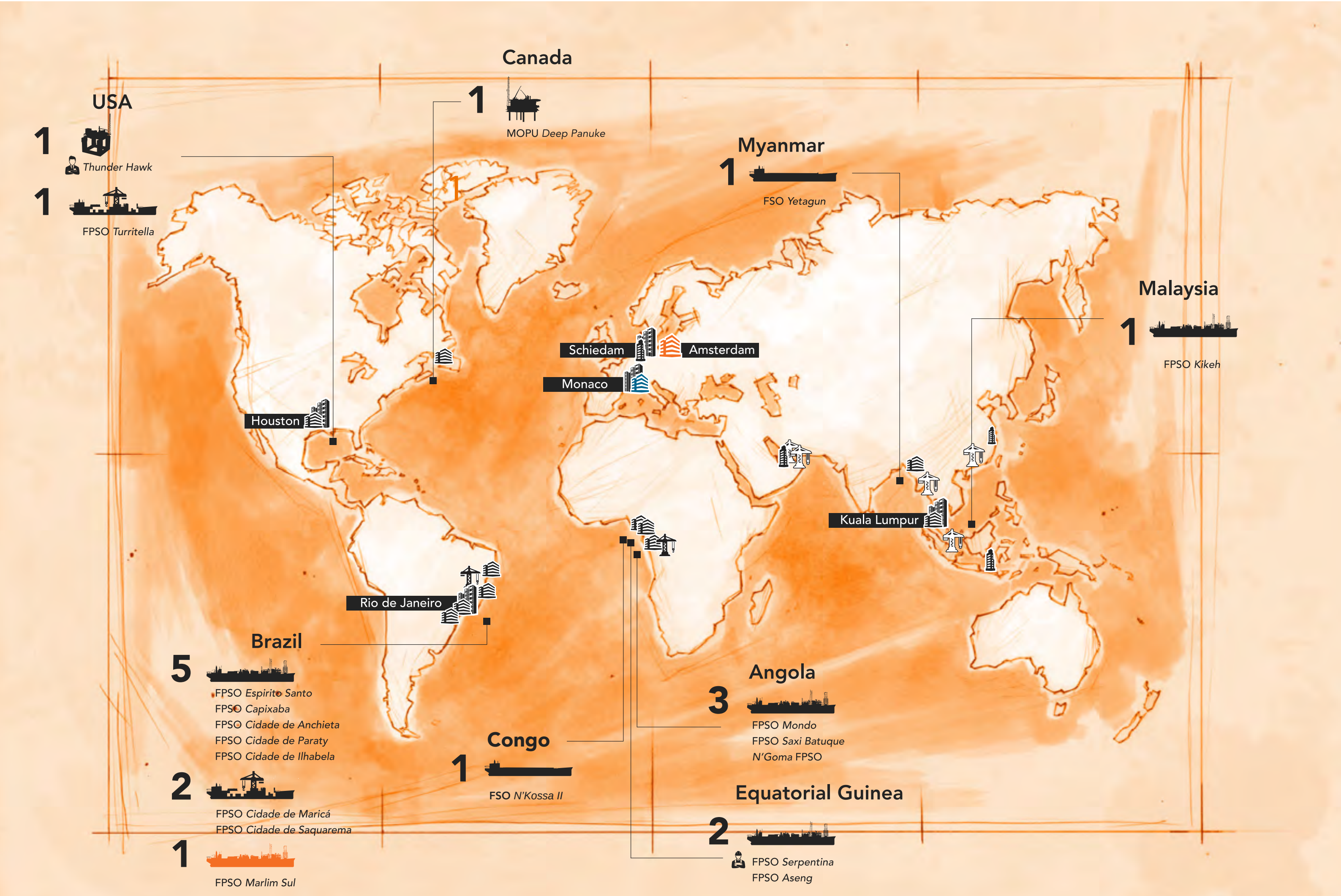


Ownership and Operating Structure

The Company's main activities are the design, supply, installation, operation and life extension of Floating Production, Storage and Offloading (FPSO) vessels. These are either owned and operated by SBM Offshore and leased to its clients or supplied on a turnkey sale basis. Other products include: semi-submersibles, TLPs, FPSO LNGs, turret mooring systems, brownfield and offshore (off)loading terminals. With its own fleet of ten FPSOs, two FSOs, one MOPU, one Semi-submersible in operation worldwide at year end and over 271 years of cumulative FPSO operational experience within the industry, the Company is considered a market leader in providing leased production floating systems.

With its statutory seat in Rotterdam in the Netherlands, SBM Offshore employees total almost 5,000 and are spread over five regional centres, eleven operational shore bases and the offshore fleet of vessels. Group companies employ over 7,000 people worldwide, which includes 2,100 working for the joint venture construction yards.

SBM Offshore Global Presence



Regional Centre

Shore bases and Operations Offices

Operations Head Office

Construction Yard

Site Office
Dubai, Abu Dhabi, Guangzhou, Singapore

Unit in Operation

Unit in Decommissioning

Unit under Construction

MOPU Production Field Centre

DeepDraft Semi-Submersible

Leased only

Operated only

Representative Offices
Dubai, Jakarta, Shanghai

SBM Offshore Head Office

1.3 Vision and Values

Vision
To be a trusted partner, delivering reliable floating production solutions that create value for the Company's clients, by sustainably and passionately leveraging SBM Offshore's technology and operating experience.

Values
SBM Offshore's four values reflect its long history of industry leadership. They are the essence of who each 'SBMer' is and how the Company works. The values create pride with each employee embracing them to sustain SBM Offshore's vision. They also give meaning and personal fulfillment to each employee for the quality job done well and in turn provide added value to SBM Offshore's customers and stakeholders.

Care
'SBMers' respect and care for each other and for the community. Employees value teamwork and diversity. The Company listens to all its stakeholders. Safety is paramount to everything the Company does.

Integrity
'SBMers' act professionally and in an ethical, honest and reliable manner. Transparency, doing the right thing and consistency are essential in the way the Company behaves towards all of its stakeholders.

Entrepreneurship
'SBMers' have an entrepreneurial mindset in everything they do. They deliver innovative and fit-for-purpose solutions with passion. In doing so the Company aims to exceed its clients' expectations and proactively achieve sustainable growth by balancing risks and rewards.

Ownership
'SBMers' are all accountable to deliver on their commitments and pursue the Company's objectives with energy and determination. Quality is of the essence. 'SBMers' say what they do and do what they say.

1.4 Activities and Markets

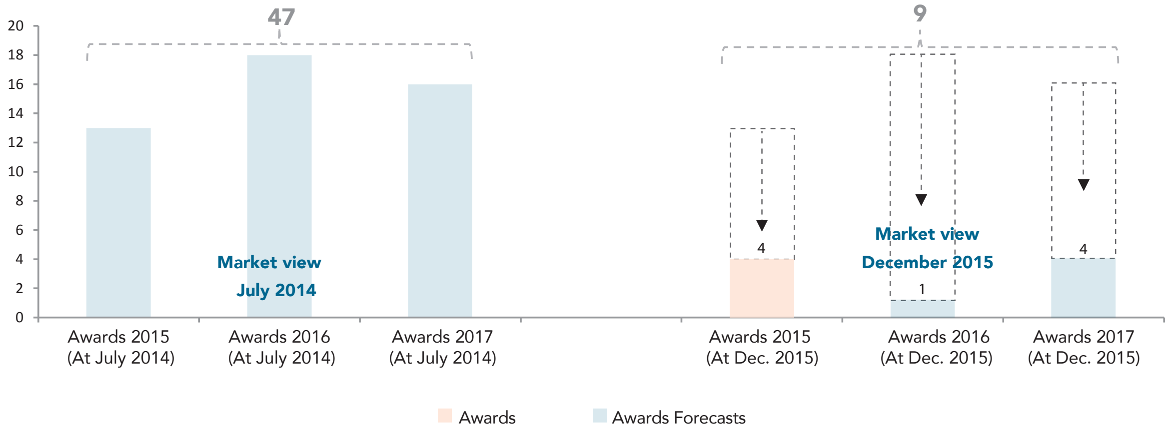
The rapid rate of market deterioration in 2015 was largely unexpected by the industry, despite caution on the back of a sluggish 2014. SBM Offshore's outlook at the beginning of 2015 was more positive. However, this view changed as the oil price started to slide, resulting in an knock-on effect; a significant number of projects, which were previously expected to be awarded in 2015, were postponed or canceled. A consequence for SBM Offshore was that the Company was not awarded any major contracts in 2015, forcing a change in outlook for the future. The industry as a whole is revising investment plans downwards for 2016 and even 2017.

Three key events caused the oil price to collapse in 2014 – the effects of which will continue into 2016 (see graph: EPC Awards forecasts):

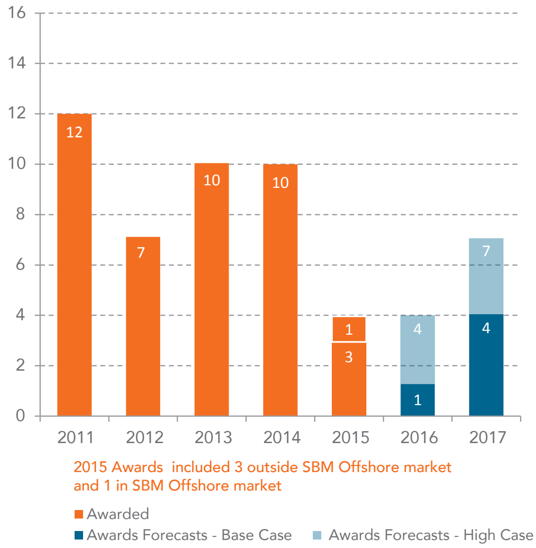
- The USA shale production proved much stronger and resilient to low oil prices than expected
- Demand was lower than expected as economic growth slowed down in regions such as China
- OPEC declined to play its role as swing producer and maintained its output levels, adding to the overall oversupply

As a consequence the FPSO EPC award forecast significantly suffered in 2015 compared to the outlook that was foreseen back in 2014 (see graph below):

EPC Awards Forecasts (Comparison)



Historical and Estimated Awards



This downward trend can also be applied to other products and services within SBM Offshore's portfolio such as Turret Mooring Systems, Semi-submersibles and TLPs. The expectation is that the current industry climate may extend beyond the short to medium term. Despite this negative climate, some clients' projects are advancing. In November 2015 SBM Offshore received from Petrobras a formal invitation to tender for the Sépia and Libra FPSOs offshore Brazil and also in October the Company received from Technip a Front-End Engineering and Design (FEED) contract for three, large-scale turret mooring systems associated with the proposed Browse FLNG Development in Australia.

SBM Offshore is active in the following market segments: FPSOs, Semi-submersibles, TLPs and Turret Mooring Systems with the main focus on the lease and operation of the Company's fleet of FPSOs. In 2015 the Company continued to execute and advance its current projects in line with contract obligations, ensuring that clients' expectations are met. The major projects include:

Turret Mooring Systems for:

- Ichthys FPSO
- Prelude FLNG

EPC for FPSOs:

- FPSO *Turritella*
- FPSO *Cidade de Maricá*
- FPSO *Cidade de Saquarema*

1.5 Competitive Landscape and Market Positioning

Segmentation in the FPSO Market

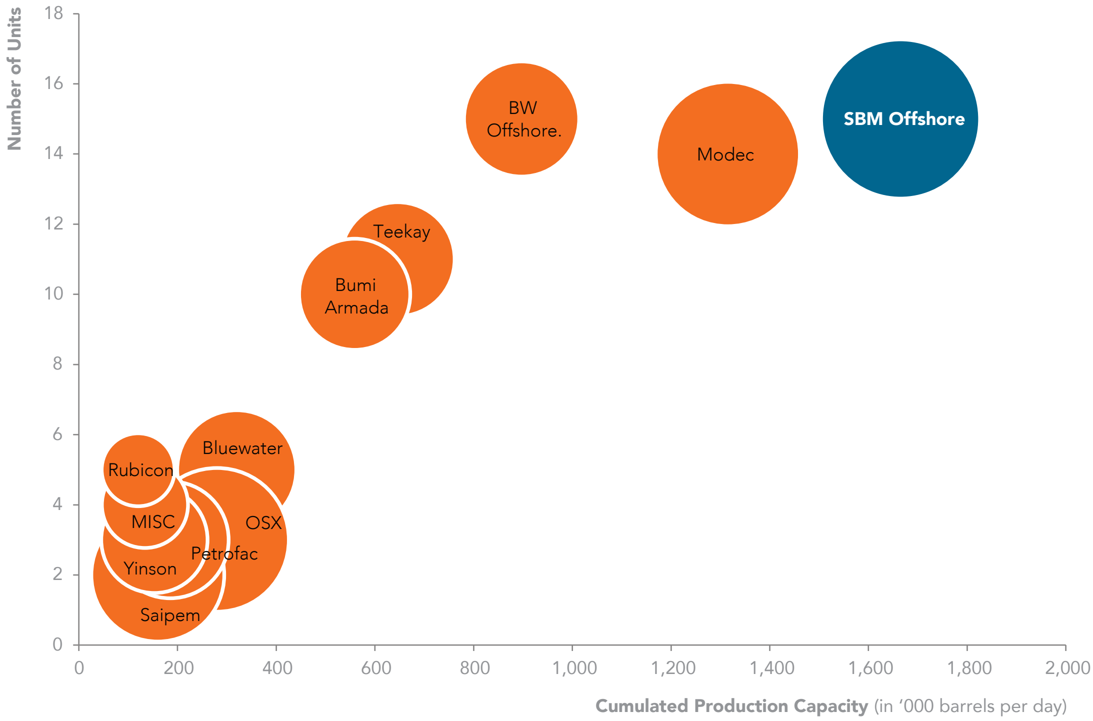
The global market for FPSOs can be roughly split into three segments, with SBM Offshore most active in large conversions:

1. Newbuild FPSOs: Capable of production volumes of over 200,000 barrels of oil per day. SBM Offshore is involved in this segment as a supplier of large Turret Mooring Systems (TMS). Current, on-going TMS projects are for Shell's Prelude FLNG and for INPEX's FPSO *Ichthys*, while the Quad204 turret was completed and integrated into BP's FPSO *Glen Lyon* in 2015.

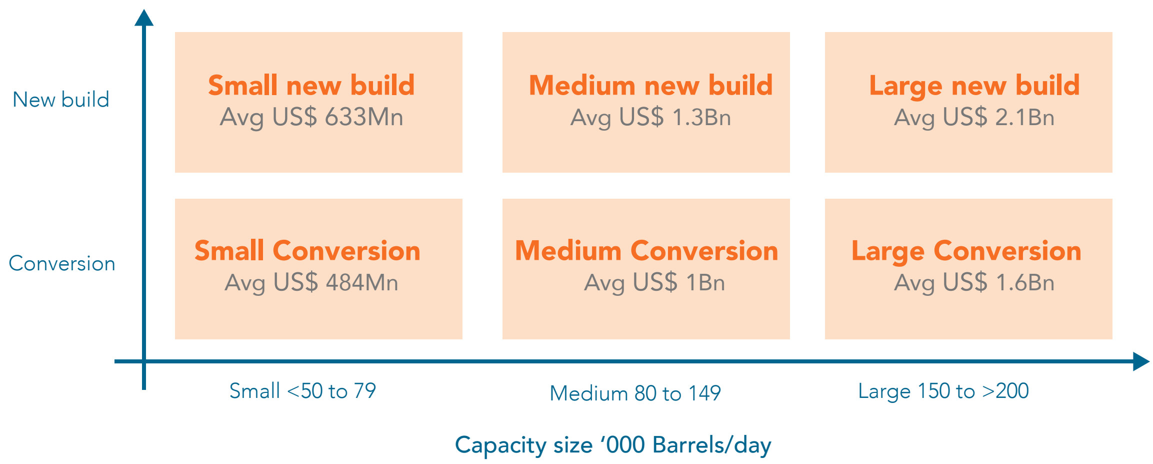
2. Large conversion FPSOs: This is SBM Offshore's main market. They are usually converted oil tankers known as Very Large Crude Carriers (VLCCs), with typical production capabilities of 60,000 to 150,000 barrels of oil per day. The Company's key competitor in this market is MODEC and to a lesser extent BW Offshore. A typical Generation 3 FPSO – what SBM Offshore calls its latest design for the complex, pre-salt fields – takes approximately three years to complete, at a cost of US$ 1.5-2.0 billion.

3. Small conversion FPSOs: Based on smaller crude oil tankers, with production rates up to 60,000 barrels of oil per day. SBM Offshore is not currently active in this market.

Lease FPSO Market



FPSO Segmentation (assumptions based on future potential projects in the medium-term)



What all market segments have in common is that FPSOs are built for specific fields. Each oil field has unique characteristics with different pressures, temperatures, oil/water/gas mixes, corrosive and/or H_2S elements, API factors, etc.

Due to overall reduced demand, competition is increasing as other companies are stepping out of their segment and participating in tenders for FPSOs, which they have not done previously. For clients, awards are increasingly driven by pricing considerations. SBM Offshore is well-placed to respond with its wealth of experience and its understanding of the inherent risks and challenges of the different segments.

SBM Offshore's Positioning in the FPSO Market

Boundaries are fading as several competitors are developing execution capabilities for larger size conversion projects and targeting a position in SBM Offshore's focus market segment.

SBM Offshore is a leader in the FPSO market both in terms of scale economies and track record, key indicators for cost, schedule and risk reduction. To keep this leading position, the Company continues to invest in new technology offering new solutions for clients regardless of field dynamics and location.

- A Technology Development program that focuses on enabling access to new frontiers and production and on reducing the cost of existing solutions
- Leveraging the Company's experience and business model – that is already in place in Angola and Brazil – when entering new countries in order to develop local sustainable business, meet local content requirements and invest in the communities
- Promoting the Company's track record and historical performance in both project delivery and operations, which should provide clients the necessary comfort in their search for 'predictability of outcome'
- Offering economical solutions across the full life-cycle of projects, thereby, leveraging the full suite of floating production solutions that the Company can offer and the depth of experience

and expertise, executing the work from cradle to grave

Looking forward

Although the company signed a few contracts and FEEDs, 2015 was a slow year for the entire industry. With the low oil price and the pressure on capital spending by its clients, SBM Offshore predicts that this trend will continue for the medium term.

In response to the current climate and to re-ignite SBM Offshore's presence in the market, the Company adjusted its organization in January 2015, with the aim to further improve its client-focus for a more collaborative, solution-driven approach.

To further match its clients' expectations as well as increase the Company's competitiveness, SBM Offshore revised its business development and commercial approach in closer coordination with project execution, in addition to creating Regional Centres with a specialization on a set of Product Lines.

With dedicated teams focused on providing best possible technical and commercial solutions and by leveraging its core competencies with a more efficient and responsive organization, SBM Offshore expects to be able to capitalize upon new opportunities and prospects.

1.6 Position within the Value Chain

SBM Offshore is active in the offshore oil and gas industry and provides a broad range of products and services to its clients with the goal to produce oil and gas from underwater reservoirs containing hydrocarbons.

The Company's clients mostly control the complete value chain from the initial exploration phase to the physical distribution of hydrocarbon-based products. SBM Offshore's added value in their value chain primarily relates to field development activities. The Company is to a much lesser extent involved in the transportation of crude oil, as the CALM Buoys transfer crude oil from VLCC carriers to and from storage on shore.

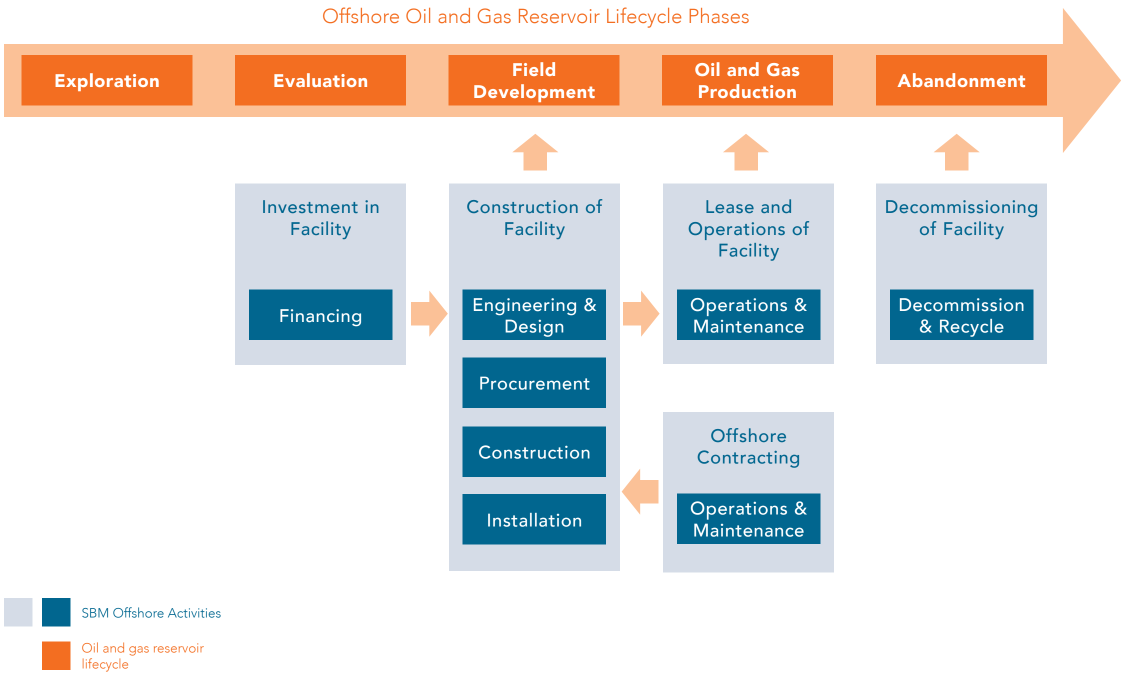
Field Development

The first phase of an offshore oil and gas field development consists of exploration under the seabed by seismic mapping to identify a prospect. To confirm hydrocarbon presence in a prospect, exploration wells are drilled to the reservoir.

The second phase consists of an evaluation of the reservoir to assess the amount of hydrocarbon and its composition. Through a combination of drilling of appraisal wells and simulation of the well fluid behaviour, the field development plan is optimized.

In the third phase, the field development plan is finalized and SBM Offshore's clients can specify the amount of production wells, the subsea equipment and the production requirements of the platform to produce from the reservoir. In this phase, SBM Offshore is contracted to engineer, procure, construct, commission and install the production facility.

Value Chain SBM Offshore



The fourth phase is the longest and consists of the production of oil and gas over the life span of the reservoir. In this phase, SBM Offshore is usually contracted to provide a production facility under a lease and operate contract, which represents the Company's core business model. SBM Offshore also operates production facilities that are not owned by the Company but owned by the client.

In the fifth and last phase, as production has declined substantially, the field will be abandoned. The production facility will be decommissioned and scrapped. SBM Offshore is active in this field and the FPSOs in SBM Offshore ownership are green recycled in line with the Hong Kong convention.

SBM Offshore does not own any oil or gas reserves. As a consequence, SBM Offshore's business model depends on the quality of its services and not on production volume, nor the sales price of oil and gas.

SBM Offshore's Value Chain

SBM Offshore's Value Chain is reflected in the lifecycle circle of the full service of producing oil and gas offshore for its clients. There are three main elements related to this service that require different skill sets and have a different value proposition.

Construction of the FPSO

SBM Offshore supplies FPSOs or other floating production facilities for lease and operate activities as well as direct sales to clients. When sold to a third party a sales margin is generated and ownership is transferred to the client. In the case of a lease contract, the facility is sold to a facility specific Joint Venture company, in which SBM Offshore holds a stake, to charter and operate the FPSO for the client. For both cases, the construction activities create value through manufacturing and are described below.

Engineering and Design

SBM Offshore has the in-house capability for conceptual studies, basic design and detailed design. This expertise is required to engineer the facilities to meet the specific requirements of the field development. SBM Offshore invests in Product and Technology Development to maintain the required technology innovation and expertise to meet the client's requirements.

Procurement and Project Management

SBM Offshore's supply chain represents a substantial part of the total costs to construct an FPSO. Controlling the supply of bulk, equipment and services, in a cost-effective and timely manner, to support the construction phase is essential to delivering the facility on schedule and on budget.

Construction

SBM Offshore outsources most construction activities to refurbish and convert the hull into an FPSO and to fabricate and integrate the process modules. To meet local content requirements in Brazil and Angola, the Company has invested in two Joint Venture yards to undertake these two, main activities. Following mechanical completion, the FPSO is then commissioned by SBM Offshore before moving offshore for installation and start-up of production operations.

Installation

Installation of the floating facilities is done with specialized installation vessels and requires specific engineering expertise and project management skills. SBM Offshore owns two installation vessels that provide the hardware and expertise to install its FPSOs offshore among other offshore construction works for third parties. Access to these vessels allows SBM Offshore to control the risks associated to costs fluctuation over a period of several years from contract award. These vessels also work for third parties to optimize return on investment.

Offshore Operations

The offshore facilities under SBM Offshore ownership are mostly operated by the Company as well. This activity creates value for clients as the uptime performance of the facility directly impacts the amount of hydrocarbons produced. SBM Offshore is compensated for offshore operations on a fixed day-rate, independent of oil production levels. Most contracts include a bonus/penalty reward related to uptime performance of the different systems as well as penalties related to GHG emission levels.

The facility processes the well fluids into stabilized crude oil for temporary storage on board, which is then transferred to a shuttle tanker to export it from the field. During this phase, oil and gas enhanced recovery systems are used to maintain production levels. To do this, usually gas injection, water injection and gas lift systems are installed on the production facility. SBM Offshore's more recent FPSO design includes CO_2 removal from gas stream and reinjection into the well offshore.

Operating and maintaining offshore oil and gas production facilities requires proven operational expertise and management systems, which SBM Offshore has developed over a cumulative 271 contract years of operations.

Decommissioning

At the end of the life-cycle – either due to the duration of the contract coming to an end or depletion of the client's field - the facilities are decommissioned and recycled. As the leased FPSOs are under SBM Offshore's ownership, the Company applies the Hong Kong convention rules to green recycle its FPSOs. This is a new field of expertise for SBM Offshore with the first two FPSOs decommissioned and recycled in this sustainable manner in 2015.

Financing and lease of the facility

As part of the lease and operate contract, SBM Offshore supplies the FPSO against a fixed bareboat charter rate over the lease period. To construct the FPSO substantial investment is required. The projects are financed partially with equity, complemented with debt financing and/or bonds.

To spread risk and reduce pressure on the balance sheet, facilities are mostly co-owned with joint venture partners. These are financial partners and are usually not involved in the day-to-day operation of the FPSO nor do they take construction risks for the initial supply of the FPSO.

SBM Offshore sources loan financing from institutional banks and has also accessed the USPP market. Entering into a Master Limited Partnership (MLP) as an alternative source of financing is in progress, while an initial offering is dependent on several factors.

Variations in the Value Chain

Some of SBM Offshore's product lines operate in a slightly different value chain. Although the majority of the Company's contracts are based on the lease and operate business model, it also supplies FPSOs and specific FPSO equipment, such as Turret Mooring Systems, on a turnkey supply basis. The Company sells directly to oil companies, but also to other FPSO providers, if appropriate.

Part of the operating activities are devoted to the modification of existing floating offshore installations, to enable the Company's clients to extend the production life of the facility, to tie-in smaller fields nearby or to upgrade with new technology.

The Company has one facility in operation, the Thunder Hawk DeepDraft™ Semi-submersible, under a production handling agreement, in which the Company is paid for the service of producing oil and gas against a certain fee per barrel or equivalent in gas produced.

For Floating Liquefied Natural Gas (FLNG) the value chain potentially extends to the end user by including transportation of LNG to the gas company to secure supply, as FLNG investments are often based on 15 to 20 years supply contracts.

1.7 2015 in Brief and Key Figures

Key Events (in chronological order)

- Received Production Readiness Notice (PRN) for *N'Goma* FPSO
- Signed Memorandum of Understanding with CGU and AGU in Brazil
- Signed extension contract for FSO Yetagun
- Signed brownfield project for FSO Yetagun
- Divested shareholding in FPSO *Turritella* bringing in JV partners
- Completed the project financing of FPSO *Cidade de Saquarema*
- Invited to participate in Petrobras tenders for the Sépia and Libra FPSOs
- Signed contract for Browse FLNG FEED for 3 Turret Mooring Systems (TMS)
- Bruno Chabas reappointed CEO for a further four years at EGM
- First oil for additional tie-backs to Thunder Hawk Semi-Sub
- Reduced worldwide workforce by 3,200 (including contractors) by year-end significantly reducing fixed costs

KEY FIGURES

OIL PRODUCTION UPTIME
99.4%

DAILY OIL PRODUCTION
630k barrels

36% REDUCTION OF GAS FLARED PER PRODUCTION ON SBM OFFSHORE ACCOUNT

0 FATALITIES (WORK-RELATED)

0.22 TOTAL RECORDABLE INJURY FREQUENCY RATE

40 TRAINING HOURS PER PERMANENT EMPLOYEE

2,467
EMPLOYEES COMPLETED THE ANTI-CORRUPTION E-LEARNING IN 2015

7,020
NUMBER OF EMPLOYEES

OPERATING REVENUE
US$ million 2,705

OPERATING PROFIT (EBIT)
US$ million 239

TOTAL EQUITY
US$ million 3,465

EQUITY RATIO
30.6%

MARKET CAPITALIZATION
US$ million 2,739

ENTERPRISE VALUE
US$ million 8,915

TOTAL ASSETS
US$ million 11,340

NET PROFIT
US$ million 110

EBITDA
US$ million 462

Note: figures shown are IFRS

VALUE PROPOSITION & STRATEGY

2

2.1 Introduction

Feeding into the development of SBM Offshore's strategy and integrated business model are its value drivers, its short, medium and long term market views, the macro environment as well as continuous industry analysis. The Company's key resources and capabilities, that include talented people, technical expertise, operational experience and track record, have consolidated SBM Offshore's reputation in the industry. SBM Offshore aims to continue to be a strategic partner to its clients, in particular during this turbulent time and into a more stable future. Two key drivers for SBM Offshore and its clients remain unchanged: uptime in offshore operations and safety. Going forward, the Company increases its efforts to propose sustainable, cost-effective solutions to assist the major players to advance projects that have stalled at the prolonged low oil price level.

New organization for a new reality

In addition to its core product line, FPSOs, SBM Offshore has a track record in other solutions for the oil and gas industry, offering a complementary product portfolio including: Turrets and Turret Mooring Systems, Terminals, Offshore installation and contracting, Brownfield study and projects, Floating Production Units, Floating Gas Solutions and Operations and Maintenance services.

SBM Offshore is evolving with the changing market; since August 2015 each of these Product Lines (PLs) are managed independently from the Company's Regional Centres, allowing for more flexible and prompt proposals to clients dealing with a market in rapid transition. In addition, each PL can leverage synergies with other PLs to offer comprehensive solutions, when engaging in discussions with clients. An example of how the new organization's structure works for SBM Offshore's clients is the Noble contract for tie-backs to the Thunder Hawk Semi-Sub, which were completed in November 2015. This was a cost-effective solution for Noble to produce from two fields using SBM Offshore's Semi-sub unit that is also producing for Murphy from another nearby field. This kind of entrepreneurial thinking will help the Company move clients from 'prescriptive contract' thinking to engaging with contractors like SBM Offshore, who can offer innovative, cost-effective solutions drawing on the Company's world-class technical standards, knowledge base and commercial flexibility.

SBM Offshore's Operating Model

The Company's clients are usually national or international oil companies active in offshore deepwater exploration and production development activities. Where oil is discovered in commercially attractive volumes in offshore waters, either too far from the coast and/or too deep to have a pipeline infrastructure, oil companies seek a floating infrastructure to produce and separate oil, gas and water. FPSOs are usually the preferred choice and often the most cost effective solution. SBM Offshore's cost-driven business model is based on offering clients the full lifecycle from design of the FPSO to its construction by converting very large crude oil tankers and adding the necessary Turret Mooring System and Topsides for oil/gas/water production and separation. Once this phase is completed, SBM Offshore continues the lifecycle by operating the vessels offshore for up to 25 years.

2.2 How Value is Created

By defining value drivers that strengthen its business proposition, SBM Offshore ensures that it offers differentiated products and a service that matches clients' needs with the assurance of excellent performance throughout the full product life-cycle. Each value driver combined with their synergies maximize the added value for clients, shareholders and other stakeholders.

SBM Offshore has taken the first step towards developing its Integrated Business model in line with IIRC integrated reporting framework (see below). The vision and values that encompass the whole organization are reflected in the model and described in detail in section 1.3.

The four values of the Company reflect its long history of industry leadership: Care, Integrity, Entrepreneurship and Ownership.

The core of the model shows its business activities and outputs that have been described in more detail in section 1.6. The two main activities, construction and lease & operate of a facility are clearly identified.

In this version of the model the input capital is described as a Value driver and the outcome as Added value. The next revision of the model is under development and will incorporate individual capitals and address outcomes in more detail.

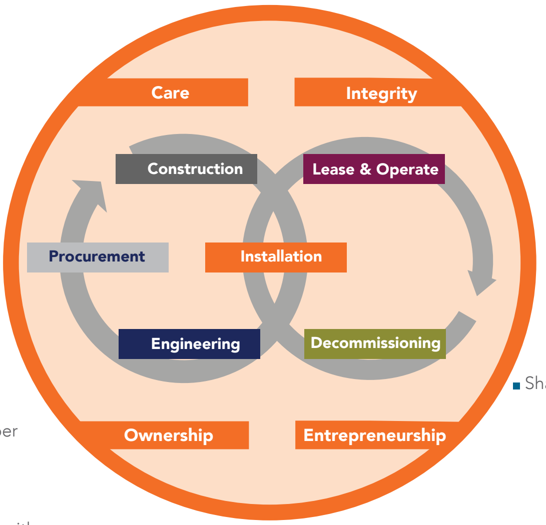
Value driver

Financial & Commercial
Customer centricity through product line business planning and cost efficiency

Technology
Market focused technology for deeper and harsher environments

Talented people
Enable and empower talent to excel with passion and integrity

Sustainability
Integrate sustainability in SBM Offshore business proposition and strengthen our license to grow



Added value

Financial & Commercial
Cost optimization and reliability for clients
Revenue, generating income for:

- Shareholders (company value & dividend)
- Government (tax)
- Employees (salary)
- Suppliers (purchases)

Technology
Contribute to fulfil the global need for energy by providing technological solutions to produce energy in complex environments and continuously improve cost efficiency in field development and operations

Talented people
Develop skills of employees through offering an environment of excellence supported by development and training

Sustainability
Create a balanced economic, social and environmental value model in operating countries that benefits SBM Offshore and its clients, shareholders and other stakeholders

2.2.1 Stakeholder Engagement

SBM Offshore is fully aware that sustainable business can only be achieved by interacting with its stakeholders and understanding the impact the business has on its environment. The Company realizes that engaging with its stakeholders is an important source of information to assist in defining risks and opportunities as well as the Company's strategic objectives with the value chain.

SBM Offshore engages with its stakeholders on a continuous basis as part of regular operations and captures that information within its functions. A more integrated stakeholder engagement approach is under development to structure the feedback and engagement mechanisms for regular meetings with stakeholders. The information feedback from regular meetings with stakeholders forms the backbone of the Company's stakeholder engagement program complemented with specific interaction with stakeholders to validate findings and include less frequented stakeholders.

SBM Offshore discloses its performance indicators to allow stakeholders the opportunity to communicate on SBM Offshore's impact, in connection to the Company's sustainability policies, targets and performance. The performance indicators stated for 2015 are based on topics identified as material for SBM Offshore. General standard disclosure and aspects with less of a reporting priority are included in the 7.3 GRI Table. The Disclosures on Management Approach (DMA) for material aspects can be found in section 7.1.2 Disclosures on Management Approach. SBM Offshore has performed a materiality analysis to identify the aspects that are material to the 'license to operate' and the 'license to grow' (see 2.2.2 Materiality for more explanation).

Through a process of stakeholder analysis, all potential stakeholders are analyzed and plotted against two axes showing high or low level of influence and interest in relation to SBM Offshore, the main stakeholders showing both high influence and interest were identified.

Main stakeholders for SBM Offshore are its employees, shareholders, the investment community, clients, business partners and suppliers. Other important stakeholders are loan providers, governments in operating areas, oil and gas industry associations, NGOs and researchers.

Stakeholder engagement and desktop research are the basis of the following overview representing the opinion of SBM Offshore's main stakeholders.

Stakeholder Group: Shareholders and Loan Providers. What they expect:

- Compliance with all relevant laws and regulations, concerning the full scope of economic, ethical, social and environmental issues
- Predictable cash flows and liquidity
- Prevention of environmental damage and development of sustainable technology
- Accountability for environmental damage
- Contribution to local development, protection of human rights, ethical business, behaviour and culture
- Attraction and retention of highly developed technological skills and employees who feel proud to work for the Company
- Sustainable value creation

Stakeholder Group: Employees. What they expect:

- Adherence to human rights standards and focus on health and safety
- Attention to anti-bribery and corruption procedures and a Company culture of ethical business and behavior
- Protection of the environment and development of sustainable technology

- Attention to the search and retention of talent, including talent development
- Personal development opportunities and fair compensation
- Transparency on employment security issues

Stakeholder Group: Clients and Business partners. What they expect:
- Compliance with all relevant laws and regulations, concerning the full scope of economic, social and environmental issues
- Maintenance of a high standard regarding anti-bribery and corruption procedures, Code of Conduct and business ethics
- Adherence to international human rights standards, focus on health and safety and contribution to local communities
- Efficiency in the use of energy and natural resources and care for the protection of the environment
- An increase of renewables in the energy mix for the future

Stakeholder Group: Suppliers. What they expect:
- Compliance with all relevant laws and regulations, concerning the full scope of economic, ethical, social and environmental issues
- Efficiency in SBM Offshore operations, with an integrated sustainable supply chain to support this
- Efficient use of energy and natural resources and the development of sustainable technology
- An increase of renewables in the energy mix for the future
- Focus on Health and Safety

2.2.2 Materiality

SBM Offshore's materiality assessment is the result of a process of identifying, evaluating and prioritizing those issues that significantly impact on the company's capacity to create value in the short, medium and long term.

The results of the stakeholder engagement process is the input to assess the level of importance for main stakeholders against a long list of material topics. The material aspects are identified where both SBM Offshore and main stakeholders believe the topic has high importance. The final list of material aspects is reviewed and confirmed by the management board and senior decision-makers of the company.

In 2015, confirmation of the results of materiality assessment was obtained with the involvement of certain senior decision-makers to review, update and validate the 2014 findings. The material subjects are presented in the material aspects table below and have been validated by management.

The results distinguish between license to operate and license to grow aspects reflecting the approach towards Sustainability at SBM Offshore.

MATERIAL ASPCECTS	EXPLANATION	SECTION
	LICENSE TO OPERATE	
Economic performance	Revenue, profit, expenditures on salaries, dividend, suppliers, taxes, maintaining banking covenants	6 Financial Report 2015
Governance & Compliance	Compliance applicable law and regulations, anti-bribery & corruption, risk management	4.7 Compliance
Human Resources	Employment security, attract & retain talent, training & education, diversity & equal opportunity, human rights / labour rights	3.3 Talented people
Health & Safety & Security	Occupational health & safety, health & safety culture, accidents & fatalities, security in all operating areas, process safety	3.4.2 Health, Safety & Security and 3.4.4 Process Safety
Environment	Emissions, effluents, energy	3.4.3 Environment
Technology	Deepwater development, floating gas solutions, extreme offshore conditions, renewables	3.2 Technology
	LICENSE TO GROW	
Shape sustainable offshore solutions with clients	SBM Offshore is client focused and engages with clients in its sustainability efforts. The Company sees opportunities for positive impact through the engagement with clients to enhance field recovery and develop sustainable offshore solutions through technology innovations for renewable energy	2.7.4 Innovation
Foster local development	For SBM Offshore, fostering local development refers to its commitment to stimulate local and national economic and social development in the countries where it operates. The Company engages to have a positive impact on development, through its core business and by focusing on the nationalization of its employees in developing countries as well as employee development and local community programs. The Company strives to create living legacies by training and developing people and improve the local economies through its activities	2.7.5 Social Performance
Manage environmental impact	SBM Offshore develops environmental friendly innovations in the design and operations of FPSOs. The Company's ambition is to optimize the environmental footprint of SBM Offshore's operations by embedding sustainability in the full product lifecycle	2.7.2 Environment
Cost-effective supply chain	SBM Offshore sees opportunities for increasing positive impact through engagement with supply chain partners. An integrated supply chain aimed at the development of sustainable products and services supports the reduction of social and environmental risks, local development and circular business models	2.7.6 Strategic sourcing and cost-effective Supply Chain

2.3 Strategic Objectives

The main aim behind SBM Offshore's overall vision is to grow the business in the long-term. Three guiding principles in setting objectives for the company are credibility, affordability, proactivity. Credibility means to exceed clients expectations on reliability, safety and quality. Affordability is about ensuring the best value for money in today's economic environment. Proactivity demonstrates the Company's commitment to engage at an early stage with clients and to co-create solutions for a better and more economic development of resource discoveries.

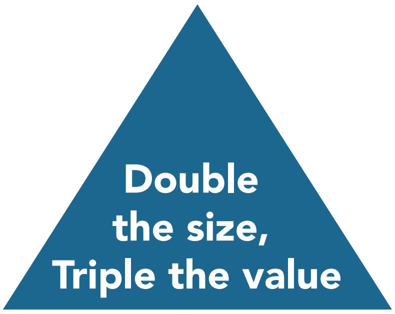
SBM Offshore manages performance on these guiding principles through the balanced score card framework. For 2016 the Company will focus on three items:

1. Maximize time spend with clients to co-create new solutions and more efficient ways for offshore production
2. Deliver a lower breakeven point for the Company, while at the same time managing capacity for an improved market environment
3. Strong cash management, delivering on expectations of financial markets

Balanced Scorecard vs. Clients' demand
Objective Areas & Ambitions

Credibility
Performance exceeding expectations

Financial	Deliver on expectations
Client	Be recognized as the leader
Operational excellence	Flawless performance
Development of Resources	Maintain the capacity to grow



Proactivity
Creating solutions

Financial	Stakeholder management
Client	Co-create solutions
Operational excellence	Grow SBM Offshore culture & values
Development of Resources	Develop new growth vectors

Affordability
Competitiveness is a key differentiator

Financial	Finance the present
Client	Be competitive
Operational excellence	Improve our productivity
Development of Resources	Develop solution for a new reality

2.4 Value Driver: Financial & Commercial

Customer Centricity – Bringing SBM Offshore Closer to its Clients

Driving SBM Offshore's commercial strategy is the Company's focus on global opportunities, its state of readiness to react to the market and the priority given to client needs supported by a solid understanding and management of commercial and financial risks and opportunities. This focus goes hand-in-hand with SBM Offshore's belief that continuous and improved client interaction will contribute to a greater alignment of views on the appropriate risk/reward balance and cost management in a sustainable manner beneficial to SBM Offshore, its clients and its stakeholders.

Operational costs

The operations expenditure (OPEX) on the fleet consists of costs related to maintenance and daily running of the facility. Reducing OPEX cost is a Group objective whilst maintaining the safety operations combined with high uptime performance. The Company is actively pursuing methods to reduce OPEX through optimization of operations and maintenance schemes.

As an example, improved stock control and spare parts management resulting from a stream in the Company-wide transformation Odyssey 24 (OD 24) will decrease spare part stock costs. Another initiative is to reduce manning levels on board offshore with the introduction of a control room onshore by means of advanced telemetry technology.

Restructure Along Product Lines

To weather the industry challenges and use these to its advantage, the Company decided to streamline the organization from 2015 by focusing each of its five Regional Centres on specific products. SBM Offshore believes that this will bring the Company closer to its clients, will reinforce the Company's business proposition and create value by leveraging its knowledge base. The Management Board believes that this step will ensure SBM Offshore's future success in the evolving business environment. In addition, it will deepen the Company's knowledge base and focus SBM Offshore's talent on operational excellence for each product line.

In the new organization, business ownership will be brought to a product level with product lines enjoying the full strength and experience of a dedicated team in each Regional Centre. The synergies between the product lines are maximized by top management.

In place will be a more agile organization with a more diversified product offering focused on operational excellence and an improved management of the cost base. This will be combined with stronger means to develop tomorrow's managers through an increased portfolio of leadership roles that empower them to grow the business.

The new organizational model along Product Lines involves implementation of the following improvements:

- Revision of the business development and acquisition approach in closer coordination with project execution;
- Specialization of each Regional Centre along a set of product lines with clear ownership and accountability;
- Further development of integrated project teams.

A Product Line is defined as a distinct product sold or marketed to an external or an internal client. Product Lines as organizational units have responsibility over their own profit and loss. The centres will also be in charge of acquiring business through their own sales team with central support, with the objective to capture, further refine and maintain the product memory of the respective products. For example, one product line will be totally dedicated to FPSOs, the Company's key offering. The product lines will be managed by the five Regional Centres in North America, Brazil, Europe and Asia.

Reposition Strategic Product Portfolio

Rejuvenating its strategic product portfolio – while keeping its focus firmly on the high-end, high-technology FPSO segment – ensures that SBM Offshore offers a complete spectrum of products to accommodate all floating production needs. Based on its know-how and historical track record in other segments, such as Semisubmersible and TLP production units, turret and mooring systems, terminals and buoys the Company will reposition its portfolio by enlarging the envelope and explicitly including these trusted solutions.

Risk Reward Balance

The Company on its own cannot counter the trend of a hesitant market in view of slow demand for oil and increasing production costs. Value will be created in the long run by focusing on the right balance of risk-reward. Given the inherent risks in project execution, financing and the average project duration, the risks of being saddled with loss making projects for years to come is clearly not in the interest of shareholders. The Company will maintain its pricing discipline when participating in the ongoing tenders.

The low order intake momentum affects SBM Offshore's turnkey business and the Company has had to take tough measures to reduce its turnkey capacity. By retaining the core staff capable of handling the large complex projects, the Company has taken great care not to weaken its position in the medium term, when it expects the market to come back with a strong demand for FPSOs.

Focus on Cost Efficiency

The economics to develop an offshore oil field are under pressure due to the low oil price in combination with increased investment costs. SBM Offshore focuses on creating value by developing products and services at lower cost through a wide range of initiatives. The main focus is on reducing the full life-cycle cost of supply, installation and operation of the FPSO by combining and optimizing all solutions.

Standardization of products

Increased standardization of products and services throughout the product life cycles will reduce overall costs compared to tailor-made solutions. The challenge is to optimize the balance between maintaining quality products with high efficiency against lower cost standard solutions whilst maintaining the highest level of safety.

Focus areas for standardization are related to engineering of topsides, hull standardization, framework agreements over the full life cycle of equipment supply and spare parts management among others.

Experience and optimal management

Feedback from the turn-key projects and ongoing operations is an important source of information for continuous improvement of the standards of SBM Offshore's product lines. This type of feedback tends to create product standards, which do not always seek the optimum balance between benefits and costs. To create value for its customer, SBM Offshore wants to improve the interaction between experience and knowledge-based management in the development of its product standards with the objective to maintain quality and reliability against lower costs.

As an example, we expect that a Process Safety Approach towards topsides design complemented with operational experience will result in a reliable and more cost-effective product.

Suppliers frame agreement

Long-term supply contracts will create incentives for the supplier to perform better in terms of quality, reliability, cost, delivery and maintenance in order to secure the long-term supply. Using the same equipment throughout the fleet reduces spare parts levels, ensures consistency of performance and timely delivery.

Value is created with cost reduction in the complete product lifecycle, both CAPEX and OPEX combined, while maintaining reliability of supply and performance.

Reducing the cost of non-quality

Costs associated with non-quality in engineering, equipment, supply and services affect both construction and offshore operations. During construction the main effect of low quality equipment causes rework, increasing costs and delay in schedule. Replacement and re-order of goods increases cost in the supply chain, transportation and stock management.

During operations, cost of maintenance, spares and consumables should improve with less failure and reduced spare part levels and vendor support. Redundancy of equipment can be optimized whilst maintaining uptime performance.

Full cycle cost of facilities

As the level and quality of the initial investment affects running costs later, SBM Offshore aims to optimize the overall full life cycle costs of its projects.

Risk Concentration

SBM Offshore operates predominantly in deepwater areas. The primary areas of development for oil in deepwater are concentrated in Brazil, the Gulf of Mexico, Africa, Asia and the North Sea. SBM Offshore aspires to a well-balanced regional portfolio and focuses on development of business in new provinces that are emerging in South America, Eastern Africa and the Mediterranean. See section 4.6 Risk Management for the full outline of SBM Offshore's risk and opportunity management strategy.

Reliability

Reliability goes hand-in-hand with superior financial results by safe, high-level performance during offshore operations and timely delivery of FPSOs and other products. Operational excellence is determined by the Company's high-quality products and talented, motivated personnel.

SBM Offshore focuses on quality, health, safety and environment as is evidenced by increased training, supervision, measurements of relevant indicators, as well as close collaboration with clients and contractors at the yards and offices where the execution of activities takes place.

Compliance

SBM Offshore gives special attention and focus on a strong compliance culture. The Company recently issued its core values with 'Integrity' prominently placed among them. Following the discovery of potentially improper sales practices some years ago, SBM Offshore has put in place a compliance program and there is no room for complacency in this respect. See section 4.5 Corporate Governance for a full outline of the Company's Compliance strategy.

With the focus on reliability and compliance, the Company has laid a foundation to comply with requirements for the ESG (Environment, Social and Governance) criteria of lenders and investors. In 2015, this proved to be an important contributor in qualifying for funding by Export Credit Agencies from the Netherlands and Japan.

Funding

The lease and operate model, where SBM Offshore owns the FPSOs, leases them to clients, and operates them for the duration of the project requires substantial financing. Through diversification of project finance sources, the Company reduces its dependence on traditional project finance provided by international banks. The Company will continue to pursue this route, which creates value.

Joint Venture Structures

When SBM Offshore signs a new FPSO contract, it generally sets up a Joint Venture (JV) with one or several partners, while maintaining at least 50% ownership. The JV is the formal contracting party that contracts with the client and places the purchase order for the FPSO with SBM Offshore serving as project contractor. In this set-up, the project risk remains mostly with SBM Offshore, while the partners co-fund their share of the construction lump-sum cost.

The JV also arranges project finance, with a pre-completion guarantee from the parents and a non-recourse structure once the FPSO is on hire. JV partners include local national oil companies, industrial and financial partners such MISC Bhd and Nippon Yusen Kaisha (NYK) and financial partners such as Mitsubishi Corporation.

The JV structure allows SBM Offshore to balance the risk profile, CAPEX investment, funding and operational exposure per project with optimal return for its stakeholders.

2.5 Value Driver: Technology

Market Focused Technology

SBM Offshore maintains its technology focus thanks to the Company's Technology Team engaging externally with its clients and internally with its product line divisions, to identify, understand and analyze the key technical and business trends in the offshore industry. Armed with this market-based information, it strives to predict future technology gaps and to find innovative and cost-effective solutions to meet these challenges. See section 3.2 on how SBM Offshore is actively working towards this goal and is well positioned for tomorrow's projects by developing safe, reliable and cost-effective solutions to meet the evolving needs of its clients.

The Company's success is driven by its reputation in the industry for being at the forefront of technology, providing market-driven, pioneering solutions for almost 60 years. With many past examples to illustrate this, the latest – FPSO *Turritella* – is proof of Shell's confidence in SBM Offshore's technological expertise to help explore new frontiers, just as in 1958 when Shell and SBM Offshore first began collaborating on fabricating the industry's first single buoy mooring.

Cost Reduction

Whereas there is an urgent need to reduce capital costs to ensure that offshore projects are economical in today's financial climate, unfortunately in recent years many of the industry trends have worked in the opposite direction and capital costs have increased significantly. The challenge for SBM Offshore's Technology Development Team is to continue to increase functionality at an affordable cost, at a pace to match the market needs.

Two examples of how the Company deals with this challenge:

- The ARCA chain connector technology (see section 3.2.3): providing the additional functionality of allowing diver-less connection and disconnection of deepwater mooring lines and at the same time, in many cases, enabling the reduction of the turret mooring system size, thereby reducing capital costs.
- Lazy Wave Steel Risers (LWSR) (see section 3.2 Technology): invited to work on a project for the Deepstar Joint Industry Program (JIP), SBM Offshore aims to allow the wider use of LWSRs for floating production facilities, while simultaneously offering a lower cost solution than competing riser concepts.

Technology Readiness

New technology can become a source of risk, if not correctly managed. SBM Offshore matures its new technology through a structured stage-gate system to ensure that new technology is fully mature before being offered for sale or introduced into its projects. This Technology Readiness Level (TRL) process includes full scale prototype testing of new proprietary components and full FEED level definition of new systems. This TRL process was introduced in 2012 and is now well established in the Company's development program.

KPIs and Targets

Technology is measured on the quantity and quality of new designs and proprietary components delivered. For example TRL4 represents the fully qualified, project-ready stage, whereby the Company sets a target on the number of new systems and components to be delivered during the year. The quality is measured by the percentage of turnover enabled by new technology.

2.6 Value Driver: Talented people

SBM Offshore has taken action to streamline its organization with greater efficiency through significant organizational restructuring. The benefits are an optimization of the Company's cost base and the creation of a more proactive and productive environment for teams, while maintaining the Company's core competencies and technological edge.

At the end of 2015, Group companies employed 7,020 staff worldwide compared to 10,215 at the end of 2014. This overall decrease of 31% is explained mainly by contractors for projects and construction employees at joint venture yards. Employees and contractors from SBM Offshore's wholly-owned companies experienced a decrease of 1,534 in 2015 with a total of 4,897 employees at the end of the year, compared to a total of 6,431 at the end of 2014.

People are a fundamental part of SBM Offshore's continued success. Despite a significant headcount reduction, the Company managed to retain its core skills and kept unplanned headcount turnover below 5%. SBM Offshore continues to invest in its internal talent base and its future through a set of competency models and values, which support the delivery of higher quality work, thereby ensuring greater customer satisfaction.

Retaining and developing core talent to ensure that SBM Offshore has the necessary skills to deliver its business targets today and in the future has been a key focus in 2015. The Company continues to build robust succession pipelines to reduce reliance on external hires for most key position vacancies.

A Leadership Assessment tool will be used in 2016 to support the management in identifying the Company's future leadership teams.

2.7 Value Driver: Sustainability

Strategy

Sustainable development is an important value driver for SBM Offshore's business and operations.

SBM Offshore believes in doing business that benefits clients, employees, shareholders, partners and society in general. SBM Offshore considers this to be fundamental.

The Company aims to be the industry frontrunner on Sustainability as reflected in the Company's vision. To achieve this ambition, SBM Offshore continuously strives to promote sustainability awareness, develop talent within the company and incorporate ethics and integrity in all its activities.

Embedding sustainability as a way of working in SBM Offshore is founded on continuous engagement with its employees. In addition, reporting on successful sustainable initiatives, charity projects and donations will improve awareness and further encourage engagement.

The Company's strategy for Sustainability is founded on developing material aspects with focus on its License to Operate, covering, HSSE, compliance and human capital and its License to Grow for which four specific themes have been defined.

In this chapter these Licenses and themes will be explained.

License to Operate

License to Operate refers to the standards required to operate in accordance with the law and regulations on ethics, safety, health, quality, labor standards, environmental standards, governance, and client specifications. SBM Offshore has a long history on managing and reporting its performance on a wide range of the license to operate aspects.

- HSS; Protect Health, Safety and Security to ensure that these aspects will not be compromised in order to achieve any other business objectives
- Environment; SBM Offshore is committed to protecting people, preventing pollution and safeguarding the environment
- Human Capital; Ownership and accountability by all employees to actively deliver results drive collective success and future as a company
- Compliance; SBM Offshore is committed to conducting its business activities in an honest, ethical, respectful and professional manner

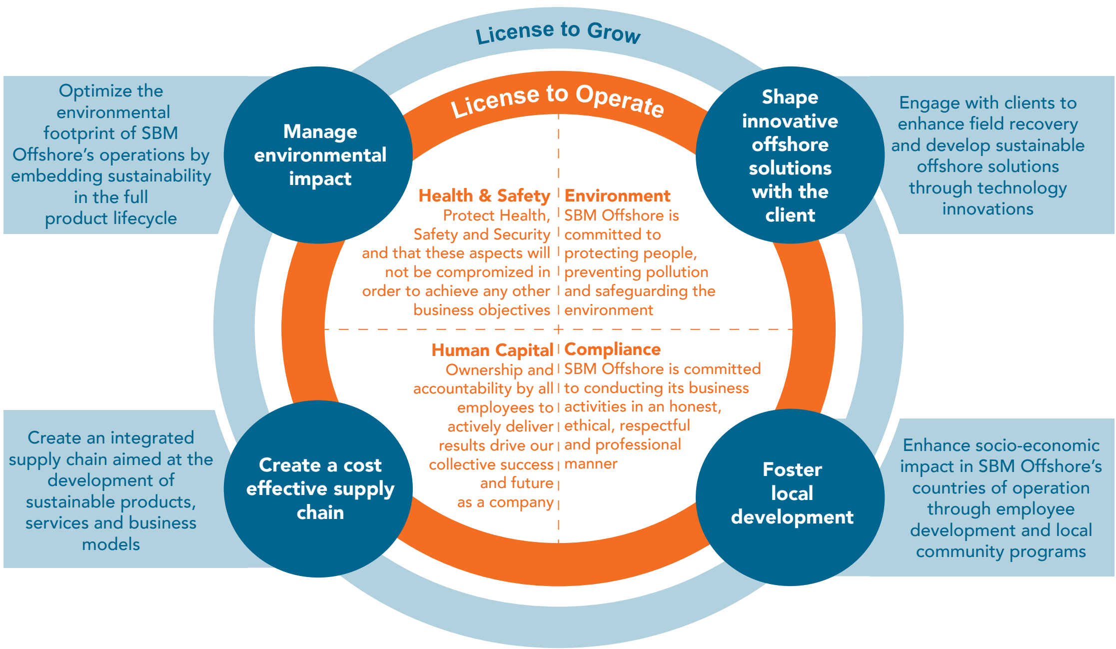
License to Grow

Carrying the Company beyond compliance, SBM Offshore believes that sustainability creates its 'License to Grow' and will provide the Company with a competitive edge for future business. The Company's ambition is to fully integrate sustainability into its business proposition and to create a balanced economic, social and environmental value model in all of the countries in which it operates.

These themes are:

- Manage the environmental impact of all activities by optimizing the footprint of SBM Offshore's operations and embed sustainability in the full product lifecycle
- Shape sustainable offshore solutions with the clients and engage with them to enhance field recovery through technology innovations
- Create a sustainable, integrated supply chain aimed at the development of sustainable products, services and business models
- Foster local development and enhance the positive socio-economic impact in the countries in which the Company operates through employee development and local community programs

SBM Offshore's Sustainability Framework, as presented below, shows both license to operate and license to grow aspects of SBM Offshore's sustainable development. The license to grow themes and objectives reflect the specific focus of SBM Offshore's Sustainability strategy for value creation.



Sustainability reporting and benchmarks

SBM Offshore commits to reporting its sustainability performance against Global Reporting Initiative (GRI) G4 core standard in a transparent manner and reports on indicators for its sustainability policies that reflect all the material topics, which can be found in the section 2.2.2 Materiality.

The successful introduction of the Global Reporting Initiative (GRI) G4 reporting standard in 2014 has improved the Company's reporting and demonstrates that its financial and non-financial performance creates shared value.

SBM Offshore's sustainability performance continues to improve and it has been included in the Dow Jones Sustainability Index World (DJSI) index for the sixth consecutive year.

Other external institutes like the Carbon Disclosure Project (CDP), De Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO) and the Transparatie Benchmark of the Ministry of Economic Affairs of the Netherlands, have also rated the Company providing it with useful feedback on its performance.

See 7.2 Performance Indicators for detailed results on sustainability external rating performance.

Sustainability Creating Value and Targets

This chapter lists the targets set for material topics that are directly related to Sustainability as a value driver for both License to Operate and License to Grow. Value creation is optimized through combining targets when complimentary for that function.

Sustainability is embedded in the organization and strategic objectives described and set as part of the value driver. Execution of the strategy and performance is reported by the relevant Group Functions in sections 2.7.1 to 2.7.6.

2.7.1 Health, Safety & Security

SBM Offshore is committed to protecting people, preventing pollution and safeguarding the environment.

The following priorities are considered part of continuous improvement for 2016:

- Continue the company-wide engagement on HSSE through the 3rd Annual Life Day and the Life 365 program
- Cascade the new Safety Leadership programs within the organization
- Maintain focus on Leadership and Culture programs, continue developing skills and promote pro-active behaviors
- Embed project best practices within the Company's standards and guidelines
- Roll out within the organization the improvement areas identified during the International Sustainability Rating System (ISRS) maturity assessment

Health & Safety

The Company's objective is to provide an incident-free workplace and minimize the risks to the health and safety of all its personnel. As part of this objective the following target has been set for 2016:

- Total Recordable Injury Frequency Rate < 0.27

Security Management

Ensuring the security of the Company's employees and assets is a key priority for SBM Offshore.

The Group's Security Policy, procedures and controls are designed to provide an appropriate level of protection wherever the Company operates in the world.

The Company embraces its 'Duty of Care' to employees and contractors regarding security matters. Relevant security information is compiled and distributed from security information experts, as well as through a network of security contacts.

This is particularly important when the Company's vessels are operating in areas categorized as 'high risk' locations.

2.7.2 Environment

Manage Environmental Impact

For SBM Offshore, managing environmental impact goes beyond compliance to environmental protection and refers to environmentally friendly innovations in operations of FPSOs.

The Company sees clients' behavior directed by environmental considerations. That is another reason why SBM Offshore operation's environmental footprint goes hand-in-hand with good operating practice.

SBM Offshore has implemented initiatives to reduce its environmental impact caused by flaring, spills, GHG emissions and energy consumption. The 2016 targets set for these initiatives are:

- Reduce the flaring on SBM Offshore account by 10% compared to the 2015 performance
- Achieve better environmental performance (oil in water, GHG emissions, Flaring, Energy consumption) than the 2014 IOGP industry average benchmark

The Company set a target to go a step further and is developing a standard for the environmental footprint of FPSOs in operation, by establishing a baseline for environmental performance of its existing fleet. The baseline is the first step in developing an environmental standard, which will cover the full spectrum of both offshore operations as well as onshore support from the shore bases. The environmental standard will not only set the standard for new FPSOs, but will also allow benchmarking of existing FPSOs' performance and indicate options for improvements.

SBM Offshore already has several sustainable and ecological design options for FPSO operations that are discussed with clients. These options will be incorporated in the Company's proposals to enable clients to make a choice regarding the level of environmental and social impact of the FPSO over its lifecycle.

2.7.3 Process Safety

Following the launch in 2012 of a structured program to address Major Accident Prevention, the Company is well under way in implementing Process Safety Management (PSM) improvement activities based on the industry recognized guideline published by the Center for Chemical Process Safety (CCPS).

The following objectives have been set for 2016:

- Reduce the frequency of Tier 1 and 2 Process Safety Events (PSE) to align with the IOGP industry average[1]
- Cascade the new Process Safety Management Program within the organization
- Continue development and drive implementation of Process Safety Management

2.7.4 Innovation

Shape Innovative Offshore Solutions with the Client

The Company continues to engage with clients to enhance field recovery and develop sustainable offshore solutions through technology innovations.

SBM Offshore strives to be client-focused and works together with its clients on its sustainability efforts. The Company focuses on providing services from or on the FPSO, which improve production recovery and/or reduce overall costs for the operator and which could improve marginal field economics. Solutions focus on the complete lifecycle of the oil and gas field including liaising

[1] This equates to no more than one PSE Tier 1 and three PSE Tier 2 events in 2016.

with drilling and subsea activities, which are not directly in the Company's scope and lower carbon footprint solutions to help offset potential costs (e.g. taxation on greenhouse gas emissions).

2.7.5 Social Performance

Local Development

SBM Offshore continues to enhance socio-economic impact in SBM Offshore's countries of operation through employee development and local community programs.

The Company has a long tradition of working with developing countries that are keen to explore the use of their natural resources to stimulate national economic development. Alignment of business and national interests by way of structuring investments can offer the host country maximum benefit and opportunities to leverage in the longer term. In doing so, SBM Offshore focuses beyond local content requirements to contribute to sustained national and local development.

Local Talent Development

SBM Offshore is currently implementing local management talent development programs. The aim is to increase the percentage of local professional and management staff, while maintaining a high level of vocational training for local employees.

Social Impact Assessment

SBM Offshore measures and demonstrates the value it creates in terms of social, environmental and economic impact on the local society by performing socio-economic impact assessments. The socio-economic impact assessment (SIA) is based on the internationally recognized methodology using Input-Output Matrices to assess the impact. Impacts have been studied on amount of jobs, business activity, wages and benefits and tax revenue. The assessment includes in the opinion of local stakeholders. The results will be used as input to define local improvement plans and develop local charity and donation projects.

The first SIA in Brazil was completed last year and set the standard for annual assessments in Brazil and Angola.

2.7.6 Strategic sourcing and cost-effective Supply Chain

Strategic Sourcing and Vendor Management: a coordinated Supply Chain

SBM Offshore's aspiration is to have an integrated supply chain that drives strategic sourcing with the aim of optimizing life cycle costs by entering into long-term partnerships with vendors. The aim is for the Company to be better positioned for future projects; by combining a commercial edge with a sustainable model.

SBM Offshore has started to engage in vendor management as a way of planning and developing a partnership approach with our supplier base. This builds on the Company's Supply Chain Sustainability Charter, which requests suppliers and construction yards to voluntarily commit to continuous improvement in social and environmental performance and full adherence to SBM Offshore's ethics standards.

Coordinated from a centrally managed team, it drives a 'non-customization' approach with suppliers, requiring a multi-disciplinary approach to working and has brought Supply Chain closer to other core functions such as Engineering, Technology Development, HSSE, QA, Operations and Construction. The Company aims to have an integrated supply chain that is aligned to the set goals on HSSE and that will in future combine the commercial edge with the sustainability edge.

It is particularly through a 'life-cycle cost' approach that SBM Offshore aims at sharpening its fiscal accuracy in terms of supply chain deliverables and engages in a sustainable supply chain. Through the key pillars of Supply Chain and the implementation of a new governance model, SBM Offshore aims at ensuring full compliance in delivering its cost, schedule, HSSE and quality objectives.

SBM Offshore continues to invest jointly with local suppliers and partners by investing in the development of local skills through training and promotion of SBM Offshore (sustainability) standards. In key markets – Brazil and Angola – SBM Offshore strives to allow local vendors and foreign vendors with local investments to increase their capacity and expand their business with the benefits being captured by the local economy and population.

Moving away from a 'project by project' approach to a long-term vision, SBM Offshore is implementing 'SBM Offshore Supplier Days'. The first was initiated in the Kuala Lumpur Regional Center in December. The aim is to continue to get closer to supply base.

PERFORMANCE IN 2015

3

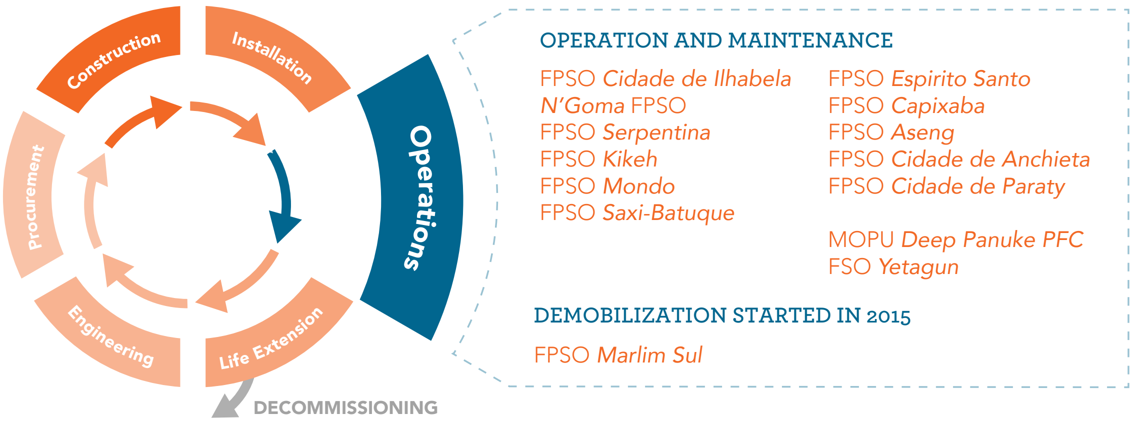
3.1 Operations and Lease Fleet

Introduction

SBM Offshore successfully increased the total production level for the FPUs that it operates. Additional throughput, compared to the previous year, was partly due to a full year of operation for the Company's highest capacity FPSO, operating offshore Brazil (first oil was achieved in November 2014) and also successful tiebacks to its semi-submersible. SBM Offshore is responsible for the full operations across the globe of:

- 11 FPSOs (consists of 10 in SBM Offshore's fleet and one third party contract for the client's own vessel)
- 2 FSOs
- 1 Semi-Submersible
- 1 MOPU

Brazil accounts for the largest share of the Company's fleet operations with a cumulated 129 million barrels of oil in 2015, contributing to a significant part of the country's output. Combined African countries follow in second place.

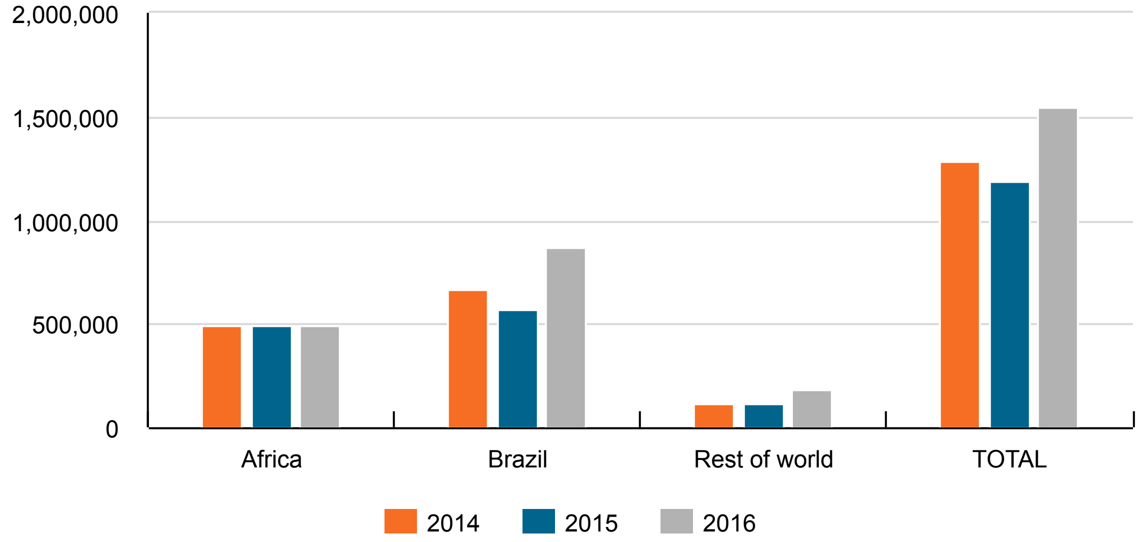


2015 Performance at a glance

- 4.6 billion cumulated to date
- 383 successful and safe cumulated offloads (6,621 cumulated to date)
- Over 271 years of cumulative operations worldwide
- Early May 2015, a three-year contract extension for Operations and Maintenance on FSO *Yetagun* was confirmed with Petronas, with further options of up to five years, as well as an extensive FSO upgrade. Of note is the vessel's record of 100% uptime with zero TRIFR
- In October 2015, successful completion of additional tie-backs to Thunder Hawk DeepDraft™ Semi-Sub from two fields for Noble Energy offshore USA – production started from the Big Bend field and the Dantzler field in 4Q 2015 – has added an additional 20k/bpd production capacity. SBM Offshore receives a production fee associated with produced volume in line with the Production Handling contract
- After a planned summer break, operations successfully restarted in October 2015 on the Deep Panuke MOPU (gas) offshore Canada in line with Encana's request
- November 2015 marked one year of production operations for FPSO *Cidade de Ilhabela* offshore Brazil and *N'Goma* FPSO offshore Angola
- During 4 Quarter 2015 SBM Offshore started preparations for three FPSOs, which will commence production in 2016, including ramping up and training of the crew and technical handover from project teams
- FPSO *Marlim Sul,* in decommissioning phase from 1 January 2015, was put on hold in line with Petrobras' request, as the client reviewed

continued production alternatives for the Marlim Sul field. The FPSO's last day of production was 31 December 2014

Oil Capacity (Barrels/Day) by Region, situation as of end of year



Overview of Operations in 2015

SBM Offshore's Operations Division operates under five pillars of value drivers:

HSSE

SBM Offshore's main drive is an incident-free workplace, with no harm to people or the environment, and no damage to the Company's assets. A step change in fleet safety was achieved in 2015. Various initiatives were implemented worldwide, such as the Annual Fleet-wide Safety Life-Day and New Safety Leadership and Process Safety Management trainings (monthly campaigns around each of the 12 Life-Saving Rules, an initiative to motivate personnel to continuously improve safety in everything they do). A reward system is also in place for exemplary behavior. SBM Offshore's clients recognize the Company's continuous efforts in this domain. ExxonMobil Angola commended FPSO *Saxi-Batuque* team effort and leadership for six years safe operations without a Recordable Incidence. In addition, several other FPSOs achieved a noteworthy '1-Year Total Recordable Incident Free' period, including FPSOs Aseng, Kikeh, Capixaba, Mondo (2-Years) and Yetagun (3-Years).

Operational Performance

SBM Offshore is focusing on continuous improvement to deliver predictable and sustainable revenues to the Company's clients and stakeholders – achieved over 99.4% oil uptime with limited shutdown activities in 2015, resulting in oil and gas production to their satisfaction. Murphy celebrated the 500th offtake performed on FPSO *Kikeh* operated by MPDC and SBM Offshore joint venture with MISC. The team on FPSO *Serpentina* operating offshore Equatorial Guinea, were congratulated by the client for the quickest billion barrels of oil in ExxonMobil's production history.

Asset Integrity

In 2015 various initiatives were undertaken to support reliability and future performance of the Company's Units:

- Improved remote monitoring on processes and equipment performance
- Consolidation in one controlled data base of a suite of equipment maintenance strategies
- Rejuvenation of the asset integrity management system, including the development of new processes such as an effective shutdown management set of procedures, which aims to minimize production disruption while insuring reliability and design life
- Development and roll-out of a new version of the computerized maintenance management system including new features for safety barriers.
- Improved information feedback loop from Operations to the engineering divisions

Commercial Performance

The team approaches operations from the client's perspective and close collaboration and dialogue are essential to smooth day-to-day operations and a quick resolution of any problems. Open discussions with the client on board representatives (OBR) ensure daily communication about operations offshore. Proximity to the client – either shared office at onshore bases or regular visits – ensure that the lines of communication stay open and that SBM Offshore anticipates their future requirements. During 2015, SBM Offshore added a new onshore base in Houston to manage future operations for Shell's FPSO *Turritella*; steps included the recruitment of staff and the set-up of the onshore supporting infrastructure and network.

Sustainability

SBM Offshore completed the green recycling phase on two FPSOs *Kuito* and *Brasil* in shipyards in China and Turkey – see also section 3.4.3 Environment.

Looking forward : 2016 future operations

SBM Offshore will add three FPSOs to its operations in 2016 bringing the total to 15 FPSOs, 1 MOPU, 1 Semi-Sub and 2 FSOs.

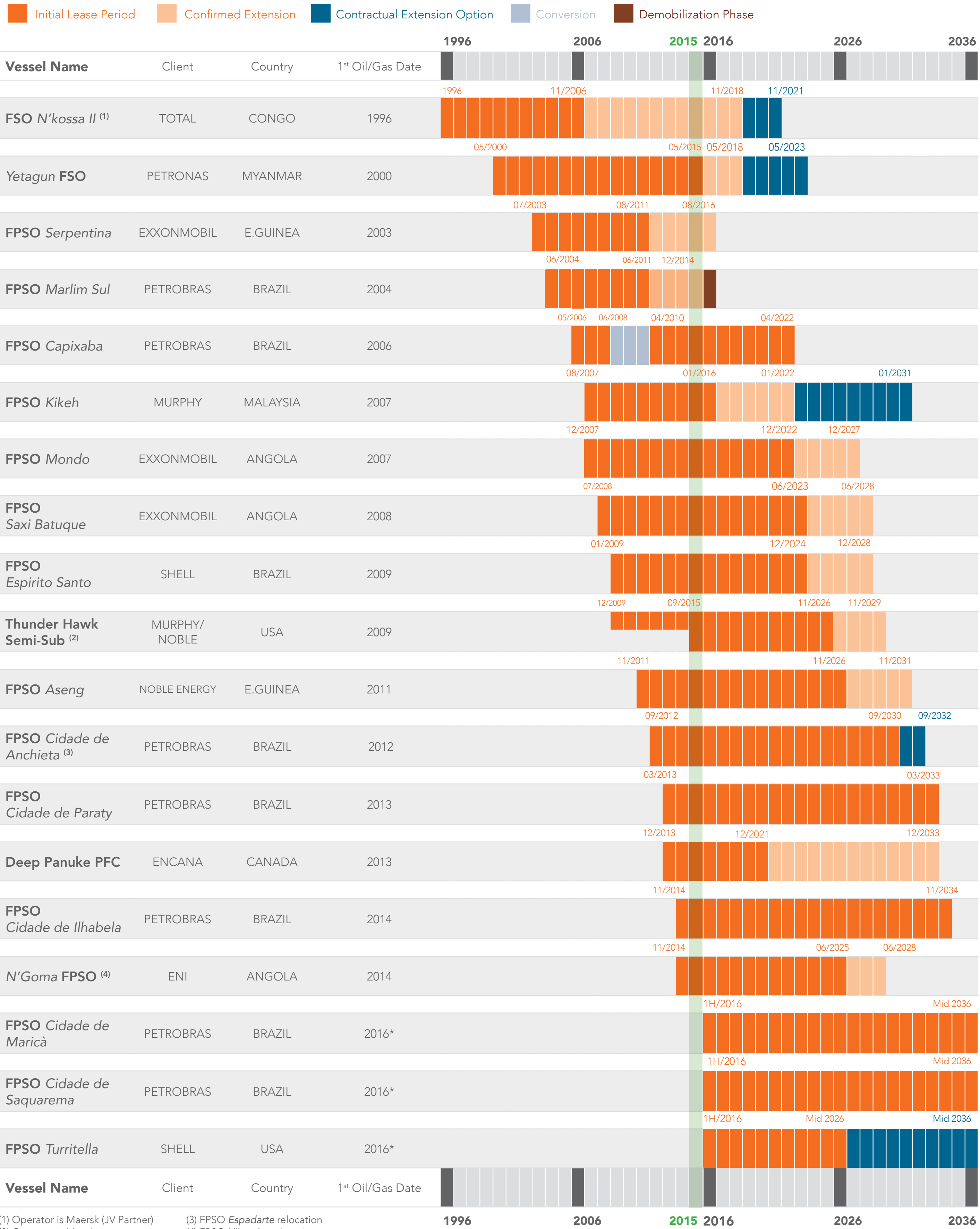
- FPSO *Cidade de Maricá – with a production capacity of 150,000* bbls *per day*
- FPSO *Cidade de Saquarema – with a production capacity of 150,000 bbls per day*
- FPSO *Turritella – with a production capacity of 60,000 BOPD.* Start-up of the facility for Shell is expected in mid-2016. This will represent SBM Offshore's first FPSO in the Gulf of Mexico. In June 2015 SBM Offshore welcomed Joint Venture partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK Line) via an agreement for the acquisition of a stake in the joint venture companies incorporated for the purpose of owning and operating FPSO *Turritella.*

Additional goals

- Optimization of the Company's revenues by ensuring high uptime. This will be achieved by driving performance improvement and efficiencies using strategies mentioned
- Optimization of life cycle costs, in particular OPEX, to make SBM Offshore's operations even more competitive, yielding benefits for its clients, partners and SBM Offshore

OPERATIONS FLEET

Vessel Name	Client	Country	1st Oil/Gas Date
FSO *N'kossa II* (1)	TOTAL	CONGO	1996
Yetagun **FSO**	PETRONAS	MYANMAR	2000
FPSO *Serpentina*	EXXONMOBIL	E.GUINEA	2003
FPSO *Marlim Sul*	PETROBRAS	BRAZIL	2004
FPSO *Capixaba*	PETROBRAS	BRAZIL	2006
FPSO *Kikeh*	MURPHY	MALAYSIA	2007
FPSO *Mondo*	EXXONMOBIL	ANGOLA	2007
FPSO *Saxi Batuque*	EXXONMOBIL	ANGOLA	2008
FPSO *Espirito Santo*	SHELL	BRAZIL	2009
Thunder Hawk Semi-Sub (2)	MURPHY/ NOBLE	USA	2009
FPSO *Aseng*	NOBLE ENERGY	E.GUINEA	2011
FPSO *Cidade de Anchieta* (3)	PETROBRAS	BRAZIL	2012
FPSO *Cidade de Paraty*	PETROBRAS	BRAZIL	2013
Deep Panuke PFC	ENCANA	CANADA	2013
FPSO *Cidade de Ilhabela*	PETROBRAS	BRAZIL	2014
N'Goma **FPSO** (4)	ENI	ANGOLA	2014
FPSO *Cidade de Maricà*	PETROBRAS	BRAZIL	2016*
FPSO *Cidade de Saquarema*	PETROBRAS	BRAZIL	2016*
FPSO *Turritella*	SHELL	USA	2016*
Vessel Name	Client	Country	1st Oil/Gas Date



(1) Operator is Maersk (JV Partner)
(2) Operator is Murphy
(3) FPSO *Espadarte* relocation
(4) FPSO *Xikomba* relocation
* Expected date

3.2 Technology

3.2.1 SBM Offshore's Technology Strategy

Given the challenging economic environment and SBM Offhore's focus on affordability to improve its competitiveness, the majority of the development work in 2015 focused on using technology to reduce field development costs for clients. This primary objective to reduce the cost of its core products is already giving tangible benefits and has also matured a range of new components and products through prototype testing to be market-ready, collecting SBM Offshore's 5th Offshore Technology Conference (OTC) Spotlight on New Technology Award in five years in the process. The Company's technology team continues to innovate in areas of gas technology and renewable energies, generating exciting, new ideas for the future.

The Company's technology development continues to be guided by three key objectives:

1. To be driven by market demand – development projects will reflect the current and future challenges faced by its customers in order to provide solutions that are cost-effective and increase productivity
2. To improve safety through inherently safe design and/or increasing the Company's overall rate of return on investment through reduced costs, increased efficiency and/or improved performance
3. To retain its technology leadership position in the offshore market and build its competitive advantage

3.2.2 Driven by Market Demand

A key element of SBM Offshore's technology strategy is to be driven by market demand. As discussed in section 2.5 to identify key trends in the industry, test these with clients in conjunction with the managers of SBM Offshore's product lines and focus on technology gaps around these trends.

Beyond the technical challenges, there is an overall business challenge to make projects more cost-effective and affordable for clients.

Today, some of the key technical challenges which can be seen in the industry are:

- Deeper water, beyond 3,000m
- Very deep HPHT reservoirs, which lead to extreme surface pressures
- More sour fluids to be processed
- Harsher environmental conditions from frontier areas and a growing client preference to remain connected offshore during extreme storm events (such as cyclones) rather than to disconnect and leave the affected area
- A growing need for life extension of older facilities as reservoir recovery factors increase
- Increased need for offshore LNG production facilities
- Desire to reduce environmental emissions from offshore facilities
- A surging demand for clean energy from renewable sources

3.2.3 Technology Creating Value

The key achievements of 2015 are:

FPSO Standardization

- Continued advancement of the Company's internal standardization project for possible future projects by developing a range of pre-engineered standard building blocks for large and complex FPSOs, with the aim to offer clients significant cost reductions and schedule improvements. This project, known as Fast4Ward, has progressed throughout the year and the outcomes are now being applied to new proposals
- Establishing standard designs – leading to more framework agreements with equipment suppliers
- Continuation of the evaluation and qualification of new compact technologies for topsides

processing for FPSOs, where enhanced performance or significant cost reduction can be achieved

Floating Gas Solutions

- Continuation of the development of the Company's innovative TwinHull™ LNG FPSO concept for mid-scale capacities. With a design capacity of 1.5 to 2.0 million tonnes per annum.

Mooring System Advances

The Company is recognized as the world leader in complex mooring systems. Throughout 2015, it continued to develop its mooring technology to further strengthen this position, while new designs progressed in the construction phase.

- Completion of the SBM Offshore designed FPSO *Turritella* disconnectable turret, being the world's first disconnectable turret using steel risers and the first FPU to achieve a world record water depth of 2,900m
- Industry award in recognition for the Articulated Rod Connecting Arm (ARCA) technology, which brings added functionality and inherent safety of diverless connection and disconnection at a lower cost than conventional solutions
- Design of a range of new swivels for enhanced performance – construction of a prototype has started
- Design and qualification of a new, large capacity external turret to achieve cost reduction

Steel Riser Technology

- Progressing the Company's expertise in Lazy Wave Steel Riser (LWSR) design as a cost-effective solution for ultra deepwater and/or HPHT fields, including extensive model testing and analysis performed for industry-led DeepStar JIP
- Prototype testing of a mechanical connector for steel risers, as a lower cost alternative for deploying steel risers offshore, in conjunction with partner

Semi-submersible and TLP FPUs

- Development and qualification of a semi-submersible hull design including condensate storage within the column legs, for remote gas fields as an alternative to pipeline export
- To advance its proven semi-submersible concept, development continued on the Deep Draft Semi-submersible™ hull, to enable the storage and offloading of hydrocarbons and to increase displacement for the support of large topsides payloads for field-specific requirements
- In response to specific market requests, the Company has studied the life extension of existing TLP hulls for increased operating life due to the subsea tieback of additional fields

Offshore Renewable Energies

Responding to the identified surging interest in offshore renewable energies, SBM Offshore has expanded its technology development program in this area.

- Development of a solution for Floating Offshore Wind Energy, being a high performance and low cost support structure for the wind turbines using know-how from inhouse engineering expertise. The resulting mini-TLP concept was successfully model-tested in 2015
- Continued development of the Company's revolutionary Wave Energy Converter (the S3 WEC) technology based on the use of Electro Active Polymer materials, including optimization of the associated power electronics system

'Industry Firsts' of latest projects

- SBM Offshore's latest project, the FPSO *Turritella* for the Shell Stones development, will be the world's deepest floating production unit with a world record depth of 2,900m once in operation in 2016. Moreover, this project can also claim to be an 'industry first' because of the use of steel production risers connecting the subsea wells to the FPSO, in conjunction with a disconnectable turret. Whereas SBM Offshore and Shell have already deployed Lazy Wave Steel Risers on a turret moored FPSO, the FPSO *Espirito Santo*, the FPSO *Turritella* will go one step further and use LWSR in conjunction with a disconnectable turret to exploit the HPHT in the Lower Tertiary reservoir of the Gulf of Mexico. The massive suspended loads on the turret required a completely new design, which was matured during the project and successfully constructed and pre-commissioned in 2015

- SBM Offshore has designed and constructed the world's largest internal turret mooring system, for the Shell Prelude FLNG, which is currently under integration in Korea. The turret weighs around 12,000 tons and was designed to enable the FLNG facility to resist the most extreme weather conditions so allowing it to safely remain on location.
- Mooring systems: a new technology for chain connectors completed qualification in 2015, was formally launched and is now being offered to clients. The ARCA improves the integrity of mooring lines and provides a solution to ease the installation, inspection and repair of mooring lines and at the same time achieves significant cost reductions, realized through a reduced turret diameter. Moreover, it brings significant safety benefits as the connection and disconnection can be performed without the need for diver intervention
- Mooring systems – fluid swivels: the Company's 12'' prototype VHP (Very High Pressure) toroidal swivel underwent re-qualification to operate at 1000 barg (14,500 psig) – having been fully qualified to 830 barg (12,000 psig), an industry first. This swivel is specifically aimed at enabling gas or water injection from FPSOs into ultra-high pressure reservoirs, such as the lower tertiary fields of the US Gulf of Mexico
- Steel risers: with reservoir challenges, risers are more costly to procure and install and steel risers are now becoming more popular as an alternative to the traditional unbonded flexible risers. SBM Offshore believes in the optimization of performance risers and floating production unit as one system, especially in ultra deepwater locations. In 2015, the Company led the model basin testing of steel risers for the DeepStar JIP to quantify the performance characteristics of the Lazy Wave Steel Risers (LWSR) in harsh environments. This was the first time the industry has model-tested a fully instrumented lazy-wave riser to enable the calibration of the numerical simulation model to the test results. Better understanding the performance of the risers and the calibration of the numerical modelling will improve the Company's ability to develop floating production units which are suitable for use with LWSRs

3.2.4 Competitive Advantage through Technology

Technology enabling projects

SBM Offshore strives to deliver to clients performance that exceeds expectations and goes beyond what is available on the market; the Company's technology division contributes to that goal by creating unique, cost effective and high performance solutions. The Company uses a KPI based on percentage of revenue enabled by technology to gauge the annual return on its continued investment in new technology. During 2015, revenues were generated from three main projects where technology played an important part in SBM Offshore being selected for the contract award:

- FPSO *Turritella* – where the turret mooring system is one of the most challenging ever designed and built in the industry – see section 3.2.3 Technology Creating Value
- Prelude FLNG turret – where the design mooring loads are a world record and are also enabled by the Company's proprietary technology
- Ichthys FPSO turret – where the high mooring loads and massive swivel stack are enabled by the Company's proprietary technology

The technology development process ensures that continued investment in each new technology is justified against business cases.

Industry Recognition

In 2015 SBM Offshore was awarded for the fifth time in the last five years the prestigious 'Spotlight on New Technology' award at the prominent Offshore Technology Conference (OTC) Exhibition in Houston for its Articulated Rod Connecting Arm (ARCA) Chain Connector. This award is presented to companies with the most advanced technologies that are leading the industry into the future, which has provided SBM Offshore with independent recognition of its leadership in pioneering technologies.

Technical Standards

A key factor which drives the cost of new projects is the set of technical standards to be applied. Typically, these can fall into three categories – client standards, contractor standards or a hybrid set of customized standards. In the current industry climate of severe cost pressure there is a logical push towards more acceptance of contractor standards, which leverages their expertise – in SBM Offshore's case around its core FPSO product – to help the industry's drive towards lower cost.

By minimizing a project's customization, SBM Offshore can efficiently deliver a more standard product for the benefit of the client with significant time and cost savings. The Company achieves this by employing its Group Technical Standards (GTS), established in 2003. Initially largely based on industry standards, they have been refined over the past 12 years by integrating key elements of the Company's accumulated project and fleet operational experience. Whereas client standards tend to be generic, covering a range of offshore facilities and even onshore facilities in some cases, SBM Offshore's GTS are FPSO specific and optimize areas where cost and schedule savings can be made. To the satisfaction of its clients, the Company has to date executed over 20 projects using its GTS as the basis, including the recent units FPSO *Cidade de Maricá*, FPSO *Cidade de Saquarema* and FPSO *Turritella*, with GTS being supplemented by client functional specifications and additional requirements as appropriate.

Intellectual Property

The Company maintains a significant Intellectual Property (IP) portfolio including patents, trademarks, and copyrights. Around 200 patent families cover a wide range of items including FPSO mooring and turret systems, semi-submersible and tension leg FPUs, hydrocarbon transfer and processing systems including LNG and gas processing, drilling and riser technologies and offshore installation.

During 2015, the Company has divested of some non-core patents, made 20 new patent applications in different countries and has initiated action against several parties for infringement of SBM Offshore patents.

3.3 Talented people

Succession Planning:

- A consistent and effective methodology for Talent Reviews was introduced, which has more accurately identified High Potential Talent using an industry accepted toolkit and methodology
- The Company has captured key critical succession plans at both the Group and Regional levels through the use of targeted development planning in 2015
- External leadership assessments for future potential Management Board and Executive Committee succession pools have been implemented in order to assist in the selection and development planning process for Senior Management succession

Talent Development:

- In the fourth quarter of 2015, an easy-to-use methodology to capture robust development plans was implemented for a target population. It takes both technical and behavioral development areas into consideration and offers development plans that focus on the leadership behaviors, which will underpin the updated SBM Offshore Values (see section 1.3). The development planning methodology will be progressively introduced to a broader population over 2016.
- In the fourth quarter of 2015, the Leadership in Action (LIA) program was introduced. This redesigned SBM Offshore Leadership program replaces the former management development programs in all regions. It has been redesigned to be aligned with the new behavioral competency model, with a focus on six core competencies for leaders

Talent Acquisition:

- A cost-effective system, known as Jobvite, was deployed across SBM Offshore in the third quarter of 2015, replacing regional systems. This will improve recruiter productivity and hiring process outcomes by over 80% and gives the Company the advantage of reviewing and tracking all global SBM Offshore job postings on one site

Global Mobility:

- The Global Mobility policy framework is being updated, benchmarked and aligned across the group on an ongoing basis to be completed in 2016. The policy aims to attract internal candidates for development assignments, as well as reduce expatriate costs where possible

Reward:

- Role Profiles is in the process of being completed and will be finished in 2017 to replace job descriptions and incorporate behavioral and technical competencies, so that employees understand both the requirements regarding the 'what' and 'how' for their role
- Job Grading is in the process of being completed and will be finished in 2017. This will ensure an objective global standardization around the levelling of roles and all associated short-term incentive and long-term incentive schemes. This will ensure global consistency across locations in both expected contribution for a role and the subsequent grading structure.
- In 2015, a salary freeze was implemented company wide, in the context of the harsh industry climate and industry job losses. This policy will be continued for the duration of 2016

3.4 Sustainability

Sustainability is embedded within the company with a community of employees promoting sustainability principles. At management level, the CGCO is responsible for the sustainability strategy with implementation under responsibility of GSD and Group Executives functions.

External Recognition for Sustainability at SBM Offshore

Dow Jones Sustainability World Index

For the sixth 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 recognizes the Company's commitment to corporate sustainability leadership in the Oil Equipment and Services sector. SBM Offshore take pride in being one of the top performing companies selected to be part of this year's index.

Carbon Disclosure Project

The Company has participated in the CDP, formally Carbon Disclosure Project for the Benelux since 2008. The Climate Change Program 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. In 2015, 822 investors with over US$ 95 trillion in assets backed CDP's climate change information request.

Transparantie Benchmark

The 'Transparantie Benchmark' is an initiative launched in 2004 by the Dutch Ministry of Economic Affairs, to annually assess the content and quality of corporate social responsibility reports of Dutch companies. In 2015 SBM Offshore received a score of 167 out of a possible 200 (97: 2014) moving the company up the bench mark to 37th position (124: 2014). This increase in position of 87 places represents a great increase in position in terms of SBM Offshore's past performance.

Euronext

SBM Offshore is pleased to announce its inclusion into the Euronext Vigeo Benelux 20 index in December 2015. This index represents the 20 most advanced companies in the Benelux region in terms of Environmental, Social and Governance performances. The index components are reviewed every six months in June and December. Companies included in this index have achieved the highest scores, as determined by the review of up to 330 indicators, assessed by Vigeo within 38 sustainability drivers.

3.4.1 HSSE at a Glance

SBM Offshore's commitment to protect people and the environment and the Company's drive to strengthen the HSSE culture and control framework can be captured in the following key objectives: 'no harm, no leaks, no shortcuts'. Good progress has been made in many areas of HSSE, with the continuation of the company wide engagement for the Life 365 program and some new initiatives started in 2015. The Company's second annual global Life Day provided opportunities for everyone working for SBM Offshore to engage on health, safety, security and the environment.

2015 HSSE Targets

In order to pursue our commitment and objectives, the following targets were set for 2015:

- Total Recordable Injury Frequency Rate to be better than 0.27 (TRIFR)
- Reduce the flaring under SBM Offshore control relative to the hydrocarbon production by 10% compared to the 2014 performance
- Reduce the number of Loss of Primary Containment incidents by 10%

- Achieve better environmental performance (oil in water, GHG emissions, Flaring, Energy consumption) than the 2013 IOGP industry average benchmark

Priorities throughout 2015:
- Introduction of new Safety and Process Safety Leadership programs
- Progress on the implementation of identified Process Safety Management (PSM) priorities, including process safety culture, risk analysis, asset integrity and reliability
- Continuation of integration of HSSE and PSM in the stages of the Life Cycle and align working practices with the Group Enterprise Management System
- Company wide engagement on HSSE through the 2nd Annual Life Day and the *Life 365* program.

3.4.2 Health, Safety & Security

Health and Safety

The Company has delivered a solid safety performance this year in all its business activities. Despite the significant organizational change, SBM Offshore was able to hold the safety improvement gains achieved in 2014 as The Total Recordable Injury Frequency Rate (TRIFR) remained stable (0.22 in 2015 and 2014) while the Lost Time Injury Frequency Rate (LTIFR) continued to improve compared to last year. Both indicators remained overall better than target.

Key results

Health and Safety improvements were achieved with the following 2015 targets met:
- The lowest number of injuries and lost work day cases per exposure hours (Total Recordable Injury Frequency Rate and Lost Time Injury Frequency Rate) since 2007.
- The SBM Offshore overall Total Recordable Injury Frequency Rate (TRIFR) remained identical to last year (0.22) and below the target of 0.27.
- Operations significantly improved the fleet safety performance, with only one Lost Time Injury recorded in 2015 and the Operations Total Recordable Incident Frequency Rate improved by 38% compared to 2014 (0.5 in 2015 versus 0.81 in 2014).
- Onshore projects have also improved both Lost Time Injury Frequency Rate (0.03 in 2015 compared to 0.04 in 2014) and Total Recordable Injury Frequency Rate (0.13 in 2015 compared to 0.14 in 2014).
- The Occupational Illness Frequency Rate (OIFR) remained stable compared to 2014 (0.03 versus 0.02 in 2014).
- The frequency of incidents with high potential to harm people has been reduced by 22% compared to 2014.

Key achievements

The Company continued to expand its occupational health and safety initiatives by enhancing existing programs and development of new ones including:
- Maintenance of all safety certifications on marine units and shorebases (OHSAS 18001)
- The 2015 edition of Life Day on 9 April extended to SBM Offshore joint ventures and included workshops addressing the four pillars of HSSE – Health, Safety, Security, and the Environment
- Launch of a new Safety leadership program 'Make the Difference' to raise awareness and develop competencies of senior management in effective safety leadership
- Continuation of monthly safety campaigns, with a strong focus on the Life Saving Rules
- Introduction of a Consequence Management framework
- Go-live of the HSSE control framework in the new Global Enterprise Management System (GEMS)
- Improvement in the delivery of HSSE training through an e-learning platform
- Introduction of a new platform to share HSSE information with all employees worldwide and

providing the facility to share and submit safety observations in offices worldwide
- Introduction of a Travel Management Portal to provide employees all the medical and security information and recommendations before traveling and during their stay
- Continuation of the improvement actions following the International Sustainability Rating System (ISRS) maturity assessment conducted in 2014

Security Management

Key results

A total of six security related incidents were reported across the entire organization, of which two have been classified as 'work-related'. None of these incidents resulted in any actual injury or physical harm to SBM Offshore personnel.

Key achievements

- Security Awareness sessions were included on Life Day
- Security Awareness training provided in Angola, Singapore, Malaysia, Houston, Brazil, and Monaco
- Security threat assessment on 'high risk' regions are completed before the start of activities or vessel deployments
- Daily Security reports are issued
- Daily Threat Analysis is conducted for personnel operating in high risk locations with security alerts issued when applicable
- Country Security Action Plans were developed for several high risk areas and subjects

3.4.3 Environment

The Company endeavours to operate in an environmentally responsible and sustainable manner, in order to minimize impact to local ecosystems as well as proactively protect the environment, paying particular attention to three key environmental challenges:

- Oil spills – by strictly following set procedures in operations and ensuring control measures are in place
- Unnecessary flaring or emissions into the sea or air – by preventing when possible
- Excessive use of energy and waste – by encouraging reduced consumption and re-use

During 2015, The Company continued to undertake its environmental performance reporting in alignment with the reporting guidelines from the *International Association of Oil and Gas Producers*.

Key results

- Offshore GHG[2] emissions from energy generation and gas flared per production increased by 38% compared to 2014, which is 20% above the the industry benchmark[3]. A total of 5.9 million tonnes of GHG have been produced in 2015, representing 177.9 tonnes of GHG per thousand tonnes of hydrocarbon produced. This large increase in 2015 is mainly due to the unavailability of the LNG terminal in Angola with the decision from the clients to flare the gas not re-injected into the reservoir. This has resulted in an 83% increase in the volume of GHG emissions per hydrocarbon production in Angola compared to 2014 (458.8 in 2015 compared to 248.8 in 2014). In addition, part of the flaring on one new unit was associated with the start-up of the offshore field production while completing the commissioning of the gas injections systems.
- As a result, total gas flared in 2015 was 30.9 tonnes per thousand tonnes of

2 Greenhouse Gases are caused by energy generation and flaring during the production of oil and natural gas. GHG emissions recorded by the Company include emissions for the production of energy (from steam boilers, gas turbines and diesel engines) and emissions from gas flared. Emissions reported do not take into account any fugitive emissions nor emissions from cargo venting.

3 In 2015, SBM Offshore reported a total of 177.9 tonnes of GHG per thousand tonnes of hydrocarbon produced (compared to 128.8 tonnes in 2014). Companies participating in the 2013 OGP benchmark reported 148 tonnes of GHG per thousand tonnes of hydrocarbon production in 2013. Report No. 2013e. December 2014. International Association of Oil and Gas Producers, page 24

hydrocarbons produced, which is 93% more than 2014 (16 tonnes) and well above the industry benchmark[4]. It must be noted that 88% of the gas flared was requested by clients or did not exceed the client allowance, with solely 12% of the gas flared under SBM Offshore control. The volume of gas flared on SBM Offshore account has decreased from 162,572 tonnes in 2014 to 120,491 tonnes in 2015, representing a volume of 3.6 tonnes of gas flared per thousand tonnes of hydrocarbon produced compared to 5.6 tonnes in 2014. This 36% reduction in flaring on the Company's account has substantially exceeded the target reduction of 10%[5]. The Company has decided to continue with the same target of 10% reduction of flaring on SBM Offshore account in 2016. In this context a 'CO_2 challenge' was launched in 2015 with the objectives to find quick and effective solutions to reduce CO_2 emissions of the fleet with a bottom-up approach

- The rate of energy[6] used to produce oil and gas has improved for the second consecutive year (0.92 gigajoules of energy per tonnes of hydrocarbon produced compared to 0.96 in 2014 and 1.05 in 2013), which is 39% better than the industry benchmark[7]
- Reductions in the volume of oil discharged to sea per volume of hydrocarbon produced continued also for the second consecutive year. The average volume of oil discharged was 2.9 tonnes per million tonnes of hydrocarbon produced, representing a 11% decrease compared to 2014 (3.3 tonnes) and 64% less than the industry benchmark[8]
- A total of 11 spills resulting in the release of oil and chemicals to sea have been reported offshore in 2015. Out of the 11 spills, six involved the release of hydrocarbons and five were chemicals spills. The total volume of uncontained hydrocarbon spills is estimated at 0.19 cubic metres, much reduced from the 1.06 cubic metres in 2014. None of these spills were above one barrel (159L) which means that the normalized number of oil spill offshore greater than one barrel per million tonnes of hydrocarbon produced is 0 for 2015, while the the industry benchmark of 0.15[9]

Key achievements

- Maintenance of all existing environmental certifications (ISO14001) on marine units and shorebases.
- Monthly monitoring of environmental emissions (GHG emissions, Flaring, Oil in Produced Water, Energy consumption, and Loss of containments).

Specific actions

CO_2 Challenge

To help achieve SBM Offshore's ambitious targets for reduction, The Company has developed the CO_2 Challenge. Teams from Regional Centres and Operations have been selected to develop creative and innovative solutions to reduce the amount of CO_2 that SBM Offshore releases as part of its activities. This talented group of young SBMers hail from a variety of disciplines within SBM Offshore and have been assigned specific FPSO/MOPUs which they are developing a solution for. The CO_2 reducing solutions will be presented in 2016 and the selected winning teams will implement their

4 Companies participating in the OGP benchmark reported 15.1 tonnes of gas flared per hydrocarbon production. Report No. 2013e. December 2014. International Association of Oil & Gas Producers, page 34.

5 The target for 2015 was to produce less than 5.06 tonnes of gas flared on SBM Offshore account per thousand tonnes of hydrocarbon produced.

6 Energy is required to produce oil and gas for example to produce steam, heat produced for oil separation, drive pumps producing the hydrocarbons or re-injected produced water, power compressors to re-inject produced gas, drive turbines to generate electricity, etc. Main source of energy consumption offshore is Fuel Gas and Marine Gas Oil.

7 Companies participating in the OGP benchmark consumed 1.5 Gigajoules of energy for every tonne of hydrocarbon produced, Report No. 2013e. December 2014. International Association of Oil and Gas Producers, page 32.

8 Companies participating in the OGP benchmark discharged 8.2 tonnes of oil to sea per million tonnes of hydrocarbon produced, Report No. 2013e. December 2014. International Association of Oil and Gas Producers, page 37.

9 Companies participating in the OGP benchmark reported 0.15 oil spill offshore greater than one barrel per million tonnes of hydrocarbon produced, Report No. 2013e. December 2014. International Association of Oil and Gas Producers, page 48.

solutions offshore. Already in 2015, the creative problem solving and innovation ideas have been demonstrated and there is no doubt that ideas stemming from this initiative will be implemented in current production and in future designs.

Guanabara Blue Project

To manage environmental impact and to work with local employees where SBM Offshore operates, SBM Offshore do Brasil recently created the Pacto Guanabara Blue with the joint support of the Guanabara Bay Institute. This charter aims to bring greater visibility to environmental actions taken by the users of the Guanabara Bay in Rio de Janeiro and garner support from a variety of companies, institutions and associations that use the bay and work on the bay, to strengthen environmental education and cleaning activities. The charter is based on the belief that uniting everyone can make a difference. The Pacto Guanabara Blue was officially launched in October 2015 to companies, organizations, students, NGOs, environment-related professionals, and local bodies.

SBM Offshore Ship recycling Program

In early 2015, FPSOs Kuito and Brasil completed the last journeys to the shipyards for their green ship recycling. The statements of completion have been received for each vessel which testify that each ship has been recycled in accordance with SBM Offshore's Vessel Recycling Policy and as per *International Convention for the Safe and Environmentally Sound Recycling of Ships* (the 'Hong Kong Convention') of the *International Maritime Organization* of the United Nations. FPSO Kuito's green recycling was successfully completed in September at Öge yard, Turkey, while FPSO Brasil's recycling was completed in October at the Changhon yard, Zhoushan, China.

Operational considerations also influenced certain choices, such as the location for FPSO Brasil's recycling. Originally intended to be sold to buyers with a Turkish recycling yard, plans were changed once it was discovered that the hull marine growth contained a sun coral species (Tubastraea coccinea). In accordance with the UNEP Barcelona Convention which regulates the introduction of a new species into Mediterranean waters, the project decided to take the vessel to China where the species already exists, rather than to Turkey which has not a native habitat for sun coral.

In respect of corporate social responsibility and sustainability principles, SBM Offshore chose to remain close to the process and monitor the recycling activities, subcontracting an independent third party – Sea2Cradle – to be 'eyes and boots' at each yard for the entire project. This hands-on approach resulted in smooth execution and satisfactory completion of both projects, with no damage to the environment, no spills, and no hazardous materials identified.

SBM Offshore's vessel recycling policy has now been mapped into the SBM Offshore Management system GEMS. The Company proves that the know-how of green decommissioning and with greenfield projects being scarce and some ageing facilities providing little incentive to maintain production, orders for brownfield decommissioning projects are likely to increase in the next few years.

New Amsterdam Headquarters

In August 2015, the Company moved its headquarters to an office at Schiphol airport in Amsterdam. This office, 'The Base', is certified 'Very Good' according to BREEAM standards. BREEAM is the sustainability quality mark that assesses buildings around the world in terms of energy, ecology, transport, materials and health and sets the bar for best practice in sustainable building design. Some of the main innovative and environmentally friendly design measures include the use of renewable energy sources, the cooling system and environmentally efficient lighting through HF lighting and daylight control. Construction materials, from paint to adhesives, wood or other materials have all been chosen to have no or limited emissions of volatile organic compounds. Materials used were only originating from responsible sources, i.e. companies with a certified environmental management system.

3.4.4 Process Safety

Key results

- A total of 165 Loss of Primary Containment incidents were recorded, of which 48 were oil and gas releases. In total, four were classified as Tier 1 Process Safety events and ten as Tier 2 Process Safety events, while the remaining 151 were of minor or insignificant consequences[10].
- As reported in section 3.4.3 Environment, the majority of the liquid related Loss of Primary Containment incidents resulted in releases contained onboard, only 11 spills resulted in a release to the sea, 190 litres in total.

Key achievements

- The HSSE Policy was updated including the Company commitment to embed Process Safety Management in the company, its standards and the hazard management controls to minimize the risk of Major Accidents
- Eleven of the 20 PSM elements were defined as the priority PSM Elements for the first implementation phase. These elements consist of a set of activities and practices that are being embedded in the SBM Offshore Global Enterprise Management System (GEMS), the Group Technical Standards (GTS) and can be assessed through the SBM Offshore International Sustainability Rating System (ISRS)
- For the remaining eight PSM Elements, key activities have been defined for the second PSM implementation phase
- A Gap analysis has been conducted to assess the 'health' of PSM in current practices and the findings were used as the basis for the activities chosen for the second PSM implementation phase.
- A PSM Training Program was launched to train defined functions across the organisation. This will provide more in-depth focus on PSM requirements and implementation
- A dedicated PSM department has been established in SBM Offshore Operations to ensure implementation of PSM activities in the operations phase as well as cascading the message of the importance of PSM throughout the fleet. The team has progressed a number of improvements, including implementing a monthly analysis of loss of containment events.

3.4.5 Social Performance

Foster local development

SBM Offshore strives to enhance the socio-economic impact in the countries where it operates through employee development and local community programs.

Social economic impact assessments

Brazil

SBM Offshore monitors the impact of its operations in Brazil on an annual basis by means of a social economic impact assessment. SBM Offshore undertakes this assessment to better understand the value of their operations in Brazil and to measure the direct and indirect economic impacts of SBM Offshore's activities. The methodology for this assessment was developed in 2014 and this is the second consecutive year that SBM Offshore assesses the impact of its activities in the Brasa

10 The Company aims to reduce impacts to the environment as a result of Loss of Containment. In line with this objective, a company-wide LOPC Bulletin has been issued in 2015 to increase awareness and understanding of the importance of complete and accurate reporting. Due to the nature of this indicator, there is an inherent limitation related to completeness of information. The significant increase in number of reported LOPC is a direct result of this awareness campaign. While the number of tier 1 and 2 incidents remain similar compared to 2014, a large number of small LOC with limited impact have been reported in 2015.

Yard, project execution at the office in Rio de Janerio and operations of the fleet, offshore Brazil.

The results of the 2015 impact were not available for publication in this report; results will be published on the SBM Offshore website when completed.

The results of the 2014 study have been used as part of the risk analysis, corporate positioning and forms the basis of the sustainability strategy for SBM Offshore in Brazil.

Angola

A similar, social economic impact assessment was started in 2015. SBM Offshore has been present in Angola for over a decade both with offshore and onshore operations through its participation in the Paenal yard. The analysis remains in the preliminary phases and the results are expected in 2016.

Local community activities and programs

Almost 10 years ago SBM Offshore, in partnership with the local community, created the Lubango Orphanage to house and school young girls. Further to supporting the orphanage, SBM Offshore is now able to assist the girls with securing an employment for them.

In Brazil, SBM Offshore supports local communities around the areas where the Company operates by supporting initiatives such as the Babylonia daycare in Rio de Janeiro's Leme neighbourhood and educational programs such as the creation of the Welding School Professional Training Program with local partners. Support is provided through charitable monetary donations and by SBM Offshore employees who play an active role in activities and events: signing up for the Bone Marrow donor list (REDOME), for example.

During 2015, SBM Offshore employees donated money to their local community affected by severe floods but also to victims of flooding in Myanmar. The Malaysian donation drive came under the wing of the Kuala Lumpur Regional Centre's ongoing Corporate Social Responsibility (CSR) project 'Senyuman Buat Mereka' (Bring A Smile To Them) and 'Sinar Buat Mereka' (Bring Hope For Them). In Myanmar, SBM Offshore employees from FSO Yetugan offshore Myanmar chose to provide donations to the Free Funeral Service Society (FFSS).

SBM Offshore Houston employees recently partnered with Habitat for Humanity to become one of its local sponsors through a monetary donation and two on-site days.

SBMers also choose to support their local charities through physical activity like the MS 150 bike ride organized by America's National MS (Multiple Sclerosis) Society, the Century Ride in Melaka in Malayisa and the No-Finish Line in Monaco.

SBM Offshore Monaco has developed a partnership with local charity Digital Aid who volunteer their free time and donate used office computers, laptops and screens to areas in need.

SBM Offshore Schiedam has a variety of health and well-being programs for SBMers located in the Netherlands. In 2015, a new catering company was engaged offering more variety and healthier food choices. A new bike plan and purpose built area for cyclists was built in 2015 to encourage more employees to cycle to work.

GOVERNANCE

4

4.1 Management Board

B.Y.R. Chabas

Swiss and French, 1964

Chief Executive Officer

Bruno Chabas joined SBM Offshore as Chief Operating Officer and Member of the Management Board in May 2011 and became CEO in January 2012. Prior to joining, he worked for 18 years with Acergy S.A. (now Subsea 7 SA). From November 2002 until January 2011, he served as the Chief Operating Officer of Acergy S.A., responsible for all the day-to-day commercial and operational activity worldwide. From June 1999 through October 2002, he served as Chief Financial Officer. Between 1992 and 2002, Mr. Chabas held various management positions within preceding companies in the United Kingdom, France and the United States. He has been an Independent Director of FORACO International S.A. since August 2007 and holds an MBA from Babson College, Massachusetts. During an Extraordinary General Meeting on 4 November 2015, Bruno Chabas was reappointed as Management Board member for a second term of four years until the Annual General Meeting of 2020. The Supervisory Board has designated him CEO for this new term.

P. van Rossum

Dutch, 1956

Chief Financial Officer

Peter van Rossum joined the Company as Chief Financial Officer in 2012 and was appointed for a first term of four years until the General Meeting in 2016. Prior to joining SBM Offshore he was CFO of Rodamco Europe, and following the merger with Unibail of France, of Unibail-Rodamco SE. Prior to that, Mr. van Rossum was with Shell for 23 years in different positions in all key sectors (Upstream, Downstream, Chemicals and Corporate) and in many different countries. From April 2004 till March 2006 he was a Director of Woodside Petroleum. He has a Master in Business Economics from the Free University of Amsterdam.

P. Barril

French, 1964

Chief Operating Officer

Philippe Barril joined the Company in March 2015 and was appointed member of the Management Board and Chief Operating Officer at the AGM in April 2015 for a first term of four years until the General Meeting in 2019. He is a Graduate Engineer of the Ecole Centrale de Lyon (1988) and started his career with Bouygues Offshore as an engineer, moving into project management, subsidiary manager in Angola, Business Unit Angola-Congo, Business Unit Manager Nigeria and Vice President Sub-Saharan Africa and Offshore. In 2002, he moved to Technip as CEO Africa and Mediterranean. Then, he spent 2006 working for Single Buoy Moorings, a subsidiary of SBM Offshore N.V., as Gas Sales Manager. Mr. Barril was then appointed Managing Director of Entrepose Contracting from 2007 to 2009. In 2009, he moved back to Technip, working in a number of senior executive positions and was appointed President and Chief Operating Officer in January 2014.

E. Lagendijk

Dutch, 1960

Chief Governance and Compliance Officer

Erik Lagendijk joined the Company in January 2015 and was appointed a member of the Management Board and Chief Governance and Compliance Officer at the AGM in April 2015 for a first term of four years until the General Meeting in 2019. He studied law at the University of Amsterdam (1988) and completed the Executive Development program at the IMD Lausanne in 1999. He attended the Foundations of Finance program at the Amsterdam Institute of Finance in 2002 and an Executive Development program at the IESE in Barcelona in 2013. Mr. E. Lagendijk spent his career in the financial services industry, first at the ING Bank starting in 1987 with various roles as lawyer and banker, as Senior Account Manager and as head of the legal department of domestic operations. In 2000, he moved to Aegon N.V. to take up the position of Group General Counsel.

4.2 Supervisory Board

F.J.G.M. Cremers
Dutch, 1952
Chairman

Committees:

- Member of the Technical & Commercial Committee,
- Chairman of the Appointment & Remuneration Committee dealing with selection and appointment matters
- Member of the Appointment and Remuneration Committee dealing with remuneration matters

First appointment: 2010

Reappointment: 2014

Current term of office: 2014-2018

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

Other Mandates:

- Member of the Supervisory Board of Vopak N.V.
- Member of the Supervisory Board of Unibail-Rodamco S.E.
- Member of the Supervisory Board of Parcom Capital B.V.
- Member of the Capital Markets Committee of the AFM
- Member of the Board of Stichting Preferente Aandelen Heijmans
- Member of the Board of Stichting Preferente Aandelen Philips

T.M.E. Ehret
French, 1952
Vice Chairman

Committee:

- Chairman of the Technical & Commercial Committee

First appointment: 2008

Reappointment: 2012

Current term of office: 2012-2016

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

Other Mandates:

- Chairman of Harkland Global Holdings Ltd.
- Non-Executive Director of Comex S.A.
- Non-Executive Director of Green Holdings Corporation
- Non-Executive Director of ISMKomix Ltd.
- Member of the Supervisory Board of Huisman Equipment B.V.

L.A. Armstrong

British, 1950

Member

Committees:

- Member of the Technical and Commercial Committee
- Member of the Appointment & Remuneration Committee

First appointment: 2014

Current term of office: 2014-2018

- Former Technical Vice President for Shell International
- Former Exploration Director of Petroleum Development Oman
- Former Director Shell UK Exploration

Other Mandates:

- Non-Executive Director of KAZ Minerals PLC
- Non-Executive Trustee of Central Europe Oil Company
- Chairperson of the Trustees of the British Safety Council
- Non-Executive Director of DONG Energy

F.G.H. Deckers

Dutch, 1950

Member

Committees:

- Chairman of the Appointment and Remuneration Committee dealing with remuneration matters,
- Member of the Appointment and Remuneration Committee dealing with selection and appointment matters
- Member of the Audit Committee

First appointment: 2008

Reappointment: 2012

Current term of office: 2012-2016

- Former CEO of F. van Lanschot Bankiers N.V.

Other Mandates:

- Chairman of the Supervisory Board of Deloitte Nederland B.V.
- Member of the Supervisory Board of IBM Nederland N.V.
- Member of the Supervisory Board of Springpaarden Fonds Nederland B.V.

F.R. Gugen
British, 1949
Member

Committee: Chairman of the Audit Committee
First appointment: 2010
Reappointment: 2014
Current term of office: 2014-2018

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

Other Mandates:

- Chairman of the Board of Petroleum Geo-Services ASA and of IGas Energy PLC
- Chairman of CEOC Limited,
- Chairman of Chrysaor Limited,
- Chairman of Fraudscreen Limited
- Advisor to BNRI, a division of the Economic Affairs Committee of the CBI; a major UK trade association charity
- Chairman of Raft, a medical research charity

S. Hepkema
Dutch, 1953
Member

Committee: Member of the Audit Committee
First appointment: 2015
Current term of office: 2015-2019

- Former senior partner at Allen & Overy and former member of the Management Board and Chief Governance and Compliance Officer of SBM Offshore N.V.

Other Mandates:

- Chairman of the Supervisory Board of Wavin N.V.
- Chairman of the Nationale Stichting de Nieuwe Kerk
- Member of the Dutch Monitoring Committee Corporate Governance Code

L.B.L.E. Mulliez

French, 1966

Member

Committee: n/a

First appointment: 2015

Current term of office: 2015-2019

- Former CEO of Eoxis (U.K.)

Other Mandates:

- Chairperson of the Board of Voltalia
- Non-Executive director of Aperam
- Non-Executive director of Green Investment Bank

C.D. Richard

American, 1956

Member

Committee: n/a

First appointment: 2015

Current term of office: 2015-2019

- Former Vice President Human Resources for Chevron Phillips Chemical Company and former Senior Vice President of Transocean

Other Mandates:

- Executive Professor at Texas A&M University

4.3 Report of the Supervisory Board

Message from the Chairman of the Supervisory Board

Dear Shareholders,

In my new capacity as Chairman of the Supervisory Board of SBM Offshore N.V., I am pleased to present you this Report of the Supervisory Board for 2015. Before reporting on the activities of the Supervisory Board in 2015, I take the opportunity to highlight two matters of special importance for SBM Offshore.

Market and Oil price
2015 was marked by a sharp decline of the oil price and a lack of new projects in the oil and gas industry. This led the Management Board under supervision of the Supervisory Board to critically reassess the Company's cost structure and resources. The Supervisory Board paid specific attention to the need to adapt the organization and its ways of working to the new market reality. SBM Offshore had started reorganizing in 2014 and this was continued in 2015. The Supervisory Board supports the Management Board in setting the guiding principles of affordability, credibility and proactivity.

In October 2015, the Supervisory Board held an extra meeting, where the Management Board presented the further worsening market expectations and as a consequence the setting of the strategic parameters for the 3 Year Plan 2016-2018. In December 2015 this was followed by a discussion of the Strategy Plan, which was subsequently approved by the Supervisory Board. The Supervisory Board is pleased to see that the Management Board is very much focused on preparing SBM Offshore in the best way possible for the future.

Brazil
In 2015, SBM Offshore not only focused on the difficult market environment, but also continued its efforts to deal with legacy matters. During 2015, negotiations with Brazilian authorities and Petrobras were ongoing. The Supervisory Board discussed this matter both in its regular Supervisory Board meetings, as well as in extra meetings and outside of meetings.

The Supervisory Board was closely informed about the Memorandum of Understanding that was signed in March 2015 between the Comptroller General's Office (Controladoria-Geral da União – 'CGU'), the Attorney General's Office (Advocacia-Geral da União – 'AGU') and SBM Offshore. In addition, the various reports in Brazilian and international media were regularly discussed. In April and October 2015, the company responded to media speculations via press releases. During the year, in various meetings the status of the negotiations were discussed and attention was given to how discussions may be brought to closure in the challenging environment in Brazil.

The Supervisory Board is pleased with the formal invitation by Petrobras in November 2015 for SBM Offshore to tender for the Sépia and Libra FPSOs. However, awarding of new contracts by Petrobras to SBM Offshore remains conditional upon the conclusion of a settlement agreement between SBM Offshore and the Brazilian authorities in the compliance investigation.

In December 2015, the Supervisory Board took on an active role when allegations were made regarding Mr. Chabas, SBM Offshore's CEO and Mr. Hepkema, Supervisory Board member and former Chief Governance and Compliance Officer of the Company. Two additional meetings were held on this matter in which the board was also advised by external advisors. The Supervisory Board refers to the various press releases that were issued in this respect.

For further details about the activities of SBM Offshore in general and of the Supervisory Board and its committees in particular, I refer to the next sections of this chapter.

F.J.G.M. Cremers
Chairman of the Supervisory Board

Activities of the Supervisory Board

Meetings

In 2015, the Supervisory Board held five regular meetings according to the pre-set schedule (in February, April, August, November and December). One Supervisory Board member could not attend the April meeting and two Supervisory Board members could not attend the December 2015 meeting. During all other meetings the Supervisory Board was complete. In addition to the regular meetings, seven extra meetings were held (in March, May, June, July, October (2x) and December). These meetings were attended by all Supervisory Board members except for the extra meeting in October 2015, during which three Supervisory Board members had prior obligations. The purpose of these meetings was to provide updates on the developments in Brazil, on Strategy and on quarterly performance.

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. The Company Secretary is the secretary of the Supervisory Board and its sub-committees.

The Management Board and the Company Secretary attended all meetings of the Supervisory Board. Prior to each of the regular Supervisory Board meetings, an informal pre-board dinner was held in the presence of the Management Board. The pre-meetings aim at enhancing the effectiveness of the Supervisory Board meeting. In case of potential conflicts of interest, agenda items are discussed without presence of the Management Board members.

Standard items on the agenda of Supervisory Board meetings are updates from each of the Management Board members including the following topics:

- Health Safety Security Environment;
- Operational performance;
- Financial performance;
- Updates on various topics related to compliance matters and the negotiations with the Brazilian authorities;
- Updates on the preparatory work for the initial public offering of a Master Limited Partnership;
- Risk and Opportunity reporting;
- Market environment and commercial activities; and
- Strategic and commercial initiatives.

More specifically, in 2015, amongst other items, the following was discussed in the Supervisory Board meetings:

- In February 2015, the Supervisory Board discussed and approved the Annual Financial statements. The Supervisory Board approved the proposed amendment of the dividend policy and resolved not to propose any dividend distribution. In that same meeting, the Operating Plan 2015 (budget) was approved in its final form;
- In March 2015, a large part of the meeting was spent on developments in Brazil. Also, an effectiveness review as part of the Supervisory Board's annual self-assessment was held in the presence of an external advisory firm;
- In April 2015, the Supervisory Board discussed the IT/IS strategy and prepared for the General Meeting during which Mr. Barril (COO) and Mr. Lagendijk (CGCO) were appointed as Management Board members and Mr. Hepkema, Mrs. Mulliez and Mrs. Richard were appointed as Supervisory Board member;
- In August 2015, the Half Year Financial Statements 2015 were approved and the Management Board introduced SBM Offshore's corporate values. In addition, commercial activities and tender preparations were on the agenda as well as a strategic analysis as a result to the changing market circumstances, in

particular the low oil price. In October 2015 this strategic assessment was further discussed during an extra strategy day in preparation of the 3 year strategic plan;
- In the November 2015 meeting, the Supervisory Board discussed the Q3 2014 Trading Update. Also, the Management Board presented technological innovations in relation to FPSO engineering and construction. In this meeting, the Supervisory Board also discussed succession planning of the Management Board and senior management of the company;
- Finally, in the December meeting of 2015, the Strategy Plan 2016-2018 was discussed and approved. During this meeting, the Supervisory Board also discussed extensively the risk appetite statement of the Company and the design and effectiveness of the internal risk management systems.
- In addition, during each meeting, the three committees of the Supervisory Board provide feedback of their meetings and make recommendations for decisions by the Supervisory Board.

The Supervisory Board Committees

Audit Committee
The Audit Committee convened five times in 2015 (February, April, August, November and December). During the February and December meetings, one member could not attend. All other Audit Committee meetings were attended by all members. The Audit Committee meetings were held the day prior to the Supervisory Board meeting. The Management Board, the Group Internal Audit Manager, the Group Controller and the External Auditor attended the meetings. There were regular private meetings of the Audit Committee with the External Auditor outside the presence of the Management Board.

Besides the standard agenda topics such as reports on Compliance, Risk and Internal Audit activities, the following was discussed in 2015:
- Review of payments to agents;
- Funding of projects;
- The divestment of shares in the FPSO Turritella joint venture companies;
- The project of creating a Master Limited Partnership;
- The Group's tax structure, tax planning and transfer pricing policies.

Also, the Audit Committee paid specific attention to the funding strategy and liquidity forecasts of the Company.

Appointment and Remuneration Committee
The Appointment and Remuneration Committee met four times in 2015 (February, April, August and November). The meetings of the Appointment and Remuneration Committee were held prior to the Supervisory Board meetings. The Appointment and Remuneration Committee consists of two parts as prescribed by the Corporate Governance Code: a part for Selection and Appointment matters and a part for Remuneration matters. During the Supervisory Board meetings, the respective Chairmen reported 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 made recommendations on those matters that require a decision from the Supervisory Board. The meetings were attended by the Management Board and the Group HR Director, except where the Appointment and Remuneration Committee choose to discuss matters in private.

At various times, the members of the Appointment and Remuneration Committee met outside of formal meetings in preparation of the regular meetings. The main subjects discussed by the

Appointment and Remuneration Committee besides the standard topics were the following.

Remuneration matters:

- Determination of the relevant Short Term and Long Term Incentive setting and realization in accordance with the applicable Remuneration Policy;
- Share based incentives for senior management.

Selection and Appointment

- Succession planning of the Supervisory Board and proposal for appointment of Mr. Hepkema, Mrs. Mulliez and Mrs. Richard as members of the Supervisory Board to be submitted for approval by the AGM of 15 April 2015;
- Selection and proposal for appointment of Mr. Barril (COO) and of Mr. Lagendijk (CGCO) as members of the Management Board to be submitted for approval by the AGM of 15 April 2015.
- An overview of succession candidates for critical senior management positions;
- The Company's organization and rightsizing actions proposed by the Management Board.

Technical and Commercial Committee

The Technical and Commercial Committee met four times in 2015 (February, April, August and November). The meetings of the Technical and Commercial Committee were held prior to the meetings of the Supervisory Board. The chairman of the Technical and Commercial Committee reported on the principal issues discussed, on actions arising and the follow-up of such actions and made recommendations on those matters requiring a decision by the Supervisory Board. The meetings were attended by the CEO, the COO, the Managing Director of the Business Unit FPSO and the Managing Director for Operations. Other executives gave presentations on specific topics within the remit of the Technical and Commercial Committee.

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

- Health, Safety, Security and Environment performance;
- Project Delivery;
- Operational performance and strategy;
- Commercial prospects and the international competitive environment;
- Technology.

Performance Evaluation of the Supervisory Board

In March 2015, the Supervisory Board held a private session with an external advisory firm further to an effectiveness review that was performed in 2014. In November 2015, the Supervisory Board assessed its performance over 2015 on the basis of a questionnaire that was completed by all Supervisory Board and Management Board members. An executive evaluation meeting was held in December 2015. The conclusions and actions deriving from this review were noted and implemented.

Supervisory Board Profiles

The last term of office of Mr. H.R. Rothermund expired at the Annual General Meeting of 2015. The Supervisory Board would like to thank Mr. Rothermund for his leadership and excellent contributions – as a member of the Supervisory Board and for 10 years as Chairman of the Supervisory Board. Mr. F.J.G.M. Cremers, previously Vice-Chairman, was designated as Chairman as of that date. Mr. T.M.E. Ehret was designated as Vice-Chairman.

The first term of office of Mrs. K.A. Rethy expired at the AGM of 2015. Mrs. K.A. Rethy decided not to stand for re-election. The Supervisory Board values Mrs. Rethy's contributions in general, but specifically in her capacity of Chairman of the Appointment and Remuneration Committee dealing with Selection and Appointment matters.

Following a selection process conducted by the Appointment & Selection Committee with the assistance of a specialist consultant, Mrs. L. Mulliez and Mrs. C. Richard were proposed to the General Meeting by the Supervisory Board for appointment as members of the Supervisory Board. In addition, Mr. Hepkema, formerly Chief Governance and Compliance Officer, was proposed by the Supervisory Board to be appointed as a member of the Supervisory Board. At the General Meeting of 15 April 2015 all three candidates were appointed members of the Supervisory Board. Their first term of office expires at the General Meeting of 2019.

In his role as Management Board member, Mr. Hepkema managed the resolution of major legacy issues and the Supervisory Board is pleased that his expertise and experience remains available to the Company in his new role of Supervisory Board member.

Composition of the Committees of the Supervisory Board

	Audit Committee	Technical & Commercial Committee	Appointment & Remuneration Committee	
Members			Appointment matters	Remuneration matters
F.J.G.M. Cremers (Chairman)		√	Chairman	√
T.M.E. Ehret (Vice-Chairman)		Chairman		
L.A. Armstrong		√	√	√
F.G.H. Deckers	√		√	Chairman
F.R. Gugen	Chairman			
S. Hepkema	√			
L.B.L.E. Mulliez[1]				
C.D Richard[1]				

1 Supervisory Board members in their first year after appointment are invited to participate in all Committee meetings.

Conclusion

The Financial Statements have been audited by the external auditors, PricewaterhouseCoopers Accountants N.V. Their findings have been discussed with the Audit Committee and the Supervisory Board in the presence of the Management Board. The External Auditors have expressed an unqualified opinion on the Financial Statements.

The Supervisory Directors have signed the 2015 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 2015 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 2015 incorporating the Financial Statements for the year 2015.

Schiphol, 10 February 2016
Supervisory Board

F.J.G.M. Cremers, Chairman
T.M.E. Ehret Vice-Chairman
L.A. Armstrong
F.G.H. Deckers
F.R. Gugen
S. Hepkema
L.B.L.E. Mulliez
C.D. Richard

4.4 Remuneration Report

This report consists of three parts. In the first part (4.4.1), the remuneration policy for the Management Board is described. The second part (4.4.2) sets out the execution of the remuneration policy and the remuneration paid to the Management Board members in 2015. The fee structure for the Supervisory Board members is set out in the third part (4.4.3).

Letter from the Chairman of the Remuneration Committee

Dear Shareholders,

On 17 April 2014, the SBM Offshore Annual General Meeting of Shareholders approved a new Management Board remuneration policy (Remuneration Policy 2015 or RP 2015), which came into effect on 1 January 2015. The remuneration policy is set in the context of the global oil and gas industry in which SBM Offshore operates. This industry is inherently linked to the US market, which is an important consideration when setting a competitive policy to attract top talent.

The Supervisory Board strives to achieve transparent and clear remuneration reporting with the implementation of Remuneration Policy 2015. With this policy, SBM Offshore meets the requirement of standardized remuneration reporting as part of the Shareholders' Rights Directive proposed by the European Commission.

2015 was a challenging year for the oil and gas industry at large. The Management Board was proactive in responding to difficult market conditions and successfully adapted to the downturn of the market. Since 2012, the Management Board's efforts have consistently resulted in positioning the Company to move forward and improve returns for its shareholders.

The 2015 Annual General Meeting of SBM Offshore approved two amendments to the Supervisory Board's fee structure: the revision of intercontinental travel fee and the remuneration of the Chairman.

In 2016, the Remuneration Policy 2015 will continue to apply. We believe current market circumstances will continue in 2016 and the Management Board will continue to focus on safeguarding the Company's financial standing.

At the Annual General Meeting on 6 April 2016, the remuneration policy and the actual remuneration awarded will be discussed, as well as any questions which may arise from this report.

Floris Deckers

Chairman of the Appointment and Remuneration Committee dealing with Remuneration Matters

4.4.1 Management Board Remuneration Policy

The remuneration of the Management Board members and their individual contracts are determined by the Supervisory Board within the framework of a remuneration policy. On 17 April 2014, the Annual General Meeting of the Company approved the current Management Board remuneration policy: Remuneration Policy 2015. The policy became effective on 1 January 2015. The objective of the Remuneration Policy 2015 is to attract, retain and motivate the Management Board to perform as top managers of a major international company, while protecting and promoting the Company's objectives. The Appointment and Remuneration Committee recommends to and advises the Supervisory Board regarding renumeration matters and proposed resolutions within the framework of the policy.

The Remuneration Policy 2015 is based on several principles including competitiveness, flexibility and predictability. Further details on these principles and rationale for Remuneration Policy 2015 are available for review in the 2014 Annual General Meeting section on SBM Offshore's website. The Remuneration Policy 2015 aims at driving the right behavior and consists of four components: (1) Base Salary, (2) Short Term Incentive, (3) Long Term Incentive and (4) Pension. These components are explained below.

1. Base salary

The Base Salary consists of fixed cash compensation and aims to attract top executives while rewarding for effort and delivery of day-to-day responsibilities.

The Management Board's Base Salary is determined by a market reference to a Pay Peer Group. The base salaries of the Management Board shall not exceed the third quartile of the Pay Peer Group. Base salaries of the Management Board members and the Pay Peer Group are reviewed annually.

Reference: Pay Peer Group

The Pay Peer Group consists of a group of companies that reflect the competitive environment for executive talent in which the Company operates. The companies in the Pay Peer Group are comparable to SBM Offshore in size (revenue and market capitalization), industry (global oil and gas services companies) and in terms of complexity, data transparency and geography. The Pay Peer Group may be changed by the Supervisory Board to reflect a change in the business or strategy. Any changes deemed to have a material impact on remuneration levels will be submitted to the Annual General Meeting for approval.

Current Pay Peer Group

Amec PLC	McDermott International
Dresser Rand Group	Noble Corp
Ensco	Oceaneering International
FMC Technologies	Petrofac LTD
Foster Wheeler AG	Petroleum Geo Services
Fugro N.V.	Wood Group PLC

2. Short Term Incentive

The Short Term Incentive (STI) is a variable reward for performance within a specific financial year. The STI program is designed to reward the Management Board for delivering the Company's short-term objectives while providing an incentive for superior performance.

The Short Term Incentive program includes three categories of Performance Indicators as noted below.

- Company performance, which determines 50% to 75% of any potential reward;
- The individual performance of the Management Board member, which determines the remaining 25% to 50%;
- A Corporate Social Responsibiliy and Quality Multiplier consisting of safety and quality performance measures and the Dow Jones Sustainability Index score. This factor can cause a 10% uplift or reduction of the total Short Term Incentive. However, in case 100% of the company and personal indicators have been realized, the multiplier will not provide an additional uplift.

At the conclusion of the reporting year, the Appointment and Remuneration Committee reviews the performance of Management Board members compared to the Short Term Incentive performance indicators and the Sustainability, Safety and Quality Multiplier and makes a recommendation to the Supervisory Board to determine the Short Term Incentive pay-out level.

The Short Term Incentive is payable in cash after the publication of the annual financial results for the performance year.

Short Term Incentive Performance Indicators

At the beginning of each year, the Supervisory Board, at the recommendation of the Appointment and Remuneration Committee, sets the performance indicators and their respective weighting. The chosen Short Term Incentive performance indicators are based on the Company's Operating Plan. The performance indicators are selected to be demanding considering market and investor expectations as well as the economic environment.

The details around selected Short Term Incentive Company performance indicators and their weightings are deemed commercially sensitive. A description of these performance indicators is published in the Remuneration Report at the end of each performance year. Actual performance compared to annual Short Term Incentive performance indicators is commercially sensitive information and is therefore not published.

Performance compared to the Short Term Incentive performance indicators leads to the following pay-out possibilities:

Short Term Incentive Opportunity (as a percentage of base pay)

Management Board	Threshold	Target	Maximum
CEO	40%	100%	200%
Other Members of the Management Board	40%	100%	150%

In case of performance between Threshold and Target, or between Target and Maximum, the pay-out is determined on a linear basis. If performance falls below threshold, the payout under the STI program is zero.

3. Long Term Incentive

The Long Term Incentive program is variable remuneration rewarded in Company shares, with a five year retention scheme. The program is designed to align the interests of long-term investors and Management Board members while also providing a retention incentive for such Management Board members.

Each year, on a conditional basis, shares of Company stock are granted to Management Board members. A share pool of 1% of the Company's share capital (as of year-end prior to the performance period) is available for share based awards for all staff including the Management Board. The Supervisory Board, upon recommendation of the Appointment and Remuneration Committee, determines the proportion of the share pool that shall be available to the Management Board. The current proportion is 20%.

The granted shares vest based on 3-year performance indicators established in advance of the performance period by the Supervisory Board, which include one or more of the following indicators:

- Directional Earnings Per Share;
- The Solvency ratio; and
- Relative Total Shareholder Return[11].

The Supervisory Board sets performance indicators taking into account the Group's Strategy Plan, the economic environment and market and investor expectations. The Long Term Incentive opportunity is expressed as a percentage of Target, as shown below. Between these levels, vesting is determined on a linear basis.

Long Term Incentive Opportunity

Management Board	Threshold	Target	Maximum
CEO	0.4	1.0	2.0
Other Members of the Management Board	0.4	1.0	1.5

Each year, on publication of the annual results, the Appointment and Remuneration Committee looks back over the (3-year) Long Term Incentive Performance Period that has just ended and assesses performance against the performance indicators and makes a recommendation to the Supervisory Board to determine the number of shares that will vest. The Long Term Incentive shares

[11] Relative Total Shareholder Return is established by comparing the Company's Total Shareholder Return to a peer group or index which is currently defined as the OSX Oil Services Philadelphia index.

vest immediately following the Annual General Meeting at which the annual results are approved.

The vested Long Term Incentive Shares are restricted for an additional two years following the vesting date with the exception of those shares that are sold to satisfy taxes levied on the value of the vested Long Term Incentive shares.

Long Term Incentive in the Remuneration Policy 2011aa

With the adoption of Remuneration Policy 2015 at the Annual General Meeting in 2014, the previous Remuneration Policy, called Remuneration Policy 2011aa, was replaced. However, the stipulations of the previous policy regarding the Long Term Incentive policy for the years 2012, 2013 and 2014 remain in place as long as relevant for the outstanding vesting periods. The Remuneration Policy 2011aa was designed to align the interests of the Management Board members with achieving the challenging turnaround of the Company over the years 2012, 2013 and 2014.

The Supervisory Board determined in line with the Remuneration Policy 2011aa, that the vesting of the remaining Long Term Incentive awards would be determined also by Special Incentive performance indicators set for the Management Board and focused on dealing with the legacy projects and the enhancement of the compliance program to achieve a turnaround of the Company. For a detailed description of Remuneration Policy 2011aa, reference is made to the Company's website and to the 2012 Annual Report, pages 34-36.

4. Pension

The Management Board members have pension schemes with a defined contribution plan providing competitive post-retirement benefits.

To determine the appropriate level of pension contribution by the Company, a market reference is used: the pension shall not exceed the third quartile of the Pay Peer Group. The retirement benefits are set in the context of the base salary for each member of the Management Board. Further to the relocation of the headquarters to the Netherlands and the consequential changes to the tax and legal environment, the Company pension contribution was amended from 20% to 25% of base salary. The principle of the pension plan for Management Board members is similar to that of employees of the headquarters in the Netherlands.

Other key elements of the Management Board remuneration and employment agreements

Adjustment of remuneration and clawback

The services contracts of the Management Board members contain an adjustment clause giving discretionary authority to the Supervisory Board to adjust upwards or downwards the payment of any variable remuneration component that has been conditionally awarded, if a lack of adjustment would produce an unfair or unintended result as a consequence of extraordinary circumstances during the period in which the performance criteria have been or should have been achieved. In addition, a clawback provision is included in the services contracts enabling the Company to recover variable remuneration components on account of incorrect financial data. The provisions of the Dutch regulations on the revision and clawback of bonuses and its provisions related to change of control arrangements will apply. Under the clawback provisions, Short Term Incentive and Long Term Incentive awards can be clawed back at the discretion of the Supervisory Board, upon recommendation of the Appointment and Remuneration Committee in the event of a misstatement of the results of the Company or an error in determining the extent to which performance indicators were met.

Severance Arrangements

The Supervisory Board, upon recommendation of the Appointment and Remuneration Committee will determine the appropriate severance payment provided it will not exceed a sum equivalent to one times annual base salary, or if this is manifestly unreasonable in the case of dismissal during the first appointment term, two times the annual base salary.

The treatment of entitlements to Long Term Incentives when Management Board members leave SBM Offshore shall be determined at the discretion of the Supervisory Board. In principle, in the case of early retirement, end of contract, disability or death, any unvested Long Term Incentive Shares vest pro-rata, with discretion for the Supervisory Board, to increase or decrease the final number of Long Term Incentive Shares vesting up to the maximum opportunity. In the case of resignation or dismissal, any unvested Long Term Incentive Shares will be forfeited unless the Supervisory Board determines otherwise.

Share Ownership Requirement

Each Management Board member must build-up a certain percentage of base salary in shares in SBM Offshore. For the CEO this is 300% of base salary and for the other Management Board members, this is 200%. The Management Board must retain vested shares to attain the shareholding level. Unvested shares do not count towards the requirement.

Loans

SBM Offshore does not provide loans or advances to Management Board members and does not issue guarantees to the benefit of Management Board members.

Expenses and Allowances

The Management Board members are entitled to a defined set of emoluments and benefits. These depend on the personal situation of the relevant Management Board members and may include medical insurance, housing allowance and a company car.

4.4.2 Implementation of the Management Board Remuneration Policy 2015

Remuneration for the Management Board in 2015 has been determined by applying the Remuneration Policy 2015. The Long Term Incentive awards made for the period 2013-2015 were awarded in accordance with the previous Remuneration Policy 2011aa (which addressed the challenges of the turnaround period of the Company). The implementation of the remuneration elements over 2015 is set out below, referring to the four components of the policy (Base Salary, Short Term Incentive, Long Term Incentive and Pension).

Currency and consolidated financial accounts

Remuneration and benefits are paid out to the Management Board members in euros. For that reason, the below explanation of the implementation of the Management Board Policy 2015 is also set out in euros. Further information regarding the Management Board members' remuneration can be found in note 6.3.6 to the consolidated annual financial statements. In line with SBM Offshore's overall financial reporting, the remuneration elements described there are set out in US$.

1. Base Salary

On 15 April 2015, Mr. P. Barril was appointed as Management Board member and Chief Operating Officer and Mr. E. Lagendijk was appointed as Management Board member and Chief Governance and Compliance Officer. The Remuneration Policy 2015 is applicable to the services contracts of both new Management Board members. The annual base salary of Mr. P. Barril in 2015 amounts to EUR 550,800 and for Mr. E. Lagendijk this is EUR 409,500. These details are also described in the agenda of the General Meeting of 15 April 2015.

After review of the Management Board remuneration in 2015, the Supervisory Board resolved to grant Mr. P. van Rossum a base salary of EUR 550.800, effective as of 1 July 2015.

No other increases have been made to Management Board members' base salaries in 2015.

2. Short Term Incentive

Throughout 2015 and after the year end, the Supervisory Board assessed the performance of the Management Board in accordance with the performance indicators set. The personal performance indicators for the Management Board members as set for 2015 related amongst others to IT strategy and controls, the implementation of the Odyssey 24 transformation program, the improvement of joint venture management, preparation of the Master Limited Partnership, Fleet Operation and commercializing SBM Offshore's technology. The Company performance indicator for 2015 related to the net debt level of SBM Offshore. The weighting between the personal performance indicators and the Company performance indicator was set at 50-50. A scenario analysis of the potential outcomes in relation to new awards was made.

The Supervisory Board took into account the external factors that determined the conditions under which the Company performed. These external factors relate to the downturn in the market, the drop in oil price, and also to the political and economic challenges in Brazil and Angola, being SBM Offshore's main markets. Taking these elements into account, the Supervisory Board concluded that the Management Board members have given a very proactive and adequate response to these challenging market circumstances. In addition, the Management Board has achieved good progress on two remaining legacy projects: the compliance matters in Brazil and the follow-up of Project YME. With regard to the internal organization, the Supervisory Board has noted that the Management Board achieved critical steps in professionalizing the processes of the Company. This is visible from the implemented strategic planning process, the improvements in joint venture management and the implementation of a corporate values campaign. Finally, the Company's headoffices were successfully moved to the Netherlands. In summary, the Management Board performed well under the individual indicators set. The financial performance of the Company in 2015 in terms of Net Debt and underlying Earnings Per Share was robust.

The Supervisory Board concluded that the Management Board members performed well above target for their individual performance indicators. The Company's performance indicator against the net debt indicator was in between Target and Maximum. The personal and the company performance together resulted in performance of 171% of salary for the CEO and between 128-132% for the other Management Board members. As for the safety/quality/sustainability multiplier, the Supervisory Board assessed that the performance indicators were met at maximum, resulting in an additional 10% uplift in the Short Term Incentive pay-out. The total performance under the STI resulted in 188% for the CEO and 140-145% for the other Management Board members.

3. Long Term Incentive

In accordance with the Remuneration Policies 2011aa and 2015, the Long Term Incentive grants consist of the following awards as far as relevant for 2015.

The performance period of the Long Term Incentive 2013-2015 came to an end on 31 December 2015 and the awards will vest in April 2016. The 2013 Long Term Incentive awards were made to Mr. B. Chabas, Mr. S. Hepkema and Mr. P. van Rossum who faced the challenging task of achieving a turnaround of the Company. The Supervisory Board determined under the shareholder approved Remuneration Policy 2011aa that vesting of 50% of the 2013 Long Term Incentive award would be determined by an Earnings Per Share performance indicator.

The Earnings Per Share for the Company at the start of the performance period was US$ -0.44 and as at 31 December 2015 was US$ 0.88 (based on directional reporting). This performance resulted in that part of the award vesting at maximum. The excellent Earnings Per Share performance contributed to a strong Total Shareholder Return. SBM Offshore outperformed all of the companies in its Total Shareholder Return Peer Group, resulting in maximum vesting in this part of the Long Term Incentive award. The Supervisory Board acknowledges the performance of the Management Board under the Special Incentive performance indicators. It was however not necessary to take these into account because of the strong financial performance.

The 2015 Long Term Incentive performance measure has been set for 50% on the relative Total Shareholder Return and for 50% on the Directional Earnings Per Share. For the year 2015, the following conditional share awards were made to the Members of the Management Board for the performance period 2015-2017:

Long Term Incentive Performance shares

LTI Shares conditionally awarded in 2015	Threshold – Minimum Vesting Opportunity (Number of Performance Shares)	Target Number of Performance Shares	Maximum Vesting Opportunity (Number of Performance Shares)[1]
B.Y.R Chabas	33,551	83,878	167,756
S. Hepkema	0	0	0
P. van Rossum	22,367	55,919	83,878
P. Barril	22,367	55,919	83,878
E. Lagendijk	22,367	55,919	83,878

1 The number of LTI shares that vest for the performance period 2015-2016-2017 will be determined in 2018, upon finalization of the financial accounts for the year 2017. Following vesting, a holding period of two years applies to the performance shares.

4. Pensions

In 2015, the Supervisory Board took the relocation of SBM Offshore's headquarters to the Netherlands as an opportunity within the terms of the Remuneration Policy 2015 to create one uniform pension contribution level for each of the Management Board members. It was resolved that all Management Board members will receive 25% of their base salary for pension purposes. Since these payments are not made to a qualifying pension fund, but to the individuals, the Management Board members are individually responsible for investment of the contribution received and SBM Offshore withholds wage tax on these amounts.

Other elements of 2015 Management Board Remuneration

Relocation of headquarters to the Netherlands

In 2015, the headquarters of SBM Offshore moved from Monaco to Amsterdam. A relocation policy was put in place for all Monaco based employees transferring to the Netherlands, and also applied to the Management Board members. This relates to the transition to the Netherlands and explains the amounts under 'other costs' in the next table 'Remuneration of the Management Board by Member' of this report.

Scenario Analysis

As required by the Dutch Corporate Governance Code the Supervisory Board has analysed possible outcomes of the variable income components and the effect on the Management Board remuneration during the performance year.

Retirement Mr. S. Hepkema

During the Annual General Meeting on 15 April 2015, Mr. S. Hepkema resigned as member of the Management Board and Chief Governance and Compliance Officer and was appointed member of the Supervisory Board. Mr. S Hepkema has refrained from participating in all discussions and/or decision making regarding Management Board remuneration in 2015.
The above-mentioned implementation per component results in the following overall compensation per Management Board member.

Remuneration of the Management Board by Member

in thousands of EUR	Base salary	STI[1]	Other[2]	Pensions[3]	Share-based compensation[4]	Total remuneration	Total remuneration in thousands of US$
Bruno Chabas							
2015	800	1,500	410	223	1,614	4,547	5,045
2014	800	1,600	142	229	2,097	4,868	6,468
Peter van Rossum							
2015	522[5]	800	235	130	671	2,357	2,616
2014	492	739	193	123	1,088	2,636	3,501
Sietze Hepkema							
2015 (till 15/4)	172	238	8	34	908	1,360	1,509
2014	590	885	117	118	1,335	3,046	4,047
Philippe Barril							
2015 (from 1/3)	459	665	358[6]	115	323	1,920	2,130
2014	-	-	-	-	-	-	-
Erik Lagendijk							
2015	410	575	15	102	180	1,282	1,422
2014	-	-	-	-	-	-	-
Total 2015	2,362	3,778	1,025	605	3,696	11,466	12,722
Total 2014	1,883	3,224	453	470	4,521	10,550	14,015

1 this represents the actual STI approved by the Supervisory Board which has been accrued over the calendar year, payment of which will be made in the following year.
2 consisting of social charges, lease car expenses, and other allowances, a.o. in connection with the headquarter move, such as housing allowances, settling-in allowances.
3 representing company contributions to Board member pensions; in the absence of a qualifying pension scheme such contribution is paid gross, with deduction of income tax at source borne by the individuals.
4 this amount represents the period allocation to the calendar year of vesting costs of all unvested share-based incentives (notably 'LTI' – Long Term Incentive –, matching 'STI' – Short Term Incentive – shares and share part of sign-on bonus COO), in accordance with IFRS2 rules.
5 salary increase from 1 July 2015.
6 including cash part of the sign-on bonus (as per Agenda item 11 to AGM of 15 April 2015).

The following table represents the movements during 2015 of all unvested shares (the total number of vested shares held by the Management Board) are reported in note 6.3.23 to the consolidated financial statements. Unvested LTI shares in the columns Outstanding at the beginning and/or end of the year, are reported at the target LTI numbers, with the actual vesting hereof in the year shown for the actual number as per the outcome of the performance criteria as per the Remuneration Policy.

As at 31 December 2015 the following share-based incentives are outstanding:

	Outstanding at the beginning of 2015	Granted	Vested[1]	Outstanding at the end of 2015	Status at the end of 2015	Vesting date	End of blocking period	Fair value of share at the grant date – €	Fair value of the TSR component – €
Bruno Chabas – CEO									
2011 STI Matching Shares	1,520	-	1,520	-	vested			15.70	
2012 STI Matching Shares	14,831	-	-	14,831	conditional	2016		10.58	
2013 STI Matching Shares	25,171	-	-	25,171	conditional	2017		11.87	
2014 STI Matching Shares	-	32,777	-	32,777	conditional	2018		9.76	
2012 LTI	53,571	-	107,142	-	vested	2015	2017	16.13	14.35
2013 LTI	88,913	-	-	88,913	conditional	2016	2018	10.35	11.36
2014 LTI	84,218	-	-	84,218	conditional	2017	2019	11.79	11.12
2015 LTI	-	83,878	-	83,878	conditional	2018	2020	11.51	14.78
	268,224	116,655	108,662	329,788					
Sietze Hepkema – CGCO									
2012 STI Matching Shares	6,976	-	6,976	-	vested	2015		10.58	
2013 STI Matching Shares	14,251	-	14,251	-	vested	2015		11.87	
2012 LTI	41,748	-	62,622	-	vested	2015	2017	16.13	12.83
2013 LTI	71,025	-	-	71,025	conditional	2016	2018	10.35	9.78
2014 LTI	62,111	-	-	62,111	conditional	2017	2019	11.79	9.56
	196,110	-	83,849	133,135					
Peter van Rossum – CFO									
2012 STI Matching Shares	4,006	-	-	4,006	conditional	2016		10.58	
2013 STI Matching Shares	11,896	-	-	11,896	conditional	2017		11.87	
2014 STI Matching Shares	-	15,134	-	15,134	conditional	2018		9.76	
2012 LTI	32,454	-	48,681	-	vested	2015	2017	16.13	12.83
2013 LTI	59,287	-	-	59,287	conditional	2016	2018	10.35	9.78
2014 LTI	51,847	-	-	51,847	conditional	2017	2019	11.79	9.56
2015 LTI	-	55,919	-	55,919	conditional	2018	2020	11.51	11.31
	159,490	71,053	48,681	198,089					
Erik Lagendijk – CGCO									
2015 LTI	-	55,919	-	55,919	conditional	2018	2020	11.51	11.31
	-	55,919	-	55,919					
Philippe Barril – COO									
Restricted shares (sign-on bonus)[2]	-	50,000	-	50,000	conditional	2018	2020	10.50	
2015 LTI	-	55,919	-	55,919	conditional	2018	2020	11.51	11.31
	-	105,919	-	105,919					

1 in accordance with the recommendation from the Supervisory Board Mr. Hepkema's matching shares have vested at the end of his term in office (as reported in 2014 Remuneration Report)

2 these shares were awarded to Mr. Barril as compensation for the loss of share-based payments at his former employer, and have been reported to the AGM in April 2015 in Agenda item 11

The following shares (or other financial instruments) are held in SBM Offshore N.V. by (former) members of the Management Board.

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2015	Total shares at 31 December 2014
Bruno Chabas	107,142	81,281	188,423	46,984
Peter van Rossum	48,681	31,036	79,717	15,902
Philippe Barril	-	-	-	NA
Erik Lagendijk	-	-	-	NA
Sietze Hepkema[1]	NA	NA	NA	21,227
Total	155,823	112,317	268,140	84,113

1 Mr. Sietze Hepkema is no longer a member of the Management Board since 15 April 2015.

4.4.3 Remuneration of the Supervisory Board

The main elements of the current remuneration of the Supervisory Board were set at the Extraordinary General Meeting of 6 July 2010. During 2014 a review of the Supervisory Board fee levels took place. As a result, the Annual General Meeting of SBM Offshore approved two changes to the remuneration of the Supervisory Board members during the meeting of 15 April 2015.

The fee of the Chairman of the Supervisory Board was increased from EUR 90,000 to EUR 120,000 to commensurate the skills, experience and time commitment of the Chairman. Additionally, SBM Offshore seeks to attract Supervisory Board members from outside Europe. To compensate for the increased time commitment due to intercontinental travel the Annual General Meeting approved a sum of EUR 5,000 for each Supervisory Board member each time they undertake an intercontinental travel to fulfill their board duties. These adjustments to the Supervisory Board remuneration are effective as of 1 January 2015.

The fee level and structure for the Supervisory Board is summarized as follows:

in EUR	Fee
Chairman Supervisory Board	120,000
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
Lump sum fee for each intercontinental travel	5,000

None of the members of the Supervisory Board receive remuneration that is dependent on the financial performance of the Company.

Except for Mr. S Hepkema, who was a Management Board member until the Annual General Meeting in April 2015, none of the current members of the Supervisory Board has reported holding shares (or other financial instruments) in SBM Offshore N.V.

SBM Offshore does not provide loans or advances to Supervisory Board members and there are no loans or advances outstanding. SBM Offshore does not issue guarantees to the benefit of Supervisory Board members. There have been no such guarantees issued.

The total remuneration of the members of the Supervisory Board in 2015 amounted to EUR 741 (2014: EUR 585) thousand on a gross (i.e. before tax) basis as set out below. In note 6.3.6 to the consolidated financial statements the remuneration of individual Board members is set out in US$.

Remuneration of the Supervisory Board

in thousands of EUR		Basic Remuneration[1]	Committees	Total
F.J.G.M. Cremers	Chairman (from 15 April 2015)	108	15	123
T. Ehret	Vice-Chairman (from 15 April 2015)	79	10	89
L. Armstrong		75	14	89
F. Deckers		75	17	92
F. Gugen		75	12	87
S. Hepkema	(from 15 April 2015)	53	6	59
L.B.L.E. Mulliez	(from 15 April 2015)	53	-	53
K. Rethy	(until 15 April 2015)	32	3	35
C.D. Richard	(from 15 April 2015)	78	-	78
H.C. Rothermund	Chairman (until 15 April 2015)	35	2	37
		663	78	741

1 including intercontinental travel allowance

4.5 Corporate Governance

In this chapter the main elements of SBM Offshore's governance are described. Next to the governance structure and the role of the corporate bodies, this chapter sets out the role of the Auditor and of the Stichting Continuïteit.

4.5.1 Corporate Governance Structure

SBM Offshore N.V. is a limited liability company ('Naamloze Vennootschap') incorporated under the laws of the Netherlands with its statutory seat in Rotterdam. The Company is listed on the Amsterdam Euronext exchange. The Company has a two tier board consisting of a Supervisory Board and a Management Board. Each Board has its specific roles and tasks regulated by laws, the articles of association, the Corporate Governance Code and the Supervisory and Management Board charter. 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. The details on compliance with the Dutch Corporate Governance Code can be found on SBM Offshore's corporate website as an appendix to the Supervisory Board rules.

4.5.2 Management Board

The Company is managed by the Management Board, under the supervision of the Supervisory Board. The Management Board currently consists of four members. The members of the Management Board are appointed and can be suspended or dismissed by the General Meeting. Further information about the appointment and dismissal of Management Board members can be found in SBM Offshore's articles of association.

The Management Board is collectively responsible for setting and implementing the mission, vision and strategy of the Company. The Management Board acts in accordance with the interests of the company. The Management Board is responsible for the Company's objectives and strategy, the risk profile laid down in the strategy, the Company's financing, corporate responsibility and for compliance with relevant legislation. Each year, the Management Board presents to the Supervisory Board the strategy of the Company, the Operational Plan and the financial objectives that allow quantification and progress measurement of the strategy implementation. The Company's Strategy Plan 2016 – 2018 has been discussed with and was approved by the Supervisory Board in December 2015. The Operating Plan 2016 was formally adopted during the meeting of the Supervisory Board in February 2016.

More information about the ways of working of the Management Board can be found in the Management Board rules, as available on the Company's website.

4.5.3 Supervisory Board and Committees

The Supervisory Board supervises the management of the Company and its businesses, the effectiveness and the integrity of the internal control and risk management systems and procedures implemented by the Management Board as well as the general conduct of affairs of the Company and its businesses. The Supervisory Board assists the Management Board with advice in accordance with the Dutch Corporate Governance Code, the articles of association and the Supervisory Board rules. In the performance of its duties, the Supervisory Board is guided by the interests of the various groups of stakeholders of the Company. In addition, certain (material) decisions of the Management Board, as stipulated in the Dutch Civil Code or articles of association or the Rules of the Supervisory Board, require prior approval of the Supervisory Board.

The Supervisory Board currently consists of eight members. Members of the Supervisory Board are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. Further information about the appointment and dismissal of Supervisory Board members can be found in SBM Offshore's articles of association.

Except for Mr. Hepkema, who was a Management Board member of SBM Offshore until his appointment as Supervisory Board member in April 2015, 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.

The Supervisory Board has three subcommittees: the Audit Committee, the Appointment and Remuneration Committee and the Technical and Commercial Committee. More information about the ways of working of the Supervisory Board and its committees can be found in the Supervisory Board and Committee rules, as available on the Company's website. The Supervisory Board has drawn up a retirement schedule for its members, which is also available on the Company's website.

4.5.4 Shareholders and the Annual General Meeting

The authorized share capital of the Company amounts EUR 200 Million and is divided into 400,000,000 ordinary shares with a nominal value of EUR 0.25 and 400,000,000 protective preference shares also 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 Continuiteit SBM Offshore.

With reference to the articles of association, all Shareholders are entitled to attend the General Meeting, to address the General Meeting and to vote. At the General Meeting 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 law or the articles of association of the Company all resolutions shall be adopted by an absolute majority of votes. The General Meeting 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.

On 31 December 2015 the following investors holding ordinary shares had notified an interest of 3% or more of the Company's issued share capital to the Autoriteit Financiële Markten (AFM) (whereas only notifications after 1 July 2013 are included):

Date	Investor	% of share capital
18 November 2014	HAL Trust	15.01%
25 August 2015	BlackRock Inc	10.79%
18 September 2014	Invesco Ltd.	5.93%
17 August 2015	JO Hambro Capital Management Limited	5.04%
13 November 2014	Templeton Funds	3.30%
9 November 2015	Dimensional Fund Advisors LP	3.18%
10 July 2014	Management Ltd	3.07%

As per 31 December 2015, 211,694,950 (2014: 209,695,094) ordinary shares are issued. No preference shares have been issued.

Every year the General Meeting is held within six months after the start of a new calendar year. The agenda for this meeting generally includes the following standard items:

- the report of the Management Board concerning the Company's affairs and the management as conducted during the previous financial year,
- the report of the Supervisory Board and its committees,
- the adoption of the Company's Financial Statements, the allocation of profits and the approval of the dividend,
- the discharge of the Management Board and of the Supervisory Board,
- Corporate Governance,
- the delegation of authority to issue shares and to restrict or exclude pre-emptive rights,
- the delegation of authority to purchase own shares and
- the composition of the Supervisory Board and of the Management Board.

In addition, certain specific topics may be added to the agenda by the Supervisory Board.

An Extraordinary General Meeting can be held whenever the Management Board and/or the Supervisory Board shall deem this necessary. The General Meeting can be held in Schiedam, Rotterdam, The Hague, Amsterdam or Haarlemmermeer (Schiphol).

The proposals can be made by persons who are entitled to attend General Meetings, solely or jointly representing shares amounting to at least 1% of the issued share capital. 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 proxy voting system used at the General Meetings of SBM Offshore is provided through ABN Amro and by SGG Financial Services B.V. as independent third party. The articles of association do not provide for any limitation of the transferability of the ordinary shares and the voting rights of shareholders is not subject to any limitation.

At the General Meeting of 15 April 2015, 109,853,798 ordinary shares participated in the voting, equal to 52.38% (2014: 49.31%) of the then total outstanding share capital of 209,695,094 ordinary shares. All the proposed resolutions were approved with a majority of the votes. An Extraordinary General Meeting was held on 4 November 2015, where the reappointment of Mr. Chabas as Management Board Member for a second term of four years was on the agenda. At this meeting, 123,825,267 ordinary shares participated in the voting, equal to 58.60% of the then outstanding capital of 211,610,633 ordinary shares. The proposed resolution was adopted. The outcome of the voting of both meetings was posted on the Company's website on the day following the respective General Meetings.

4.5.5 Issue and repurchase of shares

The General Meeting or the Management Board if authorized by the General Meeting and with the approval of the Supervisory Board may resolve to issue shares.

The General Meeting 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. At the General Meeting of 15 April 2015, 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 Management Board for a period of eighteen months as from 15 April 2015 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.

The Management Board may, with the authorization of the General Meeting 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 General Meeting of 2015, the shareholders have delegated the authority to the Management Board for a period of eighteen months as from 15 April 2015 and subject to approval of the Supervisory Board, to acquire up to 10% of the total outstanding shares at that time.

4.5.6 Auditors

The external auditor of SBM Offshore is appointed by the Annual General Meeting on proposal of the Supervisory Board. During the Annual General meeting of 2014, PricewaterhouseCoopers Accountants N.V. was appointed auditor. The current appointment is reviewed every four years by the Audit Committee. The Audit Committee advises the Supervisory Board, which communicates the results of this assessment to the Annual General Meeting. The Audit Committee and the Management Board report their dealings with the external auditor to the Supervisory Board annually and discuss the auditor's independence.

The lead auditor is Mr. W.H. Jansen of PricewaterhouseCoopers Accountants N.V. He is present at the Annual General Meeting and may be questioned with regard to his statement on the fairness of the financial statements. The external auditor attends all meetings of the Audit Committee, as well as the meeting of the Supervisory Board at which the financial statements are approved. He receives the financial information and underlying reports of the quarterly figures and is given the opportunity to comment and respond to this information.

Based on auditor independence requirements, the lead auditor in charge of the SBM Offshore account is changed every five years. Pursuant to the Dutch Audit Profession Act (Wet op het accountantsberoep), the audit firm of a so-called public interest entity (such as a listed company) will have to be replaced if the audit firm performed the statutory audits of the company for a period of ten consecutive years, at the latest in 2024.

Pursuant to the Audit Profession Act, the auditors are prohibited from providing the company with services in the Netherlands other than 'audit services aimed to provide reliability concerning the information supplied by the audited client for the benefit of external users of this information and also for the benefit of the Supervisory Board, as referred to in the reports mentioned.' The company has taken the position that no additional services may be provided by the external auditor and its global network that do not meet these requirements, unless local statutory requirements so dictate.

4.5.7 Stichting Continuïteit SBM Offshore N.V.

A Foundation 'Stichting Continuiteit SBM Offshore' (the Foundation), has been established on 15 March 1988 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, former notary and presently a lawyer, Mr. A.W. Veenman, vice-chairman, former CEO of the Nederlandse Spoorwegen, Mr. C.J.M. van Rijn, former CFO of Nutreco N.V., Mr. R.H. Berkvens, CEO of Damen Shipyard and Mr. B. Vree, who was appointed in 2015. Mr. B. Vree is CEO of APM Terminals. Mr. H.A. van Karnebeek stepped down from the Board at the end of his twelve year term in 2015.

The Management Board, with the approval of the Supervisory Board, 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 as it deems useful or desirable. The option was granted on 30 March 1989. In accordance with the articles of association of the Company, the shareholders were advised of the reasons for granting this option in the Extraordinary General Meeting of 28 April 1989.

In the same option agreement the Foundation granted a put option to the Company and the Company 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 alignment of the nominal value of the protective preference shares with the nominal value of ordinary shares by reducing the nominal value of 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.

4.5.8 Other regulatory matters

Conflicts of Interest

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 the services agreement between the Company and each of the members of the Management Board a change of control clause is included.

The Management Board Rules and the Code of Conduct of the Company regulate conflict of interest matters. The Supervisory Board Rules also contain regulation based on the Dutch Corporate Governance Code that deals with reporting of conflict of interest of the Chairman and members of the Supervisory Board. A specific procedure to deal with potential conflicts of interests was put in place by the Supervisory Board after allegations were made regarding Mr. Chabas and Mr. Hepkema by the Brazilian Prosecutor in December 2015. In 2015, no other conflicts of interest were reported by Management Board or Supervisory Board members.

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.

With reference to the Remuneration Committee, no loans or guarantees have been provided to members of the Management Board. No other conflicts of Interest in relation to the members of the Management Board or the Supervisory Board were reported during the year 2015.

Regulations concerning Ownership of and Transactions in Shares

In addition to the Company's Insider Trading Rules, 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 stipulates that Supervisory Board and Management Board members will not trade in shares issued by entities other than the Company on the basis of share price sensitive information obtained in the course of managing 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 6.3.23 to the consolidated financial statements.

Mandates with Third Parties

Reference is made to the overview of the Management Board and Supervisory Board members in section 4.1 and 4.2 of this report in which their material mandates outside SBM Offshore are listed. The Company is fully compliant with Best Practice II.1.8 of the Dutch Corporate Governance Code and section 2 of the Dutch Civil Code regarding mandates at other listed and large Dutch Companies. Members of the Management Board are also appointed to the statutory board of the Company's operational entities.

Code of Conduct and Reporting of Alleged Irregularities

The Company has a Code of Conduct, which was updated in March 2012 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 jeopardizing their employment position. Free phone or web-based reporting facility (the SBM Offshore Integrity Line) is in place, which employees can use – anonymously if they wish – in their own language. The facility is operated by an external provider, People Intouch.

The Company has several ethics and 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 Offshore 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 enable the Supervisory Board to best carry out the full range of its responsibilities. For SBM Offshore, the topic of diversity is of great importance, especially to have a workforce that reflects the international markets in which the Company is active. For that reason, the diversity policy of SBM Offshore is broader than gender diversity. Currently, the Supervisory Board consists of five male and three female members and covers four different nationalities. The Management Board has two French and two Dutch members (all male). In succession planning, (gender) diversity is always considered. Ultimately the most qualified candidates will be nominated for appointment. In its Risk Appetite, the Company has established the need for nationality diversity in its workforce and its senior leadership population specifically. The HR systems support the realization of this ambition.

Executive Committee
Since end of 2012, an Executive Committee (Excom) is in place currently comprising of the Management Board members, the Managing Directors of the Company's Regional Centers, the Managing Director for the Business Unit FPSO and the Managing Director of Operations. The Excom meets each quarter. 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.

Miscellaneous
SBM Offshore N.V. has a revolving credit facility 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.

Further information
The Investor Relations and the Corporate Governance sections of the Company website (www.sbmoffshore.com) provide extensive information including the Articles of association, the Company Code of Conduct, the Supervisory Board and Committee rules and the Management Board rules. The Rules for reporting of alleged irregularities are also published on the website. Finally, regulations concerning inside information and the holding of and effecting transactions in shares and other financial instruments as well as documents relating the previous General Meetings of the Company can be found on the website of SBM Offshore.

4.6 Risk Management

4.6.1 Company Appetite for Risks

Risk management ensures that the Company maintains a good risk/reward balance in its pursuit of potential opportunities and that consistent and controlled measures are in place. The Company is prepared to accept a calculated amount of risk if there is a high probability that these prospects will contribute to the achievement of the Company's strategic, operational and financial goals, while remaining firm regarding the amount of risk that the Company is willing to accept within its contractual obligations to clients.

4.6.2 Design and Effectiveness of the Internal Risk Management and Control System

Based on strategic objectives, risks are identified – within a defined appetite – while key financial controls are defined and implemented. An integrated approach ensures that the Company's strategic, operational and financial objectives are set within this framework. It is fundamental to ensuring that SBM Offshore's strategy is successfully executed in a controlled and compliant manner and it minimizes the risk of isolated decision making.

The fundamental objective of SBM Offshore's Risk Management Systems is to manage rather than eliminate risks and to provide a reasonable assurance that the Company's financial and non-financial reporting does not contain any errors of material importance. Although maximum safeguards are in place and independently audited, the systems at SBM Offshore can only provide reasonable but not complete assurance against the risks that could contribute to the Company's failure to meet its business objectives.

Key Achievements

- A well defined Risk Appetite Statement, developed with the Management Board and endorsed by the Supervisory Board, communicated to all the relevant stakeholders.
- Consolidation of the Company's Risk Management framework in line with ISO31000 standards with a focus on Strategic, Tactical and Operational risk management and the implementation of a more stringent Internal Control framework
- Detailed risk review and analysis of all tenders, projects and FPSO fleet operations which are part of the Company's portfolio
- Enhancement of strategic risk management processes with particular attention to the Company's project and product portfolio risks
- Quarterly Risk reports are discussed with management, providing a consolidated view and improving transparency of the processes
- Quantitative risk analysis is performed consistently for the Company's tenders and projects with the objective to assess contingencies

Major Improvements Planned

In 2016 the focus will be on enhanced integrated approach between 2nd line of defence functions.

4.6.3 Significant Risks facing the Business

The combination of the nature of the oil and gas industry and the Company's strategy exposes SBM Offshore to a number of business risks. The table below summarizes the significant risks identified and the Company's response to it.

RISK	DEFINITION	RESPONSE MEASURES
Strategic Risks		
Crude oil and natural gas price fluctuation	Global downturn could have a material effect on SBM Offshore's new order intake. In a low oil and gas price environment, new project sanctions may be delayed in the short to medium-term or indefinitely.	Lease and operate contracts are independent of price fluctations and represent a stable source of income and cash generation, which is seeing the Company through this cyclical downturn. Generating revenues growing to more than US$ 1.1 billion by year-end 2015, the operations segment of SBM Offshore's business is responsible for over 50% of the operating profit of the Company under normal conditions. The main element that can influence the income stream is the reliability of offshore operations, a factor within the control of the Company. Cost reduction and optimization is a priority and will ensure that SBM Offshore is competitive when bidding for the few industry projects going ahead. The Odyssey 24 improvement program completed in 2015 will continue to reduce Company costs and increase efficiency. In 2015 SBM Offshore downsized its project capacity to match the current market situation. Pricing discipline will be a key factor in these difficult market conditions.
Strategic Risks		
Real or perceived failures of governance, transparency and integrity	SBM Offshore is perceived as a leading and reliable FPSO contractor - hence its brand and reputation are important assets. Failures of integrity could erode the company's reputation within the industry and the financial markets. This would affect the Company's ability to secure new contracts, affecting the Company's business, results and financial condition.	The Company's Core Values and Code of Conduct guide employees and business partners on compliant behaviours in line with the Company's principles. The Company Compliance Program provides policy, guidance and risk based oversight and control on compliance risk and its components aim to strengthen awareness and enhance employees' capabilities for ethical decision making.
Strategic Risks		
New Technologies	Technology is primarily an opportunity for SBM Offshore, owing to the Company's high level of technical expertise and its past and present technical achievements and pioneering new technologies, often the recipient of industry awards. However, there is obviously a risk, which is twofold: ▪ Risks in incorporating new technologies, not sufficiently mature, despite gate controls in place. ▪ Risks in implementing field proven technologies in an incorrect way.	A rigorous Technology Readiness Level assessment (gate controls) by the most knowledgeable and experienced technical experts in SBM Offshore. A rigorous Technical Assurance process, across the Win-Execute-Operate phases of the projects. The establishment of a comprehensive set of internal standards (the Groups Technical Standards) and technical guidelines in 2004, which are regularly updated based on the feedback loop in place from operations to engineering.

RISK	DEFINITION	RESPONSE MEASURES
Strategic Risks		
Geopolitical and Legal factors	The Company is subject to political and legal dynamics in the countries in which it operates. The enforcement of contractual rights to protect assets that SBM Offshore owns is uncertain in some countries that may lack reliable legal systems. In addition, unexpected change to the governmental and regulatory framework is not uncommon.	SBM Offshore is covered by commercial insurance protection against loss of assets due to certain political/ governmental events in client countries; both for operational assets and for assets under construction. A robust regulatory compliance framework captures unexpected change at very early stage.
Strategic Risks		
Portfolio Risks	Because of the relatively limited number of countries in which the Company operates, SBM Offshore is subject to portfolio risks defined as those risks which are inherent in, or caused by, the execution of multiple projects and/or programs compared to a country where the Company is undertaking a single project or work assignment.	SBM Offshore aspires to a well-balanced regional portfolio, but is currently heavily concentrated on Brazil, as that is where most deepwater developments are taking place. However, current tendering activities include other countries. The Company's strategy aims to achieve a more balanced portfolio, which could include regions with harsh climates where SBM Offshore's technological edge could be a differentiator.
Operation Risks		
Health, Safety, Security and Environment Risks	SBM Offshore is exposed to a range of health, safety, security and environment (HSSE) risks due to the nature of its activities, the geographical span of projects, as well as the diversity and technical complexity of the Company's daily operations. SBM Offshore's operations, primarily involved in the production, storage and offloading of hydrocarbons, sometimes in harsh or environmentally sensitive environments. The Company's exposure to risks including major process safety incidents, natural disasters and safety lapses could result in injuries, loss of life, environmental damage, disruption to production and, depending on their cause and severity, potential loss of the Company's assets as well as material damage to its reputation. It could adversely affect the Company's business, results and financial condition.	SBM Offshore pursues a long term strategy to continually strengthen the HSSE controls at different levels in the organisation: 1. Integration of the HSSE controls in the life cycle and business processes. 2. Enhancement of the HSSE culture, leadership and supervisory capabilities to consistently deliver a robust HSSE performance. 3. Implementation of a Process Safety Management framework, based on industry best practice. 4. Improving the safe working methods on the Company's projects and on the offshore operations. 5. Working with key stakeholders to build on and share best practices.
Operation Risks		
Cyber Security Risks and data protection	The operation of many business processes depends on the Company's information technology (IT) systems as do its operations offshore. SBM Offshore has been the target of attempts to gain unauthorized access to the Company's IT systems, including sophisticated attempts.	The Company strives to detect and investigate all such security incidents, with the ultimate aim of preventing unauthorized access and reinforcing the Company's line of defence. SBM Offshore uses a multi layered approach to IT security. From networks to user assets, the Company partners with market leading technologies to protect, alert and report on IT Security threats. SBM Offshore regularly tests its systems and information assets through independent security consultants, who provide continuous improvements and alert on emerging threats.

RISK	DEFINITION	RESPONSE MEASURES
Operation Risks		
Human Capital	To support the Company's capital-intensive projects, it is imperative to ensure that the necessary talented and experienced personnel are in place. This applies to all levels from senior leaders to technology experts. Failure to attract and retain the right level of competence in the organisation could restrict the Company's capacity and have an adverse impact on its operations and contractual relationships with clients.	A talent retention program is in place in order to specifically retain key personnel. This is particularly important in the specialized areas such as design innovation in order to continue on the path which has led to many industry firsts for SBM Offshore. The restructuring of the Company has created an environment which holds leaders at all levels accountable for their projects' commercial success and rewards results.
Compliance Risks		
Failure to meet ethical and social standards	Failure to meet ethical and social standards, including non-compliance with anti-bribery and anti-corruption laws could potentially damage the Company's reputation and business. Cases of ethical misconduct or non-compliance with laws and regulations, including anti-bribery, anti corruption laws, could cause long term damage to the Company's reputation, competitiveness and to the value of SBM Offshore shares. Consistent and multiple occurrences of non-compliance could call into question the integrity of the Company. If the industry and stakeholders perceive that the Company is not respecting or advancing the economic and social development of the communities in which it operates, the Company's reputation and shareholder value could be damaged. This may have an adverse impact on the Company's business, results and financial condition.	The Company sets high standards of corporate citizenship to work by and aspires to contribute and invest in the communities in which it operates. An Anti-Corruption Policy & Compliance Guide (along with the Company's Code of Conduct) offers clear rules and guidance on the subject of corruption and helps employees, contractors, consultants, intermediaries, lobbyists and others who act on the Company's behalf, to comply with anti-corruption standards. It reflects SBM Offshore's commitment to fight corruption in all its forms and to ensure that the Company's standards are consistent with industry best practice and international norms. The Group Compliance Program includes reasonable oversight and control on the operational effectiveness of the Anti-Corruption Policy & Compliance Guide as well as the Code of Conduct and an Integrity Line reporting system. For more information, see section 4.7 Compliance of this annual report.
Compliance Risks		
Climate change	Climate change concerns and pressure to address them – including from non-governmental and political organisations – could lead to additional regulatory measures that may result in higher costs and even project delays. The expectation is that the $C0_2$ intensity of the Company's future production will increase as more production will be derived from higher energy intensive sources.	The Company's Sustainability Framework addresses climate change concerns under two themes i.e. 'Managing the environmental impact' and 'Shape sustainable solutions'. (see section 3.4 Sustainability for more information). An environmental footprint standard is under development to simulate the FPSO's energy consumption and emissions during field life. Information from this model will identify the effects on the climate during operations and enable the Company to monitor improvement measures. Climate change related regulatory measures are being addressed by developing technical options to reduce GHG emission, energy consumption, waste, etc. as part of technology development. Carbon tax will put field economics under pressure and above mentioned options potentially reduce tax impact. The initiative focuses on developing sustainable solution with the client to improve field recovery with reduced emission levels. The Company initiated a CO_2 Challenge to encourage employees to innovate solutions to combat CO_2. See section 3.4 Sustainability.

RISK	DEFINITION	RESPONSE MEASURES
Financial Risks		
Project Financing	Sources of finance are necessary in order to entertain a sustainable growth of SBM Offshore's leased FPSO fleet and other product lines. Failure to obtain such financing could hamper growth for the Company and ultimately prevent it from taking on new projects and could adversely affect the Company's business, results and financial condition.	The company is focused on securing short term and long term financing for its leased projects under construction and operation. From a long term-financing perspective, the company has diversified its sources of funding by i. expanding its Banking relationship with a number of new financial institutions willing to access the FPSO sector; ii. acceding to the Debt Capital Market with an FPSO Class Asset in order to secure long term relationship with USPP investors; iii. exploring the Export Credit Finance financing with European and International institutions in order to secure longer maturity financing; iv. contemplating new types of equity financing such as the Master Limited Partnership (MLP) structure.
Financial Risks		
Covenants	Financial covenants need to be met with the company's lenders. Failure to maintain financial covenants may adversely impact the results and financial condition of the Company.	The Revolving Credit Facility (RCF) contains a set of financial covenants. The company aims to have sufficient headroom in relation to the financial ratios. The covenants are monitored continuously, with an 18 to 24 months forward horizon. In the case of any anticipated risk impacting the financial condition of the Company, the Company will engage with the RCF lenders in a timely manner to discuss proposed solutions.
Tax Risks		
Change in Tax Laws	Tax Regulations applicable in jurisdictions of operation may change and result in an increase in the effective tax burden and this could adversely affect the Company's business, results and financial condition.	With the exception of some short term contracts, all contracts entered into by the Company include provisions to protect the Company against an increase in tax burden resulting from changes in tax regulations or the interpretation thereof. The Company's philosophical approach to changes in tax regulations is that they should not result in a gain or a loss for the Company. As such, the Company aims at achieving a stability of the tax burden over the life of contracts and cooperates closely with the tax teams of clients to this end.
Tax Risks		
Change in Tax Morale	The increase in the public scrutiny of tax practices of multinational enterprises means that the public perception of a company's approach to tax has become a critical parameter.	The Company values public perception and good relationships with tax authorities around the world. As such, the Company makes sure that its tax practices are sound and founded on a business rationale. As a result of this policy, the Company has not incurred any material tax-reassessment over the past decade. In addition, the Company adheres to the OECD-Basis Erosion and Profit Shifting ('BEPS') initiative, has monitored closely its developments and reviewed the BEPS final deliverables to ensure that its own practices are in line with the BEPS initiative, especially when it comes to the Country-by-Country reporting.

4.7 Compliance

SBM Offshore does not tolerate corruption, violation of trade sanctions, anti-money laundering or anti-competition laws, or any other illegal or unethical conduct in any form by anyone working for or on behalf of the Company.

Integrity and compliance form the backbone of SBM Offshore's license to operate and instills trust in our stakeholders. It provides a strong foundation for rebuilding reputation and ensures that it conducts business responsibly. Everyone working for or on behalf of SBM Offshore must embrace and act in accordance with its core values (see chapter 1.3). The compliance program aims to guide the Company's leadership team in applying its moral compass and strengthen the management control system to achieve that commitment.

SBM Offshore is committed to complying with all applicable laws and regulations: the Company's Code of Conduct and other internal rules and regulations.

4.7.1 SBM Offshore's Compliance Objectives

- To earn the trust of the Company's clients, business partners and other key stakeholders by embedding its core values in every aspect of the organization (projects included)
- To uphold compliance with applicable laws, regulations, business principles, rules of conduct and established good business practices in every aspect of the organization
- Establish and maintain effective compliance risk management and control systems, including monitoring and reporting
- To strengthen integrity and compliance ownership and accountability at all levels of the Company

4.7.2 Key achievements 2015

- Launch of the Company's core values, cascaded down from management via interactive workshops with the result that every employee embraces the values and understands how they impact their day-to-day work and decision-making
- Appointment of regional compliance managers for key product lines and markets, such as Brazil. The line of reporting maintains a global management control framework, while ensuring an understanding of the business and alignment with the local management
- Implementation of more risk-based reporting to the Company's Management Board and Audit Committee and strengthening of the Company's third-party due diligence process and tools
- Launch of a company-wide 'Speak-up' campaign for employees and the introduction of an Integrity Panel, with the objective to ensure diligent and independent complaint handling
- Development and launch of two new training programs: (1) refreshed anti-bribery and corruption e-learning for all employees and (2) a face-to-face compliance training program for those in leadership positions. By enabling discussion of complex dilemmas, the training program aims to strengthen compliant, balanced and consistent decision-making

4.7.3 Compliance Program and Organization

To achieve its objectives, SBM Offshore has integrated the Compliance Program into its organizational structure as well as promoting a compliant culture in the day-to-day way of working of all employees.

The Company's Management Board has overall accountability and the Chief Governance and Compliance Officer (CGCO) has overall responsibility for compliance, risk and legal. Reporting to the CGCO, the Group Compliance

Director (GCD) leads the Ethics and Compliance Program, drives its execution and regularly reports on its operating effectiveness to the Management Board and Supervisory Board Audit Committee, while also reporting on the Company's key compliance risks and incidents. Business leadership has accountability and responsibility to manage compliance and integrity risks within the Company's regional centers and operations. Each employee of SBM Offshore has the responsibility to work in a way that corresponds with the Company's Core Values and the Code of Conduct and is responsible for meeting the requirements of integrity and compliance obligations that apply to his or her job responsibilities.

The Program is built on three pillars:
1. Compliance governance and organization
2. Hard and soft controls
3. Organizational culture and employee behavior

Key elements of the Program:
1. Supervision and oversight by the GCD and ultimately the Management Board and Supervisory Board
2. Operational accountability by business management
3. Appropriately documented policies and procedures, such as the Code of Conduct, the Anti-Corruption Policy and Compliance Guide, the third party due diligence procedure and integrity reporting procedures
4. Communication and reporting
5. Regular monitoring of compliance risks and mitigating measures and controls
6. Documented and monitored action plans
7. Independent verification (compliance monitoring, *e.g. compliance audits and 3rd party due diligence*)
8. Staff knowledge and understanding

4.7.4 Anti-corruption

The Company's anti-corruption management control system upholds SBM Offshore's zero tolerance for corruption.

Key components of the system:
A thorough due diligence procedure for review and approval of sales intermediaries, business partners, customers, subcontractors and other third parties. The Company's Validation Committee ultimately approves sensitive, relatively high-risk third parties and advises on due diligence related risks.

- Annual Code of Conduct certification for staff in leadership positions
- Anti-Corruption Policy and Compliance guide
- Third Party due diligence procedures and Validation Committee
- Compliance Risk management procedures
- Integrity Reporting procedure and Integrity Panel
- Internal Audit anti-corruption process for third party audits
- Tool to register for Hospitality, Gifts and Entertainment
- The SBM Offshore Integrity Line, the Company's externally-managed whistleblower line
- The use of standard contracts including anti-corruption and conflict of interest clauses
- Specific compliance-related internal financial controls, following ICOFR principles
- Annual training program

4.7.5 Product related Regulatory Compliance

Processes and procedures have been implemented in order to ensure that the projects executed and offshore facilities operated by SBM Offshore comply with all applicable product related regulations, specific product related regulatory compliance. This means amongst others, that compliance with Classification Society Rules, in accordance with assigned Class notations, is defined and achieved according to established Company standards and project-specific terms and conditions. To strengthen the oversight, while ensuring dedicated support to the business, a split between the so called 'second line of defense' and 'first line of defense' compliance program activities have been made.

The product related regulatory compliance program includes:

- Systematic identification of applicable regulatory requirements for a given project/operation/ country and extensive regulatory (product) compliance support to ongoing major projects with an appropriate balance between governance, control and support
- Export Controls assurance
- Assignment and tracking of corresponding actions within the project and/or operations organization
- Advice in relation to bidding activities
- Verification of compliance as part of delivery protocols
- Management of official surveys and acceptance by regulators
- Maintenance of corresponding permits and licenses throughout the project/operation life-cycle

4.7.6 Investigation in Brazil

2015 Key Events

On 28 September 2015 Petrobras announced that, after analysis of the Company's Compliance Program and enquiry with the Brazilian Public Prosecutor's Office (Ministério Público Federal or 'MPF') and the Comptroller General's Office (Controladoria-Geral da União or 'CGU'), the Company is eligible to participate in Petrobras tenders. Additionally, effective contracting for projects as a result of the bidding process are conditioned upon the conclusion of the settlement agreement under discussion.

Discussions with the Brazilian authorities (CGU) and the Attorney General's Office (Advocacia-Geral da União or 'AGU'), which also include the MPF, are ongoing.

On 16 March 2015, SBM Offshore announced the signing of a Memorandum of Understanding (MoU) with the CGU and the AGU. This MoU sets a framework between the Company, the CGU and the AGU for discussions on a potential mutually acceptable settlement and for the disclosure by SBM Offshore of information relevant to the CGU's investigations.

Background

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 its Press Release published on 2 April 2014, the Company announced the conclusion of its investigation activities and the outcome. Outside counsel and forensic accountants had been engaged to thoroughly investigate these practices and the Company had also taken the necessary steps designed to terminate any such practices.

In November 2014 the Company announced that it has reached an out-of-court settlement ex Article 74 of the Dutch Criminal Code with the Dutch Public Prosecutor's Office (Openbaar Ministerie) over the inquiry into alleged improper payments. Furthermore, the United States Department of Justice informed SBM Offshore that it is not prosecuting the Company and has closed its inquiry into the matter. The settlement with the Openbaar Ministerie and the United States Department of Justice's decision relate to payments to sales agents in Equatorial Guinea, Angola and Brazil in the period from 2007 through 2011.

4.8 Company Tax Policy

SBM Offshore's tax policy is summarized as follows:

- The Company aims to minimize 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 operates in a global context, with global competitors, global clients, global suppliers and a global workforce. Some 60% 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, labor 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 its offices in Marly, Switzerland.

The Company:

- complies with the OECD transfer pricing guidelines
- has welcomed the final releases from the OECD BEPS project. While it is still assessing its long term impact, the Company's review indicates that the Company practices are in line with the BEPS outcome. In respect of country-by-country reporting and transfer pricing documentation, the Company has already taken actions to comply with OECD requirements that have been implemented in the Dutch tax law and the Company will be fully ready to deploy it according to applicable regulations
- makes use of the availability of international tax treaties to avoid double taxation
- 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 optimized in order to compete effectively in the global competitive arena. In 2015, the Company had a current corporate income tax charge of US $ 32.25 million (compared to US$ 39.2 million in 2014). 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.

4.9 Group Management Systems

As part of the Company-wide transformation over the past two years, a Global Entreprise Management System (GEMS) was developed and its implementation was completed in 2015. GEMS has been structured around three main process domains known as executive processes, core processes and support processes, with the core processes further modelled into the business areas of Win, Execute and Operate.

This structure allows an integrated end-to-end approach to all business activities of SBM Offshore and of the joint venture operating companies and a cohesive framework for Quality Assurance, Health and Safety, Security of Personnel and Assets, Protection of the environment as well as Risk and Opportunity Management throughout the whole product life cycle.

Group policies are developed to ensure the correct governance and guidance of SBM Offshore practice. These form the basis of the management system and its processes are correctly implemented throughout the Group as they apply to the Regional Centers, shore bases and vessels.

4.10 Compliance Table

Regional Centres	ISO 9001
Monaco	Yes
Schiedam	Yes
Houston	Yes
Kuala Lumpur	Yes
Rio De Janeiro	Yes
Sales Office	
Indonesia	Yes

Operations Offices	ISM	ISO 14001	OHSAS 18001	Social Accountability
Angola	Yes	Yes	Yes	Yes
Brazil	Yes	Yes	Yes	Yes
Equatorial Guinea	Yes	Yes	Yes	No
Malaysia	Yes	Yes	Yes	Yes
Myanmar	Yes	Yes	Yes	Yes
Canada	N/A	Yes	Yes	Local regulations prevail
USA	2016	2016	2016	2016

Offshore Production Fleet	ISM	ISPS	ISO 14001	OHSAS 18001
Angola				
FPSO Mondo	Yes	Yes	Yes	Yes
FPSO Saxi Batuque	Yes	Yes	Yes	Yes
FPSO N'Goma	Yes	Yes	No	No
Brazil				
FPSO Cidade de Anchieta	Yes	Yes	Yes	Yes
FPSO Cidade de Paraty	Yes	Yes	Yes	Yes
FPSO Marlim Sul	Yes	Yes	Yes	Yes
FPSO Capixaba	Yes	Yes	Yes	Yes
FPSO Espirito Santo	Yes	Yes	Yes	Yes
FPSO Ilhabela	Yes	Yes	Yes	Yes
Myanmar				
FSO Yetagun	Yes	Yes	Yes	Yes
Malaysia				
FPSO Kikeh	Yes	Yes	Yes	Yes
Equatorial Guinea				
FPSO Aseng	Yes	Yes	Yes	Yes
FPSO Serpentina	Yes	Yes	Yes	Yes
Canada				
MOPU Deep Panuke PFC	N/A	N/A	Yes	Yes
USA				
FPSO Turritella	2016	2016	2016	2016

4.11 In Control Statement

The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. The implementation of the internal risk management and control framework at SBM Offshore focuses on managing both financial risks and operational risks. As a key part of its scope, Risk Management is responsible for the design, monitoring and reporting on the internal control framework.

During 2015, various aspects of risk management were discussed by the Management Board. The responsibilities concerning risk management, as well as the lines of defence were also discussed with senior management. In addition, discussion on the internal risk management and control systems with the Audit Committee, the Supervisory Board and with the Company's external auditors took place.

During the period, several initiatives strengthening internal control across group activities materialized. The completion of the Odyssey 24 Program enabled significant business improvements involving systems, process and procedures. Additionally various improvements affecting IT control environment and financial reporting occurred.

In line with the adoption of the Dutch Corporate Governance Code, SBM Offshore prepared the *In Control Statement* 2015 in accordance with the best practice provision II.1.5. With due consideration to the above, the Company believes that its internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance and that the internal risk management and control systems relating to financial reporting risks worked properly in 2015.

However, the Company cannot provide certainty that its business and financial strategic objectives will be realized or that its approach to internal control over financial reporting can prevent or detect all misstatements, errors, fraud or violation of law or regulations. Financial reporting over 2015 was based upon the best operational information available throughout the year and the Company makes a conscious effort at all times to weigh the potential impact of risk and the cost of control in a balanced manner.

With reference to section 5.25c paragraph 2, sub c of the Financial Markets Supervision Act (*Wet op het financieel toezicht*), the Management Board states that, to the best of its knowledge:

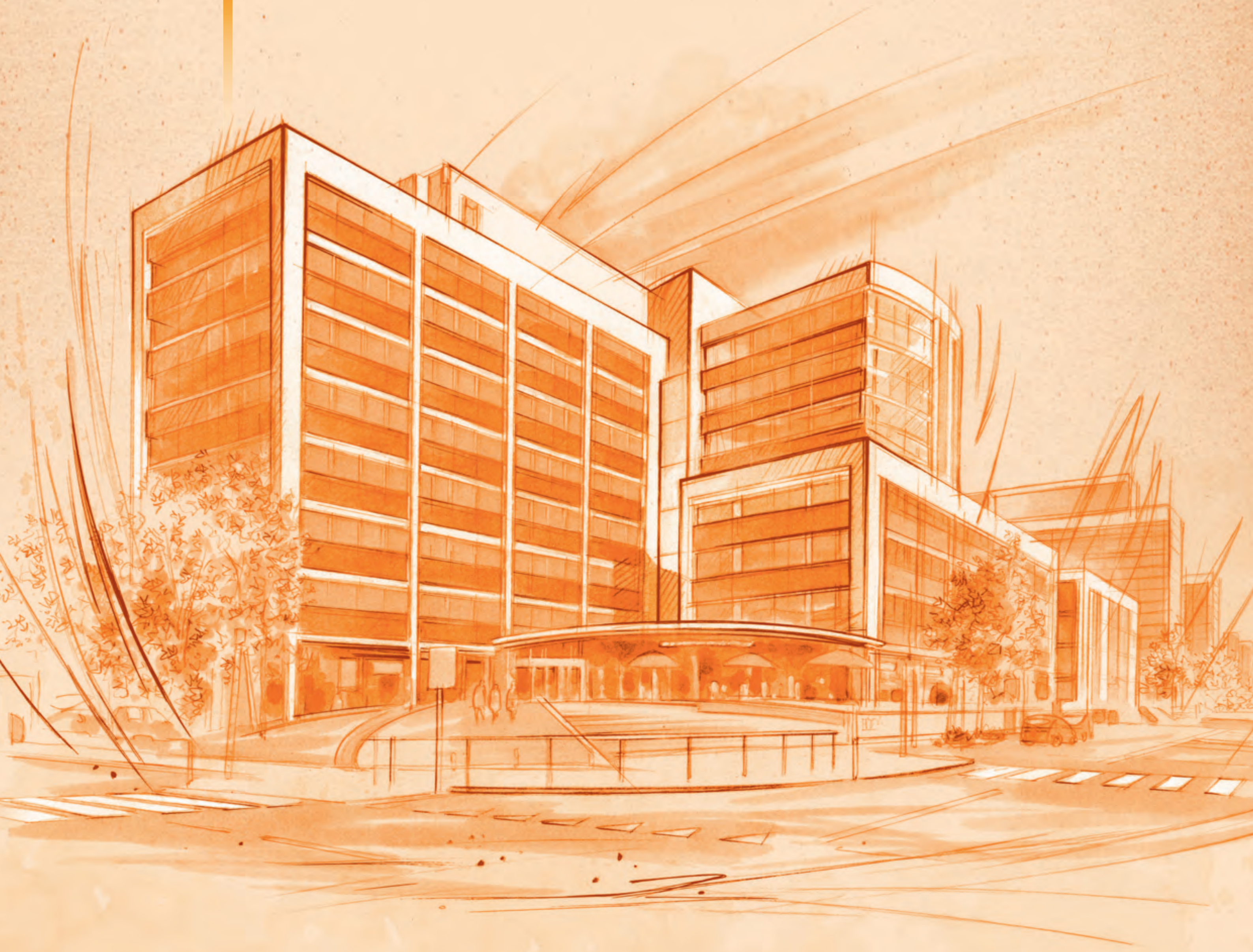
- The annual financial statements for 2015 give a true and fair view of the assets, liabilities, financial position and profit or loss of SBM Offshore and its consolidated companies
- The Annual Report gives a true and fair view of the position as per 31 December 2015 and that SBM Offshore's development during 2015 and that of its affiliated companies is included in the annual financial statements, together with a description of the principal risks facing SBM Offshore

Management Board
B.Y.R. Chabas
P. van Rossum
P. Barril
E. Lagendijk

Schiphol, the Netherlands
10 February 2016

THE SHARE

5



5.1 Shareholder Information

The Company maintains open and active engagement with its stakeholders, both internal and external, which include shareholders, clients, non-governmental organizations (NGOs) and suppliers during the year using the following means:

- Annual shareholders meeting
- Stakeholder engagement interviews
- Town Hall sessions
- Analyst and investor road shows/meetings
- Capital Markets Day (held every two years) two-day event for financial analysts
- Conferences
- Analyst webcast presentations
- Surveys
- Press releases
- Website updates
- Desktop research

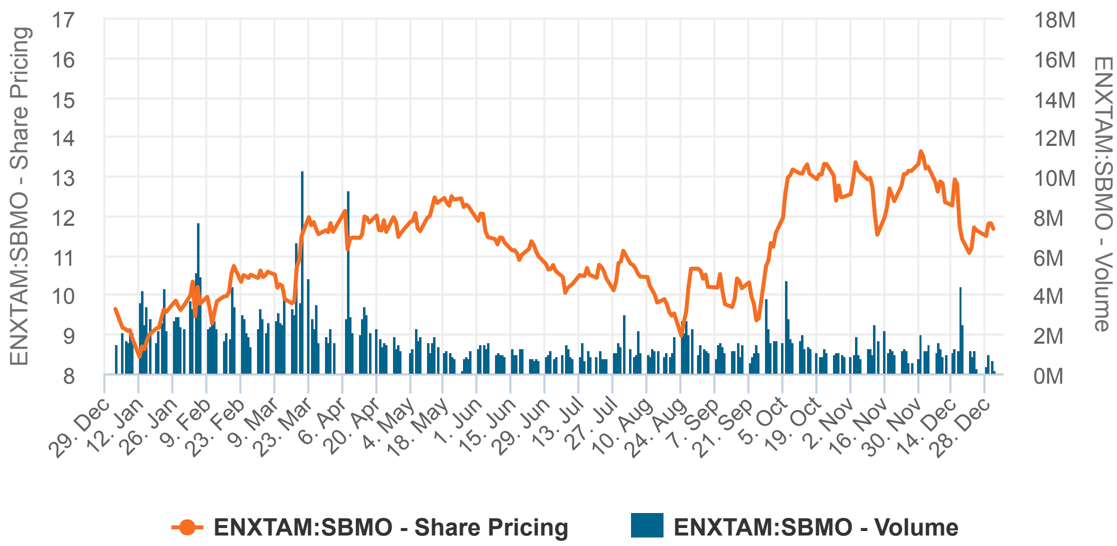
The objective is to inform and to understand SBM Offshore's investors' expectations, identify areas for improvement and create long term relationships. In 2015, this input led to additional disclosures related to anticipated future Directional capital expenditures, debt repayment profiles and a year-end net debt guidance figure, all of which offer additional insights into the current and future financial performance of the Company.

SBM Offshore is fully aware that its actions have an impact on many stakeholders that may have different expectations of the Company. To shape stakeholder engagement, SBM Offshore identified key stakeholders by mapping the level of influence on and level of interest in the Company.

Main stakeholders are the Company's employees, employee delegates, shareholders, the investor community, clients, business partners, export credit agencies and suppliers. Other important stakeholders are lenders, governments in operating areas, oil and gas industry associations, universities and researchers and potential investors.

Stakeholders were invited to reflect on SBM Offshore's corporate strategy and performance and their information needs. Valuable input was captured from the responses, which was used in determining the material topics.

5.2 Key Figures per Share



For 2015 the relevant trading points are below, which broadly explain the movement in share price during 2015.

Date	Explanation
2/4/15	Publication of 2014 Full-Year Earnings
3/17/15	Press release regarding signing of memorandum of understanding with the CGU and AGU in Brazil
4/8/15	Press release regarding Brazilian press reports indicating a settlement had been reached in Brazil
5/7/15	Publication of First Quarter Trading Update
8/5/15	Publication of 2015 Half-Year Earnings
9/28/15	Press release regarding invitation to participate in Petrobras tenders
11/11/15	Publication of Third Quarter Trading Update
11/16/15	Press release regarding formal invitation to tender in Brazil
12/17/15	Press release regarding response to Brazilian news report

5.3 Investor Relations

SBM Offshore releases audited full-year earnings results and unaudited half-year earnings results, which both include full financials, within sixty days of the close of the reported period. For the first and third quarters, SBM Offshore publishes a trading update, which includes important Company news and financial highlights. The Company conducts a conference call for all earnings releases and trading updates during which the Management team presents the results and answers questions. All earnings related information, including press releases, presentations, and conference call details are available on the Company's website. Please see Section 5.5 for important upcoming dates in 2016.

In addition to financial updates, the Company hosts an in-person Annual General Meeting of Shareholders ('AGM'), generally in April each year. An agenda for the meeting is published six weeks ahead of the AGM and shareholders are asked to vote directly or by proxy on resolutions contained in the agenda. During this meeting, the Management Board, Supervisory Board and its committees all make reports of the preceding financial year. Agenda items usually include remuneration, annual accounts, corporate governance, dividends, changes to the Management Board or Supervisory Board and any other items which statutorily require shareholder approval. The AGM also offers shareholders a forum for questions and communication, which the Management Board and Supervisory Board view as an indispensable opportunity to foster an open dialogue on the direction and performance of the Company. Information related to past and future AGMs, including notices, resolutions, agendas, and minutes, are available on the Company's website.

From time to time, the Company may determine that an Extraordinary General Meeting of Shareholders ('EGM') is required to vote on a resolution which is too time sensitive to wait for the next AGM. Shareholders will receive notice and an agenda for the EGM in the same manner in which they are received for the AGM and all information will available on the Company's website. During 2015, an EGM was held on November 4 at which Mr. B.Y.R. Chabas was reappointed as a member of the Management Board for a second term of four years up to the Annual General Meeting of Shareholders in 2020. Mr. Chabas has been designated by the Supervisory Board to continue his role as Chief Executive Officer of the Company.

5.4 Dividend Policy

At the Annual General Meeting (AGM) of Shareholders on 15 April 2015, the Management Board put forward a change to the dividend policy which makes future dividends dependent on the availability of sufficient free cash flow in the year of payment, with a dividend of between 25% and 35% of 'directional net income' payable in cash and/or shares at the discretion of shareholders.

In view of the substantial losses incurred in recent years and the need to strengthen the balance sheet no dividends have been paid since 2011. At the AGM on 6 April 2016, the Management Board will propose a dividend of US$ 0.21 per share, to be paid in cash (in euros).

5.5 Financial Calendar

Event	Day	Year
Full-Year 2015 Results – Press Release	10 February	2016
Publication of AGM Agenda	24 February	2016
Annual General Meeting of Shareholders	6 April	2016
Trading Update Q1 2016 – Press Release	11 May	2016
Half-Year 2016 Results – Press Release	10 August	2016
Trading Update Q3 2016 – Press Release	9 November	2016
Full-Year 2016 Results – Press Release	9 February	2017

FINANCIAL REPORT

6

6 Financial Report 2015

6.1 Company Overview and Financial Review

6.1.1 Company Overview

Corporate Social Responsibility

The Company has continued to achieve improved safety performance in 2015 with the lowest frequencies of recordable injuries and lost time injuries since 2007. Total Recordable Injury Frequency Rate (TRIFR) remained flat year-on-year at 0.22, while the Lost Time Injury Frequency Rate (LTIFR) improved by 40% to 0.03 in 2015 from 0.05 at the end of 2014.

The volume of gas flared was 26% better than target, however GHG emissions per unit of production increased 38% compared to 2014 mainly due to the absence of gas export infrastructure in Angola. Offshore energy consumption and oil discharged from produced water improved compared to last year and stood 64% above the industry benchmark.

For the sixth consecutive year running, SBM Offshore has been included in the Dow Jones Sustainability Index with an overall improved position. This is credit to efforts to incorporate all Environmental, Social and Governance elements in the Company's day-to-day business and how it deals with all its stakeholders.

In addition, the Company received notification in December 2015 of its inclusion in the Euronext Vigeo Benelux 20 Index, which includes the 20 most advanced companies in the Benelux region in terms of Environmental, Social and Governance performances.

Compliance

Over the course of 2015 discussions with Brazilian authorities and Petrobras have progressed to the point where the Company is providing US$ 245 million for a possible settlement. While discussions are at an advanced stage, timing of a settlement announcement as well as the size of any potential final settlement amount remains to be confirmed.

On 17 December 2015 the Brazilian Public Prosecutor's Office made allegations regarding several people in Brazil and abroad, including a number of current and former employees of the Company, of whom one is a U.S. citizen.

On 15 January 2016, the Company was informed that the judge in Brazil referred the above allegations with regard to the Company's CEO and a member of its Supervisory Board back to the Public Prosecutor to propose an out-of-court settlement, on a no admission of guilt basis, as is common for misdemeanors of the kind alleged.

On 25 January 2016, the Company announced the settlement of the allegations made regarding the Company's CEO and a member of its Supervisory Board. This settlement is still subject to approval by the court.

Subsequently, the United States Department of Justice has informed SBM Offshore that it has re-opened its past inquiry of the Company and has made information requests in connection with that inquiry. The Company is seeking further clarification about the scope of the inquiry. The Company remains committed to close-out discussions on this legacy issue which the Company self-reported to the authorities in 2012 and for which it reached a settlement with the Dutch Public Prosecutor in 2014.

Project Review

FPSO Cidade de Maricá (Brazil)

Cidade de Maricá topside integration work at the joint venture Brasa yard outside of Rio de Janeiro has been completed. The vessel sailed away from the Brasa yard on 19 December 2015 and is on location undergoing first oil readiness acceptance testing. The charter contract includes an initial period of 20 years. Delivery of the vessel to client Petrobras is scheduled for first quarter 2016.

FPSO Cidade de Saquarema (Brazil)

Construction is ongoing for the finance leased vessel. *Cidade de Saquarema* has been undergoing topside module integration at the joint venture Brasa yard outside of Rio de Janeiro since 20 December 2015. The charter contract for the vessel includes an initial period of 20 years. Delivery to client Petrobras is scheduled for mid-2016.

FPSO Turritella (US Gulf of Mexico)

Construction was completed on the finance leased vessel at the yard in Singapore. The vessel has arrived on location in the U.S. Gulf of Mexico (US GOM). Start-up of the facility is expected in mid-2016. The charter contract includes an initial period of 10 years with extension options up to a total of 20 years.

FPSO Marlim Sul (Brazil)

Decommissioning confirmation was received from the client. Decommissioning activities have recommenced and are expected to be completed in the first quarter of 2016. The vessel received a decommissioning dayrate through the end of the third quarter of 2015. Following its decommissioning, the vessel will be marketed for future conversion opportunities.

Turrets & Mooring Systems

The two large, complex turrets for Prelude FLNG and FPSO *Ichthys* were delivered to the respective yards for integration during the period. Commissioning is underway in accordance with clients' schedules and contractual planning for both. BP's FPSO *Glen Lyon*, for which the Company successfully delivered the Quad204 turret, is now on location in the North Sea.

Main Projects Overview

Project	Contract	SBM Share	Capacity, Size	POC[1]	Expected Delivery	Notes
Prelude, Turret	Turnkey sale	100%	95m height, 11,000 tons		2016	Final integration phase with the vessel ongoing.
Ichthys, Turret	Turnkey sale	100%	60m height, 7,000 tons		2016	Final integration phase with the vessel ongoing.
Cidade de Maricá, FPSO	20 year finance lease	56%	150,000 bpd		2016	Topside integration and construction completed at the Brasa yard in Brazil. Undergoing first oil readiness for acceptance testing with delivery expected in 1Q16.
Cidade de Saquarema, FPSO	20 year finance lease	56%	150,000 bpd		2016	Vessel has arrived at the Brasa yard in Brazil where integration of the topsides is taking place. Delivery is expected in mid 2016.
Turritella, FPSO	10 year finance lease	55%	60,000 bpd, disconnectable		2016	Vessel arrived in the US GOM end of 2015. Start-up of the facility and delivery to the client expected in mid 2016.

1 POC = percentage of completion. I.e. for all projects the POC is > 75%.

Turritella Joint Venture

Effective June 30, 2015 SBM Offshore completed the divestment of a 45% stake in the *Turritella* project to joint venture partners Mitsubishi Corporation and Nippon Yusen Kabushiki Kaisha. The total partners' cash contribution to the *Turritella* project is expected to amount to approximately US$ 590 million, of which US$ 488 million was received in fiscal year 2015.

Order Intake

Total order intake in 2015 amounted to US$ 0.4 billion including new orders signed for US$ 0.2 billion. No major new orders were signed during the period.

Funding

As of 31 December 2015, SBM Offshore had cash and undrawn committed credit facilities totaling US$ 2,681 million (IFRS).

New project financings were secured for both FPSOs *Cidade de Saquarema* and *Turritella* joint ventures at attractive rates in the amounts of US$ 1.55 billion and US$ 800 million, respectively.

Proportional net debt at year-end amounted to US$ 3,147 million versus US$ 3,298 million in the year-ago period. The decrease is mainly related to the funding provided by the new joint-venture partners in the FPSO *Turritella* project and strong cash flow generation of the Lease and Operate segment. This was partially offset by the ongoing investments in the three FPSOs under construction (Directional[1] capital expenditure of US$ 443 million) and a strong reduction in accounts payable. Net gearing (net debt to equity) at the end of the year stood at 150%, slightly lower than in 2014. As in previous years, the Company has no off-balance sheet financings. The year-end 2015 average cost of debt stood at 4.1% versus 4.2% at year-end 2014.

Investing in the Future

In 2015, SBM Offshore completed an in-depth review of its ways of working, its global presence and the size of its workforce. The Company concluded that to retain the ability to win and execute FPSO, FPU and Turret contract awards, it needed to specialize and concentrate knowledge by product line, which are now assigned to its regions. Although each region has seen substantial workforce reductions, no regional engineering center closures are planned.

Workforce reductions over 2015 totaled approximately 3,200 positions. Approximately 1,500 were full-time employees and contractor staff. The remaining 1,700 were construction yard positions related to the winding down of projects under construction. Restructuring costs totaled US$ 55 million over 2015. Overall restructuring costs of US$ 63 million, including US$ 8 million of charges in 2014, are expected to generate annualized savings of approximately US$ 80 million.

Given the prolonged downturn a further 400 positions are expected to be eliminated in 2016 at a cost of US$ 30 million. This additional action is expected to generate a further US$ 40 million of annualized cost savings in addition to the previously announced savings of US$ 80 million beginning in 2016.

While client investment decisions continue to be postponed, the Company has taken a view that a recovery is unlikely before 2018. Nevertheless, the Company will maintain an engineering overcapacity to position itself for a future market upturn. This leads to cumulative Turnkey EBIT losses of approximately US$ 150 million over 2016 and 2017. Should the industry downturn persist additional steps will be considered to manage the Company's cost base.

Dividend

The Management Board has elected to reinstate a cash dividend, to be approved at the Annual General Meeting (AGM) of Shareholders on 6 April 2016, totaling US$ 45 million or US$ 0.21 per share. This corresponds to 25% of the Company's US$ 180 million underlying Directional[1] net income, which is exceptionally adjusted for non-recurring compliance related events.

The annual dividend will be calculated in US dollars, but will be payable in euros. The conversion into euros will be effected on the basis of the exchange rate on 6 April 2016. Given the Company's strong cash position, the dividend will be fully paid in cash.

Management & Supervisory Board

On 4 November 2015 during the Extraordinary General Meeting of Shareholders, Bruno Chabas was re-elected with 99.75% of the votes and reappointed as a member of the Management Board for a second term of four years up to the Annual General Meeting (AGM) of Shareholders in 2020. Mr. Chabas has been designated by the Supervisory Board to continue his role as Chief Executive Officer of the Company.

Mr. P. van Rossum's first term as Management Board member and CFO expires at the Company's Annual General Meeting of Shareholders on 6 April 2016. The Supervisory Board will propose to the Company's 2016 AGM to reappoint Mr. van Rossum as a member of the Management Board for a new four year term. Mr. van Rossum has indicated his intention to retire after the 2017 AGM subject to a successor being in place. Consequently, the Company will start the selection process for a successor.

Mr. F.G.H. Deckers and Mr. T.M.E. Ehret will complete their second term as Supervisory Board members during the AGM on 6 April 2016. SBM Offshore's Supervisory Board will propose to the Company's 2016 AGM that both are reappointed for a third and final term of four years as Supervisory Board members.

Outlook and Guidance 2016

The downturn persists and client investment decisions are postponed further. Management maintains its positive medium to long-term outlook as the Company considers offshore development to be a crucial component of the overall energy mix to meet future demand.

The Company is providing 2016 Directional[1] revenue guidance of US$ 2.0 billion, of which US$ 0.6-0.7 billion is expected in the Turnkey segment and US$ 1.3-1.4 billion in the Lease and Operate segment. The Company has also elected to introduce 2016 Directional[1] EBITDA guidance of around US$ 750 million.

Directional[1] capital expenditure guidance for the remaining three finance lease vessels under construction is expected to be approximately US$ 90 million. Directional[1] capital expenditure excludes changes in net working capital and is presented net of SBM Offshore's share of upfront payments for FPSOs *Cidade de Maricá* and *Cidade de Saquarema*.

Master Limited Partnership[2]

Following the completion of a strategic review of alternatives, the Company announced on 13 November 2014 its intent to pursue the development of a master limited partnership (MLP). Structuring work is progressing with the Company working towards receiving the required regulatory approvals and filing a registration statement with the Securities and Exchange Commission. The contemplated initial public offering of common units is subject to market conditions, which are not encouraging at the moment.

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1 Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.
2 This release shall not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

Post-Period Event

Sea Lion FPSO FEED

Premier Oil plc (Premier) awarded the Company the Front-End Engineering and Design (FEED) contract for an FPSO for Phase 1 of its Sea Lion development in the North Falkland Basin.

The 18-month contract awarded to SBM Offshore covers the FEED elements of the proposed FPSO. The asset will be a converted FPSO with a throughput capacity of approximately 85,000 barrels per day and will operate in 450 meters of water.

6.1.2 Financial Review

Highlights

Directional[3] consolidated net income for 2015 came in at US$ 24 million versus US$ 84 million in 2014. This result includes non-recurring items which generated a net loss of US$ 157 million in 2015 compared to a net loss of US$ 265 million in 2014. Excluding non-recurring items, all relating to compliance issues, 2015 underlying consolidated Directional[3] net income attributable to shareholders stood at US$ 180 million, a decrease from US$ 349 million in the year-ago period, mainly attributable to lower Turnkey segment activity.

Reported consolidated 2015 IFRS total net income was US$ 110 million versus US$ 652 million in 2014. IFRS net income attributable to shareholders amounts to US$ 29 million compared to US$ 575 million in 2014.

Directional[3] earnings per share (EPS) in 2015 amounted to US$ 0.11 compared to US$ 0.40 per share in 2014. Adjusted for non-recurring items, underlying Directional[1] EPS decreased by 49% year-on-year from US$ 1.67 in 2014 to US$ 0.85.

IFRS Net Debt at the year-end totalled US$ 5,208 million versus US$ 4,775 million in 2014. All bank covenants were met and available cash and undrawn committed credit facilities stood at US$ 2,681 million.

New orders for the year totalled US$ 248 million as a result of current market downturn, which compares to US$ 3,124 million achieved in 2014.

Directional[3] revenue decreased by 26% to US$ 2,618 million compared to US$ 3,545 million in the year-ago period. IFRS revenue decreased by 51% to US$ 2,705 million versus US$ 5,482 million in 2014. This was mainly attributable to lower Turnkey segment revenues.

Directional[3] backlog at the end of 2015 remained high at US$ 18.9 billion compared to US$ 21.8 billion at the end of 2014. This reflects a significantly reduced level of order intake in 2015 and a predominant Lease and Operate portfolio consisting of US$ 18.3 billion at year-end.

Directional[3] EBITDA amounted to US$ 561 million, representing a 16% increase compared to US$ 486 million in 2014. This figure includes non-recurring net costs totalling US$ 157 million.

IFRS EBITDA amounted to US$ 462 million, representing a 50% decrease compared to US$ 925 million in 2014. This figure includes non-recurring net costs totalling US$ 157 million.

Directional[3] EBIT decreased slightly to US$ 191 million after non-recurring net costs of US$ 157 million. This compares to US$ 201 million in 2014 which included US$ 236 million of non-recurring costs.

IFRS EBIT decreased sharply to US$ 239 million after non-recurring net costs of US$ 157 million. This compares to 2014 EBIT of US$ 726 million, which included US$ 227 million of non-recurring costs.

The year was marked by the following financial highlights:

- Low level of new orders of US$ 248 million impacted by the market downturn driving Directional[3] backlog to US$ 18.9 billion.
- On 30 June 2015 SBM Offshore completed the divestment of a 45% stake in the *Turritella* project to joint venture partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK Line). The total

[3] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

joint venture partners' cash contribution to the *Turritella* project for their share in the construction costs is expected to amount to approximately US$ 590 million.

- On 16 March 2015, the Company signed a Memorandum of Understanding (MoU) with the Brazilian Comptroller General's Office (Controladoria-Geral da União – 'CGU') and the Attorney General's Office (Advocacia-Geral da União – 'AGU'), setting a framework between the Company, the CGU and the AGU for discussions on a potential mutually acceptable settlement and for the disclosure by SBM Offshore of information relevant to the CGU's investigations. Whilst these discussions, which also include the Public Prosecutor's Office (Ministério Público Federal – 'MPF') and Petrobras, are still ongoing, it has become sufficiently clear that a resolution of the issues will have a financial component. Consequently, based on information currently available to it, SBM Offshore has recorded a provision of US$ 245 million in the year-end financial results of 2015. While discussions are at an advanced stage, timing of a settlement announcement as well as the size of any potential final settlement amount remains to be confirmed.
- Workforce reductions over 2015 totaled approximately 3,200 positions. Roughly 1,500 were full-time employees and contractor staff. The remaining 1,700 were construction yard positions related to the winding down of projects under construction. Restructuring costs of US$ 55 million were recorded during the period and the Company anticipates realizing annualized savings of approximately US$ 80 million. The adaptation to market developments is focused on retaining core competencies. While expectations for order intake remain subdued, maintaining an adequate engineering capacity remains crucial to properly address today's market downturn whilst getting prepared for a future market upturn.
- Although all payments to sales consultants were suspended from February 2012 onwards, the Company continued to accrue over the period 2012 to 2014 for potential liabilities under contracts with those sales consultants that were under internal investigation. Most of these accruals relate to Equatorial Guinea, Angola and Brazil. In 2014, the Company reviewed the contractual situation of these sales consultants in light of the findings of its own internal investigation and those from the Dutch Public Prosecutor ('OM'). In 2015, the Company completed the necessary steps to terminate the consultancy contracts relating to Equatorial Guinea and Angola. More recently, it completed its review of the contractual situation in relation to its former main consultant in Brazil in light of the developments in Brazil in relation to that consultant, including the recent criminal charges filed by the Brazilian Public Prosecutor's Office (Ministério Público Federal – 'MPF') against that consultant. Based on the various reviews referenced above, the Company has come to the conclusion that there is sufficient evidence to conclude that the consultants that represented the Company in Equatorial Guinea and Angola in the period 2007-2011 and the main consultant that represented the Company in Brazil in that period acted in breach of applicable laws, and thus, in contravention of their obligations. As a result, the Company concluded that no remaining liability these sales consultants. In 2015, an amount of US$ 51.8 million was accordingly released to the gross margin of the Turnkey segment and US$ 36.7 million was released to the Gross margin of the Lease and Operate segment.
- Following the signature on 16 September 2014 of a Production Handling Agreement (PHA) with Noble Energy to produce the Big Bend and Dantzler fields to the Thunder Hawk DeepDraft™ Semi located in 6,060 feet of water in the Gulf of Mexico (GoM), first oil was respectively achieved on 26 October 2015 and 1 November 2015 with a production output in line with expectations.
- Capital expenditure and investments in finance leases amounted to US$ 775 million in 2015, well below 2014 level of US$ 2,396 million. The decrease is primarily attributable to the lower level of investments in the current finance lease projects under construction.
- New project financing agreements totaling US$ 2.35 billion were put in place in the period and project financing has now been secured on all finance lease projects currently under construction. On 27 July 2015 the project financing for FPSO *Cidade de Saquarema* was secured totaling US$ 1.55 billion, at a weighted average cost of debt of 5.1% at joint venture level, from a consortium of sixteen international banks with insurance cover from four Export Credit Agencies (ECA). The financing consisted of three tranches, two

with ECA insurance cover and one commercial, with fourteen year post-completion maturities. Furthermore, on 18 December 2015, the project financing of FPSO *Turritella* was secured for a total of US $ 800 million with a consortium of twelve international banks with an average cost of debt of 3.3% at joint venture level, over the ten year post-completion maturity.

- Cash and undrawn committed credit facilities amounted to US$ 2.7 billion at the end of December 2015 compared to US$ 2.0 billion in 2014.

Fiscal year 2015 segmental information regarding the two core business segments of the Company is provided in the detailed financial analysis section of the press release. Revenue by geography is also included in 6.3 Notes to the Consolidated Financial Statements.

Backlog

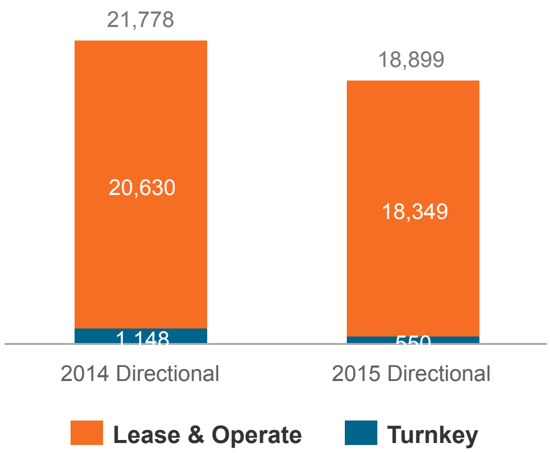
Directional[4] backlog at the end of 2015 remained healthy at US$ 18.9 billion compared US$ 21.8 billion at the end of 2014. This reflects both the low level of order intake for the Turnkey segment and the resilience of the Lease and Operate portfolio. Approximately 37% of total future bareboat revenues will be generated from the lease contracts which have yet to commence operations. Those include FPSOs *Cidade de Maricá, Cidade de Saquarema* and *Turritella*.

Directional[4] Turnkey backlog decreased to US$ 0.5 billion compared to US$ 1.1 billion in 2014 as no major Turnkey orders were signed in 2015. As market conditions continue to deteriorate, the level of tendering activity experienced by the Company became lower than in 2014 and the order intake continued to be impacted by structural delays in client final investment decisions.

Backlog as of 31 December 2015 is expected to be executed as per the below table:

in million US$	Turnkey	Lease & Operate	Total
2016	0.5	1.4	1.9
2017	0.0	1.5	1.5
2018	0.0	1.5	1.5
Beyond 2018	0.0	13.9	13.9
Total Backlog	0.5	18.3	18.9

Backlog (in millions of US$)

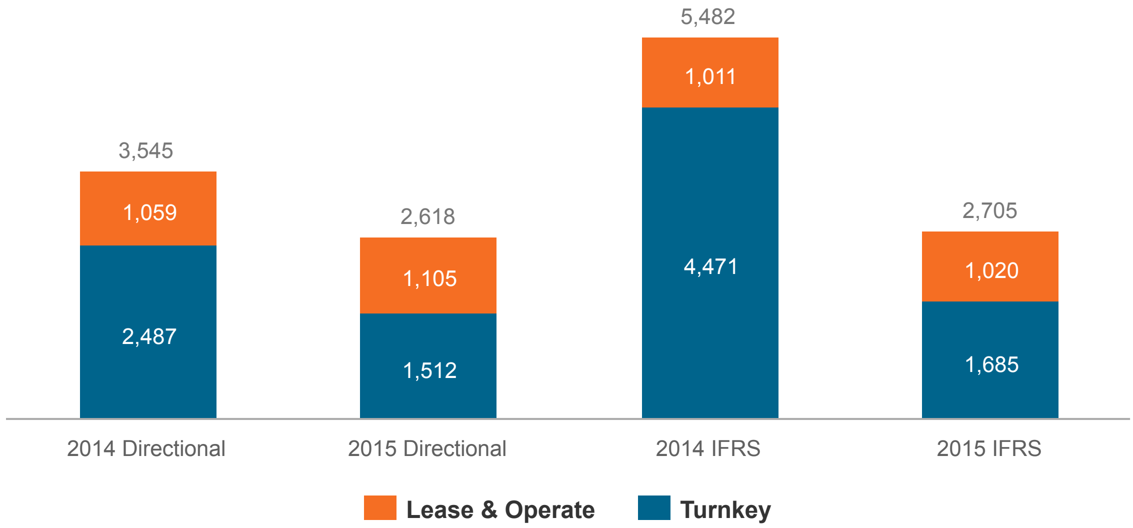


[4] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

Revenue

Directional[5] Revenue decreased by 26% year-on-year despite an increase by 4% for the Lease and Operate segment:

Revenue (in millions of US$)



Third party Directional[5] Turnkey revenue came down 39% year-over-year to US$ 1,512 million, representing 58% of total 2015 revenue. This compares to US$ 2,487 million, or 70% of total revenue, in 2014. The decrease is mostly attributable to nearing the completion stage on a number of projects under construction, such as FPSOs *Cidade de Maricá, Cidade de Saquarema and Turritella*; very low order intake in 2014 and 2015 as a result of the market downturn; and also the completion of FPSOs *Cidade de Ilhabela* and *N'Goma* in 2014, partially offset by additional revenue invoiced to the new partners in the *Turritella* joint venture company.

Construction of FPSO *Turritella*, was completed in 2015 with sail away from the Keppel yard in Singapore in November 2015, and arrival in the Gulf of Mexico at year end. During the period, the Company's share of the Lease and Operate joint ventures was reduced from 100% to 55%, and as a result the Company has started to generate revenue and gross margin under Directional[5] reporting related to the partners' 45% share of the EPCI contract of the FPSO supplied by SBM Offshore to the lease and operate joint venture. Start-up of the facility is expected in the first half of 2016. On the other hand, IFRS revenue recognition remains based 100% at the fair value of the lease and on a percentage of completion basis.

Construction was completed for FPSOs *Cidade de Maricá* in December 2015, while it remains ongoing for FPSO *Cidade de Saquarema*. First oil for FPSO *Cidade de Maricá* is expected in the first quarter 2016 and integration works for FPSO *Cidade de Saquarema* are concurrently taking place at the Brasa yard in Brazil, with an expected start-up of the facility in the middle of 2016. The joint ventures (JV) are fully controlled, as per IFRS 10, by the Company which owns 56% of the shares and is fully consolidated under IFRS. As a result, recognized Directional[5] revenue is equal to the partners' 44% share of the EPCI selling price of the FPSO from SBM Offshore to the JV. On the other hand, IFRS revenue recognition is instead based on 100% of the fair value of the lease and on a percentage of completion basis.

[5] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

BP's Quad 204 turret was delivered on time on October 2015 and fabrication works on the Ichthys and Prelude turrets were completed during the period and commissioning is underway in accordance with contractual planning for both.

Directional[5] Lease and Operate revenue increased by 4% to US$ 1,105 million, representing 42% of total Directional[5] revenue contribution in 2015, up from the 30% contribution of 2014. The increase in segment revenue is attributable to the start-up of FPSOs *Cidade de Ilhabela* and *N'Goma* in November 2014 partially offset by the decommissioning from the fleet of FPSOs *Marlim Sul, Kuito* and *Brasil* in the course of 2014 and 2015.

Total IFRS revenue decreased significantly during the year, down by 51% to US$ 2,705 million due to significantly lower revenue recognized in the Turnkey segment from the finance lease contracts nearing completion such as FPSOs *Turritella*, *Cidade de Maricá*, and *Cidade de Saquarema*, and the completion of FPSOs *Cidade de Ilhabela* and *N'Goma FPSO* in 2014.

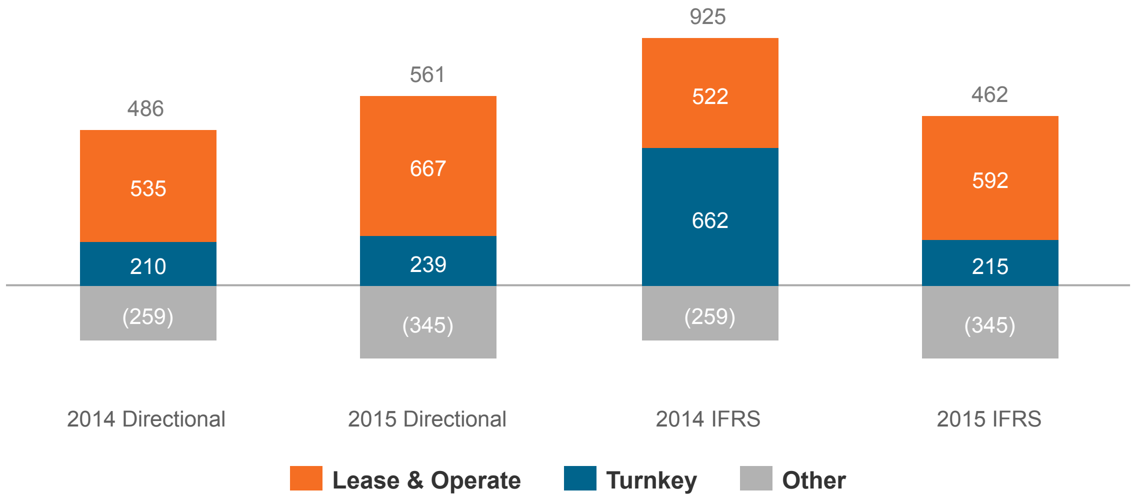
Profitability

The Company's primary business segments are Lease and Operate and Turnkey plus 'Other' non-allocated corporate income and expense items. EBITDA and EBIT are analyzed by segment but it should be recognized that business activities are closely related, and that 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.

The Company's profitability may be affected by external variables and conditions. Profitability may be sensitive to significant areas of estimation and judgements, and to potential currencies and interest rates fluctuations against the US dollar as described in notes 6.2.7 B (a) and 6.3.29 to the financial statements, respectively.

In recent years, new lease contracts are showing longer duration and are systematically classified under IFRS as finance leases for accounting purposes whereby the fair value of the leased asset is recorded as a Turnkey 'sale' during construction. For the Turnkey segment this has the effect of accelerating during the construction period a substantial part of the lease profits which would in the case of an operating lease be recognized through the Lease and Operate segment during the lease period. To address this lease accounting issue and IFRS 10 and 11 standards introduced in 2014, the Company has assessed its performance by treating all lease contracts as operating leases and consolidated all JVs related to lease contracts on a proportional basis, referred to as Directional[6]. This provides consistency in segment presentation and allows for improved sector wide comparison.

EBITDA (in millions of US$)



Reported 2015 Directional[6] EBITDA was US$ 561 million compared to US$ 486 million in 2014. Directional[6] EBITDA consisted of US$ 667 million from the Lease and Operate segment compared to US$ 535 million in 2014, and US$ 239 million from the Turnkey segment compared to US$ 210 million in 2014. A loss of US$ 345 million, compared to a loss of US$ 259 million in 2014, related to non-allocated corporate costs, restructuring charges relating to corporate functions and the US$ 245 million provision related to the potential settlement contemplated with the Brazilian authorities and Petrobras. Adjusted for non-recurring items, 2015 underlying Directional[6] EBITDA increased by 12% to US$ 718 million compared to US$ 643 million in 2014. This increase is primarily attributable to the Lease and Operate segment and the two new vessels that came into production at the back-end of 2014 FPSO *Cidade de Ilhabela* and *N'Goma* FPSO, partially offset by the US $ 55 million restructuring costs incurred in 2015.

IFRS EBITDA in 2015 came in at US$ 462 million versus US$ 925 million in 2014. Total IFRS EBITDA consisted of US$ 592 million from the Lease and Operate segment compared to US$ 522 million in 2014, and US$ 215 million from the Turnkey segment compared to US$ 662 million in 2014. A loss of US$ 345 million, compared to US$ 259 million in 2014, related to non-allocated corporate costs, restructuring charges relating to corporate functions and the US$ 245 million provision related to the potential settlement contemplated with the Brazilian authorities and Petrobras. Adjusted for non-recurring items, 2015 underlying IFRS EBITDA decreased by 43% to US$ 619 million compared to US$ 1,089 million in 2014. This is primarily due the Turnkey segment and the significantly lower activity around the finance lease vessels under construction FPSOs *Cidade de Marica*, *Cidade de Saquarema* and *Turritella,* all nearing completion.

As a percentage of revenue, Underlying Directional[6] EBITDA was 27% compared to 18% in 2014. Underlying Directional[6] EBITDA margin for the Lease and Operate segment stood at 57% versus 44% in 2014, while Turnkey segment Underlying Directional[6] EBITDA margin stood flat at 12% year on year.

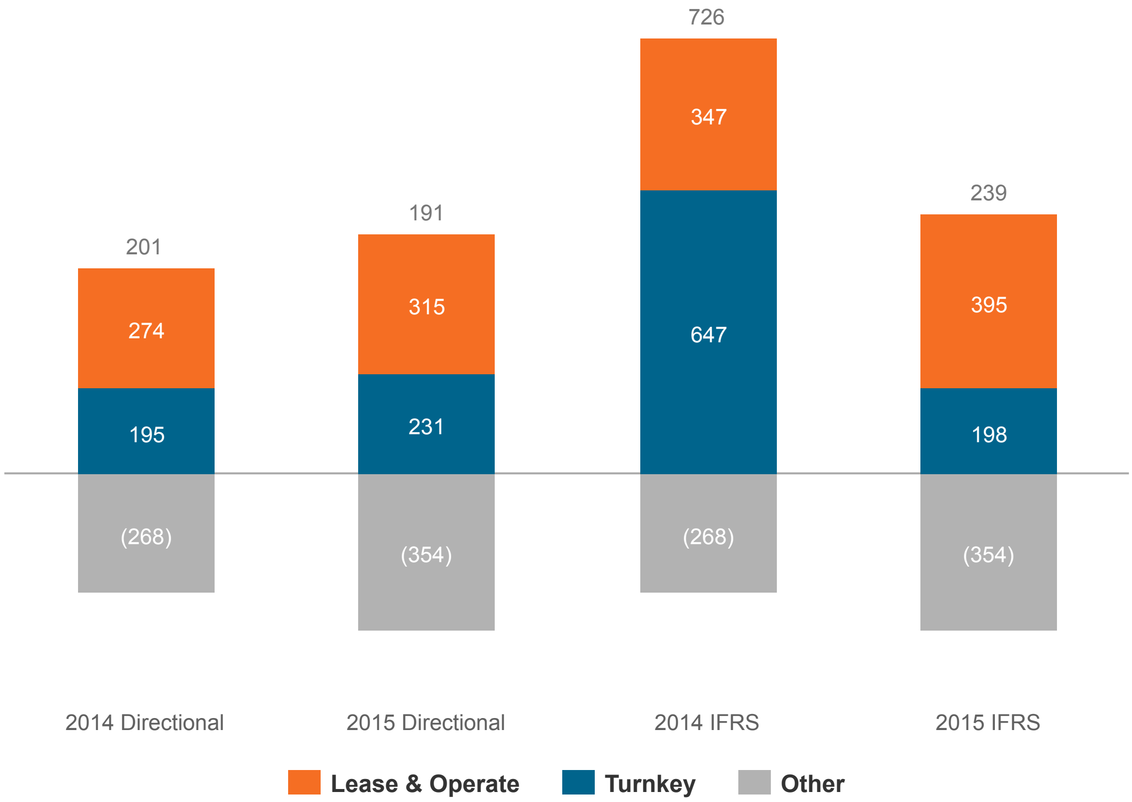
The relative segment contribution to Directional[6] EBITDA remained almost constant at 73% Lease and Operate and 27% Turnkey.

As a percentage of revenue, IFRS Underlying EBITDA was 23% compared to 20% in 2014. IFRS Underlying EBITDA margin for the Lease and Operate segment stood at 55% versus 50% in 2014, while Turnkey segment

[6] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

EBTIDA margin stood at 10% compared to 15% in 2014. The relative segment contributions to IFRS EBITDA were 73% Lease and Operate and 27% Turnkey. In 2014, the corresponding split was 44% Lease and Operate and 56% Turnkey.

EBIT (in millions of US$)



Directional[6] EBIT in 2015 amounted to US$ 191million compared to US$ 201 million in 2014. The below highlights the contribution from each segment:

- Turnkey segment Directional[6] EBIT margin of 15% compared to a low level of 8% in 2014, driven by the strong performance of various projects during the period and the positive contribution of the gross margin recognized during the engineering, procurement and construction of FPSO *Turritella* on the new partners who acquired a stake of 45% in this project;
- Lease and Operate Directional[6] EBIT margin of 28% compared to 26% in 2014 mostly explained by the good performance of the new vessels FPSOs *Cidade de Ilhabela* and *N'Goma* joining the fleet during the period.

Adjusted for non-recurring items, underlying Directional[6] 2015 EBIT decreased by 20% to US$ 348 million versus US$ 437 million in 2014. This was due to the strong decrease of activity by 39% during 2015 of the Turnkey segment and restructuring costs incurred in 2015 in all segments.

IFRS EBIT in 2015 amounted to US$ 239 million compared to US$ 726 million in 2014. Adjusted for non-recurring items underlying 2015 EBIT decreased by 59% to US$ 395 million compared to US$ 954 million in 2014.

Directional[6] overheads came in at US$ 299 million in 2015 compared to US$ 307 million in 2014. This stability resulted from the finalisation of the Company's business improvement initiatives, continuous development of research and development programs, and one-off items such as legal fees related to the compliance investigation. The Odyssey 24 project aiming at optimizing and standardizing the Company's ways of working was completed at the end of 2015.

'Other income and expenses' showed a net cost of US$ 298 million in 2015 compared to US$ 186 million in 2014. This includes the US$ 245 million provision related to the potential settlement discussed with Petrobras and the Brazilian authorities and US$ 55 million of restructuring charges incurred in 2015. As a result of the adjustment of the Company's cost structure to the continued market downturn, the workforce reduction is amounting to approximately 3,200 positions worldwide over 2015. Restructuring costs accounted for as 'Other operating expense' over the period represented US$ 55 million, of which US$ 31 million relate to the Turnkey segment, US$ 9 million for Lease and Operate, and US$ 15 million relating to corporate functions for the 'Other' segment.

Directional[6] net financing costs increased to US$ 137 million compared to US$ 127 million in 2014. This was mainly due to interest paid on project loans for FPSOs *Cidade de Ilhabela* and *N'Goma* FPSO that went on stream at the back-end of 2014, as well as a 2014 US$ 29 million impairment charge of a financial asset related to a contractual dispute with a US-based client. The 2015 average cost of debt remained low at 4.1% compared to 4.2% in 2014.

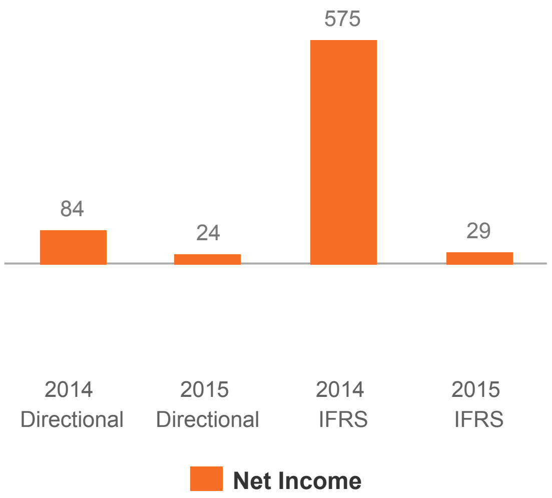
More generally, once production units are brought into service the financing costs are expensed to the P&L statement, whereas during construction interest is capitalized. It should be emphasized that the net profit contribution of newly operating leased units is limited by the relatively high interest 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 once again very low in 2015. This was due to the low level of short term US interest rates. The main interest income the Company derives is from interest bearing loans to joint ventures.

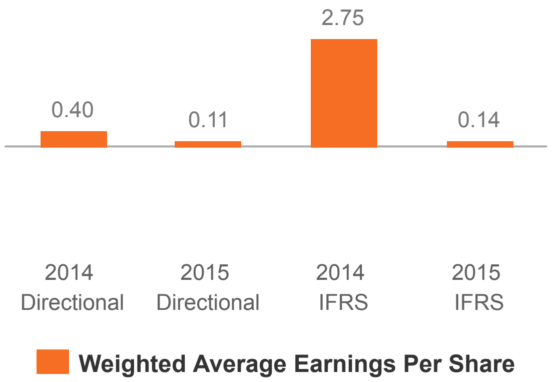
The Directional[6] share of profit of equity accounted investees, the Paenal and the Brasa yards, came in at a loss of US$ 8 million in 2015 down from a profit of US$ 13 million in 2014, mostly driven by the lower activity and restructuring of the Paenal yard. Under IFRS, the Company's share of net results of non-controlled joint ventures amounted to US$ 73 million in 2015 compared to US$ 117 million in 2014. The decrease year-on-year was driven by the 2014 one off profit due to the requalification as a finance lease of FPSO *Kikeh*, the lower contribution in 2015 of the Paenal yard, partially offset by the positive lease and operate contribution of *N'Goma* FPSO.

The 2015 IFRS tax charge remained stable at US$ 26 million, mostly driven by the constant level of deemed profit taxes and withholding taxes, while the effective tax rate sharply increased from 5% in 2014 to 41% in 2015. This increase reflects the impact of the lower profit before tax generated in 2015, as well as the effect of unrecognised deferred tax assets on 2015 tax losses due to non-recurring items.

Net Income (in millions of US$)



Weighted Average Earnings Per Share (in US$)



IFRS non-controlling interests included in 2015 net income amounts to US$ 81 million, which is slightly higher than the 2014 minority share of US$ 76 million related to reported results from fully consolidated joint ventures where the Company has a minority partner (principally Brazilian FPSOs and Aseng).

As a result, IFRS net income attributable to shareholders amounted to US$ 29 million compared to US$ 575 million in 2014.

In 2015 the Company introduced a new dividend policy which consists in paying out between 25% and 35% of the Directional[6] net income either in cash or in shares of SBM Offshore at the election of each shareholder, provided that positive free cash-flows are expected to be generated during the year of payment. In accordance with this policy, but taking account of the specific circumstances relating to 2015 including the nature of the non-recurring items, a dividend out of 2015 net income of US$ 0.21 per share will be proposed to the Annual General Meeting on 6 April 2016, corresponding to 25% of the US$ Company's 180 million Directional[6] net income adjusted, this year, for non-recurring items. The decreasing level of investments related to the FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella* that are nearing completion, and their anticipated production in 2016 will generate strong and sustainable free cash flows from first oil onwards.

The annual dividend will be calculated in US dollars, but will be payable in euros. The conversion into euros will be effected at the exchange rate on 6 April 2016.

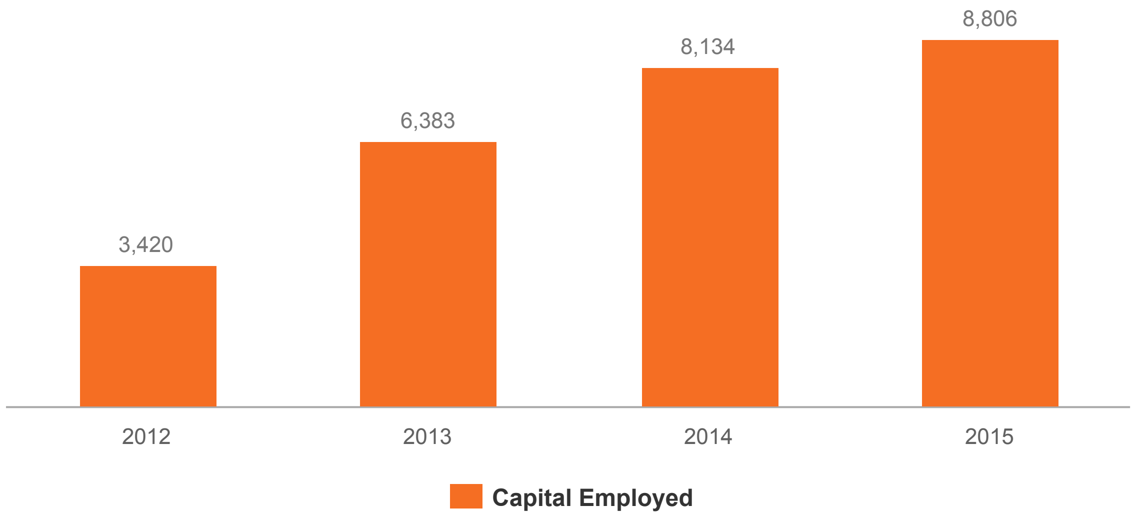
Statement of Financial Position

Total assets remained stable at US$ 11.3 billion as of 31 December 2015 compared to US$ 11.1 billion at year-end 2014. This slight variance is attributable to the increased investments in FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*, largely offset by vessels depreciation, finance lease redemptions, and lower trade receivables following Turnkey activity slowdown.

Shareholder's equity slightly increased from US$ 2,419 million to US$ 2,496 million mostly due to the 2015 net income.

Capital Employed (Equity + Provisions + Deferred tax liability + Net Debt) at year-end 2015 amounted to US$ 8,806 million, an increase of 8% compared to US$ 8,134 million in 2014. This was due in large part to the increase of net debt related to investments in finance leases.

Capital Employed (in millions of US$)



As of 31 December 2015 the Company had cash and undrawn committed credit facilities totalling US$ 2,681 million. The facilities available to the Company for capital investment in 2015 include the Revolving Credit Facility, FPSOs project loans *Cidade de Maricá* and *Cidade de Saquarema*, and FPSO *Turritella*.

IFRS net debt was at US$ 5,208 million versus US$ 4,775 million in 2014. Proportional net debt at year-end amounted to US$ 3,147 million versus US$ 3,298 million in the year-ago period. The decrease is mainly relating to the funding provided by the new partners on FPSO *Turritella* project and strong cash-flow generation in the Lease and Operate segment. Net gearing (net debt to equity) at the end of the year stood at 150%, slightly lower than in 2014. The relevant banking covenants (Solvency, Net Debt/Adjusted EBITDA, Interest Cover) were all met. As in previous years, the Company has no off-balance sheet financing.

The Company remained within its bank covenants at the end of 2015, despite the effects of high level of net debt, due to ongoing investmentsand the low level of EBITDA, due to market downturn affecting the Turnkey segment.

The Current Ratio defined as 'Current Assets/Current Liabilities' increased to 2.44 due in large part to the sharp decrease in trade payables relating to contracts under construction while construction work-in-progress increased year-on-year.

Statement of Financial Position

in millions of US$	2011[1]	2012[1]	2013[2]	2014	2015
Capital employed	3,354	3,420	6,383	8,134	8,806
Total equity	1,349	1,530	2,887	3,149	3,465
Net debt	1,959	1,816	3,400	4,775	5,208
Net gearing (%)	145.2	118.7	117.8	151.6	150.0
Leverage ratio	2.23	2.01	2.50	2.56	3.70
Current ratio	0.86	1.17	1.84	1.70	2.44
Solvency ratio	30.0	27.1	30.2	31.1	32.3

1 not restated for comparison purpose
2 restated for comparison purpose

Capital Structure

Despite the continuous market downturn and the US$ 245 million provision for the potential settlement agreement with the Brazilian authorities, the Company's financial position has remained strong. The growth of the lease and operate segment as well as the adaptation of the Turnkey segment to a depressed market, coupled with strong cash-flows generated by the fleet strengthened both equity and net debt positions.

Investment and Capital Expenditures

Total investments made in 2015 reached US$ 775million compared to the US$ 2,396 million peak level in 2014. Highlights for fiscal year 2015 investments are:

- Capital expenditure of US$ 23 million compared to US$ 65 million in 2014.
- Investments in finance leases totalling US$ 752 million compared to US$ 2,331 million in 2014.

Total capital expenditures for 2015, which consists of additions to property, plant and equipment plus capitalized development expenditures, were related to new investments in the lease fleet (operating leases only) and other ongoing investments.

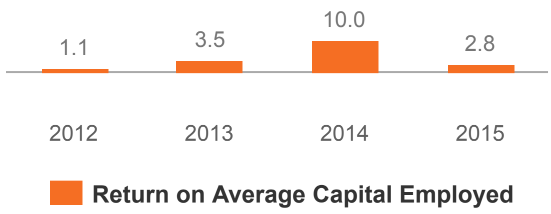
Due to the classification of the contracts as finance leases, investments in the units were recorded as construction contracts, with the investments in finance leases ultimately recorded as financial assets. The net investment in these finance lease contracts amounted to US$ 752 million in 2015, which compares to US $ 2,331 million in 2014, and are reported as operating activities in the consolidated cash-flow statement.

The decrease in property, plant and equipment in 2015 to US$ 1,686 million, compared to US$ 1,923 million at the end of 2014, resulted from the very low level of capital expenditure less normal depreciation, impairment and amortisation, and the *Pelicano* heavy lifting crane assets de-recognition following consolidation method changed upon disposal of 50% shares to our partner Synergy.

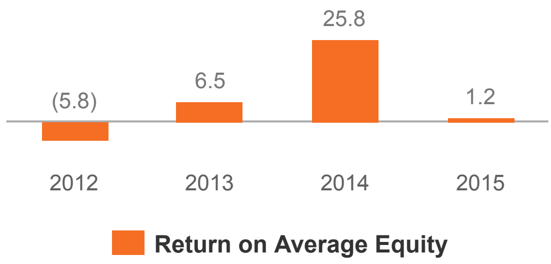
Return on Average Capital Employed and Equity

Both Return on Average Capital Employed (ROACE) and Return on Average Shareholders' Equity (ROAE) decreased, to 2.8% and 1.2% respectively in 2015. This was primarily the result of the lower level of Turnkey activity as reported under IFRS in 2015 as well as the increase in equity and capital employed due to ongoing investments.

Return on Average Capital Employed (%)



Return on Average Equity (%)



Cash Flow/Liquidities

Cash and undrawn committed credit facilities increased significantly to US$ 2,681 million, US$ 1,325 million of which can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilization.

The Enterprise Value to EBITDA ratio at year-end 2015 came in at 19.3, higher than the previous year, due mainly to a decrease in the Company's EBITDA as a result from the reduced contribution of the Turnkey segment.

in millions of US$	2011[1]	2012[1]	2013[2]	2014	2015
EBITDA	813	681	592	925	462
Cash	165	715	208	452	515
Cash flow from operations	1,158	1,134	(1,044)	(1,356)	(538)
EV : EBITDA ratio at 31/12	6.8	6.3	10.6	7.8	19.3
EBITDA : interest cover ratio	16.3	10.5	12.7	14.1	7.1

1 not restated for comparison purpose
2 restated for comparison purpose

IFRS EBITDA decreased year-on-year from US$ 925 million to US$ 462 million due in large part to reduced Turnkey activity level. Provided below is a reconciliation of net income before taxes to Cash Flow from Operations:

in millions of US$	2014	2015
Net income before taxes	678	137
Adjustments for non-cash items		
Depreciation of property, plant and equipment	223	212
Net impairment / (impairment reversal)	0	9
Amortisation of intangible assets	3	1
Adjustments for investing and financing items		
Share in net income of associates and joint ventures	(117)	(73)
Finance income	(31)	(25)
Finance costs excluding impairment	167	200
(Gain) / loss on disposal of property, plant and equipment	(59)	1
(Gain) / loss on disposal of subsidiary	-	3
(Gain) / loss on distribution	-	0
Adjustments for equity items		
Share-based payments	28	20
Reclassification of exchange differences relating to the disposal of foreign subsidiaries	0	0
Subtotal	893	484
Changes in operating assets and liabilities		
Decrease / (increase) in investments	6	3
Increase in operating receivables (excluding WIP)	(229)	178
Increase in WIP (excluding reclass to Financial Assets)	(2,782)	(836)
Increase in operating liabilities	619	(548)
Total changes in operating assets and liabilities	(2,386)	(1,204)
Reimbursement finance lease assets	172	206
Income taxes paid	(34)	(24)
Net cash generated from operating activities	(1,356)	(538)

6.2 Consolidated Financial Statements

6.2.1 Consolidated Income Statement

in millions of US$	Notes	2015	2014
Revenue	6.3.2/6.3.3	2,705	5,482
Cost of sales	6.3.5	(1,864)	(4,265)
Gross margin	6.3.2	841	1,217
Other operating income/(expense)	6.3.4/6.3.5	(302)	(186)
Selling and marketing expenses	6.3.5	(61)	(44)
General and administrative expenses	6.3.5	(196)	(220)
Research and development expenses	6.3.5/6.3.8	(43)	(40)
Operating profit/(loss) (EBIT)	6.3.2	239	726
Financial income	6.3.7	25	31
Financial expenses	6.3.7	(200)	(196)
Net financing costs		(175)	(166)
Share of profit of equity-accounted investees	6.3.31	73	117
Profit/(Loss) before tax		137	678
Income tax expense	6.3.9	(26)	(26)
Profit/(Loss)		110	652
Attributable to shareholders of the parent company		29	575
Attributable to non-controlling interests	6.3.32	81	76
Profit/(Loss)		110	652

Earnings/(loss) per share

	Notes	2015	2014
Weighted average number of shares outstanding	6.3.10	210,851,051	209,242,427
Basic earnings/(loss) per share	6.3.10	US$ 0.14	US$ 2.75
Fully diluted earnings/(loss) per share	6.3.10	US$ 0.14	US$ 2.75

6.2.2 Consolidated Statement of Comprehensive Income

in millions of US$	2015	2014
Profit/(Loss) for the period	110	652
Cash flow hedges	(8)	(256)
Deferred tax on cash flow hedges	(1)	15
Currency translation differences	(18)	(12)
Items that are or may be reclassified to profit or loss	(27)	(254)
Remeasurements of defined benefit liabilities	0	(5)
Deferred tax on remeasurement of defined benefit liabilities	0	-
Items that will never be reclassified to profit or loss	0	(5)
Other comprehensive income for the period, net of tax	(27)	(260)
Total comprehensive income for the period, net of tax	83	392
Of which		
- on controlled entities	33	279
- on equity-accounted entities	50	113
Attributable to shareholders of the parent company	16	351
Attributable to non-controlling interests	67	41
Total comprehensive income for the period, net of tax	83	392

6.2.3 Consolidated Statement of Financial Position

in millions of US$	Notes	31 December 2015	31 December 2014
ASSETS			
Property, plant and equipment	6.3.12	1,686	1,923
Intangible assets	6.3.13	45	34
Investment in associates and joint ventures	6.3.31	460	386
Finance lease receivables	6.3.14	3,020	3,177
Other financial assets	6.3.15	321	402
Deferred tax assets	6.3.16	59	63
Derivative financial instruments	6.3.20	0	1
Total non-current assets		5,591	5,985
Inventories	6.3.17	8	10
Finance lease receivables	6.3.14	164	202
Trade and other receivables	6.3.18	705	978
Income tax receivables		0	4
Construction work-in-progress	6.3.19	4,336	3,424
Derivative financial instruments	6.3.20	21	25
Cash and cash equivalents	6.3.21	515	475
Assets held for sale	6.3.22	-	13
Total current assets		5,749	5,133
TOTAL ASSETS		11,340	11,118
EQUITY AND LIABILITIES			
Issued share capital		58	64
Share premium reserve		1,162	1,160
Retained earnings		1,532	1,482
Other reserves		(255)	(287)
Equity attributable to shareholders of the parent company	6.3.23	2,496	2,419
Non-controlling interests	6.3.32	970	730
Total Equity		3,465	3,149
Loans and borrowings	6.3.24	4,959	4,332
Provisions	6.3.26	131	130
Deferred income	6.3.25	260	251
Deferred tax liabilities	6.3.16	3	11
Derivative financial instruments	6.3.20	167	156
Other non-current liabilities		-	70
Total non-current liabilities		5,521	4,950
Loans and borrowings	6.3.24	763	895
Provisions	6.3.26	410	139
Trade and other payables	6.3.27	992	1,721
Income tax payables		25	60
Bank overdrafts	6.3.21	-	23
Derivative financial instruments	6.3.20	164	181
Total current liabilities		2,354	3,020
TOTAL EQUITY AND LIABILITIES		11,340	11,118

6.2.4 Consolidated Statement of Changes in Equity

in millions of US$	Outstanding number of shares	Issued share capital	Share premium reserve	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
At 1 January 2015	209,695,094	64	1,160	1,482	(287)	2,419	730	3,149
Profit/(Loss) for the period		-	-	29	-	29	81	110
Foreign currency translation		(7)	-	-	(12)	(18)	-	(18)
Remeasurements of defined benefit provisions		-	-	-	0	0	-	0
Cash flow hedges/net investment hedges		-	-	-	5	5	(14)	(9)
Comprehensive income for the period		(7)	-	29	(7)	16	67	83
IFRS 2 Vesting cost of Share based payments		-	-	(28)	28	-	-	-
IFRS 2 Reserve identification[1]		-	-	-	20	20	-	20
Issuance of shares on the share based scheme	1,999,856	1	2	10	(10)	3	-	3
Cash dividend		-	-	-	-	-	(2)	(2)
Transactions with non-controlling interests		-	-	38	-	38	(38)	-
Equity funding[2]		-	-	-	-	-	292	292
Equity repayment[3]		-	-	-	-	-	(78)	(78)
At 31 December 2015	211,694,950	58	1,162	1,532	(255)	2,496	970	3,465

1 the IFRS 2 Share Based Payments granted but still unvested has been reclassified to the Other Reserves to reflect its undistributable nature.
2 mainly equity contribution into SBM Stones S.à.r.l and Alfa Lula Alto S.à r.l, following shareholders resolution.
3 equity repayment from companies Guara Norte S.à r.l., Beta Lula Central S.à r.l. and Tupi Nordeste S.à r.l. following shareholders resolution.

Within the equity, an amount of US$ 553 million (2014: US$ 387 million) should be treated as legal reserve (please refer to 6.4 Statutory Financial Statements).

in millions of US$	Outstanding number of shares	Issued share capital	Share premium reserve	Retained earnings	Other reserves	Attributable to shareholders	Non-controlling interests	Total Equity
At 1 January 2014	208,747,188	72	1,145	894	(72)	2,039	848	2,887
Profit/(Loss) for the period		-	-	575	-	575	76	651
Foreign currency translation		(8)	-	-	(4)	(12)	-	(12)
Remeasurements of defined benefit provisions		-	-	-	(5)	(5)	-	(5)
Cash flow hedges/net investment hedges		-	-	-	(206)	(206)	(35)	(241)
Comprehensive income for the period		(8)	-	575	(216)	351	41	392
Issue of shares		-	-	-	-	-	91	91
IFRS 2 Vesting cost of Share based payments		-	-	24	-	24	-	24
Issuance of shares on the share based scheme	947,906	0	15	(11)	-	4	-	4
Cash dividend		-	-	-	-	-	(2)	(2)
Transactions with non-controlling interests		-	-	-	-	-	-	-
Other movements[1]		-	-	-	-	-	(248)	(248)
At 31 December 2014	209,695,094	64	1,160	1,482	(287)	2,419	730	3,149

1 conversion of equity reserves into shareholders loans in companies Alfa Lula Alto S.à r.l. and Beta Lula Central S.à r.l., following shareholders resolution

6.2.5 Consolidated Cash Flow Statement

in millions of US$	Note	2015	2014
Cash flow from operating activities			
Receipts from customers		2,139	2,272
Payments for finance leases construction		(704)	(2,277)
Payments to suppliers and employees		(1,879)	(1,216)
Settlement Dutch Public Prosecutor's Office		(70)	(100)
Income tax received/(paid)		(24)	(34)
Net cash from operating activities		(538)	(1,356)
Cash flow from investing activities			
Investment in property, plant and equipment		(7)	(59)
Investment in intangible assets		(15)	(6)
Additions to funding loans		(3)	(140)
Redemption of funding loans		126	241
Interest received		9	6
Dividends received from equity-accounted investees		9	13
Net proceeds from disposal of property, plant and equipment		13	296
Other investing activities		3	8
Net cash used in investing activities		135	360
Cash flow from financing activities			
Equity funding from partners		214	91
Additions to borrowings and loans		1,855	2,178
Repayments of borrowings and loans		(1,405)	(878)
Dividends paid to non-controlling interests		(2)	(2)
Interest paid		(210)	(147)
Net cash from financing activities		451	1,242
Net increase/(decrease) in cash and cash equivalents		48	246
Net cash as at 1 January		452	208
Net increase/(decrease) in net cash		48	246
Currency differences		15	(2)
Net cash end of period	6.3.21	515	452

The reconciliation of the net cash as at 31 December with the corresponding amounts in the statement of financial position is as follows:

Reconciliation of net cash as at 31 December

	2015	2014
Cash and cash equivalents	515	475
Bank overdrafts	-	(23)
Net cash	515	452

6.2.6 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 Company serves globally the offshore oil and gas industry by supplying engineered products, vessels and systems, as well as offshore oil and gas production services.

The Company is listed on the Euronext Amsterdam stock exchange.

The consolidated financial statements for the year ended 31 December 2015 comprise the financial statements of SBM Offshore N.V., its subsidiaries and interests in associates and joint ventures (together referred to as 'the Company'). They are presented in millions of US dollars, except when otherwise indicated. Figures may not add up due to rounding.

The consolidated financial statements were authorized for issue by the Supervisory Board on 10 February 2016.

6.2.7 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 2015.

The separate financial statements incuded in section 6.3 are part of the 2015 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.

New standards, amendments and interpretations applicable as of 1 January 2015

The Company has adopted the following new standards with a date of initial application of 1 January 2015:
- IFRIC 21 'Levies';
- Annual improvements 2011-2013 cycle.

IFRIC 21 addresses the accounting for a liability to pay a levy if that liability falls within the scope of IAS 37 'Provisions'. The interpretation addresses the obligating event that gives rise to pay a levy, and when a liability should be recognized. The Company is not currently subject to significant levies. The adoption of the interpretation had no significant effect on the financial statements for earlier periods and on the financial statements for the period ended 31 December 2015.

In addition, the IFRS amendments included in the annual improvements 2011-2013 cycle have a negligible impact on the Company's consolidated financial statements.

Standards and interpretations not mandatory applicable to the group as of 1 January 2015

The following standards and amendments are published by the IASB and endorsed by the European Commission, but not mandatory applicable as of 1 January 2015. Application is permitted by the IASB. The Company has decided not to early adopt them.
- Annual improvements: 2010-2012 cycle;
- IAS 19 Amended 'Defined Benefit Plans: Employee Contributions'.

The Company does not expect significant effects of these new standards and interpretations on the financial statements.

Other new standards and amendments have been published by the IASB but have not been endorsed yet by the European Commission. Early adoption is not possible until European Commission endorsement.

Those which may be relevant to the Company are set out below:

IFRS 15 'Revenue from Contracts with Customers': This standard specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. This standard will be mandatory as of 1 January 2018.

IFRS 9 'Financial Instruments': This Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard will be mandatory as of 1 January 2018.

IFRS 16 'Leases': This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard will be mandatory as of 1 January 2019.

The company is analyzing the impacts and practical consequences of these standards future application.

B. Critical Accounting Policies

Critical accounting policies involving a high degree of judgement or complexity, or areas where assumptions and estimates are material, are disclosed in the paragraphs below.

(a) Use of estimates and judgement

When preparing the financial statements, it is necessary for the Management of the Company to make estimates and certain assumptions that can influence the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and assumptions, due to changes in facts and circumstances. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Estimates:

Significant areas of estimation and uncertainty in applying accounting policies that have the most significant impact on amounts recognized in the financial statements are:

The measurement of revenues and costs at completion, and margin recognition on construction contracts based on the stage of completion method:

Gross margin at completion and revenue at completion are reviewed periodically and regularly throughout the life of the contract. They require to make a large number of estimates, especially of the total expected costs at completion, due to the high complexity of the Company's construction contracts.

judgement is also required for the recognition of variation orders, incentives and claims from clients where negotiations or discussions, are at a sufficiently advanced stage.

The gross margin at completion reflects at each reporting period, the management's current best estimate of the probable future benefits and obligations associated with the contract.
Provisions for anticipated losses are made in full in the period in which they become known.

The impairment of property, plant and equipment and intangible assets:
Some assumptions and estimates used in the discounted cash flow model and the adjusted present value model to determine the value in use of assets or group of assets are subject to uncertainty. There is a possibility that changes in circumstances or in market conditions could impact the recoverable amount of the asset or group of assets.

The anticipated useful life of the leased facilities:
Management uses its experience to estimate the remaining useful life of an asset. The actual useful life of an asset may be impacted by an unexpected event that may result in an adjustment to the carrying amount of the asset.

The Company's taxation:
The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes 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.

The Company's exposure to litigation with third parties and non-compliance:
The Company identifies and provide analysis on a regular basis, of current litigations and measures, when necessary, provisions on the basis of its best estimate of the expenditure required to settle the obligation, taking into account information available and different possible outcomes at the reporting period.

The timing and estimated cost of demobilisation:
The estimated future costs of demobilization are reviewed on a regular basis and adjusted when appropriate. Nevertheless, considering the long term expiry date of the obligation, these costs are subject to uncertainty. Indeed, cost estimates can vary in response to many factors, including for example new demobilization techniques, the own Company's experience on demobilization operations, future changes in laws and regulations, and timing of demobilization operation.

Estimates and assumptions made in determining these obligations, can therefore lead to significant adjustments to the future financial results. Nevertheless, the cost of demobilization obligations at the reporting date represent managements' best estimate of the present value of the future costs required.

Judgements:
In addition to the above estimates, the Management exercises the following judgement:

Lease classification:
When the Company enters into a new lease arrangement, the terms and conditions of the contract are analyzed in order to assess whether the Company retains or not the significant risks and rewards of ownership of the asset subject of the lease contract. In applying the criteria provided by IAS 17 'Leases', the Company can make significant judgement to determine whether the arrangement results in a finance lease or an

operating lease. This judgement can have a significant effect on the amounts recognized in the consolidated financial statements.

(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. Under an operating lease, the asset is included in the statement of financial position as property, plant and equipment. Lease income is recognized 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 recognized as a financial asset. Under a finance lease, the difference between the gross receivable and the present value of the receivable is recognized as revenue. Lease income is, as of the commencement date of the lease contract, recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. During the construction phase of the facility, the contract is treated as a construction contract, whereby the percentage of completion method is applied.

(c) Impairment of non-financial assets

Under certain circumstances, impairment tests must be performed. Assets that have an indefinite useful life, for example goodwill, are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's or cash-generating-unit's (CGU's) fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and risks specific to the asset. The Company bases its future cash flows on detailed budgets and forecasts.

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.

(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') may be impaired at the end of each reporting date. An impairment exists if one or more events (a 'loss event') that have occurred after the initial recognition of the asset, 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 impairment 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 yet been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced by the impairment which is recognized 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 recognized, the reversal of the previously recognized impairment loss is recognized in the income statement.

Impairment on trade and other receivables is described later in Section 6.2.7. C. 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 in accordance with IAS 11 'Construction contracts'. Revenue and gross margin are recognized at each period based upon the advancement of the work-in-progress, using the percentage of completion. The percentage of completion is calculated based on the ratio of costs incurred to date to total estimated costs. Margin is recognized only when the visibility of the riskiest stages of the contract is deemed sufficient and when estimates of costs and revenues are considered to be reliable.

Complex projects that present a high risk profile due to technical novelty, complexity or pricing arrangements agreed with the client are subject to independent project reviews at advanced degrees of completion in engineering prior to recognition of margin, typically around 25% complete. An internal project review is an internal but independent review of the status of a project based upon an assessment of a range of project management and company topics. Until this point, no margin is recognized, with revenue recognized 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 recognized 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 facility 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 recognized 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 by project.

(g) Demobilisation obligations

The demobilization obligations of the Company are either stated in the lease contract or derive from the international conventions and the specific legislation applied in the countries where the company builds assets. Demobilization costs will be incurred by the Company at the end of the operating life of the Company's facilities.

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 demobilization. As the remaining duration of each lease reduces, and the discounting effect on the provision unwinds, accrued interest is recognized as part of financial expenses and added to the provision. The subsequent updates of the measurement of the demobilization costs are recognized both impacting the provision and the asset. In some cases, when contract expects a demobilization bareboat fee that the Company invoices to the client during the demobilization phase, a receivable is recognized at the beginning of the loan phase for the discounted value of the fee.

For finance leases, demobilization obligations are analysed as a component of the sale recognized under IAS 17 'Leases'. Therefore, because of the fact that demobilization operation is performed at a later stage, the related revenue is deferred until demobilization operations occur. The subsequent updates of the measurement of the demobilization costs are recognized immediately through deferred revenue, for the present value of the change.

C. Significant Accounting Policies

The consolidated financial statements of the Company have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

(a) Distinction between current and non current assets and liabilities

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.

(b) Consolidation

The Company's consolidated financial statements include the financial statements of all controlled subsidiaries.

In determining under IFRS 10 whether the Company has power over the investee, exposure or rights to variable returns from its involvement, it is assessed that, for entities whereby all key decisions are taken on a mutual consent basis, the main deciding feature resides in the deadlock clause existing in shareholders' agreements. In case of a deadlock situation arises at the Board of Directors of an entity, whereby the Board is unable to force a decision, the deadlock clause of the shareholders' agreements generally stipulate whether a substantive right is granted to the Company or to all the partners in the entity to buy or offer its shares through a compensation mechanism that is fair enough for the Company or one of the partner to acquire these shares. In case such a substantive right is granted to the Company, the entity will be defined under IFRS 10 as controlled by the Company. In case no such substantive right is granted through the deadlock clause to the Company, the entity will be defined as a joint arrangement.

Subsidiaries:
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated using the full consolidation method.

All reciprocal transactions between two controlled subsidiaries, with no profit or loss impact at consolidation level, are fully eliminated for the preparation of the consolidated financial statements.

Interests in joint ventures:
The group has applied IFRS 11 'Joint arrangement' to all joint arrangements. Under IFRS 11 investment in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. In determining under IFRS11 the classification of a 'Joint arrangement', the Company assessed that all 'Joint arrangements' were structured through private limited liability companies incorporated in various juridictions. As a result, assets and liabilities held in these separate vehicles were those of the separate vehicles and not those of the shareholders of these limited liability companies. Shareholders had therefore no direct rights to the assets, nor primary obligations for liabilities of these vehicles. The group has considered the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Investments in associates:
Associates are all entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. Investments in associates are accounted for under the equity method.

When losses of an equity-accounted entity are greater than the value of the Company's net investment in that entity, these losses are not recognized unless the Company has a constructive obligation to fund the entity. The share of the negative net equity of these is first accounted for against the loans held by the owner towards the equity-accounted company. Any excess is accounted for under provisions.

Reciprocal transactions carried out between a subsidiary and an equity-accounted entity, are not eliminated for the preparation of the consolidated financial statements. Only transactions leading to an internal profit (like for dividends or internal margin on asset sale) are eliminated applying the percentage owned in the equity-accounted entity.

The financial statements of the subsidiaries, associates and joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

(c) Non-derivatives financial assets

The Company classifies its financial assets into finance lease receivables, corporate debt securities and loans to joint ventures and associates. Trade and other receivables, even when they are financial assets according to IFRS definitions, are considered separately.

Finance leases are non-derivative financial assets with fixed or determined payments that are not quoted in an active market.

Corporate securities relates to:

- Fixed-rate bonds, issued by internationally known companies, quoted in liquid markets with fixed maturities, have bullet repayments at maturity and investment grade ratings at issuance. These instruments are classified as 'held-to-maturity' as the Company has the ability and intention to hold to maturity. Assuming the criteria was not met, they would be classified as available-for-sale. They are measured at fair value less transaction costs at initial recognition and subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value, is recognized in the consolidated income statement over the period of the borrowings, using the effective interest method.
- Other investments, such as equity shares, initially measured at fair value less transaction costs and subsequently measured at fair value through Other Comprehensive Income, as they are classified in the available-for sale category.

Loans to joint ventures and associates relate primarily to interest-bearing loans to joint ventures. These financial assets are initially measured at fair value less transaction costs (if any) and subsequently measured at amortized cost.

Corporate securities and loans to joint ventures and associates are recognized on settlement date being the date on which cash is paid or received.

A financial asset or a group of financial assets is considered to be impaired only if objective evidence indicates that one or more events ('loss events'), happening after its initial recognition, have an effect on the estimated future cashflows of that asset. For loans to joint ventures and subsidiaries, as the company has visibility over the expected cash inflows and outflows of the counterparty (joint venture), impairment occurs as soon as there is evidence that the asset will not be duly repaid.

(d) Borrowings (bank and other loans)

Borrowings are recognized on settlement date being the date on which cash is paid or received. They are initially recognized at fair value, net of transaction costs incurred (transaction price), subsequently measured at amortized 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.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as are capitalized into the cost of the asset in the period in which they are incurred. Otherwise, borrowing costs are recognized as an expense in the period in which they are incurred.

(e) Operating 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 for which distinct financial information is available

The Management Board, as chief operating decision maker, monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on Revenue, Gross Margin and EBIT.

The Group has two reportable segments:

- 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 recognized 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, Kuala Lumpur and Rio regional 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

No operating segments have been aggregated to form the above reportable operating segments.

The Company's corporate overhead functions do not consitute an operating segment as defined by IFRS 8 'Operating segments' and are reported under the 'Other' section in Note 6.3.2 'Operating segments'.

Operating segments are measured under Directional Reporting accounting policies, the main principles of which are the following:

- all lease contracts are classified and accounted for as if they were operating lease contracts. Some Lease and Operate contracts may provide for defined invoicing ('upfront payments') to the client occurring during the construction phase or at first-oil (beginning of the lease phase), to cover specific construction work and/or services performed during the construction phase. These 'upfront payments' are recognized as revenues and the costs associated to the construction work and/or services are recognized as 'Cost of sales' with no margin during the construction. As a consequence, these costs are not capitalized in the gross value of the assets under construction at joint venture level.
- all joint ventures related to lease and operate contracts are accounted for at Company's share using the proportionate consolidation method (where all lines of the income statement are accounted for using the Company's percentage of ownership).
- all other accounting principles remained unchanged compared to applicable IFRS standards.

The above differences to the consolidated financial statements under IFRS are pointed out in the reconciliations provided in Note 6.3.2 'Operating segments' on the revenue, the EBIT and other significant items, as required by IFRS 8 'Operating segments'.

(f) Foreign currency transactions and derivative 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. At the closing date, non-monetary assets and liabilities stated in foreign currency remain translated into the functional currency using the exchange rate at the date of the transaction.

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 borrowings of such investments, are taken to Company equity.

Derivative financial instruments held by the Company are aimed at hedging risks associated with market risk 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 at reducing risks incurred by variations in the value of future cash flows that may impact net income. A net investment hedge aims at reducing 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
- 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 realized 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 as cash flow or net investment hedge relationships are recognized 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 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
- 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 long as possible. Fair values are categorized 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 Note 6.3.29 'Financial Instruments – Fair values and risk management'.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(h) Provisions

Provisions are recognized 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
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation

- 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

Demobilization provisions relate to estimated costs for demobilization of leased facilities at the end of the respective lease period or operating life.

Warranties provisions relate to the Company's obligations to replace or repair defective items that become apparent within an agreed period starting from final acceptance of the delivered system. Such warranties are provided to customers on most turnkey sales. These provisions are estimated on a statistical basis regarding the Company's past experience or on an individual basis in the case of any warranty claim already identified. This provision is classified as current by nature as it coincides with the production cycle of the Company.

(i) 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 recognized 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 demobilization of the asset net of reimbursement expected to be received by the client. 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 Thunder Hawk 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 Thunder Hawk facility is calculated based on its future anticipated economic benefits. This results in a depreciation charge partly based on the unit of production method and, for the other part, based on the straight-line method.

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.

(j) 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 amortized on a straight-line basis over their useful life, generally over fifteen years.

Research costs are expensed when incurred. In compliance with IAS 38, development costs are capitalized 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 commercialize products resulting from the project
- 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

When capitalized, development costs are carried at cost less any accumulated amortization. Amortization begins when the project is complete and available for use. It is amortized over the period of expected future benefit, which is generally between three and five years.

(k) Assets (or disposal groups) held for sale

The Company classifies assets or disposal groups as being held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This classification is performed 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
- 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.

When an asset or disposal group previously classified as assets held for sale, is sold and lease back, the lease back transaction is analyzed regarding IAS 17 "Leases". For a sale and leaseback transaction that results in a finance lease, any excess of proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, the profit or loss is recognized immediately.

(l) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in first-out method. Net realizable 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.

(m) Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment. 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 derecognized when they are determined to be uncollectible.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method. Interest income, together with gains and losses when the receivables are derecognized or impaired, is recognized in the income statement.

(n) 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.

(o) 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.

(p) Income tax

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

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.

(q) Deferred income tax

Deferred income tax is recognized 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 realized or the deferred tax liability is settled.

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

(r) 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 recognized as an expense in the income statement as incurred

The liability recognized 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 unrecognized 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.

The expense recognized under the EBIT comprises the current service cost and the effects of any change, reduction or winding up of the plan. The accretion impact on actuarial debt and interest income on plan assets are recognized under the net financing cost.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in comprehensive income.

Share-based payments: within the Company there are three types of share based payment plans that qualify as equity settled:

- Restricted Share Unit (RSU) / Performance Share Unit (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.

6.3 Notes to the Consolidated Financial Statements

6.3.1 Highlights

Partial divestment agreement of FPSO Turritella

On 30 June 2015, the Company entered into an agreement with Mitsubishi Corporation and Nippon Yusen Kabushiki Kaisha for the disposal of 45% of the Company's share in companies incorporated for the purpose of owning and operating FPSO Turritella at the shares nominal value. After the completion of this transaction, the Company has kept the control of its subsidiaries under IFRS 10 'Consolidated financial statements' and the transaction has been therefore accounted for as an equity transaction. As a result, the equity attributable to the shareholders of the parent company has increased by US$ 38 million, and no gain or loss has been recognized in the Consolidated Income Statement prepared in accordance with IFRS standards.

In the operating segments disclosure, the Company has recognized under Directional Reporting accounting principles, the share of construction revenues and gross margin made from the new partners in the company owning FPSO Turritella (Stones Sarl), which was eliminated in consolidation prior to the completion of the divestment.

FSO Yetagun (Myanmar)

In May 2015, the client extended its lease contract of the Yetagun FSO by 3 years, ending May 2018. This extension has been classified as financial lease according to IAS17, triggering a gross margin impact of US $ 16 million on the period in accordance with IFRS standards. In the operating segments disclosure, this extension remains classified as operating lease under Directional Reporting accounting principles, triggering a linear recognition of related revenues and gross margin during the extended lease period.

Review of fleet residual value

The residual values of operating and finance leased assets are reviewed and adjusted, if appropriate at each statement of financial position reporting date. The Company measures the residual value of FPSOs, platforms and other floating facilities as the scrapping values of the assets (based on steel price multiplied by the Light Diplacement Tonne of the facility) after deducting the estimated cost of disposal. The significant decrease of the market steel price at the end of 2015 lead the Company to reduce the residual value of the fleet, resulting in a non-cash impairment of US$ 31 million accountied for in the Consolidated Income Statement prepared in accordance with IFRS standards and an impairment of US$ 13 million in the operating segment disclosures, under Directional reporting accounting principles.

Restructuring

As a result of an on-going review of the cost structure and continued market downturn, the Company has reduced its workforce by approximately 2,000 positions worldwide over the periods of 2014 and 2015. Restructuring costs, accounted for as 'Other operating expense' over the period, represent US$ 55 million, of which US$ 46 million relate to Monaco based employees. The restructuring liabilities represent US$ 8 million as of 31 December 2015 for the Company.

Provision for settlement in Brazil

On 17 March 2015, the Company announced the signing of a Memorandum of Understanding (MoU) with the Brazilian Comptroller General's Office (Controladoria-Geral da União – 'CGU') and the Attorney General's Office (Advocacia-Geral da União – 'AGU'), and explained that this MoU set a framework between the Company, the CGU and the AGU for discussions on a potential mutually acceptable settlement and for the disclosure by SBM Offshore of information relevant to the CGU's investigations.

Whilst these discussions, which now also include the Public Prosecutor's Office (Ministério Público Federal – 'MPF') and Petrobras, are presently still ongoing, it has become sufficiently clear that a resolution of the issues will have a financial component. Consequently, based on information currently available to it, the Company has recorded a non-recurring provision of US$ 245 million in the year-end financial results of 2015.

Although no assurance can be given that a settlement will actually be reached, or for what amount, and until the matter is concluded, the Company has considered it more likely than not that an outflow of resources embodying economic benefit of US$ 245 million will be required to settle the Company's obligation in Brazil within the foreseeable future.

Release of accruals for sales consultancy fees

Although all payments to sales consultants were suspended from February 2012 onwards, the Company continued to accrue over the period 2012 to 2014 for potential liabilities under contracts with those sales consultants that were under internal investigation. Most of these accruals relate to Equatorial Guinea, Angola and Brazil. In 2014, the Company reviewed the contractual situation of these sales consultants in light of the findings of its own internal investigation and those from the Dutch Public Prosecutor ('OM'). In 2015, the Company took the necessary steps to terminate the consultancy contracts relating to Equatorial Guinea and Angola. More recently, it reviewed the contractual situation in relation to its former main consultant in Brazil in light of the developments in Brazil in relation to that consultant, including the recent criminal charges filed by the Brazilian Public Prosecutor's Office (*Ministério Público Federal* – 'MPF') against that consultant.

Based on the various reviews referenced above, the Company has come to the conclusion that there is sufficient evidence to conclude that the consultants that represented the Group in Equatorial Guinea and Angola in the period 2007-2011 and the main consultant that represented the Group in Brazil in that period acted in breach of applicable laws, and thus, in contravention of their obligations. As a result, the Company concluded that it is no more a liability to these sales consultants. In 2015, the amount of US$ 51.8 million was accordingly released to the gross margin of the Turnkey segment and US$ 36.7 million was released to the Gross margin of the Lease and Operate segment.

6.3.2 Operating Segments

The Company's reportable operating segments as defined by IFRS 8 'Operating segments' are:
- Lease and Operate;
- Turnkey.

The operating segments are measured under Directional Reporting accounting principles, as described under Section 6.2.7.C.(e) 'Significant accounting policies' of the consolidated financial statements as of and for the year ended 31 December 2015.

2015 operating segments

Period ending 31 December 2015	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	1,105	1,512	2,618	-	2,618
Gross margin	342	447	789	-	789
Other operating income/expense	(5)	(34)	(38)	(260)	(298)
Selling and marketing expense	(5)	(56)	(61)	0	(60)
General and administrative expense	(18)	(83)	(101)	(95)	(196)
Research and development expense	-	(43)	(43)	0	(43)
Operating profit/(loss) (EBIT)	315	231	545	(354)	191
Net financing costs					(137)
Share of profit of equity-accounted investees					(8)
Income tax expense					(22)
Profit/(Loss)					24
Operating profit/(loss) (EBIT)	315	231	545	(354)	191
Depreciation, amortisation and impairment	352	8	360	10	370
EBITDA	667	239	906	(345)	561
Other segment information :					
Impairment charge/(reversal)	13	2	15	-	15

Reconciliation of 2015 operating segments

Period ending 31 December 2015	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of business segment that does not meet the definition of an operating segment	Total Consolidated IFRS
Revenue					
Lease and Operate	1,105	65	(151)	-	1,020
Turnkey	1,512	(9)	181	-	1,685
Total revenue	2,618	57	31	-	2,705
Gross margin					
Lease and Operate	342	54	30	-	426
Turnkey	447	(21)	(11)	-	414
Total gross margin	789	33	18	-	841
EBIT					
Lease and Operate	315	51	30	-	395
Turnkey	231	(21)	(11)	-	198
Other	-	0	-	(354)	(354)
Total EBIT	545	29	18	(354)	239
EBITDA					
Lease and Operate	667	76	(151)	-	592
Turnkey	239	(22)	(2)	-	215
Other	-	-	-	(345)	(345)
Total EBITDA	906	53	(152)	(345)	462

2014 operating segments

Period ending 31 December 2014	Lease and Operate	Turnkey	Reported segments	Other	Total Directional reporting
Third party revenue	1,059	2,487	3,545	-	3,545
Gross margin	304	390	694	-	694
Other operating income/expense	0	(2)	(2)	(184)	(186)
Selling and marketing expense	(3)	(43)	(46)	0	(46)
General and administrative expense	(25)	(111)	(136)	(85)	(221)
Research and development expense	(2)	(38)	(40)		(40)
Operating profit/(loss) (EBIT)	274	195	469	(268)	201
Net financing costs					(127)
Share of profit of equity-accounted investees					13
Income tax expense					(3)
Profit/(Loss)					84
Operating profit/(loss) (EBIT)	274	195	469	(268)	201
Depreciation, amortisation and impairment	261	15	275	9	284
EBITDA	535	210	745	(259)	486
Other segment information :					
Impairment charge/(reversal)	(17)	-	(17)	-	(17)

Reconciliation of 2014 operating segments

Period ending 31 December 2014	Reported segments under Directional reporting	Impact of consolidation methods	Impact of lease accounting treatment	Impact of business segment that does not meet the definition of an operating segment	Total Consolidated IFRS
Revenue					
Lease and Operate	1,059	34	(82)	-	1,011
Turnkey	2,487	(164)	2,148	-	4,471
Total revenue	3,545	(130)	2,067	-	5,482
Gross margin					
Lease and Operate	304	39	35	-	378
Turnkey	390	(42)	491	-	838
Total gross margin	694	(3)	526	-	1,217
EBIT					
Lease and Operate	274	38	35	-	347
Turnkey	195	(39)	491	-	647
Other	-	-	-	(268)	(268)
Total EBIT	469	(1)	527	(268)	726
EBITDA					
Lease and Operate	535	65	(79)	-	522
Turnkey	210	(38)	491	-	662
Other	-	-	-	(259)	(259)
Total EBITDA	745	27	412	(259)	925

6.3.3 Geographical Information and Reliance on Major Customers

Geographical information

The classification by country is determined by the final destination of the product for both revenues and non-current assets.

The revenue by country is analyzed as follows:

Geographical information (revenue by country)

	2015	2014
Brazil	1,491	3,130
USA	360	847
Australia	233	479
Angola	187	467
Canada	141	136
Equatorial Guinea	110	136
Myanmar	41	23
United Kingdom	32	98
Nigeria	15	13
Malaysia	12	25
Other	83	127
Total revenue	2,705	5,482

The non-current assets by country are analyzed as follows:

Geographical information (non-current assets by country)

	2015	2014
Brazil	3,714	3,895
Angola	454	457
Canada	446	511
Equatorial Guinea	308	399
USA	245	258
Malaysia	207	253
Netherlands	11	10
Norway	-	11
Other	207	191
Total non-current assets	5,591	5,985

Reliance on major customers

Two customers represent more than 10% of the consolidated revenue. Total revenue from these major customers amounts to US$ 1,794 million (2014 : US$ 3,909 million).

6.3.4 Other Operating Income and Expense

	2015	2014
Gains from sale of financial participations, property, plant and equipment	-	61
Other operating income	1	1
Total other operating income	1	62
Settlement expenses	(245)	(240)
Restructuring expenses	(55)	(8)
Other operating expense	(3)	0
Total other operating expense	(303)	(248)
Total	(302)	(186)

In 2015, the other operating expenses mainly include:

- The US$ 245 million for non-recurring provision for settlement in Brazil (Please refer to note 6.3.1 Highlights)
- The net restructuring costs following the workforce reduction plan launched since the end of the year 2014

In 2014, the gains from disposal of items of property, plant and equipment included the sale of the third and last Monaco office building for US$ 58 million and the DSCV SBM Installer for US$ 4 million. The other operating expense included the US$ 240 million charge related to the settlement of investigation with the Dutch Public Prosecutor's Office and the cost of restructuring plan already initiated in 2014 for US$ 8 million.

6.3.5 Expenses by Nature

Year-on-year, expenses on construction contracts sharply decreased as a result from the market slowdown and the lower activity on the Company's finance lease project under construction, which are nearing completion FPSOs Cidade de Maricá, Cidade de Saquarema and Turritella.

The table below sets out expenses by nature for all items included in EBIT for the years 2015 and 2014:

Information on the nature of expenses

	Note	2015	2014
Expenses on construction contracts		(733)	(2,960)
Employee benefit expenses	6.3.6	(704)	(861)
Depreciation, amortisation and impairment		(223)	(199)
Selling expenses		(37)	(22)
Other costs		(770)	(773)
Total expenses		(2,467)	(4,815)

Employee benefit expenses came down during the period following the workforce reduction which ranged 2,000 positions over the period 2014 to 2015, including 700 positions on subsidiaries consolidated using the full consolidation method and 1300 positions on joint ventures and associates accounted for using the equity method.

The line 'Other costs' includes US$ 245 million for non-recurring provision for settlement in Brazil and US$ 89 million release of accruals for sales consultancy fees (please refer to 6.3.1).

In 2014, the line 'Other costs' includes the US$ 240 million settlement cost with the Dutch Public Prosecutor's Office.

6.3.6 Employee Benefit Expenses

Information with respect to employee benefits expenses are detailed as follows:

Employee benefit expenses

	Note	2015	2014
Wages and salaries		(428)	(506)
Social security costs		(53)	(67)
Contributions to defined contribution plans		(32)	(42)
(Increase)/decrease in liability for defined benefit plans		(3)	(2)
(Increase)/decrease in liability for other long term benefits		1	2
Share-based payment cost		-	(24)
Other employee benefits		(189)	(223)
Total employee benefits	6.3.5	(704)	(861)

Employee benefit expenses came down during the period following the workforce reduction which ranged 600 positions over the period 2014 to 2015.

Other employee benefits include, for the most part, expenses related to contractor's staff, not on the Company's payroll, training and travel costs.

Defined contribution Plan

The contributions to defined contribution plans includes the Company participation in the *Merchant Navy Officers Pension Fund* (MNOPF). The MNOPF is a defined benefit multi-employer plan which is closed to new members. The fund is managed by a corporate Trustee, MNOPF Trustees Limited, and provides defined benefits for nearly 27.000 Merchant Navy Officers and their dependents out of which approximately 100 SBM Offshore former employees.

The Trustee apportions its funding deficit between Participating Employers, based on the portions of the Fund's liabilities which were originally accrued by members in service with each employer. When the Trustee determined that contributions are unlikely to be recovered from a Participating Employer, it can re-apportion the deficit contributions to other Participating Employers.

Entities participating in the MNOPF are exposed to the actuarial risk associated with the current and former employees of other entities through exposure to their share of the deficit those other entities default. As there is only a notional allocation of assets and liabilities to any employer, the Company is accounting for the MNOPF in its financial statements as if it were a defined contribution scheme. A contribution in respect of the section 75 debt certified as at 28 February 2014 of GBP 2,366,650 is due in 2016. Other than this, there are no further contributions agreed at present.

Defined benefit plans and other long term benefits

The employee benefits provisions recognized in accordance with accounting principles, relate to:

	Note	2015	2014
Pension plan		12	12
Lump sums on retirement		6	8
Defined benefit plans		18	20
Long-service awards		11	12
Other long term benefits		11	12
Employee benefits provisions	6.3.26	29	32

The defined benefit plan provision is partially funded as follows:

Benefit asset/liability included in the statement of financial position

	2015			2014		
	Pension plans	Lump sums on retirement	Total	Pension plans	Lump sums on retirement	Total
Defined benefit obligation	59	6	66	65	8	73
Fair value of plan assets	(48)	-	(48)	(53)	-	(53)
Benefit (asset)/liability	12	6	18	12	8	20

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

Main assumptions used in determining employee benefit obligations

in %	2015	2014
Discount rate	0.75 - 2.08	1.00 - 1.80
Inflation rate	2.00	2.00
Expected rate of return on assets	1.00	2.00
Future salary increases	3.00	3.00
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 following table summarizes the components of net benefit expense recognized in the consolidated income statement regarding the defined benefits provisions.

Net benefit expense recognised within employee benefits

	2015	2014
Current service cost	2	2
Interest cost on benefit obligation	1	2
Expected return on plan assets	0	(1)
Other	-	0
Net benefit expense	3	2

Changes in the present value of the defined benefit obligations and the plan assets are as follows:

Changes in the defined benefit obligation

	2015	2014
Opening defined benefit obligation	73	76
Current service cost	2	2
Interest cost	1	2
Benefits paid	(3)	(4)
Actuarial (gains)/losses	2	6
Other movements	(2)	0
Exchange differences on foreign plans	(8)	(9)
Closing defined benefit obligation at 31 December	66	73

Changes in the fair value of plan assets

	2015	2014
Opening fair value of plan assets	(53)	(60)
Expected return	-	(1)
Contributions by employer	0	0
Contribution by employee	0	0
Benefits paid	3	3
Actuarial (gains)/losses arising from experience adjustment	(2)	(1)
Other movements	0	0
Exchange differences on foreign plans	5	7
Closing fair value of plan assets at 31 December	(48)	(53)

The actual return on plan assets is US$ 2.9 million (2014 : US$ 2 million).

The breakdown of plan assets by type of investments is as follows:

Breakdown of plan asset by type of investment

in %	2015	2014
Cash	7	7
Real estate	5	5
Alternative investments	15	4
Equities	25	29
Bonds	48	55
	100	100

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 on the defined benedit obligation due to a change in the discount rate

in % of the year-end defined benefit obligation	Pension plans	Lump sums on retirement
+0.5% movement	(7.0)	(8.0)
-0.5% movement	8.0	9.0

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$ 19 million (2014: US$ 20 million). Details on KPI's can be found in section 4.4.2 of the Annual Report.

The performance-related part of the remuneration, comprising both STI and LTI components, equals 59% (2014: 65%). The remuneration (including the Management Board's remuneration which is euro denominated), was affected by the strengthening US$ in 2015 (16.5% lower average rate as in 2014).

The total remuneration and associated costs of the Managing Directors and other key management personnel (non-statutory directors and management of the main subsidiaries) is specified as follows:

2015 remuneration key management personnel (on accrual basis)

in thousands of US$	Base salary	STI[1]	Other[2]	Pensions[3]	Sharebased compensation[4]	Total remuneration[5]
Bruno Chabas						
2015	888	1,664	455	247	1,791	5,045
2014	1,063	2,126	189	304	2,786	6,468
Peter van Rossum						
2015	579[6]	888	260	145	744	2,616
2014	654	981	257	164	1,446	3,501
Sietze Hepkema						
2015 (till 15/4)	191	264	8	38	1,008	1,509
2014	784	1,176	156	157	1,774	4,047
Philippe Barril						
2015 (from 1/3)	509	738	398[7]	127	358	2,130
2014						-
Erik Lagendijk						
2015	454	638	17	113	200	1,422
2014						-
Other key personnel						
2015	2,370	1,381	907	111	1,631	6,400
2014	2,426	1,399	881	65	1,739	6,510
Total 2015	4,991	5,573	2,045	781	5,732	19,122
Total 2014	4,926	5,682	1,483	689	7,744	20,525

1 this represents the actual STI approved by the Supervisory Board, which has been accrued over the calendar year, payment of which will be made in the following year.

2 consisting of social charges, lease car expenses, and other allowances, a.o. in connection with the headquarter move, such as housing allowance, settling-in allowance.

3 representing company contributions to Board member pensions; in the absence of a qualifying pension scheme such contribution is paid gross, withholding wage tax at source borne by the individuals.

4 this amount represents the period allocation to the calendar year of vesting costs of all unvested share-based incentives (notably 'LTI' - Long Term Incentive -, matching 'STI' -Short Term Incentive - shares and share part of sign-on bonus COO), in accordance with IFRS2 rules.

5 for the Management Board this represents the actual STI approved by the Supervisory Board, which has been accrued over the calendar year, payment of which will be made in the following year (for other key personnel this represents STI paid in the year).

6 salary increase from 1 July 2015.

7 including cash part of the sign-on bonus (as per Agenda item 11 to AGM of 15 April 2015).

The table above represents the total remuneration in US$, being the reporting currency of the Company. For underlying total remuneration in € (currency of payment), reference is made to Remuneration Report (section 4.4 of the Annual Report).

Short term Incentive Program Management Board

The Short Term Incentive program includes three sets of Performance Indicators as noted below.

- Company performance, which determines 50% to 75% of any potential reward;
- The individual performance of the Management Board member, which determines the remaining 25% to 50%; and
- A Corporate Social Responsibiliy & Quality Multiplier consisting of safety and quality performance measures and the Dow Jones Sustainability Index score. This factor can cause a 10% uplift or reduction of the total Short Term Incentive. However, in case 100% of the company and personal indicators have been realized, the multiplier will not provide an additional uplift.

For 2015, the Supervisory Board concluded that the Management Board members performed well above Target for their individual performance indicators as set for 2015. The Company's performance indicator against the net debt indicator was in between Target and Maximum. The personal and the company performance together resulted in performance of 171% of salary for the CEO and between 128-132% for the other Management Board members. As for the safety/quality/sustainability multiplier, the Supervisory Board assessed that the performance indicators were met at maximum, resulting in an additional 10% uplift in the Short Term Incentive pay-out. The total performance under the STI resulted in 188% for the CEO and 140-145% for the other Management Board members.

Performance Shares Management Board

Under the Remuneration Policy 2011, the LTI for the members of the former Board of Management and current Management Board consists of shares which are subject to performance conditions. Performance indicators are EPS growth, and relative Total Shareholder Return (TSR); under the amended Remuneration Policy (RP 2011 aa) a special incentive based on the achievement of specific pre-defined objectives as determined by the Supervisory Board was added, within the absolute maximum award level. Performance shares vest three years after the provisional award date, and must be retained for two years from the vesting date.

For the performance period 2013-2015, both EPS and TSR performance indicators came in at maximum, resulting in the total LTI vesting at the maximum.

From 2015 onwards, the number of conditional performance shares awarded is based upon the principles of the Share Pool, introduced in the Remuneration Policy 2015, and adopted by the AGM in 2014. The conditional awards in 2015, assuming "At target" performance, were 83,878 shares for the CEO, and 55,919 for each of the other Managing Directors.

The main assumptions included in the calculation for the LTI 2015 award are:

2015 awards – Fair values

	2015
PSU - TSR - CEO	€ 14.78
PSU - TSR - other MB	€ 11.31
PSU - EPS	€ 11.51

The parameters underlying the 2015 PSU fair values are: a share price at the grant date of € 11.51 (14 April 2015), volatility of 39%, risk free interest rate 0.0% (negative Dutch governance bond rate) and a dividend yield of 0.0%.

Performance Share Unit (PSU) and Restricted Share Unit (RSU) plans

These plans were introduced in 2009, approved by the Supervisory Board and implemented, replacing the previous Share Option Plan for senior employees. Since 2011, only RSU has been awarded. Under these plans, shares in the Company are awarded annually to eligible employees. The number of shares granted under the regular RSU plan in 2015 is 977,500 (2014: 1,100.720). Furthermore, in 2015 special RSU shares were granted in the context of the headquarter move to Amsterdam (105,000) and for skills retention purposes (233,000). A further 50,000 RSUs were granted to Mr. Ph. Barril as a sign-on premium.

The annual award is based on individual performance. The RSU plans have no performance condition, only a service condition, and will vest as follows:

- regular RSU: over a three year period, with 1/3 vesting on each anniversary date of the original grant date;
- additional RSU: at the end of three year continuing service. Upon vesting these shares are subject to a further two year lock-up period.
- relocation and skills retention: at the end of two year continuing service;
- sign-on RSU awarded in 2015: at the end of three year continuing service.

Main assumptions included in the calculation for the PSU and RSU plans are:

2015 awards – Fair values

	2015
Regular, relocation and skills retention RSU (Share price as at 1 July 2015)	€ 10.71
Sign-on RSU Mr. Barril (share price as at 1 March 2015)	€ 10.50

RSU is valued at a share price at grant date, applying the Black & Scholes model. For Regular, relocation and skills retention RSU an average annual forfeiture of 2.5% is taken in account.

Matching Shares

Under the STI plans for the Management Board, management and senior staff of Group companies, 20% of the STI is or can be paid in shares. For Management Board members, this share based element is compulsory (from 2015 onwards the STI plan is 100% cash settled, and matching shares will no longer apply) 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 Management Board and 95% for other senior staff.

Main assumptions included in the calculation for the matching shares are:

2015 awards - Fair values

	2015
STI matching shares	€ 9.76

Total Share-Based Payment Costs

The amounts recognized in EBIT for all share-based payment transactions are summarized as follows, taking into account both the provisional awards for the current year and the additional awards related to prior years, as well as true-up (in thousands of US$):

2015	Performance shares and RSU/PSU	Matching shares	Total
Instruments granted	13,864	1,613	15,477
Performance conditions	3,572	545	4,117
Total expenses 2015	17,436	2,158	19,594

2014	Performance shares and RSU/PSU	Matching shares	Total
Instruments granted	15,667	1,404	17,071
Performance conditions	6,170	393	6,563
Total expenses 2014	21,837	1,797	23,634

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$ 822,000 (2014: US$ 776,000) and can be specified as follows:

	2015			2014		
in thousands of US$	Basic remuneration	Committees	Total	Basic remuneration	Committees	Total
F.J.G.M. Cremers - Chairman (from 15 April 2015)	120	17	137	106	13	119
T.M.E. Ehret - Vice-chairman (from 15 April 2015)	87	11	98	100	13	113
L.A. Armstrong	83	15	98	50	5	55
F.G.H. Deckers	83	19	102	100	18	118
F.R. Gugen	83	13	96	100	19	119
S. Hepkema (from 15 April 2015)	59	6	65	-	-	-
L.B.L.E. Mulliez (from 15 April 2015)	59	-	59	-	-	-
K.A. Rethy (until 15 April 2015)	35	3	38	100	15	115
C.D. Richard (from 15 April 2015)	87	-	87	-	-	-
H.C. Rothermund - Chairman (until 15 April 2015)	39	3	42	120	17	137
Total	735	87	822	676	100	776

There are no share-based incentives 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 operating segment)

By operating segment:	2015 Average	2015 Year-end	2014 Average	2014 Year-end
Lease and operate	1,624	1,560	1,560	1,686
Turnkey	2,262	2,069	2,598	2,455
Other	361	286	407	436
Total excluding employees working for JVs and associates	4,247	3,915	4,565	4,577
Employees working for JVs and associates	3,053	2,385	3,765	3,723
Total	7,300	6,300	8,330	8,300

Number of employees (by geographical area)

By geographical area:	2015 Average	2015 Year-end	2014 Average	2014 Year-end
Netherlands	390	373	420	407
Worldwide	3,857	3,542	4,145	4,170
Total excluding employees working for JVs and associates	4,247	3,915	4,565	4,577
Employees working for JVs and associates	3,053	2,385	3,765	3,723
Total	7,300	6,300	8,330	8,300

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.

6.3.7 Net Financing Costs

	2015	2014
Interest income on loans & receivables	24	25
Interest income on Held-to-Maturity investments	1	1
Net gain on financial instruments at fair value through profit and loss	-	4
Net foreign exchange gain	-	1
Other financial income	0	-
Financial Income	25	31
Interest expenses on financial liabilities at amortised cost	(132)	(89)
Interest expenses on hedging derivatives	(61)	(68)
Interest addition to provisions	(2)	(5)
Net cash flow hedges ineffectiveness	(5)	(5)
Net foreign exchange loss	-	-
Impairment of financial assets	-	(29)
Other financial expenses	-	-
Financial Expenses	(200)	(196)
Net financing costs	(175)	(166)

The increase in interest expenses in 2015 is mainly related to interest paid on the facility of FPSO Cidade de Ilhabela upon commencement of production in November 2014.

The interest expenses are disclosed net of US$ 48 million capitalized interest (2014: US$ 54 million) related to FPSO projects under construction.

In 2014, the US$ 29 million impairment of financial asset was related to a dispute with a US-based client on a joint venture (Note 6.3.2 Operating segments). The financial asset remains impaired.

6.3.8 Research and Development Expenses

Research and development expenses consist of US$ 43 million (2014: US$ 40 million).
The amortization of development costs recognized in the statement of financial position is allocated to the "cost of sales".

6.3.9 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 different statutory tax rates in the location of the Company's operations (c) the possibility to recognize deferred tax assets on tax losses to the extent that suitable future taxable profits will be available. 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. Additionally, where a deferred tax asset is not recognized on a loss carry forward, the Effective Tax Rate is impacted by the unrecognized tax loss.

The components of the Company's (provision) benefit for income taxes were as follows:

Income tax recognised in the consolidated Income Statement

	Note	2015	2014
Corporation tax on profits for the year		(31)	(47)
Adjustments in respect of prior years		(1)	(3)
Total current income tax		(32)	(50)
Deferred tax	6.3.16	6	24
Total		(26)	(26)

The Company's operational activities are subject to taxation at rates which range up to 35% (2014: 35%).

The respective tax rates, including fiscal privileges in several countries, tax-exempt profits and non-deductible costs and releases, resulted in an effective tax on continuing operations of 41.4% (2014 : 4.7%). The reconciliation of the effective tax rate is as follows:

Reconciliation of total income tax charge

	2015		2014	
	%		%	
Profit/(Loss) before tax		137		678
Share of profit of equity-accounted investees		73		117
Profit/(Loss) before tax and share of profit of equity-accounted investees		64		561
Income tax using the domestic corporation tax rate (25% for Netherlands)	25%	(16)	25%	(140)
Tax effects of :				
Different statutory taxes related to subsidiaries operating in other juridictions	(65%)	41	(19%)	109
Withholding taxes and taxes based on deemed profits	24%	(15)	4%	(22)
Non-deductible expenses	131%	(84)	16%	(88)
Non-taxable income	(110%)	70	(17%)	97
Adjustments related to prior years	1%	(1)	1%	(3)
Effects of unprovided deferred tax and tax credits	34%	(22)	(3%)	19
Movements in tax risks provision	0%	0	0%	2
Total tax effects	16%	(10)	(20%)	114
Total of tax charge on the consolidated Income Statement	41%	(26)	5%	(26)

The 2015 Effective Tax Rate of the Company was primarily impacted by unrecognized deferred tax assets on current tax losses.
With respect to the annual effective tax rate calculation for the year 2015, 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 one being Angola. 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 are as follows:

Withholding taxes and taxes based on deemed profits

	2015			2014		
Withholding Tax and Overseas Taxes (per location)	Withholding tax	Taxes based on deemed profit	Total	Withholding tax	Taxes based on deemed profit	Total
Angola	(14)	-	(14)	(13)	-	(13)
Equatorial Guinea	0	-	0	0	-	0
Malaysia	0	-	0	0	-	0
Brazil	-	0	0	0	(8)	(8)
Other[1]	0	(1)	(1)	(1)	-	(1)
Total withholding and overseas taxes	(14)	(1)	(15)	(14)	(8)	(22)

1 other includes Myanmar, Nigeria 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 for 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 increase of US$ 13 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. This amount is in relation of uncertain tax position concerning various taxes other than corporate income tax. The increase 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.

6.3.10 Earnings / (Loss) per share

The basic earnings per share for the year amounts to US$ 0.14 (2014: US$ 2.75); the fully diluted earnings per share amounts to US$ 0.14 (2014: US$ 2.75).

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

	2015	2014
Earnings attributable to shareholders (in thousands of US$)	29,313	575,401
Number of shares outstanding at 1 January	209,695,094	208,747,188
Average number of new shares issued	1,155,957	495,239
Weighted average number of shares outstanding	210,851,051	209,242,427
Potential dilutive shares from stock option scheme and other share-based payments	150,332	176,313
Weighted average number of shares (diluted)	211,001,383	209,418,740
Basic earnings per share	US$ 0.14	US$ 2.75
Fully diluted earnings per share	US$ 0.14	US$ 2.75

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.

6.3.11 Dividends paid and proposed

As previously stated, the Company introduced in 2015 a new dividend policy which consists paying out either in cash or in shares of SBM Offshore at the election of each shareholder between 25% and 35% of the directional net income, provided that positive free cash-flows are expected to be generated during the year of payment. In accordance with this policy but taking account the specific circumstances relating to 2015 including the nature of the non-recurring items, a dividend out of 2015 net income of US$ 0.21 per share will be proposed to the Annual General Meeting on 6 April 2016, corresponding to 25% of the Company's US $ 180 million Directional net income adjusted, this year, for non-recurring items. The decreasing level of investments related to the nearing FPSOs under construction completion and their anticipated production in 2016 will generate strong and sustainable free cash flows from first oil onwards.

The annual dividend will be calculated in US dollars, but will be payable in euros. The conversion into euros will be effected on the basis of the exchange rate on 6 April 2016.

In respect of the year ended 31 December 2014, no dividend was paid.

6.3.12 Property, Plant and Equipment

The movement of the property, plant and equipment during the year 2015 is summarized as follows:

2015

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	64	3,668	76	1	3,810
Accumulated depreciation and impairment	(6)	(1,826)	(56)	-	(1,887)
Book value at 1 January	59	1,843	20	1	1,923
Additions	-	0	5	2	7
Disposals	-	(4)	(1)	-	(4)
Depreciation	(5)	(185)	(8)	-	(198)
(Impairment)/impairment reversal	-	(13)	(1)	-	(13)
Exchange rate differences	(6)	-	(3)	0	(9)
Other movements/deconsolidation	0	(22)	5	(2)	(19)
Total movements	(11)	(223)	(2)	0	(238)
Cost	57	3,581	71	0	3,709
Accumulated depreciation and impairment	(10)	(1,961)	(53)	-	(2,023)
Book value at 31 December	47	1,620	18	0	1,686

2014

	Land and buildings	Vessels and floating equipment	Other fixed assets	Assets under construction	Total
Cost	6	3,926	99	57	4,087
Accumulated depreciation and impairment	(2)	(1,956)	(71)	-	(2,029)
Book value at 1 January	4	1,970	27	57	2,058
Additions	-	39	4	16	59
Disposals	-	0	(2)	(1)	(3)
Depreciation	(4)	(209)	(11)	-	(223)
(Impairment)/impairment reversal	-	37	-	-	37
Exchange rate differences	(6)	-	(2)	(2)	(9)
Other movements/deconsolidation	64	7	3	(69)	5
Total movements	55	(127)	(7)	(56)	(135)
Cost	64	3,668	76	1	3,810
Accumulated depreciation and impairment	(6)	(1,826)	(56)	-	(1,887)
Book value at 31 December	59	1,843	20	1	1,923

During the 2015 period the following main events occurred:

- US$ 198 million of annual depreciation on existing fixed assets
- US$ 13 million impairment on FPSO Marlim Sul and FPSO Falcon upon revision of the residual value of the assets (please refer to note 6.2.7.C).
- US$ 22 million deconsolidation movement of the Pelicano Heavy Lift Floating Crane upon sale of the shares of Pelican Assets S.à.r.l. to the Company's Joint venture SNV Offshore Limited (Refer to note 6.3.31 Interest in Joint Ventures and Associates)

Property, plant and equipment at year-end comprise:

- Three (2014: four) integrated floating production, storage and offloading systems (FPSOs), each consisting of a converted tanker, a processing plant and one mooring system
- One (2014: one) floating storage and offloading system (FSO), consisting of a converted or newbuild tanker and mooring system including the fluid transfer system
- Two second-hand tankers (2014: two)
- Zero Heavy Lift Floating Crane (2014: one)
- One semi-submersible production platform (2014: one)
- One MOPU facility (2014: one)

No third-party interest have been capitalized during the financial year as part of the additions to property, plant and equipment (2014: nil).

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 2015 and 2030. Leased facilities included in the 'Vessels and floating equipment' amount to:

Leased facilities included in the Vessels and floating equipment

	2015	2014
Cost	3,243	3,589
Accumulated depreciation and impairment	(1,671)	(1,820)
Book value at 31 December	1,572	1,769

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 bareboat receipts

	2015	2014
Within 1 year	410	368
Between 1 and 5 years	1,529	1,593
After 5 years	1,296	1,658
Total	3,235	3,620

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

6.3.13 Intangible Assets

2015

	Development costs	Goodwill	Software	Patents	Total
Cost	9	25	4	13	51
Accumulated amortisation and impairment	(4)	-	(2)	(11)	(17)
Book value at 1 January	5	25	2	1	34
Additions	12	-	4	-	17
Amortisation	-	-	(1)	(1)	(3)
Impairment	-	-	-	-	-
Other movements/deconsolidation	(3)	-	0	-	(3)
Exchange rate differences	-	-	0	-	0
Total movements	9	-	3	(1)	11
Cost	19	25	8	19	71
Accumulated amortisation and impairment	(4)	-	(3)	(19)	(26)
Book value at 31 December	15	25	5	1	45

2014

	Development costs	Goodwill	Software	Patents	Total
Cost	5	25	2	13	45
Accumulated amortisation and impairment	(4)	-	0	(11)	(14)
Book value at 1 January	1	25	2	2	30
Additions	5	-	1	-	6
Amortisation	0	-	(2)	(1)	(3)
Impairment	-	-	-	-	-
Other movements/deconsolidation	-	-	1	-	1
Exchange rate differences	0	0	0	0	0
Total movements	4	0	0	(1)	4
Cost	9	25	4	13	51
Accumulated amortisation and impairment	(4)	-	(2)	(11)	(17)
Book value at 31 December	5	25	2	1	34

Amortisation of development costs is included in ‘Cost of sales’ in the income statement in 2014 for US$ 0.4 million and nil in 2015.

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 an estimated growth rate of 2%. Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks (9.0%).

6.3.14 Finance Lease Receivables

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)

	31 December 2015	31 December 2014
Gross receivable	5,972	6,457
Less: Unearned finance income	(2,788)	(3,078)
Total	3,184	3,379
Of which		
Current portion	164	202
Non-current portion	3,020	3,177

Finance lease receivables relate to the finance leases of FPSO Aseng which started production in November 2011, FPSO Cidade de Paraty which started production in June 2013, and FPSO Cidade de Ilhabela which started production in November 2014.

The decrease in the finance lease receivables relates to the invoicing of Bareboat charter rates in 2015. The sole addition to the finance lease receivable in 2015 consists in the extension to FPSO Yetagun signed in 2014 (Please refer to Note 6.3.1 Highlights).

Included in the gross receivable is an amount related to unguaranteed residual values. The total amount of unguaranteed residual values at the end of the lease term amounts to US$ 17 million as of 31 December 2015. 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)

	31 December 2015	31 December 2014
within 1 year	426	477
between 1 and 5 years	1,487	1,570
after 5 years	4,059	4,410
Total Gross receivable	5,972	6,457

The table above does not include the amounts to be invoiced on the finance lease contracts that were awarded during the period 2013-2015, not delivered at the end of 2015 and therefore included in "Construction contracts". The following part of the net investment in the lease is included as part of the current assets within the "trade and other receivables" of the statement of financial position:

Finance lease receivables (part of the net investment included as part of the current assets)

	31 December 2015	31 December 2014
Gross receivable	426	477
Less: Unearned finance income	(262)	(275)
Current portion of finance lease receivable	164	202

The maximum exposure to credit risk at the reporting date is the carrying amount of the finance lease receivables taking into account the risk of recoverability. The company does not hold any collateral as security.

6.3.15 Other financial assets

The breakdown of the non current portion of other financial assets is as follows:

	31 December 2015	31 December 2014
Non-current portion of other receivables	58	54
Corporate securities	30	29
Non-current portion of loans to joint ventures and associates	233	319
Total	321	402

The maximum exposure to credit risk at the reporting date is the carrying amount of the interest-bearing loans taking into account the risk of recoverability. The company does not hold any collateral as security.

Corporate Debt Securities

Corporate securities relate to :

- Fixed-rate bonds issued by internationally known companies (such as banks), are quoted in liquid markets with fixed maturities, have bullet repayments at maturity and investment grade ratings at issuance. These instruments are classified as 'held-to-maturity' as the Company has the ability and intention to hold to maturity. Weighted average effective interest amounts to 3.6% (2014: 3.8%)
- Other investments, such as equity shares, classified as available-for-sale and therefore measured at fair value through Other Comprehensive Income.

Loans to Joint Ventures and Associates

	Notes	31 December 2015	31 December 2014
Current portion	6.3.18	66	121
Non-current portion		233	319
Total	6.3.33	299	441

Weighted average effective interest on interest-bearing loans to joint ventures and associates (including the current portion) amounts to 5.0% (2014 restated: 5.2%).

The decrease in loans to joint ventures and associates mainly relates to the repayment of a funding loan to the joint venture owning FPSO N'Goma whose construction was completed in 2014 and the repayment of a shareholder loan to the joint venture owning FPSO Kikeh.

The carrying amount of one of the loans to joint ventures and associates was partially impaired in 2014 (US $ 29 million) and remains impaired. In addition, the cumulative losses recognised using the equity method in excess of the Company's investment in ordinary shares of two joint ventures represent US$ 96 million as of 31 December 2015 (2014: US$ 54million). It reduces the carrying amount of the loans provided to these joint ventures and associates.

Further information about the financial risk management objectives and policies, the carrying amount measurement and hedge accounting of financial derivatives instruments is included in Note 6.3.29 'Financial Instruments – carrying amounts and risk management'. The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to joint ventures and associates taking into account the risk of recoverability. The company does not hold any collateral as security.

6.3.16 Deferred Tax Assets and Liabilities

The deferred tax assets and liabilities and associated offsets are summarized as follows:

Deferred tax positions (summary)

	31 December 2015			31 December 2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	0	(3)	(3)	2	0	1
Tax losses	23	-	23	23	-	23
Construction contracts	0	-	0	0	(1)	(1)
R&D credits	4	-	4	4	-	4
Other	32	0	33	34	(9)	25
Book value at 31 December	59	(3)	56	63	(11)	52

Movements in net deferred tax positions

		2015	2014
	Note	Net	Net
Deferred tax at the beginning period		52	14
Deferred tax recognised in the income statement	*6.3.9*	6	24
Deferred tax recognised in other comprehensive income		(1)	16
Exchange variances		(1)	(1)
Movements of the period		4	39
Deferred tax at the end of the period		56	52

Expected realization and settlement of deferred tax positions is within 5 years. The current portion at less than one year of the net deferred tax position as of 31 December 2015 amounts to 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 US$ 23 million in deferred tax assets unrecognized in 2015 due to current tax losses not valued.
The non-current portion of deferred tax assets amounts to US$ 35 million (2014: US$ 38 million).

Deferred tax assets per location are as follows:

Deferred tax positions per location

	31 December 2015			31 December 2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Switzerland	22	-	22	27	-	27
USA	13	0	13	16	(11)	5
Netherlands	7	-	7	3	-	3
Angola	-	-	0	-	-	-
Canada	14	(3)	11	13	-	13
Luxembourg	3	-	3	4	-	4
Other	0	0	-	0	-	0
Book value at 31 December	59	(3)	56	63	(11)	52

6.3.17 Inventories

	2015	2014
Materials and consumables	7	10
Goods for resale	0	0
Total	8	10

6.3.18 Trade and Other Receivables

Trade and other receivables (summary)

	Note	2015	2014
Trade debtors		287	305
Other receivables		87	125
Other prepayments and accrued income		174	249
Accrued income in respect of delivered orders		74	153
Taxes and social security		18	26
Current portion of loan to joint ventures and associates	6.3.15	66	121
Total		705	978

The decrease in other receivables and other prepayments relate to the nearing completion stage of construction of the Company's finance lease under construction. The accrued income in respect of delivered orders come down in the period upon execution of the carry over works for FPSOs Cidade de Ilhabela and N'Goma.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables as mentioned above. The Company does not hold any collateral as security.

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)

	2015	2014
Angola	165	144
Brazil	26	42
Equatorial Guinea	20	39
Australia	20	23
USA	14	3
Malaysia	10	16
Nigeria	8	5
Netherlands	0	1
Other	24	33
Total trade debtors	287	305

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

Trade debtors (trade debtors balance)

	2015	2014
Nominal amount	297	318
Impairment allowance	(10)	(13)
Total trade debtors	287	305

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 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.

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

Trade debtors (ageing of the nominal amounts of the trade debtors)

	2015		2014	
	Nominal	Impairment	Nominal	Impairment
Not past due	59	-	114	0
Past due 0-30 days	50	-	29	-
Past due 31-120 days	54	-	80	(2)
Past due 121- 365 days	60	0	73	(2)
More than one year	74	(10)	23	(8)
Total	297	(10)	318	(13)

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 Company Joint ventures and independent customers for whom there is no recent history of default or the receivable amount can be offset by amounts included in current liabilities.

The increase of trade debtors aged more than one year mostly relates to one contract for which some legal documents pending signature temporarily prevent the joint venture to settle the Company's receivable.

6.3.19 Construction Work-in-progress

	Note	2015	2014
Cost incurred		5,967	5,588
Instalments invoiced		(1,687)	(2,193)
Total work-in-progress		4,280	3,396
of which debtor WIP (cost incurred exceeding instalments)		4,336	3,424
of which creditor WIP (instalments exceeding cost incurred)	6.3.27	(56)	(29)

The cost incurred includes the amount of recognized 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 6.3.27 "Trade and other payables".

The increased work-in-progress reflects the amount of construction activities related to FPSOs Cidade de Marica, Cidade de Saquarema and Turritella during the period.

6.3.20 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 Note 6.3.29 'Financial Instruments – Fair values and risk management'.

In the ordinary course of business and in accordance with its hedging policies as of 31 December 2015, 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 summarized as follows:

Derivative financial instruments

	31 December 2015			31 December 2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps cash flow hedge	0	205	(205)	2	186	(184)
Forward currency contracts cash flow hedge	2	86	(84)	1	125	(124)
Forward currency contracts fair value through profit and loss	18	41	(23)	23	23	-
Forward currency contracts net foreign investment	-	-	-	-	-	-
Commodity contracts cash flow hedge	-	-	-	-	3	(3)
Total	21	332	(311)	26	337	(311)
Non-current portion	0	167	(167)	1	156	(155)
Current portion	21	164	(144)	25	181	(156)

The ineffective portion recognized in the income statement (Note 6.3.7 'Net financing costs') arises from cash flow hedges totalling a US$ 5 million loss (2014: US$ 5 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 amount of the outstanding forward currency contracts at 31 December 2015 were US$ 2 billion (2014: US$ 3 billion) of which US$ 2 billion will mature in the next twelve months.

The net notional amount of the outstanding forward currency contracts at 31 December 2015 was US$ 1 billion (2014: US$ 2 billion) of which US$ 1 billion will mature in the next twelve months.

Interest Rate Swaps

The gross notional amount of the outstanding interest rate swap contracts at 31 December 2015 were US$ 4 billion (2014: US$ 3 billion) and US$ 7 billion (2014: US$ 7 billion) including forward-start contracts.

The net notional amount of the outstanding interest rate swap contracts at 31 December 2015 were US$ 3 billion (2014: US$ 2 billion) and US$ 6 billion (2014: US$ 6 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 6.3.24 'Loans and borrowings'.

6.3.21 Net cash

	Note	31 December 2015	31 December 2014
Cash and bank balances		260	469
Short-term deposits		255	5
Cash and cash equivalent		515	475
Bank overdrafts	*6.3.27*	-	(23)
Net cash		515	452

The cash and cash equivalents dedicated to debt and interest payments (restricted) amounts to US$ 159 million (2014: US$ 114 million). Short term deposits are made for varying periods of up to one year depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

The cash and cash equivalents held in countries with restrictions on currency outflow (Angola, Brazil, Equatorial Guinea and Nigeria) amounts to US$ 38 million.

Further disclosure about the fair value measurement is included in Note 6.3.29 'Financial Instruments – Fair values and risk management'.

6.3.22 Assets Held For Sale

The movement of the assets held for sale is summarized as follows:

Assets held for sale

	31 December 2015	31 December 2014
Book value at 1 January	13	177
Impairments	-	(2)
Other movements	(13)	(162)
Book value at 31 December	-	13

During the first quarter of 2015, the Company completed the disposal of FPSO Brasil and VLCC Alba reported in the segment Lease and Operate. These assets were presented as assets held for sale as of 31 December 2014.

In 2014, the significant decrease of the assets held for sale was mainly related to the sale of a real estate property in Monaco and the DSCV SBM Installer.

6.3.23 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 authorized share capital of the Company is two hundred million euro (€ 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 (€ 0.25) each and four hundred million (400,000,000) Protective Preference Shares, with a nominal value of twenty-five eurocent (€ 0.25) each. The Preference Shares can be issued as a protective measure as described in the Corporate Governance (section 4.5 Corporate Governance of the Annual Report).

During the financial year the movements in the outstanding number of ordinary shares are as follows:

number of shares	2015	2014
Outstanding at 1 January	209,695,094	208,747,188
Share-based payment remuneration	1,999,856	947,906
Outstanding 31 December	211,694,950	209,695,094

Of the ordinary shares 268,140 shares were held by Managing Directors, in office as at 31 December 2015 (31 December 2014: 84,113) as detailed below :

Ordinary shares held in the Company by Management Board

	Shares subject to conditional holding requirement	Other shares	Total shares at 31 December 2015	Total shares at 31 December 2014
Bruno Chabas	107,142	81,281	188,423	46,984
Peter van Rossum	48,681	31,036	79,717	15,902
Philippe Barril	-	-	-	NA
Erik Lagendijk	-	-	-	NA
Sietze Hepkema[1]	NA	NA	NA	21,227
Total	155,823	112,317	268,140	84,113

1 Mr. Sietze Hepkema is no longer a member of the Management Board since 15 April 2015.

Of the Supervisory Board members, only Mr. Hepkema holds shares in the company (105,076 shares as at 31 December 2015), resulting from his previous employment as Managing Director.

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 (all amounts are expressed net of deferred taxes):

	Hedging reserve	Actuarial gain/(loss) on defined benefit provisions	Foreign currency translation reserve	IFRS 2 Reserves	Total other reserves
Balance at 31 December 2013	(62)	0	(10)		(72)
Cash flow hedges					
Change in fair value	(237)	-	-	-	(237)
Transfer to financial income and expenses	16	-	-	-	16
Transfer to construction contracts and property, plant and equipment	13	-	-	-	13
Net investment hedge	2	-	-	-	2
Actuarial gain/(loss) on defined benefit provision					
Change in defined benefit provision due to changes in actuarial assumptions	-	(5)	-	-	(5)
Currency translation differences					
Currency translation differences	-	-	(4)		(4)
Balance at 31 December 2014	(268)	(5)	(14)	-	(287)
Cash flow hedges					
Change in fair value	(205)	-	-	-	(205)
Transfer to financial income and expenses	16	-	-	-	16
Transfer to construction contracts and property, plant and equipment	112	-	-	-	112
Transfer to operating profit and loss	83	-	-	-	83
Identification of IFRS 2 reserve as at 1 January 2015	-	-	-	28	28
IFRS 2 vesting costs for the year	-	-	-	20	20
IFRS 2 vested share based payments	-	-	-	(10)	(10)
Actuarial gain/(loss) on defined benefit provision					
Change in defined benefit provision due to changes in actuarial assumptions	-	0	-	-	0
Currency translation differences					
Currency translation differences	-	-	(12)	-	(12)
Balance at 31 December 2015	(263)	(5)	(26)	37	(255)

The hedging reserve consists of the effective portion of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of deferred taxes.

Actuarial gain/(loss) on defined benefits provisions includes the impact of the remeasurement of defined benefit provisions.

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

6.3.24 Loans and Borrowings

Bank interest-bearing loans and other borrowings

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

	31 December 2015	31 December 2014
Non-current portion	4,332	3,205
Add: current portion	895	403
Remaining principal at beginning of period	5,227	3,608
Additions	2,013	2,517
Redemptions	(1,411)	(878)
Transaction and amortised costs	(95)	(19)
Other movements/deconsolidation	(12)	-
Movements during the period	495	1,620
Remaining principal at end of period	5,722	5,227
Less: Current portion	(763)	(895)
Non-current portion	4,959	4,332
Transaction and amortised costs	158	64
Remaining principal at end of period (excluding transaction and amortised costs)	5,880	5,291
Less: Current portion	(784)	(907)
Non-current portion	5,096	4,384

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.

Further disclosures about the fair value measurement are included in Note 6.3.29 'Financial Instruments – Fair values and risk management'.

The bank interest-bearing loans and other borrowings, excluding transaction costs and amortised costs, have the following forecasted repayment schedule, amounting to US$ 158 million (2014: US$ 64 million):

	31 December 2015	31 December 2014
Within one year	784	907
Between 1 and 2 years	503	733
Between 2 and 5 years	1,553	1,325
More than 5 years	3,041	2,326
Balance at 31 December	5,880	5,291

The bank interest-bearing loans and other borrowings by entity are as follows:

Loans and borrowings per entity

Entity name	Project name or nature of loan	% Ownership	% Interest[1]	Maturity	Net book value at 31 December 2015 Non-current	Current	Total	Net book value at 31 December 2014 Non-current	Current	Total
US$ Project Finance facilities drawn:										
Aseng Production Company Ltd	FPSO Aseng	60.00		15-Dec-15	-	-	-	-	121	121
SBM Espirito do Mar BV	FPSO Capixaba	100.00	2.84%	15-Jun-16	0	31	31	31	60	90
Brazilian Deepwater Prod. Ltd	FPSO Espirito Santo	51.00	5.01%	30-Jun-16	-	42	42	42	63	105
SBM Deep Panuke SA	MOPU Deep Panuke	100.00	3.80%	15-Dec-21	324	58	382	383	57	440
Tupi Nordeste Sarl	FPSO Cidade de Paraty	50.50	5.22%	15-Jun-23	714	87	801	801	82	883
Guara Norte Sarl	FPSO Cidade de Ilhabela	62.25	5.52%	15-Oct-24	1,005	98	1,103	1,103	78	1,181
SBM Baleia Azul Sarl	FPSO Cidade de Anchieta	100.00	5.89%	15-Sep-27	396	26	423	423	25	448
US$ Guaranted project finance facilities drawn:										
Alfa Lula Alto Sarl	FPSO Cidade de Marica	56.00	5.01%	15-Dec-30	1,161	17	1,178	968	(5)	963
Beta Lula Central Sarl	FPSO Cidade de Saquarema	56.00	4.03%	15-Jun-30	1,290	47	1,337	-	-	-
SBM Turritella LLC	FPSO Turritella	55.00	3.66%	31-Dec-26	-	-	-	-	-	-
Bilateral credit facilities:										
SBM Holding Inc.SA	FPSO Cidade de Saquarema	100.00	Variable	17-Dec-16[2]	-	-	-	303	0	303
Revolving credit facility:										
SBM Offshore Finance Sarl	Corporate Facility	100.00	Variable	30-Jan-22[2]	(3)	(1)	(4)	-	-	-
Single Buoy Moorings Inc	Corporate Facility	100.00	Variable	30-Jan-22[2]	-	-	-	152	(1)	151
Other:										
Other		100.00			72	356	429	126	417	543
Net book value of loans and borrowings					4,959	763	5,722	4,332	895	5,227

1 % interest per annum on the remaining loan balance
2 additional year(s) extension option considered

Annual interest rates include the interest rate impact of hedging financial derivatives. The 'Other debt' mainly includes loans received from partners in subsidiaries.

For the project finance facilities, the respective vessels are mortgaged to the banks or to note holders. Interest expense on long term debt during 2015 amounted to US$ 184 million (2014: US$ 146 million) and interest capitalized amounted to US$ 48 million (2014 : US$ 54 million). The average cost of debt was 4.0% in 2015 (2014: 4.2%).

The Company has available short term credit lines and borrowing facilities resulting from the undrawn part of the Revolving Credit Facility (RCF) and the undrawn part of project facilities. The expiry date of the undrawn facilities and unused credit lines are:

Expiry date of the undrawn facilities and unused credit lines

	2015	2014
Expiring within one year	100	77
Expiring beyond one year	2,166	1,535
Total	2,266	1,612

The Revolving Credit Facility (RCF) was renewed on 16 December 2014 and will mature on 16 December 2020 with one additional one-year extension option remaining. The US$ 1 billion facility was secured with a select group of 13 core relationship banks and replaces the existing facility of US$ 750 million that was due to expire in mid-2015. The RCF can be increased by US$ 250 million on three occasions up to a total amount of US $ 1,250 million, subject to the approval of the existing lenders. The RCF commercial conditions remain based on LIBOR and a Margin adjusted in accordance with the applicable Leverage Ratio ranging from a bottom level of 0.50% p.a. to a maximum of 1.20% p.a.

Covenants

The following key financial covenants apply to the RCF as agreed with the respective lenders, and, unless stated otherwise, relate to the SBM Offshore N.V. consolidated financial statements:

- Solvency ratio: Tangible Net Worth divided by Total Tangible Assets > 25%
- Leverage Ratio: Consolidated Net Borrowings divided by adjusted EBITDA < 3.75. At the request of the Company the leverage ratio may be replaced by the Operating Net Leverage ratio which is defined as Consolidated Net Operating Borrowings divided by adjusted EBITDA < 2.75. This only applies to the period starting from 30 June 2015 to 30 June 2016
- Interest Cover Ratio: Adjusted EBITDA divided by Net Interest Payable > 5.0

For the purpose of covenants calculations, the following simplified definitions apply:

- Tangible Net Worth: Total Equity (including non-controlling interests) of the Company in accordance with IFRS
- Total Tangible Assets: SBM Offshore N.V.'s total assets (excluding intangible assets) in accordance with IFRS Consolidated Statement of Financial position less the mark to market valuation of currency and interest derivatives undertaken for hedging purposes by SBM Offshore N.V. through Other Comprehensive Income
- Adjusted EBITDA: Consolidated earnings before interest, tax and depreciation of assets and impairments of SBM Offshore N.V. in accordance with IFRS except for all lease and operate joint ventures being then proportionally consolidated, adjusted for any exceptional or extraordinary items, and by adding back the capital portion of any finance lease received by SBM Offshore N.V. during the period
- Consolidated Net Borrowings: Outstanding principal amount of any moneys borrowed or element of indebtedness aggregated on a proportional basis for the Company's share of interest less the consolidated cash and cash equivalents available
- Consolidated Net Operating Borrowings: Consolidated Net Borrowings adjusted by deducting the moneys borrowed or any element of indebtedness allocated to any project during its construction on a proportional basis for the Company's share of interest
- Net Interest Payable: All interest and other financing charges paid up, payable (other than capitalized interest during a construction period and interest paid or payable between wholly owned members of SBM Offshore N.V.) by SBM Offshore N.V. less all interest and other financing charges received or

receivable by SBM Offshore N.V., as per IFRS and on a proportional basis for the Company's share of interests in all lease and operate joint ventures

Covenants

	2015	2014
Tangible Net Worth	3,637	3,441
Total Tangible Assets	11,274	11,058
Solvency Ratio	32.3%	31.1%
Consolidated Net Borrowings	3,194	3,245
Adjusted EBITDA (SBM Offshore N.V.)	863	1,270
Leverage Ratio	3.70	2.56
Net Interest Payable	121	90
Interest Cover Ratio	7.10	14.06

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 2015 and 2014 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 authorized for issue.

6.3.25 Deferred Income

The deferred incomes are as follows:

	31 December 2015	31 December 2014
Deferred income on operating lease contracts	245	243
Other	15	8
Deferred income	260	251

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 be released through the income statement over the remaining duration of the relevant contracts.

6.3.26 Provisions

The current portion and the non current portion of provisions refer to the following type of provisions:

Provisions (summary)

	Note	31 December 2015	31 December 2014
Demobilisation		119	110
Onerous contract		-	1
Warranty		116	118
Employee benefits	6.3.6	29	32
Other		278	9
Total		541	269
of which :			
Non-current portion		131	130
Current portion		410	139

The movements in the provisions, other than those on employee benefits described in Note 6.3.6 'Employee benefit expenses' are:

Provisions (movements)

	Demobilisation	Onerous contracts	Warranty	Other
Balance at 1 January 2014	130	-	41	0
Arising during the year	-	1	87	8
Unwinding of interest	3	-	-	-
Utilised	-	-	(10)	-
Released to profit	(19)	-	-	-
Other	(4)	-	-	-
Currency differences	-	0	0	-
Balance at 31 December 2014	110	1	118	9
Arising during the year	36	-	15	273
Unwinding of interest	3	-	-	-
Utilised	(24)	-	(16)	(3)
Released to profit	(7)	(1)	-	0
Other	-	-	-	-
Currency differences	0	0	0	0
Balance at 31 December 2015	119	-	116	278

Demobilisation

The provision for demobilization relates to the costs for demobilisation of the vessels and floating equipments at the end of the respective operating lease periods. The obligations are valued at net present value, and a yearly basis interest is added to this provision. The recognized interest is included in financial expenses (see Note 6.3.7 "Net financing costs").

Expected outflow within one year amounts to US$ 19 million, nil between one and five years and US$ 100 million after five years.

The utilized portion of the demobilization-provision relates mostly to the ongoing demobilization of FPSO Marlim Sul.

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.

Other

The Other provision that arised during the year mainly relates to a US$ 245 million provision for settlement in Brazil (Please refer to note 6.3.1 Highlights), a provision related to a contractual dispute for US$ 22.5 million and a US$ 3.5 million provision for restructuring. The provision for a potential settlement in Brazil was classified in full as current. The current or non-current classification may change depending on the final terms of a potential settlement.

6.3.27 Trade and Other Payables

Trade and other payables (summary)

	Notes	31 December 2015	31 December 2014
Accruals on projects		293	831
Trade payables		147	256
Accruals regarding delivered orders		142	271
Other payables		131	135
Instalments exceeding cost incurred	*6.3.19*	56	29
Advances received from customers		0	23
Pension taxation		14	19
Taxation and social security costs		29	17
Other non-trade payables		179	139
Total	*6.3.29*	992	1,721

The decrease year on year of accruals on projects is relating to the lower construction activities on FPSOs Turritella, Cidade de Marica and Cidade de Saquarema given the advanced stage of completion on these three projects.
The decreased amount of accruals regarding delivered orders is supported by the completion of FPSOs Cidade de Ilhabela and N'Goma in November 2014.

The contractual maturity of the trade payables is as follows:

Trade and other payables (contractual maturity of the trade payables)

	31 December 2015	31 December 2014
Within 1 month	146	235
Between 1 and 3 months	1	7
Between 3 months and 1 year	0	14
More than one year	0	0
Total Trade payables	147	256

6.3.28 Commitments and Contingencies

Parent Company Guarantees

In the ordinary course of business, the Company is committed to fulfil various types of obligations arising from customer contracts (among which full performance and warranty obligations).

As such, the Company has issued Parent Company Guarantees for contractual obligations in respect of several group companies, including equity-accounted joint ventures, with respect to FPSO long term lease and operate contracts.

Bank Guarantees

As of 31 December 2015, the Company has provided bank guarantees to unrelated third parties for an amount of US$ 379 million (2014: US$ 422 million). No liability is expected to arise.

The Group holds in its favour US$ 198 million of bank guarantees from unrelated third parties. No withdrawal under these guarantees is expected to occur.

Commitments

At year-end, the remaining contractual commitments for acquisition of property, plant and equipment and investment in leases amounted to US$ 35 million (2014: US$ 191 million). Investment commitments have decreased principally due to the progress of FPSOs Cidade de Marica and Saquarema and FPSO Turritella projects.

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

Commitments

				2015	2014
	< 1 year	1-5 years	> 5years	Total	Total
Operating lease	34	82	93	209	198
Rental and leasehold	25	79	27	131	234
Total	59	160	120	340	432

Contingent Asset

The Company continues to investigate 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.

6.3.29 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 as at 31 December 2015

		Carrying amount							
	Notes	Fair Value through profit or loss	Fair value - hedging instruments	Held-to-maturity	Available for sale	Loans and receivables	IAS 17 Leases	Financial liabilities at amortised cost	Total
Financial assets measured at fair value									
Interest rate swaps	*6.3.20*	-	0	-	-	-	-	-	0
Forward currency contracts	*6.3.20*	18	2	-	-	-	-	-	20
Commodity contracts	*6.3.20*	-	-	-	-	-	-	-	-
Corporate securities	*6.3.15*	-	-	-	2	-	-	-	2
Total		18	3	-	2	-	-	-	23
Financial assets not measured at fair value									
Corporate securities	*6.3.15*	-	-	28	-	-	-	-	28
Trade and other receivables	*6.3.18*	-	-	-	-	640	-	-	640
Finance leases receivables	*6.3.15/6.3.18*	-	-	-	-	-	3,184	-	3,184
Loans to joint ventures and associates	*6.3.15/6.3.18*	-	-	-	-	299	-	-	299
Total		-	-	28	-	938	3,184	-	4,151
Financial liabilities measured at fair value									
Interest rate swaps	*6.3.20*	-	205	-	-	-	-	-	205
Forward currency contracts	*6.3.20*	41	86	-	-	-	-	-	127
Commodity contracts	*6.3.20*	-	-	-	-	-	-	-	-
Total		41	291	-	-	-	-	-	332
Financial liabilities not measured at fair value									
US$ project finance facilities drawn	*6.3.24*	-	-	-	-	-	-	2,782	2,782
US$ guaranteed project finance facilities drawn	*6.3.24*	-	-	-	-	-	-	2,515	2,515
Revolving credit facility/ Bilateral credit facilities	*6.3.24*	-	-	-	-	-	-	(4)	(4)
Bank overdrafts	*6.3.21*	-	-	-	-	-	-	-	-
Other debt	*6.3.24*	-	-	-	-	-	-	429	429
Trade and other payables/Other non-current liabilities	*6.3.27*	-	-	-	-	-	-	992	992
Total		-	-	-	-	-	-	6,714	6,714

Fair value levels 2015

		Fair value			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Interest rate swaps	*6.3.20*	-	0	-	0
Forward currency contracts	*6.3.20*	-	20	-	20
Commodity contracts	*6.3.20*	-	-	-	-
Corporate securities	*6.3.15*	-	2	-	2
Total		-	23	-	23
Financial assets not measured at fair value					
Corporate securities	*6.3.15*	25	2	-	27
Trade and other receivables	*6.3.18*	-	-	-	-
Finance leases receivables	*6.3.15/6.3.18*	-	-	3,134	3,134
Loans to joint ventures and associates	*6.3.15/6.3.18*	-	-	296	296
Total		25	2	3,430	3,457
Financial liabilities measured at fair value					
Interest rate swaps	*6.3.20*	-	205	-	205
Forward currency contracts	*6.3.20*	-	127	-	127
Commodity contracts	*6.3.20*	-	-	-	-
Total		-	332	-	332
Financial liabilities not measured at fair value					
US$ project finance facilities drawn	*6.3.24*	-	2,700	-	2,700
US$ guaranteed project finance facilities drawn	*6.3.24*	-	2,515	-	2,515
Revolving credit facility/Bilateral credit facilities	*6.3.24*	-	(4)	-	(4)
Bank overdrafts	*6.3.19*	-	-	-	-
Other debt	*6.3.24*	-	-	427	427
Trade and other payables/Other non-current liabilities	*6.3.27*	-	-	-	-
Total		-	5,211	427	5,638

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 short term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values as the impact of discounting is insignificant
- 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
- No financial instruments were subject to offsetting as of 31 December 2015 and 31 December 2014. Financial Derivatives amounting to a fair value of US$ 14.8 million (2014: US$ 28 million) were subject to enforceable master netting arrangements or similar arrangements but were not offset as the IAS 32 'Financial Instruments – Presentation' criteria were not met. The impact of offsetting would result in a reduction of both assets and liabilities by US$ 0.0 million (2014: US$ 0.1 million)

Accounting classification and fair values as at 31 December 2014

	Notes	Carrying amount: Fair Value through profit or loss	Fair value - hedging instruments	Held-to-maturity	Loans and receivables	IAS 17 Leases	Financial liabilities at amortised cost	Total
Financial assets measured at fair value								
Interest rate swaps	6.3.20	-	2	-	-	-	-	2
Forward currency contracts	6.3.20	23	1	-	-	-	-	24
Commodity contracts	6.3.20	-	-	-	-	-	-	-
Total		23	3	-	-	-	-	26
Financial assets not measured at fair value								
Corporate securities		-	-	29	-	-	-	29
Trade and other receivables	6.3.18	-	-	-	857	-	-	857
Finance leases receivables	6.3.14	-	-	-	-	3,379	-	3,379
Loans to joint ventures and associates	6.3.15/6.3.18	-	-	-	441	-	-	441
Total		-	-	29	1,298	3,379	-	4,706
Financial liabilities measured at fair value								
Interest rate swaps	6.3.20	-	186	-	-	-	-	186
Forward currency contracts	6.3.20	23	125	-	-	-	-	148
Commodity contracts	6.3.20	-	3	-	-	-	-	3
Total		23	314	-	-	-	-	337
Financial liabilities not measured at fair value								
US$ project finance facilities drawn	6.3.24	-	-	-	-	-	3,268	3,268
US$ guaranteed project finance facilities drawn	6.3.24	-	-	-	-	-	963	963
Revolving credit facility/ Bilateral credit facilities	6.3.24	-	-	-	-	-	454	454
Bank overdrafts	6.3.21	-	-	-	-	-	23	23
Other debt	6.3.24	-	-	-	-	-	543	543
Trade and other payables/Other non-current liabilities	6.3.27	-	-	-	-	-	1,791	1,791
Total		-	-	-	-	-	7,042	7,042

Fair value levels 2014

	Notes	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Interest rate swaps	6.3.20	-	2	-	2
Forward currency contracts	6.3.20	-	24	-	24
Commodity contracts	6.3.20	-	-	-	-
Total		-	26	-	26
Financial assets not measured at fair value					
Corporate securities		24	5	-	29
Trade and other receivables	6.3.18	-	-	-	-
Finance leases receivables	6.3.14	-	-	3,645	3,645
Loans to joint ventures and associates	6.3.15/6.3.18	-	-	449	449
Total		24	5	4,094	4,123
Financial liabilities measured at fair value					
Interest rate swaps	6.3.20	-	186	-	186
Forward currency contracts	6.3.20	-	148	-	148
Commodity contracts	6.3.20	-	3	-	3
Total		-	337	-	337
Financial liabilities not measured at fair value					
US$ project finance facilities drawn	6.3.24	-	3,257	-	3,257
US$ guaranteed project finance facilities drawn	6.3.24	-	963	-	963
Revolving credit facility/Bilateral credit facilities	6.3.24	-	454	-	454
Bank overdrafts	6.3.21	-	-	-	-
Other debt	6.3.24	-	-	553	553
Trade and other payables/Other non-current liabilities	6.3.27	-	-	-	-
Total		-	4,674	553	5,227

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.

	Level 2 and level 3 instruments		Level 3 instruments
Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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			
Loans to joint ventures and associates	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (4%-7%)	The estimated fair value would increase (decrease) if : ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Finance lease receivables	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (4%-8%)	The estimated fair value would increase (decrease) if : ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was 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 (8%-12%)	The estimated fair value would increase (decrease) if : ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Corporate debt securities	Market approach	Not applicable	Not applicable

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 forward rates as at the reporting date.

Cash flows

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2015					
Interest rate swaps	(205)	(94)	(184)	(27)	(306)
Forward currency contracts	(84)	(84)	-	-	(84)
Commodity contracts	-	-	-	-	-
31 December 2014					
Interest rate swaps	(184)	(52)	(181)	(59)	(292)
Forward currency contracts	(124)	(85)	(31)	-	(116)
Commodity contracts	(3)	(3)	-	-	(3)

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

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2015					
Interest rate swaps	(205)	(94)	(184)	(27)	(306)
Forward currency contracts	(84)	(84)	-	-	(84)
Commodity contracts	-	-	-	-	-
31 December 2014					
Interest rate swaps	(184)	(52)	(181)	(59)	(292)
Forward currency contracts	(124)	(85)	(31)	-	(116)
Commodity contracts	(3)	(3)	-	-	(3)

Interest rate swaps

Gains and losses recognized 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 hedged items (see '6.3.23 Equity Attributable to Shareholders').

Forward currency contracts

Gains and losses recognized in the hedging reserve on forward currency contracts are recognized 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 recognized 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 recognized 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 risks (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize 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 Income Statement and Statement of Comprehensive Income. 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 overdrafts, 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) during the quarterly Asset-Liability Committee. 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 speculation 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 optimizing 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 has entered into a firm commitment of a project contract.

The main Company's exposure to foreign currency risk is as follows based on notional amounts:

Foreign exchange risk (summary)

	31 December 2015			31 December 2014		
in millions of local currency	EUR	SGD	BRL	EUR	SGD	BRL
Fixed assets	55	-	38	59	-	36
Current assets	62	1	37	111	1	90
Long term liabilities	(13)	-	-	(15)	-	-
Current liabilities	(88)	(12)	(70)	(171)	(7)	8
Gross balance sheet exposure	17	(11)	4	(16)	(7)	134
Estimated forecast sales	-	-	-	-	-	-
Estimated forecast purchases	(529)	(65)	(429)	(708)	(293)	(688)
Gross exposure	(513)	(76)	(425)	(724)	(300)	(554)
Forward exchange contracts	553	75	292	819	299	473
Net exposure	40	0	(132)	95	(1)	(81)

Estimated forecast purchases have significantly decreased in 2015 following the construction progress on three FPSO projects (Turritella, Cidade de Marica and Cidade de Saquarema).

The estimated forecast purchases relate to project expenditures for up to three years and overhead expenses.
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.

Foreign exchange risk (exchange rates applied)

	2015	2014	2015	2014
	Average rate		Closing rate	
EUR 1	1.1095	1.3285	1.0887	1.2141
SGD 1	0.7275	0.7895	0.7062	0.7561
BRL 1	0.3045	0.4262	0.2525	0.3770

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 for 2014.

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2015				
EUR	0	0	(62)	62
SGD	0	0	(5)	5
BRL	0	0	(8)	8
31 December 2014				
EUR	-	-	(97)	97
SGD	-	-	(22)	22
BRL	-	-	(23)	23

As set out above, by managing foreign currency risk the Company aims to reduce the impact of short term market price fluctuations on the Company's earnings. Over the long term however, permanent changes in foreign currency rates would have an impact on consolidated earnings.

Interest rate risk

The Company's exposure to risk from 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 (exluding transaction costs) was:

Interest rate risk (summary)

	2015	2014
Fixed rate instruments		
Financial assets	3,293	3,482
Financial liabilities	(929)	(1,018)
Total	2,364	2,464
Variable rate instruments		
Financial assets	220	337
Financial liabilities	(4,952)	(4,274)
Financial liabilities (future)	(366)	(2,010)
Total	(5,097)	(5,947)

Interest rate risk (exposure)

	2015	2014
Variable rate instruments	(5,097)	(5,947)
Less: IRS contracts	5,186	5,404
Exposure	89	(543)

At 31 December 2015, it is estimated that a general increase of 100 basis points in interest rates would increase the Company's profit before tax for the year by approximately US$ 1 million (2014: increase of US$ 3 million) mainly related to un-hedged financial assets. 92.8% (2014: 92.5%) of the floating operating debt is hedged by floating-to-fix 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 2014.

Interest rate risk (sensitivity)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2015				
Variable rate instruments	1	0	-	-
Interest rate swap	0	0	320	(345)
Sensitivity (net)	1	(1)	320	(345)
31 December 2014				
Variable rate instruments	2	-	-	-
Interest rate swap	1	(1)	255	(279)
Sensitivity (net)	3	(1)	255	(279)

As set out above, the Company aims to reduce the impact of short term market price fluctuations on the Company's earnings. Over the long term however, permanent changes in interest rates would have an impact on consolidated earnings.

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

	2015		2014	
Rating	Assets	Liabilities	Assets	Liabilities
AAA	-	-	-	-
AA+	-	-	-	-
AA	1	40	-	-
AA-	-	6	-	8
A+	4	133	10	121
A	12	123	12	162
A-	-	15	3	37
BBB+	3	14	2	4
BBB	-	-	-	-
BBB-	-	-	-	1
Non-investment grade	0	0	-	4
Derivative financial instruments	21	332	26	337
AAA	20	-	-	-
AA+	0	-	-	-
AA	46	-	-	-
AA-	22	-	6	-
A+	109	-	50	-
A	259	-	135	-
A-	0	-	238	23
BBB+	32	-	34	-
BBB	-	-	-	-
BBB-	0	-	10	-
Non-investment grade	26	-	2	-
Cash and cash equivalents and bank overdrafts	515	-	475	23

The Company maintains its policy on cash investment and limits per individual counterparty are 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 banks rated below A- is mainly related to the Company's activities in Angola and cash held in the Royal Bank of Scotland (US$ 32 million).

For trade debtors the credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Bank or parent company guarantees are negotiated with customers. 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 6.3.18 Trade and Other Receivables for information on the distribution of the receivables by country and an analysis of the ageing of the receivables. Furthermore, limited recourse project financing removes a significant portion of the risk on long term leases.

For other financial assets, the credit quality of each counterpart is assessed taking into account its credit agency rating.

Regarding loans to joint ventures and associates, the maximum exposure to credit risk is the carrying amount of these instruments. As the counterparties of these instruments are Joint Ventures, SBM Offshore has visibility over the expected cash flows and can monitor and manage credit risk that mainly arises from the Joint Venture's final client.

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 2015

	Notes	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2015				
Borrowings		928	2,517	3,316
Derivative financial liabilities		214	421	313
Derivative financial assets		0	0	-
Trade and other payables	6.3.27	992	0	-
Bank overdraft	6.3.21	-	-	-
Total		2,134	2,938	3,629

Liquidity risk 2014

	Notes	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2014				
Borrowings		1,016	2,439	2,574
Derivative financial liabilities		182	393	284
Derivative financial assets		(23)	41	33
Trade and other payables	6.3.27	1,721	0	-
Bank overdraft	6.3.21	23	-	-
Total		2,919	2,873	2,891

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 2014, 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 2015 and 2014 were as follows:

Capital risk management

	2015	2014
Total borrowings	5,722	5,227
Less: net cash and cash equivalents	(515)	(452)
Net debt	5,208	4,775
Total equity	3,465	3,149
Total capital	8,672	7,924
Gearing ratio	60.0%	60.3%

Other risks

In respect of controlling political 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.

6.3.30 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.

6.3.31 Interest in Joint Ventures and Associates

The Company has several joint ventures and associates:

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2015 main reporting segment	Project name
Sonasing Xikomba Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO N'Goma
OPS-Serviçōs de Produção de Petróleos Ltd.	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & operate	Angola operations
OPS-Serviçōs de Produção de Petróleos Ltd Branch	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Angola	Lease & operate	Angola operations
OPS Production Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.	Joint venture	50.00	Bermuda	Lease & operate	Angola operations
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & operate	FPSO Kikeh
Malaysia Deepwater Production Contractors Sdn Bhd	Malaysia International Shipping Corporation Behard	Joint venture	49.00	Malaysia	Lease & operate	FPSO Kikeh
Anchor Storage Ltd	Maersk group	Joint venture	49.00	Bermuda	Lease & operate	Nkossa II FSO
Gas Management (Congo) Ltd	Maersk group	Joint venture	49.00	Bahamas	Lease & operate	Nkossa II FSO
Solgaz S.A.	Deepwater Enterprises A/S (an entity of Maersk group)	Joint venture	49.00	France	Lease & operate	Nkossa II FSO
Sonasing Sanha Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO Sanha
Sonasing Kuito Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Angola Offshore Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO Kuito
Sonasing Saxi Batuque Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO Saxi-Batuque
Sonasing Mondo Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Vernon Angolan Services Limitada	Joint venture	50.00	Bermuda	Lease & operate	FPSO Mondo
SNV Offshore Ltd	Naval Ventures Corp (an entity of Synergy Group)	Joint venture	50.00	Bermuda	Turnkey	Brazilian yard
Pelican Assets S.à.r.l.	SNV Offshore Limited (see information above)	Joint venture	50.00	Luxembourg	Turnkey	Brazilian yard
Estaleiro Brasa Ltda	SNV Offshore Limited (see information above)	Joint venture	50.00	Brazil	Turnkey	Brazilian yard

Entity name	Partners	Joint venture/ Associate	% of ownership	Country registration	2015 main reporting segment	Project name
Brasil Superlift Serviços Içamento Ltda	SNV Offshore Limited (see information above)	Joint venture	50.00	Brazil	Turnkey	Brazilian yard
Normand Installer S.A.	The Solstad Group	Joint venture	49.90	Switzerland	Turnkey	Normand Installer
OS Installer AS	Ocean Yield AS	Associate	25.00	Norway	Turnkey	SBM Installer
SBM Ship Yard Ltd	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; Daewoo Shipbuilding & Marine Engineering Co. Ltd.	Associate	33.33	Bermuda	Turnkey	Angolan yard
PAENAL - Porto Amboim Estaleiros Navais Ltda	Sociedad Nacional de Combustiveis de Angola Empresa Publica -Sonangol E.P.; SBM Shipyard	Associate	30.00	Angola	Turnkey	Angolan yard

On 23 December 2015, the Company entered into an agreement with SNV Offshore Limited, a 50% owned Joint venture for the disposal of the Company's shares in company Pelican Assets S.à.r.l. incorporated for the purpose of owning the Pelicano Heavy Lift Floating Crane operated in Brazil.

It is reminded that the Company has no joint operation as per definition provided by IFRS 11 'Joint arrangements'.

The following tables present the figures at 100%.

Information on significant joint arrangements and associates - 2015

Entity name	Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non- current liabilities	Current liabilites
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	1,280	1,132	13	616	629	293
OPS-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	56	- 2	22	-	0	5
OPS-Serviços de Produção de Petróleos Ltd Branch	Angola operations	Angola	74	5	- 3	-	-	75
OPS Production Ltd	Angola operations	Angola	89	0	36	-	-	68
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	FPSO Kikeh	Malaysia	468	396	- 6	30	33	22
Malaysia Deepwater Production Contractors Sdn Bhd	FPSO Kikeh	Malaysia	34	-	8	-	0	27
SNV Offshore Ltd[1]	Brazilian yard	Brazil	68	48	5	25	25	15
SBM Ship Yard Ltd	Angolan yard	Angola	265	225	0	395	395	0
PAENAL - Porto Amboim Estaleiros Navais Ltda	Angolan yard	Angola	365	208	52	232	230	150
Non material joint ventures/associates			323	246	47	296	286	57
Total at 100%			3,021	2,258	176	1,593	1,599	712

1 consolidated figures including the entities Estaleiro Brasa Ltda, Brasil Superlift Serviços Icamento Ltda and Pelican Assets S.à.r.l. which are owned at 100% by SNV Offshore Ltd

Information on significant joint arrangements and associates - 2015

Entity name	Project name	Place of the business	Dividends received	Revenue
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	-	187
OPS-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	-	0
OPS-Serviços de Produção de Petróleos Ltd Branch			-	106
OPS Production Ltd			-	85
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	FPSO Kikeh	Malaysia	-	50
Malaysia Deepwater Production Contractors Sdn Bhd			-	47
SNV Offshore Ltd[1]	Brazilian yard	Brazil	-	152
SBM Ship Yard Ltd	Angolan yard	Angola	-	-
PAENAL - Porto Amboim Estaleiros Navais Ltda			-	75
Non material joint ventures/associates			41	40
Total at 100%			41	742

1 consolidated figures including the entities Estaleiro Brasa Ltda, Brasil Superlift Serviços Icamento Ltda and Pelican Assets S.à.r.l. which are owned at 100% by SNV Offshore Ltd

Information on significant joint arrangements and associates - 2014

Entity name	Project name	Place of the business	Total assets	Non-current assets	Cash	Loans	Non- current liabilities	Current liabilites
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	1,210	1,135	0	679	761	205
OPS-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	70	-	24	-	0	13
OPS-Serviços de Produção de Petróleos Ltd Branch			69	6	1	-	0	58
OPS Production Ltd			109	0	31	-	-	103
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	FPSO Kikeh	Malaysia	598	465	31	163	180	46
Malaysia Deepwater Production Contractors Sdn Bhd			45	-	8	-	0	39
SNV Offshore Ltd[1]	Brazilian yard	Brazil	58	41	2	-	0	41
SBM Ship Yard Ltd	Angolan yard	Angola	293	233	8	380	380	0
PAENAL - Porto Amboim Estaleiros Navais Ltda			515	292	43	232	232	211
Non material joint ventures/associates			379	273	64	322	328	58
Total at 100%			3,347	2,445	212	1,775	1,880	772

1 consolidated figures including the entities Estaleiro Brasa Ltda and Brasil Superlift Serviços Icamento Ltda which were owned at 100% by SNV Offshore Ltd at 31 December 2014

Information on significant joint arrangements and associates - 2014

Entity name	Project name	Place of the business	Dividends received	Revenue 100%
Sonasing Xikomba Ltd	FPSO N'Goma	Angola	-	348
OPS-Serviços de Produção de Petroleos Ltd.	Angola operations	Angola	-	- 2
OPS-Serviços de Produção de Petróleos Ltd Branch			-	95
OPS Production Ltd			-	126
Malaysia Deepwater Floating Terminal (Kikeh) Ltd	FPSO Kikeh	Malaysia	-	463
Malaysia Deepwater Production Contractors Sdn Bhd			0	70
SNV Offshore Ltd[1]	Brazilian yard	Brazil	-	380
SBM Ship Yard Ltd	Angolan yard	Angola	-	-
PAENAL - Porto Amboim Estaleiros Navais Ltda			-	264
Non material joint ventures/associates			7	43
Total at 100%			8	1,787

1 consolidated figures including the entities Estaleiro Brasa Ltda and Brasil Superlift Serviços Icamento Ltda which were owned at 100% by SNV Offshore Ltd at 31 December 2014

The bank interest-bearing loans and other borrowings held by joint ventures and associates are as follow :

Informations on loans and borrowings of joint ventures and associates

				Net book value at 2015			Net book value at 2014		
Entity name	% Ownership	% Interest	Maturity	Non-current	Current	Total	Non-current	Current	Total
US$ Project Finance facilities drawn:									
Sonasing Xicomba Ltd	50.00	4.66%	16-aug-21	423	77	501	438	91	529
Normand Installer SA	49.90	3.93%	17-jul-17	50	6	56	56	6	63
OS Installer AS	25.00	3.53%	16-dec-19	95	7	102	102	7	109
Loans from subsidiaries of SBM Offshore N.V.[1]				380	61	441	414	121	535
Loans from other shareholders of the joint ventures and associates[2]				247	15	262	277	31	308
Loans from other joint ventures				232	0	232	232	0	232
Net book value of loans and borrowings				1,427	167	1,593	1,518	257	1,775

1 Please refer to note 6.3.15 'Loans to Joint Ventures and Associates' for presentation of the carrying amount of these loans in Company's Consolidated Statement of Financial Position.

2 Loans from the Joint Ventures SBM Shipyard Ltd to the JV Paenal - Porto Amboim Estaleiros Navais Ltda.

Aggregated information on joint ventures and associates

	2015	2014
Net result	128	254

6.3.32 Information on non-controlling interests

The Company has several jointly owned subsidiaries:

Entity name	Partners	% of ownership	Country registration	2015 main reporting segment	Project name
Aseng Production Company Ltd	GE Petrol	60.00	Cayman island	Lease & operate	FPSO Aseng
Gepsing Ltd	GE Petrol	60.00	Cayman island	Lease & operate	FPSO Aseng
Gepsing Ltd - Equatorial Guinea Branch	GE Petrol	60.00	Equatorial Guinea	Lease & operate	FPSO Aseng
Brazilian Deepwater Floating Terminals Ltd	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & operate	FPSO Espirito Santo
Brazilian Deepwater Production Ltd	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & operate	FPSO Espirito Santo
Brazilian Deepwater Production Contractors Ltd	Malaysia International Shipping Corporation Behard	51.00	Bermuda	Lease & operate	FPSO Espirito Santo
Operações Marítimas em Mar Profundo Brasileiro Ltda	owned by Brazilian Deepwater Production Contractors (see information above)	51.00	Brazil	Lease & operate	FPSO Espirito Santo
SBM Stones S.à r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	Luxembourg	Turnkey	FPSO Turritella
SBM Turritella LLC	owned by SBM Stones S.a r.l. (see information above)	55.00	USA	Turnkey	FPSO Turritella
SBM Stones Holding Operations B.V.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha	55.00	Netherlands	Lease & operate	FPSO Turritella
Alfa Lula Alto S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	56.00	Luxembourg	Turnkey	FPSO Cidade de Marica
Alfa Lula Alto Holding Ltd	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	56.00	Bermuda	Lease & operate	FPSO Cidade de Marica
Alfa Lula Alto Operações Marítimas Ltda	owned by Alfa Lula Alto Holding Ltd. (see information above)	56.00	Brazil	Lease & operate	FPSO Cidade de Marica
Beta Lula Central S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	56.00	Luxembourg	Turnkey	FPSO Cidade de Saquarema
Beta Lula Central Holding Ltd	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	56.00	Bermuda	Lease & operate	FPSO Cidade de Saquarema
Beta Lula Central Operações Marítimas Ltda	Owned by Betal Lula Central Holding Ltd. (see information above)	56.00	Brazil	Lease & operate	FPSO Cidade de Saquarema
Tupi Nordeste S.à.r.l.	Nippon Yusen Kabushiki Kaisha; Itochu Corporation; Queiroz Galvao Oleo e Gas, S.A.	50.50	Luxembourg	Lease & operate	FPSO Cidade de Paraty
Tupi Nordeste Operações Marítimas Ltda	Owned by Tupi Nordeste Holding (see information below)	50.50	Brazil	Lease & operate	FPSO Cidade de Paraty
Tupi Nordeste Holding Ltd	Nippon Yusen Kabushiki Kaisha; Itochu Corporation; Queiroz Galvao Oleo e Gas, S.A.	50.50	Bermuda	Lease & operate	FPSO Cidade de Paraty
Guara Norte S.à.r.l.	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	62.25	Luxembourg	Lease & operate	FPSO Cidade de Ilhabela

Entity name	Partners	% of ownership	Country registration	2015 main reporting segment	Project name
Guara Norte Holding Ltd	Mitsubishi Corporation; Nippon Yusen Kabushiki Kaisha ; Queiroz Galvao Oleo e Gas, S.A.	62.25	Bermuda	Lease & operate	FPSO Cidade de Ilhabela
Guara Norte Operações Marítimas Ltda	Owned by Guara Norte Holding Ltd. (see information above)	62.25	Brazil	Lease & operate	FPSO Cidade de Ilhabela
SBM Capixaba Operações Marítimas Ltda	Owned by FPSO Capixaba Venture S.A. (see information below)	80.00	Brazil	Lease & operate	FPSO Capixaba
SBM Espirito Do Mar Inc	Queiroz Galvao Oleo e Gas, S.A.	80.00	Switzerland	Lease & operate	FPSO Capixaba
FPSO Capixaba Venture S.A.	Queiroz Galvao Oleo e Gas, S.A.	80.00	Switzerland	Lease & operate	FPSO Capixaba
FPSO Brasil Venture SA	MISC Berhad	51.00	Switzerland	Lease & operate	FPSO Brazil
SBM Operações Ltda	MISC Berhad	51.00	Brazil	Lease & operate	FPSO Brazil
SBM Systems Inc.	MISC Berhad	51.00	Switzerland	Lease & operate	FPSO Brazil
South East Shipping Co. Ltd	Mitsubishi Corporation	75.00	Bermuda	Lease & operate	Yetagun

On 30 June 2015, the Company entered into an agreement with Mitshubishi Corporation and Nippon Yusen Kabushiki Kaisha for the disposal of 45% of the Company's share in company incorporated for the purpose of owning an operation FPSO Turritella at shares nominal value (see Note 6.3.1 Highlights).

In 2015, the Company owns 56% of the shares of the jointly owned entities relating to FPSO Cidade de Marica and FPSO Cidade de Saquarema. Upon first oil of these two FPSO, the partner Queiroz Galvao Oleo e Gas SA has the possibility to exercise a call option on a further 5% equity participation share on these two projects.

Included in the consolidated financial statements are the following items that represent the Company's interest in the revenues, assets and loans of the partially owned subsidiaries.

Figures are presented at 100% before elimination of intercompany transactions.

Information on non-controlling interests (NCI) – 2015

Entity name	Project name	Place of business	Total assets	Non-current assets	Cash	Loans	Non-current liabilities	Current liabilities
Aseng Production Company Ltd	FPSO Aseng	Equatorial Guinea	416	308	11	272	235	45
Gepsing Ltd			14	-	14	-	-	6
Gepsing Ltd - Equatorial Guinea Branch			21	-	1	-	0	17
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito Santo	Brazil	0	-	-	-	-	0
Brazilian Deepwater Production Ltd			451	366	50	42	256	97
Brazilian Deepwater Production Contractors Ltd			29	0	6	9	6	16
Operações Marítimas em Mar Profundo Brasileiro Ltda			7	0	0	7	7	3
SBM Stones S.à r.l.[1]	FPSO Turritella	USA	2,186	1,085	-	685	377	1,499
SBM Stones Holding Operations B.V.			-	-	-	-	-	-
Alfa Lula Alto S.à.r.l.	FPSO Cidade de Marica	Brazil	1,827	-	1	1,337	1,365	154
Alfa Lula Alto Holding Ltd			0	0	0	-	-	0
Alfa Lula Alto Operações Marítimas Ltda			1	-	0	-	-	0
Beta Lula Central S.à.r.l.	FPSO Cidade de Saquarema	Brazil	1,538	-	2	1,178	1,184	19
Beta Lula Central Holding Ltd			0	0	0	-	-	0
Beta Lula Central Operações Marítimas Ltda			0	-	0	-	-	0
Tupi Nordeste S.à.r.l.	FPSO Cidade de Paraty	Brazil	1,297	1,203	41	801	748	103
Tupi Nordeste Operações Marítimas Ltda			3	0	0	6	6	12
Tupi Nordeste Holding Ltd			16	2	9	-	-	17
Guara Norte S.à.r.l.	FPSO Cidade de Ilhabela	Brazil	1,609	1,501	56	1,103	1,013	122
Guara Norte Holding Ltd			15	0	12	-	-	16
Guara Norte Operações Marítimas Ltda			5	0	0	1	1	9
SBM Capixaba Operações Marítimas Ltda	FPSO Capixaba	Brazil	4	0	0	11	11	4
SBM Espirito Do Mar Inc			278	251	11	37	41	35
FPSO Capixaba Venture S.A.			2	0	1	17	17	61
Non material NCI			100	9	7	3	10	13
Total 100%			**9,821**	**4,726**	**222**	**5,509**	**5,276**	**2,249**

1 consolidated figures including the entity SBM Turritella LLC which is owned at 100% by SBM Stones S.à r.l.

Information on non-controlling interests (NCI) - 2015

Entity name	Project name	Place of business	Dividends to NCI	Revenue
Aseng Production Company Ltd	FPSO Aseng	Equatorial Guinea	-	32
Gepsing Ltd			-	2
Gepsing Ltd - Equatorial Guinea Branch			-	42
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito Santo	Brazil	-	-
Brazilian Deepwater Production Ltd			-	129
Brazilian Deepwater Production Contractors Ltd			-	0
Operações Marítimas em Mar Profundo Brasileiro Ltda			-	14
SBM Stones S.à r.l.[1]	FPSO Turritella	USA	-	199
SBM Stones Holding Operations B.V.			-	-
Alfa Lula Alto S.à.r.l.	FPSO Cidade de Marica	Brazil	-	369
Alfa Lula Alto Holding Ltd			-	-
Alfa Lula Alto Operações Marítimas Ltda			-	-
Beta Lula Central S.à.r.l.	FPSO Cidade de Saquarema	Brazil	-	360
Beta Lula Central Holding Ltd			-	-
Beta Lula Central Operações Marítimas Ltda			-	-
Tupi Nordeste S.à.r.l.	FPSO Cidade de Paraty	Brazil	-	121
Tupi Nordeste Operações Maritimas Ltda			-	17
Tupi Nordeste Holding Ltd			-	28
Guara Norte S.à.r.l.	FPSO Cidade de Ilhabela	Brazil	-	160
Guara Norte Holding Ltd			-	29
Guara Norte Operações Marítimas Ltda			-	16
SBM Capixaba Operações Marítimas Ltda	FPSO Capixaba	Brazil	-	11
SBM Espirito Do Mar Inc			-	68
FPSO Capixaba Venture S.A.			-	13
Non material NCI			3	25
Total 100%			3	1,635

1 consolidated figures including the entity SBM Turritella LLC which is owned at 100% by SBM Stones S.à r.l.

Information on non-controlling interests (NCI) – 2014

Entity name	Project name	Place of business	Total assets	Non-current assets	Cash	Loans[1]	Non-current liabilities	Current liabilities
Aseng Production Company Ltd	FPSO Aseng	Equatorial Guinea	605	399	37	436	263	207
Gepsing Ltd			24	-	12	-	-	6
Gepsing Ltd- Equatorial Guinea Branch			18	-	0	-	0	25
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito Santo	Brazil	0	-	-	-	-	0
Brazilian Deepwater Production Ltd			512	410	59	105	297	116
Brazilian Deepwater Production Contractors Ltd			7	0	3	9	9	12
Operações Marítimas em Mar Profundo Brasileiro Ltda			6	0	1	5	5	8
Alfa Lula Alto S.à.r.l.	FPSO Cidade de Marica	Brazil	1,243	-	0	963	1,017	147
Alfa Lula Alto Holding Ltd			0	0	0	-	-	0
Alfa Lula Alto Operações Marítimas Ltda			0	-	-	-	-	0
Beta Lula Central S.à.r.l.	FPSO Cidade de Saquarema	Brazil	1,071	-	0	667	373	294
Beta Lula Central Holding Ltd			0	0	0	-	-	0
Beta Lula Central Operações Marítimas Ltda			0	-	-	-	-	0
Tupi Nordeste S.à.r.l.	FPSO Cidade de Paraty	Brazil	1,315	1,241	23	883	838	106
Tupi Nordeste Operações Marítimas Ltda			9	1	1	1	1	21
Tupi Nordeste Holding Ltd			13	0	3	-	-	11
Guara Norte S.à.r.l.	FPSO Cidade de Ilhabela	Brazil	1,819	1,537	231	1,220	1,128	175
Guara Norte Holding Ltd			4	0	-	-	-	3
Guara Norte Operações Marítimas Ltda			5	-	1	-	-	4
SBM Capixaba Operações Marítimas Ltda	FPSO Capixaba	Brazil	4	-	1	6	6	11
SBM Espirito Do Mar Inc			323	284	0	86	120	4
FPSO Capixaba Venture S.A.			1	1	1	17	17	37
Non material NCI			125	6	22	4	4	55
Total 100%			7,103	3,880	395	4,401	4,078	1,241

1 Loans figures at 31 December 2014 have been restated to include intercompany loans.

Information on non-controlling interests (NCI) - 2014

Entity name	Project name	Place of business	Dividends to NCI	Revenue
Aseng Production Company Ltd	FPSO Aseng	Equatorial Guinea	-	47
Gepsing Ltd			-	5
Gepsing Ltd- Equatorial Guinea Branch			-	51
Brazilian Deepwater Floating Terminals Ltd	FPSO Espirito Santo	Brazil	-	-
Brazilian Deepwater Production Ltd			-	114
Brazilian Deepwater Production Contractors Ltd			-	0
Operações Marítimas em Mar Profundo Brasileiro Ltda			-	15
Alfa Lula Alto S.à.r.l.	FPSO Cidade de Marica	Brazil	-	1,017
Alfa Lula Alto Holding Ltd			-	-
Alfa Lula Alto Operações Marítimas Ltda			-	-
Beta Lula Central S.à.r.l.	FPSO Cidade de Saquarema	Brazil	-	1,006
Beta Lula Central Holding Ltd			-	-
Beta Lula Central Operações Marítimas Ltda			-	-
Tupi Nordeste S.à.r.l.	FPSO Cidade de Paraty	Brazil	-	127
Tupi Nordeste Operações Marítimas Ltda			-	21
Tupi Nordeste Holding Ltd			-	28
Guara Norte S.à.r.l.	FPSO Cidade de Ilhabela	Brazil	-	350
Guara Norte Holding Ltd			-	3
Guara Norte Operações Marítimas Ltda			-	2
SBM Capixaba Operações Marítimas Ltda	FPSO Capixaba	Brazil	-	15
SBM Espirito Do Mar Inc			-	74
FPSO Capixaba Venture S.A.			-	15
Non material NCI			2	73
Total 100%			2	2,963

Reference is made to section 6.3.24 Loans and Borrowings for a description of the bank interest-bearing loans and other borrowings per entity.

Included in the consolidated financial statements are the following items that represent the aggregate contribution of the partially owned subsidiaries to the Company consolidated financial statements:

Interest in non-controlling interest (summary)

	2015	2014
Net result	81	76
Accumulated amount of NCI	970	730

6.3.33 Related Party Transactions

During 2015, 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 6.3.6 'Employee benefit expenses'.

The Company has transactions with joint ventures and associates which are recognized as follows in the Company's consolidated financial statements:

Related party transactions

	Note	2015	2014
Revenue		56	350
Cost of sales		(222)	(426)
Other operating expense		(3)	-
Loans to joint ventures and associates	*6.3.15*	299	441
Trade receivables		204	305
Trade payables		60	77

The other operating expense relate to the loss on the disposal of Pelican Assets S.à.r.l. to the joint venture SNV Offshore Limited on 23 December 2015.

The Company has provided loans to joint ventures and associates such as shareholder loans and funding loans at rates comparable to the commercial rates of interest.

During the period, the Company entered into trading transactions with joint ventures and associates and are made on terms equivalent to those that prevail in arm's length transactions.

Additional information regarding the joint ventures and associates is available in '6.3.31 Interest in Joint Ventures and Associates'.

6.3.34 Auditor's Fees and Services

Fees included in Other operating costs related to PwC, the 2015 and 2014 Company's external auditor, are summarized as follows:

in thousands of US$	2015	2014
Audit fees	2,162	1,878
Out of which:		
- invoiced by PwC Accountants N.V.	*748*	*548*
- invoiced by PwC network firms	*1,414*	*1,330*
Tax fees	92	64
Other	555	927
Total	2,810	2,869

The other auditor's fees mainly relate to other auditing services carried out in the course of the development of a master limited partnership (MLP) project.

The other fees paid in 2014 relate to forensic activities, initiated in 2012, and which were completed during the period.

6.3.35 Events after the Balance Sheet Date

In accordance with the Company policy introduced in 2015 which consists of paying out between 25% and 35% of the directional net income provided that positive free cash-flows are expected to be generated during the year of payment, and, this year, considering 2015 exceptional non-recurring items, the Management Board decided on 26 January 2016 to propose a dividend out of 2015 net income of US$ 0.21 per share to the Annual General Meeting on 6 April 2016, corresponding to 25% of the US$ 180 million Company's 2015 Directional net income adjusted, this year, for non-recurring items.

At the end of January 2016, the United States Department of Justice has informed SBM Offshore that it has re-opened its past inquiry of the Company and has made information requests in connection with that inquiry. The Company is seeking further clarification about the scope of the inquiry. The Company remains committed to close out discussions on this legacy issue which the Company self-reported to the authorities in 2012 and for which it reached a settlement with the Dutch Public Prosecutor in 2014.

6.4 Company Financial Statements

6.4.1 Company Balance Sheet

Company balance sheet

At 31 December (before appropriation of profit)	Notes	2015	2014
ASSETS			
Property, plant and equipment		-	-
Investment in Group companies	6.5.1	2,585	2,129
Other financial assets		-	4
Total financial fixed assets		2,585	2,133
Deferred tax asset		4	2
Total non-current assets		2,589	2,136
Other receivables	6.5.2	22	459
Income tax receivable		-	4
Cash and cash equivalents	6.5.3	4	-
Total current assets		26	463
TOTAL ASSETS		2,615	2,599
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		58	64
Share premium reserve		1,162	1,160
Legal reserves	6.5.4	553	387
Other reserves		-	-
Retained earnings		723	808
Shareholders' equity	6.5.4	2,496	2,419
Provisions		-	0
Other non-current liabilities	6.5.5	3	70
Total non-current liabilities		3	70
Other current liabilities	6.5.5	116	110
Total current liabilities		116	110
TOTAL EQUITY AND LIABILITIES		2,615	2,599

6.4.2 Company Income Statement

Company income statement

For the years ended 31 December	2015	2014
Company result	(25)	(269)
Result of Group companies	54	844
Profit/(Loss)	29	575

6.4.3 General

The separate financial statements are part of the 2015 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.

6.4.4 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. The 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 ('6.2.7 Accounting Principles') for a description of these principles.

Participating interests, over which significant influence is exercised, are stated on the basis of the net asset value.

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 unrealized.

6.5 Notes to the Company Financial Statements

6.5.1 Investment in Group Companies

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

Investment in Group companies

	2015	2014
Balance at 1 January	2,129	1,831
Reclassification to other receivables	(47)	(54)
Investments net value	2,082	1,777
Result of Group companies	54	845
Investment and other changes (a.o. IAS 39)	381	(161)
Divestments and capital repayments	39[1]	(379)
Dividends received	-	-
Currency differences	(13)	1
Movements	461	305
Balance at 31 December	2,585	2,129
Reclassification to other receivables	(42)	(47)
Investments at net asset value	2,543	2,082

1 Disposal of 45% of the Company's share in FPSO Turritella (Please refer to note 6.3.1 Highlights)

The reclassification to other receivables relates to the cumulative losses in equity of the subsidiary of the Company Van Der Giessen-de Noord N.V. and XNK Industries B.V. It reduces the carrying amount of the other receivables provided to these subsidiaries.

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

The subsidiaries of the company are the following (all of which are 100% owned):

- SBM Offshore Holding B.V., Amsterdam, the Netherlands
- SBM Group Holding Inc., Marly, Switzerland
- SBM Holding Luxembourg SARL, Luxembourg, Luxembourg
- SBM Schiedam B.V., Rotterdam, the Netherlands
- Van der Giessen-de Noord N.V., Krimpen a/d IJssel, the Netherlands
- XNK Industries B.V., Dongen, the Netherlands
- SBM Holland B.V., Rotterdam, the Netherlands
- Capixaba Holding B.V., 's Gravenhage, the Netherlands

6.5.2 Other Receivables

	2015	2014
Amounts owed by Group companies	21	458
Other debtors	1	1
Total	22	459

Receivables fall due in less than one year. The fair value of the receivables approximates the book value, due to their short term character.

6.5.3 Cash and Cash Equivalents

Cash and cash equivalents are at the Company's free disposal.

6.5.4 Shareholders' Equity

For an explanation of the shareholders equity, reference is made to the consolidated statement of changes in equity and Note 6.3.23 'Equity attributable to shareholders'.

Legal reserve

	2015	2014
Joint venture equity non-distributable	827	664
Capitalized development expenditure	15	5
Translation reserve	(26)	(14)
Cash flow hedges	(263)	(268)
Total	553	387

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.

6.5.5 Other Current and Non Current Liabilities

Current and non current liabilities

	2015	2014
Non-current portion of other creditors	-	70
Amounts owed to Group companies	2	-
Total non current liabilities	2	70
Amounts owed to Group companies	38	31
Taxation and social security costs	5	6
Other creditors	74	73
Total current liabilities	116	110

The other current liabilities fall due in less than one year. The fair value of other current liabilities approximates the book value, due to their short term character.

The current portion of 'other creditors' mainly refer to the last US$ 70 million remaining installment due, following the settlement with the Dutch Public Prosecutor's Office over the investigation into potentially improper sales payments (see Note 6.3.1 'Highlights' of the consolidated financial statements within section 6.3).

6.5.6 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 for current income tax in which almost all Dutch Group companies are included. Current income tax liabilities of Dutch Group compamies are settled via intercompany current accounts to the company. This means that these companies are jointly and severally liable in respect of the fiscal unity as a whole.

6.5.7 Directors' Remuneration

For further details on the Directors' remuneration, reference is made to section 6.3.6 Employee Benefit Expenses of the consolidated financial statements.

6.5.8 Number of Employees

The Company has 1 employee, excluding members of the Management Board.

6.5.9 Audit Fees

For the audit fees relating to the procedures applied to the company and its consolidated group entities by accounting firms and external auditors, reference is made to 6.3.6 Employee Benefit Expenses of the consolidation financial statements.

Schiphol, 10 February 2016

Management Board

B.Y.R. Chabas, Chief Executive Officer
P. Barril, Chief Operating Officer
P. van Rossum, Chief Financial Officer
E. Lagendijk, Chief Governance and Compliance Officer

Supervisory Board

F.J.G.M. Cremers, Chairman
T.M.E. Ehret, Vice-Chairman
L.A. Armstrong
F.G.H. Deckers
F.R. Gugen
S. Hepkema
L.B.L.E. Mulliez
C.D. Richard

6.6 Other Information

6.6.1 Appropriation of result

Articles of association governing profit appropriation

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.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 authorized, 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.

Proposed appropriation of profits

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

	2015
Profit/Loss attributable to shareholders	29
In accordance with Article 29 clause 4 to be transferred to retained earnings	-
At the disposal of the General Meeting of Shareholders	29

It is proposed that US$ 29 million of the profit of the year ended 31 December 2015 and US$ 16 million of the retained earnings be distributed among the shareholders.

6.6.2 Events after the Balance Sheet Date

In accordance with the Company policy introduced in 2015 which consists of paying out between 25% and 35% of the directional net income provided that positive free cash-flows are expected to be generated during the year of payment, and, this year, considering 2015 exceptional non-recurring items, the Management Board decided on 26 January 2016 to propose a dividend out of 2015 net income of US$ 0.21 per share to the Annual General Meeting on 6 April 2016, corresponding to 25% of the US$ 180 million Company's 2015 Directional net income adjusted, this year, for non-recurring items.

At the end of January 2016, the United States Department of Justice has informed SBM Offshore that it has re-opened its past inquiry of the Company and has made information requests in connection with that inquiry. The Company is seeking further clarification about the scope of the inquiry. The Company remains committed to close out discussions on this legacy issue which the Company self-reported to the authorities in 2012 and for which it reached a settlement with the Dutch Public Prosecutor in 2014.

6.6.3 Independent auditor's report

To: the general meeting and supervisory board of SBM Offshore N.V.

Report on the financial statements 2015

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2015 and of its result and 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;
- the accompanying company financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of SBM Offshore N.V., Rotterdam ('the Company'). The financial statements include the consolidated financial statements of SBM Offshore N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2015;
- the following consolidated statements for 2015: the income statement and the statements of comprehensive income, changes in equity and the cash flow statement; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2015;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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 responsibilities for the audit of the financial statements' of our report.

We are independent of SBM Offshore N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Our audit approach

Overview and context

The company engages in the construction and the leasing and operating of large and complex offshore floating production, storage and offloading vessels (FPSOs) and is affected negatively by the impact low oil prices have on their clients and prospects. We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements in this context. In particular, we looked at where the management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain in difficult market circumstances. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels have the appropriate skills and competences which are needed for the audit of a company providing floating production solutions to the offshore energy industry, over the full product life-cycle. We thereto included specialists in the areas of IT, tax, valuations and actuaries in our team and discussed the Brazilian situation with fraud and risk management specialists.

Materiality

- Overall materiality: USD 32.5 million

Audit scope

- We conducted audit work in 5 locations
- Site visits were conducted to 3 countries – Houston, Marly, Monaco
- Audit coverage: 93% of consolidated revenue and 71% of consolidated total assets

Key audit matters

- Difficult market conditions, no new projects from Brazil (their main market), and the Company's restructuring actions
- Revenue recognition on construction contracts involves significant judgement
- Provisions and settlements with respect to Brazilian activities
- Directional reporting as part of segment reporting (IFRS 8) reflecting the Company's way of managing and reporting on their business
- The valuation of assets and triggering events resulting in impairment assessments requiring significant management judgement

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibility for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	USD 32.5 million (2014: USD 30 million).
How we determined it	5% of the average adjusted profit before tax for the years 2013-2015.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. We changed the benchmark from last year (from 5% of PBT to 5% of a three year average PBT) to reflect the volatility of the results given the recent business and market conditions. We believe that profit before tax is an important metric for the financial performance of the company. We also took into account other factors such as the headroom on covenants and the financial position of the Company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between USD 5 million and USD 20 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above USD 3.25 million (2014: USD 1.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. This is an increase from last year, because 2014 was our first audit and a higher level is appropriate in the current circumstances.

The scope of our group audit

SBM Offshore N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of SBM Offshore N.V.

The group audit focussed on the significant components regional centres in Monaco, Houston and the treasury function in Marly.

Two components in Monaco were subjected to audits of their complete financial information as those components are individually significant to the group. The components Houston and Marly were subjected to specific risk-focussed audit procedures as they include significant or higher risk areas. Additionally, five components were selected for audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	93%
Total assets	71%
Profit before tax	77%

For the remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the audit work in Houston, Monaco and Marly, we used other PwC network firms. Where the work was performed by these component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group engagement team visits the component teams on a rotation basis. In the current year, the group engagement team has visited all significant components.

The group consolidation, financial statement disclosures and a number of complex items, such as share based payments, lease classification, impairment analysis and the Brazilian situation, are audited by the group engagement team at the head office.

By performing audit procedures at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	*How our audit addressed the matter*
Difficult market conditions, no new projects from Brazil (their main market), and the Company's restructuring actions The drop in the oil price and the need for the Company's clients to reassess and reduce their capex plans and embark on other cost savings initiatives, together with the situation in Brazil whereby the company was excluded from participating in tenders, has caused the Company to reassess its business model. They have initiated a number of alignment and restructuring initiatives aimed at reducing the Company's work force. The continued deterioration of market conditions could have an impact on the Company's financial position and results – particularly its Turnkey segment - and we therefore focussed	We have had discussions with management to understand their plans and business changes. We have considered management's assessment whether the Company would face liquidity problems as a result from the downturn in the industry, and the circumstances the Company is facing in Brazil as described in note 6.3.1 of the financial statements. Our audit procedures included obtaining a liquidity forecast and assessment of the effects of the different liquidity scenarios on the Company's compliance with its bank loan covenants. We have compared the business plans and assumptions with market data as well as with the lease contracts commenced that generate cash flows in the upcoming years. We have

Key audit matter	How our audit addressed the matter
significantly on matters such as judgements, valuations, provisioning and future scenarios, all of these are disclosed in more detail below as it regards to key audit matters.	compared this to management's estimates included in the liquidity scenarios and concur with management's conclusion that there are no material uncertainties with respect to going concern. We have assessed the appropriateness and timing of expenses incurred for restructuring.

Key audit matter	How our audit addressed the matter
Provisions and settlements with respect to Brazilian activities	We have discussed the status of the Brazilian settlement negotiations with the management board.
The Investigation by the Brazilian authorities into alleged improper sales practices in Brazil as reported in prior year has led the company to negotiating a settlement agreement. Although the negotiations have not finalised and there is no signed agreement yet, progress made is as such that the company is now able to estimate the cost of settling more reliably. The company has therefore provided for USD 245 million. Reference is made to notes 6.3.1 and 6.3.26 of the financial statements.	We have examined various in- and external documents. In addition, we assessed the accounting for the settlement agreement with Petrobras and the Brazilian authority, the CGU currently in draft.The company believes it more likely than not that a settlement will be reached and is now in a position to make a reasonable estimate of the cost of such a potential settlement. We have assessed the reasonableness of such estimate through inquiry with the management board and discussions held with the Brazilian external lawyer confirmed by a lawyer's letter. We have assessed the adequacy of the related disclosure in note 6.3.1. We concur with the accounting and disclosure note in the financial statements.
17 December 2015, the Brazilian Public Prosecutor's Office accused the CEO and the previous CGCO with withholding information and obstructing the Brazilian authorities' investigation. On 15 January 2016, the judge in Brazil referred these accusations back to the Public Prosecutor to propose an out-of-court settlement, on a no admission of guilt basis. On 22 January 2016, without admission of guilt, the CEO and previous CGCO accepted the pertinent settlement proposal of the Brazilian Public Prosecutor of USD 128 thousand. The settlement is subject to confirmation by the judge handling the case. The timing of the confirmation has yet to be established.	We obtained an extract of Brazilian public prosecutor's accusations and a convenience translation to English. We obtained external counsel confirmation classifying the charges as a misdemeanour confirming these are commonly settled out-of-court, without admission of guilt. We have discussed this independently with the chairmen of the supervisory board and the audit committee. We have gained an understanding of the process they followed to assess the impact of these accusations. We have reviewed minutes of theirmeetings, the advice of their legal counsel, potential conflicts of interest, and discussed all the actions the supervisory board has taken. The conclusion was that no new facts have surfaced that would indicate impairment of the integrity of the CEO and the CGCO. Based on the facts known to date, we consider this matter has been appropriately dealt with and disclosed.
17 December 2015, the Brazilian public prosecutor formally accused Faerman, the company's former agent in Brazil, with several crimes. This led the company to conclude that Faerman admitted committing illegal acts. As a result, the company released the accrual of USD 75 million for agency fees attributable under a previous contract, considering it now to be nil and void. Mid-January, 2016, the Company gained access to Faerman's depositions confirming the charges in the accusation of 17 December 2015. Reference is made to note 26 of the financial statements.	We have discussed this matter with the management board and internal and external legal counsel. We obtained an extract of Brazilian public prosecutor's accusations and a convenience translation to English. We checked whether the contract was terminated formally. We assessed the timing of the triggering event, the accusation, and assessed that the dispositions confirmed the conclusion. We concur with the release of this accrual.

Key audit matter	How our audit addressed the matter
Revenue recognition on construction contracts involves significant judgement The engineering and construction of FPSOs is complex resulting in various business and financial reporting risks. Revenue arising from construction contracts in its Turnkey segment, represents 62% of the Group's total revenue. Significant management	Our audit procedures included an evaluation of the significant judgements and estimates made by management, whereby we examined project documentation and discussed the status of projects under construction with management, finance and technical staff of the Company. We have tested

Key audit matter	*How our audit addressed the matter*
judgement is involved in estimating the cost to complete, including the assessment of the remaining contingencies that a project is or could be facing until delivery. Management is placing additional focus on the performance stream with significant improvement in execution and control. Reference is made to note B. Critical Accounting Policies, (e) Revenue: 'Construction contracts'.	the controls the Company designed and implemented over its process to record contract costs and contract revenues, the calculation of percentage of completion and their gate reviews. E.g. we attended Monthly Operations Review meetings in the regional centres in Houston and Monaco. We also performed test of details e.g. vouching to invoices and hours incurred to assess the status of the project. In addition, we discussed the status of legal proceedings in respect of construction contracts, examined various claims and variation orders between the Company, subcontractors and clients and responses thereto, and obtained lawyers' letters.

Key audit matter	*How our audit addressed the matter*
Directional reporting as part of segment reporting (IFRS 8) reflecting the Company's way of managing and reporting on their business The management board is managing, monitoring and reporting its business per Lease & Operate and Turnkey segments, as described in note C. Significant Accounting Policies, (e) 'operating segment information'. The Company reports these segments to the market as directional reporting. The Company therefore discloses their so-called directional reporting as segment reporting under IFRS 8 with a reconciliation to the consolidated IFRS result.	We obtained the monthly and quarterly reports that the Management Board is receiving based on which they make informed decisions and reconciled that to the segments identified in the segment reporting. In addition, we have audited the reconciliation from IFRS to the segment reporting and conducted analytics to ensure consistency of approach with prior year and with the company accounting policy set out for segment reporting. Specifically we have ascertained appropriate accounting in line with the company's accounting policy for segment reporting for the partial divestment of FPSO Turritella. Based on the work performed, we concur with the segment reporting.

Key audit matter	*How our audit addressed the matter*
The valuation of assets and triggering events resulting in impairment assessments requiring significant management judgement During its normal review processes, the company identified several impairment triggers e.g. as a result of the deterioration of the credit rating of Brazil as well as worsened utilization of the Angolan yard capacity. This required an impairment assessment of the carrying value of assets based on the future cash flows of these assets. Each assessment contains a number of variables that are subject to (significant) judgement e.g. collectability of a receivable, future level of business at the joint venture yards, meeting the requirements for performance bonuses and steel prices. Reference is made to note 6.3.12 to 6.3.16 and 6.3.18.	We have assessed the appropriateness of cash flows projections, challenged and performed audit procedures on management's assumptions such as bonuses and incentives, the discount rate, residual value, claims and variation orders. We have sought confirming evidence for these assumptions such as obtaining external steel prices to assess residual value and performance bonuses generated in prior periods. We have included valuations experts in our audit team, together we have additionally re-performed calculations, compared with generally accepted valuation techniques and assessed appropriateness of disclosure of the key assumptions underlying the tests.

Responsibilities of the management board and the supervisory board

The management is responsible for:

- the preparation and fair presentation of the 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 directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management should prepare the financial statements using the going concern basis of accounting unless the management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and other information):

- We have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of SBM Offshore N.V. on 13 November 2013 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 17 April 2014 and have been reappointed in the 2015 annual meeting of shareholders.

The Hague, 10 February 2016
PricewaterhouseCoopers Accountants N.V.

W.H. Jansen RA

Appendix to our auditor's report on the financial statements 2015 of SBM Offshore N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluding on the appropriateness of the management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We 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 identify during our audit.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

7 SUSTAINABILITY

7.1 Scope of Sustainability Information

7.1.1 Materiality

SBM Offshore discloses its performance indicators to its stakeholders to inform them of its sustainability policies, targets and performance. SBM Offshore's stakeholders include employees, shareholders, investment community, clients, business partners, export credit agencies, suppliers, loan providers, NGOs and governments.

The performance indicators disclosed for 2015 are based on topics identified as material for SBM Offshore. General standard disclosure and aspects with less of a reporting priority are included in the 7.3 GRI Table. The Disclosures on Management Approach (DMA) for material aspects can be found in the in the section 7.1.2 Disclosures on Management Approach.

SBM Offshore together with several stakeholders, has performed a materiality analysis to identify the aspects that are material to the 'license to operate' and the 'license to grow'. Details about how SBM Offshore performed the materiality analysis and the outcomes can be found in chapter 3.4 Sustainability. The 2015 materiality determination resulted in a confirmation of the already existing aspects on 'license to operate' elements of the Sustainability Framework and the Company continues its performance reporting on these aspects.

7.1.2 Disclosures on Management Approach

Economic Disclosure on Management Approach

a. Why is the aspect material?

The SBM Offshore business model will for the coming decades be supported by global demand for oil, gas and energy. With its business and revenues SBM Offshore provides for salaries to its employees, value for shareholders and expenditures that benefit suppliers and governments.

Details on why this aspect is material can be found in the following sections: 2.1 Introduction, 2.4 Value Driver: Financial & Commercial, 2.6 Value Driver: Talented people, 2.7.6 Strategic sourcing and cost-effective Supply Chain.

b. How does SBM Offshore manage this aspect or its impact?

How SBM Offshore manages its economic performance can be found throughout the annual report and particularly in the following sections: 6.1.2 Financial Review, 2.7.6 Strategic sourcing and cost-effective Supply Chain, 3.2.1 SBM Offshore's Technology Strategy.

c. How does SBM Offshore evaluate the way it manages this aspect?

The economic/financial performance of SBM Offshore is frequently monitored through a large number of KPI's. SBM Offshore's annual report elaborates on this aspect by disclosing information on revenues, operating costs and wages among other financial information, see section 6.1.2 Financial Review for more details.

Technology Disclosure on Management Approach

a. Why is the aspect material?

The Company's success is driven by its reputation in the industry for being at the forefront of technology, providing market-driven, pioneering solutions for almost 60 years. See section 2.5 Value Driver: Technology for more details on why this aspect is material.

b. How does SBM Offshore manage this aspect or its impact?

SBM Offshore maintains its technology focus thanks to the Company's Technology Team engaging externally with its clients and internally with its product line divisions, to identify, understand and analyze the key technical and business trends in the offshore industry. SBM Offshore details how it manages the impact of its technological developments in section 3.2.1 SBM Offshore's Technology Strategy.

c. How does SBM Offshore evaluate the way it manages this aspect?

SBM Offshore details how it evaluates the value created through technology in section 3.2.3 Technology Creating Value.

Environmental: Energy, Emissions and Effluents Disclosure on Management Approach

a. Why is the aspect material?

The Company endeavors to operate in an environmentally and sustainable manner, in order to minimize damage to local ecosystems as well as proactively protect the environment. Further details on why this aspect is material can be found in sections 2.7.2 Environment and 3.4.3 Environment.

b. How does SBM Offshore manage this aspect or its impact?

SBM Offshore has a Policy on Health, Safety, Security, Environment and Social Performance. All SBM Offshore personnel strive to understand and implement the policy requirements pertaining to their work. SBM Offshore is committed to protecting people, preventing pollution and safeguarding the environment. Details on how the Company manages this aspect can be found in sections 3.4.1 HSSE at a Glance and 3.4.3 Environment.

c. How does SBM Offshore evaluate the way it manages this aspect?

Environmental data is tracked on a daily basis, evaluated on a monthly basis and consolidated/ disclosed annually. The results are compared to the results of previous years. In addition, SBM Offshore's environmental data is benchmarked against the IOGP averages. The results are recorded and reported accordance with the IOGP and GRI guidelines.

Environmental releases 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 Reporting System (SRS) database. Environmental data is evaluated by management on a monthly, quarterly and annual basis. Based on these evaluations SBM Offshore has set targets in 2016 to reduce gas flaring by 10% on the Company's account, see sections 3.4.3 Environment and 7.2.2 Environment.

Compliance Environmental Disclosure on Management Approach

a. Why is the aspect material?

SBM Offshore operates in an industry subject to many laws and regulations – both national and international notably related to social and environmental issues. SBM Offshore's commitment is to be always compliant with such laws and regulations, through the systematic identification and implementation of corresponding requirements across its core business activities including the execution of projects and the operation of offshore facilities.

b. How does SBM Offshore manage this aspect or its impact?

SBM Offshore has a Regulatory Compliance Policy specifically addressing the requirement to comply with all applicable laws and regulations as well as the requirements from the classification societies and flag states that apply to the design and operation of SBM Offshore products and systems.

SBM Offshore has a Regulatory Compliance Function providing governance, support and control on regulatory matters, with a specific objective to ensure that regulatory requirements are effectively met as part of SBM Offshore's core business activities (e.g. Project or Operation). The Function has its own resources deployed across the Company, with a reporting line ultimately to the Chief Governance and Compliance Officer, through the Group Compliance Director.

As set in its Regulatory Compliance Policy, SBM Offshore specifically ensures that:

- The identification of rules and regulations applicable to the SBM Offshore Business is one of the early, systematic and key steps of any business initiative.
- Regulatory awareness is continuously maintained and raised at all levels throughout the Company.

- Practices and processes are developed and deployed to ensure regulatory obligations are fully complied with as part of SBM Offshore's general assurance program.
- Compliance with regulatory requirements pertaining to company designed or purchased systems and sub-systems is part of SBM Offshore verification and quality processes.
- Appropriate corrective actions are taken to address and prevent compliance failures.
- Adopting a pragmatic approach in an increasingly regulated business environment, SBM Offshore demonstrates to customers, shareholders, regulators and other stakeholders a robust culture of compliance.

Regulatory Compliance processes were first issued in SBM Offshore's Management System in 2013, and further developed and upgraded over 2014 and 2015 and were re-issued at the end of 2015.

c. How does SBM Offshore evaluate the way it manages this aspect?

The role of the Regulatory Compliance Function is to ensure SBM Offshore's compliance with all laws and regulations applicable to its core business activities. As such, the Regulatory Compliance Function acts as a "2nd line of defense", monitoring SBM Offshore's performance of its business activities and actual compliance with corresponding regulatory requirements.

Monitoring is notably performed through:

- Assignment of Regulatory Compliance resources to SBM Offshore Projects and Operations, providing both support and control.
- Implementation of tools supporting reports and KPIs.
- Involvement of 3rdParty Specialists (including but not limited to Class Societies) to provide additional assurance through independent verification/certification.
- Regulatory Compliance Management meetings and reporting lines independent from Business Management.
- Systematic gathering, review and implementation of Lessons Learnt coming out of SBM Offshore Projects and Operations.
- Review of the effectiveness of systems and processes through Management Reviews and Quality Assurance audits.

Over recent years, SBM Offshore has continuously reviewed and improved its Regulatory Compliance management approach. This is demonstrated through the development of its organization and processes as well as through the actual compliance readiness levels reached at project delivery stage which have gradually improved from project to project.

Labor practices and decent work: Employment, Diversity, Training & Education, Attract & Retain Talent, and Occupational Health & Safety Disclosure on Management Approach

a. Why is the aspect material?

The quality and reliability of SBM Offshore products and services depends on the skills and dedication of its employees. Complexity of projects and technology is increasing and it is vital to the Company to develop from within, in combination with the attraction of the best industry talent, to uphold its high-class technical know-how. SBM Offshore focuses on retaining and developing core talent to ensure that SBM Offshore has the necessary skills to deliver its business targets today and in the future, see section 2.6 Value Driver: Talented people for more details.

Working with hazardous substances implies health and safety risks. And there is the major risk of fire and explosion associated with hydrocarbon releases and loss of structural integrity and stability. Not surprisingly, the Company has a long tradition of control and management of occupational health and safety, see section 3.4.1 HSSE at a Glance for more details.

b. How does SBM Offshore manage this aspect or its impact?

The Company believes that its employees are its most valuable asset. They play a pivotal role in realizing 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. SBM Offshore has a Training Policy that includes development plans and training budgets at Group level, Line and Project Management level and Regional Centres. For more details see section 3.3 Talented people.

The Company strives to offer an incident-free workplace and minimize the risks to the health and safety of all its personnel, see section 2.7.1 Health, Safety & Security.

c. How does SBM Offshore evaluate the way it manages this aspect?

The total percentage of female/male permanent employees from both Onshore Operations and Offshore Production is tracked and reported. SBM Offshore tracks training hours by gender and reporting segment. The tracking of training hours is one way for the Company to monitor its investment in talent development. SBM Offshore tracks and discloses turnover data on an annual basis by location, category and age bracket. Annual benchmarking surveys are performed to ensure competitiveness of all available packages (base salary, variable pay, long term incentives and benefits packages), for more details see 3.3 Talented people.

SBM Offshore sets objectives and targets, measures, reviews and reports its HSSE and Social Performance (SP), details of the results can be found in section 7.2.1 Health, Safety & Security.

Asset Integrity and Process Safety Management Disclosure on Management Approach

a. Why is the aspect material?

In its activities, there are significant risks involved related to health and safety of employees and the environment. An important risk is fire and explosion associated with hydrocarbon releases and loss of structural integrity and stability. Not surprisingly the Company has a long tradition of control and management of occupational health and safety.

b. How does SBM Offshore manage this aspect or its impact?

The Company strives to offer an incident-free workplace and minimize the risks to the health and safety of all its personnel. Health, Safety and Security is one of the licenses to operate for SBM Offshore.
The Company has endorsed a new Process Safety Management framework and continues to deliver a sound performance in Security.

Following the launch in 2012 of a structured program 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 program based on a well-established industry standard 'Guidelines for Risk Based Process Safety' by the Centre for Chemical Process Safety (CCPS), part of the American Institute for Chemical Engineers (AIChE).

c. How does SBM Offshore evaluate the way it manages this aspect?

When applied throughout the lifecycle of SBM Offshore products, the twenty framework elements have the potential to reduce the risk of catastrophic events, with the ultimate aim of minimizing 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 Offshore business activities and processes.

Human Rights: Investment and Assessment Disclosure on Management Approach

a. Why is the aspect material?

Society provides SBM Offshore the social and physical infrastructure for entrepreneurship. Accordingly, we have the following responsibilities:

- respecting human rights as formulated in the Universal Declaration of Human Rights;
- taking all reasonable measures to avoid involvement or complicity in human rights violations in its relationships and interactions with state security forces;
- assessing the social, environmental and economic impact of intended operations prior to the commencement of operational activities, including the impact on local communities and human rights.

For SBM Offshore its employees are its most valuable asset. The quality and reliability of products and services depends on the skills and dedication of employees. SBM Offshore has its business spread over six continents and the Company has embraced the challenges offered by different environments. Therefore preventing any discrimination on the basis of sex, age, race, religion, political or trade union affiliations, nationality or disability is a must.

b. How does SBM Offshore manage this aspect or its impact?

In respect of Corporate Social Responsibility, SBM Offshore adheres to international standards such as the United Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, ILO conventions and the UN Global Compact.

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.

c. How does SBM Offshore evaluate the way it manages this aspect?

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.
For certain locations the Company has ensured that its operations comply with the highest social accountability standards. The Company has external verification of the against these standards please see section 4.10 Compliance Table for details.

Society: Local Communities Disclosure on Management Approach

a. Why is the aspect material?

Governments in host countries demand certain levels of local content during construction of SBM Offshore products. The Company aims to meet these demands by subcontracting work at a local level or investing to develop local fabrication facilities.
For SBM Offshore fostering local development goes beyond compliance to local content, and refers to commitment to stimulate local and national development in the countries it operates in. For more details see section 2.7.5 Social Performance.

b. How does SBM Offshore manage this aspect or its impact?

The Company is committed to being globally aware, promoting local development and operating with integrity. The Company believes that social responsibility means investing in the well-being of its staff and maximizing employee opportunities for success by providing stimulating challenges, customized training and high levels of work satisfaction, all within a safe working environment, see section 2.7.5 Social Performance.

c. How does SBM Offshore evaluate the way it manages this aspect?

SBM Offshore has started to monitor this aspect with its socio economic impact assessment in Brazil. The Company has made, for example, investments over the years in local communities. For ways that SBM Offshore evaluates the way it manages this aspect see 3.4.5 Social Performance.

Society: Anti-Corruption and Compliance Disclosure on Management Approach

a. Why is the aspect material?

Integrity and compliance form the backbone of SBM Offshore's license to operate and instills trust in our stakeholders. It provides a strong foundation for rebuilding reputation and ensures that business is conducted responsibly.

SBM Offshore does not tolerate corruption, violation of trade sanctions, anti-money laundering or anti-competition laws, or any other illegal or unethical conduct in any form by anyone working for or on behalf of the Company. SBM Offshore is committed to complying with all applicable laws and regulations, the Company's Code of Conduct and other internal rules and regulations.

b. How does SBM Offshore manage this aspect or its impact?

SBM Offshore's Compliance Program aims to guide the Company's leadership team in applying its moral compass and strengthen the management control system. SBM Offshore has integrated the Compliance Program into its organizational structure as well as promoting a compliant culture in the day-to-day way of working of all employees:

- The Company's Management Board has overall accountability, the Chief Governance and Compliance Officer (CGCO) has overall responsibility for compliance.
- Reporting to the CGCO, the Group Compliance Director (GCD), leads the Compliance Program, drives its execution and regularly reports on its operating effectiveness to the Management Board and Supervisory Board Audit Committee, while also reporting the Company's key compliance risks and incidents.
- Business leadership has accountability and responsibility to manage compliance and integrity risks within the Company's regional centers and operations.
- Each employee of SBM Offshore has the responsibility to work in a way that corresponds with the Company's Core Values and the Code of Conduct and is responsible for understanding and meeting the requirements of integrity and compliance obligations that apply to his or her job responsibilities.

The Company's anti-corruption management controls system upholds SBM Offshore's zero tolerance for corruption. Key components of the system:

- A thorough due diligence procedure for review and approval of sales intermediaries, business partners, customers, subcontractors and other third parties.
- The Company's Validation Committee ultimately approves sensitive, relatively high-risk third parties and advises on due diligence related risks.
- Compliance Risk Management Procedures

SBM Offshore's Code of Conduct and Anti-Corruption Policy and Compliance Guide is published on its website and internal intranet for all governance bodies, employees and business partners to have access to these documents.

The Management Board and management receive regular and continuous trainings and communication on the Code of Conduct, Anti-Corruption and Compliance. Compliance management is also a regular topic on the Supervisory Board and Supervisory Board Audit Committee agenda.

SBM Offshore is committed to conducting its business honestly, ethically, and lawfully. As part of this commitment, SBM Offshore opposes business corruption in all its forms. It is SBM Offshore's intention that all business partners, JV partners and supply chain comply with the Code of Conduct and Anti-Corruption Policies. A Third Party due diligence policy and process is in place and operational.

c. How does SBM Offshore evaluate the way it manages this aspect?

- SBM Offshore has a procedure allowing employees to report alleged irregularities with respect to the Code without jeopardizing their employment position. Through a Freephone or web-based reporting facility (the SBM Offshore Integrity Line) employees can report – anonymously if they wish – in their own language.
- Regular monitoring of compliance risks and mitigating measures and controls and risk based as well as incident reporting through the incident case management system.

- SBM Offshore tracks training hours by type of employee and location.
- Annual Code of Conduct certification by staff in leadership positions.
- Tool to register and monitor giving and receiving of Hospitality, Gifts and Entertainment.

7.1.3 Reporting Boundaries

The performance indicators include Financial, Social, Health, Safety, Security and Environmental data, which are included in the following pages of the report.

HSSE data is presented for the calendar years 2014 and 2015 to allow for comparison. Human Resources data is presented for 2015. For certain key data the last five years have been published to show the Company's long history of data collection and disclosure. PricewaterhouseCoopers Accountants N.V. has provided limited assurance on the safety indicators LTIFR and TRIFR and environmental data reported for the years 2010 until 2013 based on a separate report on selected key sustainability indicators prepared by SBM Offshore. The financial data has been audited as part of the annual financial reporting process.

For Health, Safety and Security information is provided in relation to SBM Offshore's direct activities and also includes impacts outside the organization by reporting on contractors and contractor's subcontractors.

SBM Offshore also measures impacts outside the organization by performing Socio-economic Impact Assesement of its operations in Brazil.

For Environment and Human Resources information is provided in relation to impacts within the Company.

For some performance indicators the Company makes a split between onshore and offshore activities. For Health, Safety, Security and Environment, onshore includes all SBM Offshore employees and contractors in the yards and offices. Offshore includes all fleet, support shore bases, and the Monaco office supporting the offshore fleet. This breakdown does not include Construction Yard employees. For Human Resources, onshore includes all SBM Offshore employees and contractors in offshore offices, yards and SBM Offshore Operations employees based in Monaco. Offshore includes all fleet and their respective supporting shore base. This breakdown does not include Construction Yard employees.

7.1.4 Reporting about Sustainability Information

The sustainability information presented in this report is prepared 'in accordance' with the 'core' option of Global Reporting Initiative ("GRI4") G4 Guidelines of Sustainability Reporting. The Company has used the GRI G4 Guidelines to determine material aspects for this year's report.

For SBM Offshore, it is important to have assurance on financial as well as non-financial information, to obtain assurance on the reliability of information presented to its stakeholders. This year the Company requested limited assurance on the sustainability information.

PricewaterhouseCoopers Accountants N.V. ("PwC") has been engaged by SBM Offshore as its auditor.

7.1.5 Health, Safety and Security Reporting

The Health, Safety and Security performance indicators scope takes into account:

- Employees which include all permanent employees, part-time employees, locally hired agency staff ("direct contractors") in the fabrication sites, offices and offshore workers, i.e. all people working for the Company.
- Contractors which include any person employed by a Contractor or Contractor's Sub-Contractor(s) who is directly involved in execution of prescribed work under a contract with SBM Offshore.

HSS incident reporting is registered and managed through the Company's Single Reporting System

(SRS) database. SRS is a web-based reporting system that is used to collect data on all incidents occurring in all locations where the Company operates.

The SRS system records safety, environmental, security incidents, process safety events, equipment failure and damage only incidents.

Incidents are reported based on the incident classifications as defined by the IOGP. The Company also reports incident data from Contractor's construction facilities if the incident is related to an SBM Offshore project.

The Company uses records of exposure hours and SRS data to calculate Health and Safety performance indicators set by SBM Offshore.

Restatements

In 2014 SBM Offshore reported security related incidents including security threats and security incidents resulting in physical harm to employees. In 2015 SBM Offshore refined the reporting scope to work-related security incidents, including incidents resulting in physical harm to employees. As result, SBM Offshore re-stated the number of work-related incidents from 2014.

7.1.6 Environmental and Process Safety Reporting

Offshore

The environmental and process safety offshore performance reporting scope is comprised of 11 offshore units that use the following reporting boundaries[18]:

- Units in the Company's fleet producing and/or storing hydrocarbons under lease and operate contracts during 2015
- 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

The environmental and process safety performance of the Company is reported by region: Brazil, Angola, Asia and Rest of the World. Based on the criteria stated above, SBM Offshore reports on the environmental performance for the following 11 vessels:

- Brazil – FPSO *Espirito Santo*, FPSO *Capixaba*, FPSO *Cidade de Paraty*, FPSO *Cidade de Anchieta*, FPSO *Cidade de Ilhabela*
- Angola – FPSO *Mondo*, FPSO *Saxi Batuque* and *N'Goma* FPSO
- Rest of World – FPSO *Aseng*, FSO *Yetagun* and PFC Deep Panuke

One additional vessel in Brazil, FPSO *Marlim Sul* has been added to the Environmental Discharges scope as the unit is in demobilization phase therefore not producing but still has crew onboard, see section 3.1 Operations and Lease Fleet for details.

The environmental offshore performance reporting methodology was chosen according to the performance indicators relative to GRI and IOGP guidelines. This includes:

- Greenhouse Gases, referred to as GHG which are N_2O (Nitrous Oxide), CH_4 (Methane) and CO_2 (Carbon Dioxide)
- GHG emissions per hydrocarbon production from flaring and energy generation
- Non Greenhouse Gases which are CO (Carbon Monoxide), NO_x (Nitrogen Oxides), SO_2 (Sulphur Dioxide) and VOCs (Volatile Organic Compounds)
- Gas flared per hydrocarbon production, including gas flared on SBM Offshore account
- Energy consumption per hydrocarbon production
- Oil in Produced Water per hydrocarbon production

SBM Offshore reports some of its indicators as a weighted average, calculated pro rata over the volume of hydrocarbon production per region. This

[18] SBM Offshore reports its offshore emissions using a consolidation approach which includes both equity share and operational control.

is in line with the IOGP Environmental Performance Indicators.

The calculation of air emissions from offshore operations units uses the method as described in the EEMS-Atmospheric Emissions Calculations (Issue 1.810a) recommended by Oil & Gas UK (OGUKA).

Emissions reported in the Company's emissions records include:

- GHG emissions for the production of energy. Records of 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 below the limit defined by the Client, above the limit attributable to SBM Offshore account or at the request of the client to optimize production.

Offshore 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.

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.

Environmental releases to air, water or land from the offshore operations units are reported using the data recorded in the Single Reporting System (SRS) database. SBM Offshore has embedded a methodology for calculating the estimated discharge and subsequent classification within the SRS tool.

Onshore

SBM Offshore reports on its onshore scope 1 and 2 emissions by operational control and discloses on the following locations; Amsterdam, Monaco, Rio de Janeiro, Schiedam, Houston, Kuala Lumpur and Marly. In 2015 the scope was extended to include shore bases in Malaysia, United States, Brazil and Canada. Efforts are being made to extend the reporting scope to include all shore bases. SBM Offshore does not have absolute targets as the Company is focused on the maturity of its data collection.

For the onshore energy usage, the Company uses the World Resources Institute Greenhouse Gas Protocol (GHG Protocol) method to calculate CO_2 equivalents. CO_2 equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO_2 that would have the same global warming potential (GWP), when measured over a specified timescale (generally, 100 years). In some instances, SBM Offshore estimated the energy, fuel and/or gas consumption for onshore based on extrapolations.

Construction Yards environmental data, specifically emissions, energy and water usage have not been included in scope. SBM Offshore is aware that the constructions yards may have a large impact on the environment and have identified this as part of its licence to grow under the initiative 'Manage Environmental Impact'.

Restatement

There was a minor restatement of the 2014 onshore scope 1 environmental emissions. New information became available during 2015 for electricity and natural gas consumption of 2014 which led to minor restatements in the total energy consumption and GHG emissions.

7.1.7 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 2015. 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 on board the offshore operations units.

Human Resources considers:

- 'Permanent' employees as a Staff member, holding a labor contract for either an unlimited or a defined period (or an offer letter for an unlimited period in the USA). Permanent employees are recorded on the payroll, directly paid by one of the SBM Offshore Group.[19]
- 'Contractors' as an individual performing work for or on behalf of SBM Offshore, but not recognized as an employee under national law or practise (not part of SBM Offshore companies payroll, they issue invoices for services rendered).

For reporting purposes certain performance indicators report on Construction Yard employees separately. Construction Yards employees for Human Resources reporting purposes consist of employees for yards located in Brazil and Angola. 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. SBM Offshore includes the Brasa Yard in Brazil and the Paenal yard in Angola in its reporting scope based on partial ownership, operational control including human resource activities and social responsibility for the employees.

Certain differences arise between the headcount numbers reported by Finance and HR. This is due to a disparity in the reporting structure of each function's data and how employees under notice period that opted for the Voluntary Departure Scheme have been reported. Turnover has been calculated as such; the number of employees of leaving the company in 2015 up to 31 December 2015 by the Headcount at 31 December 2015.

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 a common system to grade and evaluate all permanent staff.

A Talent Management and Succession Planning program is in place to discuss the strengths, development needs and potential future career paths of SBM Offshore employees, taking into account certain criteria, and identifies those who have the potential to take on greater leadership roles today and tomorrow.

SBM Offshore reports its Human Resources data in Operational Segments which correspond to different regions and segments of SBM Offshore population which is a more relevant breakdown method for SBM Offshore's stakeholders.
SBM Offshore has also chosen to disclose Training information in the employee categories onshore/ offshore as a relevant breakdown method for SBM Offshore's stakeholders, as these are two very different types of populations at SBM Offshore. All employees receive regular performance and career development reviews, therefore breakdown per employee category and gender is not appropriate.
SBM Offshore reports its e-learning Ethics & Compliance training of permanent staff only.

[19] SBM Offshore does not report specifically on unlimited or defined period due to limited number of defined period permanent contract employees.

7.2 Performance Indicators

7.2.1 Health, Safety & Security

Health, Safety & Security

	Year to Year		2015 – By Operating Segment	
	2015	2014	Offshore	Onshore
Exposure Hours				
Employee	13,350,444	14,972,787	7,637,482	5,712,962
Contractor	18,012,789	49,055,233	0	18,012,789
Total Exposure hours	31,363,233	64,028,020	7,637,482	23,725,751
Fatalities (work related)				
Employee	0	0	0	0
Contractor	0	2	0	0
Total Fatalities	0	2	0	0
Injuries				
Lost Time Injury Frequency Rate Employee	0.03	0.09	0.03	0.04
Lost Time Injury Frequency Rate Contractor	0.02	0.03	0.00	0.02
Lost Time Injury Frequency Rate (Total)[1]	0.03	0.05	0.03	0.03
Total Recordable Injury Frequency Rate Employee	0.34	0.45	0.50	0.14
Total Recordable Injury Frequency Rate Contractor	0.13	0.15	0.00	0.13
Total Recordable Injury Frequency Rate (Total)[2]	0.22	0.22	0.50	0.13
Occupational Illnesses				
Employee	0	2	0	0
Contractor	4	3	3	1
Total recordable Occupational Illness Frequency Rate (employees only)[3]	0.00	0.03	0.00	0.00
Security				
Work-related security incidents[4]	2	1	0	2
Work-related security incident resulting in physical harm to employees (number)[4]	0	0	0	0

1 Lost time injuries per 200,000 exposure hours
2 Recordable injuries per 200,000 exposure hours
3 Occupational illnesses per 200,000 exposure hours
4 In 2015 SBM Offshore refined the reporting scope to work-related security incidents, including incidents resulting in physical harm to employees. As result, SBM Offshore re-stated the number of work-related incidents from 2014.

Process Safety

	Year to Year		2015 – Regional Breakdown		
	2015	2014	Brazil	Angola	Rest of the World
Loss of Containment					
Loss of Containment incidents (number)	165	82	114	26	25
Oil and Gas Releases (number)	48	46	33	9	6
Process Safety Events					
Tier 1 incidents (number)	4	6	3	0	1
Tier 2 incidents (number)	10	6	7	2	1

7.2.2 Environment

Emissions & Energy

	Year to Year		2015 – Regional Breakdown		
	2015	2014	Brazil	Angola	Rest of the World
Number of offshore units (vessels)	11	14	5	3	3
SBM Offshore Production					
Hydrocarbon Production (tonnes)	33,615,968	29,766,817	21,487,203	8,182,321	3,946,443
Energy Consumption					
Offshore Energy Consumption – Scope 1 in GJ[1]	30,884,199	28,465,425	18,235,557	9,325,066	3,323,575
Offshore Energy consumption per production[2]	0.92	0.96	0.85	1.14	0.84
Onshore Energy Consumption – Scope 1 + Scope 2 in GJ[1]	41,823	37,873[3]			
Total Energy Consumption – Scope 1 + Scope 2 in GJ[1]	30,926,022	28,503,298			
Emissions – Offshore					
GHG Scope 1 (from Gas Flared and Energy Generation)[4]					
Carbon dioxide (CO_2) in tonnes	5,481,591	3,574,128	1,686,029	3,365,244	430,317
Methane (CH_4) in tonnes	19,689	9,294	2,458	16,516	715
Nitrous oxide (N_2O) in tonnes	279	214	114	135	30
Volume of GHG (from Gas Flared and Energy Generation)[5]	5,981,586	3,835,700	1,772,959	3,753,832	454,795
GHG per production offshore from Gas Flared and Energy Generation – Scope 1[6]	177.9	128.8	82.5	458.8	115.2
Flaring					
Total Gas Flared per production[7]	30.9	16	5.3	107.5	11.8
Gas Flared on SBM account per production[8]	3.6	5.6	4.0	2.3	4.1
Proportion of Gas Flared on SBM account	12%	35%	75%	2%	34%
Other/Air Pollution – Non Greenhouse Gas Emissions					
Carbon monoxide (CO) in tonnes	9,628	5,544	2,211	6,760	657
Nitrogen oxides (NOx)	7,421	5,845	3,223	2,995	1,203
Sulphur dioxides (SO_2)	172	174	55	54	63
Volatile organic compounds (VOCs)	2,123	971	253	1,779	91

1 GJ = gigajoule
2 gigajoule of energy per tonnes of hydrocarbon production
3 Restatement: incorrectly expressed in TJ in 2014.
4 GHG = Greenhouse Gas Emissions
5 GHG = Greenhouse Gas Emissions; in tonnes of CO_2 equivalents
6 tonnes of Greenhouse Gas Emissions per thousand tonnes of hydrocarbon production
7 tonnes of gas flared per thousand tonnes of hydrocarbon production
8 tonnes of gas flared

Emissions & Energy (continued)

	Year to Year		2015 – Regional Breakdown		
	2015	2014	Brazil	Angola	Rest of the World
Number of offshore units (vessels)	11	14	5	3	3
Emissions – Onshore (Buildings)					
Renewable Energy Generated[1]	97,318				
GHG – Scope 1 (from buildings)[2]					
Onshore Scope 1 energy consumption[1]	803,460[3]	922,241[4]			
Onshore Scope 1 emissions[5]	182	203			
GHG – Scope 2 (from buildings)[2]					
Onshore Scope 2 energy consumption[1]	10,814,054	9,597,899			
Onshore Scope 2 emissions[5]	3,859	3,707			
Emissions Total (Onshore + Offshore)					
Total Scope 1 Emissions[5]	5,981,768	3,835,903			
Total Scope 2 Emissions[5]	3,859	3,707			
Total Emissions (Scope 1 + Scope 2)[5]	5,985,627	3,839,610			

1 kWh
2 GHG = Greenhouse Gas Emissions
3 Reporting scope expanded to include some shorebases in 2015.
4 Minor restatement of the 2014 onshore scope 1 environmental emissions.
5 tonnes of CO_2 equivalents

Discharges

	Year to Year		2015 – Regional Breakdown		
	2015	2014	Brazil	Angola	Rest of the World
Number of offshore units (vessels)	12	14	6	3	3
Discharges					
Volume of oil in produced water discharges per million tonnes of hydrocarbon production	2.92	3.29	1.76	5.16	4.58
Spills					
Spills (oil and chemicals) with release to sea (number)	11	6	3	4	4
Oil spills with release to sea (number)	6	3	2	3	1
Volume of Oil spills (m^3)	0.19	1.06	0.035	0.152	0.005
Number of Oil spills > 1 barrel (159 L)	0	1	0	0	0
Number of Oil spills > 1 barrel (159 L) per million tonnes of hydrocarbon production	0	0.03	0	0	0

7.2.3 Human Resources

Headcount by Permanent Contractor and Location

		Total		Ratios
	Grand Total	Permanent	Contract	Ratio of Contract Employees
SBM – Schiedam	309	304	5	2%
SBM – Houston	376	365	11	3%
SBM – Kuala Lumpur	392	385	7	2%
SBM – Monaco	570	527	43	8%
SBM – Rio de Janeiro	203	203	0	0%
SBM – Operations	2,371	1,912	459	19%
Group Functions	343	325	18	5%
SBM – FPSO / Group Execution	242	179	63	26%
Imodco	91	89	2	2%
Total	4,897	4,289	608	12%
Construction Yards	2,123	2,053	70	3%
Grand Total	7,020	6,342	678	10%

Headcount by Gender and Location

	Permanent		Contract		Ratios	
	Male	Female	Male	Female	Ratio of Permanent Female Employees	Ratio of Contract Female Employees
SBM – Schiedam	237	67	5	0	22%	0%
SBM – Houston	266	99	10	1	27%	9%
SBM – Kuala Lumpur	272	113	3	4	29%	57%
SBM – Monaco	400	127	42	1	24%	2%
SBM – Rio de Janeiro	138	65	0	0	32%	0%
SBM – Operations	1,674	238	449	10	12%	2%
Group Functions	185	140	11	7	43%	39%
SBM – FPSO / Group Execution	135	44	57	6	25%	10%
Imodco	66	23	1	1	26%	50%
Total	3,373	916	578	30	21%	5%
Construction Yards	1,897	156	24	46	8%	66%
Grand Total	5,270	1,072	602	76	17%	11%

Part Time Employees Headcount

	Total Part Time Employees	Part Time Male Employees	Part Time Female Employees	% of Part Time employees
SBM – Schiedam	51	26	25	16.50%
SBM – Houston	0	0	0	0.00%
SBM – Kuala Lumpur	0	0	0	0.00%
SBM – Monaco	23	5	18	4.04%
SBM – Rio de Janeiro	0	0	0	0.00%
SBM – Operations	6	2	4	0.25%
Group Functions	34	9	25	9.91%
SBM – FPSO / Group Execution	3	0	3	1.24%
Imodco	6	0	6	6.59%
Total	123	42	81	2.51%
Construction Yards	0	0	0	0.00%
Grand Total	123	42	81	1.75%

Employees Turnover Headcount by Age and Gender

	Total Turnover		Total Turnover by Gender		Total Turnover by Age			
	Total Turnover Headcount	Total Turnover Rate	Male Turnover	Female Turnover	Under 30	30-49	50-64	Over 65
SBM – Schiedam	79	26%	56	23	6	43	27	3
SBM – Houston	81	22%	60	21	7	41	26	7
SBM – Kuala Lumpur	148	38%	92	56	20	110	17	1
SBM – Monaco	135	26%	84	51	29	81	23	2
SBM – Rio de Janeiro	56	28%	36	20	12	39	4	1
SBM – Operations	240	13%	178	62	29	143	53	15
Group Functions	102	31%	47	55	15	59	28	0
SBM – FPSO / Group Execution	78	44%	52	26	5	56	16	1
Imodco	4	4%	3	1	1	2	1	0
Total	923	22%	608	315	124	574	195	30
Construction Yards	1,666	81%	1,579	87	499	1,005	160	2
Grand Total	2,589	41%	2,187	402	623	1,579	355	32

Permanent Employees

	Permanent Employees Turnover excluding Construction Yards		Permanent Construction Yards Employees Turnover	
	Turnover	Turnover Rate	Turnover	Turnover Rate
Resignation	242	6%	31	2%
Dismissal	593	14%	1,359	66%
Net turnover	835	19%	1,390	68%
End of Contract	60	1%	273	13%
Retirement	23	1%	1	0%
Fatalities non-work related	5	0%	2	0%
Fatalities work related[1]	0	0%	0	0%
Total	923	22%	1,666	81%

1 Includes non accidental fatalities which occurred during active employment

Permanent Employees New Hire Headcount by Gender

	Total		Gender	
	Total New Hire Headcount	New Hire Rate	Male New Hire	Female New Hire
SBM – Schiedam	25	8%	20	5
SBM – Houston	8	2%	5	3
SBM – Kuala Lumpur	10	3%	6	4
SBM – Monaco	9	2%	4	5
SBM – Rio de Janeiro	31	15%	16	15
SBM – Operations	226	12%	192	34
Group Functions	71	22%	43	28
SBM – FPSO / Group Execution	10	6%	8	2
Imodco	1	1%	1	0
Total	391	9%	295	96
Construction Yards	432	21%	388	44
Grand Total	823	13%	683	140

Employee Training Hours by Category of Training

	Permanent Employees		Construction Yards	
	Total Number of Training Hours	Training Hours per Employee	Total Number of Training Hours	Training Hours per Employee
HSSE Training	90,015		42,365	
Technical Training	20,144		9,379	
Languages Training	4,880		24,766	
Non-Technical Training	42,885		7,862	
Ethics & Compliance Training	2,299		280	
SBM Leadership and Management Programs (LIA & MDP)	2,484		48	
SBM Project Management Programs (PMs & DLEs)	7,816		32	
Total number of Training hours	170,522	40	84,732	41

Permanent Employee Training hours by Gender

	Total Training Hours	Total Training Hours per Permanent Employee	Male Training Hours	Female Training Hours
SBM – Schiedam	9,583	32	7,658	1,925
SBM – Houston	12,554	34	8,530	4,024
SBM – Kuala Lumpur	8,964	23	7,044	1,920
SBM – Monaco	14,785	28	11,952	2,833
SBM – Rio de Janeiro	8,119	40	5,358	2,761
SBM – Operations	107,422	56	97,330	10,092
Group Functions	5,189	16	2,772	2,417
SBM – FPSO / Group Execution	2,557	14	1,940	617
Imodco	1,349	15	1,083	266
Total	170,522	40	143,667	26,855
Construction Yards	84,732	41	75,863	8,869
Grand Total	255,253	40	219,530	35,724

Employee Training Hours

	Total Training Hours per Permanent Employee	Total Number of Training Hours
Onshore	26	65,803
Offshore	60	104,719
Total	40	170,522

Number of Ethics and Compliance Trainings

	Total number of Ethics and Compliance trainings
SBM – Schiedam	308
SBM – Houston	431
SBM – Kuala Lumpur	299
SBM – Monaco	490
SBM – Rio de Janeiro	165
SBM – Operations	341
Group Functions	322
SBM – FPSO / Group Execution	164
Imodco	148
Total	2,668
Construction Yards	253
Grand Total	2,921

Number of Ethics and Compliance Trainings – Onshore / Offshore

	Total number of Ethics and Compliance trainings
Onshore	2,439
Offshore	229
Total	2,668
Construction Yards	253
Grand Total	2,921

Training costs

in US$	
Total training costs	7,377,534

Permanent Employees Performance Appraisals and Developing Process

	Male %	Female %	Total %
Performance Appraisals Completed (2014)[1]	96%	95%	96%
People Reviews Completed	100%	100%	100%

1 An appraisal is considered completed when it has been validated by the Line Manager

Collective Bargaining

	%
Percentage of Employees covered by Collective Bargaining Agreements	64.87%

7.2.4 5-Year Key Sustainability Figures

	2015	2014	2013	2012	2011
Health, Safety and Security[1]					
LTIFR (rate)	0.03	0.05	0.15	0.06	0.1
TRIFR (rate)	0.22	0.22	0.44	0.38	0.5
Fatalities work related (number)	0	2	0	0	0
Total consolidated million man-hours SBM Offshore (rate)	31.36	64.02	56.64	43.64	36.15
Environment					
Total Emissions Scope 1 + 2[2]	5,986	3,839	4,155	3,580	1,923[3]
Proportion of Gas Flared on SBM account	12%	35%	37%		
Number of Oil Spills > 1 Barrel per Production	0	1	0		
Human Resources[4]					
Total Employees[5]	7,020	10,215	9,936	7,493	6,220
Contract / Permanent Ratio	10%	19%	22%	21%	25%
Total Permanent Employees[5]	6,342	8,234	8,358	5,893	4,655
Total Contractors[5]	678	1,981	1,578	1,600	1,565
Total of Females in Permanent Workforce	21%	16%	24%	20%	21%
Part-time Workforce	3%	3%	3%	2%	3%
Part-time Females	66%	75%	75%	70%	61%
Part-time Males	34%	25%	25%	30%	39%
Employee Rates[4]					
Turnover	22%	14%	14%	12%	12%
Resignation	6%	8%	10%	8%	8%
Dismissal	14%	4%	4%	4%	3%
Retirement	1%	0%	0%	1%	0%
Fatalities Non Work Related	0%	0%	0%	0%	0%
Appraisals					
Performance Appraisals Completed	96%	96%	90%	84%	92%
Competency Training Indicators					
Offshore Training Hours per Eligible Employee	60	66	95	47	55
Onshore Training Hours per Eligible Employee	26	30	28	21	18

1 PricewaterhouseCoopers Accountants N.V. has provided limited assurance on the HSSE data reported for the years 2011 until 2013 based on a separate report on selected key sustainability indicators prepared by SBM Offshore.

2 (in millions of tonnes)

3 excludes Flaring

4 does not include Construction Yards except if specified otherwise.

5 including Construction Yards

7.3 GRI Table

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	1.1 Message from the CEO	No
ORGANISATIONAL PROFILE			
G4-2	Description of key impacts, risks, and opportunities.	4.6 Risk Management	No
G4-3	Name of the organisation	1.2 About SBM Offshore and Global Presence	No
G4-4	Primary brands, products, and services.	1.2 About SBM Offshore and Global Presence 1.4 Activities and Markets	No
G4-5	Location of the organisation's headquarters.	1.2 About SBM Offshore and Global Presence	No
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	1.2 About SBM Offshore and Global Presence	No
G4-7	Nature of ownership and legal form.	4.5.1 Corporate Governance Structure	No
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	1.2 About SBM Offshore and Global Presence 1.4 Activities and Markets 1.5 Competitive Landscape and Market Positioning 3.1 Operations and Lease Fleet 6.3.3 Geographical Information and Reliance on Major Customers	No
G4-9	Scale of the organisation.	1.7 2015 in Brief and Key Figures 3.1 Operations and Lease Fleet	No
G4-10	a. Total number of employees by employment contract and gender; b. Total number of permanent employees by employment type and gender; c. Total workforce by employees and supervised workers by gender; d. Total workforce by region and gender; e. Whether a substantial portion of the organisation's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors; f. Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	a-e. 7.2.3 Human Resources 7.1.7 Human Resources Reporting	No f. Is not applicable considering the industry SBM Offshore operates in.
G4-11	Percentage of total employees covered by collective bargaining agreements.	7.2.3 Human Resources	No
G4-12	Description of supply chain.	1.5 Competitive Landscape and Market Positioning 1.6 Position within the Value Chain	No
G4-13	Any significant changes during the reporting period regarding size, structure, ownership, or supply chain	1.2 About SBM Offshore and Global Presence 3.1 Operations and Lease Fleet 6.1.2 Financial Review	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
Commitments to external initiatives			
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation.	4.7.1 SBM Offshore's Compliance Objectives Code of Conduct 4.6.3 Significant Risks facing the Business Compliance risks, Climate change, Operation risks, HSSE	No
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	4 Governance 4.7.3 Compliance Program and Organization Company Code of Conduct refers to adherence to UN Declaration of Human Rights, OECD Guidelines for Multinational Enterprises and ILO Conventions (Code of Conduct) 4.10 Compliance Table The Compliance Table provides for an overview of management systems in the Execution Centres and Shorebases like ISO 9001 and 14001, OHSAS 18001 and Social Accountability. The management systems are further explained in 4.9 Group Management Systems. 7.1 Scope of Sustainability Information Reference is made to the IOGP for incidents classifications and CO_2 emissions reporting although SBM Offshore is not a member of the IOGP.	No
G4-16	List memberships in associations (such as industry associations) and national or international advocacy organisations in which the organisation: 1. Holds a position on the governance body; 2. Participates in projects or committees; 3. Provides substantive funding beyond routine membership dues; or 4. Views membership as strategic. This refers primarily to memberships maintained at the organisational level.	SBM Offshore is not active on any FPSO related associations, as no FPSO specific association have been created. SBM Offshore has regular membership with institutes associated to our business, however they do not meet the criteria defined for GRI G4-16.	No
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	a. All entities included in the organisation's consolidated financial statement or equivalent documents. b. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report. The organisation can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents.	6.3.30 List of Group Companies 6.3.31 Interest in Joint Ventures and Associates 7.1.3 Reporting Boundaries	No
G4-18	a. The process for defining report content and the Aspect Boundaries; b. Explain how the organisation has implemented the Reporting Principles for Defining Report Content.	2 Value Proposition & Strategy 2.2.1 Stakeholder Engagement 2.2.2 Materiality 7.1 Scope of Sustainability Information Code of Conduct	No
G4-19	All the material Aspects identified in the process for defining reporting content.	2 Value Proposition & Strategy 2.2.2 Materiality	No
G4-20	For each material Aspect, report the Aspect Boundary within the organisation.	7.1 Scope of Sustainability Information	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
G4-21	For each material Aspect, report the Aspect Boundary outside the orgnisation.	3.4.5 Social Performance SBM Offshore measures its social economic impact of its operations in Brazil 7.1.3 Reporting Boundaries 7.1.5 Health, Safety and Security Reporting , SBM Offshore also reports on the HSSE performance of our contractors and sub contractors	No
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such re-statements.	Two restatement related to performance indicators: 7.2.1 Health, Safety & Security, 7.1.5 Health, Safety and Security Reporting 7.2.2 Environment, 7.1.6 Environmental and Process Safety Reporting	No
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	SBM Offshore has expanded reporting for onshore emissions, see 7.2.2 Environment	No
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organisation.	2.2.1 Stakeholder Engagement	No
G4-25	Basis for identification and selection of stakeholders with whom to engage.	2.2.1 Stakeholder Engagement	No
G4-26	a. Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	2.2.1 Stakeholder Engagement	No
G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	2.2.1 Stakeholder Engagement 2.7 Value Driver: Sustainability 2.2.2 Materiality	No
REPORT PROFILE			
G4-28	a. Reporting period (e.g. fiscal/calendar year) for information provided.	7.1.3 Reporting Boundaries	No
G4-29	a. Date of most recent previous report (if any).	3 March 2015	No
G4-30	a. Reporting cycle (annual, biennial).	Annual	No
G4-31	a. Provide the contact point for questions regarding the report or its contents.	nicolas.robert@sbmoffshore.com anne.guerin-moens@ sbmoffshore.com	No
GRI Content Index			
G4-32	a. Report the 'in accordance' option the organisation has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	a. 7.1 Scope of Sustainability Information b. GRI Content index used c. 7.4 Independent Assurance Report	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
Assurance			
G4-33	a. Report the organisation's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organisation and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	7.2 Performance Indicators 7.1 Scope of Sustainability Information 7.4 Independent Assurance Report	No
GOVERNANCE			
Governance structure and composition			
G4-34	a. Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	4.3 Report of the Supervisory Board 4.4.1 Management Board Remuneration Policy 4.3 Report of the Supervisory Board The Supervisory Board Technical & Commercial Committee (TCC) The TCC reviews the Health, Safety, Security and Environmental performance of SBM Offshore which includes Social Performance as per the HSSE & SP Policy. 4.5.1 Corporate Governance Structure	No
ETHICS AND INTEGRITY			
G4-56	a. Describe the organisation's values, principles, standards and norms of behaviour such as codes of conducts and codes of ethics.	1.3 Vision and Values 2.2 How Value is Created 4.7 Compliance Company Code of Conduct refers to adherence to UN Declaration of Human Rights, OECD Guidelines for Multinational Enterprises and ILO Conventions (Code of Conduct)	No
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.	4.7 Compliance Further details can be found in the 'Integrity Reporting Policy'	Not applicable
G4-58	a. Report the internal and external mechanisms for reporting concerns about unlawful or unethical behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	4.7 Compliance Further details can be found in the 'Integrity Reporting Policy'	Not applicable
CATEGORY: ECONOMIC			
DISCLOSURES ON MANAGEMENT APPROACH (DMA)			
Aspect: Economic Performance	G4-Disclosure on Management Approach (DMA)	7.1.2 Disclosures on Management Approach	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
Aspect: Economic Performance			
G4-EC1	Direct economic value generated and distributed: ▪ revenues ▪ operating costs ▪ employee wages and benefits ▪ payments to providers of capital ▪ payments to governments ▪ community investments	▪ Revenue ▪ 6.3.2 Operating Segments ▪ 6.3.6 Employee Benefit Expenses ▪ Return on Average Capital Employed and Equity ▪ not applicable ▪ Information not available	No
Technology	Technology is measured on the quantity and quality of new designs and proprietary components delivered. ▪ Number of new systems and components to be delivered during the year ▪ Percentage of turnover enabled by new technology	New targets, we aim to include these results in 2016.	Omission
CATEGORY: ENVIRONMENTAL			
DISCLOSURES ON MANAGEMENT APPROACH (DMA)			
Aspect: Compliance Environmental	G4-Disclosure on Management Approach (DMA)	7.1.2 Disclosures on Management Approach	No
Aspect: Energy Emissions & Effluents	G4-Disclosure on Management Approach (DMA)	7.1.2 Disclosures on Management Approach	No
Aspect: Energy			
G4-EN3	Energy consumption within the organisation	7.2.2 Environment	No
G4-EN5	Energy intensity	3.4.3 Environment 7.2.2 Environment SBM Offshore reports on its energy intensity in as per the GRI 4 Sector Disclosure for Oil and Gas.	No
Aspect: Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	3.4.3 Environment 7.1 Scope of Sustainability Information 7.2.2 Environment Absolute reduction targets are not applicable to SBM Offshore therefore base year not deemed relevant.	No
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	3.4.3 Environment 7.1 Scope of Sustainability Information 7.2 Performance Indicators 7.2.2 Environment	No
G4-EN21	NO_x, SO_x, and other significant air emissions	7.1 Scope of Sustainability Information 7.2 Performance Indicators 7.2.2 Environment	No
Aspect: Effluents			
G4-EN24	Total number and volume of significant spills	3.4.3 Environment 7.1 Scope of Sustainability Information 7.2 Performance Indicators 7.2.2 Environment No spills recorded by SBM Offshore in 2015 are considered to be 'significant spills' according to the GRI Sector Disclosure Guidelines for Oil and Gas.	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
G4-OG5	Volume and Disposal of formation or produced water	7.2 Performance Indicators 7.2.2 Environment SBM Offshore reports on tonnes of oil in produced water in million tonnes of hydrocarbon production. This standard is a more appropriate way of reporting for the offshore industry.	No
G4-OG6	Volume of flared and vented hydrocarbon	7.2 Performance Indicators 7.2.2 Environment SBM Offshore reports on the volume of gas flared. SBM Offshore does not measure the volume of vented hydrocarbons therefore this information is not available.	No
CATEGORY: SOCIAL			
DISCLOSURES ON MANAGEMENT APPROACH (DMA)			
Aspect: Labour practices and decent work: ▪ Employment ▪ Diversity ▪ Training and Education ▪ Occupational Health and Safety	G4-Disclosure on Management Approach (DMA)	7.1.2 Disclosures on Management Approach	No
Aspect: Human Rights: ▪ Investment ▪ Assessment	G4-Disclosure on Management Approach (DMA)	7.1.2 Disclosures on Management Approach	No
Human Rights:	SBM Offshore measures the % of the employee population covered by collective bargaining agreements.	7.2.3 Human Resources	No
Aspect: Society: Local Communities	G4-Disclosure on Management Approach (DMA)	7.1.2 Disclosures on Management Approach	No
Local Communities	Number of different nationalities and percentage of each nationalities employed by SBM Offshore	Data on nationalities was not available in 2015. SBM Offshore aims to include this indicator in 2016.	Omission
Aspect: Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	3.3 Talented people 7.2 Performance Indicators 7.2.3 Human Resources	No
Aspect: Occupational Health and Safety			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	7.2.3 Human Resources Absenteeism was not disclosed in 2015 as the information was not available. SBM Offshore aims to include this indicator in 2016.	Omission on absenteeism
Aspect: Training and Education & Attract and Retain Talent			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	7.2.3 Human Resources	No
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	7.2.3 Human Resources	No

INDICATOR	DESCRIPTION	REFERENCE/DIRECT ANSWER	OMISSIONS
Aspect: Anti-Corruption			
Aspect: Society: Anti-Corruption Compliance	G4-Disclosure on Management Approach (DMA)	7.1.2 Disclosures on Management Approach	No
G4-SO4	Communication and training on anti-corruption policies and procedures	4.7 Compliance 7.2.3 Human Resources	No
G4-SO5	Confirmed incidents of corruption and actions taken	There were no confirmed incidents of corruption in 2015, however during 2015 actions were taken related to previously reported incidents.	No
Aspect: Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	SBM Offshore did not have any significant monetary fines or non-monetary sanctions for 2015. See 4.7.6 Investigation in Brazil further details.	No
Sector Specific Aspect: Asset Integrity and Process Safety			
Aspect: Asset integrity and process safety	G4-Disclosure on Management Approach (DMA)	7.1.2 Disclosures on Management Approach	No
G4-OG13	Number of process safety events, by business activity	7.2.1 Health, Safety & Security	No

7.4 Independent Assurance Report

To: the Board of Management of SBM Offshore N.V.

The Board of Management of SBM Offshore N.V. engaged us to provide limited assurance on certain information ('the Sustainability Information') in the Annual Report 2015 (leading to a 'conclusion'). We believe these procedures fulfil the rational objective as disclosed by the Company in the section '7.1 Scope of Sustainability Information'.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information for the year ended 2015 does not provide a reliable and appropriate presentation of the Company's policy for sustainable development, or of the activities and performance of the organisation relating to sustainable development during the reporting year, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

What we are assuring

We have reviewed the Sustainability Information included in the following sections of the Annual Report for the year 2015 (hereafter: 'the Report') of SBM Offshore N.V. ('the Company'), Rotterdam, as presented throughout the Report.

- Chapter 1 At a Glance;
- Chapter 2 Value Proposition & Strategy;
- Chapter 3 Performance in 2015 – sections 3.3 Talented people and 3.4 Sustainability;
- Chapter 4 Governance, section 4.7 Compliance; and
- Chapter 7 Sustainability.

The Sustainability Information comprises a representation of the policy, the activities, and performance of the Company relating to sustainable development during the reporting year 2015. The disclosures made by management with respect of the scope of the Sustainability Information are included in the section '7.1 Scope of Sustainability Information' of the Annual Report 2015.

The basis for our conclusion

Professional and ethical standards applied

We conducted our assurance engagement in accordance with Dutch law, including Standard 3810N 'Assurance engagements relating to sustainability reports' (hereafter 'Standard 3810N'). Our responsibilities under this standard are further described in the 'Our responsibilities' section of this report.

We are independent of the Company in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA) and other relevant regulations.

Limitations in our scope

The Sustainability Information contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore it may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

A review is focused on obtaining limited assurance. The procedures performed in obtaining limited assurance are aimed on the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on obtaining reasonable assurance through audit procedures. The procedures performed consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. Consequently, a review engagement provides less assurance than an audit.

Reporting criteria

The Company developed its sustainability reporting criteria on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI), which are disclosed together with detailed information on the reporting scope as well as the reporting process and methods in the section '7.1 Scope of Sustainability Information' of the Annual Report 2015. We consider the sustainability reporting criteria to be relevant and appropriate for our review.

Understanding reporting and measurement methodologies

The information in the scope of this engagement needs to be read and understood together with the reporting criteria, for which the Company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Our assurance approach

Materiality

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the information presented, both individually and in aggregate. Based on our professional judgement, we determined specific materiality levels for each element of the Sustainability Information.

Areas of particular focus

We have identified one area of particular focus that, in our professional judgment, is of most significance in the assurance engagement of the sustainability information, including the allocation of our resources and effort. Below we provide an explanation of how we tailored our procedures to address this specific area. This is not a complete list of all risks and/or matters identified by our work.

We have communicated the area of particular focus with the Supervisory Board. This area is addressed in the context of our assurance engagement of the sustainability information as a whole, and in forming our opinion thereon. We do not provide a separate opinion on this area of particular focus.

Area of particular focus	*How we addressed the area*
Quality of management information reported for Human Resources. We observed weakness in the control environment for the consolidation and data validation and errors for data related to Human Resources (HR). The Company took corrective actions to solve all errors noted and made significant efforts to achieve this. Except for the indicator 'Absenteeism', for which this was not possible in the available time, other errors noted have been corrected by the Company. Therefore, similarly to 2014, the Company decided not to report on 'Absenteeism' and reported an omission for this indicator in the Sustainability Information (see GRI Table).	During our planning phase we discussed with the Company the quality of the management information and during our planning and interim procedures we updated our understanding of the process and the relevant controls. We performed more detailed substantive review procedures to obtain the level of comfort required for our engagement. In the end we obtained appropriate information to be able to support the HR related data. In accordance with GRI G4, omissions are in certain cases acceptable and this does not impair our overall view on the Sustainability Information.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Sustainability Information.

Our main procedures included the following:

- performing an external environment analysis and obtaining insight into the industry, relevant social issues, relevant laws and regulations and the characteristics of the organisation;
- assessing the acceptability of the reporting policies and consistent application of this, such as assessment of the outcomes of the stakeholder dialogue and the process for determining the material subjects, the reasonableness of estimates made by management, as well as evaluating the overall presentation of the sustainability information;
- understanding the systems and processes for data gathering, internal controls and processing of other information, such as the aggregation process of data to the information as presented in the sustainability information;
- interviewing management and relevant staff at corporate (and business/division/local) level responsible for the sustainability strategy and policies;
- interviews with relevant staff responsible for providing the information in the Report, carrying out internal control procedures on the data and the consolidation of the data in the Report;
- reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the report, is substantiated adequately;
- assessing the consistency of the sustainability information and the information in the Report not in scope for this assurance report;
- assessing whether the sustainability information has been prepared 'in accordance' with the Sustainability Reporting Guidelines version G4 of GRI.

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

Responsibilities

The Management Board's responsibilities

The Management Board of the Company is responsible for the preparation of the Sustainability Information in accordance with the Company's reporting criteria, including the identification of the stakeholders and the determination of material subjects. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the Sustainability Information based on our assurance engagement in accordance with Standard 3810N. This requires that we comply with ethical requirements and that we plan and perform our work to obtain limited assurance about whether the report is free from material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the Report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the Company's internal control. An assurance engagement aimed on providing limited assurance also includes evaluating the appropriateness of the reporting framework used and the reasonableness of estimates made by management as well as evaluating the overall presentation of the Report.

Amsterdam, 10 February 2016
PricewaterhouseCoopers Accountants N.V.

W.H. Jansen RA

OTHER INFORMATION

8

8 Other Information

8.1 Glossary

Term	Definition
ABS	American Bureau of Shipping
AGU	Advocacia Geral da Uniao – Attorney General's Office
API	American Petroleum Institute
ARCA	Articulated Rod Connecting Arm
bbls	Barrels
BEPS	Base Erosion and Profit Shifting
BOPD	Barrels of Oil Per Day
bpd	Barrels per day
CAPEX	Capital Expenditure
CCPS	Center for Chemical Process Safety
CDP	Carbon Disclosure Project
CGCO	Chief Governance and Compliance Officer
CGU	Controladoria Geral da Uniao – Comptroller General's Office
CSR	Corporate Social Responsibility
DJSI	Dow Jones Sustainability Index
DMA	Disclosures on Management Approach
DSCV	Diving Support and Construction Vessel
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
ECA	Export Credit Agencies
EPC	Engineering Procurement and Construction
EPCI	Engineering Procurement Construction and Installation
EPS	Earnings per Share
ERM	Enterprise Risk Management
ESG	Environmental Social Governance
Euribor	Euro Interbank Offered Rate
Excom	Executive Committee
FEED	Front-End Engineering and Design
FGS	Floating Gas Solutions
FLNG	Floating Liquefied Natural Gas

Term	Definition
FPSO	Floating Production Storage and Offloading
FPU	Floating Production Unit
FSO	Floating Storage and Offloading
GCD	Group Compliance Director
GEMS	Global Entreprise Management System
GHG	Greenhouse Gases
GRC	Governance Risk and Compliance
GRI	Global Reporting Initiative
GSD	Group Sustainability Director
GTS	Group Technical Standards
HPHT	High Pressure High Temperature
HSS	Health, Safety & Security
HSSE	Health, Safety, Security & Environment
IASB	International Accounting Standards Board
ICOFR	International Controls for Financial Reporting
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Framework
ILO	International Labor Organization
IOGP	International Association of Oil and Gas Producers
IP	Intellectual Property
JV	Joint Venture
KPI	Key Performance Indicator
LIA	Leadership in Action
LIBOR	London Interbank Offered Rate
LNG	Liquefied Natural Gas
LOPC	Loss of Primary Containment
LTI	Long Term Incentive
LTIFR	Lost Time Injury Frequency Rate
LWSR	Lazy Wave Steel Riser
MB	Management Board

Term	Definition
Mboe	Millions of barrels of oil equivalent
MLP	Master Limited Partnership
MNOPF	Merchant Navy Officers Pension Fund
MOPU	Mobile Offshore Production Unit
MoU	Memorandum of Understanding
MPF	Ministério Público Federal
mtpa	Million Tonnes per Annum
NCI	Non-Controlling Interests
NGO	Non-Governmental Organization
NOx	Nitrogen Oxides
OECD	Organization for Economic Co-operation and Development
OHSAS	Occupational Health and Safety Assessment Series
OIFR	Occupational Illness Frequency Rate
OPEX	Operating Expenditure
P&L	Proft and Loss
PFC	Production Field Center
PI	Performance Indicator
PL	Product line
POC	Percentage of Completion
PRN	Production Readiness Notice
psig	Pounds per Square Inch Gauge
PSM	Process Safety Management
PSU	Performance Share Unit
PwC	PricewaterhouseCoopers
QA	Quality Assurance
R&D	Research and Development
RCF	Revolving Credit Facility
RSU	Restricted Share Unit
SIA	Socio-Economic Impact Assessment
SIRS	Single Incident Reporting System
SOx	Sulphur Oxides
SP	Social Performance
SRS	Single Reporting System
STI	Short Term Incentive
TLP	Tension-Leg Platform

Term	Definition
TMS	Turret Mooring Systems
TRIFR	Total Recordable Injury Frequency Rate
TRL	Technology Readiness Level
TSR	Total Shareholder Return
UN	United Nations
UNEP	United Nations Environment Program
US GOM	U.S. Gulf of Mexico
USPP	US Private Placement
VBDO	Vereniging van Beleggers voor Duurzame Ontwikkeling
VHP	Very High Pressure
VLCC	Very Large Crude Carriers

8.2 Addresses & Contact Details

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Colophon
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8.3 Disclaimer

Some of the statements contained in this report that are not historical facts are statements of future expectations and other forward-looking statements based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those in such statements. Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of the Company's business to differ materially and adversely from the forward-looking statements.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report as anticipated, believed, or expected. SBM Offshore N.V. 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.