

SBM Offshore

Annual
Report 2007

Technology
Creating
Value



SBM
OFFSHORE

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A message from the CEO

2007 represents another milestone in the history of the Company, as a number of events through the year contributed to a step change in its profile. SBM Offshore has grown out of the range of small and mid size enterprises and has entered the league of large multinational companies, with a product line and a set of competencies that will fuel steady further growth in the offshore energy sector.

The events are:

- an opening order portfolio at a record high level of US\$ 7 billion i.e. 75% larger than any single previous year;
- at the end of 2007, the order book had further increased without counting the orders that slipped into, and were confirmed, early 2008;
- a three million manhours project execution capacity, three-fold up from five years ago;
- entrance into the very large size project contractors' league (larger than US\$ 1 billion), as in December, the Company was selected by Petrobras for the P-57 FPSO;
- for the first time, a capital investment plan for the coming year, well in excess of US\$ 1 billion, mainly for investment in offshore production facilities;
- a decisive step into the LNG sector through the announcement in September of the Company's progress in the development of the LNG FPSO and a promising marketing campaign;
- finally, the last airport infrastructure activities were divested and the Company is now a pure offshore services player in the Energy industry.

This step change in the profile of the Company is the result of hard work produced over recent years by a dedicated staff, offshore on our production facilities, on our construction sites and in our operating offices worldwide.

The fast growth has required additional efforts from all and, as will be seen in the following management report, has implied additional entrepreneurial risks. However, the growing pains of this year, which prevented us from surpassing expectations, are well understood by those who have a long-term interest in the Company and are aware of the robustness of its business model and its culture of dedication, honesty and transparency.

The positive effects of this step change will come later as a result of the increased capacity and the expanded product line, particularly in the emerging LNG market where we have the declared objective to take a pole position.



Having reached retirement age, I will step out at the upcoming General Shareholders' Meeting, but not without expressing my sincere appreciation to all the stakeholders for their support and, in particular, our shareholders, our clients and our business relations at large.

To the Staff of SBM Offshore and to my Colleagues in the Board of Management, I wish many years of even greater success, and thank them for having brought so much to the Company through the years.

Didier Keller



FPSO Mondo at anchorage in Singapore prior to sail-away for Angola

Contents

Message from the CEO	1
SECTION I	
OVERVIEW	2
SBM Offshore Corporate Mission	4
Corporate Profile	5
Snapshot 2007	6
Highlights 2007	7
Expectations 2008	7
World map SBM Offshore	8
Shareholder information	10
Business Drivers and Competitive Position	11
SECTION II	
REPORT OF SUPERVISORY BOARD	12
Introduction	14
The year 2007	14
Remuneration Report	19
Information regarding the Supervisory Board	21
SECTION III	
REPORT OF THE BOARD OF MANAGEMENT	22
Introduction	24
Group Activities 2007	25
SBM Offshore Lease Fleet	26
Corporate Governance & Risk Management	37
Human Resources	46
Research and Development	48
The Company's Future	54
SECTION IV	
FINANCIAL REVIEW	60
FINANCIAL STATEMENTS 2007	68
Consolidated income statement	70
Consolidated balance sheet	71
Consolidated statement of changes in equity	72
Consolidated cash flow statement	73
Notes to the consolidated financial statements	74
Company balance sheet and income statement	113
Notes to the Company financial statements	114
Other information	117
Appropriation of profit	117
Auditors' report	118
Key figures	119



SBM Offshore Corporate Mission

Towards Clients

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

Towards Employees

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

Towards Shareholders

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



Introduction

SBM Offshore N.V. (SBM Offshore, 'the Company') is a multinational group of companies selling systems and services to the oil and gas industry. The Company's clients are mainly the offshore oil and gas producing companies, both private and government owned, and its market position has been established in a strongly competitive environment. SBM Offshore operates through fully owned operating units that are among the leaders in their respective niche markets. The Company currently employs over 4,000 people.

Product line

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

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

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

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

In support of all the above, another steady activity which represents quite a substantial element in the Company's

business is the provision of specialised services such as maintenance, spare parts, repairs and offshore installation. This forms an essential complement to the sales of facilities, offering to clients a comprehensive and integrated service.

In 2007 the Company has added the LNG FPSO to its product line to respond to the demand for offshore production of LNG from currently stranded gas fields.

Strategy and organisation

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

The company sells or leases offshore facilities generally by outsourcing all hardware components and construction services. Therefore, it does not own any manufacturing plant or construction yard or shipyard. However, it possesses in-house all the Engineering, Project Management and offshore installation competencies to execute large, complex systems without having to rely on external resources, except for the LNG FPSO topsides, as explained later.

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

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

Snapshot 2007

Item	2007	2006	Movement	%	Comment
Net profit	266.8	216.3	50.5	23.3	Operational profits up
Per share (US\$)	1.85	1.55	0.30	19.4	Operational profits up
EBIT	302.0	254.3	47.7	18.8	Expanding lease fleet; high turnkey volumes
EBITDA	548.3	477.5	70.8	14.8	Expanding lease fleet; high turnkey volumes
Enterprise value (EV)	5,432.3	5,416.4	15.9	0.3	Market capitalisation down; net debt up
Net debt	874.7	585.8	288.9	49.3	Lease fleet investments require new debt
EV : EBITDA	9.9	11.3	(1.4)	(12.3)	EV stable; EBITDA up
Turnover	2,871.2	1,989.7	881.5	44.3	Turnkey revenues increased sharply
EBIT : Turnover (%)	10.5	12.8	(2.3)	(18.0)	Growing proportion of turnkey activities
Cash flow	513.1	439.6	73.5	16.7	Expanding lease fleet, high turnkey volumes
Per share (US\$)	3.61	3.15	0.46	14.2	
Net cash	274.1	339.7	(65.6)	(19.3)	Comfortable level
Capital expenditure	551.0	309.0	242.0	78.3	Accelerating investment in operating leases
Total Equity	1,337.7	1,119.0	218.7	19.5	High net profit
Capital employed	2,257.4	1,754.0	503.4	28.7	Equity and net debt increased
ROACE (%)	15.1	14.6	0.5	3.4	Maintained high level
ROE (%)	21.7	21.5	0.2	0.9	Maintained high level
Net Debt : Equity (%)	65.4	52.3	13.1	25.0	Strong balance sheet to finance future growth
EBITDA interest cover	24.5	15.2	9.3	61.3	EBITDA up; lower net interest charge
<i>New orders:</i>					
- Leases	1,936.5	1,367.2	569.3	41.6	Two major lease contracts
- Turnkey	1,886.1	3,548.5	(1,662.4)	(46.8)	2006 exceptionally high
<i>Backlog:</i>					
- Leases	5,650.3	4,406.7	1,243.6	28.2	A new record
- Turnkey	2,304.3	2,585.7	(281.43)	(10.9)	1 year equivalent turnover
Share price 31/12 (€)	21.60	26.05	(4.45)	(17.1)	
AEX-index	515.8	495.3	20.5	4.1	
Market capitalisation (€)	3,095.8	3,665.6	(569.8)	(15.5)	Share price fall
Market capitalisation (US\$)	4,557.6	4,830.6	(273.0)	(5.7)	€ strengthened against US\$
Proposed dividend (US\$)	0.93	0.77	0.16	20.8	50% of net profit

FPSO Kikeh during offshore installation in Malaysia

Highlights 2007



FPSO Saxe Batouque at anchorage in Singapore prior to sail-away to Angola

- net profit of US\$ 266.8 million (US\$ 216.3 million in 2006);
- net profit excluding non-recurring items up by 28%;
- dividend of US\$ 0.93 per share (US\$ 0.77 in 2006);
- EBITDA of US\$ 548.3 million (US\$ 477.5 million in 2006);
- EBIT of US\$ 302.0 million (US\$ 254.3 million in 2006);
- EBIT margin 10.5% (12.8% in 2006);
- total order portfolio at year-end US\$ 7,955 million (US\$ 6,993 million at the end of 2006);
- turnover up to US\$ 2,871 million (US\$ 1,990 million in 2006);
- capital expenditure of US\$ 551 million (US\$ 309 million in 2006);
- FPSO Kikeh taken into operation offshore Malaysia;
- FPSO Mondo installed offshore Angola;
- excellent performance of the FPSO fleet generated substantial bonus revenues;
- new five year lease contract from Talisman for a MOPUstor™ for Yme field in Norway;
- new eight year lease contract from Encana for a MOPU for Deep Panuke field in Canada;
- several extensions of lease contracts for the existing fleet
- turnkey supply contract for an internal turret for the Skarv FPSO for BP;
- sale of airport infrastructure activities (N.K.I.).

Expectations 2008

- net profit forecast of US\$ 280 million;
- EBIT contributions from Turnkey and Lease & Operate activities more balanced than in 2007;
- capital expenditure of US\$ 1.2 billion.





Shareholder information

Share listing

The shares of SBM Offshore N.V. are listed on the stock exchange of Euronext Amsterdam since 11 October 1965, originally under the name IHC Holland and later as IHC Caland. The shares are included in the AEX Index of Euronext Amsterdam since 4 March 2003 with a weighting of 0.67%. Options on Company shares have been traded since 7 July 1993 on the Euronext Amsterdam Derivative Markets.

Share price development

The share price went down during the year 2007 by 17.1% from € 26.05 to € 21.60, against an increase of the AEX index of 4.1% over the same period. In US Dollar terms the decrease of the share price in 2007 was 7.4%, from US\$ 34.33 to US\$ 31.80.

Average daily liquidity in 2007 amounted to around 1.34 million shares, equivalent to 241% of the average number of outstanding shares on an annual basis.

Market capitalisation at 31 December 2007 was € 3,096 million compared with € 3,666 million at the end of 2006, a decrease of 15.6%. The equivalent figures in US Dollars show a market capitalisation at the end of 2007 of US\$ 4,558 million, down by 5.7% from US\$ 4,831 million at 31 December 2006.

Number of outstanding ordinary shares

The total number of ordinary shares in SBM Offshore showed the following movements during the year 2007:

Balance 1 January 2007	140,715,535
Stock dividend	1,432,296
Options exercised	1,098,040
Bonus shares	77,810
Balance 31 December 2007	143,323,681

Shareholders

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

	Turnover as % of share capital	Highest share price in €	Lowest share price in €	Closing share price in €	Closing share price in US\$
2003	133.59	13.06	8.38	10.75	13.55
2004	179.69	11.77	8.39	11.69	15.87
2005	170.26	18.14	11.44	17.06	20.10
2006	221.22	26.45	17.19	26.05	34.33
2007	240.52	31.52	19.85	21.60	31.80

Share prices for the years 2003, 2004, 2005 and 2006 are restated for the four for one share split effected on 2 June 2006.

Two institutional investors, Capital Research and Management Company from the United States of America and Schroder Investment Management from the United Kingdom have, as required under the Major Holdings in Listed Companies Disclosure Act, disclosed an interest in the capital of SBM Offshore in excess of 5%.

Employees of the Company own approximately 625,000 shares in SBM Offshore through an Employee Share Ownership Plan (ESOP).

Dividend

As in previous years, the annual dividend will be calculated in US Dollars, but will be payable in Euros. The conversion into Euros will be effected on the basis of the exchange rate on 15 May 2007. The same exchange rate will apply in the event a shareholder elects for a dividend payment in shares of SBM Offshore.

Based on the year-end closing price, the proposed dividend of US\$ 0.93 per share gives a yield of 2.92% per share (2006: 2.24%). The proposed dividend is based upon the Company's usual 50% pay-out ratio.

Business Drivers and Competitive Position

Business drivers

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

Competitive edge

- Flexibility in capacity with four execution centres;
- All construction outsourced;
- New, cost effective, patented, technical solutions for producing in increasingly deep water;
- Comprehensive toolbox for deepwater developments;
- In-house integrated competence to manage, design, supply, install and operate complete, complex offshore oil and gas production facilities;
- Fit-for-purpose FPSO concept, based on 152 years of cumulative F(P)SO operating experience;
- Patented technology on LNG components;
- Leading position in the development of an LNG floating production project;
- Track record – Clients' high opinion on performance;
- Financial strength and financing skills;
- Strategic partnerships with e.g. Sonangol, Petronas;
- Extension of lease contracts or redelivery of units with available residual life.

Threats

- Increasing competition from Korean and Chinese shipyards for large turnkey FPSO projects;
- Increasing competition from new entrants in the lower end of the FPSO lease market; sometimes with less conservative business management policies;
- Shortage of qualified engineering and project management resources in the industry;
- High input costs particularly on the equipment supply sector (pressure decreasing on construction and shipyard capacity).

Competitive disadvantages

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





Section II - Report of the Supervisory Board

Introduction	14
The year 2007	14
Remuneration Report	19
Information regarding the Supervisory Board	21

Report of the Supervisory Board

Introduction

We hereby present the SBM Offshore N.V. 2007 Annual Report incorporating the Financial Statements to be discussed and adopted in the Annual General Meeting of Shareholders on Thursday, 15 May 2008 (hereafter: AGM 2008). The Financial Statements have been audited by the external auditors, KPMG Accountants N.V. Their findings have been discussed with the Audit Committee and the Supervisory Board in the presence of the Board of Management. The auditors have expressed an unqualified opinion on the Financial Statements.

A proposal is made by the Board of Management in respect of the distribution of profit for the year 2007, amounting to a cash dividend of US\$ 0.93 per ordinary share which maintains the Company's long-standing practice of distributing at least 50% of available profits. At the choice of the shareholder, the dividend can also be received in shares, with a small (up to 5%) conversion premium for shareholders selecting this option. The Supervisory Board is in agreement with this proposal, which will be made a separate agenda point for the AGM 2008, following the adoption of the Financial Statements.

We will provide the AGM with the opportunity to discuss Corporate Governance within the Company and will then ask the Meeting to grant discharge to the Managing Director for the exercise of his functions during, and to the Supervisory Board for the supervision it has performed in the year 2007.

At the close of the AGM 2008 Mr. D. Keller will step down as Managing Director of the Company as he has reached normal pensionable age.

The Supervisory Board wishes to thank Mr. D. Keller for his 31 year long dedication to the Company of which the last eight years as a Managing Director and the last four years as CEO. Through his vision, commercial and managerial skills and high-demanding nature, Mr. D. Keller has left a deep footprint in the development and strategy of the Company and played a major role in transforming the Company into a highly regarded Oil and Gas Offshore Technology provider.

The Supervisory Board will ask for the approval of the proposal for reappointment of the external auditor.

The year 2007

Meetings of the Supervisory Board

In 2007 the Supervisory Board held four meetings in Schiedam, one meeting in Monaco, and one in Houston, the latter focused upon strategic and technology development issues. In 2007 all of the Directors of the Supervisory Board attended each meeting except for Mr. J.D.R.A. Bax who was not able to attend one meeting due to illness. The members of the Board of Management also attended all the meetings. The external auditors attended the meeting in which the Financial Statements were discussed. They informed the Supervisory Board that there were no specific issues that had not been addressed in its regular report.

An additional meeting attended by the Chairman, Vice-Chairman and members of the Board of Management was also held to discuss the composition of the Board of Management as described below and in the report of the Board of Management.

Pre-meetings of SB members were systematically held without the presence of the Board of Management, during which various items of Corporate Governance were addressed, including succession planning, the performance of the Supervisory Board, its Directors and their continuous learning requirements. Also the performance of the Board of Management and its members and executive remuneration were considered.

Composition of the Supervisory Board

The AGM 2007 approved the reappointment of Mr. H.C. Rothermund as a Director of the Supervisory Board for a second term of four years, for which he will continue as Chairman of the Supervisory Board.

The AGM 2007 also approved the re-appointment of Mr. J.D.R.A. Bax as a Director of the Supervisory Board for a third term, limited to two years.

Mr. L.J.A.M. Ligthart has reached the end of his first four-year term as a Director of the Supervisory Board, of which the past two years as Chairman of the Audit Committee. Mr. Ligthart's in-depth expertise in the fields of financial administration and accounting, as well as his knowledge and experience of Dutch Corporate Governance matters have been of great benefit to the Company and upon recommendation by the Supervisory Board the AGM 2008 will be asked to re-appoint Mr. Ligthart for a second term, for a two year period. After

the re-appointment of Mr. Ligthart he will be appointed as Vice-Chairman of the Supervisory Board and re-appointment as Chairman of the Audit Committee.

The Supervisory Board proposes to appoint Mr. D. Keller to become a Director of the Supervisory Board. His in-depth knowledge of the Company, the offshore industry and its market are seen as invaluable contributions to the Board's knowledge base. This proposal has been made by the Supervisory Board following a careful assessment and takes into account considerations on diversity and independence of the directors of the Supervisory Board. Therefore the Supervisory Board makes a non-binding proposal to the shareholders to approve the appointment of Mr. D. Keller as a Director of the Supervisory Board. If the AGM approves the appointment of Mr. D. Keller he will be the only Director of the Supervisory Board who under the definition of the Corporate Governance Code will not be independent.

Mr. J.D.R.A. Bax, a previous CEO of the company, will step down at the close of the AGM 2008 in view of the expertise Mr. D. Keller will now bring into the Board. Mr. R.H. Matzke will also retire at the close of the AGM 2008. The Supervisory Board expresses its gratitude to Mr. J.D.R.A. Bax and Mr. R.H. Matzke for all their work in support of the Company's endeavours and wishes them success and good health for the future.

As explained above, the composition of the Supervisory Board will change after the close of the AGM 2008. Subject to approval of the proposals to re-appoint Mr. Ligthart and to appoint Mr. Keller, the Supervisory Board will consist of four Directors with one vacant position. If applicable an Extraordinary General Meeting of shareholders will be called upon when the present selection process for a new Director has been finalised and a proposal can be made to the shareholders.

For 2007 the Supervisory Board confirms that each Director is independent according to the definitions set by the Corporate Governance Code.

Composition of the Board of Management

The Company currently has one Managing Director and four non-statutory Directors, forming collectively the Board of Management. The term Management Board, as used in the Company's Articles of Association refers only to the Managing Director(s) of the Company.

As mentioned above Mr. D. Keller will retire as Managing



Bird's nest onboard the FPSO Mondo (during construction)

Director and Chief Executive Officer of the Company at the AGM 2008. Considering the interests of the Company and corporate governance requirements the Supervisory Board wishes to make two non-binding proposals to appoint Mr. A.J. Mace and Mr. M.A.S. Miles as Managing Directors for a period of four years:

- Mr. A.J. Mace (56) joined the Board of Management in August 2007 as a non-statutory Director with special responsibility for the development of the Company's products and partnerships related to LNG activities. Mr. Mace is a British engineer who has served the Company since 1977. During his career at SBM Offshore he has been an Engineering Project Manager on some of the Company's most prestigious projects, Chief Engineer in the Monaco office, and President of the combined group companies in Houston. The Supervisory Board considers that Mr. Mace has the appropriate profile to lead the Company and following this appointment the Supervisory Board will appoint Mr. Mace as Chief Executive Officer.
- Mr. M.A.S. Miles (43) has been a non-statutory Director and the Chief Financial Officer of the Company since May 2004, with special responsibility for financial and reporting policies, treasury and debt-management and group taxation. After the approval of the appointment by the shareholders to appoint Mr. Miles as a Managing Director, he will continue in his role as Chief Financial Officer.

The Supervisory Board reviewed the 2007 performance of the Board of Management both individually and as a unit, and concluded that the members had performed satisfactorily in a complex and competitive market environment.

Activities of the Supervisory Board

Other than its general activities and responsibilities as set out in the Articles of Association and the Supervisory Board

regulations, the subjects which the Supervisory Board has followed particularly closely in 2007 include:

- strategy of the Company for achieving long-term growth and enhancing shareholder value, including new products and markets, contracting structures and finance strategy;
- review of projects in view of the tight equipment situation and constrained yard capacity leading to some delays and overruns;
- succession planning for both the Board of Management and the Supervisory Board;
- remuneration of the Board of Management;
- risk management systems and controls;
- corporate social responsibility;
- safety performance;
- developments in corporate governance regulations and best practice;
- update and implementation of the Company's Code of Conduct;
- meetings with senior staff in Houston, Monaco and Marly;
- developments concerning protection arrangements

- against unfriendly take-overs in the Netherlands;
- use of share-based payments in remuneration schemes;
- divestment of the activities of airport interiors and passenger boarding bridges.

In respect of compliance with the Dutch Corporate Governance Code, best practice calls for the duration of Managing Directors' employment contracts to be limited to four years. Also, the Code's principles require that proxy voting means be provided for the AGM. As explained in previous years, the Company's current CEO, Mr. D. Keller was appointed prior to the introduction of the Code. The duration of his appointment was left unspecified in consideration of the known retirement date of Mr. Keller at the close of the AGM 2008. Subject to their appointment at the AGM 2008, the duration of the employment contracts of both Mr. A.J. Mace and Mr. M.A.S. Miles will meet the requirements of the Code. In respect of proxy voting, appropriate means are provided but remote electronic proxy voting will not be implemented for the time being due to remaining problems in validating the identity of participants.

Petrobras P53 turret, the world largest with 75 riser slots



The rules of the Code regarding conflicts of interest are complied with by both the Supervisory Board and by the Board of Management. In 2007 there have been no conflicts of interest, neither for the Directors of the Supervisory Board nor for the Members of the Board of Management.

Summary reports of the three Committees reporting to the Supervisory Board are included below. The Board has discussed the outcome of the findings of the three Committees and, in particular, the internal risk management and control systems which are fully described in the Report of the Board of Management.

Audit Committee

The Audit Committee's members are:

- L.J.A.M. Ligthart, Chairman and financial expert in the Supervisory Board
- J.D.R.A. Bax
- H.C. Rothermund (until 27 August 2007)

The Audit Committee met five times in 2007 with all members present except for Mr. J.D.R.A. Bax who was unable to attend one meeting due to illness. Mr. H.C. Rothermund stepped down from the Audit Committee following the meeting which reviewed the mid-year financial statements. This change was resolved by the Supervisory Board in order for the Audit Committee to focus strictly on its specific areas of expertise, and to re-establish an appropriate membership ratio between the Audit Committee and the five Supervisory Board Directors. The meetings were held on the afternoon preceding the Supervisory Board meeting, where the Audit Committee Chairman reported on the principal issues discussed, while the complete minutes of the meeting of the Audit Committee were reviewed in the next meeting of the Supervisory Board. All the meetings were attended by the CEO and CFO and the external auditor. On each occasion a separate discussion was held with the external auditor without the CEO or CFO being present.

The main items that were discussed during the year were:

- annual and half-yearly Financial Statements and financial data to be included in press releases;
- quarterly financial reports;
- analysis of the projects in view of the tightness in the market to supply material and equipment and restrained yard capacity;
- acceleration of financial reporting timetable;
- confirmation of exemption from SEC or SOX reporting requirements in the United States of America;

- internal risk management, control and audit, and discussion of the Company's In Control statement;
- reports by external auditors and compliance with recommendations and observations;
- relations with the external auditor, including, in particular, his independence, remuneration and non-audit services for the Company. The external auditor was concluded to be independent as demonstrated in the fee summary table below. It should be noted that the increase in tax fees in 2007 was related mainly to support provided in documenting the Company's claim for research tax credits in the United States of America.

Aggregate KPMG Fees (EUR000)	2007	2006	2005
Audit fees	703.6	731.9	898.6
Audit related fees	61.6	68.3	290.5
Tax fees	239.6	10.0	15.0
Other	90.8	261.0	562.4
Total	1,095.6	1,071.2	1,766.5

- performance of the external auditor. The assessment of the external auditor's performance raised no major issues which would lead to a proposal to replace KPMG Accountants N.V. Overall the standard of the audit team, the audit process and fees, and the interaction with the Company's personnel were all found satisfactory given the size, complexity and risk profile of the Company. The AGM will therefore be requested to approve the annual proposal to re-appoint KPMG Accountants N.V. as external auditor for a period of one year. Every four years an in-depth evaluation and report on the external auditor's performance is performed. The next such review is due in 2011;
- responsibilities concerning fraud or other irregularities. No issues were raised;
- specific accounting issues such as the classification of lease contracts as either operating or financial leases;
- fiscal policy and position of the Company;
- dividend policy;
- financing of the Company, including bank covenant compliance, balance sheet gearing and discussion of any exposure to financial market turbulence during the second half of 2007;
- applications of Information and Communication Technology (ICT);
- adequacy of staffing of finance and administration functions;



Tow of the deep water CALM buoy for Greater Plutonio FPSO for installation offshore Angola

- adequacy of insurance programmes;
- budgets and forecasts for the Company as a whole, and for its major projects;
- reports on Treasury exposures and forecasts covering foreign exchange, interest rates, cash flows and guarantees. Mr. Ligthart and Mr. Rothermund visited the Marly office to review the approach to Treasury risk management;
- accounting requirements for share based payments.

Remuneration Committee

The Remuneration Committee consists of:

- R. van Gelder, Chairman
- H.C. Rothermund

The Remuneration Committee met frequently during the year. CEO, CFO and independent advisors to the Committee were consulted to benchmark and evaluate the implementation of the Remuneration Policy. The various remuneration elements for the Managing Director (Base Salary, Short Term and Long Term Incentives) were established in accordance with the policy and proposals were worked out on updating the policy and its application in line with current Corporate Governance views and recommendations. More information is set out in the Remuneration Report below.

Selection and Appointment Committee

The Selection and Appointment Committee consists of:

- H.C. Rothermund, Chairman
- J.D.R.A. Bax

The Committee met three times during the year. The main item discussed was the succession plan for the Board of Management, in particular the selection of candidates to replace Mr. Keller as Chief Executive Officer, and the revised organisational structure of the Company.

The value created by the Company is the result of a combination of, advanced technology, a thought through business model and careful risk management. Therefore,

when identifying the future CEO for recommendation, priority was given to finding a candidate with a successful track record in the Company. In particular, the candidate was to have had responsibility for risk intensive activities. After careful evaluation of the alternatives, Mr. Mace was selected as the best candidate, particularly given his experience in the multifunction role of leading the Houston organization, including the responsibility for the execution of major projects for important American clients.

The Selection and Appointment Committee considered the composition of the Management Board which lead to the recommendation to appoint a second Managing Director.

The recommendation was made after in-depth evaluation and with the unanimous support of the Board of Management. The Supervisory Board has approved the non-binding proposal to nominate two Managing Directors.

The Committee concluded that adequate measures are being taken to identify individuals with high potential for future management roles and to develop such potential.

The Committee is currently reviewing nominees for the vacant position within the Supervisory Board.

In conclusion

The Company has been challenged in 2007 by an extremely tight market for the supply of equipment and services. It nevertheless managed to generate record results, meeting the forecast established at the beginning of the year, and further expanded its project backlog.

The Supervisory Board thanks the Company's employees and the Board of Management for their commitment to the Company and the performance achieved in 2007. The Supervisory Board is confident that the Company is taking the appropriate steps to develop its product line and position itself for the future business opportunities required to secure the Company's long-term growth.

Schiedam, 11 March 2008

Supervisory Board

H.C. Rothermund, Chairman

J.D.R.A. Bax, Vice-Chairman

R.H. Matzke

L.J.A.M. Ligthart

R. van Gelder

Remuneration Report

Remuneration Policy

The current Remuneration Policy of the Company was adopted by the Annual General Meeting of Shareholders on 20 May 2005. It has been applied as from 1 January 2005 onwards, and is summarised on the Company's website. This policy defines that the total remuneration of Managing Directors consists of:

- a fixed component: Base Salary;
- a variable component:
 - a Short-Term Incentive: an annual bonus linked to the Company's performance over the past financial year, payable partly in cash and partly in shares – and combined with a matching shares arrangement;
 - Long-Term Incentive: an award of performance shares and grant of performance options linked to the Company's performance over the three financial years, starting with the year in which the conditional shares are awarded and options granted;
- a defined benefit pension scheme.

Mr. Keller is currently the only Managing Director of the Company. He will take normal retirement following the Annual General Meeting of Shareholders, in May 2008.

Future appointments of Managing Directors will specify a contractual term of four years, at the end of which re-appointment will be necessary. A severance payment limited to one annual base salary will be stipulated in the event of dismissal. If this maximum would be manifestly unreasonable for a Managing Director who is dismissed during his first term, the maximum severance payment could be increased to twice the annual base salary.

Implementation of the Remuneration Policy in 2007

Base salary

For 2007 the base salary of the Managing Director was increased by 4% to € 483,600 (2006: € 465,000).

Short-Term Incentive (STI)

The STI is performance related and based upon the previous year's Economic Profit, i.e. Return On Average Capital Employed exceeding an assumed Weighted Average Cost of Capital of 8%, adjusted where appropriate for exceptional items and extraordinary circumstances. The gross bonus is payable in cash for 80% and in 'bonus shares' for 20%. The Company awards an equal number of 'matching shares', which become unconditional upon completion of a three-year

vesting period and subject to the Managing Director's continued employment with the Company.

The amount of the bonus is computed in US Dollars (the Company's functional currency) and then converted for payment in Euros at the exchange rate on the ex-dividend date following the Annual General Meeting of Shareholders.

The STI awarded to the Managing Director in 2007 was calculated as a certain percentage of the Economic Profit realised in 2006 and amounted to € 647,503 (equivalent to US\$ 878,791) compared with € 417,775 (equivalent to US\$ 533,331) in 2006. The increased STI results from the significantly higher Economic Profit for the year 2006 compared to 2005. The euro denominated STI payout in 2007 represented 134% of the 2007 base salary.

In 2007, the 2,876 matching shares that were conditionally awarded to the Managing Director in 2004, in recognition for performance in 2003, became unconditional upon completion of the three-year vesting period commencing 1 January 2004.

Long-Term Incentive (LTI)

The LTI was approved in the 2005 AGM. It consists of two components, namely (i) performance options and (ii) performance shares. The performance measure linked to the LTI is the average annualised (normalised) growth of earnings per share (EPS) over a performance period of three consecutive financial years. The number of performance

'Normand Installer' ready for offshore operations in New Zealand



options and performance shares vesting is subject to the attainment of the performance measure. Furthermore, vesting of the LTI award is dependent on the Managing Director's continued employment with the Company until the vesting date.

2007 LTI Award:

In 2007, the allocation of conditional share based instruments to the Managing Director under the LTI was:

- basic allocation of 40,000 performance options: these options will vest after three years if average EPS growth over the performance period (1 January 2007 through 31 December 2009) is 5%;
- basic allocation of 10,000 performance shares: these performance shares will vest after three years if average EPS growth over the performance period is 5%;
- additional allocation of performance options: if average EPS growth over the performance period exceeds 5%, additional performance options will vest, namely 8,000 options for each percentage point above 5%;
- additional allocation of performance shares: if average EPS growth over the performance period exceeds 5%, additional performance shares will vest: 2,000 shares for each percentage point above 5%; and
- if the average EPS growth is lower than 5%, the performance options and performance shares will not vest and lapse after three years.

2005 LTI Award vesting upon completion of the performance period 2005–2007 inclusive:

As the first conditional awards under the LTI were made in 2005, the first three-year performance period ended upon completion of the financial year 2007. Based upon the 2007 audited financial statements the three-year period 2005-2007 generated an average annualised (normalised) EPS growth of 34%. Consequently, the first 2005 LTI allocation made to the Managing Director will vest in May 2008, as follows:

- share options: 35,000 (basic) and 203,000 (additional, i.e. 29 x 7,000)
- shares: 7,350 (basic) and 42,630 (additional, i.e. 29 x 1,470).

The vested options may be exercised until 18 June 2010. The vested shares acquired under the LTI have to be retained for a period of five years following the vesting date or until retirement, if earlier.

Pension and extraordinary remuneration

Pension plans for Managing Directors provide for pensions of up to a maximum of 70% of final salary, 'earned' at the rate of 2% for each year of service within the Company. Gross pension premiums in respect of the Managing Director were 2.5% higher in 2007 than in 2006.

In the year 2007 no extraordinary remuneration has been paid to any present or former Managing Director.

Changes to the Remuneration Policy for 2008 and subsequent years

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

- benchmark the various components of the total remuneration package of the Board of Management by reference to a group of similar size Dutch AEX and AMX listed companies and an international industry peer group consisting of oil and gas service contractors;
- review and analyse the interpretation and implementation of the current remuneration policy.

Based on the results of the review, the Supervisory Board will submit a proposal to the Annual General Meeting of Shareholders in May 2008 to adopt an update of the Remuneration Policy applicable to the Management Board for 2008 and subsequent years. Reference is made to the explanatory notes to the agenda of the Annual General Meeting of Shareholders to be held on 15 May 2008.

Information regarding the Supervisory Board

H.C. Rothermund – Nationality: Swiss (1943)

- A former Managing Director of Shell EP International B.V.
- Supervisory directorships:*
- Vice-Chairman of the Supervisory Board of Rohoel AG
 - Member of the Board of Petrotechnics Ltd
 - Member of the Board of E.ON Ruhrgas UK Exploration & Production Ltd.

First appointment: 2003

Current term of office: 2007-2011

J.D.R.A. Bax – Nationality: Dutch (1936)

- A former President and Chief Executive Officer of IHC Caland N.V. (presently SBM Offshore N.V.)
- Supervisory directorships:*
- Chairman of the Supervisory Board of TBI Holdings B.V.
 - Chairman of the Supervisory Board of Koninklijke Vopak N.V.
 - Member of the Supervisory Board of AON Group Nederland B.V.

First appointment: 1999

Current term of office: 2007-2009

L.J.A.M. Ligthart – Nationality: Dutch (1938)

- A former Vice-Chairman of the Managing Board of Directors of DSM N.V.
- Supervisory directorships:*
- Member of the Supervisory Board of Nutreco N.V.
 - Chairman of the Supervisory Board of Nutreco Nederland B.V.
- Other:*
- Member of Mines Council of Minister of Economic Affairs

First appointment: 2004

Current term of office: 2004-2008

R.H. Matzke – Nationality: American (1937)

- A former Vice-Chairman of ChevronTexaco
- Supervisory directorships:*
- President of NESW Solutions – Global Consultants
 - Member of the Board of OAO LUKOIL
 - Member of the Board of PHI, Inc.
- Other:*
- Member of the Advisory Board of the Centre for Strategic and International Studies
 - Member of the Council on Foreign Relations
 - Co-Chairman of the American-Iranian Council
 - Member of the Board of the National Committee on United States-China Relations
 - Member of the Russian-American Chamber of Commerce
 - Member of the International Advisory Board for the Gulf Energy-Energy City Qatar
 - Member of the Advisory Committee for the Dubai Global Energy Fund LP

First appointment: 2002

Current term of office: 2006-2010

R. van Gelder – Nationality: Dutch (1945)

- A former President and Chief Executive Officer of Royal Boskalis Westminster N.V.
- Supervisory directorships:*
- Member of the Supervisory Board of Hagemeyer N.V.
 - Chairman of the Supervisory Board of Altera Vastgroep N.V.
 - Member of the Supervisory Board of Holcim Western Europe
- Other:*
- Member of the Board of VEVO

First appointment: 2005

Current term of office: 2005-2009



Section III - Report of the Board of Management

Introduction	24
Group Activities 2007	25
SBM Offshore Lease Fleet	26
Corporate Governance & Risk Management	37
Human Resources	46
Research and Development	48
The Company's Future	54

The turret of FPSO Saxi Batuque

Report of the Board of Management

Introduction

The high starting order book should have allowed, as was generally the case in previous years, an increase from the net profit guidance provided in January 2007. Instead, except for certain one-off items the Company did not raise its expectations during the year and the net profit finished 23% higher than previous year.

The reasons for not being able to raise the initial guidance have been explained in detail during the year and they were in fact described as a potential difficulty on various occasions. To re-quote a statement in last year's Annual Report, SBM Offshore outsources all equipment and services and suffers on the supply side from short bid validities, high prices, tough conditions, inflexibility and long deliveries from vendors and subcontractors. Those difficulties were not anticipated to the full extent 2 years ago, at the time when bids were submitted and therefore not sufficiently factored into the cost estimates of proposals; they resulted in constrained margins on some of the major projects.

Of course, the lesson has been learned since, with much additional focus on pricing of proposals. This has improved the robustness of cost estimates and the projects obtained through the year should contain sufficient provisions for the market adversity and should deliver the expected margins.

The expectations issued at the end of January for the 2008 results represent modest growth from the previous year. The reason is of course that certain projects that are today facing budget difficulties still have to be delivered and

they will continue to weigh on the overall margins and fail to provide their originally expected contribution to the 2008 performance.

Except for these difficulties, 2007 has been a great year in terms of progressing the Company into the big league; ten digit figure projects have become common in the segments of the market where SBM Offshore operates and both the organisation and the resources have been boosted further in order to grasp the upcoming opportunities and execute (more) efficiently such large projects.

This report will explain how the Company is progressing in the development of new technology and its promotion in the industry as part of the strategy to address the mid and long-term.

In Management's opinion, the present oil and gas services industry will continue to provide earnings growth opportunities for several years to come, and beyond that, the new technologies presently being developed and promoted should pick up the role of fuelling the further growth.

In respect of Mergers and Acquisitions, the Board of Management continuously evaluates whether a major diversification or consolidation would be required to maintain a satisfactory expansion of the Company's activities through the long-term. It is of the opinion that, in the present market conditions where demand will remain high for several years, there is no need to diversify nor to consider major acquisitions: organic growth will continue to be the strategy.

From left to right: M.A.S. Miles, CFO (1964, British), D.J. van der Zee, Director (1948, Dutch), A.J. Mace, Director (1951, British), D. Keller, Managing Director & CEO (1946, French), F. Blanchelande Director (1949, French)



This organic growth policy is motivated by the firm view that in this risk intensive business, focus is the only way to control the risks; 2007 has shown how important this could be. The Board of Management continues to consider that, for long-term security, this policy will deliver more value than under a growth profile based on mergers and acquisitions. However, for the purpose of complementing the product line to generate additional synergies, it remains attentive and will continue to look for strategic business opportunities.

It is most important to adapt the Company for a business environment in constant evolution and to prepare it for the long-term. Along the principle that technology creates value for customers and inherently the shareholders, SBM Offshore gives utmost importance to the development of products that anticipate the future needs of the offshore energy industry. The long-term strategy is further developed in this report in the paragraph addressing the Company's future. In a nutshell, the future is promising as SBM Offshore further expands its lease fleet at the same time that it is preparing to enter the new, emerging offshore LNG market which will feature a rapidly increasing demand in the longer term.

In addition to the appointment of Mr. A.J. Mace in September 2007, as a non-statutory Director to the Board of Management another change in the structure of the Board of Management was effected in November 2007 when Mr. D.J. van der Zee, previously the Company's Chief Operating Officer was appointed Director, Production and Technology with responsibility for fleet operations, proposals, R&D and LNG activities. At the same time Mr. F. Blanchelande, previously President of SBM Production Contractors was appointed Chief Operating Officer with responsibility for engineering and project management, construction, procurement and services. The main reasons for these changes were to provide increased focus on the quality of proposals and the project execution risks as well as to prepare the fleet operations division for the future challenge of offshore LNG production.

The Company recruited Mrs. J. Smit-Haffmans as Corporate Secretary in December 2007. The Board of Management welcomes Mrs. Smit-Haffmans and looks forward to her contribution and focus on Corporate secretarial and governance issues. It also expresses its gratitude to Mr F. van der Wal who provided Corporate Secretarial services to the Company for many years before retiring in 2007.

Group Activities 2007

















Summary

All operating units, in the offshore oil and gas services activities, contributed positively to the results of the Company in 2007. The execution of many of the contracts has benefited from the synergy between the operating units and from the complementary nature of the different disciplines and specialisations available in the respective Group companies. The implementation of Corporate Engineering Standards and the harmonisation of reporting and risk control systems between the operating units have further increased the potential in the execution of the large variety of projects. Combined with the capacity growth, this has allowed to be handled a turnover 44% higher than previous year.

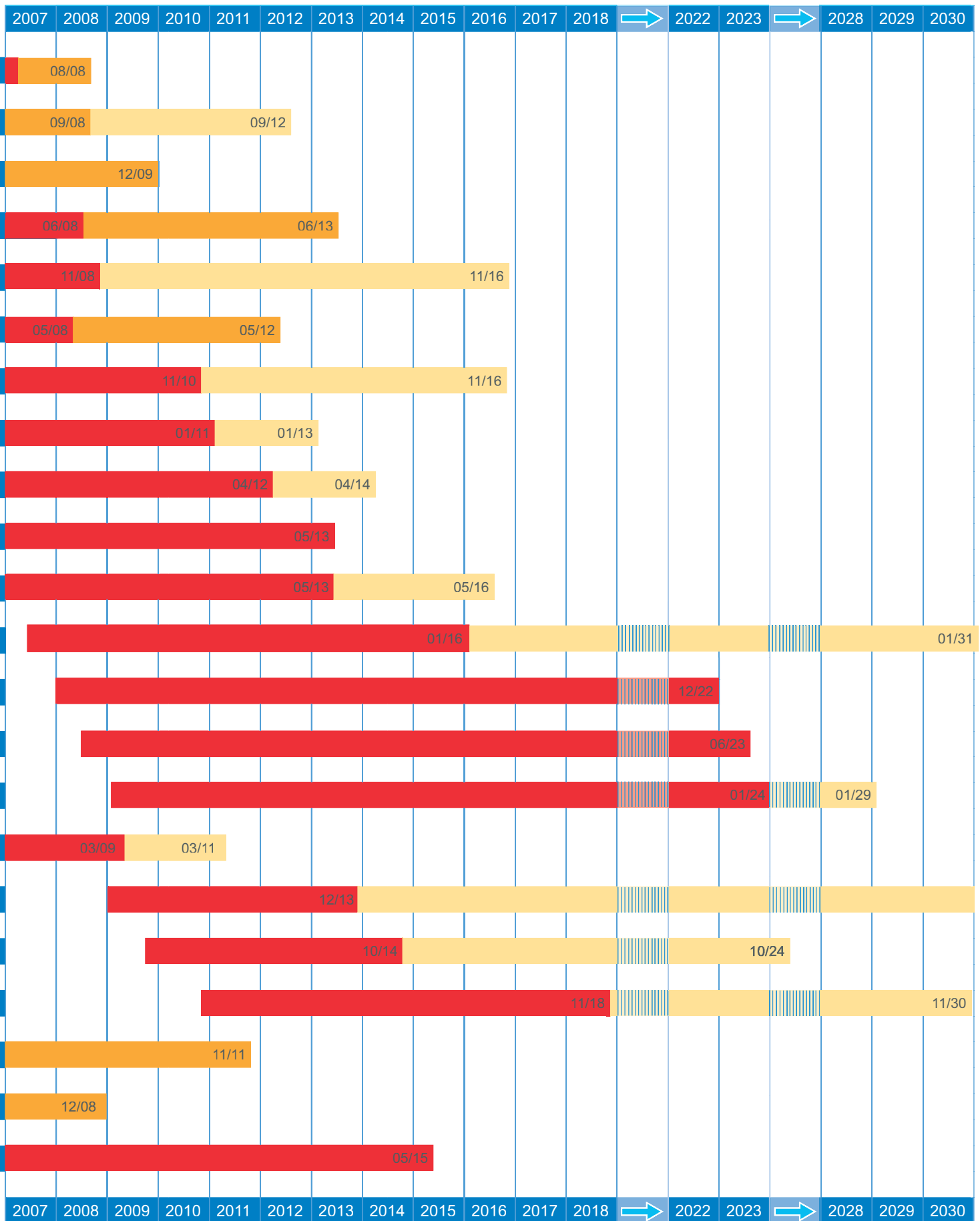
The most noticeable achievements in the year have been:

- a contract with Talisman for a five year lease of a MOPUstor™ for the re-development of the Yme field offshore Norway;
- a contract with Delba for the supply of a Dynamically Positioned Semi-Submersible Drilling Unit;
- extensions of existing lease contracts for FPSO Brasil and Nkossa II LPG FSO;
- a contract with BP Norge for the supply of an internal turret for the Skarv development;
- the delivery and integration of the internal turret into the P-53 FPSO for Petrobras;
- the supply of the Neptune SeaStar® TLP for BHP Billiton for the Neptune field in Gulf of Mexico;
- the start of operation of the FPSO Kikeh in the Kikeh field offshore Malaysia under the eight year lease and operate contract with Murphy;
- the supply and installation of the GAP™ between the FPSO Kikeh and the dry-tree unit for Kikeh field offshore Malaysia;
- the supply of compression barges for Kashagan development in the Caspian Sea for Agip KCO;
- a contract with EnCana for the eight year lease and operation of a production facility for the Deep Panuke field offshore Nova Scotia (Canada);
- an agreement with SEIC on availability of FSO Okha until December 2008 offshore Sakhalin;
- the installation of the FPSO Mondo in the Kizomba 'C' field offshore Angola ready to commence the fifteen year lease and operate contract with ExxonMobil.

SBM Offshore Lease Fleet

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

■ Balance of Initial Lease
 ■ Confirmed Extension
 ■ Contractual Extension Option



Details of these main achievements and of the other activities in the year 2007 are presented hereafter.

Lease and Operate Activities

At the start of 2007 there were twenty-one long-term lease and operate contracts in hand for production and/or storage systems, sixteen of which were at that date in operation and the other five units under construction. Furthermore, there were contracts for the management of the operation of three client owned units.

All units in operation performed without any major problems during the year at a cumulative average throughput rate just above 800,000 barrels per day. A total of 297 million barrels were exported from the fleet in the year 2007, representing a total of 517 tanker offloading operations. Total production uptime of the fleet reached 99%. This high uptime has been the basis for the payment of substantial bonuses, in particular for the units operating under long-term contracts with Petrobras and the FPSOs operating for ExxonMobil, for which the operating contracts are subject to bonus schemes taking into account not only the production performance but also safety and environmental statistics and adherence to the operating budget.

Support structure for the jack up legs being lifted onto the storage tank of the MOPUstor™ in Malaysia



In January 2007 a new order was added to the portfolio with the signing of a contract with Talisman Energy Norge AS, operator of the PL316 license offshore Norway, for a five year initial lease of a MOPUstor™, a production jack-up installed on a subsea storage tank, for the re-development of the Yme field. The contract includes options to extend the lease period up to a total of fifteen years.

The MOPUstor™ concept is a patented design of SBM Offshore and was first applied for the development of the Siri field in the Danish sector of the North Sea. The seabed supported storage tank is being constructed in Malaysia and will be shipped to the Netherlands for integration with the caisson before installation offshore Norway in the summer of 2008. The caisson will support the subsea risers with dry tree wellhead completions and enables Talisman to commence early drilling of production and injection wells. The jack-up platform carrying the process equipment is under construction in Abu Dhabi and is scheduled for completion in 2009.

In February Petrobras exercised the three year extension option in the lease contract of the FPSO Brasil, owned and operated in joint venture with Malaysia International Shipping Corporation Berhad (MISC Berhad), thus extending the service of this FPSO in the Roncador field offshore Brazil until May 2012.

In March Total Congo exercised the four year extension option in the lease contract of the Nkossa II LPG FSO, owned and operated in joint venture with Maersk, extending the service of this FSO until November 2011.

In May Sakhalin Energy Investment Company (SEIC) signed an extension of the lease contract of the FSO Okha, operating offshore Sakhalin Island, Russia, for an undetermined period of time with a six months termination notice. This extension has since been terminated and replaced by a new agreement in December 2007, in which the availability of the FSO Okha has been committed until the end of 2008.

In August the FPSO Kikeh started operations in the Kikeh field offshore Malaysia under the eight year lease contract with Murphy Sabah Oil Co Ltd. Execution of the project is in Joint Venture with MISC Berhad. The refurbishment, conversion and integration of the FPSO, as well as construction of the modules and turret system have been completed at the MMHE shipyard in Malaysia on time and in budget. It is the first time the Company executes a project



The semi submersible hull for the Thunder Hawk production unit nearing completion in Singapore

with a joint SBM/MISC project management team. Installation of the FPSO in the Kikeh field, complete with hook up of the GAP™ to both the FPSO and the dry tree unit has been executed by the Company's deepwater installation vessel 'Normand Installer'.

In November a new order has been added to the portfolio with the signing of an initial eight year lease contract with EnCana Corporation, a leading producer of natural gas in North America. The contract is for the provision, leasing and the operation of a production facility for EnCana's Deep Panuke natural gas project offshore Nova Scotia and includes options to extend the lease period up to a total of twenty years. The field is located 175 kilometres off the coast in 44 metres of water and harsh environment. During the eight months Front End Engineering and Design (FEED) phase the Company developed a competitive technical concept with optimal operational solutions for the field, which resulted in securing the order. A substantial part of the FEED has been executed in the Company's offices in Kuala Lumpur, where the detailed engineering phase will be performed. A large part of the contract will be executed in Nova Scotia to meet local content requirements. First gas and start of the lease is targeted for late 2010. In addition to the leasing and the operation of the production facility, field-wide logistics and operations will also be provided under the contract. The Deep Panuke Production Field Centre (PFC) will produce market-ready gas exported through a subsea pipeline to customers in Canada and the north-eastern United States. It will be the third application of the SBM Offshore MOPU/MOPUstor™ technology and proves again the cost effectiveness of this

concept in a broad field of applications, this time in the extreme weather environment of the North Atlantic.

In December FPSO Mondo was hooked up to the mooring lines, connected to the subsea risers and declared ready for start-up. Exxon Mobil opened the subsea wellheads on 1 January 2008 and production flow of around 80,000 barrels per day was stabilised within a couple of days. Depending on ExxonMobil's drilling programme, the gas injection and water injection systems will start-up in the next couple of months. Refurbishment, conversion and integration work of the FPSO has been performed at Keppel shipyard in Singapore, with engineering out of both Monaco and Schiedam. In view of the current tight supply market and increased delivery times of equipment, to have met the client's production targets is recognised as an achievement.

The FPSO Saxi Batuque is scheduled for sail away from the construction yard in the first quarter of 2008 for offshore installation and hook up in Angola in the second quarter. The offshore installation and hook up will be performed by the Company jointly owned installation vessel 'Normand Installer'. These two additional FPSOs for production in Angola bring the number of units leased and operated in partnership with Sonangol to five.

The construction of FPSO Espirito Santo, for the fifteen years lease contract with Shell for BC-10 field in Brazil is on schedule and within budget. Engineering is executed out of the Monaco office and construction at Keppel shipyard in Singapore. Vessel refurbishment and conversion work is on

schedule and topsides integration is expected to be completed in time for the sail away date in the third quarter 2008.

The construction of the semi submersible hull for the Thunder Hawk production unit at Dynamac in Singapore is foreseen to be completed in time for integration with the topsides, which are under construction at Kiewit yard at Ingleside, Texas. On completion of integration and pre-commissioning the unit will be towed to the field for installation offshore after the hurricane season at the end of 2008. First production is expected early 2009. The project is executed out of Houston office, on schedule and within budget.

The FPSO Firenze was demobilised from the Aquila field in the Adriatic Sea. The lease contract with Agip was therefore terminated and the unit was sold for scrap. This unit was converted in 1998 from a hull provided by Agip, and was initially contracted for a period of five and a half years, which was subsequently extended three times one year, beyond its original design life.

Resulting from the developments within the lease portfolio described above, the Company had at year end seventeen owned or part-owned units in operation under lease and operate contracts and a further three units under operate only contracts. Five more units were under construction for start of operation in the course of 2008, 2009 and 2010, all under long-term lease contracts.

Module lift onto the deck of the FPSO Saxi Batuque



Gas MOPU for EnCana Deep Panuke development offshore Nova Scotia

Turnkey Supply and Services Activities

Ongoing work on a number of large turnkey supply contracts, obtained in 2006, was carried forward into 2007. New order intake in this segment of activities did not, as predicted, meet the record high of 2006, but the portfolio was still maintained at a high level. The activities in 2007 are described hereafter by type of product or service.

Large Production Systems

The SeaStar® Tension Leg Platform for the Neptune field in the Gulf of Mexico has been handed over to BHP Billiton in June 2007. The TLP was installed in 1,300 meters of water. It is the fifth SeaStar® TLP supplied by the Company in the deepwater Gulf of Mexico with a daily production capacity of

50,000 barrels of oil per day and a throughput of 50 million standard cubic feet of gas per day plus 30,000 barrels of produced water per day. All construction work for this project was performed on the Gulf Coast of the USA, with the topsides deck in Gulf Island Fabricators' yard in Louisiana, the hull in Signal International's yard in Texas and the tendons and piles in Gulf Marine Fabricators' yard in Texas. The project was executed from the Houston office.

The three flash gas compression barges for the northern Caspian Sea offshore Kashagan have been handed over to the field operator Agip KCO. Two of the barges have been shipped from Dubai to Kuryk in the Caspian Sea for final assembly and commissioning, before offshore installation under responsibility of Agip KCO. The third barge is still in Dubai undergoing the last modifications requested by the client and is scheduled for completion in March 2008 for shipment to the Caspian Sea.

Tanker refurbishment and conversion of the FPSO Frade is progressing at Dubai Drydocks in Dubai. The turret and process modules are being fabricated at several construction yards in the Middle East and will be lifted onto the vessel in the second quarter of 2008 for integration. Sail away from the shipyard is scheduled for the summer of 2008 and start of production offshore is now planned for the fourth quarter of 2008. The FPSO will be moored in 1,200 metres of water depth by an internal turret accommodating 33 risers and a daily production capacity of 100,000 barrels of oil, treatment and compression of 106 million standard cubic feet of gas and treatment and injection of 150,000 barrels of water. As part of the contract the Company will operate the FPSO for Chevron for a minimum of three years following start of production. The project is being executed mainly out of the Houston office.

Agbami Deepwater CALM buoy during installation offshore Nigeria with the 'Normand Installer'



Flash gas compression Barges 3 and 4 at Kuryk, Kashagan, Caspian Sea prior to offshore installation

Large Mooring Systems

The internal turret mooring for the FPSO P-53 for Petrobras' Marlim Leste Field in the Campos Basin offshore Brazil has been completed and handed over to the client. Fabrication of the turret and integration into the FPSO has been performed by the Keppel Shipyard in Singapore. This internal turret mooring, which accommodates a total of seventy five flexible risers and the related piping, manifolding and swivel arrangements, is the largest ever built. The turret mooring system permanently moors the FPSO in a water depth of 1,080 metres, using nine mooring lines composed of chain and polyester rope segments.

The spread mooring system for the Agbami FPSO of Chevron and the deep water CALM buoy for the Agbami field offloading operations have been supplied and successfully installed with the 'Normand Installer' (NI) in late 2007. The 28 metre high, over 100 ton anchor piles for the FPSO are the largest ever installed by SBM Offshore. The advanced heave compensation systems for the crane and winch onboard the NI were used to complete this installation well within the required accuracy. A large part of the construction activities for this project have been performed in Nigeria to maximise

local content. This project was engineered out of the Houston office.

A new order in January 2007 for the supply of an external turret mooring system for an FSO to be leased by Tanker Pacific Offshore Terminals Pte Ltd (TPOT) to the CuuLong Joint Venture for operation in the Su Tu Vang field offshore Vietnam is being executed out of the Kuala Lumpur office. Delivery of the turret mooring system is scheduled for March 2008.

A new contract was obtained with BP Norge AS in December 2007 for the turnkey supply of an internal turret for the Skarv development in Norway. The turret will be delivered to Samsung Heavy Industries in Korea in March 2010 for integration into the FPSO hull. It will be the largest turret in the world in terms of mooring loads and is of the well proven SBM bogie-wheel type design similar to that of the BP Schiehallion FPSO and other large units recently installed on Brazilian deepwater fields. The engineering is being executed out of the Monaco office.

Su Tu Vang external turret during construction



Deepwater Export Systems

In the course of the year the deepwater export system for the Greater Plutonio field of BP in Angola and Agbami field of Chevron in Nigeria, were commissioned offshore and handed over to the respective clients. Completion of the deepwater export system for the Akpo field of Total in Nigeria is ongoing and delivery is expected mid May 2008.

An important feature of the contracts for deepwater export systems is that a very large part of the construction of the buoys, as well as the suction piles for the anchoring systems, is performed at local yards, both in Angola and in Nigeria.

Fluid Transfer Systems

A major achievement during the year has been the installation, hook up and commissioning of the Gravity Actuated Pipe (GAP™) system for the transfer of multiple live produced fluids on the Kikeh Field offshore Malaysia for Murphy Sabah Oil Company Ltd. The complete system, including launching of the GAP™, tow to site and hook up between the Dry Tree Unit and the FPSO has been performed by the NI in August 2007.

The GAP™ connects the SPAR Dry Tree Unit and the turret moored FPSO installed in the Kikeh field 1,600 metres apart. The GAP™ consists of a neutrally buoyant pipe carrying steel oil transfer pipes and a control and power umbilical. The bundle is suspended between the two floating units and stabilised in a horizontal configuration at a depth of 150 metres under the water surface through tension provided by gravity. Fluid transfer between the pipe bundle and the floaters at the two extremities is by means of flexible lines. This patented near surface transfer system greatly reduces flow assurance problems caused by hydrate formation and waxing. The successful performance of the GAP™ in handling the Kikeh production creates a strong potential for this technology in the future deepwater developments.

Deepwater export CALM buoys moor shuttle tankers for transfer of crude from the FPSO by means of two or three large diameter flowlines, either metallic or bonded rubber type, suspended between the FPSO and the buoy. The performance of the Trelline™ flexible bonded rubber export line at Shell Nigeria's Bonga field exceeds expectations and is considered another success. The line, with a total length of over 2,000 metres and a 20 inch diameter, is suspended between the spread moored FPSO and the SBM Offshore supplied export buoy at a depth of about 100 metres under the water surface. With the Trelline™ concept, developed in

cooperation with Trelleborg, the Company has added a key element to its product line and can now propose complete deep water export systems, including installation, on a turnkey basis as opposed to just selling the deepwater CALM buoys ex yard.

Tanker Loading and Discharge Terminals

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

The following new terminal orders were secured in 2007:

- from Mobil Producing Nigeria (MPN) for the supply and installation of a CALM buoy at their Qua Iboe terminal;
- from Shell Nigeria for supply and installation of a CALM buoy at their Forcados terminal;
- from Chevron for supply and installation of two complete new CALM systems at Cabinda, Angola;
- from Total E&P Cameroon for supply and installation of a CALM buoy for their Kole field FSO;
- from the US Navy for supply of a CALM buoy for installation at their Okinawa terminal, Japan;
- from Sonangol for the supply and installation of a new CALM buoy for the Palanca terminal, Angola;
- from Zakum Development Company for the supply of a new replacement CALM buoy for the 'BRAVO' buoy for Zirku Island terminal;
- from Punj Lloyd on behalf of ONGC for the supply of a complete new CALM terminal for the Heera Field Redevelopment Project, India;
- from ONGC for supply of a new CALM buoy for installation at their Mumbai High field.

The engineering for these terminals is performed both in Monaco and Houston.

Supply of Drilling Units

The high demand from the oil companies for drilling units for exploration and development drilling has over recent years resulted in a boom in the construction of new jack-up and semi-submersible drilling rigs. Several orders have been reported for the supply of design packages and special

components for both jack-up and semi-submersible drilling units. Clients for these orders were either the drilling contractors, or the yards specialised in the construction of drilling units.

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

This approach resulted in 2006 and 2007 in the signing of three contracts for the supply of Dynamically Positioned Semi-Submersible Drilling Units, which are being executed today.

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

The construction of the second TDS 2000Plus drilling unit for Odebrecht Drilling Services has started on schedule and will follow the first unit into the dry dock in April 2008. The unit will be able to operate in water depths up to 2,000 metres and be capable of drilling up to 7,500 metres below the seabed. Delivery is scheduled for the third quarter of 2009.

Construction on the third drilling Unit of the GustoMSC TDS 2500 design for Delba Perforadora Internacional S.A. will start later this year. The main focus is currently still on engineering and procurement activities. This rig will be delivered in the second quarter of 2010.

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

Design Services and Supply of Special Components

In addition to the orders for the turnkey supply of drilling units described above a large variety of orders were obtained for design services for drilling units and offshore construction

vessels, in certain cases combined with the supply of proprietary hardware components. A number of the most significant orders are described hereafter.

Proprietary Designs and Equipment

There was also a high level of activity in the engineering and supply of special components for the offshore industry. This activity is in large part based in Schiedam and has generated a record high turnover in these products. The most important orders include:

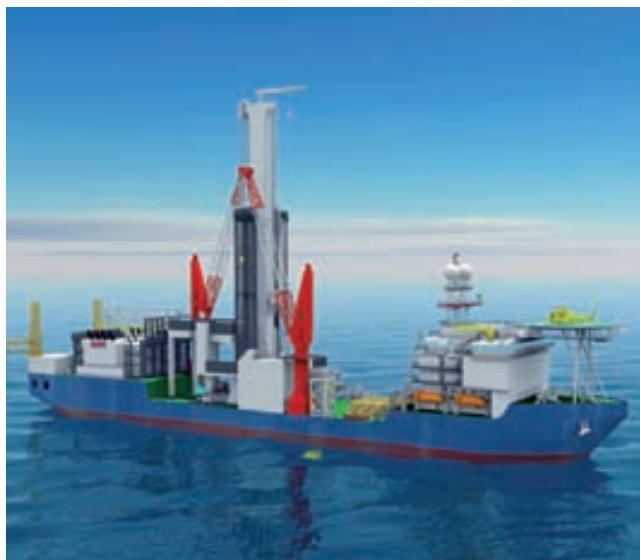
Drilling Jack-ups:

- an order from Jurong shipyard for the supply of the jacking systems, the fixation systems and the equipment for the XY-cantilever systems of a jack up for Petroprod;
- an order from Dalian Shipbuilding Offshore Company and China Merchant Heavy Industries for the supply of the fixation systems and XY-skidding systems for two cantilever jack-ups of the GustoMSC CJ46 design for COSL (China).

Drillships:

- completion of customisation of the GustoMSC PRD-12000 drillship design for Frontier Drilling Inc. The customised PRD-12000 design (designated 'the Bully' by the Shell/Frontier JV) has the capability to perform conventional subsea BOP drilling in water depths up to 2,300 metres, and to perform surface BOP drilling in water depths up to 3,700 metres. The vessel is designed for arctic conditions, comprising both a dynamic positioning system and a conventional mooring system;

State of the art PRD-12000 drillship designed by GustoMSC



- the basic design for a GustoMSC P-10000 drillship under a license agreement with HHI of Korea. HHI was awarded a contract from GlobalSantaFe for the construction of this P-10000 drillship.

Multi Purpose Jack-ups:

- the basic design and the Jacking Systems for two GustoMSC NG2500 multi-purpose jack-ups for Seajacks;
- an order from JackupBarge B.V. for four jack-ups of the SEA2000 design, suitable for construction support, maintenance and accommodation in water depths up to 40 metres, to be built at the Batam yard of Labroy Shipbuilding & Engineering Pte Ltd;
- an order from Bard Engineering/Ocean Breeze for a windmill installation vessel from Klaipeda Shipyard. The Company provides the basic design and supplies the hydraulic jacking system and a 500 tons crane. This unit is designed to install offshore wind mills in water depths up to 45 metres. The Company has received a second contract from Bard Engineering for the design of another unit with an even larger lifting capacity;
- an order from Jurong for a rack and pinion jacking system and a 550 tons crane for Saudi-Aramco's maintenance jack-up, which is under construction at Jurong;
- the basic design of legs and leg to hull interface and two sets of fixation systems for two Heavy Lift Jackups under construction at Labroy Offshore for Master Marine.

Pipelay vessels, Crane vessels and Offshore Cranes:

- The completion of the basic design for Allseas' new Pipelay vessel Audacia. The scope comprised the naval architectural and structural design of the vessel and the design of the stinger handling system;
- The completion of the basic design for Seaway Heavy Lifting's new crane vessel, the 'Oleg Strashnov'. This vessel is a large capacity mono-hull dynamically positioned lift vessel. The primary function of the vessel is to carry out lifting operations with a fully revolving, 5,000 tons offshore crane, positioned at the aft of the vessel. Seaway Heavy Lifting contracted this vessel with IHC Merwede shipyard, from which the Company received a contract for supply of the 5,000 tons revolving offshore crane for this vessel, to be delivered early 2010;
- a contract with China Offshore Oil Engineering Company (COOEC) for project management and delivery of components for a 4,000 tons revolving offshore crane for the COOEC pipelay/crane vessel designed by GustoMSC in 2006.

Conversion and Upgrade Engineering Orders:

- a Front End Engineering & Design study (FEED) for the topsides production facilities for the P-55 production unit;
- the engineering work for Maersk Contractors required to document the suitability of the GustoMSC CJ70-150MC Jackup carrying a production module and supporting 16 well risers on the Statoil Volve field;
- the basic design for the refurbishment and upgrade of the second generation dynamically positioned drill ship Peregrine II for Frontier Drilling;
- a study to upgrade the Sedco 702 & 706 in order to be specifically suited for mild environment deepwater drilling for Transocean.

Offshore Contracting and After Sales Services

The year 2007 was again extremely busy with execution of a large variety of orders in offshore contracting, spare parts and systems overhauls.

Offshore Contracting

Both dynamically positioned installation vessels, the 'Normand Installer' and 'Dynamic Installer' were fully occupied over 2007 with installation works related to several



The GustoMSC designed HLV-5000, Heavy Lift Crane Vessel

of the Company's EPCI (Engineering, Procurement, Commissioning and Installation) contracts and a series of contracting jobs to third parties.

Normand Installer towing the GAP™ on the Kikeh Field, Malaysia



The 'Normand Installer' has installed all the new FPSOs as part of 'in house' work, with a small amount of third party work to keep full occupancy. It was the vessel's first full year of operations and it demonstrated a very high level of efficiency for work that required at times utilisation of its equipment close to its maximum capability.

In chronological sequence the following main jobs have been completed:

- installation of an FPSO mooring system in New Zealand, Tui field, for NZOP;
- installation of the mooring system and hook up of FPSO Kikeh and launch, tow and installation of the Kikeh GAP™ for the Kikeh field development in Malaysia for Murphy Oil;
- installation of the mooring system of both Kizomba 'C' FPSOs Mondo and Saxi Batuque and subsequently, hook-up of FPSO Mondo for ExxonMobil, in Angola;

Suction piles for Agbami FPSO on 'Normand Installer' for installation



- laying and tie-in to the Kitina platform of the Djambala 2 water injection flow line for ENI Congo, offshore Congo;
- installation of a gas lift jumper change-out for VAALCO, Etame field, offshore Gabon;
- survey of future Xmas tree location for Sonangol PP, offshore Angola;
- installation and hook up of the Agbami FPSO and Deepwater CALM buoy.

The Dynamic Installer has executed essentially third party contracts:

- installation of flexible risers for VAALCO, Avouma field, Gabon;
- installation of spools and gas lift umbilical installation for Saipem/Total E&P Angola – Rosa field, Angola;
- change out of CALM buoy at the Rio del Rey/Kobe Field for Total E&P Cameroon;
- laying of coiled tubing water injection lines and tie-in to Loango platform for ENI Congo;
- replacement of water injection risers on Zafiro Producer for MEGI, Zafiro field, Equatorial Guinea;
- repositioning of umbilical on Palanca field, Angola for Sonangol;
- ROV & diving services, BBLT, for DSME, Angola;
- relocation of 4" flexible gas line for Total, Gabon;
- change-out of the CALM buoy on Qua Iboe field for ExxonMobil, Nigeria;
- change-out of the CALM buoy on Forcados field for SPDC, Nigeria;
- inspection of the pipeline in the Rio del Rey Field for Total E&P Cameroon.

After Sales Services

With over three hundred CALM type terminals and fifty FPSO and FSO mooring systems supplied by the Company currently in operation, the supply of spare parts and overhauls of such systems made a significant contribution to turnover and profitability.

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

- overhaul of two CALM terminals for Shell in Nigeria;
- supply of a replacement swivel stack for Statoil's Norne FPSO in Norway;
- complete overhaul of the two CALM buoys at Escravos, Nigeria for Chevron.

Corporate Governance & Risk Management

Corporate governance structure

The Company is a Public limited Company (Naamloze Vennootschap) incorporated according to the rules and regulations of the Dutch legislation, with its statutory seat in Rotterdam.

The authorised share capital is divided into ordinary shares and cumulative preference shares (hereafter: preference shares). Only ordinary shares have so far been issued. The ordinary shares are listed at the stock exchange of Euronext Amsterdam as part of the AEX index. The preference shares only exist as an anti-takeover protection measure, as explained later in this section.

The Company has a two-tier Board structure where the Supervisory Board, at the current moment consists of five persons. The Supervisory Board has established an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee.

The Company currently has one Managing Director and four non-statutory Directors, collectively forming the Board of Management. No member of the Board of Management is a member of the Supervisory Board of any other listed company. The Company has not granted personal loans or guarantees or other financial support to any of its Board of Management members and will refrain from doing so in the future. None of the members of the Board of Management had a conflict of interest with the Company during the year.

Dutch Corporate Governance Code

In 2007 the Company continued to refine procedures and activities in order to comply with the best practice provisions of the Corporate Governance Code ('the Code') and taking into consideration the deliberations of the Frijns Monitoring Committee.

This year activities have been focused on two major subjects:

- the Company made significant progress in the design and documentation of its risk management systems in which the internal control framework was matched to the COSO Enterprise Risk Management Guidance. The work performed and the resulting framework is set-out later in this section;
- a detailed review and benchmarking exercise in respect of executive remuneration was carried out and is extensively described in the report of the Remuneration Committee.

At present the CEO, Mr. D. Keller, has no specific term of appointment stipulated in his employment contract, which was concluded before publication of the Code. No action will be taken in this respect considering that Mr. Keller is due to retire at the 2008 Annual General Meeting of Shareholders. If at the AGM 2008, the shareholders approve the non-binding proposals made by Supervisory Board, to appoint two Managing Directors, their respective employment contracts will follow the best practice provisions of the Code.

The Code's principles also require that proxy voting means are made available, with the intention of maximising shareholder participation in General Meetings of the Company. A proxy voting system is provided but electronic voting means will not yet be implemented as at the current moment uncertainty exists about the verification of the identities of shareholders attending meetings using electronic means. The Company is presently studying the changes that will be required to its Articles of Association in order to anticipate the future developments in the way and manner that shareholders' meetings are likely to be conducted. There are currently no means provided for shareholders to communicate with other shareholders.

Provisions in relation to one tier boards and depositary receipts of shares are not applicable to the Company.

The Company reserves the right to change its position as to the compliance with the best practice provisions if circumstances would require it to do so. In such cases non compliance would be explained to the shareholders.

The reports of the Supervisory Board and Board of Management set out all of the information that is required by the Code to be included in the Annual Report.

The following information can be accessed under the Corporate Governance page on the website of the Company:

- Articles of Association, including provisions concerning the appointment, suspension and dismissal of Managing Directors and Supervisory Directors, the issue and repurchase of shares and amendments to the Articles of Association;
- Company Code of Conduct;
- Supervisory Board rules, including rules for the three committees reporting to the Supervisory Board;
- Supervisory Board profile and retirement schedule for its members;
- rules for reporting of alleged irregularities of a general,

- operational or financial nature ('Whistleblowing' rules);
- regulations concerning Inside Information and the holding of and effecting transactions in Shares and other Financial Instruments;
- Board of Management remuneration policy;
- agenda, minutes and CEO's speech from previous General Meetings of Shareholders.

Protection policy

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

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

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

The foundation is managed by a Board, the composition of which is intended to ensure that an independent judgement may be made as to the interests of the Company. To ensure this, a number of experienced and reputable former senior executives of multinational companies were invited to join this Board.

The members of the Foundation meet regularly with the Management of the Company to be updated about the business and interests of the Company. Mr. J.D.R.A. Bax is the Supervisory Board's observer in the Foundation's Board meetings. On a regular basis the Board members of the Foundation are informed about the development on legislation.

The Board of the Foundation consists of Mr. N. Buis, a former CEO of Smit Internationale N.V., Mr. P.J. Groenenboom, a former CEO of Imtech N.V., Mr. J.C.M. Hovers, a former CEO of Stork N.V. and of Océ N.V., Mr. H.A. van Karnebeek, a former Vice-Chairman of the Board of Management of Akzo and Mr. R. Voogd, a former notary and presently a lawyer.

The Managing Directors, with the approval of the Supervisory Board at that time, have granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital, carrying voting rights equal to one half of the voting rights carried by the ordinary shares outstanding immediately prior to the exercise of the option, enabling it effectively to perform its functions as it, at its sole discretion and responsibility, deems useful or desirable. The option was granted on 30 March 1989. In accordance with the by-laws of the Company, shareholders were advised of the reasons for granting this option in the Extraordinary General Meeting of Shareholders of 28 April 1989.

In the joint opinion of the Supervisory Board, the Board of Management and the members of the Board of the above Foundation, the 'Stichting tot Beheer van Preferente Aandelen in SBM Offshore N.V.' is independent from the Company as required by clause 5:71 section 1 sub c Supervision Financial Market Act.

Risk Management

The Company continues to develop and improve its Corporate Governance systems along the lines of the COSO Enterprise Risk Management (ERM) Guidance, although best practices will be adopted and adapted from wherever they originate.

SBM Offshore's Corporate Governance structure can be described with reference to the cube representation below.



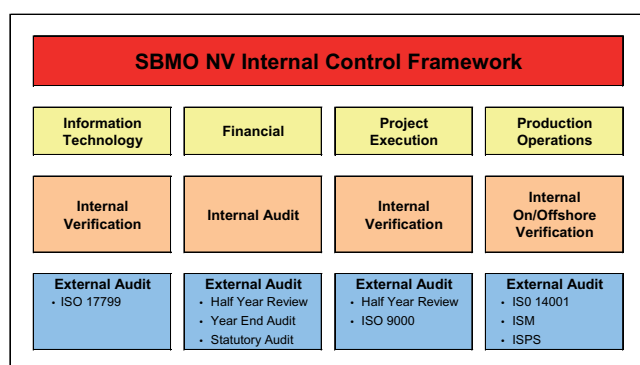
The format is similar to the 'COSO Cube' but tailored to the Company's environment.

This illustration is used by SBM Offshore to direct improvement of internal controls, set objectives and formulate strategy. It also helps to connect thinking as the organisation continues to grow and to evolve.

Using the SBM Offshore Risk Cube as a framework, operational uncertainties are tested to see how they will affect achievement of the Company's Strategic, Operational, Reporting and Compliance commitments under each of the corporate governance activity levels. Systems are tested to ensure that they remain robust throughout a range of possible outcomes.

Internal Control

To ensure good corporate governance the key control areas within the Company have been documented at the highest level in the Internal Control Framework shown below.



Determining the degree of compliance with internal controls and understanding the consequence of their failure is an important part of ensuring the success of the business. To this end, the Company has developed tools to visualise the consequences associated with an unwanted event and all of the 'headline' controls that are in place to prevent those consequences. A total of around 140 headline controls have been identified, representing almost 800 detailed controls.

To ensure that the testing of controls is effectively managed and prioritised, each headline control is risk-ranked in terms of probability and consequence of failure. This process implies a level of tolerability regarding the degree of compliance.

A comprehensive and current overview of the status of

compliance with internal controls is provided to highlight potential areas of concern. With this system, Management and the Supervisory Board have a complete and transparent view of the effectiveness of the internal controls and are able to focus attention on areas that require improvement.

For several years the Company has reported publicly on the various risks it faces and the means employed to monitor, control and mitigate them. In 2007 the risks inherent to the Company's business have not substantially changed. However, SBM Offshore is continually reviewing and improving the arrangements for Risk Management and Internal Control. During the course of 2007 these arrangements were matured along the lines of the widely recognised COSO ERM Framework as mentioned above. Risk management, as required by the Dutch Corporate Governance Code, integrates with other management activities concerned with safety, security, the environment and regulatory compliance – corporate citizenship generally. Risk management also reinforces financial control, quality control and highlights areas of concern, which is good business practice.

With this in mind, the Company has classified the risks to which it is exposed and must manage in the following way:

- Strategic
- Operational
 - Project Execution
 - Production Operations
- Financial / Reporting
- Compliance

The management of each of these risk categories is explained hereafter.

Strategic

Irregular order intake:

Inherent to the capital goods business and particularly in the oil and gas industry is the highly irregular nature of the new order intake. Project development plans of oil companies can often be delayed or even shelved due to circumstances beyond the control of the Company. SBM Offshore mitigates this risk by having developed the following strategy:

- develop a product line offering solutions to oil and gas producers in a range of different field development configurations, and hence not become over-reliant on one specific product;
- directly employ a (large) core of competent engineers and project managers around which a reasonable proportion of



FPSO Mondo at anchorage offshore Singapore

temporary staff can be hired (up to one third of total workers);

- establish project execution centres in several locations – Monaco, Houston, Schiedam and Kuala Lumpur – to provide flexibility and responsiveness to client needs. This also means that the Company does not depend on one labour market to meet its capacity requirements and can therefore mitigate the impact of currency fluctuations;
- develop the lease-and-operate business for offshore production facilities to generate substantial long-term cash-flow and predictable earnings;
- continue to grow the fly wheel of after-sales services. The demand for spare parts and services represents regular, predictable order intake and it generates significant earnings;
- in general, outsource construction work to eliminate the risk of irregular utilisation of construction capacity. However, as a means of securing a competitive advantage in Angola, where significant local content is expected by the incumbent government, the Company has recently started to invest in a new construction yard in Porto Amboim, around 200 kilometres south of Luanda. This yard will be operated under a joint venture with Sonangol and will offer a cost-efficient solution to satisfy and control the local content requirement.

Business mix between supply and lease contracts:

Supply contracts generate profit during execution, and

progress payments typically provide at least neutral cash flow, reducing the Company's need for capital employed. In the case of lease and operate contracts, there are no progress payments and large amounts of capital have to be tied up. When they come on-stream however, lease contracts contribute significant cash flow and high EBIT and net income margins. The result is that when the Company is successful in obtaining more new lease-and-operate contracts than supply contracts, this puts pressure on the balance sheet, but provides excellent visibility of future earnings and cash flow and the opportunity to leverage high returns on equity invested.

It is virtually impossible for the Company to influence a client's choice between supply and lease. The only way to strike a balance is through selective bidding, assuming there are sufficient projects of each kind in the market, and even then clients' original intentions as to buy or lease may change. The current split is expected to be maintained in the short-term, but with an increasing trend towards lease and operate in the longer-term.

Operational

Project Execution

The Company provides custom built solutions to clients' requirements. A Project Risk Identification and Assessment is conducted for each proposal to highlight any unusual aspects before the Company is committed. This Project Risk Identification is a dynamic process which is progressively reviewed throughout the execution phase.

The technical risk carried by each project is a key consideration and is addressed by:

- use of the resources, experience, and expertise (including in-house procedures, proprietary know-how and patents) to manage the technical aspects of each project, in terms of engineering, project management, procurement and subcontracting;
- strict adherence to the Group Management System of Quality Assurance Procedures;
- review by, and compliance with, the requirements of the relevant Classification Society.

The cost of the technical solution identified for the client is calculated by a cost estimating department. Before submission of an offer to the client, the detailed cost calculation is reviewed, item-by-item, by appropriate departmental heads and defined levels of management, depending on the value of the project. Bid validities to clients are matched

whenever possible with those offered by the principal suppliers or subcontractors, limiting the exposure to cost increases and delivery times to those arising during the pre-sales phase.

A major challenge has been the contracting of suppliers and subcontractors in a very buoyant market. Being situated at the 'buyers' end of the market, the pressure on margins must be managed by using long-term relationships, commercial agreements, escalation formulae and options. This challenge will continue through 2008 and its consequences have been fully evaluated and accounted for in the guidance and other financial forecasts.

Execution risk (including offshore installation) is controlled through constant monitoring during the construction, installation and start-up phases. A detailed monthly reporting and forecast procedure to anticipate and prevent execution delays and budget overrun is used. The consequences of problems encountered in execution (with the exception of flawed design) are always insured under comprehensive Construction All Risk (C.A.R.) insurance policies. The financial viability of major vendors and subcontractors is always verified and strict tendering procedures applied to procure quality equipment at competitive prices.

A key element of the strategy is to own adequate means for installation of its own floating systems. The 'Normand Installer', a vessel delivered in 2006 and co-owned with Norwegian contractor Solstad provides installation capability for any of the Company's products in any water depth, while the fully owned 'Dynamic Installer' provides installation means for shallower waters. This policy provides protection from potential scarcity of appropriate means from the specialised installation contractors and from resulting cost inflationary pressures.

The Company operates globally, which makes careful co-ordination between the respective execution centres, construction sites and shore bases essential. The continuity of operations in each of the principal locations is therefore addressed by business continuity plans setting out the appropriate responses to major potential events such as fire and the necessary steps for re-establishing key functions efficiently. Through this, the ability to work from any of the main execution centres using the same tools and systems is an important strength.

Production Operations

The lease and operation of offshore production units brings

new risks including pollution, performance, health & safety and crisis which must be managed.

Pollution

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

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

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

Pollution insurance is purchased for the maximum available cover from a Protection & Indemnity Club and indemnity is obtained from the client in excess of a reasonable limit. All of the offshore units are also insured under comprehensive Hull and Machinery insurance packages protecting against loss or damage to the unit itself.

Installation of the Anchor piles for FPSO Mondo, offshore Angola



Performance

Compensation rates may not be paid or only partially paid by clients if units do not perform as per the contract requirements. System availability is assured by a mature design process, reliability and maintainability (RAM) modelling, verified construction and planned, preventive maintenance as well as condition-based monitoring. The Company has operated F(P)SOs for over 152 vessel years with a total operating downtime of less than 1%; which is well below the typical contractual allowance. Insurance cover for loss of earnings is contracted if considered appropriate.

Offshore Health & Safety

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

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

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

Crisis management

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

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

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

Emergency response simulation exercises are held regularly involving the offshore units and the 'in country' shore bases,

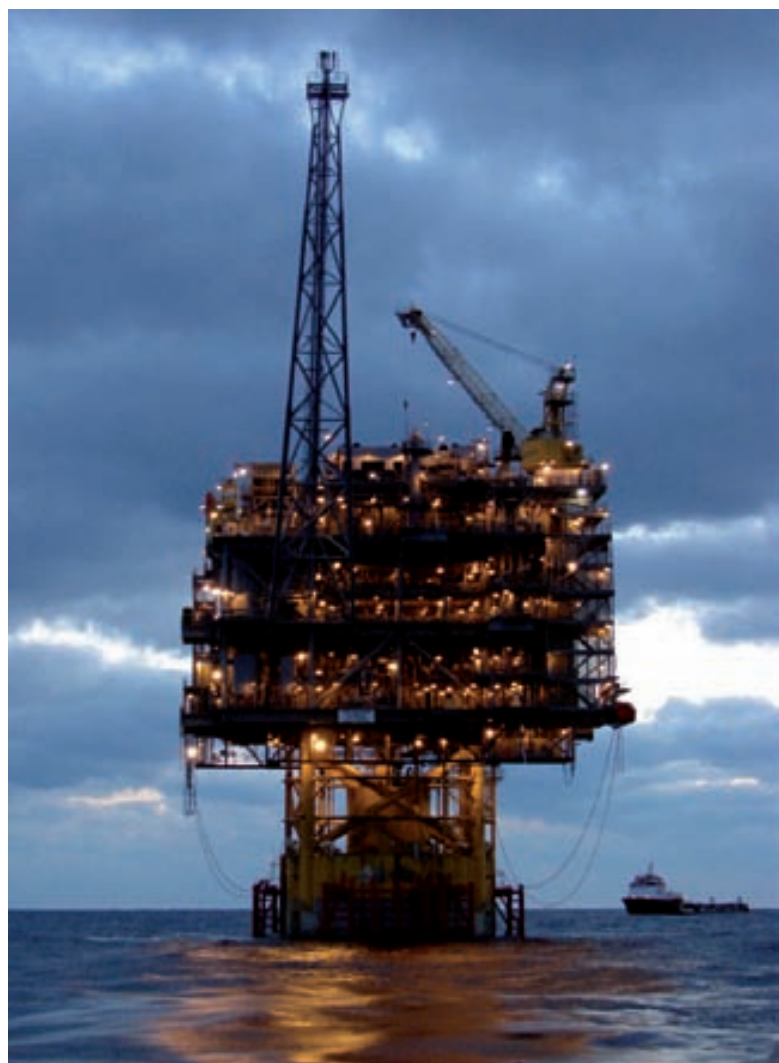
the MECC, the clients and external specialised contractors playing the roles of families and the media. A debriefing takes place immediately following the termination of the exercise which is fully documented with the lessons learnt being incorporated into the Emergency Contingency Plan (revised annually).

Financial / Reporting

Payment risk

Before the acceptance of each contract, a detailed review of its terms and conditions is carried out from financial, commercial, fiscal and technical perspectives. Bank or parent company guarantees are negotiated with customers, and if any doubts remain as to the financial strength of the customer, payments due in respect of supply contracts are covered by Letters of Credit.

Neptune SeaStar® TLP installed



Lease financial risk

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

- Client risk
- Country risk
- Residual value risk

If the client is a company of insufficient financial strength to guarantee full payment under the lease, then a parent company guarantee will be sought. In addition, depending upon the size and location of the project and the overall exposure to a particular country or client, limited recourse project finance will be secured in order to transfer risk to international banks. Lenders insist on having a comprehensive security package as well as a detailed technical review performed by an independent expert of their choice.

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

Residual value risk relates to the portion of the unit which is not amortised over the initial guaranteed lease period. Deciding on the level to be accepted involves taking a view on the likelihood of the lease being extended, the technical reusability of the unit and the future demand in the market. A cautious approach is taken when establishing this key parameter, using an average depreciation period of ten years and hence setting the residual value well below the estimated future market value.

Experience shows that almost all lease and operate contracts have been extended and no unit has been redelivered with a book value higher than the scrap market price. This provides considerable comfort and suggests that contract extensions are inherent to the oil companies' contracting model, whereby initial periods are systematically established in the most conservative manner. With the high present oil price

level, extension of lease contracts can reasonably be expected on most units.

Treasury risk

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

The policy is to minimise profit volatility and to hedge all significant currency and interest rate exposures as soon as they are established, using mainly fixed-rate instruments. No speculative activities are engaged using financial instruments. The market value risk on derivative financial instruments (in particular interest rate swaps) can be significant and, under IFRS rules, variations can impact profitability where the hedge does not accurately match the underlying exposure. The Notes to the Financial Statements provide details of derivative financial instrument policies, sensitivities to exchange rate or interest rate movements, accounting treatment and market values.

Counter-party risk is minimised by entering into hedging contracts only with investment grade financial institutions. Treasury exposures are reviewed on an ongoing basis. Project exposures are hedged at the outset, monitored on a monthly basis and updated as changes in the exposures are

FPSO Kikeh external turret





Heavy lift of the external turret for FPSO Saxon Batuque

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

As a departure from the policy of full hedging, the Euro-based equity and profit from activities in the Netherlands are not hedged. These items are not considered material in the overall financial context. However, volatility in the EUR/USD exchange rate does result in some limited volatility in reported profit and equity.

The Company does not use derivative financial instruments to hedge during the bid phase for prospective projects but does seek to cover significant foreign exchange exposures through currency adjustment mechanisms in its tender prices.

Treasury prepares a twelve-month cash plan on a quarterly basis to monitor liquidity and borrowing requirements. The business unit cash plans are built up from the detail of each project to accurately forecast liquidity. Decisions on corporate and project finance are then driven by the consolidated cash plan. A five-year financial model is maintained to anticipate longer term financing requirements. Project financing is undertaken where there is a need to transfer non-core business risks outside the Company. Despite the turmoil in the financial markets during 2007 and early 2008, liquidity among the principal bankers for good quality project finance business still appears to be strong.

Surplus short-term funds are placed on deposit only with investment grade financial institutions under a policy where the larger the amount to be placed, the higher the credit rating required. Surplus funds are not invested in any other type of financial instrument.

Financial Reporting Risk

Financial Reporting Risk is mitigated through the application of a system of project monitoring and reporting briefly discussed hereafter.

Every lease and operate contract as well as every project under construction is reported on a monthly basis to the management of the appropriate subsidiary company. The report incorporates the original budgets, client-approved change orders and costs incurred to date, together with any important positive or negative variances incurred or identified as likely to be incurred, with explanations. Each subsidiary company is supervised by a board that contains at least one member of the Board of Management who is responsible to ensure that important variances are brought to the attention of the entire Board of Management. Once per quarter, the status of the major projects are reported to the Supervisory Board.

Operating companies prepare local management reports on a monthly basis and financial statements on a quarterly basis for inclusion in the consolidated report of the Board of Management to the Supervisory Board. External financial reporting consists of the mid-year and full-year financial statements. The irregular nature of the new order intake and of project deliveries can cause significant variations from one quarter to another in the turnkey supply reporting segment. Publication and comparison of quarterly figures could therefore be misleading and is not considered appropriate.

All financial information, including local management reports, are reviewed by the Financial Control department to ensure consistent treatment of specific issues and to help identify, in advance, any accounting or related issues requiring detailed investigation. In addition, a Financial Controllers' seminar is held each year to review specific accounting, fiscal or other topics. The external financial auditors are provided with copies of internal management reports and are consulted at an early stage on the appropriate treatment of any significant issues of an accounting or reporting nature.

Through 2007, the internal management reporting capability was upgraded to take full advantage of IT developments. An optimised month-end process was also implemented, improving the speed and accuracy of financial reports. The accounting manual was updated and specific operator training provided. Financial information provided in press releases is derived from the same reporting systems and is subject to a strict review process.



Launching of the GAP™ at the construction site on the coast of Borneo, Malaysia

Compliance

Operations span many jurisdictions and with employees and assets present on 5 continents and 3 oceans, much diligence is required of the organisation and its individuals to avoid breaching any official laws or regulations.

A framework must be created and maintained for many different regulatory regimes. A number of activities have been set-up to ensure that activities are not suspended, the Company's reputation is protected and money is not wasted. When entering an unfamiliar jurisdiction, advice is taken from legal or tax specialists about the undertaking being considered. If the scale or variety of the work demands it, these associations are continued beyond the initial period.

For environmental, health and safety legislation, an independent firm is used in the first instance to gain an overview of requirements. More detail relevant to the particular scope of work is added using translators, specialists and often client knowledge.

A Classification Society is always engaged for any sizeable construction scopes to give third party approval of engineering, construction and International Marine Organisation Convention certification. The Classification Society will conduct regular surveys to keep vessels in a valid

Class Certificate, which is a requirement for insurance and maritime authorities.

SBM Offshore enjoys an excellent reputation with clients and regulators based largely on its compliance record and organisational agility when faced with an unfamiliar problem.

Risk Management and Internal Control concerning Financial Reporting

Reporting procedures were reviewed and improved during 2007, enhancing its ability to produce accurate financial information within stricter reporting deadlines.

Management considers that in respect of financial reporting:

- risk management systems and internal control measures provide reasonable assurance that financial reports do not contain any material inaccuracies;
- there are no indications that risk management systems and internal control measures did not work properly in 2007.

No major changes to risk management systems and internal control measures are expected to be implemented in 2008, except that documentation of testing of headline and detailed internal controls will be further standardised as part of the risk management system described earlier in this chapter.

Human Resources

This section of the Annual Report 2007 is a summary of the Human Resources (HR) activities reported in the Corporate Social Responsibility (CSR) report for 2007.

Labour

The Company has again continued to expand its permanent and contract staff in 2007 in a very tight and difficult labour market, to meet the increased workload as result of growth in project execution and to crew the expanding fleet. All project execution centres, shore bases and the fleet contributed to the growth of staff this year.

In Monaco the main focus was on recruitment and full implementation of the competency system within the Group. The majority of new personnel have been recruited to increase project execution capacity for all new projects and BC-10 FPSO project in particular.

In Schiedam all the personnel manuals have been updated, renewed and restructured in accordance with local legislation. HSE rules were brought into line with the Group Management System (GMS).

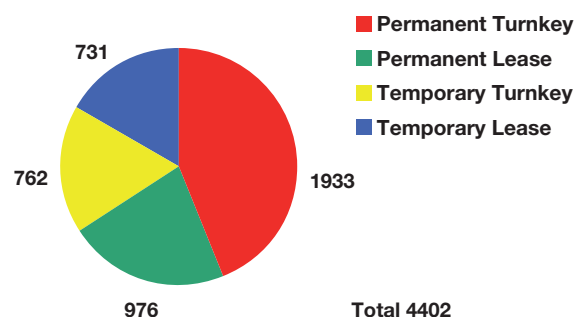
In Houston, the major challenge was again related to maintaining the staff numbers required to meet the needs of the ongoing work. This business unit continues to pursue a modest growth profile and improvements, such as integration of the Human Resources and Payroll systems of the operating companies (SBMAtlantia and GustoMSC), have been achieved.

At the fourth execution centre in Kuala Lumpur the number of employees has increased from 80 at the end of 2006 to 187 at the end of 2007. It is now fully operational with all disciplines in house for medium size projects and with more recruitment due in 2008, SBM Malaysia will be able to rapidly design and manage a full size FPSO project or other turnkey work.

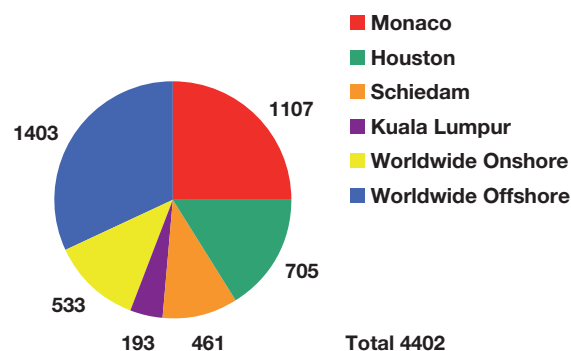
The policy to increase the proportion of national staff for shore base and fleet activities continues. The resources being committed to the training of Nationals continue to increase in Angola and Brazil. The current high proportion of National employees on the operations in Equatorial Guinea and Vietnam are a result of this policy.

The overall number of staff has increased to 4,402 persons at year end 2007, an increase of 15% in comparison with the end of 2006.

The distribution of the total number of personnel at year end 2007 between lease and turnkey supply segments, and within each of these segments the split between permanently employed and temporary personnel are shown in the following chart.



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



The internship programme started five years ago and has provided first job opportunities to more than 80 graduate engineers and support staff. Human Resources Management is selective in its choice of graduates and these internships provide a real period of work which can be used to judge their value as future possible employees.

Remuneration

The remuneration principle is to reward high performing permanent staff above market average through a system where the variable, performance related element is high. Salaries have been adjusted to maintain the attractiveness of the remuneration package in order to retain the loyalty of employees and to be competitive for recruitment of quality staff.

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

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

Staff Absence

For 2007, staff absence was 2.3% (1.8% in 2006).

Training

The training programme for all staff has continued at a high level. For onshore staff external training is promoted for specific technical subjects such as welding, finite element analysis and specialised FPSO technology courses. For internal training the main focus is on language lessons and software classes.

For offshore staff the training programmes focus on National staff specifically to increase the level of local employment at the shore bases and fleet. There are several site specific training programmes worldwide at the shore bases, construction yards, as well as external courses and on-the-job training on the units offshore.

Main training activities for offshore staff in 2007 were:

- DCS Central Control Room Simulator training at SBM Offshore's Macae training facility (this centre facilitates training for staff from all units worldwide);

- Computer Based Training (CBT) which covers 27 modules of the fundamentals of FPSO production operations;
- Academic Bridging Programme for Angolan trainees in South Africa;
- Induction training;
- Rating courses in Chennai, India;
- Crane Operation Courses in Dubai.

Special attention is given by all shore bases and units for on-the-job learning as this type of training is essential to gain working experience on offshore units in operation. Internal and external managed programmes are being used to follow this type of specialised training.

In Angola, the Porto Amboim yard is being developed in a location remote from Luanda, near the city of Sumbe where a high unemployment rate offers a large reservoir of human resources, as long as a serious training programme is implemented. The Company has developed a local professional school with a capacity of 120 trainees per year. Training has started early 2007 for welders, fitters, scaffolders, riggers etc. to educate the candidate workers in the required trades for construction work.

By the end of 2007, the first phase of the yard development was completed and a CALM buoy construction was in progress. The Company was, by then, employing around 100 local workers.

A group of apprentice at the Porto Amboim training facility, Angola



Research and Development

Introduction

SBM Offshore is active in the development of new systems and components to enable safe and economic energy recovery from offshore fields. The major focus of the present Research and Development (R&D) effort is on deepwater floating production and systems for the LNG supply chain. R&D expenditures amounted to US\$ 25.5 million in 2007. A similarly high level of R&D expenditure will be maintained during 2008.

Technology continues to push back the frontiers of energy production, storage and transfer, enabling economic development in all offshore areas.

Current R&D activities include:

Deepwater Systems:

- Steel Catenary Risers;
- TLP depth extension;
- Mooring systems.

LNG Production, Transfer and Storage Systems:

- Floating production of LNG;
- Floating storage and regasification;
- Ship-to-ship transfer with standard LNG carriers;

- Cryogenic Swivels;
- LNG Hose.

Renewable Energy Systems:

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

Examples of achievements in these areas are described below:

Deepwater Systems

Steel Catenary Riser (SCR)

In ultra deepwater, riser systems become a technical challenge and a major part of the field development costs. Large external pressures and high production temperatures in these great depths cause traditional flexible solutions to run into weight, temperature and cost problems. Steel pipes do not have these temperature limits and the large depths enable steel pipe configurations to remain within limited bending when following floater movements and thus make them suitable for deepwater riser use. The FPSO with its large displacement is ideally suited to carry a large number of such deepwater SCRs. SCR bending fatigue concerns in this use have been addressed and shown not to be a problem in moderate environments.

Internal R&D studies are underway to reduce expensive offshore time required for SCR laying operations and thus reduce their installation costs. This will be accomplished with the use of fatigue resistant threaded mechanical connectors to connect the SCRs rather than with the traditional use of welding. A qualification program was started in 2007 and will result in the qualification of this type of connector in 2008. A separate program is developing a fast, efficient J-lay system for the installation of these mechanically connected SCRs. This lay system will be modular and can be used on small vessels such as SBM Offshore's Normand Installer or cantilevered over the side of a deepwater FPSO. When the SCRs are J-layed from the FPSO, anchor handling type tugs will be used to pull out the SCR to sub-sea wells or manifolds.

The above described threaded pipe installation method is also suited for use in the installation of mid-water Oil Offloading Lines (OOLs). These large, mid-water lines are suspended between the floating FPSO and export buoy and suffer bending fatigue due to the wave induced floater



*J-Lay Tower for SCRs installation
on the Normand Installer*

movements. The use of the mechanical connectors in the OOLs improves their fatigue life and allows for the use of larger diameter lines thus reducing oil export pumping costs.

Additional SCR studies that are underway include development of added mass and damping devices combined with configuration changes to greatly reduce dynamic bending response in ultra-deep water at the SCR touchdown point, and the development of a low stress steel flex-joint for SCRs that is suitable for high pressure/high temperature and sour (H₂S) service. The objective is to enable use of SCR's on semi submersibles and FPSOs for service conditions found in the current frontier of deepwater Gulf of Mexico.

Deepwater R&D also maintains continued research into Vortex Induced Vibrations (VIV) of risers and tendons, which continues to lead to better solutions for suppression of VIV loads and motions in deepwater, high current areas. Recent work includes development and testing of a new and improved fairing with a fairing/strake supplier, and updates to the MIT/SBM-Atlantia Shear7 software that is the industry standard in this area.

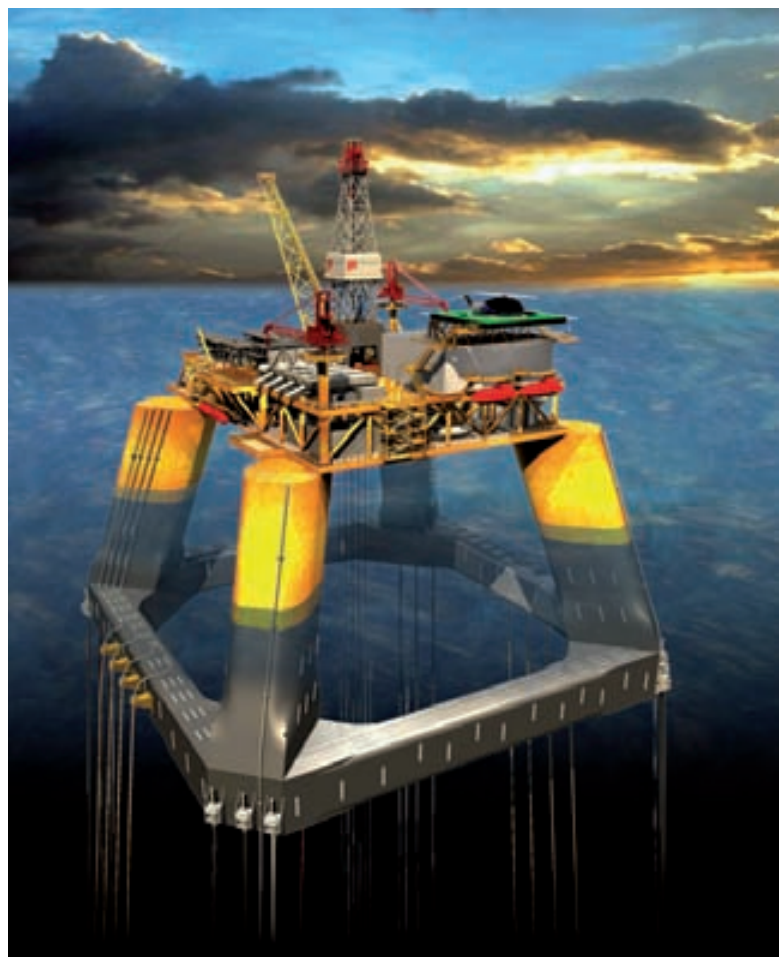
TLP Depth Extension

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

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

Mooring Systems

There are a number of offshore hydrocarbon development areas that have extreme seasonal storm events such as



FourStar™ TLP designed to support full deepwater drilling and production payloads

hurricanes or typhoons requiring platform evacuation of personnel during these events. To avoid these evacuations, floating systems can be designed with turret disconnect systems that allow for release and sailing away from such storms. These disconnectable systems enable cost savings to be realised on both evacuation expenses and the cost of the mooring system, as they can be designed for lower environmental conditions.

One focus area for these developments has been the deep water Gulf of Mexico (GOM). A particular challenge for FPSO disconnect systems in this area is the incorporation of SCRs as their weight requires a large, buoyant disconnect structure. In 2006 a design of an SCR capable FPSO disconnect system named MoorSpar™ Riser Buoy was successfully tested for this environment and it will be ready for GOM application in 2008. This MoorSpar™ Riser Buoy will expand the efficiency of GOM FPSO use to include SCRs and lead to lower costs in their overall riser / mooring system.

LNG Production, Transfer and Storage

Floating Production of LNG

A concept for a floating LNG production and liquefaction plant in a capacity range of around 2.5 million tonnes per year is being developed. The plant is suited for use in remote areas where pipeline infrastructure necessary for transportation of the gas to a land based LNG facility is technically or economically not feasible. More details on the LNG FPSO development is reported in The Company's Future section.

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

Anticipating that the worldwide LNG import growth will not be handled by existing facilities, alternate offshore FSRU and FRU systems have been developed to handle the projected overflow. The FSRUs for areas like the United States of America would be located offshore at depths suitable for the easy approach, side-by-side berthing, offloading and departure of LNG import carriers. These FSRUs will be permanently moored by means of a turret or a jacket soft yoke system and have suitable berthing and mid-ship loading arm arrangements for LNG carrier mooring and offloading into the LNG storage tanks of the FSRU. A topside mounted regasification system will draw LNG from these storage tanks, regasify and flow a required amount of gas down flexible risers to a seafloor located subsea pipeline delivering gas to a shore based pipeline grid.

In special areas having offshore subterranean salt deposits, like the Gulf of Mexico, FRUs can be used to offload and

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



regasify LNG, sending the gas directly to subsea salt cavern storage and / or pipeline. These FRUs have very large heat exchangers to rapidly warm the offloaded gases. The system can also be combined with partial storage as on an FSRU to reduce the size of the regasification system or to minimise the standby time of the shuttle tanker.

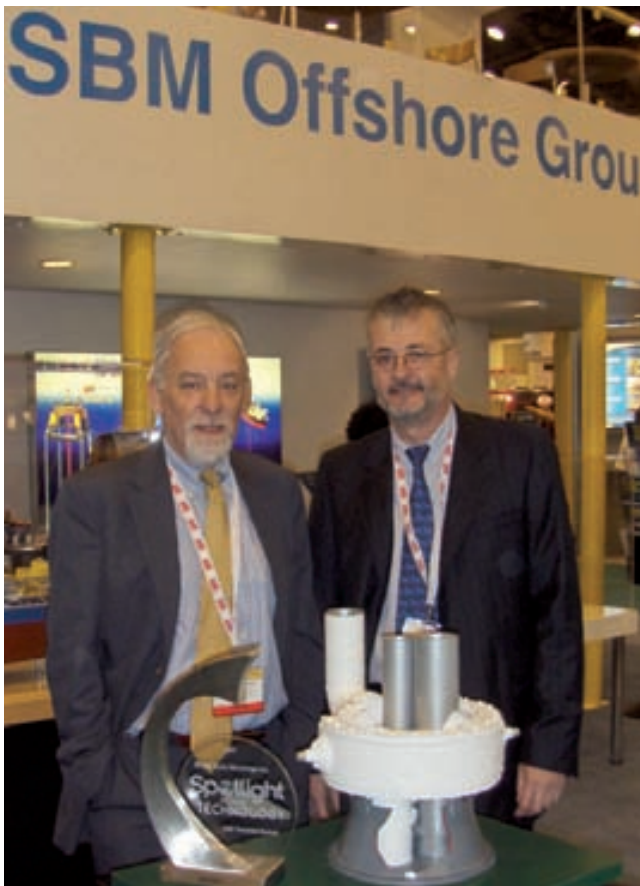
Generally, the regasification process onboard a FSRU or FRU would be based on the use of seawater. In areas where seawater use is prohibited because of environmental concerns or in sufficiently warm climates, with minimum temperatures of about 5 degrees Celsius, the use of Ambient Air Vaporisers may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

In 2007, tests were performed at a site in Houston, Texas providing essential data for the development of numerical tools that can predict the performance of this vaporisation system under different capacities and operating conditions.

Ship-to-Ship Transfer of LNG

The offloading of standard carriers must be performed using mid-ship manifolds. Presently the lack of cryogenic hose technology requires that offloading be carried out in a side-by-side mode with cryogenic loading arms. Side-by-side (SBS) mooring and loading arms presently have only been proven for relatively calm sea states. To increase the applicability of the FSRUs to more than the benign proven sea states, development work has focused on higher capacity SBS berthing and mooring operations and working with vendors to assure the availability of higher threshold dynamic loading arms.

A Soft Quay Mooring (SQM) system conceived for higher capacity SBS mooring and safer berthing of vessels was successfully tested during 2007. Data from these tests confirmed the physics of the system and allowed calibration of software, which will enable the system to be properly sized. The SQM consists of a weighted quay suspended from articulated arms held about 12 metres away from the side of the FSRU. Compared to traditional SBS mooring with 4 metre fenders, the large separation provided by the SQM between the FSRU and Carrier greatly improves safety as it effectively eliminates any potential of contact between the vessels in both the berthing and operating modes. Should the berthing carrier approach the SQM too fast, the articulating arms will deflect, absorbing the carrier momentum without allowing vessel contact.



SBM offshore employees, J.P. Queau (right) and L. Poldervaart with the 'Spotlight on Technology Award' for the Cryogenic Swivel at Offshore Technology Conference 2007

Cryogenic Swivel

Cryogenic swivels, capable of long continuous operation below the minus 162 degree Celsius temperature of LNG, are required for single point mooring LNG loading systems. A 16 inch in-line LNG swivel was tested in 2004 for a 5 year simulated life with LNG. This test was used to qualify seals and materials for a larger toroidal LNG swivel required for the single point LNG SPM loading systems. The design, fabrication and assembly of a 20 inch diameter flow path toroidal swivel were completed in 2005. This swivel was successfully tested during 2006 and has received an Approval-in-Principal by ABS in 2007.

Floating LNG Hose

Open sea ship-to-ship LNG transfer is presently possible only in benign environmental conditions. With the development of the above described components nearing completion this transfer will be made possible in benign to moderate conditions. A component that will enable tandem transfers in more severe sea states is the floating hose, as commonly

used with crude oil tankers. The development of such an LNG compatible hose was initiated in 2006. The hose design is based on a patented hose-in-hose (HIH) system, which incorporates two proven hose technologies.

The design combines a standard marine hose with the proven composite LNG hose. A void formed between the hoses is filled with insulating materials capable of required thermal and elastic properties over the full range of ambient to cryogenic temperatures. An 8 inch prototype of this hose has been built and tested in 2007. Data from this hose has proven the feasibility of the HIH design approach. 2008 will see the construction and testing of larger hoses up to 20 inch. The data gathered from this testing will then be used to start the certification of this HIH design.

Renewable Energy Systems

SBM Offshore plans to apply creative and innovative use to its in-house expertise to develop large scale equipment that is complementary to existing marine based business. By doing so the Company intends to help reverse the negative impact of fossil fuel emissions through the supply of clean fuels – a strategy to help sustain and grow the supply of clean and 'green' (or 'blue' marine) energy.

The sectors of the renewables market which are expected to have the largest near term potential offshore are the wind and wave energy generation sectors.

Offshore Wind Turbine Installation Jack Up

The offshore wind industry will show significant growth in the

Cryogenic Swivel, during testing at SBM offshore's Lab Facilities in the South of France





Wind Turbine Installation Jack Up, designed by GustoMSC

coming years. Europe has a number of operating offshore wind farms, numerous concessions are being granted for future farms and governments are adjusting their laws to facilitate the development of offshore wind as an energy source. In addition developments are being planned in China, United States, Canada and other countries.

The size of the next generation wind turbines in construction has grown to 6 MW resulting in rotor diameters of more than 120 metres, to be installed at more than 100 metres above sea level. Existing installation vessels are not suitable for installing these large turbines. For installation and maintenance of future offshore wind farms, jack-up vessels with purpose designed cranes are being engineered in

Schiedam. The years of experience built up in the offshore oil and gas sector are directly applicable to an industry which has just recently begun to move from onshore to offshore.

The first wind turbine installation jack-up crane barge fully designed in Schiedam will be delivered in 2009 equipped with an SBM Offshore supplied crane and jacking system. Future developments in this field will focus on installing even larger turbines and improving the overall logistics for installing large numbers of turbines.

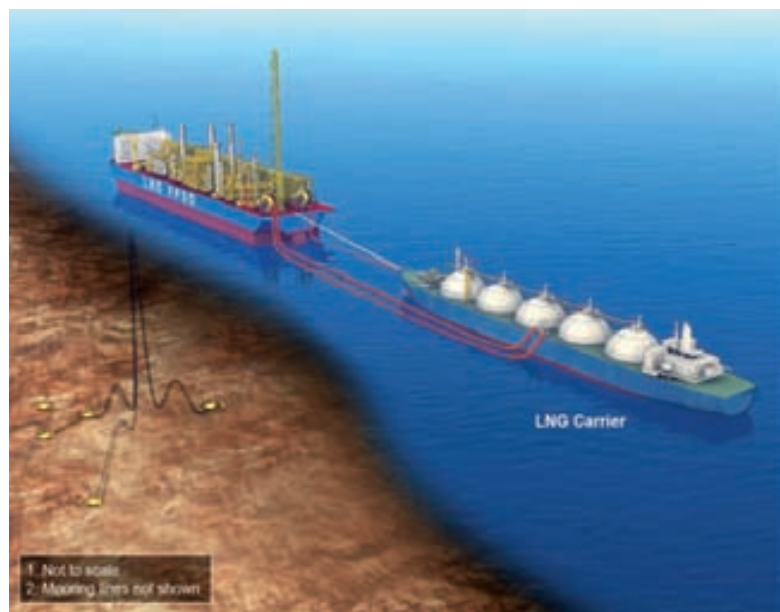
Offshore Wind Turbine Transportation Vessel

One of the key differences between offshore oil and gas and offshore wind is the repetitiveness of the wind turbine installation process; large numbers (more than 100) identical turbines need to be installed in a short period. Therefore improving the overall logistics of the wind turbine installation process is of particular importance to the market. Economic transportation of turbines to the installation field and offshore transfer of the turbines to the installation vessel are challenges that will continue to generate business opportunities in the coming years.

Wave Energy Conversion (WEC)

The wave energy market is predicted to play an increasing role in energy supply in the near future. SBM Offshore has started the development of a working prototype wave energy generator to be ready by the end of 2009 based on breakthrough technologies.

The LNG floating hose will enable tandem offloading from the LNG FPSO into LNG carriers

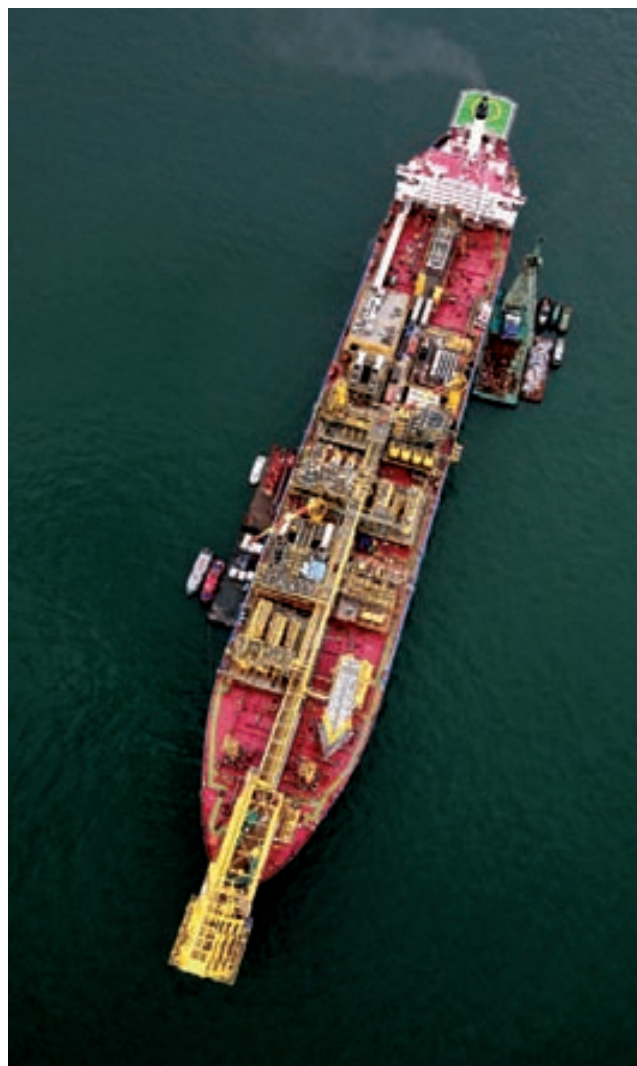


The purpose of this project is to validate both the technical feasibility and commercial profitability of producing and selling electricity generated from wave induced motions. This will be using a combination of extensive marine experience coupled with innovative mechanical-to-electrical conversion equipment.

Mechanical energy is extracted from waves by causing one component to move back and forth against another as the waves pass by. The mechanical motion is then converted to electrical power and transmitted to shore via subsea electrical cables. The key is the mastering of hydrodynamics to maximise the recuperation of energy generated by the waves and its efficient conversion into electricity and transmission to shore.

The objective is for commercial wave farms consisting of several tens or hundreds of buoys in arrays, located a few kilometres from shore, together generating sufficient power to cover the needs of a small town.

The concept of wave energy absorption is not new; it has been in development for over 30 years. However, today economics and environmental objectives backed by political initiatives have changed the case strongly in favour of renewables. The view is that a highly competitive clean energy production system can be developed by combining the Company's long expertise in design and construction for extreme environments with emerging power take-off technologies.



FPSO Saxe Batuque at anchorage in Singapore prior to sail-away to Angola

The Company's Future

Strategy

A Strategy has been developed in order to ensure that the Company maintains its growth in the mid and long-term.

The key objectives of the business strategy are as follows:

Expand the product line through development of new technologies:

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

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

- continue to grow the fleet of leased production facilities (FPSO and others) while improving the returns on capital employed;
- maintain the position of preferred contractor in the oil and gas production services on the grounds of quality and reliability. Focus on marketing strategies and partnerships

to leverage that position. Aim at the high standard, demanding end of the product line;

- develop the lease business in the Gulf of Mexico and expand the concept to that of hub service for ultra-deep developments;
- establish a pole position in the market of offshore gas exploitation and enter this market through leasing LNG FPSOs.

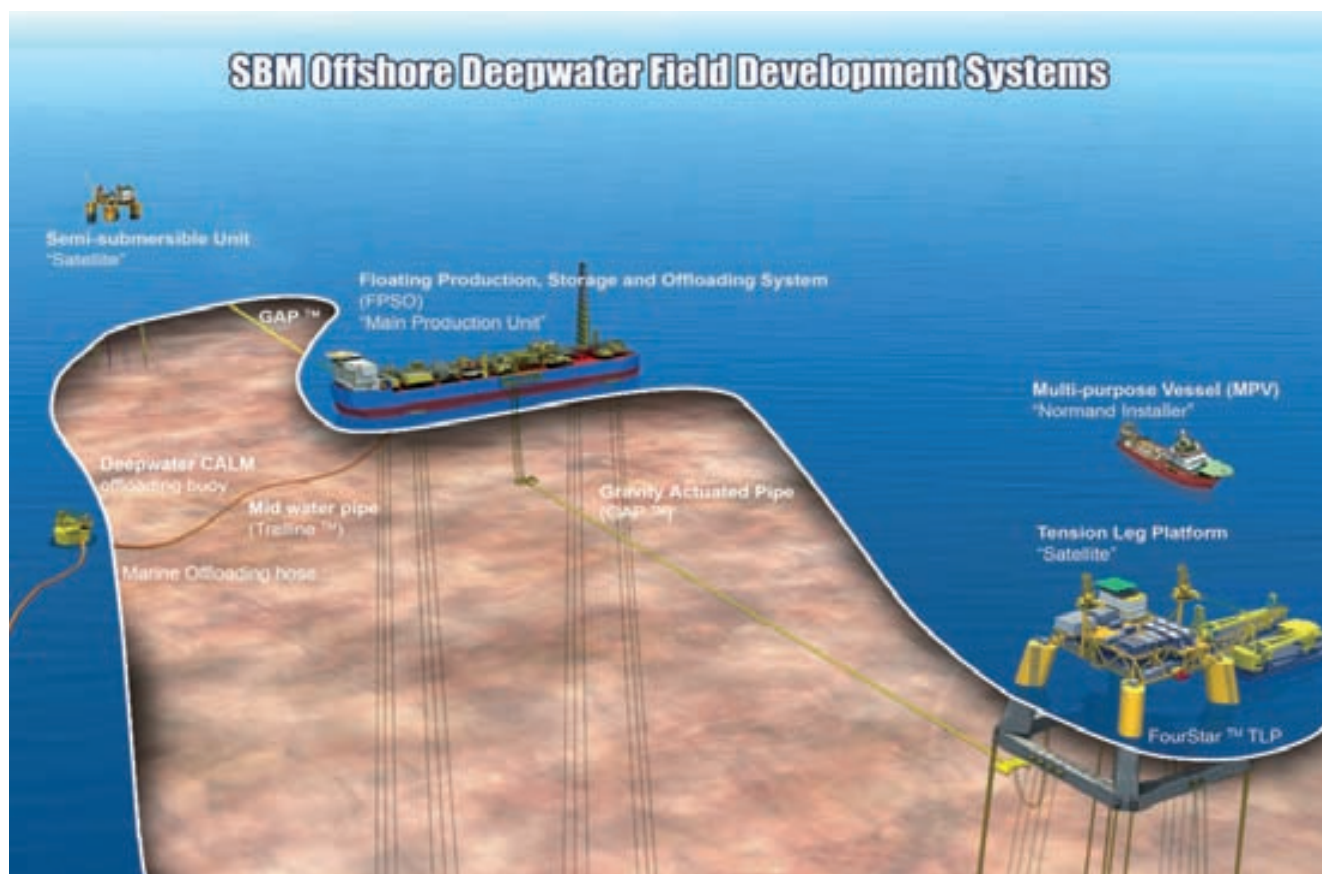
Maintain a high level of focus on after sales services and offshore contracting and grow this stable, predictable business segment.

Continue to expand engineering and project management resources to achieve a capacity of 3.2 million manhours by the end of 2008.

Deepwater technology

Over the past few years, the product line has been expanded to provide comprehensive solutions for the development of deep and ultra-deep offshore oil and gas fields. The philosophy takes as a primary objective, to make such facilities independent of water depth through the use of surface and near-surface technology and the reduction of the amount of equipment installed on the sea-bed. In ultra-deep water such equipment is not only expensive in both Capex and Opex terms but often creates technical difficulties with

Full Deepwater Field Development utilising SBM Offshore's technology



respect to accessibility and flow-control due to low level temperatures.

Another advantage of surface, and near-surface solutions is their reduced footprint on the seabed with minimum impact on the environment.

The vision of a deepwater field development is illustrated in the image 'SBM Offshore Full Deepwater Field Development' The recently developed near-surface transfer systems shown in this illustration are now in operation and perform exactly to expectations i.e.:

- the GAP™ transfers live crude oil, gases and injection water and controls over a long distance between the main production facility (FPSO) and the satellite wellhead production unit (SPAR or TLP). The system has performed successfully and without interruption since first oil in August 2007 on the Kikeh field, offshore Malaysia;
- the Trelle™ bonded hose between the Bonga FPSO and the crude oil export buoy operates to the client's full satisfaction (Shell). Pressure losses measured have been found substantially lower than other non-bonded flexible solutions in service on the same export facility.

Furthermore, the Company is progressing on the development of steel catenary risers (SCRs). It designed the 21 inch gas export line and the gas production lines that are suspended from the Independence Hub semi-submersible production platform, the deepest floating facility in the world (2,400 metres) for which the hull was designed and supplied by the Company. There is now an ongoing effort to extend the application of SCRs to FPSOs in ultra-deepwater, including FPSOs of a disconnectable type for hurricane environment (see Research and Development section).

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

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

Lease of Production Facilities

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

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

The merit of the leasing activity is essentially that it provides long-term visibility of cash flows and earnings; however, it requires tight management of the complex financial, operational and contractual risks involved. The Company started this activity as a pioneer in 1979 and has acquired unrivalled experience over the last 27 years with the result that it now operates safely and comfortably in this environment. The risks are further analysed in the Corporate Governance section of this report.

Lease and operation of such facilities is a capital intensive business and the strategy of the Company is to continue to approach this activity prudently. The following series of principles are applied in a consistent manner:

- no investment on speculation, invest only on the basis of a contract in hand, except for the acquisition of existing tankers or hulls suitable for conversion into an FPSO;
- convert only quality tankers excluding 'early' double hulls using high tensile steel such as built in the late eighties/early nineties;
- contract for firm lease periods ideally in excess of five years;

GAP™ during installation on the Kikeh Field, Malaysia



- revenues not exposed to oil price variations;
- revenues not, or only to a limited extent, linked to reservoir performance;
- interest and currency exchange rate risks hedged upon contract award;
- where appropriate use Project Financing for at least 80% of Capex by first oil date;
- project debt fully serviced by guaranteed lease income;
- apply conservative policy with respect to depreciation;
- manage fleet operations in-house;
- engage all senior staff for the fleet under direct employment;
- place safety and environmental protection as a primary concern.

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

In 2007, while the MOPUstor™ was being constructed for Talisman Norway, another contract was obtained for a jack-up type facility, this time in the North Atlantic offshore Nova Scotia. On this application, the requirement for liquid storage was considerably lower and a more cost effective solution was selected, using the foundation pads for buffer storage of the produced condensates. The success in securing this contract demonstrates that indeed the industry finds the concept attractive and further opportunities will be found.

In the market of production facilities on a sales basis, the success in obtaining the contract for the P-57 FPSO from Petrobras is a major event: it is the first time that Petrobras has turned to contractors for the turnkey supply of such a large unit (US\$ 1.2 billion/180,000 bbl/d). Traditionally, Petrobras has always executed this kind of project directly with its own engineering and project management resources. As the market pressure rose however and the prices went far beyond budget, Petrobras decided to call for contractors to try and get a more fit-for-purpose unit at a reasonable price that would match their budget constraints. The contract was won through a competitive tender process with a budget

which is considered at the right level to secure the expected margins. Perspectives in Brazil for large facilities are huge and to have been the first to contract with Petrobras under this newly tested business scenario is a great success. As there is little doubt that the Company will execute the project to Petrobras' satisfaction, it could be the first of a long series under the same arrangement.

Partnership

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

- getting access to certain specific expertise not available within the Company; this was particularly the case when entering into partnership with Linde AG for the LNG FPSO development;
- getting access to a tanker under construction in order to meet the required delivery time schedule;
- mitigating business risks, especially for units where the initial lease contract is relatively short;
- taking mutual advantage of a client's preference for a particular company, which does not itself have the necessary competence to supply and install a complete FPSO.

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

Gas & Power Activities

General

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

As the new products reach technical maturity they are being and will be proposed to the gas industry. They will play a



SBM Offshore solutions for export, import and offshore production of LNG

major role in the future business,, in much the same way as the products developed in the past for the oil business have been the fuel for growth over the last 30 years.

Offshore LNG Production

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

As such the LNG FPSO is considered a strategic asset with a lot of inherent value, yet at the same time it is technically complex and capital intensive. In order to shorten the design and delivery cycle time, it was decided to form a partnership with Linde AG., a major German-based public listed company with a leading position in gas processing and liquefaction technology and having significant 'build, own and operate'

experience in cryogenic gas plants. Linde is one of the global leaders in the process of hydrocarbon gases.

SBM Offshore and Linde have complementary skills and relevant experience to produce a reliable LNG FPSO solution in the shortest possible time and furthermore, both companies have strong financial capabilities for pursuing the market opportunities on a lease and operation basis as well as on a turnkey supply basis. The companies have formed a partnership to develop a business for the design, construction and subsequent operation of LNG FPSO's.

A very significant technical effort has been made in 2007 to design an LNG FPSO that is robust, safe, uses only proven components and is economically feasible. Additionally the design is generic, meaning that the same, or very similar design, will be suitable for many different applications such that it is flexible enough to enable deployment at the majority of fields with different gas compositions. A similar generic approach was successfully used in 2002 on a series of three oil FPSOs enabling these vessels to be installed offshore in a short time scale. It is envisioned that this generic approach

will allow a series of very similar LNG FPSOs to be developed in a relatively short time scale, thereby taking advantage of the business prospects that are expected to flourish with this 'enabling technology'.

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

- a liquefaction technology (Linde's proprietary multi-stage, single mixed refrigerant process), which is proven in service;
- selection of appropriate cryogenic heat exchanger design;
- a LNG containment system that is designed to accommodate sloshing loads;
- a safe topsides layout, with open spaces between the topsides modules.

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

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

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

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

and long term. Overall, this gives confidence of a long term business of LNG FPSOs.

SBM Offshore/Linde's objectives during 2008 are to consolidate the design of the FPSO and also further firm-up the project execution plan in order to be ready for a first application contract award by the end of the year. Such time line would permit first LNG production during 2012.

Offshore LNG Offloading

The LNG industry has reached its critical mass over the recent years to the extent that it can be referred to as a global industry. The next step is now for the industry to grow the LNG markets further and increase the destination flexibility for LNG cargoes leading ultimately to a 'spot' LNG market. It is here where the industry expects offshore LNG terminals to play an important role, just as SPM-type terminals did for the oil industry decades ago.

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

The technical details of the systems are reported in the R&D section of the report.

Based on these technologies, a suite of offloading terminal designs, which are in concept well known and proven in oil applications, can be considered.

Subsea LNG pipeline

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

In 2007, an important step was made by concluding a cooperation agreement with ITP providing ITP with the necessary financial and marketing support to industrialise its technology at a faster pace and giving SBM Offshore exclusive access to this technology and thus securing its ability to provide turnkey Offshore LNG terminals to the industry. SBM Offshore and ITP have since been selected and awarded a FEED contract for a Nigerian LNG project.



SBM-Linde's design for processing, liquefaction, storage and offloading of LNG and associated products from offshore stranded gas fields

Furthermore, various other projects have shown interest usually driven by concerns related to the damage to the environment of traditional jetty-type near shore LNG offloading arrangements.

Offshore LNG Regasification

The generic new-build FSRU concept can be designed for a wide range of LNG storage and regasification requirements to meet the higher range of gas send out demand. For smaller gas send out requirements the Company can offer an FSRU based on the conversion of an existing LNG Carrier. The technical details of both concepts are reported in the R&D section.

Gas Link™

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

The challenge of controlling the project economics for the smaller size terminals is basically achieved through the use of the Ambient Air Vaporisers. Due to the simplicity of the regasification system, the supporting utilities can be kept to

a minimum and all can be fitted on a conventional steel barge. The LNG is then stored separately onboard a chartered and permanently moored LNG Carrier, lowering the investment hurdles for new terminals in the smaller LNG markets.

Green Power Generation

A new, promising but definitely exciting development theme is the generation of electricity in an environmentally friendly manner. Indeed the offshore waters do contain an enormous amount of potential energy and with SBM Offshore having so much knowledge and experience in providing systems in the offshore wave and current environment, it was decided late 2006 to explore ways of capturing a portion of that energy in an sustainable manner: green power.

After reviewing various energy potential sources (current energy, thermal/density, solar, etc) it was found that Wave Energy Conversion systems (WEC), have a good application potential both from a technical feasibility and commercial viability perspective. A creative team of engineers has therefore been working on a range of WEC concepts with the ambition to test the first full scale prototype by end 2009. The technical details are reported in the R&D section under WEC.




Section IV

Financial Review

Financial Statements 2007

Consolidated income statement	70
Consolidated balance sheet	71
Consolidated statement of changes in equity	72
Consolidated cash flow statement	73
Notes to the consolidated financial statements	74
Company balance sheet and income statement	113
Notes to the Company financial statements	114



*Deep Draft Semi™ Independence Hub
installed in the Gulf of Mexico*

Financial Review

Highlights

The consolidated result for 2007 is a net profit of US\$ 266.8 million, a 23.3% increase in comparison with the 2006 net profit of US\$ 216.3 million. After adjusting for non recurring items (net gain US\$ 5 million in 2007) net profit shows an increase of approximately 28%.

Earnings per share amounted to US\$ 1.85, compared to US\$ 1.55 in 2006, and proposed dividend per share is US\$ 0.93 versus US\$ 0.77 in 2006.

New orders in the year totalled US\$ 3,822 million (evenly split between the turnkey sales and the lease and operate segments), compared to US\$ 4,916 million of new orders in 2006.

Turnover accelerated to US\$ 2,871 million, a 44% increase in comparison with US\$ 1,990 million in 2006, mainly from expanded turnkey sales and services activities.

Total order portfolio at the end of the year was US\$ 7,955 million compared to US\$ 6,992 million at the end of 2006, an increase of 14%. Of this, 71% or US\$ 5,651 million relates to the non-discounted value of the revenues from the Company's long-term lease contracts in portfolio at year-end.

Operating profit (EBIT) increased to US\$ 302.0 million compared with US\$ 254.3 million in 2006. EBIT margin decreased to 10.5% compared to 12.8% in 2006 while the net profit margin decreased to 9.3% (10.9% in 2006). Both reductions result from the higher proportion of turnkey sales business in 2007 and higher materials, equipment and subcontractors costs than budgeted on certain major projects.

EBITDA amounted to US\$ 548.3 million, compared to US\$ 477.5 million in 2006.

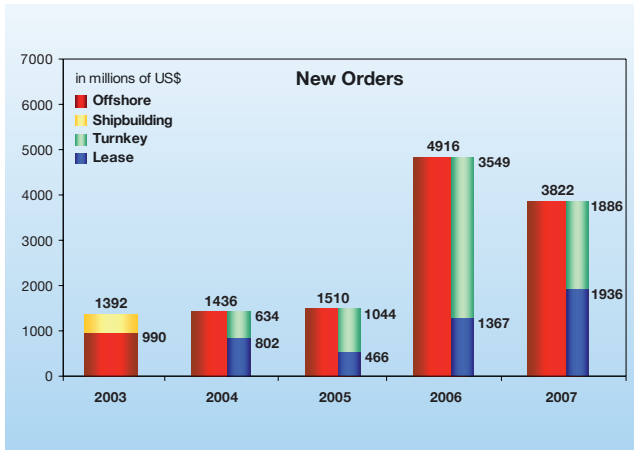
The year was marked by the following highlights:

- a balanced inflow of new orders, from new leases and from turnkey contracts (including two orders for jack-up production facilities on lease);
- the sale of 20% in the FPSO Capixaba to STAR, an affiliate of Brazilian strategic partner Queiroz Galvao (QGP);
- the delivery of two major lease projects, the FPSO Kikeh for Murphy Oil in Malaysia and the FPSO Mondo for ExxonMobil in Angola;
- the capital expenditure in 2007 amounted to US\$ 551 million, which is much higher than in 2006 (US\$ 309 million) and which does not take into account the costs of the FPSO Mondo and Saxi Batuque contracts which are accounted for as finance (capital) leases.

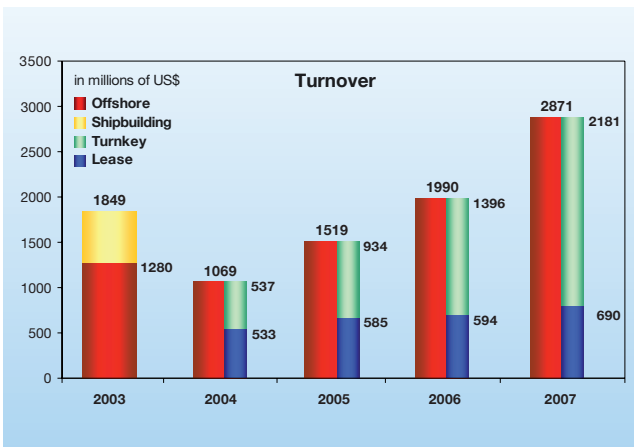
Segmental information in respect of the two core businesses of the Company during 2007 is provided in the detailed financial analysis which follows. Turnover by geographical area is included in the Notes to the Consolidated Financial Statements.

It should also be noted that the Company adopted IFRS as from January 2004 and financial information concerning 2003 in the detailed analysis below has not been restated from Dutch GAAP and includes the Company's former shipbuilding division.

Order portfolio

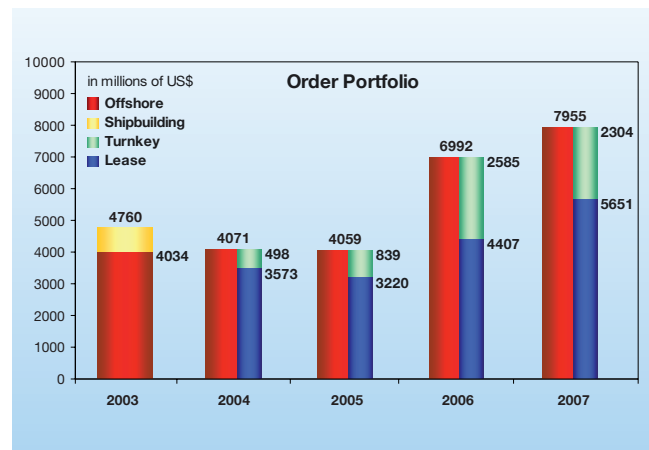


Total new booked orders for 2007 amounted to US\$ 3,822 million. This amount includes new lease contracts (MOPUstor™ for Talisman, Norway; MOPU for EnCana, Canada), lease extensions (FPSO Brasil, FSO NKossa II and FSO Okha) as well as substantial turnkey contracts (BP Skarv turret, Delba semi-submersible drilling rig).



Total turnover increased significantly when compared with 2006, mainly as a result of 56% higher turnkey sales activity levels, with turnkey business representing in 2007 76% of total turnover (70% in 2006). Lease and operate turnover increased by 16% compared with 2006 as the first revenues from FPSO Kikeh and full year revenues from the MOPU/FSO Turkmenistan and FPSO Capixaba more than compensated for the termination of the FPSO Firenze contract.

The contracts for the FPSO Mondo and FPSO Saxi Batuque for ExxonMobil consist of significant lump sum elements, plus fifteen year front loaded leases, which are accounted for as finance leases. This means that the entire capital values are recognised as turnkey turnover during construction, but with the return on investment recognised as lease income during the lease period, thus negatively impacting turnkey margins and increasing lease margins. Under an operating lease treatment only the partner's 50% share of the Capex investment would have been accounted for as a turnkey sale. In 2007, total turnover recognised in respect of construction of assets accounted for as finance leases amounted to US\$ 315 million (2006: US\$ 207 million).

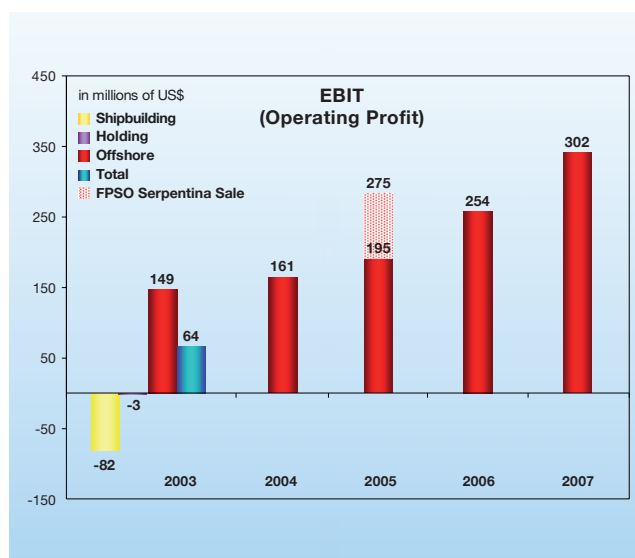


The year-end order portfolio at US\$ 7.96 billion is up 14% from last year's level of \$ 6.99 billion and represents an all-time high. The current order portfolio includes US\$ 5.65 billion (2006: US\$ 4.41 billion) for the non-discounted value of future revenues from the long-term charters of the lease fleet, of which US\$ 3.86 billion (2006: US\$ 2.95) represents the bareboat element of the operating leases. The turnkey order backlog decreased by 11% but still amounts to more than one year of turnkey turnover.

Profitability

The primary business segments of the Company are the lease and operate activities versus turnkey sales. However, given that both activities are closely related, and each demand the same core technological know-how, it is not possible to specifically allocate all costs to either one segment or the other. Furthermore, with IFRS limiting the capitalisation of General & Administrative overheads into the asset value of the lease fleet, segmental results are further skewed in favour of the lease activities. Indeed much of the Company's engineering and project management resources contribute to construction of the lease fleet 'at cost' without a Selling, General and Administration costs (S, G & A) mark-up, while the FPSO/FSO fleet results 'benefit' from lower capex and lower annual depreciation. For these reasons, the Company does not present detailed analysis of segment net profits. In approximate terms however, two-thirds of S, G & A and other operating costs and revenues can be attributed to the turnkey sale segment, meaning that in 2007 around 40% of EBIT is contributed by turnkey sales and 60% by lease and operate activities.

During 2008 the Company will review the assumptions and processes involved in deriving segmental results in order to implement the requirements of IFRS 8 'Operating Segments' as from 1 January 2009.



Gross margin in 2007 of US\$ 435.6 million (US\$ 370.2 million in 2006) consisted of US\$ 223.9 million (up from US\$ 189.3 million in 2006) from lease and operate activities and US\$ 211.7 million (up from US\$ 180.9 million in 2006) from turnkey sales.

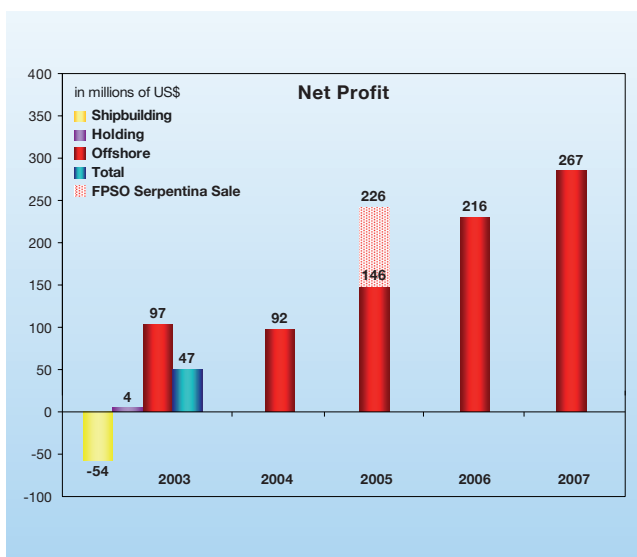
EBIT increased compared to 2006 due to:

- continuing growth from the lease fleet as a result of the start-up of FPSO Kikeh in August 2007, and a full year operation of the units having entered service during 2006. It should be noted however that the net profit contribution of newly operational leased units is limited by the relatively high interest burden during the first years of operation. Full dedication of lease revenues to debt servicing leads to fast amortisation of the loan balances and hence reduced interest charges going forward;
- additional bonus and maintenance day revenues awarded for FPSO fleet performance, and FPSO/FSO operating cost savings with, notably, FPSO Capixaba completing its first year of operations during the first half of 2007 and securing full bonus for unit uptime;
- sale of a 20% stake in the FPSO Capixaba to strategic partner QGP in Brazil and sale of the Company's non-core airport infrastructure activities, resulting in a combined net gain of US\$ 5 million;
- increased profits from turnkey projects, reflecting the much higher volume of activity, but a lower average margin due to higher materials, equipment and subcontractors costs than budgeted on certain major projects;
- slightly lower R&D charge;
- full occupancy levels.

As a percentage of the higher turnover, operating profit therefore decreased to 10.5% (2006: 12.8%).

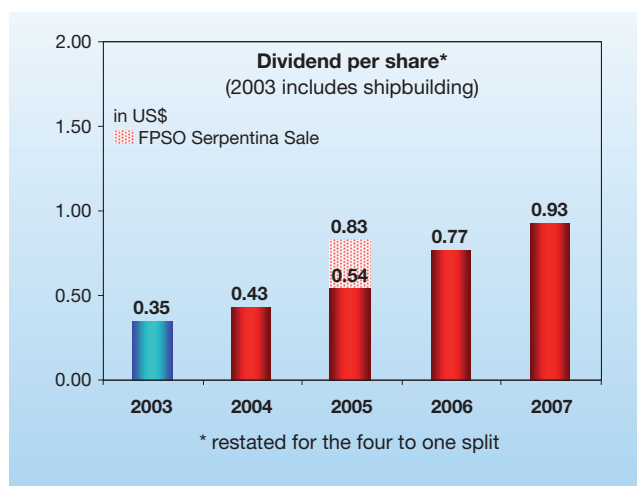
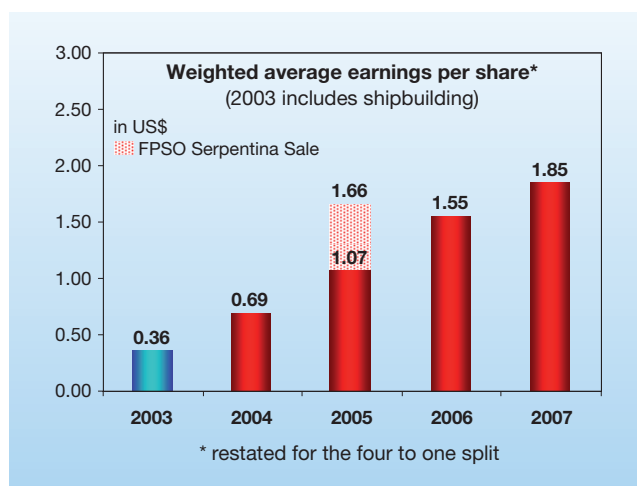
Net financing costs were lower as a result of the good cash-flow from ongoing projects generating interest income. Although net debt increased significantly during 2007, the major part of this increase concerned production units under construction for which the interest was capitalised.

The 2007 tax burden was US\$ 14.9 million (5.3% of profit before tax), reflecting the profitability of the US and Dutch operations of the Company, combined with the relatively low tax burden elsewhere. This compares to a net tax burden of US\$ 6.4 million (2.9% of pre-tax profit) in 2006, when credit was taken for realisation and recognition of previously unvalued tax losses. The corporate tax burden (excluding withholding taxes and other project taxes) for the Company is expected to average between 5% and 10% of pre-tax profits for the foreseeable future.



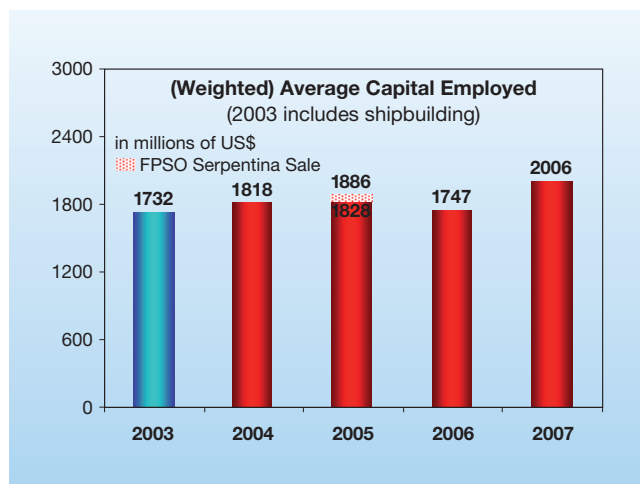
For the reasons stated before, no detailed allocation of net profit between lease and turnkey business segments is provided.

When excluding the non-recurring items mentioned earlier (net gain US\$ 5 million), net profit increases by 28% compared to 2006.

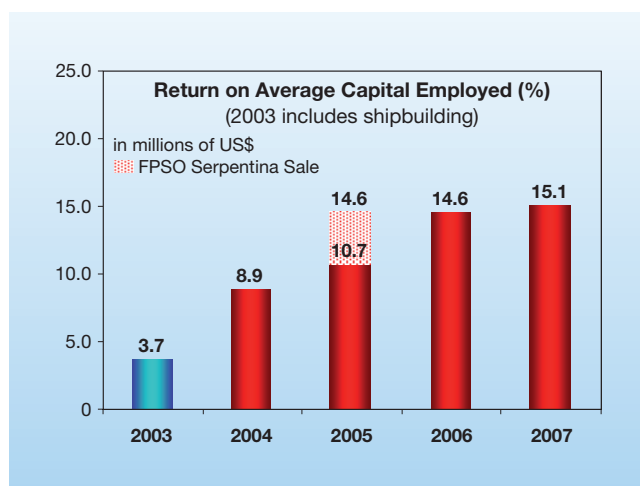


The proposed 2007 dividend, based upon the Company's usual 50% pay-out ratio, increases with the higher profits and slightly higher number of shares.

Return On average Capital Employed and Equity

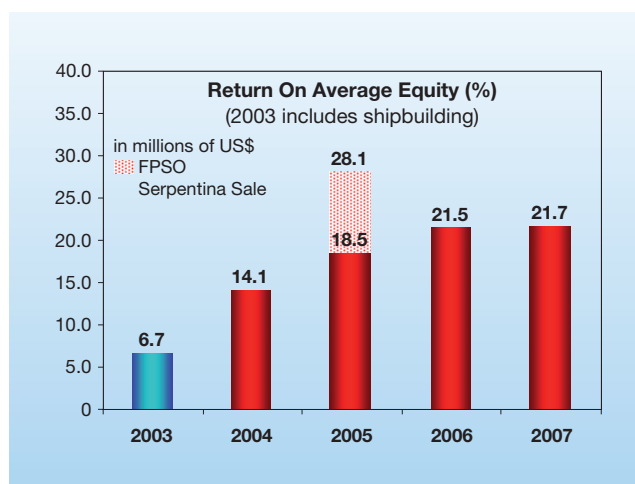


Capital Employed (Equity + Provisions + Deferred tax liability + Net Debt) at year-end 2007 is US\$ 503 million above last year's level due to the increasing investments in leased production facilities (and consequently net debt), plus retained profits. The impact of any change in the US\$/€ exchange rate is negligible.



ROACE (Return On Average Capital Employed) increased in 2007 to 15.1%. This is the combined result of two main factors, namely:

- high profitability from the lease and operate activities;
- average capital employed grew more slowly than EBIT. Good cash-flow on turnkey projects limited the growth of the net debt component of capital employed.



Return On average Equity (ROE) at 21.7% was maintained at a very acceptable level. The Company continues to generate returns on its new leases which exceed the weighted average cost of capital (WACC), and thus creates value for the Company and its shareholders.

Cash flow / liquidities

US\$ million	2003	2004	2005	2006	2007
Net profit	46.6	91.7	225.8	216.3	266.8
Depreciation and amortisation	154.8	209.6	206.8	223.3	246.3
Cash flow	201.4	301.3	432.6	439.6	513.1
EBITDA	219.2	370.8	482.2	477.5	548.3
Cash and cash equivalents	167.3	145.1	144.8	339.7	274.1
Cash flow from operations*	296.6	93.1	831.0	592.4	331.1
EV: EBITDA ratio at 31/12	12.9	8.8	7.4	11.3	9.9
EBITDA: interest cover ratio	5.4	6.1	9.4	15.2	24.5

* As per the consolidated cash flow statement

Cash flow and EBITDA were significantly higher than prior years given the growing lease fleet and high volume of turnkey sales.

Net liquidities decreased to US\$ 274.1 million, of which US\$ 44.5 million can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilisation.

The EV to EBITDA ratio at year-end 2007 was at 9.9 substantially lower than the previous year, due to both the lower share price and growing cash flow.

Balance sheet

US\$ million	2003	2004	2005	2006	2007
Capital employed	1,841.0	1,846.1	1,740.9	1,754.0	2,257.4
Shareholders' equity	710.5	662.4	895.0	1,118.7	1,333.4
Net Debt	1,067.1	1,139.6	804.7	585.8	874.7
Net gearing (%)	150	172	90	52	65
Net Debt: EBITDA ratio	3.8	3.1	1.7	1.2	1.6
Capital expenditure	530.0	237.3	398.5	309.0	551.0
Current ratio	1.01	0.96	0.78	1.14	1.15

Shareholders' equity increased by 19% to US\$ 1,333.4 million. Capital employed increased by 29% when taking into account the expansion of net debt. Management remains clearly focused on the Company's gearing and other balance sheet ratios. The relevant banking covenants were all more than comfortably met.

There continues to be no off-balance sheet financing.

Capital Expenditure

Total capital expenditure for 2007 (comprising of addition to property, plant & equipment plus capitalised R&D expenditure) amounted to US\$ 551 million (2006: US\$ 309 million). The majority of this total is related to new investment in the lease fleet for which the major elements are:

- completion and installation of an upgrade to the MOPU and FSO for the Extended Well Test system for Petronas, Turkmenistan;
- completion of the FPSO Kikeh for Murphy, Malaysia (49%);
- ongoing expenditure on the conversion and equipment procurement for the BC-10 FPSO for Shell, Brazil and the semi-submersible for Murphy Thunder Hawk (US Gulf of Mexico);
- first expenditure on the construction and equipment procurement for the MOPUstor™ jack-up facility for Talisman's Yme field in Norway, and for the MOPU gas platform for EnCana's Deep Panuke field in Canada.

Capital expenditure on the two FPSOs Mondo and Saxi Batuque, for ExxonMobil, Angola, is excluded from the total amount above. Due to the classification of these contracts as finance leases, investment in these units is recorded within construction contracts.

In order to understand better what is meant by capital expenditure, it is useful to define the cost elements which constitute the Company's investments. These comprise the external costs (shipyards, subcontractors, and suppliers), internal costs (manhours and expenses in respect of design, engineering, construction supervision, etc.), third party financial costs including interest, and such overhead allocation as allowed under IFRS. The total of the above costs (or a proportionate share in the case of joint ventures) is capitalised in the Company's consolidated balance sheet as the value of the respective facility. No profit is taken on completion/delivery of such a system for a lease and operate contract.



Financial Statements 2007



*In the foreground, the FPSO Espadarte
moored on location offshore Brazil
with the FPSO Brasil being towed
in the background to its field location*

Consolidated income statement

For the years ended 31 December in thousands of US Dollars

	Notes	2007	2006
Revenue	1, 2	2,871,214	1,989,689
Cost of Sales		<u>(2,435,624)</u>	<u>(1,619,531)</u>
Gross margin		435,590	370,158
Other operating income	3	1,313	2,582
Selling and marketing expenses	3	(36,234)	(30,661)
General and administrative expenses	3	(76,496)	(63,187)
Other operating expenses	3	<u>(22,158)</u>	<u>(24,626)</u>
		<u>(133,575)</u>	<u>(115,892)</u>
Operating profit (EBIT)		302,015	254,266
Financial income		20,870	18,390
Financial expenses		<u>(43,222)</u>	<u>(49,858)</u>
Net financing costs	5	(22,352)	(31,468)
Share of profit of associates		<u>1,964</u>	<u>(20)</u>
Profit before tax		281,627	222,778
Income tax	7	<u>(14,861)</u>	<u>(6,439)</u>
Profit		<u>266,766</u>	<u>216,339</u>

	2007	2006
Attributable to shareholders	262,885	216,241
Attributable to minority interests	<u>3,881</u>	<u>98</u>
Profit	<u>266,766</u>	<u>216,339</u>

	Note	2007	2006
Weighted average number of shares outstanding	8	142,274,874	139,575,922
Basic earnings per share		US\$ 1.85	US\$ 1.55
Fully diluted earnings per share		US\$ 1.82	US\$ 1.53

Consolidated balance sheet

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

	Notes	2007	2006
ASSETS			
Property, plant and equipment	10	1,962,395	1,662,222
Intangible assets	11	35,571	33,048
Investment in associates		71	45
Other financial assets	12	92,550	72,145
Deferred tax asset	13	8,596	11,574
Total non-current assets		2,099,183	1,779,034
Inventories	14	15,448	15,314
Trade and other receivables	15	569,344	324,117
Income tax receivable	16	224	1,176
Construction contracts	17	513,644	324,319
Derivative financial instruments	18	156,095	150,015
Cash and cash equivalents	19	280,684	346,361
Total current assets		1,535,439	1,161,302
TOTAL ASSETS		3,634,622	2,940,336
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital	20	52,750	46,359
Share premium reserve		363,057	344,326
Retained earnings		890,697	677,636
Other reserves		26,933	50,379
		<u>1,333,437</u>	<u>1,118,700</u>
Minority interests		4,297	323
Total equity		1,337,734	1,119,023
Long-term loans and other liabilities	21	921,505	754,649
Provisions	22	44,110	49,242
Deferred tax liability	23	812	0
Total non-current liabilities		966,427	803,891
Trade and other payables	24	909,081	720,139
Current income tax liabilities		16,414	5,691
Borrowings and bank overdrafts	25	233,868	177,484
Derivative financial instruments	26	171,098	114,108
Total current liabilities		1,330,461	1,017,422
TOTAL EQUITY AND LIABILITIES		3,634,622	2,940,336

Consolidated statement of changes in equity

in thousands of US Dollars

	Attributable to shareholders					Total	Minority interests	Total equity
	Outstanding number of shares Note 20	Issued share capital Note 20	Share premium reserve Note 20	Retained earnings Note 20	Other reserves Note 20			
At 1 January 2006	137,774,324	40,577	323,776	533,927	(3,236)	895,044	292	895,336
Foreign currency translation		4,876	-	(5,978)	5,302	4,200	(67)	4,133
Cash flow hedges/ net investment hedges		-	-	-	48,313	48,313	-	48,313
Share based payments		-	-	5,515	-	5,515	-	5,515
Net income directly recognised in equity		4,876	-	(463)	53,615	58,028	(67)	57,961
Profit for the year		-	-	216,241	-	216,241	98	216,339
Total income and expense for the year		4,876	-	215,778	53,615	274,269	31	274,300
Stock dividend	1,606,528	494	(494)	-	-	0	-	0
Share options/bonus shares	1,334,683	412	21,044	-	-	21,456	-	21,456
Cash dividend		-	-	(72,069)	-	(72,069)	-	(72,069)
At 31 December 2006	140,715,535	46,359	344,326	677,636	50,379	1,118,700	323	1,119,023
Foreign currency translation		5,524	-	(5,617)	8,821	8,728	93	8,821
Cash flow hedges/ net investment hedges		-	-	-	(32,267)	(32,267)	-	(32,267)
Share based payments		-	-	14,099	-	14,099	-	14,099
Net income directly recognised in equity		5,524	-	8,482	(23,446)	(9,440)	93	(9,347)
Profit for the year		-	-	262,885	-	262,885*	3,881	266,766
Total income and expense for the year		5,524	-	271,367	(23,446)	253,445	3,974	257,419
Stock dividend	1,432,296	476	(476)	-	-	0	-	0
Share options/bonus shares	1,175,850	391	19,207	-	-	19,598	-	19,598
Cash dividend		-	-	(58,306)	-	(58,306)	-	(58,306)
At 31 December 2007	143,323,681	52,750	363,057	890,697	26,933	1,333,437	4,297	1,337,734

Within retained earnings an amount of US\$ 100.3 million (2006: US\$ 76.4 million) relates to equity of joint ventures and should therefore be treated as legal reserve. Furthermore a legal reserve of US\$ 3.4 million should be maintained in respect of capitalised development expenditures.

* The proposed appropriation of the profit for the year is set out in the other information on page 117 of the annual report.

Consolidated cash flow statement

For the years ended 31 December in thousands of US Dollars

	2007	2006
Cash flow from operating activities		
Receipts from customers	2,537,426	1,951,329*
Payments to suppliers and employees	(2,203,177)	(1,354,209)*
Income tax received / (paid)	(3,187)	(4,691)
Net cash from operating activities	331,062	592,429
Cash flow from investing activities		
Interest received	19,156	17,632
Interest paid	(35,620)	(48,846)
Investment in property, plant and equipment	(555,757)	(299,060)
Investment in intangible fixed assets	(3,365)	-
Investment in associated and group companies	-	(9,957)
Disposals of property, plant and equipment	3,659	280
Disposal of intangible fixed assets	-	405
Dividends received from associated companies	1,964	-
Net cash from investing activities	(569,963)	(339,546)
Cash flow from financing activities		
Proceeds from issue of shares	16,898	21,456
Additions to borrowings and loans	383,472	678,709
Repayments of borrowings and loans	(170,919)	(687,620)
Investments in other financial assets	(2,080)	-
Dividends paid to shareholders	(58,284)	(72,069)
Net cash from financing activities	169,087	(59,524)
Net increase in cash and cash equivalents	(69,814)	193,359
Cash and cash equivalents at 1 January	339,687	144,850
Net cash divestments	(286)	(2,566)
Currency differences	4,501	4,044
Cash and cash equivalents at 31 December	274,088	339,687

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

	2007	2006
Cash and cash equivalents	280,684	346,361
Bank overdrafts	(6,596)	(6,674)
Cash and cash equivalents at 31 December	274,088	339,687

* The 2006 receipts from customers and payments to suppliers and employees have been restated due to the use of a direct, detailed calculation method introduced in 2007. The calculation method did not impact the net cash from operating activities.

Notes to the consolidated financial statements

General information

SBM Offshore N.V. is a company domiciled in Rotterdam, the Netherlands. The consolidated financial statements for the year ended 31 December 2007 comprise the financial statements of SBM Offshore N.V. and its subsidiaries (together referred to as 'the Company') and the Company's interest in associates and jointly controlled entities as at 31 December each year.

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

These consolidated financial statements were authorised for issue on 11 March 2008.

Accounting Principles

The policies set out below have been consistently applied to all periods presented.

Basis of preparation

The consolidated financial statements of SBM Offshore N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations, adopted by the EU where effective for financial years beginning after 1 January 2007. The financial statements are presented in thousands of US Dollars. The financial statements have been prepared under the historical cost convention except for derivative financial instruments that are stated at fair value.

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

(a) Standards, amendments and interpretations effective in 2007.

- IFRS 7; 'Financial instruments : Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables;
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the reversal at a subsequent balance sheet date of impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost. This interpretation does not have any impact on the Company's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, 'Financial reporting in hyper inflationary economics';
- IFRIC 8, 'Scope of IFRS 2' and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

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

- IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to this standard is still subject to endorsement of the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. As the Company already capitalises the directly attributable borrowing costs, this amendment will not affect the Company's financial statements;
- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segmental information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by the Company;
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19, 'Employee Benefits' on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory contractual funding requirement. The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company's financial statements.

(d) Interpretations to existing standards that are not yet effective and not relevant.

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

Basis of consolidation

Subsidiaries

Subsidiaries are entities (including special purpose entities) controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The figures of the subsidiaries are included in the financial statements from the date that control commences until such control ceases.

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

Associates

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

Joint ventures

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

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

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions (which are made at arms length), are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Company's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Segment reporting

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

Foreign currency translation

Functional and reporting currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied.

At year-end 2007 the most important rate was the Euro at US\$ 1.472 (opening 2007: US\$ 1.318). The average Euro rate amounted to US\$ 1.368 (2006: US\$ 1.256).

Group companies

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

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

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

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

Derivative financial instruments and hedging activities

General

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such financial instruments are initially recognised at fair value on the date on which a financial contract is entered into and are subsequently remeasured at fair value at each balance sheet date. Financial instruments are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

For hedge accounting, hedges are classified as:

- fair value hedges when hedging exposure to changes in fair value of a recognised asset or liability;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction;
- hedges of net investments in a foreign operation.

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

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

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

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

Leasing

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is, as of the commencement date of the lease contract, recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. During the construction period of the facility, the contract is treated as a construction contract, whereby the stage of completion method is applied.

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

Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment. The capital value of a facility to be leased and operated for a client is the sum of external costs (such as shipyards, subcontractors, suppliers), internal costs (design, engineering, construction supervision, etc.), third party financial costs including interest paid during construction and attributable overheads.

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

The assets are depreciated by using the straight-line method over their anticipated useful life, taking into account a residual value for the vessels and floating equipment. Investment subsidies (with exception of investment premiums) are directly deducted from the historical costs of the assets.

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

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

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. The average depreciation period for a converted F(P)SO amounts to 10 years.

Major overhauls are depreciated over the remaining useful life of the related asset or to the date of the next major overhaul, whichever is sooner.

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

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

Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill is recognised in the acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions occurring after 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which is the amount recorded under Dutch GAAP. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and as of 1 January 2004 is no longer amortised but is tested annually for impairment.

Patents

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

Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as an intangible asset when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use it or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding 5 years.

Impairment of assets

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

The Company tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Financial assets

The Company classifies its financial assets in the following categories: Fair value through profit or loss, Loans and Receivables, and Available for sale. The classification depends on the purpose of the financial asset. Management determines the classification at initial recognition.

Inventories

Inventories are stated at the lower of cost and net realisable value. The costs are based on the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories comprise semi-finished products, finished products and spare parts. Semi-finished and finished products are valued at cost including attributable overhead. Spare parts are stated at the lower of purchase price and market value.

Construction contracts

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

Receivables

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

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

Cash and cash equivalents

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

Borrowings (long-term loans and other liabilities)

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

Deferred income tax

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

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

Employee benefits

Pension obligations

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

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

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

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

Past-service costs are recognised immediately in net income, unless the changes of the pension plan are conditional on remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Other employee benefits

The other employee benefits provisions relate to other post-employment benefit obligations, termination and seniority benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Seniority benefits are paid upon reaching a pre-determined number of service years. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Share based payments

Within SBM Offshore there are three types of share based payments: share option plan, matching bonus shares and performance shares. All three types of share based payments qualify as equity settled plans.

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

Provisions

General

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

Reorganisation

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

Demobilisation obligations

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

Revenue

Construction contracts

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

Lease and operate contracts

Turnover (the total of the earned day-rates) and profit of long-term operating lease and operate contracts are reported annually on a straight-line basis over the period of the contract once the system has been brought into service. Turnover of finance lease contracts is, as of the commencement date of the lease contract, recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Services rendered

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed on a cost to cost basis unless the physical progress significantly differs. An expected loss on a contract is recognised immediately in the income statement.

Income tax

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax provisions in the period in which such determination is made.

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

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

Use of estimates

In the preparation of the financial statements, it is necessary for the management of the Company to make estimates and certain assumptions that can affect the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and assumptions. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are:

- estimation of the anticipated useful life of the leased facilities;
- lease classification;
- revenue recognition on construction contracts based on the stage of completion method;
- estimated impairment of intangible fixed assets.

1. Segment reporting

Segment information

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

Business segments

The following tables present revenue and profit and certain asset and liability information regarding the Company's business segments for the years ended 31 December 2007 and 2006. For both aforementioned periods there are no intersegment revenues.

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

The turnkey segment comprises results from sales of facilities and services. The lease segment comprises the total of the earned day-rates and profit of long-term lease and operate contracts, except when such contracts are accounted for as finance leases. In the case of a finance lease revenue and costs of sales are recognised during the construction period within the turnkey segment, and as of the commencement date of the lease contract the income is shown in the lease segment. There were no contingent-based rents recognised in the 2007 income statement (2006: nil).

Year ended 31 December 2006 <i>(in US\$000)</i>	Lease	%	Turnkey	%	Consolidated
Segment revenue	<u>594,320</u>	29.9	<u>1,395,369</u>	70.1	<u>1,989,689</u>
Gross margin	189,305		180,853		370,158
Other income	1,305		1,063		2,368
Unallocated income and expenses					<u>(118,260)</u>
Operating profit (EBIT)					254,266
Net financing costs					(31,468)
Share of profit of associates					(20)
Income tax					<u>(6,439)</u>
Profit					<u>216,339</u>
Assets and liabilities					
Segment assets	1,799,436		1,061,065		2,860,501
Investment in associates	-		45		45
Unallocated assets					<u>79,790</u>
Total assets					<u>2,940,336</u>
Segment liabilities	1,015,050		755,900		1,770,950
Unallocated liabilities					<u>50,363</u>
Total liabilities					<u>1,821,313</u>

Other segment information

Capital expenditure

• PP&E	284,707	8,395
• Intangible fixed assets	-	-
Depreciation	(211,885)	(6,487)
Amortisation	-	-

Geographical segments

The following tables present revenue, capital expenditure and certain asset information regarding the Company's geographical segments for the years ended 31 December 2007 and 2006.

<i>In US\$000</i>	2007		2006	
		%		%
Revenue				
Europe	88,128	3	61,140	3
North, Middle and South America	1,149,411	40	841,527	42
Africa	1,102,134	38	716,707	36
Middle-East / Asia / Australia	531,541	19	370,315	19
Total revenue	<u>2,871,214</u>	100	<u>1,989,689</u>	100

<i>In US\$000</i>	2007		2006	
		%		%
Assets				
Europe	516,869	14	698,489	24
North, Middle and South America	1,322,181	37	960,825	33
Africa	1,204,097	33	883,919	30
Middle-East / Asia / Australia	591,475	16	397,103	13
Total assets	3,634,622	100	2,940,336	100
Capital expenditure				
Europe	121,504	22	23,022	7
North, Middle and South America	297,223	54	117,693	38
Africa	21,648	4	48,389	16
Middle-East / Asia / Australia	110,937	20	119,889	39
Total capital expenditure	551,312	100	308,993	100

2. Revenue

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

	2007	2006
	US\$000	US\$000
Lease & Operate	689,729	594,320
Turnkey sales	2,181,485	1,395,369
Revenue	2,871,214	1,989,689

Minimum lease payments

The Company leases facilities under various agreements, which terminate between 2008 and 2024. A number of agreements include extension options. The nominal values of the future expected bareboat receipts (minimum lease payments of leases) in respect of lease & operate contracts are:

	2007	2006
	US\$000	US\$000
Within 1 year	476	459
Between 1 and 5 years	2,137	1,618
After 5 years	1,248	876
Total	3,861	2,953

3. Other income and expenses

<i>Other operating income</i>	2007	2006
	US\$000	US\$000
Net gains on disposal of PP&E	494	207
Other operating income	819	2,375
Other operating income	1,313	2,582

Information on the nature of expenses

The tables below set out the reconciliation between expenses by function and expenses by nature for all items included in EBIT for the years 2007 and 2006:

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

<i>In US\$000</i>	Lease	Turnkey	Selling and marketing	General and administrative expenses	Other expenses	Total
Revenue	594,320	1,395,369	–	–	–	1,989,689
Cost of sales	(405,015)	(1,214,516)	–	–	–	(1,619,531)
Gross margin	189,305	180,853	–	–	–	370,158
Other operating income	1,305	1,063	–	214	–	2,582
Employee benefits	(98,890)	(203,388)	(12,536)	(46,950)	(1,946)	(363,710)
Selling expenses	–	–	(13,393)	–	–	(13,393)
Depreciation and amortisation	(211,885)	(6,487)	(150)	(4,461)	(285)	(223,268)
Other operating costs	(104,743)	(35,147)	(4,582)	(11,776)	(22,395)	(178,643)
Transfer to cost of sales	415,518	245,022	–	–	–	660,540
Total expenses	0	0	(30,661)	(63,187)	(24,626)	(118,474)
Operating profit (EBIT) 2006	190,610	181,916	(30,661)	(62,973)	(24,626)	254,266

Sale of 20% of Capixaba

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

Sale of NKI activities

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

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

Sale of shares FPSO Brasil

The sale of 49% of the shares in the group companies owning and operating the FPSO Brasil, to MISC Berhad, is reflected in the turnkey sales revenue in 2006. The transaction generated turnover of US\$ 103.7 million and net profit in excess of US\$ 10 million. Cash flow from this transaction is included in the cash flow from operating activities.

4. Employee benefit expense	Information with respect to employee benefits	2007	2006
		US\$000	US\$000
	Wages and salaries	278,122	214,529
	Social security costs	30,160	23,552
	Contributions to defined contribution plans	20,111	15,906
	Increase in liability for defined benefit plans	6,545	3,187
	Increase in liability for other employee benefits	1,130	1,185
	Equity settled transactions (share based payments)	14,099	5,515
	Other employee benefits	153,885	99,836
	Total employee benefits	504,052	363,710

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

Pensions and other post-employment benefit plans

The Company has defined benefit pension plans, based on final salary. The aforementioned pension plans require contributions to separately administered funds. The Company has also provided for certain seniority and termination benefits. These benefits are unfunded. The following table summarises the components of net benefit expense recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated balance sheet for the respective plans.

Net benefit expense recognised within employee benefits:

In US\$000	Pension plans		Other employee benefits		Total	
	2007	2006	2007	2006	2007	2006
Current service cost	3,769	3,004	–	–	3,769	3,004
Interest cost on benefit obligation	2,166	2,035	–	–	2,166	2,035
Expected return on plan assets	(2,096)	(1,852)	–	–	(2,096)	(1,852)
Other expenses	2,706	–	1,130	1,185	3,836	1,185
Net benefit expense	6,545	3,187	1,130	1,185	7,675	4,372

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

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

In US\$000	Pension plans		Other employee benefits		Total	
	2007	2006	2007	2006	2007	2006
Defined benefit obligation	62,626	50,156	4,478	3,639	67,104	53,795
Fair value of plan assets	(52,497)	(42,648)	–	–	(52,497)	(42,648)
	10,129	7,508	4,478	3,639	14,607	11,147
Unrecognised net actuarial gains/(losses)	(4,753)	(203)	–	–	(4,753)	(203)
Benefit (asset)/liability	5,376	7,305	4,478	3,639	9,854	10,944

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

<i>In US\$000</i>	2007	2006	2005	2004
Present value defined benefit obligation	62,626	50,156	36,341	38,789
Fair value of plan assets	(52,497)	(42,648)	(32,378)	(35,099)
Deficit / (Surplus)	10,129	7,508	3,963	3,690

Years prior to 2004 are based on Dutch GAAP for which IAS 19 calculations are not available.

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

	2007 US\$000	2006 US\$000
Opening defined benefit obligation	50,156	36,341
Interest cost	2,166	2,035
Current service cost	3,769	3,004
Benefits paid	(1,274)	(1,080)
Actuarial (gains)/losses on obligation	5,539	216
Other movements	(4,071)	4,890
Exchange differences on foreign plans	6,341	4,750
Closing defined benefit obligation at 31 December	62,626	50,156

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

	2007 US\$000	2006 US\$000
Opening fair value of plan assets	(42,648)	(32,378)
Expected return	(2,096)	(1,852)
Contributions by employer	(8,435)	(1,271)
Benefits paid	1,274	1,080
Actuarial gains/(losses)	(645)	(646)
Other movements	5,392	(3,445)
Exchange differences on foreign plans	(5,339)	(4,136)
Closing fair value of plan assets at 31 December	(52,497)	(42,648)

The Company expects to contribute US\$ 3.3 million to its defined benefit pension plans in 2008.

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

	2007 %	2006 %
Cash	1.6	2.5
Equities	22.0	16.3
Bonds	76.4	81.2
	100.0	100.0

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

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

	2007	2006
	%	%
Discount rate	3.5	4.5
Expected rate of return on assets	5.0	4.9
Future salary increases	4.0	4.2
Future pension increases	1.0	1.2

Remuneration Key management personnel and Supervisory Board of the Company

The remuneration of key management personnel of the Company, including pension costs and performance related bonuses, amounted to US\$ 16.5 million (2006: US\$ 9.1* million).

The performance related part of the remuneration, (comprising both STI and LTI components) equals 63% (2006: 41%*).

The total remuneration and associated costs of the Managing Director and other key management personnel (non-statutory directors and management of the main subsidiaries) can be specified as follows:

	2007				Total	2006*
<i>In US\$000</i>	Salary, burden and emoluments	Bonus	Pension costs	IFRS 2 costs of share based payments	Total	Total
D. Keller	754	879	509	1,596	3,738	2,155
Other key management personnel	3,580	3,201	1,330	4,667	12,778	7,002
	4,334	4,080	1,839	6,263	16,516	9,157

* The comparative figures have been restated.

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

In 2005 the Annual General Meeting of Shareholders approved a Long-Term Incentive plan (hereafter referred to as LTI) for the Board of Management consisting of Share options and performance shares.

Share Option Plan

In 1991 the Supervisory Board of the Company introduced a share option plan for the Board of Management, and the management and senior staff of Group companies. The share option plan allows Managing Directors, and the management and senior staff of the Group companies to acquire shares of the Company. Around one hundred and forty employees participate in this plan. The annual issue of options is based on the preceding year's financial results and individual performance. All options are issued at market price on the date of issue and can be exercised for a period of five years from the date of issue, with a vesting period of three years. The date of issue is the first date on which shares are traded ex-dividend following the Annual General Meeting of Shareholders.

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

	2007	2006
Expected volatility	23.5%	30%
Expected option life at grant date (years)	5	5
Risk-free interest rate	4%	5%
Dividend yield	2.5%	3%
Fair value at grant date	€ 6.48	€ 5.72
Expected departures	5%	10%

The 2007 share volatility parameter is derived from the average of the historic 3-year and 5-year volatility at grant date. In prior years the future expected volatility was also taken into account.

During the financial year 1,771,000 (2006: 1,578,000) share options were issued, including provisional awards to Board of Management members. The number of outstanding options for both 31 December 2007 and 31 December 2006 can be summarised as follows:

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

Year	Number at 1 January 2006	Granted in 2006	Exercised in 2006	Forfeited/ expired in 2006	Number at 31 December 2006	Exercise price in €	Exercisable
2001	593,720	–	593,720	–	0	14.25	
2002	889,120	–	383,740	–	505,380	13.88	505,380
2003	1,180,580	–	342,120	–	838,460	9.81	838,460
2004	922,000	–	–	–	922,000	9.49	–
2005	1,185,000	–	–	–	1,185,000	12.86	–
2006	–	1,578,000	–	–	1,578,000	19.05	–
Total	4,770,420	1,578,000	1,319,580	–	5,028,840		1,343,840
Weighted average exercise price in €	11.82	19.05	12.99		13.78		
Average price at exercise in €			21.22				

The remaining average contractual life of the outstanding options as at 31 December 2007 is 3.01 years (2006: 2.89 years). The expiry dates of the stock options are as follows:

Year	End of vesting period	Expiry date
2002	5 April 2005	30 April 2007
2003	26 March 2006	23 April 2008
2004	14 May 2007	11 June 2009
2005	24 May 2008	18 June 2010
2006	23 May 2009	23 May 2011
2007	17 May 2010	17 May 2012

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

	Number at 1 January 2007	Granted in 2007	Exercised in 2007	Forfeited/ expired in 2007	Number at 31 December 2007	Exercisable
D. Keller	235,000	40,000	60,000	–	215,000	100,000
Weighted average exercise price in €	12.82	25.91	13.88	–	14.96	
Average price at exercise in €			26.21			
Other key management personnel	730,000	208,000	169,000	–	769,000	171,000
Weighted average exercise price in €	13.19	25.91	10.06	–	17.32	
Average price at exercise in €			27.85			
Other personnel	4,063,840	1,523,000	869,040	44,700	4,673,100	889,600
Weighted average exercise price in €	13.94	25.91	11.70	16.45	18.23	
Average price at exercise in €			27.45			

Information with respect to the options granted to the Managing Director, key management personnel and other personnel for the year 2006:

	Number at 1 January 2006	Granted in 2006	Exercised in 2006	Forfeited/ expired in 2006	Number at 31 December 2006	Exercisable
D. Keller	255,000	40,000	60,000	–	235,000	120,000
Weighted average exercise price in €	12.18	19.05	14.25	–	12.82	
Average price at exercise in €			20.66			
Other key management personnel	654,000	202,000	126,000	–	730,000	188,000
Weighted average exercise price in €	11.28	19.05	12.70	–	13.19	
Average price at exercise in €			22.75			
Other personnel	3,861,420	1,336,000	1,133,580	–	4,063,840	1,035,840
Weighted average exercise price in €	11.88	19.05	12.95	–	13.94	
Average price at exercise in €			21.08			

For participants in the Company's share option plan (other than Board of Management members) there are no performance criteria attached to the grant of options. For Board of Management members, since 2005, under the LTI the grant of options is conditional on achieving at least 5% average compounded EPS growth over a three-year period following the reference year. For growth in excess of 5%, additional options are granted as follows:

	CEO		Other Board of Management	
	2007	2006	2007	2006
Options if 5% EPS growth	40,000	40,000	30,000	30,000
Additional options for each 1% surplus EPS growth	8,000	8,000	6,000	6,000

At the end of 2007, the first three-year period under the LTI scheme adopted in 2005 has ended. Average EPS growth over the period has amounted to 34% and accordingly a total of 238,000 options (2005 base award plus performance related) will be awarded to the CEO and 510,000 to other Board of Management members who were part of the LTI scheme in 2005.

Performance Shares

Performance shares form part of the LTI for Board of Management members, and are subject to the same 5% EPS growth threshold as options. Performance shares vest three years after the provisional award date and must be retained for five years from the vesting date.

Main assumptions included in the calculation for performance shares are:

	2007	2006
Expected departures	0%	0%
Fair value at grant date	€ 25.91	€ 19.05

Numbers of instruments awarded are:

	CEO		Other Board of Management	
	2007	2006	2007	2006
Shares if 5% EPS growth	10,000	12,000	7,500	9,000
Additional performance shares for each 1% surplus EPS growth	2,000	2,400	1,500	1,800

With average EPS growth over 2005-2007 amounting to 34%, a total of 49,980 performance shares (2005 base award plus performance related) will be awarded to the CEO and 107,100 to other Board of Management members who were part of the LTI scheme in 2005

Matching Shares

Under the bonus plans for the Board of Management, management and senior staff of Group companies 20% of the bonus is or can be paid in shares. For Board of Management members, this share based element is compulsory but for other senior staff the scheme is optional. Subject to a vesting period of three years an identical number of shares (matching shares) will be issued to participants. Assumed probability of vesting amounts to 100% for Board of Management members and 95% for other senior staff.

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

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

Rules of conduct with regard to inside information are in place to ensure compliance with the Financial Market Supervision Act. These rules forbid e.g. the exercise of options during certain periods defined in the rules and more specifically when the employee is in possession of price sensitive information. The Chief Financial Officer of the Company is the Compliance Officer in this respect.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board amounted to US\$ 396,000 (2006: US\$ 388,000) and can be specified as follows:

In US\$000		Basic remuneration		Committees		Total	
		2007	2006	2007	2006	2007	2006
H.C. Rothermund	Chairman	82	75	–	–	82	75
J.D.R.A. Bax	Vice-Chairman (from 19 May 2006)	68	60	8	7	76	67
A.G. Jacobs	Vice-Chairman (until 19 May 2006)	–	24	–	7	–	31
R.H. Matzke ¹		100	92	–	–	100	92
L.J.A.M. Ligthart		59	54	12	10	71	64
R. van Gelder		59	54	8	5	67	59
Total		368	359	28	29	396	388

¹ Including allowance for travel from the USA

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

Number of employees

The number of direct employees was as follows:

By business segment:

	2007		2006	
	Average	Year-end	Average	Year-end
Lease	937	976	855	898
Turnkey (including unallocated)	1,778	1,933	1,501	1,622
	2,715	2,909	2,356	2,520

By geographical area:

	2007		2006	
	Average	Year-end	Average	Year-end
The Netherlands	360	346	361	373
Worldwide	2,355	2,563	1,995	2,147
	2,715	2,909	2,356	2,520

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

5. Net financing costs

	2007	2006
	US\$000	US\$000
Interest income	18,805	18,390
Dividend income	14	–
Other financial income	2,051	–
Financial income	20,870	18,390
Interest expenses	(43,102)	(45,923)
Interest addition to provisions	(1,333)	(1,371)
Net foreign exchange losses	(2,958)	(7,623)
Ineffective portion of change in fair value of cash flow hedge	4,827	5,540
Other financial expense	(656)	(481)
Financial expenses	(43,222)	(49,858)

The financial expenses are net of US\$ 16.7 million (2006: US\$ 11.2 million) capitalised.

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

	2007	2006
	US\$000	US\$000
EBIT	161	155
Net financing costs	<u>(2,958)</u>	<u>(7,623)</u>
	<u>(2,797)</u>	<u>(7,468)</u>

6. Research and development expense

Research and development costs consists of US\$ 22.2 million (2006: US\$ 24.6 million) charged directly to other operating expenses. Development costs amounting to US\$ 3.4 million were capitalised within intangible fixed assets (note 11).

7. Income tax

The Company's operational activities are subject to taxation at rates, which range up to 34% (2006: 34%). The respective tax rates, including fiscal privileges in several countries, tax-exempt profits and non-deductible costs and releases, result in an effective tax burden on continuing operations of 5.3% (2006: 2.9%), calculated as 'Income tax expenses' divided by 'Profit before tax' in the income statement. The reconciliation of the effective tax rate on continuing operations is:

	2007		2006	
	%	US\$000	%	US\$000
Profit before tax		<u>281,627</u>		<u>222,778</u>
Income tax using the domestic corporation tax rate	25.5	(71,815)	29.6	(65,942)
Effect of tax rates in foreign jurisdictions	(21.3)	60,128	(27.2)	60,680
Non-deductible expenses	1.3	(3,682)	0.7	(1,737)
Deferred deductibility of expenses	-	-	(1.0)	2,252
Non-taxable revenues	(0.2)	508	-	-
Non-valued tax losses	-	-	(2.0)	4,522
(Under)/over provided in prior years and other	-	-	2.8	(6,214)
Recognised tax income / expense	<u>5.3</u>	<u>(14,861)</u>	<u>2.9</u>	<u>(6,439)</u>

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

8. Earnings per share

The basic earnings per share for the period amounts to US\$ 1.85 (2006: US\$ 1.55); the fully diluted earnings per share amounts to US\$ 1.82 (2006: US\$ 1.53).

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares.

The following reflects the share data used in the basic and diluted earnings per share computations:

	2007	2006
Number of shares outstanding at 1 January	140,715,535	137,774,324
Stock dividend	831,909	933,107
New share issue	727,430	868,491
	<hr/>	<hr/>
Weighted average number of shares 31 December	142,274,874	139,575,922
Weighted average number of shares to be granted without payment under the stock option scheme	1,856,586	1,813,904
	<hr/>	<hr/>
Weighted average number of shares (diluted) at 31 December	144,131,460	141,389,826

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for stock options exercised in accordance with the stock option scheme and issue of matching shares to the Board of Management.

9. Dividends paid and proposed

	2007	2006
	US\$000	US\$000
<i>Cash dividend declared and paid during the year</i>		
Final dividends for 2006	58,306	–
Final dividends for 2005	–	72,069
	<hr/>	<hr/>
	58,306	72,069
	<hr/>	<hr/>
<i>Proposed for approval of the AGM</i>		
Final dividend 2007	133,291	–
Final dividend 2006	–	108,351
	<hr/>	<hr/>
	133,291	108,351
	<hr/>	<hr/>
<i>Dividend per share</i>		
Final dividend 2007	US\$ 0.93	–
Final dividend 2006	–	US\$ 0.77

The dividends paid in 2007 and 2006 were US\$ 0.77 per share and US\$ 0.825 per share respectively. A dividend in respect of the year ended 31 December 2007 of US\$ 0.93 per share, amounting to a total dividend of US\$ 133,291,000, is to be proposed at the Annual General Meeting on 15 May 2008. These financial statements do not reflect this dividend payable.

10. Property, plant and equipment

The movement of the property, plant and equipment during the year 2007 and 2006 can be summarised as follows:

<i>In US\$000</i>	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Assets under construction	Total
2007						
Cost	92,743	2,328,146	476	59,562	197,252	2,678,179
Accumulated depreciation and impairment	(14,537)	(966,483)	(435)	(34,502)	–	(1,015,957)
Book value at 1 January	78,206	1,361,663	41	25,060	197,252	1,662,222
Additions	–	994	29	12,439	534,485	547,947
Disposals	(1,743)	(1,000)	(38)	(2,771)	–	(5,552)
Depreciation	(2,025)	(234,262)	(9)	(9,143)	–	(245,439)
Exchange rate differences	8,914	1	2	2,534	170	11,621
Other movements / deconsolidation	817	230,158	–	3,936	(243,315)	(8,404)
Total movements	5,963	(4,109)	(16)	6,995	291,340	300,173
Cost	99,879	2,503,665	58	72,289	488,592	3,164,483
Accumulated depreciation and impairment	(15,710)	(1,146,111)	(33)	(40,234)	–	(1,202,088)
Book value at 31 December	84,169	1,357,554	25	32,055	488,592	1,962,395
2006						
<i>In US\$000</i>	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Assets under construction	Total
Cost	74,272	2,090,863	458	43,375	412,940	2,621,908
Accumulated depreciation and impairment	(13,352)	(877,506)	(427)	(26,160)	–	(917,445)
Book value at 1 January	60,920	1,213,357	31	17,215	412,940	1,704,463
Additions	302	99,940	17	12,522	186,279	299,060
New in consolidation	9,933	–	–	–	–	9,933
Disposals	(65)	–	–	(7)	–	(72)
Depreciation	(1,733)	(214,386)	(14)	(6,276)	–	(222,409)
Exchange rate differences	7,531	–	7	1,606	296	9,440
Other movements	1,318	262,752	–	–	(402,263)	(138,193)
Total movements	17,286	148,306	10	7,845	(215,688)	(42,241)
Cost	92,743	2,328,146	476	59,562	197,252	2,678,179
Accumulated depreciation and impairment	(14,537)	(966,483)	(435)	(34,502)	–	(1,015,957)
Book value at 31 December	78,206	1,361,663	41	25,060	197,252	1,662,222

The 2006 other movements include the amount related to the deconsolidation of 49% of the FPSO Brasil, the movement from assets under construction to the final category of property, plant and equipment and the reclassification of the finance lease related assets to work in progress.

Property, plant and equipment at year-end include:

- twelve (2006: twelve) integrated floating production, storage and offloading systems (FPSOs), each consisting of a converted tanker, a processing plant and a mooring system;
- three (2006: three) floating storage and offloading systems (FSOs), consisting of a converted or newbuild tanker and mooring system including the fluid transfer system;
- one Extended Well Test System (2006: one);
- one second-hand tanker and one barge (2006: nil);
- one FPSO and one semi-submersible production platform under construction (2006: two FPSOs and one semi-submersible production platform);
- two MOPU(stor) facilities under construction (2006: none);
- the 'Normand Installer', a deepwater installation vessel;
- the 'Dynamic Installer', a dynamically positioned diving support vessel.

An amount of US\$ 10.5 million (2006: US\$ 5.1 million) third party interest has been capitalised during the financial year under review as part of the additions to property, plant and equipment.

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

The category vessels and floating equipment mainly relates to the facilities leased to third parties.

11. Intangible assets

<i>In US\$000</i>	Development costs	Goodwill	Patents	Total
2007				
Cost	–	25,048	12,633	37,681
Accumulated amortisation	–	–	(4,633)	(4,633)
Book value at 1 January	–	25,048	8,000	33,048
Additions	3,365	–	–	3,365
Amortisation	–	–	(842)	(842)
Total movements	3,365	–	(842)	2,523
Cost	3,365	25,048	12,633	41,046
Accumulated amortisation	–	–	(5,475)	(5,475)
Book value at 31 December	3,365	25,048	7,158	35,571
2006				
<i>In US\$000</i>	Development costs	Goodwill	Patents	Total
Cost	–	25,048	13,236	38,284
Accumulated amortisation	–	–	(3,971)	(3,971)
Book value at 1 January	–	25,048	9,265	34,313
Amortisation	–	–	(859)	(859)
Disposal	–	–	(406)	(406)
Total movements	–	–	(1,265)	(1,265)
Cost	–	25,048	12,633	37,681
Accumulated amortisation	–	–	(4,633)	(4,633)
Book value at 31 December	–	25,048	8,000	33,048

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

12. Other financial assets The item Other financial assets relate mainly to interest bearing loans that have a remaining term of more than one year, including interest bearing loans to joint ventures. Weighted average effective interest amounts to 5.65% (2006: 5.86%).

The maximum exposure to credit risk at the reporting date is the fair value of the loans (2007: US\$ 89.8 million, 2006 US\$ 72.1 million). None of the amounts are past due, however a reserve for partial impairment amounting to US\$ 8.5 million (2006 US\$ 8.5 million) is netted with the carrying amount. The Company does not hold any collateral as security.

13. Deferred tax asset The deferred tax assets and liabilities and offsetting of assets and liabilities can be summarised as follows:

<i>In US\$000</i>	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Property, plant and equipment	4,732	2,184	-	-	4,732	2,184
Intangible assets	3,864	4,318	-	-	3,864	4,318
Other investments	-	-	(812)	(781)	(812)	(781)
Construction contracts	-	548	-	-	-	548
Tax losses	-	5,305	-	-	-	5,305
Tax assets / (liabilities)	8,596	12,355	(812)	(781)	7,784	11,574
Offset assets / (liabilities)	-	(781)	-	781	-	0
Book value at 31 December	8,596	11,574	(812)	0	7,784	11,574

Expected net cash inflow of amounts relating to deferred tax positions is within one year: US\$ 0.4 million (2006: US\$ 5.7 million), between one and five years US\$ 1.6 million (2006: US\$ 1.6 million) and after five years US\$ 1.3 million (2006: cash inflow US\$ 1.6 million).

The movements in temporary differences during the years ended 31 December 2007 and 2006 is summarised in the table below:

	2007	2006
	US\$000	US\$000
Net deferred tax position 1 January	11,574	8,196
Movement	(3,790)	3,378
Net deferred tax position 31 December	7,784	11,574

The Company has approximately US\$ 5 million (2006: US\$ 31 million) available in tax losses in the Netherlands (2006 also the United States of America).

14. Inventories	2007	2006
	US\$000	US\$000
Materials and consumables	8,483	4,545
Goods for resale	6,965	10,769
	15,448	15,314

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

15. Trade and other receivables

	2007	2006
	US\$000	US\$000
Trade debtors	313,611	236,644
Non-consolidated group companies	1,167	–
Taxes and social security	15,086	1,669
Other receivables	35,058	32,018
Accruals in respect of delivered orders	63,583	8,060
Securities	2,041	2,924
Other prepayments and accrued income	138,798	42,802
	569,344	324,117

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above. The Company does not hold any collateral as security. Trade debtors include retentions of US\$ 2.3 million (2006: US\$ 7.2 million).

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

	2007	2006
	US\$000	US\$000
Europe	59,769	72,570
North, Middle and South America	140,684	100,740
Africa	63,670	45,394
Middle-East / Asia / Australia	49,488	17,940
	313,611	236,644

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

	2007	2006
	US\$000	US\$000
Nominal amount	314,951	237,775
Impairment allowance	(1,340)	(1,131)
	313,611	236,644

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

	2007		2006	
	US\$000		US\$000	
	Gross	Impairment	Gross	Impairment
Not past due	217,966	(77)	206,963	(110)
Past due 0-30 days	47,588	–	8,192	–
Past due 31-120 days	27,625	(28)	7,700	–
Past due 121- 365 days	8,853	(62)	5,437	(38)
More than one year	12,919	(1,173)	9,483	(983)
Total	314,951	(1,340)	237,775	(1,131)

Not past due are those receivables for which either the contractual or 'normal' payment date has not yet elapsed. Past due are those amounts for which either the contractual or the 'normal' payment date has passed. Amounts that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default or the receivable amount can be offset by amounts included in current liabilities.

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

	2007	2006
	US\$000	US\$000
At 1 January	(1,131)	(965)
Addition	(283)	(140)
Recognised expenses	37	46
Reversal	121	–
Foreign exchange difference	(84)	(72)
At 31 December	(1,340)	(1,131)

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

16. Income tax receivable Apart from deferred taxation, no receivables have a duration of more than 1 year. For an explanation of the deferred tax position reference is made to note 13 of the notes to the financial statements.

17. Construction contracts

	2007	2006
	US\$000	US\$000
Cost incurred (total)	2,612,633	1,576,176
Instalments invoiced (total)	(2,158,217)	(1,298,932)
Instalments exceeding cost incurred	59,228	47,075
	513,644	324,319

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

Advances received from customers are included in other current liabilities. For both aforementioned details, reference is made to note 24 of the notes to the financial statements.

The cost incurred as at 31 December 2007 includes an amount related to future finance leases of US\$ 296.5 million. Under operating lease treatment this amount would have been added to the property, plant and equipment, of which US\$ 198.3 million relates to 2007 additions.

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

18. Derivative financial instruments

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

At 31 December 2007, the Company held several forward exchange contracts designated as hedges of expected future transaction for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swap contracts designated as hedges of variable interest rate bearing debt.

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

<i>In US\$000</i>	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Interest rate swaps cash flow hedge	34,494	26,375	75,567	18,093	(41,073)	8,282
Forward currency contracts cash flow hedge	121,601	123,522	85,582	96,015	36,019	27,507
Forward currency contracts fair value hedge	–	108	8,942	–	(8,942)	108
Forward currency contracts net foreign investment hedge	–	10	1,007	–	(1,007)	10
Total	156,095	150,015	171,098	114,108	(15,003)	35,907

The ineffective portion recognised in the income statement arises from cash flow hedges amounts to US\$ 4.8 million (2006: US\$ 5.5 million). There was no ineffectiveness recognised in the income statement related to foreign investment hedges (2006: none). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

Forward currency contracts

The notional principal amounts of the outstanding forward currency contracts at 31 December 2007 were US\$ 2.2 billion (2006: US\$ 2.0 billion) of which US\$ 2.0 billion will mature in the next 12 months.

Gains and losses recognised in the hedging reserve (note 20 of the notes to the financial statements) on forward currency contracts as of 31 December 2007 are recognised in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognised in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset, or the gain or loss is included in the initial amount recognised in the carrying amount of the cost incurred of the construction contracts in which case recognition is based on the stage of completion of the contract.

Interest rate swaps

The notional amounts of the outstanding interest rate swap contracts at 31 December 2007 were US\$ 2.5 billion (2006: US\$ 2.3 billion).

The main floating rate is US\$ 3-month LIBOR. Gains and losses recognised in the hedging reserve in equity (note 20 of the notes to the financial statements) on interest rate swap contracts as of 31 December 2007 will be continuously released to the income statement until the repayment of the bank borrowings. Details of interest percentages of the long-term debt are included in note 21 of the notes to the financial statements.

19. Cash and cash equivalents	2007	2006
	US\$000	US\$000
Cash and bank balances	110,236	142,799
Short-term deposits	170,448	203,562
	280,684	346,361

The cash and cash equivalents are available for debt and interest payments US\$ 14.5 million (2006: US\$ 11.1 million), and for day to day activities. An amount of US\$ 29.9 million (2006: US\$ 0) relates to restricted cash in escrow accounts. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

20. Equity attributable to shareholders

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

Issued capital

The meeting of shareholders held on 19 May 2006 approved the four for one share split of the Company's ordinary shares. The post-split shares commenced trading on 2 June 2006. Comparative numbers have been restated to reflect the split.

The authorised share capital amounts to € 100,000,000 divided into 200,000,000 ordinary shares each of € 0.25 and 50,000,000 preference shares, each of € 1. During the financial year 1,098,040 (2006: 1,319,580) new ordinary shares were issued in respect of the exercise of employee share options, and 1,432,296 (2006: 1,606,528) new ordinary shares in respect of stock dividend, and 77,810 (2006: 15,103) new ordinary shares in respect of the share-based part of the bonus. The total number of ordinary shares outstanding at the end of the year was 143,323,681 (2006: 140,715,535), of which 36,201 were held by Managing Directors in office as at 31 December 2007 (31 December 2006: 28,327).

Share premium

The share premium reserve is fully available for distribution free of taxes for private investors, and amounts to € 331.2 million (31 December 2006: € 317.1 million).

Other reserves

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

<i>In US\$000</i>	Hedging reserve	Translation reserve	Total other reserves
Balance at 1 January 2006	2,094	(5,330)	(3,236)
Cash flow hedges:			
• Recognised in equity	60,328	–	60,328
• Transfer to financial income and expenses	(10,126)	–	(10,126)
• Transfer to construction contracts and property, plant and equipment	(1,899)	–	(1,899)
Net investment hedge	10	–	10
Currency translation differences:			
• Group companies	–	5,302	5,302
Balance at 31 December 2006	50,407	(28)	50,379
Cash flow hedges:			
• Recognised in equity	8,104	–	8,104
• Transfer to financial income and expenses	(13,066)	–	(13,066)
• Transfer to construction contracts and property, plant and equipment	(30,346)	–	(30,346)
Net investment hedge	3,041	–	3,041
Currency translation differences:			
• Group companies	–	8,821	8,821
Balance at 31 December 2007	18,140	8,793	26,933

Hedging reserve

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

Translation reserve

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

21. Long-term loans and other liabilities

Long term loans and other liabilities comprise interest bearing loans and borrowings. The movement in the interest bearing loans and borrowings is as follows:

	2007	2006
	US\$000	US\$000
Long term portion	754,649	741,440
Add: Short term portion	170,810	208,031
Remaining principal at 1 January	925,459	949,471
Additions	398,438	710,470
Redemptions	(175,120)	(734,482)
Movements	223,318	(24,012)
Remaining principal at 31 December	1,148,777	925,459
Less: Short term portion	(227,272)	(170,810)
Long term portion	921,505	754,649

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

	2007	2006
	US\$000	US\$000
Within one year	227,272	170,810
Between 1 and 2 years	254,979	189,510
Between 2 and 5 years	624,111	428,963
More than 5 years	42,415	136,176
Balance at 31 December	1,148,777	925,459

The interest bearing loans and borrowings include at 31 December:

	Original repayment period	Interest per annum on the remaining loan balance	Remaining loan balance 2007 US\$000	Remaining loan balance 2006 US\$000
US\$ project finance facilities drawn:				
Mid 2000 (FSO Yetagun)	10 years	8.33%	15,473	20,339
July / November 2003 (FPSO Xikomba)	6 years	4.42%	31,777	50,629
April / June 2004 (FPSO Marlim Sul)	7 ½ years	4.86%	100,984	146,968
March 2005 (Sanha LPG FPSO)	6 ½ years	5.95%	75,608	94,135
May 2006 (FPSO Espadarte)	5 years	5.89%	90,427	130,341
October 2006 (FPSO Capixaba)	6 ½ years	5.55%	235,800	276,840
			550,069	719,252
US\$ guaranteed project finance facilities drawn:				
December 2006 (Kikeh)	7 years	5.86%	160,797	151,900
September 2007 (Thunder Hawk)	5 ½ years	5.46%	121,723	–
November 2007 (FPSO Mondo)	6 years	4.89%	140,000	–
			422,520	151,900
US\$ 500 million revolving credit facility	5 years	variable	120,000	–
Other long term debt			56,188	54,307
Remaining principal at 31 December			1,148,777	925,459

For the project finance facilities the respective vessels are mortgaged to the banks. Interest expensed on long-term debt during 2007 amounted to US\$ 40.8 million (2006: US\$ 42.5 million) and interest capitalised amounted to US\$ 16.7 million (2006: US\$ 11.2 million).

The following important financial covenants have been agreed with the respective lenders (unless stated otherwise these relate to both SBM Offshore N.V. and SBM Holding Inc. S.A. consolidated financial statements), after adjustment of EBITDA and net debt for certain items and proposed dividend, as defined in the relevant financing facilities:

- minimum tangible net worth of SBM Holding Inc. S.A. of US\$ 490 million. Actual tangible net worth is US\$ 1,212 million (2006: US\$ 1,011 million). Minimum tangible net worth of SBM Offshore N.V. of US\$ 570 million. Actual tangible net worth is US\$ 1,165 million (2006: US\$ 977 million);
- leverage (net debt : EBITDA ratio) of maximum 3.75 : 1 at year-end. Actual leverage is 1.82 (2006: 1.40) and 1.60 (2006: 1.23) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively;
- operating leverage (adjusted for construction financing) of maximum 3.0 : 1. Actual operating leverage is 0.94 (2006: 0.87) and 0.75 (2006: 0.71) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively;
- interest cover ratio (EBITDA : net interest expense) of minimum 5.0 : 1; Actual interest cover ratio is 48.2 (2006: 16.1) and 24.5 (2006: 14.5) for SBM Holding Inc. S.A. and SBM Offshore N.V. respectively.

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

No carrying amounts of long term debt were in default at the balance sheet date nor at any time during the year. During the year 2007 and 2006 there were no breaches of the loan arrangement terms and hence no default needed to be remedied, or the terms of the loan arrangement renegotiated, before the financial statements were authorised for issue.

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

	2007	2006
	US\$000	US\$000
Floating rate:		
• Expiring within one year	58,450	–
• Expiring beyond one year	580,000	551,450
	<u>638,450</u>	<u>551,450</u>

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

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

22. Provisions

<i>In US\$000</i>	Re- organisation	Employee benefits	De- mobilisation	Total
Balance at 31 December 2006	1,104	10,944	37,194	49,242
Arising during the year	–	2,802	70	2,872
Addition of interest on net present value	–	2,166	1,333	3,499
Utilised / release	(908)	(1,829)	(4,597)	(7,334)
Deconsolidation / disposal	–	(886)	–	(886)
Other	–	(4,457)	–	(4,457)
Currency differences	60	1,114	–	1,174
At 31 December 2007	256	9,854	34,000	44,110
Current 31 December 2007	256	2,233	8,907	11,396
Non-current 31 December 2007	–	7,621	25,093	32,714
	256	9,854	34,000	44,110
Current 31 December 2006	1,104	1,262	4,914	7,280
Non-current 31 December 2006	–	9,682	32,280	41,962
	1,104	10,944	37,194	49,242

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

Reorganisation provision

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

Employee benefits

The provisions for employee benefits relate to pension obligations, other post-employment benefit obligations and termination and seniority benefits. For a detailed calculation of the pension obligations and principal assumptions, reference is made to note 4 (employee benefits) of the notes to the financial statements. Expected outflow for the other employee benefits provision is within one year US\$ 0.5 million (2006: US\$ 0.4 million), between one and five years US\$ 1.9 million (2006: US\$ 1.4 million) and after five year US\$ 2.1 million (2006: US\$ 1.8 million). For the provision related to pension plans the expected outflow has no direct relationship with the amount of provision at year end, and therefore no expected outflow of this provision is disclosed.

Demobilisation

The provision for demobilisation relates to the costs for demobilisation of the F(P)SO fleet at the end of the respective lease periods. The obligations are valued at net present value, and on a yearly basis interest is added to this provision. The recognised interest is included in financial expenses. The net present value is calculated at the inception date of the lease. The net present value of the provision is calculated at a rate of 4.31% which is unchanged compared with last year. Expected outflow of amounts is within one year: US\$ 8.9 million (2006: US\$ 4.9 million), between one and five years US\$ 15.9 million (2006: US\$ 10.0 million) and after five years US\$ 9.2 million (2006: US\$ 22.2 million).

23. Deferred tax liability

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

24. Trade and other payables	2007 US\$000	2006 US\$000
Trade payables	146,076	110,846
Other payables	76,347	64,127
Taxation and social security costs	9,976	4,810
Pension costs	3,623	2,950
Instalments exceeding cost incurred	59,228	47,075
Advances	316,839	266,165
Accruals regarding delivered orders	97,939	40,496
Non-trade payables and accrued expenses	199,053	183,670
	<u>909,081</u>	<u>720,139</u>

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

	2007 US\$000	2006 US\$000
Within 1 month	124,888	77,626
Between 1 and 3 months	13,932	16,424
Between 3 months and 1 year	1,336	9,701
More than one year	5,920	7,095
Total	<u>146,076</u>	<u>110,846</u>

25. Borrowings and bank overdrafts	2007 US\$000	2006 US\$000
Short term portion long term debt	227,272	170,810
Bank overdrafts	6,596	6,674
	<u>233,868</u>	<u>177,484</u>

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

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

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

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

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

At 31 December 2007, outstanding bank guarantees amounted to US\$ 467 million (31 December 2006: US\$ 290 million).

Certain investment commitments have been entered into principally in respect of the BC-10 FPSO, the Thunder Hawk semisubmersible, the Yme MOPUstor™ and Encana MOPU. At year-end the remaining contractual commitments for acquisition of property, plant and equipment and investment in future finance leases amounted to US\$ 486.1 million (2006: US\$ 375.5 million).

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

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

<i>In US\$000</i>	2007			Total	2006
	< 1 year	1-5 years	> 5 years		
Operating lease	1,876	3,319	–	5,195	4,841
Rental and leasehold	11,304	34,702	3,435	49,441	42,799
	13,180	38,021	3,435	54,636	47,640

28. Financial risk management

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

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

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

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

Market risk

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

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from transactional currency exposures, primarily with respect to the Euro, Singapore Dollar, and British pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Company requires all its operating units to use forward currency contracts to eliminate the currency exposure on any significant individual transaction for which payment is anticipated more than one month after the Company has entered into a firm commitment for a sale or a purchase. The forward currency contracts must be in

the same currency as the hedged item. It is the Company's policy not to enter into forward contracts until a firm commitment is in place.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The Company's exposure to foreign currency risk was as follows based on notional amounts:

<i>In US\$000</i>	31 December 2007			31 December 2006		
	EUR	SGD	GBP	EUR	SGD	GBP
Fixed assets	139,969	–	–	138,599	–	–
Current assets	466,194	59	69	351,756	54	25
Long term liabilities	(54,738)	–	–	(54,346)	–	–
Current liabilities	(452,132)	(9,606)	(6,511)	(343,985)	(1,992)	(2,473)
Gross balance sheet exposure	99,293	(9,547)	(6,442)	92,024	(1,938)	(2,448)
Estimated forecast sales	26,000	–	500	56,000	–	500
Estimated forecast purchases	(700,000)	(525,000)	(70,000)	(520,000)	(500,000)	(65,000)
Gross exposure	(574,707)	(534,547)	(75,942)	(371,976)	(501,938)	(66,948)
Forward exchange contracts	595,084	524,491	68,076	392,601	492,192	62,407
Net exposure	20,377	(10,056)	(7,866)	(20,625)	(9,746)	(4,541)

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

Overhead expenses are 100% hedged for the coming year, 30% hedged for the year thereafter. Included in the statement above are the overhead expenses for one year and the corresponding forward exchange contracts.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2007	2006	2007	2006
EUR 1	1.3684	1.2562	1.4722	1.3178
SGD 1	0.6638	0.6296	0.6959	0.6521
GBP 1	2.0021	1.8426	2.0039	1.9629

The sensitivity on equity and income statement resulting from a change of a 10 percent strengthening of the US Dollar against the following currencies at 31 December would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

<i>In US\$000</i>	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2007				
EUR	420	(420)	56,308	(56,308)
SGD	(7)	7	18,251	(18,251)
GBP	84	(84)	6,002	(6,002)
31 December 2006				
EUR	264	(264)	36,216	(36,216)
SGD	53	(53)	25,675	(25,675)
GBP	188	(188)	9,800	(9,800)

Interest rate risk

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

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

	2007 US\$000	2006 US\$000
Fixed rate instruments		
Financial assets	20,747	16,901
Financial liabilities	(7,209)	(2,188)
	<u>13,538</u>	<u>14,713</u>
Variable rate instruments		
Financial assets	77,538	63,736
Financial liabilities	(1,141,568)	(923,271)
Financial liabilities (future)	(1,461,500)	(1,343,550)
	<u>(2,525,530)</u>	<u>(2,203,085)</u>
	2007 US\$000	2006 US\$000
Variable rate instruments	(2,525,530)	(2,203,085)
Less: IRS contracts	2,537,012	2,260,445
Exposure	<u>11,482</u>	<u>57,360</u>

At 31 December 2007, it is estimated that a general increase of 100 basis points in interest rates would decrease the Company's profit before tax for the year by approximately US\$ 0.1 million (2006: decrease of US\$ 0.9 million) since 98.7% (2006: 92.4%) of the operating debt is hedged by fixed interest rate swaps.

The sensitivity on equity and income statement resulting from a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

<i>In US\$000</i>	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2007				
Variable rate instruments	(127)	127	-	-
Interest rate swap	(242)	242	60,083	(60,083)
Sensitivity (net)	<u>(369)</u>	<u>369</u>	<u>60,083</u>	<u>(60,083)</u>
31 December 2006				
Variable rate instruments	(900)	900	-	-
Interest rate swap	(252)	252	47,343	(47,343)
Sensitivity (net)	<u>(1,152)</u>	<u>1,152</u>	<u>47,343</u>	<u>(47,343)</u>

Credit risk

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

In US\$000

Rating	2007		2006	
	Assets	Liabilities	Assets	Liabilities
AAA	54	12,068	3,643	247
AA+	846	966	6,312	15
AA	26,337	27,147	25,404	25,664
AA-	52,983	60,350	41,400	25,129
A+	4,974	699	1,449	517
A-	62,223	69,868	57,741	52,347
Other and intercompany	8,678	–	14,066	10,189
Derivative financial instruments	156,095	171,098	150,015	114,108
AAA	9,845	–	30,255	–
AA+	7,882	–	4,528	–
AA	104,513	–	175,260	–
AA-	131,537	6,596	126,265	6,674
A+	20,429	–	581	–
A	118	–	311	–
A-	1,163	–	–	–
Other	5,197	–	9,161	–
Cash and cash equivalents and bank overdrafts	280,684	6,596	346,361	6,674

It is Company policy to limit cash invested per counterparty as follows: A rating US\$ 10.0 million, AA rating US\$ 50 million and AAA rating US\$ 100 million.

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

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

Liquidity risk

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

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

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including the short term part of the long term debt and bank overdrafts as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

During 2007, the Company's strategy which was unchanged from 2006, was to target a gearing ratio between 50% and 60%. The gearing ratio's at 31 December 2007 and 2006 were as follows:

	2007	2006
	US\$000	US\$000
Total borrowings	1,148,777	925,459
Less: net cash and cash equivalents	(274,088)	(339,687)
Net debt	874,689	585,772
Shareholders' equity	1,333,437	1,118,700
Total capital	2,208,126	1,704,472
Gearing ratio	39.6%	34.4%

Other risks

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

29. Events after the balance sheet date

There are no reportable events after the balance sheet date.

30. List of Group companies

In accordance with legal requirements a list of Group companies which are included in the consolidated financial statements of SBM Offshore N.V. has been deposited at the Chamber of Commerce in Rotterdam.

31. Interest in joint ventures

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

	2007	2006
	US\$000	US\$000
Non-current assets	636,750	658,343
Current assets	296,529	124,738
Non-current liabilities	(571,793)	(524,243)
Current liabilities	(209,315)	(133,809)
Net assets / liabilities	152,171	125,029
Income	246,168	206,068
Expenses	(187,391)	(172,601)
	58,777	33,467

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

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

Company balance sheet

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

	Notes	2007	2006
ASSETS			
Property, plant and equipment	1	74	55
Investment in Group companies and associates	2	1,332,835	1,120,403
Deferred tax asset	3	–	4,744
Total non-current assets		1,332,909	1,125,202
Other receivables	4	10,502	931
Income tax receivable		–	5,254
Cash and cash equivalents		9,430	4,138
Total current assets		19,932	10,323
TOTAL ASSETS		1,352,841	1,135,525
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued share capital		52,750	46,359
Share premium reserve		363,057	344,326
Retained earnings		890,697	677,636
Other reserves		26,933	50,379
Shareholders' equity	5	1,333,437	1,118,700
Provisions	6	4,657	4,681
Total non-current liabilities		4,657	4,681
Other current liabilities	7	13,911	12,144
Current income tax liability		836	–
Total current liabilities		14,747	12,144
TOTAL EQUITY AND LIABILITIES		1,352,841	1,135,525

Company income statement

For the years ended 31 December in thousands of US Dollars

		2007	2006
Company result	9	(21,245)	(1,506)
Result Group companies		284,130	217,747
		262,885	216,241

Notes to the Company financial statements

General

The separate financial statements are part of the 2007 financial statements of SBM Offshore N.V. With reference to the separate income statement of SBM Offshore N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

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

SBM Offshore N.V. uses the option provided in section 2:362 (8) of the Netherlands Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of SBM Offshore N.V. are the same as those applied for the consolidated financial statements. These consolidated financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to pages 74 to 82 for a description of these principles. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method.

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

1. Property, plant and equipment

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

<i>In US\$000</i>	Other fixed assets
Cost	344
Accumulated depreciation and impairment	(289)
Book value at 1 January 2007	<u>55</u>
Additions	36
Depreciation	(25)
Currency differences	8
Total movements	<u>19</u>
Cost	424
Accumulated depreciation and impairment	(350)
Book value at 31 December 2007	<u>74</u>

2. Investment in Group companies and associates

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

	2007 US\$000	2006 US\$000
Balance at 1 January	1,120,403	884,694
Provisions	(52,622)	(43,888)
Investments at net asset value	<u>1,067,781</u>	<u>840,806</u>
Results for the year	284,130	217,747
Investments and other changes	(31,900)	74,157
Dividends received	(52,099)	(67,389)
Currency differences	4,578	2,460
Movements	<u>204,709</u>	<u>226,975</u>
Balance at 31 December	1,332,835	1,120,403
Provisions	(60,345)	(52,622)
Investments at net asset value	<u>1,272,490</u>	<u>1,067,781</u>

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

3. Deferred tax asset

The 2006 deferred tax asset related in its entirety to tax losses.

4. Other receivables

	2007 US\$000	2006 US\$000
Amounts owed by Group companies	9,506	335
Other debtors	996	596
	<u>10,502</u>	<u>931</u>

5. Shareholders' equity

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

6. Provisions

	2007 US\$000	2006 US\$000
Participation in Group Company	60,345	52,622
Amounts owed by Group	(55,688)	(47,941)
	<u>4,657</u>	<u>4,681</u>

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

7. Other current liabilities	2007 US\$000	2006 US\$000
Amounts owed to Group companies	10,257	8,807
Taxation and social security costs	53	19
Other creditors	3,601	3,318
	13,911	12,144

8. Commitments and contingencies

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

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

9. Company result

Difference in the Company result compared with prior year is mainly related to the increase of IFRS 2 expenditures and capitalisation of deferred tax assets in 2006.

Schiedam, 11 March 2008

Board of Management

D. Keller, CEO ¹
A.J. Mace ²
F. Blanchelande ²
D.J. van der Zee ²
M.A.S. Miles, CFO ²

Supervisory Board

H.C. Rothermund, Chairman
J.D.R.A. Bax, Vice-Chairman
R.H. Matzke
L.J.A.M. Ligthart
R. van Gelder

¹ *Managing Director*

² *Director*

Other information

Appropriation of profit

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

1. When drawing up the annual accounts, the Board of Management shall charge such sums for the depreciation of the Company's fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.
2. Any distribution of profits pursuant to the provisions of this article shall be made after the adoption of the annual accounts from which it appears that the same is permitted.
The Company may make distributions to the shareholders and to other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law.
A deficit may be offset against the statutory reserves only to the extent permitted by law.
3. a. The profit shall, if sufficient, be applied first in payment to the holders of preference shares of a percentage as specified in b. below of the compulsory amount due on these shares as at the commencement of the financial year for which the distribution is made.
b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of twelve months – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by two hundred basis points.
4. The management board is authorised, subject to the approval of the supervisory board, to determine each year what part of the profits shall be transferred to the reserves, after the provisions of the preceding paragraph have been applied.
5. From the balance of the profit then remaining, the holders of ordinary shares shall if possible receive a dividend of four per cent on the nominal value of their share holding.
6. The residue of the profit shall be at the disposal of the general meeting of shareholders.
7. The general meeting of shareholders may only resolve to distribute any reserves upon the proposal of the management board, subject to the approval of the supervisory board.

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

Profit attributable to shareholders	262,885,000
In accordance with Article 29 clause 4 to be transferred to retaining earnings	<u>129,594,000</u>
Remains	133,291,000
In accordance with Article 29 clause 5 holders of ordinary shares will receive a dividend of 4% on the nominal value of their shares i.e. 4% of € 35,830,920	<u>2,110,000</u>
At the disposal of the General Meeting of Shareholders	<u>131,181,000</u>

Pursuant to the provisions of Article 29 clause 5 of the Articles of Association, it is proposed that the balance be distributed among the shareholders. The dividend may be fully paid in the form of either cash or shares (stock dividend) at the shareholder's option. Full details are given in the Agenda for the Annual General Meeting of Shareholders of SBM Offshore N.V. to be held on 15 May 2008, under agenda item number 3 and in the notes thereto.

To the shareholders of SBM Offshore N.V.

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements for the year 2007 of SBM Offshore N.V., Rotterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2007, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of SBM Offshore N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Board of Management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 11 March 2008

KPMG ACCOUNTANTS N.V.

J.C.M. van Rooijen RA

Key figures

in millions of US Dollars, unless stated otherwise

	Notes	2007	2006	2005	2004	2003*
Turnover		2,871.2	1,989.7	1,519.3	1,068.7	1,848.7
New orders		3,822.5	4,915.7	1,510.1	1,435.9	1,392.3
Order portfolio at 31 December		7,954.6	6,992.4	4,058.3	4,070.9	4,760.1
Results						
Net profit (continuing operations)		266.8	216.3	225.8	91.7	46.6
Dividend		133.3	108.4	113.7	57.1	45.3
Operating profit (EBIT)		302.0	254.3	275.3	161.2	64.4
EBITDA		548.3	477.5	482.2	370.8	219.2
Shareholders' equity at 31 December		1,333.4	1,118.7	895.0	662.4	710.5
Net debt		874.7	585.8	804.7	1,139.6	1,067.1
Cash flow		513.1	439.6	432.6	301.3	201.4
Investments in tangible fixed assets		547.9	309.0	398.5	237.3	530.0
Depreciation and amortisation		246.3	223.3	206.8	209.6	154.8
Number of employees (average)		2,715	2,356	2,253	1,982	4,235
Wages and salaries, social security costs		–	–	–	–	279.4
Employee benefits		504.1	363.7	302.2	266.2	–
Ratios (%)						
Shareholders' equity : net assets		58	58	53	38	35
Current ratio		115	114	78	96	101
Return on average capital employed		15.1	14.6	14.6	8.9	3.7
Return on average equity		21.7	21.5	28.1	14.1	6.7
Operating profit (EBIT) : net turnover		10.5	12.8	18.1	15.1	3.5
Net profit : net turnover		9.3	10.9	14.9	8.6	2.5
Cash flow : average equity		42	44	56	51	29
Cash flow : average capital employed		26	23	23	17	12
Net debt : shareholders' equity		65	52	90	172	–
Net long-term debt : shareholders' equity		–	–	–	–	150
Enterprise value/EBITDA		9.9	11.3	7.4	8.8	12.9
Information per share (US\$)						
Net profit	1	1.85	1.55	1.66	0.69	0.36
Dividend		0.93	0.77	0.83	0.43	0.35
Shareholders' equity at 31 December	2	9.30	7.95	6.50	4.81	5.50
Cash flow	1	3.61	3.15	3.18	2.43	1.57
Share price (€) – 31 December		21.60	26.05	17.06	11.69	10.75
– highest		31.52	26.45	18.14	11.77	13.06
– lowest		19.85	17.19	11.44	8.39	8.38
Price / earnings ratio	2	17.19	22.1	12.1	22.9	37.4
Number of shares issued (x 1,000)		143,324	140,716	137,774	134,236	129,298
Market capitalisation (US\$ mln)		4,557.6	4,830.6	2,769.7	2,130.1	1,752.7
Turnover by volume (x 1,000)		340,769	308,840	241,376	237,220	171,432
Number of options exercised		1,098,040	1,319,580	1,801,480	593,600	85,800
Number of shares issued re stock dividend		1,432,296	1,606,528	1,723,508	1,703,504	1,738,648

* Years prior to 2004 are based on Dutch GAAP accounting principles. Where (significant) other changes in accounting principles occurred during this five year period, previous years have been restated for comparison. The figures up to 2003 include the Company's former shipbuilding division.

The information per share has been restated to reflect the four for one share split.

¹ Based upon weighted average number of shares.

² Based upon number of shares outstanding at 31 December.

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SBM Offshore N.V.

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SBM Offshore N.V.

Schiedam (The Netherlands)

Board of Management: D. Keller, Managing Director and CEO
A.J. Mace, Director
D.J. van der Zee, Director, Production and Technology
F. Blanchelande, Director, COO
M.A.S. Miles, Director, CFO

Group Companies

Single Buoy Moorings Inc

Marly (Switzerland) / Monaco

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

Activities: SBM Systems: mooring technology, process engineering, project management, construction supervision, technology development;
SBM Production Contractors management of the lease fleet;
SBM Services: offshore contracting, spare parts, after-sales services;
SBM Gas & Power: offshore technology applications in the LPG and LNG industry.

SBM Atlantia Inc

Houston (USA)

Management: B. van Leggelo, President

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

SBM Malaysia Sdn Bhd

Kuala Lumpur (Malaysia)

Management: I. Replumaz, Director

Activities: mooring technology, process engineering, project management.

Gusto B.V.

Schiedam (The Netherlands)

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

Activities:

Marine Structure Consultants (MSC) B.V.

Schiedam (The Netherlands)

Management:
C.J. Mommaas, Managing Director

GustoMSC Inc

Houston (USA)

Management:
M. Beenen, President

offshore design, engineering and consultancy services, naval architecture, process engineering.

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