

SBM Offshore

HALF-YEAR RESULTS 2006

TECHNOLOGY CREATING VALUE



Highlights

- Half-year net profit of US\$ 97.8 million represents an increase of 33% over 2005 (US\$ 73.5 million). Return on equity of 20.8% (20.7% in 2005);
- Return on capital employed rises by 21% to 13.4% (from 11.1% in 2005) for the six month period;
- New orders amount to US\$ 2,318 million for the first six months of 2006 bringing backlog to a record level of US\$ 5,635 million;
- Updated 2006 year-end forecast increases from US\$ 185 million to around US\$ 200 million.

1. Half-year results 2006

All comparative numbers included in the earnings per share information have been restated to reflect the four for one share split effective from 2 June 2006.

The net profit after tax for SBM Offshore N.V. (the Company) for the first six months of 2006 was US\$ 97.8 million (US\$ 0.70 per share) compared with US\$ 73.5 million (US\$ 0.54 per share) at mid-year 2005.

Turnover for the six months was US\$ 823.0 million compared with US\$ 607.1 million for mid year 2005. Turnover in 2006 includes US\$ 103.7 million for the sale to Malaysian International Shipping Company Sdn Bhd (MISC) of 49% of the Company's interest in the FPSO Brasil, which generated an after tax profit of over US\$ 10 million.

EBITDA for the half-year was US\$ 218.6 million (US\$ 1.58 per share) compared with US\$ 205.2 million (US\$ 1.52 per share) at mid-year 2005.

EBIT for the six month period was US\$ 115.9 million (US\$ 0.84 per share) compared with US\$ 102.4 million (US\$ 0.76 per share) in 2005.

Operating expenses for the period include a sharp increase in expenditure related to the development of new products.

Net financing costs have fallen significantly as a result of accelerating cashflow from turnkey projects and reduced margins on long-term debt.

Net debt to equity at 30 June 2006 stands at 0.69 compared with 0.90 at 31 December 2005.

2. Expectations for the full year 2006

Based upon the result of the first six months and potential developments over the remainder of the year, the Company expects that 2006 will generate:

- Net profit of around US\$ 200 million (US\$ 1.43 per share) with an increasing proportion derived from turnkey sales activities;
- EBITDA of around US\$ 470 million (US\$ 3.37 per share);
- Capital expenditure of around US\$ 500 million compared with US\$ 399 million in 2005. Capex projections have been scaled down as a result of the high proportion of new work contracted on a turnkey sales basis.

3. New booked orders

New booked orders for the first half-year of 2006 totalled US\$ 2,318 million, compared with US\$ 902 million for the first half of 2005, and US\$ 1,510 million for the whole year 2005. Order portfolio at 30 June stood at US\$ 5,635 million (year-end 2005 – US\$ 4,058 million).

The major new orders include:

- In Joint venture with Sonangol, contracts with ExxonMobil affiliate Esso Exploration Angola (Block 15) Limited, for the fifteen year lease and operation of FPSOs for Mondo and for Saxi-Batuque in the Kizomba 'C' development area offshore Angola;
- A contract with Petrobras for the supply of two large and complex CALM terminals for tanker loading at Pra in the Campos Basin offshore Brazil;
- An order for the supply of a conventional CALM type tanker loading terminal from the Willbros Group for installation at the 'Gas To Liquid' plant of Chevron in Escravos, Nigeria;
- Orders from Reliance Industries Limited for the supply of conventional CALM type tanker loading and discharge terminals for installation at Jamnagar, India;
- A contract with Chevron subsidiary Chevron Frade LLC for the turnkey supply, installation and three years operation of an FPSO for the Frade field offshore Brazil;
- A contract for the basic design package and the supply of special components for two jack-up drilling units to be built by Labroy Offshore in Batam, Indonesia;
- The confirmation from Shell of the extension till the end of 2007 of the lease contract for the FSO 'Okha' offshore Sakhalin, Russia.

The following awards were received since 1 July 2006:

- A contract with Technip Consortium for the supply of a conventional CALM type tanker discharge terminal for Petrovietnam's Dung Quat Refinery project;
- Letters of Intent from Brazilian drilling contractors for the supply of dynamically positioned semi-submersible drilling units. Formal contracts are currently under negotiation.

4. Market Developments

In the wake of the increased offshore exploration activities of the oil companies, the number of identified prospects and tender invitations for offshore facilities keeps growing steadily. Depending on the selected development scenario, and in certain locations affected by the presence of an existing (pipeline) infrastructure, this involves FPSOs on supply or on lease basis, or production facilities based on the Semi-Submersible, TLP or Spar concept.

The high demand for new production facilities, coinciding with the boom in the construction of drilling units, leads to a shortage of new building yard capacity and extended lead times for the supply of major system components, in particular rotating equipment. The resulting sharp increases in costs and extended delivery schedules impose on the contractors the application of stringent project management and cost control procedures, to protect the contractor from getting squeezed between a firm commitment to its client and the increasing cost and schedule of its subcontractors. Application of these

procedures does not start at the date of award of a lease or supply contract but six to nine months prior to this date, at the start of the tender preparation. Firm commitments from potential vendors and subcontractors obtained in the project tendering phase, with a validity stretching beyond the expected commitment date of the client, are an essential element of the risk control policy of SBM Offshore.

All deepwater development scenarios have in common that they require the supply and installation of a subsea infrastructure comprising wellheads, flowlines and risers and the availability of drilling units for the drilling of production and, in many instances, water and/or gas injection wells. The current overheating of the drilling and subsea supply and installation markets, reflected in high costs and long lead times, is more and more often dictating the overall field development costs and the time to first oil. Drilling and subsea infrastructure are the critical cost components for a field development sanction and the floating production facility is in many cases no longer on the critical path to first oil.

Notwithstanding these circumstances, SBM Offshore is confident to be able to obtain during the remainder of the year out of the current flow of tenders a number of additional lease and supply contracts for production facilities and, through the strict application of its project management and cost control procedures, to secure satisfactory margins on the execution of these projects. In this context the Company has increased its execution capacity and there is room for substantial additional intake beyond the already large order book.

5. Financial Agenda

Preliminary Results 2006 – Press Release	30 January 2007
Final Results 2006 – Press Release	27 March 2007
Final Results 2006 – Analysts Presentation (Amsterdam)	28 March 2007
Annual Report 2006	End April 2007
Annual General Meeting of Shareholders 2007	15 May 2007
Ex-dividend Date	17 May 2007
Half-year Results 2007 – Press Release	28 August 2007
Half-year Results 2007 – Analysts Presentation (Amsterdam)	29 August 2007

6. Corporate Profile

The Dutch public company SBM Offshore N.V. is the holding company of a group of international, marine technology orientated companies. Its business is to serve 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 product line comprises:

- Offshore import/export terminals for crude oil, refined products, LPG and LNG, mostly based on the single point mooring principle, Floating Production and/or Storage and Offloading systems (FSOs and FPSOs) and other floating production facilities based on ship hulls, semi-submersibles and Tension Leg Platforms (TLPs);

- Offshore oil and gas production services through the leasing of integrated production and storage facilities owned and operated by the Company;
- Design, construction and supply of semi-submersible drilling platforms;
- Special designs and engineering services and delivery of specific hardware components for dynamically positioned drillships, semi-submersible drilling platforms, jack-up drilling platforms, jack-up platforms for civil construction, large capacity offshore cranes, elevating and lifting systems, crane vessels and other specialised work vessels;
- Offshore construction and installation contracting services.

The Board of Management

Schiedam, 28 August 2006

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Disclaimer

Some of the statements contained in this release that are not historical facts are statements of future expectations and other forward-looking statements based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those in such statements. Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of the Company's business to differ materially and adversely from the forward-looking statements. Certain such forward-looking statements can

be identified by the use of forward-looking terminology such as 'believes', 'may', 'will', 'should', 'would be', 'expects' or 'anticipates' or similar expressions, or the negative thereof, or other variations thereof, or comparable terminology, or by discussions of strategy, plans, or intentions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release as anticipated, believed, or expected. SBM Offshore NV does not intend, and does not assume any obligation, to update any industry information or forward-looking statements set forth in this release to reflect subsequent events or circumstances.

CONSOLIDATED INTERIM INCOME STATEMENT

(in thousands of US Dollars)

	Notes	6 months ended 30 June 2006	6 months ended 30 June 2005
Revenue	1	822,979	607,115
Cost of sales		(650,041)	(461,350)
Gross margin		172,938	145,765
Other operating income		1,007	784
Selling and marketing expenses		(17,316)	(14,684)
General and administrative expenses		(25,359)	(22,888)
Other operating expenses		(15,377)	(6,535)
Operating profit before financing costs		115,893	102,442
Net financing costs		(13,525)	(27,791)
Share of profit of associates		–	–
Profit before tax		102,368	74,651
Income tax expenses		(4,616)	(1,178)
Net profit		97,752	73,473
Attributable to:			
Shareholders of the Company		97,671	73,414
Minority interests		81	59
		<u>97,752</u>	<u>73,473</u>
Basic earnings per share	2	0.70	0.54
Fully diluted earnings per share	2	0.70	0.54

SHARES INFORMATION

	30 June 2006	31 December 2005
Number of shares outstanding	140,354,932	137,774,324
Share price (€)	20.84	17.06
Market capitalization (€ mln)	2,925.0	2,350.8
Market capitalization (US\$ mln)	3,717.7	2,769.7

The meeting of shareholders held on 19 May 2006 approved the four for one split of the Company's ordinary shares. The post-split shares commenced trading on 2 June 2006. All comparative numbers included in the earnings per share calculations and share information have been restated to reflect the split.

The interim financial statements have not been audited.

CONSOLIDATED INTERIM BALANCE SHEET

(in thousands of US Dollars)

	Notes	30 June 2006	31 December 2005
ASSETS			
Property, plant and equipment	3	1,740,415	1,704,463
Intangible assets		33,422	34,313
Investment in associates		217	202
Other financial assets		94,121	102,515
Deferred tax asset		5,942	8,196
Total non-current assets		1,874,117	1,849,689
Inventories		16,686	11,956
Trade and other receivables		333,820	239,225
Income tax receivable		318	1,562
Construction contracts		66,168	63,921
Financial instruments		190,662	151,823
Cash and cash equivalents		232,099	150,925
Total current assets		839,753	619,412
TOTAL ASSETS		2,713,870	2,469,101
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Issued capital		44,594	40,577
Share premium		338,986	323,776
Retained earnings		558,654	533,927
Other reserves		44,169	(3,236)
		986,403	895,044
Minority interests		336	292
Total Equity		986,739	895,336
Long term loans and other liabilities	4	796,358	741,440
Provisions		44,379	40,908
Deferred tax liability		0	0
Total non-current liabilities		840,737	782,348
Trade and other payables		611,100	430,717
Current income tax liabilities		1,443	4,330
Borrowings and bank overdrafts		120,699	214,106
Financial instruments		153,152	142,264
Total current liabilities		886,394	791,417
TOTAL EQUITY AND LIABILITIES		2,713,870	2,469,101

The interim financial statements have not been audited.

CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY

(in thousands of US Dollars)

	2006	2005
Total equity 31 December 2005 (31 December 2004)	895,336	665,127
Recognition of financial instruments	-	49,599
Total equity at 1 January	895,336	714,726
Profit for the year	97,671	73,414
Dividend	(70,546)	(30,406)
Share options exercised / bonus shares	15,999	14,630
Movement financial instruments	45,824	(59,325)
Translation differences	896	(5,514)
Other movements	1,515	1,201
Change in minority interests	44	59
Total equity at 30 June	986,739	708,785

The General Meeting of Shareholders held on 19 May 2006 approved a dividend per ordinary share of US\$ 0.825 (2005: US\$ 0.425).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(in thousands of US Dollars)

	6 months ended 30 June 2006	6 months ended 30 June 2005
Cash flow from operating activities	401,996	319,527
Cash flow from investing activities	(240,726)	(187,105)
Cash flow from financing activities	(82,514)	(164,738)
Net increase/(decrease) in cash and bank balances	78,756	(32,316)
Cash and bank balances at beginning of period	144,850	146,631
Exchange gains/(losses) on cash and bank balances	2,963	(1,500)
Cash and bank balances at end of period	226,569	112,815

The interim financial statements have not been audited.

SBM Offshore N.V. is a company domiciled in Rotterdam, the Netherlands. The condensed consolidated interim financial statements for the six months ended 30 June 2006 comprise the interim 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.

Statement of compliance

The condensed consolidated interim financial statements for the half year ended 30 June 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial statements. The information in the interim financial statements has been prepared based on the IFRS standards and interpretations, adopted by the EU.

With respect to the lease classification of two of the Company's lease contracts there is an ongoing discussion on the interpretation of the relevant standards. In the condensed interim financial statements, all lease contracts have been treated as operating leases and consequently

the book values are included in Property, plant and equipment. If it should be determined that these lease contracts qualify as financial leases then the related book values should, during the construction phase, be transferred to construction contracts. Upon completion of the construction the respective amounts would be transferred to financial fixed assets. Restatement would not have a material effect on either equity or net result as presented in the condensed interim financial statements.

Basis of preparation

The condensed consolidated interim financial statements are presented in US Dollars, rounded to the nearest thousand. The accounting policies and methods of computation followed in the preparation of the 2006 interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2005. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Segment information	6 months ended 30 June 2006				
	<i>(in thousands of US Dollars)</i>		%	%	
	Lease		Turnkey		Consolidated
Segment revenue	281,615	34.2	541,364	65.8	822,979
Gross margin	91,035	52.6	81,903	47.4	172,938
Other income	585		335		920
Unallocated income and expenses	–		–		(57,965)
Operating profit (EBIT)	<u>91,620</u>		<u>82,238</u>		<u>115,893</u>
Net financing costs					(13,525)
Share of profit of associates					–
Income tax expense					<u>(4,616)</u>
Net profit					<u>97,752</u>
	6 months ended 30 June 2005				
	<i>(in thousands of US Dollars)</i>		%	%	
	Lease		Turnkey		Consolidated
Segment revenue	282,475	46.5	324,640	53.5	607,115
Gross margin	91,056	62.5	54,709	37.5	145,765
Other income	363		–		363
Unallocated income and expenses	–		–		(43,686)
Operating profit (EBIT)	<u>91,419</u>		<u>54,709</u>		<u>102,442</u>
Net financing costs					(27,791)
Share of profit of associates					–
Income tax expense					<u>(1,178)</u>
Net profit					<u>73,473</u>

Sale of shares in FPSO Brasil

The sale of 49% percent of the shares in the two group companies owning and operating the FPSO Brasil, to Malaysian International Shipping Company Sdn Bhd (MISC), is reflected in the Turnkey segment. The transaction generated turnover of US\$ 103.7 million and net profit in excess of US\$ 10 million. The related cash flow is included in cash flow from operating activities.

Unallocated income and expenses include Selling, General & Administrative expenses for US\$ 42.7 million in 2006 (2005: US\$ 37.6 million). For analytical review purposes approximately one third of these costs can be considered as attributable to the lease segment. Unallocated costs also include Other operating expenses, which correspond mainly to Research and Development activities and relate principally to the Turnkey segment.

2. Earnings per share	
	The basic earnings per share for the period amounts to US\$ 0.70 (2005: US\$ 0.54); the fully diluted earnings per share amounts to US\$ 0.70 (2005: US\$ 0.54).
	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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

	2006	2005*
Number of shares outstanding 1 January	137,774,324	134,235,912
Stock dividend	257,400	266,620
New share issue (re exercised options)	631,110	706,752
Weighted average number of shares	<u>138,662,834</u>	<u>135,209,284</u>
Weighted average number of shares to be granted without payment under the stock option scheme	<u>1,789,046</u>	<u>521,708</u>
Weighted average number of shares (diluted)	<u>140,451,880</u>	<u>135,730,992</u>

* The comparative numbers have been restated to reflect the 2 June 2006 four for one share split

3. Property, plant and equipment

Total movement in property, plant and equipment is as follows:

	2006	2005	2005 Full year
<i>(in thousands of US Dollars)</i>			
Book value 1 January	1,704,463	1,690,615	1,690,615
Additions	225,486	207,590	398,548
Disposals	(40)	-	(168,013)
Depreciation	(102,295)	(102,296)	(205,959)
Exchange rate differences	5,992	(8,993)	(10,728)
Deconsolidation and other movements	<u>(93,191)</u>	<u>-</u>	<u>-</u>
<i>Movements during the year</i>	<u>35,952</u>	<u>96,301</u>	<u>13,848</u>
Book value 30 June (full year: 31 December)	<u>1,740,415</u>	<u>1,786,916</u>	<u>1,704,463</u>

4. Long term loans and other liabilities

Included in long term loans and other liabilities are interest bearing loans and borrowings. The movement in the interest bearing loans and borrowings is as follows:

	2006	2005	2005 Full year
<i>(in thousands of US Dollars)</i>			
Long term portion	741,440	1,039,483	1,039,483
Add: short term portion	208,031	245,227	245,227
Remaining principal 1 January	<u>949,471</u>	<u>1,284,710</u>	<u>1,284,710</u>
Additions	201,040	97,594	100,184
Redemptions	(238,984)	(198,762)	(435,423)
<i>Movements during the year</i>	<u>(37,944)</u>	<u>(101,168)</u>	<u>(335,239)</u>
Remaining principal 30 June	911,527	1,183,542	949,471
Less: short term portion	<u>(115,169)</u>	<u>(241,725)</u>	<u>(208,031)</u>
Long term portion 30 June (full year: 31 December)	<u>796,358</u>	<u>941,817</u>	<u>741,440</u>

5. Subsequent events

No reportable events have occurred after the balance sheet date.