SBM OFFSHORE

EXPERIENCE MATTERS

2016

ANNUAL REPORT

Commitments

As at December 31, 2016, the remaining contractual commitments for acquisition of intangible assets, property, plant and equipment and investment in leases amounted to US$ 2 million (December 31, 2015: US$ 35 million). Investment commitments have decreased principally due to the completion of the construction of FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*.

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

Commitments

				2016	2015
	< 1 year	1-5 years	> 5years	Total	Total
Operating lease	16	64	78	158	**209**
Rental and leasehold	19	57	7	83	**131**
Total	**35**	**120**	**85**	**240**	**340**

CONTINGENT ASSET

The Company continues to investigate the possibility to recover losses incurred in connection with the Yme development project from insurers. Under the terms of the settlement agreement with Talisman, all pending and future claim recoveries (after expenses and legal costs) relating to the Yme development project under the relevant construction all risks insured shall be shared 50/50 between the Company and Talisman.

5.3.29 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

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

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

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

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classification and fair values as at December 31, 2016

		Carrying amount					
	Notes	Fair Value through profit or loss	Fair value - hedging instruments	Loans and receivables	IAS 17 Leases	Financial liabilities at amortised cost	Total
Financial assets measured at fair value							
Interest rate swaps	*5.3.20*	-	6	-	-	-	6
Forward currency contracts	*5.3.20*	26	7	-	-	-	33
Total		**26**	**13**	**-**	**-**	**-**	**39**
Financial assets not measured at fair value							
Trade and other receivables	*5.3.18*	-	-	656	-	-	656
Finance leases receivables	*5.3.14*	-	-	-	7,560	-	7,560
Loans to joint ventures and associates	*5.3.15/5.3.18*	-	-	215	-	-	215
Total		**-**	**-**	**870**	**7,560**	**-**	**8,430**
Financial liabilities measured at fair value							
Interest rate swaps	*5.3.20*	-	170	-	-	-	170
Forward currency contracts	*5.3.20*	12	54	-	-	-	66
Total		**12**	**224**	**-**	**-**	**-**	**236**
Financial liabilities not measured at fair value							
US$ project finance facilities drawn	*5.3.24*	-	-	-	-	4,624	4,624
US$ guaranteed project finance facilities drawn	*5.3.24*	-	-	-	-	1,426	1,426
Revolving credit facility/Bilateral credit facilities	*5.3.24*	-	-	-	-	(3)	(3)
Other debt	*5.3.24*	-	-	-	-	73	73
Trade and other payables/Other non-current liabilities	*5.3.27*	-	-	-	-	706	706
Total		**-**	**-**	**-**	**-**	**6,826**	**6,826**

Fair value levels 2016

		Fair value			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Interest rate swaps	5.3.20	-	6	-	6
Forward currency contracts	5.3.20	-	33	-	33
Total		**-**	**39**	**-**	**39**
Financial assets not measured at fair value					
Finance leases receivables	5.3.14	-	-	7,476	7,476
Loans to joint ventures and associates	5.3.15/5.3.18	-	-	197	197
Total		**-**	**-**	**7,673**	**7,673**
Financial liabilities measured at fair value					
Interest rate swaps	5.3.20	-	170	-	170
Forward currency contracts	5.3.20	-	66	-	66
Total		**-**	**236**	**-**	**236**
Financial liabilities not measured at fair value					
US$ project finance facilities drawn	5.3.24	-	4,634	-	4,634
US$ guaranteed project finance facilities drawn	5.3.24	-	1,426	-	1,426
Revolving credit facility/Bilateral credit facilities	5.3.24	-	(3)	-	(3)
Other debt	5.3.24	-	-	75	75
Total		**-**	**6,057**	**75**	**6,132**

Additional information

- In the above table, the Company has disclosed the fair value of each class of financial assets and financial liabilities in a way that permits the information to be compared with the carrying amounts
- Classes of financial instruments that are not used are not disclosed
- The Company has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values as the impact of discounting is insignificant
- No instruments were transferred between Level 1 and Level 2
- None of the instruments of the Level 3 hierarchy are carried at fair value in the statement of financial position
- No financial instruments were subject to offsetting as of December 31, 2016 and December 31, 2015. Financial Derivatives amounting to a fair value of US$ 6 million (2015: US$ 15 million) were subject to enforceable master netting arrangements or similar arrangements but were not offset as the IAS 32 'Financial Instruments – Presentation' criteria were not met. The impact of offsetting would result in a reduction of both assets and liabilities by US$ 6 million (2015: US$ 15 million)

Accounting classification and fair values as at December 31, 2015

	Notes	Carrying amount							
		Fair Value through profit or loss	Fair value - hedging instruments	Held-to-maturity	Available for sale	Loans and receivables	IAS 17 Leases	Financial liabilities at amortised cost	Total
Financial assets measured at fair value									
Interest rate swaps	5.3.20	-	0	-	-	-	-	-	0
Forward currency contracts	5.3.20	18	2	-	-	-	-	-	20
Corporate securities		-	-	-	2	-	-	-	2
Total		**18**	**3**	**-**	**2**	**-**	**-**	**-**	**23**
Financial assets not measured at fair value									
Corporate securities		-	-	28	-	-	-	-	28
Trade and other receivables	5.3.18	-	-	-	-	640	-	-	640
Finance leases receivables	5.3.14	-	-	-	-	-	3,184	-	3,184
Loans to joint ventures and associates	5.3.15/5.3.18	-	-	-	-	299	-	-	299
Total		**-**	**-**	**28**	**-**	**938**	**3,184**	**-**	**4,151**
Financial liabilities measured at fair value									
Interest rate swaps	5.3.20	-	205	-	-	-	-	-	205
Forward currency contracts	5.3.20	41	86	-	-	-	-	-	127
Total		**41**	**291**	**-**	**-**	**-**	**-**	**-**	**332**
Financial liabilities not measured at fair value									
US$ project finance facilities drawn	5.3.24	-	-	-	-	-	-	2,782	2,782
US$ guaranteed project finance facilities drawn	5.3.24	-	-	-	-	-	-	2,515	2,515
Revolving credit facility/Bilateral credit facilities	5.3.24	-	-	-	-	-	-	(4)	(4)
Other debt	5.3.24	-	-	-	-	-	-	429	429
Trade and other payables/Other non-current liabilities		-	-	-	-	-	-	992	992
Total		**-**	**-**	**-**	**-**	**-**	**-**	**6,714**	**6,714**

Fair value levels 2015

		Fair value			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Interest rate swaps	*5.3.20*	-	0	-	0
Forward currency contracts	*5.3.20*	-	20	-	20
Corporate securities		-	2	-	2
Total		**-**	**23**	**-**	**23**
Financial assets not measured at fair value					
Corporate securities		25	2	-	27
Finance leases receivables	*5.3.14*	-	-	3,134	3,134
Loans to joint ventures and associates	*5.3.15/5.3.18*	-	-	296	296
Total		**25**	**2**	**3,430**	**3,457**
Financial liabilities measured at fair value					
Interest rate swaps	*5.3.20*	-	205	-	205
Forward currency contracts	*5.3.20*	-	127	-	127
Total		**-**	**332**	**-**	**332**
Financial liabilities not measured at fair value					
US$ project finance facilities drawn	*5.3.24*	-	2,700	-	2,700
US$ guaranteed project finance facilities drawn	*5.3.24*	-	2,515	-	2,515
Revolving credit facility/Bilateral credit facilities	*5.3.24*	-	(4)	-	(4)
Other debt	*5.3.24*	-	-	427	427
Total		**-**	**5,211**	**427**	**5,638**

MEASUREMENT OF FAIR VALUES

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

	Level 2 and level 3 instruments		Level 3 instruments
Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value			
Interest rate swaps	Income approach – Present value technique	Not applicable	Not applicable
Forward currency contracts	Income approach – Present value technique	Not applicable	Not applicable
Commodity contracts	Income approach – Present value technique	Not applicable	Not applicable
Financial instrument not measured at fair value			
Loans to joint ventures and associates	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (6%-7%)	The estimated fair value would increase (decrease) if : ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Finance lease receivables	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (5%-9%)	The estimated fair value would increase (decrease) if : ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Loans and borrowings	Income approach – Present value technique	Not applicable	Not applicable
Other long term debt	Income approach – Present value technique	▪ Forecast revenues ▪ Risk-adjusted discount rate (6%)	The estimated fair value would increase (decrease) if : ▪ the revenue was higher (lower) ▪ the risk-adjusted discount rate was lower (higher)
Corporate debt securities	Market approach	Not applicable	Not applicable

DERIVATIVE ASSETS AND LIABILITIES DESIGNATED AS CASH FLOW HEDGES

The following table indicates the period in which the cash flows associated with the cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for interest rate swaps are estimated using the forward rates as at the reporting date.

Cash flows

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2016					
Interest rate swaps	(164)	(95)	(114)	(9)	(218)
Forward currency contracts	(47)	(48)	1	-	(48)
Commodity contracts	-	-	-	-	-
31 December 2015					
Interest rate swaps	(205)	(94)	(184)	(27)	(306)
Forward currency contracts	(84)	(84)	-	-	(84)
Commodity contracts	-	-	-	-	-

The following table indicates the period in which the cash flows hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

Expected profit or loss impact

	Carrying amount	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
31 December 2016					
Interest rate swaps	(164)	(95)	(114)	(9)	(218)
Forward currency contracts	(47)	(48)	1	-	(48)
Commodity contracts	-	-	-	-	-
31 December 2015					
Interest rate swaps	(205)	(94)	(184)	(27)	(306)
Forward currency contracts	(84)	(84)	-	-	(84)
Commodity contracts	-	-	-	-	-

Interest rate swaps

Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the final repayment of the hedged items (see 5.3.23 'Equity Attributable to Shareholders').

Forward currency contracts

Gains and losses recognized in the hedging reserve on forward currency contracts are recognized in the income statement in the period or periods during which the hedged transaction affects the income statement. This is mainly within twelve months from the statement of financial position date unless the gain or loss is included in the initial amount recognized in the carrying amount of fixed assets, in which case recognition is over the lifetime of the asset, or the gain or loss is included in the initial amount recognized in the carrying amount of the cost incurred on construction contracts in which case recognition is based on the 'percentage-of-completion method'.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, market risks (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set in the Group Policy. Generally the Company seeks to apply hedge accounting in order to manage volatility in the Income Statement and Statement of Comprehensive Income. The purpose is to manage the interest rate and currency risk arising from the Company's operations and its sources of finance. Derivatives are only used to hedge closely correlated underlying business transactions.

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

Financial risk management is carried out by a central treasury department under policies approved by the Management Board. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries and the Chief Financial Officer (CFO) during the quarterly Asset-Liability Committee. The

Management Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. It is, and has been throughout the year under review, the Company's policy that no speculation in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk.

Market risk

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

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from transactional currency exposures, primarily with respect to the euro, Singapore dollar, and Brazilian real. The exposure arises from sales or purchases in currencies other than the Company's functional currency. The Company uses forward currency contracts to eliminate the currency exposure once the Company has entered into a firm commitment of a project contract.

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

Foreign exchange risk (summary)

	31 December 2016			31 December 2015		
in millions of local currency	EUR	SGD	BRL	EUR	SGD	BRL
Fixed assets	52	-	280	55	-	38
Current assets	489	3	567	62	1	37
Long term liabilities	(16)	-	-	(13)	-	-
Current liabilities	(324)	(5)	(1,616)	(88)	(12)	(70)
Gross balance sheet exposure	**200**	**(2)**	**(769)**	**17**	**(11)**	**4**
Estimated forecast sales	-	-	-	-	-	-
Estimated forecast purchases	(621)	(279)	(339)	(529)	(65)	(429)
Gross exposure	**(421)**	**(281)**	**(1,108)**	**(513)**	**(76)**	**(425)**
Forward exchange contracts	164	281	333	553	75	292
Net exposure	**(257)**	**0**	**(775)**	**40**	**0**	**(132)**

The increase of the EUR exposure during 2016 was driven by the corporate finance activities (dividend distribution & share buyback program).

The increase of the BRL exposure during 2016 was driven by the increase of the Brazilian activities due to the finalization of the construction and the start of the operation of FPSO Cidade de Marica and FPSO Cidade de Saquarema.

The estimated forecast purchases relate to project expenditures for up to three years and overhead expenses.
The main currency exposures of overhead expenses are 100% hedged for the coming year, 66% hedged for the year thereafter, and 33% for the subsequent year.

Foreign exchange risk (exchange rates applied)

	2016	2015	2016	2015
	Average rate		Closing rate	
EUR 1	1.1069	1.1095	1.0541	1.0887
SGD 1	0.7244	0.7275	0.6919	0.7062
BRL 1	0.2888	0.3045	0.3073	0.2525

The sensitivity on equity and the income statement resulting from a change of ten percent of the US dollar's value against the following currencies at December 31 would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2015.

Foreign exchange risk (sensitivity)

	Profit or loss		Equity	
	10 percent increase	10 percent decrease	10 percent increase	10 percent decrease
31 December 2016				
EUR	-	-	(39)	39
SGD	-	-	(19)	19
BRL	-	-	13	(13)
31 December 2015				
EUR	0	0	(62)	62
SGD	0	0	(5)	5
BRL	0	0	(8)	8

As set out above, by managing foreign currency risk the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long-term however, permanent changes in foreign currency rates would have an impact on consolidated earnings.

Interest rate risk

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

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments (exluding transaction costs) was:

Interest rate risk (summary)

	2016	2015
Fixed rate instruments		
Financial assets	7,601	3,293
Financial liabilities	(799)	(929)
Total	**6,802**	**2,364**
Variable rate instruments		
Financial assets	174	220
Financial liabilities	(5,459)	(4,952)
Financial liabilities (future)	-	(366)
Total	**(5,285)**	**(5,097)**

Interest rate risk (exposure)

	2016	2015
Variable rate instruments	(5,285)	(5,097)
Less: IRS contracts	5,237	5,186
Exposure	**(48)**	**89**

At December 31, 2016, it is estimated that a general increase of 100 basis points in interest rates would increase the Company's profit before tax for the year by approximately US$ 1 million (2015: increase of US$ 1 million) mainly related to un-hedged financial assets. 95.9% (2015: 92.8%) of the floating operating debt is hedged by floating-to-fixed interest rate swaps.

The sensitivity on equity and the income statement resulting from a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2015.

Interest rate risk (sensitivity)

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2016				
Variable rate instruments	0	0	-	-
Interest rate swap	1	(1)	279	(302)
Sensitivity (net)	**1**	**(1)**	**279**	**(302)**
31 December 2015				
Variable rate instruments	1	0	-	-
Interest rate swap	0	0	320	(345)
Sensitivity (net)	**1**	**(1)**	**320**	**(345)**

As set out above, the Company aims to reduce the impact of short-term market price fluctuations on the Company's earnings. Over the long term however, permanent changes in interest rates would have an impact on consolidated earnings.

Credit risk

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

Credit risk

	2016		2015	
Rating	Assets	Liabilities	Assets	Liabilities
AAA			-	-
AA+			-	-
AA	3	(30)	1	40
AA-		(5)	-	6
A+	22	(150)	4	133
A	9	(36)	12	123
A-		-	-	15
BBB+	5	(15)	3	14
BBB			-	-
BBB-			-	-
Non-investment grade			0	0
Derivative financial instruments	**39**	**(236)**	**21**	**332**
AAA	127		20	-
AA+	0		0	-
AA	18		46	-
AA-	28		22	-
A+	631		109	-
A	61		259	-
A-	0		0	-
BBB+	-		32	-
BBB	-		-	-
BBB-	-		0	-
Non-investment grade	38		26	-
Cash and cash equivalents and bank overdrafts	**904**	**-**	**515**	**-**

The Company maintains its policy on cash investment and limits per individual counterparty are set to: A- and A rating US$ 25 million, A+ rating US$ 50 million, AA- and AA rating US$ 80 million and AA+ and above rating US$ 100 million. Cash held in banks rated below A- is mainly related to the Company's activities in Angola (US$ 33 million).

For trade debtors the credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Bank or parent company guarantees are negotiated with customers. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management Board. At the statement of financial position date there is no customer that has an outstanding balance with a percentage over 10% of the total of trade and other receivables. Reference is made to 5.3.18 'Trade and Other Receivables' for information on the distribution of the receivables by country and an analysis of the ageing of the receivables. Furthermore, limited recourse project financing removes a significant portion of the risk on long-term leases.

For other financial assets, the credit quality of each counterpart is assessed taking into account its credit agency rating.

Regarding loans to joint ventures and associates, the maximum exposure to credit risk is the carrying amount of these instruments. As the counterparties of these instruments are Joint Ventures, SBM Offshore has visibility over the expected cash flows and can monitor and manage credit risk that mainly arises from the Joint Venture's final client.

Liquidity risk

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

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

The table below analyses the Company's non-derivative financial liabilities, derivative financial liabilities and derivative financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The future interest cash flows for borrowings and derivative financial instruments are based on the LIBOR rates as at the reporting date.

Liquidity risk 2016

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2016				
Borrowings		765	2,999	3,568
Derivative financial liabilities		156	264	170
Derivative financial assets		(23)	19	9
Trade and other payables	*5.3.27*	706	-	-
Total		**1,604**	**3,282**	**3,746**

Liquidity risk 2015

	Note	Less than 1 year	Between 1 and 5 years	Over 5 years
31 December 2015				
Borrowings		928	2,517	3,316
Derivative financial liabilities		214	421	313
Derivative financial assets		0	0	-
Trade and other payables	*5.3.27*	992	0	-
Total		**2,134**	**2,938**	**3,629**

Capital risk management

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

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

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

The Company's strategy, which has not changed compared to 2015, is to target a gearing ratio between 50% and 60%. This target is subject to maintaining headroom of 20% of all banking covenants. The gearing ratios at December 31, 2016 and 2015 were as follows:

Capital risk management

	2016	2015
Total borrowings	6,120	5,722
Less: net cash and cash equivalents	904	(515)
Net debt	**5,216**	**5,208**
Total equity	3,513	3,465
Total capital	**8,729**	**8,672**
Gearing ratio	59.8%	60.0%

Other risks

In respect of controlling political risk, the Company has a policy of thoroughly reviewing risks associated with contracts, whether turnkey or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained.

5.3.30 LIST OF GROUP COMPANIES

In accordance with legal requirements a list of the Company's entities which are included in the consolidated financial statements of SBM Offshore N.V. has been deposited at the Chamber of Commerce in Amsterdam.