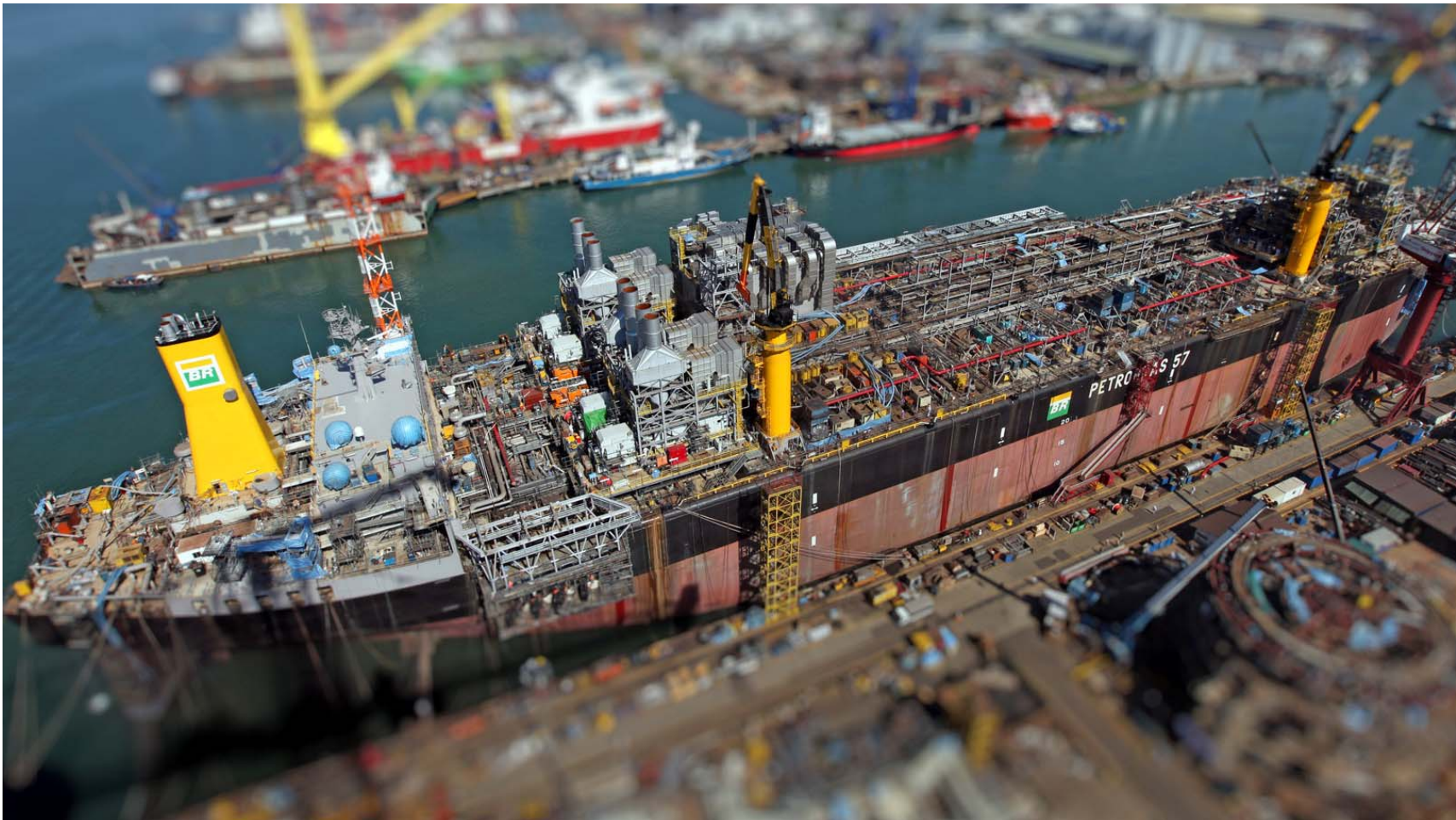


SBM Offshore NV

Lease Accounting Overview



24 September 2010

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- **Base Cases: Operating Lease vs. Finance Lease**
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Introduction

- **In SBM Offshore NV business model, leases represent a significant part (H1 2010: 28.4% of revenue, 59% of EBIT, 2009: 27.6% of revenue, 59.6% of EBIT)**
- **Leases are most often handled with Partners through Joint Ventures companies**
- **Because SBM is a Manufacturer Lessor (as per definition of IAS17), Lease can also be combined with EPCI contract**
- **Purpose of this presentation is to go through most cases that can happen at SBM Offshore NV, explain those complex accounting treatments and their impacts on SBM Offshore financial statements**

Introduction

- **Under IFRS, US and most other Gaap, there is a distinction between Operating Lease and Finance Lease (also called Capital Lease)**
- **SBM Offshore NV has been applying IFRS since 2005.**
- **Under IFRS, the standard is IAS 17 which currently under revision.**
- **Literally, Finance leases are leases which transfer to the client substantially all risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.**
- **Schematically, finance leases are similar to a sale of an underlying asset, combined with a financing package over several periods (ie the lease term)**

| Base Cases Operating Lease / Finance Lease

Case 1 - Operating Lease

- **Risks and rewards remain with SBM Offshore NV**
- **There is a unique transaction ie. the leasing of our asset**
 - Therefore only *one segment is impacted* ie. Lease and Operate
- **During the construction: SBM is building the asset it is going to lease**
 - In BS: the asset being built is shown as “Asset under construction”
 - In P&L: nothing happens
- **During the lease term**
 - In BS: the asset is depreciated over the lease term or 10 years if shorter lease term
 - In P&L:
 - Costs incurred in earning the lease income (including depreciation) are recognized as an expense.
 - Lease income is recognized on a straight-line basis over the lease term even if the bareboat payments (BB) are not on such a basis (in this case deferred income)
 - EBITDA is a fair estimate of the cash flow (except if deferred income)

Case 2 - Finance Lease

- **In substance, it is a sale followed by a “lease”. Therefore it can be considered as a multiple elements arrangement:**
 - **Element 1** is a sale which generates revenue, cost of sale and gross margin
 - Shown under the Turnkey System segment
 - **Element 2** is the lease term which is the period when the lessee repays SBM for the facility granted. Therefore, the BB payments can be considered as (a) repayment of principal and (b) interest income on the SBM financing
 - Shown under Lease and Operate segment
- **During the construction: Element 1 is recognized**
 - In BS: the asset being built is shown as “Construction contract”
 - In P&L: revenue / cost of sale / gross margin are recognized using the percentage of completion method
- **At completion:**
 - In BS:
 - The construction contract is closed and,
 - Transferred to a financial receivable / asset, corresponding to the fair value of the lease

Case 2 - Finance Lease

- **During the lease term**
 - BB payments are the rewards for the SBM financing
 - Therefore BB payments are apportioned as
 - (a) repayment of the principal (the financial receivable)
 - and (b) interest income

 - In P&L
 - Because there is no tangible fixed asset, there is no depreciation
 - The interest income is recognized within Revenue
 - Therefore, EBITDA is not a good approximation of the Cash inflow.
 - Only the cash flow statement actually captures the real cash inflow from the lease activity
 - Note that SBM has chosen to present this cash inflow as Cash Flow from Operating activities and not from Financing Activities

 - In BS: annuity type amortization of the financial receivable

Simplified Example

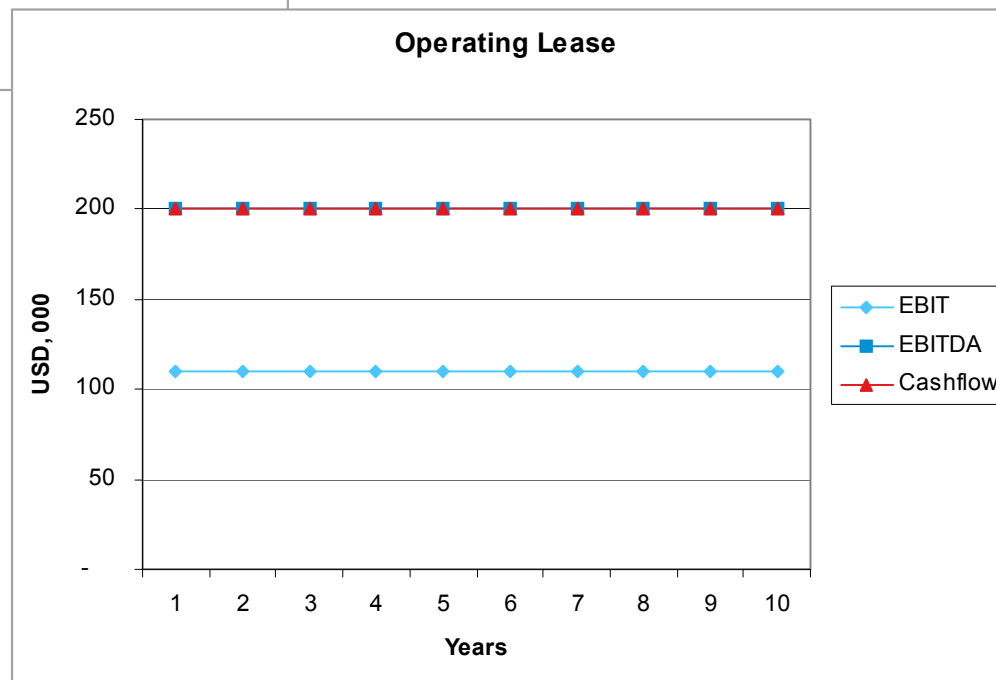
- **Main assumptions**

Lease term	years	10
Yearly BB payment (linear)	USD, 000	200
Construction costs	USD, 000	900
Project WACC	%	8
Assuming construction period	years	2
Percentage of Completion	year 1	40%
	year 2	60%

- **This case is deliberately simplified with the following elements**
- **The case is presented up to EBIT level**
 - Financing costs (bank interests) are excluded
 - Tax impact is excluded
- **The case does not deal with Opex result as this is recognized on a straight line basis, regardless of the Bareboat classification into Operating Lease / Finance Lease**
- **The case assumes no residual value of the vessel at the end of the lease term**

Simplified Example - Operating Lease

Y	Revenue	Depreciation	EBIT	EBITDA	Cashflow
1	200	90	110	200	200
2	200	90	110	200	200
3	200	90	110	200	200
4	200	90	110	200	200
5	200	90	110	200	200
6	200	90	110	200	200
7	200	90	110	200	200
8	200	90	110	200	200
9	200	90	110	200	200
10	200	90	110	200	200
	2,000	900	1,100	2,000	2,000
		BB payments	2,000		
		Costs	900		
		EBIT	1,100		



Simplified Example - Finance Lease

1. Determine Net investment in the Lease

Y	Gross BB	Discount factor	Net BB
1	200	92.6%	185
2	200	85.7%	171
3	200	79.4%	159
4	200	73.5%	147
5	200	68.1%	136
6	200	63.0%	126
7	200	58.3%	117
8	200	54.0%	108
9	200	50.0%	100
10	200	46.3%	93
	2,000	8.0%	1,342

2. Allocate the value of the contract to the various elements

Element 1 - Sale	
Costs incurred	900
Net investment (Fair value of the lease)	1,342
EBIT	442
Element 2 - Lease	
Net investment (Fair value of the lease)	1,342
Gross BB payments	2,000
EBIT	658
<i>Consolidated</i>	
Costs incurred	900
Gross BB payments	2,000
EBIT	1,100
Being	
<i>Element 1</i>	442
<i>Element 2</i>	658

3. Apportion BB payments

Y	Interests	Amortization	Principal
-			1,342
1	107	93	1,249
2	100	100	1,149
3	92	108	1,041
4	83	117	925
5	74	126	799
6	64	136	662
7	53	147	515
8	41	159	357
9	29	171	185
10	15	185	0
	658	1,342	

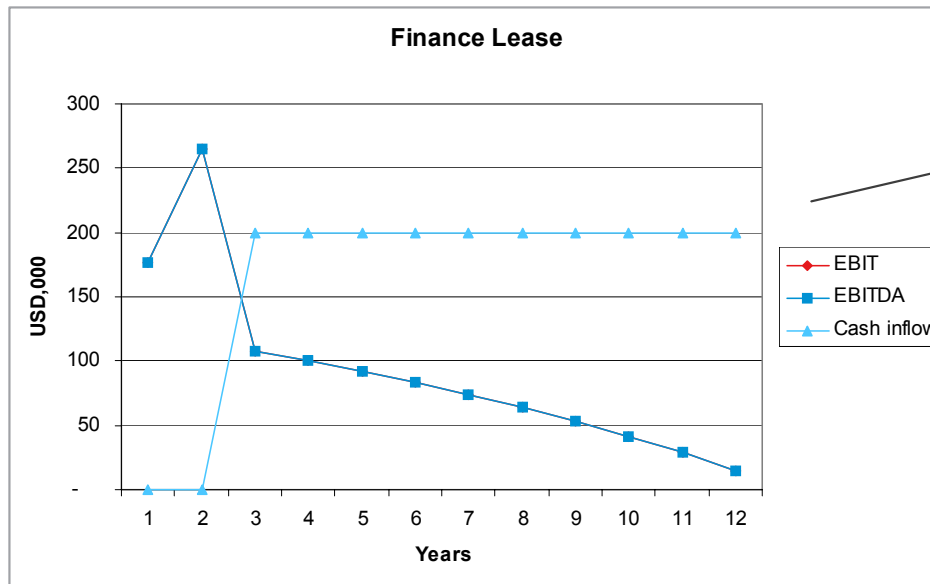
$$= 1.342 * 8\%$$

$$= \text{BB payments} \\ (200) - \text{interest} \\ (107)$$

Simplified Example - Finance Lease

	Y	Revenue	COS	GM	Interest income	EBIT	EBITDA	Cash inflow
Construction	1	537	360	177		177	177	-
	2	805	540	265		265	265	-
Lease	1				107	107	107	200
	2				100	100	100	200
	3				92	92	92	200
	4				83	83	83	200
	5				74	74	74	200
	6				64	64	64	200
	7				53	53	53	200
	8				41	41	41	200
	9				29	29	29	200
	10				15	15	15	200
Total		1,342	900	442	658	1,100	1,100	2,000

Year 1: 40% progress



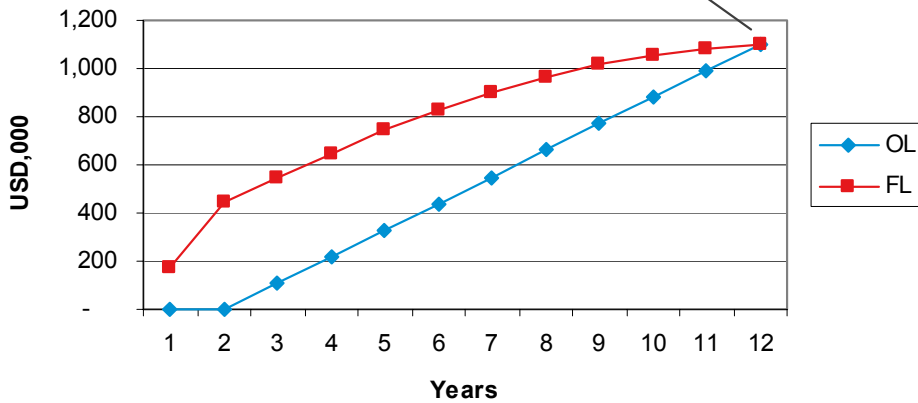
EBIT and EBITDA lines are identical as there is no DA component

Comparison OL / FL

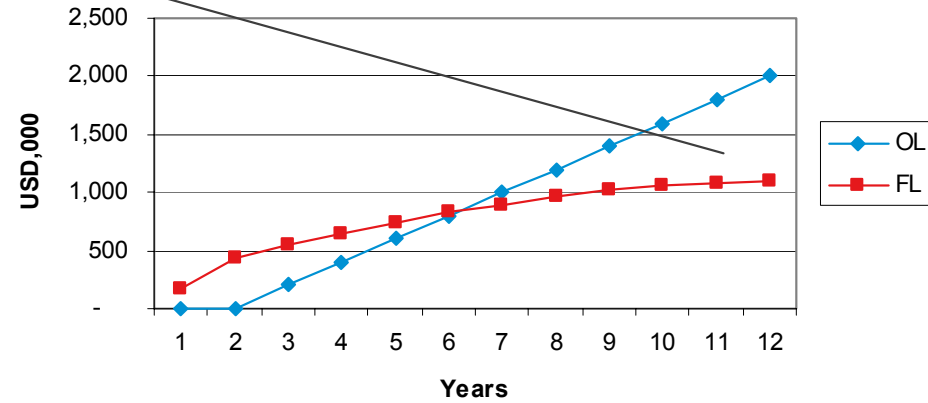
No DA component in FL

EBIT Cumul identical in the end

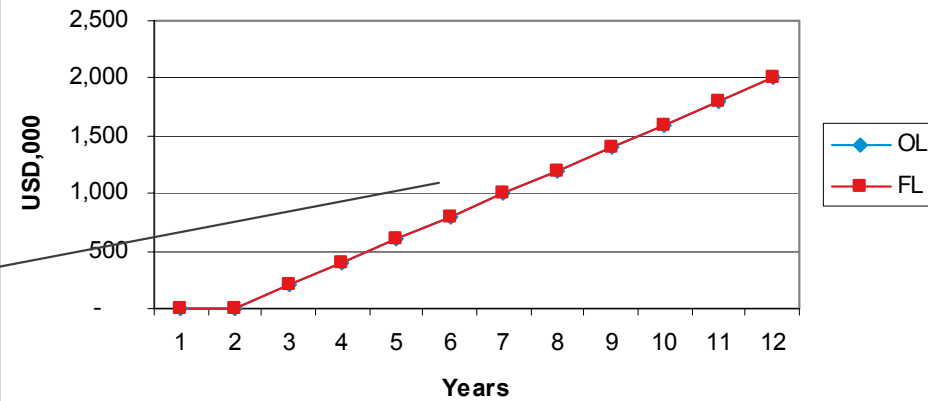
Comparison Cumul EBIT



Comparison Cumul EBITDA



Comparison Cumul Cash Inflow



Neutral for the DCF valuation

II

Variations to base cases

Impact of consolidation method

JV accounting

- **Most of the leases are handled with Partners through Joint Venture companies (13 JV out of 19 vessels in SBM lease fleet).**
- **Depending on SBM's control in those JV, we can identify variations to the base cases 1 and 2:**
 - The JV is in Joint Control
 - Cases 3.1 (Operating Lease) and 3.2 (Finance Lease)
 - SBM has the Full Control on the JV
 - Cases 4.1 (Operating Lease) and 4.2 (Finance Lease)
 - The Partner has the Full Control on the JV
 - Cases 5.1 (Operating Lease) and 5.2 (Finance Lease)

Cases 3.1 and 3.2

The JV is in Joint Control 50% SBM and 50% Partner

- The method of consolidation applied so far by SBM is *the Proportionate consolidation*
 - **Case 3.1 - Operating Lease** is the base case 1 with inflows / outflows / and BS positions taken at 50%
 - **Case 3.2 – Finance Lease** is the base case 2 with inflows / outflows / and BS positions taken at 50%

Case 3.1 - Operating Lease

Y	Revenue	Depreciation	EBIT	EBITDA	Cashflow
1	200	90	110	200	200
2	200	90	110	200	200
3	200	90	110	200	200
4	200	90	110	200	200
5	200	90	110	200	200
6	200	90	110	200	200
7	200	90	110	200	200
8	200	90	110	200	200
9	200	90	110	200	200
10	200	90	110	200	200
	2,000	900	1,100	2,000	2,000
		BB payments	2,000		
		Costs	900		
		EBIT	1,100		

**Base Case 1
100%**

**Case 3.1
50%**

Y	Revenue	Depreciation	EBIT	EBITDA	Cashflow
1	100	45	55	100	100
2	100	45	55	100	100
3	100	45	55	100	100
4	100	45	55	100	100
5	100	45	55	100	100
6	100	45	55	100	100
7	100	45	55	100	100
8	100	45	55	100	100
9	100	45	55	100	100
10	100	45	55	100	100
	1,000	450	550	1,000	1,000
		BB payments	1,000		
		Costs	450		
		EBIT	550		

Case 3.2 - Finance Lease

	Y	Revenue	COS	GM	Interest income	EBIT	EBITDA	Cash inflow
Construction	1	537	360	177		177	177	-
	2	805	540	265		265	265	-
Lease	1				107	107	107	200
	2				100	100	100	200
	3				92	92	92	200
	4				83	83	83	200
	5				74	74	74	200
	6				64	64	64	200
	7				53	53	53	200
	8				41	41	41	200
	9				29	29	29	200
	10				15	15	15	200
Total		1,342	900	442	658	1,100	1,100	2,000

Base Case 2
100%

	Y	Revenue	COS	GM	Interest income	EBIT	EBITDA	Cash inflow
Construction	1	268	180	88	-	88	88	-
	2	403	270	133	-	133	133	-
Lease	1	-	-	-	54	54	54	100
	2	-	-	-	50	50	50	100
	3	-	-	-	46	46	46	100
	4	-	-	-	42	42	42	100
	5	-	-	-	37	37	37	100
	6	-	-	-	32	32	32	100
	7	-	-	-	26	26	26	100
	8	-	-	-	21	21	21	100
	9	-	-	-	14	14	14	100
	10	-	-	-	7	7	7	100
Total		671	450	221	329	550	550	1,000

Case 3.2
50%

Cases 4.1 and 4.2

- **SBM has the Full Control on the JV**
 - The JV is consolidated in **Full with Minority Interests**
 - **Case 4.1 – Operating Lease** is the exact replica of case 1 except that ultimately net result is apportioned between SBM and minority interests
 - **Case 4.2 – Finance Lease** is the exact replica of case 2 except that ultimately net result is apportioned between SBM and minority interests
- *For the purpose of the following example, SBM share is assumed 70% and partner share 30%*

Case 4.1 - Operating Lease

Y	Revenue	Depreciation	EBIT	EBITDA	Cashflow
1	200	90	110	200	200
2	200	90	110	200	200
3	200	90	110	200	200
4	200	90	110	200	200
5	200	90	110	200	200
6	200	90	110	200	200
7	200	90	110	200	200
8	200	90	110	200	200
9	200	90	110	200	200
10	200	90	110	200	200
	2,000	900	1,100	2,000	2,000

**Base Case 1
100%**

BB payments 2,000
Costs 900
EBIT 1,100

Y	Revenue	Depreciation	EBIT	Net result		EBITDA	Cashflow
				Minority Interest	SBM share		
1	200	90	110	33	77	200	200
2	200	90	110	33	77	200	200
3	200	90	110	33	77	200	200
4	200	90	110	33	77	200	200
5	200	90	110	33	77	200	200
6	200	90	110	33	77	200	200
7	200	90	110	33	77	200	200
8	200	90	110	33	77	200	200
9	200	90	110	33	77	200	200
10	200	90	110	33	77	200	200
	2,000	900	1,100	330	770	2,000	2,000
	BB payments	2,000					
	Costs	900					
	Net result	1,100					
	SBM share	770					
	Partner share	330					

**Case 4.1
Minority 30%**

Case 4.2 - Finance Lease

	Y	Revenue	COS	GM	Interest income	EBIT	EBITDA	Cash inflow
Construction	1	537	360	177		177	177	-
	2	805	540	265		265	265	-
Lease	1				107	107	107	200
	2				100	100	100	200
	3				92	92	92	200
	4				83	83	83	200
	5				74	74	74	200
	6				64	64	64	200
	7				53	53	53	200
	8				41	41	41	200
	9				29	29	29	200
	10				15	15	15	200
Total		1,342	900	442	658	1,100	1,100	2,000

Base Case 2
100%

	Y	Revenue	COS	GM	Interest income	EBIT	Net result		EBITDA	Cash inflow
							Minority Interest	SBM share		
Construction	1	537	360	177		177	53	124	177	-
	2	805	540	265		265	80	186	265	-
Lease	1				107	107	32	75	107	200
	2				100	100	30	70	100	200
	3				92	92	28	64	92	200
	4				83	83	25	58	83	200
	5				74	74	22	52	74	200
	6				64	64	19	45	64	200
	7				53	53	16	37	53	200
	8				41	41	12	29	41	200
	9				29	29	9	20	29	200
	10				15	15	4	10	15	200
Total		1.342	900	442	658	1.100	330	770	1.100	2.000

Case 4.2
Minority 30%

Cases 5.1 and 5.2

- **The other Partner has the Full Control on the JV**
 - The JV is not consolidated at all. SBM will apply the Equity Method
 - **In the Equity Method**, a company recognizes its Share of Profit (loss) and Equity in the JV
 - In the P&L, the profit or loss is shown as a separate line called “Share of Profit (loss) in Associates”
 - In the BS, the share in Equity is shown in a separate line called “Investment in Associates”
 - **Case 5.1 – Operating Lease** is the exact opposite of case 4.1
 - **Case 5.2 – Finance Lease** is the exact opposite of case 4.2
- ***For the purpose of the following example, SBM share is assumed 30% and partner share 70%***

Cases 5.1 - Operating Lease

Case 4.1 Minority

Y	Revenue	Depreciation	EBIT	Net result		EBITDA	Cashflow
				Mino	SBM		
1	200	90	110	33	77	200	200
2	200	90	110	33	77	200	200
3	200	90	110	33	77	200	200
4	200	90	110	33	77	200	200
5	200	90	110	33	77	200	200
6	200	90	110	33	77	200	200
7	200	90	110	33	77	200	200
8	200	90	110	33	77	200	200
9	200	90	110	33	77	200	200
10	200	90	110	33	77	200	200
	2,000	900	1,100	330	770	2,000	2,000

Y	Revenue	Depreciation	EBIT	SBM Share of profit in associates	EBITDA	Cashflow
1	-	-	-	33	-	-
2	-	-	-	33	-	-
3	-	-	-	33	-	-
4	-	-	-	33	-	-
5	-	-	-	33	-	-
6	-	-	-	33	-	-
7	-	-	-	33	-	-
8	-	-	-	33	-	-
9	-	-	-	33	-	-
10	-	-	-	33	-	-
	-	-	-	330	-	-

Case 5.1 Equity

Note that the 330 will be shown as Cash inflows if and when dividends will be distributed to SBM.

Cases 5.2 - Finance Lease

**Case 4.2
Minority**

	Y	Revenue	COS	GM	Interest income	EBIT	Net result		EBITDA	Cash inflow
							Minority	SBM		
Construction	1	537	360	177		177	53	124	177	-
	2	805	540	265		265	80	186	265	-
Lease	1				107	107	32	75	107	200
	2				100	100	30	70	100	200
	3				92	92	28	64	92	200
	4				83	83	25	58	83	200
	5				74	74	22	52	74	200
	6				64	64	19	45	64	200
	7				53	53	16	37	53	200
	8				41	41	12	29	41	200
9				29	29	9	20	29	200	
10				15	15	4	10	15	200	
Total		1,342	900	442	658	1,100	330	770	1,100	2,000

**Case 5.2
Equity**

	Y	Revenue	COS	GM	Interest income	EBIT	SBM share of profit in associates	EBITDA	Cash inflow
	2	-	-	-		-	80	-	-
Lease	1				-	-	32	-	-
	2				-	-	30	-	-
	3				-	-	28	-	-
	4				-	-	25	-	-
	5				-	-	22	-	-
	6				-	-	19	-	-
	7				-	-	16	-	-
	8				-	-	12	-	-
9				-	-	9	-	-	
10				-	-	4	-	-	
Total		-	-	-	-	-	330	-	-

III

Application to SBM Offshore NV

Specificity of SBM

- **The specificity of SBM is that in most cases, the JV subcontracts part of / entirely the construction phase directly to an SBM entity. In those cases:**
 - SBM has a direct contract with the JV (either lumpsum EPCI or open books contract)
 - SBM can realise an **additional profit from construction** which is not shared with the partner
 - Recognition of this profit depends on the lease classification
- **Consequently, the cases applicable to SBM are cases 3.1 / 3.2 / 4.1 / 4.2 / 5.1 and 5.2 with an additional profit during the construction period**
 - Operating Lease – cases 3.1.1 / 4.1.1 / 5.1.1
 - Finance Lease – cases 3.2.2 / 4.2.2 / 5.2.2

Operating Lease

- The EPCI profit realised by SBM on its share in the JV is deferred to the lease period

- This is a consolidation entry, which is outside the JV books
- The EPCI profit is not shared with the partner in the JV

- Example:

Lease term	years	10
Yearly BB payment	USD, 000	200
Construction costs SBM	USD, 000	800
Sold to the JV (EPCI contract)	USD, 000	900
Assuming construction period	year	2
Percentage of Completion	year 1	40%
	year 2	60%

- Same assumptions for the SBM share
 - Joint control 50%,
 - Full control: SBM share 70% with Minority interests 30%,
 - No Control: SBM Share 30%

Case 3.1.1 - Operating Lease in Joint Control (50%)

	Y	SBM books			Elimination entry (conso)			JV books at SBM share			Total		
		Revenue	COS	EBIT	Revenue	COS	EBIT	Revenue	COS	EBIT	Revenue	COS	EBIT
Construction	1	360	320	40	180	160	20				180	160	20
	2	540	480	60	270	240	30				270	240	30
Lease	1			-			5	100	45	55	100	40	60
	2			-			5	100	45	55	100	40	60
	3			-			5	100	45	55	100	40	60
	4			-			5	100	45	55	100	40	60
	5			-			5	100	45	55	100	40	60
	6			-			5	100	45	55	100	40	60
	7			-			5	100	45	55	100	40	60
	8			-			5	100	45	55	100	40	60
	9			-			5	100	45	55	100	40	60
	10			-			5	100	45	55	100	40	60
TOTAL		900	800	100			-	1,000	450	550	1,450	800	650

**Case 3.1
50%**

Synthesis	SBM	JV	Elimination	Total
Construction	100	-	50	50
Lease	-	550	50	600
Total	100	550	-	650

Total Profit can be explained:

Costs in the lease	800
Revenue in the lease	2.000
Subtotal lease	1.200
SBM share in the subtotal lease	600
Add profit on SBM construction	50
Total	650

**Being 50% of
1.200**

**Profit on
partner 50%
of 100**

Case 4.1.1 - Operating Lease in Full Control with Minority interests

	Y	SBM books			Elimination entry (conso)			JV books					Total				
		Revenue	COS	EBIT	Revenue	COS	EBIT	Revenue	COS	EBIT	Mino	SBM Share	Revenue	COS	EBIT	Mino	SBM Share
Construction	1	360	320	40	252	224	28						108	96	12		12
	2	540	480	60	378	336	42						162	144	18		18
Lease	1			-			7	200	90	110	- 33	77	200	83	117	- 33	84
	2			-			7	200	90	110	- 33	77	200	83	117	- 33	84
	3			-			7	200	90	110	- 33	77	200	83	117	- 33	84
	4			-			7	200	90	110	- 33	77	200	83	117	- 33	84
	5			-			7	200	90	110	- 33	77	200	83	117	- 33	84
	6			-			7	200	90	110	- 33	77	200	83	117	- 33	84
	7			-			7	200	90	110	- 33	77	200	83	117	- 33	84
	8			-			7	200	90	110	- 33	77	200	83	117	- 33	84
	9			-			7	200	90	110	- 33	77	200	83	117	- 33	84
	10			-			7	200	90	110	- 33	77	200	83	117	- 33	84
TOTAL		900	800	100			0	2,000	900	1,100	330	770	2,270	1,070	1,200	- 330	870

**Case 4.1
Minority
interests for
30%**

**Being 70% of
1.200**

**Profit on
partner 30%
of 100**

Synthesis	SBM	JV	Elimination	Minority interests	Total
Construction	100	-	70		30
Lease	-	1.100	70	330	840
Total	100	1.100	-	330	870

Total Profit can be explained:	
Costs in the lease	800
Revenue in the lease	2.000
Subtotal lease	1.200
SBM share in the subtotal lease	840
Add profit on SBM construction	30
Total	870

Case 5.1.1 - Operating Lease with No Control

	Y	SBM			Elimination entry (conso)			JV books				Consolidation				
		Revenue	COS	EBIT	Revenue	COS	EBIT	Revenue	COS	EBIT	Share of profit in associates	Revenue	COS	EBIT	Share of profit in associates	Result SBM Share
Construction	1	360	320	40			-					360	320	40		40
	2	540	480	60			-					540	480	60		60
Lease	1			-			-			-	33	-	-	-	33	33
	2			-			-			-	33	-	-	-	33	33
	3			-			-			-	33	-	-	-	33	33
	4			-			-			-	33	-	-	-	33	33
	5			-			-			-	33	-	-	-	33	33
	6			-			-			-	33	-	-	-	33	33
	7			-			-			-	33	-	-	-	33	33
	8			-			-			-	33	-	-	-	33	33
	9			-			-			-	33	-	-	-	33	33
	10			-			-			-	33	-	-	-	33	33
TOTAL		900	800	100			-				330	900	800	100	330	430

**Case 5.1
No Control
SBM Share
30%**

Synthesis	SBM	JV	Elimination	Share of profit in associates	Total
Construction	100	-	-	-	100
Lease	-	-	-	330	330
Total	100	-	-	330	430

Profit can be explained:

Costs in the lease	900
Revenue in the lease	2.000
Total Lease	1.100
Total at SBM share	330
Add profit on SBM con	100
Total	430

Finance Lease

- The profit realised by SBM on its JV is recognized during construction
- This profit is 100% SBM and not shared with the partner in the JV

- **Example:**

Lease term	years	10
Yearly BB payment	USD, 000	200
Construction costs SBM	USD, 000	800
Sold to the JV (EPCI contract)	USD, 000	900
Project WACC	%	8
Assuming construction period	years	2
Percentage of Completion	year 1	40%
	year 2	60%

- **Same assumptions for the SBM share**
 - Joint control 50%,
 - Full control: SBM share 70% with Minority interests 30%,
 - No Control: SBM Share 30%

Case 3.2.2 - Finance Lease in Joint Control (50%)

	SBM	JV	Total
Construction	100	221	321
Lease		329	329
Margin	100	550	650
Total profit can be explained:			
Profit on the partner	50		
Element 1 - Construction (at 50%)	271		
Element 2 - Lease (at 50%)	329		
Total	650		
Elements 1 and 2 of the Finance Lease can be rebuilt this way			
<i>Element 1 - Sale</i>			
Costs incurred	800		
Net investment (Fair value of the lease)	1,342		
Profit	542	SBM share 50% gives	271
<i>Element 2 - Lease</i>			
Net investment (Fair value of the lease)	1,342		
Gross BB payments	2,000		
Profit	658	SBM share 50% gives	329

**Case 3.2
50%**

**Profit on
partner 50%
of 100**

**As per
Case 3.2**

Case 4.2.2 - Finance Lease in Full Control with Minority Interests

	SBM	JV	Minority	Total	
Construction	100	442	-	133	409
Lease		658	-	197	461
Margin	100	1,100	-	330	870

Total profit can be explained:

Profit on the partner	30			
Element 1 - Construction (after mino)	379			
Element 2 - Lease (after mino)	461			
Total	870			

Elements 1 and 2 of the Finance Lease can be rebuilt this way

Element 1 - Sale

Costs incurred	800			
Net investment (Fair value of the lease)	1,342			
Profit	542	SBM share 70% gives		379

Element 2 - Lease

Net investment (Fair value of the lease)	1,342			
Gross BB payments	2,000			
Profit	658	SBM share 70% gives		461

**Case 4.2
Minority 30%**

**Profit on
partner
30% of 100**

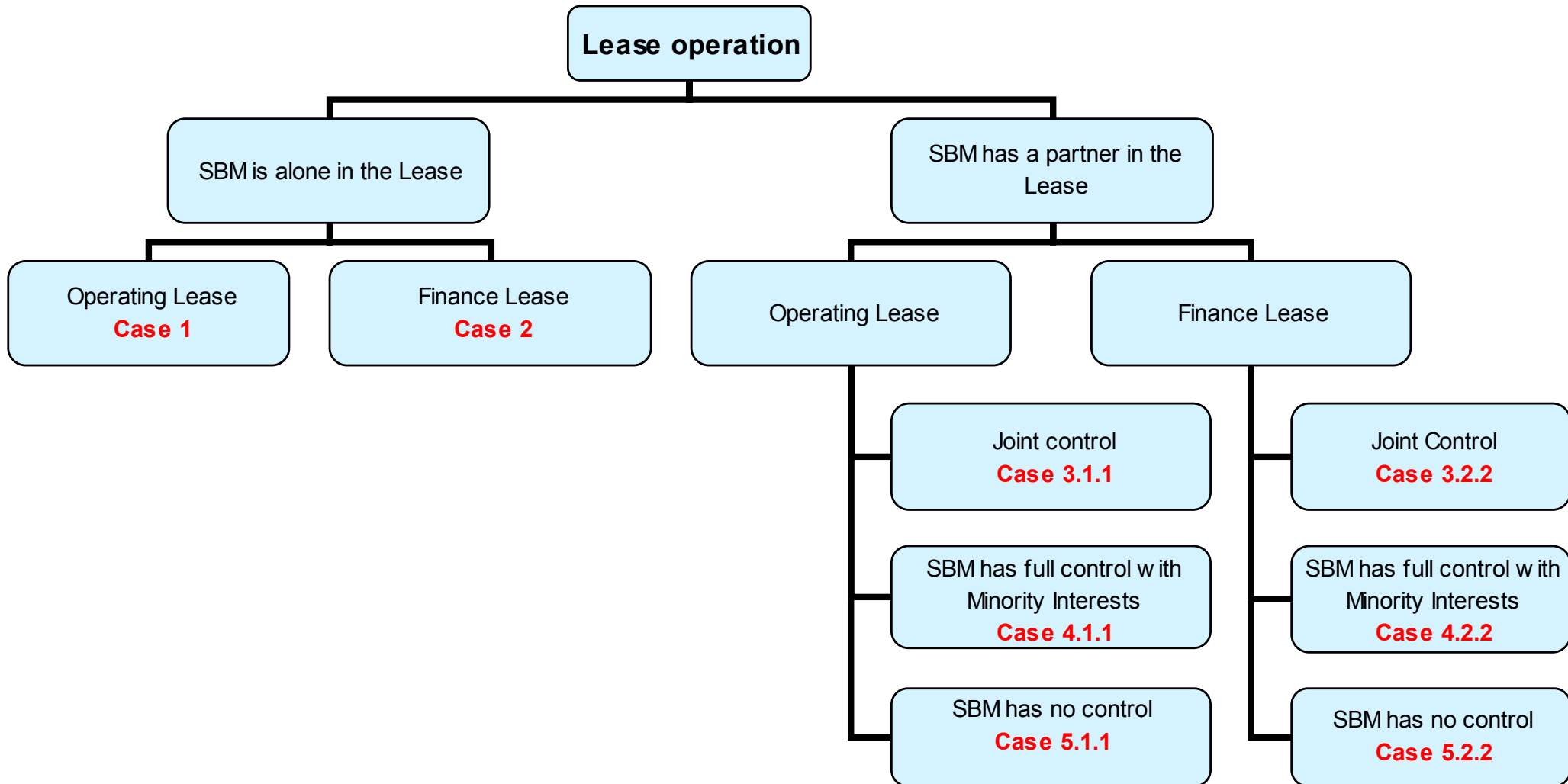
Case 5.2.2 - Finance Lease with No Control

	SBM	JV	Share of profit in associates	Total
Construction	100	-	133	233
Lease		-	197	197
Margin	100	-	330	430
Total profit can be explained:				
Profit on the partner	70			
Element 1 - Construction (after mino)	163			
Element 2 - Lease (after mino)	197			
Total	430			
Elements 1 and 2 of the Finance Lease can be rebuilt this way				
<i>Element 1 - Sale</i>				
Costs incurred	800			
Net investment (Fair value of the lease)	1,342			
Profit	542	SBM share 30% gives		163
<i>Element 2 - Lease</i>				
Net investment (Fair value of the lease)	1,342			
Gross BB payments	2,000			
Profit	658	SBM share 30% gives		197

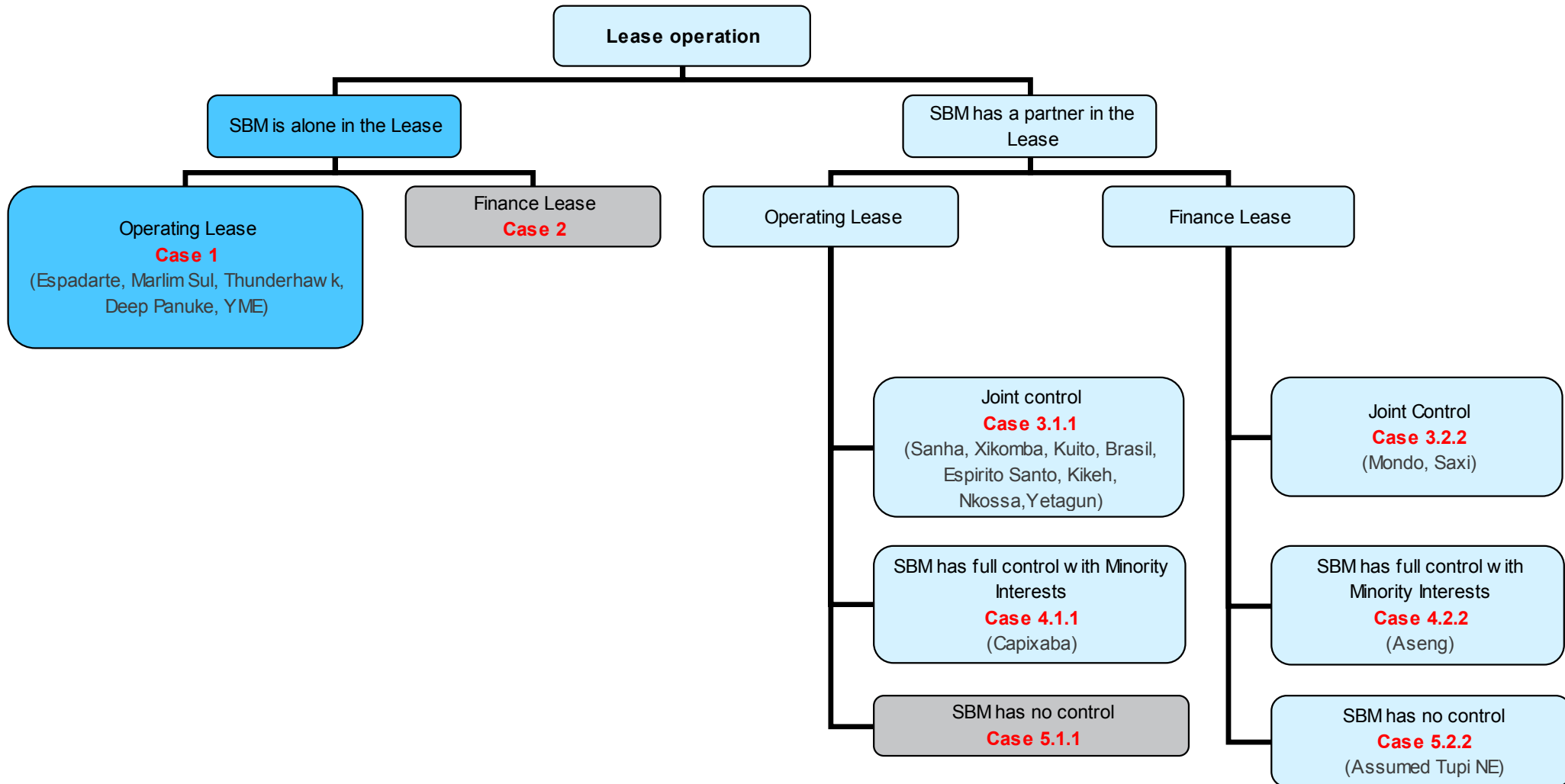
**Case 5.2
No Control**

**Profit on
partner
70% of 100**

Summary



Summary



IV

Future developments

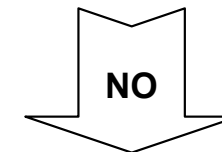
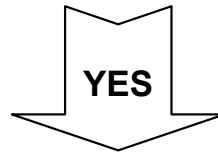
IFRS projects that will have an impact on SBM

- **Project of reshaping IAS 17 – Leases**
 - Joint Project IASB and FASB
 - Project calendar
 - Discussion paper published in March 2009
 - Exposure Draft (ED) published in August 2010
 - ED open for public comment until December 15, 2010

- **What is being proposed for Lessor**
 - When the lease transfers significant risks or benefits of the underlying asset to the lessee, the lessor would apply the derecognition approach (not very different from the current Finance Lease approach)
 - When the lessor retains exposure to significant risks and benefits, the lessor would apply the performance obligation approach (quite different from Operating Lease approach)

Exposure Draft Lease

Is there a transfer of significant risks or benefit of the underlying asset?



Derecognition

Balance Sheet

Residual asset	X
Right to receive lease payments	X

Income Statement

Revenue	X
Cost of sales	(X)
Interest income	X

Performance obligation

Balance Sheet

Underlying asset	X
Right to receive lease payments	X
Lease Performance obligation	(X)
Net Lease asset / (liability)	<u> </u>

Income Statement

Revenue	X
Depreciation expense	(X)
Interest income	X

IFRS projects that will have an impact on SBM

- **Joint Ventures (ED9)**
 - IFRS release expected for Q3 2010
 - Effective date: TBC
 - Shall remove the proportionate consolidation method

- **Revenue recognition**
 - Exposure Draft published June 2010
 - Comments period ends 22/10/2010
 - Target date for IFRS release is June 2011
 - Effective date: TBC
 - May remove the percentage of completion method

Q&A session

Disclaimer

Some of the statements contained in this presentation 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.

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