



**SBM OFFSHORE  
ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**HILTON HOTEL - ROTTERDAM  
Tuesday 15<sup>th</sup> May 2007**

**D. Keller, Managing Director and CEO, SBM Offshore N.V.**

---

Ladies and Gentlemen,

It is again with pleasure that we meet you, shareholders, to report on the state of the Company.

Indeed, the business in 2006 has been quite satisfactory. It is another record year, particularly in respect of the order intake and the closing results; a record that of course we will try to keep breaking, year after year, and as long as the world will keep demanding for more and more energy, which can be expected from the current trend in the global economical development.

Like all our peers in the industry, we are very busy at present. But we are also particularly active in preparing for the future and for the role that we intend to play in the opening gas market. We do have the intention to play a most important role in that market and in fact, today, I would like to share our strong feeling with you, that, although the Company is almost 50 years old, it is closer to the profile of a start-up than of the profile of a mature company: great years of SBM Offshore as a major player in the offshore gas business are in front of us and we are getting ready for it.

I will first comment briefly on the financial results of 2006 and the major events that have occurred during the year.

Then, we will review how the Company is doing so far this year and how Management expects business to develop through the year 2007.

Finally, I will give you our views on the mid and long term and report on how we are progressing on the main points of our strategy.

As a preliminary comment, when comparing the financials of 2006 with previous years, we should remember that 2005 was positively affected by an extraordinary gain from the sale of one of our major FPSOs, when ExxonMobil exercised their contractual purchase option late in the year. A US\$ 80 million profit had resulted from that transaction.

This year, we report a net profit of US\$ 216 million which is 40% higher than 2005 before the extraordinary item. We will propose to you a dividend of US\$ 0.77 per share, representing a yield of 2.1% on today's share price.

This profit was generated by a turnover close to US\$ 2 billion (31% up from the previous year). What is more remarkable in this year 2006 is the very high success in obtaining new contracts, generating an order intake of US\$ 4.9 billion, more than three times the previous year, raising the value of our business portfolio close to US\$ 7 billion at the end of 2006, 72% up from the previous year.

Of course, during the year 2006, all the Group Companies in offshore activities were fully occupied and they all contributed to the profit.

There were several major events during the year that are worth a few comments:

In the lease and operation of floating production facilities, we have added another large FPSO to our fleet in Brazil which makes of Petrobras our number one client in turnover terms. The Campos Basin becomes a large operating area therefore technical skills and management have been decentralized making of Macae a quasi stand-alone organization largely built on local, Brazilian human resources.

The worldwide fleet of production facilities has performed quite well through the year, and has enhanced its contribution through securing, again, performance bonuses in particular from Petrobras and ExxonMobil.

As we said before, the most remarkable event in 2006 is the great success in obtaining new orders both in quantity and in quality. The order intake is indeed a mix of Lease and Turnkey Supply contracts; but more importantly, it is also the successful introduction of new technologies and new business scenarios: for the first time, a Deep Draft Semi-Submersible was contracted on a lease basis in the Gulf of Mexico. Also, another contract was signed with ExxonMobil for two FPSOs for 15 years lease service with a much frontloaded payment schedule which in itself does represent a good balance of mixed revenues on both Sales and Lease basis. The quality of the contract is such that the Company had to accept classification as a financial lease in our accounts. Further, a contract for lease and operation of a new concept called the MOPUstor, for development of a field in the North Sea, was obtained. On the Turnkey Supply segment, which is particularly high in the order book, there was an opportunity for three deepwater drilling rigs as a result of the overheated drilling market; there was also a large FPSO contract for the development of Chevron's Frade field offshore Brazil.

In the market of the sale of mooring technology, it should be noted that contracts were obtained for nine CALM buoys, most of them in fierce competition. This confirms that besides large contracts, SBM Offshore is still capable to fight on smaller jobs and maintain its market share.

The good news from 2006 has had a positive impact on the Company's performance in the stock market. In evaluating the stock performance, we should remember that a share split was made in June 2006 on a 4 for 1 basis. During the year, the share price went up by more than 50% in Euro terms and, for our American investors, by more than 70% as a result of the weakening US Dollar.

The situation in the shareholding structure is unchanged from a year ago with 100% free float and today still only one institutional shareholder with a declared shareholding in excess of 5% of the stock. The shares are still in large part in the hands of Anglo-American institutional investors.

Now, let us look at the future of SBM Offshore and at the business perspectives in general.

We will start looking at how we are doing so far in 2007:

We have announced in January guidance for the end-of-year results of US\$ 260 million and today we feel comfortable with this prediction. Since the beginning of the year, the already large order book was further boosted by another two major orders and, as of the first quarter, the portfolio was up to around US\$ 8 billion; this has been the subject of a press release one month ago. We are confident that we will continue to grow our order book through the rest of the year, in particular with major FPSO contracts that we are presently running after.

The general demand for floating production facilities is very buoyant and will remain so for several years to come. The number of competitors has increased in this market, particularly in the Lease and Operation segment and the Company has decided to focus on the needs from the major oil companies and the national oil companies such as Petrobras, Petronas, Pemex, ONGC, etc. It continues to be our objective to keep the lease fleet growing by adding at least a couple of production units every year. Bearing in mind that in the present market an FPSO cost is in excess of US\$ 0.5 billion (twice as much as 3 or 4 years ago), this represents one of the main elements to fuel the growth of the Company during the few years to come.

We will continue to address this major segment of our business under the same clear principles as defined in our policy in respect of investment, depreciation and returns. However, going forward, as we become more comfortable with the execution risks and with the performance of these units offshore, and also as we now exceed a sufficient critical mass, we feel that we can start, on a conservative approach basis, to take extra leverage based on the reservoir performance. We have done that in 2006 by linking some of the revenues on the ThunderHawk semi-submersible project to the production flow of oil and gas, as we believed that the risk was affordable and well mitigated and that the potential for reward was quite substantial. In future, we will continue to try and find such opportunities where we can secure additional returns with reasonably capped risks.

To address the longer term, we should look at where we stand on our strategy.

First, I said last year that we were in the process of increasing our execution capacity. Engineering and Project Management continue to be our bottlenecks and we have indeed further increased that capacity by 23%, on the basis of our total number of productive manhours. We have today around 3 million manhours per year available for projects, inclusive of temporary staff. To give this figure a perspective, one has to know that an FPSO generally requires between 300,000 and 600,000 manhours over a two-year period.

The expansion was achieved in particular through a rapid start-up and growth of our new execution centre in Kuala Lumpur (Malaysia). That office is now handling the execution of several of our main projects and is also developing a better business presence in the South-East-Asia region and improving our marketing efficiency in the region.

The second point in our strategy was to expand the lease business model beyond FPSOs and in new geographical areas. The Company is well on track on this point, as we have now engaged into contracts for leasing other types of facilities, such as a semi-sub, a MOPU, a MOPUstor, etc. We have also entered into new oil provinces such as the Caspian Sea, the Gulf of Mexico and the North Sea. By the way, one piece of good news is the Caspian Sea operation in Turkmenistan where Petronas is presently drilling additional wells. This will extend the need for these facilities that might well be used for the life of field production instead of the early production scenario originally planned.

The next main point of the strategy, obviously the most important one for the long term, is the development of new technology to address the future needs of the offshore Industry. In 2006, we have spent in excess of US\$ 20 million in Research and Development and, in 2007, we will exceed that figure. The focus is particularly on the gas business where we are working very hard on both the development of new products and new business scenarios. In particular, the industry seems to become very keen on a solution to produce natural gas from remote deep offshore fields; we are working very seriously on such a solution and we will announce more concrete news on this project, well before the end of the year. We will then start catching business opportunities in the market.

In 1979, SBM was the first Company to propose FPSOs in the market at a time where a deep water field was in less than 100 meters. We took a head start among our peers and we have managed to keep that leading position until to date.

We are determined to do the same in the gas business and the potential impact of this on our Company profile and on its future is simply tremendous.

The last element of our strategy is to remain focused on the smaller business related to the sale of mooring technology, the after-sales services, the spare parts and the offshore contracting. It has the merit, not only to provide our clients with a continuous attention through the life of our products, but also to deliver good predictable results that contribute nicely to the bottom line and are not dependant on any cycle of the industry. In 2006, this business has added well over US\$ 20 million to our yearly profit.

Ladies and gentlemen, at the occasion of this meeting, I would like to give you a high level of confidence that SBM Offshore is going to enter into very exciting days. Our balance sheet is now very strong, with a gearing down to 55% and therefore a financial capacity to accept large investment contracts comfortably and without the need to call for additional equity.

About a year ago, we started a period of very high demand in the offshore oil & gas industry; in our opinion, this demand will remain high for several years into the next decade. I have explained how we see the longer term and why we feel confident that SBM Offshore can play a major role and deliver growing value to its Shareholders. We continue to be confident in the market and confident in the capability of our engineers.

On behalf of my colleagues, I want to thank you again, ladies and gentlemen, for your confidence and your loyalty. Our future is going to impress you; keep giving us your support.

THANK YOU.