Annual REPORT

SBM OFFSHORE

2015

6.1.2 Financial Review

Highlights

Directional[3] consolidated net income for 2015 came in at US$ 24 million versus US$ 84 million in 2014. This result includes non-recurring items which generated a net loss of US$ 157 million in 2015 compared to a net loss of US$ 265 million in 2014. Excluding non-recurring items, all relating to compliance issues, 2015 underlying consolidated Directional[3] net income attributable to shareholders stood at US$ 180 million, a decrease from US$ 349 million in the year-ago period, mainly attributable to lower Turnkey segment activity.

Reported consolidated 2015 IFRS total net income was US$ 110 million versus US$ 652 million in 2014. IFRS net income attributable to shareholders amounts to US$ 29 million compared to US$ 575 million in 2014.

Directional[3] earnings per share (EPS) in 2015 amounted to US$ 0.11 compared to US$ 0.40 per share in 2014. Adjusted for non-recurring items, underlying Directional[1] EPS decreased by 49% year-on-year from US$ 1.67 in 2014 to US$ 0.85.

IFRS Net Debt at the year-end totalled US$ 5,208 million versus US$ 4,775 million in 2014. All bank covenants were met and available cash and undrawn committed credit facilities stood at US$ 2,681 million.

New orders for the year totalled US$ 248 million as a result of current market downturn, which compares to US$ 3,124 million achieved in 2014.

Directional[3] revenue decreased by 26% to US$ 2,618 million compared to US$ 3,545 million in the year-ago period. IFRS revenue decreased by 51% to US$ 2,705 million versus US$ 5,482 million in 2014. This was mainly attributable to lower Turnkey segment revenues.

Directional[3] backlog at the end of 2015 remained high at US$ 18.9 billion compared to US$ 21.8 billion at the end of 2014. This reflects a significantly reduced level of order intake in 2015 and a predominant Lease and Operate portfolio consisting of US$ 18.3 billion at year-end.

Directional[3] EBITDA amounted to US$ 561 million, representing a 16% increase compared to US$ 486 million in 2014. This figure includes non-recurring net costs totalling US$ 157 million.

IFRS EBITDA amounted to US$ 462 million, representing a 50% decrease compared to US$ 925 million in 2014. This figure includes non-recurring net costs totalling US$ 157 million.

Directional[3] EBIT decreased slightly to US$ 191 million after non-recurring net costs of US$ 157 million. This compares to US$ 201 million in 2014 which included US$ 236 million of non-recurring costs.

IFRS EBIT decreased sharply to US$ 239 million after non-recurring net costs of US$ 157 million. This compares to 2014 EBIT of US$ 726 million, which included US$ 227 million of non-recurring costs.

The year was marked by the following financial highlights:

- Low level of new orders of US$ 248 million impacted by the market downturn driving Directional[3] backlog to US$ 18.9 billion.
- On 30 June 2015 SBM Offshore completed the divestment of a 45% stake in the *Turritella* project to joint venture partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK Line). The total

[3] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

joint venture partners' cash contribution to the *Turritella* project for their share in the construction costs is expected to amount to approximately US$ 590 million.

- On 16 March 2015, the Company signed a Memorandum of Understanding (MoU) with the Brazilian Comptroller General's Office (Controladoria-Geral da União – 'CGU') and the Attorney General's Office (Advocacia-Geral da União – 'AGU'), setting a framework between the Company, the CGU and the AGU for discussions on a potential mutually acceptable settlement and for the disclosure by SBM Offshore of information relevant to the CGU's investigations. Whilst these discussions, which also include the Public Prosecutor's Office (Ministério Público Federal – 'MPF') and Petrobras, are still ongoing, it has become sufficiently clear that a resolution of the issues will have a financial component. Consequently, based on information currently available to it, SBM Offshore has recorded a provision of US$ 245 million in the year-end financial results of 2015. While discussions are at an advanced stage, timing of a settlement announcement as well as the size of any potential final settlement amount remains to be confirmed.
- Workforce reductions over 2015 totaled approximately 3,200 positions. Roughly 1,500 were full-time employees and contractor staff. The remaining 1,700 were construction yard positions related to the winding down of projects under construction. Restructuring costs of US$ 55 million were recorded during the period and the Company anticipates realizing annualized savings of approximately US$ 80 million. The adaptation to market developments is focused on retaining core competencies. While expectations for order intake remain subdued, maintaining an adequate engineering capacity remains crucial to properly address today's market downturn whilst getting prepared for a future market upturn.
- Although all payments to sales consultants were suspended from February 2012 onwards, the Company continued to accrue over the period 2012 to 2014 for potential liabilities under contracts with those sales consultants that were under internal investigation. Most of these accruals relate to Equatorial Guinea, Angola and Brazil. In 2014, the Company reviewed the contractual situation of these sales consultants in light of the findings of its own internal investigation and those from the Dutch Public Prosecutor ('OM'). In 2015, the Company completed the necessary steps to terminate the consultancy contracts relating to Equatorial Guinea and Angola. More recently, it completed its review of the contractual situation in relation to its former main consultant in Brazil in light of the developments in Brazil in relation to that consultant, including the recent criminal charges filed by the Brazilian Public Prosecutor's Office (Ministério Público Federal – 'MPF') against that consultant. Based on the various reviews referenced above, the Company has come to the conclusion that there is sufficient evidence to conclude that the consultants that represented the Company in Equatorial Guinea and Angola in the period 2007-2011 and the main consultant that represented the Company in Brazil in that period acted in breach of applicable laws, and thus, in contravention of their obligations. As a result, the Company concluded that no remaining liability these sales consultants. In 2015, an amount of US$ 51.8 million was accordingly released to the gross margin of the Turnkey segment and US$ 36.7 million was released to the Gross margin of the Lease and Operate segment.
- Following the signature on 16 September 2014 of a Production Handling Agreement (PHA) with Noble Energy to produce the Big Bend and Dantzler fields to the Thunder Hawk DeepDraft™ Semi located in 6,060 feet of water in the Gulf of Mexico (GoM), first oil was respectively achieved on 26 October 2015 and 1 November 2015 with a production output in line with expectations.
- Capital expenditure and investments in finance leases amounted to US$ 775 million in 2015, well below 2014 level of US$ 2,396 million. The decrease is primarily attributable to the lower level of investments in the current finance lease projects under construction.
- New project financing agreements totaling US$ 2.35 billion were put in place in the period and project financing has now been secured on all finance lease projects currently under construction. On 27 July 2015 the project financing for FPSO *Cidade de Saquarema* was secured totaling US$ 1.55 billion, at a weighted average cost of debt of 5.1% at joint venture level, from a consortium of sixteen international banks with insurance cover from four Export Credit Agencies (ECA). The financing consisted of three tranches, two

with ECA insurance cover and one commercial, with fourteen year post-completion maturities. Furthermore, on 18 December 2015, the project financing of FPSO *Turritella* was secured for a total of US $ 800 million with a consortium of twelve international banks with an average cost of debt of 3.3% at joint venture level, over the ten year post-completion maturity.

- Cash and undrawn committed credit facilities amounted to US$ 2.7 billion at the end of December 2015 compared to US$ 2.0 billion in 2014.

Fiscal year 2015 segmental information regarding the two core business segments of the Company is provided in the detailed financial analysis section of the press release. Revenue by geography is also included in 6.3 Notes to the Consolidated Financial Statements.

Backlog

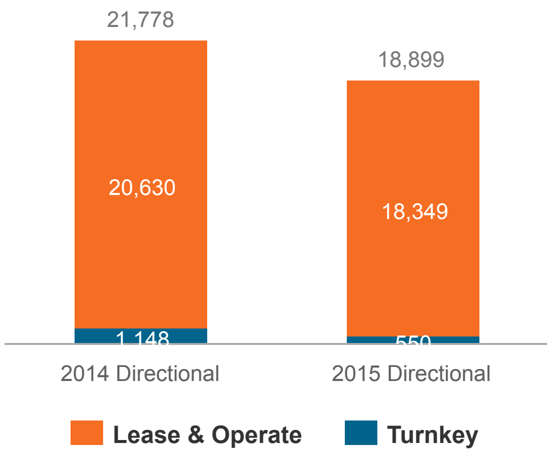
Directional[4] backlog at the end of 2015 remained healthy at US$ 18.9 billion compared US$ 21.8 billion at the end of 2014. This reflects both the low level of order intake for the Turnkey segment and the resilience of the Lease and Operate portfolio. Approximately 37% of total future bareboat revenues will be generated from the lease contracts which have yet to commence operations. Those include FPSOs *Cidade de Maricá, Cidade de Saquarema* and *Turritella*.

Directional[4] Turnkey backlog decreased to US$ 0.5 billion compared to US$ 1.1 billion in 2014 as no major Turnkey orders were signed in 2015. As market conditions continue to deteriorate, the level of tendering activity experienced by the Company became lower than in 2014 and the order intake continued to be impacted by structural delays in client final investment decisions.

Backlog as of 31 December 2015 is expected to be executed as per the below table:

in million US$	Turnkey	Lease & Operate	Total
2016	0.5	1.4	1.9
2017	0.0	1.5	1.5
2018	0.0	1.5	1.5
Beyond 2018	0.0	13.9	13.9
Total Backlog	0.5	18.3	18.9

Backlog (in millions of US$)

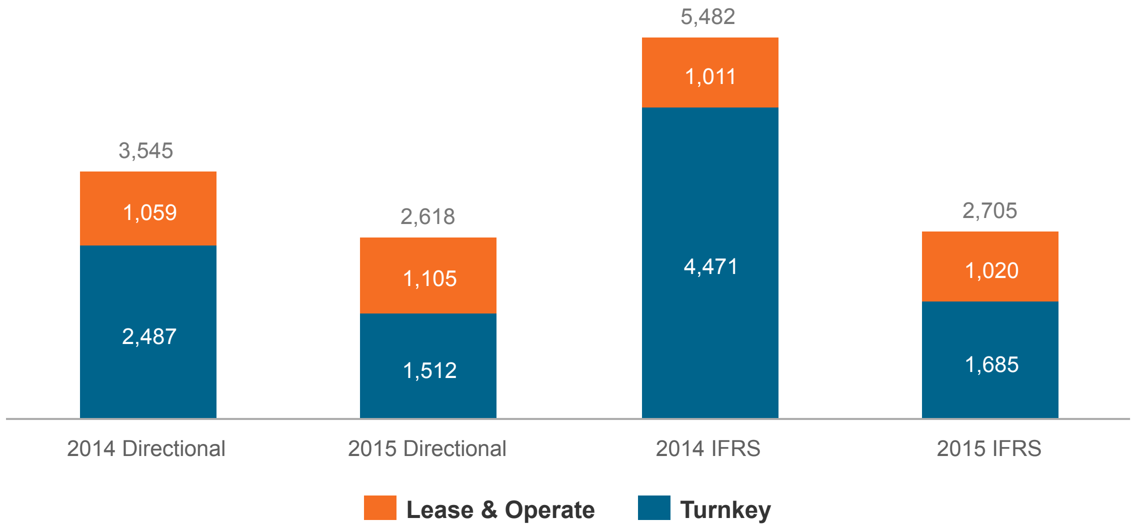


4 Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

Revenue

Directional[5] Revenue decreased by 26% year-on-year despite an increase by 4% for the Lease and Operate segment:

Revenue (in millions of US$)



Third party Directional[5] Turnkey revenue came down 39% year-over-year to US$ 1,512 million, representing 58% of total 2015 revenue. This compares to US$ 2,487 million, or 70% of total revenue, in 2014. The decrease is mostly attributable to nearing the completion stage on a number of projects under construction, such as FPSOs *Cidade de Maricá, Cidade de Saquarema and Turritella*; very low order intake in 2014 and 2015 as a result of the market downturn; and also the completion of FPSOs *Cidade de Ilhabela* and *N'Goma* in 2014, partially offset by additional revenue invoiced to the new partners in the *Turritella* joint venture company.

Construction of FPSO *Turritella*, was completed in 2015 with sail away from the Keppel yard in Singapore in November 2015, and arrival in the Gulf of Mexico at year end. During the period, the Company's share of the Lease and Operate joint ventures was reduced from 100% to 55%, and as a result the Company has started to generate revenue and gross margin under Directional[5] reporting related to the partners' 45% share of the EPCI contract of the FPSO supplied by SBM Offshore to the lease and operate joint venture. Start-up of the facility is expected in the first half of 2016. On the other hand, IFRS revenue recognition remains based 100% at the fair value of the lease and on a percentage of completion basis.

Construction was completed for FPSOs *Cidade de Maricá* in December 2015, while it remains ongoing for FPSO *Cidade de Saquarema*. First oil for FPSO *Cidade de Maricá* is expected in the first quarter 2016 and integration works for FPSO *Cidade de Saquarema* are concurrently taking place at the Brasa yard in Brazil, with an expected start-up of the facility in the middle of 2016. The joint ventures (JV) are fully controlled, as per IFRS 10, by the Company which owns 56% of the shares and is fully consolidated under IFRS. As a result, recognized Directional[5] revenue is equal to the partners' 44% share of the EPCI selling price of the FPSO from SBM Offshore to the JV. On the other hand, IFRS revenue recognition is instead based on 100% of the fair value of the lease and on a percentage of completion basis.

[5] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

BP's Quad 204 turret was delivered on time on October 2015 and fabrication works on the Ichthys and Prelude turrets were completed during the period and commissioning is underway in accordance with contractual planning for both.

Directional[5] Lease and Operate revenue increased by 4% to US$ 1,105 million, representing 42% of total Directional[5] revenue contribution in 2015, up from the 30% contribution of 2014. The increase in segment revenue is attributable to the start-up of FPSOs *Cidade de Ilhabela* and *N'Goma* in November 2014 partially offset by the decommissioning from the fleet of FPSOs *Marlim Sul, Kuito* and *Brasil* in the course of 2014 and 2015.

Total IFRS revenue decreased significantly during the year, down by 51% to US$ 2,705 million due to significantly lower revenue recognized in the Turnkey segment from the finance lease contracts nearing completion such as FPSOs *Turritella*, *Cidade de Maricá*, and *Cidade de Saquarema*, and the completion of FPSOs *Cidade de Ilhabela* and *N'Goma FPSO* in 2014.

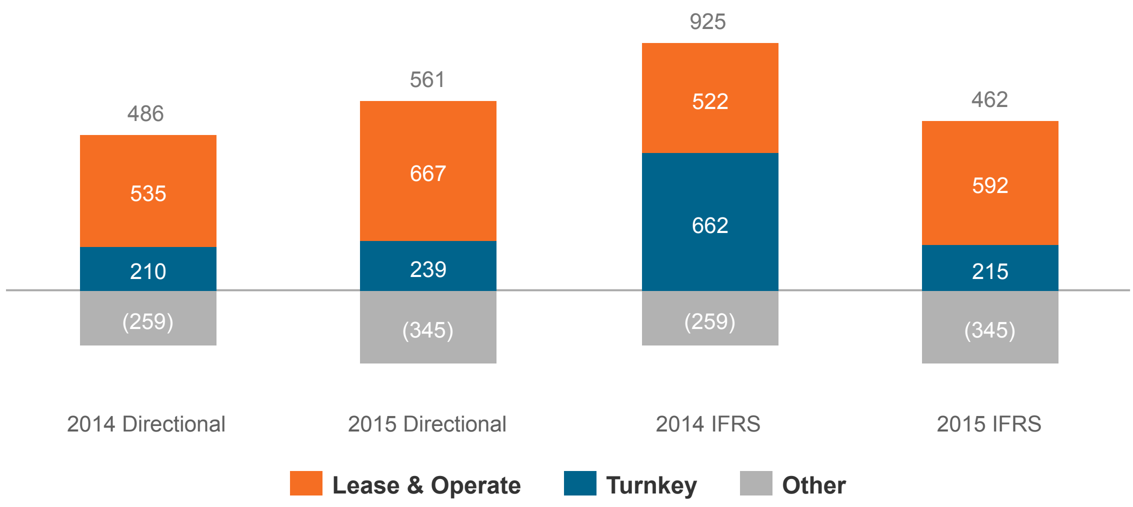
Profitability

The Company's primary business segments are Lease and Operate and Turnkey plus 'Other' non-allocated corporate income and expense items. EBITDA and EBIT are analyzed by segment but it should be recognized that business activities are closely related, and that certain costs are not specifically related to either one segment or another. For example, when sales costs are incurred, including significant sums for preparing the bid, it is often uncertain whether the project will be leased or contracted on a turnkey lump sum basis.

The Company's profitability may be affected by external variables and conditions. Profitability may be sensitive to significant areas of estimation and judgements, and to potential currencies and interest rates fluctuations against the US dollar as described in notes 6.2.7 B (a) and 6.3.29 to the financial statements, respectively.

In recent years, new lease contracts are showing longer duration and are systematically classified under IFRS as finance leases for accounting purposes whereby the fair value of the leased asset is recorded as a Turnkey 'sale' during construction. For the Turnkey segment this has the effect of accelerating during the construction period a substantial part of the lease profits which would in the case of an operating lease be recognized through the Lease and Operate segment during the lease period. To address this lease accounting issue and IFRS 10 and 11 standards introduced in 2014, the Company has assessed its performance by treating all lease contracts as operating leases and consolidated all JVs related to lease contracts on a proportional basis, referred to as Directional[6]. This provides consistency in segment presentation and allows for improved sector wide comparison.

EBITDA (in millions of US$)



Reported 2015 Directional[6] EBITDA was US$ 561 million compared to US$ 486 million in 2014. Directional[6] EBITDA consisted of US$ 667 million from the Lease and Operate segment compared to US$ 535 million in 2014, and US$ 239 million from the Turnkey segment compared to US$ 210 million in 2014. A loss of US$ 345 million, compared to a loss of US$ 259 million in 2014, related to non-allocated corporate costs, restructuring charges relating to corporate functions and the US$ 245 million provision related to the potential settlement contemplated with the Brazilian authorities and Petrobras. Adjusted for non-recurring items, 2015 underlying Directional[6] EBITDA increased by 12% to US$ 718 million compared to US$ 643 million in 2014. This increase is primarily attributable to the Lease and Operate segment and the two new vessels that came into production at the back-end of 2014 FPSO *Cidade de Ilhabela* and *N'Goma* FPSO, partially offset by the US $ 55 million restructuring costs incurred in 2015.

IFRS EBITDA in 2015 came in at US$ 462 million versus US$ 925 million in 2014. Total IFRS EBITDA consisted of US$ 592 million from the Lease and Operate segment compared to US$ 522 million in 2014, and US$ 215 million from the Turnkey segment compared to US$ 662 million in 2014. A loss of US$ 345 million, compared to US$ 259 million in 2014, related to non-allocated corporate costs, restructuring charges relating to corporate functions and the US$ 245 million provision related to the potential settlement contemplated with the Brazilian authorities and Petrobras. Adjusted for non-recurring items, 2015 underlying IFRS EBITDA decreased by 43% to US$ 619 million compared to US$ 1,089 million in 2014. This is primarily due the Turnkey segment and the significantly lower activity around the finance lease vessels under construction FPSOs *Cidade de Marica*, *Cidade de Saquarema* and *Turritella,* all nearing completion.

As a percentage of revenue, Underlying Directional[6] EBITDA was 27% compared to 18% in 2014. Underlying Directional[6] EBITDA margin for the Lease and Operate segment stood at 57% versus 44% in 2014, while Turnkey segment Underlying Directional[6] EBITDA margin stood flat at 12% year on year.

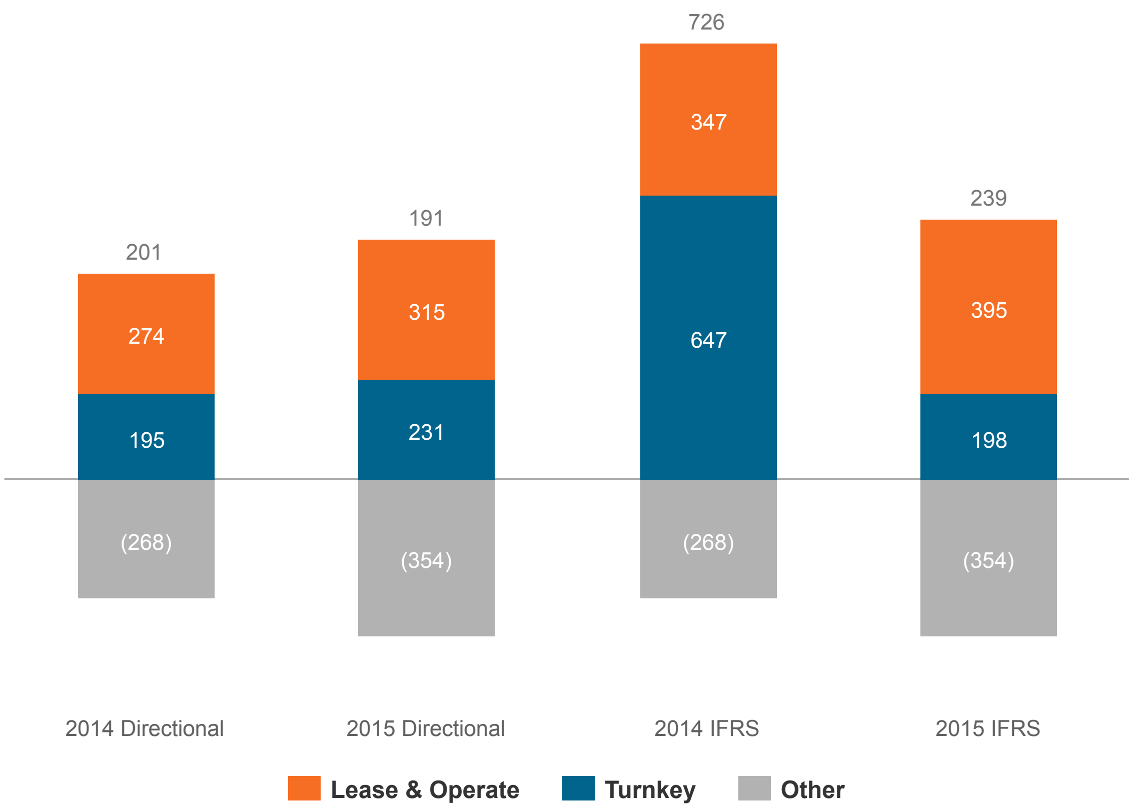
The relative segment contribution to Directional[6] EBITDA remained almost constant at 73% Lease and Operate and 27% Turnkey.

As a percentage of revenue, IFRS Underlying EBITDA was 23% compared to 20% in 2014. IFRS Underlying EBITDA margin for the Lease and Operate segment stood at 55% versus 50% in 2014, while Turnkey segment

6 Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

EBTIDA margin stood at 10% compared to 15% in 2014. The relative segment contributions to IFRS EBITDA were 73% Lease and Operate and 27% Turnkey. In 2014, the corresponding split was 44% Lease and Operate and 56% Turnkey.

EBIT (in millions of US$)



Directional[6] EBIT in 2015 amounted to US$ 191million compared to US$ 201 million in 2014. The below highlights the contribution from each segment:

- Turnkey segment Directional[6] EBIT margin of 15% compared to a low level of 8% in 2014, driven by the strong performance of various projects during the period and the positive contribution of the gross margin recognized during the engineering, procurement and construction of FPSO *Turritella* on the new partners who acquired a stake of 45% in this project;
- Lease and Operate Directional[6] EBIT margin of 28% compared to 26% in 2014 mostly explained by the good performance of the new vessels FPSOs *Cidade de Ilhabela* and *N'Goma* joining the fleet during the period.

Adjusted for non-recurring items, underlying Directional[6] 2015 EBIT decreased by 20% to US$ 348 million versus US$ 437 million in 2014. This was due to the strong decrease of activity by 39% during 2015 of the Turnkey segment and restructuring costs incurred in 2015 in all segments.

IFRS EBIT in 2015 amounted to US$ 239 million compared to US$ 726 million in 2014. Adjusted for non-recurring items underlying 2015 EBIT decreased by 59% to US$ 395 million compared to US$ 954 million in 2014.

Directional[6] overheads came in at US$ 299 million in 2015 compared to US$ 307 million in 2014. This stability resulted from the finalisation of the Company's business improvement initiatives, continuous development of research and development programs, and one-off items such as legal fees related to the compliance investigation. The Odyssey 24 project aiming at optimizing and standardizing the Company's ways of working was completed at the end of 2015.

'Other income and expenses' showed a net cost of US$ 298 million in 2015 compared to US$ 186 million in 2014. This includes the US$ 245 million provision related to the potential settlement discussed with Petrobras and the Brazilian authorities and US$ 55 million of restructuring charges incurred in 2015. As a result of the adjustment of the Company's cost structure to the continued market downturn, the workforce reduction is amounting to approximately 3,200 positions worldwide over 2015. Restructuring costs accounted for as 'Other operating expense' over the period represented US$ 55 million, of which US$ 31 million relate to the Turnkey segment, US$ 9 million for Lease and Operate, and US$ 15 million relating to corporate functions for the 'Other' segment.

Directional[6] net financing costs increased to US$ 137 million compared to US$ 127 million in 2014. This was mainly due to interest paid on project loans for FPSOs *Cidade de Ilhabela* and *N'Goma* FPSO that went on stream at the back-end of 2014, as well as a 2014 US$ 29 million impairment charge of a financial asset related to a contractual dispute with a US-based client. The 2015 average cost of debt remained low at 4.1% compared to 4.2% in 2014.

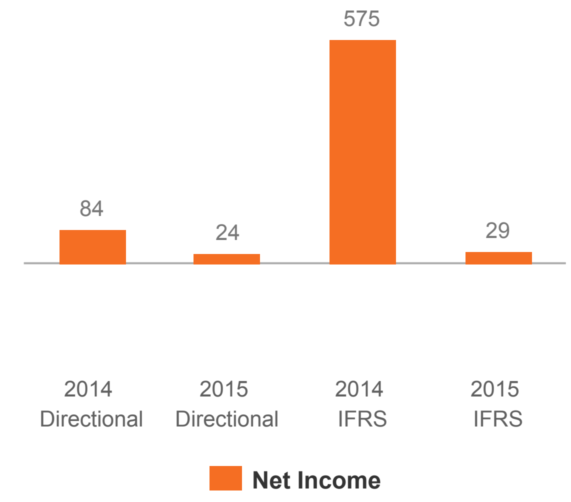
More generally, once production units are brought into service the financing costs are expensed to the P&L statement, whereas during construction interest is capitalized. It should be emphasized that the net profit contribution of newly operating leased units is limited by the relatively high interest burden during the first years of operation, although dedication of lease revenues to debt servicing leads to fast redemption of the loan balances and hence reduced interest charges going forward.

Interest income on the Company's cash balances was once again very low in 2015. This was due to the low level of short term US interest rates. The main interest income the Company derives is from interest bearing loans to joint ventures.

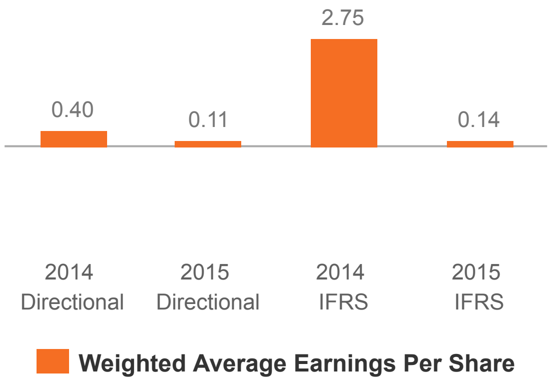
The Directional[6] share of profit of equity accounted investees, the Paenal and the Brasa yards, came in at a loss of US$ 8 million in 2015 down from a profit of US$ 13 million in 2014, mostly driven by the lower activity and restructuring of the Paenal yard. Under IFRS, the Company's share of net results of non-controlled joint ventures amounted to US$ 73 million in 2015 compared to US$ 117 million in 2014. The decrease year-on-year was driven by the 2014 one off profit due to the requalification as a finance lease of FPSO *Kikeh*, the lower contribution in 2015 of the Paenal yard, partially offset by the positive lease and operate contribution of *N'Goma* FPSO.

The 2015 IFRS tax charge remained stable at US$ 26 million, mostly driven by the constant level of deemed profit taxes and withholding taxes, while the effective tax rate sharply increased from 5% in 2014 to 41% in 2015. This increase reflects the impact of the lower profit before tax generated in 2015, as well as the effect of unrecognised deferred tax assets on 2015 tax losses due to non-recurring items.

Net Income (in millions of US$)



Weighted Average Earnings Per Share (in US$)



IFRS non-controlling interests included in 2015 net income amounts to US$ 81 million, which is slightly higher than the 2014 minority share of US$ 76 million related to reported results from fully consolidated joint ventures where the Company has a minority partner (principally Brazilian FPSOs and Aseng).

As a result, IFRS net income attributable to shareholders amounted to US$ 29 million compared to US$ 575 million in 2014.

In 2015 the Company introduced a new dividend policy which consists in paying out between 25% and 35% of the Directional[6] net income either in cash or in shares of SBM Offshore at the election of each shareholder, provided that positive free cash-flows are expected to be generated during the year of payment. In accordance with this policy, but taking account of the specific circumstances relating to 2015 including the nature of the non-recurring items, a dividend out of 2015 net income of US$ 0.21 per share will be proposed to the Annual General Meeting on 6 April 2016, corresponding to 25% of the US$ Company's 180 million Directional[6] net income adjusted, this year, for non-recurring items. The decreasing level of investments related to the FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella* that are nearing completion, and their anticipated production in 2016 will generate strong and sustainable free cash flows from first oil onwards.

The annual dividend will be calculated in US dollars, but will be payable in euros. The conversion into euros will be effected at the exchange rate on 6 April 2016.

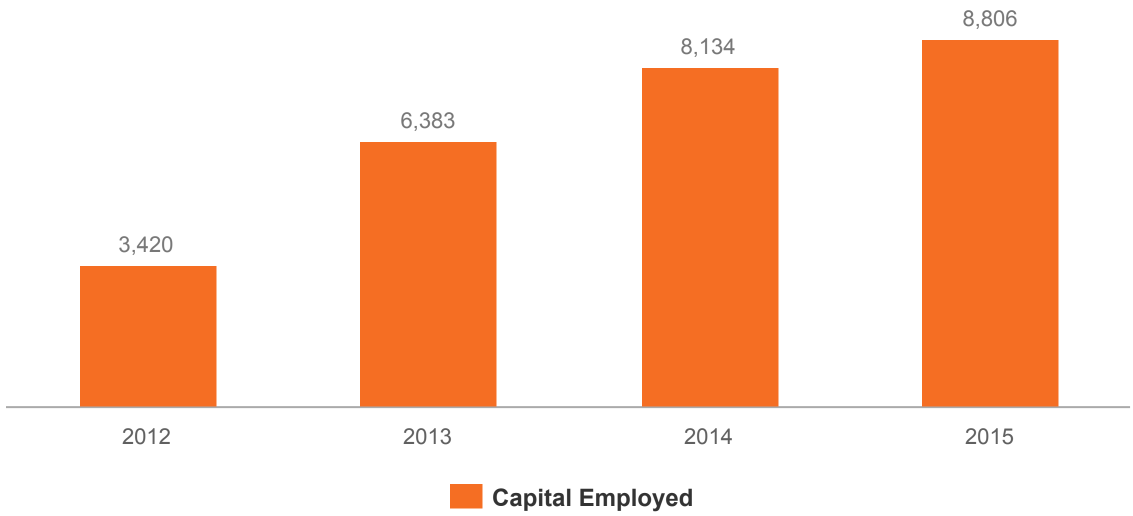
Statement of Financial Position

Total assets remained stable at US$ 11.3 billion as of 31 December 2015 compared to US$ 11.1 billion at year-end 2014. This slight variance is attributable to the increased investments in FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*, largely offset by vessels depreciation, finance lease redemptions, and lower trade receivables following Turnkey activity slowdown.

Shareholder's equity slightly increased from US$ 2,419 million to US$ 2,496 million mostly due to the 2015 net income.

Capital Employed (Equity + Provisions + Deferred tax liability + Net Debt) at year-end 2015 amounted to US$ 8,806 million, an increase of 8% compared to US$ 8,134 million in 2014. This was due in large part to the increase of net debt related to investments in finance leases.

Capital Employed (in millions of US$)



As of 31 December 2015 the Company had cash and undrawn committed credit facilities totalling US$ 2,681 million. The facilities available to the Company for capital investment in 2015 include the Revolving Credit Facility, FPSOs project loans *Cidade de Maricá* and *Cidade de Saquarema*, and FPSO *Turritella*.

IFRS net debt was at US$ 5,208 million versus US$ 4,775 million in 2014. Proportional net debt at year-end amounted to US$ 3,147 million versus US$ 3,298 million in the year-ago period. The decrease is mainly relating to the funding provided by the new partners on FPSO *Turritella* project and strong cash-flow generation in the Lease and Operate segment. Net gearing (net debt to equity) at the end of the year stood at 150%, slightly lower than in 2014. The relevant banking covenants (Solvency, Net Debt/Adjusted EBITDA, Interest Cover) were all met. As in previous years, the Company has no off-balance sheet financing.

The Company remained within its bank covenants at the end of 2015, despite the effects of high level of net debt, due to ongoing investmentsand the low level of EBITDA, due to market downturn affecting the Turnkey segment.

The Current Ratio defined as 'Current Assets/Current Liabilities' increased to 2.44 due in large part to the sharp decrease in trade payables relating to contracts under construction while construction work-in-progress increased year-on-year.

Statement of Financial Position

in millions of US$	2011[1]	2012[1]	2013[2]	2014	2015
Capital employed	3,354	3,420	6,383	8,134	8,806
Total equity	1,349	1,530	2,887	3,149	3,465
Net debt	1,959	1,816	3,400	4,775	5,208
Net gearing (%)	145.2	118.7	117.8	151.6	150.0
Leverage ratio	2.23	2.01	2.50	2.56	3.70
Current ratio	0.86	1.17	1.84	1.70	2.44
Solvency ratio	30.0	27.1	30.2	31.1	32.3

1 not restated for comparison purpose
2 restated for comparison purpose

Capital Structure

Despite the continuous market downturn and the US$ 245 million provision for the potential settlement agreement with the Brazilian authorities, the Company's financial position has remained strong. The growth of the lease and operate segment as well as the adaptation of the Turnkey segment to a depressed market, coupled with strong cash-flows generated by the fleet strengthened both equity and net debt positions.

Investment and Capital Expenditures

Total investments made in 2015 reached US$ 775million compared to the US$ 2,396 million peak level in 2014. Highlights for fiscal year 2015 investments are:

- Capital expenditure of US$ 23 million compared to US$ 65 million in 2014.
- Investments in finance leases totalling US$ 752 million compared to US$ 2,331 million in 2014.

Total capital expenditures for 2015, which consists of additions to property, plant and equipment plus capitalized development expenditures, were related to new investments in the lease fleet (operating leases only) and other ongoing investments.

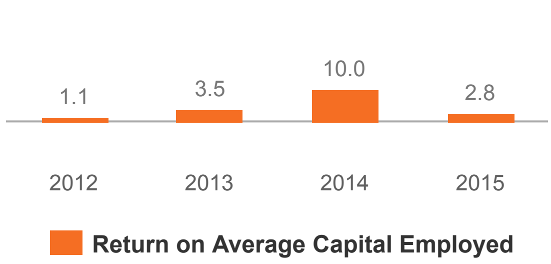
Due to the classification of the contracts as finance leases, investments in the units were recorded as construction contracts, with the investments in finance leases ultimately recorded as financial assets. The net investment in these finance lease contracts amounted to US$ 752 million in 2015, which compares to US $ 2,331 million in 2014, and are reported as operating activities in the consolidated cash-flow statement.

The decrease in property, plant and equipment in 2015 to US$ 1,686 million, compared to US$ 1,923 million at the end of 2014, resulted from the very low level of capital expenditure less normal depreciation, impairment and amortisation, and the *Pelicano* heavy lifting crane assets de-recognition following consolidation method changed upon disposal of 50% shares to our partner Synergy.

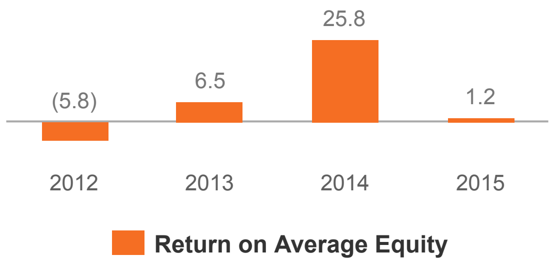
Return on Average Capital Employed and Equity

Both Return on Average Capital Employed (ROACE) and Return on Average Shareholders' Equity (ROAE) decreased, to 2.8% and 1.2% respectively in 2015. This was primarily the result of the lower level of Turnkey activity as reported under IFRS in 2015 as well as the increase in equity and capital employed due to ongoing investments.

Return on Average Capital Employed (%)



Return on Average Equity (%)



Cash Flow/Liquidities

Cash and undrawn committed credit facilities increased significantly to US$ 2,681 million, US$ 1,325 million of which can be considered as being dedicated to specific project debt servicing or otherwise restricted in its utilization.

The Enterprise Value to EBITDA ratio at year-end 2015 came in at 19.3, higher than the previous year, due mainly to a decrease in the Company's EBITDA as a result from the reduced contribution of the Turnkey segment.

in millions of US$	2011[1]	2012[1]	2013[2]	2014	2015
EBITDA	813	681	592	925	462
Cash	165	715	208	452	515
Cash flow from operations	1,158	1,134	(1,044)	(1,356)	(538)
EV : EBITDA ratio at 31/12	6.8	6.3	10.6	7.8	19.3
EBITDA : interest cover ratio	16.3	10.5	12.7	14.1	7.1

1 not restated for comparison purpose
2 restated for comparison purpose

IFRS EBITDA decreased year-on-year from US$ 925 million to US$ 462 million due in large part to reduced Turnkey activity level. Provided below is a reconciliation of net income before taxes to Cash Flow from Operations:

in millions of US$	2014	2015
Net income before taxes	678	137
Adjustments for non-cash items		
Depreciation of property, plant and equipment	223	212
Net impairment / (impairment reversal)	0	9
Amortisation of intangible assets	3	1
Adjustments for investing and financing items		
Share in net income of associates and joint ventures	(117)	(73)
Finance income	(31)	(25)
Finance costs excluding impairment	167	200
(Gain) / loss on disposal of property, plant and equipment	(59)	1
(Gain) / loss on disposal of subsidiary	-	3
(Gain) / loss on distribution	-	0
Adjustments for equity items		
Share-based payments	28	20
Reclassification of exchange differences relating to the disposal of foreign subsidiaries	0	0
Subtotal	893	484
Changes in operating assets and liabilities		
Decrease / (increase) in investments	6	3
Increase in operating receivables (excluding WIP)	(229)	178
Increase in WIP (excluding reclass to Financial Assets)	(2,782)	(836)
Increase in operating liabilities	619	(548)
Total changes in operating assets and liabilities	(2,386)	(1,204)
Reimbursement finance lease assets	172	206
Income taxes paid	(34)	(24)
Net cash generated from operating activities	(1,356)	(538)

6.2 Consolidated Financial Statements

6.2.1 Consolidated Income Statement

in millions of US$	Notes	2015	2014
Revenue	6.3.2/6.3.3	2,705	5,482
Cost of sales	6.3.5	(1,864)	(4,265)
Gross margin	6.3.2	841	1,217
Other operating income/(expense)	6.3.4/6.3.5	(302)	(186)
Selling and marketing expenses	6.3.5	(61)	(44)
General and administrative expenses	6.3.5	(196)	(220)
Research and development expenses	6.3.5/6.3.8	(43)	(40)
Operating profit/(loss) (EBIT)	6.3.2	239	726
Financial income	6.3.7	25	31
Financial expenses	6.3.7	(200)	(196)
Net financing costs		(175)	(166)
Share of profit of equity-accounted investees	6.3.31	73	117
Profit/(Loss) before tax		137	678
Income tax expense	6.3.9	(26)	(26)
Profit/(Loss)		110	652
Attributable to shareholders of the parent company		29	575
Attributable to non-controlling interests	6.3.32	81	76
Profit/(Loss)		110	652

Earnings/(loss) per share

	Notes	2015	2014
Weighted average number of shares outstanding	6.3.10	210,851,051	209,242,427
Basic earnings/(loss) per share	6.3.10	US$ 0.14	US$ 2.75
Fully diluted earnings/(loss) per share	6.3.10	US$ 0.14	US$ 2.75