

2017

ANNUAL REPORT



EXPERIENCE MATTERS

1 AT A GLANCE

1.3 VISION AND VALUES

OUR VISION

To be a trusted partner, delivering reliable floating production solutions that create value for the Company's clients, by sustainably and passionately leveraging SBM Offshore's technology and operating experience.

OUR VALUES

SBM Offshore's core values reflect its long history of industry leadership. They are the essence of who each 'SBMer' is and how the Company works. The values create pride with each employee embracing them to sustain SBM Offshore's vision. They form an integrated component of organizational and individual goal setting as well as performance evaluation.

Integrity

'SBMers' act professionally and in an ethical, honest and reliable manner. Transparency, doing the right thing and consistency are essential in the way the Company behaves towards all of its stakeholders.

Care

'SBMers' respect and care for each other and for the community. Employees value teamwork and diversity. The Company listens to all its stakeholders. Safety is paramount to everything the Company does.

Entrepreneurship

'SBMers' have an entrepreneurial mindset in everything they do. They deliver innovative and fit-for-purpose solutions with passion. In doing so the Company aims to exceed its clients' expectations and proactively achieve sustainable growth by balancing risks and rewards.

Ownership

'SBMers' are all accountable to deliver on their commitments and pursue the Company's objectives with energy and determination. Quality is of the essence. 'SBMers' say what they do and do what they say.

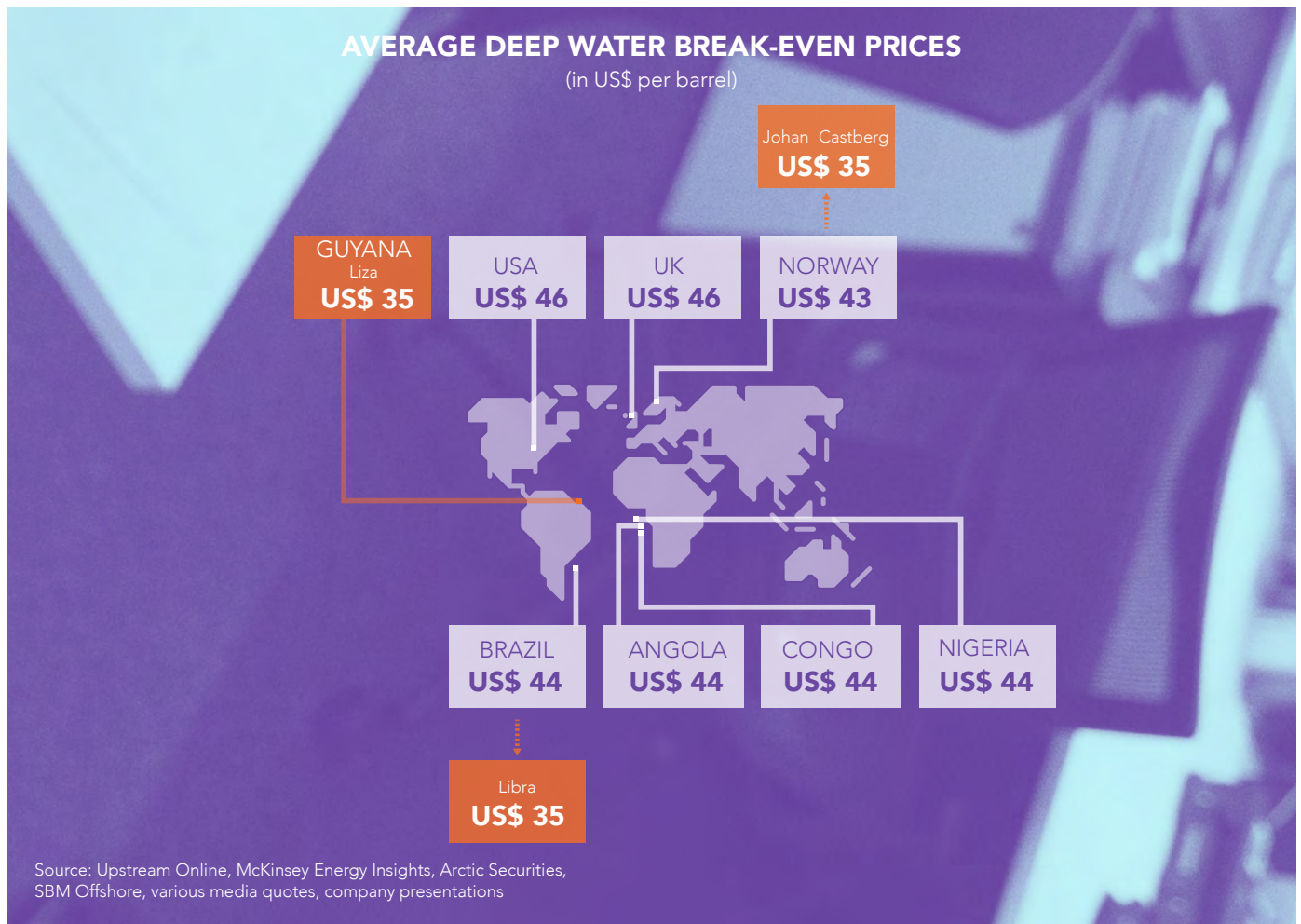
1.4 ACTIVITIES AND MARKETS

The past year saw signs of a slight recovery in the industry and further breakeven reductions have put offshore projects into the 'economically viable' category. With nine FPSO contract awards, of which four were large-scale and therefore in SBM Offshore's focus markets, there is reason for cautious optimism, as demand for the Company's core products picks up.

The oil price remained volatile in 2017, fluctuating within a range of US\$ 44-66 for a barrel of Brent crude. This volatility, in combination with new sources of energy supply being integrated into the energy mix, will translate into a more limited pool of opportunities in the Company's core markets over the coming years. Management remains cautious on contracts for next year, particularly as the FPSO contract award activity in 2017 is indicative of both possible upside or downside scenarios in the short-term. The same dynamics apply to the other Product Lines that the company markets for deep water fields.

The Company is well-positioned for an upturn and the industry's need for lower breakeven costs coincides with SBM Offshore's well-timed FPSO standardization Fast4Ward™ project. Fast4Ward™ will fast-track projects by up to one year compared with the three-year industry average, significantly reducing costs, whilst providing clients earlier access to first oil and improving field development Net Present Value. Fast4Ward™ comprises a Multi-Purpose Floater concept, a Topside Modules catalogue and range of Turret & Mooring Solutions.

In parallel, early signs of green shoots for offshore gas projects are evident, with some shelved projects being revived in a more competitive form – i.e. smaller and less complex. On the renewable energy front, the trend continues with gradual growth in this sector. In both markets, SBM Offshore is seizing opportunities and is active in pilot Engineering Procurement and Construction (EPC) stages, having adjusted its capabilities and portfolio to reflect the industry's move to gas as the transitional energy and then to renewables in the long-term.



While the predicted consolidation of the industry has only partially come to pass, we see a more focused contractor landscape compared to five years ago. Going forward, few companies will be able to combine a technology portfolio, project management and engineering capabilities, operations expertise and the financing capabilities needed to deliver sizeable deep water projects across the energy mix. Furthermore, success will depend on the partnering strategy of contractors across the offshore energy production value chain. Universal consensus is that structurally, a reduction of interfaces and thereby risk is needed, in parallel with a more integrated approach to field development. A focus on the full lifecycle value – as opposed to either CAPEX or OPEX focus – is becoming increasingly important for oil companies.

2017 PERFORMANCE

SBM Offshore continues to be active in the following market segments: FPSOs, Semi-submersibles, TLPs, Turret & Mooring Systems and Terminals with the main focus on the Lease and Operation of its fleet of FPSOs. In 2017, the Company achieved delivery on two turnkey

projects. In addition, progress was made on FEEDs, underlining that the Company can leverage its experience – particularly in the critical preparatory stage – to help advance clients' projects to the next stage.

The major achievements included:

- Delivery of the Ichthys and Prelude turnkey projects for large turrets. Commissioning for Prelude continues in 2018.
- FEED completed followed by award for turnkey and lease and operate contracts for FPSO for the Liza deep water field development offshore Guyana
- FEED completed followed by award for the Turret Mooring System contract on the Johan Castberg field development offshore Norway
- Several contracts for CALM Terminals
- Award secured for the operations and maintenance contract for FPSO *Serpentina*
- First full year of operations for FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*
- Strong fleet performance with improved uptime year-on-year

1 AT A GLANCE

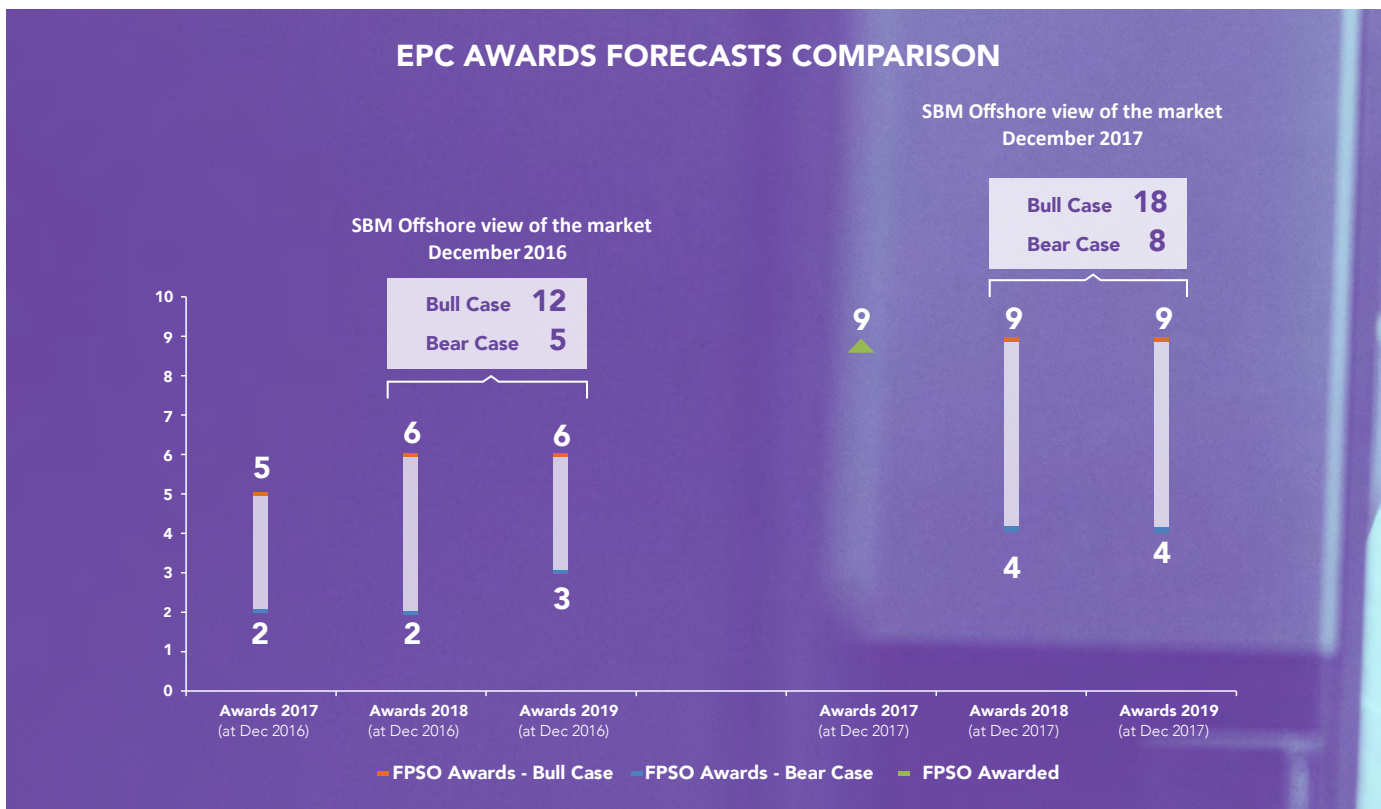
- Improved health and safety performance, in particular from the fleet. Environmental performance also showed progress year-on-year

FUTURE

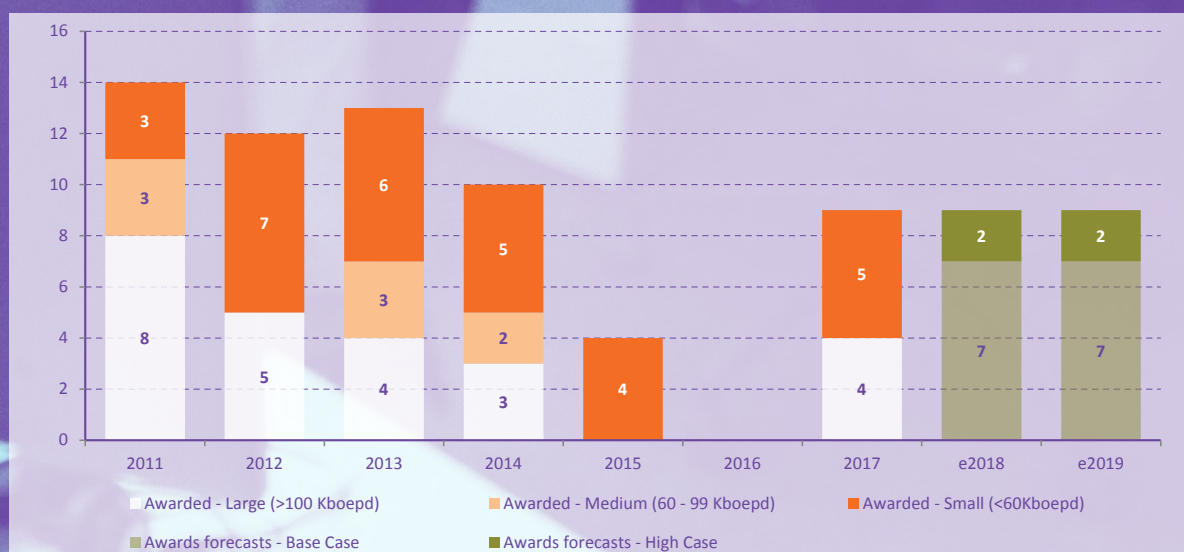
With global population and wealth increasing, energy demand is set to grow in the next decades. Consensus among market analysts is that oil demand will continue to grow in the next years, albeit at a slower pace. Combined with current oil field depletion, supply gaps are probable, with offshore deep water oil production playing a role to fill these in the coming years. Furthermore the shift from oil to gas to renewables combined with the advantages of offshore deep water development is likely to translate into increasing

demand for the Company's services going forward. The Company is continually reviewing its strategy based on market trends and believes that it is effectively adapting to this energy shift and is well-positioned for future opportunities.

A year ago SBM Offshore's view of the market was very cautious with 12 FPSO awards forecast for the two year period (2018-2019) in the bull case. This is compared to the Company's view as of year-end 2017, with an improved view of the same period reflected in the 18 FPSOs awards forecasted for the bull case. However, remaining realistic the Company believes that 14 FPSOs are most likely to materialize over the two-year period 2018-2019.



HISTORICAL AND ESTIMATED TOTAL MARKET AWARDS



2018-2023 Market recovery

SBM Offshore firmly believes that once the market picks up – a cautious prediction for 2018 – the Company will be well-placed to be the contractor of choice for future projects. The Company is accordingly preparing for a base scenario (pick-up in demand) as well as for alternative scenarios (lower costs and renewable energy). Going forward, the Company is gearing for growth – getting ready in the next years to set the base for long-term growth.

1.5 COMPETITIVE LANDSCAPE AND MARKET POSITIONING

SBM Offshore is active in multiple energy markets – oil, gas and renewables. Oil markets mainly supply transportation and industry sectors, while gas and renewables mainly feed into power generation and industry sectors. Currently, most of SBM Offshore's revenues are derived from the deep water oil and gas markets – with a focus on its FPSO Product Line.

MARKET SEGMENTATION

The global market for FPSOs can be roughly split into three segments:

1. Large conversion FPSOs: this is SBM Offshore's main market. They are usually converted oil tankers

known as Very Large Crude Carriers (VLCCs), with typical production capabilities of 60,000 to 150,000 barrels of oil per day.

2. Newbuild FPSOs: with production volumes of typically over 200,000 barrels of oil per day. To date, SBM Offshore has been involved in this segment mainly as a supplier of large Turret Mooring Systems (TMS). However, with its Fast4Ward™ FPSO design moving into the construction stage, the Company is now considered a player in the newbuild, large capacity FPSO business.
3. Small conversion FPSOs: based on smaller crude oil tankers, with production rates up to 60,000 barrels of oil per day. SBM Offshore most recently delivered *Turritella* (FPSO) in 2016, demonstrating technology to unlock value in tertiary fields in the US Gulf of Mexico.

Another market segmentation factor is water depth. Deeper water typically requires more complex solutions in terms of design and operations. The chart illustrates SBM Offshore's worldwide fleet expertise in ultra deep water.