

2017

ANNUAL REPORT



EXPERIENCE MATTERS

2 STRATEGY AND PERFORMANCE

The above underlying figures are excluding several non-recurring items described in section 4.1 Financial review and impacting the 2017 Directional EBITDA and profit attributable to Shareholders by respectively US\$ 210 million and US\$ 283 million.

BACKLOG

The Directional backlog, which is presented on a pro-forma basis in section 4.1.3, remains solid at US\$ 16.8 billion compared to US\$ 17.1 billion at year-end 2016. This is driven mainly by the awards for the FPSO *Liza* and for the Castberg turret mooring system, which are partially offset by revenues recognized during 2017 and the sale of the *Turritella* (FPSO) in January 2018.

STATEMENT OF FINANCIAL POSITION

Despite the market downturn, the Company's financial position remains strong. Directional Shareholder's equity decreased slightly from US\$ 1,159 million to US\$ 1,097 million, mainly because of non-recurring items impacting the 2017 Directional profit attributable to Shareholders.

Directional net debt significantly decreased to US\$ 2,687 million at year-end 2017, compared to US\$ 3,107 million in 2016, reflecting the strong operating cash-flow generated by the Lease and Operate segment and the impact of the cash proceeds of the settlement with a group of insurers on the Company's Yme insurance case.

All of the Company's debt consists of project financing held in special purpose vehicles. Over 2017, the Company has not drawn under its revolving credit facility and as such does not hold corporate debt.

CASH FLOW/LIQUIDITIES

Directional Cash and undrawn committed credit facilities amounted to US\$ 1,878 million, US\$ 254 million of which can be considered as being pledged to project debt servicing or otherwise restricted in its utilization.

For a total overview of the Company's financials please see the Financial Statements in section 4 of the Annual Report.

2.3 ECONOMIC PERFORMANCE

2.3.1 OPERATIONAL ACTIVITIES

SBM Offshore's consistent approach to integrating operational feedback into all phases of its projects is

the foundation for optimization of its activities across the lifecycle. This also greatly contributes to the Company's capacity to continuously improve its designs and project execution processes.

SBM Offshore believes that simplification is the solution for future turnkey projects in today's low price climate. Hence, why the Company is advancing on its standardization strategy for its next generation FPSO, as well as a catalogue of standalone topsides and Turret Mooring Systems for clients. Regarding the latter, the Company is focusing on fit-for-purpose mooring systems with a basic level of functionalities, which offer practical and cost-effective solutions while optimizing the NPV equation.

2.3.2 FLEET

SBM Offshore's assets are key value drivers for the Company, delivering the required production performance to meet client targets and generating a predictable revenue for SBM Offshore through its long-term lease and operate contracts. The expertise and experience of almost 2,400 offshore crew and onshore staff, supporting the fleet, ensures value creation through safe and efficient operations of the Company's offshore fleet.

KEY FIGURES IN 2017

- 5.3 billion barrels production cumulated to date
- 7,635 offloads cumulated to date
- 304 cumulative years of operational experience

In 2017 the fleet achieved its best performance to date in terms of recordable injury rate and sustained a record average production level in the range of 1 MBbls per day in the second half of the year, as FPSO *Cidade de Maricá* and FPSO *Cidade de Saquarema* reached full capacity production levels, having started up in 2016.

OPERATIONS FLEET



(1) Operator is Maersk (JV Partner)

(2) FPSO *Serpentina* is owned by the client and is operated by Gepsing - a subsidiary between SBM Offshore (60%) and GEPetrol (40%) - since 2017 under a new contract.

(3) FPSO *Serpentina* was operated by SBM Offshore during the period 03/2003 - 03/2017

(4) Operator: Murphy until August 31, 2016; Noble took over as operator September 1, 2016

(5) FPSO *Espadarte* relocation

(6) FPSO *Xikomba* relocation

(7) Expected date

2 STRATEGY AND PERFORMANCE

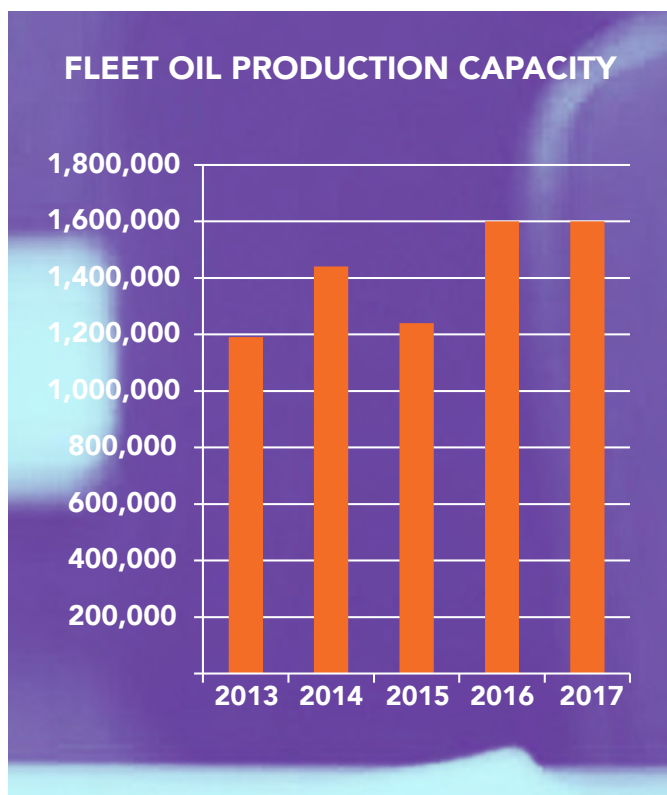
The transition phase for the handover of ownership and operations of the *Turritella* (FPSO) to Shell was largely concluded with no impacts on the operational performance. Final transition took place in January 2018 and SBM Offshore will continue to support the Client as required to ensure continuous operational performance through the handover.

FPSO *Serpentina* offshore Equatorial Guinea has been operated since April 2017 by GEPsing, a subsidiary co-owned by SBM Offshore and the National Oil Company GEPetrol. The new contract, for five years, replaces the former one between MEGI (Mobil Equatorial Guinea Inc. affiliate of ExxonMobil) and SBM OC, which expired end of March 2017.

FULL FLEET (AS OF DECEMBER 31, 2017^{3,4})

In 2017 SBM Offshore was responsible for the operations of 16 units and the maintenance of all 18 units in the fleet across the globe consisting of:

- 14 FPSOs
- 2 FSOs
- 1 MOPU
- 1 Semi-submersible unit



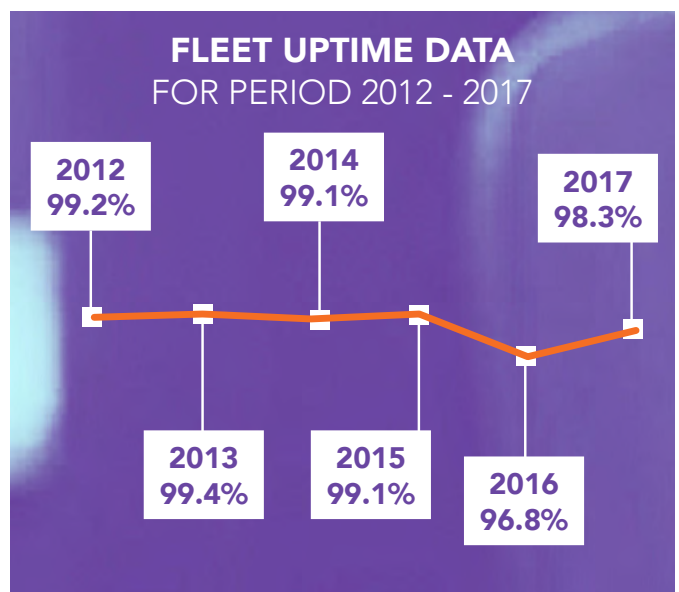
³ Oil tanker Tina was engaged in oil transportation services up to November 2017, when it was delivered to Keppel shipyard in Singapore for conversion to an FPSO. Oil tanker GENE was bought in early 2017 and is engaged in oil transportation services since March 2017 following completion of dry dock maintenance.

⁴ FPSO Marlim Sul (Brazil) – was sold in July 2017 for green recycling, in-line with SBM Offshore policies and in accordance with the Hong Kong convention (the FPSO was decommissioned in April 2016).

OPERATIONAL PERFORMANCE

SBM Offshore is committed to delivering consistent, reliable and safe production performance of its units, while adhering to its environmental objectives. The main production performance indicator of the fleet is 'Production Uptime'. It measures the percentage of time in which a unit is available to produce. Historically, uptime of the fleet has been around 99.0%. With an uptime of 98.3%, performance in 2017 stayed within historical levels, while the fleet achieved its record production level in terms of barrels per day. A few factors contributed to the Production Uptime results in 2017:

- Two complex Generation 3 FPSOs offshore Brazil increased production smoothly up to design capacity (start-up in 2016).
- *Turritella* (FPSO) was brought to stable performance mid-2017 (start-up in 2016).
- *Deep Panuke* (MOPU) had an interruption of its gas production for 20 days in June for maintenance activities.
- The other units of the fleet operated around 99% Production Uptime, with no significant performance events.



OPERATIONS OPTIMIZATION

SBM Offshore focused on key areas of improvement in the area of HSSE. Specific initiatives were developed to improve operational performance through the reinforcement of Water Injection, Supply Chain and Planning capabilities.

Personnel headcount per produced barrel decreased by 20%, compared to 2016. Various factors, beyond the production increase, contributed to this result: