

# 2017

## ANNUAL REPORT



**EXPERIENCE MATTERS**



- The efficient integration into existing Santos and Houston offices of the operating teams associated to the three FPSOs added to the fleet in 2016.
- The restructuring of the Brazil office was completed, with the aim to support the local Operations and project execution organizations with shared staff function services.
- The onshore teams for FPSO *Aseng* and FPSO *Serpentina* were efficiently merged into one GEPsing organization in Malabo.

### SOCIAL ACCOUNTABILITY STANDARD IN FLEET OPERATIONS

The Company is taking steps to comply with the Group's Social Accountability Manual standard, which is based on SA 8000<sup>5</sup> standards. Using a risk-based approach and for locations where there is a gap between the local regulations and the expected standards, the local operations office has to adhere to the Company manual and obtain external verification within two years of opening a new shorebase. For all other locations, local regulations will prevail.

### ASSET INTEGRITY, MAINTENANCE AND COST MANAGEMENT

SBM Offshore's approach to Asset Integrity is to ensure asset preservation with optimal lifecycle costing. In 2017 progress was made on several related programs:

- SBM Offshore' Digital FPSO project progressed and a number of applications are in advanced design stage or under execution, in parallel with the upgrade of the IT support infrastructure. The project solutions will increase safety and efficiency onboard, significantly improving asset performance.
- Deployment of technologies for inspections and maintenance activities onboard continued, with the aim to improve efficiency whilst reducing safety risks. Notable achievements in 2017 were: tank cleaning with Vacuum systems prior to entry for inspection activities; the use of drones for inspections at height and at locations with difficult access or for on-stream inspections; diver-less hull inspections; non-intrusive on-stream inspection for pressure vessels, and in-situ hull repair techniques without hot work.
- The Company's approach to planned maintenance shutdowns on FPSOs has now reached a high level of maturity through the application of standardized processes for planning and execution in the selected shutdown windows.

<sup>5</sup> SA 8000 is an auditable certification standard that encourages organizations to develop, maintain and apply socially acceptable practices in the workplace. It is based on the UN Declaration of Human Rights, conventions of the ILO, UN and national law and spans industry and corporate codes to create a common language to measure social performance.

## 2.3.3 TURNKEY

### MANAGEMENT APPROACH

SBM Offshore continues to actively engage with clients, to transform its product offering by optimizing and standardizing its designs and leveraging its leading technology expertise in offshore mooring systems, in order to better fit the constraints of a CAPEX-limited climate. This year saw the Company's order intake increase compared to 2016, reflecting the year-end award for a turnkey turret. Overall though, the industry environment continues to be challenging and as such, project activity requiring such products is slow.

### SBM OFFSHORE'S POSITIONING

#### FPSO Market

SBM Offshore is a leader in the FPSO market both in terms of scale economies and track record, on key indicators for cost, schedule and risk reduction and actual throughput. To keep this leading position, the Company continues to invest in new technology, offering cost-optimized solutions across the full lifecycle:

- Technology development programs – the two main ones are: reducing delivery time via standardization (Fast4Ward™) and improving efficiencies and productivity through digitalization (digital FPSO),
- Leveraging the Company's experience and business model by strengthening its position in its core markets, Africa and Brazil, while looking to develop sustainable business in new regions.

#### Gas

Although the market for floating liquefied natural gas (FLNG) solutions (new build to date) has yet to come to maturity, the following segments could be identified based on production capacity:

- Large structures of >3 million tonnes per annum (mtpa) of natural gas production
- Mid-size systems ranging between 1 and 3 million mtpa (SBM Offshore's target)
- Smaller solutions of < 1 mtpa

The market for conversions has yet to develop. SBM Offshore is targeting both newbuild and conversion projects with its complete portfolio. At this moment the Company's experience consists of the execution of a floating LPG solution and numerous floating LNG (pre)feed studies. Additionally, and similar to the FPSO market, SBM Offshore has built a strong track record in turret mooring solutions for floating gas systems.

## 2 STRATEGY AND PERFORMANCE

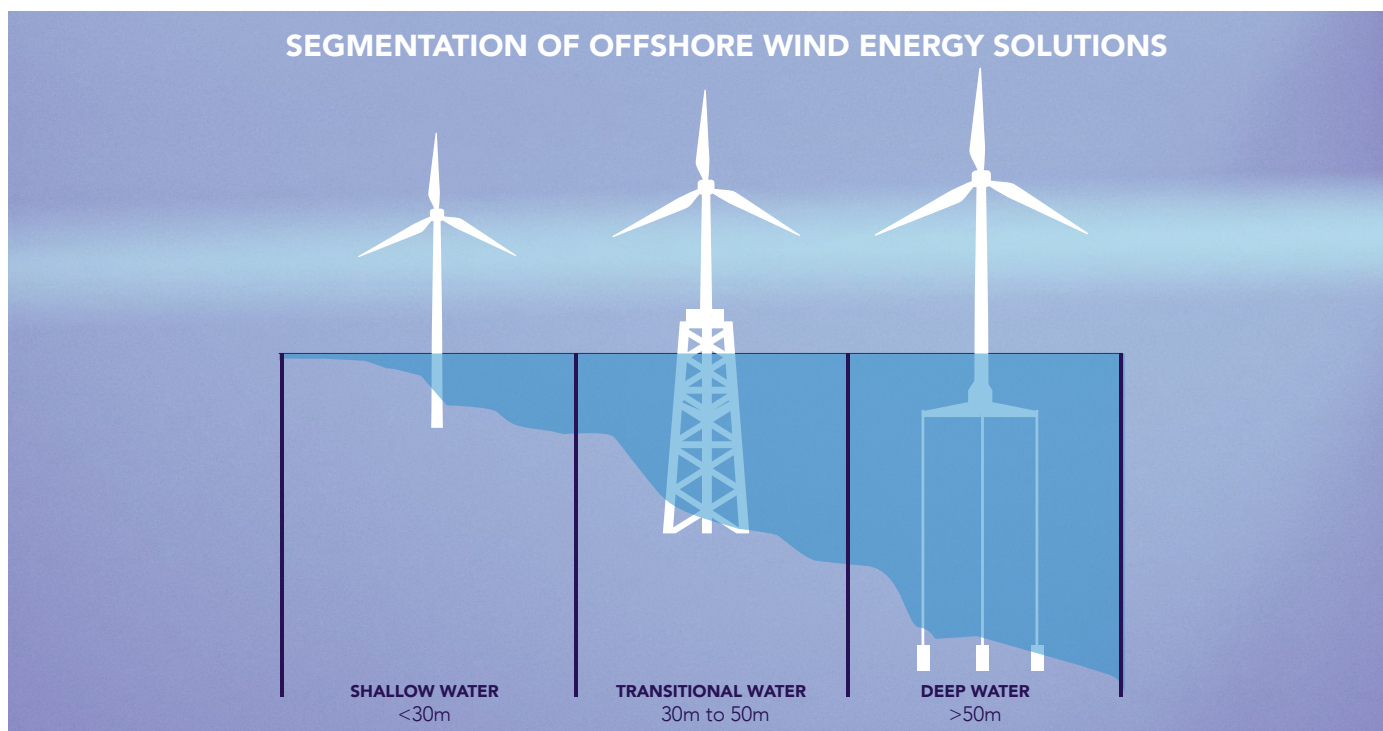
### Renewable energy

SBM Offshore focuses on two markets for floating renewable energy production:

- Floating Offshore Wind (FOW)
- Wave Energy

FOW segmentation is mainly determined by field characteristics, i.e. wind speeds and water depth.

Different types of solutions are available in the market - semi-submersible, SPAR and TLP designs, the latter being the focus for SBM Offshore, by leveraging its experience in past TLP projects and deep water mooring systems.



For Wave Energy the market is currently developing with no real segmentation; options can be differentiated by the generation of technology used. The industry has seen pioneering projects and pilots enjoy little success due to high OPEX and therefore high Levelized Cost of Energy. SBM Offshore's solution passes such limitations with a design with no mechanical components.

### 2017 PERFORMANCE

- From a delivery perspective, two complex turret mooring systems were commissioned and delivered

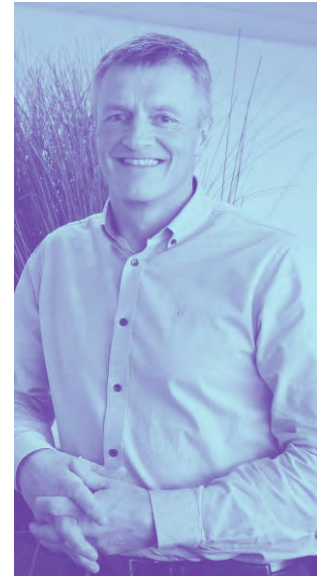
for the Ichthys and Prelude projects. Within the context of industry performance, this number is significant, demonstrating SBM Offshore's leading position in EPCI for the turret market. The Prelude turret is the first concrete example of SBM Offshore's successful entry into the FLNG turret market, while the Ichthys turret for the client's condensate FPSO adds to the Company's gas track record.

- From an award perspective, the Company secured the contract for the Johan Castberg turret mooring system, following completion of the FEED to the client's satisfaction.

## Fritz H. Eilertsen – Statoil ASA

*Company representative (CR) – Turret Mooring System – Johan Castberg project*

'SBM Offshore's competence and experience base as a leading supplier of Turret Mooring Systems have been important contributions in the work of maturing the Johan Castberg project towards the Final Investment Decision (FID) end of 2017. Through this work, Statoil has learned to know SBM Offshore as a professional actor, and established a solid basis for further cooperation in the upcoming project phases.'



### FUTURE

The Company continues to invest in its capacity in the turnkey division in order to be ready for when the market picks up further. In the meantime, the Company aims to be the preferred contractor for FEEDs, an area that is active, while clients assess the viability of projects.

## 2.4 HEALTH, SAFETY & SECURITY

### MANAGEMENT APPROACH

It is SBM Offshore's top priority to ensure the Health, Safety and Security (HSS) of its employees, subcontractors and assets. The Company fulfills its 'Duty of Care' regarding all HSS matters by adhering to industry best practices. SBM Offshore has continued its journey towards safety excellence, with a significant focus in 2017 on offshore operations.

The Company's overall objective is to offer an incident-free workplace and minimize the risks to the health and safety of all its personnel. Working in the oil and gas industry and operating in areas categorized as 'high risk' locations requires a clear strategy to manage exposure to health, safety and security hazards and risks. The HSSE (includes environment) policy, procedures and controls are designed to achieve this objective by providing an appropriate level of protection wherever the Company operates.

### 2017 PERFORMANCE

In 2017, the Company achieved an unprecedented safety performance, improving by approximately 40% its 2016 performance. In terms of recordable injuries the

Company performed 40% better than the target of 0.32 set for its objective of preventing harm to people. Overall the performance in 2017 led to a Total Recordable Injury Frequency Rate (TRIFR) of 0.19, which is mainly due to an outstanding performance from the fleet with a 48% decrease in TRIFR from 0.50 in 2016 to 0.26 in 2017. In addition, despite increased security risk levels around the world, SBM Offshore's security performance indicates that an appropriate level of controls was applied.

HSS performance is tracked and consolidated on a monthly basis, and disclosed annually. The results are compared to the previous years as well as benchmarked against the International Association of Oil and Gas Producers (IOGP) averages. The results are recorded and reported in accordance with the GRI Standards and IOGP guidelines. All incidents with an actual or a potential consequence for the health, safety or security of personnel are reported and communicated to the relevant parties within the organization and corrective measures are taken.

### Key achievements

In 2017, the Company continued to expand its initiatives around HSS with a specific focus on the:

- Maintenance of all safety and security certifications on marine units and shorebases (OHSAS18001, ISPS and ISM)
- 2017 edition of the annual, Company-wide Life Day on the theme: *Going Beyond*
- Cascading of the Safety leadership 'Make the Difference' program to leadership teams offshore and on new projects. As part of the program, a Safety