2017
ANNUAL REPORT

SBM OFFSHORE

EXPERIENCE MATTERS

CASH FLOW / LIQUIDITIES

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

The consolidated cash flow statement under Directional reporting is as follows:

in millions of US$	2017
EBITDA	**596**
Adjustments for non-cash and investing items	
Addition/(release) provision	292
(Gain)/loss on disposal of property, plant and equipment	0
Share-based payments	12
Changes in operating assets and liabilities	
Decrease in operating receivables	31
Increase in construction work-in-progress	7
Decrease in operating liabilities	(201)
Income taxes paid	(30)
Net cash from operating activities	**707**
Capital expenditures	(96)
Addition to and repayments of funding loans	38
Other investing activities	30
Net cash used in investing activities	**(28)**
Addition to and repayments of borrowings and loans	(381)
Dividends paid to shareholders	(47)
Interest paid	(192)
Net cash used in financing activities	**(620)**
Foreign currency variations	(3)
Net increase in cash and cash equivalents	**55**

4.1.4 FINANCIAL REVIEW IFRS

PROFITABILITY

Revenue

Total IFRS revenue decreased during the year, down by 18% to US$ 1,861 million versus US$ 2,272 million in 2016, despite an increase of 22% for the Lease and Operate segment. This was mainly attributable to significantly lower revenue generated by the Turnkey segment upon completion of major projects in the course of 2016 while awards won during 2017 will start to materially contribute to Turnkey revenues in 2018.

EBITDA

IFRS EBITDA amounted to US$ 611 million, representing a 21% decrease compared with US$ 772 million in 2016.

Adjusted for non-recurring items, 2017 underlying IFRS EBITDA is stable at US$ 822 million compared with US$ 825 million in 2016. This is primarily attributable to the Lease and Operate segment with full year contribution of FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*. Despite the significant decline of Turnkey activity year-on-year, the underlying Turnkey EBITDA has been held to a loss of US$ (36) million due to sound performance in project close out.

It should be noted that the start of the construction of the FPSO *Liza* did not yet contribute to the IFRS gross margin given the Company policy of not recognizing margin before it could be estimated reliably thanks to substantial progress in engineering activity and the completion of an independent project review, typically at around 25% of project progress.

Net income

After IFRS non-controlling interest of US$ 154 million included in 2017 net income and related to reported results from consolidated investees where the Company has a minority partner (principally Brazilian FPSOs, *Aseng* and *Turritella*), IFRS net income attributable to shareholders is a loss of US$ (155) million compared to US$ 182 million profit in 2016. This result includes non-recurring items which generated a net loss of US$ (306) million in 2017 compared to a net loss of US$ (126) million in 2016.

Excluding non-recurring items, 2017 underlying consolidated IFRS net income attributable to shareholders was therefore US$ 151 million, a decrease of US$ 157 million from the previous year.

STATEMENT OF FINANCIAL POSITION

in millions of US$	2017	2016	2015	2014	2013
Total equity	3,559	3,513	3,465	3,149	2,887
Net debt	4,613	5,216	5,208	4,775	3,400
Net Cash	957	904	515	475	208
Total assets	11,007	11,488	11,340	11,118	8,749

Total assets decreased to US$ 11.0 billion as of December 31, 2017 compared with US$ 11.5 billion at year-end 2016. This decrease is mainly attributable to finance lease redemptions and capex depreciation over the period, partially offset by increased construction work-in-progress explained by the start of construction activities for FPSO *Liza* during the period.

Total equity increased from US$ 3,513 million to US$ 3,559 million, mostly due to increasing marked-to-market value of hedging instruments partially offset by dividends paid to shareholders and non-controlling interests.

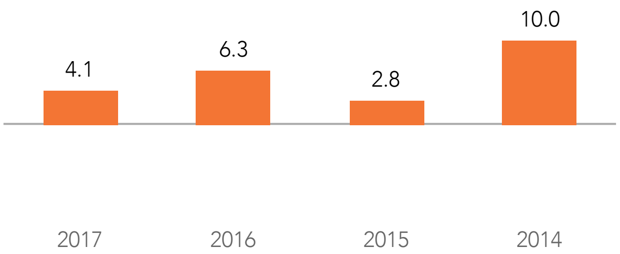
IFRS net debt was US$ 4,613 million at year-end 2017 compared with US$ 5,216 million in 2016. The decrease of the net debt is mainly related to strong operating cash flow generated by the Lease and Operate segment and the proceeds from the Yme insurance claim more than covering Turnkey cash consumption, corporate overheads, the penalty to the U.S. Department of Justice ('DoJ'), dividends and interest paid over the period.

All of the Company's debt consists of project financing in special purpose investees with no borrowing at corporate level as of December 31, 2017.

RETURN ON CAPITAL EMPLOYED AND EQUITY

Both IFRS return on average capital employed (ROACE) and return on average shareholders' equity (ROAE) decreased to 4.1% and (6.2)% respectively in 2017. This was primarily the result of the lower EBIT and net loss reported under IFRS in 2017 while equity and capital employed remained stable.

Return on Average Capital Employed (%)



Return on Average Equity (%)