



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

1.1 MESSAGE FROM THE CEO

2018 was a watershed year for both the Company and the wider industry, marking the beginning of a new cycle. SBM Offshore's faster and reliable solutions to industry challenges will lead to profitable growth for years to come. On the macro front, oil prices rose while break-evens of deep water fields kept coming down. This, combined with the improving balance sheets of the oil companies, had the knock-on effect of a return to capital investments, with nine awards in 2018 (four FPSOs – our key market). It was a fruitful year, as we advanced our projects and positioned ourselves for future awards, to profitably grow the Company.

The offshore oil industry must continue to reinvent itself. Embracing standardized solutions from experienced contractors, such as SBM Offshore, provides clients with a higher level of economic certainty, regardless of oil price fluctuations. Although 2018 was a positive year, with the trend mostly upwards, oil price volatility is part of our industry. We offer reliable solutions to this uncertain reality with Fast4Ward™, which increases predictability, reduces costs and ensures lower break-even points for deep water development. All the more important, as the demand for energy rises and the energy mix evolves, with a more prominent role for gas and renewables being forecast for the future.

SBM Offshore is benefiting from these trends because we have been preparing for this scenario for several years by leveraging our expertise to optimize, transform and innovate.

The timing of our Fast4Ward™ program coincides perfectly with an appetite for profitable growth in the industry. This led to a second hull contract, while the first hull forms the design basis for a major project offshore Guyana. Our investment into our digitalization journey will also help us further create value through standardization and economies of scale.

We have also been preparing for the energy transition. Our 12 years of in-house marine renewable energy technology development is being leveraged for the Company's new energy solutions.

We are adapting to the evolving needs of our clients for operations offshore. In a hybrid of the traditional, commercial models, on one hand 'Turnkey' sale and on the other hand 'Lease and Operate', the build-operate-transfer model (BOT), allows SBM Offshore to build and commission a unit and operate it during a shorter period than usual, such as the crucial start-up phase, before then transferring ownership to the client.

We have transformed our ways of working – our organization is more flexible and dynamic to match today's market, with sustainability embedded at every level. Our reputation was eroded in the past by legacy issues and our priority is to restore trust as demonstrated by our actions, through prioritizing integrity and championing compliance.

The Company reached a full and final settlement on its insurance claim related to the Yme MOPU. This project ended in March 2013 following a settlement between the Company and Repsol (formerly Talisman) on behalf of the Yme License.

Closure was also achieved with the signing of the leniency agreement with the Brazilian authorities and Petrobras, followed by an agreement with the Brazilian Public Prosecutor at year-end. The immediate result is that it brings us back to the tender table in Brazil, one of a number of important countries in our growing portfolio.

Our financial results are testament to our track record of performance and potential and have yet to reflect the Liza projects. Encouragingly, activity levels in Turnkey are growing, which further bolsters our confidence in future opportunities. Lease and Operate performance this year – with a 98% uptime – continued to generate strong cash flow from our substantial backlog, with visibility nearly 20 years ahead. Complementing this, the close out of the sale of the *Turritella* (FPSO), as well as final proceeds from the closure of the Yme insurance case, led to a reduction in net debt. Underlying EBITDA was delivered ahead of plan.

We continue to target excellence in all our activities. Construction began on the hull for our first Fast4Ward™ FPSO project. Work on FPSO *Liza Destiny* is progressing in line with project schedule. Fabrication of the Turret Mooring System (TMS) for

1 AT A GLANCE

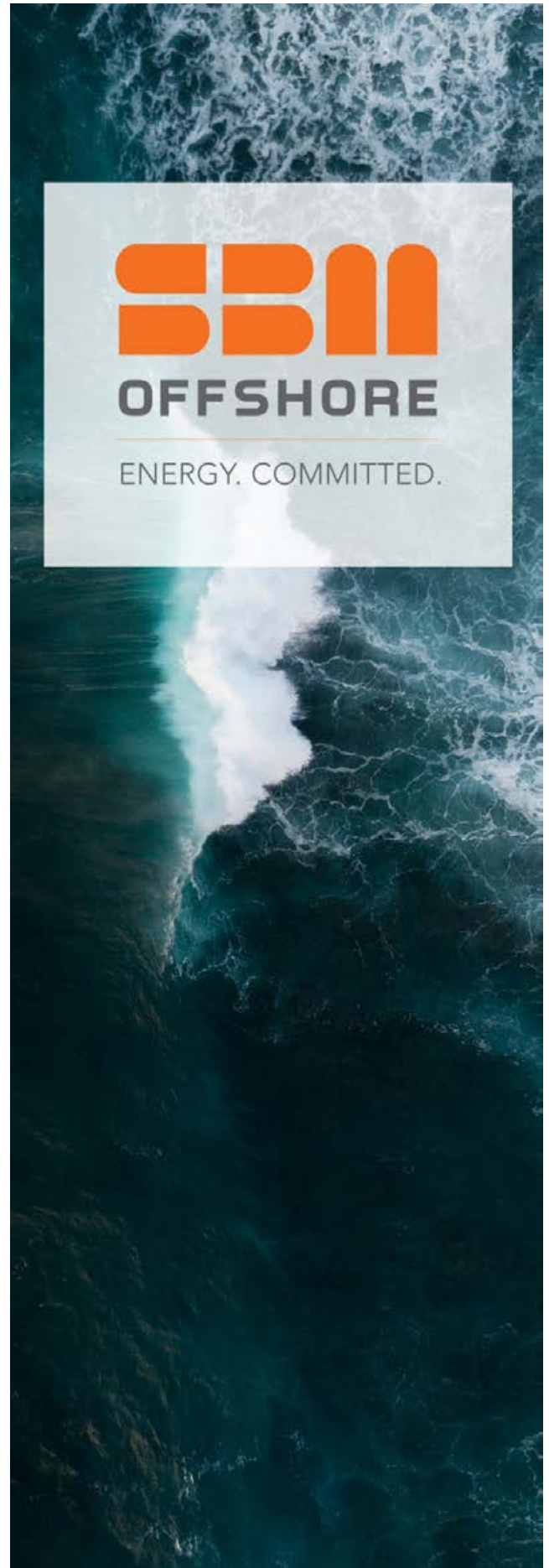
the *Johan Castberg* FPSO is advancing and also on schedule.

Our efforts on safety leadership and culture saw us maintain, in general, last year's overall health and safety performance. In particular, this year we focused on progressing Process Safety Management. However, much to our regret, an injury to a worker proved fatal at a construction yard in Singapore. Following a joint in-depth investigation, preventive measures have been implemented by the yard owner, which include key construction controls, work planning and supervision and focusing on hazard recognition. We have increased our efforts and leadership as we strive to achieve our goal of no harm.

We continue our commitment to support Sustainable Development Goals, with SBM Offshore being included in the Dow Jones Sustainability Index. Once again, our environmental performance has progressed, as evidenced by SBM Offshore's flaring account having achieved the targeted reduction.

In five years time we expect to have grown the Company significantly. I firmly believe in a bright future ahead. We know where we are going and we know how to get there: by driving our quality, our performance and by continuing to invest in our people and our technology.

I thank all SBMers for their achievements this year. We will continue to be guided by our core Values and our vision. We believe the oceans will provide the world with safe, sustainable and affordable energy for generations to come.



2018

KEY FIGURES



TOTAL OIL PRODUCTION CAPACITY
1,540,000 bopd



0.18
TOTAL RECORDABLE
INJURY FREQUENCY RATE
(per 200,000 hours)



OIL PRODUCTION
UPTIME
98%



4,740
PEOPLE



10%
DECREASE IN GAS FLARED
PER PRODUCTION COMPARED TO 2017



90%
COMPLETION RATIO FOR
ONSHORE COMPLIANCE TRAINING
TO DESIGNATED STAFF



35%
LESS GHG PER PRODUCTION
COMPARED TO INDUSTRY BENCHMARK



35
TRAINING HOURS
PER EMPLOYEE



DIRECTIONAL REVENUE
US\$ 1,703 million



IFRS REVENUE
US\$ 2,240 million



UNDERLYING
DIRECTIONAL EBITDA
US\$ 784 million



UNDERLYING IFRS EBITDA
US\$ 844 million



DIRECTIONAL TOTAL ASSETS
US\$ 6.5 billion



IFRS TOTAL ASSETS
US\$ 10 billion



MARKET CAPITALIZATION
US\$ 3 billion



ENTERPRISE VALUE
US\$ 7.8 billion



UNDERLYING DIRECTIONAL
NET PROFIT
US\$ 113 million



CORPORATE GEARING
0%