



**OFFSHORE**

ENERGY. COMMITTED.

# ANNUAL REPORT 2018

## 1.3 VISION AND VALUES

### OUR VISION

*SBM Offshore believes the oceans will provide the world with safe, sustainable and affordable energy for generations to come. We share our experience to make it happen.*

### 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 realize 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 to 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 through balancing risks and rewards.

#### Ownership

SBMers are all accountable for delivering on their commitments and pursuing 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 market recovery is currently accelerating on the back of industry fundamentals. Additionally the energy mix is changing; the demand for coal is decreasing and forecasts predict accelerated demand growth for other energy sources.

### MACRO TRENDS

By 2040, the world population will grow to 8.5 billion citizens. Taking into account increasing urbanization, with 75% of the total population living in big cities close to the oceans, the global energy demand is set to grow in the coming decades. Consensus among many market analysts is that the demand for oil will also continue to grow until at least 2035 – albeit at a slower pace – and the energy mix will become more balanced. Combined with current oil field depletion, supply gaps are probable and offshore deep water oil production will continue to play a role in the years to come. Furthermore, the shift to alternative energy sources provides SBM Offshore with new market opportunities going forward. The Company is continually reviewing its strategy based on macro trends and believes that it is effectively adapting to the energy transition.

Despite the current upturn, Management remains vigilant and maintains a disciplined approach to market opportunities, particularly as oil prices are expected to be volatile. Geopolitical factors are contributing to this: tensions in the Middle East, the deteriorating situation in Venezuela, the impact of renewed USA sanctions on Iran and the trade issues between China and the USA.

SBM Offshore has a solid foundation to cope with such market volatility based on its backlog. Moreover, to better anticipate market volatility, which may affect clients' investment decisions, the Company continues to focus on an efficient cost-base, shorter cycle times and standardized ways of working. In line with this, SBM Offshore has matured its Fast4Ward™ concept into a principle-based program to be applied across its product portfolio, which will facilitate the philosophy 'Better Performance, Delivered Faster', as well as de-risk projects. Fast4Ward™ is the Company's new business model to fast-track projects, reduce risks and provide a reliable execution plan, making projects even more competitive. Fast4Ward™ fits the needs of the most economically attractive deep water developments, which require high

## 1 AT A GLANCE

production capacities, combined with larger and more complex processing capabilities, and which can benefit most from shorter cycle time to first oil.

It is expected that, going forward, a combination of a robust technology portfolio, project management, engineering capabilities, operations expertise and financing capabilities will be needed to deliver sizeable deep water projects across the energy mix. Success will depend not only on internal capabilities and discipline, but also on the right partnering strategy to add value to current businesses and enhance learning for new businesses. Focus on the full lifecycle value is becoming increasingly important for oil companies.

### 2018 PERFORMANCE

SBM Offshore continues to be active in the following market segments: Floating Production Storage and Offloading Units (FPSOs), Floating Production Units (FPU), Turret & Mooring Systems (TMS) and Terminals. The Company also has a strong focus on the operation of its fleet. Besides these segments, the Company remains focused in the development of its Renewables and Gas floating solutions, in preparation for the energy transition.

Following a period of under-investment in oil and gas production infrastructure, the Company believes that fast action is required to secure future supply for the growing demand. Deep water projects rank favorably in clients' project portfolios. As predicted by SBM Offshore, nine FPSO contracts were awarded in 2018, none to SBM Offshore. The Company assesses each tender opportunity for relative risk and reward and, on that basis, a decision is made to proceed or not.

In 2018 progress was made on two projects; a FPSO and a complex TMS. In addition, on-going Front-End Engineering and Design (FEED) activity across all Product Lines demonstrates that the Company can leverage its experience – particularly in the critical preparatory stage – to help advance clients' projects to the next stage.

SBM Offshore is currently constructing its first standardized hull based on Fast4Ward™, which is planned to be allocated to the FPSO *Liza Unity* project, subject to authorizations. In addition, the Company placed an order for a second generic hull. This decision to start construction in anticipation of future orders is unique in the industry and reflects Management confidence in the market upturn and the increased interest from customers for Fast4Ward™.

Major achievements throughout the year include:

- FEED contract awarded based on Fast4Ward™ design for a second FPSO for the Liza field.
  - Several contracts for CALM Terminals.
  - *N'Goma FPSO* – completion of a field development project with the start-up of the first Ochigufu well.
  - Strong fleet performance.
  - Good progress in the projects in our backlog.
  - In general, maintained similar levels of Health and Safety performance when compared to 2017.
- However, despite the priority for safety, regrettably, a fatality occurred this year during the construction phase for a project; reinforced measures were taken.





## FUTURE

Looking ahead, up to 23 FPSO projects could reach Final Investment Decision (FID) between 2019 and 2020 in the bull case scenario. This is an upward estimate of the market condition compared to the Company's view one year ago.

Management firmly believes that the market will continue to pick up. The benefits of the Company's strategic decisions are now yielding results, positioning SBM Offshore as the partner of choice for future projects. The Company continues to adapt to the fast-moving market, as well as directing efforts towards the energy transition.

