ANNUAL REPORT 2018

Most contracts include a bonus/penalty reward related to uptime performance of the different systems, as well as penalties related to greenhouse gases (GHG) emission levels. The FPSO facility processes the well fluids into stabilized crude oil for temporary storage on board, which is then transferred to a shuttle tanker to export it from the field. Oil and gas enhanced recovery systems are used to maintain production levels. To do this, secondary recovery systems for gas injection, water injection and gas lift systems are installed on the production facility. SBM Offshore's latest FPSO designs can include CO_2 removal from gas streams and reinjection into the well offshore. Operating and maintaining floating production facilities requires proven operational expertise and a robust management system, which SBM Offshore has developed almost 320 cumulative contract years of operations.

Decommissioning & Recycling

At the end of the lifecycle the facilities are decommissioned and recycled. As the leased FPSOs are under SBM Offshore's full or co-ownership, the Company applies the Hong Kong Convention rules to green recycle its FPSOs.

RENEWABLE ENERGY VALUE CHAIN

Energy Transition

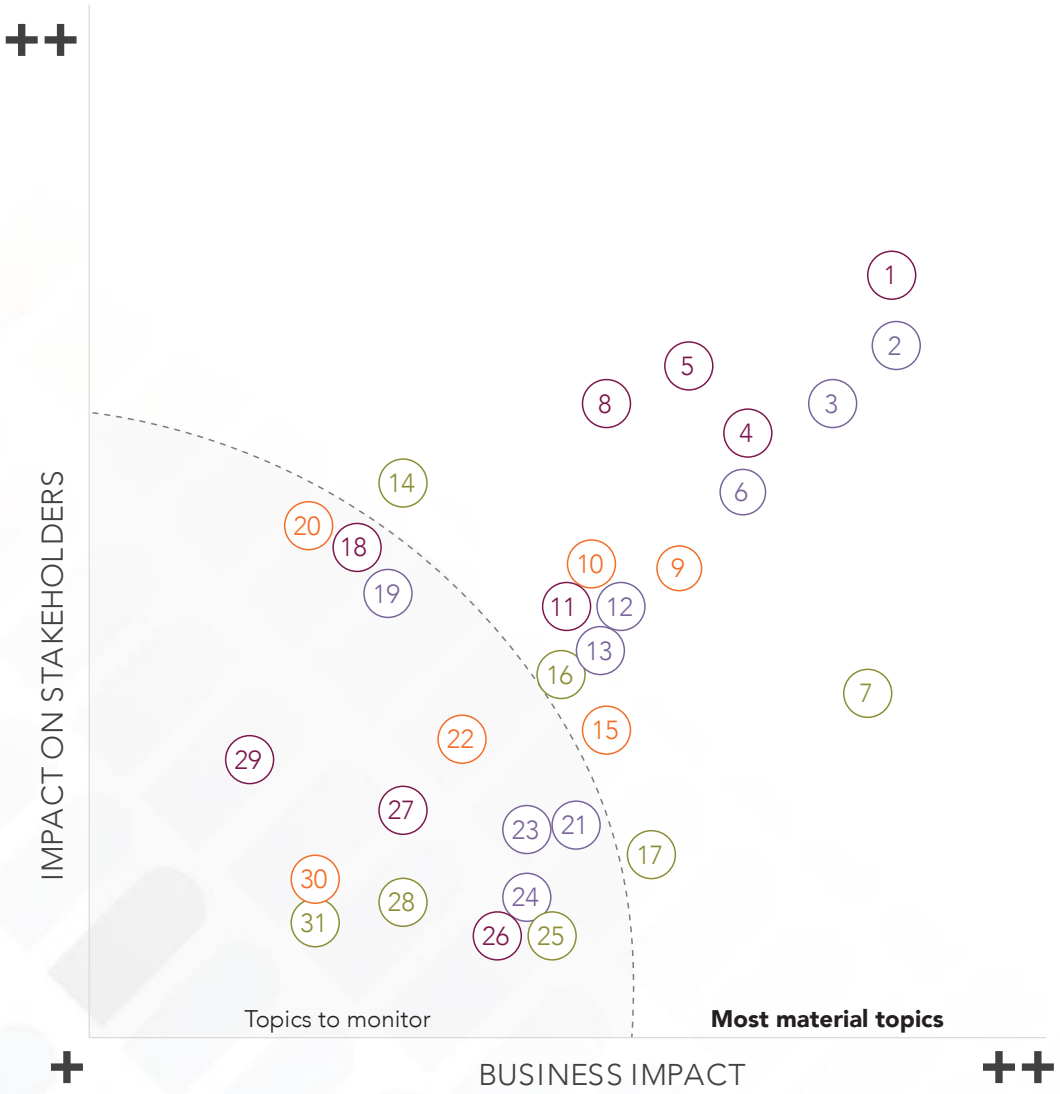
SBM Offshore's strategy is to position the Company in this growing market sector as the energy mix evolves, with a more dominant role for renewables. SBM Offshore is investing in technology development for renewable energy, especially in floating offshore wind and wave energy. The Company's Renewables Product Line is focusing on developing its expertise, as well as identifying opportunities for technology co-development with clients and partners.

1.7 MATERIALITY-BASED VALUE CREATION

Conducting sustainable business for SBM Offshore is dependent on continued and effective communication with stakeholders and the recognition of the impact of operations on the environment. The Company recognizes this and acknowledges stakeholder engagement's importance in understanding risk and opportunities, as well as for setting strategic objectives within the value chain.

Recently, SBM Offshore identified financial and non-financial topics that have a material impact on the Company's ability to create value. The results of this analysis are presented in the Materiality Matrix below, which is a visual representation of SBM Offshore's impact on these topics and related stakeholders' decisions.

SBM OFFSHORE MATERIALITY MATRIX



OPTIMIZE

2. **Fleet Management & Project Performance**
3. **Process Safety**
6. **Pollution to Air & Sea**
12. **Economic Performance**
13. **Cost of Ownership**
19. Waste
21. Supply Chain
23. Cost & Energy Efficiency
24. Emissions Reduction

TRANSFORM

9. **Environmental Impact**
10. **Operational Excellence / Quality**
15. **Digitalization & Standardization**
20. Partnerships and Mergers & Acquisitions
22. Training and Development
30. Local Content and Supporting Local Communities

INNOVATE

7. **Human Capital Development & Retention**
14. **Innovation & Technology**
16. **Energy Transition**
17. **Renewable Energy**
25. Green Recycling of Vessels
28. Disruptions
31. Climate Change

OUR VALUES

1. **Ethics & Compliance**
4. **Employee Health and Safety**
5. **Transparency, Trust and Reputation**
8. **Security**
11. **Human Rights**
18. Risk Management
26. Diversity
27. Corporate Governance and Investor Relations
29. Community and Society

MATERIAL TOPICS FOR 2018

The matrix maps SBM Offshore's business impact and the impacts on stakeholders for various important topics. From this matrix, SBM Offshore's Management has established a group of the most material topics for the Company. Furthermore, the matrix visualizes the alignment of these topics with the Company's strategy and the relation with SBM Offshore's core values: Integrity, Care, Entrepeneurship and Ownership.

Value Creation

Engaging with stakeholders also enables sustainable, long-term value creation which is an intrinsic aspect of the Company's business model (for more on who our stakeholders are, see section 5.1.3).
SBM Offshore's production accounts for 1% of total world oil production (onshore and offshore), 10% of deep water oil production (>150m water depth) and 15% of ultra-deep water (>1,000m water depth). This puts the Company in a position of responsibility in supplying safe, sustainable and affordable energy from the oceans to the world's population on both a short and long-term basis.

Hence, engaging with stakeholders to better meet their expectations and create long-term value is a key part of SBM Offshore's daily operations and overall strategy. The value creation model hereafter represents the Company's business model and stakeholder expectations as well as the changing environment within which the Company operates. In addition, it visualises the interconnectivity of SBM Offshore's operations and demonstrates how the outputs are the results of daily activities.

The results shown in the model are the direct result of SBM Offshore's resources and expertise to create value for the stakeholders. They are categorized into six different forms of capitals, as the essential inputs to the Company. Some of these results are linked to the United Nations Sustainable Development Goals (SDGs) that SBM Offshore is contributing to. For more details see section 2.3.

VALUE CREATION MODEL

THE INPUTS ON WHICH WE FLOAT

Our **financial capital** enables us to finance our projects and thereby our growth:

- Directional Lease & Operate Backlog: US$ 13.4 billion

Our **produced capital** consisting of a fleet that enables consistent, reliable and safe production:

- 15 units in our fleet
- 5.6 billion barrels production cumulated to date
- 390 people working for the joint venture (JV) construction yards

We leverage our **intellectual capital** to bring new and innovative solutions to our clients:

- R&D investments: US$ 23 million SDG 13
- + 300 years of cumulative years of operating experience

Ensuring the health and safety of our **human capital** consisting of motivated, diverse and expert colleagues: SDG 3

- Headcount 4,740
- 142,065 training hours in 2018 SDG 4

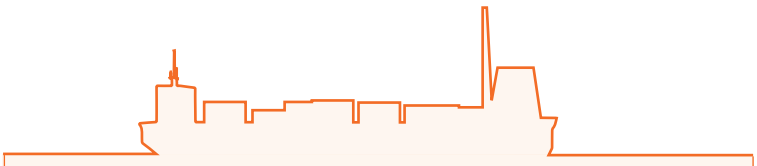
Utilizing our **social capital** in all facets of business and collaborations:

- Member of Building Responsibly

Natural capital needed for operations:

- 58,033,795 GJ of energy to run our operations

OUR BUSINESS MODEL TO CREATE STAKEHOLDER VALUE



OUR VISION STATEMENT

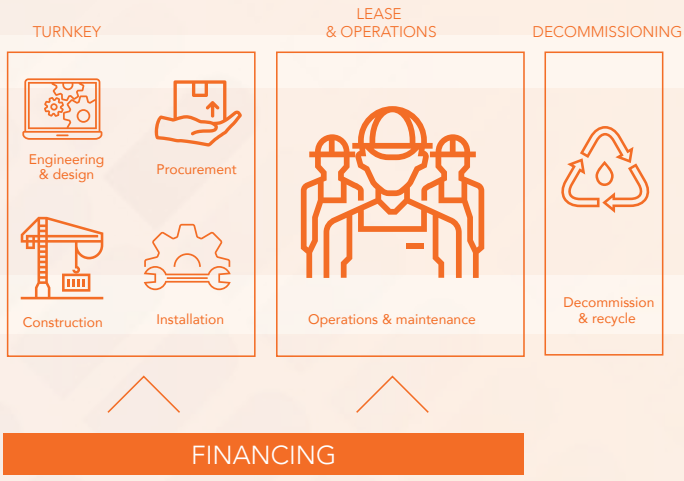
SBM Offshore believes the oceans will provide the world with safe, sustainable and affordable energy for generations to come.

We share our experience to make it happen.

STRATEGY

OPTIMIZE	TRANSFORM	INNOVATE
Best in class	Change our ways of working	Gas and renewables floating solutions

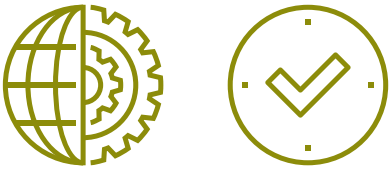
SBM OFFSHORE ACTIVITIES



OUR VALUES

INTEGRITY CARE
ENTREPRENEURSHIP OWNERSHIP

OUR ANNUAL RESULTS WHICH BENEFIT OUR STAKEHOLDERS



We delivered solid and stable performance needed for long-term growth:

- Directional revenue: US$ 1,703 million
- Underlying directional EBITDA: US$ 784 million

Realizing our goal to Transform and Optimize:

- 98% uptime
- Our energy efficiency increased by 1% GJ/tonne hydrocarbons produced **SDG 7**

Develop 'Floating at large' solutions, using SBM Offshore past experience on FPSOs:

- Offshore LNG: for off-grid opportunities and distribution
- Offshore Renewables: using wind and wave as next source of energy

Caring for our colleagues to minimize incidents:

- Total Recordable Injury Frequency Rate: 0.18 (per 200,000 exposure hours)
- 5.26% decrease in TRIFR **SDG 8**

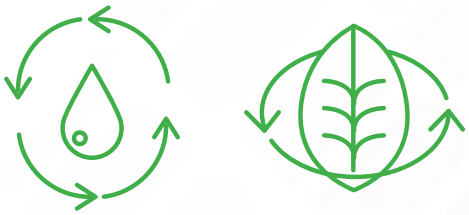
License to operate and grow responsibly in all levels of the Company:

- 99.40% of vendors that have gone through the revised qualification process signed the Supply Chain charter of co-development projects **SDG 8**

More efficient and cleaner energy usage enables long-term value for the Company:

- 97.79 tonnes of Greenhouse gas per 1,000 tonnes of hydrocarbons produced (35% lower than the industry benchmark). **SDG 9**
- Oil spills: 0 m^3 (>1 barrel (159L)) **SDG 14**
- 10% decrease in gas flared per production **SDG 7**

THE IMPACT OF OUR OUTPUT ON SOCIETY



THE IMPACT TODAY:

SBM Offshore plays an important role in meeting society's need for safe, sustainable and affordable energy that enables the daily life of millions of people. This is achieved by making floating solutions that create value for the Company's stakeholders and leveraging our operating experience. In addition, we provide a safe and healthy working environment for thousands of people.

THE IMPACT TOMORROW:

Playing a leading role in supporting energy providers with the knowledge and experience to help them make the most of conventional energy and develop new and sustainable ways of producing energy to meet the world's growing needs.