SBM OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

4.6.2 INDEPENDENT AUDITOR'S REPORT

To: the general meeting and Supervisory Board of SBM Offshore N.V.

Report on the financial statements 2018

Our opinion

In our opinion:

- SBM Offshore N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- SBM Offshore N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying 2018 financial statements of SBM Offshore N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of SBM Offshore N.V. together with its subsidiaries ('the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the following statements for 2018: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2018;
- the company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of SBM Offshore N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

SBM Offshore N.V. serves the offshore oil and gas industry by supplying engineered products, vessels and systems, as well as offshore oil and gas production services. This includes the construction and the leasing and operating of large and complex offshore floating production, storage and offloading vessels (FPSOs). The Group is comprised of several components and, therefore, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

The Group has experienced a recovery in its turnkey activities with two large projects started in the last year. These projects have contributed to the turnkey revenue and margin in this year. An additional FEED was awarded for an FPSO in 2018 and subject to final investment decision by this client, the Group expects to commence the engineering, procurement, construction and installation contract in 2019. The increase in activities during 2018 have led to an increase in contract assets relating to the projects currently under construction.

For some of the Group's activities the environment remains challenging. This is evidenced by the low activity at the Brazilian yard and difficult market conditions surrounding the Floating Production Unit ('FPU') product line in Houston. This resulted in impairments for these respective CGU's.

Furthermore, the Group has reached settlement agreements with the relevant Brazilian parties and authorities, enabling the Group to tender for and be awarded projects in Brazil.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Management Board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 4.2.7 section 'Use of estimates and judgement' of the financial statements, the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related significant inherent risks of material misstatement in construction contracts and impairment of goodwill and non-current assets, in particular investments in construction yards, we considered these to be key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we considered the settlement agreements reached in Brazil with respect to the alleged improper sales activities a key audit matter given the impact on the financial statements.

Other areas of focus, that were not considered to be key audit matters, were the implementation of IFRS 9, 15 and 16, the accounting for uncertain tax provisions, the IT environment and the accounting for the final settlement of the YME insurance claim. The impact of IFRS 15 has been specifically considered with respect to the key audit matter on estimates in construction contracts.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences, which are needed for the audit of a company providing floating production solutions to the offshore energy industry, over the full product life-cycle. We included members with relevant industry-expertise and specialists in the areas of IT and corporate income tax, as well as experts in the areas of valuation and employee benefits, in our audit team. We also discussed the settlement agreements reached in Brazil with forensic specialists.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: USD 21.24 million.

Audit scope

- We conducted audit work in three locations.
- Site visits were conducted to Monaco.
- Audit coverage: 100% of consolidated revenue, 98% of consolidated total assets. and 98% of consolidated profit before tax.

Key audit matters

- Estimates in construction contracts.
- Valuation of goodwill and non-current assets.
- Settlement agreements reached in Brazil.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	USD 21.24 million (2017: USD 21.75 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 0.6% of the net assets as at 31 December 2018.
Rationale for benchmark applied	We used this benchmark and the rule of thumb (%), based on the common information needs of users of the financial statements, including factors such as the headroom on covenants and the financial position of the Company. The benchmark has not changed from last year. The use of this benchmark is based on the current limited contribution of the turnkey segment to the total financial position of the company, whereby there is still a significant weight of the lease and operate segment. As a result thereof, we consider net assets still the appropriate benchmark for the financial performance of the company in 2018.
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between USD 14 million and USD 20.5 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above USD 10 million for balance sheet reclassifications and USD 2.1 million for profit before tax impact (2017: USD 2.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons in general.

The scope of our group audit

SBM Offshore N.V. is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of SBM Offshore N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

The group audit focused on two significant components in Monaco, the treasury shared service center in Marly, and two other components ('Yards and Construction' and 'Group Corporate Departments'). The two significant components in Monaco were subject to a full scope audit as those components are individually significant to the Group. The processes and financial statement line-items managed by the treasury function shared service center in Marly, Switzerland were subject to specified audit procedures. Additionally, 'Yards and Construction' and 'Group Corporate Departments' were selected for specified audit procedures to achieve appropriate coverage on financial statement line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	98%
Profit before tax	98%

For the remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the Group Corporate Departments component in Amsterdam, the group engagement team performed the audit work. For the components in Monaco, including 'Yards and Construction', and the treasury function shared service center in Marly, Switzerland, we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included, amongst others, our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams during the year including upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, the reports of the component auditors, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

The group engagement team visits the component teams and local management on a rotational basis. In the current year, the group audit team has visited the Monaco components given the importance of these components to the consolidated financial statements as a whole and the judgements involved in the estimates in construction contracts (refer to the respective key audit matter). For each of these locations and the treasury function shared service center in Marly, Switzerland, we reviewed selected working papers of the component auditors.

In addition to the work on the Group Corporate Departments component, the group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office. These included impairment assessments, share based payments, provisions for warranty obligations, taxes including deferred taxes and uncertain tax provisions, directional reporting as part of the segment reporting disclosures, the implementation of IFRS 9, especially the expected credit losses, IFRS 15, IFRS 16 and the Brazil settlements.

By performing the procedures above at component level, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Our focus on fraud

Our objectives

We assess and respond to the risk of fraud in the context of our audit of the financial statements. In this context and with reference to the sections on responsibilities in this report, our objectives in relation to fraud are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

However, because of the characteristics of fraud, particularly those involving sophisticated and carefully organised schemes to conceal it, such as forgery, deliberate failure to record transactions and collusion, our audit might not detect instances of material fraud.

Our risk assessment

We obtained an understanding of the entity and its environment, including the entity's internal control. We made enquiries of management, internal audit and the Supervisory Board. In addition, we considered other external and internal information. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. Fraud risk factors are events or conditions, which indicate an incentive or pressure, an opportunity, or an attitude or rationalization to commit fraud. We, together with our forensic specialists, evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Management Board that may represent a risk of material misstatement due to fraud.

Our response to the risk of fraud

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures, which include journal entry testing and evaluating accounting estimates for bias.

In particular, our procedures consisted of checking the results of whistleblowing and complaints procedures with the entity, data analysis of high-risk journal entries and evaluation of key estimates and judgements (including retrospective reviews of prior year's estimates). These procedures also included testing of transactions back to source information. We considered the possibility of fraudulent or corrupt payments made through third parties including agents and conducted detailed testing on third party vendors including agents. We conducted specific audit procedures in relation to the risk of bribery and corruption across various countries of operation determined by a risk based process. We also incorporated an element of unpredictability in our audit.

We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud. If so, we re-evaluated our assessment of fraud risk and its resulting impact on our audit procedures.

In the 'Key audit matters' section of this report, and specifically the key audit matter 'Estimates in construction contracts', we included the risk of fraud as a risk element because of the level of judgement and significant estimates involved relating to the accounting for revenue arising from construction contracts of the turnkey segment.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

As a result of the magnitude of the current projects undertaken by the Group and inherent estimation uncertainty we consider 'Estimates in construction contracts' a key audit matter for this year. The key audit matters 'Valuation of goodwill and non-current assets' and 'Settlement agreements reached in Brazil' are similar in nature to the key audit matters we reported in 2017 due to the nature of the company's business and its environment. The other key audit matter considered in the 2017 auditor's report ('Directional reporting enhancements'), in our opinion, does not longer warrant the classification of key audit matter in 2018, given 2017 was the first year the enhancements were applied.

Key audit matter	***Our audit work and observations***
Estimates in construction contracts	
Note 4.2.7 *and* 4.3.20 *to the consolidated financial statements*	
Revenue arising from construction contracts represents 42% of the Group's total revenue. The engineering and construction of FPSOs and Turrets is complex, involving significant management estimates, for instance, relating to the cost to complete and the measurement of progress towards complete satisfaction of the performance obligation, including the assessment of the remaining risks and contingencies that a project is or could be facing. Significant management judgement is applied in identifying the performance obligations and determining whether they are distinct, the method of revenue recognition as either point in time or over time, contract modifications and variable consideration. Given the unique nature of each separate project and contract, management performed a contract analysis on a case-by-case basis to determine the applicable accounting for revenues from construction contracts under IFRS 15. As construction contracts are complex and these involve significant judgement and estimates, we considered this area to be a key audit matter.	Our audit procedures on construction contracts included obtaining an understanding and evaluation of the significant estimates made by management, such as those regarding the cost to complete, the measuring of progress towards complete satisfaction of the performance obligations, contract modifications and variable consideration. We determined, based on reading the contracts with the customers, that the most critical and judgemental inputs to determine satisfaction of performance obligations over time are the cost incurred on construction contracts including the hours spent on construction projects and the estimate of the cost to complete. We performed look-back procedures in respect of our risk assessment procedures by comparing the estimates included in the current projects with past projects of similar nature as this provides insight in the ability of management to provide reliable estimates. We found no material deviations. We gained an understanding, evaluated and tested the controls the company designed and implemented over its process to record costs and revenues relating to contracts. This includes project forecasting, measurement of the progress towards complete satisfaction of the performance obligation to determine the timing of revenue recognition and the company's internal project reviews. We observed a quarterly operations review meeting of senior management for one of the components located in Monaco. We found the controls to be effectively designed and implemented and operating effectively for the purpose of our audit. We examined project documentation and challenged the status, progress and forecasts of projects under construction with management, finance and technical staff of the company. We substantiated the outcome of these discussions by performing procedures such as a detailed evaluation of forecasts and ongoing assessment of management's judgement on issues, evaluation of budget variances and obtaining corroborating evidence, evaluation of project contingencies and milestones and recalculation of the

Key audit matter	*Our audit work and observations*
	progress towards complete satisfaction of the performance obligation. We also performed test of details such as vouching of invoices and hours incurred to assess the status of the project. In addition, we discussed the status of legal proceedings in respect of construction contracts, examined modifications of contracts such as various claims and variation orders between the company, subcontractors and clients and responses thereto, and obtained lawyers' letters. Furthermore, we have assessed the adequacy of the related (IFRS 15) disclosures in the financial statements. Our audit procedures did not indicate material findings with respect to the estimates in construction contracts and disclosures thereto.
Valuation of goodwill and non-current assets *Notes* 4.3.1, 4.3.14 *and* 4.3.31 *to the consolidated financial statements* Goodwill is subject to an annual impairment test or when indications are present, indicating goodwill might be impaired, while non-current assets are subject to an impairment test when triggering events are identified. Impairments are recognized when the carrying value is higher than the recoverable amounts. The recoverable amounts of the cash-generating units ('CGUs') have been determined based on value-in-use calculations based on expected future cash flows from those CGUs. We determined the valuation of goodwill and non-current assets to be a key audit matter, due to the aggregate size of the goodwill and non-current assets and because management's assessment of the value in use of the Group's CGU's included a variety of internal and external factors, which represent significant estimates. Those estimates required the use of valuation models and a significant level of management judgement, particularly with respect to the future level and results of the business and the discount rates applied to the forecasted cash flows. Any change in the important assumptions, based on their sensitivity could have a significant effect on the financial statements. In particular, we focused our audit procedures on goodwill recognized in relation to the Houston based subsidiaries and the BRASA yard due to the impairment charges of USD 45 million recognized in the current year. Regarding the Houston goodwill, as a result of expected FPU projects not being awarded with the expected scope, and the continuing uncertainty surrounding these type of projects, the activities foreseen by management are more limited than anticipated in prior forecasts. As a result, the Group has impaired the goodwill in full. Relating to the BRASA yard, the change in local content regulations in Brazil in the course of 2018 and the lead time for opportunities to mature in terms of construction activities have led to the decision of the joint shareholders to close the yard for at least the coming few years. Due to these changes and the uncertainty surrounding the future evolution of these local content regulations, the activities foreseen by management are lower than anticipated in prior cash flow forecasts. As a result, the BRASA yard has been impaired in full.	We have discussed and challenged the triggering event analysis of management. In particular, we focused on whether all relevant CGU's were identified and the completeness of factors included in the analysis, which included amongst others assessing operational and financial performance and changes in discount rates. We performed audit procedures over the resulting impairment test for the goodwill relating to the Houston based subsidiaries and impairment test for the BRASA yard in Brazil. We evaluated the composition of management's future cash flow forecasts. We compared the current year actual results with the figures included in the prior year forecast to consider whether any forecasts included assumptions that, with hindsight, had been too optimistic. We found that for the Houston goodwill expected project awards included in prior forecasts did not fully materialise. Taking this into account, we performed audit procedures on management's inputs and assumptions such as prospective financial information (revenue and margin, operational and capital expenditure, number of employees, growth rates) comparing trends with external industry analysis and by considering the performance of the CGU. For the BRASA yard we assessed the changes of local content regulations and have obtained and examined the minutes of the board meeting in which the decision to close the yard was taken. We have re-performed calculations and compared the impairment models with generally accepted valuation techniques. With the assistance of our valuation experts, we independently calculated the discount rate. In calculating the discount rate, the key inputs used were independently sourced from market data and comparable companies. We compared the discount rate used by management to our independently calculated rate. We further evaluated the adequacy of the disclosure of the key assumptions and sensitivities underlying the tests. As a result of our audit procedures, we found the assumptions to be reasonable and supported by the available evidence. Our procedures did not identify material omissions in the disclosures in the financial statements.

Key audit matter	*Our audit work and observations*
Settlement agreements reached in Brazil *Notes 4.3.1, 4.3.26 and 4.3.28 to the consolidated financial statements*	
On 26 July 2018, the Company signed a leniency agreement with the Brazilian Ministry of Transparency and the Comptroller's General Office ('CGU'), the General Counsel for the Republic ('AGU') and Petrobras. In addition, the Company has signed an agreement with the Brazilian Federal Prosecutor's Office ('MPF'). The Agreements mean that the Company has reached a final settlement with the MPF over alleged improper sales practices before 2012, in addition to that with the other Brazilian Authorities and Petrobras. Following the approval of the Fifth Chamber on 18 December 2018, the MPF has made a court filing to terminate the improbity lawsuit filed by the MPF in 2017. The agreement provides for the payment of an additional fine by SBM Offshore of BRL 200 million (USD 48 million as at 31 December 2018), to be paid in instalments. Considering the significance of the settlements and the appropriate disclosure of rights and obligations in the financial statements regarding the settlements, we considered this a key audit matter.	We have discussed the settlements between the Company, the Brazilian authorities and Petrobras with the Management Board. We have examined the settlement agreements, vouched payments to bank statements, have obtained lawyers' letters and held discussions with the Company's Brazilian and Dutch external lawyers. We assessed whether the fines and compensation for damages as set out in the settlement agreements are appropriately recognised in the financial statements. We have assessed the adequacy of the related disclosures in note 4.3.1, 4.3.26 and 4.3.28. Our audit procedures did not indicate material findings with respect to the settlements, as recorded, and the contingent liability relating to the closure of the improbity lawsuit, as disclosed in the financial statements.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the chapters ' 1 At a Glance ', ' 2 Strategy and Performance ', ' 3 Governance ', ' 4.1 Financial Review ',' 4.7 Key Figures ', ' 5 Non-Financial Data ' and ' 6 Other Information ' of the annual report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of SBM Offshore N.V. on 13 November 2013 by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on 17 April 2014. Our appointment has been renewed on 11 April 2018 for a period of three years by shareholders. Our appointment represents a total period of uninterrupted engagement of five years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 4.3.34 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going-concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 13 February 2019
PricewaterhouseCoopers Accountants N.V.

M. de Ridder RA

Appendix to our auditor's report on the financial statements 2018 of SBM Offshore N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional skepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the Audit & Finance Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.