



OFFSHORE

ENERGY. COMMITTED.



ANNUAL REPORT 2019

1.1 MESSAGE FROM THE CEO

2019 was a positive year for SBM Offshore. Expectations for an offshore industry rebound materialized and coincided perfectly with our readiness to meet demand; steady progress on our series of Fast4Ward® FPSOs illustrates this. SBM Offshore's response to the industry's needs for faster and more reliable solutions are recognized and embraced by our clients and this year's financial figures support our belief that they will lead to profitable growth.

The progress made in 2019 is a result of several years of development in our technologies and new ways of working, as we leveraged our expertise to optimize, transform and innovate. The revival in deep water projects feeds optimism for a brighter market outlook, albeit tempered with continued uncertainty over oil prices in light of macro-economic, geopolitical and environmental developments. However, SBM Offshore is confident of where it is going: the flexibility of our Fast4Ward program allows us to adapt to the market's fluctuations in a profitable, efficient and reliable manner. Continued firm interest from clients for Fast4Ward products is fueling our expansion – of the five hulls under construction in 2019, three are allocated to two different clients and the fourth and fifth are to support our tendering activities.

We are proving that by embracing such solutions from experienced contractors like SBM Offshore, our clients can de-risk their projects and achieve a higher level of economic certainty. The ramp-up in investment in 2019 by the major players translated into two FPSO contracts and one FPSO FEED¹ for SBM Offshore, based on our Fast4Ward new build design, which shows the confidence there is in our program. One of the contracts cements our foothold in our historically strongest market, offshore Brazil, while the other sees the Company expand into the new territory, offshore Guyana. In parallel, we are expanding our global geographic footprint to help us meet demand; this includes our engineering capacity in India and a significant presence in China.

In 2019, one of our major achievements was the delivery of the FPSO *Liza Destiny*, which achieved first oil before year-end, illustrating that the principles of Fast4Ward can be beneficial when applied to the EPC phase for conversions. One of these principles is upfront engagement with our client, which significantly reduced the schedule, allowing us to achieve first oil within three years of the FEED start. The construction of the Turret Mooring System (TMS) for the *Johan Castberg* FPSO advanced into the final phase, with two modules delivered this year. I am particularly proud of the consistent quality work on both projects, in line with our target for excellence. Wherever we operate, safety is our

¹ The Prosperity FPSO for ExxonMobil is subject to necessary government approvals and project sanction.

number one priority. Sadly and regrettably one contracted diver was fatally injured in December 2019, despite year-on-year improvement in our ability to prevent injuries. This tragedy underlines the importance of our Life Saving Rules. It serves as a reminder to us all to embrace our HSSE policies and guidelines, to further strengthen our safety culture.

The recycling of our facilities, in particular the former *Yetagun* FSO, was a focus of scrutiny this year – such is the nature of the oil and gas industry and SBM Offshore's role in it - and this is a good thing. We work in line with international standards with the safety and welfare of workers being always our number one priority. We have continued to consistently implement our sustainability strategy with regard to the environment. SBM Offshore strives to be an industry example of how to do the right thing and we are never complacent about these critical issues. This can be seen from our embracing of the United Nations' Sustainable Development Goals (SDGs). For 2019, we set specific business targets in line with the SDGs; we met and exceeded most of them and are taking lessons learned to improve performance going forward. I am proud that SBM Offshore is once again included in the Dow Jones Sustainability Index. In 2019 we increased our commitments to sustainability, as evidenced by our explicit targets on three SDGs being expanded to six. To protect the environment, we aimed high this year, with ambitious targets to reduce the quantity of gas flared by 20% and to reduce the plastic waste generated onboard offshore units by 40%. Although we achieved improvements in our environmental performance, we did not meet all our targets. Setting the bar high helps to intensify the focus and action to improve performance: our crews and onshore base personnel embrace these sustainability goals and strive to achieve them.

Today, we turn our Vision into reality, as we transition into a future where innovation and the digital transformation will continue to be key, long-term value-drivers. Our achievements in this domain represent a solid foundation. As an example, our Operational Intelligence and Performance Optimization Center (OIPOC) is assisting our Assets Integrity team in predictive analytics for our fleet. Our ambition is to build a digital platform for our Operations teams.

We are on track for the energy transition, developing solutions for the future, as part of our ambitions to produce clean energy. Our new solutions are the basis of SBM Offshore's 'Ambition 2030' with the aim of 25% of total revenues to come from Gas and Renewables by 2030.

1 AT A GLANCE

This year, we took a step forward with our S3[®] Wave Energy Converter, with an offshore test site selected, investment² and plans in place, which should see the prototype in the water by 2022. We believe this technology has potential and a role to play in the future renewables market. The design of our wind floater is ready to move to execution and we remain committed to supporting EDF Renewables' Provence Grand Large pilot, which is pending final project sanction.

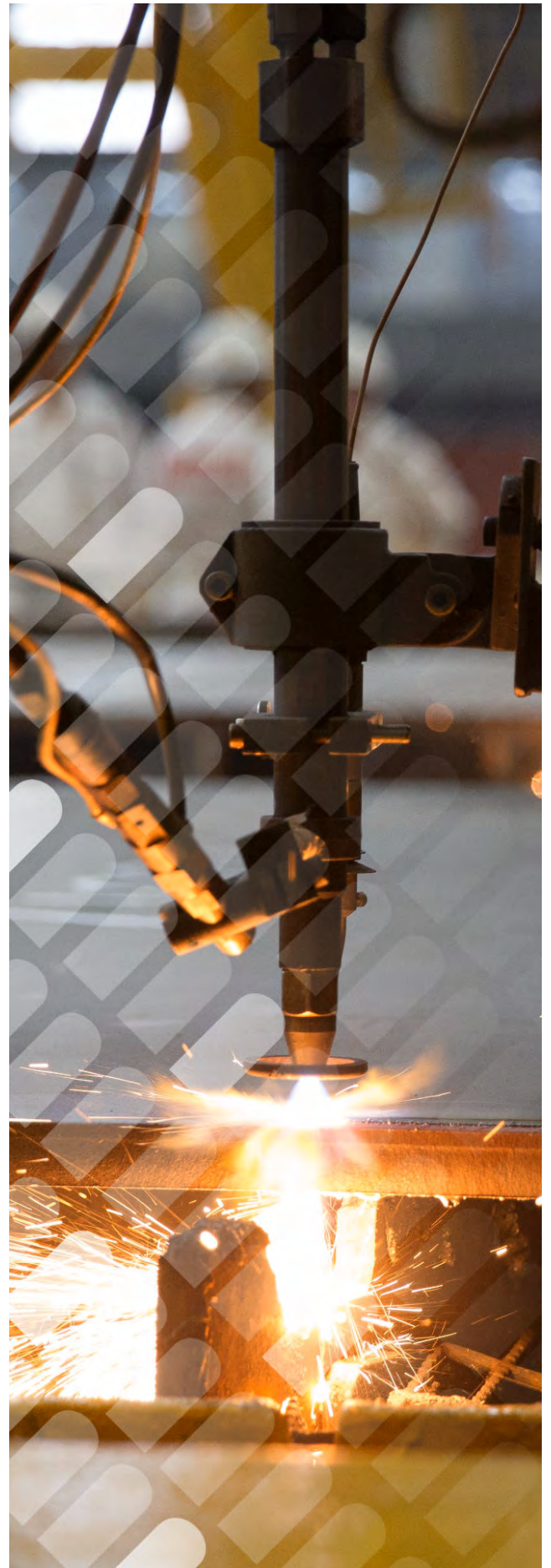
Although the energy transition shifts the industry away from carbon-based fuels, they will likely be required to play a meaningful part in the energy mix for decades to come. As leaders in FPSOs, we want to contribute further to reducing their environmental impact and as pioneers, we aim high: our ultimate goal is to provide floating production solutions with zero emissions in the future. This is achievable as we continue to execute in a flawless manner and to build on our Fast4Ward innovation and our eMission zero program, using valuable input from our Operations teams. We are accelerating delivery of more sustainable technical solutions.

Our financial results are testament to our track record of performance and indicative of our potential. Key to this is the US\$8.2 billion order intake in the year, which drove a substantial increase in our proforma backlog to US\$20.7 billion: this provides visibility on cash flow up to 2045 and gives us a solid foundation in potentially uncertain times. The equity acquisition completed at year-end of Constellation's minority stake in five of our leased Brazilian FPSOs has consolidated and improved our portfolio's return. The additional value we have created for shareholders is thanks to the solid infrastructure that we have put in place for the Company. This year's share repurchase program and the 50% increase in our dividend contributed to our overall shareholder return being well above the industry average at 18% (versus 6% for the industry).³

I thank all SBMers and our partners for a year of progress and expansion. We will continue to be guided by our Core Values: Integrity, Care, Entrepreneurship and Ownership. I am positive that our Vision continues to lead us in the right direction: we believe that the oceans will provide the world with safe, sustainable and affordable energy for generations to come. We share our experience to make it happen.

² The support from the French government (Investissements d'Avenir), entrusted to ADEME has facilitated SBM Offshore in this next step to put a prototype in the open sea.

³ Figures based on a sample of companies in the oil services industry and over the period between 2016 and H1 2019.





2019

KEY FIGURES



TOTAL OIL PRODUCTION CAPACITY
1,660,000 bopd



OIL PRODUCTION UPTIME
99.4%



44
TRAINING HOURS PER EMPLOYEE



DIRECTIONAL REVENUE¹
US\$2,171 million



UNDERLYING DIRECTIONAL EBITDA
US\$832 million



DIRECTIONAL TOTAL ASSETS
US\$7.4 billion



MARKET CAPITALIZATION
US\$3.7 billion



UNDERLYING DIRECTIONAL NET PROFIT
US\$171 million



0.13
TOTAL RECORDABLE INJURY FREQUENCY RATE (per 200,000 hours)



5,530
PEOPLE



96%
COMPLETION RATIO FOR ONSHORE COMPLIANCE TRAINING TO DESIGNATED STAFF



IFRS REVENUE
US\$3,391 million



UNDERLYING IFRS EBITDA
US\$1,010 million



IFRS TOTAL ASSETS
US\$10.3 billion



ENTERPRISE VALUE
US\$9.0 billion



UNDERLYING IFRS NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
US\$391 million

1 - Directional revenue is determined in accordance with Directional reporting which in essence follows IFRS but deviates on two main points: (i) all lease contracts related to units are classified and accounted as if they were operating leases, (ii) all investees related to Lease and Operate contracts are accounted for at SBM Offshore's share. For more details refer to section 4.3.2 Operating Segments and Directional Reporting