



**OFFSHORE**

ENERGY. COMMITTED.



# ANNUAL REPORT 2019

## 2 STRATEGY AND PERFORMANCE

### 2.5.2 TURNKEY

#### MANAGEMENT APPROACH

SBM Offshore continues to actively engage with clients, to transform its product offering by optimizing and standardizing its floating production system designs and leveraging its technology expertise to innovate new products. In line with a holistic approach, the Company is engaging with strategic partners to ensure all-encompassing solutions for clients, including due consideration to the energy transition going forward. Overall, the industry environment continues to improve, with project activity picking up steadily. SBM Offshore continues to adhere to a defined risk appetite framework as it pursues potential projects.

#### OPERATIONAL ACTIVITIES

SBM Offshore's consistent approach to integrating operational feedback into all phases of its projects is the foundation for optimization of its activities across the lifecycle. This also greatly contributes to the Company's capacity to continuously improve its designs and project execution processes.

Although the market has picked up as expected, the cost and schedule-conscious climate continues. SBM Offshore continues to believe in its solutions, with simplification and de-risking as the way forward for future projects. In concrete terms, this has translated into the Company applying its Fast4Ward® program, which encompasses standardization, across its entire product portfolio.

#### 2019 PERFORMANCE

The Company's KPIs include securing new contracts and progress made on projects, in line with clients' plans. The following highlights provide visibility on performance in 2019.

#### FPSOs

##### Conversion FPSOs

- Commissioning work for FPSO *Liza Destiny* was completed and the FPSO achieved first oil on December 20<sup>th</sup>, 2019. It is formally on hire and is being operated by SBM Offshore.

##### New build Fast4Ward FPSOs

- The construction phase for the Company's first Fast4Ward FPSO hull was completed at Shanghai Waigaoqiao Shipbuilding and Offshore Co., Ltd. (SWS) yard in China, with sailaway at year-end to Keppel yard in Singapore, where integration of topsides will take place. This hull is for the FPSO *Liza Unity* for ExxonMobil and its co-venturers, offshore Guyana, for which the contract was awarded this year. SBM Offshore will construct,

install and thereafter Lease and Operate the FPSO for up to two years offshore Guyana.

- Early in the year, SBM Offshore signed a contract with China Merchants Industry Holdings (CMIH) for a Fast4Ward hull. Later on, the construction phase began on the hull, which is now allocated to the FPSO *Sepetiba* (formerly known as Mero 2) offshore Brazil. In June, SBM Offshore signed the binding Letter of Intent (LOI) with Petrobras for this project. This was followed in December by a contract signature with Petrobras for the 22.5 years lease and operation of FPSO *Sepetiba*.
- In November, the Company was awarded contracts to perform a FEED for FPSO *Prosperity* for ExxonMobil's Payara development project offshore Guyana. The award was the first under the long-term FPSO supply agreement with ExxonMobil and secured SBM Offshore's third Fast4Ward hull under construction. The next phase of the FPSO *Prosperity* project remains subject to government approvals, project sanction and authorization.
- In December, SBM Offshore announced that it signed contracts with SWS and CMIH for the construction of the Company's fourth and fifth hulls under its purchase program for Fast4Ward hulls, making a total of five Multi-Purpose Floaters. The latest two hulls are earmarked for market opportunities, while the other three are already allocated to client projects.

#### Turret Mooring Systems

- Fabrication of the TMS for Equinor's *Johan Castberg* FPSO is entering the final phase with the Bogie Support Structure (BSS) loaded out in Q3 and the lower turret loaded out at year-end. The project is on schedule to meet the planned delivery date in early 2020.

#### Renewables

- SBM Offshore is progressing with engineering services for the EDF Renewables' Provence Grand Large (PGL) offshore floating wind pilot project, per the Early Works contract. The project, which consists of three floating offshore wind units, is pending final project sanction.

#### FUTURE

As part of its readiness strategy as the market gradually improves, the Company continues to invest and grow its capacity, in order to provide floating solutions by optimizing, transforming, innovating and proposing various business models, such as Turnkey sale, build-own-transfer (BOT) and Lease and Operate. The Company aims at early engagement with clients, to be the preferred contractor in providing optimized conceptual solutions and business models, to support the viability of projects and maximize returns.