



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

2 STRATEGY AND PERFORMANCE

2.1 INTRODUCTION

The development of SBM Offshore's strategy is based on a combination of contributing factors, primarily the monitoring and analysis of the macro environment and the oil and gas industry, feedback from stakeholders and the materiality matrix, Management's short, medium and long-term views on the market and the Company's ability to perform in its niche market. Given the dynamic nature of today's market it is necessary to continuously monitor and readdress the strategy if required.

Although opportunities are few in the current climate, the Company is ready to exploit them and believes that it offers appropriate solutions to meet clients' needs and cost constraints in today's market. Management aims to leverage its key resources and capabilities to deliver value to its stakeholders (see section 1.7). The Company aims to continue to be a partner to each client, by collaborating together early on to assess how SBM Offshore's proven and innovative floating solutions can advance clients' projects and meet their cost expectations.

SBM Offshore has the ambition to grow, both in terms of size of fleet and monetary value and has structured its strategy around the following three axes:

- **Optimize**
- **Transform**
- **Innovate**

2.2 GROUP STRATEGY

The main aim behind SBM Offshore's overall vision and mission is to grow the business in the long-term – both in terms of size and value, within the offshore deepwater oil and gas industry as has been the focus in recent years, but also within the Offshore Energy sector at large and possibly even beyond. The Company has been very disciplined over the past five years adhering to a defined risk appetite

framework to avoid a repeat of past legacy issues and it continues to pursue potential projects with the same strict approach.

Objectives for the three axes for the Company are as follows:

- **Optimize** current business activities – ensuring that operations perform at high safety rates and targeted uptime to provide value to clients, partners and shareholders, while seeking to add value and be more cost effective across the full life cycle. By delivering on targets the Company maintains its credibility in the industry. In particular, by optimizing the Company's assets it can offer clients resourceful solutions. In the short to medium-term, identified areas of growth in the low investment climate include brownfield services. With over 200 brownfield projects completed and a pool of technologies at its disposal, the Company can leverage its competitive advantage when clients consider future tie-backs and life-extensions. In the long-term SBM Offshore aims to expand the number of units in its fleet by optimizing its Operations know-how and capacity; adding three FPSOs to the operating fleet is a positive step in this direction. The Company aims to create synergies with the expertise of partners and other players as Management is convinced that this will be the way forward for the industry. The Company also aims to gradually put in place the digitalization of its activities, vessels and technologies, which will transform the way SBM Offshore works and will optimize results.
- **Transform** by bringing to market new, innovative ways of executing the Company's key products, which overcome the challenges and barriers inherent in this low oil price environment and offering alternative commercial models including potentially 'sale and lease back' allowing synergies, especially where the Company has existing operations. One key solution that the Company is confident will transform the industry