



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

is its newbuild Fast4Ward FPSO. In addition, by leveraging digital technology SBM Offshore will optimize the use of data throughout its activities.

- **Innovate** as SBM Offshore's reputation rests on the strength of its pioneering technology track record. Many of its technologies have broken down previous barriers in the industry. The Company aims to continue to invest in developing design solutions by leveraging its technical expertise and experience, particularly in ultra-deep water where it sees the greatest potential once the market picks up. In addition, mindful of climate change and the evolution in the energy mix, positive steps are being made into the rapidly growing Renewable Energy market with SBM Offshore's wind floaters, which leverage the Company's 60 years' experience in mooring systems.

SBM Offshore manages performance on these objectives through the balanced score card framework.

For 2017 the Company will focus on three areas:

1. Strong cash management, delivering on our backlog and expectations of the financial markets.
2. Leveraging a lower breakeven point for the Company – through improved cost structures and new products, while at the same time managing capacity in anticipation of an improved market environment.
3. Maximize time spent with clients to co-create new solutions and more efficient ways to advance projects for offshore production.

2.3 OPERATIONAL ACTIVITIES

2.3.1 STRATEGY

OPERATIONS

SBM Offshore's assets are key value drivers for the Company, delivering the required production performance to meet client targets and generating

a predictable income for SBM Offshore through its long-term lease and operate contracts.

The unrivalled expertise and experience of the 2,300 offshore crew and onshore staff, ensures value creation through safe and efficient operations of the Company's offshore fleet.

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 life cycle. This also greatly contributes to the Company's capacity to continuously improve its designs and project execution processes.

The close collaboration between EPCI and Operations teams also ensures the successful management of the transition phase through to the completion of the projects. This was demonstrated in the successful startup of three major offshore assets in 2016.

SBM Offshore's operational experience is based on almost 300 cumulative years of operations and maintenance. This represents a superior track record among peers and is a clear indicator of how such experience matters to clients and why they turn to SBM Offshore, the industry's leading subcontractor.

SBM Offshore's Operations team will continue in its pursuit for operational excellence, striving to always deliver improved performance and cost-effective, safe operations. The Company is also actively working to contribute to the Company's growth ambitions, through its O&M Product Line.

TURNKEY

Key drivers for the Company's turnkey division are the technology teams, the innovations that they develop and the EPCI teams across all five Regional Centers. The Company aims to optimize its technologies and the synergies created by its