SBM OFFSHORE

EXPERIENCE MATTERS

2016

ANNUAL REPORT

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

Regional Centers to develop and offer the most cost-effective and performing solutions as the industry moves towards less complex and lower investment projects.

SBM Offshore believes that simplification is the solution for future turnkey projects and the Company aims to leverage its experience across its turret portfolio from top-end to mid-complexity to basic turret mooring systems. In today's low oil price climate the fit-for-purpose mooring systems with a basic level of functionalities offer practical and cost-effective solutions while optimizing the NPV equation. Engaging with clients at an early stage of their projects to promote use of SBM Offshore's specifications, allows clients to benefit from the Company's vast experience to find the optimal solution, including use of cost-reducing technology. The Company believes that only an experienced mooring system expert like SBM Offshore can offer safe, simple, cost-effective mooring solutions, whilst still meeting design and safety requirements.

2.3.2 FLEET

KEY FIGURES IN 2016

- 4.9 billion barrels cumulated production by December 31
- 8,143 cumulated offloads
- 287 cumulative years of operational experience
- 3 FPSOs added to the fleet

The addition of three units to the fleet in 2016 represents a major step up in the daily production volume managed by Operations teams. Such a leap is rare in the industry. Specifically the two new Brazilian FPSOs were integrated seamlessly into the existing operations of the shorebase office at Santos and are quickly increasing production after first oil. Learnings gained from the previous start-ups in-country were of great benefit and helped the Company to set a new benchmark for efficiency in offshore commissioning and start-up on new units. The team in Houston are progressing through the well unloading and production ramp up of the FPSO *Turritella*, in close cooperation with the client.

The three units represent an increase of 25% to SBM Offshore's fleet oil production capacity, bringing it to a total of 1,600,000 bopd. This achievement confirms SBM Offshore's capability to leverage its experience, integrating three state-of-the-art units with record-breaking technology in the same year, without impacting performance of ongoing operations for the rest of the fleet.

The two additional vessels for offshore Brazil, FPSO *Cidade de Saquarema* and FPSO *Cidade de Maricá* are among the highest producing units in the fleet with a combined oil production capacity of 300,000 bopd. These Generation 3 FPSOs also represent the most complex in design and bring to a total of four FPSOs in the fleet adding to the Company's portfolio and experience in pre-salt.

The third unit to join the fleet in 2016 FPSO *Turritella* also represents a broadening of the portfolio for Operations as the unit is the Company's first FPSO in the Gulf of Mexico. The FPSO breaks the industry record for being the deepest FPU and it has the largest disconnectable turret designed to date. SBM Offshore is building on the vast expertise it has in deep water and its know-how on complex turret mooring systems.

The critical activity of ensuring crew competency development through the project phase was successfully managed on all projects, ensuring the smooth transition from the project phase to the operations phase and a steady ramp up of the facilities after first oil.

With the additional two units, offshore Brazil accounts for an increasingly large share of the Company's fleet operations with a production capacity of 870,000 bopd. Combined operations