

Annual REPORT

S&B
OFFSHORE

2015



2.1 Introduction

Feeding into the development of SBM Offshore's strategy and integrated business model are its value drivers, its short, medium and long term market views, the macro environment as well as continuous industry analysis. The Company's key resources and capabilities, that include talented people, technical expertise, operational experience and track record, have consolidated SBM Offshore's reputation in the industry. SBM Offshore aims to continue to be a strategic partner to its clients, in particular during this turbulent time and into a more stable future. Two key drivers for SBM Offshore and its clients remain unchanged: uptime in offshore operations and safety. Going forward, the Company increases its efforts to propose sustainable, cost-effective solutions to assist the major players to advance projects that have stalled at the prolonged low oil price level.

New organization for a new reality

In addition to its core product line, FPSOs, SBM Offshore has a track record in other solutions for the oil and gas industry, offering a complementary product portfolio including: Turrets and Turret Mooring Systems, Terminals, Offshore installation and contracting, Brownfield study and projects, Floating Production Units, Floating Gas Solutions and Operations and Maintenance services.

SBM Offshore is evolving with the changing market; since August 2015 each of these Product Lines (PLs) are managed independently from the Company's Regional Centres, allowing for more flexible and prompt proposals to clients dealing with a market in rapid transition. In addition, each PL can leverage synergies with other PLs to offer comprehensive solutions, when engaging in discussions with clients. An example of how the new organization's structure works for SBM Offshore's clients is the Noble contract for tie-backs to the Thunder Hawk Semi-Sub, which were completed in November

2015. This was a cost-effective solution for Noble to produce from two fields using SBM Offshore's Semi-sub unit that is also producing for Murphy from another nearby field. This kind of entrepreneurial thinking will help the Company move clients from 'prescriptive contract' thinking to engaging with contractors like SBM Offshore, who can offer innovative, cost-effective solutions drawing on the Company's world-class technical standards, knowledge base and commercial flexibility.

SBM Offshore's Operating Model

The Company's clients are usually national or international oil companies active in offshore deepwater exploration and production development activities. Where oil is discovered in commercially attractive volumes in offshore waters, either too far from the coast and/or too deep to have a pipeline infrastructure, oil companies seek a floating infrastructure to produce and separate oil, gas and water. FPSOs are usually the preferred choice and often the most cost effective solution. SBM Offshore's cost-driven business model is based on offering clients the full lifecycle from design of the FPSO to its construction by converting very large crude oil tankers and adding the necessary Turret Mooring System and Topsides for oil/gas/water production and separation. Once this phase is completed, SBM Offshore continues the lifecycle by operating the vessels offshore for up to 25 years.