Annual REPORT

SBM OFFSHORE

2015

6.1 Company Overview and Financial Review

6.1.1 Company Overview

Corporate Social Responsibility

The Company has continued to achieve improved safety performance in 2015 with the lowest frequencies of recordable injuries and lost time injuries since 2007. Total Recordable Injury Frequency Rate (TRIFR) remained flat year-on-year at 0.22, while the Lost Time Injury Frequency Rate (LTIFR) improved by 40% to 0.03 in 2015 from 0.05 at the end of 2014.

The volume of gas flared was 26% better than target, however GHG emissions per unit of production increased 38% compared to 2014 mainly due to the absence of gas export infrastructure in Angola. Offshore energy consumption and oil discharged from produced water improved compared to last year and stood 64% above the industry benchmark.

For the sixth consecutive year running, SBM Offshore has been included in the Dow Jones Sustainability Index with an overall improved position. This is credit to efforts to incorporate all Environmental, Social and Governance elements in the Company's day-to-day business and how it deals with all its stakeholders.

In addition, the Company received notification in December 2015 of its inclusion in the Euronext Vigeo Benelux 20 Index, which includes the 20 most advanced companies in the Benelux region in terms of Environmental, Social and Governance performances.

Compliance

Over the course of 2015 discussions with Brazilian authorities and Petrobras have progressed to the point where the Company is providing US$ 245 million for a possible settlement. While discussions are at an advanced stage, timing of a settlement announcement as well as the size of any potential final settlement amount remains to be confirmed.

On 17 December 2015 the Brazilian Public Prosecutor's Office made allegations regarding several people in Brazil and abroad, including a number of current and former employees of the Company, of whom one is a U.S. citizen.

On 15 January 2016, the Company was informed that the judge in Brazil referred the above allegations with regard to the Company's CEO and a member of its Supervisory Board back to the Public Prosecutor to propose an out-of-court settlement, on a no admission of guilt basis, as is common for misdemeanors of the kind alleged.

On 25 January 2016, the Company announced the settlement of the allegations made regarding the Company's CEO and a member of its Supervisory Board. This settlement is still subject to approval by the court.

Subsequently, the United States Department of Justice has informed SBM Offshore that it has re-opened its past inquiry of the Company and has made information requests in connection with that inquiry. The Company is seeking further clarification about the scope of the inquiry. The Company remains committed to close-out discussions on this legacy issue which the Company self-reported to the authorities in 2012 and for which it reached a settlement with the Dutch Public Prosecutor in 2014.

Project Review

FPSO Cidade de Maricá (Brazil)

Cidade de Maricá topside integration work at the joint venture Brasa yard outside of Rio de Janeiro has been completed. The vessel sailed away from the Brasa yard on 19 December 2015 and is on location undergoing first oil readiness acceptance testing. The charter contract includes an initial period of 20 years. Delivery of the vessel to client Petrobras is scheduled for first quarter 2016.

FPSO Cidade de Saquarema (Brazil)

Construction is ongoing for the finance leased vessel. *Cidade de Saquarema* has been undergoing topside module integration at the joint venture Brasa yard outside of Rio de Janeiro since 20 December 2015. The charter contract for the vessel includes an initial period of 20 years. Delivery to client Petrobras is scheduled for mid-2016.

FPSO Turritella (US Gulf of Mexico)

Construction was completed on the finance leased vessel at the yard in Singapore. The vessel has arrived on location in the U.S. Gulf of Mexico (US GOM). Start-up of the facility is expected in mid-2016. The charter contract includes an initial period of 10 years with extension options up to a total of 20 years.

FPSO Marlim Sul (Brazil)

Decommissioning confirmation was received from the client. Decommissioning activities have recommenced and are expected to be completed in the first quarter of 2016. The vessel received a decommissioning dayrate through the end of the third quarter of 2015. Following its decommissioning, the vessel will be marketed for future conversion opportunities.

Turrets & Mooring Systems

The two large, complex turrets for Prelude FLNG and FPSO *Ichthys* were delivered to the respective yards for integration during the period. Commissioning is underway in accordance with clients' schedules and contractual planning for both. BP's FPSO *Glen Lyon*, for which the Company successfully delivered the Quad204 turret, is now on location in the North Sea.

Main Projects Overview

Project	Contract	SBM Share	Capacity, Size	POC[1]	Expected Delivery	Notes
Prelude, Turret	Turnkey sale	100%	95m height, 11,000 tons		2016	Final integration phase with the vessel ongoing.
Ichthys, Turret	Turnkey sale	100%	60m height, 7,000 tons		2016	Final integration phase with the vessel ongoing.
Cidade de Maricá, FPSO	20 year finance lease	56%	150,000 bpd		2016	Topside integration and construction completed at the Brasa yard in Brazil. Undergoing first oil readiness for acceptance testing with delivery expected in 1Q16.
Cidade de Saquarema, FPSO	20 year finance lease	56%	150,000 bpd		2016	Vessel has arrived at the Brasa yard in Brazil where integration of the topsides is taking place. Delivery is expected in mid 2016.
Turritella, FPSO	10 year finance lease	55%	60,000 bpd, disconnectable		2016	Vessel arrived in the US GOM end of 2015. Start-up of the facility and delivery to the client expected in mid 2016.

1 POC = percentage of completion. I.e. for all projects the POC is > 75%.

Turritella Joint Venture

Effective June 30, 2015 SBM Offshore completed the divestment of a 45% stake in the *Turritella* project to joint venture partners Mitsubishi Corporation and Nippon Yusen Kabushiki Kaisha. The total partners' cash contribution to the *Turritella* project is expected to amount to approximately US$ 590 million, of which US$ 488 million was received in fiscal year 2015.

Order Intake

Total order intake in 2015 amounted to US$ 0.4 billion including new orders signed for US$ 0.2 billion. No major new orders were signed during the period.

Funding

As of 31 December 2015, SBM Offshore had cash and undrawn committed credit facilities totaling US$ 2,681 million (IFRS).

New project financings were secured for both FPSOs *Cidade de Saquarema* and *Turritella* joint ventures at attractive rates in the amounts of US$ 1.55 billion and US$ 800 million, respectively.

Proportional net debt at year-end amounted to US$ 3,147 million versus US$ 3,298 million in the year-ago period. The decrease is mainly related to the funding provided by the new joint-venture partners in the FPSO *Turritella* project and strong cash flow generation of the Lease and Operate segment. This was partially offset by the ongoing investments in the three FPSOs under construction (Directional[1] capital expenditure of US$ 443 million) and a strong reduction in accounts payable. Net gearing (net debt to equity) at the end of the year stood at 150%, slightly lower than in 2014. As in previous years, the Company has no off-balance sheet financings. The year-end 2015 average cost of debt stood at 4.1% versus 4.2% at year-end 2014.

Investing in the Future

In 2015, SBM Offshore completed an in-depth review of its ways of working, its global presence and the size of its workforce. The Company concluded that to retain the ability to win and execute FPSO, FPU and Turret contract awards, it needed to specialize and concentrate knowledge by product line, which are now assigned to its regions. Although each region has seen substantial workforce reductions, no regional engineering center closures are planned.

Workforce reductions over 2015 totaled approximately 3,200 positions. Approximately 1,500 were full-time employees and contractor staff. The remaining 1,700 were construction yard positions related to the winding down of projects under construction. Restructuring costs totaled US$ 55 million over 2015. Overall restructuring costs of US$ 63 million, including US$ 8 million of charges in 2014, are expected to generate annualized savings of approximately US$ 80 million.

Given the prolonged downturn a further 400 positions are expected to be eliminated in 2016 at a cost of US$ 30 million. This additional action is expected to generate a further US$ 40 million of annualized cost savings in addition to the previously announced savings of US$ 80 million beginning in 2016.

While client investment decisions continue to be postponed, the Company has taken a view that a recovery is unlikely before 2018. Nevertheless, the Company will maintain an engineering overcapacity to position itself for a future market upturn. This leads to cumulative Turnkey EBIT losses of approximately US$ 150 million over 2016 and 2017. Should the industry downturn persist additional steps will be considered to manage the Company's cost base.

Dividend

The Management Board has elected to reinstate a cash dividend, to be approved at the Annual General Meeting (AGM) of Shareholders on 6 April 2016, totaling US$ 45 million or US$ 0.21 per share. This corresponds to 25% of the Company's US$ 180 million underlying Directional[1] net income, which is exceptionally adjusted for non-recurring compliance related events.

The annual dividend will be calculated in US dollars, but will be payable in euros. The conversion into euros will be effected on the basis of the exchange rate on 6 April 2016. Given the Company's strong cash position, the dividend will be fully paid in cash.

Management & Supervisory Board

On 4 November 2015 during the Extraordinary General Meeting of Shareholders, Bruno Chabas was re-elected with 99.75% of the votes and reappointed as a member of the Management Board for a second term of four years up to the Annual General Meeting (AGM) of Shareholders in 2020. Mr. Chabas has been designated by the Supervisory Board to continue his role as Chief Executive Officer of the Company.

Mr. P. van Rossum's first term as Management Board member and CFO expires at the Company's Annual General Meeting of Shareholders on 6 April 2016. The Supervisory Board will propose to the Company's 2016 AGM to reappoint Mr. van Rossum as a member of the Management Board for a new four year term. Mr. van Rossum has indicated his intention to retire after the 2017 AGM subject to a successor being in place. Consequently, the Company will start the selection process for a successor.

Mr. F.G.H. Deckers and Mr. T.M.E. Ehret will complete their second term as Supervisory Board members during the AGM on 6 April 2016. SBM Offshore's Supervisory Board will propose to the Company's 2016 AGM that both are reappointed for a third and final term of four years as Supervisory Board members.

Outlook and Guidance 2016

The downturn persists and client investment decisions are postponed further. Management maintains its positive medium to long-term outlook as the Company considers offshore development to be a crucial component of the overall energy mix to meet future demand.

The Company is providing 2016 Directional[1] revenue guidance of US$ 2.0 billion, of which US$ 0.6-0.7 billion is expected in the Turnkey segment and US$ 1.3-1.4 billion in the Lease and Operate segment. The Company has also elected to introduce 2016 Directional[1] EBITDA guidance of around US$ 750 million.

Directional[1] capital expenditure guidance for the remaining three finance lease vessels under construction is expected to be approximately US$ 90 million. Directional[1] capital expenditure excludes changes in net working capital and is presented net of SBM Offshore's share of upfront payments for FPSOs *Cidade de Maricá* and *Cidade de Saquarema*.

Master Limited Partnership[2]

Following the completion of a strategic review of alternatives, the Company announced on 13 November 2014 its intent to pursue the development of a master limited partnership (MLP). Structuring work is progressing with the Company working towards receiving the required regulatory approvals and filing a registration statement with the Securities and Exchange Commission. The contemplated initial public offering of common units is subject to market conditions, which are not encouraging at the moment.

1 Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.
2 This release shall not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

Post-Period Event

Sea Lion FPSO FEED

Premier Oil plc (Premier) awarded the Company the Front-End Engineering and Design (FEED) contract for an FPSO for Phase 1 of its Sea Lion development in the North Falkland Basin.

The 18-month contract awarded to SBM Offshore covers the FEED elements of the proposed FPSO. The asset will be a converted FPSO with a throughput capacity of approximately 85,000 barrels per day and will operate in 450 meters of water.

6.1.2 Financial Review

Highlights

Directional[3] consolidated net income for 2015 came in at US$ 24 million versus US$ 84 million in 2014. This result includes non-recurring items which generated a net loss of US$ 157 million in 2015 compared to a net loss of US$ 265 million in 2014. Excluding non-recurring items, all relating to compliance issues, 2015 underlying consolidated Directional[3] net income attributable to shareholders stood at US$ 180 million, a decrease from US$ 349 million in the year-ago period, mainly attributable to lower Turnkey segment activity.

Reported consolidated 2015 IFRS total net income was US$ 110 million versus US$ 652 million in 2014. IFRS net income attributable to shareholders amounts to US$ 29 million compared to US$ 575 million in 2014.

Directional[3] earnings per share (EPS) in 2015 amounted to US$ 0.11 compared to US$ 0.40 per share in 2014. Adjusted for non-recurring items, underlying Directional[1] EPS decreased by 49% year-on-year from US$ 1.67 in 2014 to US$ 0.85.

IFRS Net Debt at the year-end totalled US$ 5,208 million versus US$ 4,775 million in 2014. All bank covenants were met and available cash and undrawn committed credit facilities stood at US$ 2,681 million.

New orders for the year totalled US$ 248 million as a result of current market downturn, which compares to US$ 3,124 million achieved in 2014.

Directional[3] revenue decreased by 26% to US$ 2,618 million compared to US$ 3,545 million in the year-ago period. IFRS revenue decreased by 51% to US$ 2,705 million versus US$ 5,482 million in 2014. This was mainly attributable to lower Turnkey segment revenues.

Directional[3] backlog at the end of 2015 remained high at US$ 18.9 billion compared to US$ 21.8 billion at the end of 2014. This reflects a significantly reduced level of order intake in 2015 and a predominant Lease and Operate portfolio consisting of US$ 18.3 billion at year-end.

Directional[3] EBITDA amounted to US$ 561 million, representing a 16% increase compared to US$ 486 million in 2014. This figure includes non-recurring net costs totalling US$ 157 million.

IFRS EBITDA amounted to US$ 462 million, representing a 50% decrease compared to US$ 925 million in 2014. This figure includes non-recurring net costs totalling US$ 157 million.

Directional[3] EBIT decreased slightly to US$ 191 million after non-recurring net costs of US$ 157 million. This compares to US$ 201 million in 2014 which included US$ 236 million of non-recurring costs.

IFRS EBIT decreased sharply to US$ 239 million after non-recurring net costs of US$ 157 million. This compares to 2014 EBIT of US$ 726 million, which included US$ 227 million of non-recurring costs.

The year was marked by the following financial highlights:

- Low level of new orders of US$ 248 million impacted by the market downturn driving Directional[3] backlog to US$ 18.9 billion.
- On 30 June 2015 SBM Offshore completed the divestment of a 45% stake in the *Turritella* project to joint venture partners Mitsubishi Corporation (MC) and Nippon Yusen Kabushiki Kaisha (NYK Line). The total

[3] Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.