

Annual REPORT

S&B
OFFSHORE

2015



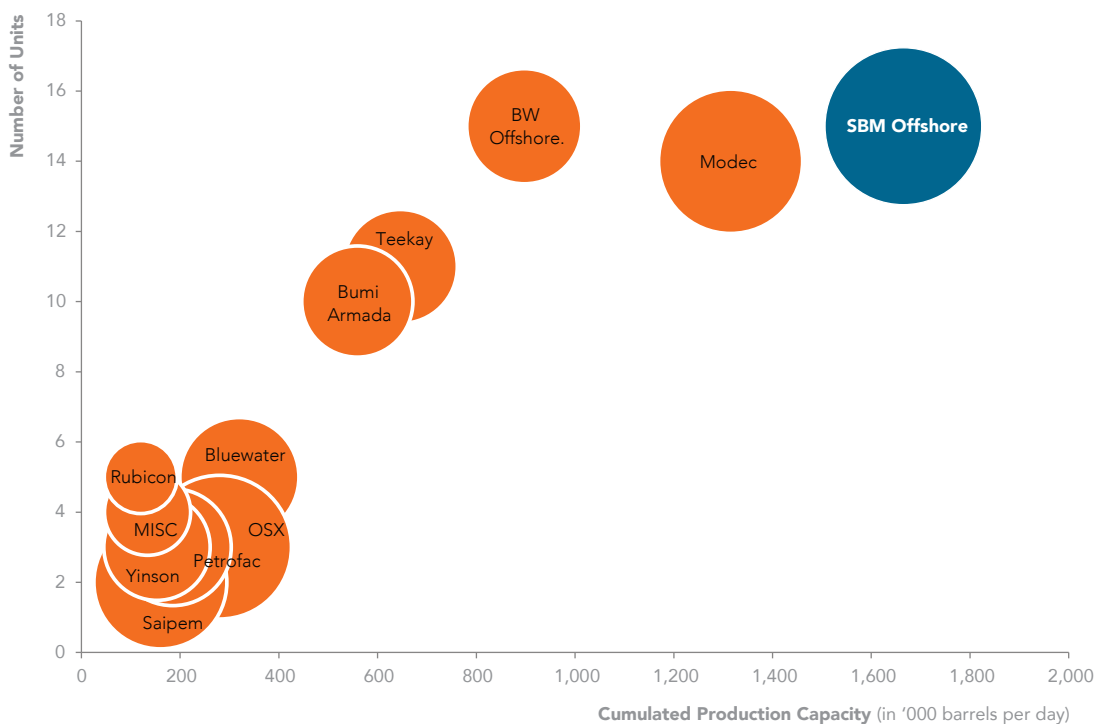
1.5 Competitive Landscape and Market Positioning

Segmentation in the FPSO Market

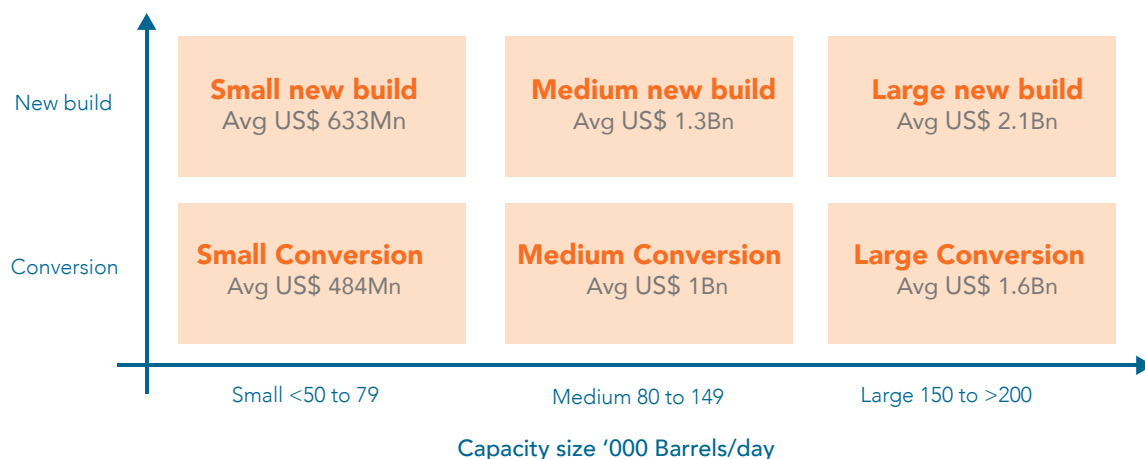
The global market for FPSOs can be roughly split into three segments, with SBM Offshore most active in large conversions:

1. Newbuild FPSOs: Capable of production volumes of over 200,000 barrels of oil per day. SBM Offshore is involved in this segment as a supplier of large Turret Mooring Systems (TMS). Current, on-going TMS projects are for Shell's Prelude FLNG and for INPEX's FPSO *Ichthys*, while the Quad204 turret was completed and integrated into BP's FPSO *Glen Lyon* in 2015.
2. Large conversion FPSOs: This is SBM Offshore's main market. They are usually converted oil tankers known as Very Large Crude Carriers (VLCCs), with typical production capabilities of 60,000 to 150,000 barrels of oil per day. The Company's key competitor in this market is MODEC and to a lesser extent BW Offshore. A typical Generation 3 FPSO – what SBM Offshore calls its latest design for the complex, pre-salt fields – takes approximately three years to complete, at a cost of US\$ 1.5-2.0 billion.
3. Small conversion FPSOs: Based on smaller crude oil tankers, with production rates up to 60,000 barrels of oil per day. SBM Offshore is not currently active in this market.

Lease FPSO Market



FPSO Segmentation (assumptions based on future potential projects in the medium-term)



What all market segments have in common is that FPSOs are built for specific fields. Each oil field has unique characteristics with different pressures, temperatures, oil/water/gas mixes, corrosive and/or H₂S elements, API factors, etc.

Due to overall reduced demand, competition is increasing as other companies are stepping out of their segment and participating in tenders for FPSOs, which they have not done previously. For clients, awards are increasingly driven by pricing considerations. SBM Offshore is well-placed to respond with its wealth of experience and its understanding of the inherent risks and challenges of the different segments.

SBM Offshore's Positioning in the FPSO Market

Boundaries are fading as several competitors are developing execution capabilities for larger size conversion projects and targeting a position in SBM Offshore's focus market segment.

SBM Offshore is a leader in the FPSO market both in terms of scale economies and track record, key indicators for cost, schedule and risk reduction. To

keep this leading position, the Company continues to invest in new technology offering new solutions for clients regardless of field dynamics and location.

- A Technology Development program that focuses on enabling access to new frontiers and production and on reducing the cost of existing solutions
- Leveraging the Company's experience and business model – that is already in place in Angola and Brazil – when entering new countries in order to develop local sustainable business, meet local content requirements and invest in the communities
- Promoting the Company's track record and historical performance in both project delivery and operations, which should provide clients the necessary comfort in their search for 'predictability of outcome'
- Offering economical solutions across the full life-cycle of projects, thereby, leveraging the full suite of floating production solutions that the Company can offer and the depth of experience