



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2020

2 PERFORMANCE REVIEW & IMPACT

operational fine – amounting to approximately US\$950k – was paid by an affiliated company related to technical non-conformities. These were identified during an audit in 2018 performed by the Angolan Ministry of Mineral Resources and Petroleum on the *N'Goma FPSO* in 2018. 50% of that amount is attributable to SBM Offshore. The findings have since been addressed.

FUTURE

For 2021, SBM Offshore will be focusing on the following subjects :

- Process Safety Management objectives as described in section 2.1.2
- Development of a Knowledge Management framework to grow in-house expertise and support continuous improvement
- Alignment of GEMS business processes with the upgraded Enterprise Resource Planning project ('Integra')
- Development and deployment of digital solutions supporting Operational Excellence
- Reduction of Cost-of-Non-Quality through systematic tracking, investigations and pilot initiatives to both prevent and mitigate future occurrences
- Maintenance of an effective regulatory watch and interface with regulators

As a permanent, overarching objective, all Company projects, facilities and sites are to be performed, delivered and maintained in full compliance with all applicable laws, regulations and requirements from relevant stakeholders.

2.1.3.2 PROJECTS

MANAGEMENT APPROACH

SBM Offshore continues to focus on the development of its portfolio of floating solutions to deliver the best projects aligned with customer needs, building on the Company's technology expertise and track record. Through this approach the Company manages performance of the Turnkey part of its business. The success of projects is determined by performance against a budgeted schedule, cost and quality within the HSSE and Target Excellence approaches mentioned in sections 2.1.2 and 2.1.3. KPIs are set accordingly and managed through the Company's Project Directorate and Project Dashboards.

The management strategy remains based on (i) an early engagement with customers; (ii) a strong push for standardization in product design and execution scenarios in order to improve competitiveness, quality and time to market; and (iii) an increasing focus on the energy transition, using SBM Offshore's core competencies to develop solutions in the LNG-to-power and renewable markets. Overall, the oil and gas industry environment is impacted by the duo challenges of the global pandemic

and low oil prices, resulting in projects being put on hold or cancelled. However, the energy transition has accelerated over the last couple of months, bringing new opportunities.

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Throughout the year, SBM Offshore met the additional challenge of the COVID-19 pandemic, thriving to ensure business continuity in all projects. The project teams have succeeded in maintaining their focus on project delivery and safe operations, while working together virtually, across time zones, with customers, yards and suppliers with the aim of limiting delivery delays. The projects are now operating in a new environment where readiness and mitigations of the risks of the ongoing pandemic is factored into daily project execution. SBM Offshore is grateful to all the project stakeholders for making this happen.

FPSOs

- *Liza Unity* – the Company's first Fast4Ward® FPSO under construction for ExxonMobil and destined for Guyana – is advancing. The Keppel yard in Singapore re-opened during the second quarter after closing for a while owing to the COVID-19 pandemic. The mooring and riser structures integration was completed and the Fast4Ward® hull was moved from the dry-dock to the integration quayside where the topsides integration phase has started, with the lifting of the first topsides modules. SBM Offshore will deliver the vessel by 2022 and will lease and operate the vessel for two years before handing over to ExxonMobil.
- *Sepetiba* – The construction of the Fast4Ward® MPF hull and topsides has begun in China for this FPSO which Petrobras will lease for 22.5 years, under a contract signed in 2019. Engineering and procurement activities have largely progressed, with the focus now being on the construction phase. This year, SBM Offshore completed a US\$600 million bridge loan for the financing of the construction of the vessel, agreed with a consortium of four international banks. The project is progressing, with a completion planned for the end of 2022.
- *Prosperity* – SBM Offshore started to carry out the Front-End Engineering Design (FEED) phase for ExxonMobil last year, which was the first under the long-term FPSO supply agreement signed with ExxonMobil in 2019. This year, SBM Offshore was awarded a contract to complete engineering activities, procure, construct, install and then lease and operate the vessel for up to two years, after which ownership and operation will transfer to Esso Exploration and Production Guyana Limited (EEPGL), an affiliate of ExxonMobil Corporation. One of SBM Offshore's Fast4Ward® hulls was allocated to this project following the contract award and is now

completed. The project is progressing in line with the client's schedule, with a planned completion in 2024.

- Fast4Ward® MPF hulls – The construction of the fourth and fifth MPF hulls, as part of Fast4Ward® program, has started and is progressing at Chinese shipyards SWS and CMIH respectively, in line with SBM Offshore's execution plan. These two hulls are currently not allocated to projects and are supporting ongoing tendering activity.

As announced by Petrobras in the third quarter 2020, SBM Offshore has entered into negotiations with Petrobras for a charter contract for the FPSO *Almirante Tamandaré*, which will operate in the Buzios field, part of the Santos basin, offshore Brazil. The anticipated production capacity of the unit is 225,000 barrels of oil and 12 million m³ of gas per day.

Turret Mooring Systems

All the modules for the Turret Mooring System for Equinor's *Johan Castberg FPSO* in Singapore were completed and delivered for integration into the hull. The swivel units have also all been completed and are in transit to Norway, where the integration is planned upon the arrival of the hull in 2021.

Renewables

SBM Offshore has progressed on the engineering services for the Provence Grand Large project for EDF Renouvelables, and is now entering into the procurement and construction stage of the three 8.4MW floaters and the mooring systems that are planned to be installed offshore Marseille, France. Leveraging the experience gained from this pilot project will enable SBM Offshore to further fine-tune its technology and execution model and to scale up for future wind farm projects.

Installation

For offshore installation services, SBM Offshore is preparing for the sale of diving support and construction vessel (DSCV) SBM Installer. The Company was the long-term charterer of the vessel under a contract ending in 2026. The Company had 25% equity ownership in the entity owning the vessel, OS Installer Limited (OSI). The vessel operates in a non-core market for the Company. In order to gain the flexibility required to divest the vessel, the Company acquired the remaining 75% equity ownership in OSI.

The Company's strategy is to adapt its products and business model to an environment of shorter oil price cycles and increased volatility. Consequently, the Company reorganized the allocation of activities in its engineering centers in order to become more efficient. These measures will enable the Company to lower its break-even point and allow the Company to scale activities in line with market demand.

FUTURE

The Company will continue to standardize its products in line with the Fast4Ward® program, having recently expanded the principle to include the supply of oil terminals, with the Fast4Ward® Buoy. In addition, SBM Offshore will continue to fine-tune its product offering to offer competitive and industrialized solutions to the floating offshore wind and wave energy market. Development in the LNG-to-power market is also key to contributing to lower carbon intensity, with solutions to switch from coal to gas power generation. These developments contribute to SBM Offshore's Ambition 2030, to have 25% of revenues from gas and renewables by 2030.

2.1.3.3 SUPPLY CHAIN

MANAGEMENT APPROACH

The current business and health environment is driving major changes, with risk resilience and new market standards requiring that the Company has a new supply chain organization. To continue the drive to transform the industry by adopting our Fast4Ward® principles with the highest level of safety, performance and quality, the Supply Chain management is evolving into a strategic globalized product organization reporting into the Company's Global Resources & Services organization. Leveraging our long-term relationships with our key supply chain partners will also contribute to accelerating our time-to-market objective and our performance in the Win phase.

With good execution of projects remaining essential, SBM Offshore supply chain management is continuing its efforts to support projects locally by development of capability hubs, for example in China and India.

The pandemic has demonstrated the value of 'framing global, acting local' and aligning supply chain strategy with the product life cycle. The supply Chain organization contributes to the Company's strategy as described in section 1.3.2.

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The development of the supply chain organization has been developed further around five strategic pillars :

Competitiveness improvement

Strategic sourcing is leading supplier-collaboration initiatives, introducing a clearer governance structure for the overall supplier-collaboration program. Through this the Company is improving competitiveness, by encouraging full participation and ensuring parties pursue long-term win-win opportunities.

Local content strategic approach

The globalization of supply chain core competencies, across all SBM Offshore pillars, with a clear focus on