

## SBM Offshore First Quarter Trading Update

May 14, 2020

### Highlights

- Responding to COVID-19 challenges to safeguard health and safety of staff and protect our assets
- Ensuring continuous operation of projects and fleet (uptime of 99.3%) in the current environment
- Cost reduction to mitigate COVID-19 impacts and adapt to market circumstances
- Year-to-date Directional<sup>1</sup> revenue of US\$607 million, in line with expectation
- 2020 Directional revenue guidance adjusted from “above” to “around” US\$2.3 billion
- 2020 Directional EBITDA guidance maintained at around US\$900 million
- Final modules for the Johan Castberg Turret Mooring System shipped
- US\$150 million dividend paid and EUR150 million 2020 share repurchase program completed

Bruno Chabas, CEO of SBM Offshore, commented:

“SBM Offshore delivered a good set of results during the first quarter of 2020, in line with expectations. The Company’s results, the dividend track record and completed share repurchase exemplify SBM Offshore’s robust business model. At the same time, SBM Offshore is also impacted by the combined demand and supply crises in the oil and gas market and is taking measures to evolve and adapt with the uncertain dynamic market conditions.

Our teams are doing a fantastic job managing the current situation. We prioritize the health, safety and wellbeing of our staff, clients and contractors. In our Lease and Operate division, our global task force implemented protocols covering all relevant scenarios to manage business continuity through an extended period of COVID-19 impact. Uptime was maintained at 99.3%, in line with our historical track record. In Turnkey, SBM Offshore continues to execute the projects for its clients. The on-schedule sailaway of the last two modules of the Johan Castberg turret is a good example thereof.

Oil and gas companies have responded to the low oil price environment by delaying and reducing investments. Although the market conditions have worsened across the board, large capacity offshore developments will attract funding in the future. These projects have very competitive break-even prices and will be prioritized in clients’ selection of investment opportunities. SBM Offshore targets this niche with Fast4Ward® and will strengthen its position through this program. Fast4Ward® enhances client development plans through more economical production, safer operations and reliable delivery. Although the number of projects coming to the market will decrease in the short to medium term, SBM Offshore remains disciplined in selecting opportunities and in accepting only that level of risk appropriate to deliver value to all its stakeholders.

SBM Offshore is uniquely positioned not only to weather this crisis but to come out stronger at the end of it.”

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<sup>1</sup> Directional view, presented in the Financial Statements under Operating segments and Directional reporting, represents a pro-forma accounting policy, which assumes all lease contracts are classified as operating leases and all vessel investees are proportionally consolidated. This explanatory note relates to all Directional reporting in this document.

## Financial Highlights

in US\$ million	YTD Directional		
	1Q 2020	1Q 2019	% Change
Revenue	607	456	33%
Lease and Operate	407	311	31%
Turnkey	200	145	38%

  

in US\$ billion	Mar-31-20	Dec-31-19	% Change
	Net Debt	3.7	3.5

Backlog calculation will be provided in 1H20 Earnings Update

Year-to-date Directional revenues were US\$607 million compared with US\$456 million in the first quarter of 2019. This 33% increase resulted from higher Turnkey activity and higher revenues in Lease and Operate as a result of FPSO *Liza Destiny* joining the fleet at the end of 2019 together with last year's acquisition of a minority partner's ownership in five Brazilian FPSOs.

Compared with year-end 2019, net debt as at the end of the first quarter increased by c. US\$200 million to US\$3.7 billion. While Lease and Operate continues to generate strong operating cash flow, the Company is drawing down under the project loan facilities for continued investment in growth.

As at the end of March 2020, SBM Offshore had US\$2.1 billion of liquidity, with US\$0.5 billion from cash balances, US\$1 billion from the undrawn revolving credit facility and US\$0.6 billion under the remaining Liza Unity project loan. The Liza Destiny project loan is fully drawn. The financing process for the FPSO *Sepetiba* is progressing in line with the project execution schedule.

## Project Review

SBM Offshore construction activities are based upon global supply chains, which face challenges in varying degrees from the pandemic. Some suppliers experience difficulty delivering equipment on time, have capacity issues or are facing the consequences of international travel restrictions. Project teams are working closely with client teams and contractors to mitigate impacts on and create alternatives for execution planning. Impacts on cost and schedule are regularly assessed. An update on individual projects is provided below.

### FPSO *Liza Unity*

Shortly after arriving in Singapore in February 2020, the Fast4Ward® MPF hull was moved into dry-dock. During this phase the mooring structures are integrated and the first topsides modules are lifted onto the vessel. Upon completion of the dry-dock phase, the hull will be transferred back to the integration quayside to complete the topsides lifting and integration campaign. Due to COVID-19, the yards in Singapore are currently closed.

### FPSO *Sepetiba*

The construction yards in China reopened and are running near normal capacity following a period at the beginning of this year when the yards were closed due to the Chinese New Year and COVID-19. Keel laying for the Fast4Ward® MPF hull was finalized and the topsides fabrication in China and Brazil has commenced.

### Turret Mooring System (TMS) *Johan Castberg* FPSO

In accordance with client schedule, the fabrication phase of the last two modules for the TMS for the *Johan Castberg* FPSO was successfully completed. The final modules were shipped from the yard in Dubai.

## *Fast4Ward® hulls*

Under the Company's Fast4Ward® program the total number of hulls ordered to date stands at five. Three hulls are allocated to projects.

Of the three allocated hulls, the first hull is allocated to FPSO *Liza Unity* and is completed. The next two hulls are allocated to FPSO *Sepetiba* and FPSO *Prosperity*. The Prosperity project remains subject to government approvals, project sanction and an authorization to proceed with the next phase. The construction of these hulls is progressing while there has been an initial impact to the delivery schedule due to COVID-19.

Regarding the hulls not allocated to projects, hulls number four and five, construction of the fourth hull commenced and is making progress in line with SBM Offshore's execution plan. Construction of the fifth hull has not started. The Company continues to monitor the situation in light of the FPSO market, which is evolving both as a result of COVID-19 and disruptions in the oil market.

## **Operational Update**

SBM Offshore's fleet uptime during the first quarter of 2020 was 99.3%, in line with the fleet's lifetime historical average.

In response to the COVID-19 pandemic, business continuity protocols have been activated at shore bases as well as offshore in our fleet. The Company's COVID-19 response strategy aims to prevent the occurrence of cases on board our vessels and in onshore locations and to minimize impact on operations if and when cases are identified.

Various cases of COVID-19 have been identified in the fleet on multiple units. SBM Offshore's response plans have been effective to date, in some cases supported by deep decontamination measures. The incremental costs from the implementation of these additional measures are charged to clients in the case of reimbursable contracts or otherwise borne by the relevant operating companies in which SBM Offshore has an ownership stake.

The Thunder Hawk semi-submersible production facility, owned 100% by SBM Offshore, was temporarily shut down due to COVID-19 impacts at the end of April upon operator request. The Thunder Hawk contract is the only lease contract in the SBM Offshore lease portfolio for which revenues are dependent on production.

Under contractual arrangements with clients the Company has considerable time under charters in which to deal with disruptions from events outside the Company's control, thus providing it with considerable financial protection. To date, the Company has been able to manage the COVID-19 situation without the need to use such protection.

## **Cost Discipline**

The Company implemented measures to mitigate the incremental costs of the COVID-19 pandemic and to address the immediate impacts of lower activity. The aggregate staff and contractor workforce has been reduced by c. 300 positions. A hiring freeze has been implemented and a number of internal programs postponed or eliminated. Existing programs and initiatives designed to enhance competitiveness and flexibility continue to be progressed and in some cases accelerated. These will help the Company to evolve and adapt in line with market conditions. An update will be provided as part of the 2020 Half Year Earnings Update.

## Sustainability and HSSE

On March 20, 2020, SBM Offshore launched its updated Sustainability Policy. The Company's commitment to sustainability is an essential part of the Company's vision and strategy. The new policy supports integration of sustainability in every step of the project lifecycle, from the development of new technology to the recycling phase. The updated policy underlines SBM Offshore's commitment to the United Nations Sustainable Development Goals and, amongst others, themes like the energy transition, emission reductions and diversity. The policy can be found on the Company website.

The total recordable injury frequency rate (TRIFR) was 0.12 over the first quarter of 2020, compared with the 2020 target of 0.20.

## Post-Period Events

### *Dividend*

On April 8, 2020, the Annual General Meeting of Shareholders voted in favor of the proposed dividend of US\$150 million, which represents a dividend distribution of US\$0.8098 or €0.7450 per ordinary share. The dividend was paid on May 6, 2020 to all shareholders of record as at April 15, 2020. The dividend represents an increase of more than 100% per share compared with last year.

### *Share Repurchase Program*

On April 3, 2020, the EUR150 million 2020 Share Repurchase Program was completed. Under the program, a total number of 12,094,623 common shares were repurchased at an average price of EUR12.40 per share.

## Outlook & Guidance

The outlook for the number and timing of new projects coming to the market remains uncertain; in the short to medium term the number of prospects will decrease. SBM Offshore's US\$20.7 billion Directional backlog<sup>2</sup> uniquely positions the Company in navigating the current challenges and future uncertainties. Underpinned by "in hand" activities from the backlog, 2020 Directional EBITDA guidance is maintained at around US\$900 million. 2020 Directional revenue guidance is adjusted from "above" to "around" US\$2.3 billion of revenues, with around US\$1.6 billion coming from Lease and Operate and around US\$0.7 billion from the Turnkey segment. The EBITDA and revenue guidance considers the currently foreseen COVID-19 impacts on projects and fleet operations. The Company highlights that the direct and indirect impact of the crises could have a material impact on the Company's business and results. Further updates on the status of the outlook and guidance for 2020 financials will be provided as usual on a quarterly basis.

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<sup>2</sup> Backlog refers to the pro-forma Directional backlog as reported in the SBM Offshore 2019 Full Year Earnings Update

## Conference Call

SBM Offshore has scheduled a conference call followed by a Q&A session on Thursday, May 14, 2020 at 10:00 am (CEST). A presentation to be referenced during the call has been posted on the Company's website.

The call will be hosted by Bruno Chabas (CEO), Philippe Barril (COO), Erik Lagendijk (CGCO) and Douglas Wood (CFO). Interested parties are invited to listen to the call by dialing +31 (0) 20 531 5851 in the Netherlands, +44 (0) 20 3365 3210 in the UK or +1 866 349 6093 in the US.

A replay will be available shortly after the end of the conference call. Interested parties can listen to the replay by dialing +31 (0) 20 785 1180 and using access code 841168# until June 14, 2020.

## Corporate Profile

The Company's main activities are the design, supply, installation, operation and the life extension of floating production solutions for the offshore energy industry over the full lifecycle. The Company is market leading in leased floating production systems, with multiple units currently in operation.

As of December 31, 2019, the Company employs approximately 4,450 people worldwide spread over offices in our key markets, operational shore bases and the offshore fleet of vessels.

SBM Offshore N.V. is a listed holding company headquartered in Amsterdam, the Netherlands. It holds direct and indirect interests in other companies.

Where references are made to SBM Offshore N.V. and /or its subsidiaries in general, or where no useful purpose is served by identifying the particular company or companies "SBM Offshore" or "the Company" are sometimes used for convenience.

For further information, please visit our website at [www.sbmoffshore.com](http://www.sbmoffshore.com).

The Management Board  
Amsterdam, the Netherlands, May 14, 2020

Financial Calendar	Date	Year
Half Year 2020 Earnings – Press Release	August 6	2020
Trading Update 3Q 2020 – Press Release	November 12	2020
Full Year 2020 Earnings – Press Release	February 11	2021
Annual General Meeting of Shareholders	April 7	2021
Trading Update 1Q 2021 – Press Release	May 12	2021

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