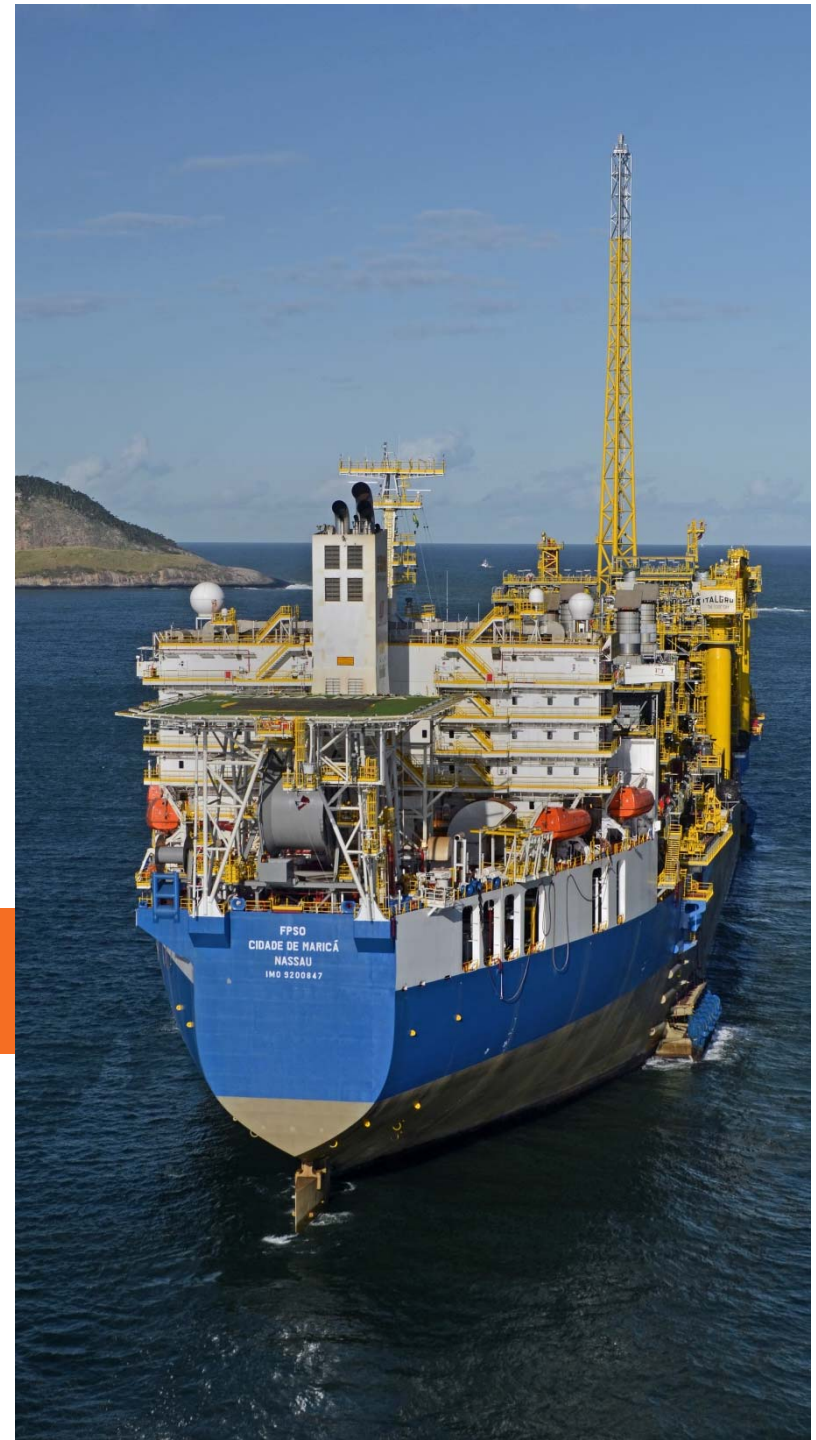


Barclays Energy-Power Conference

September 9, 2015

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Macro View

Deepwater Reality

What to do?

Impact for SBM Offshore

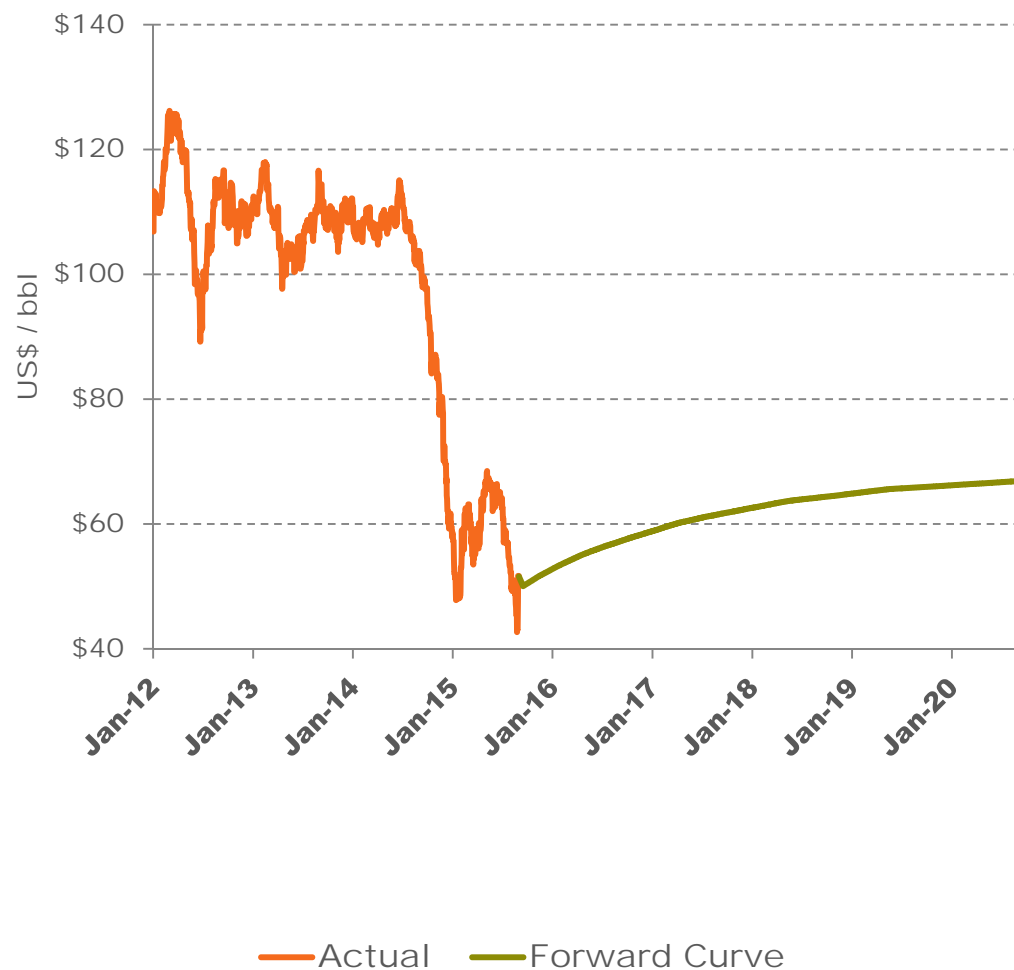




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Oil Market Outlook

Brent Crude Pricing



Key Takeaways

The only certainty is **higher level of uncertainty** and **greater volatility**

Perfect Storm

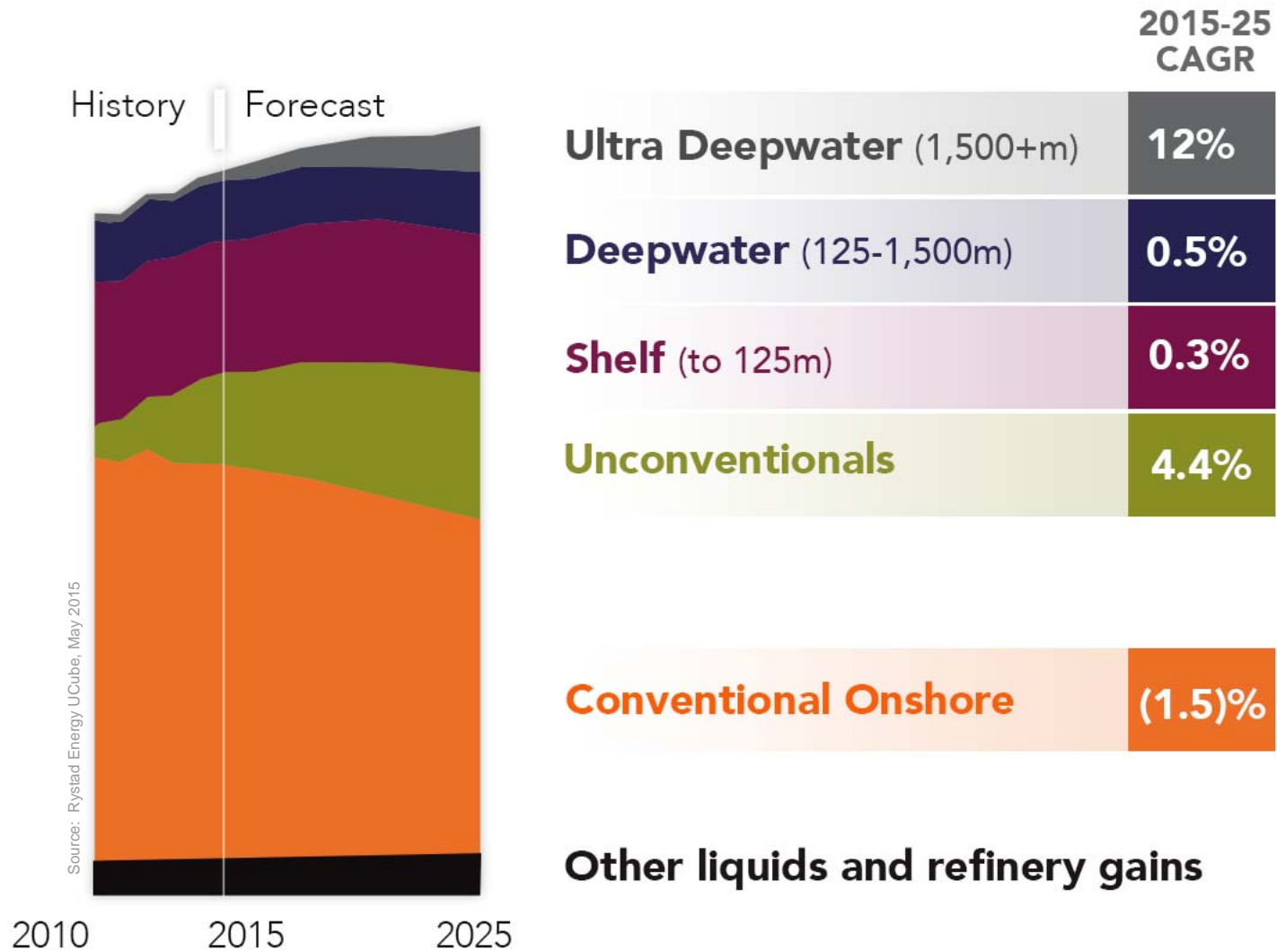
Gas matures as a market: higher growth and more liquidity

Industry has to find solutions to adjust to the new commodity price reality



Supply Turns to Ultra Deepwater & Shale

Global Liquids Production by Sources

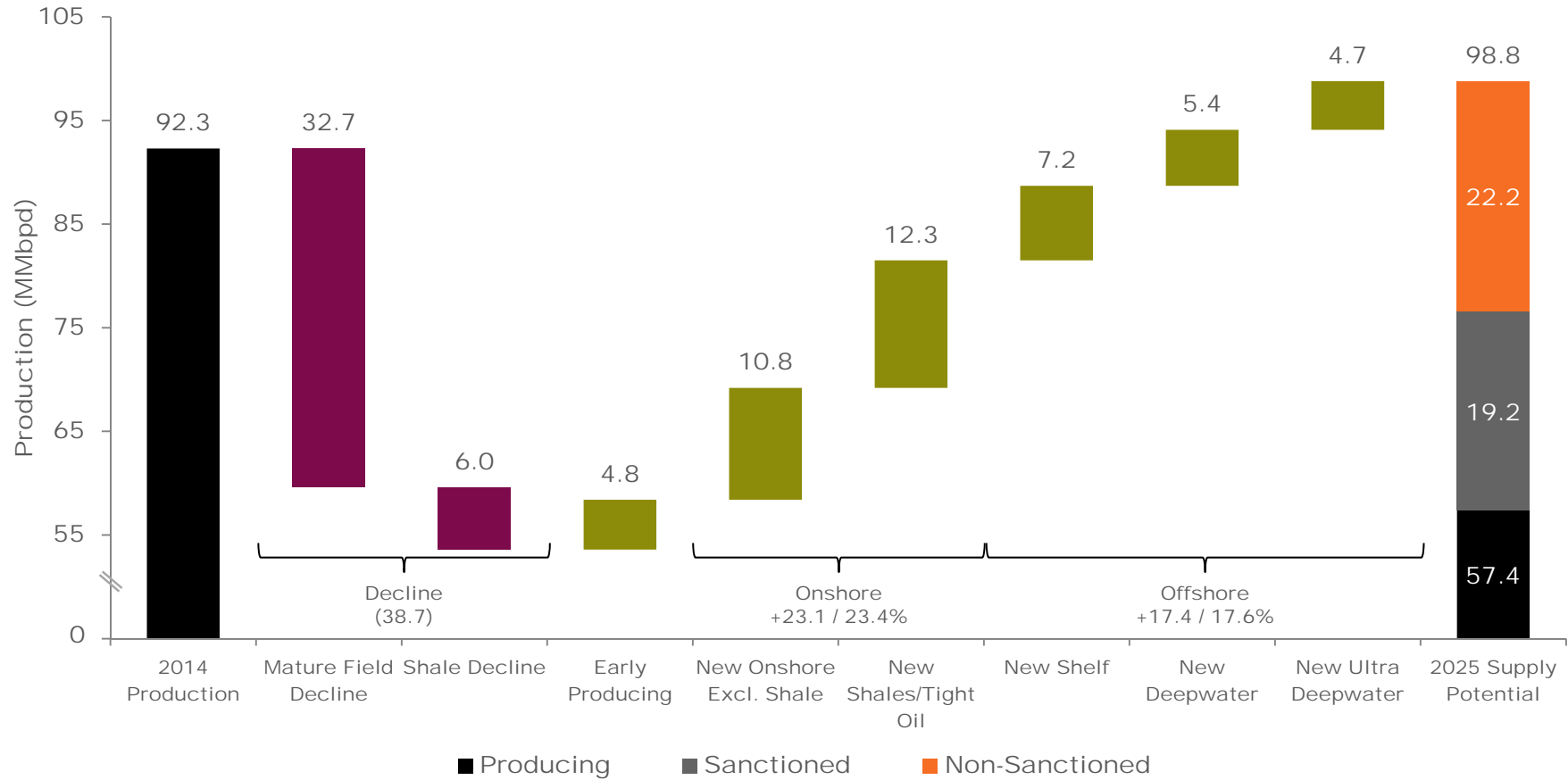


Ultra deepwater driven by **Brazil, GoM and West Africa**



Bridging the Gap to 2025

Global Petroleum and Other Liquids Supply Potential 2014 vs 2025



Deepwater needs to adapt
to **play a key role going forward**



Macro View

Deepwater Reality

What to do?

Impact for SBM Offshore

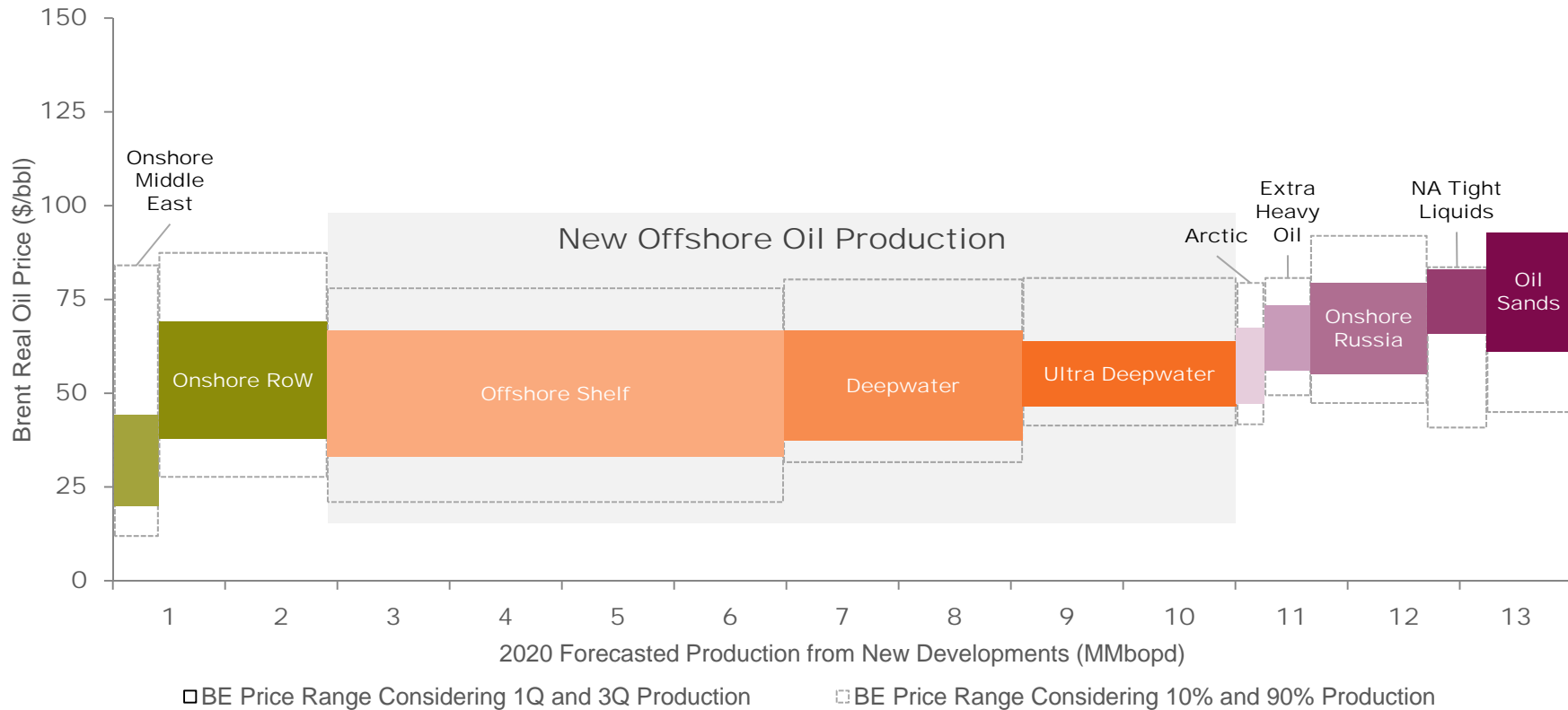




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Economics of Marginal Production

Production Breakeven



Source: Rystad.



Deepwater Project Constraints

Norms & Regulations

One of a Kind

Reservoir Complexity

Harsher Environment

Local Content



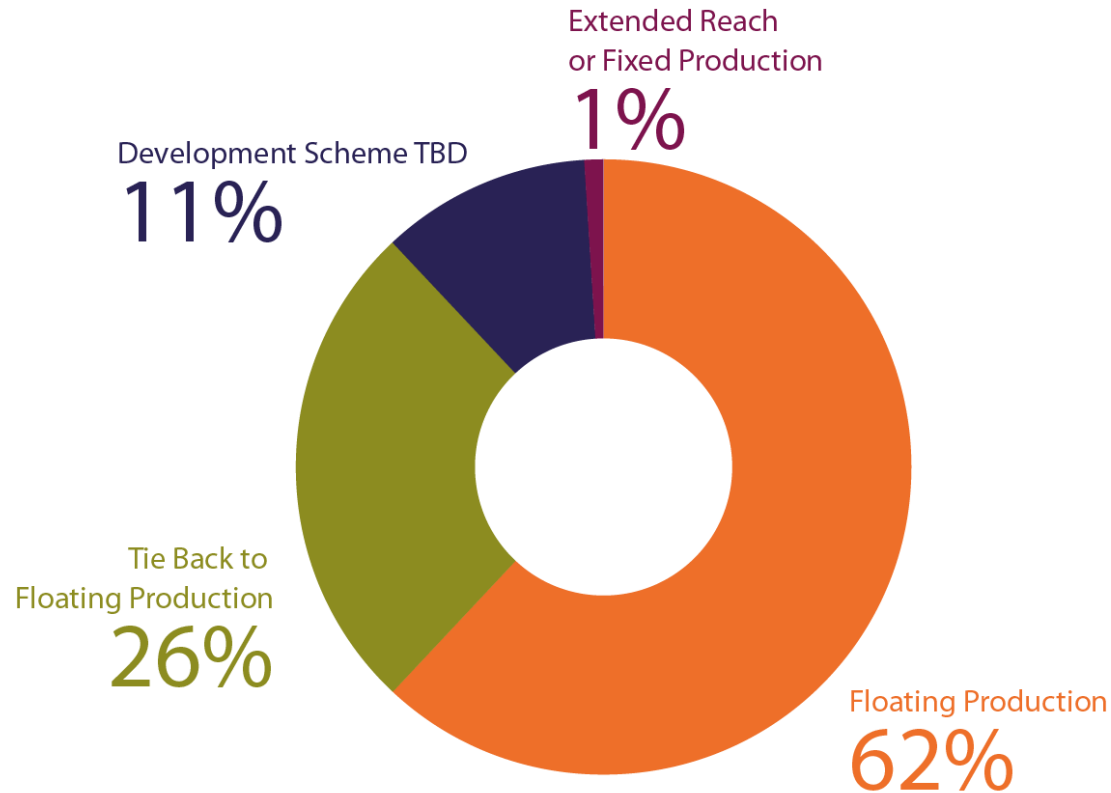
Project Sanction

With a **US\$60/bbl** oil price environment, **75%** of deepwater projects are **uneconomic⁽¹⁾**



Deepwater Development Solutions

Development Type⁽¹⁾



Key Takeaways

Floating production solutions were employed for 88% of deepwater discoveries over the past 10 years

For greenfield, floating production systems are the solution of choice

Tie backs are a viable economic alternative for existing floating production systems

Floating production systems remain the solution of choice

(1) Deepwater (>500m) discoveries in past 10 years. Source: Infield, 2015.



Macro View

Deepwater Reality

What to do?

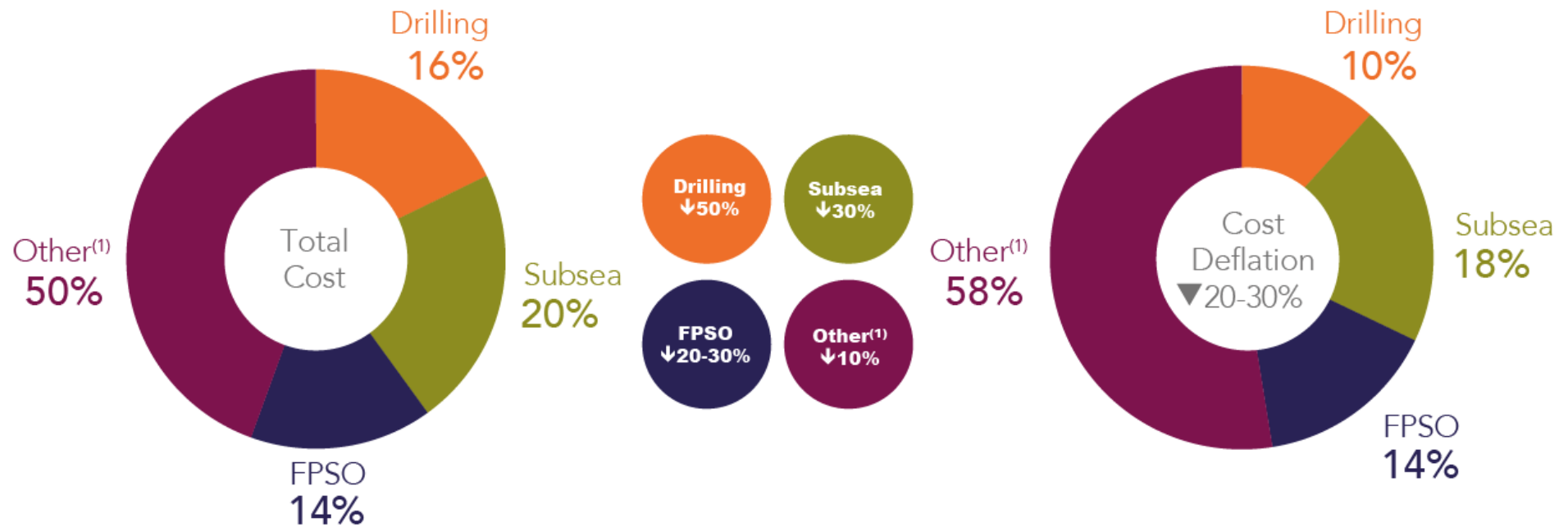
Impact for SBM Offshore





Deflation for Deepwater Development

Result of USD Appreciation, Commodity Prices and Supplier Cost Reductions



Deflation reduces project cost by an estimated **20-30%** before any fundamental changes which could bring **greater and sustainable savings**

(1) Includes Offshore Engineering, Well Services/Equipment Marine Transportation, and Other.

(2) Source: Goldman Sachs, *Deepwater in a US\$60 oil price environment: Winners & losers*, July 22, 2015.



More Fundamental and Sustainable Change

Performance
Based Call for
Tender

100-250 Pages

Lower Cost of
Ownership

Integration

Standardization

Prescriptive
Based Call for
Tender

5,000 Pages

**30-50%
Higher Cost**



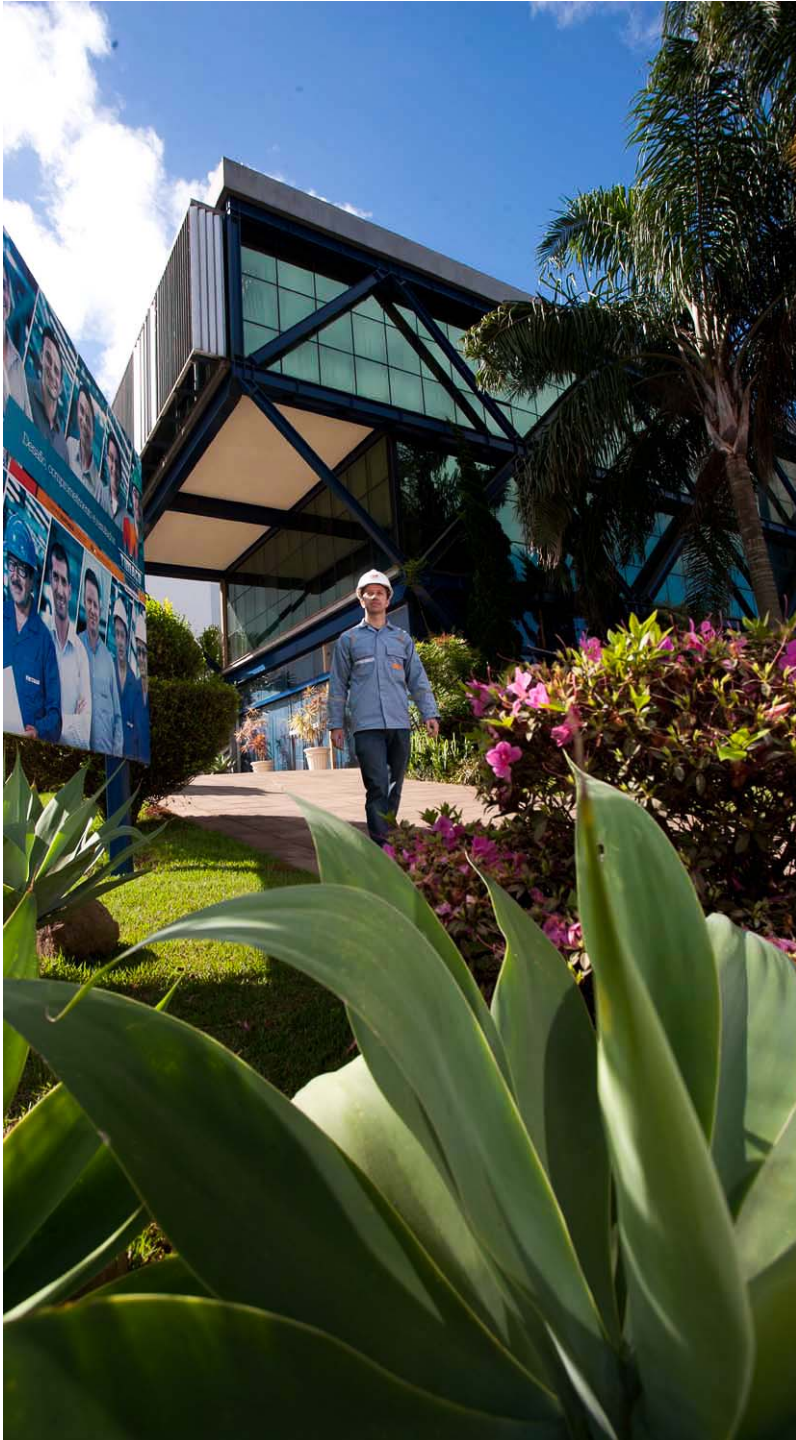
Key Takeaways

It pays to rely on experienced and competent contractors

Integration and client-supplier partnership relations are essential at an early stage

Using contractor competence is the only way to effectively standardize

Tip the scales;
choose competent
& experienced
contractors



Macro View

Deepwater Reality

What to do?

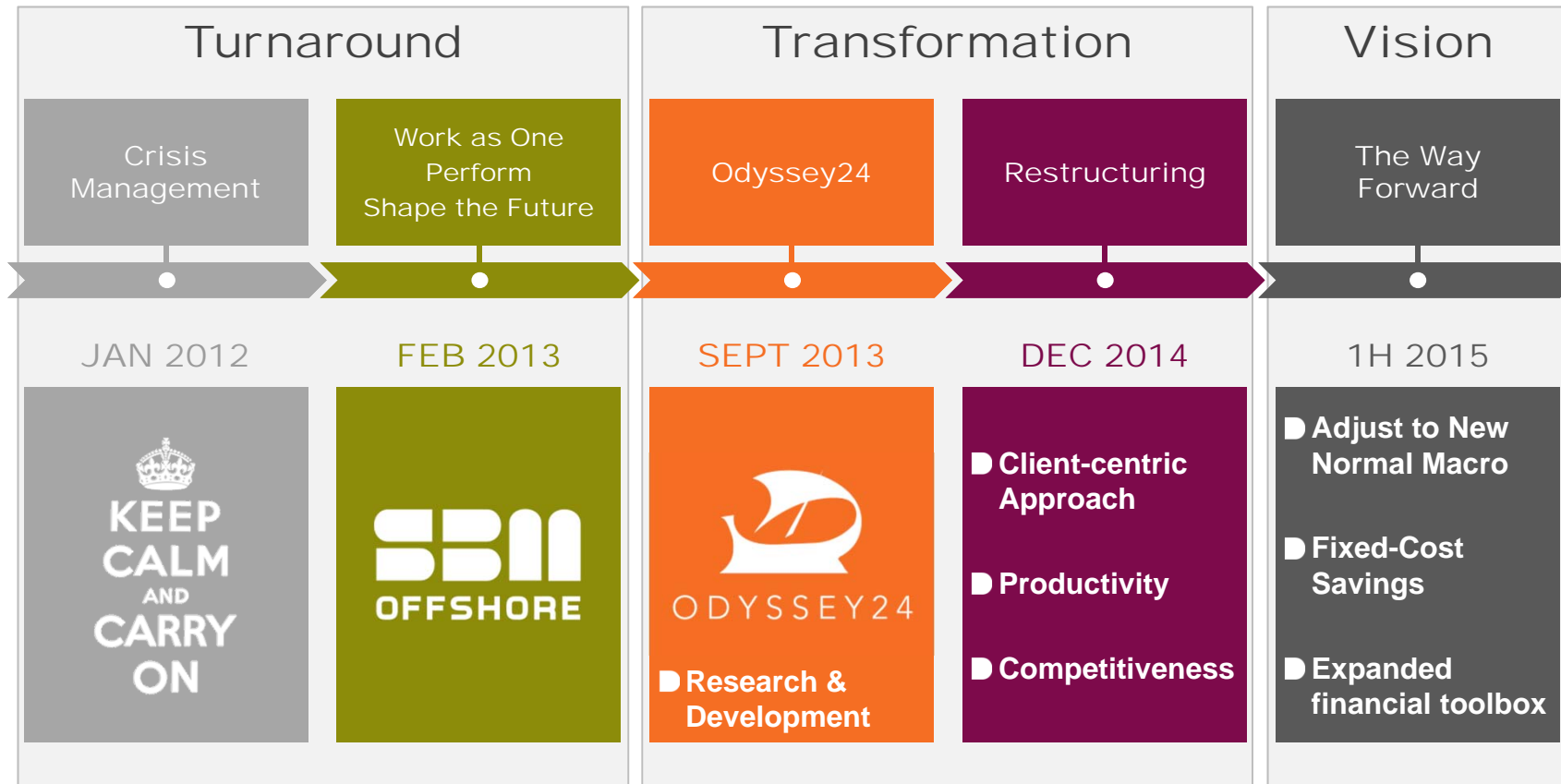


Impact for SBM Offshore





How SBM is Rising to Meet the Challenge



SBM Offshore started its journey years ago



Focus on Continuous Improvements

Capital Expenditure

- New project execution philosophy – work closer with our clients
 - Simplified organization
 - Streamlined procurement
 - Standardization
 - New technology
 - Performance management
- **Objective:** Faster, lighter and lower cost of non-quality objectives

Operating Expenditure

- New operating philosophy – campaign approach to maintenance
 - Simplified organization
 - Streamlined processes
 - Maintenance philosophy
 - Performance management
- **Objective:** Improve efficiency and optimize ways of working





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Experience Pays

SBM Offshore versus the Industry⁽¹⁾

Cost Growth	10%	12%	23%
Schedule Slip	1.5%	10%	20%
Schedule Index	0.9	1.0	0.9
Operability Problems	33%	70%	80%
Production Attainment	98%	80%	65%

 SBM Offshore  Conversion  New Build

Key Takeaways

Consistently on-time and on-budget

Fewer start-up problems

Reliable operations

**SBM Offshore
outperforms
on all axes**

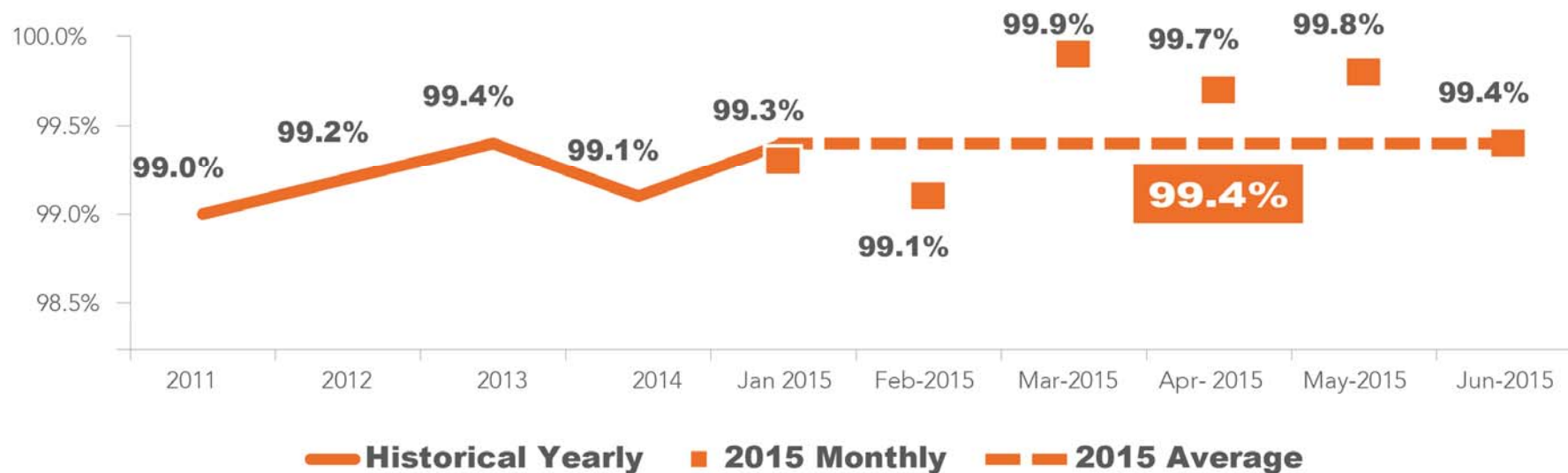
(1) Independent Project Analysis, Inc., *Great Expectations: A Story About FPSO Project Performance*, 2012.



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Operational Excellence

Fleet Oil Uptime



Key Takeaways

Over 260 years of operating experience

Less than 2 weeks of continuous unplanned shutdown

Nearly 4.5 billion barrels of oil produced

SBM delivers
reliable
production to
its clients



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Sources of Resilience

Economical
Production
US\$6.90 average unit cost/bbl

Backlog
US\$20.0 billion

Reliability
99%+ production uptime



Long-term Contracts
No FPSO renewal until 2022

Technology & Efficiency
Transformation initiatives



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