

SBM Offshore 2019 Full Year Earnings

Guidance delivered, doubling dividend, share repurchase and backlog up 40%

February 13, 2020

Highlights

- 2019 guidance delivered: Directional¹ revenue US\$2,171 million; reported Directional EBITDA US\$921 million
- Underlying² Directional EBITDA US\$832 million
- US\$6 billion net increase of pro-forma backlog³ to US\$21 billion
- 100% increase in dividend to US\$150 million
- Launch of EUR150 million (c. US\$165 million) share repurchase
- Market outlook positive, underscored by five hulls in the Fast4Ward® program
- 'Ambition 2030': 25% of SBM Offshore's revenues from Gas and Renewables by 2030
- eMission Zero FPSO concept initiated aiming at net zero carbon emissions
- 2020 Directional revenue guidance of above US\$2.3 billion; Directional EBITDA guidance of around US\$900 million, an increase of c. 8% compared with 2019

SBM Offshore's 2019 Annual Report can be found on its website under: <https://2019.annualreport.sbmoffshore.com/>

Bruno Chabas, CEO of SBM Offshore, commented:

"2019 was marked by strong financial performance, excellent project and operational execution and commercial success. We delivered financials in line with recently increased guidance. FPSO *Liza Destiny* reached first oil for our client ExxonMobil in Guyana within 30 months, demonstrating our capabilities and industry-leading experience. The investment by our major clients translated into contracts for FPSO *Liza Unity* in Guyana and FPSO *Sepetiba* in Brazil. We are maintaining our selective approach towards market opportunities and the associated discipline in project execution: these are key to perform projects in line with commitments and to secure long-term value for all our stakeholders.

The Company has decided to significantly increase its returns to shareholders on the basis of our sustained operating performance, efficient financing model and increased backlog from recent awards. The proposed 100% increase in dividend will yield a return of more than 4%, based on the closing share price of EUR16.30 at February 12, 2020. This builds on our dividend track record, now spanning five years. Our dividend has grown by almost 40% year-on-year since 2016 on a per share basis. The Company has today started a new share repurchase program, which will, following the EUR175 million (c. US\$200 million) share repurchase program of 2019, further increase the per share return in 2020.

We remain focused on the challenging task of significantly reducing the carbon footprint of our fleet and are developing innovative solutions for the energy future. These are the basis of SBM Offshore's 'Ambition 2030': 25% of total revenues to come from Gas and Renewables. Through 'Ambition 2030', SBM Offshore positions itself for a future where the oceans can provide safe, sustainable and affordable energy for generations to come."

¹ 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.

² Underlying 2019 EBITDA excludes one off effects in 2019 and 2018 to enable comparison of like-for-like underlying performance. For explanation of the various items that were adjusted, see the table in section "Financial Overview" below.

³ The Company provides a pro-forma backlog which includes various assumptions, see section on Directional backlog for more information.

Financial Overview

in US\$ million	Directional			IFRS		
	FY 2019	FY 2018	% Change	FY 2019	FY 2018	% Change
Revenue	2,171	1,703	27%	3,391	2,240	51%
Lease and Operate	1,315	1,298	1%	1,327	1,302	2%
Turnkey	856	406	111%	2,064	938	120%
EBITDA	921	995	-7%	1,010	838	21%
Lease and Operate	842	824	2%	783	761	3%
Turnkey	53	278	-81%	290	184	58%
Other	26	(107)	124%	(63)	(107)	41%
Underlying EBITDA	832	784	6%	1,010	844	20%
Lease and Operate	842	824	2%	783	761	3%
Turnkey	53	24	121%	290	147	97%
Other	(63)	(64)	2%	(63)	(64)	2%
Profit attributable to Shareholders	235	301	-22%	366	212	73%
Underlying Profit attributable to Shareholders	171	113	51%	391	247	58%
Earnings per share [US\$ per share]	1.18	1.47	-20%	1.84	1.04	77%
Underlying earnings per share [US\$ per share]	0.86	0.56	54%	1.97	1.21	63%

in US\$ million	FY 2019	FY 2018	FY 2019	FY 2018
Non-recurring items impacting EBITDA	90	211	-	(6)
Transaction Constellation (QGOG)	90	-	-	-
Turritella gain on disposal	-	217	-	-
Yme insurance claim	-	37	-	37
Brazilian prosecutor settlement	-	(43)	-	(43)

in US\$ billion	FY 2019	FY 2018	% Change	FY 2019	FY 2018	% Change
Pro-Forma Backlog	20.7	14.8	40%	-	-	-
Net Debt	3.5	2.4	46%	4.4	3.8	16%

Directional revenue for full year 2019 totaled US\$2,171 million, a year-on-year increase of 27%. This increase was mainly driven by Turnkey, more than doubling its revenue over the period to US\$856 million. Lease and Operate revenues totaled US\$1.3 billion; stable compared with the year before. Total Directional Underlying EBITDA was US\$832 million, an increase of 6% compared with the year before. This increase is the result of better performance in both the Lease and Operate and the Turnkey segments. 2019 Underlying net profit increased by more than 50%, from US\$113 million in 2018 to US\$171 million.

Reported 2019 EBITDA is US\$921 million, the result of a net additional US\$90 million gain relating to the acquisition of a partner's minority share in five Brazilian FPSOs of which SBM Offshore was already the majority shareholder and operator. This reflects the value accretion generated from the deal. Currently discussions are progressing with project partners on the anticipated pro-rata divestment of 7% equity ownership in one of the FPSO owning entities, for a total consideration of c. US\$28 million. This divestment is pending various approvals.

The sale of a 35.5% interest in the FPSO *Sepetiba* project did not lead to any contribution to Turnkey EBITDA in 2019, because the project had not yet passed our internal technical threshold allowing recognition of margin (which occurs generally after projects reach 25% progress) during the year. Under Directional, the significant activity in Turnkey related to FPSO *Liza Destiny*, as well as FPSO *Liza Unity*, is not reflected in EBITDA for the period as these are treated as operating leases and hence are booked in capital expenditure on the balance sheet. These projects will generate revenues, margin and operating cash flow in Lease and Operate starting at first oil, which FPSO *Liza Destiny* reached in 2019 near year end. The gain on the sale to the client, which is anticipated after a period of up to two years of operations on both vessels, will be booked in Turnkey.

Funding and Directional Net Debt

As at the end of 2019, the Company's US\$1 billion Revolving Credit Facility (RCF) remained undrawn. On February 5, 2020, SBM Offshore obtained lenders' consent for a 1 year extension of the RCF, bringing the maturity to February 13, 2025.

The RCF carries a sustainability performance component in its pricing mechanism based on the Company's relative score on sustainability metrics compared with December 2018, measured by Sustainalytics, an independent third party expert. SBM Offshore has improved its score resulting in a five basis points discount calculated on the facility's interest rate. In the Sustainalytics results, SBM Offshore ranks first among peers (similar market capitalization) and shares fifth place in the oil and gas services industry.

Remaining undrawn construction finance facilities total c. US\$1 billion, from remaining debt capacity under the Liza Destiny and Liza Unity project facilities. Total undrawn facilities and cash totaled US\$2.4 billion as at the end of 2019. As a direct result of investment in growth, Directional net debt increased from US\$2.4 to US\$3.5 billion over the full year period. This includes capital expenditures associated with the FPSO projects *Liza Destiny*, *Liza Unity* and *Sepetiba*, the expenditure on the not yet allocated Fast4Ward® hulls and the acquisition of the minority partner's ownership in the five Brazilian FPSOs. A construction finance facility becomes non-recourse, when SBM Offshore's bank guarantee is relinquished, generally following the acceptance by a customer of a vessel for production.

Directional Backlog




SBM Offshore provides a pro-forma Directional backlog. The pro-forma Directional backlog as of December 31, 2019 increased by c. US\$6 billion over the period to a total of US\$20.7 billion. This increase was mainly driven by the addition of FPSOs *Liza Unity* and *Sepetiba* and the acquisition of the minority ownership in the five Brazilian FPSOs. Turnover for the period consumed US\$2.2 billion of backlog.

The pro-forma backlog reflects the following key assumptions:

- The Lease and Operate backlog includes the FPSO *Liza Unity* operating and maintenance scope, which is pending a final work order.
- For both FPSO *Liza Destiny* and FPSO *Liza Unity*, two years of operations are added to the Lease and Operate backlog. The *Liza Destiny* contract covers 10 years of Lease and Operate, but based on discussion with the client, it is expected that the client will purchase the unit after a period of up to two years of operations. The *Liza Unity* contract covers a maximum lease and operate period of two years within which the unit will be purchased by the client. The subsequent sales are added to the Turnkey backlog for both FPSOs.
- With respect to the FPSO *Prosperity* project in Guyana, for which the contract award is subject to necessary government approvals and a final work order to be received from the client, the amount included in the pro-forma backlog is limited to the value of the initial limited release of funds to the Company to begin FEED activities and secure a Fast4Ward® hull.
- With respect to the acquisition of the minority stakes in five Brazilian FPSOs, the Company included the acquired backlog, with the exception of 7% ownership in one FPSO for which two partners have expressed interest in purchasing their pro-rata share.

(in billion US\$)	Turnkey	Lease & Operate	Total
2020	0.6	1.6	2.2
2021	1.2	1.5	2.7
2022	0.2	1.2	1.4
Beyond 2022	1.3	13.1	14.4
Total Backlog	3.2	17.4	20.7

Project Review

Project	Client/country	Contract	SBM Share	Capacity, Size	POC*	Expected Delivery	Notes
Castberg, Turret	Equinor Norway	Turnkey sale	100%	c. 190,000 bpd		2020	On schedule. Second module delivered to client.
Liza Unity, FPSO	ExxonMobil Guyana	2 year Build, Operate, Transfer	100%	220,000 bpd		2022	Multipurpose hull arrived at the yard in Singapore, ready for topsides integration
Sepetiba, FPSO	Petrobras Brazil	22.5 year lease & operate	64.5%	180,000 bpd		2022	Multipurpose hull under construction at yard in China

Legend, Percentage of Completion (POC)



Note: in cases of a consortium, client refers to the operator. *percentage of completion

Of the Company's standard multipurpose hulls, one was delivered at the end of 2019 (for the Liza Unity project) and four are under construction. Two have been allocated to projects: FPSO *Sepetiba* and FPSO *Prosperity*, a project which remains subject to government approvals, project sanction and an authorization to proceed with the next phase.

FPSO *Liza Destiny* reached first oil in December 2019, within 30 months after final investment decision.

The FPSO *Liza Unity* project is progressing as per schedule. SBM Offshore's first Fast4Ward® multipurpose hull was successfully delivered from China and has safely arrived in Singapore allowing the commencement of topsides integration work.

The FPSO *Sepetiba* project is ramping up in our Kuala Lumpur office, with its multipurpose hull under construction at a yard in China.

Fabrication of the complex turret mooring system for FPSO *Johan Castberg* continues to progress well. The second module was delivered to the client. The last two modules are on track for delivery in 2020.

Operational Update

The 2019 fleet uptime was 99.4%. The total historical Lease and Operate fleet uptime performance remains 99%.

Health and Safety

The Company regrets to report that a contracted diver was fatally injured during installation activities of a pipeline section replacement offshore Angola in December 2019. SBM Offshore will continue to raise awareness and implement improvements in its safety management systems.

SBM Offshore's 2019 Total Recordable Injury Frequency Rate (TRIFR) totaled 0.13, which is lower than 0.18 for the year 2018.

SBM Offshore is a global company, with operations and staff in multiple countries including China. With respect to the current coronavirus outbreak, SBM Offshore has put in place travel restrictions and implemented measures at the various locations in China following medical advice and directions from authorities. The Company continues to monitor developments.

Sustainability

Sustainability is a key topic for SBM Offshore; it contributes to the Company's vision to provide safe, sustainable and affordable energy for generations to come. As such, the Company is committed to contribute to the energy transition. SBM Offshore uses the United Nations' Sustainable Development Goals (SDG) framework to embed sustainability in the Company's strategy.

SBM Offshore's ambition is to integrate sustainability in every phase of the lifecycle of our projects; from new technological development to the recycling phase. Examples are the eMission Zero concept (net zero emission FPSO) as part of the roadmap under SDG 9 (Life Below Water) and commitment to the development of the Wave Energy Converter to provide clean energy, under SDG 7 (Affordable and Clean Energy). SBM Offshore has committed funds to develop the first prototype Wave Energy Converter to be deployed offshore Monaco for testing. The Company continues to develop its floating wind product, using its extensive experience in mooring technology. The project, currently in engineering and design phase, is continuing in line with client schedule.

In 2019, the Company set quantitative, specific business targets for three SDGs. Of the seven targets set, four have been met or achieved: energy purchased from green providers, qualified vendors having signed the Supply Chain Charter, Total Recordable Injury Frequency Rate, and the offices with a recycling program. Under SDG 8 (Decent Work and Economic Growth), SBM Offshore joined Building Responsibly: a group of leading engineering and construction companies working together to raise the bar in promoting the rights and welfare of workers across the industry. As part of this initiative, SBM Offshore updated the Company Supply Chain Charter to include the Worker Welfare Principles from Building Responsibly, and contributed to the development of the Worker Welfare Principles Guidance Notes.

The target on oil spills for 2019 was zero, the ultimate goal. Over 2019, the Company reported total spills of 0.0391 m³, or just below 40 liters.

In order to reduce emissions, an ambitious target regarding flaring on SBM Offshore account was set at 20% reduction. This targeted reduction was not achieved, mainly due to interrupted gas compression on one FPSO, which led to flaring to continue safe operations on board. On another FPSO, gas flared on SBM Offshore account increased due to reduced reliability of seawater lift pumps at the beginning of the year and process instability following modifications. SBM Offshore has taken action to improve performance of these and other systems which led to improved performance thereafter.

Although the ambitious target to reduce offshore plastic waste by 40% has not been met, the Company did achieve a significant reduction of 22%.

SBM Offshore aims to continue building on the framework of selected SDGs. For 2020, the Company has set new targets for the three previously selected SDGs and is expanding its efforts by setting targets for three additional SDGs. From 2019 target setting, lessons learned have been implemented to continue setting ambitious, but also realistic goals, especially on existing production systems where significant improvements have been made in the past and further incremental optimization is limited.

Ambition 2030: 25% of revenues to come from Gas and Renewables

SBM Offshore's ambition towards 2030 is to grow and create long-term value for its stakeholders. Targets and indicators have been set in three main areas: secure and grow free annual cash flow, ensure a steady flow of new awards within our core business (2+ FPSOs per year) and position the Company in the Gas and Renewables market by aiming for 25% of the Company's revenues to come from Gas and Renewables by 2030. The expected increase in energy demand due to the increasing world population and the changing energy mix provide the Company various opportunities to expand its business in the field of sustainable energy. SBM Offshore's Gas and Renewables product portfolio, based on its extensive experience in floating structures and process technology, places the Company in a good position to meet this ambition, and includes in particular its floating wind and wave technologies.

Capital Allocation and Shareholder Returns

The Company's dividend policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. As part of the Company's regular planning process, following review of its cash flow position and forecast, the Company has concluded that the outlook for cash flow generation has improved given the increase in the quantum of the Lease and Operate backlog and its duration. Based on this, a dividend of US\$150 million (which equals c. US\$0.76 per share, based on the number of shares outstanding at December 31, 2019), to be paid out of retained earnings, will be proposed at the Annual General Meeting on April 8, 2020. This represents an increase of c. 100% compared to the dividend paid in 2019.

The Company has invested equity in projects, which are under construction or recently completed. Most of this equity investment will be returned to the Company following drawdown of non-recourse project finance facilities in the near future. After having reviewed the current liquidity position including the return of this investment, taking account of future growth requirements and the resulting cash flow outlook, the Company has determined that it currently has the capacity to repurchase shares. Consequently, on February 13, 2020 the Company will commence a EUR150 million (c. US\$165 million) share repurchase program.

Outlook and Guidance

The outlook for the market segment in which SBM Offshore operates continues to improve in line with expectation: the demand for complex, large capacity FPSOs remains strong. Major offshore developments which are sanctioned are characterized by attractive economics and low break-even oil prices, provided that production systems are delivered reliably and on time. Projects awarded in 2019 have significantly reduced available capacity in the Company's market segment. Therefore, SBM Offshore reiterates the fact that it will remain selective regarding the market opportunities it will focus on.

The Company's 2020 Directional revenue guidance is above US\$2.3 billion, of which around US\$1.6 billion is expected from the cash generating Lease and Operate segment and around US\$700 million from the Turnkey segment. Directional EBITDA guidance is around US\$900 million for the Group.

Build-Operate-Transfer (BOT) projects which remain 100% owned by SBM Offshore up to the point of sale do not contribute to the Company's net result before first oil. For further explanation on SBM Offshore's Directional accounting principles see chapter 4.3.2 of the Company's 2019 Annual Report.

Conference Call

SBM Offshore has scheduled a conference call together with a webcast, which will be followed by a Q&A session, regarding the Company's FY 2019 Earnings Update. The event is scheduled for Thursday, February 13, 2020 at 10.00 am (Amsterdam, The Netherlands). The event will be hosted by Mr. Bruno Chabas (CEO), Mr. Douglas Wood (CFO), Mr. Philippe Barril (COO) and Mr. Erik Lagendijk (CGCO).

Interested parties are invited to listen to the call by dialing +31 20 709 5189 in the Netherlands, +44 33 3300 0804 in the UK or +1 631 913 1422 in the US, using access code 68895852#.

The live webcast will be available at: https://channel.royalcast.com/webcast/sbmooffshoreinvestors/20200213_1/

A replay of the webcast, which will be available shortly after the call, can be accessed using the same link.

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.

The Management Board
Amsterdam, the Netherlands, February 13, 2020

Financial Calendar	Date	Year
Annual General Meeting of Shareholders	April 8	2020
Trading Update 1Q 2020 – Press Release	May 14	2020
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

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