Address by Mr. Wong Weng Sun – President & CEO, Sembcorp Marine

3Q & 9M 2016 Results Briefing

Greetings

1. Good evening. Welcome to Sembcorp Marine's 3Q and 9M 2016 results briefing.

Macro Update

2. The general slowdown in global economic growth and tough operating environment for the oil and gas industry continue to pose significant challenges.

3. Growth in the advanced economies has been muted and is projected to remain subdued in the foreseeable future, while China continues with its slower but more sustainable growth path. Meanwhile, global financial markets remain volatile and uncertain as concerns over the outcome of significant economic and political events continue to impact sentiment. They include the uncertainty of the "Brexit" process and its consequences; and outcome of the upcoming US Presidential elections.

4. The oil and gas industry continues to grapple with a severe downturn, now into its third year, following the collapse of oil prices towards end 2014.

5. With OPEC's announcement late last month of an agreement for modest oil output cuts, oil prices have rebounded from multi-year lows of below US$30 per barrel earlier this year, to above the US$50 per barrel range presently. However, with reduction of offshore exploration and production capex projected to continue into 2017, the demand outlook for offshore exploration and production activities is likely to remain weak in the foreseeable future, especially given the existing excess supply of drilling rigs, and many yet-to-be delivered new-build rigs awaiting customer charters. This has contributed to the increasing financial stress on companies across the entire upstream exploration and production value chain.

Financial Performance for 3Q / 9M 2016

6. Our overall financial performance for the 9M of 2016 remained profitable. Our 3Q 2016 performance however, was negatively impacted by share of losses from associates and foreign exchange losses.

For 9M 2016:

- Group revenue was S$2.71 billion compared with S$3.64 billion for 9M 2015;
- Net profit was S$44.5 million compared with S$247.2 million for 9M 2015.

For 3Q 2016:

- The Group reported a net loss of S$21.8 million compared with a net profit of S$32.1 million for 3Q 2015;
- Operating profit was S$32.9 million compared with S$74.8 million for 3Q 2015;
- Excluding the effects of foreign exchange, operating profit for 3Q 2016 was S$51.8 million, which was higher than the S$39.6 million in operating profit (before effects of foreign exchange) for 3Q 2015;
- Despite the above, the Group generated significant Operating cash flow of S$796 million, which contributed to a reduction in our net gearing from 1.11 times as at end June 2016 to 1.03 times as at end Sept 2016.

More details will be covered in our CFO's address to follow.

Deliveries

7. Amongst others, we made a total of 5 significant project deliveries during the 9M of 2016. In the third quarter, we delivered:

- Noble Lloyd Noble, the world's largest ultra high-specification harsh environment jack-up rig, to Noble Corporation. Based on the Gusto MSC CJ70 design as well as Statoil's 'Category J' specifications, the Noble Lloyd Noble is the first offshore structure of its kind which fully complies with both Norwegian and UK regulatory standards. It will be deployed in Statoil's Mariner field development.

Other major projects completed and delivered during the 9 months of 2016 include:

- Safe Zephyrus harsh environment semi-submersible accommodation vessel to Prosafe;
- Prof. John Evans Atta Mills FPSO to MODEC;
- Maersk Highlander harsh environment jack-up rig to Maersk Drilling; and
- Ivar Aasen Process, Drilling and Quarters (PDQ) Platform Topsides to Det Norske for North Sea operations.

Other Key Activities

8. We continue to make good progress on smooth execution of our current order book, leveraging on our state-of-the-art facility at our Tuas Boulevard Yard and other facilities in Singapore and overseas. Key projects include the following non-drilling solutions:

- Engineering and construction of the world's largest semi-submersible crane vessel for Heerema;
- Design and construction of a new harsh environment Floating Storage and Offloading (FSO) vessel for MODEC;
- Engineering, Procurement and Construction of harsh environment topside modules for Maersk Oil, which include a Central Processing Facility, a Wellhead Platform and a Utilities & Living Quarters Platform.

9. Other non-drilling projects under execution include several FPSO conversions, including the Libra FPSO which is expected to be deployed for work on the Libra field in the ultra-deepwater section of Brazil's Santos Basin. Fabrication works for several LNG and electrical sub-station modules are also ongoing.

10. At our EJA Yard in Brazil, ongoing projects include topside modules construction & integration for the P-68 and P-71 FPSOs for Petrobras. Some vessels repairs and upgrade jobs were recently completed. Management continues to actively source for business and are hopeful for further work to be secured in 2017.

11. We continue to experience a regular flow of vessels coming through our yards for repairs and upgrade, thanks to the strong support of our alliance and long-term partners. Amongst others, LNG vessels and cruise ships continue to be strong contributors.

Sete Drillships – Update

12. Following its filing for judicial restructuring on April 29, 2016, Sete submitted its restructuring plan on 12 Aug 2016. Sete Brasil continues to discuss with its creditors, shareholders and other stakeholders to find an equitable solution.

13. We announced on April 22, 2016 that we have commenced arbitration proceedings against various subsidiaries of Sete Brasil to preserve our interests under the Sete Brasil contracts. The arbitration proceedings are ongoing.

14. Without prejudice to our arbitration proceedings, we continue to engage with Sete Brasil as necessary to better understand its restructuring plan and actively monitor the situation and its implications.

15. The Group had in FY 2015 made provisions of S$329 million for the Sete Brasil contracts. We believe that the provisions remain adequate under the present circumstances.

Rig Delivery Deferments

16. Our customer, Perisai recently declared its insolvency in response to Bursa Malaysia after it was unable to meet its financial obligations to its bondholders. We have taken steps to protect our interests in the rig which has been completed and technically accepted by Perisai. For the second rig which is due for completion during 4Q 2016, we are evaluating various courses of action to protect our interests.

17. For the 3 rigs which have been deferred by Oro Negro, we continue to evaluate solutions for them, including the sale to third parties. All three rigs have been completed and technically accepted by Oro Negro.

18. The standstill agreement for the delivery of North Atlantic Drilling's West Rigel semi-submersible rig has been further extended to January 6, 2017. During this period, both parties continue to market the rig for a charter contract or for sale.

19. In FY 2015, we provided S$280 million for deferment and possible cancellation of these rigs. We believe such provisions remain adequate under the current environment.

Net Order book

20. Our net order book at end Sep 2016 remains reasonably robust at S$8.4 billion. Excluding the Sete Brasil drillships, our net order book amounts to S$5.2 billion. Up to the end of Sept 2016, we have secured S$320 million of new orders for non-drilling solutions.

21. We are in active discussions with several potential customers in existing markets and new business segments, and are hopeful that new orders will be won during the year.

Cost Management Measures

Human Resources

22. Since the commencement of operations of our Tuas Boulevard Yard and our Transformation Initiative, we have taken steps to optimise our human resources. Such steps are ongoing and include building and enhancing the capabilities of our employees and resident sub-contractors, so as to increase our efficiency and productivity.

23. We have reallocated excess manpower from drilling to non-drilling work without compromising on safety and quality of execution. We have also terminated less efficient sub-contractors and allow for natural attrition of our employees.

24. For our EJA yard in Brazil, we have also taken steps to reduce manpower level commensurate with the level of activities.

25. These measures have resulted in a reduction of about 8,000, comprising employees and sub-contractors manpower.

26. We will continue to evaluate and optimise our manpower requirements and will take further measures as needed to execute our projects in a safe and reliable manner.

27. We will also continue to selectively recruit talents to support our new business segments and build new capabilities and competencies in line with our strategy for longer term workforce sustainability, and to be better positioned when the market recovers.

28. In addition to manpower optimisation, we have taken measures to reduce our operating costs by implementing salary freeze and adjustments to the variable remuneration components for management staff since 2015.

29. These measures were taken as a pro-active response to the uncertainties and challenges facing the Group.

Yard Capex and Capacity Management

30. Phase 2 of our Tuas Boulevard Yard (TBY) is scheduled to be completed in 1Q 2017. When completed, we will be better positioned to optimise our yard capacities. Two of our yards in Singapore will be returned to the Government during 2017.

31. The Group will continue to leverage and maximise the utilization on its TBY yard while we review the schedule for returning the other yards in Singapore at or before their lease expiry date.

32. Our EJA Yard in Brazil will be fully completed by 4Q 2017. When fully completed, we will be able to provide the full complement of services, including dry docking of vessels, conversion and new building of FPSOs and other vessels.

33. As previously mentioned, we started investing in our new yard infrastructure since 2010. To-date, most of our new yard capex have been expended. In future, yard capex that are required for execution of secured contracts will proceed, while non-essential capex will be deferred.

Cash flow and Liquidity

34. The majority of our current S$8.4 billion net order book is based on progressive payment terms, with less than 20% comprising drilling rigs with back-ended payment terms. As such, the need for fresh working capital to fulfil such orders in the next years is likely to continue to decrease. We remain committed to actively manage our balance sheet towards maintaining a healthy financial position through financial discipline and prudence.

35. During 3Q 2016, we generated S$796 million of Operating cash flows from project deliveries and achievement of progress milestones. As a result, our net gearing as at end Sept 2016 is 1.03 times, an improvement from the 1.11 times as at end June 2016.

Outlook and Prospects

36. Despite the challenging outlook and intense competition, we believe that growth prospects for the offshore and marine industry remains encouraging over the long term.

37. In order to meet the present and future needs of the industry for cost effective solutions, new yard facilities and capabilities are essential. Our new flagship yard facility at Tuas Boulevard, including its highly automated mega steel fabrication facilities, has helped unlock new opportunities for us; enabling us to move up the value chain and take on projects of greater complexity and scale. We will continue to leverage on the strengths of our Tuas Boulevard Yard to seize new opportunities.

38. The International Maritime Organisation (IMO) has recently announced that the ballast water convention will come into effect in September 2017. This bodes well for our repairs and upgrades business as we expect increasing demand for the installation of ballast water management systems in vessels and other related services over the next few years.

Strategic Acquisitions

39. Several acquisitions were made during the year to better position Sembcorp Marine for the future. This included acquiring full ownership of PPL Shipyard by securing the remaining 15% stake in the yard. Over the years, PPL has helped propel the Group to be a global player in the design and construction of jack-up and semi-submersible rigs. Having full control of PPL Shipyard will enable us to fully align the yard's business management and corporate strategies with the Group to generate sustainable returns going forward.

40. We have identified a few years ago the market potential for offering innovative solutions to the gas value chain. This was strengthened by the signing of COP21 in Paris last year. Gas, as a cleaner fuel is expected to be increasingly used for power generation and bunkering, amongst others.

41. Our investment in Gravifloat since 2014 enables the Group to offer a suite of cost effective, near-shore, re-deployable and modularised solutions. They include import and export terminal infrastructure for treatment, storage, liquefaction, re-gasification and offloading of LNG and LPG.

42. We have also invested in KANFA Aragon, a process design and engineering group providing customised solutions for the floating production, storage and offloading market. This will enhance our capabilities in offering solutions for the production segment of the oil and gas sector.

43. Another strategic acquisition is LMG Marin, a Norway-based company with expertise in naval architectural design, engineering and technology development. LMG owns a series of design patents and has experience in the design of drillships, offshore production & storage floaters, OSVs, LNG carriers, LNG-powered ships, car ferries and cruise ships.

44. These strategic acquisitions will further broaden and deepen Sembcorp Marine's proprietary design and engineering capabilities, and support our ongoing strategy of diversifying into new product segments and providing innovative solutions across the offshore and marine value chain, both within and outside the oil and gas sector.

Summary

45. The Group will continue to focus on liquidity, costs and balance sheet management. Manpower requirements will be actively managed in line with changing needs.

46. We will continue to adopt a disciplined approach in managing our costs and finances to strengthen our balance sheet and to ensure adequate cash liquidity and improved gearing. Our key priority remains the timely and effective execution of our order book.

47. Sembcorp Marine has gone through several down-cycles in the past and has built up a strong core to enable us to navigate these tough times. Our strategic investments in infrastructure and technology over the years have enhanced our resilience and better positioned us to capture new opportunities.

48. With the strong support of our management, employees, customers and stakeholders, I am confident that we will weather and ride the cyclical downturn and be well-placed to benefit from the recovery ahead.

49. Our CFO Tan Cheng Tat will now take you through the Group's detailed financial performance.