

Address by Mr. Wong Weng Sun, President & CEO – Sembcorp Marine 3Q/9M 2017
Results Briefing

Greetings

1. Good evening. Welcome and thank you for dialing into Sembcorp Marine's 3Q and 9M 2017 results briefing.

Macro Update

2. The global economy maintained good momentum in the third quarter of 2017 with sustained growth in industrial production, consumer spending and investment. Business confidence has improved in tandem with the rising optimism in outlook.
3. Oil prices have firmed slightly along its one-year price range of between US\$46 to US\$60 per barrel. With this encouraging trend, upstream oil and gas investment activities have started to show signs of improvement, with major oil companies adapting to the lower oil price environment and better positioned to proceed with final investment decisions.
4. Day rates and utilisation levels for offshore drilling rigs have improved, with the higher specification and harsh environment units leading the uptick. Recent mergers and acquisitions amongst drilling companies, coupled with increasing secondary rigs sales are signs of an initial recovery in the drilling segment.
5. We continue to carefully monitor the macro-economic and industry conditions as we better position ourselves to respond strategically to the evolving developments in the operating environment.

Financial Performance for 3Q/9M 2017

6. Despite the tough operating environment, Sembcorp Marine remained profitable for the nine months to September 2017. Net gearing remained steady during the quarter, but is expected to improve significantly with the successful monetization of our rigs inventory.
7. For 9M 2017:
 - Group revenue was \$1.73 billion, compared with \$2.71 billion in 9M 2016.
 - Net profit was \$48 million, compared with \$45 million in 9M 2016.

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

Review of Operations

Sale of Jack-ups

8. On October 9th 2017, we announced that we have successfully sold nine Pacific Class 400 jack-up drilling rigs to Borr Drilling and its subsidiaries, following the fulfillment of conditions precedent to the sale. The nine jack-ups were sold for about US\$1.3 billion (S\$1.77 billion), plus a market-based fee calculated based on an uplift in value of the rigs sold.
9. Borr Drilling will take delivery of these nine jack-up rigs progressively over a 14-month period, from 4Q 2017 to 1Q 2019. As part of the contract, Borr Drilling will make an upfront down payment of about US\$500 million, with the balance of US\$800 million paid at any time within five years from the respective delivery dates of the rigs.
10. The nine jack-ups rigs sold include all six rigs from contracts earlier terminated with its original customers, as well as three rigs presently under various stages of construction completion. The sale demonstrates the quality and capability of Sembcorp Marine's high-specification jack-up rigs to attract buyers despite challenging market conditions.

11. This transaction will significantly improve our liquidity position and help strengthen our ability to offer quality solutions to customers, ride through the current cycle trough and be better positioned when the industry recovers.

Project Deliveries

12. Key deliveries during 9M 2017 include the following:

- The Pioneiro de Libra FPSO, Sembcorp Marine's first full EPC (Engineering, Procurement and Construction) FPSO conversion, arrived in Brazil waters in May after its successful delivery to Odebrecht and Teekay in March this year. The project achieved more than 19 million man-hours worked without any Lost Time Incidents, which reflects the collective effort and achievements on safety by Odebrecht, Teekay, and Sembcorp Marine.
- The conversion of the Randgrid FSO, which was completed and delivered in July for Teekay. The project team achieved 4.98 million man-hours worked without any Lost Time Incidents, an outstanding joint effort by Teekay, Statoil and Sembcorp Marine.

Projects in Progress

13. We continue to make steady progress for various projects in our order book. These include:

- 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 for deployment in the Culzean field in the UK North Sea;
- Engineering, procurement and construction of Maersk Oil's Central Processing Facility, Wellhead Platform and Utilities & Living Quarters Platform Topsides for harsh-environment operations in the Culzean field in the UK North Sea;
- Conversion of FPSO Kaombo Norte and FPSO Kaombo Sul for Saipem for operations in offshore Angola.
- Construction of two high-specification ultra-deepwater drillships for Transocean based on Sembcorp Marine's proprietary Jurong Espadon III drillship design.

Transocean recently decided to proceed with enhancing the capabilities of the two drillships, resulting in corresponding increase in the value of the contracts and extension of the delivery schedule to the second and fourth quarter of 2020.

14. Ongoing projects at our overseas yards include:

- Construction of a power generation module and other infrastructure (part of our EPC project with Maersk Oil) at our SLP yard in the UK;
- Hull carry over works as well as topside modules construction and integration for the FPSO P-68 Tupi Project in our EJA Brazil yard;

15. For Repairs and Upgrades segment, we completed 328 vessels dry-docking, repairs and upgrades during 9M 2017, or about 1.2 vessels every day. Revenue per vessel improved over 9M 2016 largely due to improved vessel mix with more higher value works.

- A total of 13 cruise ship refits were completed in 9M 2017. Key projects included the upgrading of M2 for Al Seer Marine, Mariner of the Seas for RCCL, Diamond Princess and Dawn Princess for Princess Cruises, Paul Gauguin for PG Cruises as well as Pacific Dawn and Pacific Eden for Carnival Australia. With several cruise vessel refits lined up for the next quarter, we expect 2017 to be a record year for cruise ship repairs and upgrading.
- We completed 26 LNG repairs and upgrades in 9M 2017. Major projects included the successful reactivation of Arctic Spirit for Teekay LNG and Methane Kari Elin for Shell. We also performed the grounding damage repairs on LNG carrier Sevilla Knutsen, which earned kudos from owner Knutsen LNG Norway for quality, safety, responsive execution and timely delivery. With several LNG repair and upgrading projects upcoming, we expect the total number of LNG vessels serviced this year to exceed 2016.
- For offshore repairs and refits, key projects completed include the repairs of Deep Driller V jack-up for Aban Offshore and FPSO Glas Dowr for Bluewater. We were also recently awarded a contract to overhaul FPSO Pyrenees Venture, operated by Modec and chartered by BHP Billiton, with completion scheduled for 1H 2018.

- We continue to receive queries for the installation of Ballast Water Management Systems (BWMS) despite the deferment of the Ballast Water Management Convention to 2019. There remains a requirement for BWMS installation by IMO for newbuilds and under US Coast Guards regulations for vessels plying US waters.

Sete Brasil Drillships

16. Sete Brasil continues to be in discussions with its creditors on its judicial recovery plan. We will continue to monitor the developments and engage Sete Brasil as necessary to progress the restructuring plan.
17. We believe that our provisions of \$329 million made in FY 2015 for the Sete Brasil contracts remain adequate under the present circumstances.

Semi-submersible Standstill Agreement

18. The standstill agreement between North Atlantic Drilling and Sembcorp Marine for the West Rigel semi-submersible rig till 6 January 2018 remains in place. Under the agreement, both companies will continue to actively market the rig for sale or charter.
19. We believe the provisions made in FY 2015 in relation to this rig remain adequate under the current circumstances.

Order book Developments

20. In 3Q 2017, our Brazil subsidiary Estaleiro Jurong Aracruz (EJA) secured a contract worth US\$145 million from Tupi B.V. to perform hull carry over works for the full integration of the P-68 FPSO. The hull carry over works are in addition to the P-68 topsides construction and integration work previously awarded to EJA in 2012.
21. On 18 September 2017, we announced the signing of a letter of intent (LOI) between Sembcorp Marine Specialised Shipbuilding and US-based SeaOne Caribbean (SeaOne)

for the design and construction of at least two large Compressed Gas Liquid (CGL®) carriers.

22. Designed to meet SeaOne's single gas and liquids cargo delivery requirements, the neo-panamax CGL carriers would incorporate proprietary ship component ideas from Sembcorp Marine's subsidiary LMG Marin, a leading naval architect and ship design house in Europe.
23. With a storage capacity of 2 billion cubic feet, the 366m-long carriers will be equipped with SeaOne's patented CGL® technology and systems.
24. Front-end engineering design (FEED) studies for the project are currently in progress. We believe our collaboration with SeaOne will result in high-performing vessels that set the standards for CGL cargo transportation. We look forward to partnering SeaOne on this milestone project and future projects.
25. The above CGL carriers solution is another example of Sembcorp Marine's focus and capabilities to offer innovative solutions to our customers. It is also part of our integrated suite of solutions for the gas value chain.

Net Order Book

26. The sale of the nine jack-up rigs to Borr Drilling contributed a total of \$1.77 billion to our orderbook for the year 2017. With another \$270 million in new orders for non-drilling solutions (which include the US\$145 million contract for hull carry over works recently awarded by Petrobras), total new orders year to date is \$2.07 billion.
27. With deliveries till 2020, our net order book currently stands at \$7.97 billion. Excluding the Sete Brasil drillships, our net order book stands at \$4.85 billion.
28. We continue to receive active enquiries for projects relating to floaters, production platform, gas solutions and specialised shipbuilding. We are responding to the enquiries or in discussions with such prospective customers and pursuing several potential project leads.

Developing Sustainable Solutions

29. With the move towards natural gas as a cleaner and more sustainable energy source, Sembcorp Marine has developed a number of innovative solutions for the gas value chain.
30. We continue to make steady progress in the development of projects for our proprietary Gravifloat technologies for a range of near-shore gas infrastructure solutions, including liquefaction, regasification, storage and power generation. Gravifloat terminals are more flexible and cost-competitive alternatives to existing onshore and floating facilities as they are redeployable, modular and scalable. We are in advanced discussions with several prospective customers and are hopeful that initial orders will materialise in the foreseeable year.
31. As mentioned earlier, our CGL carrier is another part of our suite of innovative solutions for the gas value chain.
32. We have also developed a suite of green solutions for the offshore and marine industry. An example is our award-winning Semb-Eco LUV Ballast Water Management System which utilises ultra-violet and patented bio-fouling control technology to effectively disinfect invasive aquatic species in challenging water conditions.
33. As part of our sustainability strategy, Sembcorp Marine and the SP Group will jointly develop a smart renewable energy-based Digital Energy-saving System (“DES”) for our Tuas Boulevard Yard. The DES will harness solar energy through the installation of solar panels on the rooftop of our steel fabrication facility, and will also feature energy storage capabilities, energy sensors and a real-time digital platform to optimise energy usage throughout the Yard.
34. When implemented, it will be Southeast Asia's largest single solar rooftop for a shipyard, and output from our steel fabrication facility will be powered 30% by renewable energy. This will help contribute to our environmental sustainability goals and that of our customers.

35. In recognition of Sembcorp Marine's commitment towards environment sustainability, social growth and corporate governance, the Group was recently conferred the inaugural Sustainability Award at the Securities Investors Association (Singapore) 18th Investors' Choice Awards this year.

Human Resources

36. We have implemented several workforce optimisation measures as part of our cost management efforts. Besides redeploying and re-training our workforce as we increasingly move from drilling to non-drilling work, we have also taken steps to right-size our manpower base through natural attrition, non-renewal and early termination of service contracts.

37. We remain steadfast in our commitment to continually train workers to further upgrade their skills, productivity and competitiveness. We will continue to build our talent pool through the selective recruitment of specialist talents with niche skill-sets that will add value to our diversification and growth.

Singapore Shipyards

38. Our new-generation Tuas Boulevard Yard (TBY), which completed its Phase II development in the 1st quarter this year, is a cornerstone in Sembcorp Marine's sustainable growth strategy. Equipped with berthing and docking facilities for mega-sized vessels and deep-draft rigs as well as one of the largest and most advanced steel fabrication facilities in the region, TBY has enabled us to unlock fresh opportunities and ensure our long-term competitiveness in this fast-evolving industry. With our enhanced capabilities and enlarged capacity, we are able to venture into the turnkey Engineering, Procurement, Construction of mega offshore projects and forge new frontiers across the offshore & marine and energy value chain.

39. We will be progressively returning our older yard facilities and moving our core operations to TBY. Our Pulau Samulun Yard was returned earlier in 4Q 2015. Presently, we have moved out our operations from the Shipyard Road Yard and the Tuas Road Yard and are now in the process of returning these facilities to the government. We are

also targeting to return our Tanjong Kling Yard before the expiry of its lease period. This will enable us to further optimise our resources, synergise our operations and enhance cost-efficiency.

Cash Flow and Liquidity Management

40. We continue to exercise prudence and discipline in our financial management to conserve cash and strengthen our balance sheet. Key to our liquidity management strategy is monetizing our rigs inventory.
41. The majority of our order book contracts continue to be on progress payment terms to minimise our need for significant working capital.
42. Operating cash flow used in 9M 2017 was \$412 million, mainly due to increased payment to trade creditors following project completions earlier in the year. Capex for 9M 2017 was about \$135 million. We expect capex to remain steady around current levels as we execute the final phase of our TBY development in response to business needs in the foreseeable years. We continue to only proceed with yard capex that are needed for execution of our secured contracts or which will realise cost-savings, while deferring non-essential capex.
43. Net gearing remained unchanged during the quarter, with net debt to equity at 1.31 times at end of September 2017, compared with 1.31 times at end 2Q 2017; mainly due to timing of receipts and payments for certain projects.
44. I am happy to report that we have received the US\$500 million payment from Borr Drilling. With this receipt, our net debt to equity will improve from 1.31 times to 1.04 times.
45. We believe our debt headroom is sufficient and are confident we will be able to execute our orders and meet our liquidity needs with our existing facilities and continued support of our financiers.

Outlook

46. Global exploration and production spending continues to show signs of improvement. Recent stabilisation of drilling rigs day rates and utilisation levels, coupled with increased activities in secondary rigs sales indicate a commencement of recovery in the drilling segment.
47. Enquiries for non-drilling solutions continue to be encouraging. We have been actively responding to more enquiries and tenders for developing engineering solutions for the production segment.
48. Good progress has been made in the development and commercialisation of our GraviFloat technology for near-shore gas infrastructure solutions.
49. For repairs and upgrades, niche markets in LNG carriers and cruise ships continue to underpin performance. We expect this trend to continue.
50. As we continue to strengthen our balance sheet and prudently manage our financial resources, Sembcorp Marine's strategy remains focused on the pursuit of operational excellence, investing in new capabilities and technological innovation, and active customer engagement and business development to grow our order book and ensure the sustainability of our business.
51. Our CFO Tan Cheng Tat will now take you through the Group's detailed financial performance.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, exchange rate movement, cost of capital and capital availability, competition from other companies and venues for sale and distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. The forward-looking statements reflect the current views of Management on future trends and developments.