

Address by Mr. Wong Weng Sun, President & CEO – Sembcorp Marine 1Q 2018

Results Briefing

Greetings

1. Good evening. Welcome and thank you for dialing in for Sembcorp Marine's 1Q 2018 results briefing.

Macro Update

2. The global economic outlook remains relatively upbeat, with projections of continued growth, supported by rising investment and trade, as well as improving employment. However, various macro-economic and geo-political factors, including heightened trade tensions and escalating protectionism, could impact such growth outlook.
3. During the first quarter of 2018, oil prices remained firm at between US\$65-US\$70 per barrel, on the back of growing consumption, while sustained production cuts by OPEC and other oil-producing countries helped cushion the oversupply brought on by a revival in shale oil production.
4. With oil prices stabilizing at present levels, global exploration and production (E&P) capex spend continue to show signs of improvement.
5. We continue to follow these macro developments closely to ensure our readiness to seize opportunities and strategically respond to evolving conditions in this dynamic industry.

Financial Performance for 1Q 2018

6. While overall sentiment and offshore CAPEX spend have begun to improve, it will take some time for this to translate into new orders. Significant time and effort in project co-development with potential customers are needed before orders are secured. Competition continued to be intense.
7. For the Group, as reported in 4Q/FY 2017, overall business volume remained significantly below peak levels. This has resulted in operating losses in 4Q17 and the current quarter. Based on current secured orders, work volume for the foreseeable quarters is expected to remain low, and the trend of negative operating profit may continue.

8. For 1Q 2018:

- Group revenue was \$1.18 billion, compared with \$746 million in 1Q 2017.
- Net profit was \$5.3 million, compared with \$37 million in 1Q 2017.
- Excluding the effects of the adoption of SFRS(I) 15, for 1Q 2018, revenue would have been \$858 million and net loss would have been \$33 million.
- New orders worth \$476 million were secured in 1Q 2018, bringing our total net orderbook to \$7.71 billion as at end March 2018.

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

Review of Operations

Deliveries

7. During 1Q18, Sembcorp Marine successfully delivered three high-specification proprietary Pacific Class 400 jack-up drilling rigs. These include:
- One jack-up unit, Hakuryu 14, to BOT Lease Co. Ltd in January; and
 - Two jack-up units to Borr Drilling – Gerd in January, Gersemi in February
8. In April 2018, a further Pacific Class 400 jack-up rig was delivered to Borr Drilling. Together with one unit delivered in November 2017, we have delivered on schedule a total of four rigs to Borr Drilling, with a further five units to be delivered over the next 12 months.
9. The Group also delivered the Kaombo Norte FPSO to Saipem in March 2018. Converted from a Very Large Crude Carrier, the turret-moored FPSO will be deployed for the Kaombo project located offshore Angola. Major works performed included vessel refurbishment, construction engineering, the fabrication of flare, helideck, upper turret and access structure, integration of the topsides modules and lower turret components, and pre-commissioning of the FPSO.
10. The Kaombo Norte FPSO, owned by TOTAL, will have an oil processing capacity of 115,000 barrels per day, a water injection capacity of 200,000 barrels per day, a 100 million scfd gas compression capacity and a storage capacity of 1.7 million barrels of oil.

Projects in Progress

11. We continue to make good progress for our ongoing projects. These include:

- Turnkey engineering, procurement and construction of newbuild FPSO hull and living quarters for Statoil.
- Engineering and construction of Sleipnir, the world's largest semi-submersible crane vessel (SSCV) for Heerema, which is on track for delivery in 2019;
 - At 220m long and 102m wide, with a displacement of 273,700 MT and 20,000 tonne lifting capacity, the Sleipnir will be the largest and first dual-fuel (LNG and MGO) SSCV in the world when completed. Its Liquefied Natural Gas (LNG) system is the world's first Type-C LNG tank installed in an enclosed column.
- Turnkey Design, Engineering, Procurement, Construction and Commissioning (DEPCC) of Ailsa, a newbuild harsh-environment Floating Storage and Offloading (FSO) vessel for MODEC, which is scheduled for delivery in 2018 for the Culzean field in the UK North Sea;
- Engineering, procurement and construction of a Central Processing Facility, Wellhead and Utilities & Living Quarters Topsides for operating at the high-pressure and high-temperature field located in the harsh environment Culzean UK North Sea sector for TOTAL S.A. (which acquired Maersk Oil & Gas A/S);
- Conversion of FPSO Kaombo Sul for Saipem for operations offshore Angola;
- Construction of two high-specification ultra-deepwater drillships for Transocean based on Sembcorp Marine's proprietary Jurong Espadon III drillship design. Due to enhancements of technical specifications requested by Transocean, the drillship deliveries are now scheduled for the second and fourth quarter of 2020.
- Three newbuild Pacific Class 400 jack-up drilling rigs under construction for delivery to Borr Drilling;

12. Initial works have also commenced for the engineering, procurement and construction of the hull and living quarters, fabrication and integration of various topside modules as well as installation of owner-furnished equipment for a newbuild FPSO for TechnipFMC, for operations in the Eastern Mediterranean Sea.

13. Key projects in progress at our overseas yards include:

- Construction of a power generation module and other infrastructure (part of our EPC project with TOTAL S.A.) 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.

Repairs and Upgrades

14. For our Repairs and Upgrades business, we performed a total of 80 dry-dockings, repairs and upgrades during 1Q 2018. Revenue per vessel for 1Q 2018 was higher than 1Q 2017 on higher value works and improved vessel mix but the number of vessels was lower. Vessels repaired and upgraded included container ships, bulk carriers, LNG carriers, cruise ships, navy vessels and offshore vessels.
15. Sembcorp Marine completed 4 major cruise ship repairs and upgrades (including scrubber installations) for alliance and other regular customers in 1Q 2018, and 7 LNG carrier repairs for various long-term partners and regular customers. Forward bookings in these two segments remain robust.

Sete Brasil Drillships

16. In early March 2018, the media reported a tentative agreement between Sete Brasil and Petrobras, with Petrobras chartering four drilling units from the Sete Brasil fleet, subject to the satisfaction of certain conditions.
17. Without prejudice to our arbitration proceedings, we continue to engage with Sete Brasil as necessary to better understand their restructuring plan. We are monitoring the situation actively and are well prepared to respond to the developments, as appropriate.
18. We had in FY 2015 announced \$329 million provisions for the Sete Brasil contracts. We believe these provisions remain sufficient under the present circumstances.

New Orders and Order Book Development

19. On March 28, 2018, we secured a significant order from TechnipFMC for the engineering, procurement and construction of the hull and living quarters for a newbuild Floating Production, Storage and Offloading vessel (FPSO). The contract includes fabrication and integration of various topside modules as well as installation of owner-furnished equipment.
20. With a hull approximately 227m long and 50m wide, the FPSO will have a total oil storage capacity of 800,000bbbls and gas production capacity of 8bcm (billion cubic metres) per annum.

21. Scheduled for completion in the fourth quarter of 2020, the FPSO will be deployed at the Energean-operated Karish and Tanin deepwater field developments in the Eastern Mediterranean, offshore Israel.
22. We continue to make good progress on the Letter of Intent (LOI) signed with Shell Offshore for the construction of the hull and topside as well as integration for the Vito floating production unit (FPU). We are pleased to inform that Shell has announced its decision to proceed with its deep-water Vito development in the US Gulf of Mexico.
23. The LOI signed with SeaOne Caribbean (SeaOne) for the construction of at least two large Compressed Gas Liquid carriers, is also progressing positively with further preliminary works done.
24. We continue to make progress in the development of projects for our proprietary Gravifloat technologies for near-shore LNG terminal and gas infrastructure solutions, which range from liquefaction and regasification to storage and power generation. We remain hopeful that our advanced discussions with several prospective customers will translate into initial orders.
25. We are also actively marketing our suite of green technology retrofit solutions to the shipping industry, which include ballast water management system (BWMS), and other scrubber solutions.

Net Order Book

26. With the award of TechnipFMC FPSO hull and living quarters contract secured in March 2018, our net order book as at end 1Q 2018 stands at \$7.71 billion, with completion and deliveries stretching into 2020 (FY17: \$7.58 billion). Excluding the Sete drillship contracts, our net order book stands at \$4.59 billion (FY17: \$4.45 billion).
27. We continue to actively respond to enquiries and tenders for projects in the floaters, production platforms, gas solutions and specialised shipbuilding segments to further develop and strengthen our order book.
28. These efforts form Sembcorp Marine's 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 and energy sectors.

Singapore Shipyards

29. Operations at our new generation Sembcorp Marine Tuas Boulevard Yard Phase II development have gone into full swing since its completion in January 2017. Major projects to leverage on its mega docks and advanced automated facilities include the Heerema SSCV Sleipnir project, the FSO Ailsa newbuilding project for MODEC and the newbuilding of two ultra-deepwater drillships for Transocean.
30. Plans are on track to progressively return our older yard facilities and move our core operations to Tuas Boulevard Yard. Streamlining our facilities will enable us to further optimise our resources, synergise our operations and enhance cost-efficiency and overall competitiveness.
31. Meantime, we continue with our R&D initiatives with strategic partners to develop technologies and applications which will further enhance our suite of innovative engineering solutions and operations excellence, especially through adoption of automation and other artificial intelligence.
32. The development of these technologies will serve as enablers in transforming the way Sembcorp Marine operates, competes and leads in the industry.

Human Resources

33. We continue to implement strategies to manage costs, enhance productivity and optimise our workforce. As we continue to respond to the business environment, productivity improvement initiatives to enhance competitiveness, and right-sizing, re-training and reorganising our employees will continue.
34. In preparation for growth opportunities, especially in new business segments, selective recruitment of specialist talents will continue.

Cash Flow and Liquidity Management

35. We continue to be guided by financial discipline and prudence as we build on our globally recognised track record and capabilities.
36. We remain focused on actively managing our balance sheet and maintaining a healthy financial position as we grow our business. The safe, smooth and effective execution of our order book will remain a key priority to ensure timely delivery of our projects and progressive revenue in-flows. The successful monetizing of our rigs inventory will also contribute significantly to improve our liquidity over time.

37. Capex for 1Q 2018 was about \$44 million. Capex for the foreseeable future will continue to be incurred mainly for execution of our secured contracts or which will realise cost-savings.
38. In 1Q 2018, operating cash flow generated was \$31 million, compared with cash used in operations of \$69 million in 1Q 2017. Net gearing remained stable at 1.14 times, compared with 1.13 times as at 4QFY 2017 and 1.33 times as at 1Q 2017,
39. The majority of our order book contracts and new orders continue to be on progress payment terms to minimise our need for significant working capital. This remains a key consideration as we build up our order book.
40. With sufficient debt headroom, existing facilities and the continued support of our bankers and bondholders, we are confident of executing our orders and meeting our liquidity requirements.

Outlook

41. Global exploration and production (E&P) spending trend continue to improve due to firmer oil prices in the first quarter of 2018.
42. However, recovery in rig orders is expected to take some time as most of the drilling segments remain oversupplied, with day rates and utilisation under pressure.
43. The offshore production segment has improved with the FID of several projects. We continue to respond to an encouraging pipeline of enquiries and tenders for innovative engineering solutions.
44. Repairs and upgrades business is increasingly competitive, although demand for LNG carriers and cruise ships remains strong. Regulations on ballast water treatment requirements coming into force in the foreseeable future will further underpin the potential of this segment. However, the offshore segment for upgrades and repairs remains weak.
45. The overall industry outlook remains challenging. Despite improvement in E&P CAPEX spending outlook, it will take some time for this to translate into new orders. Margins remain compressed with intensifying competition. Based on existing orders, overall business volume and activity is expected to remain low,

and the trend of negative operating profit may continue. We continue to actively manage our costs to align with business volume. We continue to prudently manage our cash flows through securing projects with milestone progress payments to minimise working capital requirements.

46. Sembcorp Marine will continue to actively pursue the conversion of enquiries into new orders, execute existing orders efficiently and position itself well for the industry recovery.

47. 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.