Company Registration Number: 196300098Z

# PRESS RELEASE

## Sembcorp Marine results for second quarter and half year 2018

**Key highlights:**

For the six months to June 30, 2018

- Group revenue of $2.81 billion,
  *including sale completion of West Rigel rig for US$500 million*
- Net loss of $50 million,
  *including $27 million loss recognised from sale of West Rigel*
- $730 million in new contracts secured in 1H 2018
- Net orderbook of $7.27 billion as at 1H 2018

***Singapore, July 20, 2018:*** Sembcorp Marine posted Group revenue of $2.81 billion for the six months to June 30, 2018. This compares with $1.39 billion in revenue generated in 1H 2017 (restated for accounting changes on adoption of SFRS (I)). The higher revenue in 1H 2018 was largely due to revenue recognition on delivery of 4 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL, sale of the West Rigel semi-submersible rig (West Rigel) and higher percentage recognition for ongoing drillship and offshore production projects in 1H 2018.

On a segmental basis:

- Turnover for Rigs & Floaters was $2.41 billion in 1H 2018, compared with $643 million in 1H 2017. The higher revenue was related to recognition of the Borr Drilling and BOTL jack-up deliveries, sale of West Rigel, as well as higher floaters revenue on percentage recognition of the ongoing Johan Castberg FPSO and Shell Vito FPU projects, and ongoing recognition of revenue from the Transocean drillships.

- Offshore Platforms revenue was $147 million in 1H 2018, lower than the $473 million in 1H 2017 due to fewer contracts on hand. During the second quarter, revenue from the remaining work for the three topside modules for the Culzean platform topsides was booked and delivered on schedule in June 2018.
- Revenue from Repairs & Upgrades totalled $205 million in 1H 2018 compared with $232 million in 1H 2017 on fewer ships repaired. A total of 158 ships and other vessels were repaired or upgraded in the first half compared with 239 units in 1H 2017. Average revenue per vessel was higher on improved vessel mix of relatively higher-value works.

The Group posted 1H 2018 operating loss of $33 million and a net loss of $50 million. This compares with a net profit of $42 million in 1H 2017, which was mainly due to a gain of $47 million from the sale of Cosco Shipyard Group. 1H 2018 loss was due to (i) lower overall business activities with key orders secured in 2015 substantially completed while new orders secured since end 2017 are at early execution stage; and (ii) sale of West Rigel, which was completed and recognised in 2Q 2018 at a loss of $27 million.

## Financial Highlights:

| Group ($ million) | 2Q 2018 | 2Q 2017 (Restated)* | % change | 1H 2018 | 1H 2017 | % change |
|---|---|---|---|---|---|---|
| Turnover | 1,627.2 | 648.9 | 151 | 2,807.5 | 1,394.4 | 101 |
| Gross (Loss)/ Profit | (47.1) | 73.0 | n.m. | (4.0) | 88.2 | n.m. |
| EBITDA | (3.7) | 73.4 | n.m. | 61.8 | 129.2 | (52) |
| Operating (Loss)/ Profit | (52.6) | 25.2 | n.m. | (33.0) | 34.0 | n.m. |
| (Loss) / Profit before tax | (66.4) | 2.9 | n.m. | (60.3) | 36.7 | n.m. |
| Net (Loss)/ Profit | (55.6) | 5.1 | n.m. | (50.3) | 42.2 | n.m. |
| EPS (basic) (cts) | (2.66) | 0.24 | n.m. | (2.41) | 2.02 | n.m. |
| NAV (cts) | | | | 111.6 | 116.8** | |

*Restated to reflect accounting changes on adoption of SFRS (I)

**As at 31 December 2017

## 2Q 2018 versus 2Q 2017

On a quarterly basis, Group turnover for 2Q 2018 at $1.63 billion compares with $649 million in 2Q 2017. The higher revenue was due to higher percentage recognition of the Transocean drillships, the Johan Castberg and Shell Vito projects, as well as recognition of 2 additional jack-up rigs delivered to Borr Drilling and the sale of West Rigel during the quarter, offset by lower revenue from Offshore Platforms following the completion of the Culzean Project.

The net loss of $56 million incurred in 2Q 2018 was due to booking of a loss of $27 million upon the sale of the West Rigel, as well as lower volume of activities.

## Balance Sheet and Cash Flow

Net debt remained relatively stable at $2.99 billion, with net debt to equity at 1.26 times as at 30 June 2018 compared with 1.13 times as at end FY2017. Operating cash flow generated before working capital changes was $66 million in 1H 2018. Cash used in operations in 1H 2018 was $38 million, mainly due to working capital for ongoing projects, offset by receipts from ongoing and completed projects.

## Interim Dividend

After due deliberation, the Board has adopted a prudent approach to conserving cash in light of the challenging business environment. As such, no interim dividend has been declared for 1H 2018. For 1H 2017, a 1.0 cent dividend per share had been declared.

## Outlook

CAPEX spend on global exploration and production (E&P) continues to improve with firmer oil prices in the first half of 2018.

However, offshore rig order recovery will take some time as the market remains oversupplied, particularly for jack-up rigs. There are some pockets of initial demand for mid and deep water rigs.

The majority of new orders have been for offshore production projects. This trend is expected to continue and Sembcorp Marine is responding to an encouraging pipeline of enquiries and tenders for innovative engineering solutions.

Competition in the repairs and upgrades segment remains intense. The segment will be underpinned by regulations that require ballast water treatment systems and gas scrubbers to be installed over the next two to five years.

The overall industry outlook remains challenging. While improvement in E&P CAPEX spending is projected to continue, it will take some time before we see a sustained recovery in new orders. The Group's transformation efforts to move up the value chain have resulted in new business opportunities but they require significant time and effort in project co-development with potential customers before orders are secured. Such new-build engineering, procurement and construction (EPC) projects have detailed engineering and construction planning phase, which may take as long as six to twelve months before main construction activities and corresponding revenue recognition can take place. Margins remain compressed with intense competition.

Overall business volume and activity for the Group is expected to remain low for the immediate quarters. The trend of negative operating profit will continue in the near term. Our cash resources remain sufficient and we will prudently manage our costs and cash flows to align them with business volume and potential opportunities.

We will actively pursue the conversion of as many enquiries into new orders, execute existing orders efficiently and position the Group well for the industry recovery.

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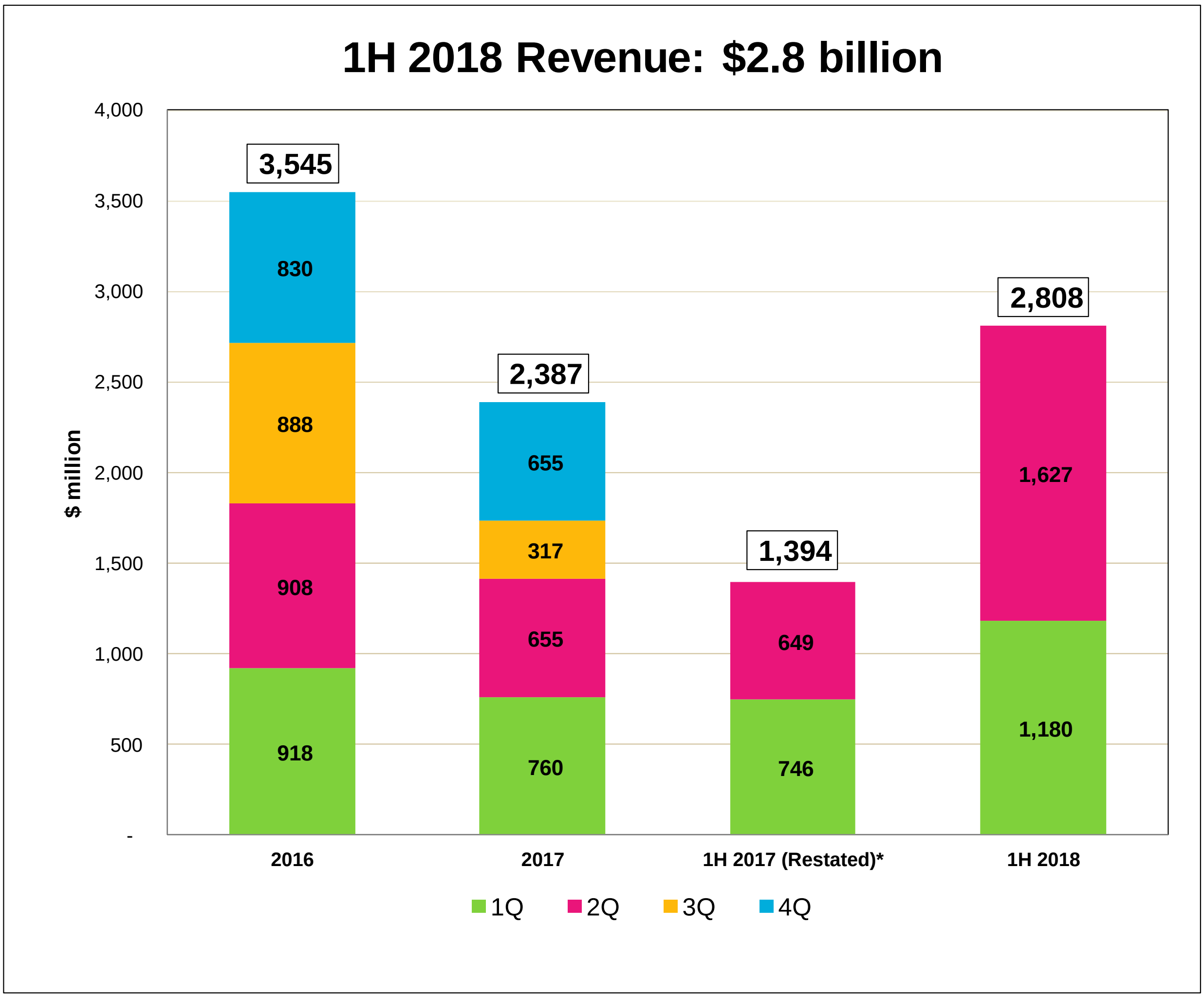
# Appendix

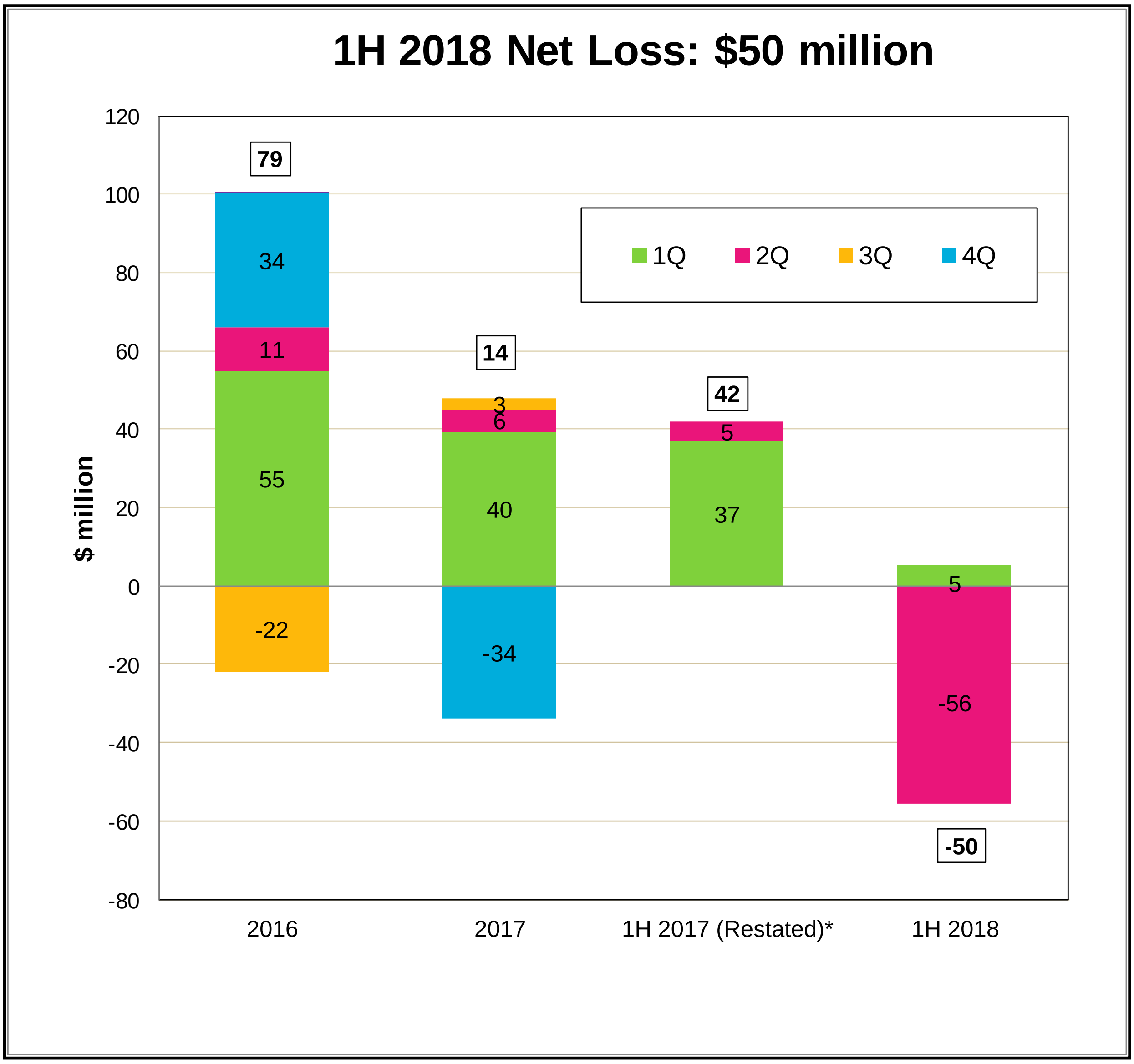
## QUARTERLY TURNOVER (FY 2016 TO 1H 2018)




(* Restated to reflect accounting changes on adoption of SFRS (I))

- Group turnover was $2.81 billion in 1H 2018, from $1.39 billion in 1H 2017 (restated).
- Recognition of 5 rigs upon delivery, four to Borr Drilling and one to BOTL.
- Sale of the semi-submersible rig West Rigel.
- Higher revenue recognition from floater/drillship projects on percentage recognition from the Johan Castberg, Shell Vito, and Transocean drillship projects.
- Lower revenue recognition from Offshore Platforms projects.
- Lower number of vessels repaired but average revenue per vessel improved slightly.

## QUARTERLY NET PROFIT/LOSS (FY 2016 TO 1H 2018)




(*Restated to reflect accounting changes on adoption of SFRS (I))

- Net profit in 1Q 2018 of $5 million offset by a loss of $56 million in 2Q 2018, largely due to the loss incurred upon the completion of the sale of the West Rigel semi-submersible rig and ongoing lower volume of business activities.
- Fall in profitability also due to the one-off gain of $47 million on disposal of Cosco Shipyard Co., Ltd recorded in 1H 2017.
- Lower contributions from Offshore Platforms.
- Offset by higher profit recognition on rigs delivery in 1H 2018 on adoption of SFRS (I) 15.

## CASHFLOW

| Group ($ million) | 2Q 2018 | 2Q 2017 (Restated) | % change | 1H 2018 | 1H 2017 (Restated) | % change |
|---|---|---|---|---|---|---|
| Operating cashflow before working capital changes | (1) | 78 | n.m. | 66 | 135 | (51) |
| Cash used in operations | (69) | (226) | (69) | (38) | (295) | (87) |
| Net cash flow from operating activities | (82) | (247) | (67) | (76) | (334) | (77) |
| Net cash flow from investing activities (mainly Capex) | (62) | (46) | 35 | (106) | (98) | 8 |
| Net cash flow from financing activities | (26) | 82 | n.m. | (270) | 240 | n.m. |
| Net (decrease)/increase in cash & cash equivalents | (170) | (211) | (19) | (451) | (193) | 134 |
| Cash & cash equivalents in balance sheets | | | | 848 | 1,016 | (17) |
| Borrowings | | | | (3,842) | (4,391) | (13) |
| Net Debt | | | | (2,994) | (3,375) | (11) |

- In 1H 2018, operating cash flow before working capital changes was $66 million.
- Net cash used in operations was $38 million.
- Net debt was $2.99 billion as at end 1H 2018.

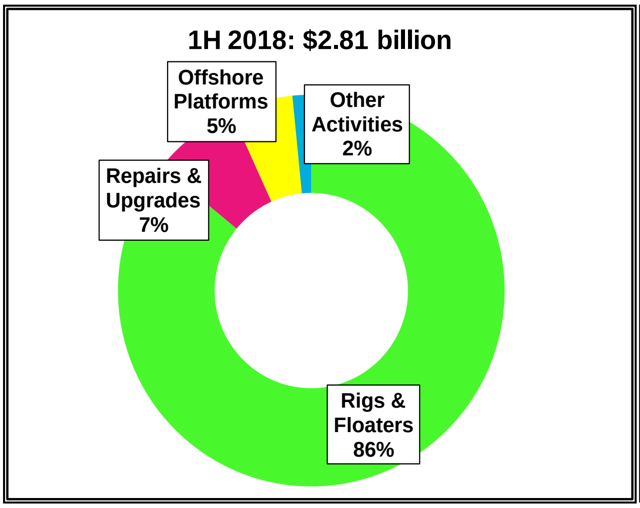
## CAPITAL, GEARING AND ROE

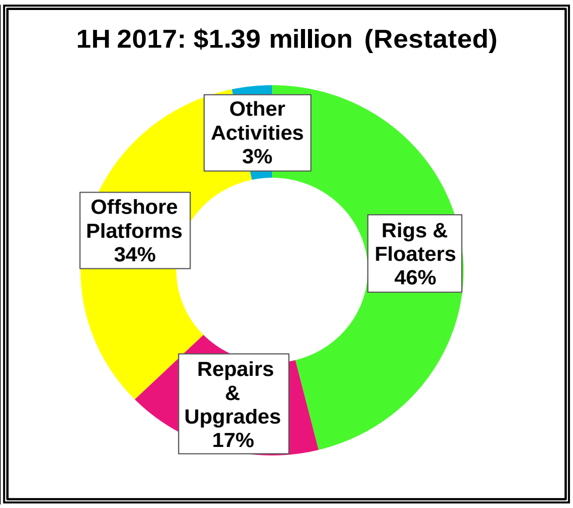
| Group ($ million) | Jun 2018 | Dec 2017 (Restated) | % change |
|---|---|---|---|
| Shareholders' Funds | 2,332 | 2,439 | (4) |
| Total Equity | 2,371 | 2,480 | (4) |
| Net Debt | 2,994 | 2,799 | 7 |
| Return on Equity (ROE) (%) (annualised) | (4.2) | 11.1 | n.m. |
| Net Asset Value (cents) | 111.6 | 116.8 | (4) |
| Return on Total Assets (ROTA) (%) (annualised) | (0.1) | 3.7 | n.m. |
| Net Gearing Ratio (X) * (Net debt/Total equity) | 1.26 | 1.13 | 12 |

- Shareholders’ funds totalled $2.33 billion as at end June 2018.
- Net Asset Value per share was 111.6 cents.
- Net gearing ratio was 1.26 times as at end June 2018.

# REVENUE CONTRIBUTIONS BY SECTORS (1H 2018 versus 1H 2017)

**By Value & Percentage Contributions**



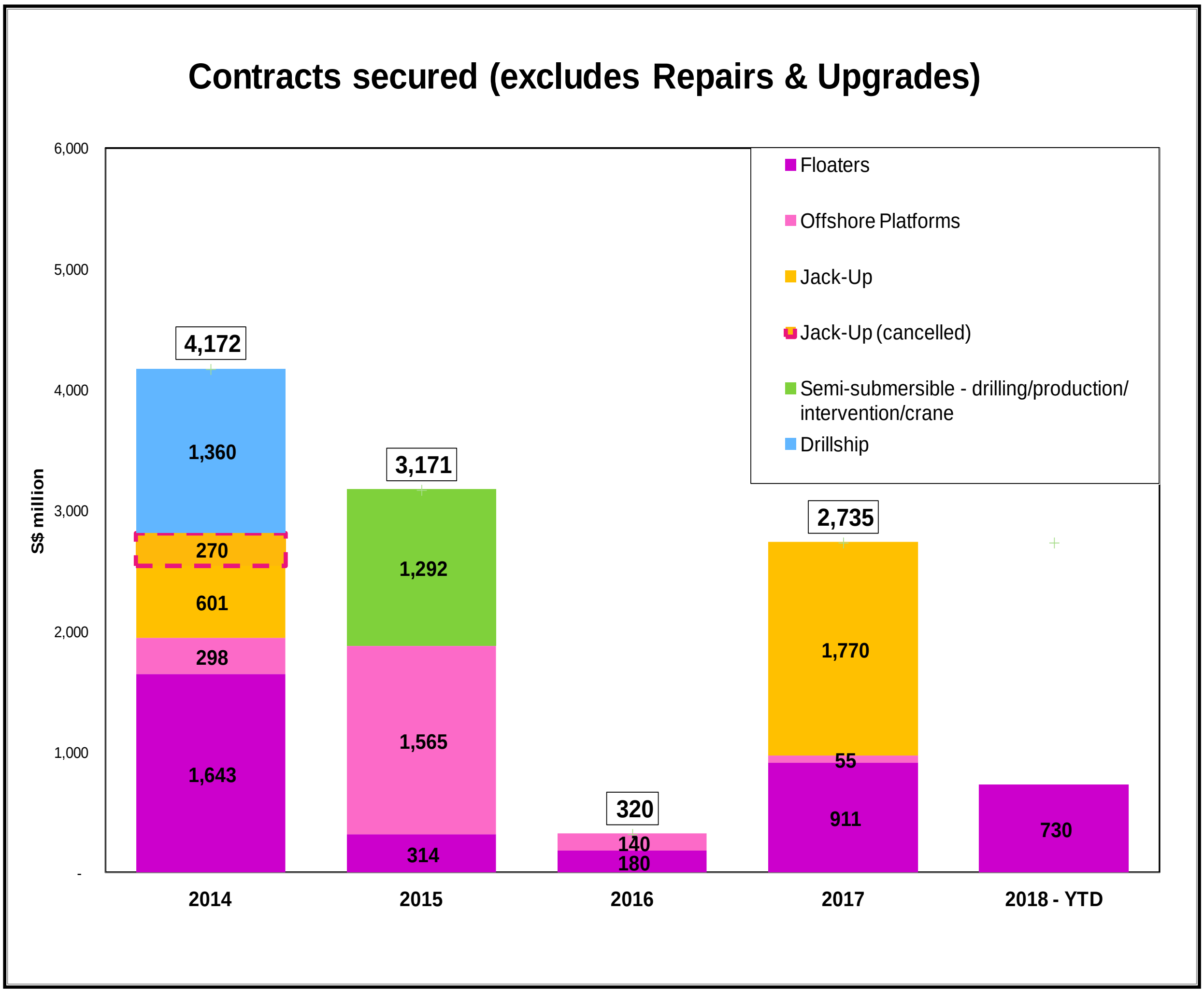




(* Restated to reflect accounting changes on adoption of SFRS (I).)

| Turnover ($ million) | 2Q 2018 | 2Q 2017 (Restated) | % change | 1H 2018 | 1H 2017 (Restated) | % change |
|---|---|---|---|---|---|---|
| Rigs & Floaters | 1,394 | 316 | 342 | 2,413 | 643 | 275 |
| Repairs & Upgrades | 126 | 137 | (8) | 205 | 232 | (12) |
| Offshore Platforms | 85 | 172 | (51) | 147 | 473 | (69) |
| Other Activities | 23 | 25 | (9) | 43 | 47 | (8) |
| **TOTAL** | **1,627** | **649** | 151 | **2,808** | **1,394** | 101 |

- Rigs & Floaters remained the largest segment, accounting for 86% of total revenue followed by Repair & Upgrades at 7%, Offshore Platforms at 5%, and others at 2%.
- 1H 2018 Rigs & Floaters revenue was $2.41 billion due to higher revenue recognition from the delivery of 4 jack-up rigs to Borr Drilling and 1 jack-up rig to BOTL, sale of West Rigel and higher floaters revenue from Johan Castberg and Shell Vito projects.
- Offshore Platforms revenue fell 69% year-on-year to $147 million due to lesser projects on hand.
- Repairs & Upgrades revenue declined 12% year-on-year to $205 million on fewer vessels repaired, although value per vessel was higher.

## CONTRACTS SECURED BY YEAR

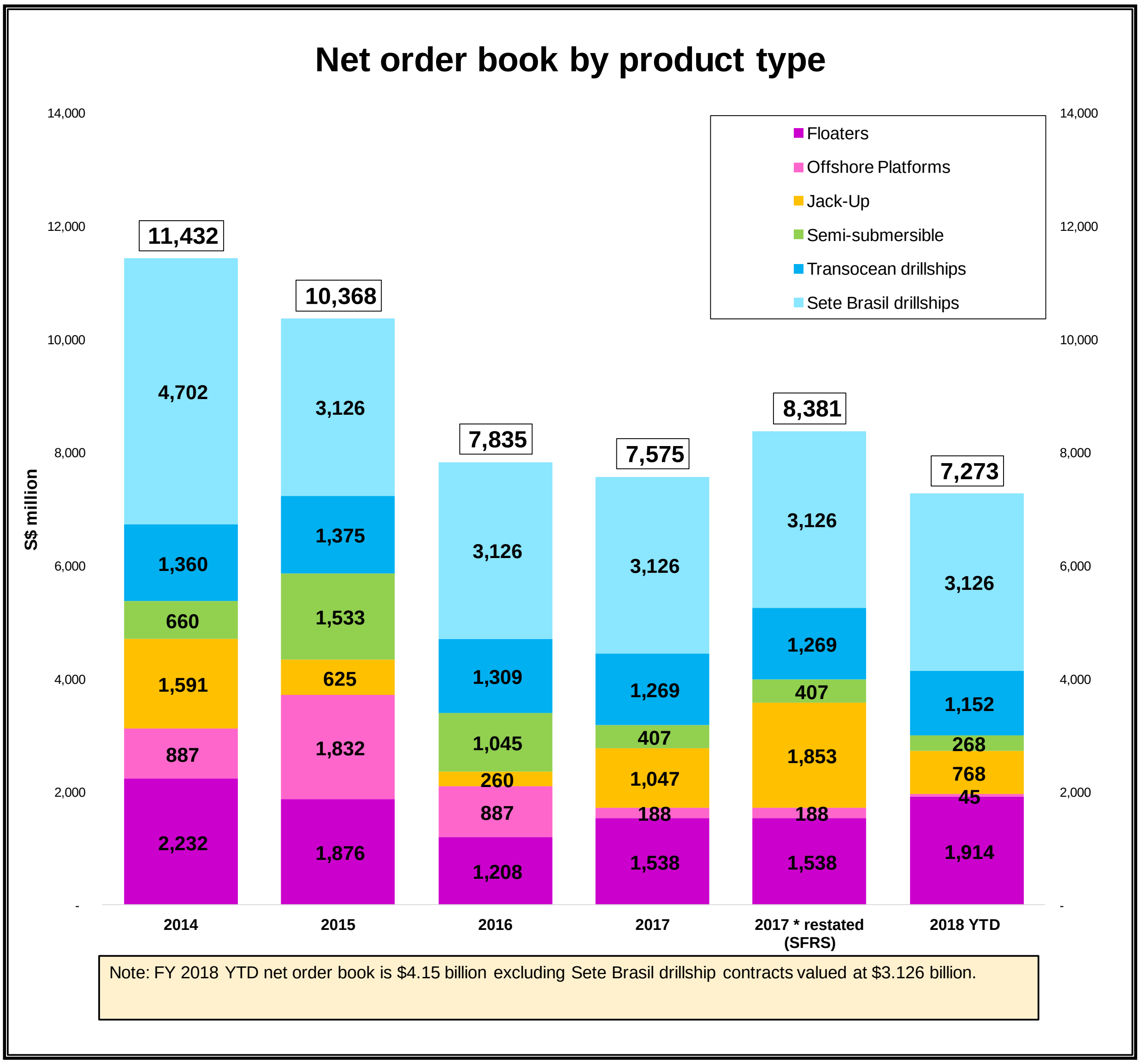



- New orders in 1H 2018 include a contract with TechnipFMC for the Engineering, Procurement and Construction of the Hull and Living Quarters for a newbuild Floating, Production, Storage and Offloading vessel (FPSO). The contract includes fabrication and integration of various topside modules, as well as installation of owner-furnished equipment.

- In 2Q 2018, the Group announced the award of the Shell Vito FPU (floating production unit) hull and living quarters contract, confirming an earlier letter of intent signed for the newbuilding contract.

## NET ORDER BOOK

Net order book stands at $7.27 billion as at 2018 year to date, with deliveries and completion stretching to 2021.




(* 2017 net order book restated to reflect accounting changes on adoption of SFRS (I))

*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.*