



## **Scope of Briefing**

**CEO ADDRESS**

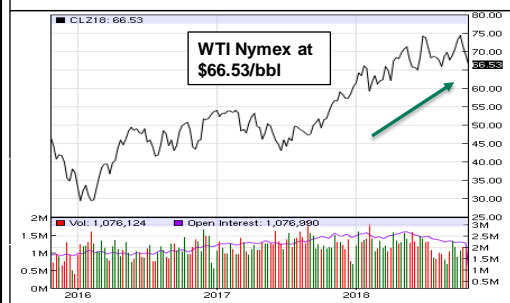
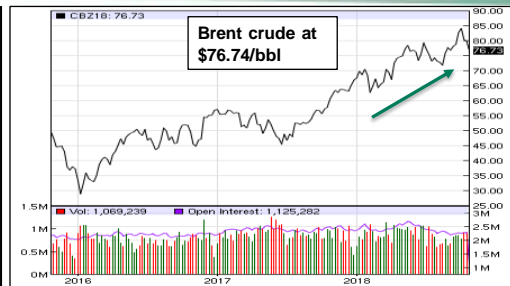
**CFO FINANCIAL OVERVIEW**

## CEO ADDRESS

- ❖ Macro Environment update
- ❖ Financial Performance for 3Q/9M 2018
- ❖ Operations Review
- ❖ Outlook and Prospects

*(Please refer to CEO speech for details)*

- ❖ Global economic growth moderate uptrend. Risks have increased.
- ❖ Oil prices maintained their strong upward trajectory, hovering between US\$60 to US\$80 per barrel. Demand for oil to remain firm.
- ❖ Outlook for the offshore and marine sector continues to improve. Offshore rig utilisation, day rates and capex spend have improved.
- ❖ Significant time and effort for project co-development with potential customers are required before new orders are secured.
- ❖ Enquiry levels remain strong, competition intense.



- ❖ **For nine months to September 30, 2018:**
    - **Group revenue was \$3.97 billion, compared with \$2.12 billion in 9M 2017.**
    - **Net loss was \$80 million, compared with a Net profit of \$143 million in 9M 2017.**
    - **Net gearing was 1.37 times, compared with 1.13 times at end 4Q/FY 2017 and 1.47 times at end 1H 2017.**
    - **New orders worth \$730 million were secured in 9M 2018, bringing our total net order book to \$6.39 billion as at end September 2018.**
- More details will be covered in our CFO's address to follow.**

- ❖ **Net order book as at end 9M 2018 at \$6.39 billion. Excluding Sete Brasil drillship contracts, net order book stands at \$3.26 billion.**
- ❖ **In October 2018, announced an agreement with Teekay's wholly-owned Varg L.L.C, for EPC works for the modification, repair and extension of the Petrojarl Varg FPSO. Once finalised, the contract is estimated to be worth US\$166 million.**
- ❖ **Continue our strategy of diversifying into new product segments and providing innovative solutions across the offshore, marine, and energy value chain.**
- ❖ **Commercialisation efforts of our proprietary Gravifloat technologies for a variety of near-shore LNG terminal and gas infrastructure applications continue to progress positively.**
- ❖ **Proactively pursue leads, enquiries, tendering for projects in the floaters, production platforms, gas solutions and specialised shipbuilding segments.**

In 3Q 2018, deliveries include:

- ❖ Two proprietary designed Pacific Class 400 jack-up rigs to Borr Drilling (Groa and Gyme).
- ❖ In early October 2018, another Borr Drilling rig (Natt) was delivered to the customer.

In 9M 2018, successful deliveries of several key projects include:

- ❖ FSO Ailsa for MODEC;
- ❖ Culzean topsides and ancillary facilities for Total;
- ❖ Kaombo Norte FPSO for Saipem.

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## Project deliveries in 3Q 2018

2 Pacific Class 400 premium jack-up rigs to Borr Drilling in 3Q18



**Contract:** Sale of 9 proprietary design Pacific Class 400 premium jack-up rigs to Borr Drilling  
**Customer:** Borr Drilling  
**Delivery:** 3Q 2018 – 2 units delivered (Groa in July and Gyme in September)

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## Project deliveries in 2Q 2018

### Ailsa FSO Newbuild



**Project:** Turnkey FSO newbuilding comprising design, engineering, procurement, construction and commissioning, including installation and integration of turret and topside modules  
**Customer:** MODEC  
**Operation:** TOTAL's Culzean field, UK North Sea  
**Delivery:** 2Q2018

## Project deliveries in 2Q 2018

### Culzean Platform EPC Project



**Project:** Engineering, procurement, construction and onshore pre-commissioning of Central Processing Facility plus 2 connecting bridges, Wellhead and Utilities & Living Quarters Topsides  
**Customer:** TOTALS.A.  
**Operation:** Culzean field, UK North Sea  
**Delivery:** 2Q2018

### Kaombo Norte FPSO Conversion



**Project:** Conversion of a Very Large Crude Carrier into a turret-moored FPSO, including refurbishment, construction engineering, fabrication of flare, helideck, upper turret and access structure, integration of the topsides modules and lower turret components, and pre-commissioning  
**Operation:** Kaombo project offshore Angola  
**Customer:** Saipem . **Delivery:** 1Q 2018

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### ❖ Our ongoing projects include:

- Engineering and construction of Sleipnir, the world's largest semi-submersible crane vessel (SSCV) for Heerema;
- Conversion of FPSO Kaombo Sul for Saipem for operations in offshore Angola;
- Construction of two high-specification, ultra-deepwater drillships for Transocean;
- One newbuild Pacific Class 400 jack-up drilling rig under construction for delivery to Borr Drilling.

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## Ongoing Projects – Heerema newbuild

### Heerema Semi-submersible Crane Vessel



**Project:** Engineering and construction of a newbuild semi-submersible crane vessel  
**Customer:** Heerema Offshore Services B.V.

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## Ongoing Projects – Transocean Drillships

### Construction of Transocean Drillships – 1<sup>st</sup> Unit



**Project:** Construction of two high-specification ultra-deepwater drillships for Transocean based on Sembcorp Marine's proprietary Jurong Espadon III drillship design.  
**Customer:** Transocean

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### Construction of Transocean Drillships – 2nd Unit



**Project:** Construction of two high-specification ultra-deepwater drillships for Transocean based on Sembcorp Marine's proprietary Jurong Espadon III drillship design.  
**Customer:** Transocean

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### Turnkey Engineering, Procurement and Construction of Newbuild FPSO Hull and Living Quarters – Commencement of Steel Fabrication



**Project:** Turnkey Engineering, Procurement and Construction of Newbuild FPSO Hull and Living Quarters  
**Customer:** Equinor (former Statoil)  
**Operation:** Johan Castberg field development, Barents Sea, offshore Norway

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### Construction and Integration of FPU Hull, Topsides and Living Quarters – Commencement of Steel Fabrication



**Project:** Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible Floating Production Unit (FPU), including installation of owner-furnished equipment  
**Customer:** Shell Offshore  
**Operation:** Mississippi Canyon Block 984, US Gulf of Mexico

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### Conversion of 2<sup>nd</sup> VLCC into a turret-moored FPSO



**Project:** Conversion of second VLCC unit into a turret-moored FPSO, including refurbishment, construction engineering, fabrication of flare, helideck, upper turret and access structure, integration of topsides modules and lower turret components, and pre-commissioning.  
**Customer:** Saipem  
**Operation:** Kaombo project, offshore Angola

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- ❖ Initial works have also started for several recently secured contracts. These include:
  - Turnkey engineering, procurement and construction (EPC) of newbuild FPSO hull and living quarters for Equinor (formerly known as Statoil).
  - Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible Floating Production Unit. (FPU).
  - EPC of TechnipFMC FPSO hull, living quarters and topside modules, for Energean-operated Karish and Tanin deepwater field developments.
- ❖ Projects underway at our overseas yards - hull carry-over works, topside modules construction for FPSO P-68, topside modules construction for FPSO P-71 for the Tupi Project at our EJA Brazil yard.

- ❖ During 9M 2018, we performed a total of 230 dry-dockings, repairs and upgrades. While the number of vessels serviced was lower than the 328 units for 9M 2017, revenue per vessel for 9M 2018 was higher than 9M 2017 on higher value works and improved vessel mix.
- ❖ Green Technology Retrofit Solutions Update – Ballast Water Management Systems installation and scrubber retrofitting works.
- ❖ Maran Tankers contract – biggest green technology retrofit contracts secured in September 2018.



## Higher value work at Repairs & Upgrades

### REPAIRS & UPGRADES – LNG CARRIERS



Sembcorp Marine repaired a total of 21 LNG carriers in 9M 2018 and is on track for another record year.

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## Higher value work at Repairs & Upgrades

### REPAIRS & UPGRADES – CRUISESHIPS



Sailaway of Sapphire Princess after successful overhaul, including installation of 4 scrubber towers



Carnival Spirit cruise ship repairs



Sembcorp Marine completed 7 cruise ship repairs in 9M 2018

### REPAIRS & UPGRADES – OFFSHORE



Major upgrading of FPSO Pyrenees Venture for MODEC / BHP Billiton



Repair of semi-submersible Noble Clyde Boudreaux



Repair teams commemorating the successful upgrading FPSO Pyrenees Venture

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## Sete Brasil Drillships

- ❖ In early March 2018, media reported a tentative agreement between Sete Brasil and Petrobras. Petrobras to charter four drilling units from the Sete Brasil fleet, subject to conditions.
- ❖ We continue to engage Sete Brasil to better understand their restructuring plan. We are following the developments closely and are ready to respond to any further developments.
- ❖ The \$329 million provisions we made in FY 2015 for the Sete Brasil contracts remain adequate under the present circumstances.

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- EPC construction and integration of a newbuild FPSO hull, living quarters and topside modules, including owner-furnished equipment, for TechnipFMC. When completed, the FPSO will be located at the Karish and Tanin fields, offshore from Israel.



- Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible Floating Production Unit (FPU) for Royal Dutch Shell. When completed, the FPSO will be located at the Vito Oil & Gas field at the US Gulf of Mexico.



- ❖ **Successful acquisition of Sevan Marine's intellectual property (IP) rights in September 2018.**
- ❖ **Acquisition of the interests and titles to all of Sevan Marine's IP, and other Sevan's operation assets and employees at a cash consideration of US\$39 million.**
- ❖ **Strategic acquisition has further enhanced intellectual assets and knowledge base.**

- ❖ **Workforce optimisation, right-sizing, cost control and productivity enhancement continue.**
- ❖ **Initiatives to train, re-skill and re-organise workforce to gear employees with the required skill-sets and competencies for the successful execution of full turnkey EPC newbuilding projects and gas value chain solutions.**
- ❖ **Selective recruitment of talents with specialised skills is ongoing to contribute to new business segments and position the Group for future growth.**

- ❖ Continue to exercise prudence, discipline in managing finances, cash flow and gearing.
- ❖ Key priority - build top line through order book growth and the safe, effective and timely execution of projects.
- ❖ Monetisation of our entire rigs inventory - positive impact on our liquidity position. Progressive collection of over \$1.4 billion of proceeds over time.
- ❖ Capital expenditure (capex) for 9M 2018 was about \$221 million. Going forward, we expect capex in the foreseeable future to be channelled mainly for the execution of secured contracts, realisation of cost-savings or enhancement of project execution capabilities.
- ❖ For 9M 2018, operating cash flow generated before working capital changes was \$89 million, compared with \$341 million in 9M 2017.
- ❖ Net gearing was 1.37 times, compared with 1.13 times as at 4Q FY 2017 and 1.47 times as at 1H 2017.

- ❖ Capex spend on global exploration and production (E&P) is expected to continue to improve with firmer oil prices seen in the nine months of 2018.
- ❖ While offshore drilling activities have shown initial signs of improvement, offshore rig orders will take some time to recover as the market remains over-supplied.
- ❖ The majority of recent new offshore oil and gas orders were for 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.

- ❖ **Challenges in the offshore and marine sector persist, notwithstanding the improved industry outlook. It will take some time before we see a sustained recovery in new orders, while competition remains intense and margins compressed.**
- ❖ **Overall business volume and activity for the Group is expected to remain relatively low for the immediate quarters. The trend of negative operating profit is expected to continue for the foreseeable quarter. Our cash resources remain sufficient and we will continue to prudently manage our costs and cash flows to align them with business volume and potential opportunities.**

## CFO Presentation

- ❖ **Earnings Performance**
- ❖ **Financial Position**



### Key highlights:

For the 9 months to Sep 30, 2018:

- ❖ Turnover totalled \$3.97 billion compared with 9M 2017 at \$2.12 billion.
- ❖ Group EBITDA of \$84 million.
- ❖ Net loss attributable to shareholders of \$80 million.
- ❖ Secured \$730 million in new orders in 9M 2018.
- ❖ Group net orderbook stands at \$6.39 billion.

Group (\$ million)	3Q 2018	3Q 2017 (Restated)*	% change	9M 2018	9M 2017 (Restated)*	% change
Turnover	1,167.2	728.8	60	3,974.7	2,123.2	87
Gross (Loss)/ Profit	(12.8)	126.7	n.m.	(16.8)	214.9	n.m.
EBITDA	22.2	185.9	(88)	84.0	315.1	(73)
Operating (Loss)/ Profit	(21.3)	136.3	n.m.	(54.4)	170.3	n.m.
(Loss) / Profit before tax	(35.0)	116.3	n.m.	(95.3)	153.0	n.m.
Net (Loss)/ Profit	(29.8)	100.7	n.m.	(80.1)	142.9	n.m.
EPS (basic) (cts)	(1.42)	4.82	n.m.	(3.83)	6.84	n.m.
NAV (cts)				111.89	116.81**	

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

\*\*As at 31 December 2017

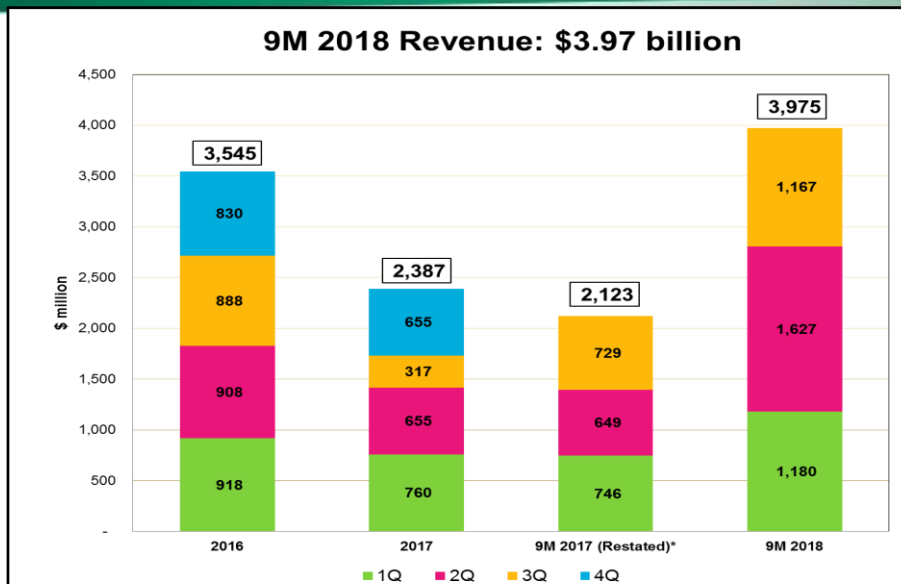
## Financial Highlights

Group (\$ million)	3Q 2018	3Q 2017 (restated)	Change	9M 2018	9M 2017 (restated)	Change
<b>Net (Loss)/Profit</b>	<b>(29.8)</b>	<b>100.7</b>	<b>(130.5)</b>	<b>(80.1)</b>	<b>142.9</b>	<b>(223.0)</b>
<b>Add / (Less) Non-recurring items</b>						
Effects of SFRS(I) on rig contracts	-	(98.0)	98.0	(39.0)	(98.0)	59.0
Sale of Cosco Shipyard Group	-	-	-	-	(47.7)	-
Sale of West Rigel	7.0	-	7.0	34.0	-	34.0
Other Non-recurring items	-	1.1	(1.1)	(0.1)	6.6	(6.7)
	<b>7.0</b>	<b>(96.9)</b>	<b>103.9</b>	<b>(5.1)</b>	<b>(139.1)</b>	<b>134.0</b>
<b>Net (Loss)/Profit (excluding non-recurring items)</b>	<b>(22.8)</b>	<b>3.8</b>	<b>(26.6)</b>	<b>(85.2)</b>	<b>3.8</b>	<b>(89.0)</b>

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

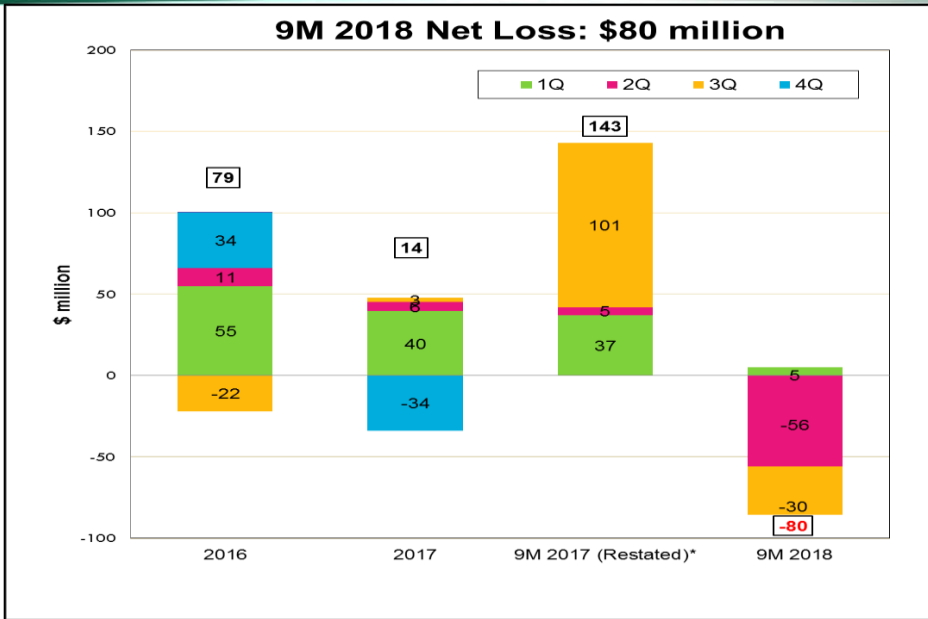
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## Financial Review: Revenue



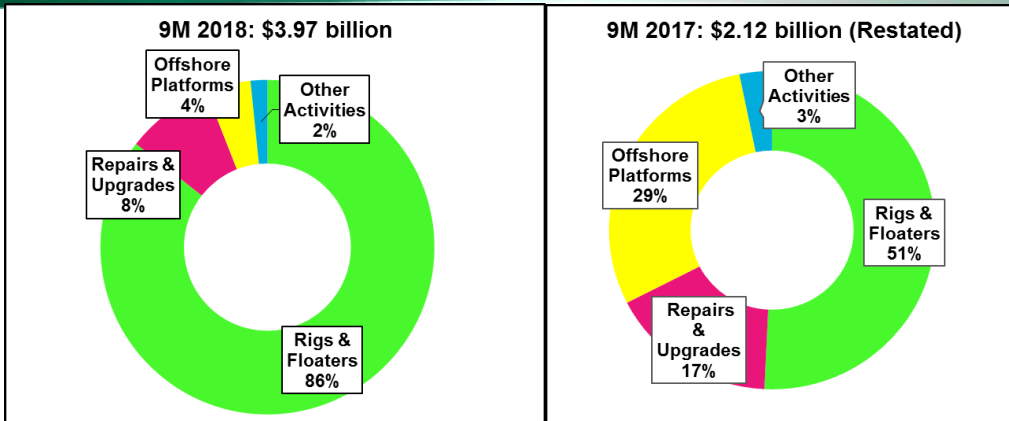
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## Financial Review: Net Profit/Loss



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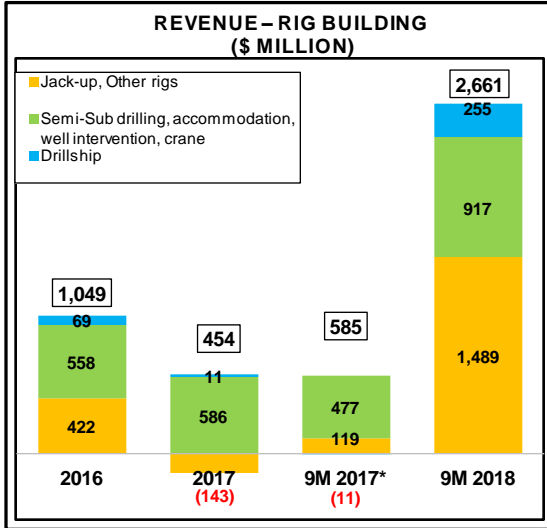
## Business Review: Turnover by Segments



Turnover (\$ million)	3Q 2018	3Q 2017 (Restated)	% change	9M 2018	9M 2017 (Restated)	% change
Rigs & Floaters	989	435	128	3,402	1,078	216
Repairs & Upgrades	131	123	7	336	355	(5)
Offshore Platforms	25	149	(83)	172	623	(72)
Other Activities	22	22	-	65	68	(6)
<b>TOTAL</b>	<b>1,167</b>	<b>729</b>	<b>60</b>	<b>3,975</b>	<b>2,123</b>	<b>87</b>

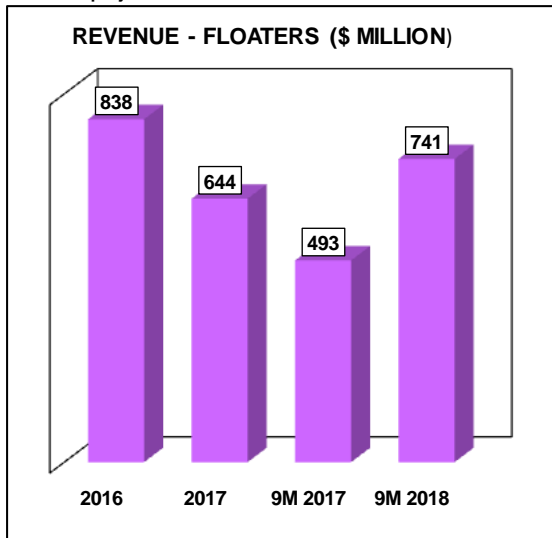
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- Rig building revenue was \$2.66 billion in 9M 2018 mainly on recognition of delivery of 6 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL and the sale of West Rigel. Drillship revenue from Transocean projects was \$255 million, semi-subs was \$917 million.



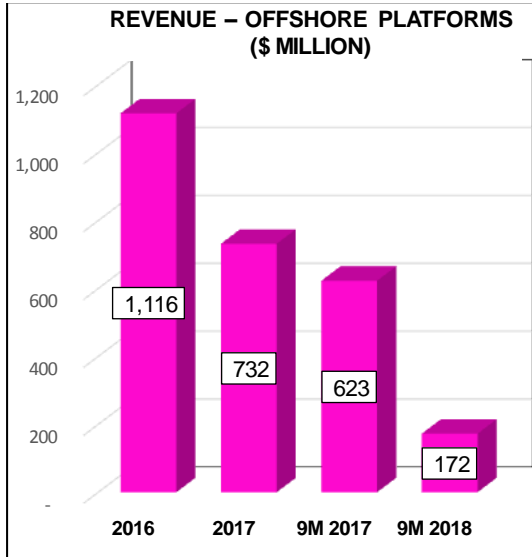
JACK-UP RIGS SCHEDULE		
No. of completed rigs delivered in 9M 2018	7	6 jack-ups for Borr Drilling, 1 for BOTL
No of Borr Drilling jack up rigs in WIP or completed stage	2	* Borr Drilling jack-up rigs 8,9
SEMI-SUBMERSIBLE, DRILLSHIP SCHEDULE		
No. of projects technically completed	2	* Harsh Environment CS60 semi-submersible rig for Seadrill – West Rigel – sold for USD500 million. * Helix well-intervention semi-submersible
No. of projects in WIP stage	3	* Heerema Offshore semi-sub crane vessel * 1st drillship for Transocean, JE III * 2nd drillship for Transocean, JE III
Number of projects in suspended state	7	* Drillship 1 <sup>st</sup> unit, Sete Brasil * Drillship 2 <sup>nd</sup> unit, Sete Brasil * Drillship 3 <sup>rd</sup> unit, Sete Brasil * Drillship 4 <sup>th</sup> unit, Sete Brasil * Drillship 5 <sup>th</sup> unit, Sete Brasil * Drillship 6 <sup>th</sup> unit, Sete Brasil * Drillship 7 <sup>th</sup> unit, Sete Brasil

- Floater revenue increased 50% to \$741 million on higher percentage recognition for the Johan Castberg, Shell Vito and Karish projects.



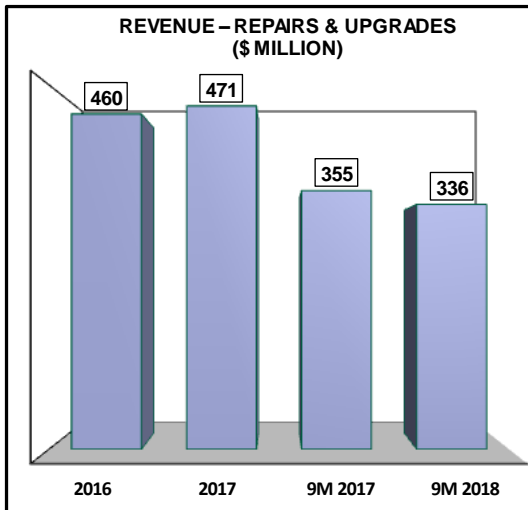
Offshore conversions	No. of projects	Brief description
No. of Projects delivered in 9M 2018	2	* FPSO Norte – Kaombo * FSO Ailsa for Modec
No. of projects in the WIP Stage	7	* P68 FPSO for Petrobras * P71 FPSO for Petrobras * P68 hull carry over work * FPSO Sul - Kaombo * Statoil Johan Castberg FPSO project * Shell Vito FPU project * Karish & Tanin FPSO project

- Offshore Platforms revenue declined sharply to \$172 million in 9M 2018 due to fewer projects on hand.



Offshore Platforms	No. of projects	Brief description
No. of projects completed in 9M 2018	1	* TOTAL Culzean topside modules – for well head platform, central facilities platform and utilities and living quarters platform
No. of projects in WIP stage	1	Tangguh LNG

- Revenue from Repairs & Upgrades totaled \$336 million in 9M 2018 on fewer ships repaired, although revenue per vessel was higher on improved vessel mix on relatively higher value works.



Period	9M 2018	9M 2017	% change
No of vessels repaired	230	328	(30)
Average value per vessel (\$m)	1.46	1.08	35
Total repair revenue contribution (\$m)	336	355	(5)

## CAPITAL, GEARING & ROE

Group (\$ million)	Sep 2018	Dec 2017 (Restated)	% change
Shareholders' Funds	2,337	2,439	(4)
Total Equity	2,375	2,480	(4)
Net Debt	3,261	2,799	17
Net Working Capital	179	1,446	(88)
Return on Equity (ROE) (%) (annualised)	(4.5)	11.1	n.m.
Net Asset Value (cents)	111.9	116.8	(4)
Return on Total Assets (ROTA) (%) (annualised)	(0.1)	3.7	n.m.
Net Gearing Ratio (X) * (Net debt/Total equity)	1.37	1.13	21

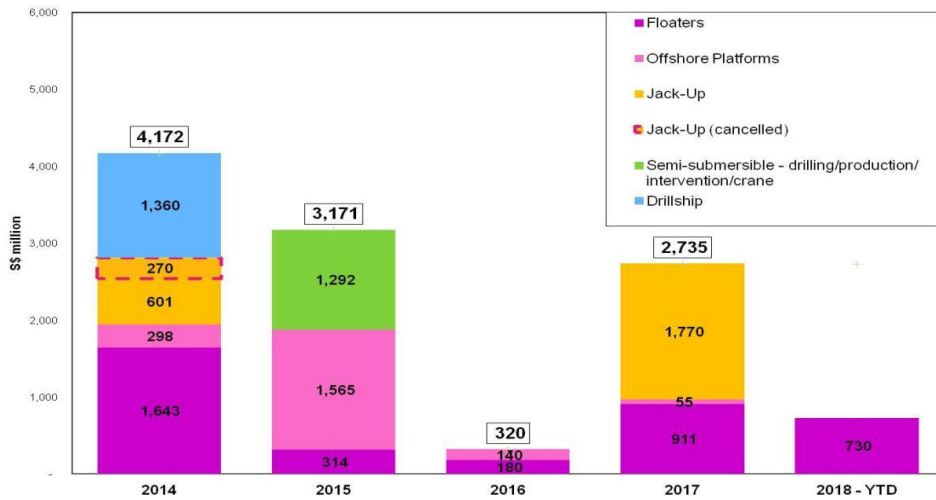
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## CASHFLOW

Group (\$ million)	3Q 2018	3Q 2017 (Restated)	% change	9M 2018	9M 2017 (Restated)	% change
Operating cashflow before working capital changes	23	206	(89)	89	341	(74)
Cash used in operations	(63)	(117)	(46)	(101)	(412)	(75)
Net cash flow from operating activities	(78)	(155)	(50)	(154)	(489)	(69)
Net cash flow from investing activities (mainly Capex)	(160)	169	n.m.	(265)	70	n.m.
Net cash flow from financing activities	69	25	176	(201)	265	n.m.
Net (decrease)/increase in cash & cash equivalents	(169)	39	n.m.	(620)	(154)	303
Cash & cash equivalents in balance sheets				683	1,058	(35)
Borrowings				(3,944)	(4,410)	(11)
Net Debt				(3,261)	(3,352)	(3)

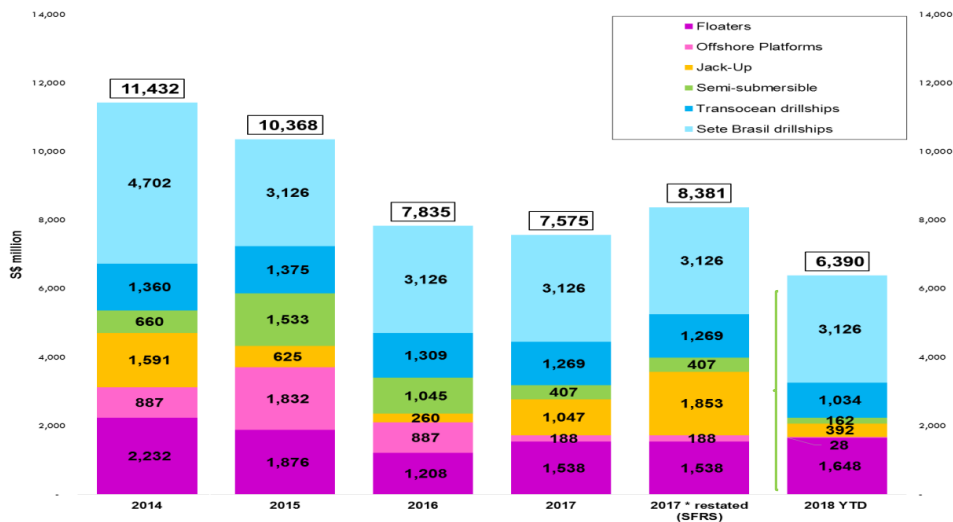
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### Contracts secured (excludes Repairs & Upgrades)



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### Net order book by product type



Note: FY 2018 YTD net order book is \$3.264 billion excluding Sete Brasil drillship contracts valued at \$3.126 billion.

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*This presentation 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.*



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