Address by Mr. Wong Weng Sun, President & CEO – Sembcorp Marine 3Q/9M 2018 Results Briefing

Greetings

1. Good evening. Welcome and thank you for dialling in for Sembcorp Marine's 3Q/9M 2018 results briefing.

Macro Update

2. Global economic growth remained on a moderate uptrend over the past quarter, although risks from trade disputes, tightening fiscal policies and geopolitical tensions have increased.

3. Oil prices have maintained their strong upward trajectory, hovering at between US$60 to US$80 per barrel. Demand for oil is expected to remain firm with ongoing global economic growth.

4. The outlook for the offshore and marine sector continues to improve. Offshore rigs utilisation and day rates for certain segments have begun to improve. Offshore capex spending continues to improve with more production projects moving towards final investment decision (FID) stage.

5. Despite the growing optimism, significant time and effort for project co-development with potential customers are required before new orders are secured. Enquiry levels remain strong while competition remains intense.

Financial Performance for 3Q/9M 2018

6. New orders secured in the last twelve months have begun to contribute to business activities. These are offset by recent completion of major past orders. Overall business volume, while stabilizing, remains significantly below peak levels.

7. For the third quarter of 2018, the Group's operating loss has further reduced to $23 million, compared with $29 million for 2Q 2018, $33 million for 1Q 2018 and $45 million for 4Q 2017. As we had earlier guided in our results briefing in 2Q 2018, work volume for the foreseeable quarters, while improving, is expected to remain low, and the trend of negative operating profit will continue for the current financial year.

8. On the liquidity front, with the sale completion of the West Rigel rig in 2Q 2018 for US$500 million, our entire inventory of 10 rigs have been fully monetized. Liquidity in 9M 2018 remained within a stable range, with cash used for working capital, capex and investments in intellectual property assets offset by the partial proceeds from the West Rigel sale. When the remaining proceeds of more than S$1.4 billion from the 10 rigs sale are collected, Group liquidity will further improve.

9. In summary, for 9M 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.

Review of Operations

Net Order Book and Developments

10. Net order book as at end 9M 2018 is $6.39 billion, with completion and deliveries till 2021 (FY 2017: $7.58 billion). Excluding the Sete drillship contracts, our net order book stands at $3.26 billion (FY 2017: $4.45 billion).

11. For the 9M 2018, we secured $730 million in new contracts including the construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible Floating Production Unit (FPU); and the EPC of a newbuild FPSO hull, living quarters and topside modules for TechnipFMC.

12. On 22 October, 2018, we announced an agreement with Varg L.L.C., a wholly owned subsidiary of Teekay Offshore Partners, for engineering, procurement and construction works related to the modification, repair and extension of the Petrojarl Varg FPSO. Once finalized, the contract is estimated to be worth US$166 million.

13. We continue our strategy of diversifying into new product segments and providing innovative solutions across the offshore, marine, and energy value chain. Commercialization efforts of our proprietary Gravifloat technologies for a variety of near-shore LNG terminal and gas infrastructure applications continue to progress positively.

14. To grow our order book, we are proactively pursuing leads, responding to enquiries and tendering for projects in the floaters, production platforms, gas solutions and specialised shipbuilding segments.

Deliveries

15. In 3Q 2018, we delivered two proprietary designed Pacific Class 400 jack-up rigs (Groa and Gyme) to Borr Drilling. In early October 2018, we further delivered another Borr Drilling jack-up unit (Natt) ahead of schedule, per the customer's request. This brings jack-up rigs delivered to Borr Drilling to eight, with the remaining one rig scheduled for delivery in 1Q 2019.

16. Other key deliveries in 9M 2018 include (i) the full turnkey newbuild FSO Ailsa for MODEC; (ii) the construction of production topsides and ancillary facilities to TOTAL for operation in the Culzean field in the UK North Sea sector; and (iii) the conversion of Kaombo Norte FPSO for Saipem.

Projects in Progress

17. Meanwhile, our ongoing projects continue to progress well. These 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, based on Sembcorp Marine's proprietary Jurong Espadon III drillship design; and
    - Newbuilding of the final unit of the Pacific Class 400 jack-up drilling rigs for Borr Drilling.

18. Engineering and initial construction works have also commenced for several recently secured contracts, comprising:
    - Turnkey engineering, procurement and construction of newbuild FPSO hull and living quarters for Equinor (formerly Statoil), for the Johan Castberg field development in the Barents Sea;
    - Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible Floating Production Unit (FPU); and
    - Engineering, procurement, construction and integration of a newbuild FPSO hull, living quarters and topside modules, including owner-furnished equipment, for TechnipFMC for deployment in the Energean-operated Karish and Tanin deepwater field developments in the Eastern Mediterranean.

19. Projects underway at our overseas yards include:
    - Hull carry-over works as well as topside modules construction and integration for the FPSO P-68, topside modules construction for FPSO P-71 for Tupi Project in our EJA Brazil yard.

Repairs and Upgrades

20. In 9M 2018, we carried out 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. Total 9M 2018 revenue achieved for the segment was $336 million compared with $355 million in 9M 2017.

21. We serviced a total of 21 LNG carriers in the first nine months in 2018. Major works completed included the world's first three boil-off gas re-liquefaction retrofit projects: the Gaslog Santiago, Gaslog Sydney and Gaslog Skagen for our Favoured Customer Contract (FCC) partner, GasLog LNG Services, Greece.

22. In early October 2018, we signed an FCC agreement with Solvang ASA, a Norwegian company with a fleet of 26 LPGs comprising 10 ethylene carriers, 10 large LPG carriers and seven very large gas carriers. Under the FCC, we are the exclusive partner yard for the refits of their vessels in Singapore, including all related ballast water management system (BWMS) installations and scrubber retrofitting works.

23. For the cruise ship segment, we performed seven cruise vessel repairs in the first nine months of 2018, including scrubber installation for the Sapphire Princess, Golden Princess and Sun Princess for Princess Cruise Lines, and the Carnival Spirit for Carnival Cruise Line. With several cruise vessel repairs secured for 4Q 2018, we expect this sector to remain strong in the coming quarters.

24. In September 2018, we completed the major upgrading of FPSO Pyrenees Venture. Other notable offshore repairs completed include the upgrading of semi-submersible Noble Clyde Boudreaux.

Green Technology Retrofit Solutions – BWMS and Scrubber installations

25. For 2018 year to date, we have completed a total of nine ballast water management systems retrofit projects, with three more projects contracted before the end of the year. We continue to receive ongoing enquiries for BWMS installation and scrubber retrofitting works.

26. We secured our biggest green technology retrofits contract from Greek owner Maran Tankers in September 2018 for the installation of 13 marine scrubbers and four BWMS installations for vessels in their fleet. The contract award from Maran Tankers affirms our expertise and experience in green technology solutions, and our role as a trusted partner in this highly competitive market.

Sete Brasil Drillships

27. In early March 2018, the media reported a tentative agreement between Sete Brasil and Petrobras, under which Petrobras will charter four drilling units from the Sete Brasil fleet, subject to the satisfaction of certain conditions.

28. 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.

29. The $329 million provisions we made in FY 2015 for the Sete Brasil contracts remain adequate under the present circumstances.

Enhancing Intellectual Assets and Competencies

30. In line with our growth strategy, we broadened our capabilities with the successful acquisition of Sevan Marine's intellectual property rights in September 2018.

31. This involved the acquisition of the interests and titles to all of Sevan Marine's intellectual property, and other Sevan's operation assets and employees at a cash consideration of US$39 million.

32. The strategic acquisition has further enhanced our intellectual assets and knowledge base, as well as design and engineering capabilities to provide innovative products and leading-edge solutions for the offshore, marine and energy industries.

Human Resources

33. Workforce optimisation, right-sizing, cost control and productivity enhancement continue to be implemented to ensure operational efficiency and prudent resource management. Initiatives to train, re-skill and re-organise our workforce are in place to gear employees with the required skill-sets and competencies for the successful execution of our full turnkey EPC newbuilding projects and gas value chain solutions.

34. Selective recruitment of talents with specialised skills is ongoing to contribute to our new business segments and position the Group for future growth.

Cash Flow and Liquidity Management

35. We continue to exercise prudence and discipline in managing our finances, cash flow and gearing to maintain a healthy balance sheet. Our key priority is to build our top line through order book growth and the safe, effective and timely execution of projects. The monetisation of our entire rigs inventory will continue to have a positive impact on our liquidity position with the progressive collection of over $1.4 billion of proceeds over time.

36. 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.

37. 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.

38. The majority of our contracts and new orders continue to be on progress payment terms to minimise our working capital needs and ensure effective execution of our order book projects.

39. We believe that with our existing facilities and the continued support of our bankers and bondholders, we have sufficient resources for our projects execution needs and to meet

our liquidity requirements. We will continue to prudently manage our gearing and cash flow to ensure financial resilience for sustainable growth.

Market Outlook

40. 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.

41. 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.

42. 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.

43. 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.

44. 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.

45. 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.

46. 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 due to 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.