Address by Mr. Wong Weng Sun, President & CEO – Sembcorp Marine 4Q/FY 2018 Results Briefing on February 20, 2019

Greetings

1. Good morning. Welcome and thank you for joining us today for Sembcorp Marine's 4Q/FY 2018 results briefing. Let me first wish everyone here a Happy, Healthy and Prosperous Lunar New Year. May the New Year be a better year for us all. This will be the first time we are holding our results briefing in the morning, and going forward, as we move to our new Corporate Headquarters at Tuas Boulevard Yard, future briefings will also be held in the morning. We hope this arrangement will be well received by you.

Macro Update

2. Global economic growth softened towards the end of 2018, with trade tensions, increased protectionism and effects of rising interest rates impacting sentiments. For the year ahead, this trend of moderate economic growth is projected to continue.

3. Oil prices remain volatile. Although demand for oil is expected to remain firm, price volatility is expected to continue as an oversupply situation may persists despite OPEC production cutbacks.

4. The improved outlook for the offshore and marine sector continues. Offshore rigs utilisation and day rates for most segments have continued to stabilize or improve, underpinned by more drilling activities. Offshore capex spending continues to improve with more production projects moving towards final investment decision (FID) stage.

5. While the overall industry outlook continues to improve, significant time and effort for project co-development with potential customers are required before new orders are secured, and competition remains intense.

Financial Performance for 4Q/FY 2018

6. Business volume in 4Q 2018 remained stable, with increased contributions from new orders secured in the last twelve months, partially offset by completion of past orders. Overall business volume in FY2018 remained significantly below peak levels.

7. For the fourth quarter of 2018, the Group posted a net profit of $6 million. Excluding non-recurring items, net operating profit for 4Q 2018 was $23 million, compared with net operating losses of $23 million, $29 million, $33 million and $45 million for the preceding four quarters.

8. Group gearing during 4Q 2018 increased slightly with higher working capital needs for ongoing projects, and payment for some capex and technology investments.

9. For FY 2018:

   - New orders worth $1.2 billion were secured in FY 2018, bringing our total net order book to $6.21 billion as at end December 2018. This does not include orders of another $160 million secured for the retrofitting of ballast water treatment systems and/or gas scrubbers for 58 vessels.
   - Group revenue was $4.89 billion, compared with $3.03 billion in FY 2017.
   - Net loss was $74 million, compared with a Net profit of $260 million in FY 2017.
   - Net gearing was 1.44 times, compared with 1.37 times for 3Q 2018, and 1.13 times at end 4Q/FY 2017.
   - In prudence, the Board is not recommending the payment of any dividend this year.

   More details on the Group's financial performance will be covered in our CFO's address to follow.

Review of Operations

Net Order Book and Developments

10. Net order book as at FY 2018 is $6.21 billion, with completion and deliveries till 2021 (FY 2017: $7.58 billion). Excluding the Sete drillship contracts, net order book stands at $3.09 billion (FY 2017: $4.45 billion).

11. For FY 2018, we secured a total of $1.2 billion in new orders. They include two projects for renewable energy engineering solutions worth over $200 million in 4Q 2018. They are:

    - Engineering, procurement, construction, hook-up and commissioning works for two topsides for Ørsted Wind Power's subsidiary, Optimus Wind Limited for delivery in 1Q 2021 to the UK's Hornsea 2 Offshore Wind Farm – the biggest wind farm of its kind in the world; and
    - Design and construction of three battery-powered Ropax ferries for Norled AS, to be delivered in 4Q 2020, marking the Group's entry into the Ropax ferry design and construction niche segment.

12. Other significant new orders totaling $730 million secured earlier in the year include:

    - Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible Floating Production Unit (FPU); and

    - Engineering, Procurement and Construction of hull, living quarters and topside modules for TechnipFMC's newbuild Floating Production Storage and Offloading (FPSO) vessel.

13. In addition to the $1.2 billion new orders above, another $160 million of orders were secured for the retrofitting of ballast water treatment systems and/or gas scrubbers for 58 vessels.

14. We continue to work with Varg L.L.C., a wholly-owned subsidiary of Teekay Offshore Partners, to progress the agreement for engineering, procurement and construction works relating to the modification, repair and life extension of the Petrojarl Varg FPSO. When finalised, the contract is worth an estimated US$166 million.

15. Commercialization of our proprietary Gravifloat technologies for a variety of nearshore LNG terminal and gas infrastructure applications are going. Our strategy of diversifying into new product segments, acquiring new intellectual property rights and providing innovative solutions across the offshore, marine and energy value chain continue to gain traction.

16. Overall, we continue to actively seek out opportunities across all our product segments, and are actively responding to an increasing pipeline of enquiries and tenders for innovative engineering solutions.

Deliveries

17. We have to-date completed and delivered all nine proprietary designed Pacific Class 400 jack-up rigs to Borr Drilling, several which were delivered ahead of schedule upon Borr's request. The final jack-up Njord was delivered to Borr Drilling at end January 2019, following the successful deliveries of seven rig units in 2018 and one in November 2017.

18. Notably, jack-up Njord set a record by being the first offshore facility to be awarded a Cyber Security-Ready (CS-Ready) Notation by ABS. We are proud to have contributed to this first-of-its-kind certification and to help our customers achieve an enhanced degree of cyber security for their assets.

19. Other significant deliveries in 2018 included:

- FSO Ailsa, Sembcorp Marine's first full turnkey newbuild Floating Storage Offloading (FSO) vessel for MODEC, built based on a proprietary hull design from our subsidiary LMG Marin, with a 40-year hull lifespan, and capable of 25 years of continuous operations without dry-docking; The vessel is built in full compliance with strict UK safety regulations for harsh-environment operations for the Culzean field in the UK North Sea Sector;
- Construction of production topsides and ancillary facilities for TOTAL for operation in the Culzean field in the UK North Sea sector. Together with FSO Ailsa and the high-specification jack-up rig Maersk Highlander (also build by us), they form an integrated suite of Sembcorp Marine engineering solutions for the harsh environment Culzean field;
- Conversion of Kaombo Norte and Kaombo Sul; the two FPSOs were delivered to Saipem for the Kaombo project located in offshore Angola; and
- Construction of Hakuryu 14, a proprietary design Pacific Class 400 jack-up rig for BOT Lease Co.

Projects in Progress

20. We continue to make positive progress for our ongoing projects. These include:
    - Engineering and construction of Sleipnir, the world's largest semi-submersible crane vessel (SSCV) for Heerema scheduled for delivery later this year;
    - Construction of two high-specification ultra-deepwater drillships for Transocean, based on Sembcorp Marine's proprietary Jurong Espadon III drillship design.

21. We have commenced engineering and construction works for several newly 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 in the Eastern Mediterranean.

22. A number of key projects are also underway at our overseas yards. These include:
    - At our EJA Yard in Brazil - Hull carry-over works as well as topside modules construction and integration for the FPSO P-68; and topside modules construction for FPSO P-71, both for the Tupi Project.

Repairs and Upgrades

23. In FY 2018, we carried out a total of 296 dry-dockings, repairs and upgrades. Total revenue was $476 million compared with $499 million in FY 2017. Revenue per vessel was higher than FY 2017 on higher value works and improved vessel mix.

24. For 2018, Sembcorp Marine again emerged as the world's top LNG repair yard (for the sixth time) with a total of 41 LNG ships repaired and upgraded in 2018. We expect this strong performance to continue into 2019, having secured a significant number of LNG repairs and upgrades orders year-to-date.

25. Major offshore repairs and upgrading completed in 2018 include the upgrading of FPSO Pyrenees Venture for Modec / BHP as well as major repairs and demucking works for Chevron Thailand's Benchamas FSO.

26. In the cruise ship market, we cemented our position as Asia's top cruise ship repair and upgrade solutions provider in 2018 with the completion of 10 cruise vessels repairs and upgrades in 2018, including one for new customer Norwegian Cruise Line.

Green Technology Solutions – BWMS and Gas Scrubber Installations

27. Sembcorp Marine completed a number of ballast water management systems (BWMS) retrofit projects in 2018, including three for Princess Cruise Lines. We also completed scrubber installation projects on a cruise ship and two tankers.

28. In FY 2018, we secured a total of $160 million of orders for the retrofitting of BWMS and gas scrubbers for 58 vessels. These include a major green technology retrofit contract from Greek owner Maran Tankers for the integration of 13 marine scrubbers and four BWMS installations on board their vessels. The contracts attests to our expertise and experience in green technology solutions.

29. Going forward, we expect orders for BWMS installations and scrubber retrofitting works to remain strong.

Sete Brasil Drillships

30. In November 2018, Sete Brasil's judicial recovery plan was approved by its creditors. Per media reports, the plan includes the sale of four drillings rigs being built at two Singapore yards.

31. We continue to monitor these developments and will respond accordingly. The $329 million provision made by the Group in FY 2015 for the Sete Brasil contracts remains adequate under the current circumstances.

Enhancing Intellectual Assets and Competencies

32. To enhance the Group's capabilities in the arena of green technology solutions, Sembcorp Marine increased its shareholdings in Semb-Eco Pte Ltd. As part of the deal, the Group will acquire five groups of core patents in ballast water treatment, exhaust gas cleaning, bio-fouling control and corrosion control for a consideration of approximately $7.2 million.

33. As part of our growth strategy, we successfully acquired Sevan Marine's intellectual property rights in September 2018 to expand our capabilities, particularly in cylindrical platform solutions for floating production and drilling.

34. Our strategic acquisition of Sevan Marine together with our prior investments in Sembmarine SSP, LMG Marin, Gravifloat and Aragon have further enhanced our intellectual assets and knowledge base. Using these newly-acquired knowledge and expertise as springboard, we are poised to provide more innovative products and leading-edge solutions for the offshore, marine and energy industries.

Developing LNG Solutions, Technologies and Capabilities in collaboration with Global Research Partners (A*STAR, IHPC, NAMIC, SIMTech, ABS, DNV GL)

35. We will continue to build up our technologies and capabilities in the gas sector in view of the growing relevance of Liquefied Natural Gas (LNG) as a more environmentally-friendly fuel.

36. Sembcorp Marine, together with the American Bureau of Shipping (ABS) and A*STAR's Institute of High Performance Computing (IHPC) have teamed up under an MOU to develop new technologies, applications and capabilities that will advance the adoption of LNG as a globally preferred fuel.

37. As part of the research collaboration, Sembcorp Marine will tap the expertise and simulation capabilities of ABS and IHPC respectively in the development of market-ready solutions, technology and capabilities in LNG. The scope of collaboration involves:

    - Approval, certification and enhancement of Sembcorp Marine's gas value chain solutions for small-scale LNG applications, such as LNG-battery hybrid tugs, LNG bunker vessels and LNG terminals;
    - Joint development of projects focusing on offshore LNG processing, transfer and containment, and new applications of LNG as a sustainable fuel as well as augmenting the safety and reliability of LNG for offshore applications; and
    - Developing training capabilities and conducting technical workshops to build and hone specialised knowledge and skill sets in LNG technology.

38. Leveraging this research partnership, Sembcorp Marine will design and construct a series of up to 12 LNG-hybrid powered tugs which will progressively replace our existing diesel-powered tug fleet by 2025. The fleet replacement is part of our drive towards smart, sustainable and greener operations. Construction works on the first pair of hybrid-tugs will start in 2019, with completion expected by 2021. During the process, we will work with ABS and A*STAR IHPC to enhance and optimise the design and energy efficiency performance of these hybrid-tugs.

39. Other areas of ongoing research at Tuas Boulevard Yard involve collaborating with technology partners DNV GL, A*STAR's SIMTech and NAMIC to develop smart technologies and innovative engineering solutions, test-bed and integrate automation and artificial intelligence as well as incubate and verify disruptive applications.

Cost Management and Operational Excellence

Human Resources

40. In the area of human resource, workforce optimisation, right-sizing, cost-control and productivity enhancement measures remain in place to ensure operational efficiency and prudent resource allocation. We continue to invest in employee training, re-skilling and up-skilling to equip our workforce with the appropriate skill-sets and core competencies needed especially for smooth execution of turnkey EPC newbuilding projects and gas value chain solutions.

41. We will continue our training and development efforts as well as selective recruitment of talent with specialized skills to position the Group well for the future. Our overall strategy

is to ensure long term workforce sustainability by maintaining and strengthening capabilities to enable us to develop and execute projects in a safe, efficient and effective manner, while positioning Sembcorp Marine to be ready to ride on the eventual market recovery.

Yard Capacity Management

42. As part of the Group's transformation and yard consolidation strategy, the Group will continue to consolidate and maximise the utilisation of our integrated Tuas Boulevard Yard (TBY), while we review the schedule for returning our older yards in Singapore at or before their lease expiry dates. To date, we have returned the Pulau Samulun Yard to the Singapore Government, with two other yards in process of being returned.

43. The Group's corporate headquarters is scheduled to move out from Tanjong Kling Yard (TK Yard) to its new location in TBY in 1H 2019. Significant operations have already moved to TBY, and the Group is scheduled to move out completely from TK Yard by end 2019, four years ahead of schedule and return the TK Yard to the Government. This will result in accelerated depreciation of the lease and certain fixed assets amounting to ~$60 million over 15 months starting from 4Q 2018. After the move, the Group will realise cost savings estimated at $48 million per annum from FY 2020.

Cash Flow and Liquidity Management

44. Financial prudence and discipline remain key considerations as we rebuild and strengthen the Group's financial position in the face of a prolonged cyclical downturn. Growing our order book, maintaining a strong balance sheet and ensuring healthy cash flow are key priorities.

45. While we have successfully monetized our entire 10 rigs inventory, significant improvement in our liquidity will only occur over the next five years as we collect the balance ~$1.2 billion of deferred payment for the rigs. These rigs inventory (previously recorded as Current Assets) are now recorded as Non-current assets (Trade receivables), which explains our reducing Net current assets balance.

46. Capex for FY 2018 was about $343 million, which include installation of certain new capabilities and completion of corporate headquarters at TBY. We expect capex in the foreseeable future to be moderate, as we defer non-essential capex and proceed only those needed for the execution of secured contracts, realization of cost-savings or enhancement of project execution capabilities.

47. For FY 2018, operating cash flow generated before working capital changes was $157 million. Net gearing was 1.44 times, compared with 1.37 times as at 3Q 2018 and 1.13 times as at end December 2017.

48. While the majority of our ongoing contracts and new orders secured are on progressive payment terms, future new orders may have increased working capital needs as the

industry continues to adjust to changing business models and constrained capital availability.

49. We continue to manage our gearing and cash flows to ensure sustainable development and growth.

Market Outlook

50. Global capex spend for offshore exploration and production (E&P) is expected to improve further. While offshore drilling activities have increased, offshore rig orders will take some time to recover as the market remains over-supplied.

51. Offshore production units are expected to dominate orders pipeline and Sembcorp Marine is responding to increasing enquiries and tenders for innovative engineering solutions.

52. The ship repairs and upgrades segment remains intensely competitive although the market is expected to improve with higher work volume from the new IMO regulations requiring the installation of ballast water treatment systems and gas scrubbers.

53. Overall business volume and activity for the Group, while stabilizing is expected to remain relatively low. We will continue to take steps to manage our costs, cash flows and gearing to address our balance sheet and to capitalise on new business opportunities.

54. 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.