



**CEO ADDRESS**

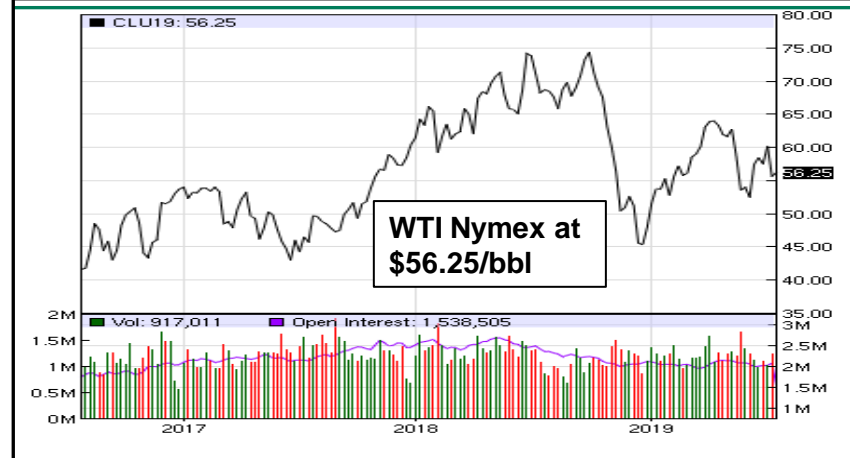
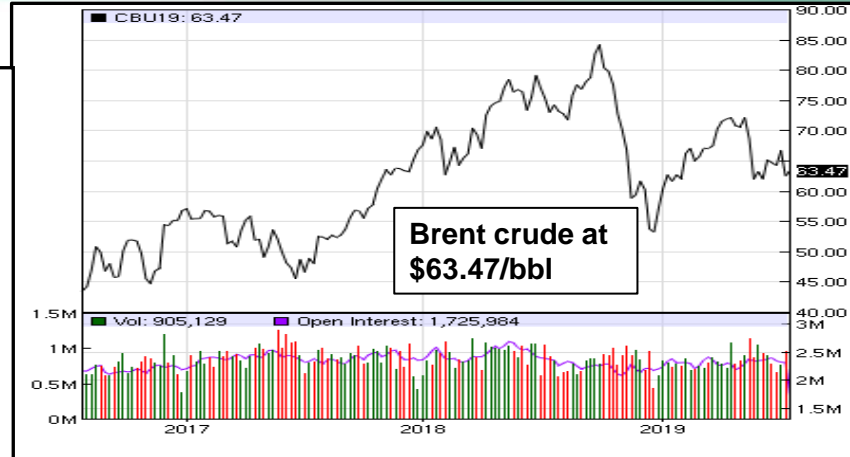
**CFO FINANCIAL OVERVIEW**

## CEO ADDRESS

- ❖ **Macro Environment update**
- ❖ **Financial Performance for 2Q and 1H 2019**
- ❖ **Operations Review**
- ❖ **Outlook and Prospects**

*(Please refer to CEO speech for details)*

- ❖ Global economic growth has softened since the start of 2019. A slowdown in growth momentum is forecasted as ongoing trade tensions and geopolitical uncertainties weigh on business confidence and investments.
- ❖ The offshore and marine industry continued to gradually recover.
- ❖ Global capex spend for offshore exploration and production activities continued to improve, especially for production facilities. Offshore drilling activities have also gradually improved.
- ❖ Overall, the industry remained at its initial stage of cycle recovery, with long orders development period and competition remained intense.



- ❖ Overall business volume for 2Q 2019 remained significantly below peak levels.
- ❖ The Group posted a net loss of \$9 million for 2Q 2019, mainly due to continued low overall business volume.

**For 1H 2019:**

- ❖ Net order book totalled \$5.27 billion as at end 1H 2019. New orders secured in 1H 2019 was about \$175 million.
- ❖ 1H 2019 Group revenue was \$1.54 billion, compared with \$2.81 billion in 1H 2018.
- ❖ Net loss totalled \$7 million in 1H 2019, compared with net losses of \$50 million in 1H 2018.
- ❖ Net gearing was 1.42 times as at end 1H 2019, compared with 1.47 times as at end 1Q 2019 and 1.44 times as at end FY 2018.

# Subordinated Loan Facility

- ❖ **On June 21, 2019, we announced we had obtained a \$2.0 billion 5-year subordinated loan facility from Sembcorp Industries, our parent and largest shareholder with a 61% stake in the Company.**
- ❖ **The Group will use the \$2.0 billion subordinated loan to retire approximately \$1.5 billion of existing borrowings, and re-profile the remaining borrowings with longer term maturities. The balance \$500 million will be used for working capital and general corporate purposes. The above will enable us to strengthen our financial position and better position us for the recovery of the offshore and marine industry.**
- ❖ **Our strategic investments in yard and engineering capabilities and new technologies have enabled us to offer diversified solutions to our global customers. However, our financial position has been affected by the prolonged and severe industry downturn. We believe that this \$2.0 billion subordinated loan facility from our parent company will allow us to strengthen our financial position and enable us to better compete and seize opportunities as the industry recovers.**

- ❖ **Net order book as at 2Q/1H 2019 is \$5.27 billion, with completion and deliveries till 2021 (FY 2018: \$6.21 billion). Excluding the Sete drillship contracts, net order book stands at \$2.1 billion (FY 2018: \$3.09 billion).**
- ❖ **Following initial new orders secured last year, which included several EPC contracts for new production facilities, new orders traction in 1H 2019 had been disappointing. This was due mainly to a tender cancellation arising from changes in project ownership, and delays in final investment decisions for several projects.**
- ❖ **New contracts secured in 1H 2019 include \$175 million for projects comprising the design and construction of a 12,000-cubic-metre (cbm) LNG bunker vessel as well as repair and modernisation works on 13 cruise ships.**
- ❖ **With the recent strengthening of our financial position, our key priority is building up our order book. We have been actively responding to an increasing pipeline of tenders and enquiries for various engineering solutions and projects related to the production and gas value chain segments, as well as in specialised shipbuilding projects. We are also participating in front end engineering design (FEEDs) and pre-FEEDs requested by potential customers. We remain hopeful for securing new orders in the foreseeable quarters.**



- **Project:** Design and construction of 12,000 cbm LNG bunker vessel with GTT Mark III Flex membrane tank system; to be the biggest vessel of its kind built in Singapore. For cleaner propulsion, the LNG bunker vessel will have dual-fuel engines running on LNG or marine diesel oil.
- **Customer:** Indah Singa Maritime Pte Ltd, a subsidiary of Mitsui O.S.K. Lines, Ltd. (MOL)
- **Location:** Upon its completion in early 2021, the vessel will be chartered to Pavilion Gas Pte Ltd for deployment in Singapore



Secured the design and build contract for the dual-fuelled LNG bunker vessel for Mitsui O.S.K Lines in 1H 2019



## **Milestone Delivery of Sleipnir – World’s Largest, Strongest and Most Sustainable SSCV Newbuild**

- ❖ **Set a major milestone in early July this year, with the landmark delivery of Sleipnir, the world’s largest, strongest and most sustainable semi-submersible crane vessel (SSCV), to Heerema Marine Contractors. This followed a successful sea trial in June, in which the Sleipnir exceeded expectations and passed with flying colours.**
- ❖ **Sembcorp Marine’s first SSCV newbuild and also our first mega turnkey offshore construction project of this scale. And testimony to the Group’s strong commitment to safety, the project achieved a commendable Lost Time Injury Rate (LTIR) of only 0.35 per million man hours worked.**
- ❖ **This new-generation SSCV also set several records with its industry-leading specifications and capabilities:**

# Project deliveries in 1H 2019

## Sleipnir – World’s Largest, Strongest and Most Sustainable SSCV Heerema Semi-submersible Crane Vessel Newbuild

- Biggest crane vessel ever built – 220m x 102m reinforced deck area
- Strongest crane vessel in industry – pair of revolving cranes that can lift 20,000 tonnes in a single lift; raises operational efficiency to new level in offshore energy installation & decommissioning work.
- World’s first dual-fuel crane vessel, with engines running on MGO and LNG for sustainable operations across all environmental jurisdictions



# Project deliveries in 1H 2019

## Sleipnir – World's Largest, Strongest and Most Sustainable SSCV Heerema Semi-submersible Crane Vessel Newbuild



**Project:** Engineering and construction of a newbuild semi-submersible crane vessel  
**Customer:** Heerema Marine Contractors  
**Delivery:** July 2019

# Project deliveries in 1H 2019

## Transocean Norge (ex-West Rigel) Newbuild Harsh-Environment Semi-submersible Drilling Rig



**Project:** Newbuild Moss Maritime CS60 design harsh environment semi-submersible drilling rig bought by Transocean and partners

**Customer:** Transocean and partners

**Delivery:** Feb 2019, secured charter from Equinor for drilling operations in Norwegian Continental Shelf

# Project deliveries in FY 2019

## Njord – Final 9th Pacific Class 400 premium jack-up rig to Borr Drilling



**Contract:** Sale of 9 proprietary design Pacific Class 400 premium jack-up rigs to Borr Drilling

**Customer:** Borr Drilling

**Delivery:** Jan 2019 – Final 9<sup>th</sup> unit delivered (Njord)

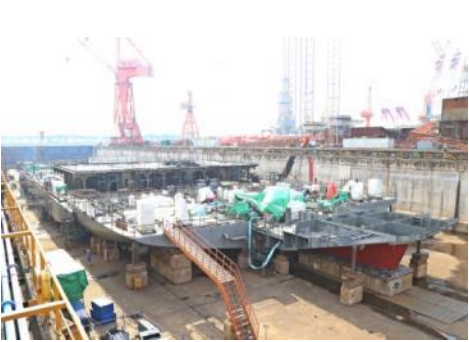
## Construction of Transocean Drillships – 1<sup>st</sup> Unit



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

**Customer:** Transocean

## Construction of Transocean Drillships – 2<sup>nd</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

# Ongoing Projects – Johan Castberg Project for Equinor (formerly Statoil)

## Turnkey Engineering, Procurement and Construction of Newbuild FPSO Hull and Living Quarters for Equinor



**Project:** Turnkey engineering, procurement and construction of newbuild FPSO hull and living quarters

**Customer:** Equinor (formerly Statoil)

**Operation:** Johan Castberg field development, Barents Sea, offshore Norway



## EPC construction and integration of a newbuild FPSO hull, living quarters and topside modules

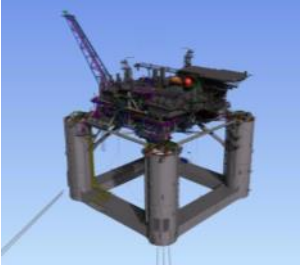


**Project:** EPC construction and integration of a newbuild FPSO hull, living quarters and topside modules, including owner-furnished equipment

**Customer:** TechnipFMC

**Operation:** Karish deepwater field developments in the Eastern Mediterranean

## Construction and Integration of FPU Hull, Topsides and Living Quarters



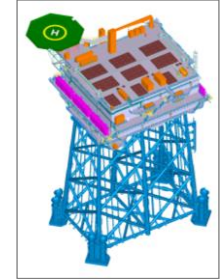
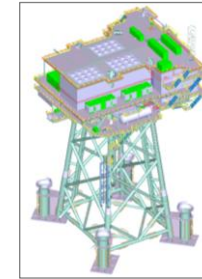
**Project:** Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible Floating Production Unit (FPU), including installation of owner-furnished equipment

**Customer:** Shell Offshore Inc.

**Operation:** Mississippi Canyon, US Gulf of Mexico

# Ongoing Projects – Hornsea 2 Offshore Wind Farm Topsides

## Engineering, Procurement, Construction, Hook-up and Commissioning of Two Offshore Windfarm Topsides



**Project:** Engineering, procurement, construction, hook-up and commissioning works for two topsides for Hornsea 2 Offshore Wind Farm

**Customer:** Ørsted Wind Power subsidiary Optimus Wind Limited

**Operation:** Hornsea 2 Offshore Wind Farm, UK North Sea.

## Design and Construction of 3 Battery-powered Proprietary-designed Roll-on Roll-off Passenger (Ropax) Ferries – Strike Steel



**Project:** Design and construction of three battery-powered ropax ferries based on a proprietary design by Sembcorp Marine's wholly-owned subsidiary LMG Marin

**Customer:** Norled AS

**Operation:** Norway

## 1H 2019 REPAIRS & UPGRADES – DIVERSE MARINE & OFFSHORE PROJECTS



Oil tanker Pegasus Voyager from Chevron Transport Corp Ltd



LPG tanker BW Tokyo from MMS Co Ltd



FSRU conversion of Dwiputra from MOL / Karadeniz's joint venture

## 1H 2019 REPAIRS & UPGRADES – LNG Repairs



Adam LNG from Oman Shipmanagement  
undergoing repairs



Sailaway of Gigira Laitebo from MOL LNG UK  
after repair completion



Multiple LNG vessels undergoing repairs, including Northwest Sanderling (in foreground) from  
North West Shelf Shipping Service Company Pty Ltd

## 1H 2019 REPAIRS & UPGRADES – CRUISESHIPS



Concurrent major refit and refurbishment of Norwegian Joy for Norwegian Cruise Line and Explorer Dream (ex-SuperStar Virgo) for Genting Cruise Lines



Repairs and installation of scrubbers on Diamond Princess for Princess Cruises



Modernisation of Celebrity Millennium for Celebrity Cruises

## 1H 2019 REPAIRS & UPGRADES – CRUISESHIPS



Sailaway of India's first cruise liner Karnika, owned by Jalesh Cruises, for her maiden cruise



Repair and upgrade of Azamara Quest for Azamara Club Cruises



Extensive refurbishment of Norwegian Joy for Norwegian Cruise Line, major refit of Karnika for Jalesh Cruises as well as repairs of Vasco da Gama for Global Cruise Lines Ltd



## 1H 2019 REPAIRS & UPGRADES – CRUISESHIPS

- Signed agreement with NYK Cruises Co. Ltd for upgrading of Asuka II, Japan's largest cruise ship, in 2020



Contract signing between NYK Cruises Co. Ltd. and Sembcorp Marine Repairs & Upgrades for Asuka II



Sembcorp Marine representatives with the senior management team from NYK Cruises Co. Ltd.

**We continue to make good progress in advancing our ongoing projects. They comprise:**

- ❖ Construction of two high-specification ultra-deepwater drillships for Transocean, based on Sembcorp Marine’s proprietary Jurong Espadon III drillship design;**
- ❖ Turnkey engineering, procurement and construction of newbuild FPSO hull and living quarters for Equinor, 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 deepwater field in the Eastern Mediterranean**

Projects relating to renewable energy and gas solutions are in the early phases of engineering and development. These include:

- ❖ **Engineering, procurement, construction, hook-up and commissioning works for two substation topsides for Ørsted Wind Power to be deployed to the UK's Hornsea 2 Offshore Wind Farm;**
- ❖ **Design and construction of three battery-powered ropax ferries for Norled AS, based on a proprietary design by Sembcorp Marine's wholly-owned subsidiary LMG Marin; and**
- ❖ **Design and construction of a 12,000-cubic-metre, dual-fuel LNG bunker vessel for Mitsui O.S.K. Lines' subsidiary Indah Singa Maritime, including the fabrication of the vessels' two GTT Mark III Flex membrane tanks.**

Key projects underway at our EJA Yard in Brazil include:

- ❖ **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 of offshore rigs, including 3 drillships and one semi-submersible drilling rig for local and international drillers. All 4 contracts were executed successfully to budget and delivered on time.**

- ❖ In 1H 2019, a total of 153 vessels were repaired or upgraded at our yards, compared with 158 vessels in 1H 2018. Average revenue per vessel was higher at \$1.6 million compared with \$1.3 million on improved vessel mix of higher-value works.
- ❖ The recent awards of 13 new cruise vessel repair and modernisation projects by leading global cruise brands continue to strengthen our leadership position for cruise ship refits and upgrading business, with 115 vessels over the past 10 years.
- ❖ In May 2019, we further secured a major upgrading project of Asuka II, Japan's largest cruise ship operated by NYK Cruises.
- ❖ A series of 21 LNG carriers repairs have been secured for execution in 2H 2019, making 2019 likely to be another record year for this segment.
- ❖ For green technology solutions, namely ballast water management systems (BWMS) and gas scrubber installations, we continue to actively execute an increasing number of such contracts. We expect firm demand for this segment to continue in the foreseeable years.

- ❖ **It was reported in the media that Sete Brasil is currently evaluating bids submitted for its sale of four rigs being built at two Singapore yards, as part of its judicial recovery plan.**
- ❖ **We are monitoring the developments closely and will continue to engage Sete Brasil accordingly.**
- ❖ **In our view, the \$329 million provision made in FY 2015 for the Sete Brasil contracts remains adequate under the current circumstances.**

- ❖ **To manage costs and resources for operational resilience and efficiency, workforce optimisation and rightsizing continue to be implemented in line with current and foreseeable level of activities.**
- ❖ **Active efforts are in place to train and upskill our employees for enhanced productivity, flexibility and competitiveness. Our focus on building a future-ready workforce continues to ensure that the Group is well-positioned to seize opportunities when the industry cycle recovers.**

- ❖ While the \$2.0 billion subordinated loan facility from our parent company has strengthened our financial position, we remain committed to exercising financial discipline and prudence to manage our balance sheet and further strengthen the Group's financial position.
- ❖ Group capex for 2Q/1H 2019 was about \$205 million. This comprised mainly installation of certain new capabilities and completion of corporate headquarters at our Tuas Boulevard Yard. Going forward, we expect capex to further moderate compared to prior year.
- ❖ For 2Q/1H 2019, operating cash flow generated before working capital changes was \$56 million and \$125 million respectively. Net gearing was 1.42 times as at June 2019, compared with 1.47 times as at March 2019, and 1.44 times at FY 2018.

- ❖ **Global capex spend for offshore exploration and production (E&P) is expected to continue to improve, especially for the offshore production segment. Offshore drilling activities have also gradually increased.**
- ❖ **Sembcorp Marine is responding to enquiries and tenders for various engineering solutions and projects related to the production and gas value chain segments. The repairs and upgrades segment continues to gradually improve, underpinned by IMO regulations that require ballast water treatment systems and gas scrubbers to be installed.**
- ❖ **Overall, challenges in the offshore and marine sector persist and it will take some time before we see a sustained recovery in new orders, while competition remains intense and margins compressed. With insufficient new orders secured in the last few quarters, the company is expecting the losses for the second half to be higher than the first half, with the full year losses projected to be similar in range to last year's losses.**
- ❖ **Sembcorp Marine is actively pursuing new orders and will execute existing orders efficiently.**



# **CFO Presentation**

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

## Key highlights:

**For six months ended June 30, 2019:**

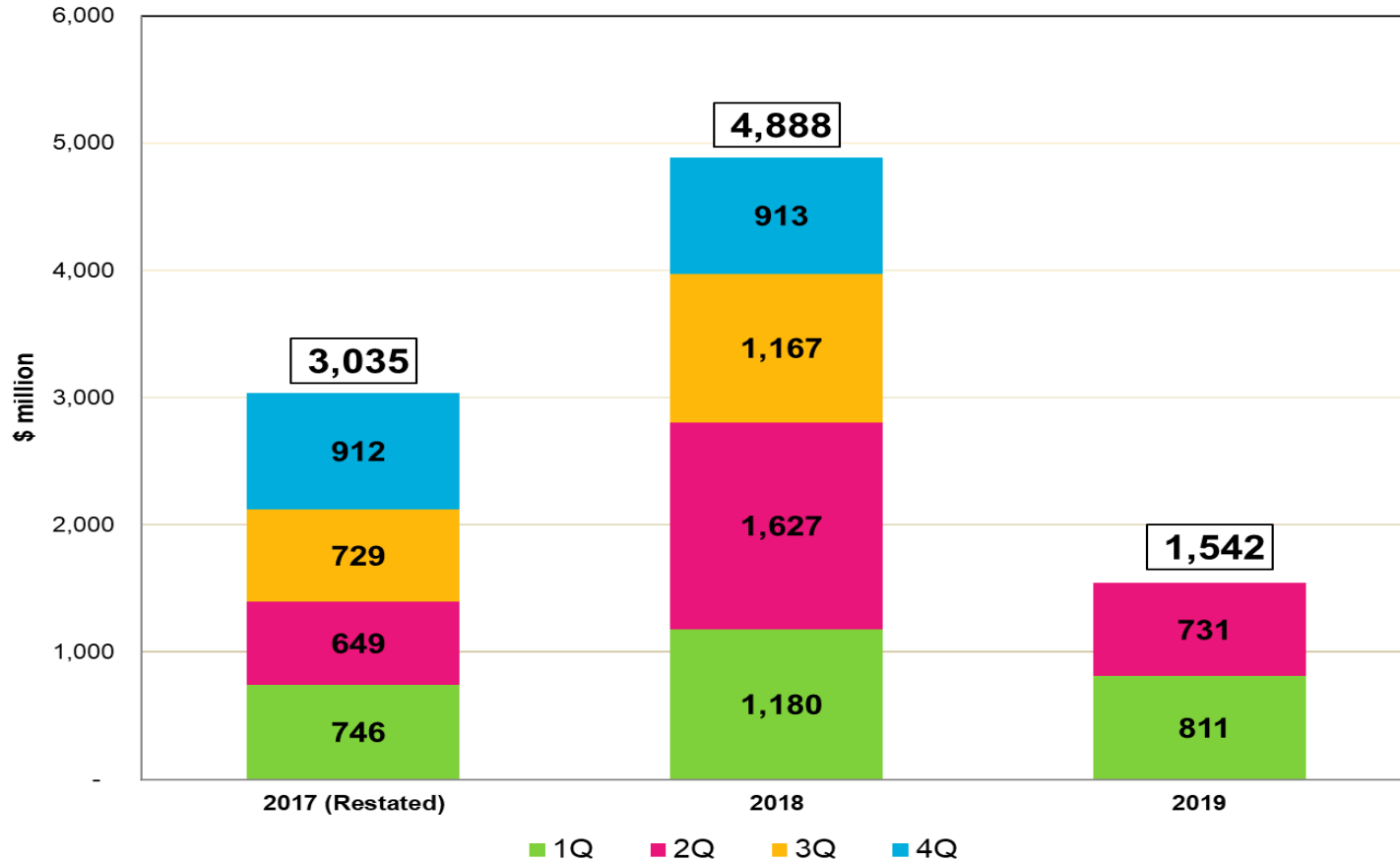
- ❖ **Turnover totalled \$1.54 billion compared with 1H 2018 at \$2.81 billion.**
- ❖ **Group EBITDA of \$125 million.**
- ❖ **Net loss attributable to shareholders of \$7 million.**
- ❖ **Secured \$175 million in new orders in 1H 2019.**
- ❖ **Group net orderbook stands at \$5.27 billion.**

# Financial Highlights

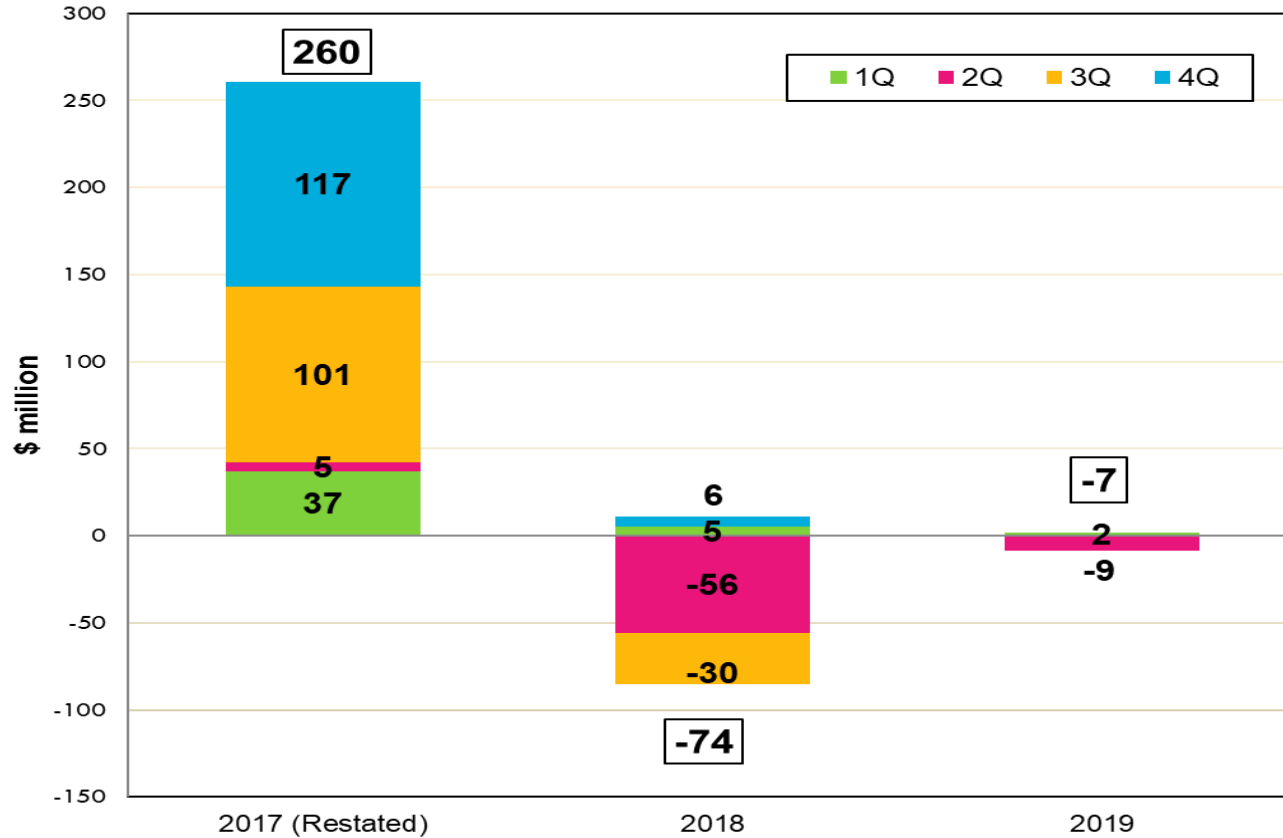
Group (S\$ million)	2Q 2019	2Q 2018	% change	1H 2019	1H 2018	% change
Turnover	731.3	1,627.2	(55)	1,541.9	2,807.5	(45)
Gross Profit/ (Loss)	4.6	(47.1)	n.m.	26.4	(4.0)	n.m.
EBITDA	56.8	(3.7)	n.m.	125.1	61.8	102
Operating (Loss)/ Profit	(4.4)	(52.6)	(92)	2.7	(33.0)	n.m.
Loss before tax	(15.1)	(66.4)	(77)	(16.3)	(60.3)	(73)
Net Loss	(8.5)	(55.6)	(85)	(6.8)	(50.3)	(86)
EPS (basic) (cts)	(0.41)	(2.66)	(85)	(0.33)	(2.41)	(86)
NAV (cts)				110.48	*110.68	-
* as at 31 December 2018						

# Financial Review: Revenue

## 1H 2019 Revenue: \$1.54 billion

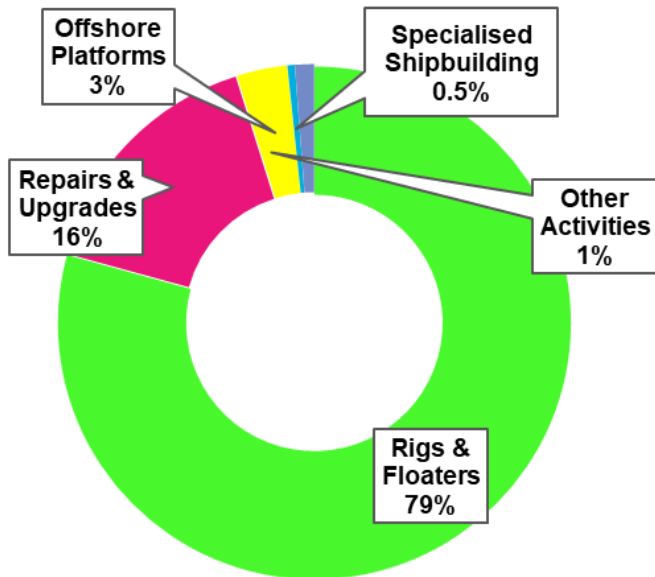


## 1H 2019 Net Loss: \$7 million

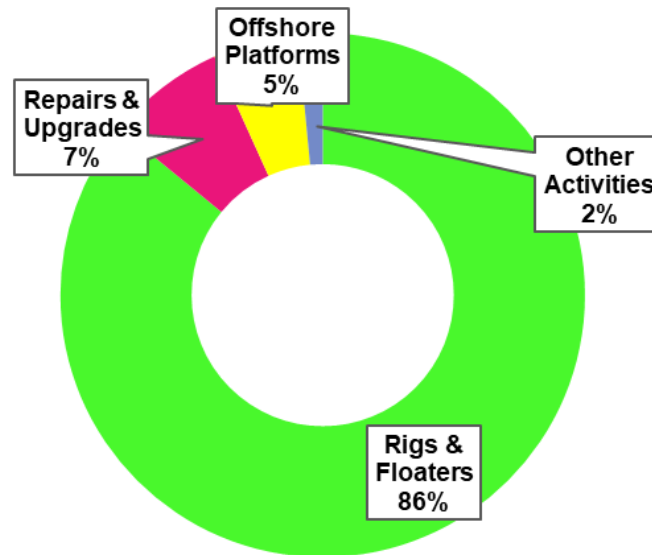


# Business Review: Turnover by Segments

**1H 2019: \$1.54 billion**



**1H 2018: \$2.81 billion**

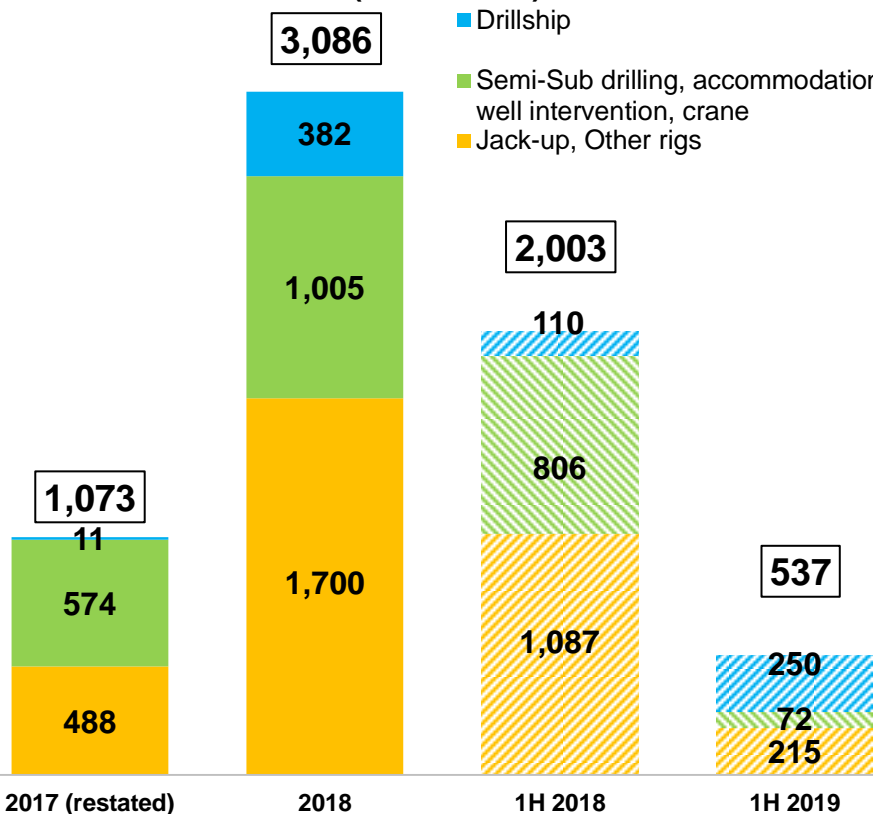


Turnover (\$ million)	2Q 2019	2Q 2018	% change	1H 2019	1H 2018	% change
Rigs & Floaters	542	1,394	(61)	1,222	2,413	(49)
Repairs & Upgrades	142	126	13	245	205	20
Offshore Platforms	34	85	(60)	49	147	(67)
Specialised Shipbuilding	3	-	n.m.	7	-	n.m.
Other Activities	10	23	(57)	19	43	(57)
<b>TOTAL</b>	<b>731</b>	<b>1,627</b>	<b>(55)</b>	<b>1,542</b>	<b>2,808</b>	<b>(45)</b>

Rig building revenue was \$537 million in 1H 2019 (1H 2018: \$2 billion) on recognition of delivery of 1 jack-up rig to Borr Drilling of \$215 million, and drillship revenue from ongoing Transocean projects of \$250 million (\$109m in 1H 2018), with semi-subs rev at \$72 million (\$806m in 1H 2018)

**REVENUE – RIG BUILDING**  
(\$ MILLION)

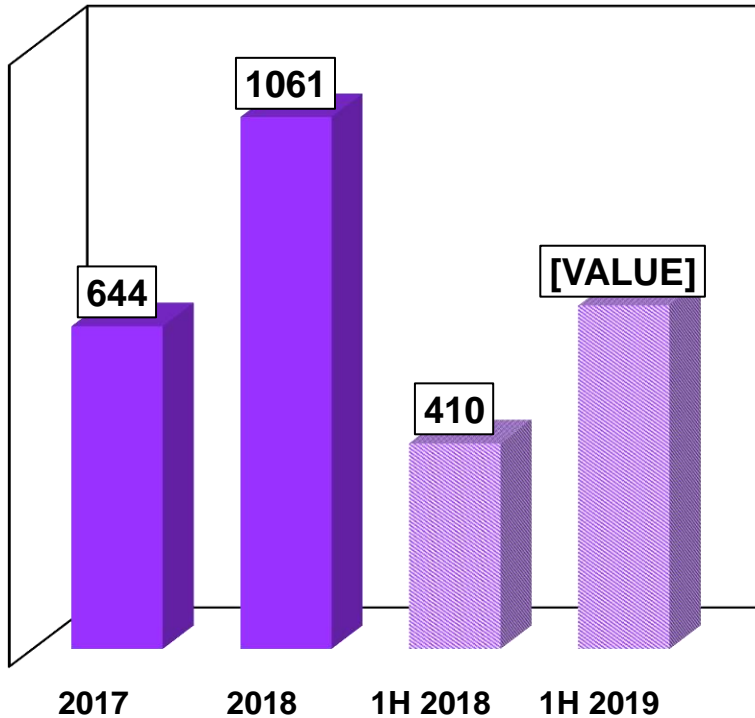
- Drillship
- Semi-Sub drilling, accommodation, well intervention, crane
- Jack-up, Other rigs



Jack-up rigs, Semi-submersibles, Drillships Schedule	No. of Projects	
○ Number of jack up rigs delivered in 1H 2019	1	• Borr Drilling jack-up rig P2052
○ Number of semi-subs delivered in 1H 2019	1	• Heerema Offshore semi-sub crane vessel
○ Number of projects in WIP stage	2	• 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

- 1H 2019 Floater revenue increased 67% to \$685 million on higher percentage recognition for the Johan Castberg, Shell Vito and Karish FPSO projects.

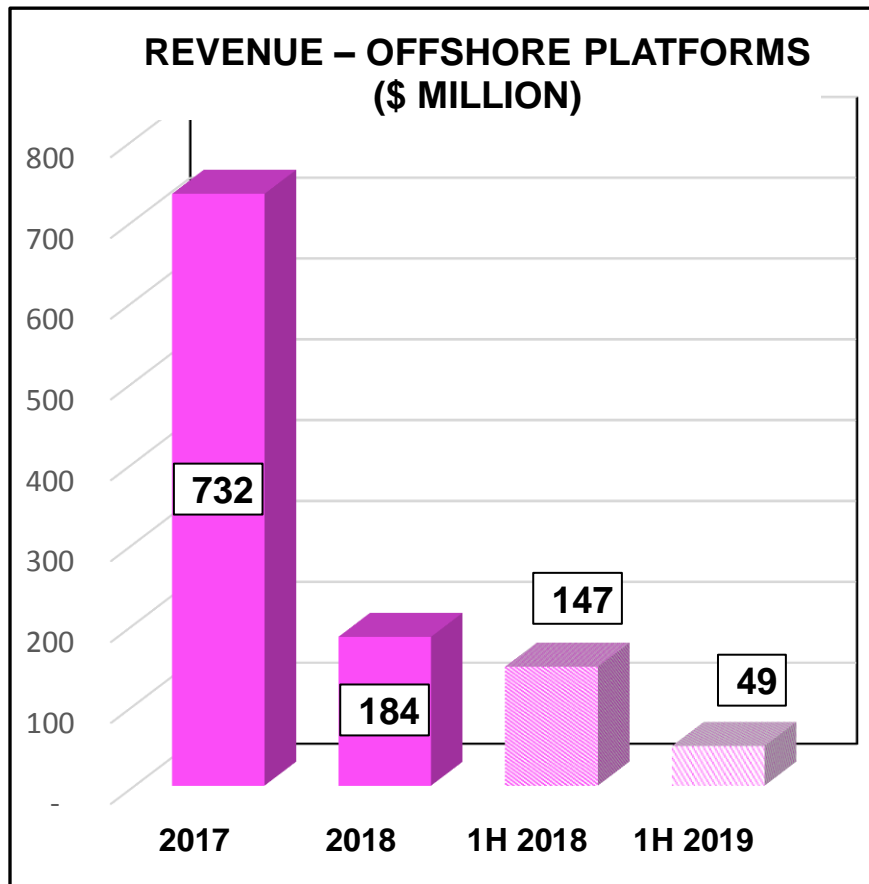
### REVENUE - FLOATERS (\$ MILLION)



Offshore Floating Production Newbuildings/ Conversion	No. of projects	Brief description
○ No. of Projects delivered in 1H 2019	Nil	
○ No. of projects in the WIP stage	6	<ul style="list-style-type: none"> <li>• P68 FPSO for Petrobras</li> <li>• P71 FPSO for Petrobras</li> <li>• P68 hull carry over work</li> </ul>
		<ul style="list-style-type: none"> <li>• Equinor Johan Castberg FPSO project</li> <li>• Shell Vito FPU project</li> <li>• Karish FPSO project</li> </ul>



- Offshore Platforms revenue was \$49 million in 1H 2019 on contributions from Hornsea & Tangguh projects.

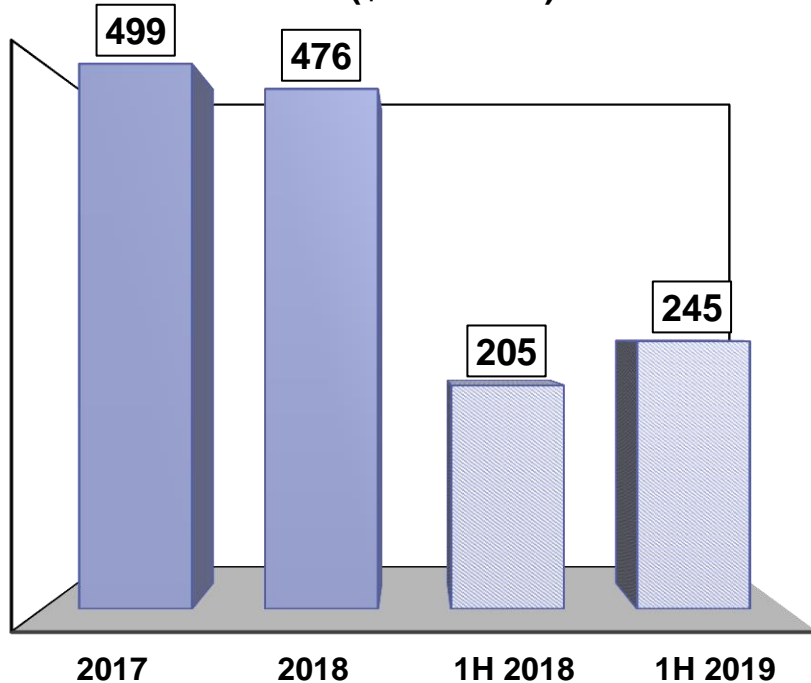


		No. of	Brief description
Offshore Platforms		projects	
○	No. of projects delivered in 1H 2019	Nil	
○	No. of projects in WIP stage	3	<ul style="list-style-type: none"> <li>Tangguh LNG modules</li> <li>Hornsea II jackets</li> <li>Hornsea II substation topsides</li> </ul>

# Core Business: Repairs & Upgrades

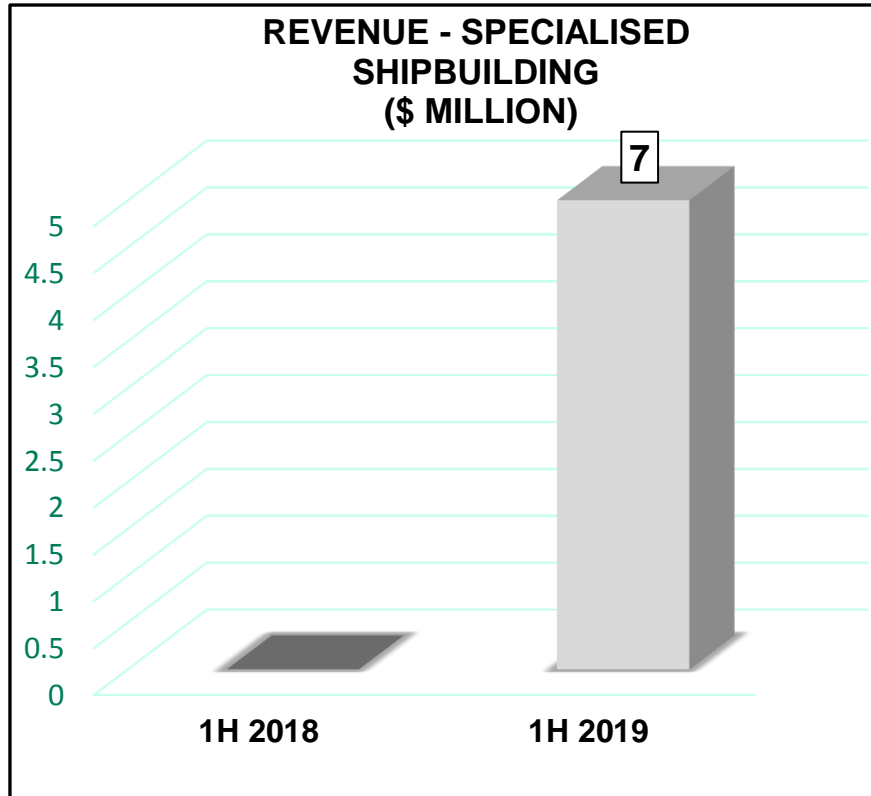
- Revenue from Repairs & Upgrades totalled \$245 million in 1H 2019 (1H 2018: \$205 million), on higher average revenue per vessel due to improved vessel mix on relatively higher value works.

**REVENUE – REPAIRS & UPGRADES  
(\$ MILLION)**



Description	1H 2019	1H 2018	% change
No of vessels repaired	153	158	(3)
Average value per vessel (\$m)	1.60	1.30	23
Total repair revenue contribution (\$m)	245	205	20

- Maiden revenue contribution from Specialised Shipbuilding was \$7 million for 1H 2019 on recognition of ongoing Ropax ferries projects.

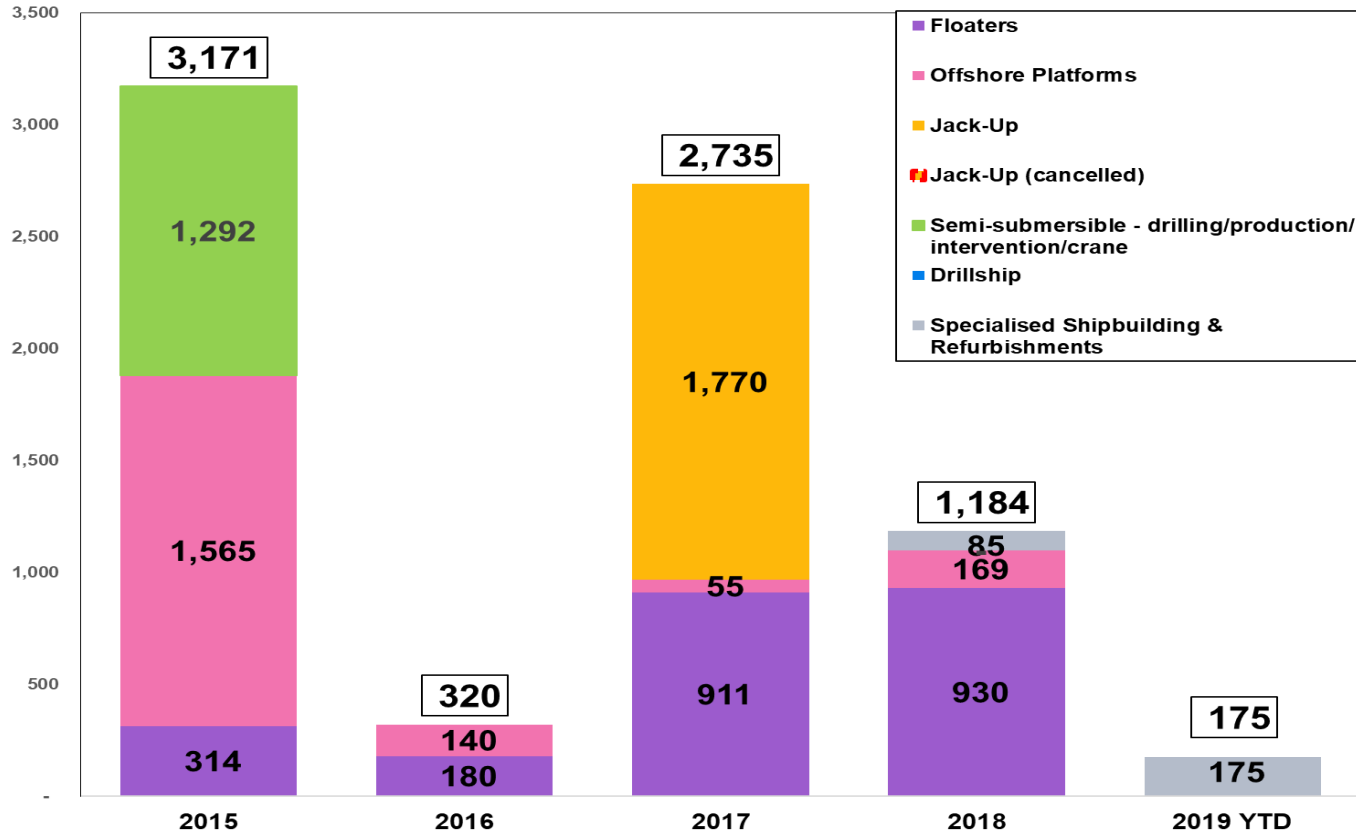


Specialised Shipbuilding projects		No. of	Brief description
○	No. of projects delivered in 1H 2019	Nil	
○	No. of projects in WIP / Planning stage	3	<ul style="list-style-type: none"> <li>• Ropax ferries</li> </ul>
		1	<ul style="list-style-type: none"> <li>• LNG bunker vessel</li> </ul>

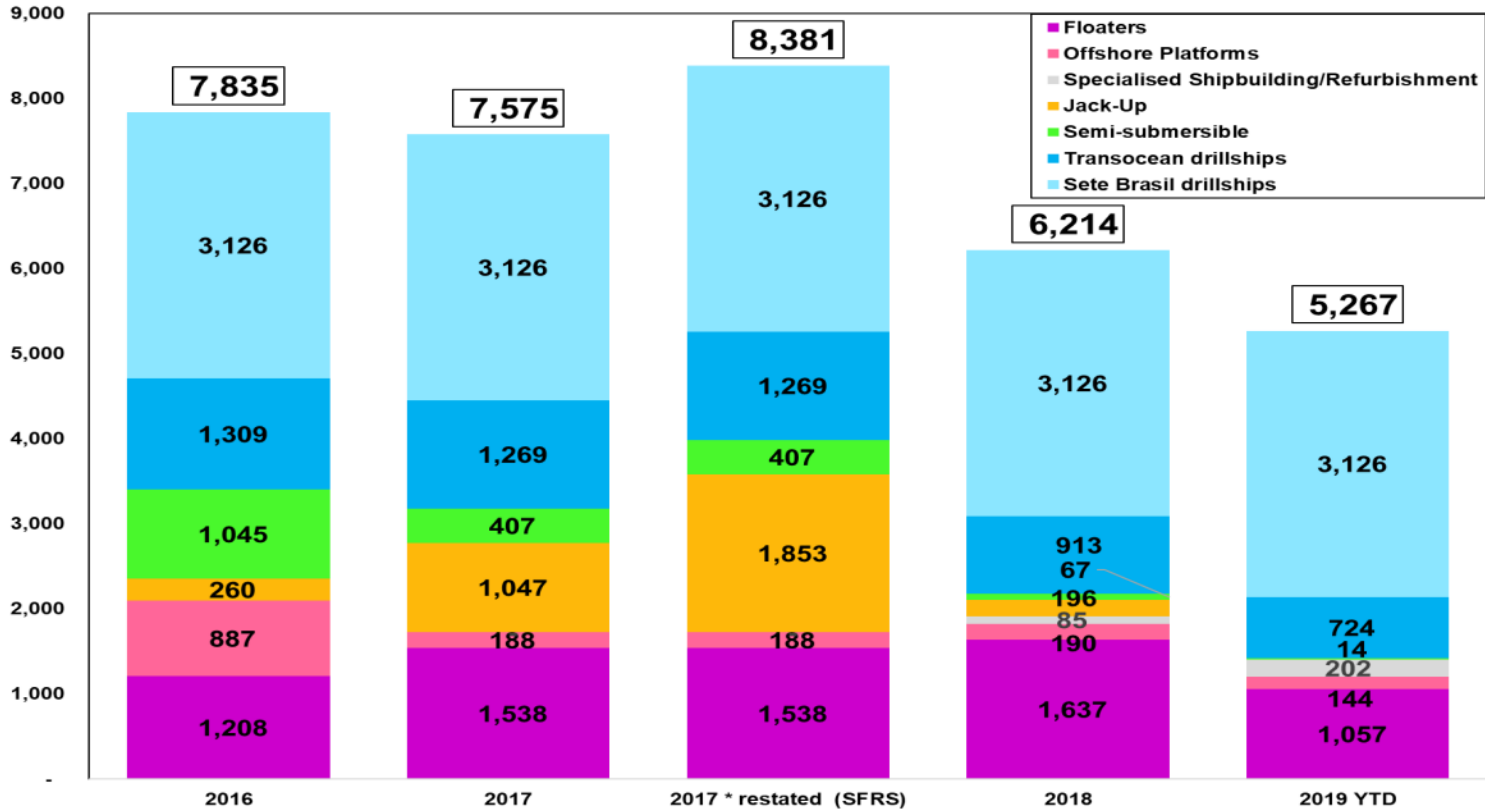
Group (\$ million)	Jun-19	Dec-18	% change
Shareholders' Funds	2,308	2,312	-
Net Debt	3,332	3,391	(2)
Net Working Capital	(1,146)	198	n.m.
Return on Equity (ROE) (%) - annualised	(0.6)	(3.1)	(81)
Net Asset Value (cents)	110.48	110.68	-
Return on Total Assets (ROTA) (%) - annualised	1.3	0.3	333
Total equity	2,343	2,348	-
Net Gearing Ratio (times) *	1.42	1.44	(1)
* Net debt/Total equity			

Group (\$ million)	2Q 2019	2Q 2018	% change	1H 2019	1H 2018	% change
Operating cashflow before working capital changes	56	(1)	n.m.	125	66	89
Cash generated from operations	287	(69)	n.m.	296	(38)	n.m.
Net cash flow from operating activities	273	(82)	n.m.	273	(76)	n.m.
Net cash flow from investing activities (mainly Capex)	(127)	(62)	n.m.	(203)	(106)	92
Net cash flow from financing activities	112	(26)	n.m.	(123)	(270)	(54)
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>258</b>	<b>(170)</b>	n.m.	<b>(53)</b>	<b>(451)</b>	<b>(88)</b>
Cash & cash equivalents in balance sheets				782	848	(8)
Borrowings				(4,114)	(3,842)	7
<b>Net Debt</b>				<b>(3,332)</b>	<b>(2,994)</b>	<b>11</b>

## Contracts Secured (\$ million)



## Net orderbook by Product Type



Note: FY 2019 YTD net order book is \$2.14 billion excluding Sete Brasil drillship contracts.

*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.*





**sembcorp  
marine**

**Integrated Synergies, Global Possibilities.**