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PRESS RELEASE

Sembcorp Marine reports 1H 2020 net loss of $192 million, hit by COVID-19 shutdown of production activities since April 2020

<u>Key highlights</u>

For the 6 months to 30 June 2020 (1H 2020):

- Group revenue of $906 million
- Group net loss of $192 million
- Net order book of $1.91 billion

Singapore, 15 July 2020: Sembcorp Marine posted a net loss of $192 million for the six months ended 30 June 2020, following the shutdown of production activities at all its Singapore yards since April as a result of the COVID-19 pandemic. This was a severe deterioration compared with the net loss of $7 million for 1H 2019.

Since April, when the Singapore government imposed its COVID-19 "circuit breaker" measures, in particular movement restrictions that disallowed migrant workers from leaving their dormitories for work, there was a substantial reduction in the Group's operating yard workforce (including sub-contractors) from about 20,000 to 850 persons. Sembcorp Marine's Singapore yards had to stand down and discontinue production activities, resulting in significant delays to project executions.

As a consequence, all segments posted losses for the six months period, with the exception of Repairs & Upgrades which reported higher profits on better product mix of higher margin upgrade projects which were executed during the first quarter of 2020.

Besides the production stand-down, other factors which contributed to the bigger losses were higher costs recognised for Rigs & Floaters and Specialised Shipbuilding projects, and lower margin recognition from Offshore Platforms projects mainly due to COVID-19 related factors.

Group revenue for 1H 2020 totalled $906 million, compared with $1.54 billion booked in 1H 2019. The 41% revenue decline in 1H 2020 was largely due to lower revenue from Rigs & Floaters projects.

Revenue on a segmental basis was as follows:

- Revenue for the **Rigs & Floaters** segment was $459 million in 1H 2020, compared with $1.22 billion in 1H 2019. This was due to lower production activities due to the COVID-19 production stand-down at the yards in the second quarter. All existing projects were affected by the stand-down.

- Revenue from **Repairs & Upgrades** totalled $258 million in 1H 2020, which was 5% higher than the $245 million in 1H 2019. This was due to higher revenue per vessel at $3.49 million (1H 2019: $1.60 million) on recognition of several upgrade projects for floating storage and regasification vessels (FSRU) and cruise ships. A total of 74 vessels were repaired or upgraded at Sembcorp Marine yards in 1H 2020 (1H 2019: 153 vessels).

- **Offshore Platforms** revenue was $130 million in 1H 2020, up 165% from 1H 2019 with higher revenue recognition from the Hornsea 2 wind farm project and new projects secured in 2H 2019. Offshore Platforms also successfully delivered the Tangguh gas modules project in June 2020 from our Batam yard.

- **Specialised Shipbuilding** revenue was $35 million in 1H 2020, up from $7 million in 1H 2019 on higher percentage recognition from the Ropax ferries as well as the LNG bunker vessel projects.

The Group posted negative EBITDA of $72 million in 1H 2020, compared with 1H 2019 EBITDA of $125 million. Group operating loss for 1H 2020 was $173 million, compared with 1H 2019 operating profit of $3 million.

The Group incurred net finance costs of $49 million compared to $18 million in 1H 2019, due to higher interest cost and lower interest income.

Net loss attributable to shareholders was $192 million, compared to the net loss of $7 million reported in 1H 2019.

Table A: Financial Highlights

Group (S$ million)	1H 2020	1H 2019	% change
Turnover	906	1,542	(41)
Cost of sales	(1,101)	(1,515)	(27)
Gross (Loss)/ Profit	(195)	26	n.m.
EBITDA	(72)	125	n.m.
Operating (Loss)/ Profit	(173)	3	n.m.
Loss before tax	(221)	(16)	n.m.
Net Loss	(192)	(7)	n.m.
EPS (basic) (cts)	(9.19)	(0.33)	n.m.

Net Order book

As there were no significant new contracts secured in 1H 2020, the Group's net order book as at 30 June 2020 stood at $1.91 billion. In addition, our Repairs & Upgrades business has outstanding orders for execution totalling about $280 million.

To date, there has been no cancellation of any existing projects.

Table B: Projects under execution as at 30 June 2020

Projects Under Execution as at 30 June 2020
Renewables Solutions • Hornsea 2 Offshore Wind Farm - Jacket Foundations and Topsides • Formosa 2 Offshore Wind Farm – Foundation Jackets
Process Solutions • Equinor Johan Castberg - Newbuild Floating Production, Storage and Offloading Vessel (FPSO) • TechnipFMC Karish - Newbuild FPSO • Shell Vito - Newbuild Floating Production Unit (FPU) • Shell Whale - Newbuild FPU • Gallaf Batch 2 Well Head Platforms • Tupi P-71 - Newbuild FPSO • Shapoorji - FPSO Conversion
Gas solutions • MOL LNG Bunker Vessel • Tyra Platforms and Bridges • Upgrade of Major Floating Storage & Regasification Units (FSRU) and Floating Storage Units (FSU), including FSRU Karmol LNGT Powership Africa, FSRU Karmol LNGT Powership Asia and Torman II (FSU)
Ocean Living Solutions • Battery-operated Roll-on, Roll-off Passenger Ferries (3 units)
Advanced Drilling Rig Solutions • Transocean 1 Drill Ship • Transocean 2 Drill Ship

Gradual Resumption of Work Activities

With the lifting of some COVID-19 measures in Singapore since June 2020, Sembcorp Marine was allowed to gradually resume yard operations on 6 July, and this is being done safely and progressively. Sembcorp Marine is working closely with our customers to restart the execution of existing projects.

While no significant new orders have been announced this year, discussions have resumed on several project opportunities.

On 9 July 2020, RWE Renewables, owner of the 1.4 gigawatt (GW) Sofia Offshore Wind Farm in the UK North Sea (“Project”), announced the selection of Sembcorp Marine and its partner, GE’s Grid Solutions, as the preferred supplier for the Wind

Farm’s High Voltage Direct Current (HVDC) electrical transmission system. Sembcorp Marine’s scope of work includes the design, construction, installation and commissioning of the offshore converter platform for the Project. Early design works have commenced, ahead of the Project’s FID (final investment decision) in the first quarter of FY 2021.

In May 2020, Sembcorp Marine’s 50%-owned technology company, Aragon AS, firmed up contracts with Yinson to undertake the engineering, procurement and construction of seven modules for gas treatment, gas compression, utilities and flare systems for the FPSO Anna Nery.

Balance Sheet and Cash Flow

The Group’s immediate priority is to address urgent liquidity needs to fund its operations and ride out the severe industry downturn which has been further worsened by the COVID-19 pandemic. Besides taking measures to right-size resources in response to the activities outlook, the Group has also deferred all non-essential CAPEX to preserve cash flow and manage overall liquidity prudently.

Group CAPEX for 1H 2020 was about $58 million, which was less than one third of the amount incurred in 1H 2019. This comprised mainly the completion of installation of certain new capabilities at our Tuas Boulevard Yard. Going forward, CAPEX is expected to continue to be low, as only maintenance CAPEX will be incurred to ensure the safety and operability of yard facilities.

For 1H 2020, with the production stand-down for almost 3 months, net cash used in operating activities was $122 million. Net gearing (excluding the $1.5 billion Subordinated Loan from parent company Sembcorp Industries) was 1.35 times as at end June 2020, compared to 1.14 times at end December 2019.

As at 30 June 2020, the Group remained in a net current liabilities position of $259 million, mainly due to term loans maturing in the next 12 months.

Sembcorp Marine will look to refinance these loans with longer term maturities. In June 2020, we completed the refinancing of three term loans due with longer term maturities. The Group expects to have adequate existing loan facilities to repay or refinance current borrowings as they fall due and remains committed to exercising financial discipline and prudence to manage our balance sheet and further strengthen the Group's financial position.

Proposed Five-for-one Rights Issue to raise $2.1 billion

On 8 June 2020, Sembcorp Marine announced a proposed $2.1 billion renounceable underwritten rights issue (the "Rights Issue"), followed by a proposed demerger of Sembcorp Marine and Sembcorp Industries Ltd ("SCI") via a distribution in specie of Sembcorp Marine shares owned by SCI to SCI's shareholders.

Sembcorp Marine believes that the proposed Rights Issue will strengthen the Company's financial position and is in the best interests of its shareholders.

Interim Dividend

No interim dividend has been declared for 1H 2020 (1H 2019: no interim dividend).

Market Outlook

Sembcorp Marine is gradually resuming project executions safely and progressively. How soon the Group's workforce will be allowed to return to full strength will determine the business outlook in subsequent quarters.

Sembcorp Marine will work to ensure adequate liquidity and financial strength to sustain its operations and ride through the severe industry downturn and COVID-19 pandemic.

In this difficult business environment, the Group expects losses to continue into the foreseeable quarters.

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