

**Address by Mr Wong Weng Sun, President & CEO, at Sembcorp Marine Ltd
1H2021 Results Briefing on 29 July 2021**

1. Good evening, everyone. Thank you for joining us at Sembcorp Marine 1H2021 Results Webcast.

Continuing Impact of COVID-19 Pandemic

2. The challenges faced by the Group are real and severe. Due to the protracted effects from the COVID-19 pandemic, these challenges have lasted longer than anticipated.
3. Over the course of 2021, new waves of localised infections continue to surface with new border control measures put in place. We continued to face supply chains disruption and shortage of skilled manpower. This further impacted our yard operations and the scheduled completion of projects. A majority of the Group's projects have been delayed by at least 12 months since the start of the COVID-19 pandemic.
4. We have taken concrete steps to address these challenges.
5. Firstly, to mitigate the risk of project cancellations, the Group has been coordinating with customers to reach mutually beneficial outcomes of project re-scheduling. I am pleased to share that there is no cancellation of any of the Group's existing projects to-date.
6. Additionally, to complete the existing projects with minimum further delay, the Group has actively sourced for skilled workers from other countries, tapping into alternative labour supply other than recruitment from sources the Group used to hire from.
7. However, it is also noted that along with the success of project re-scheduling, the Group faces deferment in payments. This means a significant reduction in revenue receipts in the near term.
8. The active steps taken to address the acute labour shortage have resulted in increased manpower and other related costs amounting to S\$361 million.
 - Costs such as higher wages and costly upfront COVID-19 related recruitment costs, including up to five weeks of quarantine in home country and Singapore
 - Additional project-related costs due to work re-scheduling, extra sub-contract work, additional material usage and other staff turnover related costs
9. On average, recruitment from the alternative sources costs more than twice that from the Group's usual sources.
10. While we incur significant additional costs, completion our projects with minimum further delays mitigates the risk of project cancellations. At the same time, it frees up our resources to take on more new projects.

Financial Review

11. These developments have impacted the Group's financial performance. The Group registered a substantial net loss of S\$647 million for the six months ended 30 June 2021, including provisions of S\$472 million, largely related to higher provisions of manpower and other related costs to complete most of our existing projects over the next six to 18 months
12. Due to COVID-19-related execution delays and re-scheduling of project delivery, the Group's revenue for the six months ended 30 June 2021 came in at S\$844 million, S\$62 million lower compared to 1H2020.

Cash Flow and Liquidity Management

13. As a result of a significant reduction in revenue receipts and an increase in costs, the Group faces higher negative operating cash flows which affected its near-term liquidity position.
14. We have taken actions to reduce the Group's monthly operational cash burn rate and to carefully manage our working capital.
15. We have also deferred all non-essential capital expenditure, incurring only maintenance spending to ensure yard safety and operability.
16. External consultants have been engaged to develop a holistic Performance Improvement Plan ("**PIP**") to drive operational improvements and optimise our cost structure. The PIP will include strategic cost management initiatives, improved project execution and procurement processes, digitisation and overall reduction of overheads.
17. Given the challenging business environment, the Group faces increasing challenges in refinancing its existing maturing debt. As such, we expect an increasing need to repay more debt upon their maturity over the next 18 months.
18. Allow me to briefly mention about the net cash proceeds raised from last year's rights issue. Of the S\$0.6 billion of net cash raised, S\$0.43 billion has been used for working capital purposes, including S\$0.13 billion in July 2021.
19. It has progressively become evident that the impact of COVID-19 and the industry downturn has been more protracted than originally anticipated. Hence the remaining S\$0.16 billion net proceeds from last year's rights issue is now insufficient.

Proposed S\$1.5 Billion Rights Issue

20. On 24 June 2021, the Group issued an announcement related to a proposed Rights Issue aimed at addressing the Group's immediate funding needs. The proposed Rights Issue is expected to strengthen the Group's balance sheet, replenish the Group's temporary working capital depletion and enhance the Group's liquidity position to meet its projected operational funding requirements until at least the end of 2022.
21. The proposed Rights Issue will also allow the Group to keep its sights on its future strategic goals. Specifically, the proposed Rights Issue will:
 - enable the Group to continue to successfully execute existing projects and competitively bid for high-value and large-scale projects;
 - allow the Group to pursue strategic investments to further augment its technological capabilities; and
 - accelerate the Group's strategic transition towards the high-growth renewable and clean energy segment, to secure sustainable long-term growth.
22. The Board of Directors of Sembcorp Marine has considered various financing options and believes that another equity rights issue at this point is the most optimal solution. The fully committed nature of the proposed Rights Issue means that the Group and its stakeholders, including investors and customers, have the assurance that the Group will raise approximately S\$1.5 billion that it critically requires.
23. This is a very brief review of the Group's financial performance and position. William Goh, our Group Finance Director, will provide more details on our financial performance shortly.

Operations Review

24. Let me now turn to a discussion of our operations.

Successful Delivery of Projects

25. Despite extreme operational challenges encountered due to the acute manpower shortage and other supply chain constraints, we managed to complete a number of projects successfully in 1H2021. These include:
 - The fabrication of two wellhead and one riser topsides and two bridges for deployment to TotalEnergies' Tyra Redevelopment Field, which has since sailed away to the Danish North Sea on 25 July 2021;
 - A 125,000 cubic metre FSRU, delivered to our customer KARMOL in March 2021 for deployment to Senegal to bring cleaner LNG-powered electricity to the surrounding locations;

- Completion of a FSU conversion project, Gaslog Singapore, for our partner Gaslog LNG in early July 2021;
- Major upgrades of FPSO Ningaloo Vision for Teekay, FSO Prem Pride for Synergy Marine Group, and heavy-lift vessel Aegir for Heerema Marine Contractors for deployment to Changhua Offshore Wind Project in Taiwan in 1H2021;
- Completion of Murex, the first of the five LNG reliquefaction plant installation projects for Teekay, currently managed by Shell;
- Major refit of limestone carrier Accolade II for Inco Ships;
- Major repairs of 10 LNG carriers; and
- Repairs and refit of 22 cruise ships.

Ongoing Project Development

26. Notably, we made progress in the construction of Shell's Vito Host, with the successful lifting and installation of the FPU's upper column frame in May 2021. This was the first time a tandem lift – the simultaneous lifting performed by two cranes – was executed by our 30,000-tonne goliath cranes. Ongoing works are currently underway to prepare for the next major construction milestone, including the mega lift of a 9,200-tonne's FPU single topside module, scheduled in 2H2021, before the final integration and commissioning phase of the project.
27. Following delivery of the completed facilities for TotalEnergies' Tyra Redevelopment Project, the Group is currently fabricating the remaining three topside modules and two bridges, which are projected for completion in January 2022.
28. In June 2021, taking into consideration work disruptions arising from the COVID-19 pandemic, the Group entered into Amendment Agreements with Transocean Offshore Deepwater Holdings Limited to revise the delivery dates of two ultra-deepwater drillships. These drillships are designed and equipped to optimise fuel consumption and reduce emissions. They boast of many firsts:
 - They are the first set of next-generation drillships with ultra-deepwater drilling capability to be constructed in Singapore; and
 - They are the only drillships in the world with three million pound hook-load and are capable of 20,000 psi drilling operations.
29. The Group also secured an Amendment Contract in June 2021 from Tupi B.V. valued at about approximately S\$230 million for modification work to be completed on the FPSO P-71 oil and gas vessel, with expected delivery in the last quarter of 2022.
30. In March 2021, the Group made another notable inroad into the renewable energy market with a new contract to design, construct, install and commission the Offshore Converter Platform (OCP) for RWE Renewables' Sofia Offshore Wind Farm, in the UK. Sofia will be the world's most remote offshore converter platform, located some 220 km from the nearest shore.

31. During 1H2021, the Group secured multiple contracts for repairs and upgrades, including a long-term contract with a European owner and operator of luxury cruise ships and yachts. With this win, Sembcorp Marine works with four global operators who together, own more than 15 cruise brands.
32. In total, the Group has 16 projects under execution with five scheduled for completion in 2021, nine in 2022, and the remainder scheduled for completion up to 2025.
33. As at end of June 2021, including S\$615 million of new orders secured in 1H2021, the Group has a net order book of S\$1.78 billion. This comprises S\$1.56 billion of projects under execution (with a total original contract sum of S\$6.1 billion) and S\$0.22 billion of ongoing Repairs & Upgrades projects with firm deliveries in 2021.
34. I am pleased to share that Green energy solutions comprise approximately 34% of the Group's net order book.
35. The Group is currently executing several wind farm projects, namely:
 - Fabrication of two wind farm substation topsides for Ørsted for deployment at UK Hornsea 2 Offshore Wind Farm;
 - Fabrication of 15 jacket foundations for the Formosa 2 Offshore Wind Farm; and
 - The design, construction, installation and commissioning of the offshore converter platform, comprising an 18,000-tonne topside and jacket foundation structure for the RWE Renewables Sofia Offshore Wind Farm.
36. The Group has also been working expeditiously to expand its business and product segments towards the provision of clean energy solutions. The Group is actively tendering for more than 10 projects, especially in the Renewable Energy and Gas Solutions segment. A similar number of tenders are in progress for the Process Solutions segment covering FPSOs, FSOs and FPU.

Projects Under Execution as at 30 June 2021
<p>Renewables Solutions</p> <ul style="list-style-type: none"> • Ørsted - Hornsea 2 Offshore Wind Farm: Offshore Substation and Reactive Compensation Station Topsides • Jan De Nul - Formosa 2 Offshore Wind Farm: Wind Turbine Jacket Foundations • RWE Renewables - Sofia Offshore Wind Farm: Offshore Converter Platform
<p>Process Solutions</p> <ul style="list-style-type: none"> • Equinor - Johan Castberg: Newbuild Floating Production, Storage and Offloading Vessel (FPSO) • Shell Vito: Newbuild Floating Production Unit (FPU) • Shell Whale: Newbuild FPU • NOC - Gallaf Batch 2: Wellhead Platforms • Tupi P-71: Fabrication and Integration of FPSO • Shapoorji: FPSO Conversion
<p>Gas Solutions</p> <ul style="list-style-type: none"> • MOL - LNG Bunker Vessel • TotalEnergies - Tyra Redevelopment Project: – Topsides and Bridges • Technip Energies - Karish: Newbuild FPSO • KARMOL - Karmol LNGT Powership Asia: Floating Storage & Regasification Unit (FSRU) Conversion and Upgrade • Gasfin/NYK - Torman II: Floating Storage Unit (FSU) Conversion and Upgrade
<p>Ocean Living Solutions</p> <ul style="list-style-type: none"> • Full Battery-operating Roll-on/Roll-off Passenger Ferries (Three units)
<p>Advanced Drilling Rig Solutions</p> <ul style="list-style-type: none"> • Transocean Deepwater Atlas Drillship • Transocean Deepwater Titan Drillship

Workplace Safety & Health

37. While the Group is committed to the re-scheduled project delivery as discussed and planned for with its customers, we are also focused on the safe and progressive execution of all existing projects. The Group is equally committed to ensuring a safe and secure work environment with the required safe management measures and precautions in place, to protect our workers, customers, vendors and other stakeholders.

38. Our unwavering focus on high standards of occupational health and safety earned the Group a total of 24 accolades at this year's Workplace Safety and Health (WSH) Awards organised by the Singapore WSH Council. Today, we celebrate the haul of 24 awards and applaud Team Sembmarine for their achievements! These wins are a testament to the Group's hallmark of high standards of workplace health and safety, and are especially meaningful given the heightened health and safety requirements brought on by the ongoing COVID-19 pandemic challenges.

Sustainability – A Strategic Priority

39. Our steadfast commitment to sustainability through the years has also won the Group the prestigious Sustainability Award at the Singapore International Maritime Awards 2021. Presented for the first time by the Maritime and Port Authority of Singapore, this national award recognises Sembcorp Marine's contributions towards the building of a greener and more environmentally sustainable maritime industry.
40. In April 2021, Sembcorp Marine signed a Memorandum of Understanding with Shell and Penguin International to jointly develop hydrogen as a marine fuel. This pilot development is a first for Singapore and potentially paves the way for emission-free shipping and transportation. This ground-breaking collaboration will further propel our efforts in championing decarbonisation and a cleaner future for the maritime industry.
41. To further boost our green energy capabilities and reduce our carbon footprint, the Group signed a partnership agreement with Singapore Power (SP) in June 2021 to deploy an additional 4.0 MWp of solar energy across seven rooftops at Tuas Boulevard Yard. The project is an extension of our partnership with SP in 2017 which saw the successful integration of our existing 4.5 MWp rooftop solar panels currently in operation atop our steel fabrication facility. With the additional solar installations, the yard's solar power capacity will increase to 8.5 MWp, enough to power more than 2,300 four-room flats per year, and help the Group avoid annual carbon emissions by more than 4,200 tonnes, which is equivalent to taking approximately 1,300 cars off the road.

The Potential Combination

42. I would also like to take this opportunity to briefly share on another announcement the Group issued on 24 June 2021. The announcement relates to a non-binding memorandum of understanding entered into with Keppel Corporation Limited to explore the potential combination of Sembcorp Marine and Keppel Offshore & Marine ("**Potential Combination**").
43. The Potential Combination is in response to dramatic changes in the global O&M engineering and energy sectors, which are seeing a major transition away from oil globally. As our global peers have pursued consolidations to create scale, retain talent, more effectively use their asset bases, and to position themselves for new opportunities arising from the energy transition, we too are exploring such a combination.
44. I do have to emphasise that discussions on the Potential Combination are currently at a very preliminary stage. There is no certainty that the Potential Combination will take place as it is subject to among others, satisfactory due diligence, further negotiations between parties, execution of definitive agreements, receipt of the relevant regulatory approvals and the approval of shareholders of the respective parties.

Striving for Growth in Unprecedented Times

45. The Group continues to build on its integrated O&M engineering capabilities to move up the value chain and provide a wider suite of products and solutions for its existing business segments. This strategy is aimed at strengthening the Group's competitiveness in winning more orders and improving its overall profitability over the longer-term.
46. Underpinned by the global energy shift towards cleaner products and solutions, significant growth is expected in renewables and other clean energy over the next decade and beyond. The Group will also focus on accelerating its transformation to gain further traction in this segment and strengthen its market share.
47. To support its expansion into new and existing markets, the Group will continue to strategically augment its yard facilities and make other strategic infrastructure investments to enhance its value propositions of yard capabilities and sustainable operations. As mentioned earlier, the Group has partnered the SP Group to enhance the sustainability credentials of its flagship Tuas Boulevard Yard with a further deployment of 4.0 MWp of solar energy across its yard.

Outlook

48. The Group continues to face uncertainties arising from the COVID-19-led measures of border controls, as well as workforce supply and quarantine restraints. Resolving the skilled manpower shortage on a timely basis is a key priority.
49. We are also actively undertaking measures to improve project execution, replenish temporary working capital depletion and enhance the Group's liquidity position. However the Group expects to incur losses in 2H2021 because of insufficient revenues to cover overhead costs.

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 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.