



Company Registration Number: 196300098Z

Sembcorp Marine Interim Business Update for 3Q2021

- The Group strengthened its financial position with the successful completion of a S\$1.5 billion Rights Issue
- Successfully delivered projects for TotalEnergies Tyra Field Development and Ørsted Hornsea 2 Offshore Wind Farm
- Completed integration of the Vito's topside with its hull at the Group's flagship Tuas Boulevard Yard
- Expects significant losses to continue in 2H2021
- Positioned for recovery underpinned by ongoing strategic diversification and expansion into the clean energy sector

Singapore, 11 November 2021: Sembcorp Marine Ltd (the "**Company**") and together with its subsidiaries, the "**Group**") is today issuing its interim business update for the third quarter of 2021 (**3Q2021**) and for the nine months ended 30 September 2021 (**9M2021**), following the adoption of semi-annual reporting of its results from FY2020.

Completion of Rights Issue Amid Prolonged and Severe Industry Downturn and COVID-19 Challenges

1. On 24 June 2021, the Group issued an announcement relating to a proposed S\$1.5 billion renounceable underwritten Rights Issue aimed at addressing the Company's immediate funding needs; strengthening the Group's balance sheet; and replenishing temporary working capital depletion.
2. The Rights Issue was successfully completed in September 2021. With the enhanced liquidity position, the Group will be able to meet its projected operational funding requirements through to at least end-2022.
3. The mandatory general offer by Startree Investments Pte. Ltd. ("**Startree**"), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, has also closed with Startree having a resultant shareholding of 54.6% in the Company.
4. The Group continued to face COVID-19 supply chain constraints and shortages of skilled workers which seriously affected its 16 projects under execution. Delivery of equipment was delayed and longer lead times is needed for purchases of new components. To alleviate the shortage of skilled workers, the Group took active measures to recruit from alternative sources. Due to spikes in COVID-19 infections during 3Q2021, recruitment was slower than expected.

Some attrition of existing workers also contributed to the labour shortage. The above impacted the execution and further delayed the scheduled completion of some of the Group's projects by between one and three months.

5. In mid-October 2021, the Company was alerted to unhappiness among its workers residing at Westlite Jalan Tukang Dormitory over COVID-19 safety protocols and food quality. The Company actively worked with the relevant authorities and the dormitory operator to address the issues pertaining to COVID-19. The Company also took immediate steps to ensure food quality and safety for our workers and worked with our caterer to make improvements to the catered meals based on the workers' feedback. Following stepped up engagements and improvement in food hygiene and quality, feedback from the workers has been positive. The Company remains fully committed to looking after the health, safety and living environment of its workforce.

Operations Review

Successful Delivery / Completion of Projects

6. Despite operational challenges due to the acute manpower shortages, the Group managed to deliver a number of projects successfully. These include:
 - (i) The fabrication of two wellhead and one riser topsides and two bridges for deployment to TotalEnergies' Tyra East Redevelopment Field which set sail for the Danish North Sea in July 2021; and
 - (ii) Delivery of Offshore Substation (**OSS**) and Reactive Compensation Station (**RCS**) in August 2021 to Ørsted Wind Power subsidiary Optimus Wind Limited. The OSS and RCS topsides have been successfully installed in October 2021 at Hornsea 2 Offshore Wind Farm by Heerema Marine Contractors ("**Heerema**"), using the world's biggest and strongest semi-submersible crane vessel Sleipnir, built by Sembcorp Marine in 2019 for Heerema.
7. The Group's Repairs & Upgrades business completed several key projects in 3Q2021:
 - Torman II: Floating Storage Unit (**FSU**) conversion and upgrade for Gasfin/NYK;
 - Gaslog Singapore: FSU conversion for Gaslog LNG;
 - Six LNG vessel refits, including major reliquefaction plant installation projects on Macoma and Magdala for alliance partners Shell and Teekay; and
 - Naval repairs for the Republic of Singapore Navy and the US Navy.

Ongoing Project Execution and Related Developments

8. The Group continues to focus on the safe and timely execution of its existing order book as at end 3Q2021 of over S\$1.42 billion, including S\$0.18 billion of ongoing repairs and upgrades for delivery by 2022.
9. Of the Group's 16 projects under execution, two are scheduled for completion in FY2021 and another twelve in FY2022. The remaining two will progressively be completed by 2025.

Projects Under Execution as at 30 September 2021
Renewables Solutions <ul style="list-style-type: none">• Ørsted - Hornsea 2 Offshore Wind Farm: Offshore Hook-up and Commissioning of 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
Process Solutions <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: FPSO Modification, Integration and Topside Modules Fabrication• Shapoorji: FPSO Conversion
Gas Solutions <ul style="list-style-type: none">• MOL - LNG Bunker Vessel• TotalEnergies - Tyra West Redevelopment Project: Topsides and Bridges• Technip Energies – Karish: Newbuild FPSO• KARMOL - Karmol LNGT Powership Asia: Floating Storage & Regasification Unit (FSRU) Conversion and Upgrade
Ocean Living Solutions <ul style="list-style-type: none">• Full Battery-operating Roll-on/Roll-off Passenger Ferries (Three units)
Advanced Drilling Rig Solutions <ul style="list-style-type: none">• Transocean Deepwater Atlas Drillship• Transocean Deepwater Titan Drillship

10. On the Renewables Solutions front, the Group's ongoing wind farm projects are advancing well. Following the successful installation of Ørsted's OSS and RCS topsides for the largest AC offshore substation at Hornsea 2 Offshore Wind Farm in October 2021, the Group will commence the offshore hook-up and commissioning of the topsides in November 2021, with completion scheduled in the first quarter of 2022.

11. The Group has also made steady progress on Jan De Nul's Formosa 2 Offshore Wind Farm project, with the completion of four wind turbine jacket foundations. The first pair of completed jacket foundations sailed away in October 2021 while the second pair set off in early November 2021. Fabrication works are underway for the remaining 11 jacket foundations with expected completion by end 2021.
12. In addition, the Group marked the construction commencement of the Sofia Offshore Wind Farm's Offshore Converter Platform with a First Steel Cutting Ceremony held in September 2021.
13. The Group successfully completed at its Tuas Boulevard Yard the load-out and tandem lift of the Vito Host mega-topside structure in October 2021 for the Vito FPU Project – both mark notable firsts for Sembcorp Marine's newbuild track record. Following the load-out, the mega-topside structure was transported via the yard's heavy-lift vessel Elite Prosperity and lifted onto the FPU hull using a pair of goliath cranes with a combined 30,000-tonne lifting capacity and 100-metre hook height. The completion of these major construction milestones for the Vito Host demonstrates Sembcorp Marine's capabilities as a one-stop solution provider for the marine, offshore and energy industries.
14. The Group is working expediently at the request of its customer, Equinor, to plan the remaining scope of work for the Johan Castberg FPSO vessel to accommodate the available transportation window for the towing operations to Norway. The construction of the topside modules, module integration and final completion, which are not part of the Group's scope of work, will be performed in Norway.
15. The Group's Brazilian yard, Estaleiro Jurong Aracruz, is carrying out modification and integration work on the FPSO P-71 oil and gas vessel slated for deployment at the Itapu field. The vessel is expected to be delivered in the last quarter of 2022.
16. The Group has several repairs and upgrade projects currently in progress, comprising the LNG major reliquefaction plant installation project on Magdala, as well as restoration works for container vessel MSC Messina and bulk carrier Galapagos. The Group is also undertaking various green refit projects, including the docking and repair of tanker Polar Enterprise which involve ballast water management system installation on board the vessel.

New Order Developments

17. Overall orders visibility across the Group's product segments improved in FY2021.
18. The Group entered into an exclusive Front-End Engineering and Design (FEED) contract with Siccar Point Energy E&P Ltd to deliver a FPSO design solution for the Cambo field in the UK Continental Shelf. The solution is based on the Group's proprietary Sevan geostationary circular hull, a cost-effective alternative to traditional ship-shaped and turret-moored designs. The Group is continuing with pre-FID (final investment decision) work on the Cambo FPSO in anticipation of a FID soon.

19. In September 2021, the Group secured the FEED contract for the Dorado FPSO project, further affirming Sembcorp Marine's engineering, procurement and construction (EPC) capabilities.
20. The Group is also in negotiations with the Brazilian Navy for the construction of the Antarctic Support Vessel "NApAnt" which is part of the Brazil Navy Research Vessel Project. Contract award is scheduled in 1H2022.
21. The Group secured contracts to carry out refurbishment and revitalisation work on Royal Caribbean Cruise Line's Royal Princess and Windstar Cruises' Wind Spirit. Both cruise ships will arrive in December 2021 for repair work.
22. The Group continues to actively develop more than 10 tender opportunities in the Renewable Energy and Gas Solutions segment.
23. The Group is also actively working on multiple projects with tenders in progress for the Process Solutions segment covering FPSOs, FSOs and FPU.

Cash Flow and Liquidity Management

24. Following the September 2021 Rights Issue, the Group has repaid a S\$430 million loan facility using part of the S\$1.5 billion rights proceeds.
25. The Group continues to work with external consultants to develop a holistic Performance Improvement Plan to further drive operational improvements and optimise its cost structure.
26. As at end-September 2021, the net debt to equity of the Group was 0.40 times. The Group will continue to manage its liquidity prudently.

Results Guidance for 2H2021

27. On 19 October 2021, the Group issued a Results Guidance for 2H2021 of further losses for the second half of the year.
28. While the Group has made some progress in managing the delays in project completions, COVID-19 related measures continue to have a serious impact on the Group's performance.
29. Project execution challenges, include:
 - (i) delays in delivery of equipment arising from border controls in certain countries;
 - (ii) purchase of new components requiring a longer lead time due to supply chain constraints;
 - (iii) slower than expected recruitment of additional skilled labour;
 - (iv) continuing attrition of skilled workers; and
 - (v) work disruptions, including stop work orders, resulting from measures taken to address the recent COVID-19 spikes.

30. The above have resulted in further delays and increased projected costs to complete these projects over the next three to nine months. Of the 16 projects under execution by the Group, five projects have been further delayed by between one and three months. The Group is therefore likely to incur further cost overruns of a material amount and is currently in negotiations with its counterparties and taking other measures to mitigate these cost overruns.
31. Based on information currently available, the Group expects that the increased costs to complete the projects, as well as the losses arising from the added delays, will result in significant losses for 2H2021, which could potentially be in the range of the losses reported for 1H2021. The Group will only be able to quantify the actual losses closer to the end of the financial year ending 31 December 2021, as much will also depend on the performance of the Group in the last quarter of 2021.
32. The magnitude of losses incurred will depend on many factors, including:
 - (i) the continuing impact of COVID-19 measures on the construction progress of the projects including the availability of labour, the health of workers and supply chain delays;
 - (ii) the results of ongoing negotiations with counterparties on revised delivery dates; and
 - (iii) unexpected disruptions which may occur due to factors outside of the Group's control.

Positioned for Recovery

33. With the continued COVID-19 pandemic, the Group still faces serious challenges and risks. The Group remains committed to completing its projects and doing its best for its customers and stakeholders.
34. Despite the challenging circumstances, the Group expects significant growth in renewables and other clean energy segments over the next decade and beyond. Sembcorp Marine has made significant inroads into this sector and will focus on accelerating its transformation to gain further traction in this segment and strengthen its market share.
35. The Group continues to build on its integrated offshore and marine 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.
36. As the Group continues to put in place building blocks, including ongoing strategic diversification and expansion into the clean energy sector for sustainable growth, it seeks the support and patience of all its stakeholders to ride through these very trying times.



Tandem lift of the Vito Host mega-topside structure onto the FPU hull by a pair of goliath cranes, with combined 30,000-tonne lifting capacity and 100-metre hook height, at Sembcorp Marine Tuas Boulevard Yard.

Notes to Editors

Please click [here](#) to download the high-resolution image of the above photo.

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About Sembcorp Marine

Sembcorp Marine provides innovative engineering solutions to the global offshore, marine and energy industries. Headquartered in Singapore, the Group has close to 60 years of track record in the design and construction of rigs, floaters, offshore platforms and specialised vessels, as well as in the repair, upgrading and conversion of different ship types. Sembcorp Marine's solutions focus on the following areas: Renewables, Process, Gas, Ocean Living and Advanced Drilling Rigs.

Sembcorp Marine's customers include major energy companies, owners of floating production units, shipping companies and cruise and ferry operators. They are supported by four commercial units: Rigs & Floaters; Repairs & Upgrades; Offshore Platforms and Specialised Shipbuilding.

Sembcorp Marine operates shipyards and other facilities in Singapore, Indonesia, the United Kingdom, Norway and Brazil.

Discover more at www.sembmarine.com.

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