



Company Registration Number: 196300098Z

Sembcorp Marine trims losses in 2H2021 vs 1H2021, reports FY2021 net loss of S\$1,171 million, including provisions of S\$839 million

- During the year, the Group encountered execution challenges associated with the COVID-19 pandemic which resulted in significant cost overruns
- The Group completed four key projects with successful delivery to customers despite operational challenges. The Group remains committed to completing the remaining projects for its customers and is actively working on replenishing its order book

Singapore, 25 February 2022: Sembcorp Marine Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) posted a net loss of S\$1,171 million for the twelve months ended 31 December 2021 (“**FY2021**”). The Group was materially affected by asset impairments and costs provisions of S\$839 million, incurred mainly to address execution challenges due to COVID-19.

Performance Reflected the Impact of the Pandemic

1. The Group continued to face serious challenges in FY2021 as the COVID-19 pandemic persisted, including supply chain constraints and shortages of skilled workers which seriously affected its projects under execution. The Group took active measures to recruit from alternative sources to alleviate the shortage of skilled workers. The labour situation stabilised during the fourth quarter to enable smoother execution of projects.
2. The above impacted the cost of execution and further delayed the scheduled completion of some of the Group’s projects.

Financial Review

3. Despite COVID-19 challenges impacting business sentiment and execution in 2021, the Group recorded a 23% increase in revenue year-on-year, closing the year with a revenue of S\$1,862 million for FY2021.
4. With the labour situation stabilising and the close cooperation with customers, the Group incurred lower losses and provisions in 2H2021 (S\$523 million) compared to 1H2021 (S\$647 million). For FY2021, the Group registered a net loss of S\$1,171 million, largely due to push-out of delivery for its ongoing projects, with significantly higher provisions for manpower and other costs to complete most of the projects during the year and over the next six to nine months.

5. FY2021 net loss of S\$1,171 million took into account the following provisions totaling S\$839 million (post-tax basis):
- (i) Additional labour and other costs to complete existing projects of S\$696 million;
 - (ii) An increase in provisions for yards' reinstatement of S\$75 million; and
 - (iii) An increase in asset impairment loss and project stock write-down of S\$68 million

Excluding the above provisions, FY2021 net loss would be S\$332 million, an improvement of 24% compared to S\$439 million for FY2020.

Table A: Financial Highlights

Group (S\$ million)	2H2021	2H2020	+/(-) %	FY2021	FY2020	+/(-) %
Turnover	1,018	604	69	1,862	1,510	23
Gross Loss	(494)	(296)	67	(1,082)	(490)	n.m.
EBITDA	(416)	(308)	35	(1,028)	(380)	n.m.
Operating Loss	(515)	(409)	26	(1,224)	(582)	n.m.
Loss before tax	(527)	(450)	17	(1,255)	(671)	87
Net Loss	(523)	(390)	34	(1,171)	(583)	n.m.
EPS (basic) (cts)	(2.27)	(4.46)	(49)	(6.49)	(10.57)	(39)
NAV (cts)				12.75	29.21	n.m. ⁽¹⁾

Excluding Material Impairments and Provisions, Gross Loss, EBITDA and Net Loss are as follows:

Group (S\$ million)	2H2021	2H2020	+/(-) %	FY2021	FY2020	+/(-) %
Gross Loss	(137)	(262)	(48)	(289)	(456)	(37)
EBITDA	(49)	(146)	(66)	(101)	(218)	(54)
Net Loss	(156)	(246)	(37)	(332)	(439)	(24)

(1) Not meaningful due to effects of S\$1.5 billion Rights Issue

Completion of Rights Issue

6. The Group issued an announcement on 24 June 2021 relating to a proposed S\$1.5 billion renounceable underwritten Rights Issue aimed at addressing the Company's immediate funding needs. The Rights Issue was successfully completed in September 2021. The mandatory general offer by Startree Investments Pte. Ltd. ("**Startree**"), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, also closed with Startree having a resultant shareholding of 54.6% in the Company as at 3 November 2021.

Cash Flow and Liquidity Management

7. Following the successful completion of the S\$1.5 billion Rights Issue in September 2021, part of the rights proceeds has been utilised for working capital and debt repayment in accordance with the intended use of the net cash proceeds stated in the Offer Information Statement. This includes approximately S\$35 million used for materials and equipment, S\$85 million for subcontractors' labour services, S\$80 million of employees' payroll expenses and S\$580 million towards repayment of loan facilities. Following the disbursements, the balance of the net proceeds is approximately S\$720 million.
8. As at 31 December 2021, the net debt to equity of the Group strengthened to 0.49 times (FY2020: 0.74 times), while net current assets was S\$493 million. The Group expects to have the necessary liquidity to fund its operations for the foreseeable future.

Final Dividend

9. In view of the ongoing challenging business environment, the Board has decided to continue a prudent approach to liquidity management. As such, no final dividend has been declared for FY2021 (FY2020: No final dividend declared).

Operations Review

Net Order Book and New Contracts

10. The challenging industry conditions and market environment resulted in deferral of some project awards during the year. Notwithstanding these, the Group secured new contracts worth slightly over S\$1.0 billion in 2021, including S\$0.3 billion of Repairs & Upgrade projects.
11. As at end-2021, the Group has a net order book of S\$1.3 billion. This consists of S\$1.1 billion of projects under execution (with a total original contract sum of S\$6.1 billion) and S\$0.2 billion of ongoing Repairs & Upgrades projects. Renewables, cleaner and green solutions comprise approximately 43% of the Group's net order book.

Successful Completion of Projects

12. Despite operational challenges arising from supply chain constraints and acute manpower shortages, the Group successfully delivered four major projects in FY2021 and year-to-date in 2022. These include:
 - Fabrication of six production topsides and four bridges for TotalEnergies EP Denmark for the Tyra Redevelopment Project;
 - Newbuild Floating Production Unit ("FPU") for the Vito Regional Production Facility ("RPF") for Shell Offshore Inc.;
 - Newbuild FPSO, the Johan Castberg to Equinor for harsh-environment operation at the Johan Castberg field in the Barents Sea, Norway; and

- Fabrication of 15 wind turbine jacket foundations for Jan De Nul’s Formosa 2 Offshore Wind Farm. Five jacket foundations have since sailed away with the remaining awaiting client’s vessel availability.
13. Other projects completed include conversions and upgrades of offshore gas facilities and offshore production facilities.

Ongoing Projects Execution

14. As at end-2021, the Group has a total of 16 key projects under execution with 12 scheduled for completion in 2022 and the remaining will progressively be completed from 2023 to 2025.

Projects Under Execution as at 31 December 2021
<p>Renewables Solutions</p> <ul style="list-style-type: none"> • Jan De Nul – Formosa 2 Offshore Wind Farm • Ørsted – Hornsea 2 Offshore Wind Farm: Offshore Hook-up and Commissioning of Offshore Substation and Reactive Compensation Station Topsides • 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) • NOC – Gallaf Batch 2: Wellhead Platforms • Shapoorji: FPSO Conversion • Shell – Whale Project: Newbuild FPU • Tupi P-71: FPSO Modification, Integration and Topside Modules Fabrication
<p>Gas Solutions</p> <ul style="list-style-type: none"> • Bechtel – Pluto Train 2 Project: Modules Assembly of LNG Gas Processing Trains • MOL – LNG Bunker Vessel • TotalEnergies - Tyra Redevelopment Project: Topsides and Bridges • Technip Energies – Karish: Newbuild FPSO • KARMOL – Karmol LNGT Powership Asia and Karmol LNGT Powership Europe: FSRU Conversion and Upgrading Projects
<p>Ocean Living Solutions</p> <ul style="list-style-type: none"> • Norled – Full Battery-operating Roll-on/Roll-off Passenger (“Ropax”) Ferries (Three units)
<p>Advanced Drilling Rig Solutions</p> <ul style="list-style-type: none"> • Transocean Deepwater Atlas Drillship • Transocean Deepwater Titan Drillship

New Order Developments

15. The improving industry outlook on the back of rising oil and gas prices provide impetus for oil and gas companies to review plans for the resumption of deferred activities, final investment decisions and capital expenditures. There are also improved prospects and opportunities associated with the global transition towards cleaner energy and sustainable solutions. Overall, orders visibility continues to improve.

16. The Group continues to actively develop emerging tender opportunities in the Renewable Energy and Gas Solutions segment. The Group is also actively pursuing multiple projects covering FPSOs, FSOs and FPU's with tenders in progress.

Recognition for the Group's Sustainability Commitment and Green Innovation

17. In April 2021, the Group was presented the Sustainability Award by the Maritime and Port Authority of Singapore at the Singapore International Maritime Awards 2021 in recognition of the Group's steadfast commitment to sustainability.
18. The Group won accolades at the Work Boat World Awards 2021 for its design of two marine vessels:
 - *MF Hydra*, the world's first zero-emission liquid hydrogen-powered Ropax ferry; and
 - *Ultramarine*, a technologically-advanced ice-class polar expedition cruise ship.

Potential Combination with Keppel O&M

19. On 24 June 2021, the Group issued an announcement related 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. The Group is working towards a definitive agreement in the first quarter of 2022.

Outlook

20. In FY2022, the Group will need to complete and deliver a total of 12 existing projects. Provisions for costs to complete these projects have already been made in FY2021. The Group is also on track to conclude negotiations on project completion terms with its key customers. Barring any unforeseen events, this should contribute positively to the Group's results in 1H2022.
21. The industry outlook for the oil & gas, renewables and other green solutions continues to improve. It is important for the Group to convert its orders pipeline into firm contracts on a timely basis in FY2022.
22. Taking the above factors into account, the Group expects its financial performance in FY2022 to be significantly better than FY2021.

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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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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.

In view of the possible mandatory general offer described in the Company's announcement dated 24 June 2021 in relation to the proposed renounceable underwritten rights issue of new ordinary shares in the capital of Sembcorp Marine Limited (the "Rights Issue"), any statement of prospects in this release will need to be reported on in accordance with the requirements of Rule 25 of the Singapore Code on Take-overs and Mergers. Such report will be given in due course in the circular to be issued to shareholders in connection with the Rights Issue.

The Directors of Sembcorp Marine Limited ("Directors") collectively and individually accept full responsibility for the accuracy of the information given in this release and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this release constitutes full and true disclosure of all material facts about the Rights Issue and the Group which are relevant to the Rights Issue and the Directors are not aware of any facts the omission of which would make any statement in this release misleading. Where information in this release has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this release in its proper form and context.