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PRESS RELEASE

Sembcorp Marine reports S\$583 million net loss for FY 2020, including S\$162 million (pre-tax) asset impairments and provisions in 4Q 2020

- Excluding impairments and provisions, the FY 2020 net loss was S\$439 million
- After being shut in mid-April 2020 due to the COVID-19 restrictions, the Group's production activities resumed gradually from early July 2020
- None of the Group's existing projects were cancelled during the year
- The Group is actively tendering for more than 10 green energy projects and a similar number in Process Solutions
- As at end-2020, the Group has a net order book of S\$1.82 billion

Singapore, 23 February 2021: Sembcorp Marine had a difficult year battling the challenges brought on by the COVID-19 pandemic. Singapore's COVID-19 containment measures implemented in April led to extended production stoppages and consequent delays in project execution and completion. Production activities resumed gradually from early July 2020 to reach almost full workforce levels near the end of November.

The Group engaged all its global customers and no existing projects were cancelled. However, Group revenue was severely hit by the project stoppages and delays. Despite a revenue upturn in 4Q 2020, full-year revenue was S\$1.51 billion, 48% lower than revenue booked the prior year. With the decline in revenue, and including asset impairments and provisions made in 4Q 2020, the Group registered a higher net loss of S\$583 million for the full year (FY 2019: S\$137 million loss).

Asset Impairments and Provisions

Following a periodic review of the Group's assets and the assumptions used to assess the carrying values of assets, a total of S\$162 million (pre-tax) of asset impairments and

provisions were recorded in 4Q 2020. On a post-tax basis, the impairments and provisions amount to S\$144 million.

These include:

- (i) an increase in provisions of S\$74 million for reinstating the Group's vacated Tanjong Kling Yard;
- (ii) an increase in impairment loss of S\$49 million on a marine vessel;
- (iii) a write down of inventory relating to jack-up equipment amounting to S\$34 million;
and
- (iv) an expected credit loss on receivables of S\$5 million.

Financial Review

With the impairments and provisions, the Group registered a net loss of S\$390 million for 2H 2020 and closed the year with a net loss of S\$583 million. Excluding impairments and provisions, the net loss for 2H 2020 and FY 2020 was S\$246 million and S\$439 million respectively.

Table A: Financial Highlights

Group (S\$ million)	2H 2020	2H 2019	+/(-) %	FY 2020	FY 2019	+/(-) %
Turnover	604	1,341	(55)	1,510	2,883	(48)
Gross Loss	(296)	(118)	n.m.	(490)	(92)	n.m.
EBITDA	(308)	(21)	n.m.	(380)	104	n.m.
Operating Loss	(409)	(141)	n.m.	(582)	(139)	n.m.
Loss before tax	(450)	(161)	n.m.	(671)	(177)	n.m.
Net Loss	(390)	(130)	n.m.	(583)	(137)	n.m.
EPS (basic) (cts)	(4.60)	(5.99)	(23)	(10.88)	(6.32)	(72)
NAV (cts)				29	104	n.m. ⁽¹⁾

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

Group (S\$ million)	2H 2020	2H 2019	+/(-) %	FY 2020	FY 2019	+/(-) %
Gross Loss	(262)	(118)	n.m.	(456)	(92)	n.m.
EBITDA	(146)	(21)	n.m.	(218)	104	n.m.
Net Loss	(246)	(130)	89	(439)	(137)	n.m.

(1) Not meaningful due to effects of S\$2.1 billion Rights Issue

Reflecting the significantly lower activities due to the COVID-19 impact, the Group recorded revenue of S\$604 million and S\$1.51 billion for 2H 2020 and FY 2020 respectively. The half-year revenue was 55% lower compared to the prior period while the full-year revenue was 48% lower year-on-year.

The decline in revenue for FY 2020 was mainly due to lower revenue recognition from Rigs & Floaters and Repairs & Upgrades projects, mitigated by higher revenue recognition from Offshore Platforms and Specialised Shipbuilding projects. The lower revenue recognition was due to delays in the execution and completion of existing projects.

Operations Review

Sembcorp Marine started 2020 with a net order book in excess of S\$2.0 billion with completion and deliveries stretching into 2022. However, the pandemic-led slowdown resulted in a push-out of delivery dates for most ongoing projects, with some rescheduled by as much as 12 months.

Successful Delivery of Projects

Despite the operational challenges encountered in 2020, the Group successfully completed a number of greener solutions, namely the Tangguh LNG modules in June 2020, the Offshore Windfarm Jacket foundations for the Hornsea 2 project in August 2020 and the CNTIC VPower Energy, a floating storage unit, towards end-2020.

The successful completion of these projects augurs well for the Group as it continues to pursue further opportunities in greener solutions.

As at end-2020, the Group has a net order book of S\$1.82 billion. This comprises S\$1.51 billion of projects under execution (with a total original contract sum of S\$6.5 billion) and S\$0.31 billion of ongoing Repairs & Upgrades projects with firm deliveries in 2021.

Table B: Projects Under Execution

Projects Under Execution as at 31 December 2020
<p>Renewables Solutions</p> <ul style="list-style-type: none"> • Orsted Hornsea 2 Offshore Wind Farm – Offshore Substation (OSS) and Reactive Compensation Station (RCS) Topsides • Jan De Nul Formosa 2 Offshore Wind Farm – Wind Turbine Jacket Foundations • RWE Renewables Sofia Offshore Wind Farm – Early Works Contract
<p>Process Solutions</p> <ul style="list-style-type: none"> • Equinor Johan Castberg - Newbuild Floating Production, Storage and Offloading Vessel (FPSO) • Technip Energies Karish - Newbuild FPSO • Shell Vito - Newbuild Floating Production Unit (FPU) • Shell Whale - Newbuild FPU • NOC Gallaf Batch 2 Well Head Platforms and Bridges • Tupi P-71 - Newbuild FPSO • Shapoorji - FPSO Conversion
<p>Gas Solutions</p> <ul style="list-style-type: none"> • MOL LNG Bunker Vessel • TOTAL Tyra Redevelopment Project - Topsides and Bridges • Upgrade of Major Floating Storage & Regasification Units (FSRU) and Floating Storage Units (FSU) including the FSRU Karmol LNGT Powership Africa, FSRU Karmol LNGT Powership Asia and the FSU Torman II
<p>Ocean Living Solutions</p> <ul style="list-style-type: none"> • Battery-operated 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

Ongoing Order Developments

Oil prices have staged a gradual recovery on the back of an anticipated global economic recovery and underpinned by the hope that the COVID-19 pandemic will retreat as vaccination programmes are rolled out across the globe. This has provided impetus for stepped up reviews of deferred activities and final investment decisions (FIDs), as well as re-appraisals of new investments and capital spending.

With the improvement in overall sentiment, the Group has been in active discussions with customers on the resumption of activities, including FIDs on deferred projects.

New opportunities are also opening up with an increase in tender activities since 3Q 2020. The Group is actively tendering for more than 10 projects in the greener energy market segments, such as Renewable Energy and Gas Solutions. A similar number of tenders are also in progress for the Process Solutions segment (including FPSOs and FPU's). Our Repairs & Upgrades business has also experienced increasingly active enquiries and secured more orders.

S\$2.1 billion Rights Issue and Demerger with Sembcorp Industries

The S\$2.1 billion Rights Issue and the demerger of Sembcorp Marine from Sembcorp Industries were successfully completed in September 2020. The Rights Issue has enabled the Group to strengthen its liquidity and balance sheet and the demerger has allowed the Group to be more focused in executing its business strategy.

Over the past several years, the Group has strategically shifted the focus of its efforts and resources to the emerging green opportunities in the global offshore, marine and energy value chain. The Group's business is on a firmer footing with Temasek as a direct and significant shareholder. The Group is charting its way forward confidently, as it prioritises its allocation of resources to grow a comprehensive and sizeable portfolio in cleaner energy solutions.

Cash Flow and Liquidity Management

The Group generated negative cash flow from operations in 2H 2020. This was largely due to lower operating cash inflows resulting from lower operating activities, as well as higher working capital needs due to delays in milestone achievement or delivery of projects.

The completion of the Rights Issue was therefore timely. Of the net proceeds of S\$0.6 billion from the rights issue, approximately S\$0.1 billion has been used for working capital purposes as at the end of FY 2020. The net debt to equity of the Group as at 31 Dec 2020 was 0.75 times. The Group continues to manage its liquidity prudently.

Final Dividend

The Board has decided to continue a prudent approach to conserving cash given the ongoing challenging business environment. As such, no final dividend has been declared for the year ended 2020 (FY 2019: No final dividend declared).

Building Strategic Resilience and Relevance

While the unprecedented pandemic has had a huge adverse financial impact in FY 2020, the Group stayed on course and continued to pivot strategically to providing innovative engineering solutions for the global offshore, marine and energy industries, with a key focus on greener and renewable solutions.

Since 2015, Sembcorp Marine has embarked on a strategic business transformation to rebalance its services and product solutions portfolio, underpinned by its operational and technology strengths. The Group will continue to further diversify its business portfolio from drilling-focused activities and extend into new areas of renewable energy, electrification, gas value chain, ocean living, as well as carbon capture and storage solutions.

Along with Sembcorp Marine's transformational strategy, the Group has been investing in its human capital. While the Group's existing capability with domain expertise in key technological areas has strategic advantage and is a spring-board into the emerging green energy corridor, it has continued to upskill its human capital to support higher competency and higher value activities.

Through its business continuity response and COVID-19 safety management measures implemented across all levels and sites, the Group will do its utmost to protect the safety and wellness of its employees and other stakeholders. This has ensured its continued ability to deliver and meet customers' changing requirements and the dynamics of the market.

Outlook

Despite the present trajectory of a gradual economic recovery, it remains premature to predict a strong and sustainable recovery for the industry. Sembcorp Marine expects losses to continue. However, the Group will continue its strategic initiatives to build business resilience and position itself for future growth.

As global players in the world's energy system transform and pivot in favour of cleaner energy, and build the appropriate energy infrastructure, it is anticipated that there will be increasing green opportunities. Sembcorp Marine stands poised to benefit from this transition with innovative and sustainable solutions, underpinned by its technology bench strength across the global offshore, marine and energy value chain.

The completion of the Group's Rights Issue in 2020 has strengthened our liquidity position and balance sheet. The Group will manage its liquidity prudently to ride through the current uncertainty and challenging business environment.

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