Company Registration Number: 196300098Z

PRESS RELEASE

Sembcorp Marine results for third quarter and nine months to September 30, 2018

<u>Key highlights</u>:

For the nine months to September 30, 2018

- Group revenue of $3.97 billion, *including sale completion of West Rigel rig for US$500 million*
- Net loss of $80 million, *including loss of $34 million on the sale of West Rigel rig*
- $730 million in new contracts secured in 9M 2018
- Net order book of $6.39 billion to-date

Singapore, October 25, 2018: Sembcorp Marine posted Group revenue of $3.97 billion for the nine months to September 30, 2018. This compares with $2.12 billion in revenue generated in 9M 2017 (restated for accounting changes on adoption of SFRS (I) - see Note A below).

The higher revenue in 9M 2018 was largely due to revenue recognition on delivery of 6 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL, the sale of the West Rigel semi-submersible rig (renamed Transocean Norge) and higher percentage recognition for ongoing drillship and offshore production projects in 9M 2018.

On a segmental basis:

- Turnover for Rigs & Floaters was $3.40 billion in 9M 2018, compared with $1.08 billion in 9M 2017. The higher revenue was related to recognition of the Borr Drilling and BOTL jack-up deliveries, sale of West Rigel (Transocean Norge) semi-submersible rig, as well as higher floaters revenue on percentage recognition of the ongoing Johan Castberg FPSO, Shell Vito FPU and Karish FPSO projects, and ongoing revenue recognition from the Transocean drillships.

- Offshore Platforms revenue was $172 million in 9M 2018, lower than the $623 million in 9M 2017 due to fewer contracts on hand. During the second quarter, revenue from the remaining work for the three topside modules for the Culzean platform topsides were booked on their scheduled delivery in June 2018.
- Revenue from Repairs & Upgrades totalled $336 million in 9M 2018 compared with $355 million in 9M 2017 on fewer ships repaired. A total of 230 ships and other vessels were repaired or upgraded in the nine months compared with 328 units. Average revenue per vessel was higher on improved vessel mix of relatively higher-value works.

Excluding the sale of West Rigel and rig deliveries to Borr Drilling and BOTL, Group revenue for the 9M 2018 would have been $1.8 billion, down 9 per cent year-on-year from $2.0 billion in 9M 2017. Revenue adjustments were also made in 9M 2017 due to the termination of two rig contracts with a customer last year.

The Group posted 9M 2018 operating loss of $54 million, and a net loss of $80 million due to (i) continued low overall business activities and (ii) the sale of West Rigel at a loss of $34 million. This compares with a net profit of $143 million in 9M 2017, partly due to last year's gain of $47 million from the sale of investment in Cosco Shipyard Group and the net positive effect of contract termination of two rigs last year of about $98 million (restated for accounting changes on adoption of SFRS (I)). (Please refer to table below)

Note A: The Group has adopted Singapore Financial Reporting Standards (International) (SFRS(I)) from 1 January 2018.

Effects of Non-recurring items:

Group ($ million)	3Q 2018	3Q 2017 (restated)	Change		9M 2018	9M 2017 (restated)	Change
Net (Loss)/Profit	**(29.8)**	**100.7**	**(130.5)**		**(80.1)**	**142.9**	**(223.0)**
Add / (Less) Non-recurring items							
Effects of SFRS(I) on rig contracts	-	(98.0)	98.0		(39.0)	(98.0)	59.0
Sale of Cosco Shipyard Group	-	-	-		-	(47.7)	-
Sale of West Rigel	7.0	-	7.0		34.0	-	34.0
Other Non-recurring items	-	1.1	(1.1)		(0.1)	6.6	(6.7)
	7.0	**(96.9)**	**103.9**		**(5.1)**	**(139.1)**	**134.0**
Net (Loss)/Profit (excluding non-recurring items)	**(22.8)**	**3.8**	**(26.6)**		**(85.2)**	**3.8**	**(89.0)**

*Restated to reflect accounting changes on adoption of SFRS (I).

Financial Highlights:

Group ($ million)	3Q 2018	3Q 2017 (Restated)*	% change	9M 2018	9M 2017 (Restated)*	% change
Turnover	1,167.2	728.8	60	3,974.7	2,123.2	87
Gross (Loss)/ Profit	(12.8)	126.7	n.m.	(16.8)	214.9	n.m.
EBITDA	22.2	185.9	(88)	84.0	315.1	(73)
Operating (Loss)/ Profit	(21.3)	136.3	n.m.	(54.4)	170.3	n.m.
(Loss) / Profit before tax	(35.0)	116.3	n.m.	(95.3)	153.0	n.m.
Net (Loss)/ Profit	(29.8)	100.7	n.m.	(80.1)	142.9	n.m.
EPS (basic) (cts)	(1.42)	4.82	n.m.	(3.83)	6.84	n.m.
NAV (cts)				111.89	116.81**	

*Restated to reflect accounting changes on adoption of SFRS (I). **As at 31 December 2017.

3Q 2018 versus 3Q 2017

On a quarterly basis, Group turnover for 3Q 2018 of $1.17 billion compares with $729 million in 3Q 2017. The higher revenue was due to higher percentage recognition of the two Transocean drillships, the Johan Castberg FPSO, Shell Vito FPU and Karish FPSO projects, as well as recognition of 2 additional jack-up rigs delivered to Borr Drilling. This was offset by lower revenue from Offshore Platforms following the completion of the Culzean Project earlier this year.

The net loss of $30 million incurred in 3Q 2018 was due to the continued low overall business volume. This compares with the $101 million in net profit in 3Q 2017, which was mainly boosted by the positive effects of contract termination of two rigs last year of about $98 million (restated for accounting changes on adoption of SFRS (I)).

Balance Sheet and Cash Flow

Net debt totalled $3.26 billion, with net debt to equity at 1.37 times as at 30 September 2018 compared with 1.13 times as at end FY2017 and 1.41 times as at end 3Q 2017. Operating cash flow generated before working capital changes was $89 million in 9M 2018. Cash used in operations in 9M 2018 was $101 million, mainly due to working capital for ongoing projects, offset by receipts from ongoing and completed projects.

Market Outlook

Capex spend on global exploration and production (E&P) is expected to continue to improve with firmer oil prices seen in the nine months of 2018.

While offshore drilling activities have shown initial signs of improvement, offshore rig orders will take some time to recover as the market remains over-supplied.

The majority of recent new offshore oil and gas orders were for production projects. This trend is expected to continue and Sembcorp Marine is responding to an encouraging pipeline of enquiries and tenders for innovative engineering solutions.

Competition in the repairs and upgrades segment remains intense. The segment will be underpinned by regulations that require ballast water treatment systems and gas scrubbers to be installed over the next two to five years.

Challenges in the offshore and marine sector persist, notwithstanding the improved industry outlook. It will take some time before we see a sustained recovery in new orders, while competition remains intense and margins compressed.

Overall business volume and activity for the Group is expected to remain relatively low for the immediate quarters. The trend of negative operating profit is expected to continue for the foreseeable quarter. Our cash resources remain sufficient and we will continue to prudently manage our costs and cash flows to align them with business volume and potential opportunities.

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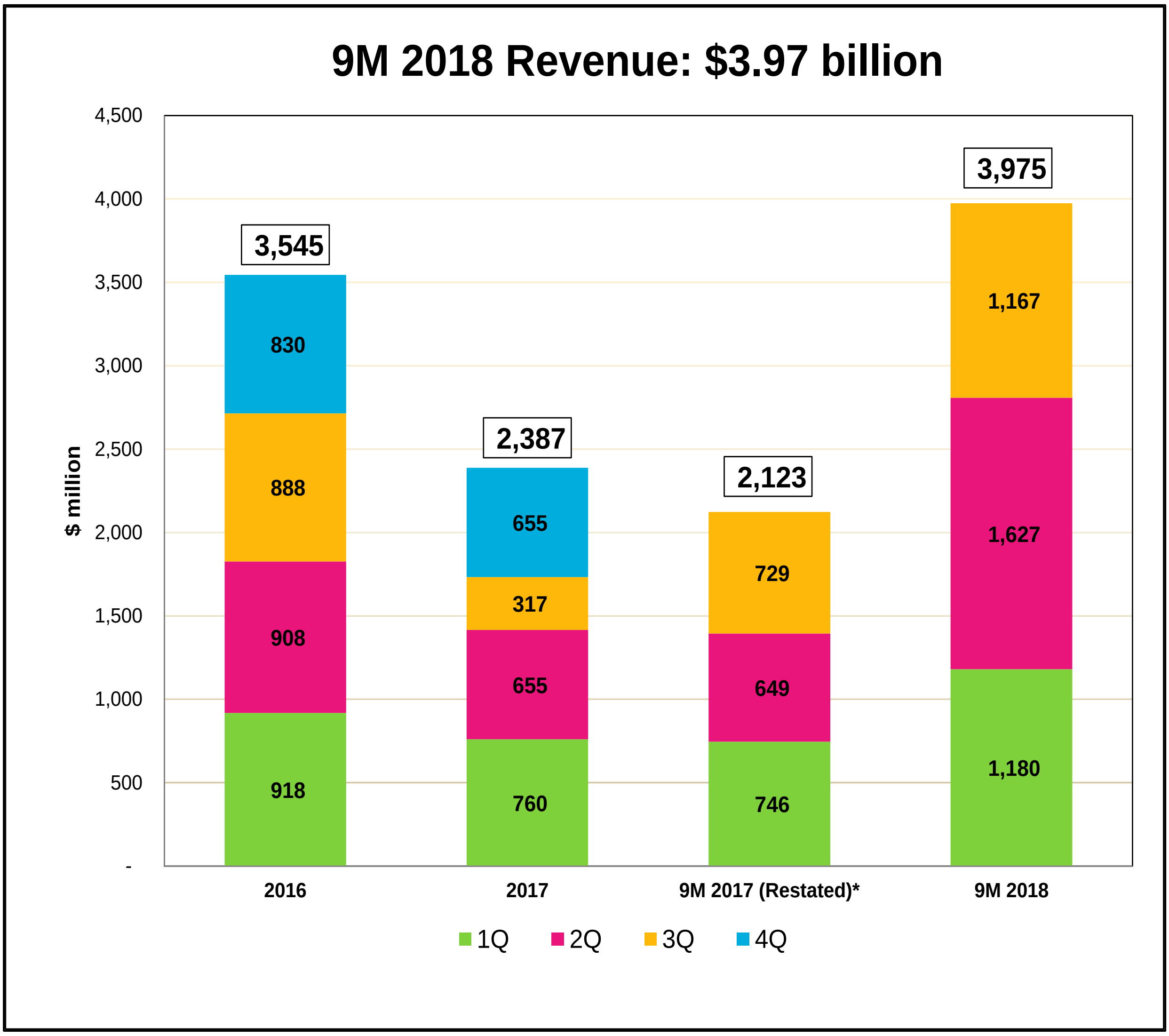
Appendix

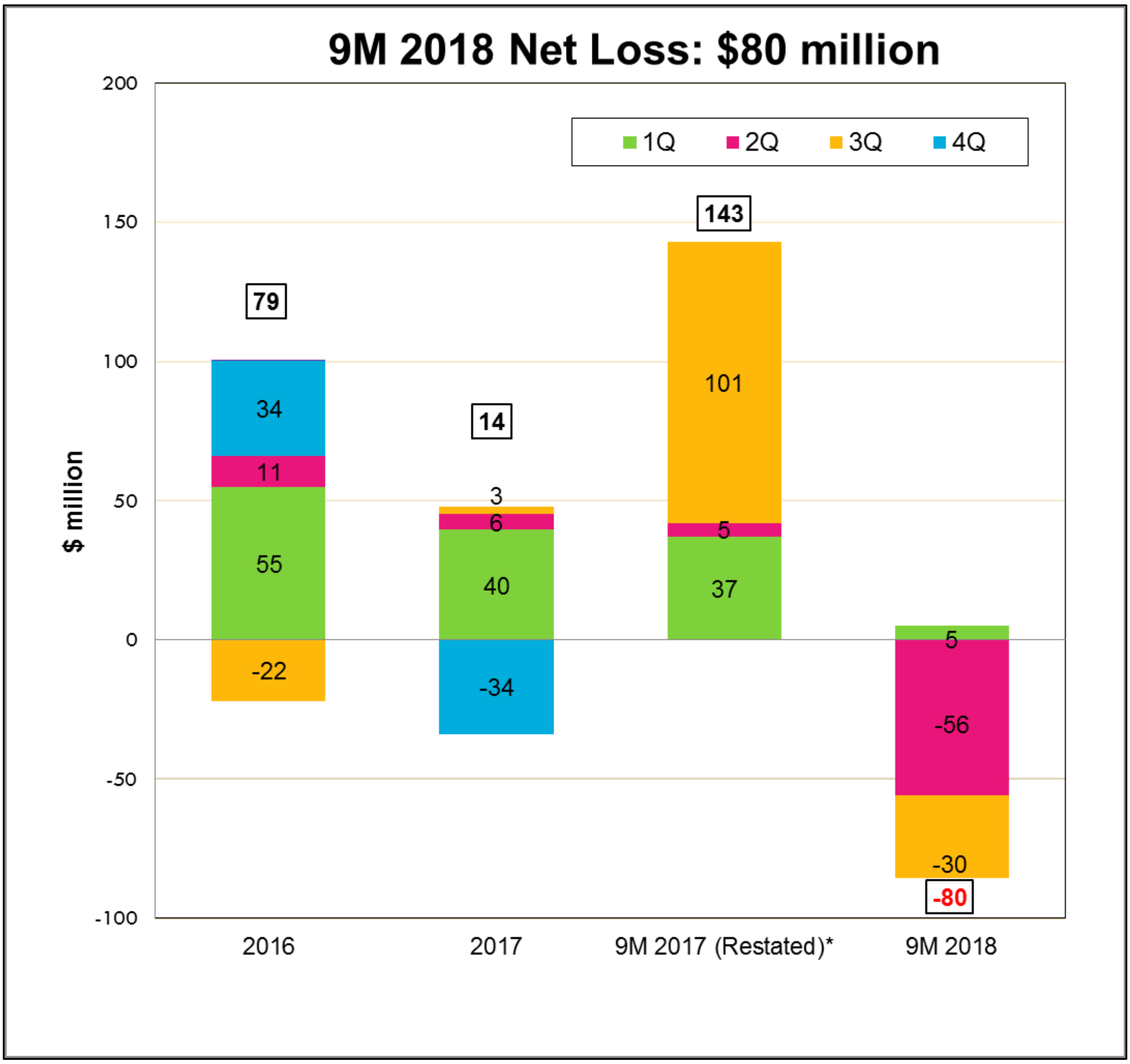
QUARTERLY TURNOVER (FY 2016 TO 9M 2018)



(* Restated to reflect accounting changes on adoption of SFRS (I))

- Group turnover was $3.97 billion in 9M 2018, from $2.12 billion in 9M 2017 (restated).
- Recognition of 7 rigs upon delivery, 6 to Borr Drilling and one to BOTL.
- Sale of the semi-submersible rig West Rigel (renamed Transocean Norge).
- Higher revenue recognition from floater/drillship projects on percentage recognition from the Johan Castberg FPSO, Shell Vito FPU and Karish FPSO projects, and Transocean drillship projects.
- Lower revenue recognition from Offshore Platforms projects.
- Lower number of vessels repaired but average revenue per vessel improved slightly.

QUARTERLY NET PROFIT/LOSS (FY 2016 TO 9M 2018)



(*Restated to reflect accounting changes on adoption of SFRS (I))

- Net loss of $80 million in 9M 2018 due to continued low business volume and the sale of West Rigel rig at a loss of $34 million.
- Fall in relative profitability in 9M 2018 compared with 9M 2017 was also due to the one-off gain of $47 million on disposal of investment in Cosco Shipyard Group recorded in 1H 2017, as well as the positive effects of contracts termination for two rigs recorded in 3Q 2017 of about $98 million, which mainly arose from the entitlement to the down payments on termination of these rig contracts.

CASHFLOW

Group ($ million)	3Q 2018	3Q 2017 (Restated)	% change	9M 2018	9M 2017 (Restated)	% change
Operating cashflow before working capital changes	23	206	(89)	89	341	(74)
Cash used in operations	(63)	(117)	(46)	(101)	(412)	(75)
Net cash flow from operating activities	(78)	(155)	(50)	(154)	(489)	(69)
Net cash flow from investing activities (mainly Capex)	(160)	169	n.m.	(265)	70	n.m.
Net cash flow from financing activities	69	25	176	(201)	265	n.m.
Net (decrease)/increase in cash & cash equivalents	(169)	39	n.m.	(620)	(154)	303
Cash & cash equivalents in balance sheets				683	1,058	(35)
Borrowings				(3,944)	(4,410)	(11)
Net Debt				(3,261)	(3,352)	(3)

- In 9M 2018, operating cash flow before working capital changes was $89 million.
- Net cash used in operations was $101 million.
- Net debt was $3.26 billion as at the close of 9M 2018.

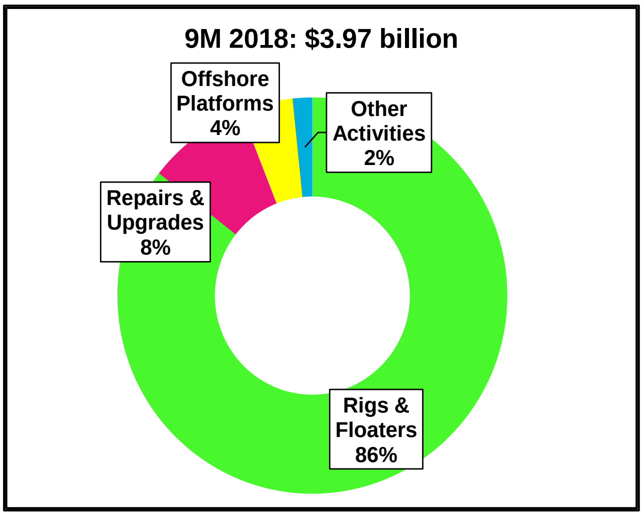
CAPITAL, GEARING AND ROE

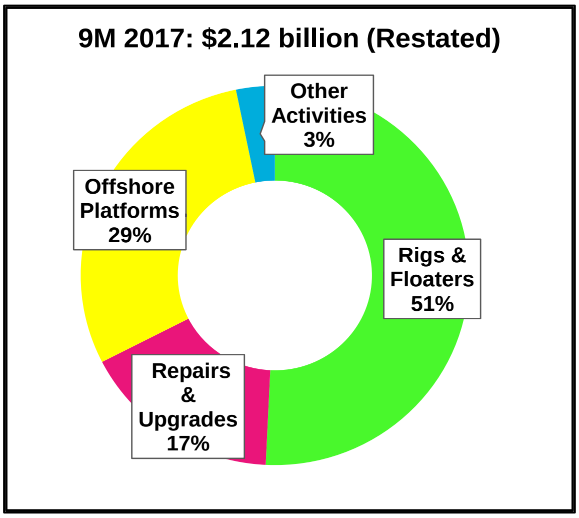
Group ($ million)	Sep 2018	Dec 2017 (Restated)	% change
Shareholders' Funds	2,337	2,439	(4)
Total Equity	2,375	2,480	(4)
Net Debt	3,261	2,799	17
Net Working Capital	179	1,446	(88)
Return on Equity (ROE) (%) (annualised)	(4.5)	11.1	n.m.
Net Asset Value (cents)	111.9	116.8	(4)
Return on Total Assets (ROTA) (%) (annualised)	(0.1)	3.7	n.m.
Net Gearing Ratio (X) * (Net debt/Total equity)	1.37	1.13	21

- Shareholders’ funds totalled $2.34 billion as at September 2018.
- Net Asset Value per share was 112 cents.
- Net gearing ratio was 1.37 times as at September 2018.

REVENUE CONTRIBUTIONS BY SECTORS (9M 2018 versus 9M 2017)

By Value & Percentage Contributions



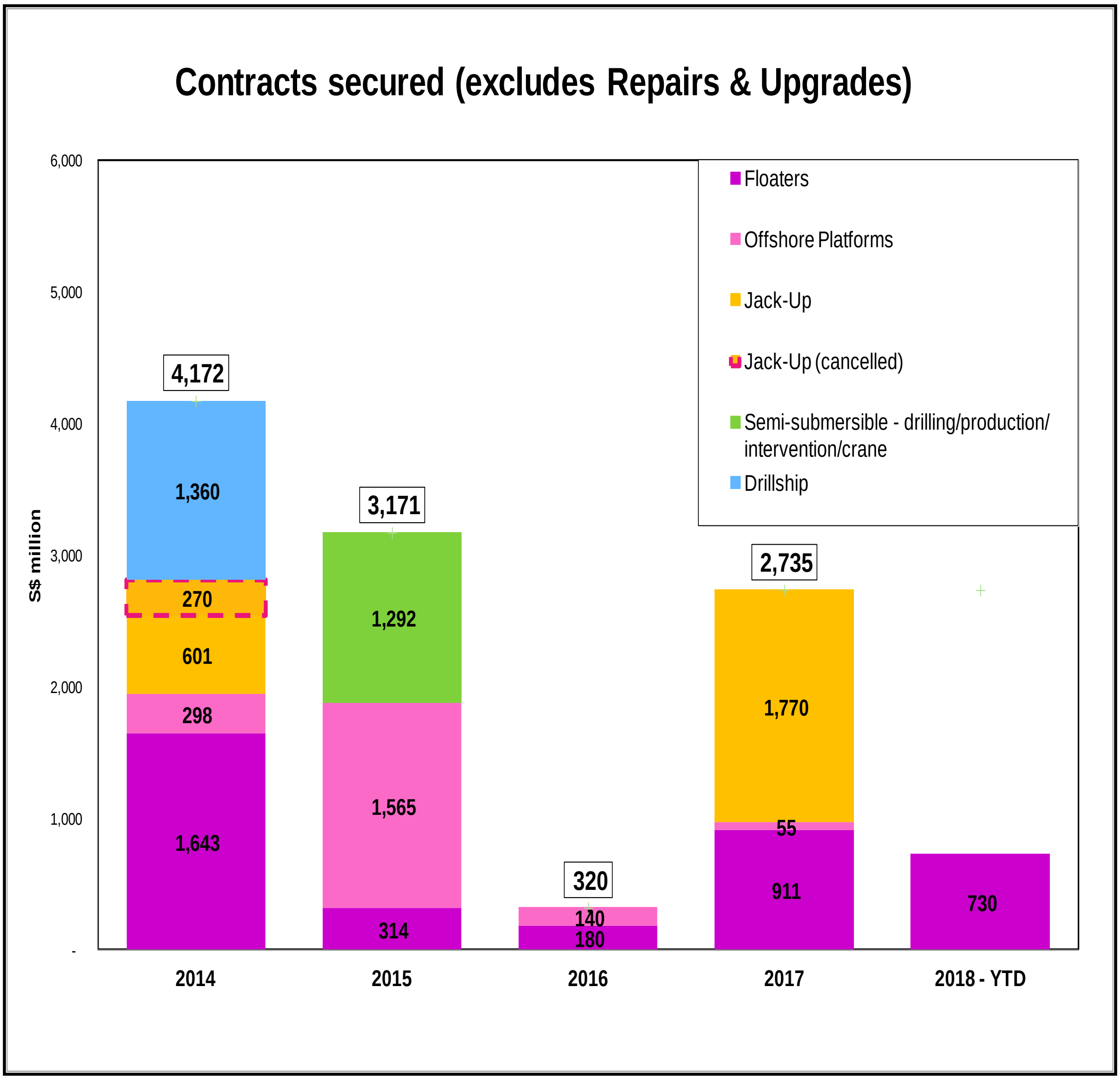


(* Restated to reflect accounting changes on adoption of SFRS (I).)

Turnover ($ million)	3Q 2018	3Q 2017 (Restated)	% change	9M 2018	9M 2017 (Restated)	% change
Rigs & Floaters	989	435	128	3,402	1,078	216
Repairs & Upgrades	131	123	7	336	355	(5)
Offshore Platforms	25	149	(83)	172	623	(72)
Other Activities	22	22	-	65	68	(6)
TOTAL	**1,167**	**729**	60	**3,975**	**2,123**	87

- Rigs & Floaters remained the largest segment, accounting for 86% of total revenue followed by Repair & Upgrades at 8%, Offshore Platforms at 4%, and Others at 2%.
- 9M 2018 Rigs & Floaters revenue was $3.4 billion due to higher revenue recognition from the delivery of 6 jack-up rigs to Borr Drilling and 1 jack-up rig to BOTL, the sale of the West Rigel semi-submersible (renamed Transocean Norge) and higher floaters revenue from the Johan Castberg, Shell Vito and Karish offshore production floater projects, and the Transocean drillship projects.
- Offshore Platforms revenue fell 72% year-on-year to $172 million due to lesser projects on hand and completion of the Culzean platform projects in 1H 2018.
- Repairs & Upgrades revenue declined 5% year-on-year to $336 million on fewer vessels repaired, although value per vessel was higher.

CONTRACTS SECURED BY YEAR

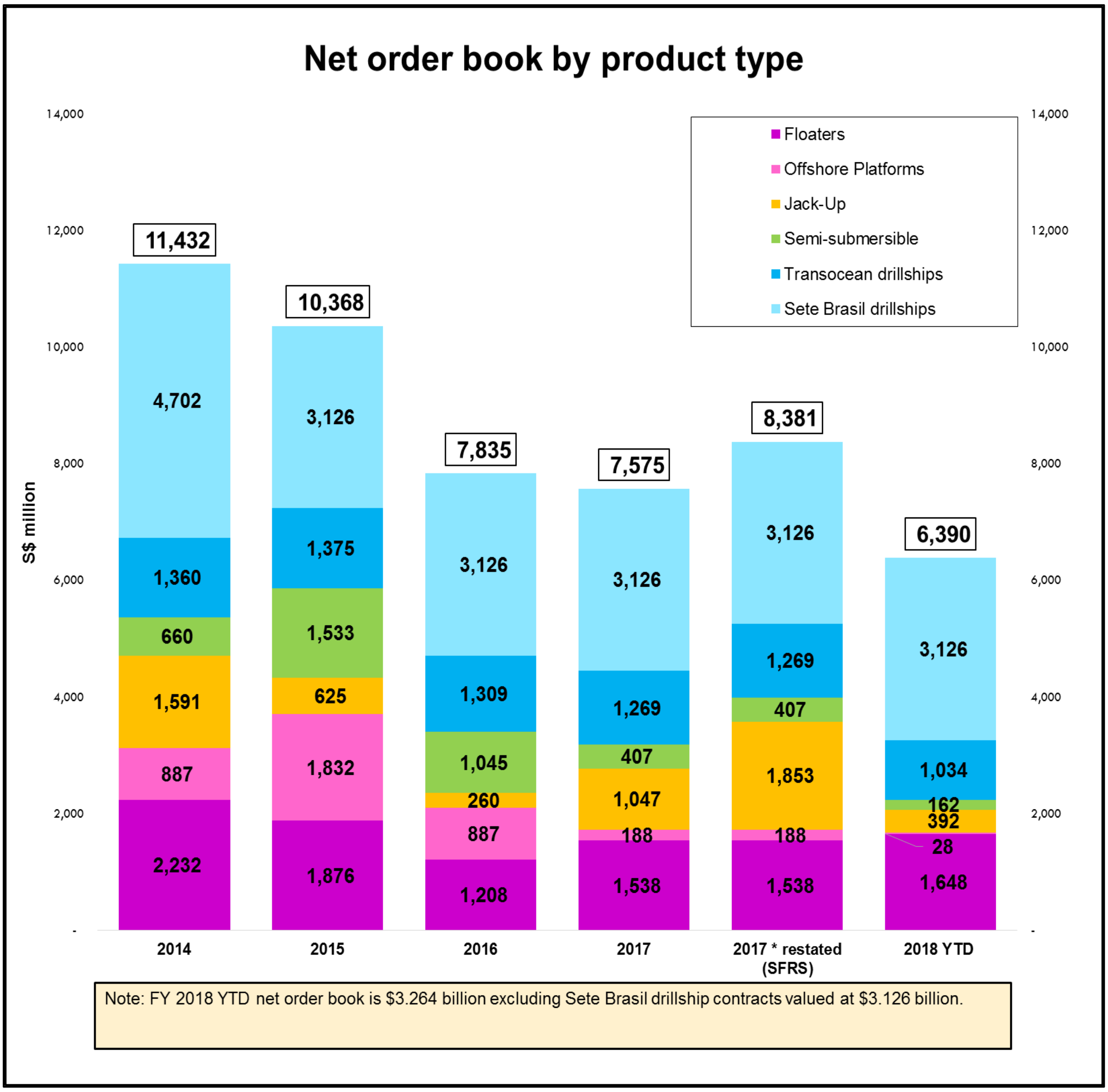


- New orders in 9M 2018 include a contract with TechnipFMC for the Engineering, Procurement and Construction of the Hull and Living Quarters for a newbuild Floating, Production, Storage and Offloading vessel (FPSO). The contract includes fabrication and integration of various topside modules, as well as installation of owner-furnished equipment.

- In 2Q 2018, the Group announced the award of the Shell Vito FPU (floating production unit) hull and living quarters contract, confirming an earlier letter of intent signed for the newbuilding contract.

NET ORDER BOOK

Net order book stands at $6.39 billion as at 2018 year to date, with deliveries and completion stretching to 2021.



(* 2017 net order book restated to reflect accounting changes on adoption of SFRS (I))

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.