



Company Registration Number: 196300098Z

Sembcorp Marine reports 1H2021 net loss of S\$647 million, including provisions of S\$472 million, on revenue of S\$844 million

- **Hit by ongoing COVID-19 disruptions resulting in further delays and provisions for projected significant increase in costs to complete its existing projects**
- **This set of results puts the Group's recapitalisation via a proposed renounceable underwritten S\$1.5 billion Rights Issue in context:**
 - *Meet immediate funding needs, and address temporary working capital depletion based on the Group's projected operational funding requirements through to end 2022*
 - *Strengthen the Group's financial position and accelerate its strategic expansion into renewable and clean energy*

Singapore, 29 July 2021: "Sembcorp Marine Ltd (the "**Company**"), together with its subsidiaries, the "**Group**") posted a net loss of S\$647 million for the six months ended 30 June 2021 ("**1H2021**"), reflecting the significant impact of the ongoing COVID-19 disruptions which have caused delays and increases in manpower and other related costs to complete its projects.

Continuing Impact of COVID-19 Pandemic

1. Since the onset of the COVID-19 pandemic, a majority of the Group's projects have been delayed by at least 12 months. The re-introduction of COVID-19 measures in early 2021, including tighter border controls, have disrupted supply chains and exacerbated the shortage of skilled manpower. This further impacted the Group's yard operations and scheduled completion of projects with increased risk of terminations.
2. The Group has been working closely with our customers to reach mutually beneficial outcomes for project re-scheduling. This remains a key priority, together with the health and safety of our workers as well as customers, vendors and partners. While discussions are ongoing, there has been no cancellation to-date of any of our existing projects.
3. To minimise further delays to complete the projects, the Group has actively sourced for skilled workers from alternative sources and worked with the relevant authorities to expedite their entry into Singapore. The Group has made good progress on this front. However this has resulted in increased manpower and other related costs to complete the Group's ongoing projects over the next 18 months. On average, recruitment from the alternative sources costs more than twice that from the sources the Group used to recruit from. The Group has made

full provisions for these projected increases in labour costs, together with the associated re-scheduling of work, extra sub-contract work, additional material usage and other staff turnover related expenses in its 1H2021 financial results.

4. The Group remains focused on completing 16 ongoing projects and on securing new projects which the Group is actively working on. Nevertheless, uncertainties remain.

Financial Review

5. Reflecting the push-out of delivery dates for its ongoing projects, as well as significantly higher provisions of manpower and other costs to complete its ongoing projects over the next 6 to 18 months, the Group registered a net loss of S\$647 million for the six months ended 30 June 2021. This was a severe deterioration compared to the net loss of S\$192 million for 1H2020.
6. The S\$647 million net loss takes into account the following provisions totaling S\$472 million (post tax basis):
 - (i) Additional labour and other costs to be incurred over the next 6-18 months to complete existing projects of S\$361 million;
 - (ii) An increase in provisions for yards' reinstatement of S\$65 million; and
 - (iii) An increase in asset impairment loss of S\$46 million
7. The Group recorded revenue of S\$844 million for the six months ended 30 June 2021. This was S\$62 million lower or a decline of 7.0% compared to the corresponding period of the prior year because of COVID-19-related re-scheduling of project deliveries.

Table A: Financial Highlights

Group (S\$ million)	1H 2021	1H 2020	+/(-) %
Turnover	844	906	(7)
Gross Loss	(588)	(195)	n.m.
EBITDA	(611)	(72)	n.m.
Operating Loss	(709)	(173)	n.m.
Loss before tax	(728)	(221)	n.m.
Net Loss	(647)	(192)	n.m.
EPS (basic) (cts)	(5.16)	(8.83)	(42)
NAV (cts)	24.03	29.21	(18)

Cash Flow and Liquidity Management

8. The Group's near-term liquidity position has been affected by higher negative operating cash flows, as a result of a significant reduction in revenue receipts and an increase in costs.
9. The Group has actively undertaken actions to reduce its monthly operational cash burn rate and carefully manage its working capital. The Group has also deferred all non-essential capital expenditure and will incur only maintenance spending to ensure yard safety and operability.
10. The challenging business conditions have created increasing pressure on the Group in refinancing its existing maturing debt facilities. Securing additional debt financing from lenders is unlikely to be available nor sufficient to meet the Group's funding needs. In fact, the Group expects an increasing need to repay more debt upon their maturity over the next 18 months.
11. The S\$2.1 billion Rights Issue in 2020 raised S\$0.6 billion net cash proceeds. Of this, S\$0.43 billion has been used for working capital purposes. This includes approximately S\$0.13 billion used in July 2021 for materials and equipment of S\$44 million, subcontractors' labour services of S\$72 million, and employees' payroll expenses of S\$14 million.
12. It has progressively become evident that the impact of COVID-19 and the industry downturn has been more protracted than originally anticipated and hence the S\$0.6 billion of net proceeds from last year's rights issue is insufficient.

Proposed Rights Issue

13. 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 and to strengthen the Group's balance sheet and replenish temporary working capital depletion. The capital raised will enhance the Group's liquidity position to meet its projected operational funding requirements until at least the end of 2022.
14. In addition to addressing the Group's immediate funding needs, the proposed Rights Issue will allow the Group to pursue its future strategic goals, in particular to accelerate the Group's transition towards the high-growth renewable and clean energy segment.
15. The Board of Directors 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 certainty that the Group will raise approximately S\$1.5 billion that it critically requires.

Operations Review

16. A majority of the Group's projects have been delayed by at least 12 months since the onset of the COVID-19 pandemic in 2020. The re-introduction of COVID-19 measures in 2021, including tighter border controls, has further disrupted supply chains and exacerbated the shortage of skilled manpower. This further impacted the Group's yard operations and scheduled completion of projects.

Successful Delivery of Projects

17. Despite operational challenges encountered due to the acute manpower shortage, the Group managed to complete a number of projects successfully. These include:
 - The fabrication of two wellhead and one riser topsides and two bridges for deployment to TotalEnergies' Tyra Redevelopment Field with a sailaway ceremony on 25 July 2021;
 - A 125,000 cubic metre floating storage regasification unit (FSRU), KARMOL's first FSRU, deployed in March 2021 to Senegal to bring cleaner LNG-powered electricity to locations where domestic gas production or infrastructure are not yet available;
 - Major upgrade of heavy-lift vessel Aegir for Heerema Marine Contractors for deployment to Changhua Offshore Wind Project in Taiwan in 1H2021;
 - Major upgrade of Floating Production Storage and Offloading (FPSO) Ningaloo Vision; and
 - Major repairs of 10 LNG carriers and repairs and upgrades of 22 cruise ships.

Ongoing Project Execution and Related Developments

18. In June 2021, the Group entered into Amendment Agreements with Transocean Offshore Deepwater Holdings Limited to revise the delivery dates of two ultra-deepwater drillships it has contracted to build for Transocean, which took into due consideration work disruptions arising from the COVID-19 pandemic. The drillships, Deepwater Atlas and Deepwater Titan, are the first set of next-generation drillships with ultra-deepwater drilling capability to be constructed in Singapore. They are also the only drillships in the world with three million pound hook-load and capable of 20,000 psi drilling operations. They are designed and equipped to optimise fuel consumption and reduce emissions.
19. The Group also secured an Amendment Contract from Tupi B.V. valued at approximately S\$230 million for modification work to be completed on the FPSO P-71 oil and gas vessel. The vessel is expected to be delivered in the last quarter of 2022.

20. 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 OCP.
21. As at end-June 2021, 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.
22. The Group has a total of 16 projects under execution with five scheduled for completion in 2021 and another nine in FY2022. The remaining two will progressively be completed by 2025.

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: FPSO Modification, Integration and Topside Modules Fabrication • 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

23. Green energy solutions comprise approximately 34% of the Group's net order book as at 30 June 2021, and the Group's range of cleaner product solutions include Wind Farm Solutions, Small Waterplane Area Cylindrical Hull Solutions, Zero-emission battery-powered & Hydrogen Fuel Cell Powered Vessels, LNG-Battery Hybrid Tugs and Gravifloat LNG Terminals.

24. The Group is currently executing the following wind farm projects:
- The fabrication of two wind farm substation topsides for Ørsted to be deployed at the UK Hornsea 2 Offshore Wind Farm;
 - The 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 landmark RWE Renewables Sofia Offshore Wind Farm.

New Order Developments

25. The Group is actively tendering for more than 10 Green projects, including Renewable Energy and Gas Solutions.
26. The Group is also actively working on multiple projects with tenders in progress for the Process Solutions segment covering FPSOs, FSOs and FPU.
27. In 2019, 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 our proprietary Sevan geostationary circular hull, a cost-effective alternative to traditional ship-shaped and turret-moored designs. The Group is continuing with pre-final investment decision work on the Cambo FPSO in anticipation of a final investment decision scheduled in 2H2021.

Workplace Safety & Health

28. The Group is committed to ensuring a safe and secure work environment at all times for its employees, customers, vendors and partners. The win of 24 awards at the Workplace Safety and Health (WSH) 2021 Awards presentation on 29 July 2021 is a testament to the Group's hallmark of high standards of workplace health and safety. These wins are especially meaningful given the heightened health and safety requirements brought on by the ongoing COVID-19 pandemic challenges.
29. The Group has a robust and audited Health, Safety and Environment (HSE) integrated management system aimed at the elimination of harm to people, property and the environment. Together with a hosts of other programmes, initiatives and frameworks, the Group strives to provide a safe and conducive work environment for all our stakeholders.

Striving for Growth in Unprecedented Times

30. Within its existing markets, 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.
31. With significant growth expected in renewables and other clean energy segments 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.
32. To support its expansion into new and existing markets, the Group will strategically augment its yard facilities and infrastructure to enhance its proposition as a one-stop production centre capable of fabricating, assembling and installing larger and heavier integrated structures.
33. The Group entered into a partnership agreement with SP Group (SP) to enhance the sustainability credentials of its flagship Tuas Boulevard Yard with a further deployment of 4.0 MWp of solar energy across seven rooftops at its yard.
34. At the same time, the Group has also built strategic alliances with government agencies, research institutions, classification societies and industry partners to boost innovation development. In April 2021, the Group signed a Memorandum of Understanding with Shell and Penguin International to jointly explore the viability of hydrogen as a marine fuel, potentially paving the way for emission-free shipping in the future, a first for Singapore. The Group aims to champion decarbonisation in the marine industry.

The Potential Combination with Keppel O&M

35. 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 ("**Keppel O&M**") (the "**Potential Combination**").
36. The Potential Combination is in response to dramatic changes in the global O&M engineering and energy sectors, which are seeing a major global transition away from oil. Several global peers of Sembcorp Marine and Keppel O&M have pursued consolidations to create scale, retain talent, more effectively use their asset bases, and position themselves for new opportunities arising from the energy transition.
37. If completed, the Potential Combination would create a stronger single entity to seize the growing opportunities especially in the renewable and clean energy sectors. The combined entity would be better positioned to compete for larger contracts, whilst pursuing synergies that can arise from the increased operational scale and broader geographic footprint.

38. The Potential Combination 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 (if and where required) of the respective parties.

Outlook

39. The Group still faces uncertainties arising from the COVID-19-led measures of border controls, as well as workforce supply and quarantine restraints. Continuing efforts to resolve the skilled manpower shortage on a timely basis is a key priority to address the risk of further project delays or terminations. The Group has also actively undertaken 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.

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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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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.