

Address by Mr Wong Weng Sun, President & CEO, at Sembcorp Marine Ltd 2H/FY 2020 Results Briefing on 23 Feb 2021

1. Good morning, everyone. Happy Lunar New Year. 春节快乐!
Thank you for joining us at Sembcorp Marine 2H/FY 2020 Results Webcast.

Staying on Course Amidst an Economic Turmoil

2. 2020 has definitely been a very challenging year. The economic impact of the COVID-19 pandemic, coming on top of structural changes in the oil and gas sector further dampened oil and energy consumption. This caused oil prices to plummet, with resultant disruption to the offshore oil and gas value chains, reduction in CAPEX spending and deferment of Final Investment Decisions (FIDs).
3. Despite the Group's strategic transformation since 2015 in pursuit of businesses and product segments that focus on greener and renewable energy solutions, we were unable to overcome the onslaught of the 2020 economic turmoil. Our financial performance for the year was therefore severely affected.
4. Still, the Group remained undeterred in the face of these challenges and stayed on course, determined to continue to execute on several key strategic initiatives, which I shall provide further elaboration shortly.
5. These initiatives will support the Group's endeavour to build sustainable growth and enhance the Group's long term performance.

Managing Disruption Remains Key

6. The fallout from COVID-19 has yet to be fully played out. Disruption in global supply chains and the ongoing pandemic containment measures are unlikely to be lifted anytime soon across the globe.
7. Our production activities which had to be stopped in April 2020, have gradually resumed from July 2020.
8. I am pleased to share that Sembcorp Marine was able to respond rapidly with agility to re-schedule resource deployment according to evolving customers' requirements despite pandemic containment measures. The Sembcorp Marine team has executed well in this respect and in compliance to all regulatory measures.
9. During the year, of foremost importance is the completion of ongoing projects in the midst of operational challenges presented by COVID-19. Clearly it required careful planning across all levels and sites with due consideration to the safety and wellness of our employees and all stakeholders.

Financial Performance

10. Our performance for FY 2020 reflected this challenging economic backdrop, as well as operational setbacks mainly due to delays in executing existing projects and deferment of FIDs and cut in CAPEX by our customers.
11. There was however, no cancellation of any projects during the year.
12. Reflective of the challenging environment including production stoppages, the Group recorded turnover of S\$604 million and S\$1.51 billion for 2H 2020 and FY 2020 respectively.
13. With the decline in turnover, and including asset impairments and provisions made in 4Q 2020, the Group registered a higher net loss of S\$390 million for 2H 2020 and S\$583 million for FY 2020.
14. This is a quick financial snapshot. Our Group Finance Director, William Goh, will cover our financial performance in greater detail shortly.

Operations Review

Successful Completion of Projects

15. Notwithstanding the operational challenges encountered in 2020, we successfully completed a number of greener solutions and these are aligned to our active pursuit of projects with cleaner energy focus.
16. In June 2020, we successfully delivered the Tangguh LNG modules.
17. In August 2020, the Offshore Windfarm Jacket foundations for the Hornsea 2 project was successfully completed and delivered to our customer Orsted.
18. We also completed a LNG floating storage unit, the CNTIC VPower Energy before the year closed. This was accomplished amidst global supply chain disruptions, travel restrictions and crew change challenges. We understand the vessel has since been deployed into service at Myanmar's Thilawa Special Economic Zone.
19. In spite of the impact of the pandemic on the cruise industry, the Group completed repairs and upgrades on 26 cruise liners during the year. One significant highlight is the completion of a major upgrade of Asuka II, Japan's largest cruise ship, for our customer NYK Cruise, in March 2020.
20. Sembcorp Marine continues to benefit from the new IMO regulations on ballast water treatment and fuel sulphur reduction. In 2020, we completed 34 Ballast Water Management Systems (BWTS) retrofit projects and 16 scrubber projects. We will continue to drive our growth in these green technology retrofit solutions and related works.

21. We are pleased that in the midst of this economic and pandemic challenge, we are able to see some results from the Group's transformational and diversification strategy. The successful completion of these projects should provide new traction as the Group continues to pursue new opportunities in these business segments.
22. I am also happy to share that in 2020, Sembcorp Marine is once again recognised as the World Number 1 in the LNGC/FSRU/FSU sector, with a total of 18 repair and conversion projects under its belt.

Projects in Progress

23. Production activities resumed gradually from early July 2020 to reach almost full workforce levels near the end of November. We continue to take all required precautions to protect our workers, customers, vendors and other stakeholders.
24. As at the close of 2020, the Group has a net order book of S\$1.82 billion, comprising 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.
25. A notable development which has gained impetus is the Group's strategic pivot to provide innovative engineering solutions to the global offshore, marine and energy industries with a keen focus on cleaner, greener and renewable energy solutions.
26. I am very pleased to share that LMG Marin, our wholly owned subsidiary, has received the Best Medium Ropax award at the *Work Boat World Best of 2020 Award* for the zero-emission ferry Hjeltestad propelled by battery power which the Group designed and commercialised.
27. As we continue to invest strategically in new innovation and technologies and develop or co-develop future-ready capabilities and knowhow, we anticipate to see incremental opportunities and even more exciting projects in the green corridor.

Below is a list of projects we are presently executing.

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

New Opportunities

28. Oil prices have since recovered to pre-COVID-19 levels with improving demand. With overall improvement in economic sentiment underpinned by the anticipation of the pandemic beating a retreat because of the availability of vaccination globally, there is increasing impetus by our customers to restart the development of deferred projects.
29. Globally, the Latin American region, especially offshore Brazil continues to be very active in offshore exploration and production activities. Petrobras, Brazil's national oil company, continues to have significant plans to grow production in the coming

decade, focusing on the very prolific pre-salt ultra-deepwater basins, where breakeven oil prices are as low as between US\$20 to US\$30 per barrel.

30. As local content is a key requirement in Brazil, Sembcorp Marine is well positioned to increasingly seize such opportunities, leveraging our EJA integrated yard, which is the largest and most advanced yard in Brazil.
31. We have made good progress in our discussions on several project opportunities, including the following:
32. SPE Cambo FPSO - we are continuing with pre-FID engineering work and is expecting development sanction on the project in late 2021. This is another unique design and build project where the solution is based on Sembcorp Marine's proprietary Sevan geostationary circular hull, a cost-effective alternative to traditional ship-shaped and turret-moored designs. The Sevan cylindrical hull eliminates the need for a costly turret while accommodating a larger number of risers and flexibility for future tie-ins.
33. Sofia Offshore Wind Farm in the UK North Sea - Sembcorp Marine and our consortium partner GE's Grid Solutions have been selected by RWE Renewables, owner of the 1.4 gigawatt (GW) Sofia Offshore Wind Farm, as the preferred supplier for the Wind Farm's High Voltage Direct Current (HVDC) electrical transmission system. Our scope of work includes the design, construction, installation and commissioning of the offshore converter platform for the Project. We have started early design works and expect FID in 1Q 2021.
34. We are also working on a number of battery operated ferries. These highly energy-efficient vessels will operate normally on zero-emissions battery power at a service speed of 10 knots. When required, they can run on combined battery-diesel hybrid backup modes.
35. We have also commenced basic design work for one of our customers on their wind turbine installation vessel (WTIV).
36. The Group has also started early design works for vessels for ocean living, ahead of the anticipated Project's FID.
37. These projects are important in broadening our spectrum of projects and solutions. Directionally, they will create future opportunities aligned to the Group's transformational strategies - to be an innovative engineering solution provider in the offshore, marine and energy industries with a cleaner, greener and renewable agenda.

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

38. 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.

39. 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 now on a firmer footing with Temasek as a direct and significant shareholder. We are charting our way forward confidently, as we prioritise our allocation of resources to grow a comprehensive and sizeable portfolio in cleaner energy solutions.
40. In the short span of time following the demerger and the Group's recapitalisation, Sembcorp Marine is seeing compelling strategic benefits of:
 - Enhanced strategic and operational focus;
 - Strengthened customers' confidence in its focused execution; and
 - Improved agility to respond to evolving market dynamics and to seize opportunities aligned to its strategic focus.

Key Business Strategies

41. While we have shared our transformational strategies since 2015, it bears discussion here to give a fresh appreciation of how the Group has been pivoting and evolving to align itself to global trends and developments.

Strategic Expansion into Existing and Adjacent Markets to Remain Resilient & Relevant

42. The Group has proactively diversified into the cleaner, greener and renewable energy solutions in keeping with the global shift towards a cleaner and greener energy mix.
43. Our sustainable product solutions cover wind farm installation vessels, near-shore solutions for cleaner and greener energy, LNG vessels, LNG-Battery hybrid tugs, electrification-ready midwater and harsh environment solutions and ocean living solutions. We are also moving further into the offshore gas value chain with solutions such as LNG-powered vessels, import and export terminals, and liquefaction and regasification solutions. Such solutions leverage our integrated offshore and marine engineering capabilities.
44. The Group will continue to leverage its core capabilities in innovative engineering to drive operational excellence and deep value creation for its customers.

Augmenting our Core Capabilities & Technology to Enhance Competitiveness

45. The Group has been embedding differentiators in its operation. We have achieved execution leadership through production and process innovation, supported by our world-class assets, our engineering talent and our technological bench strength.

46. At our flagship Tuas Boulevard Yard, the installation of a new pair of gantry cranes with 30,000-tonne lifting capacity and 100m hook height enable mega-block integration and help fulfil business objectives of safety, quality, time and cost. These cranes and other advanced yard capabilities will give us the edge to compete effectively for high-value projects.

Strategic Investments in Technology and Human Capital to be Future Ready

TECHNOLOGY

47. Sembcorp Marine has selectively acquired intellectual property, technologies and engineering talent to provide us access to innovative designs for specialised vessels such as fully battery-operated roll-on, roll-off passenger and vehicle ferries, and other green products and solutions.
48. Coupled with long-term investments in research and development and disruptive technologies, our innovation development enable us to offer a wider range of highly customised or repeatable products and solutions.
49. The Group is also forging alliances to tap best-in-class capabilities of players in the industry to create breakthrough innovative solutions and unparalleled collaborative outcomes to meet and even exceed the exacting expectations of our customers and the industry.

HUMAN CAPITAL

50. 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 and reskill its human capital to support higher competency and higher value activities.
51. We will continue to invest to retain and grow our engineering and PMET talent, and develop them to have future-ready competencies and capabilities. Besides developing local talent and creating jobs, we believe a Singapore core is important to sustainably support the Group's strategic penetration into new engineering solutions for cleaner, greener and renewable energy production, storage, transportation and consumption.

Group-wide Cost Optimisation & Liquidity Management

52. As the Group continues to seek new business in this challenging environment, we are cognizant of the need to manage our resources with added prudence and discipline during this difficult period.

53. We have continued to review and defer all non-essential CAPEX and implemented cost optimisation across all functions within the Group. We pay careful attention to every aspect of our operations to trim costs without compromise to safety and quality.
54. We remain committed to exercise financial discipline and prudence to manage our balance sheet and further strengthen the Group's financial position.
55. Sembcorp Marine has demonstrated an ability to adapt and reinvent ourselves over the years. We delivered healthy profits consistently before the collapse of oil price in 2015. I believe we have both the resolve and ability to pivot and manage the Group's strategic transition, to capture new and emerging opportunities from the continuing global transition towards clean energy and other green solutions, growing scale and profitability over time.

Looking Ahead

56. 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.
57. 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.
58. 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.

Closing

59. Even in this very challenging landscape, there is a sense of positivity. We will continue to drive our business underpinned by our strategic focus. As we embrace the challenges, we are also agile at seizing opportunities.
60. On this note, I will now hand over to William who will take us through the Group's financial performance in FY 2020.
61. Thank you very much.

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.