Address by Mr. Wong Weng Sun, President & CEO – Sembcorp Marine 2Q/1H 2019 Results Briefing on July 30, 2019

Greetings

1. Good morning. Thank you for joining us at our Tuas Boulevard Yard for Sembcorp Marine's 2Q/1H 2019 results briefing. This is the first time we are hosting the results briefing in our new corporate office at 80 Tuas South Boulevard, and we would like to extend a warm welcome to everyone here today.

Macro Update

2. Global economic growth has softened since the start of 2019. A slowdown in growth momentum is forecasted as ongoing trade tensions and geopolitical uncertainties weigh on business confidence and investments.

3. The offshore and marine industry continued to gradually recover. Global capex spend for offshore exploration and production activities continued to improve, especially for production facilities. Offshore drilling activities have also gradually improved. Overall, the industry remained at its initial stage of cycle recovery, with long orders development period and competition remained intense.

Financial Performance for 2Q and 1H 2019

4. Overall business volume for 2Q 2019 remained significantly below peak levels.

5. The Group posted a net loss of $9 million for 2Q 2019, mainly due to continued low overall business volume.

6. Financial Highlights:

   - Net order book totalled $5.27 billion as at end 1H 2019. New orders secured in 1H 2019 was about $175 million.
   - 1H 2019 Group revenue was $1.54 billion, compared with $2.81 billion in 1H 2018.
   - Net loss totalled $7 million in 1H 2019, compared with net losses of $50 million in 1H 2018.
   - Net gearing was 1.42 times as at end 1H 2019, compared with 1.47 times as at end 1Q 2019 and 1.44 times as at end FY 2018.

   More details on the Group's financial performance will be covered in our CFO's address to follow.

Five-year $2.0 billion Subordinated Loan Facility

7. On June 21, 2019, we announced we had obtained a $2.0 billion 5-year subordinated loan facility from Sembcorp Industries, our parent and largest shareholder with a 61% stake in the Company.

8. The Group will use the $2.0 billion subordinated loan to retire approximately $1.5 billion of existing borrowings, and re-profile the remaining borrowings with longer term maturities. The balance $500 million will be used for working capital and general corporate purposes. The above will enable us to strengthen our financial position and better position us for the recovery of the offshore and marine industry.

9. Our strategic investments in yard and engineering capabilities and new technologies have enabled us to offer diversified solutions to our global customers. However, our financial position has been affected by the prolonged and severe industry downturn. We believe that this $2.0 billion subordinated loan facility from our parent company will allow us to strengthen our financial position and enable us to better compete and seize opportunities as the industry recovers.

Review of Operations

Net Order Book and Developments

10. Net order book as at 2Q/1H 2019 is $5.27 billion, with completion and deliveries till 2021 (FY 2018: $6.21 billion). Excluding the Sete drillship contracts, net order book stands at $2.1 billion (FY 2018: $3.09 billion).

11. Following initial new orders secured last year, which included several EPC contracts for new production facilities, new orders traction in 1H 2019 had been disappointing. This was due mainly to a tender cancellation arising from changes in project ownership, and delays in final investment decisions for several projects.

12. New contracts secured in 1H 2019 include $175 million for projects comprising the design and construction of a 12,000-cubic-metre (cbm) LNG bunker vessel as well as repair and modernisation works on 13 cruise ships.

13. With the recent strengthening of our financial position, our key priority is building up our order book. We have been actively responding to an increasing pipeline of tenders and enquiries for various engineering solutions and projects related to the production and gas value chain segments, as well as in specialised shipbuilding projects. We are also participating in front end engineering design (FEEDs) and pre-FEEDs requested by potential customers. We remain hopeful for securing new orders in the foreseeable quarters.

Key Deliveries

Milestone Delivery of Sleipnir – World's Largest, Strongest and Most Sustainable SSCV Newbuild

14. We are proud to set a major milestone in early July this year, with the landmark delivery of Sleipnir, the world's largest, strongest and most sustainable semi-submersible crane vessel (SSCV), to Heerema Marine Contractors. This followed a successful sea trial in June, in which the Sleipnir exceeded expectations and passed with flying colours.

15. The Sleipnir is our first SSCV newbuild and also our first mega turnkey offshore construction project of this scale. And testimony to the Group's strong commitment to safety, the project achieved a commendable Lost Time Injury Rate (LTIR) of only 0.35 per million man hours worked.

16. This new-generation SSCV also set several records with its industry-leading specifications and capabilities:

    - The biggest crane vessel ever built, with a 220-metre by 102-metre reinforced deck area and accommodation capacity for 400 persons;
    - The strongest crane vessel in the industry, with a pair of 10,000-tonne revolving cranes that can lift 20,000 tonnes in tandem which no existing crane vessel can match; and
    - The world's first dual-fuel crane vessel, with its engines designed to run fully on either MGO or liquefied natural gas (LNG) for sustainable operation across all environmental jurisdictions.

    The Sleipnir's single-lift and other capabilities enhance its operational efficiency to cater to larger integrated structures than previously possible for the industry.

Projects in Progress

17. We continue to make good progress in advancing our ongoing projects. They comprise:
    - Construction of two high-specification ultra-deepwater drillships for Transocean, based on Sembcorp Marine's proprietary Jurong Espadon III drillship design;
    - Turnkey engineering, procurement and construction of newbuild FPSO hull and living quarters for Equinor, for the Johan Castberg field development in the Barents Sea;
    - Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible Floating Production Unit (FPU); and
    - Engineering, procurement, construction and integration of a newbuild FPSO hull, living quarters and topside modules, including owner-furnished equipment, for TechnipFMC for deployment in the Energean-operated Karish deepwater field in the Eastern Mediterranean.

18. Projects relating to renewable energy and gas solutions are in the early phases of engineering and development. These include:

- Engineering, procurement, construction, hook-up and commissioning works for two substation topsides for Ørsted Wind Power to be deployed to the UK's Hornsea 2 Offshore Wind Farm;
- Design and construction of three battery-powered ropax ferries for Norled AS, based on a proprietary design by Sembcorp Marine's wholly-owned subsidiary LMG Marin; and
- Design and construction of a 12,000-cubic-metre, dual-fuel LNG bunker vessel for Mitsui O.S.K. Lines' subsidiary Indah Singa Maritime, including the fabrication of the vessels' two GTT Mark III Flex membrane tanks.

19. At our EJA Yard in Brazil, key projects in progress include:
    - Hull carry-over works as well as topside modules construction and integration for the FPSO P-68; and topside modules construction for FPSO P-71, both for the Tupi Project;
    - Repairs and upgrades of offshore rigs, including 3 drillships and one semi-submersible drilling rig for local and international drillers. These are breakthrough contracts for EJA in penetrating the repairs and upgrade market. All 4 contracts were executed successfully to budget and delivered on time. In fact, the semi-submersible rig was delivered ahead of time to its customer, Diamond Offshore, which rewarded EJA with an early delivery bonus payment.

Repairs and Upgrades

20. In 1H 2019, a total of 153 vessels were repaired or upgraded at our yards, compared with 158 vessels in 1H 2018. Average revenue per vessel was higher at $1.6 million compared with $1.3 million on improved vessel mix of higher-value works.

21. The recent awards of 13 new cruise vessel repair and modernisation projects by leading global cruise brands continue to strengthen our leadership position for cruise ship refits and upgrading business, with 115 vessels over the past 10 years.

22. In May 2019, we further secured a major upgrading project of Asuka II, Japan's largest cruise ship operated by NYK Cruises.

23. A series of 21 LNG carriers repairs have been secured for execution in 2H 2019, making 2019 likely to be another record year for this segment.

24. For green technology solutions, namely ballast water management systems (BWMS) and gas scrubber installations, we continue to actively execute an increasing number of such contracts. We expect firm demand for this segment to continue in the foreseeable years.

Sete Brasil Drillships

25. It was reported in the media that Sete Brasil is currently evaluating bids submitted for its sale of four rigs being built at two Singapore yards, as part of its judicial recovery plan.

26. We are monitoring the developments closely and will continue to engage Sete Brasil accordingly.

27. In our view, the $329 million provision made in FY 2015 for the Sete Brasil contracts remains adequate under the current circumstances.

Cost Management and Operational Excellence

Human Resources

28. To manage costs and resources for operational resilience and efficiency, workforce optimisation and rightsizing continue to be implemented in line with current and foreseeable level of activities.

29. Active efforts are in place to train and upskill our employees for enhanced productivity, flexibility and competitiveness. Our focus on building a future-ready workforce continues to ensure that the Group is well-positioned to seize opportunities when the industry cycle recovers.

Cash Flow and Liquidity Management

30. While the $2.0 billion subordinated loan facility from our parent company has strengthened our financial position, we remain committed to exercising financial discipline and prudence to manage our balance sheet and further strengthen the Group's financial position.

31. Group capex for 2Q/1H 2019 was about $205 million. This comprised mainly installation of certain new capabilities and completion of corporate headquarters at our Tuas Boulevard Yard. Going forward, we expect capex to further moderate compared to prior year.

32. For 2Q/1H 2019, operating cash flow generated before working capital changes was $56 million and $125 million respectively. Net gearing was 1.42 times as at June 2019, compared with 1.47 times as at March 2019, and 1.44 times at FY 2018.

Market Outlook

33. Global capex spend for offshore exploration and production (E&P) is expected to continue to improve, especially for the offshore production segment. Offshore drilling activities have also gradually increased.

34. Sembcorp Marine is responding to enquiries and tenders for various engineering solutions and projects related to the production and gas value chain segments. The repairs and upgrades segment continue to gradually improve, underpinned by IMO

regulations that require ballast water treatment systems and gas scrubbers to be installed.

35. Overall, challenges in the offshore and marine sector persist and it will take some time before we see a sustained recovery in new orders, while competition remains intense and margins compressed. With insufficient new orders secured in the last few quarters, the company is expecting the losses for the second half to be higher than the first half, with the full year losses projected to be similar in range to last year's losses.

36. Sembcorp Marine is actively pursuing new orders and will execute existing orders efficiently.

Our CFO Tan Cheng Tat will now take you through the Group's detailed financial performance.

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 due to 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.