

**Address by Mr Wong Weng Sun, President and CEO, at Sembcorp Marine Ltd  
3Q and 9M 2019 Results Analyst Teleconference, 13 November 2019**

1. A very good morning to everyone. Thank you for dialling in.
2. Sembcorp Marine has had a challenging but eventful third quarter. We were able to capture new orders in 3Q 2019 that added \$400 million to our order book. These included a breakthrough contract in the highly competitive Taiwanese offshore wind sector that will help us gain further traction in the offshore wind market. To stay relevant, generate additional value, and grow our business, we are actively tapping the global transition towards a greener energy mix.
3. Notably on Nov 1, we also announced our second floating production unit (FPU) fabrication and integration project from Shell. I will provide more details on this and other new projects later.
4. On the financial side, our current priority is in ensuring that we have a healthy cash flow that meets our operational and capital needs. For 9M 2019, we generated positive EBITDA and improved operating cash flow. Together with the \$2 billion subordinated loan facility from our parent company, of which \$1.5 billion have been drawn to repay existing loans, Sembcorp Marine's liquidity and balance sheet are strengthened, allowing us to seize opportunities and better position ourselves for the industry's eventual recovery.
5. While maintaining Group-wide cost prudence, we are keeping a balanced focus on our investments in innovation, capability retention and manpower development. These investments will enable Sembcorp Marine to secure higher-value projects in new and existing markets, and to prepare for our future growth.

**Financial Performance**

6. For the first nine months of 2019, the Group generated EBITDA of \$134 million and operating cash flow surplus (before working capital changes) of \$146 million, both of which were improvements from 9M 2018.
7. We recorded \$2.26 billion of revenue for 9M 2019, with Net Loss at \$59 million, mainly due to the continued low business volume overall and the accelerated depreciation on our Tanjong Kling yard.
8. In our CFO's address later, we will cover more details on Sembcorp Marine's financial performance.

## Operational Review

9. Besides the new offshore wind contract, which we signed with first-time customer Jan De Nul, the Group won an FPSO conversion job from Shapoorji Pallonji and Bumi Armada, as well as a repeat FPU order from Shell. The new Shell FPU project is for the Whale field in the Gulf of Mexico. It comes after the Shell Vito FPU secured last year and now under construction at Tuas Boulevard Yard. As we take on the Whale FPU project, we will be harnessing considerable synergies from the ongoing Vito project.
10. All in all, our year-to-date new contracts amount to \$845 million, compared to \$730 million in the same period last year.
11. We continue to actively pursue new orders in this challenging environment, and are happy to report good progress in several project negotiations, including the Siccar Point Cambo Field FPSO. The customer has selected our Sevan cylindrical hull solution and engaged us for an exclusive FEED study. This puts Sembcorp Marine in the prime position to clinch the project once Siccar Point and their partners move ahead with the Final Investment Decision.
12. Taking into account the \$845 million new orders thus far in 2019, our net order book now stands at \$2.42 billion, excluding the Sete Brasil drill ships.

### ***Sete Brasil Drill Ship Contracts***

13. On Oct 7, we announced a final settlement with the Sete Group on the seven drill ship contracts signed with them in 2012. The agreement is subject to the fulfilment of certain conditions precedent.
14. Under the settlement, the titles to five of the seven drill ships will be retained by us, while the titles to the remaining two drill ships in advanced construction progress will be apportioned between Sembcorp Marine and Sete Brasil according to payments we already received from the latter.
15. Once the conditions precedent are met, the drill ship contracts will be terminated and the parties involved will mutually release each other from all claims related to the contracts.

### ***Repairs & Upgrades***

16. Meanwhile, our Repairs & Upgrades business posted strong results in the third quarter with 67 vessels repaired, refurbished and upgraded. This brings the total to 220 vessels in the first nine months of 2019, with a higher average revenue per vessel of \$1.78 million, compared to \$1.46 million per vessel in the same period last year.
17. In the FSU/FSRU segment, we have secured five new contracts for conversion and upgrading, valued at \$71 million in total. These projects are among 55 LNG-related repair and upgrade jobs we have thus far received,

which is a new industry record for the highest number in a single year, exceeding the 2018 record of 41 vessels – also by Sembcorp Marine.

18. I am as well pleased to report that the new IMO regulations on ballast water treatment and fuel sulphur reduction continue to bring good opportunities for our Repairs & Upgrades business. We have to date won installation orders for 99 scrubber units, to be completed in the first half of 2020, and ballast water management system installation projects for 109 vessels, which we will complete by 2021. Our Green Technology Retrofit Solutions generated \$50 million of revenue in 9M 2019. We are confident this segment will grow further.

### **Projects in Progress and Deliveries**

19. Sembcorp Marine's major projects are on track, including the Johan Castberg and Karish newbuild FPSOs, and the Shell Vito FPU. We recently also kicked off the construction phase of the 12,000-cubic-metre LNG bunker tanker project with MOL.

20. On Nov 8, we delivered the Q7000 well intervention semi-submersible rig to Helix Energy Solutions, demonstrating a firm commitment with the customer to complete the project despite the challenging market conditions. A joint development effort by Sembcorp Marine and Helix, Q7000 combines the latter's well intervention technology with our semi-submersible hull design, which is a twin pontoon hull form optimised to achieve an 11.5-knot maximum transit speed – faster than any other semi-submersible rigs. With its minus 20°C structural design temperature, Q7000 is also well suited for harsh operating environments.

21. We are very proud of the Q7000 project as it shows how our design and engineering expertise enhances the functionality of our customers' ships, rigs and offshore platforms. To reinforce this differentiated value and strengthen our competitive advantage further, we are building new capabilities continuously.

22. In Brazil, our Estaleiro Jurong Aracruz (EJA) facility handed over the P-68 FPSO to Petrobras on Sep 16, crossing a very important milestone with the completion of its first major project. This successful delivery is proof of EJA's ability to take on full EPCC offshore projects. The yard is now working to complete the P-71 FPSO modules fabrication and integration project, also for Petrobras. EJA has also secured contracts for the repair and upgrade of several semi-submersible drilling rigs and drill ships.

### **Embracing Change in our Business Environment**

23. As Sembcorp Marine navigates the current market challenges, we are mindful that the offshore, marine and energy sectors are readily responding to a global shift towards the use of greener energy.

24. Major oil and gas companies – our traditional customer base – are increasingly diversifying their portfolios to include clean and renewable products such as offshore wind, and they now see themselves more holistically as producers of **Energy**, rather than oil or gas. This opens up exciting opportunities in terms of the variety, breadth and depth of solutions and services Sembcorp Marine can offer in an expanded energy value chain. But it also means our business, operational and cost models must change. And they have.
25. For instance, we are now engaging companies that produce, transport or consume a wider spectrum of energy sources, including oil, gas, wind, battery and hydrogen fuel cells.
26. Our continued investment in capability and capacity building is putting Sembcorp Marine in the driver's seat to compete for projects in new customer bases and market segments. Although this does imply certain functions like engineering are becoming fixed costs, it is necessary for our current and future growth, along with our efforts to incorporate the latest technologies and innovations into our products, services and operations.
27. In this regard, we see 3D printing particularly as a game-changer. On Oct 29, the Group received certifications from DNV GL qualifying our 3D printing procedures and specifications for making and restoring components used in construction and repair projects. What this means is that we can now start building a 3D printing regime that lets us custom-make our own components, improve their design and quality, and mitigate procurement constraints on cost, lead-time and availability – for example, parts for a repair job that may be costly, obsolete, out of stock or no longer in production.
28. While we still have a lot more to do, we want to work towards a 3D printing capability that gives Sembcorp Marine greater self-sufficiency and reduces our supply chain risks. We are excited by the possibilities that 3D printing brings.

#### ***Innovation at Tuas Boulevard Yard***

29. Continuous innovation and technological improvements extend deep and wide into our shipyards. A vital addition to our yard capability is a pair of gantry cranes at Tuas Boulevard that can handle 30,000 tonnes in one lift. With these top-of-the-range cranes, we can assemble a heavy topside, such as those for the Vito and Whale FPU's, into one mega-block and combine it with the hull in a single lift. This is a winning differentiator for Sembcorp Marine because gigantic offshore structures can be fabricated, assembled and transported out of Tuas Boulevard Yard with optimal efficiency. Sembcorp Marine and our customers will effectively overcome the hurdle of insufficient lifting capacity that previously may have led to major projects incurring more

time, logistics and cost when structures could only be fabricated, assembled or delivered in several smaller parts.

30. Future installation work at Tuas Boulevard could extend to FPSOs where assembled mega-size modules or a complete integrated turret mooring system is fitted on to the hull as a single component. Our 30,000-tonne lifting capacity will enable us to execute bigger and higher-value projects, with faster turnaround.
31. Notwithstanding the difficult market conditions, Sembcorp Marine is competing aggressively for jobs in new and existing segments. We are making good progress in our continuing negotiations on a number of attractive project prospects. We are executing our ongoing jobs with improving efficiency, and we remain focused on optimising our operating costs – without compromising quality and safety.
32. Our game plan of embracing new innovation and building future-oriented capabilities will prepare Sembcorp Marine for the opportunities and challenges ahead. And to translate these capabilities into new orders and regular revenue streams, we will focus on enhancing our brand visibility and awareness, especially in segments of our expanded market base that are relatively unfamiliar with the Sembcorp Marine Group.
33. On this note, we are confident Sembcorp Marine can and will continue to create long-term, sustainable value for our stakeholders.
34. I will now ask our CFO Tan Cheng Tat to walk us through the Group's 3Q and 9M 2019 financial results. Thank you.

*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.*