Greetings
1. Good evening. Welcome and thank you for taking time to visit our Tanjong Kling yard for Sembcorp Marine’s 4Q and FY2016 results briefing.

Macro Update
2. Global economic growth has remained subdued throughout 2016, while business conditions for the upstream oil and gas industry continued to be extremely challenging.

3. The fall in oil prices had resulted in upstream oil & gas capex reducing for a second consecutive year in 2016. Day rates and utilisation levels for existing rigs remained at cycle-low levels. Competition intensified as players competed in a shrinking market for orders. With financial players holding or withdrawing their exposure to the sector, the resulting lack of financing posed further challenges for all players across the value chain.

4. As the oil and gas industry struggled into its third year of a severe downturn, OPEC and major non-OPEC producers surprised markets in November 2016 with an announcement of their first agreement to cut production in eight years. This sent oil prices rebounding to above the US$50 per barrel range, from lows of below US$30 per barrel in early 2016.

5. Demand for energy resources is expected to continue to grow steadily. Coupled with the steady depletion of existing oil reserves, oil prices are projected to eventually stabilise at a range which can support the growth of offshore projects in the medium to longer term.
6. As we look back on 2016, we remain mindful that the prudent and proactive decisions we made in the prior years have helped the Group ride through the extremely challenging and volatile past 12 months.

7. We will continue to monitor the external developments closely and will adapt and respond strategically to preserve and enhance value for our stakeholders.

Financial Performance for 4Q / FY2016
Despite the increasingly challenging business conditions, the Group returned to profitability in FY2016, and generated significant operating cash flows to support its operational and investment activities. Operating cash flows generated in FY2016 was S$669 million, a significant improvement compared with a negative S$867 million for FY2015.

For FY2016:
• Group revenue was S$3.54 billion, compared with S$4.97 billion for FY2015
• Net profit was S$79 million, compared with a net loss of S$290 million for FY2015

For 4Q2016:
• Group revenue was S$830 million, compared with S$1.33 billion for 4Q2015
• Net profit was S$34 million, compared with a net loss of S$537 million for 4Q2015.

More details will be covered in our CFO's address to follow.

Review of Operations
Deliveries
8. Despite the challenging market environment, the Group successfully delivered all its key projects scheduled for delivery in 2016 to its customers. These included both drilling and non-drilling solutions. We attributed these deliveries to the Group’s ability to meet our customers’ high specifications and customised requirements. Notable deliveries included the following:
• Noble Lloyd Noble, the world’s largest ultra high-specification harsh environment jack-up rig to Noble Corporation;
• Safe Zephyrus harsh environment accommodation semi-submersible to Prosafe;
• FPSO Professor John Evans Atta Mills to MODEC, now operating in offshore Ghana;
• Maersk Highlander harsh environment jack-up rig to Maersk Oil, now deployed in the Culzean field in the UK North Sea;
• Ivar Aasen Process, Drilling and Quarters (PDQ) Platform Topsides to Det Norske, now operating in the Ivar Aasen field in the North Sea;
• 6 LNG Modules Assembly for the Wheatstone LNG project for Chevron; and
• Offshore substation platform for the Dudgeon Offshore Wind Farm for Siemens.

Work-in-progress
9. We continue to make good progress in the execution of our current order book. Key projects include:
• Engineering and construction of the world’s largest semi-submersible crane vessel for Heerema;
• Design and construction of a new harsh environment Floating Storage and Offloading (FSO) vessel for MODEC for deployment in the Culzean field in the UK North Sea;
• Engineering, procurement and construction of Maersk Oil’s Central Processing Facility, Wellhead Platform and Utilities & Living Quarters Platform Topsides for use in harsh environment in the Culzean field in the UK North Sea;
• FPSO Pioneiro de Libra for deployment in offshore Brazil;
• FPSO Kaombo Norte and FPSO Kaombo Sul for Angola operations; and
• FSO Gina Krog for North Sea operations.

10. At our overseas yards, ongoing projects include:
• Topside modules construction and integration for the Petrobras P-68 and P-71 FPSOs in our EJA Brazil yard;
• Construction of a power generation module and other infrastructure (part of our EPC project with Maersk Oil) at our SLP yard in the UK; and
• LNG-related modules work at our Indonesian yards.

11. We continue to see a constant flow of vessels coming through our yards for repairs and upgrades with the support of our alliance and long-term partners, especially for LNG carriers and cruise ships.

12. The International Maritime Organization (IMO) recently announced that the Ballast Water Management Convention will come into effect in September 2017. This augurs well for our repairs and upgrades business and we are optimistic that demand will grow for the installation of ballast water treatment systems in vessels and other related services over the next few years. We have also developed our proprietary Semb-Eco Ballast Water Treatment System to complement our services and solutions to customers.

Sete Brasil Drillships
13. Following its filing for judicial restructuring on 29 April 2016, Sete submitted its restructuring plan to the Court in Brazil on 12 August 2016. A revised plan was submitted on 23 December 2016. A general creditors meeting is scheduled later this month.

14. Sembcorp Marine announced on 22 April 2016 that we had commenced arbitration proceedings against various subsidiaries of Sete Brasil to preserve our interests under the Sete Brasil contracts. The arbitration proceedings are ongoing.

15. We continue to engage with Sete Brasil as necessary to better understand its restructuring plan. We are also actively monitoring the situation and its implications, so as to be well prepared to respond strategically, as appropriate.

16. The Group had in FY2015 made provisions of S$329 million for the Sete Brasil contracts. No additional provisions have been made as we believe that the current provisions are adequate under the present circumstances.
Rig Delivery Deferments

17. One of our customers, Perisai, recently announced its insolvency and is undergoing financial restructuring. We have taken steps to protect our interests in the two rigs which have been completed and technically accepted by Perisai.

18. We continue to discuss with Oro Negro regarding their three jack-up rig deferments. The rigs have been completed and technically accepted by Oro Negro.

19. On 9 January 2017, we announced that the standstill agreement for the delivery of North Atlantic Drilling’s West Rigel semi-submersible rig had been further extended to 6 July 2017. We continue to actively market the rig for a charter contract or for sale at an acceptable price.

20. In FY2015, besides the S$329 million provisions for the Sete Brasil contracts, we also made provisions of S$280 million for prolonged deferment or possible cancellation of rigs. No additional provisions have been made as we believe the current provisions remain adequate under the current circumstances.

Net Order book

21. Amidst challenging market conditions, we secured S$320 million in new orders in FY2016 (all non-drilling solutions). Our net order book remains reasonably robust at S$7.8 billion. Excluding the Sete Brasil drillships, our net order book stands at S$4.7 billion.

22. In recent months, with the improvement in oil prices, enquiries for non-drilling solutions have gained momentum.

23. We have also made progress in the development of our near-shore gas infrastructure solutions using our Gravifloat technologies. We are in active discussions with several potential customers and are hopeful of new orders in 2017 for this new business segment.
Cost Management and Operational Excellence

Human Resources

24. Our overall strategy is to ensure long term workforce sustainability by maintaining and strengthening capabilities to enable us to develop and execute projects in a safe, efficient and effective manner, while positioning Sembcorp Marine to be ready to ride on the eventual market recovery.

25. With increased activities in our non-drilling segment, we continue to reallocate excess manpower from drilling to non-drilling work without compromising on safety and quality of execution. We have also optimised the number of sub-contractors in our yards according to the volume of work and allow for natural attrition of our employees.

26. In support of our development of new business segments, especially for our near-shore gas infrastructure solutions, we have been selectively recruiting new talent. This is supplemented by our existing engineering bench strength, which has been enhanced by relevant skills training and upgrade.

27. Together with the optimisation of our manpower headcount, we have, since 2015, taken measures to reduce operating costs by implementing salary freeze and adjustments to the variable remuneration components for management staff. These measures continued to be in place in 2016.

Yard Capex and Capacity Management

28. Phase 2 of our Tuas Boulevard Yard (TBY) was recently completed in January 2017. This will enable the Group to further optimise its yard facilities and realise operational efficiencies.

29. As part of our yard capacity management, the Group will continue to leverage and maximise the utilisation on the TBY yard while we review the schedule for returning our other yards in Singapore at or before their lease expiry dates. To date, we have returned the Pulau Samulun Yard to the Singapore Government, and in 2017, the Shipyards Road Yard and Tuas Road Yard are scheduled to be returned.
30. As previously mentioned, we started investing in our new yard infrastructure since 2010. To date, most of our new yard capex has been expended. Going forward, yard capex required for execution of secured contracts or which will realise cost savings will proceed, while non-essential capex will be deferred. The Group will also explore potential for cost savings by further optimising the rate of development of its TBY yard.

Cash flows and liquidity management

31. The Group is mindful of the need for financial discipline and prudence, and remains committed to actively manage its balance sheet and maintaining a healthy financial position. We focus on safe, timely and effective execution of our order book to ensure smooth progress of our projects so as to improve our cash flows.

32. For FY2016, the Group generated a positive S$669 million of Operating cash flows, compared with a negative S$867 million for FY2015. Such improvement was attributed to successful deliveries of key projects and achievement of scheduled milestones for projects under execution.

33. In 2016, the majority of our order book continued to be on progress payment terms. As such, besides lowering the overall credit risk profile, the need for fresh working capital to fulfil such orders has also decelerated compared to prior years. We continue to focus on procuring new projects on progress payment terms.

34. Capital expenditure for 2016 was lower by more than 50% compared with the previous year. As shared earlier, with most of our new yard capex behind us, we expect capex to continue to trend downwards in the foreseeable years.
35. Net gearing had increased marginally from 1.03x in FY2015 to 1.13x as at end December 2016. This was largely due to investments of S$227 million in key technology companies and the remaining shares in PPL Shipyard. Excluding such investments, net gearing at end December 2016 would be similar to that for FY2015.

36. We continue to adopt a disciplined approach to cash flow and liquidity management. Barring unforeseen developments, we believe we have sufficient debt headroom, and with existing facilities and continued support of our bankers and bondholders, we will be able to execute our secured orders and meet our liquidity needs.

**Dividends**

37. In view of our financial performance and to recognise our valued shareholders for their support, the Board of Directors is recommending a final cash dividend of 1.0 cents per share which is scheduled to be paid on 13 May 2017. Including the interim dividend of 1.5 cents per share, total dividend is 2.5 cents per share for FY2016.

**Key Divestments**

38. On 15 November 2016, the Group announced it had entered into a sale and purchase agreement with China Ocean Shipping Group to divest its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG) for an aggregate consideration of approximately S$220.68 million. Payment is expected to be received during 1Q2017. Proceeds will be used to support business growth in other areas.

39. The divestment will realise a gain of approximately S$48.32 million over the carrying value of the CSG investment in our books which will be recognised in FY2017.
Strategic Acquisitions

40. As the offshore oil, gas and energy industries continue to evolve with changing industry requirements, the Group made several strategic acquisitions during the year to strengthen its position for the future.

41. These included acquiring full ownership of PPL Shipyard (PPL) by securing the remaining 15% stake in the yard. Over the years, PPL has helped propel the Group into a global player in the design and construction of jack-up and semi-submersible rigs. Having full control of PPL will enable total alignment of PPL’s business management and corporate strategies with the Group to generate sustainable returns.

42. The Group has identified some years back the market potential for offering innovative solutions to the gas value chain. This was validated by the signing of COP21 in Paris last year. Gas, as a cleaner fuel, is expected to be increasingly used for power generation and bunkering, amongst others.

43. Our investment in Gravifloat since 2014 enables the Group to offer a suite of cost-effective, modularised and redeployable near-shore solutions. They include import and export terminal infrastructure for treatment, storage, liquefaction, re-gasification and offloading of LNG and LPG. We increased our stake in Gravifloat from 12% to a controlling 56% during 2016, with a right to fully acquire it on agreed terms in the future.

44. We have also invested 50% in KANFA Aragon, a process design and engineering group providing customised solutions for the floating production, storage and offloading market. This will enhance our capabilities in offering solutions for the production segment of the oil and gas sector.

45. Another strategic acquisition is LMG Marin, a Norway-based company with over 70 years of experience in naval architectural design, engineering and technology development. LMG owns a series of design patents and has extensive expertise in the design of drillships, offshore production & storage floaters, OSVs, LNG carriers, LNG-powered ships, car ferries and cruise ships.
46. These strategic acquisitions will further broaden and deepen Sembcorp Marine’s proprietary design and engineering capabilities, and support our ongoing strategy of diversifying into new product segments and providing innovative solutions across the offshore and marine value chain, both within and outside the oil and gas sector.

Outlook and Prospects

47. Despite the challenging outlook and intense competition, we believe that growth prospects for the offshore and marine industry remain positive in the medium to long term.

48. However, with increasing enquiries for non-drilling solutions, we foresee an earlier recovery in demand for fixed platforms, FPSO and FSO conversions and new-builds in the next few years.

49. Rising global demand for gas also augers well for our broad-based LNG solutions and capabilities.

50. We believe these are the key segments that will offer opportunities in 2017.

51. We will continue to leverage the strengths of our Tuas Boulevard Yard to seize new opportunities. The new yard gives Sembcorp Marine a competitive advantage with its optimised docking facilities, specialised production capacity and highly automated steel structure fabrication capabilities.

52. Our strategic acquisitions will position us well to seize opportunities in the gas value chain. We will also continue to engage in R&D initiatives to develop innovative solutions and enhance operational efficiencies to sharpen our competitive edge.
53. In summary, the Group’s strategy and focus remain anchored on strengthening and optimising our talent pool; pursuing operational excellence in executing our projects; investing in new capabilities, products and technological innovation to help grow our order book; and prudently managing our financial resources to preserve financial flexibility and ensure overall sustainability of our business.

54. With the strong support of our Board, management, employees, customers and other key stakeholders, we remain confident that we will weather and ride the cyclical downturn and be well-placed to benefit from the recovery ahead.

55. 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 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.*