Greetings

1. Good evening. Welcome and thank you for dialling into Sembcorp Marine’s 1Q 2017 results briefing.

Macro Update

2. After a difficult and challenging 2016, the global economy has shown some signs of improvement with general consumption, investment and trade slowly picking up. However, the global economy continues to remain fragile and vulnerable to various geo-political forces.

3. The offshore and marine industry continues to remain challenging. The November 2016 OPEC agreement to reduce oil output has led to oil prices rebounding to the current US$50 per barrel range. We are hopeful that this trend will continue with oil prices sustaining at a range that supports offshore exploration and development investments by oil & gas companies. The pace of recovery in the oil and gas sector remains uncertain, and will continue to be impacted by the existing rigs supply overhang.

4. We continue to monitor the macro-economic environment closely and strategically respond to the developments.

Financial Performance for 1Q 2017

5. For 1Q 2017, the Group posted a net profit of $40 million. Operating profit was however impacted by costs incurred for a floater project which is pending finalization with the customer.
6. For 1Q 2017:
   • Group revenue was $760 million, compared with $918 million in 1Q 2016.
   • Net profit was $40 million, compared with $55 million in 1Q 2016.
   More details will be covered in our CFO’s address to follow.

**Review of Operations**

**Delivery**

7. The first quarter of 2017 saw the successful conversion and delivery of the FPSO Pioneiro de Libra. Converted from a shuttle tanker, the FPSO Pioneiro de Libra is Sembcorp Marine’s first full EPC (Engineering, Procurement and Construction) FPSO conversion. The FPSO sailed off from our Tuas Boulevard Yard in March 2017 and will be deployed in the Libra field development in Brazil’s Santos Basin.

**Work-in-progress**

8. In addition to the above, other key ongoing projects in our current order book 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 Kaombo Norte and FPSO Kaombo Sul for Saipem for operations in offshore Angola; and
   • FSO Gina Krog for Teekay for deployment in the North Sea.

9. Ongoing projects at our overseas yards 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.
For our ship repairs and upgrades business, we performed a total of 111 repairs and upgrades during 1Q 2017. Despite ongoing intense competition, revenue per vessel has increased slightly, resulting from an improved vessel mix with more higher value works.

11. The International Maritime Organization (IMO) Ballast Water Management Convention, which comes into effect in September 2017, augurs well for our repairs and upgrades business. We have also developed our proprietary Semb-Eco LUV Ballast Water Management System (BWMS) to complement our services and solutions to customers. Semb-Eco LUV, which won the Outstanding Maritime R&D and Technology Award at the Singapore International Maritime Awards 2017, is the world's first BWMS to use a combination of ultra-violet rays with bio-fouling control. It uses no chemicals and has the lowest power consumption amongst similar products on the market. The Semb-Eco LUV is the first IMO type-approved BWMS to be researched, developed, manufactured and factory tested in Singapore.

12. Enquiries are increasing for installation of BWMS in vessels and other related services, and we are optimistic that demand will grow over the next few years.

13. We believe that sharpening our technological innovation and creativity remains critical to synergising and transforming our collective expertise into proven solutions, so as to stay ahead of the competition and to ensure continuous future growth and business sustainability.

Sete Brasil Drillships

14. Sete Brasil submitted its latest restructuring plan to the Brazilian court in April 2017. Creditors’ meetings and discussions on the restructuring plan are ongoing.

15. We continue to engage with Sete Brasil as necessary to better understand its restructuring plan. We are monitoring the situation closely, so as to be well prepared to respond strategically, as appropriate.
16. We believe our earlier provisions of $329 million made in FY 2015 for the Sete Brasil contracts are sufficient under the present circumstances.

**Rig Delivery Deferments**

17. We continue to work with our customers for solutions concerning delivery deferrals of their rigs. All these rigs have been technically completed and accepted by the respective customers.

18. The standstill agreement with North Atlantic Drilling for the West Rigel semi-submersible rig has been extended to 6 July 2017. The rig is being actively marketed for sale or charter by both Sembcorp Marine and the customer.

19. We have made provisions of $280 million in FY 2015 in case of prolonged deferment or possible cancellation of rigs. We believe these provisions are adequate under the present circumstances.

**Net Order book**

20. Amidst challenging market conditions, we secured $75 million in new orders in 1Q 2017 (all non-drilling solutions). Our net order book stands at $7.14 billion. Excluding the Sete Brasil drillships, our net order book is $4.02 billion.

21. With the improvement in oil prices, enquiries for non-drilling solutions have gained further momentum. There have been active engagements with potential customers in recent months for potential projects.

22. We have also made further 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 remain hopeful of new orders in 2017 for this new business segment.
Human Resources

23. We continue to optimise our human resources as well as build new capabilities and competencies for long-term workforce sustainability. Reallocation of excess manpower from drilling to non-drilling work continues, without compromising on safety and quality of execution. We have also allowed for natural attrition of our employees and terminated less efficient sub-contractors. Similar measures have been taken for our EJA yard in Brazil to right-size and optimise the workforce in line with the level of activities.

24. These measures have led to a reduction during 1Q 2017 of approximately 500 in our workforce, including employees and sub-contractors. Since 2015, the reduction in our total workforce, including employees and sub-contractors has been about 9,000. We are taking steps to further reduce our workforce in tandem with our work requirements.

25. Our workforce optimisation efforts continue to be in place through skills training and upgrading to further enhance our capabilities, efficiency and productivity for the safe, timely and effective execution of our projects. Another aspect includes training and equipping employees with the required skill sets for deployment to new areas of growth in our business. To sustain our competitive edge, we will continue to selectively recruit talents in specialised areas to support our new business segments, especially for our near-shore gas infrastructure solutions.

Singapore Yards

26. With the completion of Phase 2 of our Tuas Boulevard Yard (TBY) in January 2017, we now have 7 dry docks at TBY. This will enable us to better optimise our work execution and realise operational efficiencies.

27. 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 Shipyard Road Yard and Tuas Road Yard are scheduled to be returned. We have also planned for our Tanjong Kling Yard to be returned ahead of its lease expiry date.

**Cash flows and liquidity management**

28. We continue to exercise financial discipline and prudence in our cash flow management. The majority of our order book continues to be on progress payment terms to minimize our need for significant working capital.

29. In 1Q 2017, Operating cash flow used was $69 million, compared with $59 million for 1Q 2016.

30. Capital expenditure for 1Q 2017 was $53 million, as most of our yard capex have been expended. We expect the trend of lower capex to continue.

31. Net gearing increased marginally during the quarter, with net debt to equity at 1.18 times at end of 1Q 2017, compared with 1.13 times at end FY 2016.

32. 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 orders and meet our liquidity needs.

**Key Divestments**

33. We received the necessary regulatory approvals for our divestment of our 30% equity stake in Cosco Shipyard Group Co., Ltd (CSG) in January 2017. The divestment realised a gain of approximately $47 million which was recognised in 1Q 2017. Proceeds from the divestment of about $220 million are expected to be received in 2Q 2017 and will be used to support our business growth.
Outlook and Prospects

34. Oil prices appear to have stabilised. Global exploration and production spending is expected to increase in 2017, compared to the last 2 years.

35. Enquiries for non-drilling solutions continue to be encouraging. We are cautiously optimistic of new orders for production facilities in the next few years.

36. Customers’ interest in our Gravifloat LNG solutions and capabilities remains strong, as global demand for gas is on the rise. We are making steady progress in the development and commercialisation of our Gravifloat technology for near-shore gas infrastructure solutions. However, it will take time for such efforts to translate into orders.

37. Sembcorp Marine’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.

38. 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.