

OPERATIONS REVIEW

Semcorp Marine achieved positive EBITDA (earnings before interest, tax, depreciation and amortisation) earnings in 2018 of \$143 million. At the net level, the Group posted a loss of \$74 million for 2018 compared with \$260 million in profits in 2017.

Group revenue was \$4.89 billion for the 12 months to 31 December 2018, compared with \$3.03 billion generated in 2017 (adjusted for accounting changes on adoption of SFRS(I) from 1 January 2018).

The higher revenue in 2018 was largely due to revenue recognition on delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease (BOTL), the sale of the West Rigel semi-submersible rig (renamed Transocean Norge) and higher percentage recognition for ongoing drillships and newly secured offshore production projects in 2018.

RIGS AND FLOATERS REMAIN LARGEST SEGMENT REVENUE CONTRIBUTOR

- Turnover for **Rigs and Floaters** was \$4.15 billion in 2018, compared with \$1.72 billion in 2017. The higher revenue was due to

recognition of the Borr Drilling and BOTL jack-up deliveries, sale of West Rigel (Transocean Norge) semi-submersible rig, and revenue recognition for ongoing production and drillship projects.

- **Offshore Platforms** revenue was \$184 million in 2018, lower than the \$732 million in 2017 due to fewer contracts on hand, and completion of existing projects. Three topside modules for the Culzean platform projects were completed and delivered on schedule in June 2018.
- Revenue from **Repairs and Upgrades** totalled \$476 million in 2018, compared with \$499 million in 2017 on fewer ships repaired. A total of 296 ships and other vessels were repaired or upgraded in the 12 months, compared with 390 units in 2017. Average revenue per vessel was higher at \$1.61 million, compared with \$1.28 million, on improved vessel mix of higher-value works.

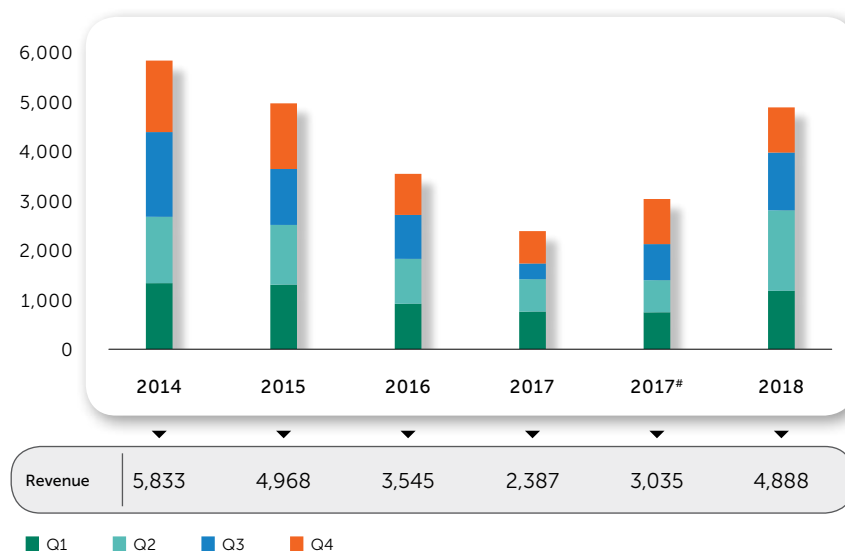


Rigs and Floaters
accounted
for

85%
OF GROUP
REVENUE

2018 Revenue: \$4.89 billion

\$ Million



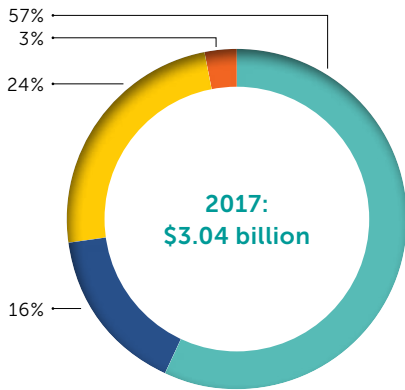
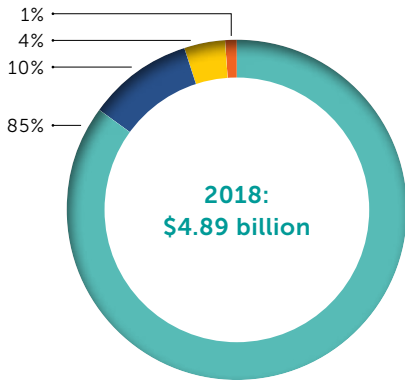
Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked **2017*** in the tables and charts. See page 30 for more details

OPERATIONS REVIEW

Excluding the sale of West Rigel and rig deliveries to Borr Drilling and BOTL, Group revenue for 2018 totalled \$2.53 billion, largely unchanged from \$2.55 billion in 2017.

In 2018, Rigs and Floaters continued to account for the largest share of Group revenue at 85%, followed by Repairs and Upgrades at 10%, and Offshore Platforms at 4%.

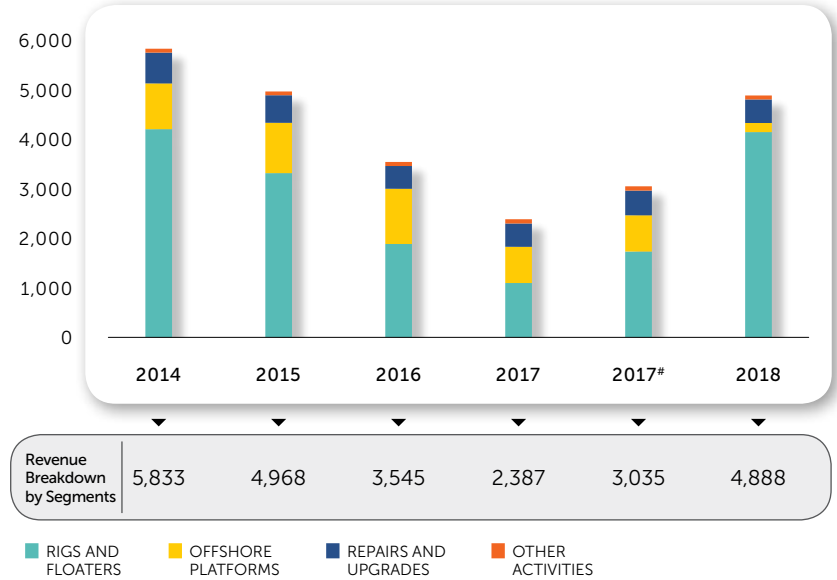
Turnover Contribution by Sectors



- RIGS AND FLOATERS
- REPAIRS AND UPGRADES
- OFFSHORE PLATFORMS
- OTHER ACTIVITIES

Revenue Breakdown by Segments

\$ Million

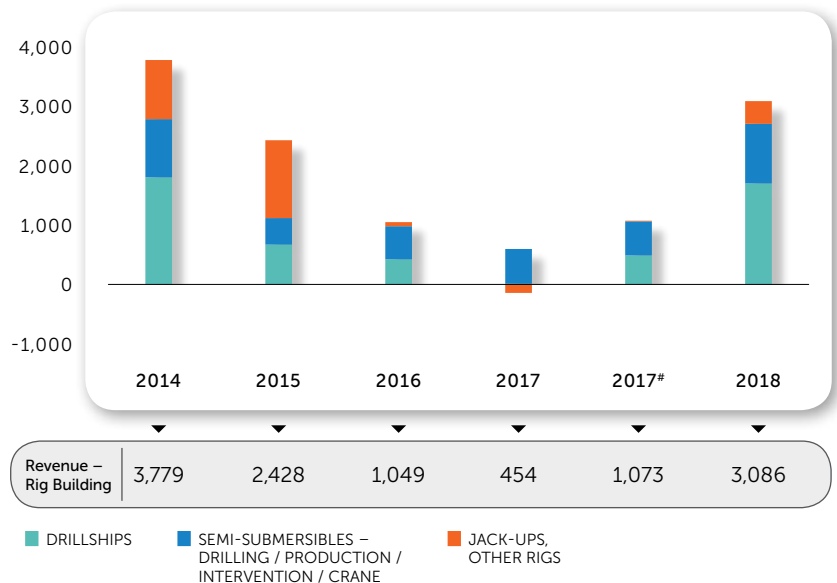


Rig building revenue for 2018 totalled \$3.09 billion compared with \$1.07 billion in 2017, mainly on recognition of delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOTL and the sale of West Rigel semi-submersible.

Drillship revenue from Transocean drillship projects was \$382 million. Semi-submersible revenue recognised totalled \$1.01 billion, reflecting ongoing recognition from the Heerema semi-submersible crane vessel project.

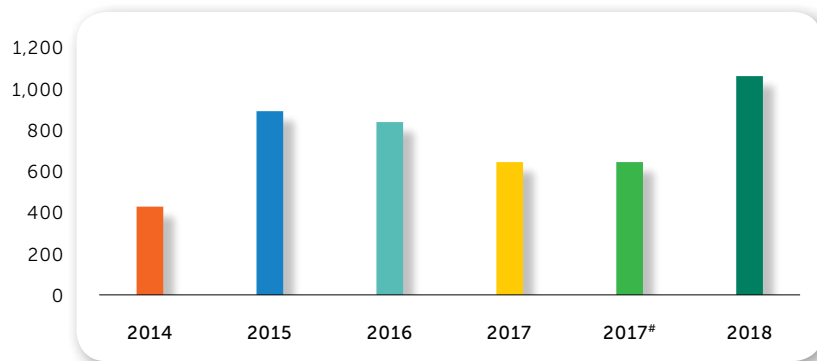
Revenue – Rig Building

\$ Million



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Revenue – Floaters \$ Million

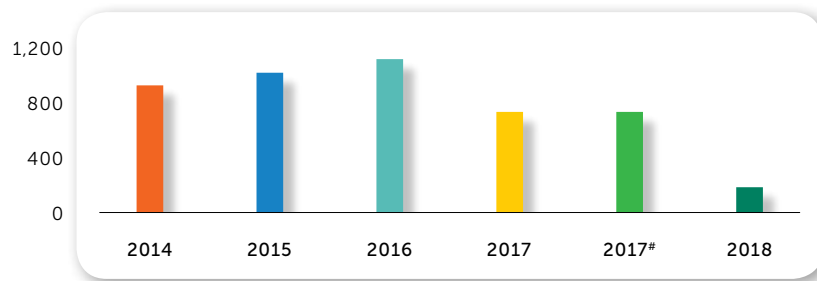


| Revenue – Floaters | 2014 | 2015 | 2016 | 2017 | 2017# | 2018 |
|--------------------|------|------|------|------|-------|-------|
| | 428 | 891 | 838 | 644 | 644 | 1,061 |

In 2018, **Floater revenue** increased 65% to \$1.06 billion on higher percentage recognition for ongoing newbuilding projects, including Shell’s Vito Floating Production

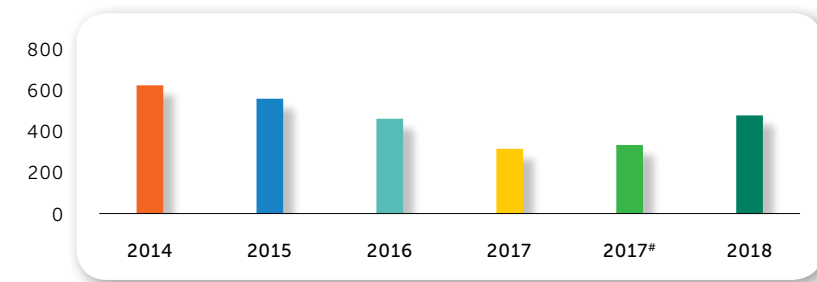
Unit (FPU) as well as Equinor’s Johan Castberg Floating Production Storage and Offloading vessel (FPSO) and TechnipFMC’s FPSO project.

Revenue – Offshore Platforms \$ Million



| Revenue – Offshore Platforms | 2014 | 2015 | 2016 | 2017 | 2017# | 2018 |
|------------------------------|------|-------|-------|------|-------|------|
| | 925 | 1,017 | 1,116 | 732 | 732 | 184 |

Revenue – Repairs and Upgrades \$ Million



| Revenue – Repairs and Upgrades | 2014 | 2015 | 2016 | 2017 | 2017# | 2018 |
|--------------------------------|------|------|------|------|-------|------|
| | 622 | 557 | 460 | 471 | 499 | 476 |

PROJECT DELIVERIES

Sembcorp Marine has to-date completed and delivered all nine proprietary designed Pacific Class 400 jack-up rigs to Borr Drilling, several of which were delivered ahead of schedule upon Borr’s request. The final jack-up Njord was delivered to Borr Drilling at end January 2019, following the successful deliveries of seven rig units in 2018 and one in November 2017.

Notably, the jack-up Njord set a record by being the first drilling rig to be awarded a Cybersecurity-Ready Notation by ABS. The Group is proud to have contributed to this first-of-its-kind certification and to help customers achieve an enhanced degree of cybersecurity for their assets.



Njord jack-up rig – First drilling rig to be awarded a Cybersecurity-Ready Notation by ABS

OPERATIONS REVIEW



Ailsa is Sembcorp Marine's full turnkey newbuild FSO vessel, completed for MODEC



Sembcorp Marine delivered offshore production platform modules, topsides and ancillary facilities to TOTAL for the Culzean field development

Other significant deliveries in 2018 included:

- Ailsa, Sembcorp Marine's first full turnkey newbuild Floating Storage and Offloading (FSO) vessel, built for MODEC based on a proprietary hull design from Sembcorp Marine's subsidiary LMG Marin. The hull is built for a 40-year lifespan and is capable of 25 years of continuous operations without dry-docking. The FSO vessel is constructed in full compliance with strict UK safety regulations for harsh-environment operations for the Culzean field in the UK North Sea;
- Sembcorp Marine's Offshore Platforms segment delivered the offshore production platform modules, topsides and ancillary facilities to TOTAL for operation in the Culzean field in the UK North Sea sector. Together with the FSO Ailsa and the high-specification jack-up rig Maersk Highlander (also built by Sembcorp Marine), these constructions form an integrated suite of Sembcorp Marine engineering solutions for the harsh-environment Culzean field;
- Kaombo Norte and Kaombo Sul tanker to FPSO conversions; the two FPSOs were delivered to Saipem for the Kaombo project located in offshore Angola; and
- Construction of Hakuryu 14, a proprietary design Pacific Class 400 jack-up rig for BOTL.

In February 2019, the Group also delivered the newbuild harsh-environment semi-submersible Transocean Norge (Ex-West Rigel) to Transocean. The rig has secured a charter from Equinor (formerly Statoil) for drilling operations in the Norwegian Continental Shelf.



Heerema's Sleipnir, the world's largest semi-submersible crane vessel

WORKS IN PROGRESS

The Group continues to make positive progress for ongoing projects in its order book.

At Sembcorp Marine's shipyards in Singapore, these include:

- Engineering and construction of Sleipnir, the world's largest semi-submersible crane vessel, for Heerema and scheduled to be delivered in 2019; and
- Construction of two high-specification ultra-deepwater drillships for Transocean, based on Sembcorp Marine's proprietary Jurong Espadon III drillship design.

The Group has commenced engineering and construction works for several recently secured contracts:

- Turnkey engineering, procurement and construction of newbuild FPSO hull and living quarters for Equinor's Johan Castberg field development in the Barents Sea;
- Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible FPU; and

- Engineering, procurement, construction and integration of hull, living quarters and topside modules, including owner-furnished equipment, for TechnipFMC's newbuild FPSO to be deployed in the Energean-operated Karish deepwater field in the Eastern Mediterranean.

OPERATIONS REVIEW

A number of key projects are also underway at Sembcorp Marine's overseas yards. In Brazil, the Group's wholly-owned subsidiary Estaleiro Jurong Aracruz is performing 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 projects are for the Tupi field development.

REPAIRS AND UPGRADES

In 2018, Sembcorp Marine carried out a total of 296 dry-dockings, repairs and upgrades. Total revenue was \$476 million compared with \$499 million in 2017. Revenue per vessel was higher than 2017 on higher value works and improved vessel mix.

In 2018, Sembcorp Marine again emerged as the world's top LNG repair yard (for the sixth time) with a total of 41 LNG ships repaired and upgraded that year. This strong performance is likely to continue into 2019, as the Group has secured a significant number of orders for LNG repairs and upgrades to date.

Major offshore repairs and upgrades completed in 2018 include the upgrading of FPSO Pyrenees Venture for MODEC / BHP as well as major repairs and demucking works for Chevron Thailand's Benchamas FSO.



Sembcorp Marine successfully completed major repairs on FPSO Pyrenees Venture



Golden Princess in the drydock for repairs at Sembcorp Marine Tuas Boulevard Yard

In the cruise ship market, the Group cemented its position as Asia's top cruise ship repair and upgrade solutions provider with 10 cruise vessels serviced and upgraded in 2018, including one for new customer Norwegian Cruise Line.

The Group's repairs and upgrading business continues to be well supported by Alliance, Favoured Customer Contract (FCC) partners and regular customers. This core group of partners and regular customers provides a stable base load and accounts for more than 80% of the revenue for repairs

and upgrading. In 2018, two exclusive partnership agreements were signed – a long-term contract with Shell / GasLog and a FCC agreement with Solvang ASA for the exclusive refits of their vessels in Singapore.

Green Technology Retrofit Solutions

Sembcorp Marine secured a total of \$160 million in orders for the retrofitting of ballast water management systems (BWMS) and gas scrubbers for 58 vessels. These included installation projects on vessels ranging from cruise ships to tankers.

Notably, the Group won its biggest green technology retrofit contract in 2018 from Greek owner Maran Tankers for the integration of 13 marine scrubbers and four BWMS installations onboard their vessels. The contract attests to its expertise and experience in green technology solutions. Besides Maran Tankers, the Group has also secured several scrubber installation works for 2019 and beyond.

Going forward, the Group expects enquiries for BWMS installations and scrubber retrofitting works to remain strong.

CONTRACTS SECURED AND NET ORDER BOOK

The Group secured \$1.18 billion in contracts in 2018.

They included two projects for renewable energy engineering solutions worth over \$200 million in 2018:

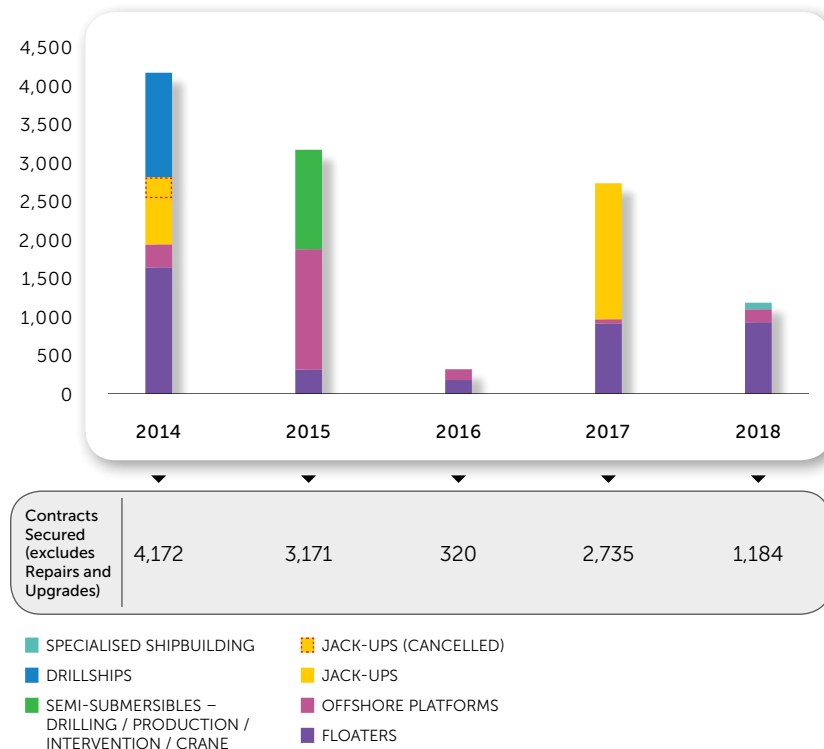
- Engineering, procurement, construction, hook-up and commissioning works for two topsides for Ørsted Wind Power's subsidiary, Optimus Wind Limited, for delivery in 2021 to the UK's Hornsea 2 Offshore Wind Farm; and
- Design and construction of three battery-powered roll on/roll off passenger (ropax) ferries for Norled AS, to be delivered in 2020, marking the Group's entry into the ropax ferry design and construction niche segment.

Other significant new orders totalling \$730 million secured in 2018 included:

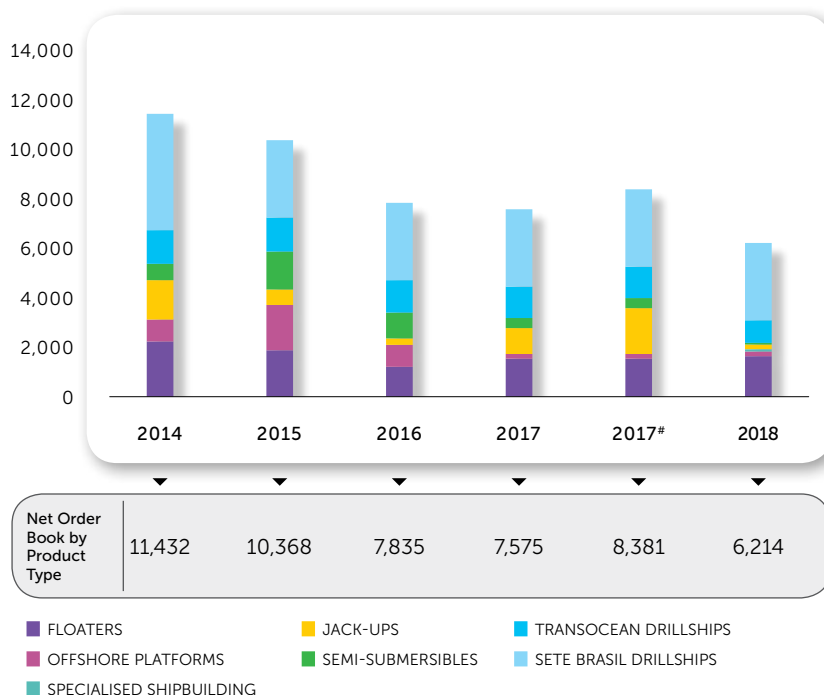
- Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible FPU; and
- Engineering, procurement and construction of hull, living quarters and topside modules for TechnipFMC's newbuild FPSO vessel.

As at the end of 2018, the Group had a net order book of \$6.2 billion with completion and deliveries stretching into 2021. This included \$4.04 billion in drillships (\$913 million in drillships, excluding Sete Brasil), \$67 million in non-drilling semi-submersible vessels, \$1.6 billion in Floaters, \$190 million in Offshore Platforms projects and a remaining \$196 million in jack-up rigs reflecting the tail end of deliveries under the Borr Drilling sale agreement, and \$85 million in Specialised Shipbuilding projects.

Contracts Secured (Excludes Repairs and Upgrades) \$ Million



Net Order Book by Product Type \$ Million



Notes:

- 2018 net order book is \$3.09 billion excluding Sete Brasil drillship contracts
- Comparative 2017 financial figures presented in accordance with SFRS(I) are marked **2017*** in the tables and charts. See page 30 for more details

OUR PEOPLE

**EMPOWERING
EMPLOYEES TOWARDS
OPERATIONAL
EXCELLENCE**



" Through the Professional Conversion Programme for Marine Industry, I was offered opportunities to further my education and train overseas with INSTEP, a Petronas-owned oil and gas technical training service provider. This programme has broadened my knowledge and appreciation of the oil and gas industry. I am now better equipped to manage the challenges of working on a wider range of offshore construction projects."

Mr Shawn Koh,
Sembcorp Marine Senior Engineer



Continuous Talent Development

In a dynamic operating environment where changes are more the rule than exception, Sembcorp Marine keeps its workforce agile and adaptable through active re-skilling, up-skilling and synergistic deployment across different projects.

Selective hiring of new talent boosts Sembcorp Marine's manpower capabilities further, enabling the Group to take on bigger and more complex offshore, marine and energy projects.



Sembcorp Marine employees undergoing the INSTEP training programme

Robust HSE Management

A robust health, safety and environment (HSE) regime helps ensure Sembcorp Marine's operations are efficient and sustainable, by keeping yard employees healthy and safe.

'The Quality of Today is the Safety of Tomorrow.'

This Sembcorp Marine dictum directs its employees to always deliver top quality work, as this directly impacts the safety of crews working aboard the rigs, vessels and platforms being built by the Group.



Sembcorp Marine wins Safety Initiative Award at 2018 Seatrade Maritime Asia Awards



Participants of the Safety Starts with Me Campaign at Sembcorp Marine Admiralty Yard