PRESS RELEASE

Sembcorp Marine posts 1H 2019 net loss of $7 million

Key highlights
For the six months to June 30, 2019 (1H 2019):

• Group revenue of $1.54 billion
• 1H 2019 EBITDA of $125 million
• Group net loss of $7 million
• Net order book of $5.27 billion

_Singapore, July 30, 2019_: Sembcorp Marine reported a net loss of $7 million for the six months ended June 30, 2019 (1H 2019), compared with a net loss of $50 million for 1H 2018.

Group revenue for 1H 2019 totalled $1.54 billion, compared with $2.81 billion booked in 1H 2018. The revenue decline in 1H 2019 was largely due to lower revenue from rigs and floaters and offshore platform projects, partially offset by higher revenue from repairs and upgrades.

On a segmental basis:

• Revenue for **Rigs & Floaters** was $1.22 billion in 1H 2019, compared with $2.41 billion in 1H 2018. 1H 2018 higher revenue had been due to revenue recognition on delivery of 4 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL, and the sale of a semi-submersible rig. Revenue in 1H 2019 was mainly contributed by higher percentage recognition from drillship and floater projects, including the Transocean drillships, the Shell Vito floating production unit (FPU), the Johan Castberg floating, production, storage and offloading (FPSO), and the Karish
FPSo projects, as well as revenue recognition on delivery of one jack-up rig to Borr Drilling.

- **Offshore Platforms** revenue was $49 million in 1H 2019, lower than the $147 million in 1H 2018 due to the lack of large-scale contracts recognised during the period, as well as low initial revenue recognition from the Hornsea II windfarm substations and Tangguh module projects. 1H 2018 had seen contributions from three topside modules for the Culzean platform projects, which were completed and delivered on schedule in June 2018.

- Revenue from **Repairs & Upgrades** totalled $245 million in 1H 2019 compared with $205 million in 1H 2018, on higher value of work done per vessel. A total of 153 vessels were repaired or upgraded at Sembcorp Marine yards in 1H 2019 compared with 158 units in 1H 2018. Average revenue per vessel was higher at $1.6 million (1H 2018: $1.3 million) on improved vessel mix of higher-value works. Excluding the delivery of rigs, 1H 2019 revenue would have been $1.3 billion, an increase of 26% compared with $1.1 billion in 1H 2018.

Earnings before interest, tax, depreciation and amortization (EBITDA) was $125 million in 1H 2019, higher than the $62 million made in 1H 2018.

Group operating profit for 1H 2019 was $3 million, compared with an operating loss of $33 million in 1H 2018. 1H 2019 operating profit was low mainly due to continued low overall business volume which has impacted the absorption of overhead costs. It also included the accelerated depreciation of $22 million for Tanjong Kling Yard (TKY), arising from the Group’s transformation and yard consolidation strategy, where the Group will move all operations from its TKY by end 2019 and realise cost savings estimated at $48 million per annum from FY 2020 onwards.

The Group posted a pre-tax loss of $16 million. Net loss attributable to shareholders was $7 million, following a tax credit of $8 million.

New contracts secured in 1H 2019 totalled $175 million. They included the design and construction of a 12,000 cubic metre LNG bunker vessel as well as repair and modernisation works on 13 cruise ships. The low level of orders will impact negatively on production activities in the second half. The Group net order book stands at $5.3 billion. Excluding the Sete Brasil contracts, the net order book is $2.1 billion.
Table A: Financial Highlights:

<table>
<thead>
<tr>
<th>Group (S$ million)</th>
<th>2Q 2019</th>
<th>2Q 2018</th>
<th>% change</th>
<th>1H 2019</th>
<th>1H 2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>731.3</td>
<td>1,627.2</td>
<td>(55)</td>
<td>1,541.9</td>
<td>2,807.5</td>
<td>(45)</td>
</tr>
<tr>
<td>Gross Profit/ (Loss)</td>
<td>4.6</td>
<td>(47.1)</td>
<td>n.m.</td>
<td>26.4</td>
<td>(4.0)</td>
<td>n.m.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>56.8</td>
<td>(3.7)</td>
<td>n.m.</td>
<td>125.1</td>
<td>61.8</td>
<td>102</td>
</tr>
<tr>
<td>Operating (Loss)/ Profit</td>
<td>(4.4)</td>
<td>(52.6)</td>
<td>(92)</td>
<td>2.7</td>
<td>(33.0)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(15.1)</td>
<td>(66.4)</td>
<td>(77)</td>
<td>(16.3)</td>
<td>(60.3)</td>
<td>(73)</td>
</tr>
<tr>
<td>Net Loss</td>
<td>(8.5)</td>
<td>(55.6)</td>
<td>(85)</td>
<td>(6.8)</td>
<td>(50.3)</td>
<td>(86)</td>
</tr>
<tr>
<td>EPS (basic) (cts)</td>
<td>(0.41)</td>
<td>(2.66)</td>
<td>(85)</td>
<td>(0.33)</td>
<td>(2.41)</td>
<td>(86)</td>
</tr>
<tr>
<td>NAV (cts)</td>
<td></td>
<td></td>
<td></td>
<td>110.48</td>
<td>*110.68</td>
<td>-</td>
</tr>
</tbody>
</table>

* as at 31 December 2018

2Q 2019 versus 2Q 2018

On a quarterly basis, Group turnover for 2Q 2019 was at $731 million compared with $1.63 billion in 2Q 2018. 2Q 2018 higher revenue had been due to revenue recognition on delivery of rigs.

Excluding the effects of the rigs in 2Q 2018, 2Q 2019 revenue would have been $722 million, an increase of 26% compared with $572 million in 2Q 2018.

Group EBITDA was $57 million compared with a loss of $4 million in 2Q 2018.

The Group incurred a net loss of $9 million in 2Q 2019 compared with a net loss of $56 million in 2Q 2018. This was mainly due to accelerated depreciation of $11 million booked in 2Q 2019. A $6 million tax credit was also booked during the quarter.
Balance Sheet and Cash Flow

Net debt totalled $3.33 billion, with net debt to equity at 1.42 times as at 30 June 2019 compared with 1.47 times as at 31 March 2019 and 1.44 times as at 31 December 2018.

Operating cash flow generated before working capital changes was $125 million in 1H 2019 compared with $66 million in 1H 2018.

Net cash generated from operations in 1H 2019 was $273 million, mainly from receipts for completed projects, partially offset by working capital for ongoing projects.

The Group recorded net current liabilities of $1.15 billion as at 30 June 2019, as a result of reclassification of current portion of long-term borrowings. This will be re-profiled with the drawdown of the $2 billion subordinated loan facility.

Five-year $2.0 billion Subordinated Loan Facility

On 21 June, 2019, Sembcorp Marine announced jointly with Sembcorp Industries (SCI) that it had secured a five-year subordinated loan facility totalling $2 billion from SCI, which will strengthen the Group’s financial position and enable it to better compete and seize opportunities as the industry recovers. SCI is the largest shareholder of Sembcorp Marine with a 61% stake in the Company.

On 8 July 2019, $1.5 billion of the Subordinated Loan was drawn down to retire short term borrowings and re-profile the remaining borrowings with longer term maturities. The balance $500 million will be drawn down for working capital and general corporate purposes.

Market Outlook

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.

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 continues to gradually improve, underpinned by IMO
regulations that require ballast water treatment systems and gas scrubbers to be installed.

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.

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

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