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Company Registration Number: 196300098Z

Sembcorp Marine Trading and Liquidity Update For the Period 13 May 2020 – 8 June 2020

Introduction

1. Sembcorp Marine issued its 1Q2020 Interim Business Update on 13 May 2020. From this date up to 8 June 2020, the Group continues to be impacted by two ongoing developments:
 - Operational and supply chain disruptions due to COVID-19 and government measures to control the pandemic in Singapore; and
 - Major oil companies deferring their final investment decisions (FIDs) for projects sanction and cutting their capital expenditure (CAPEX) significantly for 2020 due to low and volatile oil prices.

Impact of COVID-19 Pandemic and Collapse in Oil Prices

2. From April 7 to June 1, 2020, the government's COVID-19 "circuit breaker" measures, in particular movement restrictions measures that disallowed migrant workers from leaving their dormitories for work, had resulted in substantial reduction in our operating yard workforce from about 20,000 to 850 persons.
3. These restrictions were imposed for an overriding public health benefit. The Company recognises that COVID-19 infections impacted the migrant worker population significantly, and is thankful for the efforts of many across the health system who have been supporting our workers during this difficult period.
4. During this period, all of our yard production activities were suspended. Completion of most of our ongoing projects will be delayed by at least a few months.

5. The government's movement restrictions measures have since been extended beyond June 1. While these measures are expected to be lifted gradually in the coming months, it may take some time before our yard workforce reverts to its pre-COVID-19 levels. We expect further delays in completing our projects.
6. We will continue to assess the impact on our project schedules and are working closely with our customers to manage the ongoing projects during this challenging period. We aim to reactivate our workforce and resume work safely and efficiently when the measures are gradually lifted. To-date, there has been no cancellation of any of our existing projects.
7. Meantime, sustained low and volatile oil prices continue to adversely impact our securing of new orders.

Operations Review

8. Securing new orders remains a big challenge. While we continue to be actively engaged with customers to progress potential orders, no new orders have been secured since the beginning of FY 2020.
9. Our Repairs & Upgrades business have increasingly been affected by disruptions to global shipping and cruise operations.
10. With minimal operating activities since mid-April 2020, revenue recognition for 2Q 2020 is expected to be low.
11. The Group's financial performance for 1H 2020 is expected to weaken significantly.

Cash Flow and Liquidity Management

12. With lower revenue receipts, operating cash inflow is expected to be low. There may be opportunities to defer some trade payments in tandem with delays in project execution. Overall net operating cash flow is expected to be negative for 2Q20.
13. We continue to right-size our resources in response to the activities outlook. The government's COVID-19 support budgets have helped to mitigate our costs.
14. We have deferred all non-essential CAPEX to preserve our cash and will continue to manage our overall liquidity with prudence and discipline.
15. We have recently completed the refinancing of two term loans that mature this month with longer-term maturities. We continue to make progress in the refinancing of other maturing loans.

Outlook

16. Overall business volumes for all segments are expected to weaken further for the rest of the year. With new orders likely to remain depressed for a prolonged period, the Group now foresees that recovery will be pushed out further to 2021 and beyond.
17. In light of the challenging and deteriorating business environment, Sembcorp Marine's current priority is to ensure that it has adequate liquidity to sustain operations and ride through the severe downturn.
18. The Group will continue to focus on safe and timely execution of ongoing projects. At the same time, we will look for opportunities to secure new orders.
19. Please also refer to [Sembcorp Marine's 1Q2020 Interim Business Update](#) available on www.sembmarine.com.
20. Shareholders are also advised to refer to Sembcorp Marine's announcement dated 8 June 2020 in relation to the proposed renounceable underwritten rights issue of new ordinary shares in the capital of Sembcorp Marine ("**Rights Shares**") and the proposed distribution in specie by Sembcorp Marine's parent company.

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