

**Address by Mr Wong Weng Sun, President & CEO, at Sembcorp Marine Ltd
1H 2020 Results Briefing on 15 July 2020**

1. Good evening, everyone. Thank you for joining us at Sembcorp Marine 1H 2020 results briefing.

Impact of COVID-19 and Oil Price Collapse

2. Since the beginning of the year, global economies have been severely affected by COVID-19. Measures to contain this unprecedented pandemic have disrupted travel and transportation, manpower access and plant operations, and the supply chains of virtually all industries. With economic activities brought almost to a standstill in many countries, the corresponding expected reduction in oil and energy demand contributed to the collapse of oil prices in March 2020.
3. The current low and volatile oil prices have forced oil producers to defer their final investment decisions (FIDs) for field developments and slash their capital expenditure (CAPEX) for 2020. This has severely affected our securing of new orders.
4. The disruption of global supply chains has also caused delays in the execution of our existing projects. And with the Singapore Government's measures to contain COVID-19, including movement restrictions disallowing migrant workers from leaving their dormitories to report for work, our operating yard workforce (including sub-contractors) has been substantially reduced.
5. As a consequence, all our Singapore yards had to stand down production activities from April, causing further delays to the execution of our existing projects.
6. Our Repairs & Upgrades business has also been significantly affected by disruptions to global shipping and cruise operations.
7. With the relaxation of COVID-19 measures in Singapore in June, our production activities have gradually resumed from early July, as I shall elaborate later.
8. Completing our ongoing projects is our foremost operational task. I shall highlight shortly our list of projects under execution. In addition, our Repairs & Upgrades business has outstanding orders for execution totalling about \$280 million.

Our Immediate Priority and Focus

9. The Group's immediate priority is addressing our urgent liquidity needs to fund our operations and ride out the protracted downturn in the offshore and marine industry, which has been saddled with profound structural changes in the oil and gas sector and intensifying international competition.

10. Last year, to strengthen our finances, our parent company Sembcorp Industries (SCI) injected \$1.5 billion in cash into the Group via a Subordinated Loan. This was used to retire an equivalent amount of borrowings and improve our balance sheet.
11. We had positioned ourselves for recovery in 2020, but we were unexpectedly hit by COVID-19 and the collapse of oil prices, which deepened the industry downturn and exacerbated our situation.
12. Given the delays in executing our existing projects, and with new orders likely to remain depressed in 2020, the Group now foresees that recovery will be pushed out to 2021 and beyond.
13. These developments led to our proposed Rights Issue announced on June 8, 2020. I will also elaborate on this and the accompanying Demerger from SCI later.

Financial Performance

14. Let me now go through the key numbers of our half-year financial performance.
15. In 1H 2020, the Group generated revenue of \$906 million, which is 41% lower than the \$1.54 billion in 1H2019, due to the stand down of production activities since April 2020.
16. Net loss for 1H 2020 was \$192 million, on account of higher project costs and significantly reduced operating activities due to COVID-19 related reasons.
17. Net order book as at end June 2020 stood at \$1.91 billion. As mentioned earlier, our Repairs & Upgrades business has further outstanding orders for execution totalling about \$280 million.
18. Our Group Finance Director, William Goh, will cover more details on Sembcorp Marine's financial performance later.

Operations Review

Projects in Progress

19. Sembcorp Marine's key projects under execution are listed below. The total contract value of these projects is \$6.5 billion. The work outstanding as at 30 June 2020 amounts to \$1.91 billion.

Projects Under Execution as at 30 June 2020
<p>Renewables Solutions</p> <ul style="list-style-type: none"> • Hornsea 2 Offshore Wind Farm - Jacket Foundations and Topsides • Formosa 2 Offshore Wind Farm – Foundation Jackets
<p>Process Solutions</p> <ul style="list-style-type: none"> • Equinor Johan Castberg - Newbuild Floating Production, Storage and Offloading Vessel (FPSO) • TechnipFMC Karish - Newbuild FPSO • Shell Vito - Newbuild Floating Production Unit (FPU) • Shell Whale - Newbuild FPU • Gallaf Batch 2 Well Head Platforms • Tupi P-71 - Newbuild FPSO • Shapoorji - FPSO Conversion
<p>Gas solutions</p> <ul style="list-style-type: none"> • MOL LNG Bunker Vessel • Tyra Platforms and Bridges • Upgrade of Major Floating Storage & Regasification Units (FSRU) and Floating Storage Units (FSU), including FSRU Karmol LNGT Powership Africa, FSRU Karmol LNGT Powership Asia and Torman II (FSU)
<p>Ocean Living Solutions</p> <ul style="list-style-type: none"> • Battery-operated Roll-on, Roll-off Passenger Ferries (3 units)
<p>Advanced Drilling Rig Solutions</p> <ul style="list-style-type: none"> • Transocean 1 Drill Ship • Transocean 2 Drill Ship

Gradual Resumption of Work Activities

20. With the gradual relaxation of COVID-19 measures in Singapore since June 2020, Sembcorp Marine was allowed to gradually resume our yard operations on 6 July, and we have been doing so safely and progressively. We will take all required precautions to protect our workers, customers, vendors and other stakeholders, and to shield our operations from any possible resurgence of COVID-19 cases.

21. We have been working closely with our customers to restart the execution of our existing projects. To date, there has been no cancellation of any of our existing projects.

22. While we have yet to announce significant new orders this year, we have resumed discussions on several project opportunities. I am pleased that RWE Renewables, owner of the 1.4 gigawatt (GW) Sofia Offshore Wind Farm in the UK North Sea (“Project”), has selected Sembcorp Marine and our consortium partner GE’s Grid Solutions as the preferred supplier for the Wind Farm’s High

Voltage Direct Current (HVDC) electrical transmission system. Sembcorp Marine's scope of work includes the design, construction, installation and commissioning of the offshore converter platform for the Project. We have started early design works, ahead of the Project's FID in the first quarter of FY 2021.

23. Likewise, our Repairs & Upgrades business has resumed ongoing jobs and negotiating for new projects.
24. In May 2020, Sembcorp Marine's 50%-owned technology company, Aragon AS, firmed up contracts with Yinson to undertake the engineering, procurement and construction of seven modules for gas treatment, gas compression, utilities and flare systems for the FPSO Anna Nery.
25. Quark Expeditions' new 340-pax polar expedition vessel *Ultramarine*, designed by our subsidiary LMG Marin, was launched successfully at the Brodosplit Shipyard in May 2020.

Right-sizing and Group-wide Cost Optimisation

26. As the Group continues to seek new business in this challenging environment, we continue to manage our resources with added prudence and discipline during this difficult period.
27. Our workforce right-sizing is on-going and moving in tandem with our work activities and project load.
28. We have also implemented salary reductions in Singapore and in our overseas companies. I have volunteered a 50% pay cut, while senior management will take a 15% salary reduction; middle management – 10%; and the rest of our employees – a 5% cut. Those earning less than \$1,800 a month will not have any salary reduction.
29. The Sembcorp Marine Board is also continuing with a 10% reduction in director's fees this year, similar to FY2019.
30. In addition, we have deferred all non-essential CAPEX and implemented cost optimisation across all functions within the Group. We are paying careful attention to every aspect of our operations where costs can be reduced without compromising safety and quality.

COVID-19 Budget Support from Government

31. We are grateful to the Government for its support during the COVID-19 pandemic. We are benefiting from the Job Support Scheme (JSS), Enhanced Job Support Scheme (EJSS), Foreign Workers Levy Rebate and Waiver, and the Wage Credit Scheme.

Cash Flow and Liquidity Management

32. As I have mentioned earlier, our immediate priority is to address the Group's urgent liquidity needs to fund our operations and ride out the severe industry downturn.
33. Our Group CAPEX for 1H 2020 was about \$58 million, which is less than a third of the amount incurred in 1H 2019. Going forward, we expect CAPEX to remain low, as only maintenance CAPEX will be incurred to ensure the safety and operability of our yard facilities.
34. With no operating activities for almost three months in 1H 2020, our net cash used in operating activities was \$122 million. Net gearing was 1.35 times as at end June 2020, compared to 1.14 times at end December 2019.
35. As at 30 June 2020, the Group remained in a net current liabilities position of \$259 million, mainly due to term loans maturing over the next 12 months.
36. We are engaging with our lenders to refinance these loans with longer term maturities. In June 2020, we completed the refinancing of three term loans due that month, with longer term maturities.
37. The Group expects to have adequate existing loan facilities to repay or refinance current borrowings as they fall due.
38. We remain committed to exercising financial discipline and prudence to manage our balance sheet and further strengthen the Group's financial position.

Sembcorp Marine's Rights Issue and Demerger from Sembcorp Industries

\$2.1 billion Recapitalisation: Strengthening Liquidity and Balance Sheet

39. The right-sizing of our resources and other cost-saving measures for containing our cash outflow will not be sufficient to help us ride out the protracted industry downturn. We must urgently recapitalise to meet our immediate and foreseeable liquidity requirements, and strengthen our balance sheet.
40. This is why the Sembcorp Marine's Board and Management, after considering various financing options, believe that a \$2.1 billion Equity Rights Issue ("Rights Issue") presents the best option for us to recapitalise the Group. The proposed Rights Issue, when completed, will strengthen our balance sheet by converting our \$1.5 billion Subordinated Loan from SCI into equity on our balance sheet. This will lower our net gearing as at end 2019 from 1.82 times to 0.45 times on a pro forma basis, and significantly reduce our interest expense. We will also raise approximately \$0.6 billion additional cash to fund our working capital needs and other general corporate purposes, enable us to compete for high-value new orders and overall ensure our long-term viability.

41. We hope that shareholders will support our Rights Issue, so that we will have the financial resources to better position the Company for the industry's recovery. We want to be ready for new opportunities, particularly in the clean energy segments where we hope to enlarge our footprint in offshore wind solutions and other green solutions.

Demerger of Sembcorp Marine from SCI via Distribution in Specie

42. Along with the Rights Issue and settlement of the Subordinated Loan, Sembcorp Marine and SCI will demerge into two separate entities through a proposed distribution of Sembcorp Marine shares owned by SCI to SCI shareholders ("SCI Distribution"). This demerger will allow Sembcorp Marine to pursue its focused strategies. In particular, we want to further build our core engineering and execution capabilities that support our long-term future as a global leader in the offshore, marine and energy industries, with an increasing focus on clean energy solutions.

43. Upon the completion of the SCI Distribution, Temasek will become a direct and significant shareholder of Sembcorp Marine with a stake of more than 30%.

44. I should highlight that the Rights Issue and SCI Distribution can only proceed if Sembcorp Marine and SCI shareholders approve all inter-conditional resolutions at the respective companies' Extraordinary General Meetings to be held in August 2020.

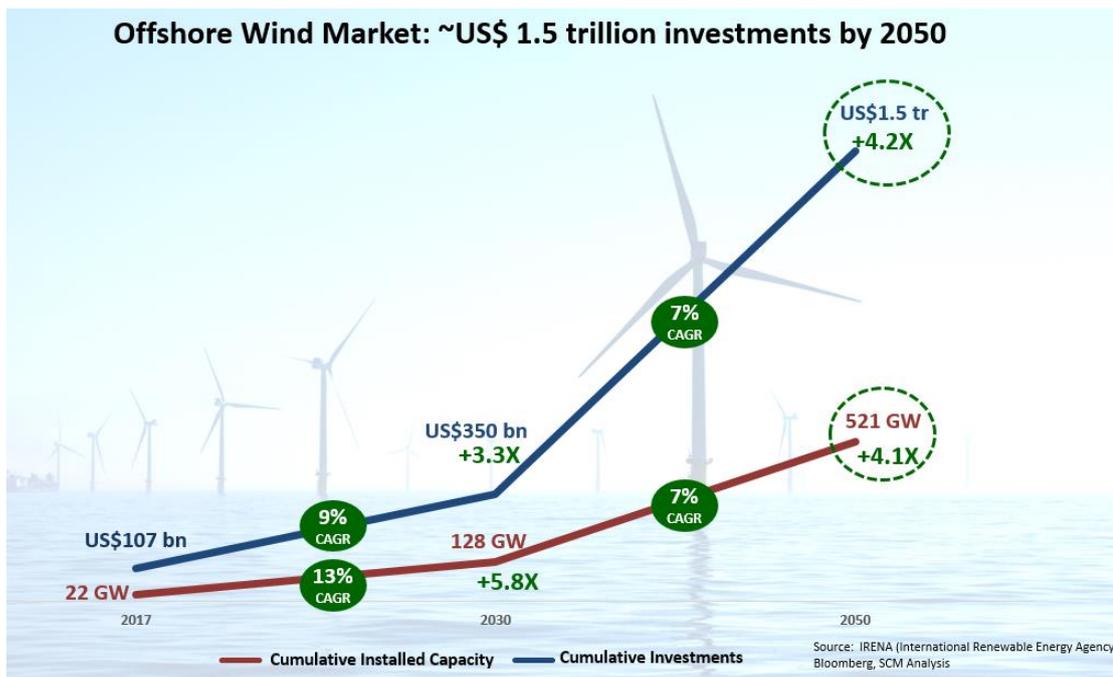
Key Business Strategies

45. I would like to take some time to explain our key business strategies going forward. To sustain our business and successfully compete in the global arena for new opportunities, Sembcorp Marine has implemented three key strategies:

- Proactive diversification and expansion into new and existing markets;
- Strategic strengthening of our yard capabilities; and
- Innovation development through investment in intellectual property, technology and solutions that give us a differentiated edge.

Proactive Diversification and Expansion into New and Existing Markets

46. While oil and gas remain our dominant focus for now, we have proactively diversified into clean energy segments. This is in keeping with the global shift towards a cleaner and greener energy mix. Such solutions leverage our integrated offshore and marine engineering capabilities to provide the full value chain of offshore wind and offshore gas solutions. One such project undertaken by the Company is the ongoing construction of two substation platform topsides and accompanying jackets for Hornsea 2, the world's largest offshore wind farm with a 1.4 gigawatt (GW) capacity, located in the United Kingdom North Sea.



Note:

In the chart above, "CAGR" means compound annual growth rate, "GW" means gigawatt, "bn" means billion, "tr" means trillion and "US\$" means United States dollars.

47. The global offshore wind market alone is forecast to grow to an estimated US\$1.5 trillion by 2050, with the North Sea being one of its key geographies. And as mentioned earlier, Sembcorp Marine, together with our consortium partner GE's Grid Solutions, has been appointed by RWE Renewables as the preferred supplier of the HVDC transmission system for the Sofia Offshore Wind Farm in the UK North Sea.

48. We are also moving further into the offshore gas value chain with solutions such as LNG-powered vessels, import and export terminals, and liquefaction and regasification solutions.

49. Other than *Gas and Renewables Solutions*, we have reorganised our market focus and introduced new products and solutions targeted at the following segments:

- *Process Solutions*, including for offshore oil and gas production;
- *Advanced Drilling Rigs Solutions*;
- *Ocean Living Solutions*, including ferries, cruise ships and expedition vessels such as the *Ultramarine* polar expedition ship designed for Quark Expeditions; and
- *Maritime Security Solutions*, including the design and construction of naval and patrol vessels.

50. Our proactive diversification and expansion strategy is already bearing fruit, with the Company achieving \$530 million of new orders from green energy solutions in FY 2019. We will work on gaining further traction in our new segments to establish more income streams over the longer term.

Strategic Strengthening of Yard Capabilities

51. We are seeking to differentiate Sembcorp Marine from global competitors by continuously strengthening our yard capabilities. While we recognise a physical limitation in the size and scale of our yards, especially in Singapore, we can achieve execution leadership through production and process innovation, supported by world-class assets to deliver safer, faster and more efficient project turnaround.
52. At our flagship Tuas Boulevard Yard, a new pair of gantry cranes with 30,000-tonne lifting capacity is enhancing our value proposition as a one-stop production centre capable of fabricating, assembling and installing larger and heavier integrated structures with greater cost-efficiency. These cranes and other advanced yard capabilities will give us the edge to compete effectively for high-value projects.
53. Tuas Boulevard Yard also has the region's longest and deepest ship repair dry docks that can accommodate ultra-large container carriers, mega-size cruise liners, LNG carriers and other new-generation ship types for maintenance, repairs and upgrading work. We are consistently ranked among the world leaders for the repair and upgrade of cruise ships and LNG carriers.

Innovation Development through Investment in Intellectual Property, Technology and Solutions

54. In recent years, Sembcorp Marine has been selectively acquiring intellectual property, technologies and engineering talent that provided us access to innovative designs for specialised vessels such as fully battery-operated roll-on, roll-off passenger and vehicle ferries, and other green products and solutions.
55. This strategic initiative was implemented before the oil crash in 2015, when we started transforming the Group for future growth. Coupled with long-term investments in research and development and disruptive technologies, our innovation development enables us to offer a wider range of highly customised or repeatable products and solutions.
56. Our key business strategies as outlined above will fortify the Group's resilience and competitive edge to ride through the current downturn and seize new opportunities when the industry recovers, especially in renewable energy and other green solutions. We are confident these strategies will boost our long-term financial viability and generate sustainable returns for shareholders.

Seatrade Maritime Awards Asia Sustainability Award

57. Aside from our commercial progress, I am pleased to say that Sembcorp Marine has won the Sustainability Award at this year's Seatrade Maritime Awards Asia, in recognition of our efforts to incorporate Sustainability in every aspect of our business operations.
58. Among various initiatives last year, Sembcorp Marine invested \$4.7 million in workforce competency and talent development to equip our employees particularly with new skills and knowledge that help them embrace Digitalisation, Augmented/Virtual Reality applications and other Industry 4.0 technologies which we have introduced into our operations and innovation development.
59. Our ongoing up-skilling and re-skilling programmes help employees and resident contractors enhance their employability with flexible know-how that supports Sembcorp Marine's widening spectrum of projects.
60. We are also working closely with research partners such as A*STAR on Digital Design, Advanced Manufacturing and other innovation areas to shorten the development cycle and time-to-market of new offshore, marine and clean energy solutions.
61. The Seatrade Maritime Asia Sustainability Award reminds us that even as we are now grappling with the COVID-19 pandemic and tough market conditions, Sustainability must never take a backseat at any time. We are grateful to our customers, employees and industry partners for their support.

Looking Ahead

62. We will continue to right-size our resources and optimise our costs to preserve critical skills and competencies within the Sembcorp Marine Group, in particular, Singapore-based engineering and PMET talent. This will ensure that we have the needed resources to respond to new opportunities when the industry recovers.
63. We remain focused on adapting and gearing up our skills, technologies, and production capabilities and capacity to meet changing market needs and compete for high-value orders in new segments.
64. If the proposed Sembcorp Marine Rights Issue and Demerger from SCI are approved by shareholders, we will chart a new chapter going forward. We will increasingly diversify into new growth areas like offshore wind, and expand deeper into our established segments, such as the gas value chain. We will improve and transform our solutions through continuous R&D, supported by strategic investments in intellectual property, technologies and engineering and construction capabilities; and we will deliver industry-leading project executions.

65. While the road ahead will be very challenging, Sembcorp Marine has demonstrated an ability to adapt and reinvent ourselves over the years. We delivered healthy profits consistently before the oil price crash in 2015. I believe we have both the resolve and ability to achieve the same when our industry recovers and new opportunities emerge from the continuing global transition towards clean energy and other green solutions.

Outlook

66. Sembcorp Marine is gradually resuming project executions safely and progressively. How soon the Group's workforce will be allowed to return to full strength will determine the business outlook in subsequent quarters.

67. Sembcorp Marine will work to ensure adequate liquidity and financial strength to sustain its operations and ride through the severe industry downturn and COVID-19 pandemic.

68. In this difficult business environment, Sembcorp Marine expects its losses to continue into the foreseeable quarters.

Closing

69. On this note, I will now hand over to William who will take us through the Group's financial performance in 1H 2020.

70. Thank you very much.

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.