

GROUP FINANCIAL REVIEW

FINANCIAL SUMMARY

The Group posted a net loss of \$439 million in FY2020, before the following material impairments & provisions:

- an increase in provision of \$74 million for reinstating the Group's vacated Tanjong Kling Yard;
- an increase in impairment loss of \$49 million on a marine vessel;
- a write down of inventory relating to jack-up equipment amounting to \$34 million; and
- an expected credit loss on receivables of \$5 million.

The material impairments and provisions totalled \$162 million on a pre-tax basis and \$144 million post-tax.

Financial Results – Before material impairments and provisions

\$'M	2020	2019	% Change
Gross Loss	(456)	(92)	n.m.
EBITDA	(218)	104	n.m.
Net Loss	(439)	(137)	n.m.

Including the impairments and provisions, the Group registered a net loss of \$583 million. At the operating level, the losses were due mainly to the adverse effects of COVID-19. Singapore's pandemic containment measures implemented in April led to extended production stoppages and consequent delays in project execution and completion. Production activities resumed gradually from early-July 2020 to reach almost full workforce levels near the end of November 2020. The production delays contributed to higher costs for all segments, especially Rigs & Floaters and Specialised Shipbuilding projects.

Financial Results

\$'M	2020	2019	% Change
Gross Loss	(490)	(92)	n.m.
EBITDA	(380)	104	n.m.
Net Loss	(583)	(137)	n.m.

TURNOVER

Group turnover for FY2020 was \$1.51 billion, a decrease of 48%, due to the adverse impact of the COVID-19 pandemic on the macro-environment and resulting oil price volatility. Delays in execution of existing projects and the securing of new projects contributed to the lower turnover.

FY2020 revenue recognition was lower for Rigs & Floaters and Repairs & Upgrades businesses, mitigated by higher revenue recognition for Specialised Shipbuilding and Offshore Platform businesses, which includes Renewable Solutions.

NET LOSS

The Group recorded a net loss of \$583 million in FY2020. This was mainly due to COVID-19 which contributed to (i) delays in projects execution and securing of new projects, resulting in lower overall business volumes; (ii) higher overall costs incurred for all projects, especially for Rigs & Floaters and Specialised Shipbuilding projects; as well as \$144 million of asset impairments and provisions. The loss was partly offset by profit from Repairs & Upgrades and Offshore Platform businesses, which included Renewable Solutions; and government grants for the COVID-19 pandemic.

The \$144 million impairments and provisions, which on a pre-tax basis, amounted to \$162 million, included (i) an increase in provisions of \$74 million for reinstating the Group's vacated Tanjong Kling Yard; (ii) an impairment loss of \$49 million on a marine vessel; (iii) a write down of inventory relating to jack-up equipment amounting to \$34 million; and (iv) an expected credit loss on receivables of \$5 million.

\$2.10 BILLION RIGHTS ISSUE AND DEMERGER WITH SEMBFCORP INDUSTRIES

The Group's \$2.10 billion Rights Issue and demerger of Sembcorp Marine from Sembcorp Industries Ltd ("SCI") were successfully completed in September 2020. The Rights Issue enabled the Group to strengthen its liquidity and balance sheet, while the demerger allowed the Group to be more focused in executing its business strategy. The Group's business is now on a firmer footing with Temasek Holdings as a direct and significant shareholder.

\$1.50 billion of the \$2.10 billion Rights Issue proceeds was used to settle the outstanding principal of \$1.50 billion under the Subordinated Loan from SCI by effectively converting it into equity. Of the balance \$0.60 billion, \$0.10 billion was mainly used for working capital purposes.

FINANCIAL POSITION

The Group's shareholders' funds increased by 69% to \$3.67 billion as at 31 December 2020, largely resulting from the \$2.10 billion Rights Issue in September 2020.

Net debt as at 31 December 2020 was \$2.78 billion, an improvement of 31%. Net gearing improved to 0.75 times as at 31 December 2020, from 1.14 times a year earlier (excluding subordinated loan).

As at 31 December 2020, the Group had net current liabilities totalling \$259 million arising mainly from loans maturing in the next twelve months. The Group has adequate loan facilities to settle or refinance current borrowings as they fall due.

CASH FLOW AND LIQUIDITY

As at 31 December 2020, the Group's cash and cash equivalents amounted to \$772 million.

Net cash used in operating activities for FY2020 was \$750 million. This was mainly due to the impact of COVID-19, with lower operating cash inflows from less operating activities, and increased costs, resulting in higher net working capital needs.

Net cash used in investing activities for FY2020 was \$88 million, significantly lower than FY2019's \$312 million. This was the result of ongoing Group-wide discipline to defer all non-essential capital expenditures to preserve cash flow and manage overall liquidity prudently.

Net cash generated from financing activities for FY2020 was \$1.23 billion. This related mainly to the net proceeds of \$0.60 billion from the Group's \$2.10 billion Rights Issue, as well as drawdown of existing facilities as part of liquidity management due to the uncertain circumstances in FY2020.

Cash and cash equivalents increased in FY2020 to \$772 million, again due mainly to net proceeds from borrowings, and the \$2.10 billion Rights Issue. The increase is offset by capital expenditures and net working capital for ongoing projects.

SHAREHOLDER RETURNS

The Group recorded a return on equity of -19.9% in FY2020. There was no dividend proposed for the financial year ended 31 December 2020.

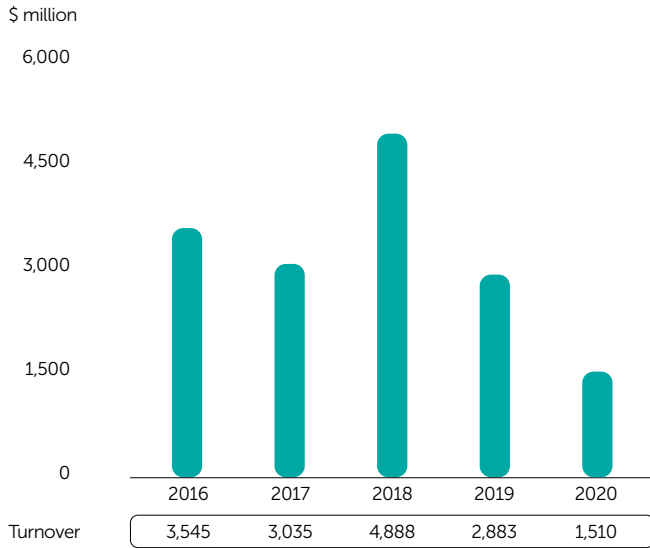
Group Financial Highlights

	2020 \$'000	2019 \$'000	Change %
Group Income Statement			
Turnover	1,510,280	2,882,560	(48)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(379,816)	103,678	n.m.
Operating loss	(581,545)	(138,790)	n.m.
Loss before tax	(670,708)	(176,960)	n.m.
Net loss	(582,510)	(137,174)	n.m.
Group Balance Sheet			
Total assets	8,970,224	8,458,772	6
Total liabilities	5,274,077	6,251,994	(16)
Net tangible assets	3,446,397	1,926,967	79
Equity attributable to owners of the Company	3,667,396	2,173,308	69
Non-controlling interests	28,751	33,470	(14)
Total equity	3,696,147	2,206,778	67
Cash and cash equivalents	772,426	389,250	98
Interest-bearing borrowings	3,549,794	2,900,792	22
Subordinated loan	-	1,500,000	(100)
Net debt	2,777,368	4,011,542	(31)
Economic Value Added (EVA)			
Net operating loss after tax (NOPAT)	(563,210)	(95,200)	n.m.
Capital charge	421,053	433,887	(3)
EVA	(984,263)	(529,087)	86
EVA attributable to owners of the Company	(975,712)	(521,575)	87
Financial Ratios			
Earnings per share (EPS)			
Basic (cents)	(10.88)	(6.32)*	72
Diluted (cents)	(10.88)	(6.32)*	72
Net asset value per share (cents)	29.21	103.96	(72)
Net tangible assets per share (cents)	27.45	92.18	(70)
Return on turnover (%)	(38.57)	(4.76)	n.m.
Return on total assets (%)	(5.11)	(0.12)	n.m.
Return on equity (%)	(19.95)	(6.12)	n.m.

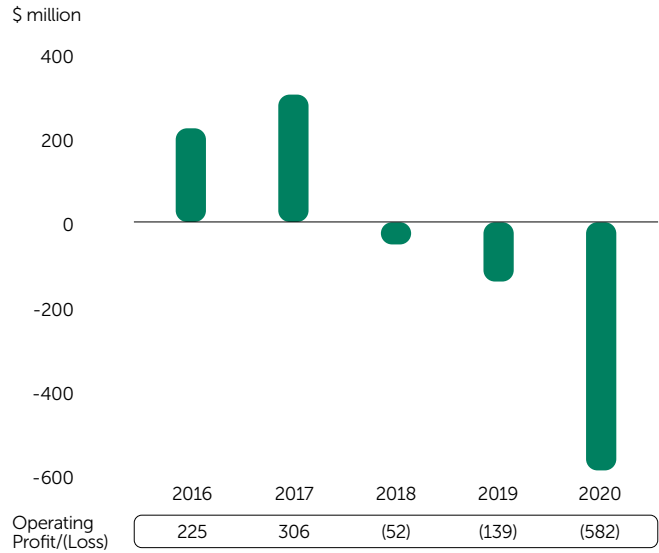
* Restated per SFRS(I)1-33 through retrospective application of a bonus factor to the weighted average number of shares.

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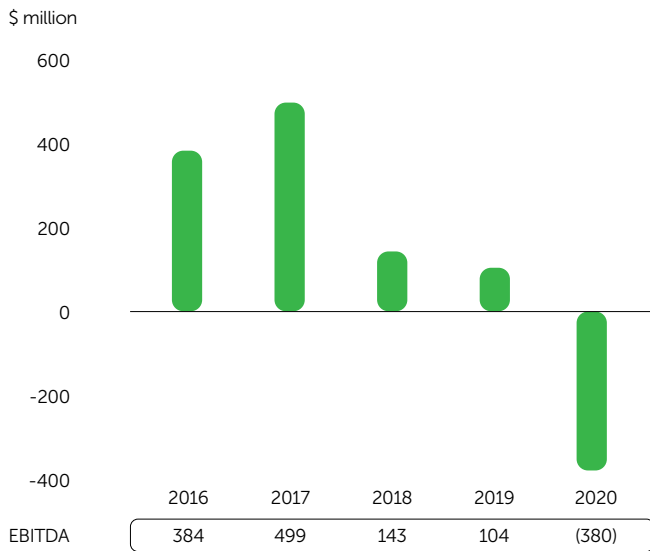
Turnover



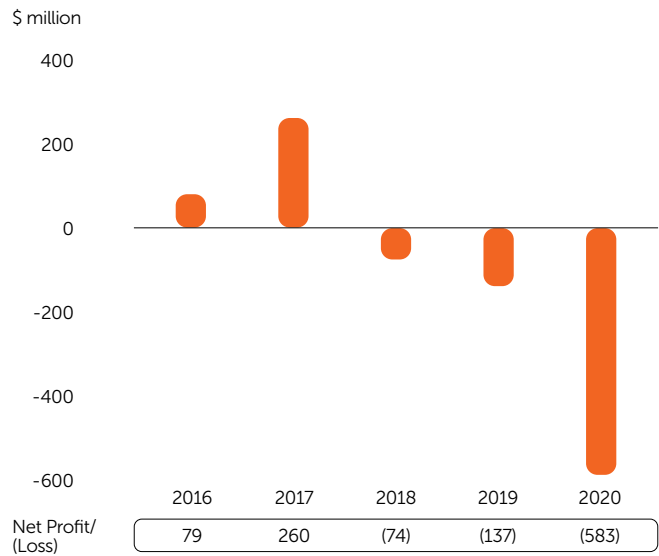
Operating Profit/(Loss)



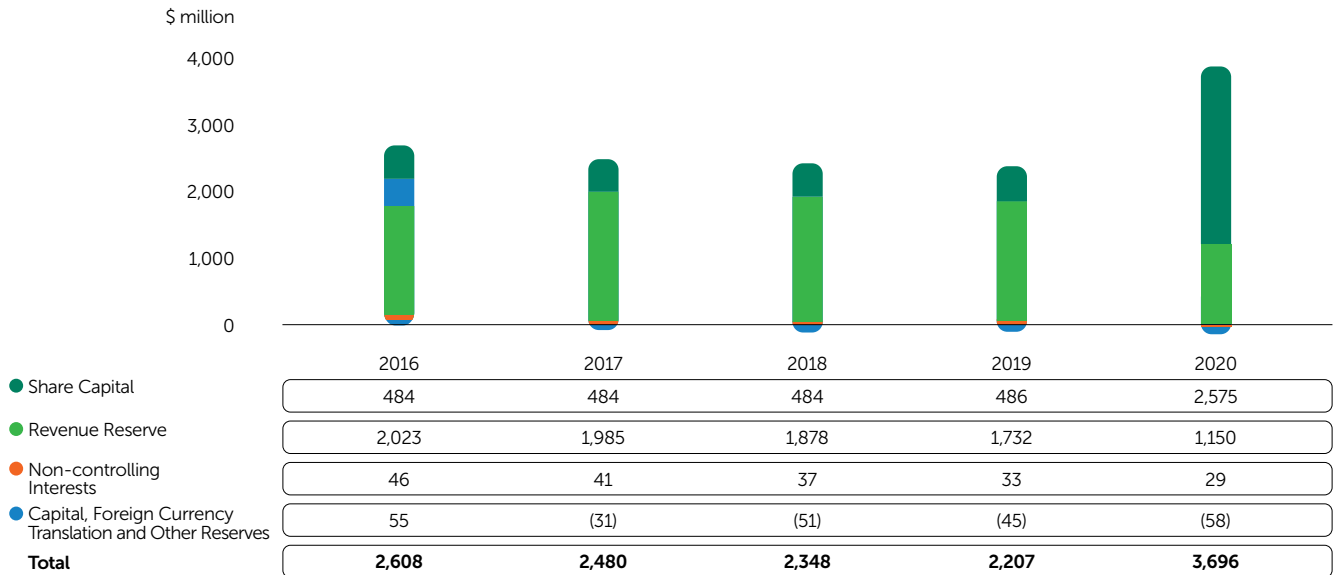
EBITDA



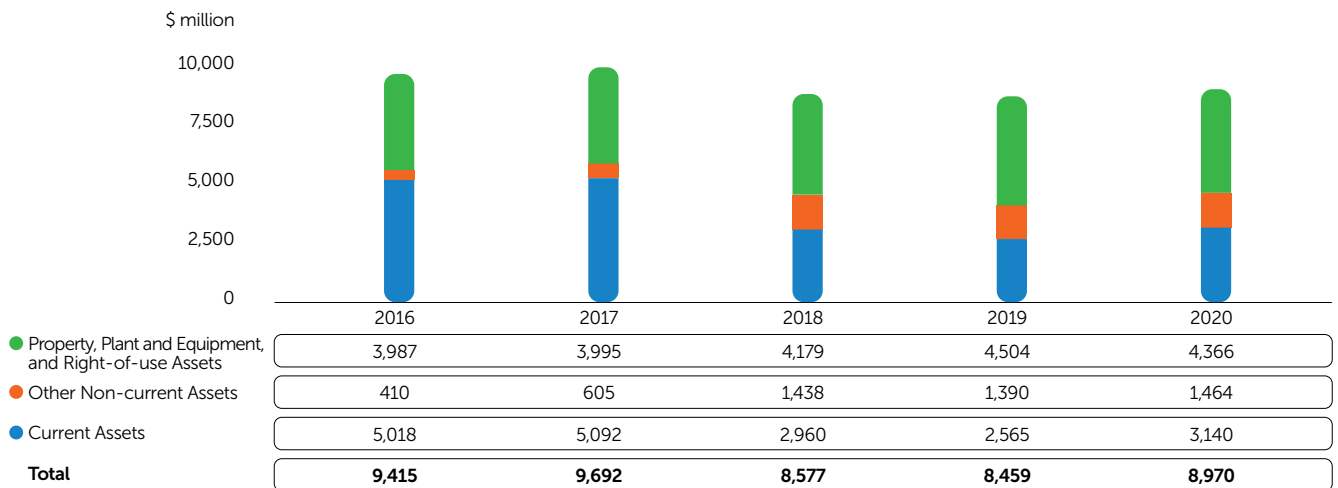
Net Profit/(Loss)



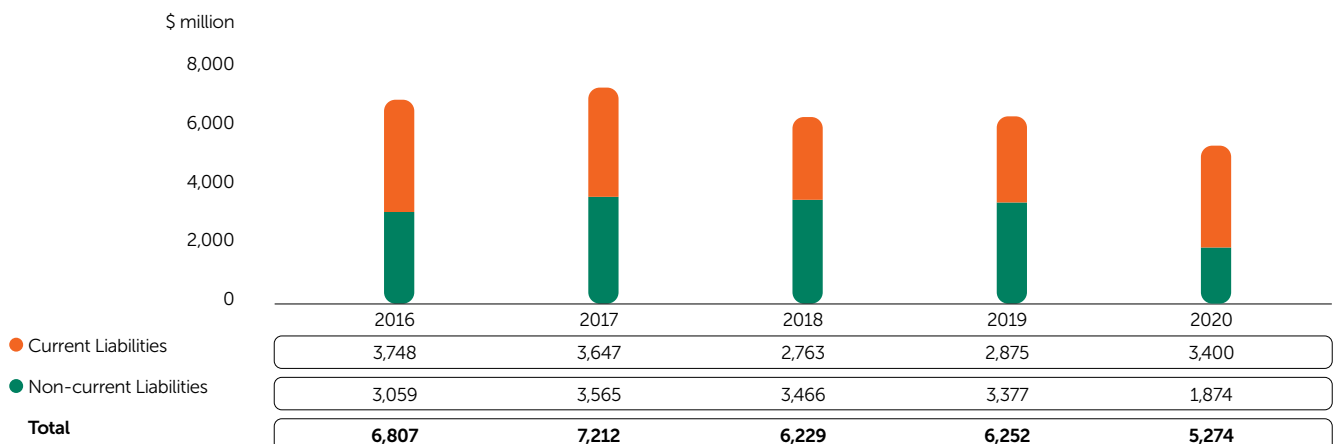
Total Equity



Assets

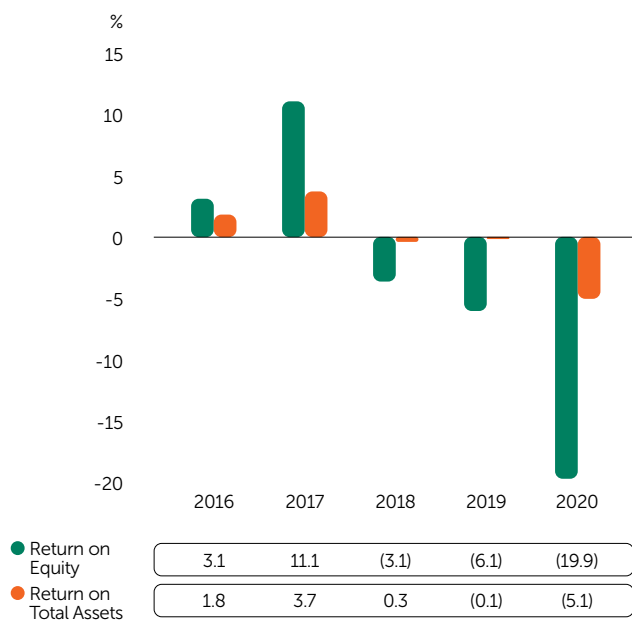


Liabilities



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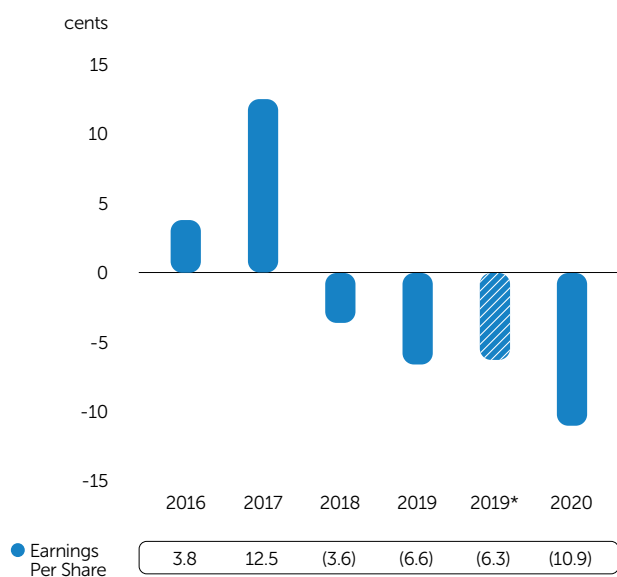
Return on Equity and Return on Total Assets



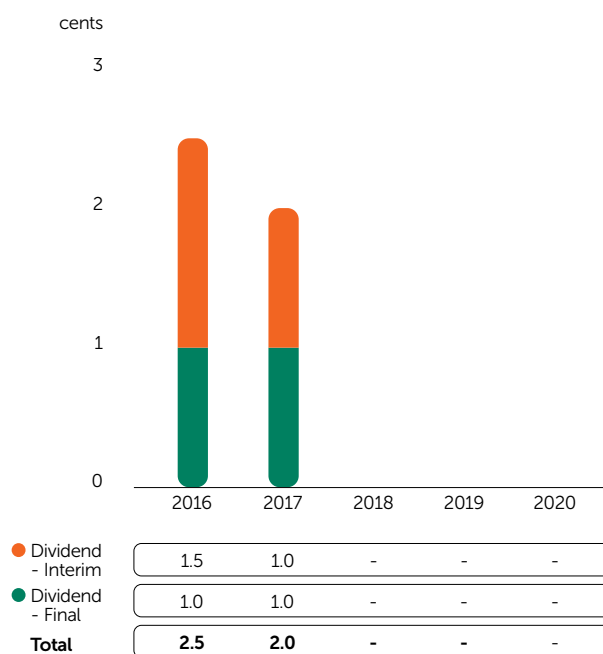
Net Tangible Assets and Net Asset Value Per Share



Earnings Per Share

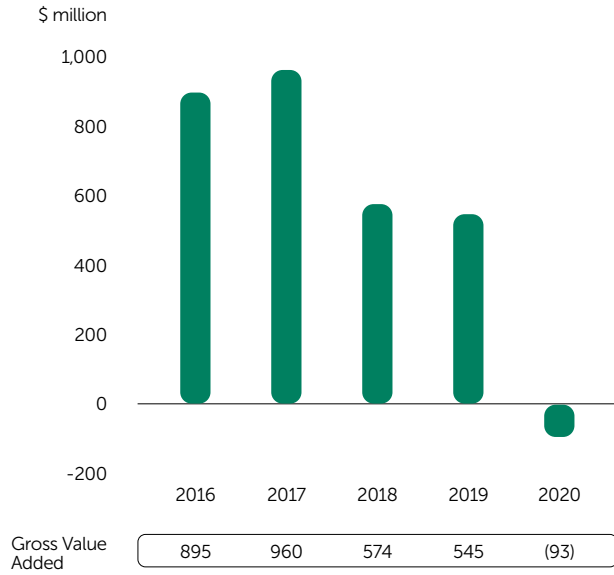


Dividend Per Share



* Restated per SFRS(I)1-33 through retrospective application of a bonus factor to the weighted average number of shares.

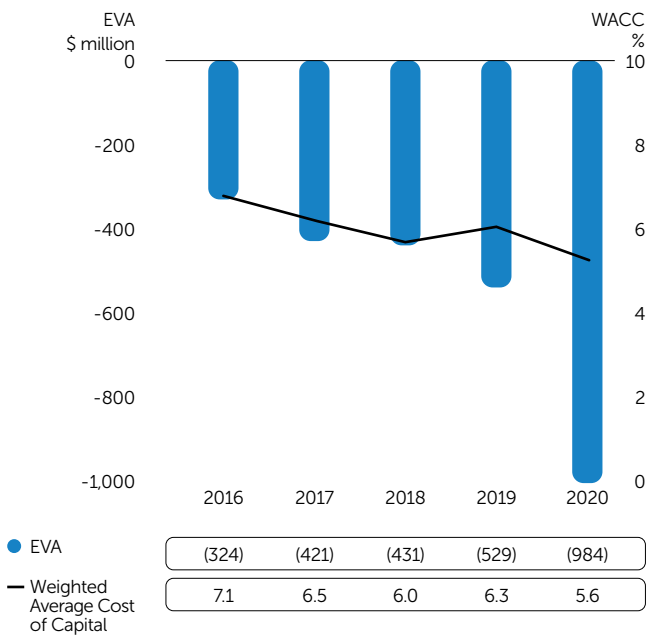
Gross Value Added



Value Added Per Employee



Economic Value Added (EVA)



Distribution of Value Added

